

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

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C O R P O R A T E P A R T I C I P A N T S

Michael Mathews, Chairman and Chief Executive Officer

Matt LaVay, Chief Financial Officer

C O N F E R E N C E C A L L P A R T I C I P A N T S

Jeremy Hamblin, Craig-Hallum

Eric Martinuzzi, Lake Street Capital

Owen Rickert, Northland Securities

Rajiv Sharma, B. Riley Securities

P R E S E N T A T I O N

Operator

Good afternoon. Welcome to Aspen Group's Fiscal Year 2022 Fourth Quarter Earnings Call.

On the call today from the Company are Michael Mathews, Aspen Group's Chairman and Chief Executive Officer; and Matt LaVay, Chief Financial Officer.

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 anticipated future revenue trends including from our new Atlanta campus, the timing for new campuses to achieve profitability, USU growth, nursing attrition trends, our proposed marketing and other spending trends, our future growth and growth strategy, bookings growth in Fiscal 2023 and LTV.

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, our Form 10-Q for the nine months ended January 31, 2022, and 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'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 talking about the Company's performance. Reconciliations to the most directly comparable GAAP financial measures are provided in the tables in the press release issued by the Company today. Please note that the press release is available on Aspen Group's website, aspu.com, on the IR Calendar page, under News and Events. The transcript of this conference call will be 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 Presentation page under Company Info.

Now, I will turn the call over to Mr. Mathews.

Michael Mathews

Good afternoon, and thank you for joining our call today.

Careful control of our marketing expenses in the fourth quarter reduced our net loss, resulting in positive Adjusted EBITDA and reducing our cash burn without compromising our ability to achieve our revenue target for the fourth quarter. This performance demonstrates the leverage in our business model and our ability to improve operating results with controlled spending.

For the fourth quarter, we reduced our marketing spend sequentially by \$1 million, primarily to ensure sufficient collateral for a surety bond requested by the State of Arizona. While this tempered overall enrollments in the quarter, we achieved our revenue goal helped by our USU FNP program, which remained our fastest growing program demonstrating the ongoing demand for this high LTV program. For Fiscal Year '22, Aspen Group's revenue rose by 13%.

Let's dive into the factors that affected our fiscal year results.

Starting with the positives. We initiated Aspen 2.0, one year ago, and it worked well in Fiscal Year '22, delivering the results we anticipated. With Aspen 2.0, we achieved optimal cash management, primarily due to focusing the marketing spending on our new pre-licensure campuses and high LTV programs that delivered growth for the full year, as well as keeping corporate G&A expenses flat year over year.

Another big positive in Fiscal Year '22 was the launch of our new Atlanta pre-licensure campus. We are currently enrolling in this mega metro, which is larger than Phoenix, where we are off to

a strong start evidenced by healthy lead generation that is building a pipeline of prospective students. In our first 120 days of marketing in Atlanta, we have enrolled just over 80 first year PPN or pre-requisite students, and that pace isn't far off from the first 120 days in Phoenix back in 2017, when we enrolled about 120 students during that same timeframe.

As everyone who follows our industry knows, the higher education for-profit sector, and in particular post-licensure nursing schools offering RNs online advanced degree programs, experienced significant headwinds in the past 18 months. Many universities saw lower class starts and compressed enrollments across the board.

In Fiscal Year '22, Aspen Group's post-licensure degree program enrollments in class starts were impacted by the increased workloads nurses were experiencing, which severely limited their availability to take classes, or require them to delay their enrollment in new degree programs. In addition, the reprioritization of marketing funds with Aspen 2.0 impacted enrollment in our nursing, plus other unit, with less marketing dollars to drive leads we saw lower enrollments in the Aspen RN to BSN and MSN programs than in prior periods.

We saw two distinct patterns with our Aspen RN students during this timeframe. First, as we discussed in our previous earnings call, our RN student body at Aspen took less courses during Calendar Year 2021 and thus far in '22, as compared to their historical behavior from 2020 and years prior.

Second, we've seen a moderate increase of RNs in graduate programs, Aspen's MSN and DNP programs to be specific, withdrawing or stopping their coursework for months at a time. These attrition trends should moderate over time as nurses regain the ability to continue graduate programs and as we work proactively by offering various promotions to get these nurses to begin their coursework again.

Another event in Fiscal Year '22 was the decline in our first-time pass rates for our BSN pre-licensure students in Arizona taking the NCLEX RN test, which fell below the minimum standard set by the Arizona Board of Nursing in Calendar 2021. We discussed this on our last earnings call, the outcome was Aspen University's suspension of BSN pre-licensure enrollments and formation of new cohorts at our two Phoenix pre-licensure campuses effective February 2022.

Related to this development, the State of Arizona requested an \$18.3 million surety bond. To assure that we had sufficient collateral for the bond, we reduced our marketing spend by \$1 million for a 22% sequential decrease in our marketing budget, which further compressed our fourth quarter enrollments. However, as I stated earlier, our revenue growth in the quarter met expectations and we reduced our cash burn in the quarter.

Additionally, Aspen Group's Universities raised tuition and fees for incoming students in the fourth quarter commensurate with the inflation rate, targeting the increases at our highest LTV programs, Aspen's BSN pre-licensure and DNP programs and the MSN-FNP program at USU. This will raise our LTVs in these programs over time. Despite the reduced marketing spend, the

USU FNP program remains our fastest growing program. The USU FNP program has been an ongoing source of growth throughout Fiscal '22 as nurses seek this coveted degree that places them in private practice environments and offers an attractive six-figure salary.

The Family Nurse Practitioner degree has been an excellent business that has delivered consistent growth and is now significantly profitable. This graduate degree program has not seen an increase in historical attrition, as I just described, over at Aspen for two key reasons. One, the FNP program is a structured two-year program. So unless the student requests the leave of absence, you cannot simply stop taking courses without a negative consequence. And second, as I just mentioned, this is a life changing event once a student graduates, both in terms of your occupation, as well as the income increase.

Our results with this program reflects how prudent we were in acquiring USU in December of 2017 for less than \$10 million. Last week, we announced that USU had received notice from its accrediting agency, the WASC Senior College and University Commission, or WASC, that its accreditation status had been reaffirmed for eight years. There were numerous factors cited by WASC's decision, including USU's commitments to its mission, the creation of an overall culture of collaboration, the high level of Board of Trustee engagement, the collaborative working relationships established with AGI, a significantly improved university financial situation, the innovative work of the office of field (phon) experience in placing nursing students into clinicals, and the institutional resilience in responding to the COVID-19 pandemic. I'm proud of our USU team and grateful for all their hard work that has resulted in this achievement.

In the long run, we anticipate the growth from our new pre-licensure campuses and the USU FNP program to be the primary drivers of revenue growth. Our pre-licensure campuses that we opened outside of Arizona were launched with curriculum improvements and NCLEX test prep products and NCLEX coaches in place, and these new cohorts will be required to have higher incoming GPA requirements and stiffer requirements relative to the HESI A2 entrance exam scores. As a result, these cohorts are expected to deliver pass rates that comply with each state's requirements. Although three of these campuses are in smaller Tier 2 metros, each metro is experiencing high population growth rates that will increase the long-term demand for nursing degrees.

Atlanta is our largest metro and continues to have a growing population. We believe the prospects for our Atlanta campus are very bright. At this time, the Company is currently considering various growth and financing alternatives. Consequently, we plan to provide guidance and a financing update for the full fiscal year at our next earnings call in September. More than ever, our country recognizes the critical necessity to replace nurses who have left the field and the need to grow the nursing population to meet the expected demand of future demographic trends. In addition, more FNP's are needed to meet our country's impending doctor shortage. Aspen Group is well positioned to benefit from these long-term macro trends.

Our proprietary tech stack and CRM system are competitive differentiators that lower our enrollment costs, which we pass on to our students in lower tuition rates and flexible payment

options. These features and the ability to work while attaining a life changing degree make us very popular with our students. These are all valuable assets to our long-term growth plan to become an industry-leading nursing school with affordable, convenient degree programs that enable working adults to achieve their career goals.

I will now hand the call over to Matt to cover the details of our financial results.

Please go ahead, Matt.

Matt LaVay

Thank you, Mike, and good afternoon, everyone.

I will begin with a review of our financial results for the 2022 Fiscal Fourth Quarter and Full Year, and highlight a few balance sheet items. In my comments on the quarterly results, I will refer to the quarter that ended on April 30, 2022. All comparisons are to the prior year's fourth quarter ended April 30, 2021, unless otherwise stated.

To provide context for the fourth quarter results, I'd like to remind everyone that we reduced our marketing spend in the fourth quarter by \$1.5 million from our original plan to ensure adequate available funds to collateralize the surety bond requested by the Arizona State Board of Nursing. As expected with the reduced marketing spend, new student enrollments were down in the quarter. Enrollments decreased by 30% to 1,535 in the fourth quarter of Fiscal 2022.

New student enrollments at Aspen University were 1,010 compared to 1,593 in the year-ago quarter, while new student enrollments at United States University were 525 compared to 589 in the year-ago quarter. Although we reduced spend, the size of our active student body was consistent with our initial plan for the quarter, resulting in revenue that met our expectations and positive Adjusted EBITDA exceeding our forecast. As Mike mentioned, this demonstrates the leverage in our business model. I'd also like to remind you that our entire annual EBITDA loss is attributable to our investments in growing our pre-licensure business. On a same-store sales basis, excluding the four new pre-licensure campuses, our EBITDA would be breakeven for Fiscal 2022.

Total revenue for the fourth quarter of Fiscal 2022 was \$19.4 million, an increase of 2% versus \$19.1 million in the year-ago quarter. Fiscal Year 2022 total revenue increased 13% to \$76.7 million compared to \$67.8 million in the prior year. Gross profit and gross margin for the fourth quarter of Fiscal 2022 were \$10.3 million and 53%, respectively, versus \$9.9 million and 52%, respectively, for the year-ago quarter. The improvement in gross margin was primarily due to the reduction in marketing spend offset by increased instructional costs. If marketing spend had not been reduced by \$1 million sequentially, gross margin would have been 48% and in line with the prior quarter.

For Fiscal Year 2022, gross profit increased by 7% to \$39.6 million, or 52% gross margin, versus \$36.9 million, or 54% gross margin, in the prior year. If marketing spend had not been reduced by \$1 million in the fourth quarter, gross margin would have been 50%. Overall, instructional costs for the quarter were \$5.2 million, or 27% of revenue, up from \$4.6 million, or 24% of revenue, in the year-ago quarter.

For the full year, instructional costs were \$19.5 million, or 25% of revenue, up from \$15.3 million, or 23%, in the prior year. The increase in instructional costs as a percentage of revenue is primarily due to the addition of full-time faculty for the BSN pre-licensure program at the new pre-licensure campus locations. Additionally, higher USU immersion costs were incurred due to the growth in the MSN FNP program, which resulted in increased immersions at additional locations.

Total marketing and promotional costs for the fourth quarter were \$3.4 million, or 18% of total revenue, down from \$4.1 million, or 22% of revenue. As previously noted, our decreased marketing spend was a significant factor in Adjusted EBITDA for the quarter exceeding forecast and demonstrates our ability to decrease growth spend to generate positive Adjusted EBITDA.

Marketing and promotional costs for Fiscal Year 2022 were \$15.8 million, or 21% of total revenue, up from \$14.2 million, or 21%, in the prior year. The increase in marketing and promotional costs results from gross spending in our four new pre-licensure metros, which was partially offset by our pullback in marketing spend in the fourth quarter.

For the quarter, general and administrative costs were \$11.2 million, or 58% of revenue, versus \$11.2 million, or 59% of revenue, in the prior quarter. G&A was flat, primarily due to increased G&A spend and our Aspen University BSN pre-licensure and USU MSN FNP programs, which is comprised of additional headcount and the related increase in compensation and benefits expense and increased facilities costs, offset by flat G&A spend in corporate.

For Fiscal Year 2022, general and administrative costs were \$45.5 million, or 59% of revenue, compared to \$41.9 million, or 62% of revenue, during Fiscal Year 2021, an increase of \$3.6 million, or 9%.

Total loss for the fourth quarter was \$2.1 million, or net loss per basic and diluted share of \$0.08, compared to a net loss of \$2.3 million, or net loss per share of \$0.09, in the prior-year quarter.

For Fiscal Year 2022, total net loss was \$9.6 million, or net loss per basic share of \$0.38, versus a net loss of \$10.4 million, or \$0.44, in the prior-year period. From a unit perspective, Aspen University's net income for the quarter was \$1.5 million versus \$1.4 million in the prior-year period. USU's net income was \$1.3 million versus net income of \$1 million in the prior-year quarter.

Finally, AGI incurred a net loss of \$5 million for the quarter compared to a net loss of \$4.7 million in the prior-year quarter. For Fiscal Year 2022, Aspen University generated \$6.1 million of net income and USU generated \$3.8 million compared to net income of \$7.3 million and \$2.9 million, respectively, in the prior-year period. AGI incurred a net loss of \$19.5 million compared to a net loss of \$20.7 million in the prior- year period.

Consolidated EBITDA for the quarter was a loss of \$835,000 compared to an EBITDA loss of \$1.4 million. Fourth quarter EBITDA period over period for each of the three units was as follows. Aspen University remained flat at \$2.2 million; USU was \$1.5 million compared to \$1.1 million; AGI Corporate was a loss of \$4.5 million, compared to a loss of \$4.7 million. Consolidated EBITDA for Fiscal Year 2022 was a loss of \$5.1 million as compared to a loss of \$6 million in the prior-year period.

Consolidated EBITDA period over period for each of the three units in Fiscal 2022 was as follows. Aspen University generated EBITDA of \$9.3 million compared to \$9.5 million; USU generated EBITDA of \$4.2 million compared to \$3.1 million; AGI Corporate remained flat with an EBITDA loss of \$18.6 million. Consolidated Adjusted EBITDA for the quarter was \$523,000 compared to Adjusted EBITDA of \$639,000.

From a unit perspective, Aspen University generated Adjusted EBITDA of \$2.5 million as compared to \$2.6 million. USU generated Adjusted EBITDA of \$1.7 million compared to \$1.4 million. Finally, AGI Corporate incurred an Adjusted EBITDA loss of \$3.7 million compared to a loss of \$3.3 million.

For the full Fiscal Year 2022, consolidated Adjusted EBITDA was a loss of \$1 million compared to \$1.3 million in the prior year. From a unit perspective, AU generated Adjusted EBITDA of \$10 million compared to \$11.6 million; USU generated Adjusted EBITDA of \$4.9 million compared to \$3.6 million; AGI Corporate incurred an Adjusted EBITDA loss of \$15.9 million compared to a loss of \$14 million.

Moving on to the balance sheet. At April 30, 2022, our unrestricted cash was \$6.5 million and restricted cash was \$6.4 million, compared to unrestricted cash of \$12.5 million and restricted cash of \$1.2 million at April 30, 2021. As discussed in the prior quarter earnings call, in Fiscal Q4 we closed financing agreements, including \$10 million of convertible notes and a \$20 million revolving credit facility: \$5 million of the convertible note proceeds were restricted as collateral for the Arizona State Board of Nursing surety bond; the remaining \$5 million was deposited in our bank account as unrestricted cash. The \$20 million revolving credit facility was committed as additional collateral for the Arizona State Board of Nursing surety bond. We also extended our existing \$5 million revolving credit facility by one year to November 4, 2023.

Cash used in operations for the 12 months ended April 30, 2022, was \$11.3 million. Approximately \$1 million of the cash used in operations is attributed to our Adjusted EBITDA loss, and the remaining use of operating cash is primarily attributed to our increased working capital to support growth in the monthly payment plans.

With respect to our share count, the weighted average number of common basic shares outstanding at the end of the quarter was 25,157,608 versus 25,000,342 in the year-ago quarter.

I'd also like to mention that on July 6, 2022, we increased our authorized shares of common stock from 40 million shares to 60 million shares.

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

Operator

Thank you. Our first question comes from the line of Jeremy Hamblin from Craig-Hallum. Please proceed with your question.

Jeremy Hamblin

Thanks for taking the questions. And I wanted to start with the USU unit. In terms of thinking about, it looks like you had pretty nice enrollment growth, but in terms of the bookings value, I got it down about 11% on a year-over-year basis. And I just wanted to get underneath that in terms of it looks like maybe your ARPU has fallen just a little bit there. But, like, I was hoping you could share a little bit of color in terms of that unit, which it's now actually two quarters I think in a row in which you've had bookings growth that was down about 10% or 11%. Any color you could share there?

Michael Mathews

Yes. So first of all, thanks, by the way, thanks for the question, Jeremy. Welcome. So the first thing I would say is that there really has not been an ARPU change whatsoever. Our LTVs remain pretty consistent for the Family Nurse Practitioner program. What I would say is, as it relates to our fourth quarter, we sequentially decreased our marketing spend rate as a company by about \$1 million. And a good chunk of that was reducing our spend rate at USU. So that's why you saw the decrease of enrollments for USU. And the prior quarter before that, we also had a slightly less spend rate in that quarter, in the third quarter as well. So our cost of enrollment remains very consistent. We're in kind of the \$1,900 range approximately, and it's been that way for a number of quarters. So there's no degradation in terms of our unit economics, Jeremy.

Jeremy Hamblin

Got it. And then just switching to the NCLEX exam scores. In terms of improvements that you're going to see or that you're looking to drive in Arizona, you mentioned curriculum changes, things that are being done on the non-Arizona campuses or the newer campuses, but in terms

of progress that you're seeing there and meeting those pass rate thresholds that the Board of Nursing is looking for you to deliver this year, do you feel like you've made the changes necessary where you have some confidence in delivering that for Calendar '22?

Michael Mathews

Yes, Jeremy. So I think you guys are all aware that the Board of Nursing, a number of months ago, they formally requested that we don't provide any intra quarter updates, because they consider intra quarter information to be non-public. So I'm not going to be making comments kind of on how things have improved throughout the second quarter relative to the first quarter. And the scores for Q2 I don't believe have been posted yet. What I would say to you is that we have put a number of improvements into place, both curriculum-wise, in terms of NCLEX coaching, the Kaplan Test Prep products. We are doing everything humanly possible to improve these scores. At the end of the day, we have about 600 students that are in the system that will continue teaching and will continue driving for improving rates.

One of the things that I would like to say is that we very carefully studied our graduates from Arizona over the last couple of years, and so we have a ton of data to understand what their incoming GPAs were, what their test scores were in the HESI A2. The HESI A2 for those of you that don't know, that's the entrance exam that a student takes when they complete their first year of pre-requisite courses and they have to pass an entrance exam to go into our final two year program. We're finding some really interesting correlation data that tells us, if they achieve a certain score, what is the potential or what is the likely pass rate on a first time basis when the student ultimately takes the NCLEX.

And without giving you non-public information in terms of what we found, the findings that we did determine over the last several months we've implemented across all of our new locations. So we have a very, very high level of confidence of good NCLEX scores in our four new metros. Obviously, the students that are in Phoenix, they're already in the system and we can't change kind of how the admission criteria was from a GPA and from a HESI A2 perspective. And we're going to do our damndest to increase those scores over the next couple of years.

Jeremy Hamblin

Got it. Thanks. Last one from me. So you're then kind of in this delicate balancing act of managing your cash flows, but at the same time pushing ahead with campus development in Atlanta. In particular, I know you're not providing any formal guidance at this point in time, waiting until your next quarterly report, but in terms of thinking about kind of instructional costs and your marketing and promotional costs line items as we look forward, given that campus is opening, should we expect a little bit more spend on both of those line items here as we get into both the July and October quarters?

Matt LaVay

This is Matt. I can take that.

You're right. First of all, we're not providing guidance. So I can't give you specifics, but you did lay out some levers, like marketing, that we can pull to increase profitability and generate cash if we need to, and you saw a great example of that just here in the fourth quarter. So we're considering all of our alternatives. But one thing I can assure you of is that whatever plan we put into place will ensure adequate cash to get us to our breakeven point and sustain us for the future. So we're triangulating around that specific criteria in order to develop our plan. So as we've said, we'll have more when we get to our next earnings call.

Jeremy Hamblin

Got it. Thanks for taking the questions. Best wishes.

Matt LaVay

Thanks.

Michael Mathews

Thanks.

Operator

Thank you. Our next question comes from the line of Eric Martinuzzi with Lake Street Capital. Please proceed with your question.

Eric Martinuzzi

Yes. I wanted to address a comment that you made regarding kind of the class-taking behaviors for your working nurses, particularly the comment about RNs pausing, taking classes, or actually an increase in the withdrawal rates. Have you seen any change in behavior since the closing of the FY '22 Fiscal Year?

Michael Mathews

Good afternoon, Eric. It's Mike again.

We've been studying the behavior of our registered nursing student body, both at USU and Aspen, pretty carefully for last several quarters. And what we're seeing, Eric, is that our students that are in our RN to BSN programs, so these are RNs that have two year degrees that are looking to bridge our program to obtain the BSN, we're not seeing any unusual attrition activity in that area.

And we believe the reason for that is that if you get a BSN, there's an immediate hourly pay bump. And so most of those students from our point of view have kind of pushed through, even given the terrible experience that they've had to incur throughout the COVID pandemic. However, we did see an increase over the past, I'd say, 12 months or so of our graduate students at Aspen, so these are our masters of science and nursing, MSN, students and our doctoral students, our DNP students, that we saw an increase in students just stopping their coursework. And so, for example, for us, if a student stops their coursework for longer than 120 days, we have to drop them from the university.

And so we saw a significant increase over the last year versus our pre-COVID attrition. So in addition to what we call these admin drops, which are students that stopped taking courses, we also did see an increase in voluntary withdrawals. So, students that just decide to stop their program, and they proactively withdraw from the university. So, yes, we felt that was important to discuss that today. That's part of the reason why we've seen lower class starts than we've historically seen in previous years. But, no, I wouldn't say, Eric, that we've seen an increase as we've entered Calendar '22. I think it's similar to '21 where we're seeing still.

Eric Martinuzzi

Okay. And then on your plans, kind of big picture plans for your pre-licensure BSN campuses in Phoenix, both of the campuses there, are we essentially in a teach-out mode? Because we're not matriculating new students into the nursing core. And then we've got to build—essentially, we've got to come up with four quarters in a row of 80%-plus on the NCLEX pass rates. Let's assume the negative scenario where we're not able to do that, are we looking at a teach out scenario for Arizona?

Michael Mathews

Well, Eric, again, we have around about 600 students currently and we have, call it, 300 students over the next year that will graduate, or most of them will graduate, and then 300 the year after that. As you correctly point out, the way that the consent agreement is outlined, we would need to complete 80% NCLEX pass rates for four quarters in a row, four calendar quarters in a row. And so if we were to achieve that over the next four quarters, then we would have approximately one year of students left, and then we would essentially then restart new cohorts. So it's highly dependent upon how quickly we get to those four 80% scores in a row as to where we are when we begin cohorts again. If we don't achieve it over the next four calendar quarters, then, yes, you're essentially in a scenario where two years from now you've taught all your students, yes, for sure.

Eric Martinuzzi

Okay. And obviously, I know that—I was asking the pessimistic scenario, there is a more optimistic scenario, and we certainly hope that comes to pass, but we'll have this kind of a drag

on the business in our—with the expenses being there, a less than efficient business model as we teach out. That's the only reason I asked it.

The other thing I wanted to ask about was the enrollments and bookings in Q4. How quickly can this spigot be turned back on here? We throttled back on the marketing spend to deliver on the surety guarantee. When do we turn that spigot back on to get the enrollment numbers back in the right direction?

Michael Mathews

Yes. Good question, Eric. So after we posted the surety bond last quarter, we did increase our marketing spend rate back to the previous quarterly spend rate, which would have been our fiscal Q3. So we don't expect enrollments to snap back immediately, because it typically takes a good quarter for those new leads to mature. So we're forecasting perhaps a modest sequential enrollment decrease in Q1. And remember, Q1 is typically a seasonally weaker quarter. So, I would think things will probably go back to normalcy when we get into our fiscal Q2.

Matt LaVay

If I can add one thing. I previously referred to the surety bond as being required by the Arizona Board of Nursing. It's actually the Arizona Board of Education. So just wanted to put that correction out there.

Eric Martinuzzi

Got it. Okay. Thanks for taking my questions.

Michael Mathews

Thanks, Eric.

Operator

Thank you. Our next question comes from the line of Owen Rickert with Northland Securities. Please proceed with your question.

Owen Rickert

Hi, guys. This is Owen on for Mike Grondahl.

I was wondering, if you can provide us with an update on the timelines to breakeven in Tampa, Austin and Nashville, and Atlanta, as well as enrollment numbers for each, besides Atlanta, which I believe you said was at 80 during the call. Thank you.

Matt LaVay

Hi. This is Matt. Yes, I can take that.

Each location has its own unique financial profile. And, of course, they've all come online at different times. So the breakeven path is a little bit different. But just in general terms, Austin is looking to breakeven sometime in the latter part of Fiscal '24. Tampa and Nashville, those are our other Tier 2 locations, in addition to Austin. They're on track to breakeven in Fiscal '25. And then Atlanta, as you know, that's our new Tier 1 location. It's just started up. The Tier 1 locations tend to ramp toward breakeven a bit faster than Tier 2. There's more efficiency in the marketing spend and the rate in which we bring in students that gets them to breakeven quicker. So even though Atlanta just started, Atlanta would be breakeven in Fiscal 2025.

Owen Rickert

Great. And then did you have the enrollment number for Tampa, Austin and Nashville?

Michael Mathews

Yes. We don't provide exact enrollment numbers by quarter, by location. Never have. So, yes, no, I wouldn't offer that, for competitive reasons.

Owen Rickert

Thanks for taking my—got you. Thanks for taking my question.

Michael Mathews

Thank you.

Operator

Thank you. The next question comes from Raj Sharma with B. Riley Securities. Please proceed with your question.

Rajiv Sharma

Hi. Thank you for taking my question. I wanted to just understand, I know you spoke about enrollments at Atlanta. Could you also talk about the enrollments in Tampa and Austin, the other new pre-licensure campuses, the trends there and how that's progressing?

Michael Mathews

Yes. I mean, so, we did give an indication today that Atlanta in its first 120 days. We were able to achieve about 80 pre-requisite enrollments in those first 120 days, which is not far off from Phoenix, which back in 2017 we had about 120 in the first 120 days. So Atlanta, while it's not at the same level as Phoenix, it's very strong, much stronger than Austin and the other two Tier 2s, Nashville and Tampa. But enrollments are pretty consistent in Austin and Nashville. Tampa continues to be slow for us, relative to comparing the other locations. But yes, we're not going to give exact enrollment numbers, as I mentioned before, but Atlanta is off to a terrific start, and Nashville and Austin are humming along pretty good.

Rajiv Sharma

Also, have you seen any sort of fallout from the negative headlines at Phoenix and the two campuses and the probation (phon) at any of your other pre-licensure campuses?

Michael Mathews

Yes. No, there's been no fallout whatsoever. We had a meeting with the Board of Nursing of one of the states that we work in, and they specifically communicated to us that they care about the NCLEX scores in their state, not in any other state. And while we haven't had conversations with every Board of Nursing across the country where we compete, I think that's the prevailing opinion is just do good in my state. So there's been no negative fallout at all.

Rajiv Sharma

Great. And then just wanted to understand the—clearly great for you to be able to turn the spigot off, reduce marketing expenses. How do we look at that going forward? You said you brought it back, you brought the marketing expenses back, so you should see a recovery. Now, are you talking about the recovery in the FNP, or you also talking about recovery in the AU online, BSN and MSN businesses? Can you talk a little bit about that, how bad (phon) is that dynamic and when should we see a—how should we see enrollment in the next four quarters?

Michael Mathews

Yes. So, as I mentioned before, we snapped back our marketing spend rate in the first quarter, similar to what our third quarter spend rate was. So our decrease of spend was only one quarter, the fourth quarter, and so the snapback in spending was pretty much right back to where we were in Q3 in terms of the spend rate in each of our units.

Rajiv Sharma

Right. So then you can surmise, or we can surmise, that enrollments would pick up in all of your units, other than Phoenix, of course, for the rest of the year?

Michael Mathews

Correct, Raj. I think you'll see it normalize likely in the second quarter.

Matt LaVay

There's always a lag between the marketing spend and the actual enrollment, so you push that out a quarter.

Rajiv Sharma

Great. And then, is the focus again on sort of staying breakeven and trying to be breakeven as soon as possible and for as long as possible?

Matt LaVay

Yes. We previously stated that our goal is to be breakeven before the end of Fiscal 2024. That is still the objective. As we've also discussed, we're assessing various business plans for the next couple of years. So, if anything, we'll either meet or beat that expectation, depending upon the path that we take.

Rajiv Sharma

All right. Great. Thank you so much for answering my questions. I'll take it offline. Thanks.

Michael Mathews

Thanks, Raj.

Operator

Thank you. At this time, we have reached the end of the question-and-answer session. I would now like to turn the floor over to Mike Matthews for any closing comments.

Michael Mathews

Thanks, everyone, for attending our fourth quarter earnings call today. We're looking forward to talking again in a very quick two months period, our first quarter earnings call is in mid-September, and again, look forward to speaking with you at that time. Have a good afternoon.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation, and have a great day.