

**CREATING VALUE BY  
TRANSFORMING THE COLLEGE  
EDUCATION EXPERIENCE**



**ASPEN**  
GROUP INC.

**Second Quarter  
Fiscal Year 2021  
Earnings Slides**

**Michael Mathews**, Chairman & Chief Executive Officer

**Frank J. Cotroneo**, Chief Financial Officer

**Robert Alessi**, Chief Accounting Officer

**December 15, 2020**

**Nasdaq: ASPU**

# SAFE HARBOR STATEMENT

Certain statements in this presentation and responses to various questions include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding expected further campus expansion, expected expansion of USU immersions, future student enrollment growth, the expansion of the highest LTV programs, our estimates with respect to Lifetime Value, bookings, and ARPU, expected Fiscal 2021 revenue growth, expected G&A trends including gross margins, Adjusted EBITDA (a non-GAAP financial measure), campus capital expenditures and campus operating metrics, the impact of the COVID-19 vaccine roll-out, and generating cash from operations. The words “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “could,” “target,” “potential,” “is likely,” “will,” “expect” and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

Important factors that could cause actual results to differ from those in the forward-looking statements are included in our Risk Factors contained in our Form 10-K for the fiscal year ended April 30, 2020, our prospectus supplement dated August 31, 2020, and other filings with the Securities and Exchange Commission, and the impact of the COVID-19 pandemic and issues arising from the vaccines’ manufacturing and administration.

Any forward-looking statement made by us herein speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Also, the discussions during this conference call and slides 3, 9, 10, 11, 14, 16 and 17 include certain financial measures that were not prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). Additional information regarding non-U.S. GAAP financial measures can be found in the press release issued on December 15, 2020 and the Form 10-Q filed the same day. Any non-U.S. GAAP financial measures presented are not, and should not be viewed as, substitutes for financial measures required by U.S. GAAP, have no standardized meaning prescribed by U.S. GAAP and may not be comparable to the calculation of similar measures of other companies.

# Key Takeaways For Q2 FY'21 Financial Results

40% revenue growth fueled by record quarterly enrollment and favorable Q2 seasonality

- ✓ Record quarterly enrollment in Aspen University's Doctoral and BSN Pre-Licensure units
- ✓ USU enrollment increased 65%, primarily from MSN-FNP program
- ✓ First quarter revenue from USU and AU BSN Pre-Licensure equaled 50% of total revenue
- Strategically increased marketing spend in high LTV programs and began spending in Austin and Tampa
- Operating expense includes \$1.2 million stock-comp expense for accelerated RSU vesting
- Ex. one-time charge, new campus costs and growth opex<sup>1</sup>, G&A grew at 50% of rate of revenue growth
- Net income includes \$1.4 million non-cash charge related to \$10 million Convertible Notes conversion

<i>(amounts in millions, except per share data)</i>	Q2 FY'21	Year-over-Year Dollar Increase / (Decrease)	Year-over-Year % Better / (Worse)
Revenues	\$17.0	\$4.9	40%
GAAP Gross Profit	\$9.3	\$1.7	22%
Operating Loss	(\$2.8)	(\$2.5)	NM
Net Loss	(\$4.4)	(\$3.7)	NM
Net Loss per Share	(\$0.19)	(\$0.16)	NM
Adjusted Net Income (Loss) <sup>2</sup>	(\$1.2)	(\$1.0)	NM
Adjusted Earnings (Loss) per Share <sup>2</sup>	(\$0.05)	(\$0.04)	NM
EBITDA	(\$2.3)	(\$2.7)	NM
Adjusted EBITDA	\$0.2	(\$1.2)	NM



1. "Growth opex is defined as personnel and related costs to expand our enrollment center, academic and financial aid advisors, and clinical operations personnel.

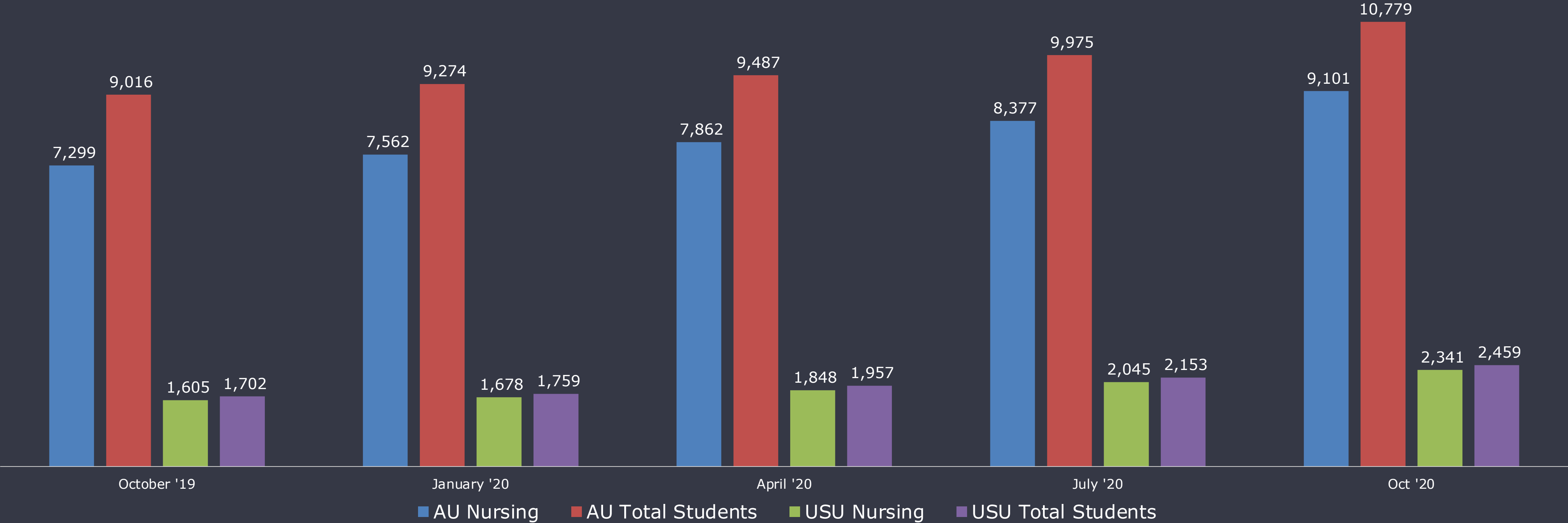
2. See Net Loss to Adjusted Net Loss Reconciliation Table on slide 17.

A smiling female healthcare professional in teal scrubs holding a folder in a hospital hallway. The background is a blurred hospital corridor with other staff members.

**Aspen Group, Inc.**  
**Second Quarter Fiscal Year 2021**  
**Operating Metrics**

# AGI Active Student Body Grew by 24% to 13,238 in Q2 FY'21; Nursing Students Represent 86% of Total Student Body

## AU and USU Active Student Body\* and Nursing Students by University



\*Active Degree-Seeking Students are defined as degree-seeking students who were enrolled in a course during the quarter reported or are registered for an upcoming course.

# Q2 FY'21 Aspen University Marketing Efficiency Ratio (MER)<sup>5</sup> Above 13X for Both Universities

Second quarter weighted average customer acquisition cost (CAC) increased by 31% year-over-year from \$875 to \$1,143. Sequentially, Q2'21 CAC declined 5% from \$1,203 to \$1,143.

## Marketing Efficiency Ratio

	Q2'21 Enrollments	Q2'21 CAC <sup>1</sup>	Q2'21 LTV <sup>2</sup>	Q2'21 MER	Q2'20 MER	MER <sup>5</sup> % Change
Aspen University	2,010	\$1,112	\$15,181 <sup>3</sup>	<b>13.7X</b>	<b>15.2X</b>	<b>-10%</b>
USU	649	\$1,240	\$17,820 <sup>4</sup>	<b>14.4X</b>	<b>20.7X</b>	<b>-30%</b>
Weighted Average		<b>\$1,143</b>				

<sup>1</sup> Based on 6-month rolling weighted average CAC for each university's enrollments

<sup>2</sup> Lifetime Value (LTV) of a new student enrollment

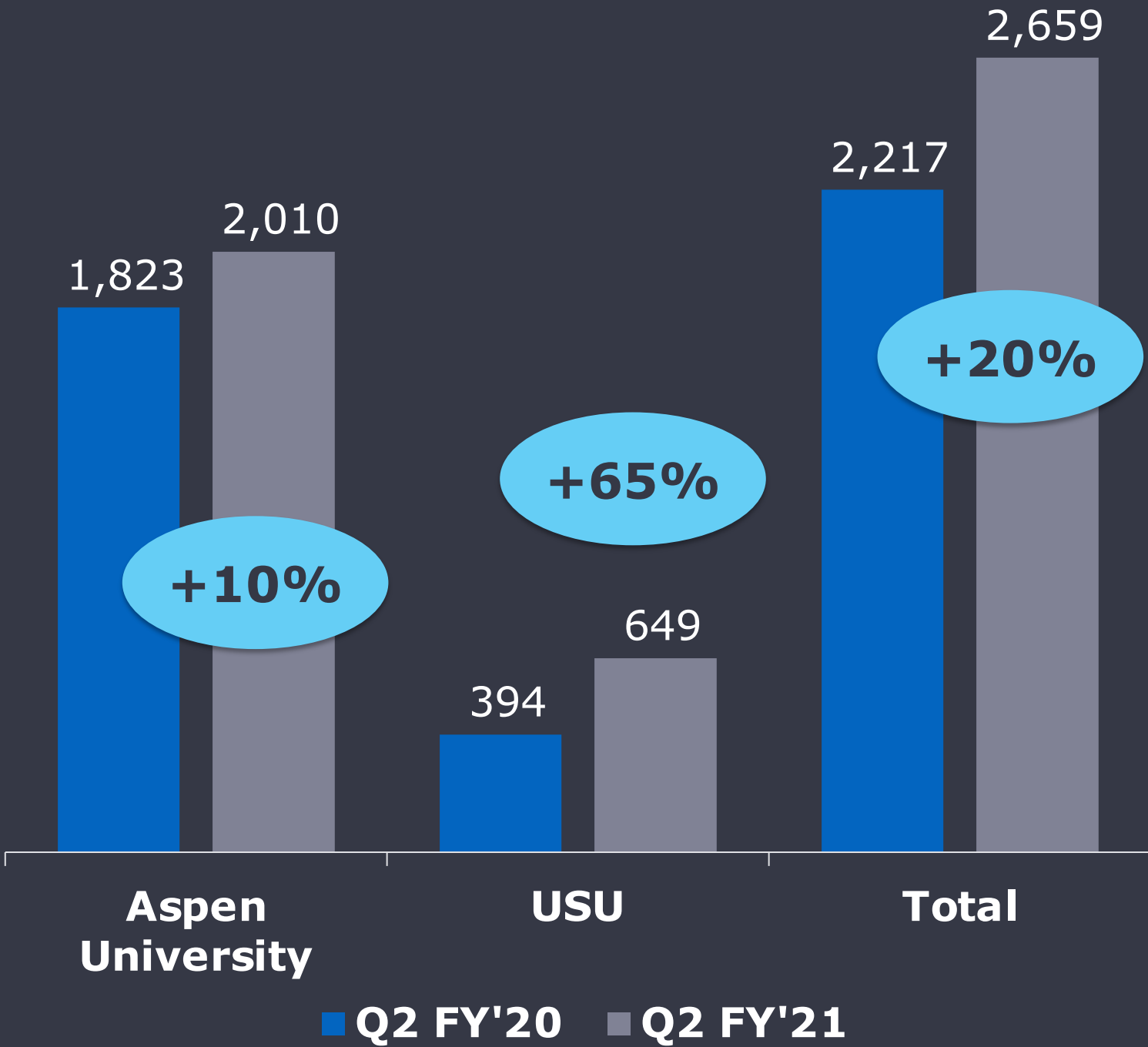
<sup>3</sup> Weighted average LTV for all Aspen University enrollments in the quarter

<sup>4</sup> LTV for USU's MSN-FNP Program

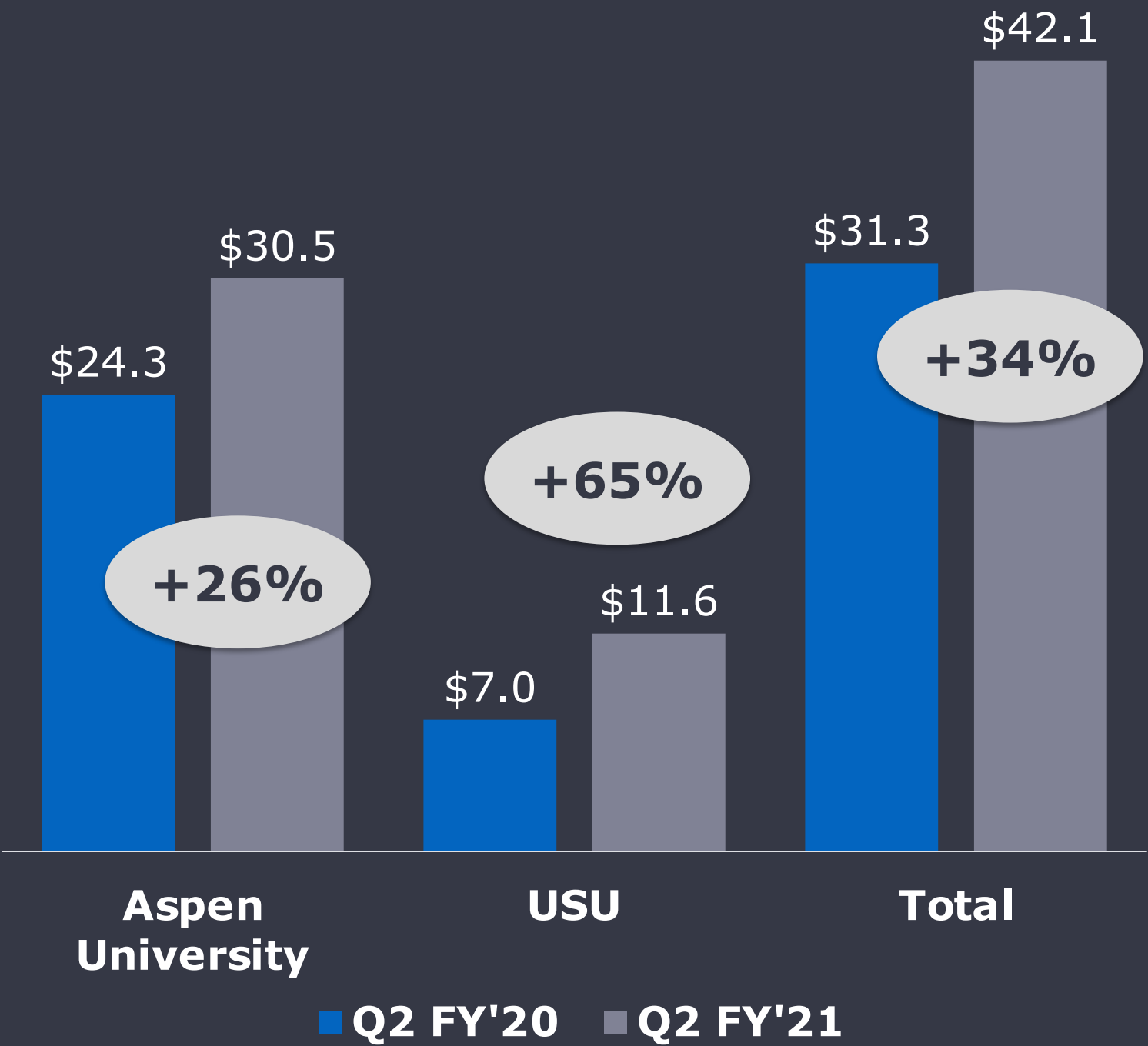
<sup>5</sup> Marketing Efficiency ratio (MER) defined as revenue-per-enrollment (LTV) divided by cost-of-enrollment (CAC)

# Q2 FY'21 High LTV Enrollment Growth Lifted Bookings By 34% Delivering 12% ARPU Growth

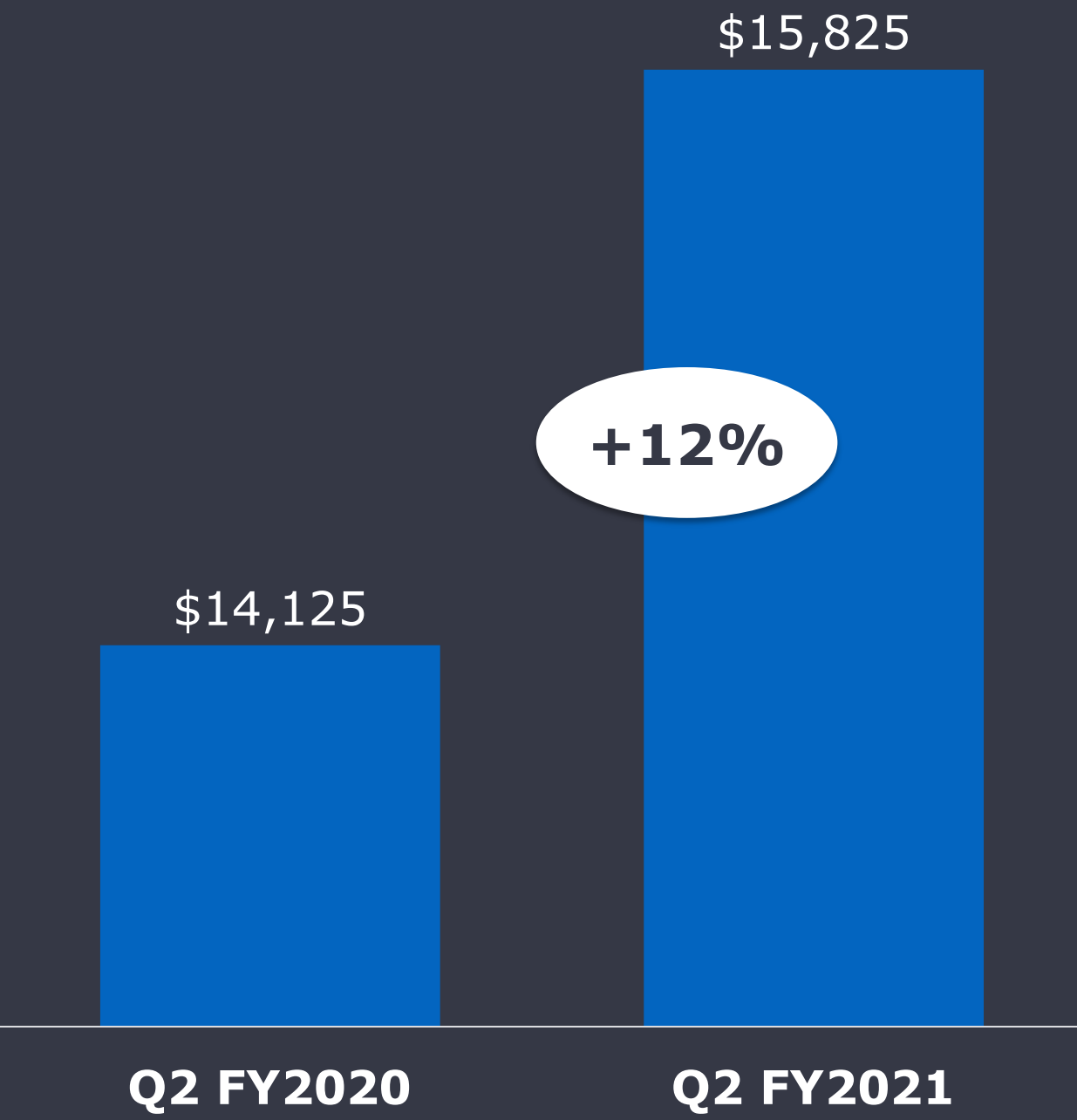
**Q2 FY'21 ENROLLMENT**



**Q2 FY'21 Bookings<sup>1</sup>**  
(in millions)



**Q2 FY'21 ARPU<sup>2</sup>**

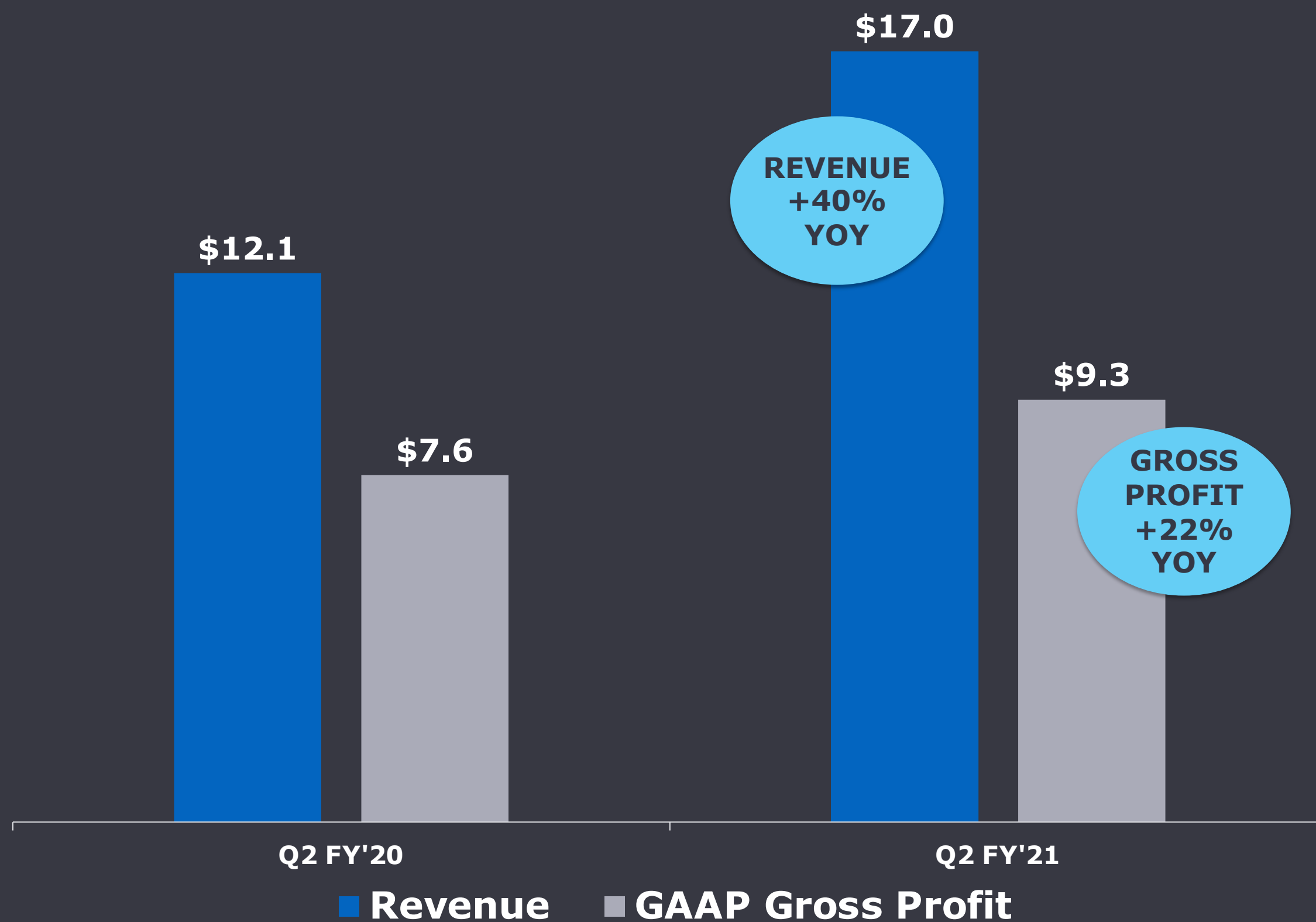


<sup>1</sup> Bookings are defined by multiplying LTV by new student enrollments for each operating unit.

<sup>2</sup> Average revenue per enrollment (ARPU) is defined by dividing total bookings by total enrollments for each operating unit.

# Gross Profit Reflects Strategic Spending Increase to Support Future Growth

Y-O-Y Gross Profit and Revenue Compare  
(in millions)

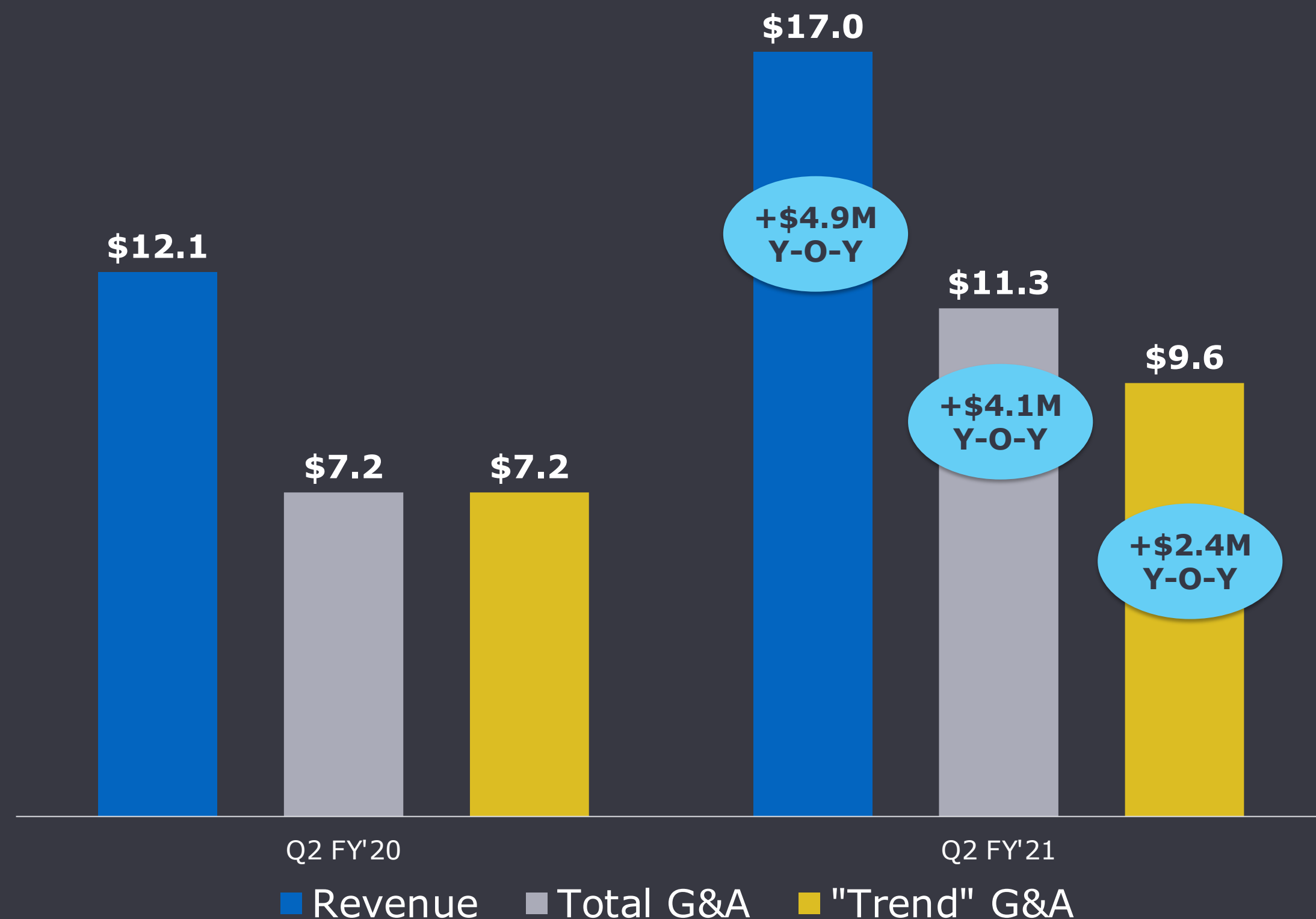


- Strategic spend to support future growth reduced second quarter gross margin
- PL-BSN and USU revenue equaled 50% of total revenue for first time in Q2'21
- **Expect to meet or exceed historical gross margins in upcoming quarters, due to:**
  - ✓ Anticipated increased percentage of total revenue coming from these programs
  - ✓ Maintaining marketing spend rate in similar range for remainder of FY'21 on par with Q2's
  - ✓ New campuses maturing



# Q2 FY'21 "Trend" G&A Grew at 50% of Rate of Revenue Growth Ex. Non-Cash Charge, New Campus Costs and Growth Opex<sup>1</sup>

Y-O-Y G&A and Revenue Compare  
(in millions)



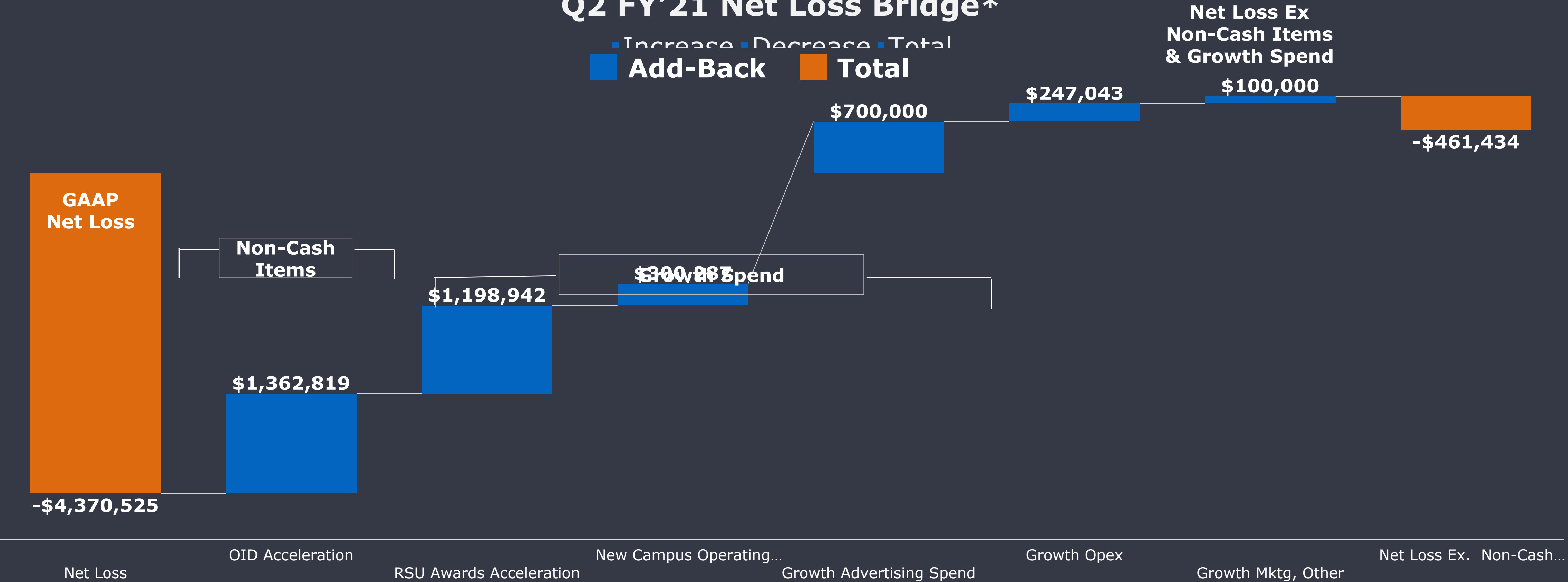
- Revenue increased by \$4.9 million
- Total G&A increased by \$4.1 million or 84% of revenue increase
- **Total "Trend" G&A increased by \$2.4 million or 50% of revenue increase, ex. the following:**
  - ✓ \$1.2 million of stock-based comp. expense related to the accelerated vesting of RSU's
  - ✓ \$0.2 million new campus costs
  - ✓ \$0.2 million of growth opex<sup>1</sup>
- **Q2 FY'21 Net Loss and Adjusted Net Loss attributable to new campuses totaled \$(0.5 million) or \$(0.02) per share in Q2 FY'21**

1. "Growth opex is defined as personnel and related costs to expand our enrollment center, academic and financial aid advisors, and clinical operations personnel.

# Q2 FY'21 Net Loss Bridge Excluding Growth Spend and Non-Cash Items

Costs related to the G&A growth spending for new campus costs and growth opex (total \$1.3 million) plus the non-cash expenses (total \$2.6 million) equaled \$3.9 million or \$0.17 per share

## Q2 FY'21 Net Loss Bridge\*



\*Refer to table on slide 18

## **FISCAL YEAR 2021 KEY METRICS**

**Increasing enrollments** in highest LTV programs while **managing costs** to **achieve our fiscal year Adjusted EBITDA goal**

**Annual FY'21 revenue forecast of 38% growth**

**Adjusted EBITDA positive for fiscal year 2021**

A smiling female healthcare professional in teal scrubs holding a clipboard in a hospital hallway. The background is a blurred hospital corridor with other staff members.

**Aspen Group, Inc.**  
**Second Quarter Fiscal Year 2021**  
**Financial Results**

# Q2 FY'21 Income Statement

	Three Months Ended	
	<u>Oct. 31, 2020</u>	<u>Oct. 31, 2019</u>
Revenues	\$ 16,971,045	\$ 12,085,965
Operating expenses:		
Cost of revenues (exclusive of depreciation and amortization shown separately below)	7,324,780	4,188,056
General and administrative	11,285,155	7,193,700
Bad debt expense	632,000	407,759
Depreciation and amortization	526,357	628,225
Total operating expenses	<u>19,768,292</u>	<u>12,417,740</u>
Operating loss	<u>(2,797,247)</u>	<u>(331,775)</u>
Other income (expense):		
Other (expense) income, net	(7,080)	132,567
Interest expense	<u>(1,529,668)</u>	<u>(428,960)</u>
Total other expense, net	<u>(1,536,748)</u>	<u>(296,393)</u>
Loss before income taxes	(4,333,995)	(628,168)
Income tax expense	36,530	10,000
Net Loss	<u>\$ (4,370,525)</u>	<u>\$ (638,168)</u>

# Q2 FY'21 Net (Loss)/Income, Adjusted EBITDA and EPS for Consolidated and Subsidiaries

	<u>Consolidated</u>	<u>AGI</u>	<u>AU</u>	<u>USU</u>
Net Income/(Loss)	\$(4,370,525)	\$(7,136,251)	\$2,207,770	\$557,956
Adjusted EBITDA	\$185,427	\$(3,896,393)	\$3,371,541	\$710,279
Earnings/(Loss) Per Share, basic & diluted	\$(0.19)	\$(0.31)	\$0.10	\$0.02
Weighted Average Shares	22,791,503			

# Subsidiary KPIs—Q2 FY'21 Ratios

	<u>Consolidated</u>	<u>AU</u>	<u>USU</u>
Revenues	\$16,971,045	\$12,053,710	\$4,917,335
	Ratios as a Percentage of Total AGI Revenue	Ratios as a Percentage of AU Revenue	Ratios as a Percentage of USU Revenue
Instructional costs and services	22%	20%	26%
Marketing and promotional costs	21%	20%	18%
Depreciation and amortization	3%	4%	1%
General and administrative expenses	66%	32%	43%
GAAP Gross Profit	55%	57%	56%

# Q2 FY'21 EBITDA and Adjusted EBITDA Reconciliation

## Net Loss to Adjusted EBITDA Reconciliation

	Three Months Ended	
	<u>Oct. 31, 2020</u>	<u>Oct. 31, 2019</u>
Net Loss	\$ (4,370,525)	\$ (638,168)
Interest expense, net	1,529,517	426,694
Taxes	36,530	44,168
Depreciation and amortization	526,357	628,225
EBITDA	\$ (2,278,121)	\$ 460,919
Bad debt expense	632,000	407,759
Stock-based compensation	1,831,548	492,130
Adjusted EBITDA	\$ 185,427	\$ 1,360,808



# Q2 FY'21 Net Loss to Adjusted Net Loss Reconciliation

## Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss) and Net Income (Loss) per Share to Adjusted Net Income (Loss) per Share

	Three Months Ended	
	<u>Oct. 31, 2020</u>	<u>Oct. 31, 2019</u>
Net Loss	\$ (4,370,525)	\$ (638,168)
Add back:		
Stock-based compensation	1,831,548	492,130
Non-recurring charges	1,362,819	--
Adjusted Net Loss	\$ (1,176,158)	\$ (146,038)
Earnings (loss) per share	\$ (0.19)	\$ (0.03)
Adjusted Net Loss per Share	\$ (0.05)	\$ (0.01)
Weighted average number of common stock outstanding*	22,791,503	18,985,371

\*Same share count used for GAAP and non-GAAP financial measure

# Q2 FY'21 Net Loss Excluding Growth Spend and Non-Cash Items

This table presents the data used to construct the chart on slide 10

	<u>Three Months Ended</u>
	<u>Oct. 31, 2020</u>
Net Loss	\$ (4,370,525)
Growth Advertising Spend	700,000
New Campus Operating Loss, Excluding Advertising	300,287
Growth Opex	247,043
Growth Marketing Other	100,000
Growth Spend Total	\$ 1,347,330
Non-cash Items	
Original Issue Discount Acceleration Expense	1,362,819
RSU Awards Acceleration Expense	1,198,942
Non-cash Items Total	\$ 2,561,761
Net Loss, Excluding Growth Spend and Non-Cash Items	\$ (461,433)