



Fourth Quarter & Fiscal Year 2022 Earnings Slides

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Matt LaVay, Chief Financial Officer
July 19, 2022
Nasdaq: ASPU

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

SAFE HARBOR STATEMENT

Certain statements in this presentation and responses to various questions including our ability to improve operating results with controlled spending, 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 2023 guidance including our future growth and growth strategy, and our estimates as to Lifetime Value, bookings and ARPU are forward- looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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 include, without limitation, the continued demand of nursing students for the new programs, student attrition, national and local economic factors including uncertainties arising from the Russian invasion of Ukraine and the labor market shortages, future NCLEX scores of our students, the failure to obtain approval from the National Council for State Authorization Reciprocity Agreements, competition from nursing schools in local markets, the competitive impact from the trend of major non-profit universities using online education and consolidation among our competitors, and the impact of possible future developments arising from the Arizona Board of Nursing probation.

Further information on the risks and uncertainties affecting our business and operating results is contained in our filings with the Securities and Exchange Commission, including our Form 10- K for the fiscal year ended April 30, 2021, as amended and supplemented by the Form 10-Q for the nine months ended January 31, 2022.

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 slide 10, 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 July 19 , 2022. 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. See reconciliation of these non- GAAP financial measures to their respective GAAP measures at the end of this slide presentation.

FOURTH QUARTER FISCAL YEAR 2022 HIGHLIGHTS

(All comparisons are Q4 FY'22 versus Q4 FY'21)

REVENUE

\$19.4M
REVENUE

UP
2%

- USU's FNP remains the fastest growing degree program
- Implemented an inflation rate tuition and fees increase in highest LTV programs

GROSS PROFIT

\$10.3M
GROSS PROFIT

UP
4%

- Margin declined 100 bps due to investment in new campuses, primarily higher headcount
- Diligent cost controls delivered G&A at 58% of revenue, down from 59% in prior year Q4

NET LOSS

\$(2.1)M
NET LOSS

\$0.2M
Lower

- Marketing expense control led to a reduction in net loss
- Positive Adjusted EBITDA of \$0.5 million and reduction in cash burn
- Demonstrates the leverage in the business model and ability to improve operating results with controlled spending

FISCAL YEAR 2022 HIGHLIGHTS

(All comparisons are FY'22 versus FY'21)

REVENUE

\$76.7M
REVENUE

UP
13%

- USU's FNP remains the fastest growing degree program
- Implemented an inflation rate tuition and fees increase in highest LTV programs

GROSS PROFIT

\$39.6M
GROSS PROFIT

UP
7%

- Increase primarily due to modest increase YoY in marketing spend and increased instructional costs in USU's MSN-FNP program and AU's BSN pre-licensure program

NET LOSS

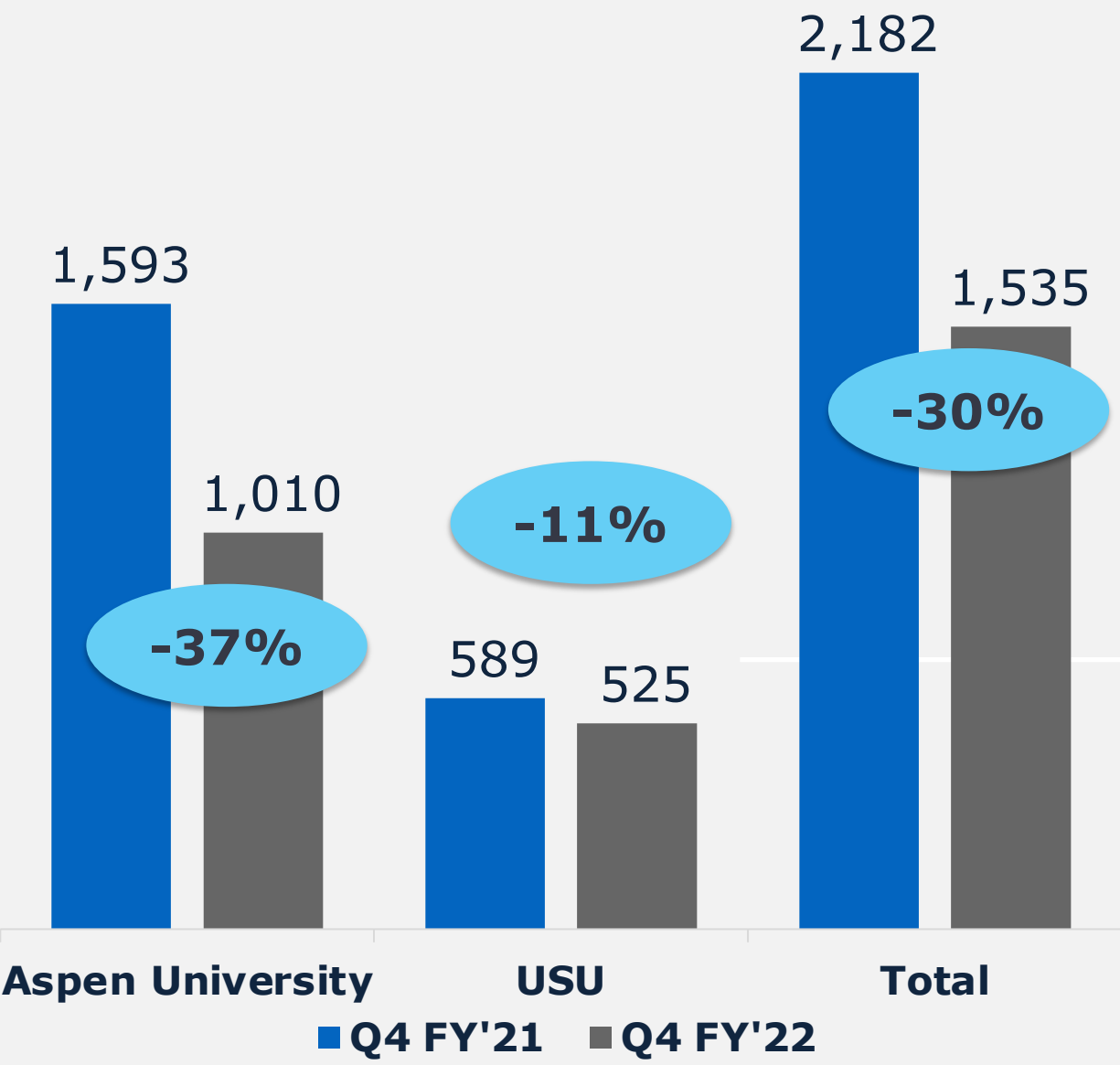
\$(9.6)M
NET LOSS

\$0.9M
Lower

- Aspen 2.0 reduced marketing spend increase to 11% YoY
- Annual EBITDA loss of \$(5.1) M attributable to growth investments for new pre-licensure campuses
- EBITDA would be break-even on a same-store sales basis, excluding the four new pre-licensure campuses

Q4 FY'22 Enrollment and Bookings Overview

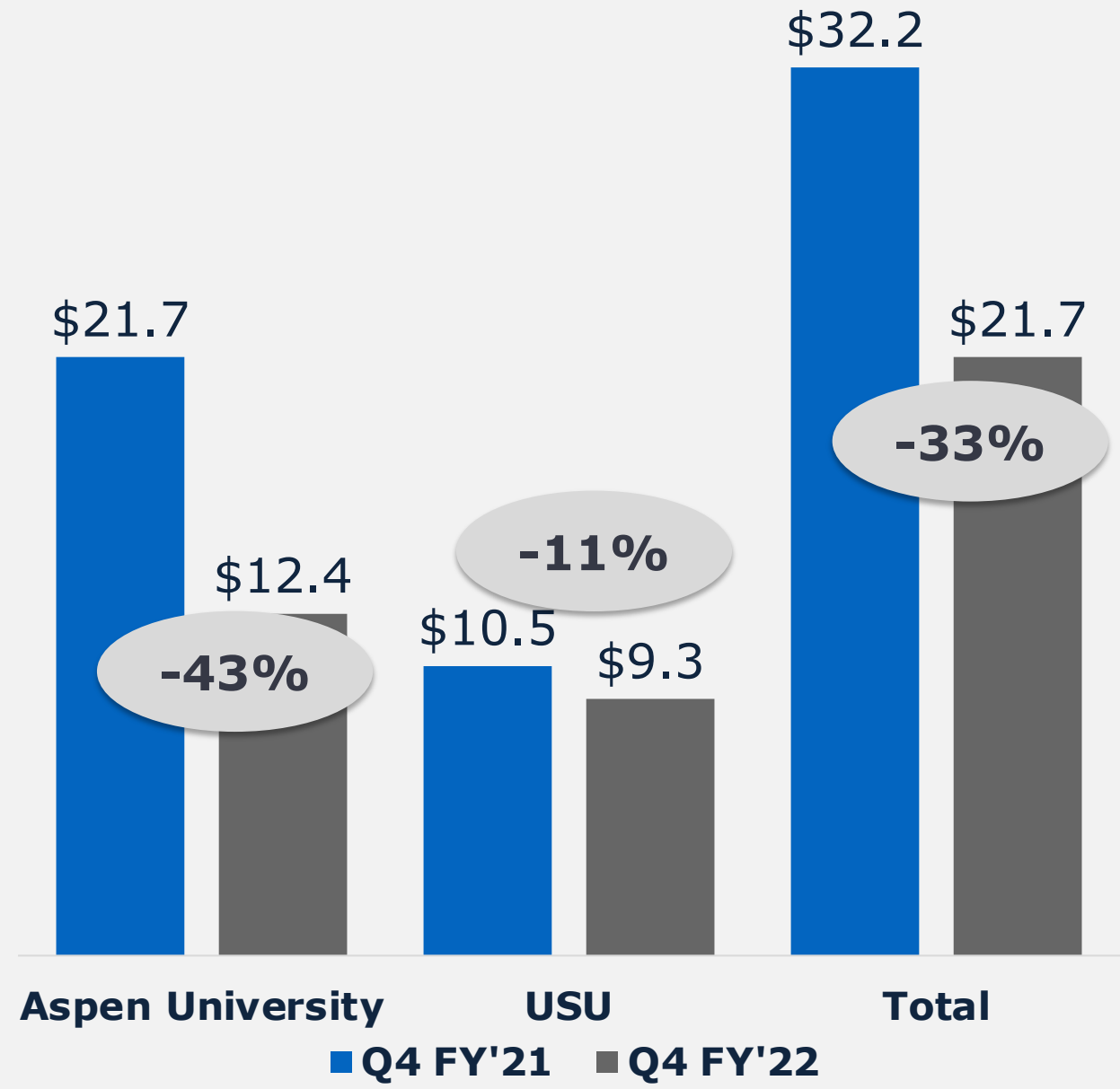
Q4 FY'22 Y-O-Y Enrollment



Factors impacting Q4 FY'22 Enrollment & Bookings

- **Strategic decrease in marketing spend**
- **RNs workloads** lowered USU and AU post-licensure degree enrollment and bookings
- **Stoppage of Phoenix campuses enrollments**
- **Aspen 2.0 impact**

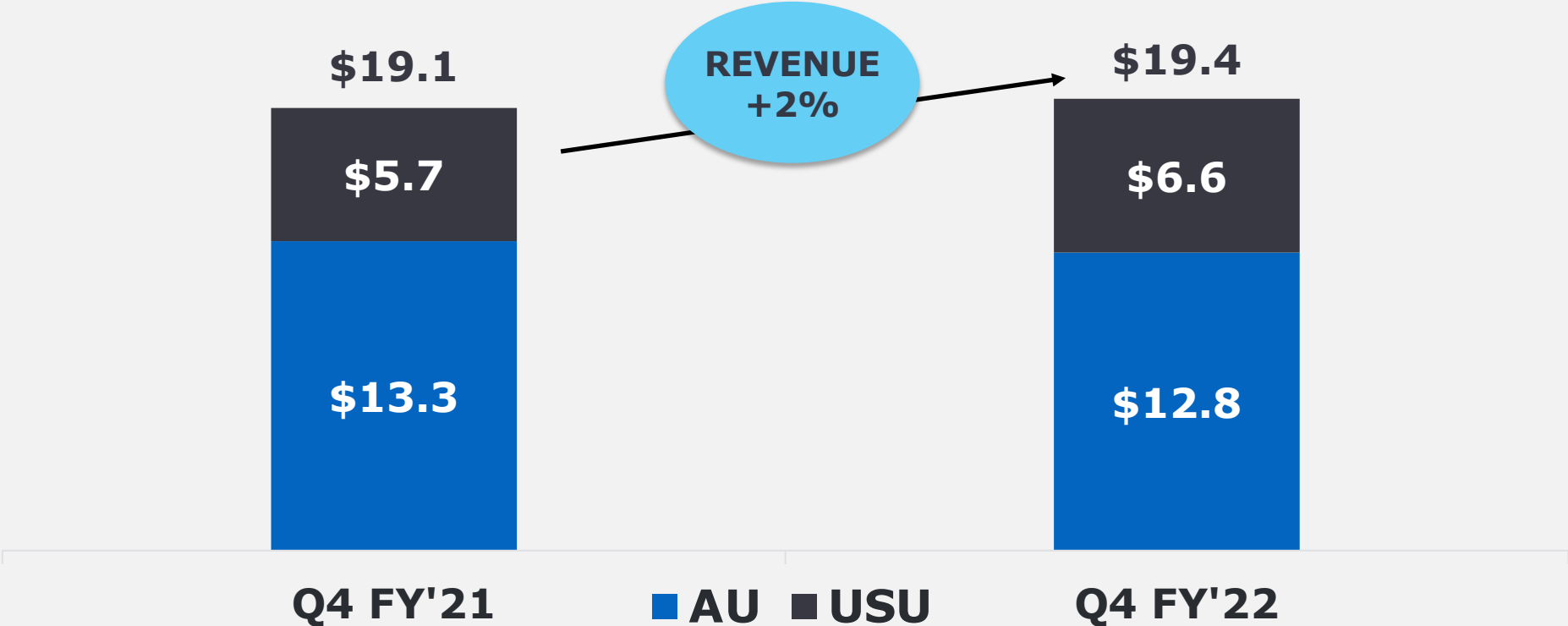
Q4 FY'22 Y-O-Y Bookings* (in millions)



*Bookings are defined by multiplying LTV by new student enrollments for each operating unit.

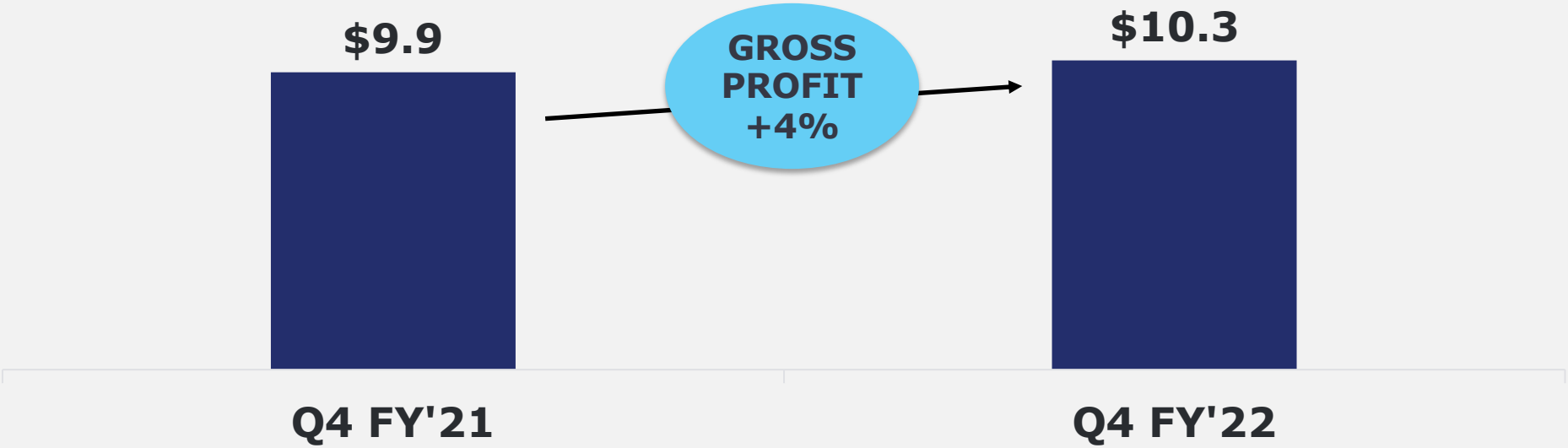
Q4 FY'22 Revenue and Gross Profit

Revenue Y-O-Y Compare
(in millions)



Investment in higher LTV degree programs delivered year-over-year revenue increase

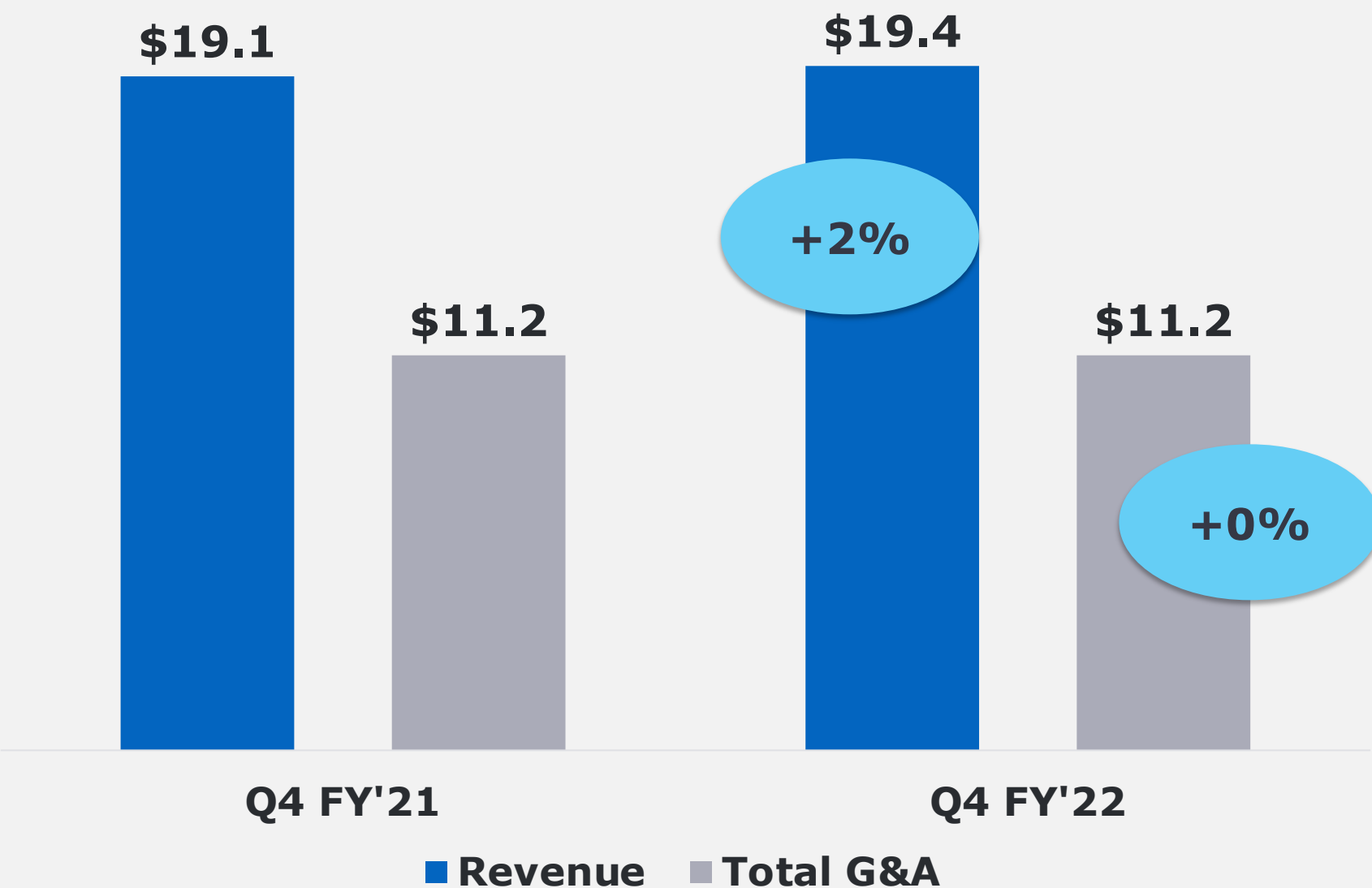
Gross Profit Y-O-Y Compare
(in millions)



Gross profit up despite decline in margin due to higher instructional and marketing costs for recently launched P-L campuses

G&A Controls in Q4 FY'22; Achieved With Pre-Licensure Campus Expansion to a Total of Five States

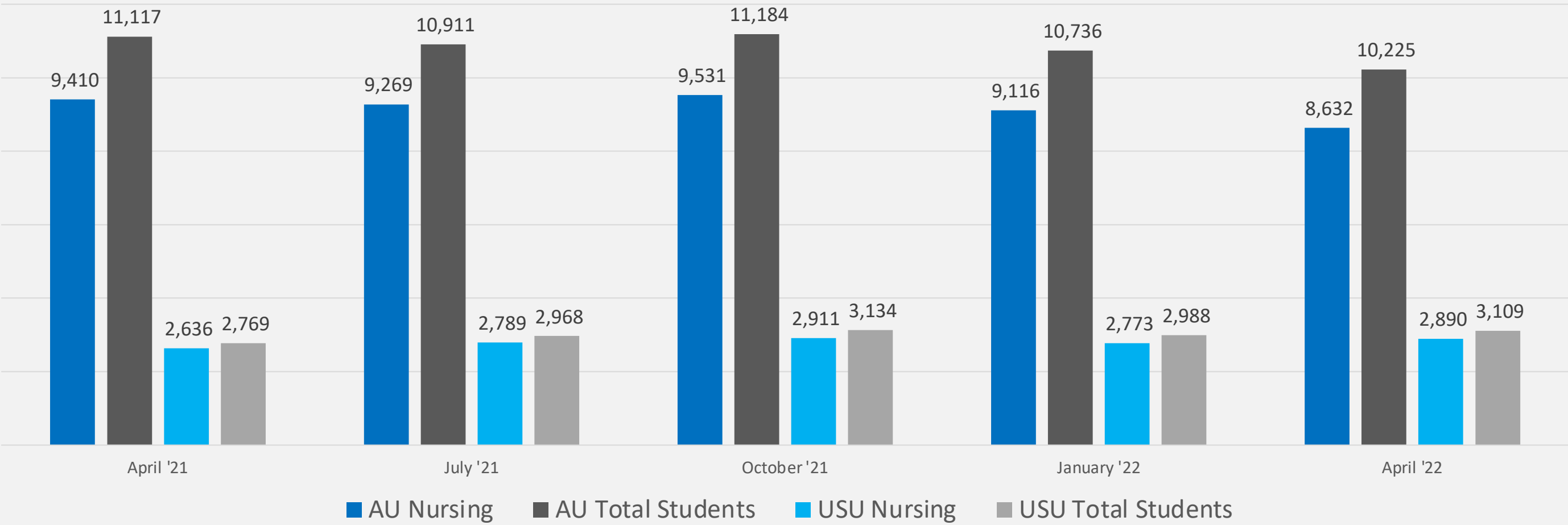
Q4 FY'22 Y-O-Y G&A and Revenue Comparison (in millions)



- G&A was 58% of revenue due to cost controls associated with the Aspen 2.0 business plan.
- **G&A was flat Y-O-Y primarily** due to increased G&A spend in AU BSN Pre-Licensure and USU MSN-FNP programs, related to additional headcount, which increased compensation and benefits expense, and increased facilities costs, offset by G&A reductions in corporate.

AGI Active Student Body Declined 4% to 13,334; 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.

Income Statement

	Years Ended April 30,	
	2022	2021
Revenue	\$ 76,694,366	\$ 67,812,520
Operating expenses:		
Cost of revenues (exclusive of depreciation and amortization shown separately below)	35,259,281	29,453,733
General and administrative	45,535,001	41,908,030
Bad debt expense	1,500,000	2,268,540
Depreciation and amortization	3,370,407	2,426,365
Total operating expenses	85,664,689	76,056,668
Operating loss	(8,970,323)	(8,244,148)
Other income (expense):		
Interest expense	(718,786)	(2,051,381)
Other income (expense), net	530,728	(120,800)
Total other expense, net	(188,058)	(2,172,181)
Loss before income taxes	(9,158,381)	(10,416,329)
Income tax expense	427,400	32,644
Net loss	<u>\$ (9,585,781)</u>	<u>\$ (10,448,973)</u>
Net loss per share - basic and diluted	<u>\$ (0.38)</u>	<u>\$ (0.44)</u>
Weighted average number of common shares outstanding - basic and diluted	25,016,437	23,757,656

Reconciliation of Net Income (Loss) to EBITDA and Adjusted EBITDA By Subsidiary

Three Months Ended April 30, 2022				
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	\$ (2,128,638)	\$ (4,991,258)	\$ 1,534,709	\$ 1,327,911
Interest expense, net	364,884	364,906	—	(22)
Taxes	38,880	20,600	(22,920)	41,200
Depreciation and amortization	890,228	61,115	726,283	102,830
EBITDA	(834,646)	(4,544,637)	2,238,072	1,471,919
Bad debt expense	450,000	—	225,000	225,000
Stock-based compensation	569,098	500,077	51,207	17,814
Non-recurring charges - Other stock-based compensation	—	—	—	—
Non-recurring charges - Severance	—	—	—	—
Non-recurring charges - Other	339,025	339,025	—	—
Adjusted EBITDA	\$ 523,477	\$ (3,705,535)	\$ 2,514,279	\$ 1,714,733
Net loss Margin	(11)%	NM	12 %	20 %
Adjusted EBITDA Margin	3 %	NM	20 %	26 %

Year Ended April 30, 2022				
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	\$ (9,585,781)	\$ (19,529,107)	\$ 6,140,416	\$ 3,802,910
Interest expense, net	715,722	718,099	(1,739)	(638)
Taxes	427,400	23,963	360,947	42,490
Depreciation and amortization	3,370,407	177,835	2,809,255	383,317
EBITDA	(5,072,252)	(18,609,210)	9,308,879	4,228,079
Bad debt expense	1,500,000	—	950,000	550,000
Stock-based compensation	2,534,665	2,232,489	200,980	101,196
Non-recurring charges - Other stock-based compensation	—	—	—	—
Non-recurring charges - Severance	19,665	—	—	19,665
Non-recurring charges - Other	(6,031)	446,660	(452,691)	—
Adjusted EBITDA	\$ (1,023,953)	\$ (15,930,061)	\$ 10,007,168	\$ 4,898,940
Net loss Margin	(12)%	NM	12 %	15 %
Adjusted EBITDA Margin	(1)%	NM	19 %	20 %

NM – Not meaningful

Balance Sheet (Assets)

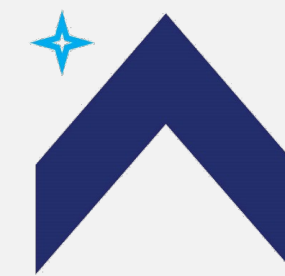
	April 30,	
	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,482,750	\$ 12,472,082
Restricted cash	6,433,397	1,193,997
Accounts receivable, net of allowance of \$3,460,288 and \$3,289,816, respectively	24,359,241	16,724,744
Prepaid expenses	1,358,635	1,077,831
Other current assets	748,568	68,529
Total current assets	39,382,591	31,537,183
Property and equipment:		
Computer equipment and hardware	1,516,475	956,463
Furniture and fixtures	2,193,261	1,705,101
Leasehold improvements	7,179,896	5,729,324
Instructional equipment	715,652	421,039
Software	10,285,096	8,488,635
Construction in progress	2,100	247,767
	21,892,480	17,548,329
Accumulated depreciation and amortization	(8,395,001)	(4,892,987)
Property and equipment, net	13,497,479	12,655,342
Goodwill	5,011,432	5,011,432
Intangible assets, net	7,900,000	7,908,360
Courseware, net	274,047	187,296
Accounts receivable, net of allowance of \$0, and \$625,963, respectively	—	45,329
Long-term contractual accounts receivable	11,406,525	10,249,833
Deferred financing costs	369,902	18,056
Operating lease right-of-use assets, net	12,645,950	12,714,863
Deposits and other assets	578,125	479,212
Total assets	\$ 91,066,051	\$ 80,806,906

Balance Sheet (Liabilities and Stockholders' Equity)

	April 30,	
	2022	2021
Liabilities and Stockholders' Equity		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 1,893,287	\$ 1,466,488
Accrued expenses	2,821,432	2,040,896
Deferred revenue	5,889,911	6,825,014
Due to students	4,063,811	2,747,484
Operating lease obligations, current portion	2,036,570	2,029,821
Other current liabilities	130,262	307,921
Total current liabilities	16,835,273	15,417,624
Long-term debt, net	14,875,735	—
Operating lease obligations, less current portion	16,809,319	16,298,808
Total liabilities	48,520,327	31,716,432
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized, 0 issued and 0 outstanding at April 30, 2022 and April 30, 2021	—	—
Common stock, \$0.001 par value; 60,000,000 shares authorized, 25,357,764 issued and 25,202,278 outstanding at April 30, 2022 25,066,297 issued and 24,910,811 outstanding at April 30, 2021	25,358	25,067
Additional paid-in capital	112,081,564	109,040,824
Treasury stock (155,486 and 155,486 shares, respectively)	(1,817,414)	(1,817,414)
Accumulated deficit	(67,743,784)	(58,158,003)
Total stockholders' equity	42,545,724	49,090,474
Total liabilities and stockholders' equity	\$ 91,066,051	\$ 80,806,906

Subsidiary KPIs (Percentage of Revenue)

	Three Months Ended April 30, 2022			For the Year Ended April 30, 2022		
	<u>Consolidated</u>	<u>AU</u>	<u>USU</u>	<u>Consolidated</u>	<u>AU</u>	<u>USU</u>
Revenue	\$19,378,362	\$12,803,513	\$6,574,849	\$76,694,366	\$51,839,354	\$24,855,012
<u>Percentage of Revenue:</u>						
Instructional Costs	27%	27%	27%	25%	25%	26%
Marketing Costs	18%	18%	11%	21%	20%	16%
Depreciation and Amortization	5%	6%	2%	4%	5%	2%
GAAP Gross Profit	53%	52%	61%	52%	51%	58%
General and Administrative Services	58%	36%	36%	59%	36%	40%



ASPEN
GROUP INC.

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