Aspen Group Inc. (NASDAQ:ASPU)

Q1 2018 Results Earnings Conference Call

September 14, 2017 4:30 PM ET

Executives

Janet Gill - Chief Financial Officer

Michael Mathews - Chairman of the Board, Chief Executive Officer

Analysts and Shareholders

Eric Martinuzzi - Lake Street Capital

Robert Carlson – Janney Montgomery Scott

Howard Halpern - Taglich Brothers

William Gibson - ROTH Capital Partners

Isaac Paradise – Global Platinum Securities

Brett Reiss - Janney Montgomery Scott

George Melas, MKH Management

Dan McBride, Oppenheimer & Co.

Eric Gomberg, Dane Capital Management

Operator

Good day ladies and gentlemen and thank you for your patience. You've join the Aspen Group Conference Call. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session and instructions will be given at that time. [Operator Instructions] As a reminder, this conference may be recorded.

I would now like to turn the call over to your host, Ms. Janet Gill. Ma'am, you may begin.

Janet Gill

Thank you. Good afternoon. My name is Janet Gill, Aspen's Chief Financial Officer. And thank you for joining us today for Aspen Group's fiscal year 2018 first quarter earnings call.Please note that the company's remarks made during this call including answers to questions include forward looking statements which are subject to various risks and uncertainties. These include statements relating to expectations regarding student enrollment and other metrics, and forecasts including growth in revenue, CAGR, gross margins, G&A, net income, EBITDA, Adjusted EBITDA and USU regulatory approval. 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 our business is contained in our press release issued this afternoon and our filings with the Securities and Exchange Commission, particularly the section titled Risk Factors in our Form 10-K for the year-ended April 30, 2017. In addition, we and United States University remain subject to the continued effectiveness of our marketing. Aspen Group disclaims any obligations to update any forward-looking statement as a result of future developments.

Also, I would like to remind you that during the course of this conference call, we will discuss Adjusted EBITDA and EBITDA which are non-GAAP financial measures when talking about the company's performance. Reconciliation to the most directly comparable GAAP financial measures are provided in the tables in the press release issued by the company today. There will be a transcript of this conference call available for one year at the company's website.

I will begin today by reviewing our operational and financial results for our fiscal 2018 first quarter, then will turn the call over to the Chairman & CEO of Aspen Group, Mr. Michael Mathews.

To open, quarterly revenues were $4,242,886, a 54% increase from the comparable prior-year period. As previously announced, Aspen set a quarterly record of 1,025 new student enrollments in fiscal Q1, surpassing the fourth quarter's record of 986, which is all the more impressive given this record occurred during the slow summer seasonality period.

As you know we just achieved 518 new student enrollments in the month of August, which is the start of our seasonally strong ‘back-to-school’ quarter. Mike Mathews will be providing more color on our enrollment center and plans for the future in a few minutes.

From a year-over-year perspective, the 1,025 enrollments in the first quarter was an increase of 65%, while the internet advertising spend of $820,000 in the quarter represented a spending increase of 88%, which no doubt supported the spectacular 518 enrollment result in August. We're planning to increase our internet advertising spend rate to $960,000 this quarter and our enrollment result in August suggests that our cost-per-enrollment will go down to below $800 in Q2.

Our rolling six-month average cost-per-enrollment at the end of Q1 dropped down sequentially from $815 to $812. Therefore, Aspen's marketing efficiency ratio (which is calculated as revenue-per-enrollment divided by cost-per-enrollment remained stable sequentially at 8.6X, meaning that Aspen is projecting to earn an 8.6X return on its marketing investments.

Aspen Group's gross profit for the first quarter increased 38% from the comparable prior year period to $2,369,150 or 56% margin. Note that instructional costs rose approximately $120,000 sequentially, while revenues were down $46,000. This makes sense when you consider that our eight-week courses are paid to instructors upon completion. So in the first fiscal 'summer' quarter just completed, we paid instructors for the higher course start from the previous fourth fiscal 'spring' quarter. We expect the opposite, more favorable swing to occur in our current fiscal second quarter as courses that were started in our fiscal Q1 'summer' quarter will be paid in this current quarter.

G&A in the first quarter was $3,131,335, an increase of 44% year-over-year. Note that in the first quarter, the company incurred three non-recurring expenses totaling $320,000 that were unrelated to the ongoing operations of the company. The first non-recurring expense was related to the asset purchase agreement for United States University, the second was NASDAQ uplisting fees, and the third was the fees associated with the waver of registration rights from the April equity raise.

In our call last quarter, we pointed out that our operational G&A rose by $445,000 sequentially from Q3 and we forecast that the Q1 increase will be lower. We were right, as the G&A increase was approximately $200,000 sequentially excluding the three non-operational, non-recurring expenses just described. The $200,000 increase was primarily due to headcount increases in our enrollment center, academic operations and technology departments. Mike Mathews will be providing more color on these hires momentarily.

With that as the background of the quarter, our net loss for the first quarter was $(767,079) or loss per share of $(0.06) cents per share. EBITDA, a non-GAAP financial measure, was a loss of $(640,940) or a -(15%) margin. Adjusted EBITDA, a non-GAAP financial measure, in the fourth quarter totaled $55,177 or 1% margin.

At the end of the first quarter the number of students utilizing a monthly payment method increased to over 3,400, which represented 66% of all course payments over the past 90 days. The monthly cash receipts for all monthly payment students is now $880,000, which is $100,000 greater than the previous quarter end. When looking at the contractual value of the 3,125 students currently on the monthly payment plan, without regard to future growth, the contractual value exceeded $30 million at the end of the quarter.

Finally, the accounts receivable reserve was increased by $63,000, resulting in a total reserve of $392,000 as of July 31, 2017. The $392,000 A/R reserve represents 6.4% of the gross A/R, including both short-term and long-term accounts receivable.

Now I will turn the call over to Michael Mathews to provide additional color on our first quarter results and to provide an operational update.

Michael Mathews

Thanks Janet. Good afternoon everyone. I would like to spend some time today giving all of you insight into what we've accomplished this summer, as we prepare to become a parent company to multiple institutions of higher learning, which is pending regulatory approval of our agreement to acquire United States University.

First of all, we have been working closely with United States University in San Diego on a marketing consulting basis since the asset purchase agreement was signed back in May, and I can tell you that they have exceeded my expectations in many ways. First their great leadership team, second their commitment to making higher education affordable again, third their focus on maintaining a student-centered learning environment, and finally their welcoming attitude toward Aspen Group and desire to become great teammates from day one.

I can't begin to express how excited I am with the performance of USU in these past 120 days, as we've helped them increase their active student body by 61% in this very short period of time. The major story line is their Master of Science in Nursing, Family Nurse Practitioner (or FNP) program, which has represented more than half of USU's enrollments since we began supporting them with our marketing expertise.

This FNP program was approved this past spring by both the regional accreditor (WASC) and the California Board of Nursing for online hybrid class delivery. In the near-term, USU is running FNP course starts every other month and has a plan for managed growth to ensure excellent student infrastructure and support from day one.

We more than met the planned enrollment in September and will easily fill their available slots in November and January.

Much had to be done to prepare for this enrollment success that started in September. As I will now discuss, staff increases to support the USU launch were the key driver to our increased G&A.

We now have an enrollment staff of 58 at Aspen Group, of which 9 of the enrollment advisors (EAs) are supporting USU's enrollment efforts. We plan to increase USU to 15 EAs soon after the closing of the acquisition, which of course is still pending regulatory approval in November.

We've also replicated our proprietary student information system (or SIS) so that the USU student registration experience is fully automated just as it is at Aspen University. USU's curriculum for certain degree programs also had to be migrated to Aspen's learning management system (Brightspace by D2L) given that's the LMS that's integrated with our backend SIS. To accomplish this, our two senior executives in our technical development center in Canada, Gabriel Richard and Timothy Sanford, worked overtime nights and weekends for months to make this launch happen on time, and I'm deeply appreciative to them for their great work and commitment.

Because new student orientations and academic advising is so critical to first course completions, we sent one of our most experienced academic advising managers at Aspen to San Diego to personally ensure we successfully onboarded all these new students in the same high-quality manner as new Aspen students' experience. And because of our enrollment success, a second academic advisor from Aspen is now needed this month to go to San Diego to support the rapid growth. Finally, we have recently lent USU additional resources in academic operations to help support the growth.

The point of this briefing is to communicate that we feel like we're fully staffed now from a technology, academic operations, marketing and corporate perspective to smoothly begin scaling USU following regulatory approval. We made a business decision to put the infrastructure in place now rather than spending months post-acquisition working through integration issues and looking for proper resources.

Let me walk you through the hiring we've completed over the past six months to prepare for this coming November. First, as mentioned, we're now at 58 EAs from 40 back in March. Academic advising has grown from 10 to 15 advisors. Our academic operations including our registrar, financial aid and bursar offices have grown from 12 to 19 employees. Our technology development staff in Canada has grown from 10 to 17 employees. And finally our corporate and marketing staff has grown from 5 to 9 employees. All told, our full-time staff, not including faculty, has grown from 81 to 125 employees over the past six months, all in preparation to support a second institution of higher learning.

This carefully planned infrastructure build-out has certainly weighed on our bottom line results the past few quarters, but we believe this productivity has resulted in a stronger USU short- and long-term and will support a more rapid growth curve post-acquisition.

In terms of our top-line forecast for our current quarter ending October 31, 2017, I'd like to reiterate our projection to be in the $5 million revenue range for the quarter, plus or minus 5%.

Before I open the floor for questions, I have an important announcement to make. As I'm sure most of you know, Aspen University has been approved to participate in HEA, Title IV Federal Financial Aid programs on a 'provisional' status since 2009. We received notice from the Department of Education on August 22, 2017 that we are now qualified to participate in HEA, Title IV Federal Financial Aid programs in what's commonly known as 'permanent' status, without conditions, and they set a subsequent program participation agreement reapplication date of March 31, 2021.

That ends our prepared comments for this afternoon; we'd now like to open the call to address any questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Our first question comes from the line of Eric Martinuzzi from Lake Street Capital. Your question please.

Eric Martinuzzi

Yes, congrats on the July quarter, especially strong enrollment there as well as the first month of Q2 with over 500, that's really impressive on the enrollment side. This USU acquisition is obviously front and center with investors. You talked about approval in November, is it safe to say that December 1st timing is the expectation right now for the close of the deal?

Michael Mathews

Yes, I'll walk you through the mechanics of the timing -- and by the way good afternoon, Eric. So we've gone through a very elongated formal process with the regional accreditor (WASC). We met with the leadership of WASC based in Oakland, California a couple of months ago now. They subsequently put together a site visit team that we had an initial conference call with approximately six weeks ago.

And then finally we had the scheduled on-site visit by that site visit team just this past Friday. So the formal review process is now complete. The final step is the WASC commission meeting that goes ahead and votes on the change of ownership application from Aspen Group on their next commission meeting which is on November 1st. Should we receive approval on November 1st, we'll then receive notice within a week or two thereafter. At that point, once we receive approval, then we'll move to close within say two to three weeks. So if all goes well and regulatory approval is received in early November, we’d like to close in the late-November, early-December timeframe.

Eric Martinuzzi

Okay, so pretty much still on track. Shifting back to the legacy business, kind of the organic business, as I look at my own model, I was looking for a loss of $(0.03) and you guys printed a loss of $(0.06).

You went into some detail talking about some of the additional expenses that you had in the quarter and between the NASDAQ uplist and the USU kind of the frontloading expenses there in advance of the close of the deal as well as the registration rights fees on the April PIPE. But I was just wondering this is little bit unusual for me, because most of the time with my tech companies that are doing acquisitions there are certain things they do in advance of a deal close, but they really don't, we really don't see these kind of integration expenses until post-close. Is there -- are you getting reimbursed by the owners of USU or was this kind of written into the LOI, the pricing of the deal, that you would be expending these amounts, or is there some kind of offset maybe that we're not hearing about that they're paying you for consulting services that’s just not equivalent to the expense outlays?

Michael Mathews

So there is actually three different elements, I'll walk you through each one, one-by-one. So I think everyone is well aware that we signed a marketing consulting agreement at the same time as we executed the asset purchase agreement, which then went ahead and allowed us to provide a series of resources to USU to commence with rebuilding their student body. So the folks that we've lend them are part of that marketing consulting agreement. And yes, they will be reimbursing us for those costs.

Some of this cost we invoiced and there is a delay in terms of the payment so you'll see on the balance sheet for example there is an 'Other Receivable' number of $220,000 that relates to USU invoices that have yet to be paid. The other aspect of what you're asking is there is no question that because of the marketing consulting agreement and because of the enrollment success that we're having at USU over this short three to four months period, that we have put resources in place additional beyond the marketing consulting agreement to allow us to ensure that they're successful with all these enrollments, which is a relatively big undertaking.

So we have provided the resources to them based on the growth that wasn't anticipated, because it's important to ensure that we make sure that these students persist. The final piece of the puzzle is that yes we have some corporate segments of our business that we just simply had to increase in order to successfully launch USU and some of their degree programs.

So as I mentioned before, we increased our software development group in Canada from 11 to 17 people, for example. We've increased our finance and marketing departments in preparation for that support. So, yes, I realized the plan was for a $(0.03 loss), but we had $0.02 to $0.03 that were the NASDAQ uplist fees and the waiver fees on the equity raise. So, if you take those out, we are pretty close to the target. So hopefully that answers your questions.

Eric Martinuzzi

Yes, that covers it. One other question from me. Roughly six months ago you had the equity raise, do you have a plan to address the 2 million shares that are going to become tradeable come October 10th, which would be six months post close the transaction? Do you have a plan to address that issue?

Michael Mathews

I'm not sure I exactly understand the question, I don't really see that as an issue, I mean, if you look at our total share count today it's about 13.6 million shares and the complaints that I'm getting whenever I do road shows is it's hard to get stock, the float is too small. So, I'm actually quite excited that we're going to have 2 million shares that are actually going to be increasing the float so that some of our larger existing shareholders and some of the large asset management and mutual funds can actually become large shareholders of the company.

Eric Martinuzzi

Understand. Thanks for taking my questions.

Michael Mathews

Thank you.

Operator

Thank you. Our next question comes from Robert Carlson of Janney. Your line is open.

Robert Carlson

Hi, Mike, again congratulations. Could you talk a little bit more about USU, currently what's their student count if you will? And what do we expect that count to be say one to two years down the road and what's their maximum enrollment?

Michael Mathews

These are questions that I just don't really -- I don't really want to talk about publicly yet, simply because we're still in the pre-acquisition regulatory approval process. Some of our plans are confidential and I really don't want to talk about exactly what we'd like to do because of course we don't own them yet. And it's also confidential in terms of how many students they have, but again I did indicate earlier that their active student body has increased by 61% since we began supporting them.

Robert Carlson

Okay. Could you talk a little bit too about why we don't see per share data on the press releases?

Michael Mathews

Sorry, could you repeat that question, I apologize.

Robert Carlson

I'm looking for per share data. We talked about the $(0.06), I don't see that in the press release, maybe I am not looking at the right place?

Michael Mathews

Yes, we just announced the net loss, I don't think we had an EPS figure in there.

Robert Carlson

Okay. Is there a reason for that?

Michael Mathews

No.

Robert Carlson

Okay. That's all, I have got.

Michael Mathews

Okay, thank you.

Operator

Thank you. Our next question comes from Howard Halpern of Taglich Brothers. Your line is open.

Howard Halpern

Congratulations, great quarter. In terms of the G&A build, how is that going to be able to support going forward in terms of active student enrolments before you would have to add more?

Michael Mathews

Yes, well from now until the end of the calendar year we don't have a plan to hire additional personnel other than perhaps a handful of enrollment advisors. So that $3.1 million G&A number from this quarter, and again we have approximately $300,000 or so of the non-operating non-recurring, so call it $2.8 million, I would guesstimate that our G&A will be in the $3 million or less range this quarter, this second quarter. And we feel very confident that outside of increasing our enrollment center we're in very good shape to support two universities as of the end of the year. So we're well prepared from again a technology perspective, corporate perspective, et cetera.

Howard Halpern

Okay, and in terms of the internet marketing spend increase, can you refresh my memory, is there a lag time between that and then enrollment? How does that play out?

Michael Mathews

When we increase spend in a given month, most of the enrollments come in between 30 and 120 days, and on a cohort basis they do continue trickling in believe it or not for a couple of years. So as you can tell, this quarter, as planned, we increased our spend rate by 88% over the previous year. And in particular we spent those dollars later in the quarter in Q1 obviously preparing for the back-to-school season which really began in earnest during August, and as you can tell we had kind of an epic August enrollment month.

Howard Halpern

Alright. I don't know whether you've noticed it too, the TV advertising for online education, they’re starting to mention not debtless, but lower debt more flexible plans. Do you think you're sort of driving them into that direction? Now they’re not saying exactly what lower debt means, but do you think you’ve had an impact?

Michael Mathews

I don't know to be honest. I mean I do try to pay attention to any higher education spots on television. I haven’t seen anything like that, so you'll have to point me in that direction. But I'm not aware of any significant institution of higher learning that is offering the kind of monthly payment plans, pay as you go kind of a model.

Howard Halpern

Yes, no one, it's not a monthly payment plan they are just addressing, just that debt is so high that their offering flexible plans now. I think it was SNU.

Michael Mathews

Yeah that's Southern New Hampshire University.

Howard Halpern

Yes they just want to try to reduce the amount of debt that students face, not eliminate it like you're trying to do. But I just thought that was interesting that the advertising seems to be changing a little for those type of institutions.

Michael Mathews

Yes, anyone that uses a socially conscious approach is going to be good for Aspen and good for our country.

Howard Halpern

Okay. Well congratulations and keep up the good work.

Operator

Thank you. Our next question comes of William Gibson of ROTH Capital Partners. Your line is open.

William Gibson

Thank you. Mike you've talked about the build-up on the operational side. Where do we stand in terms of the number of full time professors and adjunct professors?

Michael Mathews

Yes, good question. So the full-time professors are currently all in our School of Nursing as there has to be a certain number of course starts per course for us go ahead and have the volume necessary for us to flip an adjunct professor to full-time. I believe we're at 10 full-time professors today. And adjunct faculty is well over 100.

William Gibson

Good, thank you. And then you gave guidance for the internet advertising spend in the second quarter. What was it in the first quarter?

Michael Mathews

Yes, we averaged a spend rate of about $275,000 per month in the quarter -- in the July quarter. And we're targeting somewhere in the vacinity of $320,000 per month in the current quarter.

William Gibson

Thank you.

Operator

Thank you. Our next question comes from Isaac Paradise of Global Platinum Securities. Your line is open.

Isaac Paradise

Hi Michael, I hope you are well. I have a few questions for you, slightly higher-level ones. Why aren't we seeing more online schools switching to the pay as you go model for the monthly payments? Have you seen an increase in sort of competition being that following your success?

Michael Mathews

No, we haven't seen that and partly because it would be incredibly disruptive financially. Imagine a university that offers average tuition rates (for online for profits and traditional state schools) around $2,000 per course. And by the way that's approximately what USU was at too before we began working with them three to four months ago.

So can you imagine a scenario where a university has a $50 million revenue run rate or $100 million revenue run rate. And the day they move their tuition rates from $2,000 a course to approximately $1,000 per course means that in effect they're cutting their revenue in half. So I don't think you are going to see any significant sized universities follow us simply because it would be financial suicide to do so. The reason why United States University was such a perfect acquisition for us was that they're relatively small and we can flip them to the monthly model without a significant financial disruption. So hopefully that answers the question.

Isaac Paradise

Yeah that was great, thank you. So I have one more, could you give me sort of the percentage of students that are leaving the student body each quarter that are withdrawals and not graduates?

Michael Mathews

Sure, so our graduations on a monthly basis average between 30 to 50 students. Our withdrawals are probably in that same range. We also have a policy that a student is no longer active in our university if they don't take a course for 180 days. So if that happens we automatically administratively withdraw them from the university, and if they want to come back they'll have to reapply.

So that's the largest attrition piece of the university, our students that's just simply stop taking courses and essentially lose interest so to speak. So hopefully that gives you a flavor. The total attrition that we see averages probably about about 150 students per month, approximately.

Isaac Paradise

Okay, got it. Thank you. Another question, just on the faculty members in the nursing school, so how many faculty members are currently employed within the school of nursing? And how do you anticipate this number to change over the next few years?

Michael Mathews

Okay, sure. So we currently have 10 full-time faculty members in our school of nursing. We also have three senior level administrators in the school. We have our Dean, our BSN coordinator and we have our practicum coordinator. In addition of that we have I believe approximately 60 to 65 adjunct professors, so it's approximately 75 total faculty members I believe. And we typically add two or three a month by the way.

Isaac Paradise

Okay awesome. Thank you so much.

Operator

Thank you. We have a follow-up question from Eric Martinuzzi of Lake Street Capital. Your line is open.

Eric Martinuzzi

Yes, not a question from me, but I did want to make a clarification for all parties as well as a comment. What you guys traditionally do is you release a press release one minute after the market closed and then at 10 minutes after the market close you release the Q, and that's where I was getting my loss per share number. I don't know if all of your investors are seeing both of those documents so that was just the clarification I wanted to make. And then as far as a comment, I too would appreciate a press release that’s kind of more in line with other companies that really all you are doing is lifting out the financial tables from your Q and putting them in the press release and I'd be happy to take that up offline with you.

Michael Mathews

Yes, not a problem. We haven’t typically presented the EPS in our press releases, so I'd be happy to do that going forward.

Operator

Thank you. Our next question comes from Brett Reiss of Janney. Your line is open.

Brett Reiss

Mike, the business models for the nursing school, which has resulted in these meteoric year-over-year increases and good sequential quarter-to-quarter increases, is that transferable to the entire course offering of USU?

Michael Mathews

The answer is yes, USU has the same programs that Aspen does other than the doctorate program. So they have an RN to BSN program. They have the two MSN programs that we offer, which is the education program and the leadership/administration management program. But they also have a third specialization at the master's level which is the Family Nurse Practitioner (FNP) program, which is the program that looks to be the star degree program of USU based on our early enrollment results.

In addition to the nursing program, USU has a very strong business program undergraduate and graduate as well as a very strong education program undergraduate and graduate. So, we will look to -- upon regulatory approval -- we will look to drive growth in all three of those categories as we move forward.

Brett Reiss

Okay, thanks for taking the question. Keep up and good work.

Operator

Thank you. The next question comes from George Melas of MKH Management. Your question please.

George Melas

Thank you. Congratulations Mike and Janet for the continued success, it's very impressive. Quick question on the enrollment advisors, now that you have 49 enrollment advisors, 49 to 50 at Aspen, what kind of enrollment numbers can these advisors support?

Michael Mathews

Well, I have to say that the enrollment group in Phoenix keeps surprising me. So I would have told you that historically speaking, we would not do any better than eight enrollments per enrollment advisor per month. That's been kind of the standard metric for Aspen for actually a number of quarters now. And I think if my mathematics were correct in August, we were over 12 per enrollment advisor. Now I don't think future months are going to be as amazing as August because people have a real strong mentality of going back-to-school in September -- meaning that they would enroll in August.

So, I do -- to answer your question specifically, I do believe that we could potentially average as much as 10 enrollments per advisor in the coming quarters simply because at this point we have 49 people that are working on behalf of Aspen and they have been there for a period of time now and we don't really have any new people at this point and they are all very talented and very experienced. So, it's possible we could be better than our historical average of eight.

George Melas

Okay, great. And then is there a new sort of group of advisors that you are planning to bring on board in the next few months?

Michael Mathews

No, so we currently have nine enrollment advisors dedicated to United States University. And we would look to perhaps add another six to go to 15 advisors for USU sometime perhaps around the end of the year. So it wouldn't be in the next month or two, no.

Operator

Thank you. [Operator Instructions] Our next question comes from Dan McBride of Oppenheimer. Your question please.

Dan McBride

Two questions pretty quick. The first one I think is straightforward, there is $63,000 bad debt expense that popped up and I guess I was just trying to figure out where that would come from?

Janet Gill

It's an estimate to make sure that our receivable reserve is approximately 6.4% of receivables.

Dan McBride

Okay. So it's just a function of the overall number?

Janet Gill

Correct.

Dan McBride

And then my second question is just a little softer, but I guess I'm wondering like you described great success with USU -- the plus 61% number. But of course that seems like you would have had to make a real time decision as you're noticing the increase of enrollment. And you have to make a real-time decision to kind of send more people and increase the G&A.

Is there any kind of science to just how much you're willing to spend? Or is there actual mathematics that's going to cost us more and more G&A, but we're going to do it because our return is X. I'm just trying to get a feel for what we can expect to see on that spending line on a go forward basis. When even if it's getting great enrollment numbers you're just not going to spend much more to keep the number in line?

Michael Mathews

Well first of all in my prepared remarks, I tried very hard to try to explain that we needed a minimum number of people in each of our functional departments to support

United States University in addition to of course our current support system for Aspen. And we feel very strongly that we are -- our resources are in place to scale United States University now as we prepare hopefully to be approved on the regulatory side.

So as we go forward, and start to scale United States University, our current target as I've said publicly previously is we're looking to drive growth for USU so that they will be in the first fiscal year after we own United States University, we're targeting they will be the same size as Aspen was this past fiscal year, which is around the $14 million mark.

In order to achieve that, our current plan for USU would be to spend approximately $150,000 marketing budget per month after we acquire USU. And so we'll have to bring in six additional enrollment advisors to do that and of course we'll have to increase the academic operation staff in San Diego as we get larger. Hopefully that answers the question.

Dan McBride

It does. Thank you.

Operator

Thank you. Our next question comes from Eric Gomberg of Dane Capital Management. Your line is open.

Eric Gomberg

Hey, Mike congratulations on the strong results.

Michael Mathews

Thanks, Eric. Good afternoon.

Eric Gomberg

Afternoon. Couple of things, I may have missed this in the opening remarks, but curious on Title IV, congratulations on that. What do you view that as potentially or how do you view that as potentially impacting the company over time?

Michael Mathews

Yes that's a great question. And I think everybody knows based on our previous filings that we believe that our Title IV revenues for fiscal year '17, which we're going to be filing in a couple of months with the government is about 21%. So it's a very small minority of our student body. We do have some business plans that we're going to be announcing before the end of the year that perhaps federal financial aid will be something that will be more important to some of those prospective students based on the business plan and I can't go into any more detail.

But having the permanent status Title IV means that there are no conditions. In the past when you are in a provisional status you can't add additional degree programs, there is a limit to the number of students you can put into Title IV, et cetera. And by being permanent status, we now have no conditions meaning we can do any types of programs that we want and we can bring in as many students under the federal financial aid program as we'd like.

We do not plan to significantly increase our Title IV percentage. But again standby with a new business plan that we have, which we'll be announcing in the coming weeks which I'll discuss that at the time in terms of what the business model is and how the payment method will work for that.

Eric Gomberg

Okay. But it sounds like at a minimum it gives you flexibly to potentially increase enrollments and essentially give you more flexibility?

Michael Mathews

Yes, so it's going to allow us to implement and announce a new degree offering that without it would have been difficult to execute, yes.

Eric Gomberg

Okay. No that's great. Clearly this past quarter you in the way under earned because you are spending in advance of the acquisition, just and I think the previous questioner you answered saying you are comfortable with kind of the $14 million or so in next year so that sounds terrific. Just wondering, do you think that the gross margin on United States University will resemble Aspen over time?

Michael Mathews

Yes, that's a great question. I think it's going to be very similar. In the early days, it will be lower simply because the percentage of faculty members that USU has that are full time is a higher percentage than Aspen. But as we scale the university, we see that there is going to be two differences to USU. Number one, the highest percentage of students are going to be the FNP students and for that program the tuition for that program is approximately $27,000.

As everybody knows, our BSN program, our biggest program at Aspen is $9,750, so this program tuition is over 2.5 times the price. So, we're going to likely have a much higher LTV per enrollment with USU than we do at Aspen. But on the cost side for a while the instructional cost will be higher as a percentage of revenue.

Eric Gomberg

Understood. And I guess one last thing, I know it's a long regulatory process. I know you did a lot of diligence going into the transaction, but just as you've gotten to know USU, has your confidence and conviction in the transaction changed -- has it improved, how are you feeling versus how you felt three months ago?

Michael Mathews

I don't know if you heard the tone of my voice, as I was basically communicating in my formal remarks, but I am absolutely ecstatic. Typically speaking, the biggest risk of an acquisition is integration and frankly in some cases culture. As we're working together through the marketing consulting agreement, this integration has been so smooth, I can’t express how delighted I am enough.

Eric Gomberg

Okay, thanks so much.

Operator

Thank you. Our final question comes from Isaac Paradise, the Global Platinum Securities. Your line is open.

Isaac Paradise

Hi, sorry, back again with one more. So, I think you previously said you had a target for G&A at around 50% as a percentage of revenue, is it still feasible in the near to medium term if the USU acquisition is approved?

Michael Mathews

Yes, absolutely, so obviously because of the infrastructure we've put into place, I think it rose into the mid to high-60 level this quarter. I think you'll see a significant decrease in the current quarter. And once USU comes in, I mean, you have to understand guys they only have approximately 25 employees -- it's a relatively small institution today. So they're not going to add a significant amount of G&A -- whatever was needed for the most part is in place.

Eric Gomberg

Great, thank you so much.

Operator

Thank you. At this time I like to turn the call back over to management for any closing remarks.

Michael Mathews

Thank you everyone for your time today. We appreciate all your questions and look forward to speaking with you in the coming weeks. Have a good afternoon.

Operator

Ladies and gentlemen this concludes today's conference. Thank you for your participation. And have a wonderful day.