

Aspen Group, Inc. ([NASDAQ: ASPU](#))

Q4 FY'2019 Results Earnings Conference Call

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Executives

Joseph Sevely - Chief Financial Officer

Michael Mathews - Chairman of the Board, Chief Executive Officer

Analysts

Darren Aftahi - ROTH Capital Partners

Eric Martinuzzi - Lake Street Capital

Austin Moldow - Canaccord Genuity

Mike Malouf - Craig-Hallum Capital

Operator

Good afternoon and welcome to Aspen Group's Fiscal Year 2019 Fourth 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 future student enrollments and bookings, campus growth and revenue forecasts, metrics and attrition rates, revenue growth including Q1, improvements to Aspen University's core nursing program, USU's operating leverage trends, expectations from USU's FNP monthly payment plan changes, expected G&A trends, expected improvements in Adjusted EBITDA and operating cash for fiscal year 2021, and our liquidity.

Actual results may differ materially from the results predicted, and reported results should not be considered as an indication of future performance. A discussion of risks and uncertainties related to Aspen's business is contained in its filings with the Securities and Exchange Commission mentioned in the press release issued this afternoon.

Aspen Group disclaims any obligation to update any forward-looking statement as a result of future developments. I'd also like to remind you that during the course of this conference call, the company will discuss Adjusted EBITDA and EBITDA which are non-GAAP financial measures, in 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.

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

Michael Mathews

Good afternoon. I will begin the call today by discussing the first full year results of our pre-licensure BSN campus business, then recap the company's marketing spending strategy and enrollment results and equate those results in terms of bookings, then I will make a strategic announcement related to our monthly payment plan at USU. Joe Sevely will then follow with a review of our financial results.

As you know, we launched our first pre-licensure BSN campus in Phoenix last July, so it's been in operation for nearly a year. In these first 12 months (which includes enrollments registered in May), we've delivered nearly 500 enrollments and as of the end of the fiscal year on April 30th, we had 396 active students in the program.

Of the 396, 273 students are in the first-year prerequisite phase of the program. The other 123 are in the final two-year core program. To date, we've had 127 students enter the final two-year core program and only four students have withdrawn thus far. That's only a 3% attrition rate since opening, so we're very comfortable modeling less than 10% attrition for this cohort.

These are important metrics because the final two-year core program delivers the university per student revenues of approximately \$40,000, so should this cohort graduate at a rate of, say 93%, that delivers over \$37,000 LTV on average for that final two-year core program cohort.

The other cohort is the students that enter the first year prerequisite phase of the program. These students typically enter the program with some college credits and are required to complete the total of 41 first-year credits before entering the final two-year core program. We are comfortable at this point predicting a two-third matriculation rate of first year students that successfully complete their 41 first-year credits and thereby enter the final two-year core program.

Based on a 70/30 ratio of prerequisite students to final two-year core program students, we are now able to confirm a weighted average LTV of approximately \$30,000 per enrollment in this pre-licensure BSN program. This \$30,000 LTV per enrollment or, if you will, the ARPU or average revenue per user for this business is just over four times higher than the ARPU for our traditional Aspen online nursing student of \$7,350.

In addition to a 4x ARPU, the average cost of enrollment for this pre-licensure BSN program to date is approximately \$400, meaning that for every dollar spent in marketing, we're projecting to earn nearly \$75 of revenue. These operating metrics suggest that we should focus most of our expansion capital in this business.

This is indeed our plan as we're targeting to open two campuses per calendar year starting in 2020 for the next five years. So as we reach the end of calendar year 2024, we expect to have 12 campuses in operation. Once these 12 campuses all reach full maturity, we're projecting that this business alone will be over a \$100 million business.

Next, I'd like to discuss our recent enrollment results, comparing fiscal year 2018 to fiscal year 2019 and what that equates to in incremental bookings. Please feel free to follow along as this analysis is available for review on earnings slides 7 and 8, which is available for download on our IR site, aspu.com.

So let's go back to fiscal year 2018 on slide number 8. The total enrollments for the year was 4,254. You can see that the vast majority of enrollments were in Aspen's traditional online nursing program which delivers an LTV of \$7,350 per enrollment. So in fiscal 2018, we delivered bookings in that unit of \$28.4 million, while adding bookings of \$1.5 million in our Aspen Doctoral unit and another \$5 million of bookings in our USU, primarily FNP unit, during the five months following the acquisition. That means the company in total delivered bookings for fiscal year 2018 of \$34.8 million. Okay, let's compare that with fiscal year 2019.

As we discussed previously, we made a conscious decision to hold spending relatively flat on a year-over-year basis in our Aspen online nursing core unit for two key reasons. One, the LTVs for the other three units are significantly higher than the Aspen Nursing online LTV; and two, we decided that focusing our growth spending on these higher ARPU business units would over the long-term result in higher revenues and net income than the Aspen University online nursing programs.

Consequently, note that we delivered 3,825 enrollments in fiscal year 2019 in our Aspen online Nursing unit, which equates to \$28.1 million of bookings. In addition, the Aspen Doctoral unit delivered 484 enrollments equating to \$6.1 million of bookings. USU through predominantly FNP program enrolls delivered a total of 1,060 enrollments which equates to \$18.9 million of bookings. Finally, Aspen's pre-licensure BSN program delivered 433 enrollments for total bookings of \$13 million.

So the company delivered a total of 5,802 enrollments for fiscal year 2019, which translates to \$66.1 million of bookings. So to recap on slide 7, total enrollments rose year-over-year from 4,254 to 5,802, which equates to a 36% enrollment increase year-over-year.

However, because the enrollment growth was directed exclusively towards our higher LTV businesses, bookings rose by 90% year-over-year from \$34.8 million to \$66.1 million. Growing enrollments by 36% year-over-year, yet achieving a 90% increase in bookings translated to a 39% ARPU increase year-over-year. It should now be clear why we directed the growth capital to these new business units.

That leads me to our enrollment projections for fiscal year 2020 and what that equates to in bookings. We are targeting year-over-year total enrollment growth of approximately 25%, which we expect will deliver year-over-year bookings growth of approximately 35%, which would equate to approximately \$89 million of total bookings for this fiscal year 2020.

To deliver year-over-year enrollment growth of 25% in this current fiscal year of 2020, we project pre-licensure BSN program enrollments to grow by over 80% and USU enrollments to grow by over 30%. We also expect our Aspen Doctoral unit to grow enrollments by nearly 50%. Finally, our traditional Aspen online Nursing core is projected to grow enrollments by approximately 15% this fiscal year as we plan to moderately increase our marketing spend later this fiscal year.

As a result of this 39% average revenue per user increase year-over-year, we have set the stage for sustained revenue growth. We're already seeing the benefit of this fiscal year 2019 39% ARPU increase, as we're now confident in guiding that our revenues for the current quarter fiscal Q1 2020 will be over \$10 million which is over \$600,000 higher than the analyst's current consensus.

I'll complete my regards today by making an important announcement regarding our monthly payment plan for our United States University Family Nurse Practitioner program. Allow me to first provide some background. The company first launched the innovative monthly payment plan (or MPP) at Aspen University back in the spring of 2014, just over five years ago.

The MPP was designed to allow students the ability to pay for their education through a fixed number of monthly payments. Additionally, we designed the MPP so that the payment plan duration would have approximately a one-year tail of monthly payments following the completion of a given student's academic program. So, for example, our Bachelor- and Master-level post-licensure online nursing programs at Aspen University typically cost in the range of \$10,000 to \$13,000. The average completion duration is in the 2 ½ year range, therefore students that finish in 2 ½ years would typically have about 10 months of payments that remain following their graduation. That's a payment tail we're quite comfortable with.

The United States University MSN-Family Nurse Practitioner program on the other hand has a total cost of attendance of nearly \$27,000. Given the monthly payment required of \$375, this equates to approximately a six-year payment plan. Given the average completion duration for the FNP program is approximately 2 ½ years, that means for this program, rather than having a 10-month tail post-graduation we're managing a 42-month tail.

Given the length of this cash collection tail, the company has decided to modify the FNP monthly payment plan effective at the end of this month, July 31st. The new program is a hybrid payment model. We're going to combine the monthly payment plan with a second payment method such as financial aid, corporate tuition reimbursement, private loans, or of course, cash.

Here is how the new program works. The first year of the FNP program are the pre-clinical courses which cost students about \$9,000. We will allow students to pay for this first year liability of \$9,000 through 24 monthly payments of \$375. These payments are made while the student is attending this minimum two-year program duration.

However, when the student completes their first academic year and is ready to commence with their second academic year, which is the clinical year that equates to a

liability of about \$18,000, students will be required to utilize federal financial aid or a combination of FA together with cash resources or corporate tuition reimbursement or private loan funds.

This will eliminate our 42-month tail entirely and allows the University to get paid in full upon students' graduation date. And this approach still maintains our mission as a company to make college affordable again and to minimize student debt as much as possible.

The result of this MPP program change for USU's FNP program is expected to reduce our operating cash requirements by over \$2 million in fiscal year 2021 and much more in future fiscal years and therefore shortens the timeframe for the company to begin generating positive free cash flow on an operating basis.

I'll now turn the call over to our CFO, Joe Sevely, to review our financial results for Q4 and to make some comments relative to our liquidity.

Joseph Sevely

Good afternoon. I will begin today by reviewing our financial results for our fiscal 2019 fourth quarter. I will then make some observations on our financial progress and liquidity.

First, quarterly revenue was approximately \$10.2 million, a 41% increase from the comparable prior year period and a sequential increase of \$1.7 million or 20%. Of course, the fourth quarter is our strongest seasonal quarter and we were able to use the seasonal strength to drive strong revenue growth in each area.

In the fourth quarter, revenue increased sequentially by approximately \$1 million or 15% for Aspen's online nursing + other unit, over \$100,000 or 32% for the Aspen pre-licensure BSN program, and over \$600,000 or 35% at USU. The pre-licensure BSN program and USU (businesses that we entered in the past 18 months) now account for 29% of our total revenue.

Aspen Group's gross profit for the fourth quarter increased to approximately \$5.7 million or a 56% margin which is up from 50% in Q3. This margin expansion was due to economies of scale.

Aspen University's gross profit represented 58% of Aspen University's revenue for the quarter while USU's gross profit equaled 55% of USU's revenue for the quarter. USU's gross margin increased 10 percentage points sequentially.

Total instructional costs and services for the quarter rose to approximately \$2 million or 19% of revenue. Aspen University's instructional costs and services represented 17% of Aspen University revenue for the quarter, while USU's instructional costs and services equaled 25% of USU's revenue for the quarter. Both of these were down from the previous quarter, especially USU, which declined by five percentage points.

Marketing and promotional costs for the quarter were approximately \$2.3 million or 23% of revenue, declining from 27% as a percentage of revenue in the third quarter. Aspen University's marketing and promotional costs were 21% of Aspen University's revenue for the quarter, down from 25% in the third quarter. USU's marketing and promotional costs equaled 19% of USU's revenue for the quarter, down from 25% last quarter.

G&A costs for the quarter were approximately \$6.7 million compared to approximately \$5.4 million during the comparable prior year period, an increase of \$1.3 million or 25%, and a sequential increase of approximately \$0.4 million.

Containing G&A increases as we continue to aggressively grow revenues is another key to margin expansion so we are satisfied to see that G&A as a percentage of revenue declined significantly from 74% in Q3 to 65% in Q4.

Net loss applicable to shareholders was approximately \$1.6 million, or diluted net loss per share of \$0.09 for the quarter as compared to a net loss of \$3.7 million or \$0.24 per share for the comparable prior year period, a reduction in the loss of approximately \$2.1 million.

Aspen University generated approximately \$1.1 million of net income for the quarter, USU experienced a net loss of approximately \$0.5 million during the quarter and AGI corporate incurred \$2.2 million of expenses in the quarter. AGI's expenses were up sequentially by about \$400,000 due to higher interest expense and franchise tax. With a reduction in authorized shares recently approved by our shareholders, the franchise tax component will come down in the future. USU's net loss declined by over \$400,000, and operating loss improved by over \$500,000. Since USU's revenues increased by about \$600,000 sequentially, USU achieved over 80% operating leverage in the quarter.

With regard to our liquidity position, Aspen Group ended the quarter with approximately \$10 million in cash and restricted cash, up \$5.6 million from the level at the end of the third quarter. This was driven by net inflows from financing of \$9 million, partially offset by cash used in operations and investing activities of approximately \$3.4 million.

Stepping back from the specific numbers for the fourth quarter, there are five key financial takeaways I'd like to highlight.

First, as Mike Mathews explained, we made a conscious decision to focus our resources towards aggressively growing our new businesses at USU and the pre-licensure campus business. As a result, we limited the spending for AU Online both in terms of Internet advertising and call center staffing. We strongly believe that these other businesses have higher long-term returns, but that does not mean that the returns for AU Online are low or that our growth opportunities are limited. Quite the contrary, AU produced a 16% operating margin in the fourth quarter and we believe it is capable of consistently producing 20%+ operating margins in the near future. We also think there's ample room for continued growth in this area.

Second, we've been very focused on improving operating margins. When we acquired USU at the end of 2017, it was losing a significant amount of money -- in the range of \$1 million a quarter. To build it back to a financially successful operation, it has taken us

several quarters with our strategy being to drive most of the growth in the high expected margin FNP program. The first few quarters showed revenue growth, but not much improvement in operating loss. However, the past couple of quarters have shown that our strategy is working and we've posted very strong operating leverage at USU. We expect this trend to continue.

We've also made substantial progress financially with the pre-licensure business. Our first campus was launched in July 2018, and we currently expect that campus to be profitable in the current quarter, Q1 of our fiscal year 2020.

We were also satisfied that we were able to report positive Adjusted EBITDA for the fourth quarter for the overall company. We expect continued progress on profitability. While seasonality in Q1 is a factor for us, we expect Adjusted EBITDA to be positive for full year fiscal 2020 after an Adjusted EBITDA loss in Q1.

The expected improvements in profitability will be largely driven by strong revenue growth and much lower growth in expenses, especially G&A. In recent quarters, we've been effective in limiting G&A growth. Over the next few years we think we can grow G&A, on average, at about half the rate of revenue growth.

Next, like many high growth companies, one of our challenges is managing cash flow. Looking forward we expect net loss to decline and that, of course, will help our cash flow. In addition, we are focused on improving our working capital position. The change in the monthly payment plan for the FNP program that Mike described is expected to help significantly in that area.

We have carefully reviewed our financial needs and resources for the next few years. Based on that, we are confident that our existing resources are sufficient to execute on our business plan, including the announced new campus in Phoenix in partnership with HonorHealth, as well as an additional two new campuses for calendar year 2020.

We do not expect to require any financing beyond our current resources until the final maturity dates of our existing debt facilities in the fall of 2021. By the time of those maturities, we expect the company to be generating significant positive EBITDA and free cash flow.

Consequently, at that time we would look to replace the current facilities with a traditional bank facility or, of course, we could choose to raise equity prior to the final maturity date if market conditions are favorable.

That concludes our prepared remarks and now I will turn the call back to the operator for the Q&A portion.

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Question-and-Answer Session

Operator

Our first question comes from the line of Darren Aftahi from ROTH Capital Partners. Your question, please.

Darren Aftahi

Hey, guys. Thanks for taking my questions and nice quarter. Just a few, if I may. The enrollments on the FNP program, Mike, is that move to beyond an every other month of enrollments? And if so, kind of when did that start or when will that start? And what's kind of the trend line for the enrollments? That's my first question.

You talked a little bit about pre-licensure and the unit economics there. You, I think, said next quarter -- the current quarter, you expect it to be profitable. I guess, with the year under your belt with one campus, can you maybe give us an understanding if a year timeframe with upfront capital costs and a year of losses, is that kind of the expectation for each campus in terms of how much upfront capital costs will be required to get to breakeven?

And then third on USU, in the quarter you just reported -- I didn't quite catch it, was that business breakeven or is it still losing money? And then what's your expectation for USU in terms of trending Adjusted EBITDA positive?

Michael Mathews

Thanks for the questions, Darren, and appreciate it. It's Mike Mathews. I'll take the first two questions and then I'll let Joe handle the third question. So, in terms of the enrollment expectations for USU, we just completed the year with 1,060 enrollments, which as I mentioned earlier with LTV of \$17,820 that delivered bookings of about \$18.9 million.

We're continuing to enroll students every other month. At this point, we feel like it's better -- it's more effective operationally to continue to start every other month rather than every month partly because the FNP program, throughout the program, requires a series of weekend immersions, and we find it easier to manage those every other month.

We do expect this year to grow enrollments for fiscal year 2020 by approximately 30%. So we're guiding to about 1,375 enrollments for the full year, which will give you bookings of about \$24.5 million. So that's the plan for USU, again to grow enrollments approximately by 30% year-over-year, and I think that delivers bookings growth from now about \$19 million to nearly \$25 million.

From a campus perspective, as we've mentioned previously, our Capex for each campus that we launch is going to be about \$1 million. However, HonorHealth which is the campus that we're opening in about six to eight weeks, that's different because we were able to utilize their building and they have a lot of equipment already in place. So we're projecting the cost -- the CapEx -- for that to be in the \$600,000 to \$700,000 range. So that'll be more cost effective.

The first campus, our original campus, currently that has 396 active students, again that's our campus on the south side by the airport in Phoenix, we believe that this

quarter will be a profitable quarter for the campus, meaning that we've delivered profitability from the launch to delivering profitability in less than a year. That one year operating loss is in the range of approximately \$0.5 million. And we have no reason to believe that result would be any different as we launch the additional campus in Phoenix as well as new campuses in other metropolitan areas across the country.

Joe Sevely

Yes. And then third you asked about current USU profit or loss position. So, I did mention that we've made significant progress in that area and are showing significant operating leverage, and we expect to continue to do that. For the fourth quarter of 2019, USU's loss was about \$0.5 million.

Darren Aftahi

Great. Thank you.

Operator

Thank you. Our next question comes from the line of Eric Martinuzzi from Lake Street. Your question, please.

Eric Martinuzzi

Yes. I had a question about your outlook for Q1. That was certainly better than I was expecting. So I want to just make sure I have my numbers right here. You do expect \$10 million or more for Q1 and to post an adjusted EBITDA loss in Q1 but then you expect that adjusted EBITDA loss to reverse out and flip positive in Q2. Is that correct?

Michael Mathews

Yes, that's correct.

Eric Martinuzzi

Okay. And then maybe I'm just not capturing the strong bookings you had in fiscal 2019. I had been modeling for kind of a step down in the seasonally slower Q1. What is the biggest driver of that? You're going to be roughly sequentially flat here in Q1. What's the biggest driver?

Michael Mathews

Are you talking about in terms of enrollments for Q1?

Eric Martinuzzi

Sorry, revenue.

Michael Mathews

Revenue, OK. Well so there's multiple factors at hand. Number one, we are over exceeding our expectations in terms of enrollments at USU this quarter, and you'll see

that when we announce our enrollments for Q1. We also are exceeding our expectation for enrollments in our pre-licensure business, both in terms of prerequisite students as well as 2-year core program students.

And you guys probably are aware, we also have started to drive enrollments for prerequisite students at the HonorHealth campus. So those revenues are coming in as well that perhaps you guys weren't assessing. So, essentially our three newest units are the cause of the over performance of the company.

So this will be the first year that although seasonal revenues declined somewhat for Aspen online nursing core, because of again the seasonal summer months, that these new businesses are overcoming that seasonality dip in the summer months. So yes, we see revenues to be at least \$10 million for the quarter.

Eric Martinuzzi

Okay. And then we got a little bit of the strategic change there on the monthly payment plan for Family Nurse Practitioner. Could you recap for me the typical student for FNP? How long they are attending class and how long the old payment plan was, and then the new expectation for the payment terms?

Michael Mathews

Yes, so I'll recap again. So the FNP program is a structured 2-year program, and typically that's the duration students are in the school -- and they are allowed to take a term-off throughout the two years. So the typical average duration is 2.5 years, so again approximately 30 months.

The payment plan was 72 months. So looking back the payment tail was approximately 42 months -- is how the plan used to work. What we've decided to do is to allow the students to pay for the first year of the two-year program by paying \$375 a month during the two years that they're in the program. So again we'll collect \$9,000 of monthly payments throughout their two-year academic duration.

The second academic year they double up on courses and it's the clinical part of the program and the courses are more expensive and that liability in year two is \$18,000. So in order to eliminate that 42-month tail we made a decision to require students to use a different payment method for year two. They cannot use the monthly payment plan for year two. They must use traditional federal financial aid or other alternative payment methods.

Eric Martinuzzi

Okay. Do you have an expectation? I mean have you kind of surveyed the students? And do you have a feel for -- obviously your mix is going to shift here, the number of right now USU students on the payment plan is 66% of the active student body. What do you expect that to go to under the new plan?

Michael Mathews

We don't expect any enrollment decline as a consequence of this monthly payment plan change. You have to remember that other FNP programs our competitors charge north of \$50,000 for these programs and we're down in the \$27,000 range. So we're significantly less expensive than our major competitors. And so consequently, we believe this alteration of the plan still allows them to pay one-third of the total cost of attendance through a monthly payment approach and it does push down the total amount of federal debt that they would incur with that \$18,000 of second year liability.

So we don't think that we're going to have any problem enrolling students just like we have had no problem in the first year and a half. We see no issues going forward.

Eric Martinuzzi

Was there perhaps a pull-through effect like where you -- as your enrollment advisers were counseling FNP prospects was there, kind of, get in before the payment plans change? Was there any impact of that in Q1?

Michael Mathews

You're going to see probably a decent number of students complete their registration process by July 31st, so yes.

Eric Martinuzzi

Okay. And then lastly shifting over to the pre-licensure program. We're looking forward to the HonorHealth release in September. Is there any other preparatory steps, any large hurdles you need to overcome, other than just wait for the calendar and the arrival of the interim release?

Michael Mathews

No we're in great shape. The construction of the building is nearing completion and we've been assured that we're going to be ready to go with our September semester.

Eric Martinuzzi

Okay. Thanks. Congrats on the quarter, and thanks for taking the questions.

Michael Mathews

Thank you.

Operator

Thank you. Your next question comes from the line of Austin Moldow from Canaccord. Your question, please.

Austin Moldow

Hi, thanks for taking my question. Just one please. So it looks like your non-Aspen online, non-USU marketing spend is about \$300,000 a quarter, which I'm assuming the

majority or all of that is pre-licensure business. I'm wondering what you see that increasing to next year particularly with more campuses online.

Michael Mathews

Well, I mean surprisingly we have been able to deliver enrollments to date in the \$400 per enrollment range. And we are utilizing a really interesting combination of our traditional Internet advertising combined with some interesting social media approaches together with some local radio.

And the combination of those three things has been terribly effective for us. And so I think what you guys should do is you should understand that we're guiding to an 80% enrollment increase year-over-year in the pre-licensure business. And I don't see any reason why you shouldn't continue to utilize \$400 as the cost of enrollment going forward.

We're going to making an announcement over the next 30 to 45 days of the two new campuses that we're planning to launch in 2020 -- calendar 2020 -- and those will be in two new metro markets and we're just in the process of finalizing those clinical partnerships and the affiliation agreements. And once those documents are signed, we will be making those announcements.

Austin Moldow

Got it. Thanks for taking my question, and congrats on the quarter.

Operator

Thank you. Our next question comes from the line of Mike Malouf from Craig-Hallum. Your question, please.

Mike Malouf

Good. Thanks for taking the questions guys. Michael, if I could just focus on the churn with the pre-licensure program it was quite low and it looks like it's a little bit lower than what we were looking for, which is really positive.

I know that in February you had said that you thought you could get -- I think you guided to 1,000 ending student number at the end of this year. Is that the number given where your enrollments are headed with the up 80%? Does that still make sense to you that 1,000 at the end of the year?

Michael Mathews

Yeah, that still makes sense. Now remember that we have around a 2:1 to 3:1 ratio of prerequisite students to the core final two-year core nursing students. And so we delivered about 433 enrollments this past fiscal year. So we're assuming we're going to add another 780 enrollments this year. And given a two-third matriculation rate that we're currently seeing for the prerequisite students, yes you can expect us to be in the 1,000-plus range in terms of active students at the end of the year.

Mike Malouf

Okay. Great. And then just sort of following up on that on the FNP side, I think you were looking for 1,400. How does that look for you?

Michael Mathews

Yes, Mike, I didn't hear the question. I apologize. Can you repeat that for me?

Mike Malouf

I was just saying that the same question with regards to the FNP program, in February you had laid out 1,400 as your guidance and I'm just wondering if that still holds as well.

Michael Mathews

Yes, that is correct. That's still the guidance.

Mike Malouf

And you have about 178 non-FNP students right now in your -- at USU. And I'm just wondering, how does that number you think trend over time? And is there any risk with those students with this change in payment plans?

Michael Mathews

No. The only payment plan change was with this specific nursing program, the nurse practitioner nursing program. The student body at USU is -- you're correct, it's in that sort of 15% to 20% range of non-FNP students and that's a combination of other nursing students like BSN students online as well as education and business students. And those programs are all available for the traditional monthly payment plans similar to Aspen. We continue to spend the vast majority of our spending on the FNP program at USU and that's the plan for the year. So I don't expect that percentage of non-FNP students to change much.

Mike Malouf

Okay. One final question maybe for Joe, you made some real great progress in taking that cost of instruction down to 25% at USU. I'm wondering, how long do you think it will take to get closer to the Aspen core of 17%? And how do you see that trending over the next year or so?

Joe Sevely

Sure. I think it's going to be unlikely that the FNP program ever goes down to 17%. There are some structural differences with the clinical component of that program. So I think, it's going to consistently be a little bit higher than AU Online. On the other hand, we've brought it down from 30% in the third quarter to 25% in the fourth quarter and I think we both see in the near future some additional reductions in that into the low 20s.

Mike Malouf

Okay. Thanks for the help. Appreciate it.

Operator

Thank you. Our next question comes from the line of Kevin Oppenheim. He is a Private Investor. Your question, please.

Kevin Oppenheim

Hi Mike. This is Kevin Oppenheim. We spoke recently. I guess, while it's interesting for us to hear about the sort of detail and the progress and the performance in the quarter, our questions really relates to how you see the progress you're making on operational levels translating into sort of investor appetites and improving the liquidity of the stock and looking at sort of stock price improvements. So we'd like to sort of come up a level from the enrollment detail et cetera and just understand what you think in the next two or three quarters the catalyst will be for stock improvement and then an appetite from investors. Where are the triggers for that?

Michael Mathews

Well yes. Thanks for the question Kevin. So, I think the first thing that I think is important to point out is that, we as a company made a decision to launch two relatively new businesses; one with the acquisition of USU, and second with the launch of this initial BSN pre-licensure campus. And so, whenever you're starting two new businesses, there's going to be growth capital required and there'll be some short-term losses while we're building scale. And so, I think one of the important nuggets that Joe outlined today is that we're currently guiding that in the next couple of fiscal years, you are going to see that operational improvement in the form of the G&A we're looking to grow at only half the rate of our revenues.

And so, I think as we continue to get scale with these two new businesses combined with us carefully watching the G&A growth as a percentage of the revenue, our shareholders will see that terrific operational improvement. And I think at that point I would hope that the valuation of the company will improve then as a consequence.

Kevin Oppenheim

And Mike sort of we get all that. Is there again a strategy to sort of try and capture sort of a new audience or wider audience or how do you see yourself presenting as an attractive investment opportunity to new investors looking to acquire at an early stage and looking at the growth opportunities? How do you sort of present that and make a compelling case to potentially a new investor?

Michael Mathews

Well, one of the things that we have currently is we have a couple of investor relation consultants that we work with, and we do have a plan this quarter to hire a new investor relations firm. And I'm also incredibly active in terms of going out on the road on non-deal road shows presenting to micro-cap hedge funds and other investors. So again, I

think it's important that we both have a third-party IR firm as well as myself continuing to hit the road to tell the story.

Kevin Oppenheim

And do you guys have any sort of sense or any sort of confidence in how the sort of operational improvements are going to reflect in share price or is that just not a concern at the moment? Is the share price something you guys are sort of pushing out to sort of two years to three year timelines until you have the sort of operational improvements that you're suggesting?

Or how are you sort of planning on keeping the interest with the current investors who are looking at attracting at these prices. That's I guess from our perspective sort of a really important aspect in terms of what you guys do well in the next sort of two, three quarters because we hear a lot about the operational improvements. So you guys are a public company.

So I think it's really important that message gets out there and we discussed this previously. And I'm still not quite sure of how you guys are going to conduct the sort of IR/PR process sort of in alignment with the strategic improvements you're looking to make.

We're here sitting on sort of \$4 and we're sort of wondering where the company and the Board and then the management see the sort of path back to \$5, \$6, \$7, \$8, \$9 a share?

Michael Mathews

So obviously as the Chairman of the company, and of course the Board of Directors, our job is to drive shareholder value both short-term as well as long-term.

Kevin Oppenheim

Correct.

Michael Mathews

And it's our job to try to manage those two goals. And that's really all I feel like I'd like to say at this point.

Kevin Oppenheim

Okay. Well, we will sort of monitor the progress closely over the next two, three quarters, and then we certainly hope to see some share price improvement that matches the operational progress you're going to make it.

Joe Sevely

We're going to work hard to do that.

Kevin Oppenheim

Many thanks.

Michael Mathews

Thanks Kevin.

Operator

This does conclude the question-and-answer session of today's program. I'd like to hand the program back to Michael Mathews for any further remarks.

Michael Mathews

Thanks everyone for your attendance today. Look forward to talking to you in our next earnings call in a couple of months. Have a good afternoon.

Operator

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.