Aspen Group, Inc. (NASDAQ: ASPU)

Q4 2018 Results Earnings Conference Call

July 13, 2018 4:30 PM ET

Executives

Janet Gill - Chief Financial Officer

Michael Mathews - Chairman of the Board, Chief Executive Officer

Analysts and Shareholders

Darren Aftahi - ROTH Capital Partners

Eric Martinuzzi - Lake Street Capital

Mike Malouf - Craig-Hallum Capital

Howard Halpern - Taglich Brothers

Jamie DeYoung - Goudy Park Capital

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. 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

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 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 expectations regarding student enrollments and other metrics, revenue guidance, EBITDA and adjusted EBITDA.

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 filings with the Securities and Exchange Commission mentioned in our press release issued this afternoon. Aspen Group disclaims any obligation to update any forward-looking statement as a result of future developments.

Also, I'd 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, 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.

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

To open, Quarterly revenues were $7,225,029, a 68% increase from the comparable prior year period.

As previously announced, the company delivered a record 1,273 new student enrollments for the quarter, with 980 in Aspen's traditional nursing and other programs, 116 was in Aspen's new doctoral program and 177 was in the USU FNP and other programs. Please note that today we will focus on four types of programs – Aspen University's nursing and other undergraduate and masters programs, Aspen University's doctoral programs, Aspen University's brand new hybrid online/on-campus program and USU's family nurse practitioner and other programs.

From a year-over-year perspective, Aspen University had 834 enrollments in Q4'2017 (removing conditional accepts), therefore the 1,096 Aspen University enrollments in Q4'2018 represented an increase of 31% over the comparable prior year period. Including USU enrollments, the company's 1,273 new student enrollments for the quarter represented a 53% increase from the comparable prior year period. Aspen University's increase in revenues was primarily a result of new class starts rising by 42% year-over-year. While USU revenues contributed nearly 15% of the quarterly revenues for the company, rising at a faster pace that the previously projected approximately 10% for the quarter.

Aspen Group's Gross Profit for the fourth quarter increased to $3,506,254 or 49% margin, representing a 36% increase year-over-year. Aspen University gross profit represented 57% of Aspen University revenues for the quarter, while USU gross profit equaled 27% of USU revenues for the quarter.

Instructional costs and services for the quarter rose to $1,531,173 or 21% of revenues. Aspen University Instructional costs and services represented 18% of Aspen University revenues for the quarter, while USU Instructional costs and services equaled 38% of USU revenues for the quarter. As USU's revenues grow, we expect that its percentage of instructional costs will decline.

Marketing and promotional costs for the quarter were $2,039,832 or 28% of revenues. Aspen University Marketing and promotional costs represented 23% of Aspen University revenues for the quarter, while USU Marketing and promotional costs equaled 35% of USU revenues for the quarter. Again as USU's revenues grow, we expect that its percentage of marketing and promotional costs will decline. Also included in marketing and promotional costs are expenses associated with the Aspen Group, Inc. (AGI) outside sales force.

G&A costs for the quarter were $5,353,495 compared to $2,859,186 during the comparable prior year period, an increase of $2,494,309 or 87%. Aspen University G&A costs represented 27% of Aspen University revenues for the quarter, while USU G&A costs equaled 103% of USU revenues for the quarter. Clearly we see this percentage decreasing substantially as USU's revenues grow. AGI corporate G&A costs for the quarter equaled approximately $1.46 million, including corporate employees in the NY corporate office, IT employees, rent, non-cash AGI stock based compensation, and professional fees.

Net loss applicable to shareholders was ($3,664,485) or Diluted Net Loss per share of $(0.26) for the quarter as compared to ($723,729) for the comparable prior year period, an increase in the loss of $2,940,756.

Aspen University generated $0.9 million of operating income for the quarter, USU experienced an operating loss of $(1.29) million during the quarter, while AGI corporate contributed $3.28 million of operating expenses in the quarter which included the one-time $1.5 million interest expense related to the extinguishment of the $10mm credit facility.

Excluding the one-time $1.5 million interest expense, the adjusted Diluted Net Loss per share, a non-GAAP financial measure, was $(0.15).

Finally, during April 2018, the Company raised $23 million gross through the sale of 3.2 Million shares of common stock at $7.15 per share. After offering expenses, the company increased its cash by approximately $21 million. AGI then extinguished the $10 million credit facility. The cash balance at April 30, 2018 was $14.6 Million and total assets are now $41.6 million. Total liabilities are $7.9 million, of which $6.8 million are current. At fiscal year-end, Stockholders' Equity was $33.7 million.

Now I'll turn the call over to Michael Mathews to provide additional color on our fourth quarter results and to provide an operational update and guidance for our first fiscal quarter.

Michael Mathews

Thanks Janet. Good afternoon everyone.

We've been very much looking forward to today's earnings call, as this is the first quarter that USU is fully in our numbers, and we now have four business units to discuss; our traditional aspen business which is predominantly nursing, our new aspen doctoral business, our new USU business which is predominantly FNP, and finally our new pre-licensure BSN hybrid degree program which began its first semester two days ago in our initial campus in phoenix.

When I refer to Aspen Nursing or Aspen it includes the other undergraduate and graduate programs other than doctoral except when the context otherwise makes clear and when I refer to USU it includes FNP and their other programs.

As mentioned by Janet earlier, our new student enrollments for our traditional Aspen business rose to 980, an increase of 18% year-over-year. Internet advertising spending for that unit was up 30% year-over-year, so our rolling six-month average cost-of-enrollment (or COE) rose moderately on a sequential basis from $1,051 to $1,124 (this analysis of course compares unconditional enrollments only). The moderate COE increase is partly due to our conversion rate slightly declining from 13.6% to 12.3%, which isn't surprising as the previous January quarter includes one of the best enrollment months of the year which of course is the month of January.

Our LTV projection for this traditional Aspen unit, now that we're only enrolling students on an unconditional basis is $7,350, therefore our marketing efficiency ratio, which is defined as revenue-per-enrollment over cost-per-enrollment, currently sits at 6.5 times.

Last quarter was our first full quarter marketing Aspen's doctoral programs and it was staffed with a team of 6 enrollment advisors (or EAs). They enrolled 116 doctoral students for the quarter, so they averaged a respectable 6.4 enrollments per month per EA.

When you consider that we just started advertising for this program, which means there's little to no organic/referral leads in these early days, the cost of enrollment for the quarter is a pretty respectable at $2,159. We expect our COE to decline over the next year as we continue to build each EAs database with doctoral leads, and as the organic/referral lead counts increase over time.

The good news is we're projecting the LTV to be $12,600 in this doctoral unit, which is a 71% higher LTV than our traditional aspen business. Assuming our doctoral COE declines in the next year, we're projecting our marketing efficiency ratio for the doctoral business to rise from its current 5.8 times to a ratio equal to or higher than our traditional business which I just indicated sits at 6.5 times.

OK, let's move to USU, as this is the most significant unit economic news of the day. Our new USU unit, which is primarily FNP, delivered 177 new student enrollments in the quarter. Given an enrollment staffing level of 8 EAs, that's a strong 7.4 enrollments per month per EA.

It's especially noteworthy based on the fact that USU to date has self-limited the number of FNP enrollments to 75 every other month based on discussions with the California board of registered nursing (CA BRN), therefore our initial COE of $1,955 is artificially high relative to the potential enrollment demand.

Note that USU is in the process of undergoing the standard program review with the CA BRN and should that self-limit be increased, allowing us to enroll more than 75 students every other month, then the COE would be expected to decline thereafter.

Here's the good news. Given the FNP program is a structured two year program (in other words it has to be completed, start to finish, in two years), and given the tuition and fees are approximately $27,000, we're projecting the LTV to be $17,820 in this unit, which is 142% higher than the LTV of our traditional Aspen business. That means our marketing efficiency ratio in this unit is projected to be 9.1 times.

Our final business update today is our pre-licensure BSN hybrid online/on-campus program, as the first semester just started on Tuesday this week.

When we announced the program four months ago and discussed the Phoenix market, we mentioned that there were significant waitlists in Phoenix for qualified students wanting to enter a pre-licensure nursing program. So we predicted that demand for our program would be strong, particularly given its innovative nature and the cost-effectiveness of our program.

Well, that's exactly what we've experienced. In addition to some social media marketing, we spent only about $5,000 per week over 5 weeks or a total of $25,000 on local radio and have enrolled 93 students in our first July semester, of which 29 entered with all pre-requisites completed, thereby entering the final two-year core nursing program. The remaining 64 students are enrolled in general education pre-requisite courses which must be completed before being admitted into the two-year core nursing program, So our COE for the campus business is literally less than $300.

Additionally, 28 of the 64 general education students that started in July are anticipated to be ready to enter the two-year core nursing program for our upcoming semester starting on November 13, therefore we anticipate having a waitlist for our final 2-year core nursing program for the remainder of the academic year (which includes our November and March semesters).

Because of the overwhelming demand for our nursing program in Phoenix, the Company several weeks ago began assessing alternative approaches that would allow Aspen University to open a second campus in Phoenix in calendar year 2019. Stay tuned for an announcement related to this in the near future.

I'll end my prepared remarks today by providing a seasonality briefing and top line guidance for the first quarter. As I discussed at length a year ago, as we continue to scale, seasonality has become more pronounced. Specifically, our first fiscal quarter, May – July, is the seasonal low point because it falls during the summer months and therefore our primarily working professional students tend to take less courses in that quarter relative to the other three quarters.

By way of example, a year ago in Q4 of fiscal 2017, revenues were $4,289,230. In the following quarter, fiscal Q1 2018, revenues sequentially declined 1% or 46,344 to $4,242,886. The following quarter, fiscal Q2 2018, revenues rose sequentially by 14% or $608,753 to $4,851,639.

The company expects the same seasonality effect to occur in the first quarter of this fiscal year 2019. Specifically, Aspen University revenues are expected to decline in Q1 relative to Q4, similar to the prior fiscal year, however overall company revenues are expected to be flat in Q1 relative to Q4 given the revenue contribution from USU.

Although revenues are expected to be flat sequentially, on a year-over-year basis the Company growth rate in Q1 is in fact forecasted to accelerate to approximately 70%.

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

Question-and-Answer Session

Operator

[Operator Instructions] Our first question is from Darren Aftahi from ROTH Capital Partners. Your line is now open.

Darren Aftahi

Yes. Hi, Mike. Hi, Janet. Thanks for taking my questions and appreciate all the detail on the release. So I just had a handful of questions, first just on the delta between the compositions for monthly payments for Aspen core and then USU as well as the gross margin. Can you just speak to those 2 numbers, I understand USU is kind of ramping up but should we see the monthly payment numbers and gross margins on those two businesses start to mirror Aspen over time? Then, I've got a couple of follow ups.

Michael Mathews

Yes. Good afternoon, Darren. Mike Mathews here. First of all, we announced in our press release earlier today that USU students that are on the monthly payment plan represent 53% of their active student body. As you know Aspen is significantly higher than that in the 70% range. So, the only reason those percentages aren't similar is because we just began the monthly payment plan for USU three, four quarters ago and it's going to take time to get into that 70% range, but we fully expect that's in fact going to happen.

The other question you're asking is about gross margin of USU versus Aspen. And as you could tell by the announcement we just made that we believe that our MER, our marketing efficiency ratio, for USU is projected to be 9.1x versus our traditional business which sits at 6.5x. So we expect gross margins for USU to be materially higher than the history of Aspen because of the higher MER as a result of the FNP program which is a structured two year program in which we earn $27,000 in a very rapid 2 year period versus our traditional Aspen business where students finish in two years on average but many, many students finished in year three and four.

Darren Aftahi

Great. And then, on your cost of enrollment and LTV, so if I was just going to handicap the numbers you have in the release and use kind of 25% organic referrals, my math works out, I guess in another way if I'm diluting your cost of enrollment by that amount for doctoral and USU, I sort of come up with a 8x to maybe 12x for those two segments.

I guess is there anything that would be a potential headwind to my logic. And then, just beyond that if you are able to expand the enrollment within USU away from the 75 every other month, does that 12 number at the cap have upside?

And then, my last question, this relates to bad debt it looks like sequentially that number jumped sequentially. I'm just kind of curious if you could speak to what was the cause of that? Thanks.

Janet Gill

Sure. Hi, Darren. During this year, we did a very detailed review of every balance. As you know, we completed a DOE program review -- was completed about 18 months ago and so we've done a lot of collection effort based on that and we made a decision that at the end of the day any of those balances -- a good load of those balances are quite old, we wrote them all off and we just felt that it was cleaner moving forward.

We did collect a lot of it, but we did write off the remainder and then we evaluated what we would need for going forward for the reserve.

Michael Mathews

In terms of your other question Darren. Yes, I think you've analyzed that properly. Aspen today has the benefit because we started marketing Aspen in a significant way in 2012. And then, we really upped the budget when we got the CCNE accreditation for our BSN program in November, 2014. So we have a good 3 to 4 years of advertising and of course enrolling thousands of students. And when you get to that size you're going to naturally have a fairly significant increase in organic and referral enrollments. And you're correct, we're in that sort of 20% to 25% range today.

It's going to take quite a bit of time for those brand new programs to get to anywhere near that level. So we do expect that if we're able to work with the California BRN this month and if we decide to lift that 75 enrollment cap which is every other month currently then clearly we think the cost of enrollment for FNP could decline quite appreciably.

Darren Aftahi

Great. Thank you.

Operator

Thank you. Our next question is from Eric Martinuzzi from Lake Street Capital. Your line is now open.

Eric Martinuzzi

Thanks. I'm curious, I want to sort of pick apart the organic growth rate of the April quarter. And you talked about USU being just under 15% of revenue. So if I do some quick math there, I'm coming up with -- on the legacy business about 43% organic growth rate. So just subtracting about $1.1 million from the $7.2 and then comparing it to a year ago. Does that 43% organic number sound correct?

Michael Mathews

Yes. That's in the right range.

Eric Martinuzzi

Okay.

Michael Mathews

And understand that our spend rate increase on a marketing basis for our traditional business is in like the 30% to 35% range. So we obviously shifted budgets recently into the doctoral category as well as of course spending significant investment dollars with USU.

Eric Martinuzzi

Yes. That makes sense. And then --

Michael Mathews

I mean if I could just add one other thing I'm sorry to interrupt there, but historically last fiscal year we averaged about $320,000 spend rate per month. And we're over $600,000 now if you look at all of our programs. So the overall spending increase is quite significant. I didn't want anyone on the call to think that we're being conservative because we're certainly not.

Eric Martinuzzi

The color by segments is great, I appreciate it. Just taking a look at EBITDA, I think you broke it out by operating income loss on USU. Going back, where does USU need to get to, to get to breakeven as far as the revenue run rate of that business? Again $1.1 million last quarter, roughly $350,000 a month, if we double that, it seems to me that given the gross margin assumption, we're still probably not breakeven. But what's your own internal forecast as to when that’s going to self-sustaining from an operating income perspective?

Michael Mathews

Yes. We're looking at our operating income to be about breakeven on USU by around the end of our fiscal year this year.

Eric Martinuzzi

Okay.

Michael Mathews

The revenues should be at least double what they are in terms of run rate today.

Eric Martinuzzi

Okay. As I look at my own model given your commentary on the seasonality of Q1 versus Q4 and Q2 versus Q1, I'm probably just a little bit high for both those quarters. I don't know if you care to comment. The consensus number for 2019 is $39 million. Is that something that I'm just wondering, is this just a question of the back half is going to be that much stronger and then the front half has its seasonality issues or is that -- are you comfortable with that $39 million?

Michael Mathews

Well, as a company, we now have 3 new business units, we were a business the last several years of essentially one business and now we have four including of course the new campus business. So for us, we've decided that we're just going to provide revenue guidance quarter-by-quarter at this point because there's so many new and different moving parts.

So anyway, we're just providing the guidance for this quarter and then in our next call we will provide guidance for the following quarter.

Eric Martinuzzi

Understand. Okay. And then, the second to last question. You added a Chief Nursing Officer, Anne McNamara that news was, I guess it's end of May you put the news out. But, the implication there was -- we are going to be expanding beyond Phoenix. I know in your prepared remarks today you talked about potentially having another campus in the Phoenix metro. What about other campuses outside of the Phoenix Metro. What's the growth expectation and the reason that you brought on a new Chief Nursing Officer?

Michael Mathews

Yes. You are reading the tea leaves very well there. So number one, I expect us to make an announcement relatively soon about a second campus in Phoenix because we know that we're going to have overwhelming demand in Phoenix. Even our great expectations were actually surpassed in a very short period of time after only five weeks of marketing. We have a very innovative approach to expanding beyond our existing campus in Phoenix and then we'll of course talk about that in detail when we're able to make that announcement.

We also have employed a third-party to do some consulting work on our behalf to very carefully study the major metros in the United States from a supply and demand and waitlist analysis point of view. And we expect to make some announcements over the coming quarters as to any other market that we might -- that we might look to enter over some given timeframe. So we are looking to expand outside of Arizona, yes.

Eric Martinuzzi

Okay. And then, the last question is a housekeeping item for Janet. You had the equity raise kind of mid-quarter, curious to know what the current basic shares outstanding are. I assume the number will be on the front page of the 10-K whenever that gets filed.

Janet Gill

It's $18.3 million today.

Michael Mathews

Eric, when we file the 10-K tomorrow, you will see that their share count was 14.2 million. That was what it was for the fourth quarter that goes back to the EPS this quarter that we just announced. And then, for the quarter that we're in, now that we have the rise in place, our current outstanding share count for the full quarter will be 18.2. Sorry, 18.3, I apologize, 18.3.

Eric Martinuzzi

Okay. That's helpful. Thank you for taking my questions.

Operator

Thank you. Our next question is from Mike Malouf from Craig-Hallum Capital. Your line is now open.

Mike Malouf

Great. Thanks for taking my questions. I wonder if you could just focus a little bit more on the doctoral program. Can you give us a little bit of sense of how big you think that that opportunity is? What's the competition like there and as you look at over the next couple of years, how big that could that be for you?

Michael Mathews

Good afternoon, Mike. Mike Mathews. How are you?

Mike Malouf

Great.

Michael Mathews

So the doctoral program is a relatively significant sized business. Just to give you kind of a feel for addressable market. Our RN to BSN program, as I think you're aware there's about 50,000 nurses that begin RN to BSN programs every year. The FNP category is -- there is about 30,000 nurse practitioners, sorry nursing students that enter nurse practitioner programs each year. The doctoral category is about 15,000 per year.

Now please understand that the doctoral starts in the United States is much higher than that. But the programs that we offer, our addressable market is in that 15,000 per year range. So it's 50,000, 30,000 and then 15,000, if you look at our three major programs that are online.

Mike Malouf

Great. So then when you take a look at the difference in costs, it's bumping up against the BSN program in size. And what about competition?

Michael Mathews

Yes. There's excellent competition across all categories of higher education. So we compete against your traditional non-profit publics. We of course compete with traditional private non-profit universities and of course, the for-profits. And most regionally accredited schools offer doctoral programs.

Mike Malouf

Okay. And then with regards to the FNP program, you're obviously limited to 75 every other month and I know you're trying to get higher. What could that number go to or what are you asking for?

Michael Mathews

Well, it doesn't work that way. So the California BRN is just part of the process. They asked us for a growth plan and we provide them an idea of how many students that we'd like to enroll over a five year period both in the state of California as well as across the United States. And they don't really come back to us and say yes or no, it's more of discussion and somewhat of a negotiation. So, to answer your question specifically, we'd like to see that enrollment level lifted from 75 to 150.

Mike Malouf

So it'd be basically 75 a month. So that's what you are sort of thinking?

Michael Mathews

Yes. That we double our current run rate. Yes.

Mike Malouf

Got it. Okay, great. And then, just a final question, I know that you had talked about taking USU kind of national and really addressing that need for a number of people out there that are sitting on credits but that don't have degrees. And I'm just wondering if you can give us an update with regards to those plans?

Michael Mathews

Yes, sure. No problem. One of the limitations of USU when we acquired them, which we knew going in, was that they only had a couple of undergraduate programs, what's called Bachelor Completion Programs within the university. So they obviously have a nursing program undergraduate. They have an education program undergraduate and they have a nice business program with a series of excellent specializations. But that's all they had other than health sciences.

So we are in the process of working with our regional accreditor WASCUC to begin a very significant technology degree program with a number of specializations. And we're also then going to subsequently look to launch a professional studies school which would include programs like psychology and criminal justice and a number of others.

In order to prepare ourselves -- we need a very broad suite of bachelor completion programs in order to go to the mass market in an effective manner. So it's going to take us a little bit of time before we'll be ready.

Mike Malouf

Okay, great. Thanks. Thanks for the color. Appreciate it.

Michael Mathews

Thank you.

Operator

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

Howard Halpern

Hi Mike. Thanks for taking my question.

Michael Mathews

Hi, Howard.

Howard Halpern

Just well to start off, I don't know if you had mentioned it earlier, but what is the annual value of the monthly payment plan now.

Michael Mathews

So the total contractual value of the approximately 4000 plus students today is $35 million. That's the full tail if you took every monthly payment plan student and ran the math as to how many payments are left. That would be your total.

Howard Halpern

Okay. And moving to the enrollment advisors, could you breakdown I guess how many total you have and then for each segment or each business unit now?

Michael Mathews

Yes. I don't have the numbers right in front of me, but the previous numbers that I gave were as we ended April 30 and we've increased the center since then. So I believe we have 6 enrollment advisors in our doctoral group today. We have I believe 12 enrollment advisors in our USU unit. And I want to say we're in the high 50s range could be as high as 60 today in terms of the traditional Aspen business. Again Howard, I don't have the numbers exactly in front of me, I apologize.

Howard Halpern

Okay. And for the doctoral program, how do you envision I guess that referral program building as I guess you built for the traditional Aspen business?

Michael Mathews

So we have three doctoral programs. We have a doctorate in computer science, doctorate in education and of course our DNP, our doctorate of nursing practice. We use our traditional marketing methods, which is Internet advertising as well as social media. And we also are now using our outside sales force which we launched in January to help call on in this case on the education sector to call on K through 12 districts and of course hospitals for potential DNP students. So it's a combination of our traditional Internet advertising supported by the umbrella outside sales force.

Howard Halpern

Okay. Well, thanks and keep up the great work.

Michael Mathews

Thank you.

Operator

Thank you. Our next question is from Jamie DeYoung from Goudy Park Capital. Your line is now open.

Jamie DeYoung

Good afternoon, Mike, Janet. Congratulations on a strong quarter, really impressed, you got core Aspen back to profitability, at sub-$20 million in revenue. So that's a really impressive feat congratulations.

Michael Mathews

Thanks Jamie.

Janet Gill

Thanks.

Jamie DeYoung

Just had a couple of questions for you. Can you give us an update on what the addressable nursing market is today that Aspen and USU are targeting?

Michael Mathews

Yes, sure. There's approximately 2.7 million RNs employed in the U.S. today with about 234,000 or nearly 10% are nurse practitioners. The AACN reported recently that there's about 450 magnet hospitals in the U.S. which is only 10% of all hospitals. Of course to become a magnet hospital, one of the parameters is that you have to employ at least 80% of your nurses have to be BSN prepared.

So we see our largest program, Aspen's RN to BSN program, will continue to enjoy very strong demand for the coming years. It's been reported I mentioned earlier that about 50,000 starts occur each year for RN to BSN completion programs and we see no slowdown to that demand in the coming years.

Nurse practitioner starts, I mentioned to Howard earlier the projected average is about 30,000 per year, while doctoral starts as I just mentioned are projected to be about 15,000 per year for the three degree programs that we offer in that category.

Finally I know you didn't ask about this, but in terms of the BSN pre-licensure addressable market there's just over 6,500 pre-licensure students in Arizona today which represents about 3.5% of the pre-licensure enrollments in the U.S.

Jamie DeYoung

Great. That's helpful. Thank you. You exited fiscal year 2018 with approximately 6,500 enrollments at Aspen and 557 at USU. Can you give me a sense of what the revenue run rate would look like for the company when you're at 12,000 enrollments at Aspen and 3,000 at USU?

Michael Mathews

Well Jamie, you couldn't get a more specific question if you tried. All right. Okay well let me try to break it down for you. Aspen's traditional business, which has an annual run rate today of about $25 million at as you said 6,500 students. That implies an annual revenue per active student of about $3,850. Again, that's annualized.

So assuming we have 10,000 enrollments in Aspen's traditional business, then we would project an annual run rate for the traditional business of about $38 million. If we had an additional 1,000 doctoral students at Aspen and another 1,000 BSN pre-licensure students, I would project those two businesses would increase the annual run rate by an additional $20 million. USU is expected to have an annual revenue per active student at least double Aspen's $3,850.

So your question I think was 3,000 USU students. So, if you have 3,000 USU students which is more than double the $3850, you're looking at approximately -- what $23 million, I think that's the math. So all told if the breakout is, as you described, is 15,000 total students, then I think you're implying that the revenue run rate at that point would be -- if I'm doing my math right, that would be over 80 million.

Jamie DeYoung

Got you. Actual booked revenue of over $80 million, but a run rate of approximately twice that, right.

Michael Mathews

I think it's the other way around. In other words the annualized revenue run rate would be over $80 million. But the booked revenue would be around about twice of that. Yes.

Jamie DeYoung

Okay. And so then suffice to say that when you reach that level of enrollments you'll still be capturing less than 10% of your addressable market in each of these three categories on an annualized basis?

Michael Mathews

Yes. Oh, yes. Of course. Because again you're only talking about what is it 10,000, 1,000, 1,000 and then 3,000, so, yes, none of those would be anywhere near 10% correct.

Jamie DeYoung

Got it. All right. That's helpful. Sounds like you've got a long runway still to go here. Thanks so much Mike.

Michael Mathews

Yes. You're welcome.

Operator

Thank you. Our next question is from Darren Aftahi from ROTH Capital Partners. Your line is now open.

Darren Aftahi

Yes. I just want to ask a follow up, read in the release. But when you say adding a new potential campus in calendar year 2019 or fiscal year '19, I just want to clarify that calendar?

Michael Mathews

Calendar.

Darren Aftahi

Got it. Thank you.

Michael Mathews

There is a possibility exists we could do it by the end of this fiscal. But I just didn't want to project that yet.

Darren Aftahi

Fair enough. Thank you.

Operator

Thank you. At this time, I'm showing no further questions. I would like to turn the call back over to Michael Mathews CEO for closing remarks.

Michael Mathews

Thank you everyone, especially for your questions today. I want to thank everyone for joining us this afternoon and our team here looks forward to talking with you again soon. Have a good afternoon.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program. You may now disconnect.