Non-GAAP – Financial Measures

The following discussion and analysis include both financial measures in accordance with Generally Accepted Accounting Principles, or GAAP, as well as non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. Non-GAAP financial measures should be viewed as supplemental to, and should not be considered as alternatives to net income, operating income, and cash flow from operating activities, liquidity or any other financial measures. They may not be indicative of the historical operating results of AGI nor are they intended to be predictive of potential future results. Investors should not consider non-GAAP financial measures in isolation or as substitutes for performance measures calculated in accordance with GAAP.

Our management uses and relies on EBITDA and Adjusted EBITDA, which are non-GAAP financial measures. We believe that both management and shareholders benefit from referring to the following non-GAAP financial measures in planning, forecasting and analyzing future periods. Our management uses these non-GAAP financial measures in evaluating its financial and operational decision making and as a means to evaluate period-to-period comparison. Our management recognizes that the non-GAAP financial measures have inherent limitations because of the described excluded items.

AGI defines Adjusted EBITDA as earnings (or loss) from operations before the items in the table below including non-recurring charges of $83,174. Adjusted EBITDA is an important measure of our operating performance because it allows management, investors and analysts to evaluate and assess our core operating results from period-to-period after removing the impact of items of a non-operational nature or non recurring costs that affect comparability.

We have included a reconciliation of our non-GAAP financial measures to the most comparable financial measure calculated in accordance with GAAP. We believe that providing the non-GAAP financial measures, together with the reconciliation to GAAP, helps investors make comparisons between Aspen Group and other companies. In making any comparisons to other companies, investors need to be aware that companies use different non-GAAP measures to evaluate their financial performance. Investors should pay close attention to the specific definition being used and to the reconciliation between such measure and the corresponding GAAP measure provided by each company under applicable SEC rules.

The following table presents a reconciliation of EBITDA and Adjusted EBITDA to net income (loss) allocable to common shareholders, a GAAP financial measure:

	For the Three Months Ended January 31,	
	2019	2018
Net loss	$ (2,355,940)	$ (2,147,945)
Interest expense, net of interest income	74,248	211,486
Depreciation & amortization	555,292	347,894
EBITDA (loss)	(1,726,399)	(1,588,565)
Bad debt expense	187,178	132,644
Acquisition expense	—	610,219
Non-recurring charges	83,174	85,853
Stock-based compensation	350,838	162,544
Adjusted EBITDA (Loss)	$ (1,105,209)	$ (597,305)

EBITDA Loss and Adjusted EBITDA Loss in the 2019 quarter increased compared to the quarter from the previous year, primarily as a result of increased spending on marketing and general and administrative expenses. These expenses were incurred to stimulate and support increased enrollment at both universities, and to launch the Aspen University campus in Phoenix. Adjusted EBITDA improved to a loss in the third quarter of $1,105,209 from a loss of $1,304,543 in the second quarter, an improvement of 15%. The second quarter also had a sequential improvement from a loss of $1,778,372 in the first quarter. The Company expects continued improvement in Adjusted EBITDA for the fourth quarter.