Aspen Group, Inc. (NASDAQ: ASPU)

Q1 FY'2019 Results Earnings Conference Call

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Executives

Janet Gill - Chief Financial Officer

Michael Mathews - Chairman of the Board, Chief Executive Officer

Analysts

Darren Aftahi - ROTH Capital Partners

Eric Martinuzzi - Lake Street Capital

Eric Des Lauriers - Craig-Hallum Capital

Howard Halpern - Taglich Brothers

Operator

Good day, ladies and gentlemen. And welcome to the Aspen Group Inc. 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 follow at that time. [Operator Instructions] As a reminder, this call may be recorded.

It is now my pleasure to introduce Chief Financial Officer, Ms. Janet Gill. Please go ahead.

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 2019 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 student enrollments and other metrics, revenue growth, USU costs as a percentage of revenues, operating results for fiscal 2019, EBITDA and Adjusted EBITDA, plans for a second Phoenix campus, and software development.

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 as well as the need for regulatory approvals relating to a potential second campus in Phoenix.

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 2019 first quarter, then will turn the call over to the Chairman & CEO of Aspen Group, Mr. Michael Mathews.

To open, quarterly revenues were $7,221,305, a 70% increase from the comparable prior year period. It also represents an acceleration in revenue growth from 68% revenue growth in Q4.

As we previously guided, this first quarter is the seasonal low-point of our fiscal year, given it falls during the summer months and our working professional students tend to take less courses during this quarter relative to the other quarters in our fiscal year.

A year ago in Q1, Aspen University revenues declined about 1% from Q4 to Q1. This year, we saw a decline at Aspen University of about 3% from Q4 to Q1, however overall revenues at AGI were flat sequentially given the revenue contribution from USU.

That summer seasonality can be seen not only in revenues at Aspen University, but also in our active student body. Our active student body definition only counts an active student if a given student is active in a course or registered for an upcoming course.

In the month of July, our active student body at Aspen University declined slightly from the previous month which gives you an idea of how strong seasonality was this summer.

The good news is the opposite effect took place in the month of August that just ended.

In Q1, the active student body rose by only 90 students for the quarter, however, just in the month of August the active student body rose from 6,590 to 6,839 or an increase of 249 active students in just 31 days.

Finally, in terms of our top line, USU revenues contributed nearly 18% of the quarterly revenues for the company, up from nearly 15% the previous quarter. And Aspen's new BSN pre-licensure unit contributed a nominal amount of revenue given the first semester began 3-weeks before quarter end.

Aspen Group's gross profit for the first quarter increased to $3,309,768 or 46% margin, representing a 40% increase year-over-year.

Aspen University gross profit represented 51% of Aspen University revenues for the quarter, while USU gross profit equaled 40% of USU revenues for the quarter.

Total instructional costs and services for the quarter rose to $1,564,936 or 22% of revenues. Aspen University Instructional costs and services represented 19% of Aspen University revenues for the quarter, while USU Instructional costs and services equaled 33% of USU revenues for the quarter. As USU's revenues grow, we expect that its percentage of instructional costs will continue to decline.

Marketing and promotional costs for the quarter increased to $2,187,456 or 30% of revenues. Aspen University Marketing and promotional costs rose to 27% of Aspen University revenues for the quarter based on a sequential quarterly increase of internet advertising spend of approximately $250,000, while USU Marketing and promotional costs equaled 26% of USU revenues for the quarter. Again as USU's revenues grow, we expect that its percentage of marketing and promotional costs will decline. Note that approximately 10% of the total marketing and promotional costs for the quarter are attributed to the outside sales force at AGI that supports both Universities.

G&A costs for the quarter were $5,824,132 compared to $3,131,335 during the comparable prior year period, an increase of $2,692,797 or 86%, and a sequential increase of $471,000 or 9%.

The G&A increase is primarily due to the hiring of 15 enrollment advisors and 30 employees in the academic operations and corporate departments since February 2018. The G&A increase this quarter also included additional rent and staffing required for the new pre-licensure campus in Phoenix.

Net loss applicable to shareholders was ($2,837,276) or Diluted Net Loss per share of $(0.15) for the Quarter as compared to ($767,079) for the comparable prior year period, an increase in the loss of $2,070,197.

Aspen University generated $0.2 million of operating income for the quarter, USU experienced an operating loss of $(1.1) million during the quarter, while AGI corporate contributed $1.9 million of operating expenses in the quarter.

The cash balance at July 31, 2018 was $10.4 Million and total assets are now $39.2 million, of which $19.1 million are current. Total liabilities were $8.1 million, of which $6.8 million are current. At fiscal year-end, Stockholders' equity was $31.1 million.

Note that the company's cash balance declined by approximately $4 million sequentially. Allow me to break this out.

Our cash loss on an operating basis was $3.4 million primarily due to the operating loss of $2.8 million. In addition there's the cash flow lag effect from our monthly payment plan program, particularly at USU given they're ramping their MPP program as 58% of their active students are now on the plan. Note that their A/R rose by $600,000 as a result.

During August, monthly cash receipts for the company increased to $2.4 million. We're very focused on liquidity and made the investments in the first half of the calendar year knowing that we'd have a heavy cash drain in Q1, and our forecast points to revenues growing faster than cash expenditures over the remaining quarters of this fiscal year.

The remaining $779,000 net cash used from investments is predominantly capitalized expenses to build out and equip our new campus, and for software developed by our technology group in Canada.

Now I'll turn the call over to Michael Mathews.

Michael Mathews

Thanks Janet. Good afternoon everyone.

Today I'll begin with our enrollment results for Q4 and discuss our recent results in the month of August, which will give a glimpse of future quarterly enrollment results now that we've sequentially increased our quarterly marketing spend rate at Aspen University starting in Q1 by approximately $250,000 and increased the size of our call center from 55 to 70 Enrollment Advisors since January.

Following that briefing, I'm going to discuss the higher education industry and how it's evolving, and what Aspen Group's position and long-term plan is in the industry. Finally, I'll end today's remarks with an important personnel announcement.

OK, onto enrollment results. As previously announced, we delivered a company record of 1,314 new student enrollments in Q1, a 52% increase year-over-year.

Aspen University accounted for 1,093 enrollments, with 882 from our traditional Nursing + Other unit, 118 from our Doctoral unit, and finally 93 enrollments in our new BSN pre-licensure Arizona campus. USU accounted for an additional 221 enrollments, primarily FNP student enrollments.

As I mentioned, we've increased the call center from 55 to 70 EAs since the New Year, and sequentially increased our quarterly internet advertising spend rate by approximately $250,000 at Aspen University. This has translated into a historic enrollment month in the seasonally favorable month of August.

In Q1, Aspen's traditional business generated 1,000 enrollments (882 Nursing + Other and 118 Doctoral), however in the month of August alone, Aspen generated 476 enrollments in that same traditional business (417 Nursing + Other and 59 Doctoral).

That result of course is nearly half of what was accomplished in the entire previous quarter.

Another way of looking at this enrollment jump is the fact that this monthly result is over 25% higher than any enrollment month in our Aspen core business unit history. So the additional investment spending we began since the fiscal year started has begun to bear fruit.

Just using the month of August enrollment results, based on our LTV projection for our core Nursing + Other unit of $7,350 per enrollment, that means we booked LTV revenues of just over $3mm in the core Nursing + Other unit for the month, and another nearly $750K in our Doctoral unit for the month.

Our marketing spend this past quarter is the planned spending range for the next few quarters. Consequently, Q1 is expected to be the peak operating loss for the company, so each subsequent quarter is expected to show improved leverage over the remainder of the fiscal year.

Another critical point I'd like to make today is the fact that since the new year we've directed the majority of our investments toward our higher LTV/marketing efficiency ratio business units.

As mentioned previously, we've grown the enrollment center from 55 to 70 EAs since the New Year and almost all of the 15 additions were at USU in which the FNP LTV is $17,820 per enrollment or in the Doctoral unit in which the LTV is $12,600 per enrollment.

We also added three EAs to our new BSN pre-licensure campus business which promises to have an LTV that's appreciably higher than the FNP program at USU. Once we complete a few semesters, we'll begin to have enough persistence data to make an LTV forecast.

Speaking of our inaugural campus in Phoenix, as we announced last week, we've received such strong demand for the program that we decided to add a night/weekend program, initially for the over 100 students currently sitting on our wait list.

This means we'll have six semesters per year at our inaugural campus rather than three semesters, meaning we now have the ability to double the number of starts and students entering the program.

Additionally, the company is looking at alternative approaches that would allow Aspen University to open a second campus in Phoenix in calendar year 2019. We expect to make an announcement on that very soon.

OK, now I'd like to give you a 'state-of-the-industry' briefing as we view it from Aspen Group.

First, I'm sure all of you have watched the online for-profit education industry contract significantly in the last several years, and only recently have we seen the largest of online for-profits begin to stabilize in terms of enrollments and overall student body.

By the way, the likelihood of these large online for-profit education companies ever growing back to their previous sizes is remote. More on that later.

The primary reasons for this contraction is twofold. First, the largest online for-profits in history admitted students without regard to academic readiness and put too many students in what I call 'economic jail'; students with tens of thousands of dollars of debt and no degree and therefore not significant enough of an income stream to pay for said debt.

You can only deliver that result for so many American's before word spreads to not go to these schools who are delivering these negative outcomes.

The second primary reason is the growth of the Online Program Management (or OPM) segment of the industry.

These OPM's in the past decade have helped the traditional non-profits (both private and public schools) launch their degree programs online in direct competition with the traditional online for-profits.

Even worse for the traditional online for-profits, the tuition rates are in the same range whether you go to a public school like Arizona State or one of the online for-profits.

So if you have a choice and the cost is similar, and assuming students consider the academic instruction and rigor to be similar, where would you enroll? Of course, you'd go to the more name brand university.

This is the fundamental conundrum of the online for-profit sector; they lack an operational efficiency advantage, they lack an economic advantage, and they lack a brand advantage.

So for all those reasons, the long-term prognosis of the traditional online for-profit business model is not good.

A recent study from Babson Survey Research Group reported that between 2012 and 2016, students enrolled in at least one distance education course grew from 5.4mm students to 6.3mm students or growth of 16.8%.

However, the for-profit universities actually declined by 22.1% during that timeframe.

You guessed it, all their market share was taken by the non-profit universities and the non-profits also enjoyed the benefit of the market expanding by the aforementioned 16.8%.

There's no doubt that the 'traditional' online for-profit industry realizes their business models are uncompetitive, so you've seen two traditional for-profits recently flip to or announce they are flipping to non-profit status so they can enter the OPM market and start doing business on a rev share basis with the non-profits.

This trend will continue in addition to consolidation of the industry in the form of mergers and acquisitions.

So what makes Aspen Group different from the declining online for-profits, and how are we rapidly growing market share, in most cases faster than the non-profits?

I can explain it in two words; value and innovation.

The first question students ask themselves, whether its conscious or subconscious, is "Am I going to get a return on the proposed education investment?" They very rarely are going to ask themselves is this a for-profit or a non-profit university. That's not what they care about.

Students of course don't know for certain if they will get a return on their education investment until they enter a given school and successfully complete their degree program and obtain their desired job or achieve their income goals.

But it's way easier to make that decision if you are offered the ability to pay for your education month-to-month in the form of a no-interest monthly payment plan.

That is the value equation that has made Aspen (and now United States University) such a logical choice among nursing students. And in future years this will be the reason we'll be the logical choice in other major occupational categories such as business, information technology and education, to name a few.

But the point of this talk today is the second reason for our rapid growth, and that is innovation. Let's make no mistake, we couldn't have been able to offer students monthly payment plans if we hadn't built an EdTech infrastructure that was best-in-class.

We began by vertically-integrating our marketing function, doing business directly with publishers on the web and by utilizing only our brand, thereby avoiding the inefficiencies caused by using lead generation companies which is what has caused $4,000+ enrollment costs among traditional for-profits, including the OPM sector as well, by the way.

As you know, today our cost-of-enrollment sits between $1,200 to $2,200, which is what put us into this economically sound position to offer monthly payment plans starting in 2014, and now 72% of Aspen's active student body utilizes this 'risk-mitigation' payment method rather than federal financial aid.

What hasn't been discussed until today is the technical infrastructure we've put into place to date, and the innovative CRM we'll have completed by the end of this fiscal year which -- when we're done -- we believe will be the most advanced EdTech infrastructure in the higher education industry, and that includes both higher education institutions as well as the OPM industry.

Traditionally, a university or OPM offering online education has three core systems that serve as the backbone of their technology stack; a CRM system used by the enrollment team to manage prospective students; a student information system (or SIS) that the university uses to manage its student body, and a learning management system (or LMS) which serves as the online classroom.

In each of these categories, there are sophisticated software or SaaS companies that offer solutions for higher education. Salesforce, CampusVue and Blackboard are generally considered to be the market leaders in each of these categories.

Most universities, or OPMs, will license one or all of these systems. In our experience, these systems are designed to be a 'one size fits all.' Once you step outside of the 'one size fits all' model, you'll be looking at expensive consulting fees and pricey modules from each of these providers.

We started to ask ourselves questions like; How could the SIS tell an Academic Advisor which of their students were struggling in real-time? Anyway, what we learned is that there was no reasonable way to have these three separately licensed systems fluently talk to each other.

So several years ago we started by building an in-house Student Information System and connected it to our Learning Management System, D2L. This allows us to take traditionally manual processes and automate them, but more importantly we can track student and instructor activity across all courses, in real-time, hand-in-hand with our Student Information System.

Now, our Academic Advisors know the name of each student who is falling behind, and work with those students to help them persist.

I'm now going to explain the in-house CRM we're building and the functionality it will deliver, which simply couldn't be done if we had licensed all our systems.

The first phase of the CRM is designed for the enrollment department and has been launched at USU's enrollment center and will be rolled out at Aspen's enrollment center later this quarter.

This month’s (September) CRM release includes an algorithm that recommends to Enrollment Advisors (EAs), in priority order, what follow-up calls should be made in a given day to complete the enrollment process for prospective students in that given EAs database.

The algorithm was created by studying the daily habits and activities of the three most productive EAs in Aspen’s history. This recommendation engine then automatically updates in real-time after each follow-up/action is conducted by an EA.

To our knowledge, these advanced features are not offered by any CRM software company in the industry.

We believe this recommendation engine will boost our lead conversion rates even higher than our existing industry leading double digit conversion rates. That’s phase one of our in-house CRM, but the true breakthrough technology is targeted in phase two.

Phase two is designed to achieve materially higher persistence rates among our student body, and is targeted to be launched by the end of our current fiscal year (April 30, 2019).

We believe the biggest persistence challenge among the growing population of fully-online students in the U.S. is the lack of timely student support.

Specifically, students struggle in many different ways during their academic career (academic, financial, personal, time management, to name a few) and institutions and OPMs lack the ability to obtain timely information on how students are performing and the struggles they are experiencing across all of these areas, and then provide timely student support to overcome these issues.

Phase two of our proprietary CRM will allow us to have real-time data on every aspect of a students’ career – whether it be academic in nature or personal, financial or other behavioral issues.

Approximately 30 ‘business rules’ or ‘events’ have been determined that we call ‘at-risk events,’ which are likely to cause angst among a given student and without intervention could lead to a subsequent voluntary course or worse a program withdrawal.

Our CRM is intended to turn our student services department into a proactive student support group vs. traditional student services departments that simply react to student issues in a defensive manner (often times when it’s too late).

Our CRM when completed will alert an Academic Advisor when an at-risk event occurs, in real-time, so the advisor can contact the student to discuss ways to mitigate or solve the issue.

Specifically, when our academic advisors log into their CRM, they will have a recommendation engine telling them, in priority order, which students to contact and the at-risk event that was tripped.

Our in-house CRM, when completed, does not exist in the higher education market and we believe it will drive industry-leading persistence rates and therefore higher LTVs over time. More importantly, this holds promise to deliver better student outcomes meaning higher graduation rates and therefore higher returns on students' education investments.

Finally, to coincide with our detailed explanation today of what makes us unique, we've decided to update the positioning of the company to emphasize the fact that we're an EdTech company that employs our advanced infrastructure to allow our two universities to deliver on the vision of making college affordable again.

Earlier today, we launched a dedicated Aspen Group investor relations site at www.aspu.com. Please visit this new IR site in the future to obtain investor information on the company.

OK, onto an important personnel announcement before I open up for Q&A.

Now that Aspen Group owns multiple subsidiaries and intends to aggressively grow our promising BSN pre-licensure campus business in addition to our online businesses, we saw a need to add an executive staff member with many years of large company CFO experience.

So this afternoon we announced the appointment of Joseph Sevely who will assume the position of Chief Financial Officer effective September 11th.

Joe recently served five years as Managing Director and Chief Financial Officer of Cutwater Asset Management, a fixed income asset manager with over $20 billion in assets under management. At Cutwater he managed the finance, risk management, legal, compliance, operations and information technology functions through the sale and subsequent integration of the company to BNY Mellon.

Joe has over 30 years of experience in both financial management and new business initiatives and has an extensive background in capital markets, derivatives, liquidity management and market risk. He was previously Treasurer, Head of Market Risk Management and Head of Consumer Asset Backed Securities New Business at MBIA Inc.

Earlier in his career, Joe held the positions of Controller of Merrill Lynch's Global Broker/Dealer Division, Head of Financial Planning & Analysis for Chemical Bank's Capital Markets Division and he also led teams responsible for derivative and structured finance product development and client marketing at Bankers Trust. He started his professional career at the Boston Consulting Group.

He is also an accomplished educator, having taught graduate classes in Risk Management and Finance at Columbia University's Enterprise Risk Management program and NYU's Stern School of Business, respectively.

Joe has a bachelor's degree in mathematics from the Massachusetts Institute of Technology and an MBA in Finance from the University of Chicago.

Please welcome Joe to the Aspen family and I know he's looking forward to working with all of you.

Finally, I want to thank Janet Gill for the tremendous work she's done as CFO of Aspen Group for the past 4 ½ years, and I'm delighted to announce that she will be assuming the role of Chief Accounting Officer of Aspen Group and remain an executive officer of the company.

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 comes from the line of Darren Aftahi with ROTH Capital Partners. Your line is now open.

Darren Aftahi

Hi, guys. Thanks for taking my question. A couple if I may. Could you just dive a little bit deeper, I know you've increased your marketing spends in go forward period but that was in the month of August and then is that continuing into September. I'm just curious if you can kind of dive deeper into kind of what the underlying strength is other than kind of a back-to-school phenomenon.

Michael Mathews

Yes, sure. Good afternoon Darren. So a couple things. One is as I mentioned earlier we did sequentially increase advertising at Aspen University by approximately $0.25 million quarter-over-quarter. We also over the last three to six months, we've significantly grown not just the USU enrollment center, but also the enrollment center at Aspen, which includes our nursing + core unit plus our doctoral unit. And it takes time when you jump the size of an enrollment center by the significant numbers that we have -- 15 to 20 people.

It takes them a little bit of time to hit full productivity, and I'm pretty confident at this point now that they've been in their seats for a number of months now that they are -- their databases are becoming more mature and they're hitting full productivity. So I think enough months have gone by since we increased the call center, combined with the additional spend, combined with the seasonality of August which is always quite good.

August and January typically are our two best enrollment months of the year. That's what accounts for the gigantic jump in August in enrollment.

Darren Aftahi

That's helpful. And I guess two questions with USU. One, I know in the prior release you gave the customer acquisition or cost for enrollment on USU. Is that seeing any organic benefit? And I guess the second question on your commentary about the first phase of the CRM. I take it you're sort of using artificial intelligence to kind of mirror those highly productive EA's. You said, so that's live now at USU. Just to be clear and that'll be live in Aspen later this month?

Michael Mathews

Yes, exactly. Because USU's enrollment center today is approximately 11 people and of course at Aspen it's over 50. We thought it was prudent to launch the first phase of the CRM with USU, which was done over a couple months ago now. It's going beautifully; things are working just as expected. And, yes, we are looking to roll out later this quarter to Aspen and the algorithm that we've completed for enrollment where we studied the three most effective of EA's in the company's history, and wrote an algorithm around that that goes live at USU week after next.

Darren Aftahi

Great and then just I guess kind of a higher-level question. So given there's roughly 265,000 FNPs in the US, I think the markets growing kind of a high single digits and roughly approximately 26,000 graduates per year. I guess my question is why Aspen wouldn't be able to capture 10% of that market over time given you effectively have the lowest-cost program and called it, I don't know 25% to 40% cost advantage in the industry today.

Michael Mathews

I think we have the potential to grow the FMP program unquestionably to the size of Aspen's BSN program today (our online RN to BSN program), from a demand point of view. The FNP program because it's a licensure program and -- it's two-year structured program -- requires us exactly at the end of year one to place that student into their clinical placements. Because of that operational (field experience placement) requirement, we have to increase the FNP program a bit more methodically than we did the BSN program in history.

So, yes, there is the demand out there, and we are going to methodically grow this thing as quick of a pace as we possibly can. But we need to make sure that we don't trip ourselves up operationally along the way.

Operator

Thank you. And our next question comes from the line of Eric Martinuzzi with Lake Street. Your line is now open.

Eric Martinuzzi

Hey, congratulations on that 70% growth number. I don't have a lot of companies growing that fast. I wanted to ask you a question regarding USU. I know when we last convened talking about the Q4 earnings; one of the things that you were working with was the California Board of Registered Nursing working at expanding that USU program. Where are we in that process?

Michael Mathews

Good afternoon, Eric, by the way. So, I wasn't able to say during our quarterly earnings call, but the actual site review that we had for the California BRN was actually on the same exact day that we announced earnings a few months ago. So that site review of course is now over. And we've received a subsequent report. That report was actually delivered quite rapidly. They have 30 days to deliver the report to us, and they did it in a pretty quick to 2 1/2 week period.

And then the next and final step is they have their formal BRN meeting, the next meeting is scheduled in November when they will of course make their final decision as it relates to giving full accreditation to the USU FNP program in the state of California. And so that process is over and our plan now is to continue to implement enrollments for FNP every other month as we've done. And again now that that review process is completed, we enrolled more than our self-limit of 75 students in our recent start – which started two days ago. We enrolled 110 FNP students in that most recent September start.

Eric Martinuzzi

Okay, all right. So it's already actually happening in real time. Shifting over to what are your other growth vectors, the planned hybrid campus locations and I know you talked about a second Phoenix location. Is what seems to be the gating item there as far as the initial class?

Michael Mathews

Yes. So thanks for the question. So unfortunately we're not able to make the announcement today. We were actually hoping to do so. So it'll probably happen next week. The gating item is that this is a bit of a different approach that we're using where our first campus of course is a campus that we manage on our own. And then we have a number of clinical partners that we are working with in order to get our students, their clinical placement for their pre-licensure program.

The other approach that some universities use is to find a clinical partner, where you actually put a campus inside the clinical partners' facilities. And so we're involved in putting one of those unique partnership campuses in place, and we're waiting for final approval from our partner in order for us to announce it.

Eric Martinuzzi

Got you. Last question for me has to do with the announcements that you had on August 28th. First of all, just a comment before the question. I really appreciate the level of transparency, historically we kind of get a revenue number and enrollment number, now you've given us the different segments even down to the level of the number of enrollment advisors per segment. So that's all very helpful. I'm just curious to know given that you finished out the quarter, I think it totaled up to about 67 enrollment advisors. Is that number still accurate as of today or has that increased?

Michael Mathews

We are at 70. You have to add the three campus EAs to the 67, then add three for the campus.

Eric Martinuzzi

Okay and then where do you expect that to kind of finish out the year?

Michael Mathews

At this point, we're planning to -- we're going to try really hard to keep our operating expenses to just moderately increase over the next two or three quarters. So the enrollment staff perhaps will grow by 5% the rest of the year, but for the most part we're now in a kind of a steady state because the way I try to run the company is we typically increase the call center during Q4. We then launch the investment spending; the increases in marketing spending in Q1. Q1 is usually our peak loss and then we like to show leverage the remaining three quarters of the fiscal year. That's kind of the model we've used for the last couple years.

Operator

Thank you. And our next question comes from the line of Mike Malouf with Craig-Hallum. Your line is now open.

Eric Des Lauriers

Hi, guys. This is Eric on for Mike. Thanks for taking my questions and congrats on another strong quarter. I was wondering if you could drill in a bit more just on your insider update on the future pre licensure programs excluding the second Phoenix location. I think you had a shortlist of a couple other cities. So just wondering -- just looking for an update there in terms of a number of locations that you currently plan.

Michael Mathews

Okay, yes, sure. So again I think it's pretty clear that we're really pleased with the level of demand once we began marketing in the Phoenix metro. And today, we have well north of a 100 students that are sitting on our waitlist that have already been accepted to the university, and they're just waiting to be able to enter. So that's of course why we made a decision to implement a night/weekend program. We also again have a clinical partner that we're working very closely with to launch a second campus in Phoenix, which for those of you that know the Phoenix area our campus is right next to the airport on the south side, just north of Tempe, just south of the airport.

And this other campus, we’re putting the exact opposite side of the Metro, it would be in the farthest northern part of the metro. So we'd cover both the south and the north. And so that's the plan in Phoenix and again, we're very hopeful to make the announcement next week on the details. We have hired a consultant and we're pretty far down the path of analyzing the rest of the country, and we are looking at a couple of states after Arizona that we would enter next, but we haven't made a final decision on the cities.

We are looking at a couple cities pretty closely right now and of course in order to enter a new state there's an elongated regulatory approval process. And of course, we have to be able to -- in concert with finding a location -- we have to have clinical partners in place that are ready to go otherwise you can't launch a campus. So we're not looking to make any announcements on future states until probably sometime in calendar 2019.

Eric Des Lauriers

Okay, that makes sense. And do you possibly have a gauge of the number of pre licensure programs in other states that you look to open per year starting in 2019?

Michael Mathews

No. We don't have a specific plan in place yet. We do have our eye on two very specific states that we're currently studying and looking at.

Eric Des Lauriers

Okay and I was wondering if you could help us understand the active student seasonality from Q1 to Q2 as students go on vacation and they sort of fall out of that technical definition of active student that Janet spoke of earlier. I'm wondering if you can help us understand the sort of expected rebound excluding new enrollments and the kind of visibility you have in that rebound given the nature of the monthly payment plan.

Michael Mathews

Yes. So the definition of our active student body is a student has to be actually active in a course or they have to be registered for a course that begins in the next few start dates. So what happens in the summer, and I've seen this the last couple of years, our working professional students primarily nurses they go on holiday. They don't take a course in June and July in a lot of cases, and until they come into the registration system for Aspen and register for that next course, they're not counted in the active student body.

So that's why we saw an actual decline from June to July in our active student body. But as these students came back starting in August and through the month August and began registering for the next course or entered in their next course, we saw the student body do the exact opposite effect, where we had an increase of however many it was it's -- 250 or so I believe it was -- in 31 days, somewhere in that range. So anyway, so I don't know if I've answered your question, but again we were just simply trying to make the point that the reason why we see Q1 is flat over to Q4 and it happened two years in a row is because students tend to not take courses during those couple of summer months.

Eric Des Lauriers

Okay that helps and just to clarify, when they do come back on and register, those do not count as new enrollments correct?

Michael Mathews

No, no. New student enrollments are a totally separate subject from the active student body.

Eric Des Lauriers

Right, so Q2 should generally benefit from the strong August enrollments as well as the sort of seasonal rebound and active students.

Michael Mathews

Exactly, yes.

Eric Des Lauriers

Okay and do you have like a quarterly run rate of the students from Q1 excluding new enrollments?

Michael Mathews

Off the top my head, I don't really have that, but I could certainly feed that to you later on.

Eric Des Lauriers

Okay, that sounds good. And then final question for me, do you so expect to be profitable by the end of fiscal 2019 even including investing in growth?

Michael Mathews

Well, as previously stated, we're planning to show increased leverage each quarter for the rest of the fiscal year. And it's probably too early at this point to make a call on Q4 profitability.

Operator

Thank you and our next question comes from the line of Howard Halpern with Taglich Brothers. Your line is now open.

Howard Halpern

Congratulations on the quarter. I just have a couple, most of the questions have been asked and answered, but in terms of the cost to develop your CRM and kind your whole technology infrastructure, approximately how much have you invested over the years?

Michael Mathews

Well, I would say if I had to make a guess I think we're well north of $3 million.

Howard Halpern

Okay and then in terms of that the industry, especially the nursing industry and nursing education, one of the constraints I guess that you always sort of hear about is professors, instructors or the lack thereof. As you grow, how are you going to address that issue and will your technology actually help in that factor?

Michael Mathews

Not really. Just from a faculty point of view, our technology stack isn't necessarily designed to be efficient at attracting nurses for faculty. So the reason why a lot of our competitors -- particularly our campus competitors -- have limited size of programs is simply because their courses are all designed to be on campus. And whereas our program is very different as you know, two-thirds of the credits of our pre-licensure program is online.

So we don't need as many professors on campus as other programs do. So again they're limited, their size is limited by finding enough educators that can commute in to teach for their program. And that's why they tend to have a limitation to their growth. For us, again, we have two businesses now. One is our traditional online BSN and MSN and now DNP programs -- again fully online. We can find nursing educators all across the country for that, and we don't have trouble finding such professors.

And then as we grow our pre-licensure BSN campus business, we can be much more effective at growing our campuses simply because we don't need as many educators on the campus because only a third of our courses are actually at the campus.

Operator

Thank you. And I'm showing no further questions at this time. So with that said, I'd like to turn the call back over to CEO, Mr. Michael Mathews for closing remarks.

Michael Mathews

Thank you everyone for your questions. I want to thank everyone for joining us this afternoon. And the team here looks forward to talking with you again soon. Have a good afternoon.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program. And you may all disconnect. Everyone have a wonderful day.