Aspen Group, Inc. (NASDAQ: ASPU)

Q2 FY'2020 Results Earnings Conference Call

December 10, 2019 4:30 PM ET

Executives

Frank Cotroneo - Chief Financial Officer

Michael Mathews - Chairman of the Board, Chief Executive Officer

Analysts

Darren Aftahi - ROTH Capital Partners

Mike Grondahl - Northland Securities

Mike Malouf - Craig-Hallum

Austin Moldow - Canaccord

Ryan Meyers - Lake Street Capital Markets

Operator

Good afternoon. Welcome to Aspen Group's Fiscal Year 2020 second 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, operating metrics, revenue growth, expected G&A trends, generating cash from operations, creating free cash flow 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 Form 10-K and the first quarter 10-Q filed with the Securities and Exchange Commission and in the 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 the company will discuss EBITDA and Adjusted 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. Please note that earnings slides are available on Aspen Group's website, aspu.com, in the presentations page under company info.

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

Michael Mathews

Good afternoon. We had an outstanding second quarter and before I begin to share those results, I'd like to recognize and thank all the employees of Aspen Group who made these results possible.

From the academic operations of both Aspen University and United States University, to our enrollment centers, to our software development team, and all our corporate staff, without the efforts and dedication of these fine people we would not be able to report these results.

Again to all the employees listening in to the call and who we'll be meeting with over the next few weeks, thank you.

I will begin the call today by introducing our new CFO, Mr. Frank Cotroneo. I will then review the operating metrics that led to today's strong results both on the top and bottom line. Then I'll turn the call over to Frank to review our detailed financial results.

First, for those of you that saw our announcement last week, you know that Frank and I have a long-standing relationship having served as a Director at my last company, Interclick, and of course here at Aspen.

Frank has held the role of audit committee chair at both Company's and frankly he is one of the most experienced finance professionals in this country having previously served as CFO of MasterCard International, H&R Block and Acxiom, as well as having served as COO and CFO of Netspend.

Frank has extensive experience in financial process reengineering & system implementations, strategic planning, M&A, consumer finance, capital markets, SP&A and capital allocation -- all areas which will be critical as we continue to execute on our long-term growth plans. Welcome Frank.

I'd also like to thank Joe Sevely for his service as CFO since September 2018. At that time, the Company was mid-stream in re-building USU and had just launched the pre-licensure campus business.

As a result, Joe's main mission at the Company was to help it significantly improve financial performance while continuing to aggressively grow. It was originally thought it may take two or more years to achieve that. However, a little over a year later, due to high growth of the business, effective expense control and a strong focus on cash flow, those goals have been largely achieved.

Having accomplished what he set out to do, Joe has now decided to pursue other interests, including continuing to teach at Columbia and NYU and focusing on financial services, where he spent most of his career.

Finally, I'd like to welcome Robert Alessi to the senior management team, as we just promoted Rob to the role of Chief Accounting Officer. Rob joined us several months ago having recently served as the Vice President, Financial Controller for Prometheus Global Media, a New York City based media company where he managed the accounting and reporting functions.

Rob has over 20 years of experience in financial accounting, SEC reporting, Sarbanes Oxley compliance and cash management. Congratulations on your new role Rob.

OK, let's begin with an overview of the strong results this quarter and the factors which drove our operating improvement.

Our revenue accelerated during the second quarter increasing 49% year-over-year, while total operating expenses increased only 17% year-over-year due to an 11% year-over-year decrease in marketing spend, diligent expense management, and improved operating leverage.

This resulted in a significant reduction in our net loss and generated positive EBITDA, 4%, and Adjusted EBITDA of 11% in the quarter.

Let's spend a minute on how we achieved these results.

It starts with our proprietary EdTech platform that produces highly qualified leads. These leads are prioritized by an algorithm in our CRM, directing our Enrollment Advisors' outreach to prospective students with the highest probability of enrolling.

In fact, this past quarter we experienced our highest conversion rate in history -- 14% -- in our traditional Aspen Online Nursing + Other unit.

We also have been prioritizing our marketing spend to drive enrollment in our degree programs with the highest lifetime value (LTV) – specifically, Aspen

University’s Doctoral program, United States University’s MSN – Family Nurse Practitioner (FNP) program, and Aspen University’s Pre-licensure BSN program.

The second quarter is our strongest seasonal enrollment quarter and it didn’t disappoint. We set a quarterly record of 2,217 enrollments, a 42% increase year-over-year.

Aspen University accounted for 1,823 new student enrollments, which included 190 Doctoral enrollments and 437 Pre-licensure BSN AZ campus enrollments, delivering overall enrollment growth at Aspen University of 41% year-over-year.

Enrollment growth at Aspen University was highlighted by the Doctoral unit, which increased by 43% and the Pre-Licensure BSN unit, which increased 58% on a sequential basis. The sequential acceleration of growth in the Pre-Licensure BSN unit is a result of a full quarter of enrollments across both campuses now open in Phoenix, AZ.

In addition, and similar to first quarter results, our Aspen Nursing + Other Unit experienced an increase in the number of enrollments per Enrollment Advisor and the cost per enrollment declined. As a result of this increased efficiency, Aspen’s Nursing + Other unit grew enrollments by 8% year-over-year.

United States University (or “USU”) accounted for 394 new student enrollments, primarily FNP enrollments, a 45% increase in enrollments year-over-year. USU plans to continue to implement an academic calendar of bimonthly start dates for FNP students or six starts per annum. In the past two bimonthly starts (August/October), a total of 488 new students entered the FNP program which is equivalent to an annual enrollment run rate of over 1,450, assuming that pace continues.

The previous bimonthly run rate was forecasted at 150 new FNP students per start or 900 per annum. Given the acceleration in new student FNP enrollments, the FNP program is currently growing 61% faster than the previous forecast.

Our cost of enrollment (or “COE”) dropped in all four units sequentially, delivering a historically low weighted average COE of only $873, which was a sequential improvement of 25%.

Our marketing efficiency ratios also hit historic highs, as for every dollar we spend in marketing in our traditional Aspen Nursing + Other unit delivers $7 in revenue, our doctoral unit now delivers $13 in revenue for every marketing dollar spent, and USU has risen to $21 in revenue for every marketing dollar spent.

The headline though is our pre-licensure BSN campus business. Our COE dropped in Q2 to $336, which translates to the company earning $89 for every marketing dollar spent.

From a bookings point-of-view, fiscal Q2 2020 bookings increased 92% year-over-year, from $16.3 million to $31.3 million, delivering an average revenue per enrollment (or “APRU”) increase of 35%, from $10,434 to $14,125.

This 92% bookings increase is a function of directing the majority of our enrollment growth to our highest LTV businesses (FNP and Pre-Licensure). When you couple that bookings increase with historically low COE's, that's primarily what drove a gross margin improvement of 1,300 basis points year-over-year to 63%.

We remain committed to our goals of sustainable long-term growth, improving profitability, and improvement in cash flow from operations. Given the strong performance in the first half of fiscal year 2020, we now expect annual revenue growth to meet or exceed 41% for the full fiscal year based on anticipated year-over-year enrollment growth of approximately 30%, bookings is now forecasted to grow 54% to approximately $102 million, and we're forecasting ARPU to increase 18% to a full-year average of $13,440.

Our improving financial performance will continue to support our Pre-Licensure BSN expansion strategy, an important long-term growth and profitability catalyst for the Company.

In November we promoted Anne McNamara, Ph.D., RN to Chief Nursing Officer of the Company. Her tenure in nursing education and her extensive network of relationships with healthcare systems and organizations across the U.S. makes her the ideal leader for Aspen Group Inc.'s nursing programs.

Anne is overseeing the multicity rollout of Aspen University's pre-licensure campuses, a critical foundation of our long-term growth strategy. As an update, we're in the final stages of lease negotiations with landlords in Tampa and Austin. So over the next several weeks, we're expecting to announce the locations of these two new campuses we're planning to open during calendar 2020.

Frank will discuss the financial details in a few minutes, but I thought I'd quickly provide a few highlights:

First, our revenue rose sequentially by $1.73 million while our net loss dropped sequentially by $1.44 million, meaning that on a sequential basis we achieved 83% leverage on the bottom line this quarter.

Second, all three business units delivered positive net income in the quarter. In fact, our newest unit, the pre-licensure unit, delivered a 35% EBITDA margin becoming the most profitable unit in the company after only starting the business five quarters ago.

Third, as mentioned earlier, the company delivered EBITDA profitability of $0.5 million or 4%, from an EBITDA loss last year of $(1.9) million.

Fourth, The Company's cash use from operations was the best in the Company's history. This quarter the Company's cash requirement was only $(340,000) as compared to $(1.7) million last quarter. Given our quarterly interest is $325,000 per quarter, that means we were nearly breakeven this quarter in cash use from operations excluding interest.

I do want to point out though that program start timings and the related federal financial aid drawdowns impact cash timing. For example, this quarter the timing of the drawdown for our USU FNP program resulted in over $500,000 of cash just before quarter end.

To be specific, USU's FNP academic calendar continues to be 6 starts per year, which means two quarters have 1 class start and two quarters have 2 class starts, which affects cash flow. This past quarter we obviously saw the benefit of two class starts, the second just before quarter end.

Finally, allow me to provide an update on Aspen University's monthly payment plan. During fiscal Q2, we tested changing Aspen University's monthly payment amounts for baccalaureate- and master-level programs from $250 to $300 and from $325 to $350, respectively.

The cost per lead rose materially during the two week test period, so we reverted back to advertising the original payment amounts per month immediately thereafter and, as expected, lead costs returned to their original levels. As a result of that test, we expect to make no changes in the future to Aspen's original payment amounts per month which we first introduced back in 2014.

Now I'll turn the call over to Frank to review our financial results for Q2 and to provide an update on our liquidity.

Frank Cotroneo

Good afternoon. Thank you Mike and good afternoon everyone. It is a pleasure to be a part of the Aspen Group management team. Having served on the board for over a year, I have seen, first hand, the tremendous opportunity of the Company and am excited to have a more active role in contributing to its success.

I am going to begin by reviewing our financial results for the 2020 second fiscal quarter and then provide some insight into this quarter's performance and some commentary regarding our expectation for coming quarters.

Total revenues for the second quarter were $12.1 million, up 49% versus the year-ago period. As Mike indicated, our strong revenue growth was driven by new student enrollments, which increased 42% in the second quarter to a record 2,217.

Of total new student enrollments, Aspen University was up 41% and United States University was up 45%. Strong growth in our higher LTV programs drove bookings growth of 92% to $31.3 million.

Aspen's BSN Pre-Licensure program, our highest LTV program of $30,000, had Q2 enrollments of 437, up from only 57 in the year-ago period and 276 in the prior quarter. Of course, a year ago, we only had one campus open. Bookings for this segment was $13.1 million versus $1.7 million in the year-ago period. This segment was a significant contributor to our total bookings growth of 92% and is expected to drive continued growth in bookings in the coming years.

Our second highest LTV program is USU, which had Q2 enrollments of 394 versus 271 in the year-ago period, an increase of 45%. USU bookings were $7 million this quarter, up from $4.8 million in Fiscal Q2 2019.

Our AU doctoral program had 190 new student enrollments this quarter, up 43% Year over Year with bookings of $2.4 million versus $1.7 million in Fiscal Q2 2019. The AU Online nursing + Other unit had new enrollments of 1,196, up 8% from the prior-year period. Bookings for this segment was $8.8 million.

Aspen Group's gross margins for the second quarter improved to 63%, up from 50% in the prior-year period and 56% in the prior quarter.

The 13 percentage point year-over-year improvement in gross margins was primarily driven by an 11% year-over-year decrease in marketing expenses. Instructional costs and services spending also contributed to the gross margin improvement by increasing at a slower rate than revenues, growing by 37% year over year.

From a unit perspective, Aspen University's gross margin was 65% in the second quarter versus 46% in the prior-year period. USU's gross margin was 67% in the second quarter, up from 44% in the year-ago period.

Overall total instructional costs and services for the second quarter was $2.2 million or 18% of revenue.

Instructional costs for Aspen University represented 16% of Aspen University revenues versus 17% in the year-ago period while instructional costs for USU represented 23% of USU revenue versus 29% in the year-ago period.

Total marketing and promotional costs for the second quarter were $2 million or 17% of total revenue, an improvement over the prior-year period which was $2.2 million or 28% of total revenue.

Marketing and promotional costs for Aspen University represented 16% of Aspen University revenues, down from 25% in Fiscal Q2 2019. USU's marketing and promotional costs were 11% of USU's revenues, down from 27% in Fiscal Q2-2019.

General and administrative costs for the quarter were approximately $7.6 million compared to approximately $6.2 million during the comparable prior year quarter, an increase of $1.4 million or 22%.

This is of course significantly better than our long-term expectation that G&A will grow at about half the growth rate of revenues. This clearly was a key factor in the Company turning EBITDA profitable this quarter.

From a bottom line perspective, Net loss applicable to shareholders was $(638,168) or diluted net loss per share of $(0.03) cents for the quarter, as compared to a net loss of $(2.5) million or $(0.13) cents per share for the comparable prior year quarter.

From a unit perspective, Aspen University's net income for the quarter was $1.8 million versus $400,000 in the prior-year period. USU's net income was approximately $150,000 versus negative $(1.1) million in Fiscal Q2-2019.

AGI corporate expenses were $2.6 million in the quarter versus $1.8 million in the year-ago period. The year-over-year increase in corporate expenses was primarily due to corporate staff increases in finance and marketing, as well higher non-cash stock compensation expenses.

With regard to our liquidity position, cash used in operations for the quarter was approximately $340,000 versus $2.1 million in the year-ago period and $1.7 million in the prior quarter.

Cash flow in the second quarter was positively impacted by the 75% reduction in net income loss year-over-year, and as Mike indicated we received the benefit of about $500,000 in an FA drawdown for USU's FNP program a few days prior to quarter end.

As we've stated in the past, we continue to expect the company to be generating significant positive EBITDA, cash from operations and free cash flow by the fall of calendar year 2021. Based on today's results, we anticipate potentially achieving those milestones sooner and will provide updates to that timing in subsequent quarters.

Aspen Group ended the quarter with approximately $6.9 million in cash and restricted cash. Together with our unused revolver of $5 million, we ended the quarter with $11.9 million of liquidity resources, which we believe are adequate to continue executing on our growth strategy.

That concludes our prepared remarks. I will now turn the call back to the operator for questions.

Question-and-Answer Session

Operator

Thank you. And our first question comes from Darren Aftahi of Roth Capital.

Darren Aftahi

Hi, guys. Thanks for taking my questions. Congratulations on the quarter. Results are improving nicely, especially the cash flow number and welcome Frank. I know in the past you talked about your Pre-Licensure businesses kind of being on an adjusted EBITDA basis, I think in this 30% range -- it was 35% this quarter. I'm just kind of curious what your thoughts are longer-term about Pre-Licensure business in general and the margins there? I know there's going to be some puts and takes when you kind of launched new campuses, but just some general thoughts there? And I've got two follow-ups.

Michael Mathews

Good afternoon, Darren. It's Mike Mathews. Let's answer it this way. In a steady-state, we would expect the EBITDA margin to marginally increase over time. But of course, in future campus startups, we expect to deliver in-line with our recent performance, which is approximately $0.5 million operating loss in year one. Followed by, as you can see a 35% EBITDA margin in quarter five.

Darren Aftahi

Fair enough. On your cost of enrollment, I know you called out the CRM algorithm. I'm just kind of curious, and I know you're focusing more of your marketing spend on higher return categories, I'm just kind of curious if there is anything beyond that that's driving the better efficiency. I think even Aspen had better sequential cost of enrollment numbers. So, I'm just kind of curious if you kind of called it out? And then last one for me, on the FNP, I know you kind of talked about the change in the ramp from 900 to call it 1,450 based on the 488 enrollments fiscal year year-to-date, I mean is there anything that you see that would make you think that kind of pace wouldn't continue for the rest of the year? Thanks.

Michael Mathews

Yes, I would say, first of all, I think it's important to understand that our second quarter is our best seasonal enrollment quarter, which of course you saw the results of that as we had 2,217 enrollments. And our traditional Aspen nursing + other unit grew by about 8% year-over-year, and quite a bit more than that sequentially. You can see we ended the quarter with 47 EAs in that traditional business, which equates to 8.5 enrollments per month per EA. That's obviously an outstanding result, but again, some of that is seasonality.

So, I would say that that kind of level of efficiency is something that is probably just about as good as we're going to get. And obviously, I'm incredibly proud of that result. From an FNP perspective, we think that that program over the last couple of quarters is going to have – if you look at the aggregate result of the first half of the year -- we would expect to have approximately an aggregate result that would be the same. Hopefully that answers the question, and again there's a little bit of lumpiness in terms of cash flow and to some degree revenues based on how those six class starts fall during the calendar year.

Darren Aftahi

Great, thanks.

Operator

Thank you. Our next question comes from Mike Grondahl of Northland Securities. Your line is open.

Mike Grondahl

Yes, congratulations on the results. What would you say surprised you the most in the quarter in terms of enrollments? Were the two new areas kind of just outperformed better than you thought?

Michael Mathews

Well I think that answer is pretty obvious. I don't think anyone expected us to deliver this result in the Pre-Licensure Campus business in Phoenix, Arizona. We came off of a quarter where we had 276 enrollments and then we jumped to 437. So, that clearly is a very significant material improvement that drove our bookings, our ARPU, and obviously therefore our revenues. So, that would be, I guess the pleasant surprise for everyone, but at the end of the day, we kind of expected this kind of improvement to take place given that we now have two campuses open in Phoenix where we couldn't be prouder to have a second campus in North Scottsdale today with our great partner, HonorHealth.

Mike Grondahl

And how would you describe the utilization at each of those campuses?

Michael Mathews

Yes. Great question. So, I would say that it’s best to explain kind of how this program works. It's quite an innovative program. Most nursing schools that are Pre-Licensure across the country, the entire program is campus-based. We've actually developed a hybrid program with the first academic year online. And those are prerequisite courses. And then the final two years is a combination of online curriculum, as well as coming into the campus approximately three days a week for half a day.

So, what I would say to you is that from a ratio perspective about two-thirds of our student body today in Pre-Licensure and is in the prerequisite phase. And the other third would be in the core final two-year program. Hopefully that gives you kind of an idea of sort of how the business is unfolding and again we are very much similar to what most nursing schools do, we are sort of creating a very large water fall of prerequisite students that will then flow into the final two-year core program.

Mike Grondahl

But the campuses have plenty of space to keep driving enrollment higher. I mean, I guess that's what I was primarily getting it.

Michael Mathews

Yeah. We've said quite often that we think at our peak we'll probably end up in the vicinity of between 700 and 750 students that are in the core final two-year program. And over time it will go from a two-to-one ratio of prerequisite to core to probably 50-50. So, we'd end up with the vicinity of 700 to 750 students in each of the two parts of the program.

Mike Grondahl

Okay, great. Thank you.

Michael Mathews

Thank you.

Operator

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

Mike Malouf

Great. Thanks for taking my questions and let me give my congratulations to a good quarter as well. And also, welcome aboard Frank. I guess I'd like to continue the questions with regards to the Pre-Licensure, if you kind of run what you were talking about, talking close to about 1,400 to 1,500 students at full capacity. As we look at it now, has there been any change or maybe you could just give us an update on what you think each of those campuses could run on an annual basis with regards to revenue, especially when you look at it sort of as a 50-50 split between the first year and then the last two-year programs?

Michael Mathews

Yes. So, what I would say to you is that it'll take us probably four years to reach full maturity for each campus. And by the end of that fourth year, our internal projections are that we'll have somewhere in the vicinity of about $14 million topline per campus.

Mike Malouf

Okay. And that 14 million is a 50-50 split between those students?

Michael Mathews

Correct.

Mike Malouf

Okay great. And then I'm just wondering if I could get a little bit of an update on USU, enrollments were obviously very steady there, and I know that you changed the way that students can pay for their tuition and I'm just – I'd like to get some comments on whether there's been any change or update with regards to the reaction to that change.

Michael Mathews

Yes, our enrollment center of which we have around about 20 people currently, I check in with them many times a week and since we made the change several months ago, they're telling me that they don't see any change to the level of demand of the program. You have to remember at the end of the day, regardless of the payment method, our program is a total cost of attendance at $27,000 and the other major universities in the United States charge $50,000 plus.

So, we don't expect over time to have any kind of a demand slowdown in our FNP program. And we will have some interesting announcements to make over the next quarter as to how we're going to go about that. Because of course today, all of our immersions are done in our San Diego campus and this program is getting so big that we're going to need to look at alternative approaches to grow this program across more than just the San Diego campus.

Mike Malouf

Okay. That's great. And then just a final question, with regards to competition. I'm wondering if you could give us an update if you're seeing any change out there in the marketplace with regards to pricing or maybe their approach to charge in students that are impacting you or could impact you as you look out into the next year or so?

Michael Mathews

Yes. I prefer not to give specific university names, but we've seen one or two competitors that have reduced their tuition rates by approximately 10%. And we're seeing a little bit more in the area of scholarships by these types of universities, but we sort of smile when we see these changes because a 10% change isn't going to change our business model much given that were approximately 50% less.

Mike Malouf

Yes, that's great. Okay, thanks a lot for the color. Appreciate it.

Michael Mathews

Thank you, Mike.

Operator

Thank you. Our next question comes from Austin Moldow of Canaccord. Please go ahead.

Austin Moldow

Hi, thanks for taking my questions. I wanted to direct the first one at the 25% sequential decline in cost of enrollment and I think you called out both reduced leads and higher conversion. So, can you drill down into each of those with some more specifics maybe what channels, what marketing channels are most efficient for you that are helping to reduce the cost per lead? And then also specifically if you can share any of those initiatives that are driving conversion to this very high 14% rate, that would be really helpful?

Michael Mathews

Yes, sure. So, I mean we don't give – we feel like the exact channels and publishers that we use with our vertically integrated marketing approach, we don't discuss those publicly because we feel that's our competitive advantage, which remain as confidential. I have to say it was a pretty – it must be pretty astounding for you guys to look at a company that grows by 49% year-over-year, and our marketing expenditure went from $2.2 million down to $2 million or 11% decrease year-over-year. I don't know how many companies you've ever seen do that before.

So, I just have to give kudos to our marketing department that I have just tremendous respect for. Our cost of enrollment at our traditional Aspen Nursing + other unit, as you can see it dropped all the way down below $1,100. And all the other units are well under a $1,000 and we ended up with a weighted average of $840 dollars, and again, one of the major reasons for that is we delivered 437 enrollments in the Pre-Licensure BSN program and the cost of enrollment for that is an unbelievably low $336.

So, it's a combination of having a really, really strong proprietary vertically integrated marketing platform combined with having a great offer in the marketplace, which is of course $47,000 versus $80,000 plus, which is the competitor's cost of attendance for a 4-year Pre-Licensure BSN program. And so, yes, you combine all that together with our innovative program at $47,000, the demand for this program in Phoenix is, we had great expectations, but honestly, it’s beyond even our significant expectations, and we're really anticipating going to the next several metro markets over the next couple of years and replicating this great success.

Austin Moldow

Got it. And just sort of looking at the total marketing spending here that you referenced down 11% year-over-year in each of your two schools, Aspen & USU, you achieved really substantial operating leverage down to, I think 16% of revenue at Aspen and a 11% at USU, so can you talk about that since it's so meaningfully down from last year. Can you talk about what we should be modeling it for the remainder of the year or even going forward is this the right level, is seasonality helping this too much and it should come back a little bit. How should we think about it?

Michael Mathews

So, what I would say to you is that, again we had a really nice benefit of seasonality this quarter, and so, you had some sort of surprising results in terms of marketing as a percentage of revenue. We've never, Aspen University in history has never been anywhere near 16% as a percentage of revenue in terms of marketing expenditure. And you can see USU marketing drop to an unbelievable 11%, and it was in the 20’s%, you know a couple of quarters ago.

So, what I would say to you is that this is probably as efficient as we could possibly achieve and in future quarters, you're going to see somewhere probably slightly higher than that, but I feel like the range that we're in is going to stay there. And that is in fact one of the great strengths of this company, clearly.

Austin Moldow

Okay, thank you for that. And my last question is turning back to the Pre-Licensure campus questions. You've nicely outlined what the steady-state contribution looks like, but wondering if you can talk about the timeline as it pertains to success on an individual campus basis and being able to open up the class size and sort of when that will happen for your I guess two existing schools.

Michael Mathews

Yes, great question. So, just so everyone is aware, the guidelines are dictated state-by-state by the registered boards of nursing. So, what I will tell you as it relates to Arizona might not necessarily relate exactly for the state of Texas or the State of Florida, but in Arizona, we began our program as we've previously disclosed that the guideline is approximately 30 students into the final two-year core program every semester and as you guys know we run six semesters per year at both schools. And so, after two years that will be our first graduating class, which is approximately July of this coming summer. That will be our first cohort that will graduate.

They will subsequently then take the NCLEX exam. And of course, at that point, we will have public NCLEX pass rates that will be presented to the State of Arizona. And at that point, assuming we do quite well, which we expect to, then we'll look to increase that 30 per semester perhaps to like 60. That would be our goal.

Austin Moldow

Got it. Thanks very much and congrats on the quarter and looking forward to getting to know the new executives on the team. So, thanks again.

Michael Mathews

Thanks, Austin.

Operator

Thank you. Our next question comes from Ryan Meyers of Lake Street Capital Markets. Please go ahead.

Ryan Meyers

Hi guys, nice job on the quarter and thanks for taking my question. First one for me, can you just give us an update on how the two hybrid campuses in Austin and Tampa are tracking?

Michael Mathews

Yes, absolutely. Good question. So, we've had a bit of an elongated lease negotiation with the landlords in each of these great cities. And we're in the final stages in both, simultaneously here. They are both at about the same stage. We're hopeful that we'll have leases signed within weeks. Probably somewhere in the vicinity of the New Year. And we'll make the announcements at that time and provide locations so everyone is aware of exactly where those campuses are going to be located.

We're currently looking to open up Tampa somewhere between like the May to July timeframe. We previously, specifically said, that it will be summer of next year and we're probably still in that timeframe. In terms of Austin, there is a current university located in the building that we're planning to come into, and we have to wait for them to complete their final semester, which is going to be completed somewhere in the vicinity of the end of June. It will take us about a three-month process to do that build out. So, we're currently projecting that our first semester in Austin will be approximately November.

Ryan Meyers

Okay, that's helpful. Thank you. And then, are you guys expecting to see the same kind of growth in those two campuses as you have seen in the Phoenix one so far?

Michael Mathews

We're very hopeful yes. There's nothing that suggests that we're not going to have great success in these two markets, given how innovative our program is.

Ryan Meyers

Okay. And then last one for me is, do you guys have any sort of price increases baked into the 41% revenue growth guidance?

Michael Mathews

None.

Ryan Meyers

None. Okay. Alright that's it from me. Thanks.

Operator

Thank you. At this time, I like to turn the call back over to Michael Mathews for closing remarks. Sir?

Michael Mathews

Thank you everyone for attending the Aspen Group earnings call for Q2 2020. Look forward to speaking with you very soon. Thank you, everyone.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.