



Higher education that makes a difference.

Presented by
Dr. Wallace Boston
President and CEO

Mr. Richard Sunderland, CPA
Executive VP and CFO

First Quarter 2019 Results
May 7, 2019



UNITED STATES
VETERAN

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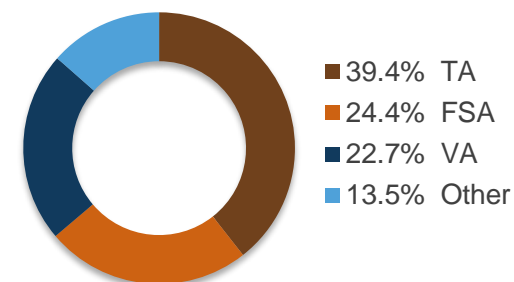
Recent Results & Developments

- For the three months ended March 31, 2019, APUS net course registrations by new students increased by 8% and net course registrations increased 1%, compared to the prior year period.
 - Although net course registrations by new students utilizing Federal Student Aid (FSA) declined year-over-year, net course registrations by new students utilizing DoD Tuition Assistance (TA) increased 26% year-over-year.
- APEI Segment income from operations before interest income and income taxes increased 47% to \$7.5 million or 11.4% of revenues, compared to \$5.1 million or 7.8% of revenues in the first quarter of 2018.
- HCN total student enrollment declined 15% and new student enrollment decreased by approximately 32%, compared to the prior year period.
- APEI's Board of Directors authorized a program to repurchase up to \$35 million of the Company's common stock.

APUS NET COURSE REGISTRATIONS BY PRIMARY FUNDING SOURCE

THREE MONTHS ENDING MARCH 31, 2019

	% Change (Y/Y)
TA	8.6%
Cash/Other	-2.1%
VA	-2.6%
FSA	-4.2%
Total	1.2%



Financial Results Summary

- Consolidated revenues decreased by 2% to \$73.4 million, compared to \$75.0 million in the same period of 2018. APEI Segment revenue was \$65.7 million or approximately flat compared to the first quarter of 2018.
- Costs and Expenses:
 - *Instructional costs & services expenses* decreased as a percentage of revenues to 38.0%, compared to 39.6% in the prior year period.
 - *Selling & promotional expenses* decreased as a percentage of revenues to 20.5%, compared to 20.8% in the prior year period.
 - *General & administrative expenses* increased as a percentage of revenues to 26.0%, compared to 25.2% in the prior year period.
- The year-over-year operating margin improvement in our APEI Segment was primarily driven by lower compensation costs from the voluntary reduction in force during the first quarter of 2018, lower textbook and course materials costs, and lower bad debt expense.
- GAAP net income decreased to \$1.0 million, or \$0.06 per diluted share, compared to \$4.6 million, or \$0.28 per diluted share, in the prior year period.
- Adjusted net income for the first quarter of 2019 was \$5.3 million, or \$0.32 per diluted share. Adjusted net income excludes a non-cash expense of \$5.9 million associated with a reduction in the carrying value of goodwill for the Company's HCN Segment as well as the applicable tax effect of the adjustment. For additional information regarding adjusted net income (a non-GAAP measure), please refer to "GAAP to Adjusted Net Income Reconciliation" in the appendix or the earnings release.

\$73.4M

Revenues

\$0.06/share

GAAP EPS (diluted)

\$0.32/share

Adjusted EPS (diluted)

\$215.9M

Cash & Equivalents

APEI Outlook

SECOND QUARTER 2019

*These statements are based on current expectations.
These statements are forward-looking and actual results may differ materially.*

Second Quarter 2019 Approximate Y/Y Change

APUS Net course registrations ¹ by new students	-4% to +1%
APUS Net course registrations ¹	-3% to +2%
HCN Student enrollment ²	-24%
HCN New student enrollment ²	-35%
APEI Consolidated revenue	-6% to -2%
APEI Consolidated net income per share*	\$0.25 to \$0.30

1. APUS Net course registrations represent the approximate aggregate number of courses for which students remain enrolled after the date by which they may drop a course without financial penalty.

2. HCN Student enrollment represents the total number of students enrolled in a course after the date by which students may drop a course without financial penalty.



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Contact

Chris Symanoskie, IRC

Vice President, Investor Relations csymanoskie@apei.com

Appendix

GAAP to Adjusted Net Income Per Share

GAAP to Adjusted Net Income Reconciliation:

The following table sets forth the reconciliation of the Company's reported GAAP net income to the calculation of adjusted net income for the three months ended March 31, 2019 and 2018:

(In thousands, except per share data)

	Three Months Ended March 31,			
	2019		2018	
	\$	Per Share	\$	Per Share
Net income:	\$ 1,011	\$ 0.06	\$ 4,589	\$ 0.28
Add adjustments:				
Impairment of goodwill	5,855	0.35	—	—
Tax effect of the non-GAAP adjustment	(1,615)	(0.10)	—	—
Adjusted net income:	\$ 5,251	\$ 0.32	\$ 4,589	\$ 0.28
Weighted average number of diluted common shares outstanding:	16,662		16,534	