

Higher education that makes a difference.

Second Quarter 2019 Results

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apei AMERICAN PUBLIC
EDUCATION, INC.

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Recent Developments

- Investing in Core Online Business.** The company is evaluating replacements or upgrades to its information technology and learning management systems, which is expected to lead to a larger overall information technology transformation program that is intended to increase capabilities, make the enterprise more agile and enhance the university experience for students.
- Rebuilding Nursing Platform.** After a comprehensive analysis, HCN has launched several initiatives aimed at increasing enrollment of college-ready students and optimizing university operations.

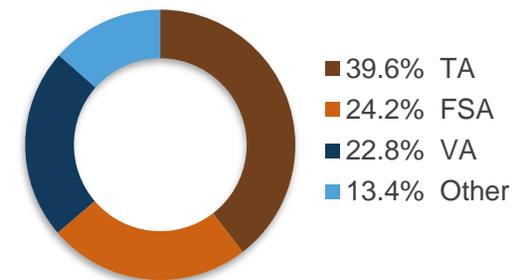
HCN introduced a “direct entry” Associate Degree in Nursing (ADN) option – a new pathway for degree attainment.

In addition, HCN anticipates opening a new campus in Indiana next year and another new campus in 2021, pending regulatory approvals.

APUS NET COURSE REGISTRATIONS BY PRIMARY FUNDING SOURCE

THREE MONTHS ENDING JUNE 30, 2019

	% Change (Y/Y)
TA	7.5%
Cash/Other	-6.3%
VA	-5.3%
FSA	-6.9%
Total	-1.2%



SECOND QUARTER 2019

Financial Results Summary

- Consolidated revenues decreased by 3% to \$70.6 million, compared to \$72.8 million in the same period of 2018.
- Costs and Expenses:
 - *Instructional costs & services expenses* increased as a percentage of revenues to 40.7%, compared to 39.8% in the prior year period.
 - *Selling & promotional expenses* increased as a percentage of revenues to 20.0%, compared to 18.2% in the prior year period.
 - *General & administrative expenses* increased as a percentage of revenues to 25.7%, compared to 24.2% in the prior year period.
- APEI Segment income from operations before interest income and income taxes decreased to \$6.6 million or 10.4% of revenues, compared to \$7.2 million or 11.3% of revenues in the second quarter of 2018.
- HCN Segment recorded a loss from operations before interest income and income taxes of \$0.9 million, compared to income from operations before interest income and income taxes of \$0.9 million in the second quarter of 2018.
- Net income decreased to \$4.9 million, or \$0.30 per diluted share, compared to \$6.5 million, or \$0.39 per diluted share, in the prior year period.

\$70.6M

Revenues

\$0.30/share

GAAP EPS (diluted)

327,461

Repurchased Shares

\$220.8M

Cash & Equivalents



APEI Outlook

THIRD QUARTER 2019

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

Third Quarter 2019 Approximate Y/Y Change

APUS Net course registrations ¹ by new students	-17% to -12%
APUS Net course registrations ¹	-10% to -5%
HCN Student enrollment ²	-29%
HCN New student enrollment ²	-29%
APEI Consolidated revenue	-11% to -7%
APEI Consolidated net income per share*	-\$0.02 to +\$0.03

- The year-over-year decline in enrollment at HCN is expected to result in a \$2.4 million decline in operating income in 3Q19.
- APUS estimates that the temporary suspension of Navy TA program funds will result in a loss of approximately 4,300 net course registrations in 3Q19. The revenue impact of this decline is expected to be approximately \$2.9 million in 3Q19.
 - Excluding the anticipated loss of net course registrations resulting from the disruption in Navy TA funding and based on the mid-point of the outlook range, new and total net course registrations would have been approximately 6 and 5 percentage points higher, respectively, than 3Q19 guidance year-over-year.
- The evaluation phase of the technology transformation is expected to cost approximately \$1.2 million pre-tax in 3Q19.
- APUS plans to increase its third quarter selling and promotional expense by approximately \$1.8 million pre-tax as compared to the prior year period.



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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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 six months ended June 30, 2019 and 2018:

(In thousands, except per share data)

	Six Months Ended June 30,			
	2019		2018	
	\$	Per Share	\$	Per Share
Net income:	\$ 5,932	\$ 0.36	\$ 11,047	\$ 0.67
Add adjustments:				
Impairment of goodwill	5,855	0.35	—	—
Voluntary reduction in force expense	—	—	1,714	0.10
Tax effect of the non-GAAP adjustment	(1,615)	(0.10)	(447)	(0.03)
Adjusted net income:	\$ 10,172	\$ 0.61	\$ 12,314	\$ 0.74
 Weighted average number of diluted common shares outstanding:	 16,671		 16,611	