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LOPE - Q1 2018 Grand Canyon Education Inc Earnings Call

EVENT DATE/TIME: MAY 02, 2018 / 8:30PM GMT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the First Quarter 2018 Grand Canyon Education Earnings Conference Call. (Operator Instructions) And as a reminder, this conference is being recorded.

I would now like to turn the call over to Mr. Brian Roberts, General Counsel. Sir, you may begin.

Brian M. Roberts - *Grand Canyon Education, Inc. - Senior VP, General Counsel & Company Secretary*

Thank you. Speaking on today's call is our Chairman, President and CEO, Brian Mueller; and our CFO, Dan Bachus.

Please note that many of our comments today will contain forward-looking statements that involve risks and uncertainties. Various factors could cause our actual results to be materially different from any future results expressed or implied by such statements. These factors are discussed in our SEC filings, including our annual report on Form 10-K, quarterly report on Form 10-Q and current report on Form 8-K.

We undertake no obligation to provide updates with regards to the forward-looking statements made during this call, and we recommend that all investors review these reports thoroughly before taking a financial position in Grand Canyon.

With that, I will turn the call over to Brian.

Brian E. Mueller - *Grand Canyon Education, Inc. - CEO & Chairman*

Good afternoon, and thank you for joining Grand Canyon University's first quarter 2018 conference call. In the first quarter of 2018, enrollments grew by 9.6% and revenues grew by 11.1%. New working adult students attending our online campus grew in the mid-single digits year-over-year. Operating margins are at 32.7% for the quarter. I want to thank our faculty and staff for another great quarter. As you know, our long-term goals are to grow enrollments 7% to 8% on an annual basis. 6% to 7% will come from online enrollments and the rest from our ground campus.

Revenues will grow 8% to 9%, primarily as a result of continued retention increases, traditional campus enrollment becoming a higher percentage of the total and the growth of ancillary revenues through new businesses. The room and board payments of ground students, even though according to the College Board, they are 30% less than the average cost of room and board at public universities and 38% less than the average cost at private universities continue to drive up the annual revenue per student number.

We began the 2017-'18 academic year with approximately 19,000 students on our campus. Last Thursday and Saturday, we had 8 graduation ceremonies and had nearly 60,000 people on campus for the 3-day period. 9009 students graduated in the spring semester, and we estimate for the 2018 calendar year, approximately 21,500 students will graduate. This group will join our Alumni Group, which is now over 141,000. Most of these graduates will contribute at increasing levels to the economy as they move forward in their careers. It is also significant to note that we don't receive tax subsidies from the state, are on track to pay nearly $100 million in total taxes for the year. And yet according to the Institute for College Access and Success, our students graduate with less debt than the average public university student and far less debt than the average private university student.

The relatively low debt -- student debt amounts are due to 3 core strategies. One, our commitment to dual credit enrollment, which results in students transferring in college credits earned, while they're at high school. Two, students taking courses online in the summer. Three, we haven't raised tuition on the traditional campus in 10 years, including our upcoming academic year. The 3 strategies have resulted in over 54% of our traditional students, who graduate doing so in 3 years. In addition, these 3 factors, combined with the growing reputation of our academic programs, the new very modern campus, which was ranked 8th Best Campus in the Country by niche.com, and a strong sense of community on-campus made GCU a very attractive proposition -- value proposition to families.

Last year at this time, we had 26,438 applications for the fall semester on our traditional campus. This year, we have 29,019, which is up 10%. We expect about 7,250 new students, which will bring the total students on-campus to 20,500. The average incoming GPAs of the newly accepted students is about 3.5. 50% are studying in the natural sciences, engineering and technology. We expect our online campus to grow between 6% and 7% on an annual basis. 14% of our new online students in the past 2 years are enrolled in new programs rolled out in the last 2 years. Managing the quality of both student bodies has been a very important part of our strategy.

I will talk in a minute about our not-for-profit strategy. Before I do, I want to make it clear, this strategy has nothing to do with current regulations imposed by the DOE and for-profit institutions. Our 90/10 number is down to 71.5%. None of our programs failed the gainful employment guidelines mainly because of our low tuition rates. Tuition on our traditional campus hasn't been raised in 10 years, including the upcoming academic year. And we have generally not raised tuition for our working adult students. We anticipate that the cohort default rate for the most recently completed cohort will be approximately 6.5%.

On March 5, 2018, the HLC notified the university that it had approved the change of control application that it filed in connection with the Proposed Transaction. The approval is subject to customary conditions, including that there'd be no material changes prior to the closing of the Proposed Transaction as presented in the application, and that new GCU post an HLC evaluation within 6 months following the closing.

In addition, on April 26, 2018, the Arizona State Board for Private Postsecondary Education, also approved University's supplemental license application for a change of ownership and control effective upon the closing of the Proposed Transaction. University has also filed a preacquisition review application with the United States Department of Education, and is currently awaiting a response.

University continues to review various regulatory issues that could impact the viability of the sale of the University's academic-related assets. Real estate and related intangibles to a newly formed not-for-profit corporation, new GCU. As a means of enabling new GCU to conduct itself as a traditional not-profit university, consisting with the University's history and a level playing field with other traditional universities with regards to tax status, and among other things, the ability to accept philanthropic contributions, pursue research grant opportunities and participate in NCAA governance. That review is not completed at this time. University does not intend to execute any definitive agreements until issues have been evaluated and resolved to the University's satisfaction.

At this time, GCE and new GCU have entered into a nonbinding letter of intent. University is continuing to prepare for the possibility of the transaction occurring, including allocating employees to new GCU, financial modeling and planning asset transfer processes. If the proposed transaction is ultimately consummated, then various aspects of University's operations would change in important ways. These changes include, but are not limited to the following: Our academic and related operations and assets as well as approximately 35% of our full-time employees and substantially all of our part-time employees and student workers would transfer to the new GCU. Following this transfer, we would no longer own and operate a regulated institution of higher education, but would instead provide a bundle of services in support of new GCU's operations. This is a very common practice in higher education today.

New GCU would be a separate nonprofit entity under the control of an independent board of trustees and independent management. Accordingly, our relationship with new GCU, both pursuant to the shared-services arrangement and operationally, would no longer be as owner and operator, but as a third-party contract provider. While we believe this relationship would remain strong, new GCU's board of trustees and management would have to fiduciary and other duties that would require them to focus on the best interest of new GCU.

Initially, all of our revenue would be derived pursuant to the shared-services arrangement with new GCU. Accordingly, new GCU's ability to continue to increase its enrollment and tuition and fee revenue, and our ability to continue to perform the services necessary to enable new GCU to do so, would be critical to the success of our service business. It is anticipated that the consideration payable by new GCU for the acquired assets, which will be material, will be in the form of a long-term secured note. Our ability to realize the negotiated value of the acquired assets would be subject to new GCU's performance and its ability to pay amounts due under the secured note as they come due.

Now turning to the results of operations. Net revenues were $275.7 million in the first quarter of 2018, an increase of $27.5 million or 11.1% from $248.2 million in the prior year period. Operating margin for quarter 1 2018 was 32.7% in the first quarter compared to 30.9% for the same period in 2017. Net income was $73.7 million for the first quarter of 2018 compared to $55.9 million in the prior year period. After-tax margin was 26.7% compared to 22.5% for the same period in 2017.

Instructional costs and services grew from $102.6 million in the first quarter of 2017 to $111 million in the first quarter of 2018, an increase of $8.4 million or 8.2%. This increase was primarily due to increases in faculty compensation, employee compensation and related expenses due to the increase in the number of staff and faculty to support the increasing number of students attending the university and increased benefit cost between years.

In addition, we had an increase in dues, fees, subscriptions and other instructional supplies between years, primarily due to increased licensing fees related to educational resources and the increased food costs associated with a higher number of residential students. And we continue to see an increase in occupancy cost, including depreciation and amortization as a result of us placing into service additional buildings, especially laboratory-intensive STEM buildings to support the growing number of ground traditional students.

As a percent of revenue, IC&S decreased a 100 basis points to 40.3%, primarily due to our ability to leverage our instructional costs and services expenses across an increasing revenue base. Bad debt expense stayed flat at 180 basis points year-over-year.

Admissions advisory and related expenses as a percentage of revenue decreased 30 basis points to 12.6% from 12.9%, primarily due to our ability to leverage our admissions advisory personnel across an increasing revenue base.

Advertising expenses as a percent of net revenue decreased 60 basis points from 9.9% in quarter 1 of 2017 to 9.3% in quarter 1 of 2018.

General and administrative expenses as a percent of revenue increased 10 basis points to 4.1% in quarter 1 of 2018 from 4% in quarter 1 of 2017. This increase was primarily due to increases in legal and other professional costs incurred primarily as a result of our consideration of the not-for-profit entity conversion.

With that, I would like to turn it over to Dan Bachus, our CFO, to give a little more color on our 2018 first quarter, talk about changes in the income statement, balance sheet and other items as well as to provide updated guidance for 2018.

Daniel E. Bachus - *Grand Canyon Education, Inc. - CFO*

Thanks, Brian. Revenue slightly exceeded our expectations in the first quarter of 2018, primarily due to higher ancillary revenues. Revenue per student also increased between years due to a favorable shift in the timing of our residential campus start dates. As the spring 2018 semester started 1 day earlier in 2018 than in 2017. Online revenue per student was down slightly year-over-year due to a slight increase in the online scholarship percentage. Scholarships as a percentage of revenue for all students decreased from 18% in Q1 2017 to 17.9% in Q1 2018, due primarily due to decrease in ground scholarships as a percentage of revenue year-over-year, partially offset by the increase in online scholarships as a percentage of revenue.

Bad debt expense as a percentage of revenue stayed flat year-over-year, as Brian discussed at 1.8%. Our effective tax rate for the first quarter of 2018 was 18.8% compared to 26.5% in the first quarter of 2017. The lower effective tax rate year-over-year is a result of the Tax Cuts and Jobs Act, which was signed into law on December 22, 2017. The act reduces the corporate federal tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018. In addition, excess tax benefits of $5.3 million and $8.5 million from share-based compensation awards divested or settled in the first quarter of 2008 and 2017, respectively, was recognized. The 18.8% effective tax rate was lower than our estimated rate of 21.7% as the excess tax benefit amount in the first quarter was greater than we expected due to the higher stock price at the restricted stock vesting date, which occurs in that quarter each year. This lower rate contributed approximately $0.05 of the earnings beat this quarter. We purchased 5,379 shares of our common stock in the first quarter of 2018 at a cost of approximately $0.5 million. We had 97.2 million available under our share repurchase authorization as of March 31, 2018.

Turning to the balance sheet and cash flows. Total cash, unrestricted and restricted and short-term investments at March 31, 2018, was $407.6 million. Accounts receivable net of the allowance for doubtful accounts is $9.5 million at March 31, 2018, which represents 3.5 days sales outstanding compared to $8.4 million or 3.4 days sales outstanding at the end of the first quarter of 2017.

CapEx in the first quarter of 2018, excluding our offsite development of $0.2 million, was approximately $35.2 million or 12.8% of net revenue. We elected not to renew our revolving line of credit of $150 million, which expired on December 31, 2017, which resulted in lower quarterly interest expense in Q1 2018 as compared to prior year.

Last, I'd like to provide color on the updated guidance we have provided for the rest of 2018. We have raised full year 2018 revenue and earnings guidance due to the first quarter beat. We have reaffirmed enrollment revenue and earnings guidance for the rest of 2018. Our enrollment guidance continues to assume mid- to high-single digit online new start growth, our guidance assumes a slight increase in retention and an increase in graduates between years of approximately 13%. The significant retention gains we have seen in recent years and the continued shift to a higher percentage of graduate students continues to result in year-over-year increases in graduates that exceed our total enrollment growth rate.

We estimate our total ground enrollment, which is ground traditional and professional study students to be 6,000 in the summer, 20,500 in the fall and 20,300 at year-end. The summer and fall semesters start 1 day earlier in 2018 than in 2017, pushing revenue from Q2 to Q1, from Q3 to Q2 and from Q4 to Q3.

The 2018 Christmas break has a net impact of pushing 2 days of revenue from 2018 to 2019. We estimate the effects of these changes are $1 million of less revenue in Q2, $1.1 million of more revenue in Q3 and $1.6 million of less revenue in Q4.

The net loss of revenue of $1.4 million for the year is related to the timing of the online Christmas breaks. We have increased our full year operating margin guidance, primarily due to the higher-than-expected first quarter margin. Although some of the higher-than-forecasted margin in the first quarter was due to timing differences, and when certain spend will occur, we have not adjusted the margins for future quarters as we continue to see leverage in other areas.

We continue to believe that our effective tax rate, excluding contributions made in lieu of state income taxes will be 24.4% in Q2, 24.6% in Q3 and 25.3% in Q4. The lower rate in Q1 is due to the majority of restricted stock vesting occurs in that quarter each year. If a contribution in lieu of state income taxes is made in the third quarter of 2018, it will have the effect of increasing general and administrative expenses and decreasing income tax expense. Although, we might repurchase additional shares during 2018, these estimates do not assume repurchases.

I will now turn the call over to the moderator, so that we can answer questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Jeff Silber of BMO Capital Markets.

Jeffrey Marc Silber - *BMO Capital Markets Equity Research - MD & Senior Equity Analyst*

Just wanted a little bit of clarification on the potential transaction. Forgive me, if you mentioned this and I missed this in your remarks. Was there an update in terms of timing? When you expect the transaction to be completed?

Brian E. Mueller - *Grand Canyon Education, Inc. - CEO & Chairman*

No, it remains the same. The Department of Ed has told us they will have their review done some time in the month of May, and we anticipate closing by July 1.

Jeffrey Marc Silber - *BMO Capital Markets Equity Research - MD & Senior Equity Analyst*

Okay. And what are the milestones that we need to follow to make sure that, that happens by then?

Brian E. Mueller - *Grand Canyon Education, Inc. - CEO & Chairman*

Mainly the Department of Ed review being completed by the end of May.

Jeffrey Marc Silber - *BMO Capital Markets Equity Research - MD & Senior Equity Analyst*

Okay. There's nothing else from a state perspective that needs to get done?

Brian E. Mueller - *Grand Canyon Education, Inc. - CEO & Chairman*

No. That was completed last week. So we're in good shape there.

Jeffrey Marc Silber - *BMO Capital Markets Equity Research - MD & Senior Equity Analyst*

Okay. Great. That's great to hear. And, I'm sorry, just one more question about this. And I know that the transaction has not done yet, but since it's been in the papers and you've gotten a lot of publicity, I'm just wondering have you been approached by any other schools to provide services to them like you will be doing for the Grand Canyon campus?

Daniel E. Bachus - *Grand Canyon Education, Inc. - CFO*

We had a number approach us prior to us making it official that we would reapply, but not since then.

Jeffrey Marc Silber - *BMO Capital Markets Equity Research - MD & Senior Equity Analyst*

Okay, I understand. And then just turning to the core business, again, the numbers continue to be very strong. How high can margins go? I know, people ask this question virtually every quarter, but they just keep on going up. I mean, is this -- what is the ceiling on this business?

Brian E. Mueller - *Grand Canyon Education, Inc. - CEO & Chairman*

From a margin perspective?

Jeffrey Marc Silber - *BMO Capital Markets Equity Research - MD & Senior Equity Analyst*

Yes.

Daniel E. Bachus - *Grand Canyon Education, Inc. - CFO*

Let me, I was just corrected. We have had 2 approach us since we started the reapplication process, we have had 2 members approach us. It's mainly what happens to our cost to acquire students. And that continues to drop. There is a brand growth and strength. We're saying 20 or 30 basis points on an annual basis is all that we're going to guarantee, but the efficiencies grow, we're not going to get much more out of bad debt, it's 1.8%. We're not going to get a whole lot more out of retention because quarter-over-quarter we're already at 92%. But as the brand grows, we might get some out of sales and promotion, the cost to acquire a student. And there is no question that the hybrid campus and the efficiencies of a low -- of a higher -- of a greater student body leveraging common infrastructure, there is opportunity. So at this point, we're not raising tuition on the ground campus, and very seldom at the online campus. And so we're being conservative but it'll probably go up 20 or 30 basis points.

Operator

Your next question comes from the line of Peter Appert of Piper Jaffray.

Peter Perry Appert - *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

Brian, I'm wondering if it's possible to give us any, or Dan, any preliminary thoughts on -- some more detail on the economics of the transaction? Or if not now, when might you be prepared to share that with us?

Daniel E. Bachus - *Grand Canyon Education, Inc. - CFO*

I think we've shared everything that we know at this point. We've shared what we think the purchase price of the assets will be. I mean, it's a range, interest rate on the know, revenue split, percentage, et cetera. The one piece obviously that has not been shared and it's because it hasn't been finalized, is the expense split, and thus, what expenses on both sides will be. We continue to work through what individuals, what departments, what things will be at the university and what would be at the service company. The vast majority of that work is done and has been done for a long time, but there continues to be a refinement around that. So when will we be able to share that? I think probably in the next 60 days or so, but we continue to work through all those things.

Peter Perry Appert - *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

Got it. And Dan, is your expectation at this point that the transaction will be basically EPS-neutral on a near-term basis?

Daniel E. Bachus - *Grand Canyon Education, Inc. - CFO*

I think, as we've said before, I think it'll be slightly dilutive. But we are working hard to make that dilution as small as possible. So that's been our goal from day 1 with this transaction, and we continue to refine things, as I said, to see how close to neutral we can make it.

Peter Perry Appert - *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

Got it. And Dan, I think you said, or maybe Brian, mid- to high-single digit online starts for the year. I think you're at mid-single digit you said in the first quarter. So this is the implication that you'd expect to see some or I guess the implication would be that you'd expect to see some modest acceleration in start growth as the year goes on? And what's driving that?

Daniel E. Bachus - *Grand Canyon Education, Inc. - CFO*

It's going to depend on the quarter. Number of starts in the quarter, all those type of things. And so you're going to have quarters we believe over the course of the year that are technically high-single digits and some that are technically mid-single digits, although we're talking about a 1% or 2% difference between quarters. I think, this quarter was technically mid-single digits, but frankly, it was in line generally with our expectations. And so it's more of a technical term than anything else, I think we believe that we're generally -- there isn't going to be a big difference quarter-to-quarter in what that number is.

Peter Perry Appert - *Piper Jaffray Companies, Research Division - MD and Senior Research Analyst*

Got it. Understood. And last thing, Brian, anything new or any additional commentary on how you see the competitive dynamic in the market? Both I'm wondering about in terms of just the competition for traditional online students, and also the competition in the OPM markets? And how you deal with that?

Brian E. Mueller - *Grand Canyon Education, Inc. - CEO & Chairman*

The traditional student market is very definitely competitive. Our advantage is so significant that we just keep adjusting our strategies to attract higher and higher quality of students. And so we're not concerned about the traditional campus in reaching our goals on that side. In terms of the nontraditional side of it, it is very, very competitive. The good thing is that most of the competition is coming in the form of universities doing partnerships, which means they charge substantially more tuition because they have to split revenues. And so we've been able to stay out in front of this by one; we have a tremendous advantage in terms of our ability to rollout new programs, if we're not dealing with a service provider. And so we could be very nimble that way and 14% of our new starts in the last 2 years have come from new programs that we've rolled out in the last 2 years. And so we have an advantage in that perspective and then we also have an advantage from a pricing perspective. Our brand is growing, but our price point doesn't reflect that, which gives us an advantage. And so even though it is competitive and getting more competitive, we are confident about our ability to produce what our goals are.

Operator

Our next question comes from the line of Jeff Meuler of Baird.

Jeffrey P. Meuler - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Can you give us any sense of what the expected time line would be to start signing additional online program management or school services, university partners post the transaction closing assuming it closes as expected? As well as what would be the targeted, I guess, cadence of signing this? Is it 2-year or is it significantly higher than that?

Daniel E. Bachus - *Grand Canyon Education, Inc. - CFO*

We're doing a lot of research right now. We're doing a lot of work on that. And what we want to figure out is what our role should be in that whole market. It's going to be very different than most because we have a customer already that has 90,000 students. And so the role that we play in the marketplace is going to reflect a positioning, it takes that into account. And so when the thing gets done, we'll take 3 to 6 months and talk to people and figure out what our position should be, and then we'll move in to it on a gradual basis. But we have a tremendous advantage because we've got a customer that's got 90,000 students, it's producing 30-plus percent of margins, which is going to put us in a lead role in this thing right away and allow us to be very selective in terms of who we bring on.

Jeffrey P. Meuler - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. And then just maybe some additional detail on the increased online scholarship, it wasn't clear to me, if that was just mix? Or if that's discounting? What's driving that?

Daniel E. Bachus - *Grand Canyon Education, Inc. - CFO*

As you know, we don't do a lot of scholarshipping for online. It's primarily we do the military discount as everyone does. We do some partnerships. And so I think it's really being driven by increased partnerships with hospitals, school districts and employers. So I think we've -- that's been a focus of ours as it is for a lot of universities, and I think we've been successful in that area and the number of those partnership agreements continues to go up.

Brian E. Mueller - *Grand Canyon Education, Inc. - CEO & Chairman*

The cohort model is coming back. And so we've got people who are starting groups of students in the same hospitals, the same-school district, the same business, et cetera, and there's a little bit of discounting that goes into that.

Jeffrey P. Meuler - *Robert W. Baird & Co. Incorporated, Research Division - Senior Research Analyst*

Okay. And then you gave us some detail on GPA and programs of study, but any other color on the ground student fall applies, just in terms of geographic location of high school student? Or any other details on what the evolution of that apply base looks like?

Brian E. Mueller - *Grand Canyon Education, Inc. - CEO & Chairman*

Well, the one thing that we were saying for a number of years is that we were going to be primarily a southwestern play. And that was true. It was moving in that direction. But it's kind of reversed itself in the last 24 months. And we are starting to get a lot of interest from families and students that are in the Midwest, in the Southeast, a little bit in the Northeast. The word is getting through the private school system that there is a private university that has a similar model that has very low tuition rates. And so you can buy a lot of plane tickets to get your son or daughter into the sun for the difference in the tuition rates that they're typically expecting a private school to have. And so we -- that trend is happening and we expect that to continue to happen. In fact, we like that, because when we get students on our campus whose parents or families are used to paying private school tuition, the 2 reasons a student drops out is, one, the academic work was too hard, which our programs are very rigorous on our traditional campus. Students who are in premed, or engineering, or nursing, they are in rigorous academic programs. Or 2, that families can afford it financially. And so when you get students that are coming out of private schools where they used to paying even more tuition to go to high school and they have to pay to college, you take one of those things out of the equation. And so that's a positive thing for us. The more we get kids out of those schools across the country, the higher our graduation rate is going to be.

Operator

Our next question comes from the line of Alex Paris of Barrington Research.

Christopher Huang Howe - *Barrington Research Associates, Inc., Research Division - Research Analyst*

This is Chris Howe sitting in for Alex Paris. I had a question -- I guess, just as it relates to your advertising strategy, what were some of the successes that you saw in the quarter that might have led to the outperformance in your online enrollment long-term target?

Brian E. Mueller - *Grand Canyon Education, Inc. - CEO & Chairman*

Well, we're not going to share a lot about that because we do think that is a strategic advantage. We've been doing this for 30 years. And so we keep some of that internal. But I will say, what I think most of you know, which is as our brand strength grows and as we get more and more efficient using traditional advertising methodologies, which allow us to build the brand at the same time, we do less and less with the internet lead providers. We created that space, or we're a big part of creating that space, 20 years ago, but we want to be out of it as quickly as we can because it's completely deteriorated in terms of its efficiencies because there are so many people getting into it. And it's an inexpensive way to get into this business. You don't have to spend money on expensive campaigns, you can simply buy leads and try to get them into school, and it's very negative from a brand building perspective, and it's very inefficient as compared to what it used to be. So we continue to get out of that.

Christopher Huang Howe - *Barrington Research Associates, Inc., Research Division - Research Analyst*

Okay. And then I just had a few more questions. One is just I don't know if you highlighted it, but the retention rates that you continue to see for undergraduate students attending online. And then my last question, one of your peers reported that they would target the adult undergraduate market. So as it relates to the transaction and moving forward, is there a certain type of student that you would target per se?

Brian E. Mueller - *Grand Canyon Education, Inc. - CEO & Chairman*

We do have undergraduate working adult students or working adult students trying to complete their baccalaureate degrees, but we keep that number to a minimum. Because graduation rates it's just tough to get good graduation rates, because life is very difficult. You've got a career, you've got a family, other obligations and you're trying to complete a degree, it could take up to 3 years to do it, and so we limited for that purpose. As we look to get into the other market, we would first look at the graduate school market. That would be our preferred thing. But we will look at the schools that have strong brands and specific marketplaces where there is not cannibalization with our own programs and where we could support either graduate growth for them or undergraduate growth. But it'll be handled on a case-by-case basis, and it will be handled on a market-by-market basis, brand-by-brand basis, what can we price the product at, making sure that it doesn't cannibalize what we do. And we're confident we can find universities in the right place that where we can help them with -- if not being at all negative for us. Chris.

Christopher Huang Howe - *Barrington Research Associates, Inc., Research Division - Research Analyst*

Okay. And then...

Brian E. Mueller - *Grand Canyon Education, Inc. - CEO & Chairman*

Did we loose, Chris. Well, with that we've reached the end of our first quarter conference call. We appreciate your time and interest in Grand Canyon Education. If you still have questions, please contact either Dan Bachus or Bob Romantic. Thank you very much.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program. You may now disconnect. Everyone, have a great day.
