UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 5, 2020

Grand Canyon Education, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**001-34211**	**20-3356009**
(State or other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2600 W. Camelback Road **Phoenix, Arizona**	**85017**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: **(602) 247-4400**

(Former name or former address if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	LOPE	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On November 5, 2020, the Company reported its results for the third quarter of 2020. The press release dated November 5, 2020 is furnished as Exhibit 99.1 to this report.

Item 9.01. Consolidated Financial Statements and Exhibits.

99.1 Press Release dated November 5, 2020
104 Cover Page Interactive Date File (imbedded within the XBRL document)

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release dated November 5, 2020
104	Cover Page Interactive Date File (imbedded within the XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GRAND CANYON EDUCATION, INC.

Date: November 5, 2020

By: /s/ Daniel E. Bachus
Daniel E. Bachus
Chief Financial Officer
(Principal Financial Officer)

Exhibit 99.1

NEWS RELEASE

FOR IMMEDIATE RELEASE

Investor Relations Contact:
Daniel E. Bachus
Chief Financial Officer
Grand Canyon Education, Inc.
602-639-6648
Dan.bachus@gce.com

**GRAND CANYON EDUCATION, INC. REPORTS
THIRD QUARTER 2020 RESULTS**

PHOENIX, AZ., November 5, 2020—**Grand Canyon Education, Inc.** (NASDAQ: LOPE), ("GCE" or the "Company"), is a publicly traded education services company that currently provides services to 25 university partners. GCE provides a full array of support services in the post-secondary education sector and has developed significant technological solutions, infrastructure and operational processes to provide superior services in these areas on a large scale. GCE today announced financial results for the quarter ended September 30, 2020.

(more)

Grand Canyon Education, Inc. Reports Third Quarter 2020 Results

Explanatory Note

GCE's most significant university partner is Grand Canyon University ("GCU"), an Arizona non-profit corporation, a comprehensive regionally accredited university that offers graduate and undergraduate degree programs, emphases and certificates across nine colleges both online and on ground at its campus in Phoenix, Arizona.

In January 2019, GCE began providing education services to numerous university partners across the United States, through our wholly owned subsidiary, Orbis Education, which we acquired, by merger on January 22, 2019 for $361,184, net of cash acquired (the "Acquisition"). Therefore, the results of operations for the nine months ended September 30, 2019 include Orbis Education's financial results for the period from January 22, 2019 to September 30, 2019. Together with Orbis Education, GCE works in partnership with a growing number of top universities and healthcare networks across the country to develop high-quality, career-ready graduates who enter the workforce and ease healthcare industry demands primarily by offering healthcare related academic programs at off-campus classroom and laboratory sites located near healthcare providers. As of September 30, 2020, GCE provides education services to 25 university partners.

We plan to continue to add additional university partners and will roll out additional programs with both our existing partners and with new partners. Both new and existing university partners may be partnered for healthcare programs, online only or hybrid programs, or both healthcare and other programs as is our most significant partner GCU. Therefore, going forward we will refer to all university partners as GCE partners or our partners and will no longer differentiate between partners of GCE and partners of Orbis Education; we will, however continue to disclose significant information for GCU, such as enrollments, due to its size in comparison to our other university partners.

For the three months ended September 30, 2020:

- Service revenue was $198.4 million for the third quarter of 2020 compared to $193.3 million for the third quarter of 2019. The 2.6% increase year over year in service revenue was primarily due to an increase in enrollments at our university partners between years partially offset by a decrease in revenue per student year over year. The decrease in revenue per student is primarily due to the revenue impacts caused by COVID-19 including the shift in start date for the Fall traditional campus at GCU, resulting in 13 fewer revenue producing days for GCU's ground traditional campus Fall semester. Also, GCU shifted its move-in date for residential students back to the week of September 21, 2020, which reduced room and board revenue and certain other ancillary revenue for residential students for the Fall 2020 semester by three weeks. In addition, only a small number of GCU's students remained on campus in the summer of 2020 and approximately 4,900 of GCU's traditional campus students elected to attend the Fall semester entirely in the online modality. As a result, 2020 Summer and Fall semester fees, room and board and other ancillary revenues for the third quarter of 2020 at GCU were lower than in the comparable period in the prior year. These decreases were partially offset by higher revenue growth with other university partners that generate greater revenue per student than our partnership with GCU.

- Partner enrollments grew 8.2% and totaled 117,772 at September 30, 2020 as compared to 108,821 at September 30, 2019. Enrollments at GCU grew to 112,781 at September 30, 2020, an increase of 7.6% over enrollments at September 30, 2019, while enrollments at our other university partners were 4,991, an increase of 25.6% over enrollments at September 30, 2019.

- Operating income for the three months ended September 30, 2020 was $51.0 million, a decrease of $8.7 million as compared to $59.7 million for the same period in 2019. The operating margin for the three months ended September 30, 2020 was 25.7%, compared to 30.9% for the same period in 2019. The decline in operating income between periods is primarily due to the revenue impacts caused by COVID-19 as we incur limited operating expenses to deliver those services and the growth in the number of university partners and off-campus classroom and laboratory sites during the past twelve months.

- The tax rate in the three months ended September 30, 2020 was 20.2% compared to 20.7% in the same period in 2019. In the third quarter of 2020, the effective tax rate was impacted by an increase in contributions made in lieu of state income taxes to school sponsoring organization from $4.0 million during the third quarter of 2019 to $5.0 million for the same period in 2020, partially offset by lower excess tax benefits, which declined to $0.1 million in the third quarter of 2020 as compared to $0.4 million in the same period in 2019 due to a lower stock price and fewer stock option exercises in the third quarter of 2020.

- Net income decreased 10.5% to $52.0 million for the third quarter of 2020, compared to $58.2 million for the same period in 2019. As adjusted net income was $53.7 million and $59.9 million for the third quarters of 2020 and 2019, respectively.

- Diluted net income per share was $1.11 and $1.20 for the third quarters of 2020 and 2019, respectively. As adjusted diluted net income per share was $1.14 and $1.24 for the third quarters of 2020 and 2019, respectively.

- Adjusted EBITDA decreased 9.4% to $66.5 million for the third quarter of 2020, compared to $73.3 million for the same period in 2019.

For the nine months ended September 30, 2020:

- Service revenue was $605.8 million for the nine months ended September 30, 2020 compared to $565.4 million for the same period in 2019. The 7.1% increase year over year in service revenue was primarily due to an increase in enrollments at our university partners partially offset by a decrease in revenue per student year over year. The decrease in revenue per student is primarily due to the revenue impacts caused by COVID-19 including the shift in start date for the Fall traditional campus at GCU, resulting in 13 fewer revenue producing days for GCU's ground traditional campus Fall semester. Also, GCU shifted its move-in date for residential students back to the week of September 21, 2020, which reduced room and board revenue and certain other ancillary revenue for residential students for the Fall 2020 semester by three weeks. GCU recommended that traditional campus residential students move off campus near the end of the Spring semester, only a small number of GCU's students remained on campus in the summer of 2020 and approximately 4,900 of GCU's traditional campus students elected to attend the Fall semester entirely in the online modality. As a result, 2020 Spring, Summer and Fall semester fees, room and board and other ancillary revenues at GCU were lower than in the comparable period in the prior year. These decreases were partially offset by higher revenue growth with other university partners that generate greater revenue per student than our partnership with GCU, GCE receiving the full benefit of the Acquisition in 2020 and an additional day of revenue in 2020 due to the Leap Year.

- Operating income for the nine months ended September 30, 2020 was $180.1 million, a decrease of $3.1 million as compared to $183.2 million for the same period in 2019. The operating margin for the nine months ended September 30, 2020 was 29.7%, compared to 32.4% for the same period in 2019. The decline in operating income between years is primarily due to the revenue impacts caused by COVID-19 as we incur limited operating expenses to deliver those services and the growth in the number of university partners and off-campus classroom and laboratory sites during the past twelve months.

- The tax rate in the nine months ended September 30, 2020 was 23.1% compared to 18.3% in the same period in 2019. The lower effective tax rate in 2019 resulted from an agreement with the Arizona Department of Revenue regarding previously filed refund claims related to income tax obligations for prior calendar years, which resulted in a favorable tax impact of $5.9 million recorded as a discrete tax item in the first quarter of 2019. In 2020, the effective tax rate was impacted by lower excess tax benefits, which declined to $0.7 million in the first nine months of 2020 as compared to $7.2 million in the same period in 2019. The lower excess tax benefits are primarily due to a decrease in our stock price between years and fewer stock option exercises. The increases in our effective tax rate were partially offset by an increase in contributions in lieu of state income taxes to school sponsoring organizations from $4.0 million in the nine months ended September 30, 2019 to $5.0 million for the same period in 2020.

- Net income decreased 6.6% to $170.4 million for the nine months ended September 30, 2020, compared to $182.5 million for the same period in 2019. As adjusted net income was $175.3 million and $186.1 million for the nine months ended September 30, 2020 and 2019, respectively.

- Diluted net income per share was $3.60 and $3.78 for the nine months ended September 30, 2020 and 2019, respectively. As adjusted diluted net income per share was $3.70 and $3.85 for the nine months ended September 30, 2020 and 2019, respectively.

- Adjusted EBITDA decreased 1.5% to $216.0 million for the nine months ended September 30, 2020, compared to $219.3 million for the same period in 2019.

Balance Sheet and Cash Flow

Our unrestricted cash and cash equivalents and investments were $179.8 million at September 30, 2020. Our credit facility had an available line of credit of $150.0 million as of September 30, 2020.

Arrangements with GCU

In conjunction with the Asset Purchase Agreement with GCU, we received a secured note as consideration for the transferred assets (the “Transferred Assets”) in the initial principal amount of $870,097 (the “Secured Note”). The Secured Note contains customary commercial credit terms, including affirmative and negative covenants applicable to GCU, and provides that the Secured Note bears interest at an annual rate of 6.0%, has a maturity date of June 30, 2025, and is secured by all of the assets of GCU. The Secured Note provides for GCU to make interest only payments during the term, with all principal and accrued and unpaid interest due at maturity, and also provides that we may loan additional amounts to GCU to fund approved capital expenditures during the first three years of the term. As of September 30, 2020, the Company had loaned an additional $99,815 to GCU, net of repayments. GCU believes that its cash flows from operations are currently sufficient to fund all of its capital expenditures although it is possible that it will continue to borrow for short term cash flow needs.

Net cash provided by operating activities for the nine months ended September 30, 2020 was $180.1 million as compared to $195.1 million for the nine months ended September 30, 2019. The decrease in cash generated from operating activities between the nine months ended September 30, 2019 and the nine months ended September 30, 2020 was primarily due to a decrease in net income between periods and changes in other working capital balances. We define working capital as the assets and liabilities, other than cash, generated through the Company’s primary operating activities. Changes in these balances are included in the changes in assets and liabilities presented in the consolidated statement of cash flows.

Net cash used in investing activities was $13.7 million and $431.1 million for the nine months ended September 30, 2020 and 2019, respectively. The net cash used in investing activities in the nine months ended September 30, 2020 was capital expenditures of $22.2 million, partially offset by proceeds from the sale of investments of $8.7 million. Funding to GCU net of repayments during the first nine months of 2020 totaled nil. During the nine months ended September 30, 2019, we paid $361.2 million, net of cash acquired, to acquire Orbis Education on January 22, 2019. Funding to GCU during the first nine months of 2019 totaled $109.8 million, net of repayments made by GCU. Proceeds from investments, net of purchases of short-term investments, was $55.3 million for the nine months ended September 30, 2019. Capital expenditures were $15.2 million for the nine months ended September 30, 2019. During the nine-month period for 2020 and 2019, capital expenditures primarily consisted of leasehold improvements and equipment for new university partner locations, as well as purchases of computer equipment, other internal use software projects and furniture and equipment to support our increasing employee headcount. The increase in capital expenditures between periods is primarily due to the increase in the number of sites opened. We invest approximately $1.5 million in leasehold improvements and equipment for each off-campus classroom and laboratory site. We opened seven new sites in the second half of 2020 and will open four additional sites in the first half of 2021 whereas we opened only four locations in the same period in the prior year.

Net cash used in financing activities was $122.0 million for the nine months ended September 30, 2020. Net cash provided by financing activities was $174.0 million for the nine months ended September 30, 2019. During the nine months ended September 30, 2020, $5.0 million was used to purchase common shares withheld in lieu of income taxes resulting from the vesting of restricted share awards and $92.3 million was used to purchase treasury stock in accordance with the Company’s share repurchase program. Principal payments on notes payable and capital leases totaled $24.9 million. During the nine months ended September 30, 2019, $270.0 million of proceeds was drawn on the credit facility, and the term loan balance of the prior credit agreement of $59.9 million was repaid along with $12.1 million of principal payments on the new credit facility. In addition, $2.4 million of debt issuance costs were incurred on the new credit facility and $8.1 million was used to purchase common shares withheld in lieu of income taxes resulting from the vesting of restricted share awards and $17.3 million was used to purchase treasury stock in accordance with the Company’s share repurchase program. Proceeds from the exercise of stock options of $3.7 million were received in the nine months ended September 30, 2019.

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SIGNIFICANT DEVELOPMENTS

Impact of COVID-19

In March 2020, the World Health Organization declared the novel coronavirus outbreak ("COVID-19") a global pandemic. This contagious outbreak, which has continued to spread, and the related adverse public health developments, including orders to shelter-in-place, travel restrictions and mandated non-essential business closures, have adversely affected workforces, organizations, customers, economies and financial markets globally, leading to an economic downturn and increased market volatility. It has also disrupted the normal operations of many businesses, including ours, and our university partners. Due to the economic disruption caused by the COVID-19 pandemic, the National Bureau of Economic Research announced in June 2020 that the United States entered into a recession in February 2020.

The Company has a long-term master services agreement pursuant to which the Company provides education services to its most significant university partner, GCU, in return for 60% of GCU's tuition and fee revenues, which includes fee revenues from room, board, and other ancillary businesses including a student-run golf course and hotel. GCU has three types of students, traditional ground university students attending class on its campus in Phoenix, Arizona and of which approximately 70% have historically lived on campus in university owned residence halls, professional studies students who are working adult students that attend class one night a week on the Phoenix campus, and online students that attend class fully online.

The COVID-19 outbreak, as well as measures taken to contain its spread, has impacted GCU's students and its business in a number of ways. Beginning in March 2020, GCU's programs for its professional studies students and its traditional ground university students were immediately converted to an online learning environment and residential students were strongly encouraged to move off campus. Summer semester classes were moved to an online environment as well and most students were given the choice of attending the Fall semester in person or completely online. Given the Company's historical experience delivering online education services and the fact that all of GCU's students and faculty use the university's online learning management system for at least some of the coursework, the transition has been seamless and thus, the university has not incurred a significant decrease in tuition revenue or significant increase in costs associated with this transition. In addition, the following impacts from the COVID-19 pandemic have served to reduce GCU's non-tuition revenue during its Spring, Summer and Fall semesters and, consequently, the service revenues we earn under the master services agreement:

- Traditional ground university students who elected to move off campus near the end of the Spring semester received partial refunds for dormitory and meal payments, which reduced GCU's revenue and thus the service revenues earned by the Company in the last nine days of March and the month of April;

- Ancillary businesses operated by GCU such as its hotel and merchandise shops were closed in late March. Some of these businesses remain closed while others opened with scaled back operations in mid-September, which reduced and will continue to reduce GCU's revenues and thus the service revenues earned by the Company until these businesses are fully reopened;

- Limited residential students remained on campus during the Summer semester, which reduced GCU's dormitory and ancillary revenues and thus the service revenues earned by the Company;

- GCU's doctoral students are required to attend two residencies on the university's campus and at its hotel in Phoenix, Arizona as part of their dissertation. On an annual basis approximately 3,000 learners attend the week-long residency, most of whom have historically attended in the Summer. Most of the residencies that were scheduled for the last week of March through the end of July were cancelled. The doctoral residencies scheduled for August and September were held at another location with lower than normal attendance. The residencies through the end of the calendar year will continue to be held at another location with expected lower than normal attendance which will result in lower GCU revenues including at its hotel, and thus reduce the service revenues earned by the Company;

- GCU shifted its start date for the Fall semester for its traditional ground students from August 24, 2020 to September 8, 2020, which has the effect of moving tuition revenue for all GCU traditional students, and certain ancillary revenue for residential students, from the third quarter of 2020 to the fourth quarter of 2020;

- GCU shifted its move-in date for its residential students to the week of September 21, 2020, which reduced housing revenue and certain ancillary revenue for residential students by three weeks. In addition, approximately 4,900 of GCU's traditional campus students elected to attend the Fall semester entirely in the online modality. Residential enrollment for the Fall of 2020 was approximately 11,500 whereas residential bed capacity is approximately 14,500. This reduction in residential students caused a reduction in GCU's revenue and thus the service revenues earned by the Company.

The changes described above at GCU have impacted or will impact the Company's service revenue under its Master Services Agreement with GCU. In addition, due to the limited operating expenses that we incur to deliver those services, there has been or will be a direct reduction in our operating profit and operating margin.

The Company also has long-term services agreements with numerous university partners across the United States. Other than at GCU, the majority of these university partners' students are studying in the Accelerated Bachelor of Science in Nursing program which is offered in a 12-16 month format in three or four academic semesters. The Spring and Summer 2020 semesters were completed without interruption and each university partner is in its Fall semester. Some students who were scheduled to start their program in the Summer 2020 semester delayed their start until the Fall 2020 which resulted in lower enrollments and revenues in the Summer 2020 semester than was planned. In a number of locations, the demand to start in the Fall 2020 semester was greater than initially planned but a number of our university or healthcare partners chose not to increase the Fall 2020 cohort size to make up for the Summer 2020 start shortfall due to concerns about clinical availability. The Fall 2020 enrollment was only slightly lower than our original expectations as we were able to make up for some of the Summer 2020 new start shortfall with higher retention rates and slightly higher than expected Fall 2020 new starts.

No other changes are currently anticipated related to the Fall 2020 semester that would have an impact on the Company's service revenue, operating profit and operating margins. However, if GCU determines that it must send its students home prior to the end of the Fall semester and elects to give partial refunds for dormitory and meal payments or if one of our other university partners closes a location prior to the end of the Fall semester, such an event would reduce the service revenues earned by the Company.

The COVID-19 outbreak also presents operational challenges to the Company as approximately 90% of our entire workforce is currently working remotely and is expected to continue doing so for the foreseeable future. This degree of remote working could increase risks in the areas of internal control, cyber security and the use of remote technology, and thereby result in interruptions or disruptions in normal operational processes.

It is not possible for us to completely predict the duration or magnitude of the adverse results of the COVID-19 pandemic and its effects on our business, results of operations or financial condition at this time, but such effects may be material in future quarters.

We estimate that the shift in net revenue from the third quarter to the fourth quarter as a result of the shift in the start date of the GCU Fall semester is $9.9 million. We estimate that the reduction in service revenue attributable to reduced tuition, fees and ancillary revenues of our university partners resulting from COVID-19 was $1.8 million, $7.5 million, and $13.0 million, in the first, second and third quarters of 2020, respectively, and will be $8.5 million in the fourth quarter of 2020.

2020 Outlook

Q4 2020:	Net revenue of $236.0 million; As Adjusted Operating Margin 40.0%; As Adjusted Diluted EPS of $1.80 using 46.8 million diluted shares
Full Year 2020:	Net revenue of $841.8 million; As Adjusted Operating Margin 33.4%; As Adjusted Diluted EPS of $5.50 using 47.2 million diluted shares

Forward-Looking Statements

This news release contains “forward-looking statements” which include information relating to future events, future financial performance, strategies expectations, competitive environment, regulation, and availability of resources. These forward-looking statements include, without limitation, statements regarding: proposed new programs; whether regulatory developments or other matters may or may not have a material adverse effect on our financial position, results of operations, or liquidity; projections, predictions, expectations, estimates, and forecasts as to our business, financial and operating results, and future economic performance; and management’s goals and objectives and other similar expressions concerning matters that are not historical facts. Words such as “may,” “should,” “could,” “would,” “predicts,” “potential,” “continue,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar expressions, the negative of these expressions, as well as statements in future tense, identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management’s good faith belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to: the harm to our business, results of operations, and financial condition, and harm to our university partners resulting from the COVID-19 outbreak: the occurrence of any event, change or other circumstance that could give rise to the termination of any of our key university partner agreements; our ability to properly manage risks and challenges associated with strategic initiatives, including potential acquisitions or divestitures of, or investments in, new businesses, acquisitions of new properties and new university partners, and expansion of services provided to our existing university partners; our failure to comply with the extensive regulatory framework applicable to us either directly as a third party education services provider or indirectly through our university partners, including Title IV of the Higher Education Act and the regulations thereunder, state laws and regulatory requirements, and accrediting commission requirements; competition from other education services companies in our geographic region and market sector, including competition for students, qualified executives and other personnel; the pace of growth of our university partners’ enrollment and its effect on the pace of our own growth; our ability to, on behalf of our university partners, convert prospective students to enrolled students and to retain active students to graduation; our success in updating and expanding the content of existing programs and developing new programs in a cost-effective manner or on a timely basis for our university partners; the impact of any natural disasters or public health emergencies; and other factors discussed in reports on file with the Securities and Exchange Commission, including as set forth in Part I, Item 1A of our Annual Report on Form 10-K for period ended December 31, 2019, as updated in our subsequent reports filed with the Securities and Exchange Commission on Form 10Q or Form 8-K.

Forward-looking statements speak only as of the date the statements are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

(more)

Conference Call

Grand Canyon Education, Inc. will discuss its third quarter 2020 results and fourth quarter and full year 2020 outlook during a conference call scheduled for today, November 5, 2020 at 4:30 p.m. Eastern time (ET). To participate in the live call, investors should dial 877-577-1769 (domestic and Canada) or 706-679-7806 (international), passcode 8364636 at 4:25 p.m. (ET). The Webcast will be available on the Grand Canyon Education, Inc. website at www.gce.com.

A replay of the call will be available approximately two hours following the conclusion of the call, at 855-859-2056 (domestic) or 404-537-3406 (international), passcode 8364636. It will also be archived at www.gce.com in the investor relations section for 60 days.

About Grand Canyon Education, Inc.

Grand Canyon Education, Inc. ("GCE"), incorporated in 2008, is a publicly traded education services company that currently provides services to 25 university partners. GCE is uniquely positioned in the education services industry in that its leadership has 30 years of proven expertise in providing a full array of support services in the post-secondary education sector and has developed significant technological solutions, infrastructure and operational processes to provide superior services in these areas on a large scale. GCE provides services that support students, faculty and staff of partner institutions such as marketing, strategic enrollment management, counseling services, financial services, technology, technical support, compliance, human resources, classroom operations, content development, faculty recruitment and training, among others. For more information about GCE visit the Company's website at www.gce.com.

Grand Canyon Education, Inc., 2600 W. Camelback Road, Phoenix, AZ 85017, **www.gce.com**.

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GRAND CANYON EDUCATION, INC.
Consolidated Income Statements
(Unaudited)

(In thousands, except per share data)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Service revenue	$ 198,384	$ 193,289	$ 605,807	$ 565,396
Costs and expenses:				
Technology and academic services	30,751	24,231	84,179	65,384
Counseling services and support	58,214	56,249	176,029	163,641
Marketing and communication	42,244	37,340	126,042	109,033
General and administrative	14,031	13,556	33,097	34,169
Amortization of intangible assets	2,105	2,179	6,315	6,044
Loss on transaction	—	—	—	3,966
Total costs and expenses	147,345	133,555	425,662	382,237
Operating income	51,039	59,734	180,145	183,159
Interest income on Secured Note	14,885	16,208	44,318	44,425
Interest expense	(918)	(2,875)	(3,537)	(8,368)
Investment interest and other	181	255	793	4,042
Income before income taxes	65,187	73,322	221,719	223,258
Income tax expense	13,141	15,171	51,278	40,752
Net income	$ 52,046	$ 58,151	$ 170,441	$ 182,506
Earnings per share:				
Basic income per share	$ 1.11	$ 1.21	$ 3.62	$ 3.82
Diluted income per share	$ 1.11	$ 1.20	$ 3.60	$ 3.78
Basic weighted average shares outstanding	46,808	47,920	47,051	47,833
Diluted weighted average shares outstanding	47,095	48,337	47,336	48,317

GRAND CANYON EDUCATION, INC.
Consolidated Balance Sheets

(In thousands, except par value)	As of September 30, 2020	As of December 31, 2019
ASSETS:	(Unaudited)	
Current assets		
Cash and cash equivalents	$ 166,950	$ 122,272
Restricted cash and cash equivalents	—	300
Investments	12,812	21,601
Accounts receivable, net	89,212	48,939
Interest receivable on Secured Note	4,850	5,011
Income taxes receivable	3,980	2,186
Other current assets	13,953	8,035
Total current assets	291,757	208,344
Property and equipment, net	126,679	119,734
Right-of-use assets	58,943	27,770
Secured Note receivable, net	964,912	969,912
Amortizable intangible assets, net	195,742	202,057
Goodwill	160,766	160,766
Other assets	1,763	1,706
Total assets	$ 1,800,562	$ 1,690,289
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities		
Accounts payable	$ 15,337	$ 14,835
Accrued compensation and benefits	33,879	20,800
Accrued liabilities	23,326	16,771
Income taxes payable	—	6,576
Deferred revenue	10,240	20
Current portion of lease liability	6,737	3,084
Current portion of notes payable	33,144	33,144
Total current liabilities	122,663	95,230
Deferred income taxes, noncurrent	19,288	18,320
Other noncurrent liabilities	6	13
Lease liability, less current portion	54,706	25,519
Notes payable, less current portion	82,916	107,774
Total liabilities	279,579	246,856
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.01 par value, 10,000 shares authorized; 0 shares issued and outstanding at September 30, 2020 and December 31, 2019	—	—
Common stock, $0.01 par value, 100,000 shares authorized; 53,231 and 53,054 shares issued and 47,045 and 48,105 shares outstanding at September 30, 2020 and December 31, 2019, respectively	532	531
Treasury stock, at cost, 6,186 and 4,949 shares of common stock at September 30, 2020 and December 31, 2019, respectively	(266,649)	(169,365)
Additional paid-in capital	279,147	270,923
Retained earnings	1,507,953	1,341,344
Total stockholders' equity	1,520,983	1,443,433
Total liabilities and stockholders' equity	$ 1,800,562	$ 1,690,289

GRAND CANYON EDUCATION, INC.
Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)	Nine Months Ended September 30, 2020	2019
Cash flows provided by operating activities:		
Net income	$ 170,441	$ 182,506
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation	8,047	7,740
Depreciation and amortization	15,839	13,821
Amortization of intangible assets	6,315	6,044
Deferred income taxes	2,136	1,873
Loss on transaction	—	3,966
Other, including fixed asset impairments	344	(369)
Changes in assets and liabilities:		
Accounts receivable and interest receivable from university partners	(40,112)	(33,853)
Other assets	(6,021)	(2,187)
Right-of-use assets and lease liabilities	1,667	419
Accounts payable	(50)	1,485
Accrued liabilities	19,627	10,130
Income taxes receivable/payable	(8,370)	(5,597)
Deferred revenue	10,220	9,156
Net cash provided by operating activities	180,083	195,134
Cash flows used in investing activities:		
Capital expenditures	(22,156)	(15,178)
Additions of amortizable content	(238)	(191)
Acquisition, net of cash acquired	—	(361,184)
Funding to GCU	(75,000)	(169,819)
Repayment by GCU	75,000	60,000
Purchases of investments	—	(1,695)
Proceeds from sale or maturity of investments	8,653	56,957
Net cash used in investing activities	(13,741)	(431,110)
Cash flows (used in) provided by financing activities:		
Principal payments on notes payable	(24,858)	(71,959)
Debt issuance costs	—	(2,385)
Proceeds from notes payable	—	243,750
Net borrowings from revolving line of credit	—	26,250
Repurchase of common shares including shares withheld in lieu of income taxes	(97,284)	(25,420)
Net proceeds from exercise of stock options	178	3,736
Net cash (used in) provided by financing activities	(121,964)	173,972
Net increase (decrease) in cash and cash equivalents and restricted cash	44,378	(62,004)
Cash and cash equivalents and restricted cash, beginning of period	122,572	182,013
Cash and cash equivalents and restricted cash, end of period	$ 166,950	$ 120,009
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 3,536	$ 7,751
Cash paid for income taxes	$ 54,114	$ 45,786
Supplemental disclosure of non-cash investing and financing activities		
Purchases of property and equipment included in accounts payable	$ 1,022	$ 1,796
Allowance for credit losses of $5,000, net of taxes of $1,168 from adoption of ASU 2016-13	$ 3,832	$ —
Lease adoption - recognition of right-of-use assets and lease liabilities	$ —	$ 498
ROU Asset and Liability recognition	$ 31,173	$ —

GRAND CANYON EDUCATION, INC.

Adjusted EBITDA (Non-GAAP Financial Measure)

Adjusted EBITDA is defined as net income plus interest expense, less interest income and other gain (loss) recognized on investments, plus income tax expense, and plus depreciation and amortization (EBITDA), as adjusted for (i) contributions to private Arizona school tuition organizations in lieu of the payment of state income taxes; (ii) loss on transaction; (iii) share-based compensation, and (iv) unusual charges or gains, such as litigation and regulatory reserves, impairment charges and asset write-offs, and exit or lease termination costs. We present Adjusted EBITDA because we consider it to be an important supplemental measure of our operating performance. We also make certain compensation decisions based, in part, on our operating performance, as measured by Adjusted EBITDA, and our loan agreement requires us to comply with covenants that include performance metrics substantially similar to Adjusted EBITDA. All of the adjustments made in our calculation of Adjusted EBITDA are adjustments to items that management does not consider to be reflective of our core operating performance. Management considers our core operating performance to be that which can be affected by our managers in any particular period through their management of the resources that affect our underlying revenue and profit generating operations during that period and does not consider the items for which we make adjustments (as listed above) to be reflective of our core performance.

We believe Adjusted EBITDA allows us to compare our current operating results with corresponding historical periods and with the operational performance of other companies in our industry because it does not give effect to potential differences caused by variations in capital structures (affecting relative interest expense, including the impact of write-offs of deferred financing costs when companies refinance their indebtedness), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the book amortization of intangibles (affecting relative amortization expense), and other items that we do not consider reflective of underlying operating performance. We also present Adjusted EBITDA because we believe it is frequently used by securities analysts, investors, and other interested parties as a measure of performance.

In evaluating Adjusted EBITDA, investors should be aware that in the future we may incur expenses similar to the adjustments described above. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by expenses that are unusual, non-routine, or non-recurring. Adjusted EBITDA has limitations as an analytical tool in that, among other things it does not reflect:

- cash expenditures for capital expenditures or contractual commitments;
- changes in, or cash requirements for, our working capital requirements;
- interest expense, or the cash required to replace assets that are being depreciated or amortized; and
- the impact on our reported results of earnings or charges resulting from the items for which we make adjustments to our EBITDA, as described above and set forth in the table below.

In addition, other companies, including other companies in our industry, may calculate these measures differently than we do, limiting the usefulness of Adjusted EBITDA as a comparative measure. Because of these limitations, Adjusted EBITDA should not be considered as a substitute for net income, operating income, or any other performance measure derived in accordance with and reported under GAAP, or as an alternative to cash flow from operating activities or as a measure of our liquidity. We compensate for these limitations by relying primarily on our GAAP results and only use Adjusted EBITDA as a supplemental performance measure.

The following table provides a reconciliation of net income to Adjusted EBITDA, which is a non-GAAP measure for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Unaudited, in thousands)		(Unaudited, in thousands)	
Net income	$ 52,046	$ 58,151	$ 170,441	$ 182,506
Plus: interest expense	918	2,875	3,537	8,368
Less: interest income on Secured Note	(14,885)	(16,208)	(44,318)	(44,425)
Less: investment interest and other	(181)	(255)	(793)	(4,042)
Plus: income tax expense	13,141	15,171	51,278	40,752
Plus: amortization of intangible assets	2,105	2,179	6,315	6,044
Plus: depreciation and amortization	5,538	4,755	15,839	13,821
EBITDA	58,682	66,668	202,299	203,024
Plus: contributions in lieu of state income taxes	5,000	4,003	5,000	4,003
Plus: loss on transaction	—	—	—	3,966
Plus: estimated litigation reserves	68	121	677	594
Plus: share-based compensation	2,713	2,555	8,047	7,740
Adjusted EBITDA	$ 66,463	$ 73,347	$ 216,023	$ 219,327

Non-GAAP Net Income and Non-GAAP Diluted Income Per Share

The Company believes the presentation of non-GAAP net income and non-GAAP diluted income per share information that excludes amortization of intangible assets, loss on transaction expenses and favorable discrete income tax amounts recorded in the first quarter of 2019 allows investors to develop a more meaningful understanding of the Company's performance over time. Accordingly, for the three-month and nine-month periods ended September 30, 2020 and 2019, the table below provides reconciliations of these non-GAAP items to GAAP net income and GAAP diluted income per share, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	(Unaudited, in thousands except per share data)			
GAAP Net income	$ 52,046	$ 58,151	$ 170,441	$ 182,506
Amortization of intangible assets	2,105	2,179	6,315	6,044
Loss on transaction	—	—	—	3,966
Less favorable tax effect for discrete item related to prior year tax obligations(1)	—	-	-	(4,286)
Income tax effects of adjustments excluding discrete tax item impact (1)	(424)	(451)	(1,460)	(2,095)
As Adjusted, Non-GAAP Net income	$ 53,727	$ 59,879	$ 175,296	$ 186,135
GAAP Diluted income per share	$ 1.11	$ 1.20	$ 3.60	$ 3.78
Amortization of intangible assets (2)	$ 0.03	$ 0.04	$ 0.10	$ 0.10
Loss on transaction (3)	$ -	$ -	$ —	$ 0.06
Less favorable tax effect for discrete item related to prior year tax obligations(1)	$ -	$ —	$ —	$ (0.09)
As Adjusted, Non-GAAP Diluted income per share	$ 1.14	$ 1.24	$ 3.70	$ 3.85

(1) The income tax effects of adjustments are based on the effective income tax rate applicable to adjusted (non-GAAP) results, excluding the discrete item related to prior year tax obligations recorded in the nine months ended September 30, 2019.

(2) The amortization of acquired intangible assets per diluted share is net of an income tax benefit of $0.01 and $0.01 for the three months ended September 30, 2020 and 2019, respectively, and net of an income tax benefit of $0.03 and $0.03 for the nine months ended September 30, 2020 and 2019, respectively.

(3) The loss on transaction per diluted share is net of an income tax benefit of nil for the three months ended September 30, 2019, and net of an income tax benefit of $0.02 for the nine months ended September 30, 2019.