06-Aug-2024

Grand Canyon Education, Inc. (LOPE)

Q2 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, and thank you for standing by. Welcome to the Q2 2024 Grand Canyon Education Earnings Conference Call. At this time, all participants are in listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your first speaker today, Dan Bachus, Chief Financial Officer. Please go ahead.

Daniel E. Bachus
Chief Financial Officer, Grand Canyon Education, Inc.

Hello. Joining me on today's call is our Chairman and CEO, Brian Mueller. 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 Reports on Form 10-Q and current reports on Form 8-K. We undertake no obligation to provide updates with regard 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 GCE.

And with that, I will turn the call over to Brian.

Brian E. Mueller
Chairman, Chief Executive Officer & Director, Grand Canyon Education, Inc.

Good afternoon, and thank you for joining Grand Canyon Education second quarter 2024 conference call. GCE had another strong quarter producing online enrollment growth of 7.5% and hybrid growth of 12.1%, and also continuing to produce strong retention rates, exceeding revenue guidance estimates at midpoint by $4.5 million, producing a $0.17 beat in adjusted, diluted earnings per share to consensus while continuing to invest heavily in initiatives for our university partners. Grand Canyon Education and its largest partner, Grand Canyon University, as well as GCE's 21 other partners continue to grow enrollments in the midst of declining enrollments at many universities across the country.

I want to start by reviewing the reasons that this is happening. There is a vast amount of untapped potential in the American labor force today. The lack of creative delivery models by universities is the reason for the untapped potential. The best examples are the huge shortages that exist in nursing, teaching, technology, engineering and cybersecurity, just to name a few. Expecting every student who has potential in these areas to attend an on-campus study seriously reduces the size of the potential market. Our success is the result of understanding that people across their lifespan have unique living situations, and the nature of what it is they need to learn varies by academic area. The combination of creative delivery models and relevant programs is driving the interest in what we are doing.

We currently deliver 340 plus academic programs, emphases and certificates across five creative delivery platforms. Number one, GCU's traditional ground campus is designed around the needs of 18-year-old high school graduates who are able to spend three or four years on a college campus preparing for life and work as adults. Their learning is primarily in physical brick-and-mortar classrooms in other on campus venues and in internships in organizations throughout the greater Phoenix area.

Second, GCU's online campus is designed for working adult students who enter academic programs whose content can be learned totally in an online environment. Third, the third platform is for students who also can't spend three or four years on a college campus, but what they are studying can't be learned totally online. The 80 hybrid locations we are building across the country are for students entering programs where some of the content can be learned online, while a significant part must be learned in a brick-and-mortar laboratory setting.

Currently, it is health care programs, specifically nursing and occupational therapy that are offered in those settings, but eventually we will add additional programs that fit the hybrid methodology. Our total investment in these settings will exceed $240 million and allow us to teach approximately 50,000 students.

The fourth platform is for students who want access to the rapidly expanding trade professions. These are shorter programs in a physical brick-and-mortar setting that combine the real world work experience with classroom learning. These students after gaining employment can finish their bachelor's degree online. We are developing a fifth platform for students who are 18-year-old high school graduates who want a three or four-year college experience, but want to do it at a distance.

The reality is higher education needs to move way past a simple dichotomy of either learning on a campus or doing it online. There are vast shortages in areas like teaching and nursing because we lack creative models of delivery that take into account the students life situation and the nature of what it is they need to learn. However, to teach these programs at scale and in certain cases at a distance, takes significant investment in facilities, technology and personnel, investments we have made and will continue to make.

With that I'd like to review the results of the four current delivery platforms at Grand Canyon Education. First, the online campus at Grand Canyon University, new starts were up again in the second quarter of 2024, and total enrollment growth continues to be higher than our long-term objectives, up 7.5% over the prior year. The new start growth rate in the low single digits in the second quarter was an expected deacceleration from previous quarters as the year-over-year comp was tough and June had one less undergraduate start than the year prior, although we expected June enrollments to come in slightly higher. July new enrollments were in line with our higher expectations.

We still anticipate starts for the third and fourth quarters to be up in the mid-to-high single digits even with the challenging comps. There are many reasons for this strong performance, but I want to highlight four. One, we have stayed hyper-focused on opportunities that exist in today's labor market and since the beginning of the pandemic, GCU has rolled out 148 new programs, emphases and certificates across the 10 colleges. These programs are tied directly to labor market opportunities for students, while the responses of universities to declining enrollments is to reduce the number of programs they offer. Two, we continue to work with employers directly to address their workforce shortages. This effort is focused on the industries of education, healthcare, technology, public safety and the military. In the second quarter, new starts from this work increased in the low teens year-over-year.

Three, the retention of students in the second quarter went up 50 basis points, which we believe continues to improve because of the relevancy of the programs the students are entering and their direct tie to the students' career aspirations. Four, GCU has resisted responding to the slower growth during the pandemic by raising tuition significantly, which many institutions have done. Our online net tuition increases since 2018 have averaged approximately 1% per year. Second, the GCU ground campus for traditional students. We currently anticipate new and total traditional campus enrollments to be close to flat year-over-year, in line with the low end of our original expectations. Although this would be a disappointing result given the significant increase year-over-year in Discover GCU visits, this will be much better than what is occurring nationwide.

The Department of Education's FAFSA issues in which processing problems and glitches caused major delays in universities receiving the FAFSA data from eligible students. And once they did, millions of forms were found to have errors and needed to be reprocessed, forced almost all universities to push back deadlines. As a result of these delays, the number of FAFSA completions among high school seniors is down significantly, including at GCU. Many are predicting that this will cause overall new enrollment at universities to be down as much as 10% year-over-year. As of today, GCU is up year-over-year as was expected in applications and registrations with students that did not complete the FAFSA, but is down in applications and registrations with students that completed the FAFSA. We continue to register students for the fall semester, but we anticipate new and total enrollments to be close to flat year-over-year.

I want to add some additional color to the traditional campus results. There is a significant change taking place in the attitude of Americans regarding higher education, especially spending four to six years on a college campus. Increasing costs, high debt levels, outdated degree programs, and the extreme political unrest on college campuses are all contributing factors. We believe Americans value learning and preparing for prosperous careers more than they ever have. Enrollment on campus will be close to flat year-over-year, but total enrollments across all platforms are up.

We are doing well and will continue to do well because we are adjusting to the flexibility students will continue to demand from universities. The flexibility we provide through our five platforms will cause total enrollment to continue to rise. Ground campus enrollments have been impacted this year by the FAFSA site problems affecting lower class students and inflationary pressures faced by middle class students. We anticipate the FAFSA site issues will be resolved for next year's students and are hopeful that inflation will come down. Those two changes combined with the other marketplace advantages we have, such as the very low price point, very low average debt levels, percent of students completed in less than four years, the relevancy of GCU's expanding academic programs and the $2 billion investment in creating one of the top campus in the country will reaccelerate our growth towards 50,000 students. The new enrollment goal for the ground campus will be up over 15% over new enrollments this year.

Third, Grand Canyon Education's hybrid campus had an increase in enrollment year-over-year of 12.1% in the second quarter. New summer enrollments were up approximately 30% year-over-year. The new student growth rate in the fall for the hybrid pillar will be moderate to high-single-digit, excluding closed locations. This is due to much more difficult comps as fall 2023 is when we started to see significant acceleration of new start growth and due to some of the GCU locations already being at capacity. No growth year-over-year is possible at those locations, whereas significant growth at these locations occurred in previous quarters. There are two main reasons for this strong performance.

One, almost all of our active ABSN partners have responded to the younger students interested in the ABSN programs by admitting advanced standing students or are in the process of making that change. Students with partially completed degrees haven't accumulated a great deal of debt and are very interested in nursing careers but didn't have an efficient way to earn the prerequisite science coursework. GCU created the science courses and some other gen ed courses so they could be delivered online in eight weeks. Students can access those courses from anywhere in the world. There are start opportunities almost every week. These courses have been made very affordable, are taught by experienced faculty, class sizes are low and there's a tremendous amount of academic support including in artificial intelligence project that went live in October 2023 which provides students 24/7 access to tutoring.

Since implementing these courses, we have already enrolled approximately 9,689 students. We have a waterfall report that allows us to know how students are progressing through their prerequisite courses and when they will be eligible to start at one of our ABSN sites. The success rate of students who successfully enter the ABSN programs is above 90%, and a first-time pass rate on the NCLEX exam is approximately 90%. We now have an extremely efficient way to get students academically eligible and prepared to enter the program. The positive results we saw in the fall, spring and summer semesters, we anticipate will continue.

There has never been greater interest among potential students for entering the healthcare professions and specifically nursing. Because of the low unemployment rate, the interest has shifted to these younger students who having accumulated a great deal of debt completing the bachelor's degree in another area and are underemployed. Nearly all our partners have responded positively to the changes needed to serve the advanced standing students. Our goal is still to have 80 locations with our partners, with 40 locations being GCU locations.

Fourth, the Center for Workplace Development at Grand Canyon University. In the 2022-2023 school year, we started 80 students in GCU's electrician's pre-apprenticeship program in partnership with companies that are experiencing labor shortages in that area and are excited about hiring GCU's graduates. The program consists of four credit courses and runs one semester. 74 students successfully completed the program in the first year. This past school year, we started 233 students in the program, 123 students completed this program in the fall and 82 in the spring of 2024. GCU also has plans to begin offering this program at one of our locations outside of Arizona in the fall 2024.

This past fall, GCU also started 19 students in manufacturing certificate program. GCU is running a small parts manufacturing business on campus and is doing work with some of the major companies in Arizona. These students are attending school for 20 hours a week and then working in the facility as a paid employee for 20 hours. At the end of the semester, they received a manufacturing certificate, it became eligible for employment in Arizona's fast growing manufacturing industry. GCU's growing. College of Engineering also has students assisting with this project. Once this concept has been successfully proved out, we expect to work with GCU to scale the program and then add others.

I started out talking about the relevant programs and creative delivery models that GCE has implemented with its 21 (sic) [22] partner institutions. In the six years since GCE has become a service provider, it has helped its partners accomplish the following. In that time, GCE has helped Grand Canyon University graduate 169,521 students, 46,251 in education including 22,465 first-time teachers, at a time when teacher shortage have created a national crisis, 46,209 in nursing and healthcare professions including 2,443 pre-licensure nurses at a time when there is a huge shortage of nurses, 33,689 in the College of Humanities and Social Sciences including thousands in counseling and social work where there are also huge shortages. The College of Business has become one of the largest business schools in America, and has produced 29,493 graduates. College of Science, Engineering and Technology has grown by 225% and provided 6,880 graduates. The doctoral college, honors college and college of theology also continued to grow.

In addition, GCE has helped its other partners graduate 17,443 pre-licensure nurses and occupational therapist assistants. The numbers that I have cited all have happened in the past six years since the GCU, GCE transaction and since GCE has become an education services provider.

Service revenue was $227.5 million for the second quarter of 2024, an increase of $16.9 million, or 8%, as compared to the $210.6 million for the second quarter of 2023. The increase year-over-year in service revenue was primarily due to an increase in GCU enrollments of 7%, an increase in university partner enrollments at our off-campus classroom and laboratory sites of 12.1%, and an increase in revenue per student year-over-year.

Operating income for the three months ended June 30, 2024 was $42.7 million, an increase of $7.3 million as compared to $35.4 million for the same period in 2023. The operating margin for the three months ended June 30, 2024 was 18.8% compared to 16.8% for the three months ended June 30, 2023.

Net income increased 20.4% to $34.9 million for the second quarter of 2024 compared to $29 million for the same period in 2023. GAAP diluted income per share for the three months ended June 30, 2024 is $1.19. As adjusted non-GAAP diluted income per share for the three months ended June 30, 2024 is $1.27.

With that I would like to turn it over to Dan Bachus, our CFO, to give a little more color on our 2024 second quarter, talk about changes in the income statements, balance sheet and other items as well as to discuss the updated to 2024 guidance.

Daniel E. Bachus

Chief Financial Officer, Grand Canyon Education, Inc.

Thanks, Brian. Including our Form 8-K filed with the SEC, we have included non-GAAP net income and non-GAAP diluted income per share for the three months ended June 30, 2024 and 2023. The non-GAAP amounts exclude the tax effected amounts of the amortization of intangible assets of $2.1 million in the second quarters of both 2024 and 2023. The tax effect amount of the losses on fixed asset disposals of $0.1 million for the six months ended June 30, 2023, and the tax effected amount of $1.1 million in severance costs recorded in the quarter related to Dan Briggs departure. We believe the non-GAAP financial information allows investor to develop a more meaningful understanding of the company's performance over time.

As adjusted non-GAAP diluted income per share for the three months ended June 30, 2024 and 2023 is a $1.27 and a $1.01, respectively.

Service revenue was higher than our expectations in the second quarter of 2024, primarily due to higher-than-expected revenue per student. Revenue per student continues to grow on a year-over-year basis primarily due to the service revenue impact, the increased room, board and other ancillary revenues that the GCU traditional campus enrollments between years.

Service revenue per student is also positively impacted by the growth in hybrid ABSN students as these students generate a significantly higher revenue per student than we earn on the other students, as these agreements generally provide us with a higher revenue share percentage, the partners have higher tuition rates and majority of their students take more credits on average per semester as they are in accelerated programs.

The increase in revenue per student was lessened somewhat by the timing of the spring semester for the ground traditional campus. The spring semester started one day earlier in 2024 than in 2023, which had the effect of shifting $2.1 million in service revenue from the second quarter of 2024 to the first quarter of 2024 as compared to the prior year.

In addition, contract modifications for some of our university partners in which the revenue share percentage was reduced in exchange for us, no longer reimbursing the partner for certain faculty costs and the termination of one university partner contract at the end of the spring 2024 semester, had the effect of reducing revenue per student.

Our operating margin in the second quarter of 2024 was higher than our expectations, primarily due to the higher revenue per student and lower-than-expected head count.

We continued to invest heavily to meet our client's growth goals. These investments have included head count increases, travel primarily related to Discover, increased clinical costs at off-campus classroom and laboratory sites due to the nursing shortage, technology services both in head count and license fees as a result of new technology requests by our partners, and costs related to the new hybrid locations as we opened five sites in the year ended December 31, 2023, four sites in the six months ended June 30, 2024 and more will open later in 2024.

The second quarter operating margin was positively impacted on a year-over-year basis due to the contract modifications and negatively impacted on a year-over-year basis by the timing difference between years and the start of the spring semester for GCU's ground traditional campus and the $1.1 million in severance costs recorded in the quarter related to Dan Briggs' resignation effective June 30, 2024.

Our effective tax rate for the second quarter of 2024 was 25.5% compared to 23.8% in the second quarter of 2023, and our guidance of 24.9%. The effective tax rate increased year-over-year to higher due to higher state income taxes.

We repurchased 281,014 shares of our common stock in the second quarter of 2024 at a cost of approximately $38.7 million and another 94,520 shares repurchased since June 30, 2024. We have $189.8 million remaining available as of today under our share repurchase authorization. The board and the company intend to continue using a significant portion of its cash flows from operations to repurchase its shares.

Turning to the balance sheet and cash flows. Total unrestricted cash and short-term investments as of June 30, 2024 were $341.8 million. GCE CapEx in the second quarter of 2024, including CapEx for new off-campus classroom and laboratory sites, was approximately $9 million, or 3.9% of service revenue. We still anticipate CapEx for 2024 to be between $30 million and $40 million.

Last, I would like to provide color on the guidance we have provided in our 8-K filed today. As a reminder, the guidance we have provided in the outlook section of our 8-K filed today is GAAP net income and diluted income per share with the components to adjust the GAAP amounts to non-GAAP as adjusted net income and non-GAAP as adjusted diluted income per share.

I want to just mention very quickly before I go through the rest of the guidance, in the press release that went out earlier today announcing our results, full year guidance for the non-GAAP and as adjusted diluted income per share did not include the tax effected severance costs recorded in the second quarter. The 8-K was correct and the press release has been amended. We have made a few changes to our second half 2024 guidance due to current trends or items that recently occurred. So I'll start with a high level perspective and then drill into the details.

We have updated full year 2024 guidance to include the second quarter revenue and earnings beats. We have narrowed the revenue ranges for the third and fourth quarters and lowered total revenue at midpoint by $8 million, $1 million in the third quarter and $7 million in the fourth. As you recall, the large spread between our initial high and low estimates in the second half was primarily due to our uncertainty around GCU's ground traditional fall semester enrollments due to the items Brian mentioned earlier.

As Brian discussed, it is likely that we will be near the bottom of that initial range and thus we have narrowed the range considerably and lowered our expectation at midpoint for this pillar by $8.5 million in the second half, $2.5 million in the third quarter and $6 million in the fourth quarter.

We have also lowered revenue at midpoint by $4 million in the second half, $1.5 million in the third quarter and $2.5 million in the fourth due to the contractual changes recently agreed to with three more university partners in which we will no longer reimburse those partners for their faculty pay in exchange for a lower revenue share percentage. These modifications have no material impact to the income we generate on the contract, but reduces revenue and technology and academic services expenses.

We have raised our assumptions for online and hybrid revenues due to the positive current trends by $4.5 million, $3 million in the third quarter and $1.5 million in the fourth. We have increased operating expenses in the third quarter as we made the contributions in lieu of state income taxes to tuition organizations of $4.5 million in July. This is an increase from what has been contributed in prior years due to higher state income taxes. These contributions have the effect of increasing general and administrative expenses in the third quarter by this amount and lowering income tax expense by the same amount, roughly three-quarters in the third quarter and one-quarter in the fourth quarter. So neither of these changes have an impact on net income for the second half, but does decrease income slightly in the third quarter and increases it slightly in the fourth quarter.

We have lowered our operating expense assumptions in both the third quarter and the fourth quarter due to our current staffing levels. But it is important that we get fully staffed in the fourth quarter so that we can meet our university partners 2025 enrollment goals.

On a more detailed level, we continue to anticipate the new online enrollments will be up year-over-year in the mid-to-high single digits in each of the final two quarters of 2024 and that total online will continue to grow year-over-year above our long-term objectives. As Brian has discussed, the online enrollment results were outstanding in 2023. Lead trends remain strong, but as a reminder not only did new enrollment grow at a much higher rate than we expected, and then in the second half of 2023, these growth rates were coming off very difficult year-over-year comps, but also retention rates significantly improved over the prior year which has resulted in the decline year-over-year in reentries, students returning to school after break and a significant year-over-year increase in graduates. These factors will continue to impact the total enrollment growth rate in the second half of 2024.

As has been previously discussed with the new student growth rate in the hybrid pillar, will moderate to high-single digit growth year-over-year in the fall start, excluding closed locations due to much more difficult comps as fall 2023 is when we started to see significant acceleration of new start growth and due to some of the GCU locations already being at capacity and thus no growth year-over-year was possible at those locations, whereas significant growth at those locations occurred in previous quarters.

As I just discussed, the revenue growth rate for the hybrid pillar as a result of the enrollment growth continues to be partially offset by changes made to the contracts for the university partners that are no longer being reimbursed for faculty costs and the site closings discussed in last quarter's call, but these changes have had the effect of increasing margins.

On the expense side, as you will recall, we made significant investments in the past few years, primarily in head count and travel expenses to meet the growth goals of our partners. Our head count growth has slowed significantly so far in 2024, which is one of the reasons that margins were so much higher than we expected in the first half of 2024, but there are still expense categories that we continue to see year-over-year increases greater than revenue growth, including those that I discussed earlier and on last quarter's earnings call. And we do plan to reaccelerate head count growth in the second half of 2024 in anticipation of our clients growth expectations in 2025.

We anticipate the hybrid pillar will continue to lose money during the remainder of 2024 given that a number of mature sites remain significantly below pre-COVID student counts. The newer sites are generally back to historical margin profiles as they are back to growing at rates more similar to what we experienced pre-COVID. But to get back to profitability, the mature sites need to get back to pre-COVID enrollment levels. Those that are now admitting advanced standing students are generally back to growth. Those that have not, generally continue to see enrollment challenges.

In estimating interest income for 2024, we continue to assume similar cash balances to 2023 and a similar interest rate environment until September. But with three interest rate cuts now expected in the second half of 2024, with the first anticipated occurring in September, we are anticipating lower returns on our excess cash and investments in most of the second half of 2024.

We have reduced the effective tax rate for the last two quarters of 2024 to 20.8% and 21.7%, respectively, due to the contributions in lieu of state income taxes mentioned earlier. Excluding the contributions in lieu of state income taxes, the effective tax rates for the third and fourth quarters of 2024 remain consistent with prior guidance.

Our weighted average shares guidance assumes that we purchase most of the remaining amount authorized by our board over the rest of the year, although given the rise in the stock price, we anticipate purchasing less stock in 2024 than in 2023. The board continues to authorize the repurchase of shares as it believes the stock remains undervalued based on the metrics it uses to evaluate, including the ratio of enterprise value to adjusted EBITDA and the free cash flow yield rather than the multiples of other education companies as although we can be viewed as being in the same sector, there are few if any appropriate comps.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. At this time, we will conduct a question-and-answer session. [Operator Instructions] Our first question comes from Steven Pawlak from Baird. Please go ahead.

Steven Pawlak
Analyst, Robert W. Baird & Co., Inc.

Q

Yeah. Thank you. I would like to start with the June online new enrollment, you said it was softer there. Just any color around what that was, and then it sounds like things were back on track in July. So just any sort of commentary on the outlook as well? Thanks.

Daniel E. Bachus
Chief Financial Officer, Grand Canyon Education, Inc.

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No, not really. We continued to do better than expected with online enrollments. Lead flow is good. The outside activity is just – continues to go very, very well. It's becoming an increasing bigger percentage of our starts on a monthly basis and that work is not as totally predictable as the work that gets done inside with people responding to lead. So, no, July is good and we expect to have two good quarters in the third and fourth quarter.

Steven Pawlak
Analyst, Robert W. Baird & Co., Inc.

Q

And I'm sorry, you said June was softer in the prepared remarks. Any commentary there?

Daniel E. Bachus
Chief Financial Officer, Grand Canyon Education, Inc.

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June was a little softer, it was predicted. I mean, we knew that there was one less Monday start which is our undergraduate start, which is growing faster than the graduate start during this quarter as compared to last year, and so we knew the second quarter. The other thing is the second quarter is by far our slowest start quarter of the year. And so, we're not talking significant enrollment numbers. And that's, as Brian said, we're generally on our target.

Steven Pawlak
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. And then on the FAFSA delays here, are you there as far as the things needed to be sort of read, submitted, even after the delays sort of got corrected. But you had talked last quarter about sort of actions you were taking to sort of be more proactive with students that were interested. So just how did, I guess, some of the actions there maybe contribute to FAFSA not being as bad as otherwise?

Daniel E. Bachus
Chief Financial Officer, Grand Canyon Education, Inc.

A

Well, we had – there were a tremendous amount of overtime that needed to be worked. There was a lot of manual work that had to be done that typically didn't have to be done. And so in addition to the delays that we experienced in the first part of the process or second part of the process, involved delays as well because the information wasn't accurate and we had to do a lot of manual calculations in order to get the work done. And so that just kept pushing back dates. And when you are in a low income family or even a lower middle income family, the uncertainty of what I was going to get and, or what I was not going to get, created a lot of anxiety and people just decided to stay home, attend a junior college and make a new decision the next year. And so that impacted people all over the country.

For us, to be nearly where we were last year is a huge gain, because if look at the marketplace in a 40,000-foot view, there are fewer high school graduates and there is a smaller percentage of those graduates go to college. And for us to maintain our – where we were, this year is a big win. Now, as we look forward to next year, we've already established a goal that's over 15% higher than where we were this year, because we expect the FAFSA site to be fixed. We expect to be some moderation of inflation, but you have to – it's the FAFSA but it's also inflation. You have to understand that for middle class families, $1,000 or $2,000 can impact their decision one way or the other. But we think both of those things will be – the first one will get fixed, the second one will be moderated and we'll be in a very, very strong position and expect a big year next year.

Steven Pawlak
Analyst, Robert W. Baird & Co., Inc.

Q

All right. Thank you.

Daniel E. Bachus
Chief Financial Officer, Grand Canyon Education, Inc.

We have reached the end of our second quarter conference call. We appreciate your time and interest in Grand Canyon education. If you still have questions, please contact myself, Dan Bachus. Thank you very much.

Operator: Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.