

18-Feb-2026

Grand Canyon Education, Inc. (LOPE)

Q4 2025 Earnings Call

CORPORATE PARTICIPANTS

Sarah Slocum Collins, J.D.
General Counsel, Grand Canyon Education, Inc.

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

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

OTHER PARTICIPANTS

Alexander Paris
Analyst, Barrington Research Associates, Inc.

Jeffrey M. Silber
Analyst, BMO Capital Markets Corp.

MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. Welcome to the Fourth Quarter 2025 Grand Canyon Education Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, we'll open up for questions. [Operator Instructions] Please be advised that today's call is being recorded.

I would now like to hand it over to your speaker, Sarah Collins, General Counsel. Please go ahead.

Sarah Slocum Collins, J.D.
General Counsel, Grand Canyon Education, Inc.

Joining me on today's call is our Chairman and CEO, Brian Mueller; and our CFO, Dan Bachus.

Please note that many of our comments today will contain forward-looking statements that involve risk 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 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 GCE.

With that, I'll turn the call over to Brian.

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

Good afternoon, and thank you for joining Grand Canyon Education's fourth quarter 2025 conference call. GCE had another strong quarter, producing online enrollment growth of 8.7% and hybrid growth, excluding the closed sites and those in teach-out of 18.7%. Grand Canyon Education, Grand Canyon University and now 19 additional

partners have produced remarkably consistent positive results over the last 17 years, in spite of significant changes in the macro environments of education and the workplace. Most significantly, GCU has gone from the brink of bankruptcy to now being the largest private university in America.

In addition to over 107,000 students studying online, GCU now has 25,000 students in an on campus environment and has more students living in university owned housing on its campus than any other university in the country. Recently, GCE and its partners have built 47 hybrid campuses throughout the country to address severe shortages in the healthcare fields. More recently, GCE has assisted GCU in building a workforce development center to produce professionals in the rapidly growing construction and manufacturing fields, where there are also severe shortages.

The growth and success that has taken place is because GCE and its partners have built a model that is extremely flexible, is able to respond with great speed, and has used advanced technologies to produce tremendous scale. The current dissatisfaction with higher education is because faculty governance models at many universities are very inflexible, move very slowly and can't scale to meet demands. There's a lot of talk about how AI will produce winners and losers by industry type. The real discussion should be about winners and losers within industries. Higher education as an industry will continue to exist. Institutions that are flexible, fast, and that can scale will be able to use AI to flourish to even greater levels in the next 10 years.

Higher education will be more important than ever, if it can educate the next generation of workers to use AI in three important ways. One, to use AI products to increase levels of human productivity. Two, to quickly allow workers whose jobs have been eliminated to re-career. And three, to educate a generation of workers for jobs that don't exist today, but will exist in the near future. It is important that universities don't just teach AI, but are able to model it in the way it runs its business.

GCE and GCU have dozens of AI products, and products in development across 10 colleges over 350 academic programs, and across every operational area. Students are learning with increased levels of excellence and efficiency, scores currently produced by students in exit and licensure exams in the areas of healthcare, education, accounting, et cetera, are reaching all-time highs while scaling to huge numbers. This is especially important for GCU since it has rapidly expanded into academic areas requiring licensure. Programmatic areas like nursing, education, social work, counseling, et cetera, will benefit from AI implementation. But employment in those areas will always require higher education and licensure.

Project work produced by business, engineering and technology students are at increasing levels of sophistication. GCU's Innovation Center is producing new student businesses that are thriving. To succeed in the future, universities must produce those real world opportunities for students, and they must graduate in less time, for less money and for lower debt levels.

Our AI products are making curriculum more targeted, faculty more effective and efficient, and allowing operators to produce greater levels of student support. I believe AI will make our current advantages even greater, which makes me even more confident we will continue to meet or exceed our long-term objectives.

With that, I would like to review the fourth quarter results. First, the online campus at Grand Canyon University. New starts were up in the mid-single digits in the fourth quarter of 2025, which was in line with our expectations and total enrollment growth was 8.7%, which significantly exceeds GCU's long-term objectives.

In the past, I would highlight four reasons for the growth. They include continuing to roll out 20-plus new programs on an annual basis, working with over 5,500 employers directly to address workforce shortages, strong retention levels and holding the line on tuition to maintain GCU's competitive pricing position.

New start comps are extremely challenging in the first half of 2026, as new starts were up in the teens in the first and second quarters of 2025 compared to 2024, due primarily to the success of programs such as the pre-requisite nursing and teacher education. Although, we believe those programs have a lot of runway to continue growing, the year-over-year percentage growth is slowing due to large numbers. But we are rolling out some new programs in the second quarter of this year that we are very excited about that we believe will allow us to continue to grow total enrollment at or slightly above our long-term objectives.

Second, the GCU ground campus for traditional students. New traditional campus enrollments were up in the high single digits, and total traditional campus enrollments were down slightly year-over-year in the fall of 2025. While total GCU ground enrollment was flat year-over-year. The slight decline year-over-year in total traditional enrollments was in line with our expectations, given last year's decline in new enrollments caused primarily by the FAFSA site issues and the higher than expected summer graduations.

Spring new and total enrollments were in line with our expectations. Spring new enrollments is a small percentage of overall new enrollments, as they are mostly made up of transfers or students that deferred a semester and total enrollment is impacted by a growing number of students that are graduating in less than four years. We believe GCU will continue to experience new student growth on the ground campus because of its significant advantages, including very low price point, very low average debt levels, percentage of students completing in less than four years, the relevancy of GCU's academic programs to a fast changing and modern economy and having the 20th ranked campus in the country.

As we move forward, there are three trends that are impacting traditional college campuses throughout the country. One, number of high school graduates on an annual basis continues to decline. Two, the percent of high school graduates that are choosing the four or five year baccalaureate path continues to go down, while the number of students choosing shorter certificate or trade programs is going up. Three, the number of high school graduates choosing a baccalaureate path, but doing it fully online, also continues to go up. We are in a very strong position given these trends.

We have a high quality, affordable offering on the GCU ground campus, but have even greater program choices for students that want to go fully online or to move back and forth between ground and online. As we discussed on last year's earnings call, we have made some changes to our marketing and recruitment strategy for GCU's traditional campus, which accelerated some spend into 2025 in the first half of 2026. Although it is still very early in the cycle, those changes to date are producing positive results as registrations for fall 2026 remain significantly ahead of last year.

Even with the macro trends I discussed earlier and the tougher year-over-year comps, we believe we can continue to grow new enrollments significantly year-over-year, which could get residential students back to growth.

Third, Grand Canyon Education's hybrid campus had an increase in enrollment year-over-year of 16.6% in the fourth quarter. Excluding the closed sites and those that are on teach-out, enrollment increased 18.7% year-over-year. There were no hybrid campus new starts in the fourth quarter, but we did have a higher than expected number of new students starting in the fall.

There are two main reasons for this continued growth. Number one, almost all of our active ABSN partners have responded to the younger students interested in ABSN programs by admitting advanced standing students or are in the process of making that change.

Students with partially completed degrees, having accumulated a great deal of debt and are very interested in nursing careers, but didn't have an efficient way to earn the pre-requisite Science coursework. GCU created the science courses and some other gen-ed courses that could be delivered online in eight weeks.

Students can access these 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 is a tremendous amount of academic support, including an artificial intelligence project which provides students 24/7 access to tutoring. Since implementing these courses, we have already enrolled 20,536 students.

In the summer of 2025 term, 66% of all matriculate hybrid students at non-GCU sites took at least one of these courses, and one of the – and of these students, they took five courses on average. 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 graduation rate of students who successfully enter the ABSN programs is in the mid-80s and the first-time pass rate on NCLEX exam is approximately 90%. Nearly all our partners have responded positively to the change needed to serve the advanced standing students. Our goal is still to have 80 locations with our partners, with 40 locations being GCU locations.

In 2025, we opened up a total of five additional sites, including a second location in the Boston area in the fall, another site in New York City, and three GCU sites in 2025. One in Albuquerque, New Mexico, which was opened in the first quarter of 2025; one in Lake Mary, Florida, near Orlando, which was opened in the second quarter of 2025; and one in Inglewood, Colorado, south of Denver, which was opened in the third quarter.

The addition of GCU's three new site openings brought its ABSN location total to 11. It is likely that we will only open one additional site in 2026 in the Miami, Florida area. A couple of sites that were planned to open in the fall of 2026 are more likely to open in early 2027. And as we have discussed previously, we are being more selective on new site openings with a focus on the scalability of the market.

We are also expanding our programmatic offerings with our hybrid partners by adding a graduate nursing program with seven specializations, with Northeastern University, which started this past fall, a hybrid occupational therapy bridge to master's program to the already successful St. Kate's Occupational Therapy Assistant Hybrid Program will begin in the fall of 2026. An online health science degree with Utica University, and GCU launched a BS in occupational therapy assistance program and a speech language pathology program in 2025 at its Phoenix, West Valley location.

GCU also plans to add a BS in Medical Laboratory Sciences program in 2026. Adding additional programs at our hybrid locations is an important component to our business plan. We anticipate this momentum will continue, although with the lower number of new site openings and more of our locations getting to capacity, hybrid enrollment growth will slow a bit, while the profitability of this pillar will continue to improve.

Fourth, Center for Workforce Development at Grand Canyon University, GCU now has four programs in the Center for Workforce Development, which including the Electricians Pre-Apprenticeship Program, the CNC

Machinist Pathway Program, the Manufacturing Specialist's intensive pathway, and the Construction General Pathway. And we'll be rolling out a fifth program, the Manufacturing General Pathway in fall of 2026.

These programs are all built in partnership with companies that are experiencing labor shortages in that area and are excited about hiring GCU's graduates. These programs are either one semester or two semesters.

212 students successfully completed the Electricians Pre-Apprenticeship Program in 2024-2025, including 11 in the Austin, Texas hybrid location. 33 students completed the Manufacturing CNC Machinist Pathway Program in the 2024-2025 fiscal year. These students attend school for 20 hours a week and then work in the facility as a paid employee for 20 hours. At the end of the semester, they receive a manufacturing certificate and become eligible for employment in Arizona's fast-growing manufacturing industry.

Students in GCU's Growing Engineering College are getting experience in this manufacturing facility, which is adding to their engineering education. I started out talking about the relevant programs and creative delivery models that GCE has implemented with its 20 partner institutions.

In the 7-plus 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 215,851 students, 58,497 in education, including 27,527 first-time teachers, at a time when teacher shortages have created a national crisis. 55,963 in nursing and healthcare professions, including 3,723 in pre-licensure nurses, at a time when there is a huge shortage of nurses. 44,976 in the College of Humanities and Social Sciences, including thousands in counseling and social work, where there are also huge shortages.

College of Business has become one of the largest business schools in America and has produced 37,834 graduates. The College of Science, Engineering and Technology has grown by 220% and provided 9,512 graduates. The Doctoral College, Honors College, and College of Theology also continue to grow.

In addition, GCE has helped its other partner institutions graduate over 15,000 pre-licensure nurses and occupational therapist assistants. The numbers that I have just cited have all happened in the past seven years since the GCU-GCE transaction and since GCE has become an education services provider. This is a great example of a futuristic educational model that is flexible, moves very fast and is capable of great scale.

All of this has occurred while GCE paid a \$619 million in federal and state taxes. While state universities and community colleges continue to pull money out of the tax system, GCE has helped produce over 230,000 graduates, while pouring millions of dollars into the system.

Service revenue was \$308.1 million for the fourth quarter of 2025, an increase of \$15.5 million, or 5.3% as compared to \$292.6 million for the fourth quarter of 2024. The increase year-over-year in service revenue was primarily due to an increase in university partner enrollments of 7.1%, including an increase in GCU online enrollments of 8.7% and university partner enrollments at the off-campus classroom and laboratory sites of 16.6%, partially offset by one less day of ground traditional revenue at GCU of \$0.9 million in the quarter as a result of the shift of one day of revenue from the fourth quarter to the third quarter as compared to last year's fall start date and a decrease in revenue per student year-over-year primarily due to contract modifications with some of our university partners in which our revenue share percentage was reduced in exchange for us no longer reimbursing the partner for certain faculty costs, which had the effect of reducing revenue per student and a slight decline year-over-year in the revenue per student for online students due to the continued mix shift to students that have a slightly lower net tuition rate.

Operating income and operating margin for the three months ended, December 31, 2025 was \$108.1 million and 35.1% respectively, as compared to \$100 million and 34.2% respectively for the same period in 2024.

Net income was \$86.7 million for the fourth quarter of 2025. GAAP diluted income per share for the three months ended December 31, 2025 is \$3.14. As adjusted non-GAAP diluted income per share for the three months ended December 31, 2025 was \$3.21, which is \$0.02 above consensus estimates.

With that, I would like to turn it over to Dan Bachus, our CFO, to give a little more color on our 2025 fourth quarter, talk about changes in the income statements, balance sheet, and other items, as well as to discuss the 2026 guidance.

Daniel E. Bachus

Chief Financial Officer, Grand Canyon Education, Inc.

Thanks, Brian. Included in 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 December 31, 2025 and 2024. We believe the non-GAAP financial information allows investors 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 December 31, 2025 and 2024 is \$3.21 and \$2.95 respectively. Service revenue was higher than our expectations in the fourth quarter of 2025, primarily due to higher than expected enrollments and revenue per student, partially offset by the impact of the government shutdown.

The fourth quarter operating margin was positively impacted on a year-over-year basis by the higher revenue and the contract modifications, partially offset by additional spend for 2026 partner initiatives. Our effective tax rate for the fourth quarter of 2025 was 22.4%, compared to 21.2% in the fourth quarter of 2024 and our guidance of 22.8%.

The lower than expected effective tax rate is primarily due to state income taxes. We repurchased 605,730 shares of our common stock in the fourth quarter of 2025, at a cost of approximately \$100 million and another 352,051 shares were repurchased since December 31, 2025. We have \$284.6 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 flow from operations to repurchase its shares.

Turning to the balance sheet and cash flows. Total unrestricted cash and cash equivalents and investments as of December 31, 2025 were \$300.1 million. GCE CapEx in the fourth quarter of 2025, including CapEx for new-off campus classroom and laboratory sites, was approximately \$7.6 million or 2.5% of service revenue. We anticipate CapEx for 2026 will be between \$30 million and \$35 million.

Lastly, I'd like to provide color on the guidance we have provided in our 8-K filed today. As a reminder, the guidance that 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.

2025's financial performance significantly exceeded our original estimates, beating the midpoint of the non-GAAP as adjusted diluted net income per share guidance we put out at this time last year by \$0.46. In putting together our guidance for this year, I am amazed with how consistent our assumptions are to what we predicted at this

time last year. Our comps are no doubt more challenging, but as Brian discussed, the trends remain strong in all three pillars.

Consistent with prior years, we have provided ranges for revenue, operating margin and earnings per share for each of the four quarters of 2026. We do this because our financial results are seasonal and the start and end dates of our partners' semesters change year-to-year. As you've probably noticed, the midpoint of the EPS guidance is above consensus estimates, primarily due to a lower projected share count. The midpoint of the revenue and operating income guidance are generally in line with consensus estimates.

Revenue will be slightly impacted in 2026 due to the modification of the contract for one University Partner effective January 1, 2026, in which we will no longer be reimbursing the partner for their faculty costs and due to the teach-out of one partner's three locations. As I will discuss in a minute, this slightly lowers revenue in 2026, but both of these changes are long-term positive for the company and will positively impact margins in 2026.

The year-over-year changes in the start and end dates of the semesters for GCU's ground traditional campus will move \$1 million in revenue from Q2 to the first quarter and \$8.3 million in revenue from the third quarter to the fourth quarter in comparison to last year. The change between the third quarter and the fourth quarter is more significant this year than in past years as GCU's fall semester for its ground traditional campus begins and ends six days later this year than last year.

We anticipate the new online enrollments will be up year-over-year in the mid-to-high single digits during 2026. As Brian discussed, new enrollment growth in the first two quarters of 2025 were up in the teens over the prior year and thus mid-single digit growth in the first two quarters would be strong growth. We do anticipate total online enrollment growth continuing to be pressured by increasing graduations and a continued decline in re-entries, which as students return to school after a break due to the high retention rates.

The high end of guidance assumes total enrollment growth will end 2026 up in the high single digits year-over-year, whereas the low end assumes a mid-single digit year-over-year growth rate. And thus the midpoint of our range assumes a year-over-year growth rate that is near the high end of our stated long-term objective of 5% to 7% annual growth. The revenue range assumes that GCU ground enrollment will be 21,900 in the spring, will range from 8,500 to 8,800 in the summer, and be between 24,900 and 25,600 in the fall.

The high end of the range assumes a low teens new start year-over-year growth rate for the ground campus, while the low end of the range assumes mid-single digit new start growth. Thus, the midpoint assumes a high single digit increase in new ground enrollments year-over-year. As we're currently well ahead of last year in registrations, this estimate may prove to be conservative, but we believe it is prudent given where we're at in the recruitment cycle.

The reported ground number continues to include GCU hybrid, which continues to grow and professional study students, which we expect to be flat on a year-over-year basis. Total ground enrollment continues to be impacted by the lower fall 2024 new start and the growing number of graduates year-over-year as a significant number of ground traditional students continue to graduate in less than four years.

The new and total enrollment growth rate for our hybrid pillar is predicted to grow on a year-over-year basis in the high single digits to mid-teens during each of the four quarters of 2026. As has been previously – as has been discussed previously, the hybrid growth rate is being impacted by the fact that we now have 14 locations that are at or near capacity and thus we will have little to no growth year-over-year in total enrollments at those locations. And from a new enrollment perspective, 22 locations will not have year-over-year growth in new enrollments on a

year-over-year basis in the fall. As although eight locations are not at state authorized capacity, we started the maximum number of students allowed during the fall of 2025.

We remain hopeful that some of these locations will get local regulatory approval to grow in the future as they currently have waitlists. And we still have a lot of opportunity at the other locations. We will be opening one new location in 2026 – in fall 2026, but should be opening a number of locations in early 2027. Revenue growth rates for the hybrid pillar will be impacted by changes made to the contract of one university partner that beginning in January 2026 is no longer being reimbursed for faculty costs and both enrollments and revenue will be impacted by the teach-out of one partner's three locations in 2026.

We estimate that these changes will reduce revenue by \$4.2 million in 2026, but will positively impact operating income as the three locations that will be in teach-out were incurring significant losses. Excluding these impacts, we anticipate a slight increase in revenue per student year-over-year, primarily due to the hybrid pillar growing at a faster rate than online or ground.

Online revenue per student will be flat to slightly down year-over-year due to the mix shift to programs that have slightly lower net tuition rates. Revenue per student is also negatively impacted in the first half of the year by the slight decline year-over-year in ground traditional students.

On the expense side, we continue to make investments to support our university partners growth goals, but do anticipate margin expansion in 2026. As has been previously discussed, the online programs primarily that lead to licensure in which GCU is growing at an accelerated rate, either cost us more to service than the traditional online programs or at lower net tuition rates, which is putting some pressure on margins.

We also continue to absorb significant increases in technology services and benefit costs. We will also have some pressure on margins in the first six months of year as ground traditional enrollment is down year-over-year and in the third quarter, as that GCU traditional campus start and end date moves back this year. As it relates to the hybrid pillar, we will incur additional costs for the new hybrid locations that have opened in the last year or we will open in 2026 or early 2027. But we are experiencing increased site level profitability due to the increasing enrollment.

So, to summarize, at midpoint, our revenue guidance would be slightly above consensus estimates if not for the contract modification and teach-out. And we are hopeful given current registrations, that ground enrollment exceeds the midpoint. We should see slightly lower margins in the first half of 2026, but are optimistic that margins will expand in the second half, especially if revenue is in the top half of our revenue range due to the leverage in our business model and full year margins will be up year-over-year.

We are estimating that interest income will decline year-over-year in 2026 due to declining cash balances, due to more aggressive stock buybacks and a declining interest rate environment. We believe the effective tax rate for the four quarters of 2026 will be 23.4%, 24.9%, 24.9% and 24.3%, with a full year tax rate of 24.3%.

The effective tax rate continues to be impacted by higher state taxes as we continue to add sites in states outside of Arizona, which have higher state tax rates and other factors, including an estimated decrease year-over-year in the excess tax benefit deduction due to a decline in our stock price. These estimates do not assume a contribution in lieu of state income taxes, but if one is made, that will increase G&A expense in the third quarter and decrease the effective tax rate in the second half of the year.

Our weighted average shares guidance takes into account the significant amount of stock we repurchased in the last few months. We anticipate continuing to use our excess cash to repurchase shares as the Board believes the stock is materially undervalued based on the metrics it uses to evaluate this, including the ratio of enterprise value to adjusted EBITDA and free cash flow yield in comparison to other S&P 500 companies.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Please stand by while we compile the Q&A roster. One moment for our first question. Our first question will come from the line of Alex Paris from Barrington Research. Your line is open.

Alexander Paris

Analyst, Barrington Research Associates, Inc.

Q

Hi, guys. Thanks for taking my questions. First question related to fourth quarter results, revenue of \$308.1 million was above our estimate and consensus, up 5.3% year-over-year. You had talked or kind of telegraphed about some impact from the government shutdown on military tuition assistance of about \$3 million. Is that where it landed? Was that the impact, about \$3 million or is it different than that?

Daniel E. Bachus

Chief Financial Officer, Grand Canyon Education, Inc.

A

I think, it was a little bit lower than that, but that's still probably a fairly good estimate. It probably was in the \$2.5 million to \$3 million range.

Alexander Paris

Analyst, Barrington Research Associates, Inc.

Q

Got you. And then on operating income and operating margin in the fourth quarter, at the low end of the guided range, but still within the range, I just wonder what additional color you could provide there.

Daniel E. Bachus

Chief Financial Officer, Grand Canyon Education, Inc.

A

Yeah, Brian can expand on it a little bit, but we did make some significant investments primarily related to the ground campus in the fourth quarter, kind of the end of the third quarter and all of the fourth quarter.

Brian E. Mueller

Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

A

Yeah. You know, the we – if you look at what we've done to grow this ground campus from 900 students to 25,000 students, there was a heavy investment in people that work in high schools all over the country. And that's a pretty typical way that universities go about recruiting students into their – onto their college campus. We didn't spend nearly as much advertising, especially in the social media areas, as we have done from an online standpoint. We experimented in the fall in September and October spending significant amount of money and got great results.

You know, students are – they are watching our videos and they're watching our videos to completion and they're making a decision that they're interested, apart from somebody's impacting their high school and they're raising their hand. And the conversion rate of those students into registrations is up significantly over where it was at the same time last year. And so, we have – we absolutely believe that we are – that the awareness levels of the value proposition that this ground campus offers is hugely under – it's just not known to the level that it should be.

We're going to make a major investment – another investment and it won't be material in terms of its impact upon the financials, but in the growth of our Honors College. Our Honors College at the ground campus has really taken off. It's up to 3,000 students now. The average incoming GPAs are above 4.0 from a weighted perspective, which is higher than most honors colleges in the country. And so, we're forming a council where we're rebuilding a building, and we're going to make a huge effort to recruit the very best high school students throughout the country to come to our Honors College in Phoenix, Arizona.

And a lot of it, the experience they're going to have is tied to the incredible economic boom that's happening in Arizona. We're getting those students involved in internships in their sophomore year for very significant companies. Many of them are getting hired by those companies. And so, the brand of the institution and leading with the excellence of the Honors College and having everything draft behind that is something that we're working with our partners on, because we think that we are – we've got the capability of growing our ground campus from 25,000 to 50,000 students. We believe that the value is there. And so, we invested some additional dollars in January and February, and we expect that we're going to get the same return.

And so, as the hybrid campus is accelerating now both in terms of enrollment growth, revenue growth and margin expansion and profitability. We are expecting something similar to happen with the ground campus. And we think we're on to something and we'll see. But, it's a long time and we've got until August till we see the whites of their eyes in the classroom. But right now we're excited both about the quantity of registrations and the quality of those students and how many of them want to be housed. And so that was probably more than you wanted, but I hope that helps a little bit.

Alexander Paris

Analyst, Barrington Research Associates, Inc.

Q

No, it helps a lot. And I appreciate you spending a lot of time on it. So, you did talk about this on the third quarter. The experiment that you were conducting, you did forecast that you might spend more in January and February. Are you going to continue to spend more there? And then you also mentioned on the Q3 call that it is not a significant impact on the P&L, because it's really just shifting dollars from salaries of high school reps to marketing.

Brian E. Mueller

Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

A

Yeah. It's interesting, because we've got the other process that's very unique to us is what call Discover GCU. We will probably bring north of 13,000 to 14,000 very highly qualified high school graduates to GCU to visit. And so, connecting with students via social media with extremely engaging, informative videos, having them raise their hand and then getting them qualified to come and visit the campus, I think, is a process improvement that will move money from counselor salaries to this other area. And it could reinvigorate this thing from a ground campus standpoint. And you have to remember that, in terms of revenue per student ground campuses is huge because of the impact of housing and board and other fees associated with being on the campus.

And so, to answer the question about going forward, we will continue to spend, at some point the spend will transition for fall of 2026 to fall of 2027. We are projecting that marketing as a percentage of revenue will be fairly

flat year-over-year. So, although we'll continue to spend. Our hope is that – our spend is very effective and thus you will not see a significant increase in marketing costs as a percentage of revenue.

Daniel E. Bachus

Chief Financial Officer, Grand Canyon Education, Inc.

A

The interesting thing is that the January and February spend is probably still 90% students who are seniors and have not made a decision where they're going to college. Students are increasingly putting that decision off because the leverage has flipped. They know that the supply and demand is different and they can put off making that decision, because they're kind of in the driver's seat, more so than they have been in previous decades. But that's kind of playing into our favor, because January, February spend is not probably 10% for 2027 fall and still 90% for fall 2026. And so, we'll see how it plays out.

Alexander Paris

Analyst, Barrington Research Associates, Inc.

Q

Great. Thanks. And then, so what does that do to the high school enrollment counselor count, orders of magnitude, where were you and where are you now, given the...

Daniel E. Bachus

Chief Financial Officer, Grand Canyon Education, Inc.

A

We're probably down 10%. We're probably – we're down 10% from a counselor standpoint where we were the previous year.

Alexander Paris

Analyst, Barrington Research Associates, Inc.

Q

Okay. Great. That's great color on the ground campus. And it sounds like those investments are paying off in terms of higher, significantly higher applications for the fall.

Daniel E. Bachus

Chief Financial Officer, Grand Canyon Education, Inc.

A

Yeah. Go ahead.

Alexander Paris

Analyst, Barrington Research Associates, Inc.

Q

I was just going to say, are there any offsets? Do we have – are we expecting an increasing number of graduates like overall you have been experiencing?

Brian E. Mueller

Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

A

Yeah. I mean, that'll continue.

Daniel E. Bachus

Chief Financial Officer, Grand Canyon Education, Inc.

A

It'll continue as it is.

Alexander Paris

Analyst, Barrington Research Associates, Inc.

Q

Yeah.

Brian E. Mueller

Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

A

I mean, we're – we – at every graduation now for our ground campus, I ask how many of you have graduated in the last four years and the majority of the hands go up. And then I ask how many parents in the audience are happy that their students graduated in less than four years and a roar goes up in the audience. And so, we have to do a better job of making sure that people know that. The bet we're making is that we can grow to 50,000 students because of that or partially because of that. And so, we're giving up a fourth year of revenue in some circumstance – in some ways, but we think we'll make up for it in increased enrollment on the front end.

Alexander Paris

Analyst, Barrington Research Associates, Inc.

Q

Great. Thanks. And then my last question is just I thought I'd ask to get an update on corporate programs in general. I know, you have 5,500 employers that you work with, and I believe roughly a third of GCU starts come as a result of working directly with these companies and organizations. How does that work? Or what sort of color can you share with us about the process within these corporate relationships, adding new corporations, adding new – are there – is there discounting that goes on as a result?

Brian E. Mueller

Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

A

There's a – yes. There's some – there's a little bit of discounting that goes on with that. And that's why you see revenue per student from an online standpoint go down some. But that activity is not even close to reaching its pinnacle. That activity is continuing. We're signing agreements with school districts all over the country and it continues on a daily basis. Schools are really stuck with having a shortage of teachers, counselors and social workers. And there's nobody, even in some states, we are producing more teachers than their in-state institutions are producing. And so, that continues in a very robust way. But we're applying that principle to healthcare areas and to social work areas and to counseling areas.

Now we're just getting started in counseling and social work, but there's a huge shortage of those people in this country. And companies, organizations are very interested in taking their people that are operating at lower levels, putting them in programs and getting them baccalaureate and master's degrees so they can operate at higher levels. And so, the success we've had in the education and nursing area, we're now applying to counseling and to social work. We're applying it in terms of military bases in the cybersecurity area, and we are developing a really strong relationship with the Taiwanese chip manufacturing company, which is exploding here in Arizona.

They want every electrical or mechanical engineer that we can produce, but they're growing so fast that they need technicians. And we developed a program that they're ecstatic about. I was out there and went through the whole process of walking through their fab. They've got one fab up. They're building five more fabs. They've only been in operation for a year and they've already been told because of the shift to producing chips for AI that they are expected to do 2x, what they were expected to do when they started, which was just a year ago.

And so, we are working with them on a multitude of levels. The people they are setting over from Taiwan need to go back periodically to get up to speed with what's going on there and their spouses are staying here. So, we're

getting their spouses involved in education programs, so they have something to do while they're gone. But it's the technicians that we're producing that they're very excited about.

And so, yes, we are continuing to work directly with corporations all over the country. Will we move from a third of our starts to maybe 50% of our starts over the next five years? We will be moving in that direction, because it's a very, very high quality way to provide higher education that is very specifically targeted to what organizations need. And as I tell our people all the time, we're in the business of helping people grow individually, and we're in that business of helping organizations grow. And if we stay focused on doing those two things, AI is going to do nothing but enhance our potential in higher education versus people fearing that, because all of this data and information is available to people, they won't need higher education. That is just not going to happen, if you're educating in the right ways and you're doing it specific to where the jobs are going to be.

Alexander Paris

Analyst, Barrington Research Associates, Inc.



That's very, very helpful. Do you disclose what percentage of GCU total enrollment is employer related?

Daniel E. Bachus

Chief Financial Officer, Grand Canyon Education, Inc.



We don't. We don't. But as Brian said, I mean, you hit the numbers. You know, we were talking about the fact that about a third of our online enrollments come from that channel and that's growing.

Alexander Paris

Analyst, Barrington Research Associates, Inc.



Great. All right. Well, I think, I've had more than my fair share of time. I'll yield to the next question.

Brian E. Mueller

Chairman & Chief Executive Officer, Grand Canyon Education, Inc.



Thanks for your questions.

Alexander Paris

Analyst, Barrington Research Associates, Inc.



Sure thing.

Operator: Thank you. One moment for our next question. Our next question comes from the line of Jeff Silber from BMO Capital Markets. Your line is open.

Jeffrey M. Silber

Analyst, BMO Capital Markets Corp.



Thanks so much for squeezing me in. Alex really covered a lot of the operational questions. Maybe I can ask more big picture stuff. And, we get questions all the time about the regulatory environment and I know we've got some changes coming up this summer in terms of low cap loan caps and then eventually the earnings premium accountability calculation. Can you give us some color, how that may or may not impact your company?

Daniel E. Bachus

Chief Financial Officer, Grand Canyon Education, Inc.



Yeah. I mean, our expectation is it's going to have little to no impact. If you talk about loan caps, the tuition levels, the loan cap changes are primarily at the master's level and above. GCU's tuition rates are well below those loan caps. And so, would it potentially eat into some living expense money? Maybe. But I think, the total cost of attendance generally at GCU is below the loan cap. So, I think, there'll be very little impact of that. There's no change, no material changes at the bachelor's level, which is where the majority of our programs are now, including the ABSN program. That is a bachelor's program. It is not a professional program. It's never been a professional program. And so, there's no changes really from the funding perspective at the bachelor's level, or no material changes that we see.

So, I think, there'll be little to no change on that perspective. I know, Brian could talk about those, but he's a proponent of these changes. We've historically seen over borrowing, especially at the master's level, for living expenses. This – these changes help universities, help students manage their borrowing.

Brian E. Mueller

Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

A

It's so different. The difference in how the administrations' view this whole area is just because we have said for a decade, that the graduate students are different today. 50 years ago, 40 years ago, 30 years ago, students would graduate from college and they would enter a master's or graduate degree program. And sometimes they would be married, sometimes they would have children. But they were – most of them were pursuing a career in education, in the academic world, and they needed help with living expenses in order to do that. That's not the case today, most people that are pursuing master's degrees are people who are in the middle of a career. They want to enhance their capabilities in that career. They want to do it while they're raising their family and building their career. And so, they don't need living expense money. But if you're going to make it available to them, they're going to take it. And so, we had this process in place called responsible borrowing where we would before they even started the program, say, listen, if you borrow the amount that would be required for tuition, et cetera, this will be your payments.

If you borrow, if you over borrow, these will be your payments. And we were actually – we were criticized by the previous administration for doing that. And our response to that was, you're looking at this as a – as almost a safety net kind of a thing. And that's not how we view this thing. And it shouldn't be viewed that way. And so, we're – we were actually a proponent of lowering the maximum amount people can borrow, so that we would get loans paid back and we get them paid back timely. And the – you know, what the title four program once very, very profitable for this country because universities were responsible. And the amount of money they were charging, students were responsible the amount of money they were borrowing, and they were paying the loans back.

What's happened in the last six, seven years has just been unfortunate. And we just need to get this thing back on track so that it is what it was intended to be originally.

Daniel E. Bachus

Chief Financial Officer, Grand Canyon Education, Inc.

A

In terms of the second part of your question, Jeff...

Jeffrey M. Silber

Analyst, BMO Capital Markets Corp.

Q

Yeah.

Daniel E. Bachus

Chief Financial Officer, Grand Canyon Education, Inc.

A

You know, we're watching that very closely in the preliminary data that was put out. I think, you wrote a note on there was one category that failed for GCU. It's the Masters of Counseling category. Looking through the data for all other universities, it appears that category failed for most, if not all, of the universities that provide that program to working adults. So, we'll work – we're working with our partner and with the administration to try to better understand why generally people that get that master's degree, which interestingly is required for licensure, make an amount that's equal to or less than those that did not have that master's.

You need the Master's to be licensed in that area. So, it's – it seems like it's an anomaly that has to be further researched. We have some assumptions on why that could be, but we're doing some additional analysis on it. Other than that, all the programs at all of our partners passed, you know, and so we've got some time to work on that one program group and we'll continue to look at it.

Brian E. Mueller

Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

A

A lot of people get into graduate programs for lifestyle changes, and people that go into counseling many times want to hang their own shingle. They want to work two days a week instead of five or six days a week. And so, they're willing to make less money to work two days a week to build their own business. And so, they're getting out of the degree what they wanted. Not everything can be measured strictly in terms of dollars made, especially at the graduate level. And the thing that makes me frustrated with that thing is, when you're talking about graduate students, you're talking about people who have gone through a baccalaureate program. They understand higher education up one side and down the other. They're mature people. They're making a decision that's best for them in their life.

And so, kind of stay out of their way and let them do it. If I understand that for an 18-year old who's nobody in their family has ever gone to college, this is really new. This is very different. And they need help and understanding. And so, putting some boundaries around that, I understand that. But at the graduate level, it doesn't make any sense to me.

Jeffrey M. Silber

Analyst, BMO Capital Markets Corp.

Q

I really appreciate the color. Thanks so much.

Brian E. Mueller

Chairman & Chief Executive Officer, Grand Canyon Education, Inc.

A

Thank you.

Daniel E. Bachus

Chief Financial Officer, Grand Canyon Education, Inc.

We have reached the end of our fourth 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.

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

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2026 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.