

FINAL TRANSCRIPT

Thomson StreetEventsSM

BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

Event Date/Time: Mar. 02. 2010 / 4:30PM GMT



Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

CORPORATE PARTICIPANTS

Diane Salucci

Bridgepoint Education, Inc. - VP of IR and Corporate Communications

Andrew Clark

Bridgepoint Education, Inc - President and CEO

Dan Devine

Bridgepoint Education, Inc. - SVP and CFO

Jane McAuliffe

Bridgepoint Education, Inc. - SVP and Chief Academic Officer

CONFERENCE CALL PARTICIPANTS

Jeff Silber

BMO Capital Markets - Analyst

Ariel Sokol

Wedbush Morgan - Analyst

Kelly Flynn

Credit Suisse - Analyst

Brandon Dobell

William Blair & Co. - Analyst

Andrew Steinerman

JPMorgan - Analyst

Mark Skitovich

Piper Jaffray - Analyst

Trace Urdan

Signal Hill Group - Analyst

Frank McEvoy

Craig-Hallum - Analyst

PRESENTATION

Operator

Good day and welcome to the Bridgepoint Education fourth-quarter year-end earnings conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Diane Salucci, Vice President of Corporate Communications and Investor Relations. Please go ahead, ma'am.

Diane Salucci - *Bridgepoint Education, Inc. - VP of IR and Corporate Communications*

Thank you, Ann, and good morning, everyone. Bridgepoint Education's fourth-quarter and year-end earnings release was issued earlier this morning and is posted on the Company's website at BridgepointEducation.com. Representing the Company today are Andrew Clark, Chief Executive Officer; Dan Devine, Chief Financial Officer; and Dr. Jane McAuliffe, Chief Academic Officer.

Before we begin, we would like to remind you that some of the statements we make today may be considered forward-looking including statement regarding financial and related guidance. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual performance or results to differ materially. Please note that these forward-looking

Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

statements speak only as of the date of this presentation and we undertake no obligation to update these forward-looking statements in light of new information or future events except to the extent required by applicable securities laws.

Please refer to our SEC filings, including our year-end report on Form 10-K for the period ended December 31, 2009, which we plan to file later today, as well as our earnings press release posted this morning. For a more detailed description of the risk factors that make checked our results. Copies may be obtained from the SEC or by visiting the investor relations section of our website.

Also please note that certain financial measures that we may discuss on this call are expressed on a non-GAAP basis and have been adjusted as detailed in our earnings press release posted this morning. The press release contains our GAAP results and GAAP to non-GAAP reconciliations. This call is the property of Bridgepoint Education. Any distribution, transmission, broadcast, or rebroadcast of this call in any form without the express written consent of the Company is prohibited.

A replay of this call will be available from today at 2.30 p.m. Eastern time until Tuesday, March 9, 2010 at Midnight Eastern time. To access the replay, call 888-348-4629 in the United States and Canada or 719-884-8882 for international callers and enter the confirmation code 495332. The webcast will be archived on the Company's website for one year.

At this time, it is my pleasure to introduce Bridgepoint Education's CEO, Andrew Clark.

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Thank you, Diane, and welcome to Bridgepoint Education's fourth-quarter and year-end earnings call. I am pleased to report outstanding results for the fourth quarter as well as for our first year as a publicly traded company.

Today I will review our operational highlights and business initiatives, and then I will turn the call over to our CFO, Dan Devine, to review our fourth-quarter and year-end results and key operating metrics. Following his remarks, I will introduce the 2010 annual guidance and conclude with general Q&A.

As of December 31, 2009, total student enrollments increased 70.1% year-over-year to 53,688 students. For the fourth quarter ended December 31, 2009, revenue increased 90.6% to \$131.8 million compared with \$69.1 million for the same period last year. Combined new student enrollments for the fourth quarter of 2009 were approximately 10,600, an increase of 49.3% compared with new enrollments of approximately 7100 for the fourth quarter of 2008.

At the successful conclusion of our first year as a public company, I am pleased with our progress to date on a number of fronts as it positively reflected in favorable quarter-over-quarter and year-over-year comparisons across all of our key reporting metrics. In addition to our strong financial performance, I believe the following data further illustrate the strength and quality of our operations and demonstrate how we have effectively managed our business in a year of significant growth during a time of historically poor economic conditions.

Ashford University reduced its 90/10 ratio from 86.8% in 2008 to 85.5% in 2009. Year-over-year, Ashford's 2008 draft two-year cohort default rate remained flat at 13.3%. And Bridgepoint's bad debt as a percentage of year-to-date revenue decreased from 6.2% in 2008 to 5.1% in 2009.

But what I am most proud of is Bridgepoint's steadfast commitment to providing quality education to our students. While we are pleased with our growth and market position, we maintain that our success stems from the fact that our students are receiving a quality education from Ashford University and University of the Rockies. Our commitment to quality is supported by continual reinvestments in our business, which includes but is not limited to additional investments in IT, the launch of an Ashford University branding initiative, and the bolstering of the campus infrastructure of Ashford University.



Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

In addition, our 2009 acquisition of Waypoint Outcomes is providing a powerful tool in terms of improving our quality of instruction and retention, which in turn has resulted in higher quality student outcomes.

Waypoint is the creator and publisher of interactive rubrics and surveys used to develop rich data on student learning outcomes. Waypoint helps educators improve the quality and feedback they provide to their students and build a culture of continuous improvement. Bridgepoint Education uses Waypoint, as do many other universities, to help ensure the quality of our educational outcomes.

Waypoint's client list includes faculty at such prestigious institutions as Drexel University, the Wharton School of the University of Pennsylvania, Texas A&M, and Seton Hall, which praises Waypoint for helping faculty to remain consistent and for generating rich data on student performance.

Now as for the broader picture, one of the biggest challenges facing the US education system stems from its current lack of adequate capacity or growth necessary to meet the increasing demand for higher education. A recent report by the National Center for Higher Education statistics shows that the number of American postsecondary institutions grew by only 1.5% from the fall of 2005 to the fall of 2006 and that the number of degrees they awarded grew by only 3% from academic year 2004/2005 to academic year 2005/2006.

The current system will be significantly challenged in its ability to support the Obama administration's goal for the United States to have the highest proportion of college graduates in the world by 2020, which will require graduating some 60 million students in the next decade. In fact, the National Center for Education Management Systems projects that at the current pace of graduation, the US would fall short of this goal by about 13 million to 16 million graduates.

The capacity gap will continue to be exacerbated by the current economy, which requires postsecondary institutions in the United States to dramatically raise tuition prices. A recent report prepared by the public agenda for the National Center of Public Policy and Higher Education showed that while there has been a dramatic increase in the number of Americans who believe higher education is "absolutely necessary for success," it is becoming less and less available to many qualified people, primarily because of escalating costs.

We believe Bridgepoint Education can play a vital role in bridging this gap. Academic institutions like Bridgepoint's Ashford University and University of the Rockies are well positioned to advance the administration's goal of increasing the country's college graduation rate. We have deployed a highly scalable and effective model to address the millions of individuals in the United States who we are currently being underserved by traditional education.

Bridgepoint also shares the administration's desire to provide students with an affordable option to advance their education. While tuition costs at other institutions continue to spiral out of control, Ashford University is providing students with high quality degree programs at tuition rates that fall within Title IV limits. This helps ensure that our students are not burdened with excessive debt upon graduation.

In fact, an internal analysis of Ashford University's bachelor's degree graduates indicated that the average graduate incurred \$13,500 of Title IV debt while at the Institution.

I'm especially pleased with how well our steep value proposition of affordability, transferability, heritage, and acceptability continues to resonate with a diverse, historically underserved student population. Considering that a significant number of Ashford students have parents who did not attend college, we believe that the access to higher education we provide has a profound effect on the lives of our students and their family.

The vast majority of our students are working adults who are looking to improve their quality of life by coming to Ashford University and University of the Rockies to pursue their degree settings. While we have discussed our student value propositions previously, it is worth reviewing the elements on an individual basis.



Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

While many of our peers offer one or two of these elements, we are unaware of any other institution that offers all four components, giving us a competitive advantage. First, in terms of affordability, Ashford University prices its programs 20% to 50% below a majority of our publicly traded peers. And our low tuition is increasingly competitive with the average tuition rates at state and community colleges from whom we hope to continue to attract student enrollment.

Second, students are also attracted to our high level of credit transferability. According to our internal research, today Ashford University is one of only six postsecondary institutions that allow students to transfer up to 99 approved credits toward their degree program.

Approximately 73% of Ashford students transfer in credits and 49% of the students transfer more than 50 credits.

Third, the heritage component of our physical campuses in Clinton, Iowa and Colorado Springs, Colorado continue to be embraced by our students, which helps advance our solid institutional brands. In fact, hundreds of our online Ashford graduates have traveled to the campus in Iowa to experience receiving their degrees by walking across the stage in cap and gown before the friends and family who have supported their efforts.

Fourth, we offer an extremely high level of access through the combination of our 24/7 online platform, flexible [weekly start date], high transferability, and low tuition.

As we discussed previously, Bridgepoint Education is also committed to reinvesting in its institutions. To support this effort, we recently purchased 128 acres near the Ashford University campus. We are in the early stages of developing a master plan to expand the capacity of the campus to eventually support 3000 students over the next three to five years.

In addition, we recently launched an innovative program to award full scholarships to on-campus Ashford students who enter or transfer to the university with or maintain a 3.5 GPA. This program has allowed us to reward excellence in the classroom as well as to attract high academic achievers to our campus regardless of their economic status, thereby increasing access to qualified students.

We are also in the process of developing a branding initiative for Ashford University that will be rolled out throughout 2010. We plan to capitalize on our success and expand upon the growing brand presence of Ashford.

In everything we do, our commitment to providing high-quality education programs remains at the forefront of our efforts. Currently we used a number of internally administered surveys to measure the quality of student outcomes. As we have previously disclosed, our past seven student satisfaction surveys have shown that an average of 97% of our students surveyed would recommend Ashford University to others seeking a degree. And upon graduation, 24% of our bachelors degree earners have chosen to pursue an advanced degree at Ashford University.

In addition, here are just a few highlights from our recently completed 2009 Ashford University alumni survey. 88% of our alumni agree that earning their degree from Ashford gave them the confidence to pursue new job opportunities. 91% of our graduates indicated that they were satisfied or very satisfied with their Ashford experience. 92% of alumni agree that earning their Ashford degree was worth the time and commitment required to fulfill their educational goal. And out of the 95% of alumni who reported having previously attended a traditional institution, 93% feel the quality of education at Ashford is the same as or higher than a traditional college or university.

We are also pleased about the feedback we received from an internal Ashford University survey regarding salaries. Based on responses from 1600 bachelors degree graduates, salaries increased 16.7% from an average of \$38,016 at the time of enrollment to a current average salary of \$44,370. Based on responses from nearly 400 graduate degree earners, we estimate that the average salary of our alumni is currently \$59,375, which is a 23% increase over the average salary that they had been earning when they first enrolled at Ashford.



Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

Just as we have been successful in capturing qualitative data and feedback from our alumni, we continue to build out our processes for obtaining quantitative measures. While we still have two more years before we can calculate six-year graduation rates, we currently show a four-year graduation rate from the point of completion of the second course to be approximately 49% and 65% for our undergraduates and graduate school populations respectively. These graduation rates, which are comparable to national averages, also compare very favorably to those of our peers as well as to rates at public and independent colleges.

In an effort to provide additional transparency, I would like to provide you with annual retention rates for the past three years. These rates are calculated internally and are based on cohorts that cover 12-month periods and include the effects of students who complete, graduate, drop, or reenter. On this basis, retention rates for 2007, 2008, and 2009 were 62%, 63%, and 62% respectively.

Please note that our 12-month retention has remained consistent even as total enrollments at our two academic institutions have grown substantially during this time period.

Quality was also an underlying theme in discussions at the recently completed Neg Reg sessions. While we share in the DOE's desire to facilitate quality outcomes, we cannot speculate on the final outcome of the DOE's regulatory process or on the changes we will ultimately be required to make in our operations.

Similarly we cannot yet calculate the amount of debt or students transfer in with; however, we can describe the type of student who transfers to Ashford University. 85% of Ashford online alumni who recently reported attending a college or university prior to transferring to Ashford attended either a public community college or a four-year public institution.

That said, we believe the combination of our industry-leading low tuition and low average debt of graduate places us in a very favorable position to react to potential changes in the regulations.

While no changes will be required to be put in place until the new regulations are instituted at the earliest in July of 2011, we want to take a proactive approach so that we are prepared to implement any new operational processes if needed. We are in the process of developing alternatives enrollment adviser compensation models, which we plan to test with a small group of new hires as early as the second quarter of this year.

I want to make it clear that these activities are simply preplanning and not in response to the recent OIG audit of Ashford University as we firmly believe that we comply with existing regulations.

As for the draft audit report, we have informally contacted the OIG to request an update on its draft and expect to receive the draft report by the end of the second quarter.

In an effort to attract the highest quality students and to aid in managing our institution cohort default rate, we are also planning to implement some new admissions criteria in the second and third quarters of 2010.

In the second quarter, we plan to increase the minimum age requirement to 22 in our AAB program to mirror the requirements of our bachelors degree students.

In addition, all associate and bachelor's degree students in their first course will be required to attend all five weeks. We found that a large percentage of students who missed one week of attendance do not successfully complete their first course, drop out after their first course, and are more likely to not complete their second course.

During the third quarter, we will plan to introduce a two-week orientation course and an assessment test for students who have not taken an equivalent entry level college English and math course. When coupled with our 2.0 minimum GPA requirement, the changes we are making will allow us to continue to attract the most qualified students.



Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

In closing, we have been able to achieve high levels of student satisfaction and academic quality based on our highly scalable infrastructure. Our ratio-driven student success team maintained high levels of customer service as we grow. Our commitment to regulatory compliance has scale to meet the ever-increasing demand as evidenced by our 90 plus professionals focused solely on regulatory compliance.

Last as an employer of choice, we have been very successful on recruiting highly qualified faculty. Because of our scalability, we have experienced outstanding growth and maintained the rigorous quality standards we, our students, and our shareholders expect and deserve.

In 2010, our affordability, accessibility, and quality will continue to make our institutions industry-leading as we grow to meet the increasing demand for higher education. This growth will only be strengthened through our plans for reinvestment in our business.

With that, allow me to turn the call over to our CFO, Dan Devine, to review our fourth-quarter and year-end results.

Dan Devine - Bridgepoint Education, Inc. - SVP and CFO

Thank you, Andrew. Before providing an in-depth review of our fourth-quarter results, allow me to provide some key operating figures for the year ended December 31, 2009.

For the year, revenue increased 108.1% to \$454.3 million compared with \$218.3 million for the same period last year. The increase in revenue was primarily the result of a significant increase in student enrollment as well as the tuition increase implemented on April 1, 2009 and the move to a single credit hour price for all Ashford undergraduate students.

Similarly, we have experienced a favorable net income and EPS growth for the year. Net income for the year ended December 31, 2009 was \$47.1 million or \$0.74 per diluted share, compared with net income of \$26.4 million or \$0.16 per diluted share for the same period last year.

Non-GAAP net income for the year ended December 31, 2009 was \$73.5 million or \$1.26 per diluted share.

Turning to the fourth quarter of 2009, revenue was \$131.8 million compared with \$69.1 million for the same period last year, which represents an increase of 90.6%. As of December 31, 2009, total student enrollment increased 70.1% to 53,688 from 31,558 at December 31, 2008.

Of the total number of students at December 31, 2009, approximately 99% accessed their classes exclusively online.

As we have before, the fourth quarter is slightly shorter in terms of class starts than other quarters and because of the holiday, some students choose to push their start date into January. As a result, we typically experience a slight decrease in total enrollment from our third quarter to fourth quarter.

For the quarter, instructional costs and services were \$36.5 million or 27.7% of revenue, compared with \$20.8 million or 30.1% in the same period last year. In the fourth quarter as a percentage of revenue, an increase in instructional salaries was offset by the cost efficiencies in the areas of academic management, financial aid support, student services, and licensing fees commensurate with the larger student enrollment base.

Included in the instructional costs and services for the fourth quarter was bad debt expense of \$7.3 million. As a percentage of revenue, bad debt expense decreased to 5.6% from 6.7% for the same period last year primarily due to procedural changes in the processing of receivables and increased levels of our collection efforts.



Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

Marketing and promotional expenses for the fourth quarter of 2009 were \$40.5 million or 30.7% of revenue compared with \$26.5 million or 38.4% of revenue in the same period last year primarily due to the efficiencies gained from a larger student enrollment base and increased enrollment and marketing effectiveness.

General and administrative expenses for the fourth quarter of 2009 were \$20.9 million or 15.9% of revenue, compared with \$14.7 million or 21.2% of revenue for the same period last year. The decrease is largely due to the reduction in general and administrative expenses as a percentage of revenue resulting from the cost efficiencies garnered from the larger student enrollment base.

Included in our three main expense categories for the fourth quarter of this year, is approximately \$2.0 million related to stock-based compensation expense in the aggregate, compared with \$1.7 million for the fourth quarter of last year.

For the fourth quarter of 2009, operating income increased to \$33.9 million from \$7.1 million in the same period last year. On a percentage basis, our operating margin of 25.7% increased from 10.3% for the same period last year.

For the fourth quarter, net income was \$19.6 million compared with \$5.7 million for the same period last year, a 246.7% increase from the same period. Non-GAAP net income for the fourth quarter of 2009 was \$20.1 million. This reflects the \$500,000 increase in the net income effect of the settlement charge taken in the first quarter of 2009 based on the tax impact of this charge.

For the fourth quarter ended December 31, 2009, fully diluted earnings per common share or EPS increased 725% to \$0.33 from \$0.04 for the same period in 2008. Non-GAAP fully diluted earnings per common share for the fourth quarter of 2009 was \$0.34.

Fully diluted earnings per common share as calculated based on a diluted share count of 60 million shares for the fourth quarter of 2009 and 8 million shares for the comparable period of 2008.

Our effective tax rate of 42.7% for the year ended December 31, 2009 reflects the fact that the \$11.1 million shareholder settlement charge recorded in the first quarter of 2009 is only partially deductible for tax purposes. Excluding the settlement, our effective tax rate would have been 40.6 for the year.

Turning to the balance sheet, as of December 31, 2009, we had cash, cash equivalents, and marketable securities of \$170.6 million. The Company generated \$131.7 million of cash from operations for the year ended December 31, 2009 compared with \$70.7 million for the same period in 2008.

Our accounts receivable net of allowance for doubtful accounts was \$43.2 million, which represents a 30 days sales outstanding on a quarter to date basis compared with a 38 days sales outstanding at December 31, 2008.

Capital expenditures for the fourth quarter of 2009 were \$7.4 million compared with \$6.8 million for the same period last year and for the year ending December 31, 2009, they were \$24.2 million, compared with \$15.9 million for the same period last year.

Before concluding, I would like to take a moment to explain some key facts regarding cohort default rates at Ashford University. The majority of the students who have defaulted on their loans are students who left the institution after a short period of time. Because of this, the average outstanding loan balance of Ashford students who defaulted in the draft 2008 cohort year was just \$3600. As for those who have graduated from Ashford, their default rate is approximately 1.5%.

Now let me turn the call back over to Andrew for our annual guidance and closing remarks.



Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

Andrew Clark - Bridgepoint Education, Inc - President and CEO

Thank you, Dan. I will now provide our annual guidance for 2010 for the year ending December 31, 2010. Total student enrollment is expected to be between 59,000 and 71,000. Revenue is expected to be between \$688.2 million and 691.02 million. Net income is expected to be between \$114.5 million and \$115.5 million.

Fully diluted earnings per common share is expected to be between \$1.86 and \$1.88 based on an estimated fully diluted weighted average share count of \$61.4 million for the year ending December 31, 2010. Bad debt as a percentage of revenues for 2010 is expected to be 5.1%. Capital expenditures for 2010 are expected to be between 7% and 8% of revenue. The Company's effective tax rate for 2010 is estimated to be 40.6%.

The fully diluted earnings per common share guidance includes an estimated \$8 million in ongoing stock-based compensation charges. This guidance assumes the impact of our 2010 tuition increase of 5% effective April 1, 2010.

Additionally, to aid you in the preparation of your models, there are four more days of revenue in the first quarter this year versus 2009, and those four days come out of the fourth quarter versus 2009.

Before we begin our Q&A session, let me assure you that the entire management team at Bridgepoint Education is committed to being best in class with business performance and in educational outcomes. And we deeply embrace the opportunity to enrich the communities in which we live and work.

We want to make a difference in the world while we make a difference for our investors, for our employees, and most of all, for our students.

At this time, I will ask that the operator open the phone lines for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Jeff Silber.

Jeff Silber - BMO Capital Markets - Analyst

Thank you so much. I just wanted to get a little bit further color on the guidance in terms of what kind of starts, growth and retention you're looking for that underline those estimates.

Andrew Clark - Bridgepoint Education, Inc - President and CEO

Well, historically, we're looking at retention here that would be what we indicated earlier in terms of what we have seen over the past three years from a retention standpoint.

From a start standpoint, our enrollment -- our new enrollment growth would be around 29% to 33%.



Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

Jeff Silber - BMO Capital Markets - Analyst

Great. Now in looking at the implied guidance, it looks like operating margins might be somewhat flat. You mentioned some of the initiatives that you are going to be introducing this year. Are there any specific line items that are going to be impacted more than others because of that?

Andrew Clark - Bridgepoint Education, Inc - President and CEO

Well, I think, Jeff, really the area where I think kind of giving it the most focus would be in sales and promotion because of both the Ashford University granting initiative, which I mentioned earlier, as well as our testing of enrollment compensation, new enrollment compensation for both in that particular line item. So in terms of the operating margin, I think Dan can give you a little bit of color there.

Dan Devine - Bridgepoint Education, Inc. - SVP and CFO

Yes, Jeff. At a high level, we expect that gross margin will remain relatively flat. We are also anticipating, as Andrew discussed, additional investment in our sales and marketing line. So we are also projecting that to be relatively flat for the year at this point. And the uptick, which is -- it is about 100 basis points on operating margin and a little more on EBITDA; we have a little more depreciation next year which offsets that difference. Most of the uptick comes out of our G&A.

Jeff Silber - BMO Capital Markets - Analyst

Okay, great. I'll jump back in the queue. Thanks so much.

Operator

We will take our next question.

Ariel Sokol - Wedbush Morgan - Analyst

Thank you very much. By the way, thank you for all the data and the commitment to transparency.

I was hoping if you guys could speak a little bit to the alternative enrollment counselor compensation models that you described, and to what extent potentially do they differ from your existing practices?

Andrew Clark - Bridgepoint Education, Inc - President and CEO

Yes, I appreciate your question, Ariel. As you know, it's been our practice historically not to give the details of our enrollment compensation plan. And I don't want to break with tradition. However, we are in the midst of drawing up those plans. I really do -- even if I did break with tradition, I don't have detail that I could provide you right now other than to directionally say that obviously they would be different than what we have implemented in the past.

Ariel Sokol - Wedbush Morgan - Analyst

Okay, then can you just provide a little bit more color regarding the two-week orientation course and assessments? And maybe provide the following information. One, is it fair to say it's free? And two, what sort of improvements do you expect there to be by doing this?

Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

Andrew Clark - Bridgepoint Education, Inc - President and CEO

Yes, you know what? I'm going to let Dr. McAuliffe address that.

Jane McAuliffe - Bridgepoint Education, Inc. - SVP and Chief Academic Officer

Hi, Ariel. Thanks for your questions. The orientation course that we're developing right now, we do intend to offer that free of charge. The orientation will focus on helping our new students really navigate I think the online learning environment so making them more comfortable with what they are about to embark upon. We will introduce them to the learning resources that are available to them throughout their program, focus them with learning sort of the time management skills that we all need as we start our college work.

We will provide an analysis of their English and math skills through an exam that we are looking at several exams at this time and then really just setting the stage for learning that is going to occur in their program.

So we are hoping I think the outcome of this will help our students build some confidence and really set them up for success as they move forward.

Ariel Sokol - Wedbush Morgan - Analyst

What percentage of the students would be impacted by this new program?

Andrew Clark - Bridgepoint Education, Inc - President and CEO

You know what, it is hard to say, Ariel. We haven't -- we don't have data that is in front of us that we've looked at that would tell us how many of our students for example had not taken a college English or math course previously and would therefore need the orientation and the assessment tests. So I can't give you any answer right now.

Ariel Sokol - Wedbush Morgan - Analyst

I guess then the last question as it relates to the full-year guidance, is there a possibility that it could impact the seasonality of enrollments or revenue that you are aware of as far as that baked into guidance?

Andrew Clark - Bridgepoint Education, Inc - President and CEO

Are you referring to the change in --? What are you referring to, the change in (multiple speakers)?

Ariel Sokol - Wedbush Morgan - Analyst

No, no, I'm referring to the orientation program, to the extent that it's implemented, will there be a change to the typical seasonality that the Company has seen? Just obviously it would be great for investors not to be caught by surprise in any given quarter.

Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Yes, no, now that we understand your questions better, no, it would not impact in our view any of the seasonality that we experienced in terms of new enrollment.

Ariel Sokol - *Wedbush Morgan - Analyst*

Okay, great. Thanks very much for your time.

Operator

We'll take our next question.

Kelly Flynn - *Credit Suisse - Analyst*

Hi. This is Kelly Flynn from Credit Suisse. A couple of questions also related to the changes that you mentioned you are making. I think you called it to your admission standards. I'm not sure if I'm using the right word there -- but you mentioned the increase in age to 22 for the associates. What was the prior standard?

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Prior to that, they could be 18 years old or older.

Kelly Flynn - *Credit Suisse - Analyst*

Okay, then the second one you mentioned was requiring students to attend all five weeks. Same question, what was the standard before? And then if you could just kind of go over how that's going to work, specifically what happens if someone attends four weeks? Do they get kicked out or how does it work?

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Yes, so previously, Kelly, they were allowed to miss one week out of the five weeks. And so this new admissions policy will require them to go all five weeks. And if somebody were to miss the fourth week, they would be administratively withdrawn and have an opportunity to reenroll back into that course.

Kelly Flynn - *Credit Suisse - Analyst*

Okay, makes sense. Then back to the orientation program that you were just talking about, I know you mentioned it doesn't impact seasonality in your view. But what about the new student targets? Did you -- are those lower than they would have otherwise been to reflect how that program might implement -- or might impact that number?

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

No, I would say our new enrollment growth is not lower by any means because of this program.



Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

Kelly Flynn - *Credit Suisse - Analyst*

Okay. So actually on that -- you said it's a free program, but will those students be counted as new students and as enrolled students in your overall enrollment metrics?

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

No, we wouldn't count them, Kelly, until they enrolled into their first course and completed the orientation.

Kelly Flynn - *Credit Suisse - Analyst*

Okay, that makes sense. And then just switching gears for my last question, on the 90/10 ratio, which I know you said decreased year-over-year, can you explain the mechanics there, and kind of what drove the decrease? And specifically speak to military as well as the \$2000 Stafford increase and the fact that it's part of the 10%, if you will? Did that have an impact or were there other factors at play there?

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Sure, well I will talk a little bit to that and then I will turn it over to Dan. Obviously we were very pleased to see our 90/10 move down on a year-over-year basis. And exactly to your question, we saw in particular nice gains in the military and in the military tuition reimbursement that comes from the military offset and helped us be favorable in terms of that 90/10 ratio.

Corporate is making good gains as well, but I would say didn't contribute as much to that as the military contributed. But the military definitely lead. And Dan, do you want to add to that?

Dan Devine - *Bridgepoint Education, Inc. - SVP and CFO*

Yes, just to be clear, the additional \$2000 whereas an institution has the ability to count that towards the 10 versus the 90, these numbers do not -- last year's number and this year's number, we did not take that calculation into account. So these are as presented back in the same way you would have presented them in the 2007 and prior and 2012 and beyond. So there's no \$2000 factored into either last year's number or this year's number.

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Yes, and this is basically, Kelly, the most conservative approach to factoring in and calculating your 90/10.

Kelly Flynn - *Credit Suisse - Analyst*

Okay, great. Thanks so much. I appreciate all your answers.

Operator

(Operator Instructions) We will take our next question.

Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

Brandon Dobell - *William Blair & Co. - Analyst*

A couple of quick ones for you. As you think about the impact of the orientation program and let's call it some more selectivity upfront, how does that -- or how could it impact bad debt in 2010? I know you guys gave some guidance on that number but have you modeled some kind of impact or what that could be for you?

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Well, you know, directionally I think that it could positively impact bad debt as we look at some of the students that would be affected by the change in our admissions policy. It should positively impact bad debt and even potentially over the longer-term positively impact our CDR.

Brandon Dobell - *William Blair & Co. - Analyst*

Good. Making sure I got that squared away. Any color on how we should think about enrollment count or headcount or your assumptions around kind of productivity metrics for 2010? Should we expect another decent uptick in the number of people or is that going to slow down pretty dramatically?

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Our enrollment adviser headcount is effectively close to what we did in 2009, so it's 390 enrollment advisors over 2010.

Brandon Dobell - *William Blair & Co. - Analyst*

Okay.

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

In terms of productivity, our assumptions are to make productivity that would be in keeping with what it's been historically and we usually approach that fairly conservatively just I think especially here in 2010, we approached it conservatively given the fact that we are going to test out the new enrollment compensation plans here.

Brandon Dobell - *William Blair & Co. - Analyst*

Then finally, any color on the mix of programs and degree levels as you finished out the year and any sense of where if you have any kind of targets for let's call it the next year or next two to three years, where would you like to see the business in terms of mix of different types of program (inaudible)? Thanks.

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Yes, in terms of new programs, we have 20 new programs that we are planning to roll out in 2010 and most of those degree programs are undergraduate degree programs and then a couple of associates degree programs.

I can tell you directionally over the next two to three years that we would like to see us increase the number of graduate degree programs and all of our verticals that we are in as well as the number of doctoral degree programs.

Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

Brandon Dobell - *William Blair & Co. - Analyst*

Okay, fair enough. Thanks, guys.

Operator

We'll take our next question.

Andrew Steiner - *JPMorgan - Analyst*

It's Andrew Steiner, JPMorgan. Great job on the results. My question is about the draft '08 CDRs. You are showing a healthy sign that they are stable with '07 levels especially given the economy.

My question is do you know what's percentage of '08 CDR payers are now online students? And with that in mind, do you feel like '08 CDRs might be a peak for two year CDRs for Ashford given that we are heading into an improving economy?

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Yes, thanks, Andrew. Thanks for your questions. I think to begin with, we were very pleased to see our draft CDR be flat over 2007, especially in light of what we viewed as probably the most difficult economic year. To your question about it being the peak, I think we're certainly hopeful and view because of the economy that it quite possibly could have been the peak for us. And we are hopeful as we continue to focus on that very important area and metric that it is managed downward in future years.

I think about approximately 90% of those folks in that CDR rate, of those students are online students.

Andrew Steiner - *JPMorgan - Analyst*

Okay, that makes total sense. Thank you.

Operator

We will take our next question.

Mark Skitovich - *Piper Jaffray - Analyst*

It's Mark Skitovich with Piper Jaffray. I appreciated the color on the operating expenses on an annual basis. But I was just hoping you could provide a little more granularity on when some of the incremental spend as it relates to branding on Ashford hits the P&L? And then talk a little bit more about the compensation testing that you are going to be doing and how that might impact results on quarterly basis.

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Yes, sure. Well, in terms of the branding, we are in the RFP process currently. So I think the way to look at it over the year is that there will be some expense in the second quarter but the majority of that expense in the full year will occur in the third and the fourth quarter of 2010.

Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

In terms of our enrollment compensation testing, you know, as I indicated we are going to start that testing in the second quarter and we will see how that testing goes and review it and watch it closely as we go through our third and fourth quarter.

I don't really have -- I don't think kind of much more color I can give you one it since we are still on this -- in the process of developing those plans.

Mark Skitovich - Piper Jaffray - Analyst

Okay, that's helpful. And then just one final question. Can you give some color on the concentration of enrollments at each level below 22?

Andrew Clark - Bridgepoint Education, Inc - President and CEO

You know what? I don't think I have any numbers in front of me in terms of the concentration of enrollments under 22. I don't have data. Dan, do you have anything on that?

Dan Devine - Bridgepoint Education, Inc. - SVP and CFO

I don't but, but it is -- the 18 to 22 population is all AA. It doesn't affect the bachelor population. So that's always been above 22. So I don't have that figure in front of me though.

Mark Skitovich - Piper Jaffray - Analyst

Fair enough. Thanks very much, guys.

Operator

We will take our next question.

Trace Urdan - Signal Hill Group - Analyst

Trace Urdan, Signal Hill. I wanted to go back to a question that Kelly asked I think, and that is you've instituted a number of I think new measures including the two-week orientation class, the requirement for kind of perfect attendance in the first class. I think you also suggested that you were going to do some increased testing of sort of remedial skills for inbound students.

My question is, do you not think that any one of these or the combination of these efforts is going to impact your conversion rates for students? Won't these measures effectively screen out some of the students that may have been unsuccessful in the school otherwise?

Andrew Clark - Bridgepoint Education, Inc - President and CEO

I think, Trace, based upon the data that we have looked at internally, all of these measures are going to help our institution to attract a more qualified student. And so they will also help the students but do start with us. These are behaviors so to speak in terms of attendance for example that help students become effectively more successful.

Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

Certainly the orientation program that we haven't instituted but we will test in the third quarter is something that is designed to help students again be more successful. So I think it's going to definitely help in terms of retention and I think it can help in terms of bad debt. And I hope it's going to help in terms of overall quality of the students that attend Ashford.

Trace Urdan - *Signal Hill Group - Analyst*

Okay, so basically these things will maybe help some -- help you enroll some students versus other students. Is that a fair statement?

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Well, yes. It's a fair statement to the extent that certainly some students who can't be successful in the orientation who can't make the commitment from an attendance perspective or who can't pass our English and math testing, they would not be allowed to enroll into a course and pursue their degree with us.

Trace Urdan - *Signal Hill Group - Analyst*

Okay, I guess I just want to hear from you guys that you have anticipated that and you are not going to then be surprised that you are not counting on this not impacting the conversions in some way that you are anticipating this in your forecasting?

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Yes, just to be clear, Trace, our guidance contemplates everything that I described in the beginning of the call in terms of our admissions policy, in terms of our testing of enrollment compensation plans, so we have definitely considered that.

Trace Urdan - *Signal Hill Group - Analyst*

Great, then just one other question. You mentioned that you had I think asked the OIG about the status of the draft report, and then I think you said then you expected to hear by the end of the second quarter. Is that -- because that's what they told you or --? I just want to clarify that.

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Yes, you know, there's not -- I wish I could give you a lot of more detail on this than I am able to. But it was an informal conversation where we called the OIG and they indicated that we should receive it by the end of the second quarter.

So we are telling you that because that's based upon that informal conversation we had with them.

Trace Urdan - *Signal Hill Group - Analyst*

Okay, that's great. Thank you.

Operator

We have time for one more question.

Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

Frank McEvoy - *Craig-Hallum - Analyst*

Thanks, this is Frank McEvoy, Craig-Hallum. Great execution.

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Thanks, Frank, and welcome. It's good to have you covering us.

Frank McEvoy - *Craig-Hallum - Analyst*

Thank you very much. I just wanted to get a little more clarity on the military. Can you give us what percent of enrollment it was at the end of the year? Have there been any material changes to the program since last conference call?

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

You know, I'm going to let Dan take this one.

Dan Devine - *Bridgepoint Education, Inc. - SVP and CFO*

Frank, I think at the end of the year, the population of military students was approximately -- I think it was 17.1% and I think that's outlined in our K that is going to go out later today.

There has not been any significant changes in the program. I think that was the second part of your question. You know our value proposition continues to be well received amongst the military and we continue to garner military students.

Frank McEvoy - *Craig-Hallum - Analyst*

Okay, very good. Then on the capital expenditures, a little bit higher, about 200 basis points higher than in 2009, that's what the guidance says. You'd mentioned some areas. Are some of these -- should I think of them as sort of a 2010 event and not so much that it's going to stay at a 7% of 8% level in 2011 and beyond or how do I want to look at that?

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Yes, thanks for that question. It's a good question, Frank. The reason that our capital expenditures is a 7% to 8% is because of our overall view of branding. And I mentioned certainly the branding initiative from an advertising perspective. But a significant part of our value proposition is the heritage of our institutions and we are going to continue to emphasize that heritage through a long-term master plan that allows us to more robustly build out the Iowa campus. So that capital expenditure contemplates some of those investments starting to occur in the third and fourth quarters especially of 2010.

In terms of beyond 2010, we are not giving any guidance in that regard, but, you know, directionally I can tell you that this is not just a one-year commitment to the Iowa campus. It is -- as we indicated, we have a three- to five-year commitment here to be able to support around 3000 or more students out at that campus.

Frank McEvoy - *Craig-Hallum - Analyst*

Right, very good. Thank you very much.



Mar. 02. 2010 / 4:30PM, BPI - Q4 2009 Bridgepoint Education Inc. Earnings Conference Call

Operator

This concludes today's question-and-answer session. I would like to turn the call back to Andrew Clark for any additional or closing remarks.

Andrew Clark - *Bridgepoint Education, Inc - President and CEO*

Yes, well I just want to thank everybody for joining our call this morning and I look forward to speaking with you all throughout the day and at our next earnings call.

Thank you very much.

Operator

This concludes today's conference. We thank you for your participation.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2010, Thomson Reuters. All Rights Reserved.