

# FINAL TRANSCRIPT

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**BPI - Q1 2010 Bridgepoint Education Inc. Earnings Conference Call**

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*Bridgepoint Education, Inc. - CEO, Founder and President*

**Dan Devine**

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## CONFERENCE CALL PARTICIPANTS

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*William Blair - Analyst*

**Ariel Sokol**

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## PRESENTATION

**Operator**

Good day and welcome to the Bridgepoint Education first quarter 2010 earnings results conference call. Today's conference is being recorded. At this time I'd like to turn the conference over to Rob Wernli, Vice President, Senior Corporate Attorney.

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**Rob Wernli** - *Bridgepoint Education, Inc. - VP and Senior Corporate Attorney*

Good morning everyone. Bridgepoint Education's first-quarter 2010 earnings release was issued earlier today and is posted on the company's website at [BridgeportEducation.com](http://BridgeportEducation.com). Representing the company today our Andrew Clark, Chief Executive Officer; and Dan Devine, Chief Financial Officer.

Before we begin we would like to remind you that some of the statements we make today may be considered forward-looking, including statements regarding our future operating results and financial performance. 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 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.

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Please refer to our SEC filings, including our quarterly report on Form 10-Q for the period ended March 31, 2010, which we filed this morning, as well as our earnings press release posted this morning for a more detailed description of the risk factors that may affect our results. Copies may be obtained from the SEC or by visiting the investor relations section of our website.

This call is the property of Bridgepoint Education. Any distribution, transmission, broadcast or rebroadcast of this call in any form without the expressed 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 May 10, 2010 and at 12 o'clock a.m. Eastern Time. To access the replay, call 888-203-1112 in the United States and Canada, or 719-457-0820 for international calls and enter confirmation code 5674202. 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.

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

Thank you Rob, and welcome to Bridgepoint Education's first-quarter earnings call.

Today I'll review our first-quarter results, operational highlights, and progress on key business initiatives before I turn the call over to our Chief Financial Officer, Dan Devine, who will review our financial results and key operating metrics in greater depth. Following Dan's remarks I'll update our 2010 full-year guidance. I'll conclude with general Q&A.

Bridgepoint Education has built a business model for higher education that provides affordable, [successful], and high-quality education, both online and on our traditional campuses. As of March 31, 2010, 65,788 students were working towards associate, bachelors and graduate degrees through our two academic institutions, Ashford University and University of the Rockies.

Rigorous curricula, highly credentialed faculties, and our innovative use of technology solidly position Bridgepoint as a quality leader in offering academic degrees to working adults. Successful student learning and operational efficiencies drive our ability to grow profitably and are clearly evident in our first-quarter performance.

Bridgepoint produced strong operating results in the first quarter, with total student enrollment and revenue growing 56.5% and 85.2%, respectively, over the same period last year.

More specifically, as of March 31, total student enrollment increased to 65,788 students, up from 42,025 students in the same period last year.

Combined new student enrollments at Bridgepoint's academic institutions in the first quarter increased by 44.6% over the first-quarter of 2009, or approximately 24,300 students.

Bridgepoint's revenue for the first quarter increased to \$156.1 million from \$84.3 million in the first quarter of 2009.

We continue to benefit from the significant, broader market trends as students migrate to high quality online instruction to earn their post-secondary degrees.

Now let me turn to updates on key initiatives introduced during our March call.

As many of you already know, in the second quarter we have implemented new admissions policies that raise the minimum age to 22 for all online students at Ashford University. Previously the minimum age for associate degree candidates was 18. By focusing our admissions efforts on more mature students, we expect to attract students with a greater commitment to completing



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their degrees. Based on our historic enrollments, the increase in minimum age is not expected to materially impact the growth of new enrollments.

What has not changed academically is our long-standing commitment to providing each new student with his or her personal support team made up of an enrollment advisor, an academic advisor, and a financial advisor. Each new student receives ongoing counsel and assistance from his or her support team, from the first course right through graduation from Ashford University or University of the Rockies.

We feel that a student's willingness to devote the time and energy is imperative for them to succeed. To emphasize the importance of commitment to our students, we will require 100% attendance in the students' first five-week course. This initiative will also be implemented during the second quarter.

As referenced on the cover of our 2009 annual report, we believe in removing barriers to earning a college degree by making a quality higher education affordable and accessible. Investing in our learning platforms to drive high-quality educational results and positive student outcomes is fundamental to Bridgepoint Education's academic institutions. And innovation has always been at the heart of those investments, since our faculty and content experts first began designing course materials that enhance adult learning online.

We are very excited about the launch of [Constellation]. It's a new, innovative suite of highly engaging web-based course materials that includes both text and multimedia aspects. Constellation's content and our proprietary browser were developed in cooperation with subject matter experts from across the country and our own faculty and are owned 100% by Bridgepoint. This new suite of products reinforces Ashford University's commitment to affordability, quality, and acceptability for its students.

A cornerstone of Constellation is student affordability. Owned by Bridgepoint Education, Constellation materials replace third-party textbooks, which have typically cost online students approximately \$150 per course. With Constellation, the cost is cut in half to \$75.

Initially Constellation encompasses 10 general education courses and ultimately will include core courses in various degree programs.

Constellation increases our commitment to a comprehensive and quality education and will be available to new students who enroll in Ashford University online programs. All materials are written with Ashford University students in mind and are aligned with the University's learning outcomes. They provide a more tailored and comprehensive education experience for our students.

Additionally, Constellation presents opportunities for tighter integration with our assessment tools such as Waypoint Outcomes and will positively impact both student learning and student satisfaction.

Innovation and increased accessibility are core components to our value proposition. Constellation materials are displayed in a proprietary, browser based reader. The innovation Constellation reader is included with course material and gives students an interactive, web-based experience. It enables students to search, download multiple versions of the materials like PDF's and EPUP's and creates highlights, notes, and bookmarks.

While full functionality is best enjoyed with the Constellation reader, students may also engage with the material on a variety of devices including web-enabled cell phones like the BlackBerry and iPhone, as well as devices such as the Kindle and the new iPad.

Further, students are free to use their course materials in any way that works best for them. They can enjoy a full audio version of the material, download material to various devices, print them without restriction, keep them for future reference, or share the materials with colleagues.



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In summary, during the first quarter we continued to strengthen our robust, four-pillar student value proposition -- affordability, access, transferability and heritage. As we move forward and Constellation expands to increasing numbers of students, we are continuing to demonstrate that innovation brings our students the very best educational value in the postsecondary sector.

Before I turn the call over to Dan, I also want to briefly update you on our pending OIG draft audit report. I indicated on the last call that we expected to receive the report by the end of the second quarter. We are now in the middle of the quarter, so I would expect to receive the report at any time. We will update you following receipt of the report.

Now Dan will provide more detail on our first-quarter results.

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

Thanks for all -- to all of you for listening today. I'm pleased to tell you more about the results in the first quarter, during which we achieved strong revenue growth based on solid enrollment growth.

Our quarterly results were fully in line with our internal expectations and were assumed in the full year 2010 guidance that we provided during our 2009 year-end call.

As you model our performance for the remainder of the year, let me emphasize a key trend to keep in mind. Over the past few years our fourth quarter enrollment and revenue growth has consistently slowed in comparison to the preceding third quarter. This seasonality reflects the impact of both the holiday break and fewer new enrollments in the fourth quarter.

Seasonality will be more evident in the fourth quarter of this year compared to prior years. In 2010 we expect this seasonal factor to impact fourth-quarter revenue with an expected sequential decline of between 4% and 5%.

While it is our practice to provide only full-year guidance, we feel it's important to note that our internal expectations for revenue and EPS for the second quarter of this year are in line with current Thomson Reuters first-call estimates, while the fourth quarter 2010 revenue and earnings-per-share will be impacted by this seasonality.

Now let me turn over to first-quarter results.

Specifically, first-quarter revenue increased 85.2% to \$156.1 million, compared with \$84.3 million for the same period last year. The increase in revenue was primarily a result of a solid increase in student enrollments.

As of March 31, 2010, total student enrollment increased 56.5% to 65,788 from 42,025 students at March 31, 2009.

Of the total number of students at the end of the first quarter, approximately 99% accessed their classes exclusively online.

For the first quarter, instructional costs and services were \$39.4 million or 25.3% of revenue, compared with \$22.1 million or 26.3% in the first quarter of 2009.

Included in our instructional costs and services figure is bad debt expense of \$7.9 million, which equates to 5.1% of revenue, a decrease from 5.4% for the same period in 2009.

We are pleased with this 30 basis point year-over-year decline in bad debt percentage, and we are continuing to focus significant effort on improving this operating metric.

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Marketing and promotional expenses for the first quarter were \$44.2 million or 28.3% of revenue, compared with \$29.1 million or 34.5% of revenue in the same period last year, mainly due to continued efficiencies gained from a larger student enrollment base, continued improvement and refinement in our targeted lead purchasing, and a more mature enrollment workforce.

General and administrative expenses for the first quarter were \$22.3 million or 14.3% of revenue, compared with \$25.9 million or 30.7% of revenue for the first quarter of 2009.

Included in the first quarter of 2009 was a charge of \$11.1 million for the settlement of a stockholder claim.

Included in Bridgepoint's first-quarter expenses is approximately \$2.0 million related to stock-based compensation expense in the aggregate, compared with \$19,000 for the same period last year.

Operating income for the first quarter increased to \$50.1 million, resulting in a 32.1% operating margin. This compares with 8.5% operating margin for the first quarter of 2009, which included the \$11.1 million settlement charge.

Net income for the first quarter was \$29.8 million, compared with \$3.9 million for the first quarter of 2009. Net income for the prior-year period included the net income effect of the \$11.1 million settlement charge.

Fully diluted earnings per common share, or EPS, was \$0.49, compared with fully diluted EPS of \$0.03 for the same period in 2009.

Fully diluted earnings per common share was calculated based on the diluted share count of 60.5 million shares in the first quarter of 2010 and 8.1 million shares for the comparable period in 2009.

The company's effective tax rate for the first quarter of 2010 was 40.7%.

Now let's turn to some key components of our cash flow and balance sheet.

As of March 31, 2010 we had cash, cash equivalents, and marketable securities of \$222 million.

The company generated \$54.6 million of cash from operations for the period ended March 31, 2010, compared with \$32.3 million for the same period in 2009.

On March 31, 2010, our accounts receivable, net of allowance for doubtful accounts, was \$59.5 million, which represents 34 days sales outstanding on a quarter to date basis, compared with 41 days sales outstanding at March 31, 2009.

Capital expenditures for the first quarter were \$3.6 million, compared with \$7.2 million for the same period last year.

Capital expenditures in the quarter were mainly attributable to investments in the completion of a San Diego facility we opened in 2009 and computers and equipment to support new employees that joined us in the first quarter.

Now let me turn the call back over to Andrew.

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

Turning to our outlook for 2010, we continue to build on the solid momentum of the first quarter. We expect both strong demand throughout 2010 for our higher education programs and significant leverage in our operating model to result in solid operating income and operating margins.



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As Dan indicated, we do expect to see a more pronounced impact of seasonality in the fourth quarter of 2010 compared to other years due to the effect of holiday break and fewer new enrollments compared to the third quarter of this year.

As Dan also pointed out, this seasonality will have an effect on the fourth quarter's revenue and earnings-per-share.

With respect to our 2010 guidance, the company expects strong growth in both our revenue and earnings, including the following.

Total student enrollment between [69,000] and 71,000 students, revenue of \$688.2 million to \$691.2 million, an increase of approximately 52% from the prior year, net income of \$114.5 million to \$115.5 million, fully diluted earnings per common share between \$1.86 and \$1.88, based on an estimated fully diluted weighted average share count of 61.1 million for the year ending December 31, 2010, bad debt as a percentage of revenues of 5.1%, capital expenditures at 7% of revenue, and an effective tax rate from 40.8%.

Now we would be happy to take your questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions). Ariel Sokol.

I'm sorry, that would be Brandon Dobell.

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### Brandon Dobell - William Blair - Analyst

I just want to follow up on the guidance and seasonality question for a second. If you look at last year's EPS trends, Q4 versus Q3, and then if you're trying to put it in a context of how to think about the impact of the seasonality this year, should the expense base change all that much from how it looked last year to what it's going to look like in those two quarters this year? Or with the change in revenue that you're expecting with seasonality, should there be a material difference in terms of how the expenses look to us?

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

If you look at last year, the fourth quarter, from a sequential quarter point of view, enrollments dipped 1.1% but revenue was still positive 3.5%. So you saw pretty much -- not a large effect on the EPS side.

This year what we anticipate is that our enrollments will drop sequentially, as -- because of the lower activity in the fourth quarter as well as the revenue will be impacted by the lower activity of new starts as well as the break week. But the expense base does not change dramatically. It's -- within that quarter you kind of have a fixed expense level. It's not a highly variable model within the quarter. So all the impact is driven by the change in revenue.

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### Brandon Dobell - William Blair - Analyst

That make sense. Then thanks for the information on Constellation. As we think about the potential impact I guess in the back half of the year in terms of revenue or expenses, should it make a difference for you guys? Or is it just replacing pass-through



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revenue that you were already working with the publishers on? I'm just trying to make sure we understand how that impact would flow through to what we would see from your reports.

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

Sure. In 2010 we don't expect a dramatic impact. The first two courses that we are rolling out are the initial courses that our students enter. We traditionally give book vouchers for those students, so therefore there was no -- it's kind of revenue neutral. We'll still give the first Constellation to the student free of charge.

As we go throughout the rest of the year, we'll roll out the other initial eight courses. So the revenue upside from this will be -- will begin to be evident in 2011. There's not a tremendous amount of expense. We've been expensing it as we've been going forward on the development of these projects. And it's not a material amount of money.

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**Brandon Dobell** - William Blair - Analyst

Great, thanks, I'll pass it along.

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**Operator**

Ariel Sokol.

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**Ariel Sokol** - Wedbush Securities - Analyst

Congratulations on the quarter. So a couple of questions. First, regarding investments that you are making in the business, which you outlined in Q4, were any of those investments delayed at all in Q1 that might be undertaken in Q's 2 through 4?

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

No. Most of the investments that we've talked about were actually beginning in the second quarter of the year and actually kind of mostly being realized in the back half of the year, in the third and fourth quarters of the year.

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**Ariel Sokol** - Wedbush Securities - Analyst

Perfect. The next question, regarding the year-over-year growth rate in revenue per enrollment, it's accelerated from Q4 to Q1. Does that -- I know you guys had that benefit in the prior year from the change in pricing. But did it also benefit from a change in the mix of students?

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

Our mix of students did not substantially change in Q1. The mix is about the same.

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**Ariel Sokol** - Wedbush Securities - Analyst

So exactly why did the revenue per enrollment accelerate -- or the growth rate accelerate? Or is it just a function of a kind of fast-growing company?

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

Are you referring to the sequential quarter or the year-over-year?

**Ariel Sokol** - Wedbush Securities - Analyst

The sequential.

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

Sequential -- there is a fair amount of fee recognition because of the high enrollments that are achieved in the first quarter that relate to kind of the [initial] technology fee. So that accelerates it slightly.

**Ariel Sokol** - Wedbush Securities - Analyst

And then last question regarding the persistence rates, declined on a year-over-year basis, been declining for the past couple of quarters. When do you think it might stabilize?

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

Well, as I shared with you on last quarter's call, we've had very consistent retention rates going back on 2007, 2008 and 2009, the various -- the full years I think were 62%, 63%, [52]%. And I would view 2010 to be consistent with past years.

This quarter internally is in line with what our expectations are, and we'll -- from a stability standpoint I think we've been pretty stable the last three years, as evidenced by those other numbers, and I expect it to remain the same this year.

**Ariel Sokol** - Wedbush Securities - Analyst

Thank you.

**Operator**

Alex Paris.

**Alex Paris** - Barrington Research - Analyst

Congratulations. Just to follow up on your -- the changes you've made to enrollment requirements, like increasing the minimum age. Are you able to quantify the impact that you've seen so far on that change and what impact you might see going forward?

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

Not yet. This is an initiative that just began on the 1st of April, so it's not -- we don't have a first quarter history to look back on. But with that said, the way we've reported out new enrollments in the past, and continue to do so, is that we report out students have completed their first course, all five weeks. So what we've found in our history was that most of the students that were in the AA program under the age of 22 did not make it through the first course, through all five weeks, therefore they were never

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really reflected in our new enrollment numbers in the past. So that's why I made the comment that I did earlier in the call, that we don't think there will be any reflection in terms of our new enrollment growth by this initiative.

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**Alex Paris** - *Barrington Research - Analyst*

Okay. Are there any changes to minimum age? And what is the minimum age for the longer-term programs like bachelors and above?

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

Well, it's always been 22 years of age for bachelors and above, and so we're just bringing the associate degree program in line there with all the others.

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**Alex Paris** - *Barrington Research - Analyst*

Great. Thanks very much.

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**Operator**

Andrew Steinerman.

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**Andrew Steinerman** - *JPMorgan - Analyst*

I can see the bad debt improvement that you had in the quarter, you expect to kind of keep that level for the year. Could you just go through how bad debt improved, why you think it so sustainable?

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

Sure Andrew. We've improved it because we've made a significant amount of effort in managing that and contacting our students as soon as they leave the institution if they are in a situation where they owe us money. I think we've really made an effort over the last 12 months to enhance the -- kind of the comprehensive approach to collecting those receivables from our students.

If you look at last year, I believe the first quarter was our highest bad debt quarter for the year. So we are expecting to hold the -- what was 5.1, we are projecting to hold that for the rest of the year.

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**Andrew Steinerman** - *JPMorgan - Analyst*

And then this second quarter, do you have any sense of what the revenue per student growth should be? Should it be about the 5%, which is the tuition increase?

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

The revenue per student in the second quarter, 5% really doesn't kind of fully come into effect until the third quarter. It's only when a student starts a class after April 1. So there's a fair amount of students that come into the second quarter already enrolled in a class. They would start their second class in the middle of the quarter. So that 5% rate is muted a bit.

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You could split the difference, I guess, is one way of looking at it for the quarter. And then you should see a full 5% in Q3.

**Andrew Steiner** - JPMorgan - Analyst

Anything else that would affect revenue per student besides for the tuition increase? For the second quarter?

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

No.

**Andrew Steiner** - JPMorgan - Analyst

Thank you very much.

**Operator**

Frank McEvoy.

**Frank McEvoy** - Craig-Hallum Capital - Analyst

Nice quarter. So just a couple of -- a lot of my questions have been answered, but I just want to get an idea of -- can you give us an idea what the percentage of students that are masters, enrolled in the masters programs were at the end of the quarter?

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

You know what, Frank, I don't have that number in front of me right now. But I definitely can certainly fax it to you (inaudible - microphone inaccessible) (multiple speakers)

It hasn't changed dramatically from the end of the last quarter. It's approximately -- I think it's about 10.5% total.

**Frank McEvoy** - Craig-Hallum Capital - Analyst

Same -- and then military is roughly 17% still too? Or has that changed much?

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

We have not updated the military. The military was 17%, yes.

**Frank McEvoy** - Craig-Hallum Capital - Analyst

17%. Okay. And then you mentioned on the OIG audit -- draft audit report, you're still expecting it any time, by -- were there any additional conversations you had since the last call that might have -- give you some more confidence in getting it this quarter?

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

Well, Frank, we've just -- they told us that we would receive it during the quarter or by the end of the quarter. So since we are in the middle of the quarter, I would expect to receive it any day, all the way up to and including through the end of the quarter. And unfortunately I don't have any more color for you than that. As soon as we do receive, like I said, we will review it, and then we will get out to everybody on what it says.

**Frank McEvoy** - Craig-Hallum Capital - Analyst

And on the corporate development programs, any updates on that in terms of the impact on the revenues that you receive as a percent of sales from corporate development programs, tuition reimbursement?

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

I don't have any specific updates. I would say that that initiative continues to do well. Plus the military and corporate channels continue to do nicely and meet our internal expectations.

**Frank McEvoy** - Craig-Hallum Capital - Analyst

Very good, thank you.

**Operator**

(Operator Instructions). Trace Urdan.

**Trace Urdan** - Signal Hill Group - Analyst

Andrew, I wonder if you could share any more of the unit economics associated with Constellation. I'm wondering -- I'm guessing you were at Apollo during the rollout of rEsource, and I'm wondering if this program has the potential to be as impactful as rEsource was at Apollo.

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

Yes. I don't know that I was there during the rollout. Maybe I was there during the very early rollout. This is a bit different from the standpoint that we are developing this content internally, we own the content, and of course as I mentioned, we have a proprietary reader which we are quite proud of that we benchmarked against other readers that are available out there. And we liked the functionality it provides our students.

It's a web-based reader, it allows them, as I mentioned, to do highlighting and take notes. They can literally hit a button and all the notes and highlighting that they've done for a particular chapter comes onto one place in the screen, so it really enhances, we believe, the learning experience for our students.

From a financial perspective, we're in the -- definitely the initial stage here, the early days, as Dan indicated. And I think impact for the company from a revenue perspective will start to be realized in 2011 and beyond.

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**Trace Urdan** - Signal Hill Group - Analyst

Right, I just -- I want to try to understand what we are talking about. I wonder if you could discuss it in terms of maybe unit economics. What does a typical student pay for text right now? And what is your -- do you have any kind of commission or markup on that? And what would the -- and how would that change in this new iteration?

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

Well yes, I'll answer part of the question, and then I'll turn it over to Dan. Currently students pay for their textbooks through our third-party bookstore vendor, and we do receive a slight commission on that. But under Constellation all of that, the purchase price of the book, of Constellation, would go directly to Bridgepoint rather than being realized by (inaudible - microphone inaccessible)

**Trace Urdan** - Signal Hill Group - Analyst

And would you -- do you pay a flat fee to the subject matter experts there? Or a royalty?

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

Yes, we just pay a flat fee [based] on that, and then we obviously own the content from that point forward.

**Trace Urdan** - Signal Hill Group - Analyst

What -- how would you expect the economics to change for a student typically, maybe on a per-course basis, just starting with the courses you know you're rolling out? What would the financial impact be for them?

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

Well, I'm glad you asked that question. I think generally speaking, what we are trying to do here is continue to enhance our mission of affordability for students. And it should reduce the cost to the student by about, roughly 50% per course. So that's one of the really nice things about Constellation, besides its innovation, the technology, the ability to enhance the learning experience, we're also able to make education more affordable for our students.

**Trace Urdan** - Signal Hill Group - Analyst

And then just one last question -- maybe Dan this is for you. I wonder if you could give us a little bit more color on where exactly inside sales and marketing you feel like you're getting the most leverage. I know you mentioned both lead generation and a maturing enrollment counselor force. But if you had to sort of break it down, is it sort of a 50/50 impact there? Are you getting more leverage currently from one of those elements than the other?

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

If I had to break it down, I would say that both are contributing, obviously, but I think our management of our leads and we continue to refine that -- over the last several years we really have never seen an unfavorable impact from continuing to grow and requesting more leads. So that's being very efficiently managed. Our leads are still very, very good leads, and so we have been able to maintain good lead quality at basically flat to better pricing. So I think it's probably more in that area.

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**Trace Urdan** - *Signal Hill Group - Analyst*

Got it, thank you very much.

**Operator**

Jeff Silber.

**Jeff Silber** - *BMO Capital Markets - Analyst*

I'm going to go back to the guidance issue -- and I apologize, I just want to make sure I have this clear. The 4% to 5% sequential decline between the third quarter and fourth quarter, is that for revenues and enrollments?

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

It's -- the number we gave was for revenues, yes. There is a decline in enrollments also. As there was in 2009. But the revenue is the 4% to 5%.

**Jeff Silber** - *BMO Capital Markets - Analyst*

And is the decline in enrollment greater or less than 4% to 5%? Or are you not commenting on that?

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

It slightly less than that.

**Jeff Silber** - *BMO Capital Markets - Analyst*

Slightly less. Okay. That's great. Again, just to understand why -- I'm trying to see what the difference between last year's third and fourth quarter was and this year's third and fourth quarter. Was there a major calendar change that I'm not aware of?

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

Yes. Well, there's -- I'll comment a little bit, and then I'll let Dan comment.

We talked to the four days more in the first quarter, four days less in the fourth quarter on our last call. And so there's definitely kind of several variables going on here as you look at it -- the law of large numbers and kind of the [full-in] growth over the year from that standpoint, the increased selectivity that we are doing vis-a-vis some of the initiatives.

But we have very strong confidence in our execution over the year. We think we are projecting here with our guidance very nice and strong growth, and we have had tremendously good execution as was witnessed in the first quarter, which met our internal expectations. And it's just very difficult for us to project our fourth quarter this early.

But I'll -- and I'll let Dan answer that (inaudible - microphone inaccessible) (multiple speakers)

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

There is no difference except that you're bringing in a larger enrollment base into the fourth quarter than you did last year, and that enrollment base does have a drop assumption and graduation assumption assumed in it. And then your new enrollments for the fourth quarter are not robust enough to offset that. As was the same case in '09, it's just getting -- you're bringing in a larger number in 2010. So the number, the sequential decline increases.

**Jeff Silber** - BMO Capital Markets - Analyst

I got it. I do understand, I appreciate that. Nobody has asked the obligatory [neg reg] comment question, so I'm just wondering if you've had any conversations with the folks over at the Department of Education about the process about what might happen and how your company is prepared to handle any changes. Thanks.

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

Yes. We -- I haven't had any conversations with the folks over the Department of Ed. They haven't come to me to ask my opinion on things. If they did I'd be glad to offer it. But I would say that, like I've said in past quarterly calls, that I feel that Bridgepoint is well-positioned for kind of some of the regulations or kind of draft regulations that have been proposed. We are still early in the process, and there's a long way to go here. But I still have a lot of confidence that Bridgepoint's very well-positioned for whatever regulations ultimately come into play.

**Jeff Silber** - BMO Capital Markets - Analyst

All right, thanks so much.

**Operator**

Kelly Flynn.

**Kelly Flynn** - Credit Suisse - Analyst

Follow-up question on the initiatives -- enrollment requirement initiatives you mentioned this quarter and last quarter. Are the initiatives the same as the ones that you described on the Q4 call? Or have there been any changes -- additions to the initiatives or timeline changes on the rollout?

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

No, they are the same.

**Kelly Flynn** - Credit Suisse - Analyst

And also related to the guidance, it's my understanding I think from last quarter's comments that you are rolling out the orientation program in the third quarter. First of all, can you just reaffirm that that timing is correct and then also speak to what impact, if any, that orientation has on the increased seasonality you're expecting for the fourth quarter?

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

Yes. The timing of piloting the orientation program still remains the third quarter, as I discussed on our last call that we had. So that hasn't changed. And in terms of the fourth quarter and our view of the fourth quarter, for the reasons that Dan stated, there's -- it has nothing to do in our view with the pilot of the orientation program.

**Kelly Flynn** - Credit Suisse - Analyst

How is that possible? I would think the orientation by definition would hurt the enrollment growth. So wouldn't that be somewhat a factor in the fourth quarter?

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

I don't think it's going to -- our view is that it doesn't hurt enrollment growth, it actually would help from a revenue standpoint in terms of students and their ability to continue and persist, and our ability to prepare them so that they are able to persist successfully. So I think you'll probably see some benefit to that as it gets rolled out in a broader manner. Again, we are piloting it in the third quarter, so there's really not a large rollout happening that would negatively impact the fourth quarter.

**Kelly Flynn** - Credit Suisse - Analyst

Okay, thanks. Then can you go back to what you said about the four days, four more days in the first quarter, four fewer days in the fourth? Does that impact the year-over-year comp in the fourth quarter? I guess another way of saying it, just to clarify your answer to Jeff's question, are there fewer days in the fourth quarter of 2010 than there are in the fourth quarter of 2009? Or were?

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

Yes.

**Kelly Flynn** - Credit Suisse - Analyst

But is it a four-day difference? Or --?

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

It's -- there's fewer days. It's approx -- it works out to the equivalent of four days, yes. It's not fully four days, but it's -- there's about 3.5 days. So yes, it is less.

**Kelly Flynn** - Credit Suisse - Analyst

That's year-over-year, it's [not] (multiple speakers)

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

Year-over-year, yes. But the -- but year-over-year, that's correct. Primarily the reason for the sequential drop is the fact that you have a larger incoming enrollment base.



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**Kelly Flynn** - *Credit Suisse - Analyst*

Got it. And then can you talk directly about the stronger economy? What assumptions, if any, are you making about counter cyclicity? And what impact if any are you seeing so far on that front?

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

Sure. I've been doing this, as you know, for 18 years, and my view is that when you offer associate, bachelors, masters and doctoral degree programs as we do, that it's a fairly atypical environment. And we continue to see obviously from this quarter's report, strong growth, strong demand, and we don't see any change in kind of student behavior comparatively to the past four or five years. So things remain very consistent.

It's been my experience in the industry again for regionally accredited institutions that offer those kinds of degree programs that it's a fairly atypical environment.

**Kelly Flynn** - *Credit Suisse - Analyst*

Okay, thanks. Just a couple more quick ones. On revenue per student, didn't you have in April of last year a change to tiered pricing, which has helped the year-over-year comp for revenue per student? And am I correct to assume that normalizes basically in the second quarter, so we should go back to a more moderate price increase, if you will?

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

You're absolutely correct that this was the last quarter, the first quarter of 2010, that was impacted on a comparative basis by that tier leveling. And subsequent quarters should be 5%, as I discussed with Andrew earlier. The second quarter is muted a little bit because of the fact that some of those students carry in -- they don't get the price change until the middle of the quarter. But you are correct, yes.

**Kelly Flynn** - *Credit Suisse - Analyst*

Then just the last one, would you be willing to comment on the third-quarter earnings consensus? You were helpful in the second quarter, but I think we run the risk here of modeling the second half incorrectly unless you give us a little help with that.

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

Yes. We are not -- I appreciate the question, but we are not providing any comment on the third quarter.

**Kelly Flynn** - *Credit Suisse - Analyst*

No problem, thanks for taking all my questions.

**Operator**

That does conclude the question and answer session. At this time I will turn the conference back over to Andrew Clark for any closing remarks.

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

Yes. Thank you everybody for participating in today's call. We look forward to talking to all of you later in the day. Thank you.

**Operator**

And that does conclude today's conference. Again, thank you for your participation.

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