

FINAL TRANSCRIPT

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BPI - Q1 2011 Bridgepoint Education Inc Earnings Conference Call

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CORPORATE PARTICIPANTS

Paul Goodson

Bridgepoint Education Inc. - AVP IR

Andrew Clark

Bridgepoint Education Inc. - CEO

Jane McAuliffe

Bridgepoint Education Inc. - Chief Academic Officer

Dan Devine

Bridgepoint Education Inc. - CFO

CONFERENCE CALL PARTICIPANTS

Jeff Silber

BMO Capital Markets - Analyst

Trace Urdan

Signal Hill - Analyst

Brandon Dobell

William Blair - Analyst

Andrew Steinerman

JP Morgan - Analyst

Peter Appert

Piper Jaffray & Co. - Analyst

Kelly Flynn

Credit Suisse - Analyst

James Sanford

Citi - Analyst

Mike Malouf

Craig-Hallum - Analyst

Bob Littlehale

RBC Capital Markets - Analyst

PRESENTATION

Operator

Good day and welcome to the Bridgepoint Education first-quarter 2011 earnings results conference call. As a reminder, today's conference is being recorded. At this time I would like to turn the conference over to Mr. Paul Goodson, Associate Vice President of Investor Relations.

Paul Goodson - *Bridgepoint Education Inc. - AVP IR*

Good morning everyone. Bridgepoint Education's first-quarter earnings release was issued earlier this morning and is posted on the Company's website at www.BridgepointEducation.com.

Representing the Company today are Andrew Clark, Chief Executive Officer; Dr. Jane McAuliffe, Chief Academic Officer; and Dan Devine, Chief Financial Officer.

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Before we begin I would like to remind you that some of the statements we make today may be considered forward-looking, including statements 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 statements speak only as of the date of this presentation, and we undertake no obligation to update these forward-looking statements in the light of new information or future events, except to the extent required by applicable securities laws.

Please refer to our SEC filings, including our quarterly report on Form 10-Q for the period ended March 31, 2011, 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 express written consent of the Company is prohibited.

A replay of the call will be available via telephone through May 10, 2011. To access the replay dial 888-203-1112 in the United States and Canada, and 719-457-0820 outside of the United States, then enter the access code 952-3733. The webcast will be archived on the Company's website for one year.

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

Andrew Clark - *Bridgepoint Education Inc. - CEO*

Thank you Paul, and welcome to Bridgepoint Education's first-quarter earnings call. Today I will review our operational highlights and business initiatives, then I will turn the call over to Dr. Jane McAuliffe, our Chief Academic Officer, to give an overview of our academics. And then our CFO Dan Devine will review our first-quarter results and key operating metrics. Following his remarks, I will follow by discussing our 2011 guidance in my closing comments.

Now I would like to take a minute to describe Bridgepoint Education for those new to our Company. Bridgepoint is an innovative educational services company that seeks to bring the power of today's technology to advanced higher learning. We offer a practical and dynamic educational model to students seeking associate's, bachelor's and graduate degrees online or on campus through our academic institution, Ashford University and the University of the Rockies.

In addition to our two academic institutions, we offer a more enriching and engaging learning experience through Constellation, a proprietary platform that houses content and learning assets; Rockies Mobile, our mobile learning environment; and WayPoint Technology, our proprietary assessment and feedback platform.

We pride ourselves on our broad selection of rigorous, innovative and practical courses that help open doors for those who seek to improve their lives through education.

As our enrollment and financial metrics indicate, and Dr. McAuliffe's comments will demonstrate, we continue to successfully serve the academic needs of our students at both Ashford University and University of the Rockies. Trends at both academic institutions continue to reflect demand among a broad cross-section of working adults for our programs, which incorporate innovative solutions to deliver a high-quality learning experience in a mobile and digital world.

As of March 31, 2011 total student enrollment increased to 88,252 students, an increase of 34% over the same period in the prior year. For the first quarter ended March 31, 2011, revenue increased to \$229.4 million.



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Combined new student enrollments for the first quarter of 2011 increased by 13.4% over the same period in the prior year to approximately 27,550.

We're particularly pleased with the fact that for the fourth consecutive quarter our student persistence improved compared to the prior-year's quarter. Increasing persistence is a critical metric that validates our delivery of a quality education experience that enhances student lives. We will continue to focus on improving persistence despite tougher year-over-year comparisons for the remainder of the year.

Now let me give you a brief update on our new admissions counselor evaluation plan. We are in the process of implementing our new evaluation plan, and through April 30 more than 50% of our admissions counselors are working under the new plan. We remain on track to move all existing admissions counselors to this new plan by June 30, 2011.

Before Dr. McAuliffe provides an academic update, I also want to cover briefly what we have done to further increase transparency of our universities and to enhance the integrity of our program offerings to students.

As many of you are aware, we recently released extensive academic quality data on the Bridgepoint and Ashford University website. The data provides a comprehensive overview of our performance over the last several years in the area of student persistence, graduation rates, satisfaction and program performance.

For example, on the Ashford transparency site we list numerous charts highlighting the persistence of our students based on various demographic criteria. This information offers the reader significant insight to our many successes, as well as the challenges we face in educating our students. It also provides insight into the types of institutional data that faculty and staff analyze on a daily basis in order to inform their decision and improve the student experience.

While we are proud of our achievements, including our more than 20,000 graduates, our culture is always to strive for improvement. Our goal is to assure that perspective students are fully aware of academic performance of the University they are evaluating. The data provide a complete picture of our performance, and should be used as a guide post when a student is comparing academic institutions.

We believe in the integrity of our universities' programs and are proud of the education they provide to our students. I urge you to visit both websites and review the information and compare it to our traditional and private-sector peers.

We will continue to focus our efforts and develop innovation in areas where we believe students would best benefit. Our institutions share a single goal, to offer rigorous, high-quality degree programs completed by innovative learning tools that ensure that the student has the best possible learning experience.

One of our best known innovations is Constellation. We're proud of the recognition that Constellation is receiving. Constellation has been named the finalist for a CODiE award in the category of best post secondary and instructional solution. This category recognizes the best broad-based multidisciplinary teaching application or solution for curricula and content that this is specifically targeted towards students in college.

The CODiE award, which debuted in 1993, recognizes excellence in software development within the software industry. The CODiEs are awarded by the Software and Information Industry Association, the principal trade association for the software and digital content industry.

Nominated products underwent an extensive review by judges via live demonstrations, trial product access, and analysis of product documentation. We're very pleased with this nomination and that industry experts are recognizing what we already knew that Constellation represents a compelling innovation in today's education environment.

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Currently 13 courses use the Constellation platform, and we're on track to reach a total of 32 by year's end. We're also expanding our mobile initiative, Rockies Mobile. An iPhone app was deployed in December 2010. Plans for bringing mobile to Ashford University are on schedule.

In addition, our team is being recognized for our mobile strategy. We've been invited to present at the New Media Consortium Summer Conference and the Sloan-C Fourth Annual Emerging Technologies for Online Learning International Symposium, among others.

With that, allow me to turn the call over to our Chief Academic officer, Dr. Jane McAuliffe, to update you on our academic progress.

Jane McAuliffe - Bridgepoint Education Inc. - Chief Academic Officer

Thank you, Andrew. And I want to echo your comments that our universities are committed to providing a broad cross-section of students with a high-quality academic experience through new and ever more engaging channels.

Let me start with brief updates on the annual meeting of the Higher Learning Commission and on the Academic Resource Conference of the Western Association of Schools and Colleges. We had the opportunity to attend both accreditation meetings, which were held over the past few weeks. Both accreditation organizations give updates on the revision of their accreditation standards and reaffirmation processes.

For WASC, a thorough review of standards, policies and processes will result in changes beginning in 2012, and a new handbook will be adopted no later than 2013. For the Higher Learning Commission the new criteria will be acted upon by the HLC Board in February 2012, and the revised criteria for accreditation are effective for all accredited institutions on January 1, 2013.

The new standards for both accreditors feature a much greater emphasis on the collection of in-depth information on key data, as well as accurate and complete public disclosure of information.

Although these changes will not have an immediate impact on our current review, Ashford University is well on its way to providing a very transparent view on key data regarding its students.

Both organizations have also opened up opportunities for universities to comment and provide feedback regarding the proposed standards throughout the coming months.

I would also like to update you on the status of Ashford University's migration to WASC accreditation. As you know, Ashford University has applied for eligibility, which is a preliminary review of an institution to determine that an institution is potentially creditable.

WASC has reviewed the application and determined that Ashford University is eligible to proceed with an application for candidacy for accreditation. This is a preliminary finding that indicates that the University can proceed to the next step, which includes writing a self-study in preparation for a site visit. The team is very excited to be moving forward in the process.

Ashford University continues to keep HLC well-informed each step of the way, and our liaison is very cooperative and supportive. I will keep you updated on the process.

Regarding the University of the Rockies, I'm pleased to report that it is on schedule with its preparation for submitting its required monitoring reports to HLC in May 2011. The report will update HLC on the progress of its planning processes, a requirement from its last comprehensive visit.

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The University of the Rockies was well represented at the annual meeting at the Higher Learning Commission this past month, where colleagues were honored to present three sessions. The Director of Diversity hosted a roundtable on solutions for strategic diversity implementation. The Director of Assessment and an assessment specialist presented a session on using the Learning Management System to leverage faculty engagement, assessment, culture and convergence on learning targets.

The assessment specialist also presented a session on enhancing an assessment culture, providing virtual learning experiences for faculty. They were quite pleased to share their knowledge and expertise with peers from other institutions.

Now let me turn to Ashford University's new orientation course. They are in the final phases of development for their second-generation new student orientation course. The team has taken what they learned from the initial pilots to develop an even stronger experience for Ashford students.

All students with less than 24 transfer credits will complete and successfully pass a student success workshop. This is designed to provide our students with a complete overview of the Ashford experience, prepare them for success in their courses, and help them to evaluate their readiness to succeed in an online college setting.

Students will complete a personal assessment, which quantifies the student's level of readiness to study online. Individualized feedback will be provided to the student as to their strengths and weaknesses, as well as a list of resources to support them in their studies.

Students will be instructed on Ashford policies and the learning resources that are available to them through interactive videos and assessments.

In addition to the orientation class, all students will be required to participate in a Web-based walk to class, showing each student exactly how to navigate the online classroom. We believe that these new initiatives will assist students in making an informed decision about whether or not an Ashford University online education is right for them before they incur any charges or financial aid debt.

As I have just highlighted, we're focused on providing the students at our institutions with the best possible learning experience. Over the past year we have increased our internal and external resources to enhance our ability to gather and analyze the comprehensive data that we collect from students. This initiative, in combination with the orientation program and webinar mentioned earlier, emphasizes our commitment to quality of our university for our employees and ultimately the students we serve.

I will close my comments with a focus on Ashford University's graduation ceremony this past weekend. Ashford University graduated 6,000 students this month, and more than 1,000 of them attended the commencement ceremony in the new athletic complex in Clinton, Iowa.

More than 5,000 guests watched with pride. This is always an exciting celebration for faculty, staff and students, especially for our online faculty and students who may be meeting face-to-face for the very first time. This day always reaffirms our commitment to our mission. And we truly see the meaningful impact that our work has on our students' lives. Now I will turn the call over to Dan.

Dan Devine - Bridgepoint Education Inc. - CFO

Thank you, Jane. Let me begin by providing some key operating figures for the quarter ended March 31, 2011. For the quarter revenue increased to \$229.4 million, compared with \$156.1 million for the same period last year. The increase in revenue was primarily a result of an increase in student enrollment, as well as the tuition increase implemented on April 1, 2010. As of March 31, 2011, total student enrollment increased to 88,252 from 65,788 in the same period last year.

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New enrollments for the period were 27,550, as compared to 24,300 for the first quarter of 2010. The new enrollment growth rate of 13.4% represents a significant decrease from our prior-year first-quarter growth rate, and was in line with our expectations for new enrollments for the quarter.

For the quarter we were pleased that our student persistence increased over the same period last year, and that this represents the fourth quarter in a row that our persistence has increased.

For the first quarter of 2011 instructional cost and services were \$55.8 million or 24.3% of revenue, compared with \$39.4 million or 25.3% of revenue in the same period last year. The decrease as a percentage of revenue was primarily due to cost efficiencies in the areas of academic management, financial aid support, student services, license fees, and facilities costs associated with a larger student enrollment base.

Included in the instructional cost and services for the first quarter of 2011 was bad debt expense of \$11.6 million. As a percentage of revenue bad debt expense remained consistent with the same period last year at 5.1%.

Marketing and promotional expenses for the first quarter of 2011 were \$59 million or 25.7% of revenue, compared with \$44.2 million or 28.3% of revenue in the same period last year. The decrease as a percentage of revenue for the quarter was primarily due to efficiency from selling compensation and advertising when compared to the same period in the prior year.

General and administrative expenses for the first quarter of 2011 were \$28.5 million or 12.5% of revenue, compared with \$[22.3] million or 14.3% of revenue for the same period last year. The decrease as a percentage of revenue for the quarter was primarily due to decreases in the administrative compensation and facilities costs when compared to the same period in the prior year.

Included in our three main expense categories for the first quarter this year is approximately \$1.8 million related to stock-based compensation expense in the aggregate compared with \$2 million for the first quarter last year.

For the first quarter of 2011 operating income increased to \$86.1 million from \$50.1 million in the same period last year. Our effective tax rate for the quarter ended March 31, 2011 declined to 37.9% compared to 40.7% in the same period last year, primarily due to the impact of the California tax law change that took effect on January 1, 2011.

Net income for the first quarter of 2011 was \$53.9 million or \$0.92 per diluted share compared to with net income of \$29.8 million or \$0.49 per diluted share for the same period last year.

Fully diluted EPS is calculated based on a diluted share count of 58.6 million shares for the first quarter of 2011 compared to 60.5 million shares for the same period in 2010.

During the first quarter of 2011 we repurchased approximately 700,000 shares of common stock at a weighted average purchase price of \$18.33 per share for a total cost of \$12.7 million, and therefore have \$5.1 million remaining in our current stock repurchase authorization. The repurchase program did not have a material impact on EPS for the quarter due to volume and timing of the repurchases.

I'm also pleased to announce that the Board of Directors has authorized an additional repurchase of up to \$75 million of the Company's outstanding common shares over the next 12 months. Under the share repurchase program the Company may purchase shares from time to time in the open market through block trades or otherwise. This repurchase authorization is in addition to the \$60 million repurchase authorization we announced in August 2010.

The timing and extent of any repurchases will depend on market conditions, the trading price of the Company shares and other factors, and are subject to the subject to restrictions related to volume, price and timing under applicable law. The share repurchase may be commenced or suspended at any time or from time to time by the Company.



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As of March 31, 2011 we had cash, cash equivalents and marketable securities of \$365.4 million compared with \$299.1 million as of December 31, 2010. The Company generated \$81.5 million of cash from operations for the quarter ended March 31, 2011 compared with \$54.6 million for the same period in 2010.

Our accounts receivable, net of allowance for doubtful accounts, was \$75.4 million, which represents 30 days sales outstanding on a quarter-to-date basis compared with 34 days sales outstanding for the same period last year.

Capital expenditures for the first quarter of 2011 were \$5.2 million compared with \$3.6 million for the same period last year.

Now Andrew will review the annual guidance and offer his closing remarks.

Andrew Clark - *Bridgepoint Education Inc. - CEO*

Thank you, Dan. I would now like to update you on our annual guidance. As I mentioned previously, we were pleased with our performance for the first quarter, particularly in the area of student persistence.

As we look toward the remainder of the year, our outlook has not changed from what we provided on our last quarterly conference call in March. As such, our annual guidance for the year ending December 31, 2011 is as follows.

Total student enrollment is expected to be between 82,000 and 83,500. Revenue is expected to be between \$886.5 million and \$901.5 million. Net income is expected to be between \$145.5 million and \$151.4 million.

Fully diluted earnings per common share is expected to be between \$2.47 and \$2.57 based on an estimated fully diluted weighted average share count of 58.9 million for the year ending December 31, 2011.

Bad debt as a percentage of revenues for 2011 is expected to be 5.4%. Capital expenditures for 2011 are expected to be between 5% and 6% of revenue. The Company's effective tax rate for 2011 is estimated to be 37.8%. These numbers do not include the affect of any additional share repurchases we may complete during the remainder of the year.

Before we begin our Q&A session let me assure you that the entire management team at Bridgepoint Education remains fully committed to the long-term success of our students, our academic institutions, and our investors. Through our innovative approach to the process of learning we offer a strong value proposition based on delivering the outcomes that matter to students. And we believe that this above all else positions us for steady growth.

At this time I will ask our operator to open the phone lines for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Jeff Silber, BMO Capital Markets

Jeff Silber - *BMO Capital Markets - Analyst*

Thank you so much. Looking at the guidance for the rest of the year, it implies some lower margins. I know you talked about this earlier, but can you remind us where do you think the impact will be on what line items of the income statement?

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Andrew Clark - Bridgepoint Education Inc. - CEO

I think you will see an impact in the instructional comps and services line -- in all three lines, in marketing as well as in G&A. We have various initiatives in all three lines that will impact the full year.

Jeff Silber - BMO Capital Markets - Analyst

Any one specifically compared to the other two?

Dan Devine - Bridgepoint Education Inc. - CFO

I think it's going to be pretty -- as we said before, the distribution of the change in margin will likely be 65 -- 60% into marketing and selling and the other two areas will be impacted -- will take about 20% of the change in margin.

Jeff Silber - BMO Capital Markets - Analyst

Okay, great. That helped. I just wanted to doublecheck on that. You mentioned a few times in your remarks about the improvement in persistence. I am wondering if we can just get a little bit more color on exactly what you guys are doing? Thank you so much.

Andrew Clark - Bridgepoint Education Inc. - CEO

Sure Jeff. Well as you know, we instituted a lot of quality initiatives back in 2010. We saw what we thought were some positive changes from that as early as the second quarter last year. And we continue to realize the positive outcomes from that in the third quarter and fourth quarter, and now again in the first quarter.

So everything that we implemented last year has really done what we thought it would do, which is improve our persistence. We continue though to focus on that. It's going to be, as I mentioned, more challenging in the quarters going forward just because the year-over-year comparison, but we will continue to focus on that relentlessly.

Jeff Silber - BMO Capital Markets - Analyst

Great. Thank you so much.

Operator

Trace Urdan, Signal Hill.

Trace Urdan - Signal Hill - Analyst

Thanks. Kind of continuing in Jeff's theme, guys, my question is more centered around enrollment. It looks like the guidance also suggests that there is a deterioration certainly from the levels that we saw in the first quarter. And I am wondering if you can help us understand what specifically you are anticipating? Because, of course, your comps and starts get easier in the latter part of the year, even as the comps on the persistence get a little bit more challenging. So could you kind of walk us through what you are anticipating with respect to enrollment in the remaining three quarters of big year to meet your guidance?

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Andrew Clark - Bridgepoint Education Inc. - CEO

First of all, I want to make a point that our view of the full-year is consistent with our view of the full-year when we spoke last quarter.

We were pleasantly surprised in this quarter by persistence and how well we did there. Our new enrollments were in line with what we thought that they would be in the first quarter. So as we look at the full-year our view really hasn't changed. And like we said last quarter, we continue to believe that new enrollments throughout the year will be impacted somewhat by decreased productivity as a result of the admissions counselor performance evaluation that goes into full affect as of June 30.

So, we are, much like last year and maybe even the year before, from an internal perspective, Trace, our view of our plan and how we are performing against that continues to be very consistent and what we forecasted.

Trace Urdan - Signal Hill - Analyst

Is it fair then to consider that the second quarter would in some ways not be so different from what we saw in the first quarter, but that the third-quarter numbers might be more substantially different given the timing of the new payment system -- with the new compensation system?

Andrew Clark - Bridgepoint Education Inc. - CEO

We don't break it out by quarter for you guys but I will say, like we said in our call last quarter, that we felt it would be more pronounced in the second half of the year.

Trace Urdan - Signal Hill - Analyst

Okay, and then just maybe a final point on -- can you describe to us maybe qualitatively what you are doing differently to date in terms of the marketing dollars, either in terms of the focus of those dollars or the message that you are communicating, and whether or not there is sort of any change anticipated in the remainder of the year on that score?

Andrew Clark - Bridgepoint Education Inc. - CEO

Our messaging continues to remain very consistent around our value proposition. As I've mentioned on previous calls, Trace, students are particularly sophisticated and focused in on the cost of their degree -- on their tuition. I think we continue to benefit from that messaging.

So I don't think you will -- I know that you won't see us change anything with regards to messaging our value proposition throughout the year, because we really believe that is a significant differentiator for us compared to some of the other institutions that our students look at.

So in terms of advertising spend and what is happening there, we continue to work on being more efficient in that area. And we certainly had some success in that regard in the first quarter, and we will continue to look for opportunities. We are an organization that, as I mentioned, is focused on continuous improvement in all areas, and so we're always looking for ways in which we can be more efficient.

Trace Urdan - Signal Hill - Analyst

Thanks, Andrew.

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Operator

Brandon Dobell, William Blair.

Brandon Dobell - *William Blair - Analyst*

A couple of questions for you. You talked about improving persistence, I wondered if you could give us a little more color on that? In particular are you seeing, I guess, more improvement or more progress with students who are in their second, third, fourth, fifth course kind of timeframe or ones that are have been there for a year and they are staying longer?

I think it is kind of implied within that the sustainability of the increases. Do you think they are or do you think it's more of a short-term bump that is kind of a knock-on effect from the orientation program?

Andrew Clark - *Bridgepoint Education Inc. - CEO*

I think it's not a short-term impact, as evidenced by the full-year that we have seen and an increase in persistence. So, I think we will continue to see the level going forward that we have seen over the last year. On a year-over-year comparison it is going to be -- become more difficult in that regard, but we should be, I think, close to the same level.

In terms of how it is broken out, the increase in persistence was fairly similar across students. Students in their first and second course, those are the folks that are [always], as you know, most likely to drop and not persist. And so we're doing quite a bit inside our organization to try and focus in on those students and try and help them through those first couple of courses.

These adults haven't been to school in a while, and it's a completely kind of new experience for them in many cases. So anything that we can do to better assist them in those first few courses, we are working on that internally on various initiatives and ways in which we can increase that persistence.

If you look at the students that are with us the third or fourth course and beyond, I would say that persistence continues to remain slightly better than what it has been in the past. And those students obviously persist at a higher rate than folks in the first couple of classes.

So we are pleased overall with our initiatives, Brandon. We are not going to just stop and kind of say that we're happy and we are not going to do anything more. I think we all believe that there is increased opportunities and we will continue to pursue those throughout the year.

Brandon Dobell - *William Blair - Analyst*

And a final question from me. As you look at the different channels of incoming students -- so let's break them out like community college, corporate and kind of traditional marketing, whether it is Internet or out of home or what have you, are there any material differences in growth rate, especially in the last couple quarters' worth of starts, or is there any material differences in terms of moves and retention that you can identify based on those three channels? Thanks.

Andrew Clark - *Bridgepoint Education Inc. - CEO*

I don't have anything specific I can give you within those three different channels. You know I would say our corporate channel continues to expand and grow and do well.

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And again, we have quite a few internal initiatives that will allow us to focus on that channel even more. And that channel is relatively young. As you know, we started in January of '08. So I think that there continues for quite a while to be opportunity there.

But really in terms of new enrollments across all of the channels, as well as retention, it has been pretty consistent in terms of growth and improvement from what we have seen in the previous quarters.

Brandon Dobell - *William Blair - Analyst*

Okay, fair enough. Thanks guys.

Operator

Andrew Steinerman, JP Morgan.

Andrew Steinerman - *JP Morgan - Analyst*

Hi there. Could you talk about revenues per student, I think, it was up about 10% in the quarter? What is driving that besides for for the tuition increases? And where do you think revenue per student will trend through the year?

Dan Devine - *Bridgepoint Education Inc. - CFO*

If you use the average student count for the quarter we have it up about 6%, which is pretty consistent with the revenue increase -- the tuition increase that we implemented in April of 2010.

Plus kind of just some timing in the quarter -- the first quarter I'm trying to think how they came in this quarter, if they came in at the beginning of the quarter or later in the quarter. I think they came in -- we had more in the beginning of the quarter probably than we had later in the quarter, so that impacts your revenue within the quarter on a year-over-year also.

So our numbers have it at 6% year-over-year revenue, which is primarily pretty consistent with what we thought based on the revenue increase.

Andrew Steinerman - *JP Morgan - Analyst*

And do you think that's going to trend throughout the year?

Dan Devine - *Bridgepoint Education Inc. - CFO*

I don't know if it's going to trend at exactly 6%. You should have -- we are implementing another 5% increase we implemented on April 1, with the exception of the campus students. So therefore I would say it should be in that 5% range. Again, based on the timing within the quarters of students would be the only impact.

Andrew Steinerman - *JP Morgan - Analyst*

Thanks very much.

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Operator

Peter Appert, Piper Jaffray.

Peter Appert - Piper Jaffray & Co. - Analyst

Thanks. So, Dan, back to Mr. Urdan's question earlier, the dollar amount of the increase in marketing costs implied by the guidance is quite large, and I was just hoping you could give us some more specific granularity on where the spending is going? I ask this in the context of just trying to understand if you really can spend that much money.

Andrew Clark - Bridgepoint Education Inc. - CEO

Just a couple of things I (inaudible) and turn it over to Dan. I think in terms of advertising and selling expense, as I mentioned in previous quarters and even last year, we have done quite a bit in terms of branding and branding initiatives. And we're going to continue to make that investment throughout the year.

So so in the advertising area we will continue to invest in the brand of our institution. And then I think contemplated in the overall line is the decrease in productivity and an increase in labor expense as a result.

Dan Devine - Bridgepoint Education Inc. - CFO

I will just follow-up on that. We do anticipate -- we had a very favorable kind of year-to-date situation with our cost per lead. But certainly as we look forward we do anticipate that that cost per lead will increase over the remainder of the year. Not a tremendous amount, but there is a large volume of leads that we purchased, obviously, so any movement, even a single digit movement upward, would impact your absolute dollars you spend in that category.

Peter Appert - Piper Jaffray & Co. - Analyst

Got it. And can you share with us then what the branding budget is and what change is year-to-year?

Andrew Clark - Bridgepoint Education Inc. - CEO

I appreciate the question, Peter, [the candor], but we don't give out the budgeted number for branding. We continue to work on that strategy. We have hired a firm -- hired them than last year and continue to work with them, and we will roll that out throughout this year and beyond.

Peter Appert - Piper Jaffray & Co. - Analyst

One last thing, Andrew. With regard to the productivity issue, do you have any insight in terms of for the 50% of the counselors that are already under the new plan any metrics in terms of turnover or other quantifiable things you could share with us?

Andrew Clark - Bridgepoint Education Inc. - CEO

I don't know if I can provide anything very quantitative. Qualitatively we're very pleased with the way the plan has rolled out so far. As I mentioned, more than 50% of our admissions counselors are on the new plan. And we're actually ahead of schedule in that regard in terms of timing just internally in what we planned.

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And we are very pleased with the results so far and how people are receiving the new plan and their understanding of our desire to be very student-centered and student-focused and making sure we're doing the best things in the interest of the students.

Operator

Kelly Flynn, Credit Suisse

Kelly Flynn - *Credit Suisse - Analyst*

I have a couple of questions please. The first question is about the enrollment guidance for the year. It is kind of back to what other people are asking, but I'm still a bit confused given what you said about retention and some tougher comps there. I am trying to figure out how to model it.

Can you tell us what your enrollment growth guidance assumes as far as new student growth for the year? I know you don't want to speak quarterly, but what will we see at a decline by year-end, which is probably how you were thinking about that?

Dan Devine - *Bridgepoint Education Inc. - CFO*

Yes, Kelly, this is Dan. We do not give out the new enrollment expectation, but we have said in the past that we think that we're going to be -- A., we are going to be positive for the year overall in new enrollment growth. And we do expect that in the second half of the year the year-over-year comps would go negative.

You can see that we start out where we are right now as of March 31, you put your model together, obviously, you have a decline in new enrollment growth, and it basically needs to go negative to get to your year-end number.

Dan Devine - *Bridgepoint Education Inc. - CFO*

The only thing I would add, Kelly, is even with today's guidance, you see our total enrollment growth at the midpoint of the range is just slightly above 6%. And last quarter we were guiding total enrollment to 5% to 6%. So I think things are pretty much in-line with what we have been planning for with regards to this year.

Andrew Clark - *Bridgepoint Education Inc. - CEO*

And one follow-up, Kelly, related to retention our internal forecast do not anticipate anything better than last year's retention levels. If you are doing a model I would not bake in favorable retention to get to the right number.

Kelly Flynn - *Credit Suisse - Analyst*

You mean for the whole year or in the second half?

Andrew Clark - *Bridgepoint Education Inc. - CEO*

I mean, if you're doing it by quarter, yes. We expect the retention level to be consistent. Our internal documents expect retention levels to be consistent with prior-year. That's the way we do it. We don't bake in upside on retention.

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Kelly Flynn - *Credit Suisse - Analyst*

Okay, great. Then a second question on the new compensation system. You said half the people were on it by April 30. Did that impact productivity at all in the first quarter or not yet?

Andrew Clark - *Bridgepoint Education Inc. - CEO*

I would say that there is a slight impact to productivity in the first quarter, but it's still fairly early. And that is why in response to the previous question, my remarks are kind of more qualitative than quantitative. Just in terms of what we're seeing with all of the admissions counselors, their response to the evaluation, and just how they are working with prospective students, we're all very pleased with the way that that is trending.

Kelly Flynn - *Credit Suisse - Analyst*

Okay, great. And then finally on the orientation program, it is my understanding it is still in pilot mode. Can you just remind us of the timing of the rollout across the organization? And then what impact, if any? I think you said in the past you don't expect an impact, but what impact, if any, on any of the enrollment metrics?

I'm sorry to keep throwing in questions, but I think Jane mentioned it was sort of a stage two orientation. I just wanted to check and see if there are any material differences as far as the impact that could have. Thanks

Andrew Clark - *Bridgepoint Education Inc. - CEO*

Sure. Well, in terms of orientation, Kelly, we believe that -- we haven't given out specific timing, but it will be in the second half of the year that we will roll out the orientation.

As we mentioned I think last quarter, contemplated in our guidance and in our internal models is any impact positively or negatively in terms of the orientation. The negative part would just be a delay of the student effectively beginning their first course. That delay that would be by a couple of weeks. The positive impact, of course, would be increased persistence. So I would say that generally our plans are for this to fall in the second half of the year.

Kelly Flynn - *Credit Suisse - Analyst*

What about the stage two is that significantly different from stage one?

Jane McAuliffe - *Bridgepoint Education Inc. - Chief Academic Officer*

Hi Kelly, it is Jane. I think what I was referring to was sort of we had one program -- one orientation course for the pilot and we're taking all of that feedback and looking at the data and redesigning what we think would be a best orientation as we roll it out formally.

But very excited about what is going to be in that course, from introductions from the President to a week in the life of a student. We will have students sort of interacting through video what their expectations and what their experience has been in the program. Graduates sort of giving their input as to advise they may have for that student.

But really overhauling of policies and the learning resources and just going through sort of our learning platform. So it's just sort of finalizing and implementing something that we're very excited and passionate about that we believe is going to have an impact on retention and readiness to begin in an online program.

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Kelly Flynn - *Credit Suisse - Analyst*

Okay, thanks for taking that. I appreciate it.

Operator

James Sanford, Citi

James Sanford - *Citi - Analyst*

Great. Thank you. I wanted to touch on graduation. Thanks for some of the detail. I think you said -- did you say 6,000 graduates in 2010. Is that what I heard, and 20,000 overall, I just want to confirm that?

Dan Devine - *Bridgepoint Education Inc. - CFO*

Let me just clarify, we had 6,000 graduates in the month of April. So that was just for the month of April. We have 20,000 graduates overall between 2005 when we first purchased Ashford University and year to date.

James Sanford - *Citi - Analyst*

Okay. And then do you have a sense of what that pipeline looks like from a graduate perspective through 2011? And is that why we might see the pretty significant declines in persistence as new starts slow down a little bit?

Dan Devine - *Bridgepoint Education Inc. - CFO*

I'll just make one comment about the 6,000. You can't take the 6000 for the month and of May and use it as a run rate. That is clearly not the case.

James Sanford - *Citi - Analyst*

That would be nice.

Dan Devine - *Bridgepoint Education Inc. - CFO*

And we don't give out our graduation rates as a component of our total enrollment. I think generally what I can say to you is obviously we have had a tremendous number of students being educated at our institution over the past few years. And so the number of students graduating continues to increase and be more significant with each year.

James Sanford - *Citi - Analyst*

Fair enough. Just a quick follow-up on the WASC transition. Are you at this point telling students that you are essentially transitioning to WASC, is that part of the message to students or do they care at this point?

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Andrew Clark - Bridgepoint Education Inc. - CEO

It is not part of the messaging with students. Students care about accreditation. And obviously both of our institutions are [rejoined] accredited through HLC, but there is no messaging specific to WASC. Obviously we would provide that information to students, if and when we became accredited by WASC.

James Sanford - Citi - Analyst

Great. I will get back into queue. Thanks.

Operator

Mike Malouf, Craig-Hallum.

Mike Malouf - Craig-Hallum - Analyst

Thanks guys for taking my question. I'm just kind of curious. As you look out with the -- you know, under the new admin structure that you have, do you expect any change in demographics of new students or maybe the number of credits?

And then as it relates to military, do you think that 18% still seems like a good level for you guys or do you think that will change under this new plan as well? Thanks.

Andrew Clark - Bridgepoint Education Inc. - CEO

First, starting with the military I think 18% will probably continue to be about the level of which we have people that have either been active duty or veterans or are related to the military in some form or fashion, Department of Defense. I think that will remain pretty consistent.

Then the second part of your question was --?

Mike Malouf - Craig-Hallum - Analyst

As it relates to demographics and maybe number of credits with incoming students, is that going to change at all?

Andrew Clark - Bridgepoint Education Inc. - CEO

You know what, I would say at a very high level we continue to analyze incoming perspective students and try to determine the things that make them best prepared and most successful to persist in their degree and eventually graduate, because that is our ultimate goal and our ultimate focus.

So we've been doing quite a bit of that evaluation over the past six months, and we will continue to do that throughout the year. And as we saw in 2010, when we did our quality initiatives we took some of the data that we had from that analysis and instituted various admission policies changes that then helped us to be able to bring in a student that we thought would have a higher chance of being successful and completing their education.

I think we will continue on in that spirit throughout this year and the years following, because again, we are very focused on doing everything we can at our institutions to improving persistence and improving our graduation rates, and setting students to be as successful as they can possibly be. That's why we're doing the orientation pilot that Jane spoke about, and that is why

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we have made some changes to that pilot specifically around things which we think will better position that student for academic success.

Mike Malouf - *Craig-Hallum - Analyst*

Great, thanks, and maybe just a follow-up question for Jane. If I understand this, now that we have successfully completed the eligibility review is it still sort of on plan to get some feedback or actually give a decision by the end of the year? Is that the timing still?

Andrew Clark - *Bridgepoint Education Inc. - CEO*

You know what, I will just chime in here. It is Andrew, and Jane can add her comment. But we don't have a sense yet of the timing of the visit. And so we need to continue to go through the process here and see when the visit is. And of course, when that visit occurs that kind of helps determine the timeline for when ultimately we would receive a decision from WASC.

Although we are very pleased with our progress so far, we're still getting relatively early to midpoint of the process, and there is more that we need to find out. As we do, as we have in the past, we will be very transparent with everybody and let folks know, for example, when the timing of that visit might occur. I don't know, Jane, do you want to add anything to that?

Jane McAuliffe - *Bridgepoint Education Inc. - Chief Academic Officer*

No, that's good. I think in the coming weeks the President and the Provost will be meeting with WASC and sort of mapping it all out, and getting feedback from them as to what we'll focus on, and the self study and what that process will look like. So stay tuned, and we will keep you informed, as we have all along.

Mike Malouf - *Craig-Hallum - Analyst*

Okay, thanks a lot.

Operator

Bob Littlehale, RBC Capital Markets.

Bob Littlehale - *RBC Capital Markets - Analyst*

Hey guys, nice quarter. I was curious, have you seen any change in the amount of time students are taking to decide if they're going to enroll or not?

Andrew Clark - *Bridgepoint Education Inc. - CEO*

Thanks, Bob, that is a great question. You know, what we have seen here is that it has been pretty consistent. It hasn't really changed significantly one way or the other. So I would say it has been pretty consistent for us.

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Bob Littlehale - *RBC Capital Markets - Analyst*

Just a quick follow-up. You guys have always been a pretty fast-growing story, and you are turning to negative comps on new enrollment, consistent with what you're saying about guidance.

Would you be willing to -- could we look for total enrollment to increase in 2012, or do you think you have a targeted total enrollment level you're looking to stabilize at? Any guidance without being too specific would be great.

Andrew Clark - *Bridgepoint Education Inc. - CEO*

It's always hard to provide guidance without being too specific. But I will say, as we have done in the past, Bob, we evaluate each year independently. And if you kind of look at our previous years in terms of track record and history, and you look at kind of how this year has kicked off and what we're saying about the full year, we are very consistent in terms of what our view for the year is and then how big year ultimately turns out.

As we did this year, we will use the same guidepost next year in terms of determining where our growth rate occurs, which is continued focus on quality, the academic experience the student experience, many of the things we've talked about on this morning's call, and continued focus on regulatory compliance.

So those things have guided us in years past. It certainly has played a large part in our view of this year. And we have executed appropriately to kind of what our view has been in prior-years, and so far this year as well.

I think we will take a similar approach when we do have the opportunity to kind of turn and look to 2012. But right now we are very focused on our initiatives for 2011 on student persistence, student graduation -- anything we can do to improve the student experience in the classroom or administratively.

Bob Littlehale - *RBC Capital Markets - Analyst*

Got it. And just one final question, obviously some strong performance in persistence in the first quarter. Any reason why that higher level of persistence shouldn't follow through, excluding the impact to graduation as we move into the back part of the year?

Andrew Clark - *Bridgepoint Education Inc. - CEO*

As Dan mentioned, kind of internally our view of persistence for the remainder of the year is consistent with what we did last year. I even made a comment similar to that this morning. So, our hope is that our persistence levels will be equal to what they were last year, and that certainly is our view on a full-year basis.

Bob Littlehale - *RBC Capital Markets - Analyst*

Understood. Thanks very much.

Andrew Clark - *Bridgepoint Education Inc. - CEO*

All right, thank you.

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Operator

And with no further questions in the queue, I would like to turn the conference back over to our speakers for any additional or closing comments.

Andrew Clark - *Bridgepoint Education Inc. - CEO*

This is Andrew. I just want to thank everybody for joining us this morning. And I look forward to speaking to all of you on our next earnings call. Thank you.

Operator

That does conclude today's conference. We thank you for your participation.

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