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PRESENTATION

Operator

Good morning and welcome to Bridgepoint Education's fourth-quarter 2011 earnings conference call. Today's call is being recorded. At this time I would like to turn the call over to Mr. Paul Goodson, Associate Vice President of Investor Relations for Bridgepoint Education.

Paul Goodson - *Bridgepoint Education Inc. - Associate VP of IR*

Thank you, Jay, and good morning, everyone. Bridgepoint Education's fourth-quarter and year-end earnings release was issued earlier this morning and is posted on the Company's website, 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.

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 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 light of new information or future events except to the extent required by applicable securities laws.

Please refer to our SEC filings including our year-end report on Form 10-K for the period ended December 31, 2011 which we plan to file later today as well as our earnings press release posted this morning for a more detailed description of the risk factors that may affect our results. Copies may be obtained from the SEC or by visiting the investor relations section of our website.



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

Andrew Clark - Bridgepoint Education Inc. - President and CEO

Thank you, Paul, and welcome to Bridgepoint Education's fourth-quarter and year-end earnings call. For those of you on the call who may be new to our story, I would like to provide a brief introduction to the Company. Bridgepoint is an innovative educational services company that is using the power of both innovation and technology leadership to advance higher learning.

Our institutions, Ashford University and University of the Rockies, offer a practical and dynamic educational model to students seeking Associate's, Bachelor's, and Graduate degrees online or on campus. Our universities offer an enriching and engaging learning experience through a growing number of proprietary technology platforms including Constellation, which is our proprietary cloud-based digital learning platform that adapts educational resources to each student's learning style and needs; Ashford and Rockies Mobile, our mobile learning environments; and Waypoint Technology, our proprietary assessment and feedback platform.

These new innovations expand and enhance our efforts to offer students a broad collection of rigorous, engaging, and practical courses.

2011 was a challenging year for all postsecondary institutions as new regulatory requirements took effect and schools were required to increase their reporting. I am very pleased that our institutions were able to absorb the changes and increase our reporting while remaining innovative and improving our quality metrics.

As our enrollment and financial metrics indicate and Dr. McAuliffe's comments will demonstrate, we continue to serve the academic needs of our students at both Ashford University and University of the Rockies. Trends at both academic institutions reflect continued demand among a broad cross-section of working adults for our programs.

As of December 31, 2011, total student enrollment was 86,642 students, an increase of 11.2% over the same date last year. New student enrollments for the fourth quarter of 2011 were approximately 13,500, reflecting a decrease of 13.5% over the same period in the prior year.

We recognize that Bridgepoint's success depends on providing students a high-quality education at our institutions. To this end, we have made and will continue to make investments designed to improve our students' learning outcomes and their educational experiences at our institutions.

In 2011, we believe these investments and the student learning experience were responsible for improved student persistence rates despite an increase in graduations of more than 50% in 2011 over 2010. As Dr. McAuliffe's comments will highlight for 2012, we will continue to invest in innovations to improve the student learning experience and we anticipate that these investments will provide continued improved persistence and graduation rates over the long term.

In January, we showcased the external version of Constellation, which we call Thuze, at the higher education track of the consumer electronics show. There we announced a partnership with three major textbook publishers for a beta test of Thuze with over 850 college students at over 200 public and private nonprofit universities across the US. Thuze has been well received by educators, publishers, and the technology community as contributing to the critical role technology and innovation can and must play by enhancing academic quality and helping ensure positive student outcomes.

While it is too early for any feedback on the beta test, we remain very enthusiastic about the potential for Thuze to gain traction outside of our institutions. We also believe the technology has significant future growth potential on mobile platforms as approximately 76% of students currently access it using the Internet and 24% use tablets.

As I mentioned earlier, we believe our institutions offer an innovative, high-quality, and differentiated learning option to working adults. In 2012, we will continue to increase our branding efforts to highlight our institutions' innovation, affordability, and value to potential students. The branding campaigns are designed to increase awareness of our institutions and attract students who are seeking a high-quality education and who are more likely to persist through graduation.

Before I turn the call over to Dr. McAuliffe, I am very pleased to announce the recent appointment of two new Directors to our Board. Dr. Marye Anne Fox has served as the Chancellor of the University of California San Diego and distinguished Professor of Chemistry at UCSD since August of 2004. She also brings to Bridgepoint a lifetime of academic board level and teaching service from several institutions including North Carolina State University, Dartmouth College, and the University of Notre Dame.

Dr. Fox also serves on the boards of specialty chemicals company, W.R. Grace, and open-source software provider, Red Hat, Inc. and has previously served on the boards of Boston Scientific Corporation and Pharmaceutical Product Development, Inc.

In October 2010, President Obama named Dr. Fox to receive The National Medal of Science, the highest honor bestowed by the United States Government on scientists, engineers, and inventors.

I also want to welcome Andy Miller to our Board. Andy is the Chief Executive Officer of Polycom, Inc., a provider of communication solutions and services. He has held executive board level, and sales and marketing positions at Monster North America, BroadSoft, TANDBERG, and Cisco Systems. Andy's extensive experience in technology and communications will help guide us as we extend our investments in technology to produce better student outcomes.

We believe the appointment of both of our new directors will provide additional academic and business depth to our Board and I'm happy to extend them a warm welcome.

Now I would like 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. - EVP and Chief Academic Officer*

Thank you, Andrew, and I want to echo your comments that our institutions are committed to providing a high-quality educational experience that is accessible and affordable to traditionally underserved segments of our population.

In 2011, we continued to look for ways to improve the quality of our students' learning experience and introduced more innovative practices to best ensure the learning outcomes of our students. We have prepared several slides to accompany my discussion, which should be visible in a moment to those of you following us online.

We believe the quality is best measured by the outcomes and opinions of the students we serve. Before I discuss our alumni survey findings, I want to highlight two items representing our entire student body.

The first would be that we continue to receive a high recommendation rate from our students and this year when answering the question, would you recommend Ashford University to others, 95% of our students responded yes.

Additionally, as part of its 2011 private-sector higher education graduate survey, the strategic advisory firm, the Parthenon Group, compared Ashford University's net promoter score to a group of nine other private-sector schools and Ashford scored 75% versus an average of 52% for the nine-school group. As you may know, the net promoter score is a single question metric that simply asks how likely would you be to recommend your school to a friend?

The score is calculated by subtracting the number of negative and neutral answers from the number of positive answers and is a metric used by many successful companies including GE, American Express, Procter & Gamble, among others. We are very pleased with these results as they continue to validate our commitment to providing our students with a positive learning experience.

As we did last year, I would again like to provide you with some highlights from our alumni survey. These latest results, which are shown on the first slide, are similar to prior year's results and produce consistent conclusions.



87% of our alumni agree that earning their degree from Ashford gave them the confidence to pursue new job opportunities. 92% of our graduates indicated that they were satisfied or very satisfied with their Ashford experience. 91% of the alumni agreed that earning their Ashford degree was worth the time commitment required to fulfill their educational goals.

Out of the 89% of alumni that reported having previously attended a traditional institution, 92% feel the quality education at Ashford is the same as or higher than a traditional college or university.

And finally, 95% said they would recommend Ashford to others.

In addition to measuring the opinions of our graduates, we remain focused on monitoring and improving the academic performance of our current students by measuring cohort retention and expected class graduation rates.

On the second slide as we have reported in the past, we measure a cohort based on active enrollments at the fall census, which are defined as all students who are active at the census date and have attended at the least the first week of their first course and are actively pursuing their degree 12 months later. This reflects students who graduate, drop, or reenter the institution. On this basis, the 12-month retention rate for 2011 was 61%. We have maintained an average of 60% or greater for each of the last five years despite total enrollments at our two institutions increasing each year.

Our graduation rates at Ashford tell a similar story of consistency, allowing for 150% for time in a degree program for those students who have completed at least two courses at Ashford, I am pleased to report that our graduation rate for Bachelor students is 51% and for Master's 74%. These strong graduation rates are supported by our students' ability to transferring credits from other institutions.

We also asked our alumni about their salaries before and after attending Ashford and we continue to be pleased with the value of an Ashford degree and the benefit it is bringing to the lives of our alumni and their families. Our most recent survey indicates that Bachelor degree graduate salaries increased approximately 11.6%.

Based on 2011 alumni survey responses from our Graduate degree earners, we estimate that the average salary of these alumni increased 11% over the average they reported when they first enrolled at Ashford. In these difficult economic times, these kinds of salary increases confirm the value that our post secondary degrees can have on the working adult student population we serve.

One of the initiatives we have been working on is the newly designed Ashford University assessment website. The Ashford University Office of Assessment Strategies and Instructional Systems is fully integrating assessment practices into the fabric of their instructional development, providing a consistent and interconnected approach to the development, alignment, and analysis of student learning outcomes. Detailed information on the assessment model, institutional outcomes, institutional data program and institutional assessment as well as improvements that are made as a result of data analyses can all be reviewed on this new site, which launches this month.

The university administration is proud of the work in this area and continues to utilize solid data to improve its effectiveness. We are confident that the information provided will be useful to our students.

Another site was recently released to share a realistic view of what our students experience. Ashford University has designed the Ashford experience microsite, experience.ashford.edu, to help prospective students gain insight into the University and the vibrant community of support they will have as a student.

The site focuses on the student experience with a special track for military students and provides student testimonials, commencement videos, and faculty member information. It also offers information regarding the quality of Ashford's engaging curricula and the modern digital tools available to students through our Ashford mobile app in Constellation.

Prospective students can see a sample of a weekly course schedule and are able to download tips for academic success. There's also a section devoted to every student's academic support team that includes student advisors and admissions counselors, among others.



There's a roadmap to the learning resources available to prospective students so they know up front what level of support they will have available to them as they begin their studies with Ashford. Tuition and financial aid are highlighted as well as facts about the benefits of achieving a higher education degree.

Overall, the site is truly about the Ashford experience from enrollment to course work to commencement and offers prospective students an excellent overview of the University. We are pleased to offer this level of transparency to adult students interested in exploring more about our educational experience.

We share all of these metrics in an effort to provide a more transparent view of our institutions' performance. We believe that these metrics should be published by all private sector and traditional institutions in an effort to provide students with a consistent set of evaluation criteria during their selection process.

Andrew mentioned some of our quality initiatives and I would like to expand on a few of them for you. As we show on slide 3, data analytics is becoming an increasingly important tool in measuring our students' performance and in measuring how we are serving our students. We have learned a great deal from these analyses over the past year that we feel will benefit student performance, persistence, and graduation.

We will be investing more in identifying prospective students in 2012 to ensure that the students we acquire will have the right attributes to be successful at our institutions. Our analysis has shown that while inquiries from students with certain characteristics may be more expensive to obtain, these students are also more likely to persist, thereby contributing to a higher graduation rate.

We are making several investments in curriculum and faculty beginning at the time of enrollment that should lead to better outcomes for the students. Once a student starts, our analysis has shown that smaller initial class sizes benefit students in terms of their first-class completion rates and longer-term persistence at Ashford. In support of this, Ashford University has been hiring faculty in all colleges, many who will be specifically focused on the beginning classes. The additional faculty are engaged with the associate online faculty throughout the United States, creating a stronger learning community that is loyal to the University and its students.

Additionally, we have developed a student dashboard that allows staff to predict with a high degree of accuracy a student's ultimate level of success very early in a class. Such information positions us to extend focused assistance to specific students and we will be able to inform students where to concentrate their academic efforts early on, ultimately improving their likelihood of academic success.

We believe that these investments along with the increased faculty compensation and a greater mix of terminally degreed faculty will result in an improved student learning experience and lead to better persistence and graduation rates over the long-term.

Finally, for students as well as all alumni, we will be offering increased career support services to help them better utilize their degrees in the workplace. Support Services will include enhanced self-directed tools for resume building, job search, and interview preparation as well as personalized resume review and coaching.

There is also an increased focus on building alumni networking and employer awareness of Ashford University and our graduates. We believe these initiatives will better link students and alumni with their career goals, which will in turn promote positive metrics in several different areas.

We believe that we can use innovative technology to leverage our academic quality initiatives and drive better student outcomes. Students seem to agree. 78% of our students who have used Constellation say that it improves their learning. In addition to making notes, highlights, and custom study guides, they can share comments and questions with other students and their instructors.

Soon we will expand the capabilities of Constellation to include data analytics on how much time students are spending on each page and section, what highlights and notes they are making, and the nature of their comments and questions to each other. These analytics will provide our faculty with powerful new metrics to help focus the classroom discussion on areas that students need most.



We continue to expand Constellation and our rollout of courses has remained on target to date. As of the end of 2011, more than 76% of our students have taken at least one course using Constellation.

We also made considerable progress with Waypoint in 2011. As a reminder, Waypoint is an assessment technology that allows instructors to give meaningful and effective feedback to students on written documents while simultaneously helping build a student culture of continuous improvement. Waypoint also helps institutions develop the data to track a student's process at mastering skills and can therefore be important in demonstrating student outcomes. To date, over 1.3 million student documents submitted for faculty review have had the benefit of Waypoint feedback.

Not I would like to give you an update on Ashford University's WASC migration process. The leadership is pleased with its interactions with the WASC team. The faculty and staff submitted the self-study and all required documentation in a timely fashion. Ashford University is ready to welcome the WASC visiting team members later this month. Once complete, the visiting team will prepare a report to the WASC Board.

We continue to expect a decision on Ashford University's application to WASC in mid-2012. We believe this move will enhance the institution's ability to succeed in its mission of providing accessible, affordable, innovative, and high-quality learning opportunities and degree programs that meet the diverse needs of our students.

Ashford University remains in good standing with our current creditor and we are keeping them well informed of our work to date with WASC. We will keep you updated on the process.

A final initiative I will share with you will also launch in 2012, The University Fellows Program. This new program aims to support the community of research and scholarship that exists among faculty across both Ashford University and the University of the Rockies. We have remarkable, experienced faculty who will be encouraged to apply for funding to support their academic research efforts.

Grant recipients will be required to provide regular updates on the status of their research with the aim of publication in an appropriate peer-reviewed and academic journal. The new University Fellows Program website will serve as a central hub for faculty scholarship endeavors highlighting current research initiatives, archiving publications and presentations, and establishing a virtual community among faculty researchers across both of our universities. I'm excited to see the great work that is produced as a result of this program.

Now I will turn the call over to Dan to review our financial and operating results.

Dan Devine - *Bridgepoint Education Inc. - EVP and CFO*

Thank you, Jane. Before providing an in-depth review of our fourth-quarter results, I would like to provide you with some key financial and operating figures. For the full year, revenue increased to \$933.3 million compared with \$713.2 million for 2010. The increase in revenue primarily resulted from an increase in student enrollment and the 5% tuition increase implemented on April 1, 2011.

Similarly, we have experienced a favorable net income and EPS growth for the year. Net income for the year ended December 31, 2011 was \$172.8 million or \$3.02 per diluted share compared with net income of \$127.6 million or \$2.14 per diluted share for 2010.

Turning to the fourth quarter of 2011, revenue was \$221.3 million compared with \$192.4 million for the same period last year. As of December 31, 2011, total student enrollment increased to 86,642 from 77,892 at December 31, 2010.

For the fourth quarter, instructional costs and services were \$71.7 million or 32.4% of revenue compared with \$54.5 million or 28.3% of revenue in the same period last year. The increase in 2011 quarter was primarily composed of increased instructional salaries, bad debt expense, and additional cost for instruction-related facilities.



Marketing and promotional expenses for the fourth quarter of 2011 were \$77.4 million or 35% of revenue compared with \$62.3 million or 32.4% of revenue in the same period last year primarily due to greater compensation expense as well as additional advertising and branding initiatives during the quarter.

General and administrative expenses for the fourth quarter of 2011 were \$36.9 million or 16.7% of revenue compared with \$30.9 million or 16.1% of revenue for the same period last year. The increase was primarily due to higher administrative compensation facility costs and external professional and consulting fees.

Included in our [three main] expense categories for the fourth quarter of 2011 is approximately \$2.8 million related to stock-based compensation expense in the aggregate compared with \$2.3 million for the fourth quarter of 2010. For the fourth quarter of 2011, operating income decreased to \$35.3 million from \$44.7 million in the same period last year. Fourth-quarter net income was \$22.9 million compared with \$26.3 million for the same period last year.

For the fourth quarter ended December 31, 2011, fully diluted earnings per common share or EPS decreased to \$0.41 from \$0.45 for the same period in 2010. Fully diluted EPS is calculated based on a diluted share count of 55.7 million shares for the fourth quarter of 2011 and 58.1 million shares for the comparable period in 2010.

We did not repurchase any shares of common stock during the fourth quarter and have no current stock repurchase authorization.

Our effective tax rate for the year ended December 31, 2011 was 37.5%. As of December 31, 2011, we had cash, cash equivalents, and investments of \$407.2 million. The Company generated \$220.8 million of cash from operations for the year ended December 31, 2011 compared with \$189.9 million in the same period of 2010.

Our accounts receivable net of allowance for doubtful accounts was \$62.2 million, which represents 25 days sales outstanding on a quarter to date basis compared with 27 days sales outstanding at December 31, 2010.

Capital expenditures for the fourth quarter of 2011 were \$10.1 million compared with \$8 million for the same period last year and for the year ended December 31, 2011, they were \$34.5 million compared with \$26.6 million for the prior year.

Moving to regulatory items, for the year ended December 31, 2011, Ashford University derived 86.8% of its revenues from Title IV funds calculated according to the department regulations. For the year ended December 31, 2011, the University of the Rockies derived 85% of its revenues from Title IV funds, also calculated under department regulations.

Our institutions have managed this metric effectively throughout their operating history and expect to continue to do so going forward.

Ashford University's two-year cohort default rate or CDR for the 2009 federal fiscal year was 15.3%, whereas the draft two-year CDR for 2010 decreased significantly to 10.4%. For the University of the Rockies, the two-year CDR for 2009 federal fiscal year was 3.3%, whereas the draft two-year CDR for 2010 increased to 3.9%.

Just yesterday the department released draft three-year CDRs which were 20.2% for Ashford and 3.3% for the University of the Rockies. We expect to see a trend toward lower rates in the future as we continue to increase our investment internally and externally to ensure that our former students are repaying their student loans and as the US economy improves.

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

Andrew Clark - Bridgepoint Education Inc. - President and CEO

Thank you, Dan. I would like to open the discussion of our 2012 guidance by noting that in 2011 we were able to accurately predict the impact of regulatory and market changes on our enrollments and our business. Today we are reiterating what we have said since September 2011, that we

expect 2012 new enrollments, total enrollments and revenue to exceed the levels we achieved in 2011 and our 2012 guidance reinforces that viewpoint.

We have also said that in 2012, we will continue to transition from the higher margins that we saw in the first half of 2011 to margins closer to but still above the industry mean in 2012. We believe the investments we are making in our business, namely in the student experience and technology and in our brand, will drive improving student outcomes, will further differentiate our institutions in the market, and will in turn support the sustainable creation of shareholder value over the longer term.

We anticipate that our total enrollment in 2012 will grow between 9% and 11% over the total enrollment at the year-end 2011. We are positioning the Company strategically to achieve continued low double-digit revenue growth together with annual margin improvements in the low single digits over the next several years.

In 2012, we are focusing on the following initiatives to achieve continued success over the longer term. Rather than a 5% increase, our institutions expect to raise tuition approximately 3%, which will help mitigate the high cost of college education and help sustain their competitive advantage over their peers' tuition levels.

Data analytics investments in 2011 have provided us with a tremendous amount of information to predict student behavior prior to and while attending our institutions. Throughout 2012, we will continue to increase our investment in data analytics to foster continued improvements in the student experience and persistence.

Our analysis has shown that increased investment in 2012 in the areas of smaller class sizes, increased monitoring of faculty and student interaction, and addressing students who may be facing challenges earlier in their program will likely lead to increased student persistence and graduation rates over the longer term.

We will increase our investment in new student inquiries to focus on the characteristics of potential students that our data analytics has shown to have the best chance of succeeding at our institutions. We will initiate a national branding campaign that will highlight our use of innovation and technology to provide the student with a high quality and affordable education at our institutions.

Taking into account our focus on these initiatives, our annual guidance for the year ending December 31, 2012 is as follows. Total student enrollment is expected to be between 94,500 and 96,200. Revenue is expected to be between \$1.01 billion and \$1.03 billion. Net income is expected to be between \$138.2 million and \$143.7 million.

Fully diluted earnings per common share is expected to be between \$2.45 and \$2.55 based on an estimated fully diluted weighted average share count of 56.4 million shares for the year ending December 31, 2012. Bad debt as a percentage of revenues for 2012 is expected to be 6%. Capital expenditures for 2012 are expected to be approximately 4% of revenue. The Company's effective tax rate for 2012 is estimated to be 37.8%.

Our guidance also includes an estimated \$12.6 million in ongoing stock-based compensation charges. There is no assumption of additional share repurchases in our guidance.

Before we begin our Q&A, I want to emphasize that we are very excited about the initiatives we have underway to further position Bridgepoint and our academic institutions to enhance the student educational experience and differentiate our offerings through innovation, technology, and affordability.

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



QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Andrew Steinerman, JPMorgan.

Andrew Steinerman - JPMorgan - Analyst

Good morning. I wanted to ask about your trajectory for new enrollment. The comment of positive full year growth of new enrollments, does that mean at 12/31 year-end new enrollments year-over-year will grow or the average for the year will grow?

My second question is new enrollments are still down right now. When do you expect new enrollments to inflect upwards and why?

Andrew Clark - Bridgepoint Education Inc. - President and CEO

I will start with the second question. I will let Dan finish up with the first part, Andrew. So as we said last fall, we expected to have negative new enrollments through the third and fourth quarter of 2011 and in the first half of 2012. We still hold that view. We believe that throughout the second, third, and fourth quarter as you continue through the year that we will see positive trend in new enrollments on a year-over-year basis.

And the reason that we believe that is kind of twofold. One would be just the continued strong demand we are seeing for the differentiation at our institutions especially around innovation and affordability.

The other one would be internally in terms of how we have been able to manage and work through the new regulatory changes and kind of when we see that process completing itself, which should occur kind of early to mid second quarter of this year. Dan can answer the first part your question.

Dan Devine - Bridgepoint Education Inc. - EVP and CFO

Sure, so the first part is we do expect to see total new enrollments for the year to be positive and probably close to the level of positive total enrollment growth. We will be negative in the first quarter. That degree will be a little better than it was in the fourth quarter and then we begin to turn positive for the second, third, and fourth quarter.

Andrew Steinerman - JPMorgan - Analyst

Positive for the whole second quarter?

Dan Devine - Bridgepoint Education Inc. - EVP and CFO

Yes, for the quarter, we are positive, yes.

Andrew Steinerman - JPMorgan - Analyst

Thank you very much. I appreciate the comments.

Operator

Peter Appert, Piper Jaffray.



Peter Appert - Piper Jaffray - Analyst

Thanks. So Andrew, is it possible to quantify the incremental investment spend on various components of your differentiation strategy, faculty branding, etc.? I'm asking this in the context to try and understand how much is this permanent incremental cost, how much more incremental cost beyond what you spend in '12 will we see in '13 etc. and therefore the implications longer term for margin?

Andrew Clark - Bridgepoint Education Inc. - President and CEO

Yes, Peter, I'm going to let Dan kind of walk you through the incremental cost and then I can comment after him on the longer-term view.

Dan Devine - Bridgepoint Education Inc. - EVP and CFO

Okay, Peter, so if we kind of look at the incremental cost year over year, you can see the difference in EBITDA if you use EBITDA for operating. It's about 700 basis points and the way that is split is basically the investment in [ICNS] is approximately 1 point and that represents the investment in faculty and the smaller class size impact. The investment in G&A is probably 0.5 point. That is primarily related to kind of increased regulatory support spending in our legal area as well as some IT spending to support our technology initiatives.

So the remainder is in the area of promotional and marketing spending. That is broken out. We expect to incur about 1.5 points in branding, which is a year-over-year change from 2011. We anticipate that the impact from kind of regulatory productivity changes is 300 basis points and the remainder of that relates to kind of increased spend in recruitment of new students or kind of higher inquiry acquisition costs.

Peter Appert - Piper Jaffray - Analyst

So, Dan, just so I'm sure I understand, the 300 basis points from regulatory productivity this is basically just no incremental spend for regulatory compliance versus the increment you had this year or some actual declines in dollar spend?

Dan Devine - Bridgepoint Education Inc. - EVP and CFO

No, it's an increase -- are you talking about regulatory in the G&A line?

Peter Appert - Piper Jaffray - Analyst

Well, you mentioned 300 (multiple speakers)

Dan Devine - Bridgepoint Education Inc. - EVP and CFO

It's kind of a full-year effect of what we invested in 2011. We definitely enhanced our area there. We spent a lot of money. You get the full-year impact of that as well as additional technology support in the G&A line.

Andrew Clark - Bridgepoint Education Inc. - President and CEO

Peter, it's Andrew. I'd just say from a longer-term perspective 2012, I would say is a transitional year in terms of the investments and the spend and I think that our view would be that we would see somewhere around a 50 basis point maybe to 100 basis point improvement in our margin if we turned kind of towards 2013 and beyond.

So I think we will see some improvement in some of these particular line items as we go forward.

Peter Appert - *Piper Jaffray - Analyst*

That's very helpful. Thanks and just last thing. I would assume there would be some pretty significant year-to-year change in margin just from a seasonal perspective. So would that be fair, Dan? So down a fair amount in the first half and then maybe looking better in the second half?

Dan Devine - *Bridgepoint Education Inc. - EVP and CFO*

It is down and it is down in Q1. It somewhat leveled throughout the remainder of the year. Obviously there's year-over-year growth in new enrollments and revenue in the second half. Some of our spending for the branding initiatives is in the second half so therefore you get a little bit of leveling out. By quarter, it's lower in the first and then pretty steady for the rest of the year.

Peter Appert - *Piper Jaffray - Analyst*

Great. Thank you.

Operator

Jeff Silber, BMO Capital Markets.

Jeff Silber - *BMO Capital Markets - Analyst*

Thanks so much. In your comments you talked a little bit about the seasonality in terms of starts. Are there any other seasonal quirks that we need to be aware of, graduations, etc.?

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

No, not that I would want to make you aware of. I think the seasonality is going to be pretty typical.

Jeff Silber - *BMO Capital Markets - Analyst*

Great, and on the bad debt side, you talk about bad debt coming in at about 6% of revenues for the year but yet in the back half of 2011, it spiked pretty dramatically. What are you doing to get that down in 2012?

Dan Devine - *Bridgepoint Education Inc. - EVP and CFO*

Well, you know we're making additional investments in that area. We are changing some of the processes. As -- when you are kind of a lower-priced institution, you have this issue related to excess funds being dispensed. That creates a component of your bad debt. I think we have explained that before and what we are trying to do there is obviously better time any of those disbursements to how the student earned that money.

We have made some changes in kind of the way we invoice our students or bill our students and we think that's going to potentially have some impact in the second half of the year in that metric.



Andrew Clark - Bridgepoint Education Inc. - President and CEO

Yes, and then, Jeff, it's Andrew. I would just say a lot of the investments that we outlined earlier in the call are all directionally towards -- having a better, more highly qualified student enter our institutions and persist and that should lead to better metrics not just from a persistence standpoint but from a bad debt perspective, too. And that will come towards the latter part of the year.

Jeff Silber - BMO Capital Markets - Analyst

Great, if I can just throw on a quick numbers question, you guys have been very transparent giving us a lot of information. On that theme, can you tell us what the 90/10 ratio would have been at Ashford if we include the \$2000 in unsubsidized Stafford loans and also roughly the military funding as a percentage of revenue. That would be helpful as well. Thanks.

Dan Devine - Bridgepoint Education Inc. - EVP and CFO

Well, both those numbers we don't give out. I don't know exactly what it -- it would've been more favorable obviously but off the top of my head I don't know what that change is so I don't want to give you kind of a ballpark figure. I think last year it was several points so I am assuming this year it would be positive by some measure equal to that.

We traditionally don't give out our military mix funding and our population is still hanging about 18%.

Jeff Silber - BMO Capital Markets - Analyst

All right, that's helpful. Thanks so much.

Operator

Corey Greendale, First Analysis.

Corey Greendale - First Analysis Securities

Good morning. First question is I think last quarter you talked about seeing incremental improvements in admission advisor productivity and it sounds like if you are talking about 300 basis points of margin hit from those regulatory-driven changes. Maybe that's moving in the other direction but could you just comment then what you are seeing in terms of productivity?

Andrew Clark - Bridgepoint Education Inc. - President and CEO

Sure, Corey, I think what we were saying last quarter was that the productivity was better than what Dan and I had initially forecasted. So that was the comment relative to last quarter.

In terms of how we are seeing things trend right now, it is trending pretty much as we thought it would. We expect as we have indicated in our comments this morning that the productivity should improve throughout the year and should improve throughout the first half of the year. So we don't have anything -- we aren't seeing anything that would make us think differently.



Corey Greendale - *First Analysis Securities*

Okay, then without giving away trade secrets, can you just give us a sense -- I understand that you're looking to attract the kind of students who will be more likely to succeed. At the same time, you share metrics about student success and it sounds like that has held up pretty well. So can you just give us a sense of what characteristics you are talking about in terms of the types of students that you be looking to attract?

And would you expect to see improvement in metrics like graduation or is it more that the goal is to maintain those steady?

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

Yes, well I don't want to give any away any secrets but I will say that we are -- our institutions are constantly looking to improve on metrics like persistence and graduation and our guidance does have an improvement in persistence this year over last year, which is meaningful because our persistence increased pretty well last year because of the initiatives that we had done previously.

Graduation, as you have seen, also those rates have trended nicely. I think all of the investments we are making here, the increased investment in student recruitment in terms of trying to attract prospective students that we know from our data analytics that the cost of that, the increased cost of that is offset by better persistence over the long-term, which we piloted that this past year towards the end of the year. And we have data that supports that thesis.

We know that all of these initiatives, the class size, all of these things will lead to us improving our metrics, so when we have our fourth-quarter earnings call next year, I would anticipate that again when we lay out these quality metrics as we have done today, that you will see improvement on a year-over-year basis.

Corey Greendale - *First Analysis Securities*

Thank you.

Operator

James Samford, Citi.

James Samford - *Citigroup - Analyst*

Great, thank you. Just wanted to touch on the persistence numbers again. It looks like you certainly came in better than expected and I think I was assuming that graduations would start to see an impact and if I preliminary looking at the model it looks like either new starts have to go up positively pretty significantly next year or persistence does to get to your numbers. I just wanted to tease out how you are thinking about persistence next year given graduation rates, etc.?

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

It's a great question and probably something which I haven't emphasized enough. As I mentioned in the early part of the call, our graduations increased 50% in 2011 over 2010. So really it is persistence that is the primary driver of offsetting the increased graduations. And again if I go back to 2010's initiatives and then certainly what we have done in 2011 and now what we are doing in 2012, that continues to give us confidence that while we continue to increase graduates, we will also be increasing persistence.

With that said, we continue to see strong demand for our value proposition so on the new enrollment side, our differentiation of our institutions around affordability and innovation is definitely having a positive impact for our institutions and for the Company but persistence really is our focus.

James Samford - Citigroup - Analyst

If I could follow-up, on -- I know you announced Thuze earlier this month at CES. What is the strategy behind that? Is that something that could ultimately be a revenue generator? Is that how you are thinking about it or is it really just a showcasing of Bridgepoint innovation?

Andrew Clark - Bridgepoint Education Inc. - President and CEO

Well, I think kind of near term, it's definitely a showcasing of our innovation and what we are capable of doing and we got just tremendous feedback from a variety of different constituencies and that was an excellent event for us to be a part of.

I think longer-term is yet to be seen and that's what the beta test that we are doing with the publishers will provide additional information for us and inform our thoughts about that. Quite frankly, there is other opportunities as well that have kind of sprung up around Thuze just in the last couple months that we hadn't even really thought about previously or considered

So I think in the near term, it's definitely a showcase of what we can do and then how that benefits and is very impactful to our students at our institutions. In the longer term, we will have to get back to you.

James Samford - Citigroup - Analyst

Great, thanks.

Operator

Kelly Flynn, Credit Suisse.

Kelly Flynn - Credit Suisse - Analyst

Thanks, sorry to ask this but I'm getting this question. We noticed in your catalog that you changed the technology fee so that it's assessed at two weeks, not six. Can you just explain kind of why you did that? And then how we should think about the mechanics of any income statement impact that might have? Thanks.

Dan Devine - Bridgepoint Education Inc. - EVP and CFO

Kelly, this is Dan. I have to read that catalog. That is not the case.

Andrew Clark - Bridgepoint Education Inc. - President and CEO

Yes, that is not the case.

Dan Devine - *Bridgepoint Education Inc. - EVP and CFO*

So I will get back to on that but that is not the case. It is in the -- after the completion of the first week of the second course is still when it's charged.

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

That has not changed.

Dan Devine - *Bridgepoint Education Inc. - EVP and CFO*

That has not changed so I will research that and see (multiple speakers)

Kelly Flynn - *Credit Suisse - Analyst*

All right. I will send you what I'm talking about. Thank you.

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

That would be good.

Kelly Flynn - *Credit Suisse - Analyst*

Can I ask another one? Just I think in talking about the breakup of the margin view for next year, sort of 300 basis points from regulatory-related stuff, you mentioned higher I think student acquisition costs. Can you just go into more detail on that? Is that kind of driven by what's going on in the marketplace or more by what you are doing specifically?

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

I think it's driven more by what we are doing specifically, Kelly. We are consciously and deliberately increasing our investment in prospective students, allowing us to target a student that has a profile that performs and persists better and we have -- as we have mentioned, we made a tremendous investment in data analytics throughout 2011 and so we have data that supports that thesis and we expect and have included in our guidance increased persistence as a result of being able to attract those students.

Kelly Flynn - *Credit Suisse - Analyst*

Okay, great. Thanks a lot.

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

Thank you. We will get back to you on your other (multiple speakers)

Dan Devine - *Bridgepoint Education Inc. - EVP and CFO*

Yes, we will get back to you on that question.



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

-- your other question because we are unaware of that, so maybe there's a misprint someplace.

Kelly Flynn - *Credit Suisse - Analyst*

Okay, thank you.

Operator

Alex Paris, Barrington Research.

Alex Paris - *Barrington Research - Analyst*

Just a quick question on the balance sheet. I don't know if it was asked because I got on the call late but you've got nearly \$0.5 billion in cash now. You've repurchased a lot of stock. There's probably not a lot of free float out there given Warburg Pincus's position.

What's the use of cash going forward? You've talked about maybe acquisitions. What would you consider in that area?

And then second, will the Board authorize further repurchases? What about a dividend? A number of high-quality companies in your space like DeVry and Strayer have had increased dividend or have instituted dividend policies.

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

Yes, I guess the short answer to your question, Alex, is all things remain on the table and I wouldn't want to forecast ahead of time what my Board may or may not consider. But we will definitely look at dividends, look at share repurchase, and we have an active corporate development strategy team that is always looking at M&A possibilities.

So you are correct. We have a very healthy balance sheet and a lot of cash on that balance sheet. And we are going to continue to analyze that and determine how best to put that to use in a way that benefits our shareholders.

Alex Paris - *Barrington Research - Analyst*

Great, then can I ask you to repeat yourself when you referred to 2013 and beyond, you said you are positioning the Company for low double-digit revenue growth and then I kind of missed what came after that.

Dan Devine - *Bridgepoint Education Inc. - EVP and CFO*

Yes, you are correct; we said low double-digit revenue growth and low single-digit margin improvement.

Alex Paris - *Barrington Research - Analyst*

Beginning in 2013 and beyond? Again, I know it's not guidance but it is a positioning?



Dan Devine - Bridgepoint Education Inc. - EVP and CFO

Yes, we expect that the margin would improve beyond 2012 by that level.

Alex Paris - Barrington Research - Analyst

Okay, one just last point of clarification for my benefit. When you were going over -- Dan, when you were talking about negative new student enrollment in the first quarter and then kind of stable throughout the year, I guess the same question or the related question with regard to total student enrollment, you're going to be up for the full year but do you go negative in the early part of the year?

Dan Devine - Bridgepoint Education Inc. - EVP and CFO

Yes, let me just clarify my statement. Total student enrollment is positive throughout the year. And new enrollment is negative in Q1 and then goes positive. It doesn't remain flat for the rest of the year. It goes positive in two, three and four.

Alex Paris - Barrington Research - Analyst

Great, thanks very much. I appreciate it.

Operator

[Gerald Price], [HITE Analytics].

Gerald Price - HITE Analysis - Analyst

Good morning. You said that in aggregate military represented about 18% of enrollments. I was wondering if you could break that down for us between TA, VA, and spouse DoD?

Andrew Clark - Bridgepoint Education Inc. - President and CEO

I can't break it down for you on the call because we just don't have those numbers in front of us right now.

Gerald Price - HITE Analysis - Analyst

Okay, I will head in a different direction then. I was wondering if you could describe the progress you've had on efforts to diversify revenues and specifically comment on the rollout of your private loan facility?

Dan Devine - Bridgepoint Education Inc. - EVP and CFO

Diversified revenues? There's two questions, right? The revenue diversification doesn't have anything to do with the private loan issue. We continue to attempt to diversify revenues by developing basically our corporate channel, which has continued to be enhanced as a population, which it's pretty much I guess slightly better that it was the prior year. But our corporate channel is our current opportunity that we are working on to diversify our kind of enrollment mix.

We haven't changed any of our programs or any of that area, so from a diversification from program change or we haven't done that and our ratios between the two universities remain pretty much the same year-over-year.

Private loan program, that is at the University of the Rockies. It was pretty steady to what it was in the prior year. We did introduce for some select students, we did some loans in the fourth quarter at Ashford University. It was a small amount of money and we are just testing that program, so I hope that answers your question. I don't know if --

Gerald Price - *HITE Analysis - Analyst*

Do have any plans at this point to expand it at Ashford or --?

Dan Devine - *Bridgepoint Education Inc. - EVP and CFO*

Do we have any plans to expand it? Not materially, no.

Gerald Price - *HITE Analysis - Analyst*

Thanks.

Operator

Gary Bisbee, Barclays Capital.

Zack Fadem - *Barclays Capital - Analyst*

Hi, it's Zack Fadem for Gary. You've done a nice job notching up your retention rates a little bit at 61% this year. How much of that would you credit to the recent investments and changes in technology or predictive analytics and what not? How much room do you think there is for this number to rise going forward? Thanks.

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

I would credit most of it, Gary, with actually initiatives that we started in 2010 and then that we continued throughout 2011, although our investment in data analytics and predictive modeling and some of the results of that definitely helped towards the latter half of 2011.

So I think from a trend perspective, my view, like I said in our guidance, we have considered an increase in persistence on a year-over-year basis and if persistence increased by 50 basis points each year, that's quite meaningful to our institutions and ultimately to the Company. So I don't have a specific number for you but I will tell you that all the investments we have made and that we're going to make throughout 2012 we think will improve our persistence this year and will continue to improve it in 2013.

Zack Fadem - *Barclays Capital - Analyst*

Okay, thank you.

Operator

Trace Urdan, Wunderlich Securities.

Trace Urdan - *Wunderlich Securities - Analyst*

Good morning, guys. I wondered if you could describe how your mix of lead sources may have changed and may change prospectively? Are you still using the same lead generators to the same degree that you always have? Will the branding campaign change that approach at all?

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

Yes, sure. I don't want to give away too much here but we definitely are using the data analysis that we have done to better inform our decisions in terms of the different lead channels and where those leads are -- prospective students are coming from. So we definitely are using that to get students that we know will persist better and ultimately be more successful.

I think the branding, our expectation certainly is that our investment in branding will also help us diversify the channels and there would probably be to some degree in that diversification less of a reliance on aggregators. I don't want to quantify that for you but I would say that just naturally, that's going to happen as a result of the branding investment.

Trace Urdan - *Wunderlich Securities - Analyst*

What do you expect the timing is on that specifically right now?

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

It's hard to say. There's some development going on throughout the first half of the year. I would expect kind of midyear and you would see us be strategic, meaning that we would time it around some of our seasonality that naturally occurs in higher education.

Trace Urdan - *Wunderlich Securities - Analyst*

Okay, thank you.

Operator

There are no further questions at this time.

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

All right, I want to thank everybody for attending our call today. We look forward to speaking with you.

Operator

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



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