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BPI - Bridgepoint Education Inc. at Credit Suisse Global Services  
Conference

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

## PRESENTATION

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

We are going to get started here with Bridgepoint Education. Speaking for the Company we have Andrew Clark, the CEO, and as well as Dan Devine, the CFO. If we have extra time, which you may not, we can take a few questions in here, but otherwise there will be a breakout session basically across the way.

With that, turn it over to Andrew. Thanks.

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**Andrew Clark** - *Bridgepoint Education, Inc. - President & CEO*

Thank you, Kelly. Welcome, everybody. Hope you all had a good lunch. It's nice outside, nice and warm; should have done our presentation out there.

All right, I just want to begin this afternoon by talking about how we view our differentiation from the rest of the marketplace. You can see that really from a Bridgepoint, from our standpoint, we are focused around affordability, innovation, and building the brand of our institutions -- Ashford University and the University of the Rockies.

Right there where it says affordability that bar chart represents the tuition rates. In case you can't see that up close, most of our peer group is anywhere from 17% to 50% more expensive than we are.

The innovation piece of the pie there has a picture of a tablet device with Constellation. I will talk a little bit more about that in the presentation here and how really we have built innovation and technology as a core competency within Bridgepoint. And it makes up a significant differentiating factor as students look at our institutions.

To further expand on that, we really began our innovation back in 2008 when we came up with the idea for Constellation, which is a digital learning platform by which Ashford University students can access their digital textbooks and be able to highlight and annotate in those books. The whole concept behind it was that it would be more affordable, that it would also provide an opportunity for students to be able to access their content in a much more meaningful and convenient way, and I will talk more about that.

Then from that came Thuze, which is a product that is an offshoot of Constellation that I will talk more about as well that we initiated in January in partnership with three major publishers.

WayPoint Outcomes we purchased in 2009. WayPoint Outcomes is used by 100 institutions and I will talk more about that. It allows faculty to assess student learning outcomes by digesting or ingesting a student's paper through a web interface and then they are able to provide feedback pretty quickly to the students. And then it aggregates the learning outcomes based on the rubrics that the faculty have set up.



Then we were one of the first educational companies to launch mobile products. I think we were the first one to do that back in 2010 with the University of the Rockies. If you have a chance and you go to the Android store or you go to the Apple store, app store, you will see that our customers view our app products to be extremely helpful in helping them access their classroom as well as other services provided by the university.

Constellation, we really -- just a little bit more about this. We really built this to be as versatile as possible, so what we did here is we made it so that it was device agnostic and you could access your digital textbook from any tablet or device. As long as you have access to the web, you have access to your digital textbook if you are an Ashford University student.

Everything lives up in the cloud and so a student can highlight and take notes on a desktop, for example, in the web interface. They can then go out for lunch; they could be outside with their tablet and they would be able to see those same notes and highlights that they made.

We also at Ashford University had our own faculty write the textbooks that ended up going on Constellation, and so we were able to more closely align the curriculum and textbook materials because we had our own faculty involved in it. And I will give you some numbers on this a little further in the presentation.

We have been recognized by the 2011 Horizon Report as a technology to watch. More importantly, Constellation has been tremendously impactful for our students. 90% of Ashford students say Constellation is a convenient way. More importantly, 78% said that it improves their learning and that is really ultimately, besides making it affordable, what we were shooting for.

So to give you a better sense of Constellation, I have a little video here that I will quickly show and then move on in the presentation.

(video playing)

So hopefully that gives you a little better idea of what Constellation is. You can see that it's really much more than a textbook. You can see the ability the student has to interact with it, provide -- and have the ability to access video, maps, relative content to what it is that they are learning.

Here is some of the numbers for Constellation. We have titled -- 40 titles have been published by our own faculty for Constellation. We have had almost 6,300 iPad downloads from 170 countries, 9 million site visits because, as I mentioned, our students can access this on the web.

Because it's a digital textbook, we are able to start tracking analytically some of the things that our students are doing. So you can see we have had -- our students have done 5.6 million highlights and made over 130,000 notes in their digital textbook through Constellation.

So that takes us to Thuze. We got a lot of questions last year because we were having so much success. 78% of our students use Constellation Ashford University; they were like why wouldn't you take this beyond your own institutions. We actually had publishers approach us -- in this case, Pearson, McGraw-Hill, Jones & Bartlett -- and said what if we did a pilot. Instead of using your textbooks, we provided some of our own textbooks.

So we are in the middle of a pilot with those publishing groups right now. This map represents kind of the concentration. There is almost 863 college students -- these are 18- to 21-year-old students -- in 48 states, 203 schools. You can kind of see how it plays out between public, private, and nonprofit institutions that are participating in the pilot.

And so we are in the midst of that. It goes for the entire traditional spring semester so this pilot won't be over until about probably late May, early June.

Thuze represents Constellation only 2.0. It actually has additional functionality and features that Constellation doesn't yet have but will have shortly. For example, it has the ability for students to take tests within given chapters, a pre-test and a post-test, to make sure that they have learned the material effectively. It also has a social networking component embedded into it, as well as a notepad that allows a student to separate out, perhaps, notes for a test versus notes for a paper.



From a mobility perspective, you can see here that we have increased functionality that we are providing for Ashford University mobile. We have both a mobile application as well as a tablet application. Things like a student ID card, final grades from past courses. Instructor feedback, ledger card, access to libraries, and just basically a better student experience are all part of the next version of Ashford University mobile that is coming out.

The students already can access their course room in the current edition. They can access their faculty, as well as their academic advisers and other administrative support people at the institution. This really does represent increased functionality that most students don't find at other universities that they attend.

I mentioned WayPoint when I began. Here is some numbers on WayPoint. WayPoint, we launched a new version of that, 2.0, back in July at the Blackboard World. We have over 100 institutions now that use WayPoint. We have 887,000 unique users in 149 countries.

I think what is most amazing is we have had 1.3 million evaluations. Those are individual unique evaluations done where a paper was taken into the interface and then evaluated by faculty, and that data was then aggregated and provided back to the institution. You can see on the slide there, besides our own institutions, some of the other institutions that use WayPoint. For example, Syracuse or Colorado State University.

With that said, I just want to talk about kind of our approach to quality at Bridgepoint. First and foremost, we have two, I think, very exceptional institutions in Ashford University and University of the Rockies.

Ashford has a traditional campus in Clinton, Iowa, but it does have 99% of its students taking classes online. You can see here 74% of them are undergraduate students. We have traditional teams on our campus, 17 NAIA teams.

We have 18 to 21 year olds there, but our student population online is much different as you can see on this slide here. Our average age is 36 years old; 49% are minorities, 72% are female. You can see from a programmatic standpoint that we are pretty well diversified and it is pretty well evenly distributed across the various areas.

University of the Rockies located in Colorado Springs, Colorado. It is a graduate and doctoral institution focusing primarily on psychology. We purchased University of the Rockies back in 2007 and have really enjoyed a great relationship there with the faculty and with the Higher Learning Commission as well when it has had its reviews.

One important, I think, take away and a lot of people have been chatting with me saying why is it that Bridgepoint has been doing so well during what has been a difficult time for this sector. I think this slide illustrates our ability to take market share of based off of our differentiation. Certainly affordability, innovation, and then our ability to build out the brand around our institutions is the cornerstone, I think, of our success and why we are able to do better.

We were one of a very few number of institutions that actually had positive new enrollment growth in 2011. We anticipate that we will have positive new enrollment growth in 2012 as well and continue to increase that market share as we have done in the past.

When we think about quality we really think about investment in our students and here is kind of the four areas. Obviously, transparency is very important, both to our students as well as to regulators and accreditors. We have spent a tremendous amount of money and resources last year on data analytics, producing a Dashboard that allowed us to identify students that were perhaps running into difficulty and be able to help them in a proactive way.

Ashford University has a microsite just based around what we do in the area of assessments and that is available to anybody in this room; to be able to go out and see how the institution performs against various measures of student learning and assessment.

From a learning standpoint, this year we have invested last year and we will continue to invest this year in more full-time faculty more terminally degreed faculty. We have made a decision to have smaller class sizes in our initial courses to have students succeed at a better rate, and we actually have seen positive results already from that in terms of increased persistence from those students.

From a technology standpoint, we just talked about that. Constellation, the analytics that we are doing, the mobile features that we are adding, WayPoint 2.0 -- all of those things are meant to improve the student experience and student learning.

From a career standpoint, we have increased significantly our investment in career support services to try and help either current students or certainly our alumni. One of the wonderful things that we have happening is we continue to have more and more students graduating. This past year we had 17,000 students graduate just in 2011 and we want to make sure that even if they are currently employed but recareering that we have resources available to help them with that process.

Very quickly and then I will turn this over to Dan before we run out of time here. As I mentioned, we made a significant investment as a company in 2011 into data analytics and then we actually began some predictive modeling kind of middle of the year last year and did a variety of pilots that helped inform some of the decisions on investments that we made for 2012. We are working on making sure that we target perspective students that perform and persist at the best rate possible based on characteristics that we have identified that lead to more success at our institutions.

That does mean we have a higher initial recruitment cost, but that is -- we have found from our pilot that that is offset by the students' success. That they actually end up with higher GPA and persisting for a longer period of time. We also determined from our data analytics that smaller class sizes and increased monitoring of student and faculty interaction actually also helped students perform better in the classroom and persist at a longer rate.

I should say while I am talking about persistence that we provide, and you will see it here in a minute, cohort persistence data each year at the end of the year, but on a quarterly basis I believe our persistence has improved year over year seven out of the last eight quarters.

We increased, as I mentioned, our investment in full-time faculty. Our student Dashboard now, because of the predictive modeling we are able to do, we can actually determine whether a student is on a path to success or if they are on a path to failure and actually dropping out of the institution. Sometimes we can intervene and actually help that student kind of turn things around, which is what we would like to do ultimately if we are able to.

And we are focused on making sure that we provide aide to the students who really most need it by using data analytics.

Transparency and accountability. As I mentioned, you can go to the Ashford University assessment site and you can see a tremendous amount of data. I am just going to quickly go here to really what we mean by that.

You can see that, as a public company, since 2009 we have done this year in and year out on our fourth-quarter earnings call. We have provided fall-to-fall persistence rates, those are cohort rates. So we take a census date of students on September 1 and we take that same group of students the census date on August 30, and that represents the cohort persistence.

You can see in 2011 we are able to increase it by a full percentage point from 2010. We feel very good, because of the investments we are making, that we can move this forward throughout 2012 and even into 2013 and improve upon that number.

Our bachelors graduation rates, you can see how those have improved. We are now at 51%. Our master's graduation rate is at 74% and, most importantly, our alumni are deriving definitely a return on the investment in their education. You can see that from our alumni survey that a bachelor's degree salary increase from the time they enrolled to the time they became an alumni in 2011 it increased 11.6% at the undergraduate level and 11% at the graduate level.

So we provide this information every year and we will continue to do so when we have our fourth-quarter earnings goal for 2012. Really to be transparent and to allow all stakeholders in Bridgepoint and our institutions to fully understand and appreciate how effective we are at improving the quality metrics for our students.

With that said I will turn it over to Dan.



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

Thank you, Andrew. These are the highlights of the financial model. They have been pretty consistent since 2009 when we came out. We continue to have a highly visible revenue stream over the period. We have been able to gain operating leverage, drive margin expansion by our increase in enrollments and earnings -- I am sorry, in revenue.

We are a highly capital efficient business; 99% of our students attend online, that hasn't changed. We have been able to have a strong cash generation record and a growing cash position. We have had consistent regulatory performance over the years. You can see that we made a big investment in our CD-R management. That draft rate for 2010 for the two-year program is down from 15.3% to 10.4% and we have been able to maintain the rest of our regulatory metrics consistently since [2011] all the way back to 2007.

We feel that we are well-positioned for gainful employment and we continue to invest a lot in that area, make sure that we are fully compliant.

Our history, for those of you who don't know it, we have had consistent enrollment growth. CAGR of 80% and that has translated into consistent revenue growth; significant amount of that since 2007 through 2011 with \$933 million. That has allowed us to drive an operating margin increase over the period.

Clearly, we are at approximately 30% in 2010. That is close to -- 29.3% is close to that for 2011. We think that that number is going to come down in 2012 and we discussed that on our quarterly call last week.

Then that has resulted in good EPS and cash flow. You can see that in 2011 we had \$221 million in cash flow and we had earnings per share of \$3.02. I think with that we will be happy to take some questions, if there are any.

## QUESTIONS AND ANSWERS

**Unidentified Audience Member**

(inaudible) [my calculations] your enterprise value is under \$900 million if you include all of the cash. Arguable that you guys are going to grow so -- and you had \$270 million of EBIT in 2011 I think. What is the market missing?

**Andrew Clark** - *Bridgepoint Education, Inc. - President & CEO*

Well, I can't speak for the market but I think the biggest thing that people have talked to us about is Warburg Pincus and the shell filing that they have out there. They have 34 million shares. I think people are just wondering how are those shares going to come into the market, when are they going to come into the market, and how substantially will they.

I don't have answers to any of those questions, so it's kind of one of those things where we have to just kind of continue to go about our business and do what we have done. We have been very consistent since we have been public in terms of our operating and financial performance, in terms of doing what we said we were going to do.

I think we are focusing in all the right areas. Our investments are in the right areas. Around data analytics our sophistication there, I think, is tenfold what it was just a year ago. And I think that is very helpful and is informing a lot of good decisions about what is in the best interest of students and student learning and the student experience.

So I think Dan and I and the rest of the team just has to continue to go about doing a good job and the market eventually will appreciate it.

All right, I guess breakout time. Thank you.



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