



NEWS RELEASE

American Public Education Reports First Quarter 2018 Results

2018-05-08

CHARLES TOWN, W.Va., May 8, 2018 /PRNewswire/ -- American Public Education, Inc. (NASDAQ: APEI) – parent company of online learning provider [American Public University System](#) (APUS) and campus-based [Hondros College of Nursing](#) (HCN) – announced financial results for the quarter ended March 31, 2018.

Selected Financial Data:

- First quarter 2018 consolidated revenue decreased 1% to \$75.0 million, compared to \$75.7 million in the same period of 2017.
- GAAP net income for the first quarter of 2018 increased to \$4.6 million, or \$0.28 per diluted share, compared to net income of \$4.5 million, or \$0.28 per diluted share, in the same period of 2017.
- Adjusted net income for the first quarter of 2018 was \$5.9 million, or \$0.35 per diluted share. Adjusted net income for the first quarter of 2018 excludes approximately \$1.7 million in pre-tax expenses associated with the voluntary reduction in force program announced on March 12, 2018, as well as the applicable tax effect of the adjustment. The workforce reduction was substantially completed on April 1, 2018. For additional information regarding adjusted net income (a non-GAAP measure), please refer to "GAAP to Adjusted Net Income Reconciliation" in the financial tables that follow.

Registrations and Enrollment:

- Net course registrations at APUS decreased approximately 4% in the first quarter of 2018, compared to the prior year period. Net course registrations by returning students decreased approximately 3% year-over-year and net course registrations by new students decreased approximately 11% year-over-year in the first quarter of 2018.¹
- APUS student enrollment decreased 5% year-over-year to approximately 82,700 students as of

March 31, 2018.²

- For the three months ended March 31, 2018, new student enrollment at HCN increased by approximately 11% year-over-year and total student enrollment increased by 19% year-over-year to approximately 2,040 students.³

Financial Results:

Total consolidated revenue for the first quarter of 2018 decreased 1% to \$75.0 million, compared to total revenue of \$75.7 million in the first quarter of 2017. Consolidated income from operations before interest income and income taxes in the first quarter of 2018 decreased to \$6.2 million, compared to consolidated income from operations before interest income and income taxes of \$8.3 million in the first quarter of 2017, primarily due to the decrease in revenue, expenses associated with the voluntary reduction in force program, and an increase in general and administrative expenses. Net income for the first quarter of 2018 was \$4.6 million, or \$0.28 per diluted share, compared to net income of \$4.5 million, or \$0.28 per diluted share for the first quarter of 2017. The weighted average diluted shares outstanding for the first quarters of 2018 and 2017 were approximately 16.5 million and 16.3 million, respectively.

Adjusted net income for the first quarter of 2018 was \$5.9 million, or \$0.35 per diluted share. Adjusted net income for the first quarter of 2018 excludes approximately \$1.7 million in pre-tax expenses associated with the voluntary reduction in force program announced on March 12, 2018, as well as the applicable tax effect of the adjustment. The workforce reduction was substantially completed on April 1, 2018. For additional information regarding adjusted net income (a non-GAAP measure), please refer to "GAAP to Adjusted Net Income Reconciliation" in the financial tables that follow.

Total cash and cash equivalents as of March 31, 2018 were approximately \$186.2 million, compared to \$179.2 million as of December 31, 2017. Capital expenditures were approximately \$1.4 million for the three months ended March 31, 2018, compared to \$1.7 million in the prior year period. Depreciation and amortization was \$4.5 million for the three months ended March 31, 2018, compared to \$4.7 million in the prior year period.

Registrations and Enrollment:

<u>American Public University System</u> ¹	2018	2017	% Change
For the three months ended March 31,			
Net Course Registrations by New Students	9,400	10,600	-11%
Net Course Registrations	83,300	86,800	-4%
As of March 31,			
APUS Student Enrollment ²	82,700	87,100	-5%
<u>Hondros College of Nursing</u> ³			
For the three months ended March 31,			
New Student Enrollment	500	450	11%
Total Student Enrollment	2,040	1,710	19%

¹APUS Net Course Registrations represent the approximate aggregate number of courses for which students remain enrolled after the date by which they may drop a course without financial penalty.

²APUS Student Enrollment represents the number of unique active students, including those who take an approved leave of absence for up to two years, who have reached the eighth day of their first course or who have completed at least one course within the last 12 months for which a grade was received.

³HCN Student Enrollment represents the total number of students enrolled in a course after the date by which students may drop a course without financial penalty.

Non-GAAP Financial Measure ("Adjusted Net Income"):

This press release contains the non-GAAP financial measure of adjusted net income, which excludes certain pre-tax expenses associated with the voluntary reduction in force program announced on March 12, 2018, as well as the applicable tax effect of the adjustment. American Public Education believes that the use of adjusted net income is useful because it allows investors to better compare results to prior year periods.

This non-GAAP measure should not be considered in isolation or as an alternative to measures determined in accordance with generally accepted accounting principles in the United States (GAAP). The principal limitation of adjusted net income is that it excludes expenses that are required by GAAP to be recorded. In addition, non-GAAP measures are subject to inherent limitations as they reflect the exercise of judgment by management about which expenses are excluded.

American Public Education is presenting adjusted net income in connection with its GAAP results and urges investors to review the reconciliation of adjusted net income to the comparable GAAP financial measures that is included in the tables following this press release (under the caption "GAAP to Adjusted Net Income Reconciliation") and not to rely on any single financial measure to evaluate its business.

Second Quarter 2018 Outlook:

The following statements are based on American Public Education's current expectations. These statements are forward-looking and actual results may differ materially. The Company undertakes no obligation to update publicly any forward-looking statements for any reason unless required by law.

American Public Education anticipates an increase in second quarter 2018 consolidated revenues of between 0% and 2% year-over-year, compared to the second quarter of 2017. The Company expects consolidated net income of between \$0.29 and \$0.34 per diluted share in the second quarter of 2018.

American Public Education also expects the following results from its subsidiaries in the second quarter of 2018:

- At APUS, net course registrations by new students are expected to decrease between 8% and 3% year-over-year and the change in net course registrations is expected to be between a 2% decrease and a 2% increase year-over-year.¹
- At HCN, new student enrollment increased by approximately 5% year-over-year and total student enrollment increased by approximately 17% year-over-year for the three months ended June 30, 2018 (Spring 2018).³

Webcast:

A live webcast of the Company's first quarter 2018 earnings conference call will be broadcast today at 5:00 p.m. Eastern time. This call will be open to listeners who log in through the Company's investor relations website, www.apei.com.

A replay of the live webcast will also be available starting approximately one hour after the conclusion of the live conference call. The replay will be archived and available to listeners for one year.

About American Public Education

[American Public Education, Inc.](http://www.apei.com) (NASDAQ: APEI) is a leading provider of higher learning dedicated to

preparing students all over the world for excellence in service, leadership and achievement. The Company offers respected, innovative and affordable academic programs and services to students, universities and partner organizations through wholly owned subsidiaries: [American Public University System](#) and National Education Seminars Inc., which we refer to in this press release as [Hondros College of Nursing](#). Together, these institutions serve more than 84,000 adult learners worldwide and offer more than 200 degree and certificate programs in fields ranging from homeland security, military studies, intelligence, and criminal justice to technology, business administration, public health, nursing and liberal arts. For additional information, please visit www.apei.com.

Forward Looking Statements

Statements made in this press release regarding American Public Education, Inc., or its subsidiaries, that are not historical facts are forward-looking statements based on current expectations, assumptions, estimates and projections about American Public Education, Inc. and the industry. These forward-looking statements are subject to risks and uncertainties that could cause actual future events or results to differ materially from such statements. Forward-looking statements can be identified by words such as "anticipate," "believe," "seek," "could," "estimate," "expect," "intend," "may," "should," "will" and "would." These forward-looking statements include, without limitation, statements regarding expected growth, expected registration and enrollments, expected revenues, and expected earnings. Actual results could differ materially from those expressed or implied by these forward-looking statements as a result of various factors, including the various risks described in the "Risk Factors" section and elsewhere in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, Quarterly Report on Form 10-Q for the period ended March 31, 2018, and other filings with the SEC. The Company undertakes no obligation to update publicly any forward-looking statements for any reason, unless required by law, even if new information becomes available or other events occur in the future.

American Public Education, Inc.
Consolidated Statement of Income
(In thousands, except per share data)

	Three Months Ended	
	March 31,	
	2018	2017
	(Unaudited)	
Revenues	\$ 74,967	\$ 75,688
Costs and expenses:		
Instructional costs and services	29,686	28,956
Selling and promotional	15,581	15,435
General and administrative	18,888	17,756
Loss on disposals of long-lived assets	128	490
Depreciation and amortization	4,522	4,744
Total costs and expenses	68,805	67,381
Income from operations before interest income and income taxes	6,162	8,307
Interest income	493	11
Income before income taxes	6,655	8,318
Income tax expense	1,865	3,849
Equity investment income (loss)	(201)	40
Net income	\$ 4,589	\$ 4,509
Net income per common share:		
Basic	\$ 0.28	\$ 0.28
Diluted	\$ 0.28	\$ 0.28

Weighted average number of common shares:

Basic	16,360	16,190
Diluted	16,534	16,321

Segment Information:

	Three Months Ended			
	March 31,			
	2018		2017	
Revenues:				
American Public Education, Inc.	\$	65,668	\$	68,129
Hondros College of Nursing	\$	9,299	\$	7,559
Income from operations before interest income and income taxes:				
American Public Education, Inc.	\$	5,130	\$	7,927
Hondros College of Nursing	\$	1,032	\$	380

GAAP to Adjusted Net Income Reconciliation:

The following table sets forth the reconciliation of the Company's reported GAAP net income to the calculation of adjusted net income for the three months ended March 31, 2018 and 2017:

(In thousands, except per share data)

	Three Months Ended March 31,			
	2018		2017	
	\$	Per Share	\$	Per Share
	(Unaudited)			
Net income:	\$ 4,589	\$ 0.28	\$ 4,509	\$ 0.28
Add adjustments:				
Voluntary reduction in force expenses	1,714	0.10	—	—
Tax effect of non-GAAP adjustment	(447)	(0.03)	—	—
Adjusted net income:	\$ 5,856	\$ 0.35	\$ 4,509	\$ 0.28
Weighted average number of diluted common shares outstanding:	16,534		16,321	

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SOURCE American Public Education, Inc.

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