29-Oct-2026

Covista, Inc. (CVSA)

Q1 2027 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the Covista Fiscal First Quarter 2027 Earnings Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce Jeremy Cohen, Vice President of Investor Relations.

Jeremy Cohen

Vice President, Investor Relations, Covista, Inc.

Good afternoon and welcome to Covista's earnings call for the first quarter of fiscal year 2027. On the call with me today are Steve Beard, Chairman and Chief Executive Officer of Covista; and Bob Phelan, Chief Financial Officer. Before I hand you over to Steve, I will take you through the legal Safe Harbor and cautionary declarations.

Certain statements and projections of future results made in this presentation constitute forward-looking statements that are based on our current market, competitive and regulatory expectations and are subject to risks and uncertainties that could cause actual results to vary materially. We undertake no obligation to update publicly any forward-looking statement after this presentation, whether because of new information, future events, changes in assumptions or otherwise. Please see our latest Form 10-K for a discussion of risk factors as they relate to forward-looking statements.

In today's presentation we will use certain non-GAAP financial measures, and we refer you to the appendix in the presentation materials available on our Investor Relations website for reconciliations to the most directly comparable GAAP financial measures and related information. You will find a link to the webcast on our Investor Relations website at investors.covista.com. After this call, the presentation and webcast will be archived on the website for 30 days.

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I will now hand you over to Steve.

Stephen Wayne Beard

Chairman & Chief Executive Officer, Covista, Inc.

Thanks, Jeremy. Good afternoon, everyone, and thank you for joining us. Four weeks ago, in my letter to shareholders, I said we'd explain our economics plainly, so I'll start there. We're running ahead of the fiscal 2027 guidance we set, and that bodes well for our Purpose at Scale growth strategy. Today, we serve nearly 105,000 students, up 7.6% from a year ago, and our 13th consecutive quarter of total enrollment growth.

In the first quarter, revenue grew 10.7% to $512 million. Adjusted EBITDA grew 17.1% to $131 million and adjusted earnings per share grew 25.1% to $2.19 per share. Our rule for capital is simple; a dollar stays in the business only if it earns more there than it would in your hands. This quarter, we repurchased $84 million of stock and funded new campuses, programs and technology from operating cash.

That performance ran ahead of our plan, and we're raising our fiscal 2027 guidance for both revenue and adjusted earnings per share. We're taking a prudent view of the remaining quarters and we'll update you as the year progresses. The demand backdrop underpinning Purpose at Scale is durable. We see no reduction in demand for healthcare workers from employers or from the talent who wants to choose these purposeful careers.

Recent analysis shows that healthcare accounted for about three of out of every four US jobs created over the past year. That dynamic is highly encouraging for our business model, but what deserves more attention is the human toll of healthcare jobs going unfilled.

Recently we published the Covista Healthcare Workforce Index. The analysis projects that without action, the healthcare workforce shortage is on track to nearly double by 2040. Yet the data also shows that investment in attracting, developing and retaining talent could close over half of that gap by 2040.

In our view, talent isn't scarce. American nursing schools turned away roughly 93,000 qualified applications last year, and about 30,000 more applicants were turned away from US medical schools. They weren't turned away for lack of ability, but for lack of faculty, clinical site availability and lack of space from caps written into state and accreditor policy. The binding constraint here is capacity, not interest.

Through Purpose at Scale, we're attracting and developing more future clinicians and partnering with leading health systems to keep them. Three things make this franchise durable. About 90% of our students study healthcare, where the demand is driven by licensure and patient need. The constraint in our market is capacity, and we fund ours from operating cash at 0.5 times net leverage. And a significant portion of our students now arrive through employers who help pay for their education.

Now, let me turn to the segments starting with Chamberlain. Total enrollment grew 1.3%, our third straight quarter of growth, and revenue grew 7.4%. The difference between the two is threefold. Better mix, more credit hours per student and pricing. Total enrollment growth was led by pre-licensure BSN and application growth remained strong heading into our November session. As you know, no university confers more nursing degrees than Chamberlain and we're building on that.

That means adding seats, partnerships and investing in the support that helps students get from enrollment all the way through to graduation. Chamberlain is also expanding into new markets with new programs delivering on its platform extension strategy. The Cincinnati campus opened in August, Salt Lake City started classes this week, and Nashville is expected to open in January.

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We also opened our second physician assistance program in Phoenix at full capacity with a third location already in the works. Chamberlain entered fiscal 2027 on an improved foundation, and while its path isn't perfectly linear, we're executing on several growth levers at once, and each of them is gaining traction. We're adding seats, we're deepening our health system partnerships, and we're investing more in student success, all of which puts Chamberlain on a sustainable growth trajectory.

Turning to Walden, we achieved double-digit total enrollment growth for the 10th straight quarter and set another enrollment record. Sustaining that over multiple years takes execution across every part of the portfolio, and the team keeps delivering. It also means stronger comparables ahead, which we've already contemplated into our long-range planning. The strength remains broad based at Walden across all degree levels with doctoral and undergraduate programs leading the way, and strong persistence continues to compound that new enrollment growth.

Our new marketing campaign at Walden is your career, our job, and it's working. It shows undergraduates that Walden delivers on its promise with support from choosing a career through coaching and personalized tools that map coursework to specific jobs. Undergraduate enrollment, a priority we called out at Investor Day, grew by more than 20% in the first quarter.

Turning to our Medical and Veterinary segment, it had another strong quarter. Total enrollment grew 3.5% with both Medical and Veterinary contributing. Disciplined operations continue to turn enrollment growth into healthy revenue and profit.

As we flagged last quarter, some students used our multiple intake cycles to start a term early ahead of changes to federal loan programs. That shift lifted the May cycle and made the September class a bit smaller. So, the right way to read the business is May and September combined. On that blended basis, we delivered very strong results.

Interest in Medicine and Veterinary medicine remained durable, and we don't expect the loan changes to affect long-term demand. There are more than two applicants for every US MD seat, while first year US class sizes have grown less than 2% a year for two decades.

In that pool of prospective students, US medical schools overlook a group who have proven they can succeed with us. We're leveraging the evolving landscape as an opportunity to enhance our prospective student journey, reducing friction, and driving engagement throughout the process. Students are enrolling and performing, and our class mix has improved as a result in line with our core customer strategy.

Let's bring this concept to life. Among students who set for USMLE Step 1, recent data shows that Ross Med and AUC students passed on their first attempt at rates comparable to or higher than US MD students with similar MCAT scores in most score ranges. On the Vet side, we continue to operate near capacity. Leading indicators for the veterinary licensing exam continue to strengthen, underscoring that we're serving our students well and driving student success.

Turning to employer integration, our collaboration with Advocate Health, the third largest non-profit integrated health system in the country, started in Wisconsin last month. We'll expand that relationship to all three of our Chicagoland campuses. Chicago is one of the largest markets for both Advocate and Chamberlain, and the plan has always been to expand over our overlapping geographies. In addition, our partnership with SSM Health has outperformed and we've raised enrollment targets with them.

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The model we continue to advance makes sense for health systems, for Covista, and for our students. Health systems get a differentiated and proprietary pipeline. We get more durable enrollment at a lower cost of acquisition, and students get financial support on their way into the profession.

Turning to technology, our enterprise technology investments continue to advance. The AI-powered classroom has moved beyond the prototype stage and is now in full development in testing, bringing together all of our capabilities along with those of our leading technology partners. We're designing it specifically around the needs of our students and faculty. At our scale we believe this creates an opportunity to deliver a more personalized learning journey and a differentiated student experience from first inquiry all the way through to licensure.

On the shift to LLM search, as we said, this is a real dynamic for any company that serves consumers. Fortunately, our institutions start from a position of strength. We have strong brands, great student outcomes, and prepare students for careers in healthcare field with a real shortages of workers. As a result, our institutions continue to compete strong in visibility, share a voice, and sentiment, and our data shows continued improvement and leadership where it matters.

We're building on this foundation by further improving discoverability and positive sentiment of our institutions. We analyzed tens of thousands of answers to measure how our institutions appear and how they're described, and whether they're recommended all the way down to the program level. From there, we develop new content to ensure that the LLMs have the latest and greatest information about the quality and value of our programs.

So, to summarize, Purpose at Scale starts from a position of strength. Over the next three years, we'll continuously layer in the four priorities we presented at Investor Day that enhance our trajectory and widen our competitive moat. That means operational excellence in everything we do, platform extension through new campuses and programs, employer integration through more and deeper health system partnerships, and a technology focus that brings education powered by AI. Just as importantly, we generate the cash to fund these priorities and still return capital to shareholders at the same time.

We are America's largest healthcare educator, and that scale is a real advantage. But scale isn't the point. What you should leave with from this call is that we're deploying capital to extend our lead and build the company in our sector in a way that compounds intrinsic value per share the longest and most attractive way. I want to thank you all for your continued support.

And with that, I'll turn it over to Bob to walk through the financials in more detail.

Robert J. Phelan

Chief Financial Officer, Covista, Inc.

Thank you, Steve, and hello, everyone. We began our next strategic chapter, Purpose at Scale with strong results that demonstrate the durability of our operating model. I'll now review our first quarter results and key drivers. Later in my remarks I'll discuss our updated expectations for fiscal 2027. Starting with the top line, first quarter revenue increased 10.7% to $511.5 million, with strong growth from all three segments.

Total company enrollment was up 7.6%, with all three segments contributing, and that growth carried through to the bottom line. Adjusted EBITDA was $131.2 million, up 17.1% compared with the prior year. Growth was led by Walden and Med Vet with Chamberlain contributing even as that segment invests in new campuses. Adjusted EBITDA margin of 25.6% expanded 140 basis points from the prior year as revenue growth and efficiencies across our platform generated operating leverage, partially offset by investments in our strategic growth initiatives.

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Adjusted net income increased 16.8% to $75.8 million, and adjusted earnings per share was $2.19, up 25.1% compared with the prior year. Our earnings per share growth continues to benefit from a lower share count and lower interest expense. Diluted shares outstanding averaged 34.6 million in the quarter, about 2.5 million lower than the prior year, reflecting our share repurchase activity. Interest expense declined to $9.9 million from $11.1 million, reflecting our actions to reduce debt and lower our borrowing costs.

Next, I'll discuss the first quarter financial highlights by segment. Chamberlain reported first quarter revenue of $192.4 million, an increase of 7.4% compared with the prior year, driven by enrollment growth in pre-licensure nursing, along with higher credit hours per student and pricing optimization. Total student enrollment increased 1.3% to over 40,000 students. Chamberlain's third consecutive quarter of growth and pre-licensure BSN total enrollment grew for the 17th consecutive quarter.

Chamberlain adjusted EBITDA increased 7.1% to $37.6 million, and adjusted EBITDA margin of 19.5% was essentially in line with the prior year. Chamberlain's first quarter results include approximately $3 million of costs related to new campuses as we invest ahead of any significant enrollment. Excluding these additional costs, Chamberlain adjusted EBITDA would have increased nearly 16% to $40.6 million.

Turning to Walden, first quarter revenue increased 14.1% to $216.7 million, driven by strong enrollment growth. Total student enrollment grew 12.8% to nearly 59,000 students. The highest total enrollment in university history. Walden has now grown enrollment for 13 consecutive quarters, including 10 straight quarters of double-digit growth. The strength remains broad-based across healthcare and non-healthcare programs.

Adjusted EBITDA increased 16.1% to $71.9 million, and adjusted EBITDA margin expanded 60 basis points to 33.2% as operating leverage from the enrollment growth more than offset continued investments in marketing. For the Medical and Veterinary segment, first quarter revenue increased 10% to $102.5 million. Total student enrollment increased 3.5%, with growth at both our Medical and Veterinary schools. Adjusted EBITDA increased 27.9% to $27.4 million, and adjusted EBITDA margin expanded 370 basis points to 26.7%, which reflects the high operating leverage inherent to this segment as we grow enrollments.

Shifting the cash flow and the balance sheet, free cash flow over the trailing 12 months was $355 million, up 11.4% from the comparable prior year period, reflecting strong operating performance and high cash conversion. That growth came even as capital expenditures over the same period rose to $99 million from $56 million as we invest in new campus capacity and technology. We ended the quarter with $222 million of cash and cash equivalents and net leverage of 0.5 times. During the quarter, we repriced our $510 million Term Loan B, reducing the interest rate spread by 25 basis points to SOFR plus 2%.

We also returned $84 million to shareholders through share repurchases in the quarter, buying back approximately 660,000 shares at an average price of $127.63. We have $578 million remaining under our $750 million repurchase authorization. We will continue to take a disciplined returns-focused approach to capital allocation, prioritizing reinvestment in our institutions and being opportunistic about returning excess cash to shareholders.

Turning to our outlook. Based on the strength of our first quarter performance and our expectations for the balance of the year, we are raising both our revenue and adjusted earnings per share guidance for fiscal 2027. The increase reflects first quarter results ahead of our plan. We're taking a prudent view of the remaining three quarters. We now expect revenue in the range of $2.60 billion to $2.95 billion, or approximately 5.5% to 7% growth year-over-year, up from our prior range of $2.50 billion to $2.90 billion.

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At the midpoint, that's an increase of $7.5 million. We now expect adjusted earnings per share in a range of $9 to $9.20, or approximately 9% to 11.5% growth year-over-year, up from our prior range of $8.90 to $9.15. At the midpoint, that's an increase of $0.07. A few assumptions frame the updated guidance.

First, we continue to invest in new campuses ahead of enrollment. We will continue to keep you apprised of the expenses before those campuses carry meaningful enrollment. Second, on a quarterly phasing, as a reminder, Walden returns this fiscal year to a normalized academic calendar. That means this year for Walden, we will have one less week in the second quarter and one additional week in the third quarter compared with fiscal 2026. Last year, that shifted $18 million of revenue and adjusted EBITDA from the third quarter into the second quarter.

As a result of that changing back, it will have a pronounced impact for the year-over-year comparison in the second quarter and benefit the third quarter, with no net impact on the full year. That means second quarter growth will be well below our full year rate and third quarter growth well above it.

We continue to expect 0 to 50 basis points of adjusted EBITDA margin expansion for the full year and that includes our continued investment in new campus capacity. That compares with 140 basis points in the first quarter. We continue to expect capital expenditures to be above fiscal 2026 levels as we bring new capacity to market and invest in technology with higher spending weighted towards the first half of the year. We also continue to expect a higher adjusted effective tax rate in fiscal 2027 than in fiscal 2026.

Overall, the first quarter demonstrated our operating model working at scale. Enrollment growth is flowing through to profit, converting to cash, and that cash is funding the new campuses and technology behind Purpose at Scale, while we continue to return capital to shareholders.

And before I turn the call back to Steve, I want to share a personal update, something I don't normally include in our earnings calls. After nearly seven years at Covista and five as our CFO, I have decided to retire from Covista. Serving this company and leading this team has been one of the great privileges of my career. Together, we navigated one of the most consequential periods in Covista's transformation, completed growth with purpose ahead of our fiscal 2026 and long-term targets, and now enter Purpose at Scale from a position of strength.

We've accomplished a lot in the last five years, but at this inflection point, the timing is right for a transition, and I'm ready for my next challenge. I will remain in my role until a successor has been named, and I'm fully committed to a smooth transition. To our board, investors, and analysts, thank you for your trust, your thoughtful questions, and your partnership over the years.

With that, I will turn it back to Steve.

Stephen Wayne Beard

Chairman & Chief Executive Officer, Covista, Inc.

Thanks, Bob. Before we open the call to Q&A, I just want to take a moment to thank Bob for his service at Covista. Bob's been an exceptional and trusted partner to me, the company, and the board of directors, and he's done so through one of the most important periods in the history of the company. Covista finished Growth with Purpose ahead of both our fiscal 2026 and long-term targets, and enters Purpose at Scale with a robust balance sheet and real financial strength.

More importantly, Bob built a finance organization with the depth to carry us forward, and we're deeply grateful for his leadership and the excellence he brought to the team and to the function. As Bob mentioned, he'll continue in

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his role until a successor has been named. We have an active search underway. I'm confident in the continuity of our financial operations and reporting through this transition.

And with that, we'll open the call to Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And our first question comes from the line of Jeff Silber with BMO Capital Markets. Please proceed.

Jeffrey M. Silber
Analyst, BMO Capital Markets Corp.

Q

Thank you so much. First of all, Bob, I just wanted to thank you for all your help over the years and wish you best of luck.

Robert J. Phelan
Chief Financial Officer, Covista, Inc.

A

Thank you. Appreciate it.

Jeffrey M. Silber
Analyst, BMO Capital Markets Corp.

Q

Yeah, of course. Moving back to, I guess, the quarterly results, I know in your prepared remarks you addressed the loan cap. You didn't think there was an issue in the MedVet business. But I know there was some confusion early on on nursing whether it was going to be considered graduate or professional. And I know it ended up being in the professional bucket, but you think there was any impact on enrollment because of that confusion?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Covista, Inc.

A

No, I don't think so, Jeff. What we referred to previously was primarily related to the Medical and Veterinary segment, where we did see two dynamics play out at once. First, we saw some pull forward in enrollments for student site to get ahead of the loan changes, and we talked about that a couple of quarters ago and what that meant for enrollment.

The other thing that we've cited is a bit of hesitancy on the part of students and families to make the leap until they fully understand all of their options to finance the entirety of the four-year student journey in medical school. And so, we believe there is still an opportunity on the consumer education side of things to ensure that students and their families are as well versed in all of the options they have for financing their journey. And we hope to overcome any remaining hesitancy through that consumer education over the next few enrollment cycles.

Jeffrey M. Silber
Analyst, BMO Capital Markets Corp.

Q

Okay, great. That's very helpful. And then, just moving back to the quarterly results, I know you don't give specific quarter-to-quarter guidance, but adjusted EPS beat was pretty sizable versus consensus. Were there any expenses that might have been shifted into the second quarter or future quarters? And if so, which of the three segments did that occur?

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Robert J. Phelan A
Chief Financial Officer, Covista, Inc.

Sure, I can take that. And I would say no, there were not any expenses shifted. If anything, we made some additional investments in the first quarter. So, really the outperformance largely driven by the revenue over-performance that we had.

Jeffrey M. Silber Q
Analyst, BMO Capital Markets Corp.

Okay. Fantastic. Thanks so much.

Stephen Wayne Beard A
Chairman & Chief Executive Officer, Covista, Inc.

Thank you.

Operator: The next question comes from the line of Alex Paris with Barrington Research. Please proceed.

Alexander Paris Q
Analyst, Barrington Research Associates, Inc.

Hi, guys. Thanks for taking my question. Congrats on the beat and raise. And, Bob, I'll echo Jeff's thoughts. Appreciate all your help and wish you nothing but luck going forward.

Robert J. Phelan A
Chief Financial Officer, Covista, Inc.

Thank you.

Alexander Paris Q
Analyst, Barrington Research Associates, Inc.

So, my questions are likely related, I think. First off, I wanted to talk about Chamberlain enrollment up 1.3%. I was expecting a little bit more of a step function from Q4 to Q1. I guess, the first question is could you get a little additional color there and what drove that – what drove enrollment in Q1?

Stephen Wayne Beard A
Chairman & Chief Executive Officer, Covista, Inc.

Yeah. So, Chamberlain grew total enrollment by 1.3%. And I think that was incrementally short of what we expected. It's important to note, though, that new student enrollment grew at a very healthy rate, led by pre-licensure BSN, which we believe is the critical growth area of the program mix at Chamberlain. The shortfall was really twofold, a bit of it was in continuing students. We had fewer of them return in September than we forecast.

And then we had some lingering softness in post-licensure RN to BSN. On the first count, we expect that's easily corrected with some additional persistence efforts across certain of our students. And then on RN to BSN, we've got strategies and tactics in place to position that product more competitively from a pricing perspective. So, as we go through the balance of the fiscal year, we expect to pick up incremental additional lift for the total enrollment story from those two areas. And we remain confident in the total enrollment story for Chamberlain over the course of the fiscal year.

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Alexander Paris
Analyst, Barrington Research Associates, Inc.

Q

Okay. Great. I was going to ask I expected the step function, but I also expected continued accelerating growth, maybe not as much of a step function in Q1, but the balance of the year. So, we're starting off at up 1.3%. We would expect that to improve in terms of year-over-year growth rate in the subsequent quarters, is that accurate?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Covista, Inc.

A

That's correct. And we still expect our most significant products to lead the way. Pre-licensure BSN total enrollment was up 13.2%, which was the 17th straight quarter of growth in that category. That will continue to be the growth engine for us. But we do expect improvement in post-licensure programs RN to BSN in particular and we do expect to address any issues around persistence and continuing students. So, we are very, very confident about Chamberlain's trajectory over the next several quarters.

Alexander Paris
Analyst, Barrington Research Associates, Inc.

Q

Okay. And then the related question is guidance, your beat on revenue versus consensus by $20 million in the first quarter, the revenue guidance midpoint to midpoint is $8 million. Likewise on adjusted EPS you beat by $0.36 versus consensus, but the increase is $0.07 midpoint to midpoint. I think Bob said that you're taking a prudent view on the balance of the quarters. What does that mean? And what is leading to your prudence on the subsequent three quarters?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Covista, Inc.

A

Yeah. So, by way of a headline we guide to the full year, not to the quarters. It's at a range that we a high degree of confidence in. And we raised it after one quarter. And obviously, as we've done every year that this team has been in place, we'll continue to revisit that as we get better visibility into the year. We come in with 7.5% more students than we had a year ago, that base drives revenue.

And so, as we progress through the year, as we look at what the art of the possible is, we will adjust the guide accordingly. As for how we think about it in this particular instance, while we had a really strong beat and we're proud of that, as you know we're monitoring a couple of dynamics that are puts and takes across the reported financials.

You know about the Walden calendar shift, no full year impact, but there is a quarter-over-quarter impact with that $18 million of revenue and EBITDA that moves from Q2 to Q3. We're investing ahead of revenue at Chamberlain with our campus expansion and we expect those startup costs to rise over the course of the year. Nashville opens in January and we've got more sites that we're working on, so we're monitoring that and the implications for the full year as well. Bob has talked this.

We've got a slightly higher tax rate for FY 2027 that we're navigating as we think about full year results. And Q1 carried more of the year's earning in our plan anyway. So, again, we're pleased with the additional momentum in Q1. We're pleased to be able to raise the full year guide in Q1. Bodes well for the rest of the year, and again, if we think the opportunity is north of where we've got it now, we'll adjust accordingly next quarter.

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Alexander Paris
Analyst, Barrington Research Associates, Inc.

Q

It all sounds very reasonable. Thank you very much for that. I'll get back in the queue.

Operator: The next question comes from the line of Jack Slevin with Jefferies. Please proceed.

Jack Slevin
Analyst, Jefferies LLC

Q

Hey, guys. Thanks for taking the question and congrats on the really strong quarter and I'll echo everyone's thank you to Bob. Appreciate all of the work over the time covering. If I just want to jump back in and maybe I'll take it a little more broadly on the margin front, I guess thinking about how that paces in the guidance and as you think about investments in the business.

I guess I'd love to just dig in on is there a cadence that we should be thinking about acceleration in some of those Chamberlain investments that might weigh down on margin a little later? Or is the trajectory from 1Q a pretty decent way to think about that or any other specific callouts around how you'll be managing the cost base in investments over the next couple quarters would be great?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Covista, Inc.

A

Yeah. I'm going to let Bob answer that question. But before he does just point out that one of the things we really like about our model was the inherent operating leverage and the really robust free cash flow that allows us lots of optionality around how to deploy that cash, including making investments in in new campus expansion. But, Bob, you want to talk about how that investment flows over the course of the year?

Robert J. Phelan
Chief Financial Officer, Covista, Inc.

A

Yeah. So, one of the things that you mentioned is should you be taking the first quarter and kind of extrapolating that? I would say no. The way I would look at it is more of a -- we are sticking with the up to 50 basis points of improvement for the full year. And as we've said before, there's always going to be some fluctuations quarter-to-quarter.

And in particular, what I would just point out is that for Walden, given the shift that we've talked about, that you would expect to have some lower margin rates year-over-year in the second quarter because of the shift. Third quarter, you would then recover that and you would expect to have higher margin rates. But for the full year, we do expect to still be within that range of up to 50 basis points of improvement.

Jack Slevin
Analyst, Jefferies LLC

Q

Okay. Understood. That's helpful. And then, if I look, not a perfect metric, but revenue per student was quite strong in both Chamberlain and in Med and Vet in the quarter. Is there anything you can speak to on sort of what's driving that? I'm not sure if it's mix or core price? Or across the business maybe how you're approaching price through this year would be helpful. Thanks.

Stephen Wayne Beard
Chairman & Chief Executive Officer, Covista, Inc.

A

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Yeah. It's a combination of things. I'll start, and Bob will keep me honest. We've got mix that's driving some of that revenue delta, we've got pricing driving some of it, and we've got credit loads which were up in the quarter, which drives some of that revenue spread as well.

Robert J. Phelan
Chief Financial Officer, Covista, Inc.
A

No, that's exactly it. Nothing else to add on that.

Jack Slevin
Analyst, Jefferies LLC
Q

Awesome. Appreciate the color, guys. Congrats again.

Stephen Wayne Beard
Chairman & Chief Executive Officer, Covista, Inc.
A

Thank you.

Operator: The next question comes from the line of Jasper Bibb with Truist Securities. Please proceed.

Jasper Bibb
Analyst, Truist Securities, Inc.
Q

Hey, good afternoon, everyone. First, I'll add my congrats on the retirement, Bob. It's been a pleasure working with you.

Robert J. Phelan
Chief Financial Officer, Covista, Inc.
A

Thank you.

Jasper Bibb
Analyst, Truist Securities, Inc.
Q

And then, just for my first question, I know we kind of talked about this a little bit in the prepared remarks, but this week kind of the big topic around a lot of consumer businesses is in this search versus AI kind of debate. Can you just provide a little bit more detail on what you're seeing in student acquisition costs and kind of how you're adapting in the current environment?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Covista, Inc.
A

Yeah. So, as we've said before, the shift to AI search is real, and we believe it changes the way in which students find every school, including ours. We had, for a variety of reasons, an opportunity to get out ahead of this, particularly as a result of some of the rebranding work we did in moving from Adtalem to Covista. And while there's lots more work to be done, we feel pretty good about how we've navigated it thus far.

It hasn't really resulted in any real headwinds from an inquiry, application, or new enrollment perspective. We've read, obviously, the commentary from other peers who have had to make increased investments in paid search to offset what they think they may have lost from the LLMs. But as we sit here today, we feel pretty good about the work we've done to navigate this dynamic.

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We've invested heavily in monitoring systems that allow us to test where our brands and programs show up in LLM search, and also to be able to test whether they show up in a positive light. So, where our brands are most authoritative and we have, obviously, the most brand equity at Chamberlain. Descriptions are about 90% positive for that institution in most LLM search. Slightly below that for Walden, which is more of a fighter brand, but we view that as an incredible opportunity for upside at Walden, given how well that institution performs on its own.

So, no implications for total enrollment for us. We continue to monitor the behavior of the LLMs. So, we continue to work hard to get the right kind of content into the marketplace that is tailor-made for where those LLMs go to search for their data and ultimately make their recommendations.

Jasper Bibb
Analyst, Truist Securities, Inc.

Q

Thanks for that. Super helpful. And another really nice quarter for Walden. You've had a great run there. I know you don't give segment guidance, but just any color on how you're thinking about the next three quarters of Walden in the context of kind of your updated guidance would be helpful.

Stephen Wayne Beard
Chairman & Chief Executive Officer, Covista, Inc.

A

Yeah. So, we remain pleased with the performance at Walden. The team continues to do an excellent job. Record enrollment this quarter, up almost 13%. We feel really good about that. We also feel really good about some of the strength they're seeing in the relatively small portion of the portfolio that's not healthcare. Education in particular doing really quite well, which we think is an important dynamic, because Chamberlain status as a comprehensive university, we believe, is a real source of strength for it.

Walden also continues to enjoy really, really strong persistence, which creates a flywheel effect for the strong new enrollment. And so, even though that institution faces ever increasingly challenging comps, cycle over cycle, we remain impressed with their ability to meet that challenge and to lap them in a very impressive way. So, we can't do anything but be highly complementary about the work at Walden.

Jasper Bibb
Analyst, Truist Securities, Inc.

Q

Got it. Just last one for me. I just have a working capital question. The receivables balance ticked up a little bit sequentially. Is there anything that kind of specifically drove that or is it more of a timing thing? Thanks.

Robert J. Phelan
Chief Financial Officer, Covista, Inc.

A

Yeah. I think if you're referring to what's in the queue and sequentially, I mean, when you look from June 30th to September 30th, it's not really comparable. What you really should take a deep look at is last year's number and you'll still see an increase. But if you look at last year compared to this year, September 30, what you'll see is a smaller increase.

So again, sequentially, it's different because of the timing of when the sessions, the academic sessions are. But we did have an increase in the -- in the receivables. Largely speaking commensurate with the revenue increase we had, but a little bit higher than that percentage.

Jasper Bibb
Analyst, Truist Securities, Inc.

Q

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Makes sense. Thanks for that.

Operator: Thank you. This concludes the question-and-answer session. And I'd like to turn the call back over to Steve Beard for closing remarks.

Stephen Wayne Beard

Chairman & Chief Executive Officer, Covista, Inc.

I'd just like to thank everyone for participating in the call and listening in. One thing I want to highlight on Monday our first students started classes at Salt Lake City, and shortly afterwards the first advocate students in Chicago began their journey with us. It's really gratifying to see the Purpose at Scale strategy in action, and none of it happens without the incredible work of our faculty, advisors and staff who show up for our students every day.

I want to close out again expressing my appreciation for Bob Phelan, his partnership, his steady stewardship of the financial operation and the company, and being an incredible thought partner for me over the course of the last five years. And with that, we'll close for the evening and we'll look forward to talking to you next quarter.

Operator: Thank you. This does conclude today's conference. You may disconnect your lines at this time. And we thank you for your participation.

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