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Adtalem Global Education, Inc. (ATGE)

Q1 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the Adtalem Global Education First Quarter 2026 Earnings. 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 your host, Jay Spitzer, VP of Investor Relations. Thank you, Jay, you may begin.

Jay Spitzer

Vice President-Investor Relations, Adtalem Global Education, Inc.

Good afternoon and welcome to our earnings call for the first quarter fiscal year 2026 results. On the call with me today are Steve Beard, Chairman and Chief Executive Officer of Adtalem Global Education; and Bob Phelan, Chief Financial Officer. Before I hand you over to Steve, I will, as usual, take you through the legal Safe Harbor and cautionary declarations.

Certain statements and projections of future results made in this presentation constitute as forward-looking statements that are based on 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 a result of new information, future events, changes in assumptions or otherwise. Please see our latest Form 10-K, Form 10-Q for discussion of risk factors as it relate to forward-looking statements.

In today's presentation, we use certain non-GAAP financial measures. We refer you to the appendix in the presentation material 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

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Relations website at investors.adtalem.com. After this call, the presentation will be webcasted and archived in the website for 30 days.

I will now hand you over to Steve.

Stephen Wayne Beard

Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

Thanks, Jay. And good afternoon, everyone. Thanks for joining us today. We delivered an outstanding start to fiscal year 2026. This marks our ninth consecutive quarter of enrollment growth. Total enrollment is up 8% year-over-year to 97,000 students, revenue grew nearly a 11% to $462 million and we expanded our adjusted EBITDA margins by a 100 basis point, while delivering adjusted earnings per share of $1.75. That's growth of nearly 36% year-over-year.

This performance demonstrates the power of our Growth with Purpose strategy and the operational excellence we've embedded across the enterprise. Walden grew enrollment for the ninth straight quarter and achieved record total enrollment. Our Medical and Veterinary segment posted its third consecutive enrollment cycle of growth. Chamberlain grew enrollment for the 11th straight quarter, and we're continuing to generate strong free cash flow, while maintaining attractively low net leverage.

Before I dive into the quarter, let me place our performance in the context of what's happening in healthcare. The healthcare workforce crisis continues to intensify. It's being driven by our aging population and accelerating retirements among practicing clinicians. This challenge is particularly acute in rural settings where nursing shortages alone are projected to triple by 2027, according to the National Center for Health Workforce Analysis. The shortage spans the entire healthcare workforce from physicians to technicians and represents a defining characteristic of healthcare for the foreseeable future.

The industry is working to accelerate modernization through AI to augment practitioner efficiency, but these innovations don't solve the structural workforce challenge, and that's precisely where our opportunity lies. As a largest provider of healthcare-focused education in the country, we're well-positioned to play a vital role as essential talent infrastructure. That opportunity has never been clearer or more compelling.

Now, let me address Chamberlain's performance in the quarter directly. Chamberlain grew total enrollment by just over 2% in the first quarter to nearly 40,000 students. But that growth fell short of our standards. The primary driver was execution failures within our marketing and enrollment operations. We've completed a rigorous diagnostics, so maybe specific about what we found.

First, we underperformed in local marketing effectiveness during our critical September intake cycle. Our local market campaigns didn't resonate as effectively as they could have in key metropolitan areas, and we failed to optimize our marketing mix quickly enough when we saw early warning signs.

Second, we failed to convert inquiry volume at historical rates. Our enrollment funnel conversion rates fell below our benchmarks, which means, we generated strong interest but didn't close enrollments sufficiently. That's an operational issue, and it's fixable.

To be clear, this quarter's variance is driven by execution. The fundamentals of our Chamberlain platform remain attractively robust. Nursing demand has never been stronger. Chamberlain has a powerful brand that resonates with students and employers, significant capacity, a full breadth of nursing programs across multiple modalities.

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We have everything we need to serve this market effectively. We simply need to execute better at converting that demand into enrollments. Put another way, we're execution-constrained, but not capacity-constrained. So we've taken decisive action to strengthen the performance.

First, we've made operational improvements to our marketing mix with enhanced local market focus. We're reallocating resources to the channels and geography that drive the highest quality enrollments, and we're moving faster to optimize underperforming campaigns. Second, we streamline our enrollment processes to reduce friction in the student journey. Every unnecessary step in our enrollment funnel is an opportunity to lose a student. So we're eliminating those barriers.

Third, we've made key leadership changes at Chamberlain. Following the recently announced retirement of our current President, we're conducting a national search for Chamberlain's next leader. We've also restructured the senior leadership team to accelerate decision-making and sharpen accountability. These changes reflect our commitment to accountability when we don't execute to our standards, we address it decisively.

Looking ahead, we anticipate continued softness in post-licensure enrollment through the second and third quarters as we implement these changes. That's a realistic assessment based on enrollment cycle dynamics and the time required for operational improvements to gain traction. However, we expect to return to stronger new enrollment in the back half of the year.

We're already seeing early positive signals from our adjusted marketing approach and our restructured leadership team is moving with urgency and precision. To be clear, we believe this is fixable. We're leaning in to correct it with speed and discipline, and most importantly, this doesn't change our conviction in Chamberlain's long-term trajectory, its strength as a brand or a full year guidance as an enterprise.

I also don't look to focus on this quarter's challenge to obscure Chamberlain's fundamental strengths and strategic progress. Our pre-licensure BSN programs continue robust enrollment. In just its fourth year, our online offering added nearly 750 students sequentially, now serving over 4,000 students in aggregate.

Our second Atlanta campus in Stockbridge, which opened just two years ago, now has 600 students. And our 24th location in Kansas City is now enrolling its first cohort starting this January. Taken together, that's all a testament to how quickly we can meet the market's demand for flexible, high-quality nursing education.

We recently expanded our practice-ready, specialty-focused model through a partnership with the American Association of Post-Acute Care Nursing. This addresses the critical shortage of post-acute care nurses. This new specialization joins existing tracks in critical care, emergency care, home health care, nephrology, oncology and perioperative nursing. Taken together, it further positions Chamberlain to meet the evolving needs of the healthcare workforce. Again, our fundamentals are strong. The market opportunity is massive and we're addressing the execution gaps with rigor and accountability.

Turning to Walden University, we delivered our ninth consecutive quarter of enrollment growth at nearly 14%, achieving record total enrollment of over 52,000 students. Walden's digital learning platform and flexible offerings continue to demonstrate strength as we innovate and deliver an increasingly seamless experience for working adult learners. We're optimizing our marketing mix, curating content for large language model recognition, and building upon Walden's strong brand recognition. Our investments in program enhancements, the Believe & Achieve Scholarship offering and AI-enabled technology are translating directly into enrollment growth.

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We recently streamlined our professional doctoral programs, creating a more intuitive student experience with a simplified tuition structure, integrated scholarship support, and a redesigned capstone process that enable students to build toward degree completion throughout their studies. Technologies enable -- enabling our faculty and advisors to spend less time on administrative tasks and more time on student facing support. Walden's value proposition is clear, and it's reflected in total enrollment growth across all degree levels and very, very strong persistency rates.

In our Medical and Veterinary segment, we're showing consistent progress. Total enrollment grew 2.4% to approximately 5,300 students, and key leading indicators across our medical schools are pointing to sustainable long-term growth. Notably, Ross Med had its largest September new student start in the last five years, and Ross Med continues to operate near capacity, maintaining its position as a leader in veterinary education with a one of a kind experiential learning model.

Our partnership philosophy extends across all of our institutions as we create innovative ways to enhance educational access and remove learning barriers. AUC's partnership with the University of Lancashire in the UK remains our international hub, and we've established a new direct admittance partnership with the University of Wolverhampton, creating an additional pipeline for prospective students. We're expanding our global reach through a partnership with SAGE in India, offering a pathway for Indian students to attend Ross Med upon completion of an Advanced Medical Preparation program.

And here in the States, we announced the partnership with ScribeAmerica, creating the MedPath program, designed specifically for existing frontline healthcare workers to advance into medical school. This is an excellent pathway for experienced US healthcare professionals to step up and help fill the position gap. These partnerships are opportunistic through strategic investments in expanding access to in-demand healthcare education, while strengthening our long-term enrollment pipelines.

I also want to highlight our continued leadership in preparing students for technology-enabled careers. We recently launched a strategic partnership with Google Cloud to prepare healthcare workers for an AI-enabled future. This is the first partnership of its scale, designed specifically for healthcare students and practicing clinicians. And it's fully complementary to our partnership with Hippocratic AI.

We'll co-develop, customize AI credentials for our students, including a foundational AI fluency course for every Adtalem student, plus specialized courses tailored for each career pathway, including nursing, physician's assistants, counseling and other disciplines. This partnership directly addresses one of healthcare's most pressing challenges, while differentiating our institutions for prospective students and practicing clinicians. It's exactly the kind of forward thinking investment that positions us as the leader in healthcare education.

Our financial position remains exceptionally strong, giving us significant flexibility to execute our strategy and return value to shareholders. We're generating trailing 12-month free cash flow of $319 million, with cash and equivalents of $265 million as of September 30. We increased our revolving credit facility by $100 million to $500 million, and we extended the maturity till August 2030. In addition, we repaid over $50 million of outstanding Term Loan B balance on October 29.

We repurchased $8 million of shares in the first quarter with a $142 million remaining on our $150 million Board authorized share repurchase program through May of 2028. We're executing on our capital allocation philosophy with discipline, investing first in student growth, and then a strategic initiatives. We're maintaining financial strength and flexibility. We're returning excess cash to shareholders, and we're thoughtfully pursuing strategic

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M&A where we can find attractively valued assets that extend our capabilities or expand our presence in in-demand healthcare education markets.

This brings me to our upcoming Investor Day on Tuesday, February 24 of 2026. We're going to use that forum to provide much deeper visibility into our strategic roadmap, our capacity expansion plans, our long-term value creation framework, and our capital allocation philosophy.

You'll hear directly from our institutional leaders about how we're executing at the operational level, you'll see the operational discipline that allows us to invest in growth, while expanding margins, and you'll gain a comprehensive understanding of how we're positioned to serve as the essential talent infrastructure for America's healthcare workforce. I encourage you all to join us, either in-person or virtually.

Let me close with three clear statements. First, we're maintaining our full year fiscal 2026 guidance. That's revenue of $1.9 billion to $1.94 billion, and adjusted earnings per share of $7.60 to $7.90. Second, our strategic opportunity has never been greater. The structural healthcare workforce shortage isn't going away. It's actually intensifying.

We have the scale, the brand strength, the program breadth, the technology leadership and the financial resources to serve as the essential talent infrastructure for America's healthcare system. Third, we're going to continue to allocate capital with discipline, return value to shareholders and hold ourselves accountable to the highest standards of execution. That's our commitment to you, and we'll deliver on it.

As I said before, my objective above all else is creating category, leading long-term value for shareholders through operational excellence and strategic discipline. This quarter demonstrates that commitment. Our strong enterprise results show the power of operational discipline.

We started the year with momentum or addressing challenges with clarity, speed and accountability. We're positioned to deliver on our commitments and we're building a healthcare education platform that will create sustainable, long-term shareholder value. I look forward to discussing all of this with you in greater detail at our Investor Day in February.

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

Robert J. Phelan

Chief Financial Officer & Senior Vice President, Adtalem Global Education, Inc.

Thank you, Steve. And hello, everyone. We started the fiscal year with financial strength in line with our expectations as we continue to sustain our momentum. We are generating significant cash flow and have taken proactive actions to strengthen our balance sheet, while also increasing our financial flexibility.

We are well-positioned to continue to execute our Growth with Purpose strategy and we'll continue to be disciplined capital allocators. We're deploying capital to high ROI growth opportunities, focusing and maximizing our existing capacity. Further, our robust financials uniquely provide us with the ability to optimally invest in additional growth opportunities, bringing new capacity to market, and providing innovative student-facing technology, while continuing to increase our level of profitability.

I'll now review our financial results and key drivers for our first quarter performance. Later in my remarks, I'll discuss our expectations and assumptions for the remainder of fiscal year 2026. Starting with the top line. Revenue in the first quarter increased by 10.8% to $462.3 million, driven by all three segments, in particular, at

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Walden. Consolidated adjusted EBITDA came in at $112 million, up 15.8% compared to the prior year. This growth was led by Walden with Med/Vet contributing partially offset by Chamberlain.

Adjusted EBITDA margin of 24.2% expanded a 100 basis points from last year. Adjusted operating income was $90.3 million, up 19% compared to the prior year as revenue growth and efficiencies generated operational leverage, which is partially offset by investments in our strategic growth initiatives. We continue to balance our strategic growth investments with our more efficient, integrated and scaled operational foundation. Our margin can fluctuate quarter-to-quarter as we remain flexible on how we deploy capital to generate the highest long-term return.

Adjusted net income for the quarter was $64.9 million. Our actions to reduce outstanding debt and our borrowing costs partially offset by a higher provision for income taxes. Adjusted earnings per share was a $1.75 or a 35.7% increase compared with the prior year. We repurchased 57,000 shares of our common stock at an average price of $134 within the quarter, resulting in first quarter diluted shares outstanding of 37.1 million or 2.1 million lower than last year.

Next, I'll discuss the first quarter financial highlights by segment. Chamberlain reported first quarter revenue of $179.2 million, an increase of 6.7% compared with the prior year, driven primarily by growth in enrollments and pricing optimization. Total student enrollment during the quarter increased 2.2%, the 11th consecutive quarter of growth, and our investments to grow our pre-licensure BSN Online offering are yielding returns.

Total enrollment growth in pre-licensure programs, along with high continued persistence rates, was partially offset by post-licensure programs. Adjusted EBITDA decreased by 5.1% to $35.1 million for the quarter. Adjusted EBITDA margin of 19.6% was 240 basis points lower compared to the prior year as we reinvested revenue growth, focusing on bringing new capacity to market and continuing to invest in our students to support enrollment growth and the academic outcomes.

Turning to Walden, first total student enrollment was up 13.6% compared to the prior year. The ninth consecutive quarter of growth from robust enrollment growth across all degree levels, particularly in Masters and Undergraduate, and continued high persistence rates. Growth in our healthcare programs was led by social and behavioral health and nursing. Our non-healthcare programs also grew in the quarter.

Adjusted EBITDA increased by 29.5% to $61.9 million. Adjusted EBITDA margin expanded by 300 basis points versus the prior year to 32.6% as our operational excellence generated efficiencies and leverage that outpaced increased brand student-facing digital investments and additional student support commensurate with the high level of new enrollment.

For the Medical and Veterinary segment, first quarter revenue is $93.1 million, an increase of 5.9% versus prior year. Total student enrollment was up 2.4% as a result of our execution against our long-term strategic growth initiatives at our medical schools. And that continues to operate near capacity. Adjusted EBITDA increased by 11.6% versus the prior year to $21.4 million. Adjusted EBITDA margin increased 120 basis points versus the prior year to 23% as we remained focused on operating our institutions efficiently, while making long-term growth investments, leveraging our existing capacity and delivering the academic outcomes.

We started the third year of our Growth with Purpose strategy with strong results. Our operational excellence continues to 2026 guidance as we continue to execute our strategic and financial goals. Revenue in a range of $1.9 billion to $1.94 billion, approximately 6% to 8.5% growth year-over-year, with adjusted earnings per share in the range of $7.60 to $7.90, approximately 14% to 18.5% growth year-over-year.

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Looking forward to the remainder of the year, we continue to anticipate revenue growth to be higher in the first half of the year than in the second half. As Steve mentioned in his prepared comments, our maintained guidance contemplates softness in Chamberlain's top line in the second and third quarters. And as a reminder for Walden, one academic week shifts from the third quarter into the second quarter this fiscal year.

Our top priority remains to reinvest into our institutions and deliver positive student outcomes through our financial strength and dynamic capital allocation approach. And while we plan to make targeted investments during the second quarter, we remain committed to expanding our fiscal year 2026 adjusted EBITDA margin by approximately 100 basis points. Included within our guidance are the recent capital allocation 2025.

We started the fiscal year with strength in line with our expectations. We will continue to execute and expanding access and delivering positive student outcomes, deploying capital to meet the healthcare education market's growing demand, maximizing long-term value, and ultimately generating high returns for all stakeholders.

And with that, I'll now turn the call over to the operator for Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] Thank you. Our first question comes from the line of Jack Slevin with Jefferies. Please proceed.

Jack Slevin
Analyst, Jefferies LLC

Q

Hey, good afternoon and thanks for taking the questions, and nice work on the quarter, guys.

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

Thank you.

Jack Slevin
Analyst, Jefferies LLC

Q

I wanted to start [Technical Difficulty] (00:24:43) commentary on Chamberlain and all the color you gave, but maybe just to get a little bit more granular there. I just want to understand sort of the range of outcomes that you're thinking about moving forward here, given the really strong ramp you've had the last two years in enrollment and sort of, are we thinking this is something where we might see sequential declines in enrollment as you sort of get new starts back online or I just love to think through sort of the range of outcomes that you're thinking about in that second quarter and third quarter guidance as you look at the Chamberlain volumes?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

Yeah. So I'd encourage you to put the deceleration in post-licensure nursing into a discrete box. We don't believe this represents a go-forward trend in that part of the Chamberlain portfolio. We believe that our market position in post-licensure nursing remains strong. We've historically taken share in our new BSN and expect to continue to

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do that. This is really, I think, a misstep on our part in relation to how we thought about marketing in advance of the September enrollment cycle.

And so we've taken a hard look at where we've -- where we went wrong, what we can do to remedy that. And we expect that while we'll see a tail on that deceleration flow through the balance of the year, we will recover and we will continue to defend our position in post-licensure nursing.

At the same time, growing really, really attractively what we're doing in pre-licensure nursing, particularly with our BSN Online program. So again, this is not a -- a trend that has legs in our view, this is a one-time dislocation that's a result of our execution miss, but because it's within our control, we feel very confident about what that means for purposes of the out periods in post-licensure nursing, and that's why we're confident enough to maintain our guide for the full year.

Jack Slevin
Analyst, Jefferies LLC

Q

Okay. Got it. Super helpful. One follow-up on that front. So just to maybe look at the margin in the quarter, pulls back a little bit in Chamberlain. Should I think about that as a reaction to some of the trends you were seeing in the quarter? Or can you sort of spell out what you think about sort of that trajectory going forward on the cost side?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

Yeah, look I think as we begin to recover the top line at Chamberlain to something consistent with what we would expect ordinarily, you'll see the margin expansion over the course of a full year period. So that to you is a reflection of the temporary pressure on the top line from the performance miss in September. We expect to recover that as we approach the end of the fiscal year.

Jack Slevin
Analyst, Jefferies LLC

Q

Got it. Okay. Super helpful. Last one for me and more just sort of out of an abundance of caution, given your stock traded off 5% yesterday. Just want to sort of clarify that you feel comfortable with where your systems' backbone and platforms from a technology standpoint are across your business, but probably in Walden would be the most relevant one?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

To sort of clarify the question, just our technology infrastructure generally?

Jack Slevin
Analyst, Jefferies LLC

Q

Yeah and I guess you had a peer yesterday, where someone in the peer said that had sort of large issues around...

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

[Technical Difficulty] (00:28:02).

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Jack Slevin
Analyst, Jefferies LLC

Q

Yeah. Yeah --

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

Yeah.

Jack Slevin
Analyst, Jefferies LLC

Q

-- do you get the question now?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

Yeah. Perfect. Thank you for the clarification. No, we feel great about the tech stack that we used to support the operations both on the front end of the funnel as well as everything we deploy in support of the student journey, and in fact, are really excited about some of the innovations that we're rolling out to both enhance and differentiate that student journey. So certainly sympathetic with what happened with one of our peers, but no analogous dynamic in our model to be concerned about.

Jack Slevin
Analyst, Jefferies LLC

Q

Awesome. Appreciate all the color and congrats again on the quarter.

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

Thank you.

Operator: Thank you. Our next 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. Sorry to go back to the Chamberlain issue. How do you know that this is not a competitive issue where you're losing share?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

Because as recently as two quarters ago, we were taking share in RN to BSN. We know -- you know and we know that's not a growth area in the way that it was many years ago. But we believe we still have one of the most attractive brands in RN to BSN, we believe that employers in particular, are keen to seen their RNs make the leap to BSN through Chamberlain's program. So there's nothing we're seeing in the competitive landscape that gives us any concern that we've lost our positioning relative to alternatives.

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I just think as we look to move from an historical, national-based marketing campaign to one that's more market-specific, we had a misstep along the way. I think we've diagnosed that well, and I think you'll see the product of that correction over the course of the fiscal year. We intend to defend our position RN to BSN given our legendary strength there, even as we grow our pre-licensure presence through BSN Online. So I don't believe we are suffering from any adverse competitive dynamics in post-licensure nursing.

Jeffrey M. Silber
Analyst, BMO Capital Markets Corp.

Q

Okay. That's really helpful. Last quarter you announced the partnership with Sallie Mae, and I was just wondering if we can get an update on how that's progressing and -- when we may see some announcements in terms of the specifics?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

Yeah, we're working to finalize definitive documentation with Sallie Mae. My hope is that we'll be able to close that relatively soon, and I expect we'll be able to announce that we're really encouraged by what that means for all of the students we have across the portfolio and Sallie Mae is willing just to step up and support the broad program mix we have. But that work continues to be in flight and we're certain we'll get it locked down soon.

Jeffrey M. Silber
Analyst, BMO Capital Markets Corp.

Q

Okay, great. I'll jump back in the queue. Thanks.

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

Thank you.

Operator: Thank you. Our next question comes from the line of Alex Paris with Barrington Research, please proceed.

Alexander Paris
Analyst, Barrington Research Associates, Inc.

Q

Thanks guys. Adding my congrats on the strong quarter. I have a couple of questions that are more industry-oriented. Earlier this year, the Department of Education announced increased verification efforts to root out fraud across all of higher education.

I've talked with a couple of other companies in the space, one notably that had some issues with friction because of the fraudsters crowding out well-intentioned students and that had an impact on new student enrollment. I'm wondering what your thoughts are there and maybe just some additional color about what you have to do now that you didn't have to do before? And are you seeing a spike in increased fraudulent activity in the enrollment process?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

Yes, I'll answer the second part of the question, first. We're not seeing any spike in go students for fraudulent enrollments or anything like that. We obviously are subject to the same administrative burdens associated with

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the departments focus on that as everyone else. But as we sit here today, we don't have any concerns that that's an issue across our program set. But obviously, we continue to monitor it closely.

Alexander Paris
Analyst, Barrington Research Associates, Inc.
Q

Yeah, I was wondering if that might have been a contributing factor with the new student enrollment challenges at Chamberlain. But it sounds like...

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.
A

No, no.

Alexander Paris
Analyst, Barrington Research Associates, Inc.
Q

...not.

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.
A

Not, no. Really at Chamberlain, two issues. One, the marketing mix we deployed in advance of the September cycle wasn't effective as hoped and wasn't executed as well as hoped. And then also at the conversion level, even where we were seeing strong demand, we didn't have missteps at the conversion level which resulted in the diminished enrollment growth for that cycle. But I don't believe the verification issue had anything to do with that deceleration in enrollment at Chamberlain.

Alexander Paris
Analyst, Barrington Research Associates, Inc.
Q

Okay, good. And then kind of shifting gears a little bit. I got two more. The Google Cloud partnership and these AI credentials that you're talking about for healthcare professionals this to be both existing students as well as non-current students at Chamberlain and the other brands within the portfolio. Are these four credit courses and as such, are they title for eligible? Given you have the increased coverage proposed in the one big beautiful bill for shorter-term credentials?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.
A

Yeah, as an initial matter, these are programs that will run alongside our existing degree programs, where ways away from thinking about how to embed them comprehensively in our programs. Obviously there are accreditation issues that come with that, but we think that's an opportunity down the road. We view this as a way of both to provide a differentiated student experience by creating baseline fluency in AI tools across our student populations and to create stackable credentials that have real currency in the clinical marketplace.

So, Google has been in the certification and stackable credentials business for a while. It's really exciting to be able to partner with them in a way that brings what we do best together with what they do best. So, not a wholesale modifications to existing degree programs, but ancillary, complementary certificate programs that run alongside our degree programs.

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Alexander Paris
Analyst, Barrington Research Associates, Inc.

Q

Got you. Is there an additional cost for existing students? And likewise, is there a cost for non-existing students?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

No. No incremental additional cost for students.

Alexander Paris
Analyst, Barrington Research Associates, Inc.

Q

Got you. Okay. Thanks. And then my last question is, again, industry-related, given one of your competitors made an announcement about the impact of military active duty tuition assistance. I'm wondering what your institutional your enterprise exposure is to military? And I suspect that's primarily GI Bill and VA?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

Yeah. So active duty military exposure is pretty, pretty low. Very low, actually. Obviously the platform you're referring to, that – that's a very large part of their model. So we've not really seen...

Alexander Paris
Analyst, Barrington Research Associates, Inc.

Q

Right.

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

... any problems with student disbursements, whether that's veteran's benefits or traditional Title IV benefits, obviously it's something we continue to monitor as that the shutdown drags on. But for the moment, that has not been an issue for our programs.

Alexander Paris
Analyst, Barrington Research Associates, Inc.

Q

Yeah, that was my related question. Government shutdown-related. And my last question kind of just a silly one, the February Investor Day, is that going to be held at your Chicago headquarters or elsewhere?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

It won't be in Chicago, TBD. I suspect it will be out east. But we'll have details for you pretty soon here. Stay tuned.

Alexander Paris
Analyst, Barrington Research Associates, Inc.

Q

Okay, great. Well, thank you very much. Appreciate you answering my questions.

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

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No. Thank you.

Operator: Thank you. Our next question comes from the line of Steven Pawlak with Baird. Please proceed.

Steven Pawlak
Analyst, Robert W. Baird & Co., Inc.

Q

Yeah, thank you. On the marketing missteps at Chamberlain, I guess just kind of maybe taking it back off an earlier question, what gives the confidence that the marketing mix or marketing message in your other programs is appropriate, that there isn't or that this is sort of contained and now address the problem?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

Yeah. So we deploy a central marketing center of excellence that then localizes our marketing programs for future institution. So, even though our institutions are like -- in the sense that they're all for post-secondary, the unique marketing strategies across the portfolio do vary quite a bit.

So we have every reason to believe that root causes of the misstep in September with Chamberlain are Chamberlain-specific and no reason to believe that they present any issue for any of the four institutions, and that's obviously borne out by what you see in the enrollment trends across those institutions. So it's a Chamberlain-specific issue. We have a tremendous amount of confidence in the steps we've taken to address it, and we're confident that that will flow through results of operations over the course of the fiscal year.

Steven Pawlak
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. Thank you. And then on the sort of conversion challenges, is there a particular part of the funnel that students were sort of falling out of? Or was it maybe more as the number of steps and sort of the increased friction points that you referenced?

Stephen Wayne Beard
Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

A

Yeah. So, any time there's the handoff of a student from one part of the enrollment journey to another, that's an opportunity for leakage. And, at Chamberlain, that we determined their opportunities to simplify and reduce the number of handoffs in a way that diminishes the risk of that kind of leakage.

When our students are considering our programs, they're also considering other programs and our ability to stay in front of them to ensure they're getting the information they need to make an informed decision about enrollment is critical to preserve the kind of high conversion rates that make all the difference in our model. That just didn't happen in September. But we believe we know what needs to happen for the upcoming enrollment cycles at Chamberlain to change that outcome starting with January.

Steven Pawlak
Analyst, Robert W. Baird & Co., Inc.

Q

Okay. Thank you very much.

Operator: Thank you. There are no further questions at this time. I'd like to pass the call back over to Steve Beard for any closing remarks.

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Stephen Wayne Beard

Chairman & Chief Executive Officer, Adtalem Global Education, Inc.

I just want to thank the team across the Adtalem family for a really strong and robust start to the fiscal year. This is year three of Growth with Purpose for us. We've been incredibly pleased with the strategy and we look forward to a strong third year of that strategy, but that is entirely down to the folks that support our students across our five institutions. So a sincere thanks to our teams.

Operator: That concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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