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CVSA.N - Adtalem Global Education Inc Investor Day

EVENT DATE/TIME: FEBRUARY 24, 2026 / 2:00PM GMT

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PRESENTATION

Operator

Please welcome Vice President Investor Relations, Covista, Jeremy Cohen.

Jeremy Cohen - *Covista Inc - Vice President, Investor Relations*

All right. Good morning, everyone. I'm Jeremy Cohen, Vice President and Head of Investor Relations, and welcome to Covista's 2026 Investor Day. To those of you in the room, thank you for grabbing your galoshes and your snowshoes and joining us. And to those online, we're glad you hear with us today.

So to start with the Safe Harbor. Today, we'll be making forward-looking statements, which are not guarantees of future performance. Actual results may differ materially from those expressed or implied in these statements due to a variety of factors. And these factors are discussed in more detail in the company's filings with the SEC, including the company's most recent Form 10-K, and such factors may be updated from time to time in the company's other SEC filings. We do not undertake any obligation to update forward-looking statements. And I urge you to read the disclaimer in full detail on the screen or in the presentation, which we'll post online at the conclusion of the event.

Additionally, we'll be discussing non-GAAP metrics and reconciliations of those historical non-GAAP metrics to their GAAP counterparts are available in the appendix. Some of our speakers today will be using abbreviated slides, but we'll still cover the same content. So again, for the comprehensive materials, please visit the Investor Relations website at the conclusion of the event.

In the room today, we have many Covista executives who will take the stage, starting with our Chairman and CEO, Steve Beard. In addition, we'll be hosting a weather-induced virtual panel featuring former executives from Attorney Health and the Cleveland Clinic that Megan Noel, Chief Corporate Affairs Officer of Covista will MC. And at the end, we'll have the team take the stage for Q&A.

So as you can see, the agenda, we have a packed agenda rich with content. And so without further ado, let's get started.

(video playing)

Operator

Please welcome Chairman and Chief Executive Officer, Covista, Steve Beard.

Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

Good morning, everyone, and thank you for being here. I am gratified to have a pack house whether or notwithstanding. So those -- for those of you who had to go through some difficulties to get here, thank you. I know at least one of you drove here from Pittsburgh and so I'm super impressed by that. This is an important day for us for a variety of reasons.

It's the first Investor Day we've done in over three years, and it's the first Investor Day we'll do as Covista. As many of you know, back on February 5, we rebranded the company, gave it a new name, a new visual identity, which you see on display here, thanks to the great work of the team.

But I want to just point out at the outset that, that rebranding is more than cosmetic. It's a substantive pivot in how we think about the business. It's both a culmination and a commencement. It's the culmination of all the work we've done over the last four years to create a portfolio that we can say authentically is the leading health care educator in the United States.

And it's a commencement of where we're going to take the business going forward. We want to be clear and unambiguous and can speak to us about the fact that we intend to occupy and dominate the intersection of health care and education in ways that none of our peers or no other institution higher education can. It's a privileged place to be, and we're going to make the most of it for all of our stakeholders, including our investors.

The big idea that animates the way we think about this is that the United States is facing a health care crisis that affects every community, but that crisis is addressable and can be addressed at scale. And we believe that Covista and the five institutions that we take to market are a critical part of addressing that challenge, and that's the opportunity that we're going to talk about today.

In addition to having what we think is tremendous social impact, we also think it's an incredible investable idea. And we think the team we have and the track record of execution we bring to this opportunity means that there's a chance to create really compelling long-term shareholder value.

So thank you in advance for your attention. Thank you in advance for your questions and we've got a great story to lay out for you today.

So the place we're going to begin is to really talk about all of the attributes that make us unique in this landscape. On the one hand, we've got these durable workforce shortages in health care that create secular demand trends for us on both the consumer side and the employer side. The shortage of nurses, physicians, social workers and veterinarians is large, it's durable, and it's actually growing.

In addition, we have the benefit of incredible deep clinical relationships across all five institutions. We've had them for decades, hundreds of clinical partners in the United States from nurses, for physicians and for veterinarians and that's an asset that we've yet to fully exploit to its fullest.

We're going to introduce a new strategy today that we refer to as purpose at scale. It builds on all of the operational excellence that we had in growth with purpose and we think powers a degree of growth over the next few years that's even more impressive than what we've accomplished thus far.

And then our business by nature of the regulations that govern higher education comes with really, really high barriers to entry. We've mastered those barriers to entry, whether it's state boards of nursing, the US Department of Education, a network of accreditors in such a way that we believe we can continue to grow our business in any regulatory environment faster and better than any of our peers. And we're going to get into some of that today as well.

We're proud to occupy the position we have today. It's the result of a tremendous amount of work from a talented team of folks over the last 4.5 years, but our best work remains ahead of us.

So before I go forward, I want to go backwards because I think the path to get to this point is really important for understanding where we're going to go in the future. It's a really important set of context.

So the journey begins 4.5 years ago, really, when I had the opportunity to serve the company in this capacity, where we went about rationalizing our portfolio, getting down to a set of like-kind institutions, all in post-secondary higher education, all with the center of gravity in health care. Those lifeline institutions came with incredible opportunities for efficiencies, cost synergies and the ability to go to market in a complementary and joined up way.

The catalyst for that was really the Walden acquisition, which gave us a pretext for integrating the legacy health care assets of Adtalem in a way that created durable operating leverage in the model, which shows up in the financial results we produced over the last four years.

So getting focus and clarity in that legacy portfolio was a foundational step for us. Then in June of 2023, we introduced growth with purpose. And this is a three year strategy really focused on operational excellence our commitment to drive robust organic growth of this business in ways that hadn't been done before by focusing on the five levers of value creation in this business: marketing, enrollment, persistence, price optimization, and new programs.

To say the growth of purpose was a success would be a gross understatement, it was a phenomenal success. And we're extremely proud of what that's meant for the number of students we've been able to serve across our ships.

So when you take those two horizons. Horizon one, focus of clarity. Horizon two, growth with purpose, it creates the foundation that we enjoy today. And it's a platform that really is enviable. Our competitors would kill to have the attributes that we enjoy. But it sets us up for the next chapter.

We've taken these assets, we've integrated them. We've grown them robustly and now I think we've earned the permission to think more ambitiously about where we go from here.

One double-click on growth with purpose because I think it bears repeating. The Investor Day targets that we came out with three years ago, we exceeded those in the first two years of the journey, an amazing accomplishment by this team. We reached record enrollment in many of our institutions. We expanded margins even as we invested in the competitiveness of our business. And we did it across a Democratic administration and a Republican administration where the regulatory priorities of the government shifted dramatically.

It's really quite an accomplishment, and I don't want to understate the value of that because of what it means for what we do over the next several years.

Our success wasn't a result of luck. It was a result of discipline and focus by a highly capable team. And that seemed discipline now we're going to train on an even larger and more compelling opportunity. So the next horizon in this journey is purpose at scale.

Purpose at scale is really the strategy we're going to deploy to realize our vision of being systemically important to US health care. Operational excellence remains fundamental pillar of that. It's the way we run the play now, and that's not going to change.

But we believe we have the permission and the opportunities to extend that platform in a few very, very powerful ways with new programs, new geographies and what it makes sense to do so with new brands and new domains. We've earned the permission to be something we think is specific and differentiated a talent platform for US health care, working hand-in-hand with employers to bring a whole new wave of clinicians to the bedside to serve all of us.

In addition, in this phase of our journey, we think it's important to be viewed as a tech forward partner. And as you know, we've invested a ton in partnerships and relationships with folks that are at the bleeding edge of artificial intelligence. We believe that unlike other technologies in education or health care, AI will really transform these industries in really powerful ways.

So we're going to be a utility scale solution for health care. We're going to be significant to health care, not like Mayo or Cleveland Clinic because we don't do cutting-edge research and we don't treat highly specialized patients, but we do train the people that do that. And we do it at a scale that no one has before and no one, we believe, is positioned to catch us as we chase that ambition.

I want to talk a little bit about the backdrop against which we pursue this strategy because even as we changed a ton over the last four years, the world around us has changed a great deal as well out. There are a couple of megatrends that are shaping education and health care that I think are worth exploring.

So first is the crisis in health care workforce. The numbers that I have on the screen here, they tell us sobering story. Our country is aging fast, care demand is rising. The existing workforce is under real strain, there's burnout. There's a looming retirement cliff among nurses and the response to that can't be temporary staffing. It can't be stop gaps and quick fixes. It needs to be scaled, repeatable and outcome driven.

In addition, on the education side of the ledger, the contemporary learner has changed. The universe of well-prepared, well-resourced 18 year olds, that could absorb the opportunity cost in stepping out of life for four years to pursue their education is shrinking dramatically. You've all heard about the demographic cliff moving through education.

At the same time, the folks that used to be known as the nontraditional student, the working adult, the veteran, the career changer, that population is growing at an exponential rate. Those folks need flexibility. They need speed to completion, they need affordability, and they need a clear link to career outcomes. That's what we provide.

In addition, health care employers have made clear that what they want more than anything is confidence and readiness. We did some fantastic research recently with Gallup, where we went out and talked to health care executives and health care workers.

One of the surprising findings was that in hiring decisions, there's really no distinction between for-profit schools or not-for-profit schools in their eyes. They just want competent professionals. And so the winning model in the future isn't one based on prestige or selectivity, it's based on outcomes and trust and scale.

In addition, if the pandemic taught us and health care, anything, it's that the spot market for talent is painfully expensive, it's unreliable and it has a tremendous amount of friction in it.

As a result, health care employers want not just graduates, they want partners. Partners who can help them lower the cost of acquiring talent, raise productivity, improve the retention of their employees. And that's something we believe we are extremely well positioned to do.

97% of health care executives believe that talent partnerships with academic institutions should be part of the mix. But according to our research, only 20% of them are investing in those kinds of relationships. That creates a tremendous business opportunity for Covista. That gap between what health care leaders say they need and what they're actually doing is something we are poised to address in a winning way.

The other trend that I think is really important. You'll hear more about it this afternoon relates to artificial intelligence. We think it's going to transform both health care and education, and I'll say more about that in a moment. -- Excuse me, thank you.

So health care systems are investing billions of dollars in AI technology. Imaging, ambient listening, scribes, non-diagnostic agents that support patients in post-op and non-acute areas. But the bottleneck they're experiencing relates to their workforce. The workforce is not ready to adopt this technology, and they're concerned about the extent to which this technology makes them obsolete.

The data that we put together with Gallup shows that 73% of clinical executives believe that their employees need to be comfortable and fluent with AI tools. But only 10% of graduating clinicians feel prepared to do that. And since we know that most technology adoptions fail because of workforce readiness, not because of the efficacy of the technology, we think that creates a tremendous opportunity for us.

So our AI strategy, which you'll hear more about from Michael this afternoon is really focused on two stakeholders. On the student side, we envision a generational opportunity to personalize education in a way that allows us to scale excellence like never before. Have a student journey that is tailored at every step along the way to the specific needs of an individual student and that follows them from the beginning of their program to the end. We think that's revolutionary, particularly for a business like ours that is purpose built for scale.

On the other side of the ledger, what Michael will talk about is what we think we can do for employers. We think we can help to alleviate this bottleneck and workforce readiness by first delivering AI fluent professionals from our programs, but also by partnering with them on credentials and other training that gets existing workforce comfortable with these tools.

And again, we don't think there's anyone in the market better positioned to do that than us. So when we think about AI, we think about empowering students and we think about equipping employers. And we think that's a potent and valuable mix to take to the market. And you're going to hear more about that from Michael later today.

So I want to try to pull some of these mega trends together in a way that helps you understand why we believe purpose at scale is so relevant as a strategy for us, whether it's the workforce shortage, whether it's the changing needs of students whether it's AI, whether it's the willingness of employers to embrace different models for talent acquisition.

In each case, this is a challenge that requires more people, better prepared be engaged in what is an issue that affects all of us. That's a tremendous opportunity for Covista to move beyond training clinical talent to actually being a solution to keep that clinical talent, successful in ways that serve a saw.

And our geographic footprint, clinical relationships and program breadth, our technology partnerships and our financial strength, our competitive advantage for us in pursuing this, and we think it's an incredibly valuable way to grow this business.

We talk a lot about scale in our business because it matters. It matters for purposes of social impact. We want to train as many aspiring clinicians as we can, but it also matters in terms of the investment thesis for Covista.

Let's step through it. This year, we're going to graduate 24,000 health care professionals, 24,000 across medicine, across nursing, a class veterinary medicine, across social work. That's an incredible number. Those 24,000, they joined almost 300,000 healthcare alone. That doesn't include the non-healthcare ones. 300 healthcare alumni, that are delivering care in every state in the United States. We're the number one granter of nursing degrees in the United States, we educate twice as many physicians as any other medical program in the United States, and we're the number one provider of vets in the United States.

It's an incredibly powerful position to have in the market. But our impact doesn't into graduation. There are 700 alumni who are in C-suite roles across the United States, 300 of them are Chief Nursing Officers in 42 states.

Our scale isn't just relevant for education. It's extremely relevant to US health care and we have the ability, if we execute correctly, if we stick to our values to not just be a partner to health care but to be essential infrastructure for that industry. And again, we don't see anyone else positioned to do that but us.

So purpose at scale as a strategy builds on growth with purpose, and there are four pillars to this strategy: Operational excellence. We've proven we can grow these businesses consistently profitably with fantastic student outcomes, and we're going to continue to do that for the foreseeable future.

Platform extension. We believe that we have the permission to think bold about new geographies, new programs, new domains, even new brands. Employer integration is a reimagined way of thinking about how we partner with employers, which we've done for many, many years. But post pandemic, we're just getting so much more traction in conversations about ways we can be an enabler to those institutions.

And then the technology focus. So operational excellence fuels the engine, platform expansion reaches into new geographies and modalities, employer integration connects jobs to careers and improves retention and technology modernizes the way students learn and the way clinicians practice.

I want to spend a few minutes on capital allocation. Bob will double-click on this in his presentation. But I want you to know upfront that our approach to capital allocation is as disciplined as our approach to operational excellence.

We have four pillars to our strategy, our philosophy, you've heard them before, but they bear repeating. The first is that we self-fund innovation through operating cash flow. We think we can widen the competitive moat invest in new programs without diluting earnings at all. And we've shown that we can do that over the last four years.

Second, we will repurchase shares on a value-driven basis where there's dislocations in the price and intrinsic value, and we've proven that we're committed to that kind of accretive capital allocation for the last several years.

Third, we have a fantastic balance sheet. Bob and team do a wonderful job of managing debt, repricing debt in a way that gives us maximum flexibility in how we invest and how we use that free cash flow. We're going to continue to do that.

And then accretive M&A. We believe that there may be opportunities in the market to extend our platform through acquisitions, but only where those acquisitions clear our internal hurdle rates and represent truly accretive strengthening of the franchise. And we think the strategy purpose at scale with the disciplined capital allocation that we've outlined, produces some incredibly powerful economic outcomes.

Bob will get under the hood on these numbers later today, but we're guiding for purpose at scale over the next several years is a 7% to 10% revenue CAGR and a 10% to 14% adjusted EPS CAGR. And the goal of enrolling more than 120,000 students by fiscal '29.

If we do this, and it's an aggressive goal, it puts tremendous distance between us and our nearest competitor. It's an incredibly powerful value creation story. And it's one that we, as a management team, are excited about and we hope and expect that all of you are excited about it as well.

So scale, outcomes and operating leverage give us a path to this double-digit earnings growth. And each of our institutions play a critically important role in helping us realize those outcomes. We're really blessed to have probably the most attractive portfolio of brands and institutions in proprietary higher education. And we've proven that we can operate these institutions at a pace that runs far ahead of the competition.

So we're going to get into the segment presentations now. We're going to start with Walden University. Michael Betz is going to come to the stage and explain why that business, despite all the success it's enjoyed over the last four years, and there were a lot of doubters on Walden. Why that institution is prepared to lead the way.

So Michael, come on stage.

(video playing)

Operator

Please welcome President: Walden University, Michael Betz.

Michael Betz - *Covista Inc - President - Walden University*

Well, good morning, and Steve, thank you so much for that great setup. As I walk through the Walden business this morning, you're going to hear me go deep on a number of the themes and a number of the structural advantages that we have that Steve mentioned.

And like Steve, I would like to go back three years to that last Investor Day. And as Steve mentioned, we made a promise back then to take Covista to a new level of growth a new level of profitability and to maintain our strong student outcomes. And inherent in that promise was the commitment to getting Walden performing better, to getting it to reach its full potential, the potential and the success that I had joined for many years before.

In short, we need to regain Walden's leadership position in graduate-focused online education. And three years in -- over those past three years, I am so pleased on the behalf of the Walden team and everybody at Covista to say, we have done exactly that. It helped become one of the catalysts for growth for our entire portfolio.

So today, I'm going to talk a little bit about the comprehensive nature of the strong momentum that we have in the Walden business today, talk about the capabilities that we have built, the innovations that we have delivered that give us a competitive advantage moving forward. And then finally, some very exciting new additive growth avenues that are already showing very strong results.

But before we do that, in case you're not familiar with the history of Walden University, it's a really special place. It revolutionized education over 50 years ago. It invented the category that we're talking about today. It brought high-quality education to a broad audience and it focused on working adults.

Through this commitment and continued innovation, we have graduated over 200,000 students. So that's a little bit about the special history of Walden and our commitment not just to innovation and serving this population, but our mission focused on social change, on positive contributions that we can deliver for our students, their families and their communities.

And nowhere does that show up more than in the way that our student -- than the mix of our enrollments. Steve talked about a couple of the structural advantages that we have. Walden, we have that in two different ways, actually.

First, what you heard about in terms of that health care focus. Over 80% of our enrollments are dead center in those critical clinical health care roles that are in such demand, both by students and by the health care workforce.

But what we are able to bring to the game at Walden to complement everything else that Covista does is not just to focus on those hospital-based roles like nursing but also as the leader in preparing and addressing the massive shortage that we have in mental health professions.

As many of you know, we have shortages of social workers, of counsellors, of therapists, of psychologists that is as severe and in some cases, even more severe than we do in nursing, and Walden is the leader in that space.

Now that's the core of what we have in terms of our enrollment mix by discipline, but that other 20% is pretty exciting, too. For example, one of the other areas where we are helping address a massive shortage in and talent is in education.

Over the past year, one of our strongest growing areas has been in the education field and helping address the shortage that we have in teachers across the country. And then, of course, we have our management and business programs that complement everything that we do and ensure that our students and graduates aren't just clinicians but can take the mantle and help lead in their places of work and in their communities.

So firmly based in health care education with a leading position in mental health as well, gives us one big advantage. And the other area is our mix between degree levels. Walden has always been and will always be -- have a critical mass, a center of gravity in graduate-focused education.

Now I've been alive in this industry way too long, and I'll tell you, when I was at other stops, everybody was so envious of this position that we had because they know what we know. Graduate students have incredibly strong outcomes, they're successful. They provide a halo for the entire institution. And from a financial perspective, have very, very strong lifetime values. So that's the core of where we are.

But again, the other 20% is really exciting, too. Since our last Investor Day, we have doubled the number of undergraduate students at Walden. We were around 6,000, I think, students then, we're close to 12,000 today. We have been growing this part of the market in a very strong manner. All of the capabilities that we have developed are perfectly positioned to continue to do that. And I'm going to talk about that later. It's one of the most exciting growth avenues we have moving forward. So structurally advantaged in two very important ways.

All right. I talked about regaining our leadership position, and that starts with enrollments. At our last Investor Day, when I was fairly new to the role, we were admittedly kind of at a low point in terms of enrollments for wallet below 40,000 students.

But since then, we have been growing that base incredibly strong. We are at over 52,000 students. It's continuing to grow at a very healthy rate. And that strong enrollment growth is the product of 10 straight quarters of total enrollment growth year-over-year. It is also powering the strong revenue growth that you are seeing -- that you have seen in our earnings releases over the past few years.

We're seeing that enrollment growth turn into strong top line growth which we are incredibly proud of. But I will tell you, the team is equally as proud about two other parts of that story in terms of growing our enrollment base in our revenue.

And the first is while we've been growing the top line very well, we've been growing the bottom line even faster. In this industry, we often talk about operating leverage, the ideas that you grow, you can flow that money into the bottom line in a very attractive manner.

Well, that's exactly what we've been doing, driving very strong EBITDA margin gains over the course of this strong growth and at the same time, being able, as Steve mentioned, to make important investments in future growth opportunities.

So the financials are as strong as they have ever been at Walden. But I mentioned that we are a mission-driven organization at Walden. We always have been. It's why we've been around 50 years, it's why we'll be around the next 50 years.

And the thing that is most important to us that is going to sustain this is it's not just about the financials. We have never enjoyed better student success than we are today. We will graduate this fiscal year over 15,000 students.

Our persistence levels at every single degree level across every single discipline level are at all-time highs. And it's not just about students graduating, it's about them succeeding in the workforce. We have the rare pleasure to be cited by Carnegie Foundation recently as an opportunity college.

And what does that mean? That means we're delivering on two things that a lot of people say you can't do at the same time, broad access and strong social mobility. We are one of just 16% of colleges in the entire universities in the entire country that was cited by the Carnegie Foundation as an opportunity college.

So very strong growth in a good position. But I think what makes us even more excited about the path ahead than what we've achieved in the past is how we've done it. We have built a set of capabilities that will serve us very well moving forward and give us a real advantage. It starts with a few kind of strategic moves and capabilities that we built.

First of all, we realized that we needed to make our programs as affordable as possible, but we needed to do it in a way that promoted our students not just starting, graduating and that protected the financial sustainability of the university.

So about three years ago, we launched the Believe and Achieve scholarship. Before then, we had a whole host of complicated discounts that encourage people to start. And we said, we're not doing that anymore. In one day, we eliminated every single discount that we had every single scholarship that promoted students for to start, and we replaced it with believe and achieve that give students that work hard that persist a much bigger total scholarship, total discount on their cost of degree by giving it at the back of the program.

Everybody wins. Our students get a more affordable degree. We have degree programs that are very price competitive in terms of a total cost of degree and we're encouraging our students to move forward, and it's helped power some of the student persistence and graduation results that we have had.

That pricing innovation doesn't stop, whether it's our competency-based programs, whether it's moves that we've made on our doctoral program that are driving growth, this is something that we will continue to use to both benefit our students and Covista.

The other big bet we made that is paying off and has paid off and will continue to pay off was to build our brand. Walden was the best kept secret. We spent very little building awareness for the institution, very little to tell that story. And we had a conviction that if we did that, it would serve us in the short term and the long term, and that's exactly what happened.

We have been making consistent and big investments in building the awareness of Walden. And as a result, we're getting high-quality inbound demand, providing a halo to our paid marketing efforts with Google and Meta. And very importantly, we are building brand equity. Brand equity that is serving us today and will serve us moving forward.

Now those are a couple of the kind of top-down strategic moves that we made, but if you ever have the chance to walk the halls of any one of our operating centers at Walden talk to our folks, talk to me, what they will tell you is what our real advantages is operational excellence.

We made an absolute obsessive focus on ensuring that from that entire journey of a student from the time they are researching us to the enrollment process to onboarding through their program on to graduation that there would be no better place than Walden.

And the ideas that we got to power this weren't from me, they were from our front lines. Our front lines that talk to students and prospects every single day. And we have made over 100 big and small changes to that process to delight our students, to make it frictionless and to ensure that they can move forward.

Now those changes are obviously important, but again, it's about the people. We can have all the best processes and technologies in the world, if we don't have great people, it doesn't matter. I talked about our frontline staff, our enrollment teams that talk to prospects, our advisers that support them, our faculty members that teach them.

We have made big investments in building their capabilities, understanding what are the skills that drive to positive outcomes, whether it's conversion rates, persistence rates, graduation rates, learning outcomes, we have invested in a large L&D team that I think is the best in the industry that are working with our operations team every day to drive that excellence so that they can live up to the very high standards that we have, and we are giving them the tools and technologies that they need to do their job even better.

And then bring it all together is the partnership that I am so lucky to enjoy with our academic team. At the end of the day, we're a university. If we want to be agile, we want to move, we want to be responsive to the market, we have to have trust across the business and academic teams, and that's exactly what we have.

We have a mission-driven group of business folks that never sacrifice, never compromise student success and an academic team that has trust in that side of the business and that also understands that as we grow, as we become more efficient, we can invest back into our students, back into our staff and faculty and that is exactly what we have -- that we have done.

You put all these things together, strong strategic moves, the structural advantages that we have, the ability to operate in just a world-class manner and that partnership that we have across all parts of the organization and with the rest of the portfolio, we believe if we did nothing else, then continue to take advantage of these capabilities that we have, we would have a nice path of growth moving forward.

But fortunately, that's not all we have. As Steve mentioned, we have built the foundation that gives us the opportunity and the resources to explore new additive growth avenues. We have four things that we're really excited about at Walden that are already showing very strong results. First of all, extending our leadership in graduate education; second, I mentioned the big opportunity that we have an undergraduate, the strong growth that we have there, huge opportunity for us.

And then the ability to start doing what Walden always did best, which is roll out new programs. Powering all this, complementing all of this is innovation and technology that -- and particularly the new capabilities that AI is affording us and where we are already capturing value.

So let's start on the graduate side. As Steve mentioned, the shortages that we have are not cyclical, they're persistent. And they're persistent not just across those health care roles -- excuse me, hospital-based health care roles, but also on the mental health side and in teaching where we also have a strong program in education.

Now it's not just a matter though of writing the crest of this wave. One of the things that has powered our growth over the last three years and will continue to power is the fact that we are winning share in a big way. Our Master of Nursing program, which is our biggest program, we have outpaced the growth of the market by 3 times.

In social work, we are growing twice as fast as the market. Our doctoral growth over the last year is blowing the overall numbers away in terms of our doctoral growth. And the reason -- the ability that we have to, -- we have the ability to continue to do that. I mentioned doctoral.

We put in recently some changes to make it more career focused to put a tuition cap, so students knew how much they were going to invest and we are seeing incredibly -- the strongest doctoral growth we have ever seen in the history of Walden, we are going to continue to make innovations across all of our programs as well as tempo our competency-based program to continue to extend our lead here.

But we also have this huge new opportunity and one that we are so well positioned to go after. The undergraduate market is 5 times the size of the graduate market. We have 40 million working adults that have a high school degree, but no college credential.

And as Steve mentioned, what used to be nontraditional was becoming traditional. Students don't just accept online as a way to learn and earn their undergraduate degree, they prefer it, particularly working adults.

In fact, we've seen a more than doubling in the number of students -- undergraduate students that are learning primary -- or excuse me, exclusively online. So that's great. It's a big market. We're well positioned for it, but it's also a really competitive market. I have a ton of respect for the Southern New Hampshire, the Western governors, others.

They do a great job. I think between just those two, there's about 300,000 undergraduate enrollments. We have about 10,000 or 12,000 and we know that we're not going to continue to grow that, unless we do three things incredibly well:

First, we are never going to sacrifice the quality expectations that we have around student outcomes and that we enjoy from our graduate programs. One of the things that we did on in terms of that joint partnership between academics and our business side was a relentless focus starting three years ago on undergraduate success and particularly in those first few terms.

We know that if we get students to do the first term and second term, they're going to go on and they're going to graduate. We have seen an over 1,500 basis points improvement in those early term persistence rates. We have undergraduate continuation rates that are approaching our master's level we are rock solid in terms of our student success on undergrad. And we were not going to do anything in this space until we were assured that is the case, and we are absolutely confident of that.

But that's not enough. As I said, I got some great competitors out there. We have to come to market with a program offering that is even better. And we are -- the evidence suggests that we're doing just that. We doubled down with that career focused student, which is the biggest part of the market.

And everything we do at every step of the student journey is working backwards from making our students successful. Before they even enrol, we are advising them based on where they live, their interest and their experience, which program they should study that will lead to jobs that are plentiful, not just nationally but in their locality.

As they continue through their program, we have integrated industry-recognized credentials so that they have the skills that employers need and an extra credential to help stand out in that marketplace. And then we combine them with intensive one-on-one career coaching, where they are getting help on networking, interviewing, but frankly also a little bit of tough love when needed to make sure they're staying on course to do the hard job of finding that next career opportunity.

And some of the stories that we have are just -- I wish I had more time to share some of them. They're just amazing. And then finally, we do this in an affordable manner. Believe and achieve scholarship is one thing we've done. Another thing we did 18 months ago that is just really special to us is our graduation work.

Every single undergraduate that graduates from Walden gets a check for $1,500 to reward them for their hard work to help propel their career forward to help drive change in their community. It has been something that's brought down the cost of the degree, something that is a huge motivation for our students and has been something that has both been financially successful and something that is just so deeply committed to our mission.

All right. So if we get -- again, if we did nothing else other than undergraduate, we see strong growth, but we have yet another opportunity that is also showing really strong potential and strong results and that is getting back to a wallet always did best, introduce new programs.

Because of the acquisition and change of control, there was a period where we couldn't do a lot of that, but those days are over. Last year, we had the opportunity to launch a number of new programs. And as of last December, over 1,000 students enrolled in programs that did not exist a year ago. And that number continues to grow in a very strong manner and even better this academic year, we will launch seven additional new programs in high-demand fields like palliative care for nursing and special education.

So another path to grow. Bringing this all together, powering it forward is the fact that we have revived Walden's reputation for innovation. All of the numbers I've talked about, all of the student outcomes have been powered by innovative new ways to help serve our students and to support our staffing faculty.

On enrollment, you'll hear more about the Build your education plan from Maurice later today, about the personalized career report that we provide to undergraduates. Not only is it the right thing for the student, when students interact and engage with these self-service tools, they convert at a higher rate and they convert faster and they retain better. We are pushing -- we are getting an enormous amount of benefit from that.

On the student success side, you've heard in our earnings calls about our predictive analytics that is deeply integrated to everything we do. So we know the right student gets the right message and the right intervention at the right time or our micro grant program that has been so successful.

And then on the teaching and learning side, our academics hold themselves to the same high account in terms of performance as everybody else. And the result of all of this is we are at an all-time high in NPS, we have nearly doubled it over the next three years, and we are so proud to say we are rated in the excellent category of NPS. Again, another sustainable advantage that we have going forward.

So to wrap it up, I want to bring it full circle. We're really proud of what we've been able to do to live up to the responsibility that the Walden heritage confers upon us. But we're even more excited about the path forward about our ability to extend our mission, to drive and help power the future of Covista, both in terms of student outcomes and financial outcomes.

So thank you very much.

(video playing)

Operator

Please welcome President, Medical & Veterinary, Covista Scott Liles.

Scott Liles - *Covista Inc - President - Adtalem Medical and Veterinary*

Thank you very much. American University of the Caribbean, fantastic institution, Quintessential school, dedicated students, state-of-the-art facilities and a little bit extra that you can think about today located on the island of St. Martin.

So Covista is foundational to the US health care infrastructure. And as long as doctors and veterinarians continue to be at the top of that delivery chain, the medical and veterinary segment of Covista will be absolutely critical to delivering against our promise.

The structural deficiency that Steve talked about that exists in US health care is both on the healthcare delivery and on health care education. Our medical and veterinary schools sit firmly at the crossroads of solving both of those problems.

The good news for us in a structural deficiency is a structural advantage. This deficiency gives us a market opportunity that's durable for our schools and for the market. We have the advantage of a marketplace that has all of the hallmarks of excess demand. So I'm going to double-click on a number of the comments that Steve made about the structural deficiency and put them in the medical and veterinary context.

So the first thing, when we look at structural health care and the workforce dynamics, those extend equally to medical and veterinary. We'll do more of a double-click on that, but there's a shortage of doctors. There's a shortage of veterinarians, and there's a shortage of schools that are providing them for the US marketplace.

This gives us structural advantage on where we sit. We are purpose-built to deliver against that advantage, purpose built. Now I'll show that to you in the medical context. Michael talked about it with Walden. We are no different than that.

And the great news, especially for the folks in this room, is where we sit, delivering against this structural advantage delivers fantastic and advantaged financial outcomes. Now when I talk about medical and veterinary segment, what am I talking about?

We're three institutions strong, all of them with decades of experience in the marketplace. American University of the Caribbean, you just saw on the real Ross University School of Medicine and the Ross University School of Veterinary Medicine.

Let's start with our 4-legged friends at the Ross University School of Veterinary Medicine located on the beautiful in the St. Kits. It has been in operation for over four decades, 1,600 current students we operate in a clinical environment in 20 plus clinical locations in the United States and internationally.

And now let me give you some great news we're number one. We're number one. We're number one in terms of the number of veterinarians that practice in the United States. We're number one in terms of the number of veterinary residences -- residencies that are filled in the United States. That's more than UC Davis. That's more than Penn. That's more than Cornell.

And the underpinning of the success is because of the structural deficiency that Steve noted in his opening. It extends to the veterinary market. Every year, there are over 2 times as many aspiring veterinarians, highly qualified aspiring veterinarians as there are seats for them to fill. This is a yawning gap and you're going to hear the same theme as we talk about our medical schools.

In the veterinary market, that gap has expanded at about a 7% CAGR over the last decade. That's double, double the number of aspiring veterinarians.

Now another thing that I'm going to share with you with the medical and veterinary schools is it's not just a game of quantity, this is also a game of quality. Four veterinarians, the first high-stage exam that they have to take is called The NAVLE. It's their step that is administered by the AVMA same for every veterinarian in the United States regardless of where they went to school, it's their first exam that they have to take in order to ultimately practice veterinary medicine.

Our students score first-time pass rates on the NAVLE at 89%. That is exactly the same as the average US score, exactly the same. And when we look at the current cohort of students who are in our last semester who are preparing to take this test, all leading indicators are that they're going to do even better. So we're looking at investing that as we move forward.

These are high-quality students who are getting high-quality education and are demonstrating that every single day that they take care of my pets and your pets, in the marketplace.

So let me move on to the medical schools. Again, two medical schools, Ross University School of Medicine, which is located on Barbados; American University of the Caribbean School of Medicine, Its primary campus is St. Martin, which you saw on the real, we have a secondary second location in the UK. Both of these schools have been operating successfully for over 40 years. They have over 24,000 alumni, currently serving 4,000 students operate in a network of clinical rotations, over 150 strong across the United States and in the UK.

The driver behind the success of these schools is twofold. The first is the crossroads that Steve was talking about, simply a shortage of doctors. There's a shortage of doctors in the United States. To put some scale around that, it's a six-digit shortage that we're looking at. And that's only going to increase over the next decade.

We reckon it's going to increase about 60% over the next decade. What are the drivers behind that? Two dual drivers that I think you'll agree are pretty indelible at this stage. The first one is the march of time. Our population is going to get older, they require more health care, and that puts additional strain on a system that is already suffering from undersupply.

The second area that is really, really important is demand. There is a strong lack of supply in the marketplace. Just like the veterinary schools, there's about 2 times the number of aspiring doctors every year as there are places for them to study and learn it ultimately be able to practice. That's where our schools fit in. There's about 30,000 applicant gap every single year for aspiring doctors.

Our schools take in and educate about 4 times the number of students as the average school, 4 times. That is a big gap pillar. We are critical in helping to address the shortage of doctors and the charge of health care that you saw in that previous exhibit.

The second crossroads that is really important in US medicine is delivery. Now shortage of doctors, shortage delivery. It's not true everywhere. That's not true everywhere. In poor rural areas, in poor urban areas, and in the practice areas that are absolutely the most important for the health and well-being of our population, internal medicine, family medicine, pediatrics to get all of our children off to a good start in life.

We are woefully under supply. This is not an even distribution of lack of capacity. I'm very proud to share with you that our graduates fill that gap, not just in terms of quantity but in where they choose to practice. We significantly over-indexed in the most starved medical geographies, and we significantly over-index in the most important practice areas for the health of our communities. Again, internal medicine, family medicine, pediatrics.

Today, in many, many communities across the United States, our doctors are keeping them afloat. They're keeping the medical capability in those communities of float. We believe that as we continue to grow, we'll do the self-same for the entirety of the United States and make that medical capability thrive.

So as I look forward, we'll talk about three things that we are focusing on. The first one is winning a well-defined, large and actionable target applicant and student. The second one is sustaining really, really strong academic outcomes that we enjoy across all of our schools.

And the last one is expanding access to innovative pathways of growth through programs and partnerships. These are themes that you've heard the medical and veterinary segment carries that standard proudly and tall.

So 55,000 applicants every year to US medical school, 55,000. That's been true for about a decade. 23,000 of those, less than half, will get into a US school. They will be offered a seat in a US school. That was true a decade ago, it was true this year. This is a yawning gap in medical education capacity.

Every year, there's about 30,000 students who won't get offered a seat in a US school. A full 1/3 of those are in a strategically targeted segment that we know, we don't believe, we know are well suited for our schools and our programs produce exceptional outcomes for them, and they do ultimately become doctors.

We believe we have pathways to double that target segment to be able to fill the gap of a full 2/3 of the folks who leave the application process disappointed and do have the opportunity to become absolutely outstanding doctors and serve our communities going forward. So our outcomes with our target students.

Doctors have to take high-stakes exams as well. These are administered through the AMA, but the same for every doctor no matter where you went to school and no matter where you're going to go practice ultimately.

The first high stakes exam is called the USMLE Step 1. And that, again, is the first step that aspiring doctors take on the road to becoming an MD. In our target segment of student, they pass the Step 1, they pass the Step 1 exam at a little bit over an 80% first-time pass rate. That same segment in US schools passed at about a 71% pass rate. Full 10-point gap, full 10-point gap on the same segment, same student, same test, better outcomes.

That is because our product, our approach is purpose-built for the students who do not get a seat in US schools. And there's a lot of them. There's more of them that don't than do. We are a perfect fit for those students, and we firmly believe that we can extend that to about double the size of that addressable market today.

So how are we expanding? How are we doing this? Really, two ways. The first one is through new programs. The second one is through partnerships. So that's starting to sound like a theme it is.

In terms of our programs. We have recently launched what would be the equivalent in the United States of a post back program. This is a preparatory program for medical school that's designed for folks who either weren't in premed, as an undergrad, went and did something else for a little while and decided they wanted to go back in to medicine, that nontraditional student that Steve talked about in the medical context.

What we have seen since launch of this post back for our schools is we have a matriculation rate, so folks passing out of that program and to start their first semester of medical school of over 80%.

To put that in context, that's a double. That's double the average pass rate of a US post back. That's a lot of students we're able to expand to programmatically, making them successful, and they continue on with a semester after semester, year after year and become doctors that serve our communities and very successful ones at that.

The second area that we're expanding into is through partnerships. And that's from a couple of different that I'll share with you. The first one is a domestic partnership with ScribeAmerica. They're the largest medical scribe outfit in the country. They tend to be populated with folks who are recently out of their bachelor's programs are medically oriented but weren't necessarily sure where they wanted to go.

And so they take some time to learn the medical profession a little bit better by getting a bird's eye view and a front row seat of what doctors and nurses ultimately do. A very large percentage of those decided to go on to medical school.

We have set up a bespoke program with Scribe to introduce them, their scribes to our schools. We have bespoke scholarships with them and preparatory programs. And we've seen a lot of early demand with that partnership. The second area is international. The largest and most popular globally, medical program is not MD. It's not a medical doctor program that we have or Canada has. It's called the MBBS. And the MBBS market is about 5 times the size of the MD market. And there is a significant portion of those folks who would like to practice in the United States. It's a good place to be.

And they do not have the opportunity to do so. The United States does not recognize that degree. So we've created a conversion program with a number of different partners to invite folks after their second year of MBBS to be able to convert to an MD program.

Currently, we have a couple of partners in the UK, and we have a partner in India that we are working with them on. And again, early days showing great success. So what does all this meant for our outcomes? What does all this mean for performance? In terms of new enrollment over the last year, our new enrollment grew at 4 times, 4 times the size of application and application enrollment growth at US schools.

Pure and simple, that's share gain. That share gain in the medical market share gain with our target student, share gain with students who will persist throughout the entirety of their time with us, share gain with students who will ultimately become doctors, 4 times.

That new enrollment and that increased persistence has manifest itself as total enrollment gain. We had a couple of years of some pretty rocky total enrollment. We have completely turned that. And we are now looking at total enrollment increases semester-over-semester, year-over-year with the target student that is tailor-made for our programs and that we see incredible success with. They continue on.

So what does this ultimately mean financial -- for financial performance? So shared we operate in a demand advantaged environment, and that offers us all of the advantages that Economics 101 would suggest in that type of marketplace. Total enrollment growth, we continue to have structural judicious pricing leverage. That translates into exponential revenue growth.

Like the rest of Covista, the Medical and Veterinary management team is operationally excellent, carries that standard and we turn revenue growth into outsized operating income. We operate a platform that is at a scale to where incremental growth, incremental investment delivers outsized ROI.

And additionally, we deliver -- we, the Med-Vet segment, delivers the highest lifetime value of any segment within Covista. So what that means is when we grow the top line exponentially, that delivers outsized enterprise value to Covista overall.

So in closing, demand advantage environment, durable, defendable extendable platform. Point in scale with outsized ROI advantages and dedicated, passionate students who deliver for our healthcare system.

So thank you all very much. I appreciate the time today. Look forward to engaging with you during the Q&A.

We'll invite Steve Beard back up to the stage

(video playing)

Unidentified Company Representative

(video playing)

Please welcome back, Steve Beard.

Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

So I think Michael did an excellent job of letting you know why we're so excited about what's happening at Walden, a pioneer in distance learning with a fantastic opportunity to grow in undergraduate education. Scott did a fantastic job of giving you a sense of why we're so proud to run to the largest medical schools and the leading veterinary medical school serving the US market.

But the two of them didn't point out that I'll add is that our medical schools are also the largest producer of black positions in United States, which is quite a personal pride for me. And Walden confers more PhDs to African Americans than anyone else in the US, also quite a personal pride for me. It is still black history month.

So I get the privilege of talking about our flagship institution, which is Chamberlain University. And I'm going to talk about it in two frames. I'm going to talk about it first in the context of how we think about the near-term strategy for that institution. But then secondly, I'm going to talk to you about the role that Chamberlain plays in driving a new way of thinking about partnering across the entire portfolio. And along the way, I'm going to make a little bit of news. So I'm excited about that as well.

But what I want to land with you at the outset is that we believe that Chamberlain is probably one of the most valuable properties in all the proprietary higher education. There's really nothing quite like it. The attributes that it enjoys are really the attributes that the enterprise enjoys.

It competes in some structurally attractive markets with great secular demand trends. It has a fantastic record of student success and student outcomes, and it has growth opportunities programmatically and geographically that are also incredibly compelling. So I am thrilled to be able to offer this part of the story to you. So as we think about the go-forward strategy for Chamberlain, it really rests on three big ideas.

One is continuing to strengthen the value proposition of the school and its graduate by the ongoing innovation and modernization of nursing education. So that's point one, and I'm going to come back to that in a moment. Point two is really about expanding its reach. It is in 24 campuses in 17 states. That's a massive footprint, but it's only the beginning of what we envision for that institution. And the third is really partnerships, and we'll get into that as well. But coming back to the first.

I think it's worth reminding everyone that Chamberlain has, for many years, the pioneer in modernizing nursing education. They introduced the accelerated BSN program. The three-year accelerated Bachelor science and nursing program that's been replicated across the country. That's a Chamberlain innovation.

They were early to the idea of using advanced emulation to train nurses. The Practice Ready. Specialty Focused program at Chamberlain, which is underwritten by a grant in the American Nursing Foundation has helped to bring down the turnover rate for new nurses and specialty practices by giving them exposure to those specialties before they graduate.

And Chamberlain Care, which is a holistic approach to student support which takes into account all of the intervening challenges that comes with educating the adult learner. As part of that, they pioneered a fantastic piece of research called the Social determent of learning. And so it's a wraparound strategy to support students with all of the intervening challenges of their lives because these are working adults that drives up even more students success. This is a long-standing, historically strong, innovative institution, and it is and will remain the flagship of Covista. So we're going to take on the recency bias around Chamberlain head on.

So let me give you an overview just as we did for the other two segments of how we think about the reach and the power of this platform. Chamberlain is the full stack nursing school. It serves students across the continuum of nursing education from the bachelor's degree to the master's degree to the doctoral degree. 42% of Chamberlain's students, nearly 17,000 of them are in our pre-licensure programs. These are the new nurses that are coming into the market to address these workforce challenges, net new nurses, and that's a very important distinction.

About 58% of the students, about 22,000 of them are post-licensure that's the RN to BSN program, that's the master’s program, the doctoral program. These are practicing nurses that are advancing their careers with Chamberlain in important ways because specialization and advanced practice is critical to the quality of care we all receive. And so we covered the entire spectrum at Chamberlain in a way that few other nursing programs do. And that's a source of tremendous strength for that institution.

Here's an interesting thing that may not jump off the patient, I think it's worth noting. The two sides of the institution, pre-licensure, post licensure, they feed one another. 39% of the students in our master's programs and doctoral programs are Chamberlain alones. They've come back to Chamberlain for that next credential. And that says a ton about the extent to which the Chamberlain brand resonates with practicing nurses and the organizations that employ them.

It's a fantastic attribute of the school. So we have this built-in pipeline pre-licensure all the way through the doctoral degrees. We are repeat providers to many of our customers who feel sufficiently good about their experience at Chamberlain that they're really ready to pursue that next credential with us. And it's a base upon which we have a tremendous amount of room to run. That breadth is really what has driven our ability to really expand our leading position.

Chamberlain is number one in pre-licensure nursing. It's number one in post-licensure. We've grown that enrolment population from 33,000 students to almost 40,000 students over the span of a few fiscal years. It's a tremendous growth rate. And Chamberlain grew at a rate coming out of the pandemic that pace the entire portfolio.

We're incredibly proud of what we're able to do, particularly given the fact that we do it in a multi-unit, multi-site system that covers so much ground. We've graduated 74,000 nurses in the last five years, and we have a 9% market share in nursing. That's 9% just for Chamberlain. That's before you add in Walden, which brings to the mix, the third largest nursing school in the country. And we did it while maintaining student outcomes in various states where the level of preparation for students varies. And we did it by delivering nursing talent to communities that need it most. So Chamberlain is a fantastic story.

The outcomes that our students receive, the scale of the institution and the access that we're providing to people who wouldn't otherwise have it is just really, really powerful. And it is the face of Covista in an incredibly important and valuable way. So if I zoom out a bit and look at the growth of Chamberlain from an enrolment perspective over a longer period of time, it represents a 4x trajectory over the last 14 years. Most of our (technical difficulty) are too small to meet the demand in the markets where they sit.

We're going to talk about St. Louis, and I'll give you an example of that in a little bit. But our scale supports the kind of reinvestment in student success and academic support and clinical infrastructure that's critical to the communities where we operate. So we have this incredible flywheel at Chamberlain that's unique to that institution. Scale enables investment improves outcomes and outcome strengthen demand and reputation for the school. It's a fantastic mix.

So let's talk about where we go in the future for Chamberlain. What I'll tell you about Chamberlain strategy is that it is remarkably straightforward. You might even say it's simple. But at the same time, it's incredibly audacious. We're going to do two important things at once.

First, we're going to win to be in same category. We're going to own that category at Chamberlain. That's incredibly important because the BSN is the bottleneck for entry into the profession and the more we can expand that pathway to the more we can deliver to the market. So we're going to win BSN, own BSN. At the same time, we're going to defend and extend our position in post-licensure nursing.

Being the leader in post-licensure is critically important because Chamberlain stands for the advancement of nursing as a profession. And so the fact that we continue to lead in areas where we are helping folks move on to advanced practice, critically important to the brand identity of Chamberlain, critically important to US health care and critically important to the value proposition of Covista.

So let's dig in on BSN. Again, Chamberlain virtually invented the accelerated three-year BSN. We do something that I think is really, really quite fantastic. We offer the BSN in a campus-based modality. We offer it online. We also offer it on a hybrid basis. And because we're trying to serve a different kind of student, we let them pursue BSN their way. We have students at toggle back and forth from one modality to the next based on their needs.

So you may start in the campus space program and maybe for work or family reasons, you need to move to a fully aligned modality or you need to take a portion of the program on campus and a portion online. The fact that we provide that flexibility means we're able to keep students in the program longer, who persist at higher rates and realize their academic and professional ambitions.

It is wholly consistent with our mission and our philosophy, and it drives some incredible persistence, which, as you've heard me say many, many times before, is the most important element of the economic model of our businesses.

Persistence we get the lifetime value of the student. With persistence, we have a student that's cheaper to acquire than a new student, and we get the benefit of that student getting the benefit of their bargain by completing the program and going on to the next chapter in their career. So this flexibility, which we think is unique, by the way, relative to other BSN programs in the market is a real differentiator for Chamberlain.

So the other thing you should know is that even as we do this for Chamberlain in a really innovative way we just talk about what's happening away from Chamberlain. There are more than 170,000 students. There are more than 170,000 students looking for a seat in BSN programs they can't find one. That's an incredible opportunity, massive opportunity. These are qualified applicants. We're going to go after those students, and we're going to go after them in a big way.

So I'd like to talk a little bit about BSN Online. Relatively new in Chamberlain's program mix, huge growth engine already. But it's really about access because with the distance learning modality in BSN Online, we can actually reach students in communities that can't support a traditional campus. And what's fantastic about that, and we do it through simulation. We do it through immersion, live instruction, virtual. We have clinical opportunities in those communities.

But what it means is that, that student doesn't have to leave their community to go get their degree elsewhere with the risk that they don't return to the community they're from. They can get that BSN in that community. They can do their clinical work in that community, and they can stay there to serve the people that are most important to them. And again, that's a unique attribute that is not widespread across nursing education.

And for rural employers who are grappling with severe workforce shortages, this is a good set. It is fantastic for them. And that's something also completely consistent with the mission of Covista and the mission of Chamberlain. And it's a scalable solution.

So as I said, in addition to winning in BSN, owning that category, we've had a lot of fast followers, by the way, but they will not catch us. We do intend to maintain our leadership in post-licensure nursing. So we have about 22,000 students in post-licensure today on the BSN, master's degrees, doctoral programs. But here's the thing. There are 60,000 folks in the pipeline looking for an opportunity to get that BSN. And nurse practitioners, because it is a huge workforce extension in health care delivery, there are 40% increases in listings for nurse practitioners across the country.

So the demand is massive. The scarcity of opportunity is punishing. But at Chamberlain, we have the scale and the reach to be able to address that at scale. So again, we're the market leader in post-licensure today. We're never going to yield that ground. We're the market leader in pre-licensure nursing. We're never going to surrender that ground at all. It seems simple, but it's complex in a way that appeals to the kind of leaders we employ at Covista. So we're going to lead the way in net new nurses and lead the way in advancing the practice of nursing.

One of the important attributes of Chamberlain that I talked about at the outset was its campus footprint. Again, 17 states currently, 24 campuses. These campuses matter. They're really important. First of all, in markets where there's a shortage of talented workforce, our campus is incredibly important because of the number of students we can push through those campuses and serve in those campuses.

But also, we know from our experience, every place where we have a physical Chamberlain campus, we drive enhanced online enrolment. The physical campus is actually a beacon for the online programs. And throughout Chamberlain's history and throughout its growth, that campus expansion has been an incredibly attractive accretive investment for the institution, for the enterprise. Historically, we've only done it at one or two Chamberlain campuses a year. And again, the returns for the owners and for the students we serve have been super attractive.

But as part of purpose at scale, we've fallen back and thought about the efficacy of that as a go-forward strategy for Chamberlain. And we've decided that, that's not nearly enough. That's not enough for US health care. That's not enough for the students waiting for a seat in nursing school, and that's not enough for Covista. So we're going to greatly accelerate campus expansion at Chamberlain at an unprecedented rate.

Our criteria for this is also very straightforward. We're looking for markets where there's a high shortage of nurses. Very often, those are urban areas, in some cases, suburban areas. We want to ensure that we're in a place where we can also drive robust online enrolments. And so that's part of our site selection criteria. And we've come up with a map for how to grow Chamberlain geographically that we think is going to be compelling for our competitive position and competitive for the economic contribution Chamberlain makes to Covista.

So it's not growth for growth's sake. It's growth targeted to where the need is and growth where we think we can get the most leverage from a performance perspective. So those of you who followed the story before understand the economics of new Chamberlain campuses, but I'm going to talk to it at a high level because I think we're actually better at doing this today than we were five or six years ago.

When we go to market today, we're looking at campuses that are about 450 to 500 students in their capacity. We're looking to open 10 to 15 of these by fiscal '29. That's at a rate that we've never done it before at Chamberlain. The average new Chamberlain campus is about 25,000 square feet. It's smaller and more efficient than some of our historical locations.

We've got out of the business of building campuses. We leased them now, which is great economically for us. It keeps our capital investment down, and it limits the outlay to about $9 million to $12 million per location, which is not a big number for a company our size. And as each of those campuses reach that 450 to 500 student mark, they're EBITDA positive within two years. And we're already into the payback cycle by year three, four and five.

So not capital intensive, high return over a very attractive time period. In the 4.5 years I've been in this job, I think I've been asked, Jay, I don't know, like 300 times, why don't you just go out and build more Chamberlain campuses. It's been such a fantastic business for you. So here's the answer. That's exactly what we're going to do, 10 to 15 new campuses over the next 2.5 years.

So beyond that, what's important to note is that we're not waiting for this new strategy. We actually have a number of these new campuses already in flight. In fact, we have four of them that are already in flight and the most advanced of them will begin teaching classes in September. And we're going to be excited to announce these as they come online. We're excited for what it means for the communities in which we're locating these schools.

And it's another opportunity for this leadership team to demonstrate just how zealous they are about effective, disciplined execution. So we're going to bring this capacity to market in a massive way and in a way that benefits everyone who depends on nurses at the bedside across the United States. So pulling it together just for Chamberlain's go-forward strategy over the next three years in purpose at scale. Today, 40,000 students across the full spectrum of programs, targeting to be almost 50,000 students over the course of this strategy looking at fiscal 2029.

We're doing this because it's a high-value move for Covista and its owners, but we're also doing this because it's what the country needs. And there's no better way to think about making a living than doing something where you can verifiably do well and do good. And this is a fantastic investment in all of us and a fantastic investment for Covista. So that was the first frame.

The second frame I want to talk about is Chamberlain's role in where Covista goes as an enterprise. So across all five institutions, we've always had robust partnerships with employers. In Scott's segment, our medical schools were at a two by two model where the clinical weeks in medical school are actually done at hospitals all over the United States. Chamberlain has maintained networks of preceptors for nursing students all over the country for many, many years. Walden has worked with employers in the behavioural health space for decades.

But coming out of the pandemic in our conversations with health care employers, we have detected an appetite to think more creatively about how to source talent for those institutions. And those conversations, which I have personally been involved in for a couple of years now, have given us the confidence and the conviction to reimagine how we partner with employers. And we're going to start that march with Chamberlain. And the reason we start with Chamberlain is because of all the unique attributes that institution has and because nursing is among the most acute workforce needs that health care systems are facing. So I want to talk to you a little bit about how that looks in practice.

What we believe is that if you take down some of the highest barriers to entry for students, the cost of attendance, the visibility into a career post-graduation, you actually manufacture demand that doesn't already exist. Our Head of Strategy is here in the room, and he and I were in a city that's not Chicago a couple of weeks ago, talking to a major academic medical center about this very issue. And one of the questions they asked me is, how are you going to get that many nurses in this market? We've been trying to do this for years. And what I told them is that the challenge was that we typically think that talent is scarce.

We operate from the premise that in a community like this city, there's just not enough nursing talent to meet their needs. But what I assured them is that talent is actually not scarce at all. Talent is abundant. What's scarce is opportunity and what our model does that other models don't is create opportunities that are not there in traditional models. And when we do that, we attract more talent and then you move from a state of scarcity to one of abundance.

If you need to go to school at night, and there's no nursing program that offers a night and weekends opportunity, you're not going to go. If you need to go to nursing school online and there's not an accredited respected online program that you can enrol in, you're not going to go. If you look at the overall sticker price of going to nursing school and decide for one reason or another, maybe you've got student debt from a prior experience, you can't cover that cost, you're not going to go.

And if you don't know where you're going to land on the other end of that program, that too might prove to be a deterrent for you. What we do and are going to do more of is bring those barriers down in a way that brings more and more aspiring clinicians to the party.

Case in point I want to focus on is SSM. SSM, a large not-for-profit health system, Catholic Health System operates in four states: Oklahoma, Missouri, Illinois and Wisconsin, extremely well-respected institution run by a fabulous leader, Laura Kaiser. We've been in discussions with SSM for a while, and we've launched something that we refer to as the Aspiring Nurse Program.

What that means is that SSM helps to fund students education in exchange for a service commitment at SSM locally upon graduation. This creates a direct pipeline of talent into SSM and the service commitment gives them a stickier relationship to think about bringing down the traditional high turnover rates that you find in nurses today.

The response to this in St. Louis and Oklahoma has been nothing short of remarkable. Applications at our St. Louis campus are up 117% year-over-year for the January cycle, 117% just on the basis of this program in its first year and in its first intake cycle. We don't have a campus yet in Oklahoma, but we've got an online program there. That online program has seen applications in Oklahoma driven up by 200%.

First enrolment cycle, first year. We targeted at the outset with SSM delivering 400 nurses a year to them. We're falling back now with them and thinking about whether that number is far too small, just given what the market response has been. And so you take a campus like the St. Louis campus, which has been an average performing campus for us for a long time and is now one of the top-performing campuses on an enrolment basis in the entire Chamberlain network. This is the future of Chamberlain.

A future where we are partnering with employers in a way that solves their most critical challenge and provides for us contracted revenue and provides for students who didn't believe this opportunity existed before, a clear pathway to take advantage of that opportunity. It's a truly exciting way to think about the future of Chamberlain and the future of the enterprise.

When you remove these barriers, you create a clear line of sight into employment, students respond. The other thing I think you should know is that we're having conversations like the SSM conversation all over the country. And while every system is different, their needs are different, what they look for in net new nurses is different, we believe this is a model that can be adapted to suit their needs.

And we expect over the coming quarters, we'll be in a position to announce more of these. And we really do think it will change the complexion of the Chamberlain model and over time, change the way Covista partners with employers. So we know this template works.

We're incredibly excited about it. And we don't think that there are other market participants out there who can do this quite the way we do. One of the reasons for that is because we are committed to something that unfortunately, far too few academic institutions are. We're in the at-risk student business by choice. And our model is built to support the success of that at-risk student.

We make bets on students that other institutions won't and those bets pay off huge for the student, huge for us and huge for the organizations that employ them. So whenever anyone's come to think about Chamberlain based on the recency bias or a temporary slowdown in the pace of enrolment in a single quarter, whatever your bias happens to be, I want you to understand that Chamberlain is one of the most economically powerful, socially impactful academic institutions in the entirety of the United States and you second guess them at your peril. It's a fantastic school.

So we're going to take a break now, I think, for about 10 minutes. When we come back, we're going to have two incredibly distinguished health care leaders talk about this market dynamic and the role that academic partnerships can play in it. Thanks so much. We've got refreshments and snacks on the other side.

(video playing)

Unidentified Company Representative

Please welcome Chief Corporate Affairs Officer, Covista, Megan Noelle.

Megan Noelle - *Covista Inc - Chief Corporate Affairs Officer*

Hello, everyone, and welcome back. I'm Megan Noelle, Chief Corporate Affairs Officer, and I am absolutely thrilled to be with you here today. I'm going to be a moderator panel with two very distinguished guests, Dr. Toby Cosgrove, former President and CEO of Cleveland Clinic; and Dr. Gaye Landstrom, former CNO of Trinity Health.

Over the next 20 minutes, we're going to take you through the health care workforce shortage, and we're going to reframe it from just a short-term labor supply issue to a structural challenge that requires a fundamentally different approach. Specifically, we're going to focus on three things: the frontline clinician experience, the role of tech and AI and lastly, the workforce of the future. So let's dive in. Dr. Cosgrove and Dr. Landstrom. Give them a minute.

Unidentified Company Representative

Good morning, Dr. Landstrom. Good morning, Dr. Cosgrove.

Tobby Cosgrove - *Cleveland Clinic - Former President and CEO*

Good morning.

Unidentified Company Representative

Thank you for being here today. So Dr. Cosgrove, I'm going to jump right in with you. We heard from the Bureau of Labor Statistics that we have about a 2 million health care workforce shortage in the US alone. Can you talk to me about what this means for access to care, care quality, and the economics?

Gay Landstrom - *Trinity Health - Former Senior Vice President and Chief Nursing Officer*

Yes. Clearly, this is an enormous issue. It winds up closing facilities, particularly closing beds, and hospitals if you don't have enough nurses. It turns out that the burnout of caregivers is enormous amongst nurses amazingly, it has increased with 50% to 60% of nurses showing some signs of burnout because they are overworked because of the shortage of nurses. And -- and thirdly, the shortage increases the labor cost across the entire organization. So it is a very big multifaceted issue for health care providers.

Megan Noelle - *Covista Inc - Chief Corporate Affairs Officer*

Dr. Landstrom, what is it like from your perspective? Tell me a little bit more about the access to care quality.

Gay Landstrom - *Trinity Health - Former Senior Vice President and Chief Nursing Officer*

Sure. Well, people come to hospitals needing nursing care. And when you don't have nurses, then you can't give them access to that care. As Dr. Cosgrove said, we see hospitals closing beds, closing entire units, mothballing operating rooms because they don't have the nurses needed to provide patient care.

And you asked a question about quality as well. There are a multitude of research studies that talk about the connection between the dosage of nurse staffing, the amount of care that nurses -- registered nurses can provide to patients being tied to a number of patient outcomes, including things like longer hospital stays, patients having to return to the hospital after they go home, a number of different kinds of infections and even mortality. So not having nurses has a big effect on health care, on patient outcomes. It affects patients' lives and can even lead to no access to care at all.

Megan Noelle - *Covista Inc - Chief Corporate Affairs Officer*

Dr. Cosgrove, we just talked about the US system. Let's zoom out a little bit to the global system. McKinsey forecast a shortage of 10 million health care workers by 2030. Why do we should we look at this as a long-term structural challenge rather than just, again, a short-term labor supply issue?

Tobby Cosgrove - *Cleveland Clinic - Former President and CEO*

Well, I think in two aspects. One is the quality of care and secondly is the economy. First is in terms of the quality of care. If you look at the shortage of nurses around the country -- around the world, I should say, it is somewhere you could -- if you had an adequate number, you'd probably save 200 million years of life across the globe. That would translate into a larger population and translates into more jobs and a huge increase in the global economy of trillions of dollars. So it is multifactorial.

The third thing I think that is shortage of nurses in the rest of the world is we have been a net importer of nurses around -- from around the world, and that's no longer going to be possible. And so the shortage there is greater than it is in the United States. So we just -- that we can't depend upon importing nurse to fill our vacancies.

Megan Noelle - *Covista Inc - Chief Corporate Affairs Officer*

Dr. Landstrom, you and I have spent a lot of time talking about clinician burnout. I know it's a topic you feel strongly about. What is driving it? And what is the long-term economic cost of this?

Gay Landstrom - *Trinity Health - Former Senior Vice President and Chief Nursing Officer*

There are a number of things that are driving the experience of burnout with not only nurses but the entire health care team. The pandemic was certainly a specific event that had a big impact across the entire country and across the globe. What happens when an organization doesn't have enough staff, the staff who are working take on a greater workload, an excessive workload. And those individuals often -- too often can't provide the care that patients need. And so then you have gilt and you have this sense of moral distress. And as that goes on, it leads to burnout.

Burnout is closely tied to turnover. And that's not just leaving that organization, a nurse choosing to leave a specific hospital. Too often, they choose to leave nursing entirely. And I think that's a tragedy. When you have turnover of staff, you have those vacancies, you have day-to-day staff being overworked. It impacts the continuity of care for patients. It can vary too much day-to-day. The team becomes unstable. And when you have that, that can impact communication and patient outcomes. So it really is -- it's significant.

The other thing I would mention is that when we have turnover of experienced expert staff, you can't just recoup that with hiring early career nurses. You've really lost significant experience. And as our patients are getting sicker and sicker, those who are in hospitals are much sicker than they were in past years, you need that expertise. So it's a significant loss for the -- for our patients and their care and the entire health care team.

Megan Noelle - *Covista Inc - Chief Corporate Affairs Officer*

Very well said. Dr. Cosgrove, you, and I have talked about the role of AI, and it seems like we can't wake up in today's news and not talk and think about the role of AI and technology in impacting industries. Talk to us a little bit about what you think AI will have impacts on in health care and in education, where it can help and also, frankly, where there will be shortfalls.

Tobby Cosgrove - *Cleveland Clinic - Former President and CEO*

Well, I am incredibly enthusiastic about AI and health care. First of all, I think it can improve the efficiency of doctors because right now, 30% of physicians' time is administrative, either in the electronic medical record or for insurance. Second aspect that I think AI can help is an administrative aspect of running a hospital. It turns out that 5% of the Cleveland Clinic employees work in just putting out a bill or making an appointment, which is -- clearly could be helped with AI enormously. And probably the most important thing that we see that AI can help with is the explosion in knowledge.

It turns out that last year, there was 1.8 million medical articles written and the total amount of knowledge in health care is now doubling every 73 days. Nobody can keep up with that. But certainly, it is possible to do it with AI, which is helping enormously. It turns out that in my back pocket right now is open evidence and 50% of the doctors in the country are using this to help them get the latest information on disease process and what could be the appropriate care.

And more importantly, right now, from the time as something is proven to be an effective technology until its time it's standard of care in the United States is 13 years. And hopefully, we're going to be able to shorten that so that the quality of care improves enormously. So I think that AI has great opportunities to help health care probably more than any other industry that I can think of.

Megan Noelle - *Covista Inc - Chief Corporate Affairs Officer*

Dr. Landstrom, let's stay on the topic of AI, but let's look towards the future. how do you think that the role of AI will evolve the clinician of the future?

Gay Landstrom - *Trinity Health - Former Senior Vice President and Chief Nursing Officer*

Well, I think Dr. Cosgrove gave a great layout of how our clinicians are using AI. At the same time, we are developing new ways of caring for patients, new ways of trying to bring some of those seasoned expert nurses back into care as virtual nurses, mentoring young nurses. And so using AI to deal with this explosion of knowledge, which as it grows in medicine, it's growing in nursing. Nursing is becoming more and more subspecialized as medicine has been doing.

And AI technology are helping us to deal with that amount of knowledge to be able to see the connections and what's happening with patients to have complex diseases and care needs and really helping that whole team to be able to communicate. They don't have to all be in the same room now. That technology is helping to bring them together and allowing them to coordinate care for patients.

Megan Noelle - *Covista Inc - Chief Corporate Affairs Officer*

In our Covista Care Capacity monitor, health care executives told us that talent partnerships are a big opportunity for them to think about sourcing talent differently, yet they also admitted that it was something that they felt they had room for improvement. Both of you led large organizations where sourcing talent was a big part of your role. Dr. Landstrom, let's stay with you. How should health care executives think about talent sourcing now and in the future?

Gay Landstrom - *Trinity Health - Former Senior Vice President and Chief Nursing Officer*

Yes. This is -- it's a newer idea. As systems have grown and gotten bigger and been multistate, sometimes multi-country. This issue of needing to ensure that you have a steady pipeline of clinicians, not just tomorrow, not just in a few months or next year, but 3 years, 5 years, 10 years down the road, system leaders have to be able to plan that out and then develop multiple pipelines to meet that need. As you have systems that are in multiple states, having relationships with local academic organizations, those are important, and they're very time-consuming when you're working with many, many different organizations.

It's important to look at different ways of partnering with academic organizations that have a much broader reach who, as I led a system, I looked for organizations like Covista that could reach into multiple regions where I had hospitals and clinics and skilled nursing facilities. And that became part of that pipeline strategy to be able to yield the workforce that we need. And I urge all system leaders to really consider innovative new partnerships in addition to what they've been doing in the past, but it's going to take a lot more to ensure that we have the clinicians available to provide care in the future.

Megan Noelle - *Covista Inc - Chief Corporate Affairs Officer*

Doctor Cosgrove, same question. How should we think about talent partnerships in the future?

Tobby Cosgrove - *Cleveland Clinic - Former President and CEO*

So I've been recently talking to a lot of hospital CEOs around the country. And I've noted that one very interesting thing about nursing supply and nursing shortages. And those who have partnered with multiple partners for their nursing supply don't seem to have anywhere near as much difficulty with shortage of nurses that those who haven't. So this seems to be clearly the right thing to do in terms of having enough nurses on board to manage the care of the patients. And so I think you have to partners have to have partnerships.

Megan Noelle - *Covista Inc - Chief Corporate Affairs Officer*

I'm going to pivot to another topic. A big theme that was coming out of today is that the American learner has changed. and that the traditional education systems while serve a very important purpose, also don't fit the needs of today's learner. So talk to us about what you're seeing around the trends in education and what needs to change in order to meet students where they need to be met today. Dr. Cosgrove, let me start with you.

Tobby Cosgrove - *Cleveland Clinic - Former President and CEO*

Well, when I got to medical school, and it really hasn't changed very much. In order to get into medical school, you had to prove that you could memorize by getting through organic chemistry. And then you spent the rest of your time memorizing in medical school. That just can't happen now. There's just too much information to possibly memorize.

And you do have technology that will help you have the data at your fingertips that you need without having memorize those capabilities. So now you have an enormous opportunity to begin to bring different types of intellects to the health care, particularly intellects that are going to have emotional intelligence and empathy. And I think that will be a great thing for health care. And so you need to figure out how you're going to educate differently and for a different model for different capabilities, and I see it as a positive.

And also, I would add that you're going to have to teach the learners how to manage in an AI environment. And interesting, Covista has done a very nice job with this with bringing on Google and Hippocratic AI to begin to help people learn how to manage in the AI environment.

Megan Noelle - *Covista Inc - Chief Corporate Affairs Officer*

Dr. Landstrom, same question. How should we be thinking about education and training for the future?

Gay Landstrom - *Trinity Health - Former Senior Vice President and Chief Nursing Officer*

Yes. A couple of things really come to mind. I think it was about a decade ago when I first realized that the way we were educating nurses across the country, it was very traditional. And we talked a lot about there not being enough clinical education spaces in the country, and that was limiting our ability to develop nurses.

But when I began working in partnership with some other academic organizations who had broader thinking about what the possibilities were that we had different students who really needed to be able to do their schooling and their clinical practice at other than Monday through Friday day shift. It really expanded out the opportunity to expand the student population, expand the number of graduates using all those clinical learning opportunities throughout all seven days and all shifts. And it better met the needs of some of those students who needed those kinds of -- that kind of timing.

And it taught me that we have in our traditional education, I think, been far too limited by there was just one way for a student to be taught and all students should be -- we should work with them all the same. I think that is faulty thinking and it is not going to serve us in the future.

So looking at -- looking at different ways, a different student, and multiple ways of meeting those students' needs and educating them is one piece of it. The other piece of it is nursing education has really been limited for a number of years by the lack of faculty. And one of the opportunities when you have a partnership between a nursing school and a health care provider, there's an opportunity to bring in experienced, talented nurses to serve as faculty, but it can only be done in partnership.

And so I think there's the opportunity here in the future to not be limited by clinical placements, not be limited by an inadequate number of faculty if we do it in partnership and broaden our thinking.

Megan Noelle - *Covista Inc - Chief Corporate Affairs Officer*

I love that. Okay. We've covered a ton of topics over a short amount of time. I'm going to end with the positive. what gives you hope for the future that we can solve this challenge at scale? Dr. Landstrom, let me start with you.

Gay Landstrom - *Trinity Health - Former Senior Vice President and Chief Nursing Officer*

Thank you. It's been delightful to have this conversation, and I'm honoured to do so. I think there are several things that give me great hope. First of all, there is a lot of work going on to redesign the way we deliver care, particularly within hospitals. And I think that is bringing a lot of learning and a lot of hope for the future that we can have an experience for our nurses that leads to a long and fruitful career caring for patients, retaining them in those roles.

I also am seeing a historic divide between academic nursing and nursing practice that divide beginning to narrow as partnerships form. And I think that gives me great hope. And I think having new and diverse opportunities for talented people who perhaps in the past didn't have an opportunity or didn't think they had an opportunity to pursue nursing to give them those opportunities to become nurses and have a fruitful career caring for people.

Megan Noelle - *Covista Inc - Chief Corporate Affairs Officer*

Dr. Cosgrove?

Tobby Cosgrove - *Cleveland Clinic - Former President and CEO*

Yes. I think you've hit on some very important points. And obviously, we've talked about training and how it's different. I would just also emphasize the importance of retention. And when there's partnerships and the retention is so much greater.

Technology is going to help nursing, and I think hospitals have to embrace technology with the idea of helping nurses. One of the examples is you now have a little button that you can put on a patient's chest and it gives you all the vital signs continuously instead of asking a nurse to run around and take people's blood pressure every four hours.

And we're going to have new models of health care delivery where nurses can manage large numbers of patients and reduce the work and be more thoughtful and more productive for the future. So I am -- it's going to take a multifaceted approach to deal with this shortage of health care providers around the world. But I think beginning to use all of these in concert will begin to make for a better health care for millions of more people and a productive career for lots and lots of individuals who want to come into the health care enterprise.

Megan Noelle - *Covista Inc - Chief Corporate Affairs Officer*

Dr. Cosgrove, Dr. Landstrom, thank you for a riveting and inspiring conversation. On behalf of Covista, we are so thankful for your guidance and support and for talking to us today. I'm now going to turn it over to my I now have the pleasure to turn it over to my friend and peer, Chief Marketing Officer, Maurice Herrera.

(video playing)

Please welcome Chief Marketing Officer, Covista, Maurice Herrera.

Maurice Herrara - *Covista Inc - Chief Marketing Officer*

Hi. Good morning, everybody. I'm really excited to be here with all of you. As a marketer, we always want to be able to market great products. And at Covista, we do that, but we do so much more. We market life-changing experiences, right? So let me say that again, we market life-changing experiences and then those enable life-changing careers, right?

And so even talking to Jonathan this morning, I was sharing my background about -- I spent some time as the Chief Marketing Officer at Weight Watchers and then Avis Budget Group. And he asked me, those are very brand-forward opportunities. Why Adtalem now Covista? And the answer is because I consider it a privilege.

It is a truly fulfilling privilege that I am marketing to the opportunity. You heard Steve say there is talent out there. It's just there's a scarcity of opportunities. So for me, to bring that background and all those kind of great foundations that I had in my former life to Covista over the last five years, to me, it's been a privilege.

And I have the privilege of leading a team that is structured and staffed to do two things. The first is to build brand equity, right? And what is that? That is to bring forward and assert very compelling and distinct value propositions. And you heard Michael, and this is what -- one of the reasons why I love being here at Covista as well is like I've got believers in brand with Steve and with Scott, with Michael, with Megan, like we all believe in the importance of brand.

The second thing that we're built to do is to drive revenue in an ROI-accretive manner, which is why Bob and I get along really well as well as the CFO. So the next 10 minutes, I'm going to share the -- it's in three parts. The first is I'm going to talk about some of the results that we've achieved; the second is how we've achieved those; and thirdly, what are some of the opportunities that lie ahead.

In terms of the results, like we are -- we want to -- we have two overarching KPIs that we always strive to deliver. The first is inquiries. And the second is our cost of acquisition. Now not all inquiries are created equal, right? These are organic inquiries. These are organic inquiries, meaning that it's from prospects that have come directly to our site or they are looking for us and searching for us by our brand name, right?

And those inquiries are up almost 20% over the last couple of years. And then our cost per acquisition is down, as you see on the right-hand side, that's down 16%. And this is as we've maintained our marketing support in terms of the dollars that we spend on marketing that's been commensurate with our revenue. Therefore, we've increased our marketing spend while achieving these results.

One of the reasons why we've been successful is that we've changed our media shift. We have gone from performance marketing, which is important, but we've increased our brand media by almost 1,500 basis points. And so that shift has been critical. So it's -- we placed that bet. But when we placed the bet in order to make it a winning bet is we did the following.

We rallied around our brand strategies. We made sure that at the top of the house, as you see, we've got these brand platforms, I refer to them sometimes as the title of the book, right? This is our just do it, our think different. This is our North Star. This resolves for not just our prospects, but our existing students, our alumni, our faculty, our administrators.

This is the North Star. This is why we exist, which is critically important, but then one of the critical chapters of that book is the reason why they should hire us today, why a prospect amongst all the different choices that they have. Why would they choose Walden or Chamberlain or Ross or AUC or Ross School of Veterinary Medicine. And each of these campaigns, and you've seen them throughout the day, get the W, the nurse I want to be, et cetera, we vet them before we go out in the marketplace.

We use a Fortune 500 methodology that's very predictive. So that when we're out there, we know that it's going to drive recruitment. We know that prospects are going to get inspired to take action. They're going to come to our website. And then speaking of our website, when we placed this big bet, it was really critical that we develop best-in-class websites, right, where it starts.

So -- and we've overhauled every one of our websites for every one of our brands over the last three years. And we did this in a four-pronged manner in terms of these four principles. First, it starts with user centricity. We know that these prospects that Steve talked about, like they're saddled with some feelings of self-doubt. They're saddled with some feelings of procrastination.

We have to show up and meet them where they are. We have to inspire action. And it's through that user centricity of really understanding what is in their head and in their hearts that we move them through the journey. We have to be conversion focused, right? Once they come to that website, we've got to help them move through that journey.

One of the ways that I'll mention -- Michael mentioned this earlier as well is we have a build your own education plan for Walden. It's a three-minute quiz, very simple, very accessible. And as you come out of that quiz, you get a really great sense of the degree that's going to suit your needs, the cost, the time that it's going to take you.

And so the level of engagement goes up, the level of confidence that you have upon visiting that website goes up. And that's just one of many, many, many things that we do because we're constantly -- to the point on the bottom right, we're constantly optimizing. We're constantly testing. I have a group of folks that are built for conversion rate optimization where we have many, many, many tests in flight.

That was one, and it was a winning one. So we've got many more at bats than we've ever had. We don't win them all. But constantly, we're trying to one up ourselves in terms of where we've been last week, last month during the past year so that we're constantly helping our prospects move through the journey. And then lastly, we're constantly data-driven.

We'll look at our data and see where our prospects may be spending too much time, too little time, et cetera, and then we go back through the -- all the principles. So those are a couple of the winning ways in which we've achieved the results that I shared with you. Now I want to pivot to a couple of things that we're going to be doing to really take advantage of the opportunities that are out there. One is in local marketing.

So it's a lot more cost efficient than ever to spend our media in local markets. So approaching Chicago, different than Houston, different than Atlanta, different prospect base, different competitive set, different category dynamics, different brand development in terms of the awareness of our brand. So we're going to take a very, very specific approach to those markets, and we're going to do that across all of our segments.

Just like in terms of the brand strategy, just like in localized marketing, it's one of the benefits of the operating model where we cross-pollinate these approaches across all of our segments to really leverage the power of marketing across the enterprise. The second big bet, and I'd be remiss if I did not talk about AI, there was an article that came out from HBR yesterday about how AI is going to disrupt two different aspects of the prospect journey. One is in terms of how they search.

The other is in terms of the role of the website. So this is what I wake up to, but we are built to win. On the left-hand side, we are -- we have a very keen understanding of the roles of content, and it starts with discovery and visibility with the LLMs that is of critical importance. It's even more important than ever then, as you saw the brand strategies, the cohesion of those brand strategies that I showed earlier, the title of the book, the chapters, that cohesion is rewarded greatly by the LLMs.

The more cohesiveness there is amongst the brands, the narratives and how we show up, the LLMs reward us. We also have to be very inspiring, like we inspire action. We also have to educate what are the exact degree types? What is right for that prospect at that journey -- at that point of their journey is critically important. And then lastly, decisioning. Like it's not over because it's a lengthy process from the time that they embark on wanting to get that degree to the time that they actually set foot at our campus or online.

It's quite a lengthy process. And so we need to make sure that we show up with the right content in the right manner that moves them through the journey. On the right-hand side is -- it speaks to the process of content creation. We have four critical steps that we go through. Every year, we develop about 5,000 pieces of unique content. That's about 15 to 20 pieces of unique content every single day.

I believe that over the next year, that's actually going to double, right? And to the point about how the role of search and the role of our websites is going through quite a lot of change, we need to show up with the right content, but we need to do it in a cost-effective manner. We need to be quicker about it, and we need to be better about it. And we have a framework, and we are structured now as a team to really meet this moment with AI. So that's what I had for you.

In close, what I would say is we feel really great about the results that we've achieved to date, and I'm confident that we're going to make the right pivots to continue to take this function of marketing across the enterprise to scale and deliver ROI accretive revenue. Before I hand it to Michael, I'm going to share with you our inaugural Covista ad campaign, and we're really proud of this of really showcasing our access mission and how that translates into 24,000. You've heard the number before, but 24,000 graduates into the health care field. And so let's take a look. Thanks, everybody.

(video playing)

Operator

Please welcome Chief Digital Officer, Covista, Michael Betz.

Michael Betz - *Covista Inc - President - Walden University*

Hello. You can't get rid of -- so I am really excited to build on what you've been hearing from Steve, from our panel members, from Maurice and others about the amazing opportunity that we have in front of us to continue to drive innovation and what all the new opportunities that AI will unlock for us. In fact, about a year ago, Steve asked me to take on this role to help accelerate the innovation that we are driving and make sure that it is going across all five of our institutions.

And so we've been hard at work bringing our technology team members, our business team members to be working hand-in-hand in cross-functional agile manner so that we can accelerate that pace of innovation. And one of the happy byproducts of that is it also unlocked a lot of efficiency that enabled us to invest even more into our innovation agenda.

And if you're talking about innovation today, you might have heard about something called AI. So that is what I'm going to be focused on today. And it really starts with what Steve talked about, which is we are very convinced that there is a generational opportunity for new technologies, AI-powered technologies to transform higher education. And as you heard from our panel members, that is transforming health care.

And that gives us an opportunity to benefit from these developments in a way that few other industries can, and I'll be speaking about that more. Of course, that's all great in theory. The question then becomes, who is going to seize that opportunity? We're going to walk through why we are in such a special position to be the ones that are going to move forward and continue to lead the way here.

And then finally, and I think most importantly, this is not a strategy for us. This is not a plan on the paper. This is -- when we think about innovation, we think about AI-powered solutions. We already have over 20 solutions across our portfolio that are driving real value for our business and our students today. And I could geek out and talk about all of them for about five-hours, but I will hit on just a few of the key ones and some of the exciting things that we're working on moving forward.

So why are we so convinced that this is going to be transformative? I think the first piece is that if you think about AI's impact on any industry, it's often framed as a way to drive efficiency to cut costs. And look, we're going to have some of those opportunities. We've been doing some of that at Covista. But for us, it is something much more powerful.

First, it's something that can help drive the top line as well, make our enrollment specialists even more effective, our advisers more effective. Things that when we pair up these great technologies with our great people, it's not just about cutting costs, it's about growing the institution. And then even more importantly than that is the opportunity it has to do something that we've been talking about in education for a very long time. I actually started my career in education as a teacher for America Teacher.

I had 36 kids in South Central L.A. I had in my class kids that were the smartest people I've ever met in my life, others didn't know what a letter was, and everything in between. To serve those students, I needed to be able to provide individualized education for each and every one of them. I couldn't do it. Nobody has been able to do it. Teachers, professors, everybody struggles with this in some form or fashion.

And yet we've never been able to make it work because of the economics. It would take an army of people to do that. That is changing with AI. And then finally, as Steve talked about, as you heard from our panelists, as AI starts to transform health care education, the biggest bottleneck is going to be the talent that is not only fluent in how to use it, but can lead change.

And we are out front in ensuring that our health care partners have that opportunity, and helping our students stand out by having these skills and capabilities. So that's the opportunity. Who's going to go get it? Well, I think as you see from all of the partnerships that we've been able to secure, that one thing really stands out, our scale. We have about 100,000 students.

We have the financial resources, the human resources to be able to make investments in these technologies that can power our institution and support our students. And even better, we have the unfair advantage that when we make those investments once, we can deploy them against five different institutions. So our scale stands out.

And I will say related to that, our ability to move fast, be market-responsive and be agile is another thing that is so important for us. And as you -- as I've mentioned, because of that, we've been able to get some industry-leading partnerships. We know this space is moving so fast that we have to have partners in health care, in technology that can help us.

And so you've probably heard about our partnership with Google, where we will be able -- where we are developing and about to roll out discipline-specific certifications co-branded by us and by Google that help teach our students how AI is impacting their discipline, be it social work, counseling, nursing, veterinary, and then be able to apply that in their workforce as they graduate and move on.

Giving them a real advantage over students at other institutions and, of course, making us a preferred partner for our health care providers. Again, that's all great, but the proof is in the pudding. And as I said, this is not something that we talk about as a strategy. We already are seeing real value in terms of business value, in terms of student outcomes today in the solutions that we have been rolling out for the past few years. So again, the way that we think about it is not -- AI is not some separate thing.

It's not some program in the corner. It's not some initiative over here. It is integrated into everything we do, every step of the student journey. I'll walk you through some of the examples of that in just a minute, all leading up to students that are mastering their skills, that are successful and then have those capabilities to bring to the workforce.

But what we are doing is important, but how we are doing it, I will tell you, I think, is equally important. One of the bedrocks of our strategy is the recognition that the best ideas that, yes, we can have some great ideas from the top about how to deploy these new technologies, but many of the best ideas are going to come from our front lines: from our faculty, from our enrollment teams and from our advisers and all parts of the organization.

And so we are in a very aggressive plan to roll out, and have been doing this now for a number of months, the tools, whether it's chatbots, whether it's the ability to build agents independently, to all of our staff and providing them the training on how they can use it independently and as part of their team to support students and drive the business forward.

And then as I mentioned, because of some of the efficiencies we've been able to gain, we've been investing more and more dollars into our technical capabilities, our technical stack, so that, again, when we go build something, we have that standardized layer that we can easily move something from Walden to Chamberlain, to our medical schools, to our veterinary schools in a pretty seamless manner.

So that's how we think about it. The fun part is to kind of see how this is starting to come to life. And again, I could be here for the rest of the afternoon, I will not do that to you. But I did want to call out a few that we think are particularly exciting and illustrate the potential of what is possible here. So one of the things that we rolled out about a year ago was an assistant for our enrollment specialists.

We call it Wally. Wally is trained on all of our product program information, on our best practices, on how to engage prospects. And it is just wildly successful among our enrollment teams. They use it constantly if they get a really difficult, kind of obscure question. Our new staff love it. It helps them move up the learning curve really quickly.

And instead of telling somebody, hey, we'll get back to you, which is what our competitors will often have to do, we're able to keep that conversation and that momentum moving forward. And it's been something that has been even more successful than we thought and we continue to invest in. Once we have our student, of course, the most important thing is to make sure they're successful.

And you've heard, again, in our earnings calls about what we are doing in terms of predictive analytics. We have applied machine learning to understand which students will most benefit from some temporary financial help and the micro-grant program that we have that has been so successful and we continue to scale up.

But one that's a little bit more recent is, consistent with Maurice, kind of builds on what Maurice was talking about, is we have these insights into our students at an individual level and at a day-to-day, hour-to-hour level with the amount of data we have. Our bottleneck wasn't insight. Our bottleneck was the ability to literally create tens of thousands of personalized outreach to all of these students to make sure that we are supporting them how they need it and when they need it. And it was just holding us back.

But with some of the new content creation tools that are available to us, we're able to quadruple our output of those campaigns. And in fact, that's just the tip of the iceberg. We're starting to see even more. And what's even better is the communications that we do get out, when we put our people together with these technologies, we're getting better results in terms of student engagement and student persistence.

So just another area where we continue to drive forward and putting these tools into practice. But again, the thing that we are most excited about is the opportunity to transform education. I'm old enough to remember when the online came around, and what that allowed us to do in terms of expanding access. I think in the same way that Internet drove access, AI is going to drive mastery and success.

You've seen study after study that show a couple of things. One, that if you are able to individualize education, students are more successful. Full stop. There's been 100 studies on this for decades. What we're also starting to see, in fact, the study just came out the other -- a couple of -- a few days ago, which is when you are then able to pair up students, particularly struggling ones, with these technologies, they're able to close the gap, the performance gap, with other students.

So there's enormous potential. We're starting to see it with something called Coach Ally, that we use at Chamberlain that is again trained on all of our educational content, seamlessly integrated into our LMS and over half our students are using it, well over 1 million interactions. They get exactly the type of support they need in whatever language they want, by the way, at any time of day, to supplement everything that we do to support them with our tutoring and academic support resources.

And then we're also starting to see some really exciting opportunities on very life-like simulations. SimConverse is one example, where we can provide unlimited practice at any time of day using these incredibly life-like simulations. So we're seeing it all across the journey. We're seeing the potential. We're seeing the return for us. We're seeing the return for the students.

And so we are going to continue to go after this in an even bigger way. We talked about the partnerships that we had to help differentiate our students. We're also continuing to make big investments in how we power our institution and our staff and faculty. One, of course, I talked about, is this classroom of the future. Coach Ally is early innings.

Hugely powerful, but still early innings. In addition to our partnership with Google on our certificates, we are also working with them on a proof of concept to completely clean-sheet what an online digital learning experience would look like, that's either the primary way to learn or it's supplementing what is happening in real life, and turning that dream of personalized education into a reality.

It's not going to be done next month. It's not going to be done next quarter. But it is going to be something truly, truly special as we continue to push there. Second, we talked about all of these capabilities and tools that we've delivered to our students and to our faculty, and they're having a lot of impact. But right now, there's one here, there's one there.

But by building that kind of common technology platform, we are in the midst of connecting all of those. Imagine a world where a student, from the moment they're on our website researching us, get instant answers in a natural language to whatever question they want, as they progress through their program, they're getting answers on anything from billing to how to master material, all in one place and in a way that is personalized exactly to them and to their experience.

And then as I mentioned, we feel very strongly that as much as AI will power us moving forward, we also have the benefit that accreditation is not going anywhere, that the need for clinical relationships isn't going anywhere, that the jobs that we prepare people for will be augmented by AI, but not replaced by AI. And so we have a fundamental conviction that AI is not about replacing our people.

It's about giving them a superpower. And so we're continuing to invest in the tools and the training that they have so that we're going to have ideas coming forward that we can't even dream of.

So thank you so much, and I will see you later in the Q&A.

(video playing)

Operator

Please welcome Chief Financial Officer, Covista, Bob Phelan.

Robert Phelan - *Covista Inc - Chief Financial Officer, Senior Vice President*

Good morning. As we get into the financial update, first, I wanted to share a few key points with you, things that I'll expand upon as we get further into the materials. So first, we've got a strong track record of financial performance that gives us the confidence to deliver on our goals over the next three-years. Second, we've got a clearly defined strategy to generate profitable growth and significant cash flow over the next three-years.

And third, we've got a balanced capital allocation philosophy that is aligned with our shareholders. So with that, let's just jump into the next phase of profitable growth. We're going to build our next phase of growth on the foundation of operational excellence, maximizing our existing capacity while we also invest in additional capacity and health care workforce solutions.

One key point about the next phase of growth is that we will continue to drive significant revenue and profit improvement while we're making these investments in long-term growth. So let me start by going back. Several people have gone back to growth with purpose here, but that's foundational. What we've done over the past three-years has really instilled a mindset and a discipline in the company that's going to pay dividends in the future.

So we're not just jumping from one strategy to another; we're really building on a foundation as we make new strategic investments in the business. And operational excellence will remain as a core part of our DNA and a significant financial driver over the next three-years. So now shifting back, take a look at our topline growth over the past several years.

We've grown enrollments from roughly 78,000 to over 97,000, revenue from $1.4 billion to over $1.9 billion, far exceeding the commitments that we had made at our previous Investor Day. And this was done largely with the same capacity that existed three-years ago at our last Investor Day. Our topline growth was driven by improved operational performance across new enrollments, persistence of our students and pricing optimization across our programs and our campuses.

There's a durable demand for health care professionals. And over the past several years, we've captured more than our fair share of that demand, and we intend to continue to do this going forward. The top line growth came with an added benefit, and that was margin expansion. So in fact, we improved EBITDA margins by 200 basis points from fiscal '23 to '25.

We're on track to improve by another 100 basis points this year in fiscal '26. So 300 basis points of improvement over the course of three-year period, bringing us to at least 26.7% margin rate this year in fiscal '26, generating over $500 million of EBITDA. Our operating structure continues to drive margin expansion, and it will now and in the future.

And while we drove the improved margins, we also improved our earnings per share over the same time, helped by reducing debt and lower shares outstanding. The combination of the revenue growth with the margin expansion, reduced interest expense, lower share count has brought us from an earnings per share of $4.21 back in fiscal '23 to now approaching $8 per share in fiscal '26.

And the improvements in profitability were very good, but it's also important to convert those profits to cash. We've done that. Our growth in cash flow mirrors what we've done from a growth in earnings. And most recently, on an LTM basis, we generated $428 million of operating cash and $368 million of free cash flow or free cash flow of about $10 per share.

As I mentioned earlier, our balanced allocation of capital has resulted in us repaying $1.1 billion of debt and buying back over $900 million of shares at an average price of $54 per share. So before I jump into our longer-term targets, I did want to reaffirm guidance for fiscal '26 for our revenue, earnings per share and for our margin growth, and we'll continue to generate strong cash flow in the back half of the year, giving us additional optionality to deploy that capital as we see fit.

And just a reminder that the growth that we're experiencing in fiscal '26 in revenue, in EBITDA rate and earnings per share is on top of that very strong performance that you've seen and record levels of growth that the businesses have all talked about. So as we're transitioning to a strategy of purpose at scale, we intend to build on a foundation of operational excellence that we've established over the past three-years.

Fiscal '27 will include a ramp-up of investments. Steve talked about new campuses, new partnerships, new technologies, everything that you just heard about, again, from all the business leaders. As we get into fiscal '28 and '29, we'll continue to make investments, but we'll begin to see early returns on the investments we've started already and that will be made in fiscal '27.

And importantly, we'll continue to generate very strong cash flow, giving us the flexibility to deploy that cash across multiple priorities at the same time, including our $750 million share repurchase authorization. So with that strategy in mind, let's focus on enrollment for a moment. We heard the business leaders talk about drivers of enrollment growth, whether it's through Chamberlain's new campuses, new online programs, whether it's Walden's undergrad programs or Med/Vet expanding share.

It's coupled with an AI-fluent graduate as well. And what it results in is significant growth across all three of our business segments. Getting to over 120,000 students will be very strong growth by fiscal '29, but we will also have added capacity to grow for the next horizon of years that goes beyond fiscal '29. So we're building an infrastructure that will sustain long-term growth in a market where the demand for health care workers will continue to present opportunities for those with the foresight to invest in new capacity, new programs, new partnerships.

So moving into specific financial targets. Revenue growth in fiscal '27 will be in the range of 6% to 8%; fiscal '28, 7% to 10%; and fiscal '29 at 8% to 11%. That creates a target range of $2.35 billion to $2.53 billion for fiscal '29. And while the growth rates ramp up with the investments that we're making, it's important to note that we will only begin to utilize the new capacity that we're expanding into over the next three-years.

Our operating model also produces leverage, generates improved margins. So we have a range of 125 basis points to 250 basis points of expansion over the course of the next three-years. Earnings per share will grow in the low to mid-teens with growth of 9% to 13% in fiscal '27, 10% to 14% in fiscal '28 and 12% to 16% in fiscal '29. And that results in a range of $10.60 to $11.80 when you get out to fiscal '29.

As I discussed earlier, really when you stack the revenue growth with the margin expansion and add the strong cash flow model that we have in our business, plus disciplined approach to capital allocation, it creates significant EPS growth opportunities for us. And now I'm shifting just to capital allocation. Steve has already covered our philosophy.

What I'll say is we anticipate deploying capital with a balanced approach across the 4 areas that are on the page, whether it's business investments, share repurchase, debt repayment or potentially M&A. But funding the organic growth of the business is something you heard a lot about today, and that will be a priority for us.

But as I've mentioned, our cash flow profile allows us to invest across multiple areas at the same time, and we anticipate generating a substantial amount of cash. So while we invest in new campuses, new technologies, new programs, we'll have ample cash to target back to share repurchases, debt repayment and, again, potential M&A transactions.

Overall, we will maintain that balanced approach to capital allocation with the goal of long-term value creation. So as I wrap up commentary in the financial section here, there's a few key points that I want you really to take away. First is that we're focused on growth, driving our access mission at scale now and in the future. We operate in an environment with a healthy demand.

Our total addressable market is substantial and it's growing. We will maintain and build on our foundation of operational excellence, continuing to drive that profit improvement over the next three-years, while we're investing for the future beyond the next three-years as well. And there's far more opportunity ahead of us than behind us. This is only the beginning.

Our team is focused on balancing long-term value creation while we're driving short-term proof points throughout that journey, ultimately, creating the most value for our shareholders as we go through that process. I'm confident in our ability to achieve our goals given the foundation we've built, scalable operating model that we have and our track record for execution over the past three-years. And now I'll turn it back over to Steve for his closing comments. Thank you.

(video playing)

Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

Okay. We've come to the end. We have Q&A after this. But first, I just want to thank you all for your attention and engagement today. And just want to give you a few important takeaways that I think are critical. First, we have a compelling vision for Covista to be systemically important to health care, to expand access to rewarding careers at a scale that's unmatched anywhere, and to be an innovative talent partner for US health care, helping to solve some of these stubborn workforce challenges that you've heard so much about today.

In addition to that compelling vision, we have a credible strategy for achieving that vision with purpose at scale. And that's a strategy that comes with the benefit of operating in very, very attractive markets with fantastic secular demand trends that are durable over the long term, with differentiated brands that resonate powerfully with prospective students.

With a team that is fanatical about operational excellence and believes that execution is our most important priority, with a capital allocation philosophy that is shareholder-friendly and focused on aggressive value creation over the long term, and a brand in Covista that resonates powerfully with students, with employees, with regulators and the other stakeholders who count on this business, and the economic logic, as Bob just walked through, that represents a compelling, durable ramp with multiple pathways to double-digit earnings growth.

We think, taken together, that's a fantastic way to think about our business and a fantastic way for our investors to think about the journey with us going forward. And Bob walked through all the numbers and the numbers are really fantastic, but I want you to know that each of those numbers has a person behind it. There's an individual there.

It's a single mother in Oklahoma City who didn't think she could afford nursing school until SSM lowered the cost for her in partnership with us. It's the student that applied to medical school on three separate occasions, was denied all three times, but is starting at AUC as of this past January. It's a patient, perhaps somewhere here in New York, that's going to get the care they need because we graduated the right person at the right time.

That's a fantastic investment thesis as far as I'm concerned. I know you guys are tired of me saying fantastic, but it is fantastic. But it's also just a wonderful reason to get up and go to work every day. I mean we're really, really proud of what we built. We're thrilled to have you all along for the ride. And we are just super-optimistic, because for all the success we've had to date, our best work is still ahead of us.

So again, thank you for sitting through the presentation. I'm going to have the team come on up and we're going to take your questions.

(video playing)

Unidentified Company Representative

Barely meaningful sort of incubation period. But where we focus our energies is on having university partnerships that we announced. We were the kind of institutions that command universal respect (technical difficulty). And we think once we do that, that will accelerate the pace of conversations as providers see some of their most admired peers in the space partner with Covista in this way.

So I can't give you an exact timeline as to when each of these partnerships will be inked and announced, but I do believe that the first few, we expect those to happen in the near term, that will accelerate the pace of conversations that we'll have across the landscape (technical difficulty). To your second question on the intersection between (technical difficulty) expansion and (technical difficulty) and these partnerships.

As we think about we've got three phases of (technical difficulty) as we think about those markets, each of them are markets where we believe we have attractive opportunities to partner with leading health systems in those markets. So there is a convergence in the two strategies that we think can be really powerful over time.

QUESTIONS AND ANSWERS

Unidentified Participant

(technical difficulty)

Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

I'll start. You want to go? Look, I think the way we think about guidance philosophically is we try to anchor on a high-integrity view of what the opportunity set for us in a given period, based on the information we have at that point. What we do, which, depending on the day of the week (technical difficulty) they love or don't love, is that once we set those goals, then the ask is go out and beat them. Right?

That's the way we motivate our teams, that's the way we become accustomed to working. And so I think what Bob laid out by way of the ramp in revenue and in profitability, we do believe that that's a credible stretched set of goals for this business even at current course and speed given all the things we're trying to accomplish. But if as we go we encounter opportunities to improve upon that, we'll absolutely do that.

But there's not an inherent conservatism baked into that. These were -- these are pretty aggressive goals in our view, just as we thought our goals three-years ago were pretty aggressive at the time. But we want to best that wherever we can. Is that helpful? Okay.

Jeffrey Silber - *Bank of Montreal - Analyst*

It's Jeff Silber with BMO Capital Markets again. Thank you guys for doing this, I know how much work this takes. My first question is about the Chamberlain expansion strategy. I know in the past it's been difficult to enter new states. Can you talk about the mix between existing states and new states and what the process is like?

Unidentified Company Representative

Yes. So look, I think the barrier to entry in nursing is pretty high everywhere. I don't think it's particularly high for us. We've done this for many, many years. We've got the largest geographic footprint in nursing. We've got lots of experience with the state boards of nursing. We've got real credibility with the Department of Education, which approves each of these programs.

So I actually think our ability to run a multistate, multi-jurisdiction, multisite model is part of our competitive moat. And so the work that has to be done to get state approval in a given location to get the clinical capacity that's necessary to keep that approval, to recruit faculty, to market to students, these are all complex activities that I think we're just more sophisticated at it than others.

And so I don't anticipate real barriers to the strategy for us. I think it may be hard for others, but this is part of the core competency of Chamberlain as an institution.

Jeffrey Silber - *Bank of Montreal - Analyst*

In the four that you're planning on ramping up, are they in existing states? Or are they new states or --

Unidentified Company Representative

Sorry, yes. So the -- most of the states or states where we don't have a presence today. There are some states and some markets where we have presence, but we think we could support another campus, Metro Atlanta, for example, just because of the unique attributes of that market. But most of them are going to be net new. There will be a few that are in existing markets or existing states.

Jeffrey Silber - *Bank of Montreal - Analyst*

And my follow-up actually is for Scott. I know there's some rule changes coming on with some loan caps coming out over the summer. You guys had announced a partnership with Sallie Mae. If you can give us a little bit more color on that. And I'm just curious, are you seeing some student hesitancy because they're not -- maybe they're worried about the financial packaging in terms of enrollment coming up for this --

Sean Callanan - *Covista Inc - Dean*

Yes, Jeff, thank you. So just to set the stage a little bit on Jeff's question, within OB3, there were some changes to federal government student financing. So all of the stuff we'll be talking about refers to US-based students. There were some good guys and some bad guys in that one for our -- for Med/Vet in particular, which is the highest user of graduate level loans given our formation.

On the good side, for professional degrees like medical and veterinary degrees, the Stafford cap was raised from $150,000 to $200,000. That's a lifetime value, not per year. The bad guy was that Grad PLUS was eliminated starting on July 1. It's still in effect until June 30. And let me add to that, anyone who is already enrolled in a Grad PLUS eligible program will continue to have access to Grad PLUS loans.

So that's kind of the -- that's the put and take that Jeff is talking about and does significantly change the financing landscape, in particular, for medical and veterinary schools. We are in the process of still finalizing some of our relationship with Sallie Mae. I'll let Steve talk more about that. On the medical and veterinary side, they do have an already established facility that they have launched.

Our students have access to those. We are marketing that actively. It is specifically dedicated to medical and veterinary students. And we will have very, very broad coverage within their underwriting guidelines. In fact, we work very closely, Jeff, with Sallie Mae to -- in their initial development of that program. And it's favorable to our student base.

To your second question on how are applicants and students looking at it, it's kind of a mixed bag. And in some ways, it's been a little surprising to me. I think what we have really done since about October, November have been educating students on that financial pathway. They candidly haven't been that aware of it. That's what we're hearing.

So we've been helping them to navigate. We do see some acceleration in students wanting to start in May. That's a real advantage that we have in both of our medical and veterinary schools, is that students can still start their education and be grandfathered in to Grad PLUS. And we have also started marketing to our students who are looking to start in September and beyond on the Sallie Mae opportunity, which they're embracing as you can well imagine. Does that answer the Med/Vet part?

Steve, I'll pass --

Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

Let me double-click on two parts of that. So headline, we haven't seen any slackening in demand for the programs related to the change in the federal lending programs. None whatsoever. It hasn't shown up inquiries. It hasn't shown up in applications. So that has not proven to be an issue for us. The Sallie Mae partnership that we've been talking about is an enterprise-level partnership. Med/Vet has had a long-standing existing partnership with Sallie Mae.

So that solution is already in place and available to students now. And the third piece is, of all of our programs, I would argue that the medical and veterinary programs are probably the least price-sensitive of all because those students have aspired to these careers, in many cases, since they were very small, right? And they also know that they're going to enjoy the kind of earnings power on the other side of that program that will allow them to comfortably service any debt they incur to go to school.

And that's why the credit underwriting profile of our Med/Vet students is the most attractive profile for any lender we work with outside of the federal government. And we're using that attractiveness in Med/Vet as a basis for getting an enterprise-wide arrangement with Sallie Mae for other programs at Walden and at Chamberlain.

Jasper Bibb - *Truist Securities - Analyst*

Jasper Bibb with Truist. Showed a lot of good stats about the number of qualified applicants for med school that get rejected. I guess how do you think about the opportunity to fill the remaining capacity in the medical schools? Is that maybe changing the geographies that you're marketing in? Is that doing more education for the qualified applicants in the US that are getting rejected? And then as you scale up that capacity, what might that unlock from a margin perspective for that segment? Steve, do you want to -- I'll --

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Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

Go for it.

Unidentified Company Representative

So on the existing demand, you're absolutely right, it is extremely strong, as we shared with you, over two times demand for every seat. And as Steve just noted, talking about the Sallie Mae stuff, these are professions of passion for these folks. These are long-term dreams and desires that they've had. Those aren't going away. You grew up wanting to be a doctor, you continue that.

For us in our existing schools, we do have some headroom. So we can continue to grow in our existing footprint, which is great. And we are seeing very strong growth, both in application and enrollment. So that's the good sign. We have made some operational changes recently that are accelerating that even more. So already strong demand, operational ability to capitalize on that.

So within our existing footprint, still absolutely have some headroom in a demand advantaged marketplace. I'll let Steve address any question about potential expansion.

Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. So two things you should know about the medical schools in particular. What you're seeing in the accelerating performance at the two schools is that we are going to market different in a different way. Historically, we've marketed our medical schools to anyone and everyone who would like to go to medical school, as opposed to marketing to that portion of the applicant pool that is going to be most likely to want the kind of option that we're providing. So that's the first difference.

The second difference is that we had marketed them fairly generically, without focusing on the unique attributes that exist at the two medical schools. And so like the AUC ad that you saw earlier today, we're now marketing these institutions on the unique attributes they have that distinguish them from other schools and that appeal to the right profile of student.

And that's why we've got real confidence in what the enrollment ramp looks like over time at the two medical schools. As Scott said, a ton of headroom and capacity to exploit there, and we absolutely intend to do that. But we believe that even beyond that capacity, there may be opportunities for us to further extend the medical education franchise since it is such a financially attractive model, and it brings with it some really, really powerful brand attributes for the enterprise.

So obviously, utilizing the existing capacity is a higher return proposition than going out and getting new capacity, but we believe we will do that at a sufficiently steady clip that we can do both. So utilize what we have in the two schools today, even as we look for additional capacity to take advantage of that incredibly large market of students that don't have a home for med school.

Jasper Bibb - *Truist Securities - Analyst*

And then maybe one on Walden. You mentioned the ambitions to grow the undergraduate business. Can you just talk about what that's going to look like from a program mix perspective? What's been growing fastest so far? And I guess, where you think you're most differentiated versus the other online competitors?

Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. So first of all, I just want to make it clear one more time, we are always going to be a predominantly graduate institution. We are growing our graduate programs. We have a ton of headroom there. We just think that there is an additional opportunity on undergraduate. All of our brand equity, all of our operations, we've been able to seamlessly, with almost no incremental investment, double the number of undergrads.

And so we're going to continue to go through that -- down that path in an even bigger way with a great new campaign kicking off for undergraduate in a couple of months. But to your question about program mix, in some ways, it's very similar to what we have in the graduate, in some ways different. So the advantage we have is we're very strong in the social and behavioral sciences at the undergrad level.

Psychology, we have very attractive programs to go straight from your bachelor's into your licensed masters programs that perform very well. I talked about education. That has been a pleasant surprise for us. You know that's kind of -- that's been traditionally a little cyclical. That's really coming back strong for us, seeing very strong growth in education. And then yes, we're doing a lot on the business front there.

But on the business front, we are very focused on not generic business degrees, but highly specialized concentrations that line up directly to areas where there are strong growth in jobs. And so you put those together, the business programs that we have, the specialized, basic programs, the health care-related ones, and we got a strong package from a program offering.

But what I will tell you differentiates is that focus on career preparation, planning and placement. This -- for too long, we've talked about that in this space and not delivered on it. And we completely clean-sheeted everything that we do to integrate career success at every step of the journey. And the early results that we are seeing, not in just in terms of persistence, but in terms of career and social mobility, are really impressive. It's the right thing for our students, but also I think that's going to really separate us from the crowd.

Unidentified Company Representative

Perfect. So I'm going to ask some questions coming on through online to you guys. So Steve, you talked about the physical investments at Chamberlain. How should we think about that flowing through from an earnings per share perspective? And is it factored in the 10% to 14% growth projections you guys gave today?

Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

Is the campus expansion -- yes, it is. The campus expansion is built into the go-forward forecast. Your earlier question was about earnings?

Unidentified Company Representative

Yes. Is the campus expansion factored into the earnings? How does that impact your profile going forward?

Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

Bob, do you want to start and I'll pick it up?

Robert Phelan - *Covista Inc - Chief Financial Officer, Senior Vice President*

Yes. So I mean, answering the question, it is factored into the guidance, the earnings guidance that we've provided. We will provide some separate information on that so that you understand what the investments are that we're making over the next couple of years so that you can understand both the underlying margin profitability that we've got on the Chamberlain side as well as what it looks like with those investments.

Having said that, it does take a little while to ramp. So we will be separating that out. It will ramp up over time. But as Steve mentioned earlier, you get to an EBITDA profit two-years after you start to teach. So it's a pretty quick turn. But again, all those investments are included in what we have in terms of guidance right now.

Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. So we believe we can execute a step-change growth in Chamberlain without diluting earnings at the enterprise level, right, because of the power of the balance of the portfolio. There will obviously be some impact on Chamberlain's P&L, and Bob mentioned the way we'll talk about that. But on an enterprise level, we can still deliver the kind of attractive earnings growth even as we invest in what we think is going to be a powerful accelerant for Chamberlain's leadership in the marketplace.

Robert Phelan - *Covista Inc - Chief Financial Officer, Senior Vice President*

And I would just add one last part to this, is that we've been investing a bit this year already. So it's not that we're just going to start in fiscal '27. Steve mentioned, there's things in progress already. So we've got investments that we're making that are already a part of what you're seeing in our margin profile. And overall, again, we're growing those margins by 100-basis points this year.

Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

And not that we need another incentive to outperform, but because of the durable operating leverage in the model, the better we can do in driving that top line revenue, the more flexibility we have to fund these sort of investments while still expanding margins and growing the earnings profile of the business. So it's a fantastic -- once again, fantastic economic model to run.

Unidentified Company Representative

Perfect. I'll pause, if anyone else in the room before I ask another online one?

Unidentified Participant

I'm [Patrick Connor] with [Sand River]. I just had a follow-up on the student financial loan situation and just whether the situation at Walden is different than Med/Vet, and how lending to a Walden student is different than Med/Vet? And then on just the arrangement with Sallie Mae, how you guys kind of envision that going and how the arrangement with Sallie Mae might be different than with the government previously in terms of risk sharing and credit and that kind of thing?

Unidentified Company Representative

You want to start? Yes. So let me start by saying, while historically, we have had students that have taken advantage of Grad PLUS, we don't see it impacting us going forward. And if we get something -- when we get something with Sallie Mae, it will be helpful. But the reason why we're not worried about it going forward is two reasons. One, a lot of times, the dollars that were getting -- they were getting there were for refunds.

And so yes, I have students that might be less refunds, but it doesn't impact their ability to pay for their degrees. So if you look degree by degree and you look at the limits, I think every one of our programs come in below the limits going forward without a need for Grad PLUS dollars. The other thing is why we're in a much better position is with all of the improvements we've made on doctoral, that is where a lot of our Grad PLUS dollars were, but we have improved our -- the speed through that program.

We have put on tuition caps on just about every one of those programs. And so while historically, there were some students that took advantage of that going forward and even over the last couple of years, it's just not going to be needed for our doctoral students.

Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. A little bit on the fact, I was a graduate assistant in the Office of Student Financial Aid at Indiana University when I was in law school. One of the reasons this administration wanted to eliminate the Grad PLUS program is because it is primarily used to borrow amounts above and beyond the cost of attendance and the proceeds are often used for purposes that aren't directly related to the academic journey, and then that's debt that the student has to deal with after graduation.

So I'm not going to comment on whether it's good policy or bad policy, but there is a rationale for eliminating the program. We saw that when I was in financial aid in Indiana. As Michael said, he probably mentioned affordability of programs more than anyone else today. Walden is laser-focused on that, and we believe that our program mix is such that folks will be able to finance it through available private or federal loans without a problem.

As it relates to Sallie Mae, what I would tell you is that students as a general matter, won't see a tremendous difference in the private loans versus the federal loans with one exception. These are commercial lenders. And when it comes to the repayment of these loans, they're going to take a commercial approach to that. And rightly or wrongly, there's lots of views that the federal programs did not take that approach on the back end and created something of a moral hazard for students to borrow more than they needed to borrow.

But again, we don't anticipate any headwind in either demand for our programs at Walden or persistence through those programs at Walden in connection with these loan programs. And actually, I don't think many of our peers anticipate any headwind either, but I can speak for us and say we feel good about it.

Unidentified Company Representative

Perfect. All right. Steve, I'm going to go back online real quick. We're going to go into capital allocation. So really a two-part question here. First and foremost, you mentioned some M&A today. You also mentioned some share repurchases potentially. What is factored in going forward? So both like what's your focus on M&A? And then, Bob, maybe for you on a share repurchase perspective, is that factored into your financials?

Robert Phelan - *Covista Inc - Chief Financial Officer, Senior Vice President*

Yes. I mean I'll start off and say, first off, that we have no M&A factored into the projections that we provided. So M&A is not included in that. That would be something that would be in addition to what we've got at this point. From a share repurchase perspective, we pulled in everything in terms of what we've done in the second-quarter.

For all of you saw that, we had a significant repurchase during the second-quarter. And then we've also modeled in some level of normalized, I'd call it, share repurchases throughout the balance of the three-year period.

Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

The other thing I'll say about M&A, the reason we wouldn't bake that into a three-year forecast is twofold. First, it's entirely dependent on the opportunity set, which we don't fully control. But secondly, unlike some of our peers in the space, we don't have to do anything. The portfolio we have today is fit for purpose in our view. We will get opportunities to look at things just because of our scale and our performance.

But we can be discerning buyers. We don't need to commit any unnatural acts or overpay for assets unnecessarily. We can be thoughtful and prudent and ensure that if we do something inorganic, we do it at a price that's attractive to our owners and in a way that we think meaningfully and thoughtfully augments the portfolio.

Unidentified Company Representative

Okay. One last one unless --

Jack Slevin - *Jefferies LLC - Equity Analyst*

Jack Slevin, Jefferies. Just to throw one more in here. I think the 39% number stood out to me in terms of students in MSN or doctors' programs at Chamberlain that were previous BSN students. You also talked about an emphasis on winning in BSN, right? So I guess the operative question for me is, how long does that take to pull through? And does winning in BSN mean future winning in some of the, I'll say, less growthy areas in the portfolio for Chamberlain presently?

Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

Yes, it's a great question. So if you ever come to a Chamberlain graduation, they do this thing at every graduation, where they say, Stand up if your first degree from Chamberlain. And Stand up if this is your second degree from Chamberlain. And then, Stand up if this is your second degree from Chamberlain. It's always astonishing how many folks are there for their third credential.

Growing BSN at Chamberlain creates a community of alumni that are going to look to Chamberlain first for that next credential and which is fantastic. So that bodes well for post-licensure programs down the road. And if they don't look to Chamberlain, we hope they look to Walden, because it's a fantastic post-licensure nursing program as well. So I would expect that 39% of our post-licensure students being alumni to go up over time as we grow pre-licensure nursing consistent with our strategy.

Unidentified Company Representative

All right, Steve, I'll do maybe one last one here. You guys chatted about AI today. Obviously, it's a topic de jure. What gives your business a durable moat against the AI disruption? We hear about you talking about deploying AI technology. But can you kind of go into the durable moat that your business has against AI?

Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

Yes. Look, I don't -- Michael is the expert, so I will get out of his way in a moment. I don't think we've seen any evidence that generative AI is going to disintermediate education, particularly clinical education. We just don't see that happening. I'd hate to be a content business right now, that's a tough place to be. But in a clinical instructional business, I don't see any real disintermediation risk.

I see a ton of augmentation opportunity, though. And this idea, we sat with Google in Chicago a month ago at this point, and I sort of waxed on about the idea of giving a new student that comes into our program a wearable that's an agent, that follows them through the entirety of their program, listens to all their lectures, monitor how they're interacting with content on the LMS, knows the questions they're asking their professors, has some anonymized data of what else is happening in the class.

I just think we could power so many more students successfully through that model than we do today. And that bodes well for our ability to continue to scale in a way that expands access at just enormous proportions.

Michael Betz - *Covista Inc - President - Walden University*

Yes. No, look, I'll be honest, I wouldn't want to be a nondegree granting institution, because I do think there is real disruption that's possible there. But it is a categorically different story for accredited degree-granting programs, particularly in clinical fields. And I say that for a couple of reasons. Trust me, we know the challenges to get accredited. They are significant. They are multi-year.

And they are -- and accreditations, we don't see going anywhere anytime soon. Second, the clinical -- because we are clinically focused, the networks we've built to provide field placements, you're always going to need that going forward. And then the jobs that we're preparing people for, you've all seen the recent labor reports, right, where health care is powering the entire labor market. And these are not jobs.

We are not going to, Elon-Musk-withstanding, have the robot nurses and doctors anytime soon. So we feel really protected both in terms of kind of the regulatory moat, the facility moat we have, where we're preparing students to move into. And as Steve said, of all the different things where we have a huge upside from it, I think the biggest thing is that what we're seeing is the power to support that non-traditional student.

And that's exactly who we serve. And by being able to do that even more at scale, that is just going to further create our ability to deliver more opportunity and bring more talent into the health care workforce.

Stephen Beard - *Covista Inc - Chairman of the Board, President, Chief Executive Officer*

And just to double-click on the accreditation point. During the pandemic, we had to take every program online, including the medical schools. And we had great success in the basic sciences programs, teaching medical students in that modality. In addition, because it was an online modality, we got a ton of data on how students engage with the content.

When the pandemic was over, lots of medical schools asked, could we do more of this basic instruction online? And the answer was, Absolutely not. We're doctors, we don't learn that way. So that is a real barrier to how some of these innovations show up. And again, to Michael's point, augmentation, but not substitution.

All right. Thank you. We've got lunch for you, if you're hungry. Management is available to chat if you're interested. But thank you so much for being with us today. We really, really appreciate it