

REFINITIV

DELTA REPORT

10-Q

APEI - AMERICAN PUBLIC EDUCATION

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 962

 **CHANGES** 337

 **DELETIONS** 258

 **ADDITIONS** 367

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2024** **June 30, 2024**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-33810



AMERICAN PUBLIC EDUCATION, INC.

(Exact name of registrant as specified in its charter)

Delaware

01-0724376

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

111 West Congress Street, Charles Town, West Virginia

25414

(Address of principal executive offices)

(Zip Code)

(304) 724-3700

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$.01 par value	APEI	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The total number of shares of common stock outstanding as of May 3, 2024 August 2, 2024 was 17,575,065 17,701,671.

AMERICAN PUBLIC EDUCATION, INC.
FORM 10-Q
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN PUBLIC EDUCATION, INC. Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	As of	
	March	As of
	31,	December
	2024	31, 2023
As of		
June		As of
30,		December
		2024 31, 2023

ASSETS	ASSETS (Unaudited)	ASSETS (Unaudited)
Current assets:	Current assets:	Current assets:
Cash, cash equivalents, and restricted cash (Note 2)		
Accounts receivable, net of allowance of \$18,744 in 2024 and \$15,359 in 2023		
Accounts receivable, net of allowance of \$19,547 in 2024 and \$15,359 in 2023		
Prepaid expenses		
Income tax receivable		
Assets held for sale		
Total current assets		
Property and equipment, net		
Operating lease assets, net		
Deferred income taxes		
Intangible assets, net		
Goodwill		
Other assets, net		
Total assets		
LIABILITIES AND STOCKHOLDERS' EQUITY	LIABILITIES AND STOCKHOLDERS' EQUITY	LIABILITIES AND STOCKHOLDERS' EQUITY
Current liabilities:	Current liabilities:	Current liabilities:
Accounts payable		
Accrued compensation and benefits		
Accrued liabilities		
Deferred revenue and student deposits		
Lease liabilities, current		
Lease liabilities, current		
Lease liabilities, current		
Total current liabilities		
Total current liabilities		
Total current liabilities		
Lease liabilities, long-term		

Long-term debt, net		
Long-term debt, net		
Long-term debt, net		
Total liabilities		
Commitments and contingencies (Note 9)	Commitments and contingencies (Note 9)	Commitments and contingencies (Note 9)
Stockholders' equity:	Stockholders' equity:	Stockholders' equity:
Preferred stock, \$.01 par value; 10,000,000 shares authorized; 400 shares issued and outstanding in 2024 and 2023, respectively. (\$133,053 and \$138,132 liquidation preference per share, \$53,221 and \$55,253 in aggregate, for 2024 and 2023, respectively) (Note 11)		
Common stock, \$.01 par value; 100,000,000 shares authorized; 17,571,095 issued and outstanding in 2024; 17,604,371 issued and outstanding in 2023		
Preferred stock, \$.01 par value; 10,000,000 shares authorized; 400 shares issued and outstanding in 2024 and 2023, respectively (\$128,071 and \$138,132 liquidation preference per share, \$51,228 and \$55,253 in aggregate, for 2024 and 2023, respectively) (Note 11)		
Common stock, \$.01 par value; 100,000,000 shares authorized; 17,670,026 issued and outstanding in 2024; 17,604,371 issued and outstanding in 2023		
Additional paid-in capital		
Accumulated other comprehensive income		
Accumulated deficit		
Total stockholders' equity		
Total liabilities and stockholders' equity		

The accompanying notes are an integral part of these Consolidated Financial Statements.

AMERICAN PUBLIC EDUCATION, INC.
Consolidated Statements of Income
(In thousands, except per share amounts)

	Three Months Ended June 30,	Three Months Ended June 30,	Three Months Ended June 30,
Revenue			
Revenue			
Revenue			
Costs and expenses:			
Costs and expenses:			
Costs and expenses:			
Instructional costs and services			
Instructional costs and services			
Instructional costs and services			
Selling and promotional			
Selling and promotional			
Selling and promotional			
General and administrative			
General and administrative			
General and administrative			
Depreciation and amortization			
Depreciation and amortization			
Depreciation and amortization			
Impairment of goodwill and intangible assets (Note 5)			
Impairment of goodwill and intangible assets (Note 5)			
Impairment of goodwill and intangible assets (Note 5)			
Loss on leases (Note 4)			
Loss on leases (Note 4)			
Loss on leases (Note 4)			
Loss on disposals of long-lived assets			
Loss on disposals of long-lived assets			
Loss on disposals of long-lived assets			
Total costs and expenses			

Total costs and expenses	
Total costs and expenses	
Income (loss) from operations before interest and income taxes	
Income (loss) from operations before interest and income taxes	
Income (loss) from operations before interest and income taxes	
Interest expense, net	
Interest expense, net	
Interest expense, net	
Income (loss) before income taxes	
Income (loss) before income taxes	
Income (loss) before income taxes	
Income tax expense (benefit)	
Income tax expense (benefit)	
Income tax expense (benefit)	
Income tax (benefit) expense	
Income tax (benefit) expense	
Income tax (benefit) expense	
Equity investment loss	
Equity investment loss	
Equity investment loss	
Net income (loss)	
Net income (loss)	
Net income (loss)	
Preferred stock dividends	
Preferred stock dividends	
Preferred stock dividends	
Net loss available to common stockholders	
Net loss available to common stockholders	
Net loss available to common stockholders	
Loss per common share:	
Loss per common share:	
Loss per common share:	
Basic	
Basic	
Basic	

Diluted

Diluted

Diluted

Weighted average number of common shares:

Weighted average number of common shares:

Weighted average number of common shares:

Basic

Basic

Basic

Diluted

Diluted

Diluted

The accompanying notes are an integral part of these Consolidated Financial Statements.

AMERICAN PUBLIC EDUCATION, INC.
Consolidated Statements of Comprehensive Income (Loss)
(In thousands)

	Three Months Ended March 31,		Six Months Ended June 30,	
	2024	(Unaudited)	2024	2023
Net income (loss)				
Other comprehensive (loss) income, net of tax:				
Unrealized gain (loss) on hedging derivatives				
Unrealized gain (loss) on hedging derivatives				
Unrealized gain (loss) on hedging derivatives				

Unrealized gain on hedging derivatives
Unrealized gain on hedging derivatives
Unrealized gain on hedging derivatives
Tax effect
Unrealized gain (loss) on hedging derivatives, net of taxes
Unrealized gain on hedging derivatives, net of taxes
Reclassification of gains to net income
Reclassification of gains to net income
Reclassification of gains to net income
Tax effect
Reclassifications of gains to net income, net of taxes
Total other comprehensive loss
Total other comprehensive (loss) income
Comprehensive income (loss)
Comprehensive income (loss)
Comprehensive income (loss)
Comprehensive (loss) income
Comprehensive (loss) income
Comprehensive (loss) income

The accompanying notes are an integral part of these Consolidated Financial Statements.

AMERICAN PUBLIC EDUCATION, INC.
Consolidated Statements of Stockholders' Equity (Unaudited)
(In thousands, except share amounts)

Paid-in Capital	Additional Paid-in Capital	Paid-in Capital	Additional Paid-in Capital	Accumulated Other	Accumulated Deficit	Total Stockholders' Equity

	Preferred Stock	Common Stock		Comprehensive Income (loss)
	Shares	Amount	Shares	Amount
Balance as of December 31, 2023				
Preferred Stock dividends				
Balance as of December 31, 2023				
Balance as of December 31, 2023				
Preferred stock dividends				
Preferred stock dividends				
Preferred stock dividends				
Issuance of common stock under employee benefit plans				
Issuance of common stock under employee benefit plans				
Issuance of common stock under employee benefit plans				

Deemed
repurchased
shares of
common and
restricted stock
for tax
withholding

Deemed
repurchased
shares of
common and
restricted stock
for tax
withholding

Deemed
repurchased
shares of
common and
restricted stock
for tax
withholding

Stock-based
compensation

Stock-based
compensation

Stock-based
compensation

Repurchased
and retired
shares of
common stock

Repurchased
and retired
shares of
common stock

Repurchased
and retired
shares of
common stock

Other comprehensive loss
Other comprehensive loss
Other comprehensive loss
Net income
Net income
Net income
Balance as of March 31, 2024
Balance as of March 31, 2024
Balance as of March 31, 2024
Preferred stock dividends
Preferred stock dividends
Preferred stock dividends
Exercise of stock options
Exercise of stock options
Exercise of stock options
Issuance of common stock under employee benefit plans

Issuance of common stock under employee benefit plans
Issuance of common stock under employee benefit plans
Deemed repurchased shares of common and restricted stock for tax withholding
Deemed repurchased shares of common and restricted stock for tax withholding
Deemed repurchased shares of common and restricted stock for tax withholding
Stock-based compensation
Stock-based compensation
Stock-based compensation

Repurchased and retired shares of common stock
Repurchased and retired shares of common stock
Repurchased and retired shares of common stock
Other comprehensive loss
Other comprehensive loss
Other comprehensive loss
Net income
Net income
Net income
Balance as of June 30, 2024
Balance as of June 30, 2024
Balance as of June 30, 2024

The accompanying notes are an integral part of these Consolidated Financial Statements.

	Accumulated										Total Stockholders' Equity	
	Preferred Stock		Common Stock		Additional Paid-in Capital		Other Comprehensive Income (loss)		Retained Earnings			
	Shares	Amount	Shares	Amount								
Balance as of December 31, 2022	400	\$ 39,691	18,892,791	\$ 189	\$ 292,854	\$	3,102	\$ 13,891	\$	349,727		

Preferred Stock									
dividends							(1,457)		(1,457)
Issuance of common stock under employee benefit plans	—	—	245,638	3	(3)	—	—	—	—
Deemed repurchased shares of common and restricted stock for tax withholding	—	—	(85,023)	(1)	(994)	—	—	—	(995)
Stock-based compensation	—	—	—	—	2,224	—	—	—	2,224
Repurchased and retired shares of common stock	—	—	(75,000)	(1)	1	—	(371)	(371)	—
Other comprehensive loss	—	—	—	—	—	(475)	—	—	(475)
Net loss	—	—	—	—	—	—	(5,740)	(5,740)	—
Balance as of March 31, 2023	400	39,691	18,978,406	\$ 190	\$ 294,082	\$ 2,627	\$ 6,323	\$ 342,913	

AMERICAN PUBLIC EDUCATION, INC.
Consolidated Statements of Stockholders' Equity (Unaudited)
(In thousands, except share amounts)

	Accumulated							
	Preferred Stock		Common Stock		Additional Paid-in Capital	Other Comprehensive Income (loss)	Retained Earnings	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance as of December 31, 2022	400	\$ 39,691	18,892,791	\$ 189	\$ 292,854	\$ 3,102	\$ 13,891	\$ 349,727
Preferred stock dividends	—	—	—	—	—	—	(1,457)	(1,457)
Issuance of common stock under employee benefit plans	—	—	245,638	3	(3)	—	—	—
Deemed repurchased shares of common and restricted stock for tax withholding	—	—	(85,023)	(1)	(994)	—	—	(995)

Stock-based compensation	—	—	—	—	2,224	—	—	2,224
Repurchased and retired shares of common stock	—	—	(75,000)	(1)	1	—	(371)	(371)
Other comprehensive loss	—	—	—	—	—	(475)	—	(475)
Net loss	—	—	—	—	—	—	(5,740)	(5,740)
Balance as of March 31, 2023	400	\$ 39,691	18,978,406	\$ 190	\$ 294,082	\$ 2,627	\$ 6,323	\$ 342,913
Preferred stock dividends	—	—	—	—	—	—	(1,487)	(1,487)
Issuance of common stock under employee benefit plans	—	—	53,756	1	(1)	—	—	—
Deemed repurchased shares of common and restricted stock for tax withholding	—	—	(1,416)	—	(7)	—	—	(7)
Stock-based compensation	—	—	—	—	2,068	—	—	2,068
Repurchased and retired shares of common stock	—	—	(1,260,357)	(13)	—	—	(7,615)	(7,628)
Other comprehensive gain	—	—	—	—	—	253	—	253
Net loss	—	—	—	—	—	—	(51,232)	(51,232)
Balance as of June 30, 2023	400	\$ 39,691	17,770,389	\$ 178	\$ 296,142	\$ 2,880	\$ (54,011)	\$ 284,880

The accompanying notes are an integral part of these Consolidated Financial Statements.

AMERICAN PUBLIC EDUCATION, INC.
Consolidated Statements of Cash Flows
(In thousands)

		Three Months Ended March 31, 2024	Six Months Ended June 30, 2024	2023
		(Unaudited)	(Unaudited)	
	Operating activities			Operating activities
Net income (loss)				
Adjustments to reconcile net loss to net cash provided by operating activities:	Adjustments to reconcile net loss to net cash provided by operating activities:			Adjustments to reconcile net loss to net cash provided by operating activities:
Depreciation and amortization				
Amortization of debt issuance costs				
Stock-based compensation				
Equity investment loss				
Deferred income taxes				
Loss on disposals of long-lived assets				
Impairment of goodwill and intangible assets				
Changes in operating assets and liabilities:				
Changes in operating assets and liabilities:				
Changes in operating assets and liabilities:				
Accounts receivable, net of allowance for bad debt				
Prepaid expenses				
Income tax receivable/payable				
Operating leases, net				
Other assets				
Accounts payable				
Accrued compensation and benefits				
Accrued liabilities				

Deferred revenue and student deposits		
Net cash provided by operating activities		
Investing activities	Investing activities	Investing activities
Capital expenditures		
Capital expenditures		
Capital expenditures		
Net cash used in investing activities		
Net cash used in investing activities		
Net cash used in investing activities		
Financing activities	Financing activities	Financing activities
Cash paid for repurchase of common stock		
Cash received from exercise of stock options		
Preferred stock dividends paid		
Cash paid for principal on borrowings and finance leases		
Cash paid for principal on borrowings and finance leases		
Cash paid for principal on borrowings and finance leases		
Net cash used in financing activities		
Net cash used in financing activities		
Net cash used in financing activities		
Net increase in cash, cash equivalents, and restricted cash		
Cash, cash equivalents, and restricted cash at beginning of period		
Cash, cash equivalents, and restricted cash at end of period		
Supplemental disclosure of cash flow information		
Supplemental disclosure of cash flow information		
Supplemental disclosure of cash flow information		
Interest paid		

Income taxes paid

The accompanying notes are an integral part of these Consolidated Financial Statements.

AMERICAN PUBLIC EDUCATION, INC.
Notes to Consolidated Financial Statements

Note 1. Nature of the Business

American Public Education, Inc., or APEI, which together with its subsidiaries is referred to as the "Company," is a provider of online and campus-based postsecondary education and career learning to students through the following subsidiary institutions:

- American Public University System, Inc., or APUS, provides online postsecondary education directed primarily at the needs of the military, military-affiliated, public service and service-minded communities through American Military University, or AMU, and American Public University, or APU. APUS is institutionally accredited by the Higher Learning Commission, or HLC.
- Rasmussen College, LLC, which is referred to herein as Rasmussen University, or RU, a nursing- and health sciences-focused institution, provides postsecondary education to students at 2120 campuses in six states and online. RU is institutionally accredited by HLC.
- National Education Seminars, Inc., which is referred to herein as Hondros College of Nursing, or HCN, provides nursing education to students at eight campuses in three states. HCN is institutionally accredited by the Accrediting Bureau for Health Education Schools, or ABHES.
- American Public Training LLC, which is referred to herein as Graduate School USA, or GSUSA, provides career learning and leadership training in-person and online to the federal workforce. GSUSA is accredited by the Accrediting Council for Continuing Education and Training, or ACCET.

The Company's subsidiary institutions are licensed or otherwise authorized by state authorities to offer education programs to the extent the institutions believe such licenses or authorizations are required, and APUS, RU, and HCN are certified by the United States Department of Education, or ED, to participate in student financial aid programs authorized under Title IV of the Higher Education Act of 1965, as amended, or Title IV programs.

The Company's operations are organized into the following three reportable segments:

- *American Public University System Segment, or APUS Segment.* This segment reflects the operational activities of APUS.
- *Rasmussen University Segment, or RU Segment.* This segment reflects the operational activities of RU.
- *Hondros College of Nursing Segment, or HCN Segment.* This segment reflects the operational activities of HCN.

Adjustments to reconcile segment results to the Consolidated Financial Statements are included in Corporate and Other. These adjustments include unallocated corporate activity and eliminations, and the operational activities of GSUSA. GSUSA operates as a stand-alone subsidiary of APEI but does not meet the quantitative thresholds to qualify as a reportable segment and does not have other requisite characteristics as a reportable segment. Therefore, GSUSA's results are combined with and presented within Corporate and Other.

Please refer to "Note 8. Segment Information" for more information on the Company's reporting segments.

Note 2. Summary of Significant Accounting Policies

A summary of the Company's significant accounting policies follows:

Basis of Presentation and Accounting

The accompanying unaudited, interim Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP.

Business Combinations

The Company accounts for business combinations in accordance with Financial Accounting Standards Board Accounting Standards Codification 805, *Business Combinations*, or FASB ASC 805, which requires the acquisition method to be used for all business combinations. Under ASC 805, the assets and liabilities of an acquired company are reported at business fair value along with the fair value of acquired intangible assets at the date of acquisition.

Principles of Consolidation

The accompanying unaudited interim Consolidated Financial Statements include the accounts of APEI and its wholly owned subsidiaries. All material intercompany transactions and balances have been eliminated in consolidation.

Unaudited Interim Consolidated Financial Information

The unaudited interim Consolidated Financial Statements do not include all the information and notes required by GAAP for audited annual financial statement presentations. In the opinion of management, these statements include all adjustments (consisting of normal recurring adjustments) considered necessary to present a fair statement of the Company's financial position, results of operations, and cash flows. Operating results for any interim period are not necessarily indicative of the results that may be expected for future periods, including the year ending December 31, 2024. This Quarterly Report on Form 10-Q, or this Quarterly Report, should be read in conjunction with the Consolidated Financial Statements and accompanying notes in its audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, or the Annual Report.

Use of Estimates

In preparing financial statements in conformity with GAAP, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. The

Company evaluates these estimates and judgments on an ongoing basis and bases its estimates on experience, current and expected future conditions and various other assumptions that the Company believes are reasonable under the circumstances. Actual results may differ from those estimates under different assumptions or conditions, and the impact of such differences may be material to the Consolidated Financial Statements.

Cash and Cash Equivalents

The Company considers all short-term highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of demand deposits with financial institutions, money market funds, and U.S. Treasury bills. Cash and cash equivalents are Level 1 assets in the fair value reporting hierarchy.

Restricted Cash

Restricted cash includes funds held for students for unbilled educational services that were received from Title IV programs. As a trustee of these Title IV program funds, the Company is required to maintain and restrict these funds pursuant to the terms of the program participation agreement with ED. Restricted cash also includes amounts to secure letters of credit, including a \$24.9 million in a restricted certificate of deposit account to secure a letter of credit for the benefit of ED on behalf of RU in connection with RU's 2020 composite score, which is used by ED for determining compliance with financial responsibility standards, being below the minimum required. Restricted cash on the Consolidated Balance Sheets as of March 31, 2024 June 30, 2024, and December 31, 2023, excluding the restricted certificate of deposit, was \$3.0 million \$1.5 million and \$2.7 million, respectively. Total restricted cash as of March 31, 2024 June 30, 2024, and December 31, 2023, was \$27.9 million \$26.4 million and \$27.7 million, respectively.

Cash and cash equivalents and restricted cash as of March 31, 2024 June 30, 2024, and December 31, 2023, were as follows (in thousands):

	As of March 31, 2024	As of December 31, 2023
	As of June 30, 2024	As of December 31, 2023
(Unaudited)		
Cash, cash equivalents, and restricted cash		
Cash, cash equivalents, and restricted cash		
Cash, cash equivalents, and restricted cash		
Less: restricted cash		
Total unrestricted cash		

Assets Held for Sale

Assets held for sale represent excess real property located in Charles Town, West Virginia for the Company's APUS Segment. Long-lived assets are classified as held for sale when the assets are expected to be sold within the next 12 months and meet the other relevant held for sale criteria. As such, the property is recorded at the lower of the carrying value or fair value, less costs to sell, until such time the asset is sold.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price of an acquired business over the amount assigned to the assets acquired and liabilities assumed and the fair value assigned to identifiable intangible assets. Goodwill is not amortized. The Company accounts for goodwill and indefinite-lived intangible assets in accordance with FASB ASC 350, *Intangibles Goodwill and Other*, and Accounting Standards Update, or ASU, 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The Company's goodwill and intangible assets are deductible for tax purposes.

The Company annually assesses goodwill for impairment in the fourth quarter, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. Goodwill impairment testing consists of an optional qualitative assessment as well as a quantitative test. The quantitative test compares the fair value of a reporting unit to its carrying value. If the carrying value of the reporting unit is greater than zero and its fair value is greater than its carrying amount, there is no impairment. If the carrying value is greater than the fair value, the difference between the two values is recorded as an impairment.

Indefinite-lived and finite-lived intangible assets acquired in business combinations are recorded at fair value on the acquisition date. Finite-lived intangible assets are amortized on a straight-line basis over the estimated useful life of the asset.

The Company reviews its intangible assets for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are not recoverable, an impairment loss is recognized to the extent the carrying amount of the assets exceeds the fair value of the assets.

For additional details regarding goodwill and intangible assets, please refer to "Note 5. Goodwill and Intangible Assets" in these Consolidated Financial Statements.

Investments

The Company accounts for its investments in less than majority owned companies in accordance with FASB ASC 323, *Investments – Equity Method and Joint Ventures* and FASB ASC 321, *Investments – Equity Securities*. The Company applies ASC 323 to investments when it can exercise significant influence but does not control the operating and financial policies of the company. This is generally represented by equity ownership of at least 20 percent but not more than 50 percent. Investments accounted for under the equity method are initially recorded at cost and subsequently adjusted by the Company's share of equity in income or losses after the date of acquisition. The ~~pro-rata~~ pro rata share of the operating results of the investee is reported in the Consolidated Statements of Income as equity investment income or loss. Investments that do not meet the equity method requirements are accounted for using the cost method under ASC 321 with changes in the fair value of the investment reported in the Consolidated Statements of Income as equity investment income or loss.

The Company periodically evaluates its equity method investment for indicators of an other-than-temporary impairment. Factors the Company considers when evaluating for an other-than-temporary impairment include the duration and severity of the impairment, the reasons for the decline in value, and the potential recovery period. For an investee with impairment indicators, the Company measures fair value based on discounted cash flows or other appropriate valuation methods. If it is probable that the Company will not recover the carrying amount of the investment, the impairment is

considered other-than-temporary and recorded in equity investment income or loss, and the equity investment balance is reduced to its fair value accordingly.

In each reporting period, the Company evaluates its cost method investments investment for observable price changes. Factors the Company may consider when evaluating an observable price change may include significant changes in the regulatory, economic or technological environment, changes in general market conditions, bona fide offers to purchase or sell similar investments, and other criteria.

Management must exercise significant judgment in evaluating the potential impairment of its equity and cost method investments.

During the first quarter of 2024, the Company evaluated its equity and cost method investments for indicators of impairment and concluded the fair value of a the cost method investment was less than its carrying amount. As a result, during the three months ended March 31, 2024, the Company recorded an investment loss of \$3.3 million \$3.3 million on a 2015 cost method investment. This investment, loss which is included in equity investment loss in the Consolidated Statements of Income and is due to the investee entering into a new convertible debt agreement which that resulted in the conversion of the Company's preferred stock holdings in the investee into common shares, and the dilution of the Company's ownership percentage. The investment loss recorded reduced the book value of the cost method investment to zero. There were

During the second quarter of 2024, the Company sold its remaining equity method investment back to the investee, as it was no indicators of impairment longer considered a strategic investment. As a result, during the three months ended March 31, 2023, June 30, 2024, the Company recorded an investment loss of \$1.1 million on a 2013 equity method investment, which is included in equity investment loss in the Consolidated Statements of Income. The investment loss recorded reduced the book value of the equity method investment to zero, and at June 30, 2024, the Company no longer has any investments accounted for under ASC 323 and ASC 321. At December 31, 2023, the Company's equity method and cost method investments are were included in Other assets, net on the accompanying Consolidated Balance Sheets. As of March 31, 2024, the aggregate carrying amount of the Company's investments accounted for under ASC 323 and ASC 321 was \$1.1 million and zero, respectively.

Stock-based Compensation

The Company accounts for stock-based compensation in accordance with FASB ASC 718, *Stock Compensation*, which requires companies to expense share-based compensation based on fair value, and ASU 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. value. Stock-based payments may include incentive stock options or non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent rights, performance shares, performance units, cash-based awards, other stock-based awards, including unrestricted shares, or any combination of the foregoing.

Stock-based compensation cost is recognized as expense generally over a three-year vesting period using the straight-line method for employees and the graded-vesting method for members of the Company's Board of Directors. Directors, or the Board. It is measured using the Company's closing stock price on the date of the grant. An accelerated one-year period is used to recognize stock-based compensation cost for employees who have reached certain service and retirement eligibility criteria on the date of grant. The fair value of each option award is estimated at the date of grant using a Black-Scholes option-pricing model that uses certain assumptions. The Company makes assumptions with

respect to expected stock price volatility based on the average historical volatility of the Company's common stock. In addition, the Company determines the risk-free interest rate by selecting the U.S. Treasury constant maturity for the same maturity as the estimated life of the option quoted on an investment basis in effect at the time of grant for that business day.

Judgment is required in estimating the percentage of share-based awards that are expected to vest, and in the case of performance stock units, or PSUs, the level of performance that will be achieved and the number of shares that will be earned. The Company estimates forfeitures of share-based awards at the time of grant and revises such estimates in subsequent periods if actual forfeitures differ from original estimates. The forfeiture assumption is ultimately adjusted to the actual forfeiture rate. If actual results differ significantly from these estimates, stock-based compensation expense could be higher or lower and have a material impact on the Company's Consolidated Financial Statements. Estimates of fair value are subjective and are not intended to predict actual future events, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made under ASC 718.

Stock-based compensation expense for the three months ended **March 31, 2024** **June 30, 2024**, and 2023 was as follows (in thousands):

	Three Months Ended March 31,		Six Months Ended June 30,	
	2024	2023	2024	2023
(Unaudited)				
Instructional costs and services				
Instructional costs and services				
Instructional costs and services				
Selling and promotional				
Selling and promotional				
Selling and promotional				
General and administrative				
General and administrative				
General and administrative				
Total stock-based compensation expense				

Total stock-based compensation expense
Total stock-based compensation expense

Incentive-based Compensation

The Company provides incentive-based compensation opportunities to certain employees through cash incentive and equity awards. The expense associated with these awards is reflected within the Company's operating expenses. For the years ending December 31, 2024, and 2023, the Management Development and Compensation Committee of the Board approved an annual incentive arrangement for senior management employees. The aggregate amount of awards payable, if any, is dependent upon the achievement of certain Company financial and operational goals and the satisfaction of individual performance goals. Given that the awards are generally contingent upon achieving annual objectives, final determination of the current year incentive awards cannot be made until after the results for the year are finalized. The Company recognizes the estimated fair value of performance-based restricted stock units by assuming the satisfaction of any performance-based objectives at the "target" level, which is the most probable outcome determined for accounting purposes at the time of grant and multiplying the corresponding number of shares earned based upon such achievement by the closing price of the Company's stock on the date of grant. To the extent performance goals are not met, compensation cost is not ultimately recognized against the goals and, to the extent previously recognized, compensation cost is reversed. Amounts accrued are subject to change in future interim periods if actual future financial results or operational performance are better or worse than expected. During the three and six months ended March 31, 2024 June 30, 2024, and 2023, the Company recognized an aggregate incentive-based compensation expense of \$1.9 million and \$2.0 million \$3.8 million, respectively, compared to an aggregate expense of \$1.8 million and \$3.8 million for the three and six months ended June 30, 2023, respectively.

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC 740, *Accounting for Income Taxes*. The Company determines its interim tax provision by applying the estimated income tax rate expected for the full calendar year to income before income taxes for the period adjusted for discrete items.

For the three and six months ended June 30, 2023, the Company elected to utilize the actual effective tax rate as allowed by FASB ASC 740, *Accounting for Income Taxes*. The Company calculated the interim tax provision for the three and six months ended June 30, 2023, as if it was the annual period and determined the income tax expense or benefit on that basis. The Company believed that the actual effective tax rate for the three and six months ended June 30, 2023, was a better estimate than the annual effective tax rate, as the annual effective tax rate method was highly sensitive to insignificant changes to estimated annual income tax expense or benefit.

Recent Accounting Pronouncements

The Company considers the applicability and impact of all ASUs issued by the FASB. All ASUs issued subsequent to the filing of the Annual Report on March 5, 2024, were assessed and determined to be either inapplicable or not expected to have a material impact on the Company's consolidated financial position and/or results of operations.

Note 3. Revenue

Disaggregation of Revenue

In the following table, revenue, shown net of grants and scholarships, is disaggregated by type of service provided. The table also includes a reconciliation of the disaggregated revenue with the reportable segments (in thousands):

	Three Months Ended March 31, 2024				Three Months Ended June 30, 2024				(Unaudited)		
	APUS	APUS	RU	HCN	Corporate and Other	Consolidated	APUS	RU	HCN	Corporate and Other	Consolidated
Instructional services, net of grants and scholarships											
Graduation fees											
Textbook and other course materials											
Other fees											
Total Revenue											

	Three Months Ended March 31, 2023				Three Months Ended June 30, 2023				(Unaudited)		
	APUS	APUS	RU	HCN	Corporate and Other	Consolidated	APUS	RU	HCN	Corporate and Other	Consolidated
Instructional services, net of grants and scholarships											
Graduation fees											
Textbook and other course materials											
Other fees											
Total Revenue											

	Six Months Ended June 30, 2024 (Unaudited)				
	APUS	RU	HCN	Corporate and Other	Consolidated

Instructional services, net of grants and scholarships	\$ 156,224	\$ 89,412	\$ 27,289	\$ 10,598	\$ 283,523
Graduation fees	1,119	—	—	—	1,119
Textbook and other course materials	—	15,693	4,952	—	20,645
Other fees	361	1,064	615	—	2,040
Total Revenue	\$ 157,704	\$ 106,169	\$ 32,856	\$ 10,598	\$ 307,327

Six Months Ended June 30, 2023						
(Unaudited)						
	APUS	RU	HCN	Corporate and Other	Consolidated	
Instructional services, net of grants and scholarships	\$ 146,345	\$ 91,709	\$ 23,097	\$ 12,524	\$ 273,675	
Graduation fees	757	—	—	—	—	757
Textbook and other course materials	—	16,597	3,998	—	—	20,595
Other fees	433	1,132	311	—	—	1,876
Total Revenue	\$ 147,535	\$ 109,438	\$ 27,406	\$ 12,524	\$ 296,903	

Corporate and Other includes tuition and contract training revenue earned by GSUSA and the elimination of intersegment revenue for courses taken by employees of one segment at other segments.

Contract Balances and Performance Obligations

The Company had no contract assets or deferred contract costs as of **March 31, 2024** **June 30, 2024**, and December 31, 2023.

The Company recognizes a contract liability, or deferred revenue, when a student begins a course, in the case of APUS and GSUSA, or starts a term, in the case of RU and HCN. Deferred revenue at **March 31, 2024** **June 30, 2024**, was **\$26.9 million** **\$25.6 million** and included **\$16.5 million** **\$14.8 million** in future revenue that had not yet been earned for courses and terms that were in progress, as well as **\$10.5 million** **\$10.8 million** in consideration received in advance for future courses or terms, or student deposits. Deferred revenue at December 31, 2023, was \$23.8 million and included \$13.8 million in future revenue that had not yet been earned for courses and terms that were in progress, as well as \$10.0 million in student deposits. Deferred revenue represents the Company's performance obligation to transfer future instructional services to students. The Company's remaining performance obligations represent the transaction price allocated to future reporting periods.

The Company has elected, as a practical expedient, not to disclose additional information about unsatisfied performance obligations for contracts with students that have an expected duration of one year or less.

When the Company begins performing its obligations, a contract receivable is created, resulting in accounts receivable on the Consolidated Balance Sheets. The Company accounts for receivables in accordance with FASB ASC

310, *Receivables*. The Company uses the portfolio approach, a practical expedient, to evaluate if a contract exists and to assess collectability at the time of contract inception based on historical experience. Contracts are subsequently reviewed for collectability if significant events or circumstances indicate a change.

The allowance for doubtful accounts is based on management's evaluation of the status of existing accounts receivable. Among other factors, management considers the age of the receivable, the anticipated source of payment, and historical allowance considerations. Consideration is also given to any specific known risk areas among the existing accounts receivable balances. Recoveries of receivables previously written off are recorded when received. APUS, RU, and GSUSA do not charge interest on past due accounts receivable. HCN charges interest on payment plans when a student graduates or otherwise exits the program. Interest charged by HCN on payment plans was immaterial for the periods presented.

Note 4. Leases

The Company's principal leasing activities include leases for facilities, which are classified as operating leases, and leases for copiers and printers, which are classified as finance leases.

Leases are classified as operating leases unless they meet any of the criteria below to be classified as a finance lease:

- the lease transfers ownership of the asset at the end of the lease;
- the lease grants an option to purchase the asset that the lessee is expected to exercise;
- the lease term reflects a major part of the asset's economic life;
- the present value of the lease payments equals or exceeds the fair value of the asset; or
- the asset is specialized with no alternative use to the lessor at the end of the term.

Operating Leases

The Company has operating leases for office space and campus facilities. Some leases include options to terminate or extend for one or more years. These options are included in the lease term when it is reasonably certain that the option will be exercised. The Company leases corporate office space in Maryland and, beginning Florida, under an operating lease that expires in January 2023, 2026, and previously leased corporate office space in Florida, Maryland under an operating leases lease that expire in July 2024 and January 2026, respectively. The RU Segment leases administrative office space in suburban Chicago, Illinois, and Minneapolis, Minnesota, and leases 21 campuses located in six states under operating leases that expire through March 2034. The HCN Segment leases administrative office space in suburban Columbus, Ohio, and leases eight campuses located in three states under operating leases that expire through December 2032, 2034. GSUSA leases classroom and administrative office space in Washington, D.C. and Honolulu, Hawaii, under operating leases that expire through September 2036.

Operating lease assets are right-of-use, or ROU, assets, which represent the right to use the underlying assets for the lease term. Operating lease liabilities represent the obligation to make lease payments arising from the lease. Operating leases are included in the Operating lease assets, net, and Lease liabilities, current and long-term, on the Consolidated Balance Sheets. These assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. When the lease does not provide an implicit interest rate, the

Company uses an incremental borrowing rate based on information available at lease commencement to determine the present value of the lease payments. The ROU assets include all remaining lease payments and exclude lease incentives.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. There are no variable lease payments. Lease expense for the three and six months ended March 31, 2024 June 30, 2024 was \$4.3 million and \$9.5 million, respectively, compared to \$5.1 million and 2023 was \$5.2 million \$10.4 million for the three and \$5.3 million six months ended June 30, 2023, respectively. These costs are primarily related to long-term operating leases, but also include amounts for short-term leases with terms greater than 30 days that are not material. Cash paid for amounts included in the present value of operating lease liabilities during the three and six months ended March 31, 2024 June 30, 2024 was \$3.7 million and \$8.2 million, respectively, compared to \$5.1 million and 2023, was \$4.8 million \$10.1 million for the three and \$4.9 million six months ended June 30, 2023, respectively, and is included in operating cash flows.

In February 2024, Loss on leases

During the three months ended March 31, 2024, the Company elected to terminate its RU Segment lease for a planned Dallas, Texas campus. The Company paid a lease termination fee of \$2.2 million and recorded a loss of \$2.1 million as a result of this lease termination. Additionally, in the first quarter of 2024, the Company's RU Segment began consolidating two Minnesota campuses and recorded a loss of \$0.8 million on the Minnesota campus lease obligations. Lease losses on lease termination and campus consolidation totaling \$2.9 million for during the three months ended March 31, 2024 June 30, 2024, are the Company paid a lease termination fee of \$1.2 million related to the consolidation of two RU campuses in Minnesota. As a result of the lease termination, and the consolidation of the RU campuses, during the three and six months ended June 30, 2024, the Company recorded a loss on leases of \$0.4 million and \$1.2 million, respectively.

In May 2024, RU notified the Wisconsin Educational Approval Program that it intends to voluntarily close two Wisconsin campuses, effective December 31, 2025, and 2026, respectively. As a result, the Company recorded a lease impairment of \$0.4 million during the three months ended June 30, 2024.

During the three and six months ended June 30, 2024, the total loss on leases was \$0.8 million and \$3.7 million, respectively, and is included in Loss on leases in the Consolidated Statements of Income. In conjunction with the lease termination and campus consolidation, the Company reduced Operating lease assets, net, and Lease liabilities, current and long term by \$5.0 million and \$4.2 million, respectively.

Finance Leases

The Company leases copiers and printers pursuant to leases that are classified as finance leases and that expire in 2027. The Company pledged the assets financed to secure the outstanding leases. As of March 31, 2024 June 30, 2024, the total finance lease liability was \$0.6 million, with an average interest rate of 6.60% 6.70%. The ROU assets are recorded within Property and equipment, net on the Consolidated Balance Sheets. Lease amortization expense associated with the Company's finance leases was approximately \$27,000 \$0.1 million for both the three and six months ended March 31, 2024 June 30, 2024, and 2023, \$30,000 and \$0.1 million for the three and six months ended June 30, 2023, respectively, and is recorded in Depreciation and amortization expense in the Consolidated Statements of Income.

The following tables present information about the amount and timing of cash flows arising from the Company's operating and finance leases as of **March 31, 2024** **June 30, 2024** (dollars in thousands):

Maturity of Lease Liabilities (Unaudited)	Maturity of Lease Liabilities (Unaudited)	Operating Leases	Finance Leases	Maturity of Lease Liabilities (Unaudited)	Operating Leases	Finance Leases
2024 (remaining)						
2025						
2026						
2027						
2028						
2029						
2030 and beyond						
Total future minimum lease payments						
Less: imputed interest						
Present value of operating lease liabilities						
Less: lease liabilities, current						
Lease liabilities, long- term						

Balance Sheet Classification (Unaudited)

Current:

Operating lease liabilities, current	\$ 12,985	12,011
Finance lease liabilities, current		262 238
Long-term:		
Operating lease liabilities, long-term	95,463	100,046
Finance lease liabilities, long-term		379 335
Total lease liabilities	\$ 109,089	112,630

Other Information (Unaudited)

Weighted average remaining lease term (in years):

Operating leases	8.29	8.41
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Finance leases	2.63	2.45
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Weighted average discount rate:

Operating leases	4.9	5.4 %
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Finance leases	6.6	6.7 %
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Note 5. Goodwill and Intangible Assets

In connection with its acquisitions of RU and HCN, the Company applied FASB ASC 805 and recorded goodwill of \$217.4 million and \$38.6 million, respectively, representing the excess of the purchase price over the fair value of assets acquired and liabilities assumed, including identifiable intangible assets. The Company later recorded non-cash impairment charges for RU and HCN Segment goodwill reducing the carrying value to \$33.0 million and \$26.6 million, respectively. There was no goodwill recorded in connection with the acquisition of GSUSA. There is no goodwill recorded in the APUS Segment.

In addition to goodwill, in connection with the acquisitions of RU and HCN, the Company recorded identified intangible assets with an indefinite useful life in the aggregate amount of \$51.0 million and \$3.7 million, respectively, which include trade name, accreditation, licensing, and Title IV, and affiliate agreements. The Company later recorded non-cash impairment charges reducing the carrying value of RU Segment indefinite-lived intangible assets to \$24.5 million. There were no indefinite-lived intangible assets recorded in conjunction with the acquisition of GSUSA. There are no indefinite-lived intangible assets in the APUS Segment.

The Company recorded \$35.5 million, \$4.4 million, and \$1.0 million of identified intangible assets with a definite useful life in connection with the acquisitions of RU, HCN and GSUSA, respectively. There are no definite-lived intangible assets in the APUS Segment. For the three months ended March 31, 2024, and 2023, the The Company recorded amortization expense related to definite-lived intangible assets of \$1.3 million and \$3.9 million \$2.5 million for the three and six months ended June 30, 2024, respectively, compared to \$4.0 million and \$7.9 million for the three and six months ended June 30, 2023, respectively.

The Company accounts for goodwill and intangible assets with an indefinite life in accordance with FASB ASC 350, *Intangibles Goodwill and Other*, and ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The Company annually assesses goodwill and indefinite-lived intangible assets for impairment, or more frequently if events or changes in circumstances indicate that goodwill and indefinite-lived intangible assets might be impaired. Impairment testing consists of an optional qualitative assessment as well as a quantitative test. The quantitative test compares the fair value of the reporting unit to its carrying value. If the carrying value of the reporting unit is greater than zero and its fair value is greater than its carrying amount, there is no impairment. If the carrying value is greater than the fair value, the difference between the two values is recorded as an impairment.

During the three months ended March 31, 2024 June 30, 2024, in connection with the preparation of this Quarterly Report, the Company performed a qualitative assessment for potential impairment of the RU and HCN Segments' Segment

goodwill and indefinite-lived intangible assets. As part of the assessment, the Company considered the events and circumstances expressly required by ASC 350, in addition to other entity-specific factors. Factors considered included RU and HCN's financial and enrollment performance against internal targets, economic factors, and the continued favorable growth outlook for nursing education. After completing the qualitative review of goodwill and indefinite-lived intangible assets for the RU and HCN Segments, the Company concluded it was more likely than not that the fair value of each of the RU and HCN Segments was more than the respective carrying value, and therefore no quantitative impairment test and no impairment charge was necessary.

During the three months ended June 30, 2023, the Company completed a qualitative assessment of RU and HCN Segment goodwill to determine if an interim goodwill impairment testing was necessary. This evaluation included consideration of enrollment trends and financial performance, as well as industry and market conditions. The Company concluded it was more likely than not the fair value of the RU Segment was less than its carrying amount resulting from RU's underperformance when compared to 2023 internal targets, projected enrollment trends, the decline in financial performance projected for the remainder of 2023, as compared to prior projections, and the Company's market value. There were no indicators of impairment at HCN. As a result, the Company completed a quantitative impairment test related to the valuation of its RU Segment goodwill during the second quarter of 2023. The implied fair value of RU Segment goodwill was calculated and compared to the recorded value. As a result, the Company recorded a non-cash impairment charge of \$53.0 million and the corresponding tax impact of \$15.8 million to reduce the carrying value of RU Segment goodwill to \$33.0 million during the three months ended June 30, 2023. The impairment charge recorded eliminated the difference between the fair value and book value of RU Segment goodwill.

The Company also evaluated events and circumstances related to the valuation of its intangible assets recorded within the RU and HCN Segments to determine if there were indicators of impairment. The Company concluded there were indicators of impairment during the three months ended June 30, 2023 of the RU Segment intangible assets. There were no indicators of impairment at HCN. As a result, the Company recorded a non-cash impairment charge of \$11.0 million to reduce the carrying values of the RU Segment trade name and RU Segment accreditation, licensing and Title IV indefinite-lived intangible assets during the second quarter of 2023 to \$18.5 million and \$6.0 million, respectively. The impairment charge recorded eliminated the difference between the fair value of the trade name and accreditation, licensing, and Title IV indefinite lived intangible assets, and their book values.

In total, the Company recorded non-cash impairment charges of \$64.0 million during the three months ended June 30, 2023 related to RU Segment goodwill and intangible assets, and the corresponding tax impact.

The Company's 2023 annual quantitative assessment for impairment concluded that the fair value of RU and HCN Segments exceeded their carrying values by approximately \$32.4 million, or 25%, and \$7.4 million, or 21%, respectively.

The following table summarizes the changes in the carrying amount of goodwill by reportable segment for the ~~three~~ ~~six~~ months ended ~~March 31, 2024~~ June 30, 2024 (in thousands):

APUS	Segment
APUS	Segment

	APUS Segment	RU Segment	HCN Segment	Total Goodwill	RU Segment	HCN Segment	Total Goodwill
(Unaudited)							
Goodwill as of December 31, 2023							
Goodwill as of December 31, 2023							
Goodwill as of December 31, 2023							
Goodwill acquired							
Impairment							
Goodwill as of March 31, 2024							
Goodwill as of March 31, 2024							
Goodwill as of March 31, 2024							
Goodwill as of June 30, 2024							
Goodwill as of June 30, 2024							
Goodwill as of June 30, 2024							

The following table represents the balance of the Company's intangible assets as of **March 31, 2024** **June 30, 2024** (in thousands):

Gross Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(Unaudited)							

**Finite-lived
intangible
assets**

Student roster
Student roster
Student roster
Curricula

Student and
customer
contracts and
relationships

Lead
conversions

Non-compete
agreements

Tradename

Accreditation
and licenses

**Total finite-
lived
intangible
assets**

**Indefinite-
lived
intangible
assets**

Trade name

Trade name

Trade name

Accreditation,
licensing, and
Title IV

Affiliation
agreements

**Total
indefinite-
lived
intangible
assets**

**Total
intangible
assets**

The following table represents the balance of the Company's intangible assets as of December 31, 2023 (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Impairment	Net Carrying Amount
Finite-lived intangible assets				
Student roster	\$ 20,000	\$ 20,000	\$ —	\$ —
Curricula	14,563	11,400	—	3,163
Student and customer contracts and relationships	4,614	4,465	—	149
Lead conversions	1,500	1,500	—	—
Non-compete agreements	86	86	—	—
Tradename	35	35	—	—
Accreditation and licenses	28	22	—	6
Total finite-lived intangible assets	\$ 40,826	\$ 37,508	\$ —	\$ 3,318
Indefinite-lived intangible assets				
Trade name	28,498	—	8,000	20,498
Accreditation, licensing, and Title IV	26,186	—	18,500	7,686
Affiliation agreements	37	—	—	37
Total indefinite-lived intangible assets	54,721	—	26,500	28,221
Total intangible assets	\$ 95,547	\$ 37,508	\$ 26,500	\$ 31,539

For additional information on goodwill and intangible assets, see the Consolidated Financial Statements and accompanying notes in the Annual Report.

Note 6. Loss Per Common Share

Loss per common share is calculated by dividing net loss available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Net loss available to common stockholders is net income (loss) adjusted for preferred stock dividends declared. Diluted loss per common share is calculated by dividing net loss available to common stockholders by the weighted average number of shares of common stock outstanding, increased by the shares used in the per share calculation by the dilutive effects of restricted stock and option awards. The table below reflects the calculation of loss per common share and the weighted average number of common shares outstanding, on an as if converted basis, used in computing basic and diluted loss per common share (in thousands, except per share amounts).

	Three Months Ended March 31,	Three Months Ended March 31,	Three Months Ended March 31,
	2024	2024	2024

	Three Months Ended June		Six Months Ended June	
	30,	2024	30,	2024
	2024	2024	2023	2023
(Unaudited)				
(Unaudited)				
(Unaudited)				
Loss per common share				
Loss per common share				
Loss per common share				
Net income (loss)				
Net income (loss)				
Net income (loss)				
Preferred Stock Dividend				
Preferred Stock Dividend				
Preferred Stock Dividend				
Net loss available to common shareholders				
Net loss available to common shareholders				
Net loss available to common shareholders				
Basic weighted average shares outstanding				
Basic weighted average shares outstanding				
Basic weighted average shares outstanding				
Loss per common share				
Loss per common share				
Loss per common share				
Diluted loss per common share				
Diluted loss per common share				
Diluted loss per common share				
Net loss available to common shareholders				
Net loss available to common shareholders				
Net loss available to common shareholders				
Basic weighted average shares outstanding				
Basic weighted average shares outstanding				
Basic weighted average shares outstanding				
Effect of dilutive restricted stock and options				
Effect of dilutive restricted stock and options				

Effect of dilutive restricted stock and options

Diluted weighted average shares outstanding

Diluted weighted average shares outstanding

Diluted weighted average shares outstanding

Diluted loss per common share

Diluted loss per common share

Diluted loss per common share

The table below reflects a summary of securities that could potentially dilute basic loss per common share in future periods that were not included in the computation of diluted loss per share because the effect would have been antidilutive (in thousands).

	Three Months Ended March 31,		Six Months Ended June 30,	
	2024	2024	2023	2024
Antidilutive securities:				
Antidilutive securities:				
Antidilutive securities:				
Stock options				
Stock options				
Stock options				
Restricted shares				
Restricted shares				
Restricted shares				
Total antidilutive securities				
Total antidilutive securities				

Note 7. Long-Term Debt

In connection with the acquisition of RU, APEI, as borrower, entered into a Credit Agreement with Macquarie Capital Funding LLC, or the Credit Agreement, as administrative agent and collateral agent, or the Agent, Macquarie Capital USA Inc. and Truist Securities, Inc., as lead arrangers and joint bookrunners, and certain lenders party thereto, or the Lenders. The Credit Agreement provides for (i) a senior secured term loan facility in an aggregate original principal amount of \$175.0 million, or the Term Loan, with a scheduled maturity date of September 1, 2027 and (ii) a senior secured revolving loan facility in an aggregate commitment amount of \$20.0 million, or the Revolving Credit Facility, and, together with the Term Loan, is referred to as the Facilities, with a scheduled maturity date of September 1, 2026, the full capacity of which may be utilized for the issuance of letters of credit. The Revolving Credit Facility also includes a \$5.0 million sub-facility for swing line loans. The Term Loan is presented net of deferred financing fees on the Consolidated Balance Sheets. Deferred financing fees are being amortized using the effective interest method over the term of the Term Loan. As of **March 31, 2024** **June 30, 2024**, and December 31, 2023, the **the** remaining unamortized deferred financing fees were **\$4.0** **\$3.7** million and \$4.4 million, respectively. Deferred financing fees of \$0.5 million related to the Revolving Credit Facility were recorded as an asset and are being amortized to interest expense over the term of the Revolving Credit Facility. There were no borrowings outstanding under the Revolving Credit Facility as of **March 31, 2024** **June 30, 2024**, and December 31, 2023.

In June 2023, in connection with the cessation of publication of the London Interbank Offered Rate, or LIBOR, the Credit Agreement was amended to change the applicable floating index rate at which interest on borrowings under the Facilities would accrue from LIBOR to Term Secured Overnight Financing Rate, or Term SOFR (as defined in the Credit Agreement, as amended), a forward-looking term rate. Outstanding borrowings under the Facilities bear interest at a per annum rate equal to Term SOFR (plus a credit spread adjustment ranging from 0.11448% to 0.42826% depending on the interest period selected by APEI and subject to a 0.75% floor after giving effect to such adjustment) plus 5.50%, which shall increase by an additional 2.00% on all past due obligations if APEI fails to pay any amount when due. As of **March 31, 2024** **June 30, 2024**, the **Facilities** **Facilities'** borrowing rate was 10.94%, excluding any offset from the interest rate cap agreement described below. An unused commitment fee in the amount of 0.50% is payable quarterly in arrears based on the average daily unused amount of the commitments under the Revolving Credit Facility.

Interest expense, including offsets from the interest rate cap agreement, was \$1.9 million and \$3.9 million for both the three and six months ended **March 31, 2024** **June 30, 2024**, respectively, compared to \$1.9 million and **2023.** \$3.8 million for the three and six months ended June 30, 2023, respectively.

In December 2022, APEI made prepayments totaling \$65.0 million on the Term Loan. With this prepayment, APEI is not required to make quarterly principal payments on the Term Loan until payment of the outstanding principal amount at maturity in September **2027.** 2027, subject to certain exceptions, including with respect to annual excess cash flows, proceeds from the sale of certain assets, casualty and condemnation events, and prohibited debt issuances. During the three months ended June 30, 2024, as a result of the annual 2023 excess cash flow calculation, APEI paid \$2.6 million in principal on the Term Loan.

The Credit Agreement contains customary affirmative and negative covenants, including limitations on APEI's and its subsidiaries' abilities, among other things, to incur additional debt, grant or permit additional liens, make investments and acquisitions, merge or consolidate with others, dispose of assets, pay dividends and distributions, and enter into

affiliate transactions, in each case, subject to certain exceptions, as well as customary representations, warranties, events of default, and remedies upon default, including acceleration and rights to foreclose on the collateral securing the Facilities. In addition, the Credit Agreement contains a financial covenant that requires APEI to maintain a Total Net Leverage Ratio of no greater than 2.00 to 1.00. As of **March 31, 2024** **June 30, 2024**, APEI was in compliance with all debt covenants.

For additional information on certain restrictions placed on the Company's indebtedness pursuant to the terms of the Company's Series A Senior Preferred Stock, please refer to "Note 11. Preferred Stock" in these Consolidated Financial Statements.

Long-term debt consists of the following as of **March 31, 2024** **June 30, 2024**, and December 31, 2023 (in thousands):

	As of March 31, 2024	As of December 31, 2023
	As of June 30, 2024	As of December 31, 2023
(Unaudited)		
Credit agreement		
Credit agreement		
Credit agreement		
Deferred financing fees		
Total debt		
Less: Current portion		
Less: Current portion		
Less: Current portion		
Long-Term Debt		

Scheduled maturities of long-term debt at **March 31, 2024** **June 30, 2024**, are as follows (in thousands):

Maturities of Long-Term Debt (Unaudited)	Maturities of Long-Term Debt (Unaudited)	Loan Payments	Maturities of Long-Term Debt (Unaudited)	Loan Payments
2027				
2027				
2027				
Total				

Derivatives and Hedging

The Company is subject to interest rate risk, including because all outstanding borrowings under the Credit Agreement are subject to a variable rate of interest. On September 30, 2021, the Company entered into an interest rate cap agreement to manage its exposure to the variable rate of interest with a total notional value of \$87.5 million. This interest rate cap agreement, designated as a cash flow hedge, provided the Company with interest rate protection in the

event LIBOR exceeded 2.0%. The interest rate cap was effective October 1, 2021, and was scheduled to expire on January 1, 2025.

In connection with cessation of publication of LIBOR, the Company terminated its existing interest rate cap agreement and entered into a new interest rate cap agreement that transitioned the benchmark rate to Term SOFR, effective June 30, 2023. The new interest rate cap agreement was structured in a way that there was no change in the value to the Company and provides the Company with interest rate protection in the event that the Term SOFR rate exceeds 1.78%. The new interest rate cap agreement will expire on December 31, 2024.

Changes in the fair value of the interest rate cap designated as a hedging instrument that effectively offset the variability of cash flows associated with the Company's variable-rate long-term debt obligations are reported in accumulated other comprehensive income. These amounts subsequently are reclassified into interest expense as a yield adjustment of the hedged interest payments in the same period in which the related interest affects earnings.

At March 31, 2024 June 30, 2024, and December 31, 2023, the fair value of the interest rate cap totaled \$2.2 \$1.5 million and \$2.6 million, respectively, and was recorded in Other assets, net on the Consolidated Balance Sheets. The unrealized gain of \$0.4 \$0.5 million and the unrealized loss of \$28,000 \$0.9 million are included in accumulated other comprehensive income as of March 31, 2024 June 30, 2024, and 2023 December 31, 2023, respectively.

During the three and six months ended March 31, 2024 June 30, 2024, and 2023, the Company reclassified \$0.8 million and \$0.6 \$1.6 million, respectively, from accumulated other comprehensive income to interest expense, compared to \$0.7 million and \$1.3 million for the three and six months ended June 30, 2023, respectively. The Company estimates that approximately \$2.2 \$1.5 million will be reclassified from accumulated other comprehensive income into interest expense during the next twelve six months.

Note 8. Segment Information

The Company has three reportable segments: the APUS Segment, the RU Segment, and the HCN Segment. GSUSA does not meet the quantitative thresholds to qualify as a reportable segment; therefore, its operational activities are presented below within Corporate and Other. Adjustments to reconcile segment results to the Consolidated Financial Statements, including unallocated corporate activity and eliminations are also included in Corporate and Other.

In accordance with FASB ASC 280, *Segment Reporting*, the chief operating decision-maker has been identified as the Company's Chief Executive Officer. The Company's Chief Executive Officer reviews operating results to make decisions about allocating resources and assessing performance for the APUS, RU, and HCN Segments.

A summary of financial information by reportable segment is as follows (in thousands):

**Three Months Ended
March 31,**
**Three Months Ended
March 31,**

		Three Months Ended March 31,					
		2024		2024			
				Three Months Ended June 30,		Six Months Ended June 30,	
		2024	2024	2023	2024	2023	
			(Unaudited)			(Unaudited)	(Unaudited)
			(Unaudited)				
			(Unaudited)				
Revenue:							
Revenue:							
Revenue:							
APUS Segment							
APUS Segment							
APUS Segment							
RU Segment							
RU Segment							
RU Segment							
HCN Segment							
HCN Segment							
HCN Segment							
Corporate and Other							
Corporate and Other							
Corporate and Other							
Total Revenue							
Total Revenue							
Total Revenue							
Depreciation and amortization:							
Depreciation and amortization:							
Depreciation and amortization:							
APUS Segment							
APUS Segment							
APUS Segment							
RU Segment							

RU Segment
RU Segment
HCN Segment
HCN Segment
HCN Segment
Corporate and Other
Corporate and Other
Corporate and Other
Total Depreciation and amortization
Total Depreciation and amortization
Total Depreciation and amortization
Income (loss) from operations before interest and income taxes:
Income (loss) from operations before interest and income taxes:
Income (loss) from operations before interest and income taxes:
APUS Segment
APUS Segment
APUS Segment
RU Segment
RU Segment
RU Segment
HCN Segment
HCN Segment
HCN Segment
Corporate and Other
Corporate and Other
Corporate and Other
Total income (loss) from operations before interest and income taxes
Total income (loss) from operations before interest and income taxes
Total income (loss) from operations before interest and income taxes
Interest income (expense):

Interest income (expense):
APUS Segment
APUS Segment
APUS Segment
RU Segment
RU Segment
RU Segment
HCN Segment
HCN Segment
HCN Segment
Corporate and Other
Corporate and Other
Corporate and Other
Total Interest expense, net
Total Interest expense, net
Total Interest expense, net
Income tax expense (benefit):
Income tax expense (benefit):
Income tax expense (benefit):
APUS Segment
APUS Segment
APUS Segment
RU Segment
RU Segment
RU Segment
HCN Segment
HCN Segment
HCN Segment
Corporate and Other
Corporate and Other
Corporate and Other
Total Income tax expense (benefit)
Total Income tax expense (benefit)
Total Income tax expense (benefit)

Capital expenditures:
Capital expenditures:
Capital expenditures:
APUS Segment
APUS Segment
APUS Segment
RU Segment
RU Segment
RU Segment
HCN Segment
HCN Segment
HCN Segment
Corporate and Other
Corporate and Other
Corporate and Other
Total Capital Expenditures
Total Capital Expenditures
Total Capital Expenditures

A summary of the Company's consolidated assets by reportable segment is as follows (in thousands):

	As of March 31, 2024	As of December 31, 2023
	As of June 30, 2024	As of December 31, 2023
(Unaudited)		
Assets:		
Assets:		
Assets:		
APUS Segment		
APUS Segment		
APUS Segment		
RU Segment		
HCN Segment		
Corporate and Other		
Total Assets		

Note 9. Commitments and Contingencies

The Company accrues for costs associated with contingencies, including, but not limited to, regulatory compliance and legal matters, when such costs are probable and can be reasonably estimated. Liabilities established to provide for contingencies are adjusted as further information develops, circumstances change, or contingencies are resolved. The Company bases these accruals on management's estimate of such costs, which may vary from the ultimate costs and expenses, associated with any such contingency.

From time to time, the Company is involved in legal matters in the normal course of its business.

Note 10. Concentration

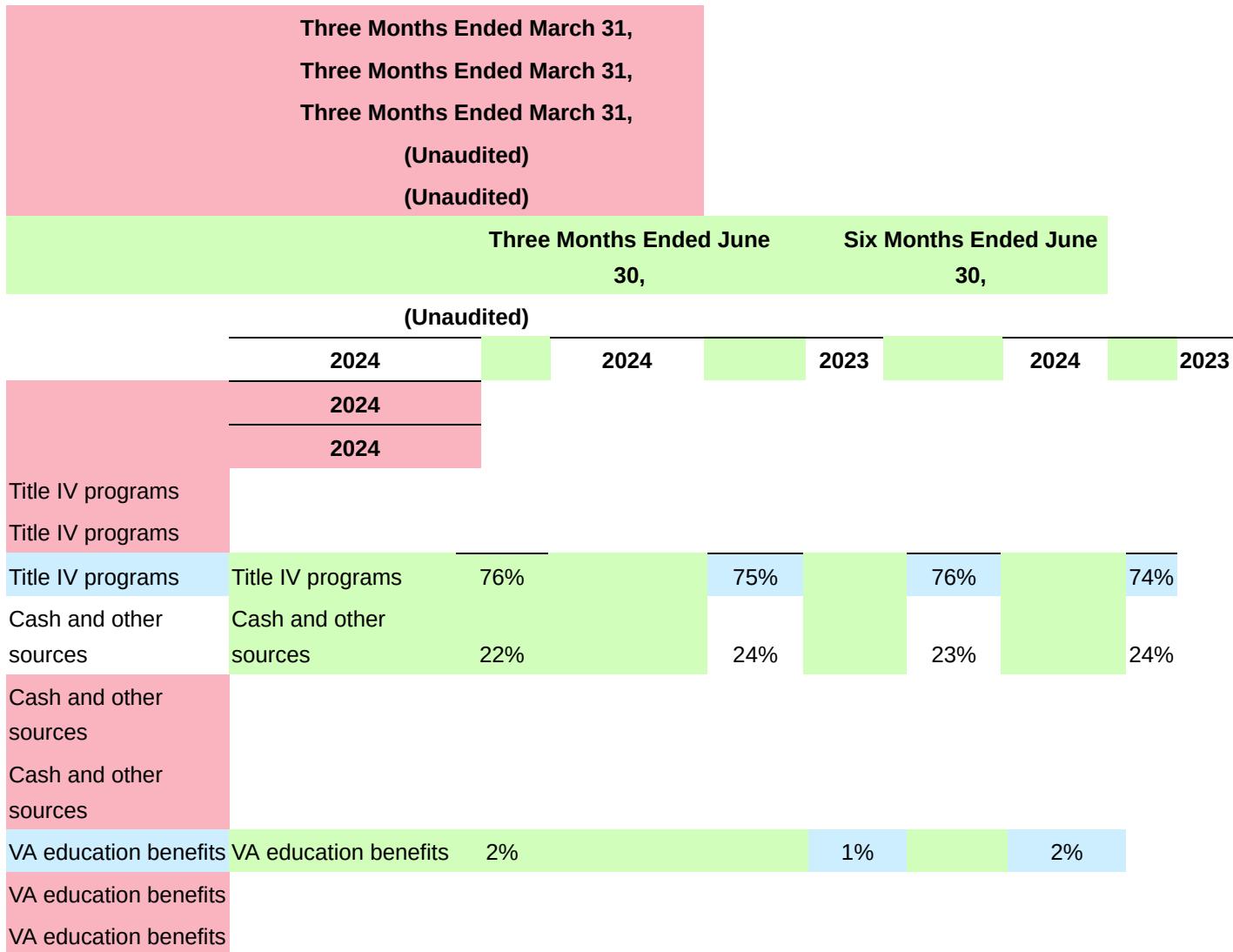
The Company's students utilize various payment sources and programs to finance their education expenses, including funds from: the U.S. Department of Defense, or DoD, tuition assistance programs, or TA; education benefit programs administered by the U.S. Department of Veterans Affairs, or VA; federal student aid from Title IV programs; and cash and other sources.

A summary of APUS Segment revenue derived from students by primary funding source is as follows:

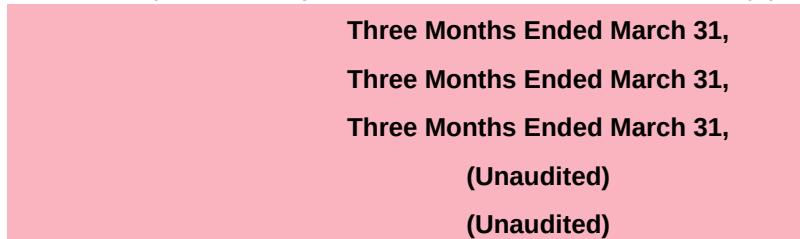
	Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	(Unaudited)						(Unaudited)			
	2024		2024		2024		2023		2024	
	2024		2024		2024		2023		2024	
	2024		2024		2024		2023		2024	
DoD tuition assistance programs										
DoD tuition assistance programs										
DoD tuition assistance programs	DoD tuition assistance programs	45%					47%		48%	
VA education benefits	VA education benefits	24%		22%			24%		22%	
VA education benefits										
VA education benefits										
Title IV programs										
Title IV programs										

Title IV programs	Title IV programs	17%	17%	16%	17%
Cash and other sources	Cash and other sources	14%	14%		13%
Cash and other sources					
Cash and other sources					

A summary of RU Segment revenue derived from students by primary funding source is as follows:



A summary of HCN Segment revenue derived from students by primary funding source is as follows:



	Three Months Ended June 30,		Six Months Ended June 30,	
	(Unaudited)			
	2024	2024	2023	2024
Title IV programs				
Title IV programs				
Title IV programs	Title IV programs	83%	79%	83%
Cash and other sources	Cash and other sources	16%	19%	16%
Cash and other sources				
Cash and other sources				
VA education benefits	VA education benefits	1%	2%	1%
VA education benefits				
VA education benefits				

Note 11. Preferred Stock

On December 28, 2022, APEI issued \$40 million of the Series A Senior Preferred Stock, \$0.01 par value per share, to affiliates of existing common stockholders of the Company.

The Series A Senior Preferred Stock has cumulative dividends that accrue daily at an annual rate that is equal to SOFR (selected by the Company for each divided period), plus 10.00%. On the 30-month anniversary of issuance, the dividend rate spread shall increase by 2.00% per annum and shall increase by 0.50% per annum at the beginning of each full fiscal quarter thereafter. The dividend rate spread increases 6.00% in the event of default, a change of control, or other non-compliance as noted in the related Certificate of Designation and the purchase agreement for the shares of Series A Senior Preferred Stock, or the Purchase Agreement. Other than an increase in the dividend rate spread relating to default, in no event will the dividend rate spread exceed SOFR plus 25.00%. As of **March 31, 2024** **June 30, 2024**, the dividend rate was **15.31%** **15.33%** based on a three-month dividend period. Dividend periods will be monthly, every three months or every six months, at the Company's option, and the Company currently anticipates using a three-month period. Dividends will be paid, after declaration by the **Company's Board, of Directors**, for each dividend period. If the Company selects a six-month dividend period, an interim dividend payment will be required for each three-month period therein. During the three and six months ended **March 31, 2024** **June 30, 2024**, **\$1.5 million of** dividends **were** declared and paid on the Series A Senior Preferred Stock. Stock were \$1.5 million and \$3.0 million, respectively, compared to \$1.5 million and \$2.9 million for the three and six months ended June 30, 2023, respectively.

The Series A Senior Preferred Stock has no stated maturity, is not convertible, is not subject to any mandatory redemption, sinking fund or other similar provisions, and will remain outstanding unless redeemed at the Company's option. The Company has the right to redeem the Series A Senior Preferred Stock pro rata in whole or in part at the price per share equal to the liquidation preference, or the Liquidation Preference, plus any applicable early premium amount noted in the Certificate of Designation and Purchase Agreement.

The Liquidation Preference of \$53.2 million and \$55.3 million as of March 31, 2024 June 30, 2024, and December 31, 2023, respectively, is based on the occurrence of a liquidation event, which is also considered an event of default as defined in the Certificate of Designation. The Liquidation Preference includes an early redemption premium amount and a make-whole payment for any redemption of the securities prior to June 30, 2025. As of March 31, 2024 June 30, 2024, and December 31, 2023, the make-whole payment included in the Liquidation Preference was \$10.2 million and \$12.3 million, respectively. The make-whole payment included in the Liquidation Preference will be reduced quarterly until June 30, 2025, at which time it will be eliminated. Events of default trigger an increase of the dividend rate spread of 6.00% and an early premium amount, as defined in the Certificate of Designation.

The following table lists the components of the liquidation preference for the periods presented below (in thousands):

	As of March 31, 2024	As of December 31, 2023
	As of June 30, 2024	As of December 31, 2023
(Unaudited)		
Series A Senior Preferred Stock (plus accrued and unpaid dividends)		
Series A Senior Preferred Stock (plus accrued and unpaid dividends)		
Series A Senior Preferred Stock (plus accrued and unpaid dividends)		
Make whole payment		
Early redemption premium		
Liquidation Preference		

The Series A Senior Preferred Stock has no voting rights for directors or otherwise, except as required by law or with respect to certain protective provisions. Without the consent of at least 60% of the then outstanding shares of Series A Senior Preferred Stock, with certain exceptions, the Company may not, among other things, (i) incur any indebtedness if such incurrence would cause the Company's Total Net Leverage Ratio (as defined in the Purchase Agreement) to exceed 0.75:1, (ii) issue any capital stock senior to or pari passu with the Series A Senior Preferred Stock, (iii) declare or pay any cash dividends on the Company's common stock, or (iv) repurchase more than an aggregate of \$30 million of the Company's common stock.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In this Quarterly Report on Form 10-Q, or Quarterly Report, "we," "our," "us," "the Company" and similar terms refer to American Public Education, Inc., or APEI, and its subsidiary institutions collectively unless the context indicates otherwise. All quarterly information in this Management's Discussion and Analysis is unaudited. The following discussion of our historical results of operations and our liquidity and capital resources should be read in conjunction with the Consolidated Financial Statements and related notes that appear elsewhere in this Quarterly Report and the audited financial information

and related notes, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations and other disclosures, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, or our Annual Report.

Forward-Looking Statements

This Quarterly Report contains forward-looking statements intended to be covered by the safe harbor provisions for forward-looking statements in Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. We may use words such as "project," "believe," "anticipate," "plan," "expect," "estimate," "intend," "should," "would," "could," "potentially," "will," or "may," or other words or expressions that convey future events, conditions, circumstances, or outcomes to identify these forward-looking statements. Forward-looking statements in this Quarterly Report include, without limitation, statements regarding:

- changes in and our ability to comply with the extensive regulatory framework applicable to our industry, including the 90/10 Rule and financial responsibility standards, as well as state law and regulations and accrediting agency requirements, and the expected impacts of any non-compliance;
- actions by the U.S. Department of Education, or ED, institutional and programmatic accreditors, and state authorizing agencies and expectations regarding the effects of those actions;
- our ability to manage, grow, and diversify our business and execute our business initiatives and strategy;
- our cash needs and expectations regarding cash flow from operations, including the impacts of our debt service and the dividend payments that are required to be paid on our Series A Senior Preferred Stock;
- our ability to undertake initiatives to improve the learning experience, attract students who are likely to persist, and improve student outcomes;
- changes to and expectations regarding our student enrollment, net course registrations, and the composition of our student body, including the pace of such changes;
- our ability to maintain, develop, and grow our technology infrastructure to support our student body;
- our conversion of prospective students to enrolled students and our retention of active students;
- our ability to update and expand the content of existing programs and develop new programs to meet emerging student needs and marketplace demands, and our ability to do so in a cost-effective manner or on a timely basis;
- the branding and marketing of our institutions;
- our ability to leverage our investments in support of our initiatives, students, and institutions;
- our maintenance and expansion of our relationships and partnerships and the development of new relationships and partnerships;
- actions by the Department of Defense, or DoD, or branches of the United States Armed Forces, including actions related to the disruption and suspension of DoD tuition assistance, or TA, programs and ArmyIgnitED, our responses to those actions, and expectations regarding the effects of those actions; actions and responses;
- federal appropriations and other budgetary matters, including government shutdowns;
- changes in enrollment in postsecondary degree-granting institutions and workforce needs;
- the competitive environment in which we operate;
- our ability to recognize the intended benefits of our cost savings efforts and their benefits; revenue-generating efforts;
- challenges related to insourcing and outsourcing information technology services to our operations and third-party vendors, respectively;

- our ability to manage and influence our bad debt expense;
- the expected impact on our students and our business from campus closures and consolidations;
- our financial performance generally, generally; and
- our expectations and estimates regarding tax and accounting matters.

Forward-looking statements are based on our beliefs, assumptions, and expectations of our future performance, taking into account information currently available to us and are not guarantees of future results. There are a number of important factors that could cause actual results to differ materially from the results anticipated by these forward-looking statements. Risks and uncertainties involved in forward-looking statements include, among others:

- our dependence on the effectiveness of our ability to attract students who persist in our institutions' programs;
- our inability to effectively market our programs or expand into new markets;
- the loss of our ability to receive funds under TA programs or the reduction, elimination, or suspension of TA, or continued disruption due to systems used to request TA;
- our inability to maintain enrollments from military students;
- adverse effects of changes our institutions make to improve the student experience and enhance each institutions ability to identify and enroll students who are likely to succeed;
- our failure to successfully adjust to future market demands;
- our failure to comply with regulatory and accrediting agency requirements or to maintain institutional accreditation, the consequences thereof, and risks related to any actions we may take to prevent or correct such failure;
- adverse impacts of recent ED negotiated rulemakings;
- our failure to meet applicable National Council Licensure Examination, or NCLEX, pass rates and other NCLEX standards, and the consequences thereof;
- our failure to comply with the 90/10 Rule;
- our loss of eligibility to participate in student financial aid programs authorized under Title IV of the Higher Education Act of 1965, as amended, or Title IV programs, or ability to process Title IV financial aid;
- our inability to recognize the benefits of our cost savings efforts;
- economic and market conditions in the United States and abroad and changes in interest rates;
- risks related to business combinations and acquisitions, including integration challenges, business disruption, dilution of stockholder value, and diversion of management attention;
- risks related to our substantial indebtedness and our Series A Preferred Stock; and
- our dependence on and need to continue to invest in our technology infrastructure.

Forward-looking statements should be considered in light of these factors and the factors described elsewhere in this Quarterly Report, including in the "Risk Factors" section of our Annual Report, and in our various filings with the Securities and Exchange Commission, or the SEC. It is important that you read these factors and the other cautionary statements made in this Quarterly Report as being applicable to all related forward-looking statements wherever they appear in this Quarterly Report. If any of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance, or achievements may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. You should also read the more detailed description of our business in our Annual Report when considering forward-looking statements. We caution readers not to place undue

reliance on any forward-looking statements herein, which speak only as of the date of this Quarterly Report. We undertake no obligation to publicly update any forward-looking statements after the date of this Quarterly Report, whether as a result of new information, future events, or otherwise, except as required by law.

Overview

Background

We are a provider of online and campus-based postsecondary education to approximately **106,400** **104,800** students and career learning to approximately 25,000 individuals through four subsidiary institutions, American Public University System, or APUS, Rasmussen University, or RU, Hondros College of Nursing, or HCN, and Graduate School USA, or GSUSA. Our subsidiary institutions offer purpose-built education programs and career learning designed to prepare individuals for productive contributions to their professions and society, and to offer opportunities designed to advance students in their current professions or to help them prepare for their next career. Our subsidiary institutions are licensed or otherwise authorized by state authorities to offer postsecondary education programs to the extent the institutions believe such licenses or authorizations are required, and APUS, RU, and HCN are certified by ED to participate in Title IV programs.

Our Institutions

Our wholly owned operating subsidiary institutions include the following:

- American Public University System, Inc., referred to herein as APUS, provides online postsecondary education to approximately **89,600** **87,900** adult learners, directed primarily at the needs of the military, military-affiliated, public service and service-minded communities through two brands: American Military University, or AMU, and American Public University, or APU. As of **March 31, 2024** **June 30, 2024**, approximately 66% of APUS students self-reported that they served in the military on active duty at the time of initial enrollment.
- Rasmussen College, LLC, referred to herein as Rasmussen University, or RU, provides nursing- and health sciences-focused postsecondary education to approximately **13,500** **13,600** students at **21** **20** campuses in six states and online. As of **March 31, 2024** **June 30, 2024**, on-ground enrollment was **6,300**, **6,200**, of which approximately 5,500 students were pursuing nursing degrees at RU, approximately 90% of whom were enrolled in RU's pre-licensure nursing degree programs. At **March 31, 2024** **June 30, 2024**, online enrollment was approximately **7,200** **7,400** students.
- National Education Seminars, Inc., referred to herein as Hondros College of Nursing, or HCN, provides nursing education to approximately 3,300 students at eight campuses in three states. All of HCN's students are enrolled in its pre-licensure nursing degree programs.
- American Public Training LLC, referred to herein as Graduate School USA, or GSUSA, provides career learning and leadership training in-person and online to the federal workforce. GSUSA operational activities are presented within Corporate and Other.

In April 2024, APU announced its intention to expand its reach to become a global digital university that integrates emerging technologies and enhanced teaching and learning opportunities for faculty and students, adopted a new visual identity, a new tagline: Digital Learning for Real Life™, an expanded global focus, and a suite of digital student services.

Tuition Increases

Providing affordable degree and certificate programs is an important element of our competitive strategy. APUS implemented modest tuition and fee increases for non-military and veteran students in the second and third quarters of 2023. In April 2024, APUS implemented an additional modest tuition increase to master's level students across all categories, including military, non-military and veteran students. Even after these tuition and fee increases, we believe that APUS's tuition and fees remain lower than the average in-state cost at public universities. RU implemented modest tuition increases effective in the first quarter of 2023 and 2024 for select programs and plans to implement modest increases for new students in August 2024 and returning students in October 2024. HCN implemented a 5% increase in tuition and fees effective in the second quarter of 2023 across all programs. At The tuition and fee increases at RU and HCN the tuition increases are intended to reflect adjustments to be consistent with the local campus markets. Even inclusive of these increases, RU and HCN's tuition and fees are designed to be affordable and competitive when compared to the tuition and fees at similar institutions offering the same level of flexibility, accessibility, and student experience.

Campus Closures

During the six months ended June 30, 2024, our RU Segment consolidated two Minnesota campuses, and in May 2024, RU notified the Wisconsin Educational Approval Program, or EAP, that it intends to voluntarily close its two Wisconsin campuses, effective December 31, 2025, and 2026, respectively. All students enrolled at the two Wisconsin campuses have expected graduation dates on or before the applicable campus closing date. These actions are expected to directly impact approximately 90 students, or less than 1% of RU's current total enrollment.

Regulatory and Legislative Activity

American Public University System

A team of Higher Learning Commission, or HLC, peer reviewers conducted a focused visit at APUS in March 2024, after HLC raised concerns regarding compliance with standards related to program development oversight and program assessment processes as a result of course availability in one program. The results of Following the focused visit, will be the team found that the concerns were appropriately addressed, and no additional monitoring is required. Their recommendations were sent to the HLCs Institutional Action Council, or IAC, for review and action. The next At the June 2024 meeting, of the IAC concurred with the team's findings and affirmed that APUS addressed all concerns regarding compliance with HLC standards.

In July 2024, ED notified APUS that it had approved APUS's continued participation in the Title IV programs under a Provisional Program Participation Agreement, or PPPA, that is scheduled effective July 15, 2024, and expires June 30, 2026. ED granted approval on a provisional basis because APUS is subject to an open program review at the time of recertification. The PPPA imposes new reporting requirements on APUS related to accrediting agency actions, governmental actions, and class actions. Additionally, APEI co-signed the PPPA pursuant to new regulations effective July

1, 2024, which require an entity with a direct or indirect ownership interest and the power to exercise control over the institution to co-sign the PPPA and assume joint and several liability for June 2024, at which time the focused visit results may or may not be on the agenda. participating institution's Title IV liabilities.

Rasmussen University

In March 2024, the Florida Board of Nursing, or FBN, placed RU's Associate Degree in Nursing, or ADN, programs at its Tampa/Brandon, and Ocala, Florida, campuses, along with the Ocala campus satellite program at North Orlando, Florida, on probationary status due to two consecutive years of NCLEX pass rates not meeting the state standard. If a program's pass rate continues to not satisfy the required standard in any of the two years following the program's placement on probationary status, but the program shows adequate progress toward the required pass rate, FBN may allow the program to continue on probation for one additional year. If the program fails to show adequate progress toward the required pass rate, FBN may choose to disapprove the program.

In February 2023, FBN placed RU's ADN program at its Fort Myers, Florida, campus on probation due to two consecutive years of NCLEX pass rates not meeting the state standard. In February 2024, the second year on probationary status, FBN notified RU that the program will be allowed to continue on probation for one additional year. If the program fails to achieve the required NCLEX pass rate at the end of this additional one-year period of probation, but the program continues to show adequate progress toward the required pass rate, FBN may allow the program to continue on probation for one additional year. If the program fails to show adequate progress toward the required pass rate, FBN may choose to disapprove the program.

As At its May 2024 meeting, the Florida Commission on Independent Education, or FCIE, reviewed RU for a substantive change due to financial stability concerns and the Fort Myers, Ocala and Tampa, Florida ADN programs being placed on probation by FBN. FCIE subsequently placed RU on a provisional license, which will run through November 30, 2024. To fulfil a condition of March 31, 2024, enrollment licensure, RU submitted an interim report on its financial condition and NCLEX pass rates for the Fort Myers, Ocala and Tampa, Florida ADN programs to FCIE in these Florida July 2024. RU's annual renewal will be reviewed by FCIE in November 2024. Failure to improve financial stability and NCLEX pass rates by that time could lead to further adverse action by FCIE, which could have an adverse impact on RU's ability to enroll students and to continue offering ADN programs represents approximately 10% of RU's current total enrollment. in Florida.

In September 2022, ACEN granted RU's ADN and PN programs in Moorhead, Minnesota and RU's ADN program in Overland Park, Kansas continued accreditation with conditions, in each case because the program experienced first-time NCLEX pass rates below ACEN's required threshold. For the two Moorhead, Minnesota programs, ACEN also identified evidence of noncompliance with respect to analysis and use of assessment data in program decision-making. The ADN programs have two years, and the PN program has 18 months, from the date the conditions were imposed, to demonstrate compliance with all criteria related to the standard for which the programs were found to be in noncompliance, though ACEN does not necessarily have to take action on any particular timetable. If compliance is not achieved by the end of the monitoring period, ACEN may deny continuing accreditation absent good cause. In April 2024, ACEN removed the conditions, granting Continuing Accreditation with the next evaluation in Spring 2030, after review of the follow-up report for RU's Moorhead, Minnesota PN program. In July 2024, RU's Moorhead, MN ADN program and the Overland Park, KS ADN program submitted to ACEN their follow-up reports and applications for continuing accreditation for good cause. If ACEN determines areas of non-compliance remain in the program, ACEN could withdraw either ADN program's accreditation or grant it continuing accreditation for good cause.

RU's Moorhead, Minnesota PN program is currently approved with the MBN, but first-time NCLEX pass rates have been below the standard for three consecutive years. On August 1, 2024, MBN placed RU's Moorhead, Minnesota PN program on conditional approval status and issued a corrective action order.

Gainful Employment

Pursuant to new gainful employment, or GE, regulations that ~~will take~~ took effect July 1, 2024, ED will determine the Title IV eligibility of GE programs based in part on satisfaction of specified performance levels of two new measures, as discussed in more detail in our Annual Report. Institutions will generally be required to report certain information used to calculate these measures to ED by July 31 of each year. However, on March 29, 2024, year, provided that for 2024, ED announced that the reporting deadline was October 1, 2024.

Other Recent Legislative and Regulatory Activity

On July 17, 2024, ED proposed regulations related to, among other matters, distance education and Return to Title IV, or R2T4, rules. Proposed changes related to distance education include additional reporting requirements for 2024 had been extended from July 31, 2024, programs offered entirely through distance education and students' distance education status, in part to October 1, 2024 allow students to obtain closed school loan discharges when an institution ends a program offered in-person or online. Proposed changes related to R2T4 rules, which govern an institution's obligations to return Title IV funds to ED when a student withdraws, would require an institution to take attendance, for purposes of the R2T4 calculation, for each course offered entirely through distance education. Under the Higher Education Act of 1965, as amended, the earliest any final regulations would be effective is July 1, 2025.

Reportable Segments

Our operations are organized into three reportable segments:

- *American Public University System Segment*, or APUS Segment. This segment reflects the operational activities of APUS.
- *Rasmussen University Segment*, or RU Segment. This segment reflects the operational activities of RU.
- *Hondros College of Nursing Segment*, or HCN Segment. This segment reflects the operational activities of HCN.

Adjustments to reconcile segment results to the Consolidated Financial Statements are included in Corporate and Other. These adjustments include unallocated corporate activity and eliminations, and the operational activities of GSUSA.

Summary of Results

Consolidated revenue for the three months ended ~~March 31, 2024~~ June 30, 2024, increased to ~~\$154.4 million~~ \$152.9 million from ~~\$149.7 million~~ \$147.2 million, or by ~~3.2%~~ 3.9%, as compared to the prior year period. Our net income for the three months ended ~~March 31, 2024~~ June 30, 2024, was ~~\$0.5 million~~ \$0.4 million, compared to a net loss of ~~\$5.7 million~~ \$51.2 million in the prior year period, an increase of ~~\$6.3 million~~ \$51.6 million. The results for the three months ended ~~March 31, 2024~~ June 30, 2024, include a ~~\$1.1 million~~ non-cash impairment loss on ~~investments~~ sale of ~~\$3.3 million~~ an equity investment in Corporate and Other, on one of our cost method equity investments, due to the investee

entering into a new convertible debt agreement which resulted in the conversion of the Company's preferred stock holdings in the investee into common shares, and the dilution of the Company's ownership percentage, a \$2.9 million \$0.8 million pre-tax loss on leases in our RU Segment, \$0.5 million in severance costs related to the former president of GSUSA in Corporate and \$1.9 million Other, and the planned closure of the Wisconsin campuses in our RU Segment, and \$0.2 million in information technology transition service costs. The results in the prior year period include a non-cash impairment charge of \$64.0 million in our RU Segment to reduce the carrying value of RU Segment goodwill and intangible assets and reflect the corresponding tax impact. Our operating margin improved to 1.5% for the three months ended June 30, 2024, compared to negative 44.3% in the prior year period. Excluding the loss on leases, severance costs and information technology transition service costs in 2024, and the non-cash impairment charge on goodwill and intangible assets in 2023, our operating margin was 2.4% for the three months ended June 30, 2024, compared to negative 0.9% for the three months ended June 30, 2023.

Consolidated revenue for the six months ended June 30, 2024, increased to \$307.3 million from \$296.9 million, or by 3.5%, as compared to the prior year period. Our net income for the six months ended June 30, 2024, was \$0.9 million, compared to a net loss of \$57.0 million in the prior year period, an increase of \$57.9 million. The results for the six months ended June 30, 2024, include non-cash losses on investments of \$4.4 million in Corporate and Other, a \$3.7 million pre-tax loss on leases in our RU Segment, \$2.0 million in information technology transition service costs in our APUS and HCN Segments as well as Corporate and Other, and \$0.5 million in severance costs related to the former president of GSUSA in Corporate and Other, and the planned closure of the Wisconsin campuses in our RU Segment. The results in the prior year period include a non-cash impairment charge of \$64.0 million in our RU Segment to reduce the carrying value of RU Segment goodwill and intangible assets and reflect the corresponding tax impact and \$2.4 million in transition service fees related to the termination of a the Collegis LLC, or Collegis, marketing contract. contract in our RU Segment. Our operating margins margin improved to 3.4% 2.4% for the three six months ended March 31, 2024 June 30, 2024, compared to negative 3.7% 23.8%, in the prior year period. Excluding the loss on leases, information technology transition service costs and severance costs in 2024, and the non-cash impairment charge on goodwill and intangible assets and marketing transition services fees in 2023, our operating margin was 4.4 % for the six months ended June 30, 2024, compared to negative 1.4% for the six months ended June 30, 2023.

APUS net course registrations for the three months ended March 31, 2024 June 30, 2024, increased to approximately 99,000 89,800 from approximately 96,300 88,300, an increase of 2,700 1,500, or 2.8% 1.7%, as compared to the prior year period. APUS Segment revenue for the three months ended March 31, 2024 June 30, 2024, increased to \$80.7 million \$77.0 million from \$74.0 million \$73.6 million, or by 9.0% 4.7%, as compared to the prior year period. The revenue increase for the period was greater than the increase in net course registrations due to the tuition and fee increases in the second and third quarters of 2023. For 2023 and the second quarter of 2024, and the timing of course starts within the respective periods. APUS net course registrations for the six months ended June 30, 2024, increased to approximately 188,800 from approximately 184,500, an increase of 4,300, or 2.3%, as compared to the prior year period. APUS Segment revenue for the six months ended June 30, 2024, increased to \$157.7 million from \$147.5 million, or by 6.9%, as compared to the prior year period. The revenue increase for the period was greater than the increase in net course registrations due to the tuition and fee increases in 2023 and 2024 and the timing of course starts within the respective periods. APUS Segment operating margin decreased to 23.7% for the three months ended March 31, 2024 June 30, 2024, APUS Segment operating margins from 25.8% in the prior year period and increased to 28.6% 26.2% from 23.1% in 24.4% for the six months ended June 30, 2024, as compared to the prior year period.

RU total enrollment for the three months ended March 31, 2024 June 30, 2024, decreased to approximately 13,500 13,600 from approximately 14,300 13,900, a decrease of 800 300, or 5.6% 2.2%, as compared to the prior year period. RU Segment revenue for the three months ended March 31, 2024 June 30, 2024, decreased increased to \$53.1

million \$53.0 million from \$57.5 million \$52.0 million, or by 7.5% 2.0%, as compared to the prior year period. The revenue increase, when compared to the first quarter total enrollment decrease, was greater than the enrollment decrease primarily due to a change tuition increase in student mix the first quarter of 2024. RU total enrollment for the six months ended June 30, 2024, decreased approximately 3.9%, as compared to more online students that have lower the prior year period. RU Segment revenue per enrollment. For for the six months ended June 30, 2024, decreased to \$106.2 million from \$109.4 million, or by 3.0%, as compared to the prior year period. Excluding the impact of the non-cash impairment charge in the prior year period, RU Segment operating margin improved to negative 16.6% from negative 25.5% for the three months ended March 31, 2024 June 30, 2024, RU Segment operating margins and improved to negative 16.9% 16.8% from negative 22.4% in 23.9% for the six months ended June 30, 2024, as compared to the prior year period.

HCN total enrollment for the three months ended March 31, 2024 June 30, 2024, increased to approximately 3,300 from approximately 2,700,3,000, an increase of 600,300, or 20.5% 9.4%, as compared to the prior year period. HCN Segment revenue for the three months ended March 31, 2024 June 30, 2024, increased to \$16.4 million from \$13.1 million \$14.3 million, or by 25.2% 15.0%, as compared to the prior year period. The revenue increase was greater than the enrollment increase due to a 5% tuition increases increase across all programs implemented in the second quarter of 2023. For HCN total enrollment for the six months ended June 30, 2024, increased approximately 14.7%, as compared to the prior year period, primarily due to enrollment growth at the Detroit, Michigan campus. HCN Segment revenue for the six months ended June 30, 2024, increased to \$32.9 million from \$27.4 million, or by 19.9%, as compared to the prior year period. The revenue increase was greater than the enrollment increase due to the tuition increase in the second quarter of 2023. HCN Segment operating margin decreased to negative 4.5% from negative 1.6% for the three months ended March 31, 2024 June 30, 2024, HCN Segment operating margins and improved to negative 1.8% 3.2% from negative 9.9% in 5.6% for the six months ended June 30, 2024, as compared to the prior year period.

Critical Accounting Policies and Use of Estimates

Goodwill and indefinite-lived intangible assets. Goodwill is the excess of the purchase price of an acquired business over the fair value of the assets acquired and liabilities assumed, and the fair value assigned to identifiable intangible assets.

Goodwill is not amortized. Goodwill is reported at the reporting unit level that we have defined as our reporting segments. In connection with our acquisitions of RU and HCN, we recorded \$217.4 million and \$38.6 million of goodwill, respectively, in our RU and HCN Segments. The Company We later recorded non-cash impairment charges reducing the carrying value of RU and HCN Segment goodwill to \$33.0 million and \$26.6 million, respectively. There was no goodwill recorded in connection with the acquisition of GSUSA. No goodwill is recorded in our APUS Segment.

In addition to goodwill, in connection with the acquisitions of RU and HCN, we recorded identified intangible assets with an indefinite useful life in the aggregate amount of \$51.0 million and \$3.7 million, respectively, in our RU and HCN Segments, which include intangible assets related to trade name, accreditation, licensing, and Title IV, and affiliate agreements. The Company We later recorded non-cash impairment charges reducing the carrying value of RU indefinite-lived identified intangible assets to \$24.5 million. There were no indefinite useful life intangible assets identified as a result of the acquisition of GSUSA. There are no indefinite-lived intangible assets in our APUS Segment.

We recorded \$35.5 million, \$4.4 million, and \$1.0 million of identified intangible assets with a definite useful life in connection with the acquisitions of RU, HCN, and GSUSA, respectively. There are no definite-lived intangible assets in our APUS Segment.

Goodwill and indefinite-lived intangible assets are tested for impairment at least annually, and more frequently if events or changes in circumstances exist that would more likely than not reduce the fair value of the reporting unit below its carrying amount. The process of evaluating goodwill and indefinite-lived intangible assets for impairment is subjective and requires significant judgment and estimates. Impairment testing consists of an optional qualitative assessment as well as a quantitative test. When performing a qualitative assessment, we consider many factors, including general economic conditions, industry and market conditions, certain cost factors, financial performance and key business drivers (for example, student enrollment), long-term operating plans, and potential changes to significant assumptions and estimates used in the most recent fair value analysis. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions and estimates. Actual results may differ and have a material impact on our results of operations and financial position, and subsequent events are not necessarily indicative of the reasonableness of the original assumptions or estimates.

We estimate fair value in our quantitative analysis by weighting the results from two different valuation approaches. They are: (1) discounted cash flow and (2) guideline public company. Under the discounted cash flow method, fair value is determined by discounting the estimated future cash flows of RU and HCN at their estimated weighted-average cost of capital. We incorporate the use of projected financial information and a discount rate that are developed using market participant-based assumptions. The cash-flow projections are based on three-year financial forecasts developed by management that include revenue projections, capital spending trends, and investment in working capital to support anticipated revenue growth, which are updated at least annually and approved by management. Under the guideline public company method, pricing multiples from other public companies in the public higher education market are used to determine the fair value of RU and HCN. Values derived under the two valuation methods are then weighted to estimate RU and HCN's enterprise values. If we determine that the carrying amount of a reporting unit exceeds its fair value, we then calculate the implied fair value of the reporting unit goodwill as compared to its carrying amount to determine the appropriate impairment charge. Although we believe our assumptions are reasonable, actual results may vary significantly and may expose us to material impairment charges in the future. Our methodology for determining fair values remained consistent for the periods presented.

At October 31, 2023, we completed our annual assessment of goodwill and indefinite-lived intangibles for our RU and HCN Segments. The annual assessment concluded that the fair value of our RU and HCN Segments exceeded their carrying values by approximately \$32.4 million, or 25%, and \$7.4 million, or 21%, respectively. Significant assumptions in the RU Segment forecast used in the discounted cash flow valuation model include the recovery in RU enrollment and the impact of cost containment measures. Significant assumptions in the HCN Segment forecast used in the discounted cash flow valuation model include the addition of a medical assistant program in all Ohio campuses, a future campus opening and future tuition increases. These assumptions could be negatively affected by any of the following including, but not limited to, changes in our regulatory environment, declines in student enrollment, adverse actions by state boards of nursing including enrollment caps, and increases in our expenses not in our plan. In addition, the annual assessment determined the fair value of RU and HCN Segment indefinite-lived intangible assets were greater than their carrying value, and therefore, no impairment charge was recorded.

During the three months ended **March 31, 2024** **June 30, 2024**, and 2023, we completed a qualitative assessment of RU and HCN **Segments** **Segment** goodwill and indefinite-lived intangible assets. As part of the assessment, **the Company** **we** considered the events and circumstances expressly required by ASC 350, in addition to other entity-specific factors. Factors considered included RU and HCN's financial and enrollment performance against internal targets, economic factors, and the continued favorable growth outlook for nursing education. After completing this qualitative assessment, we concluded it was more likely than not that the fair value of **each** of the RU and HCN Segments **were** **was**

greater than the respective carrying values, and therefore no quantitative impairment test and no impairment charge was necessary.

During the three months ended June 30, 2023, we completed a qualitative assessment of RU and HCN Segment goodwill to determine if an interim goodwill impairment testing was necessary. This evaluation included consideration of enrollment trends and financial performance, as well as industry and market conditions. We concluded it was more likely than not that the fair value of the RU Segment was less than its carrying amount resulting from RU's underperformance when compared to 2023 internal targets, projected enrollment trends, the decline in financial performance projected for the remainder of 2023, as compared to prior projections, and our market value. There were no indicators of impairment at HCN.

As a result, we completed a quantitative impairment test related to the valuation of RU Segment goodwill during the second quarter of 2023. The implied fair value of RU Segment goodwill was calculated and compared to the recorded value. As a result, we recorded a non-cash impairment charge of \$53.0 million and the corresponding tax impact of \$15.8 million to reduce the carrying value of RU Segment goodwill to \$33.0 million during the three months ended June 30, 2023. The impairment charge recorded eliminated the difference between the fair value and book value of RU Segment goodwill.

We also evaluated events and circumstances related to the valuation of intangible assets recorded within our RU and HCN Segments to determine if there were indicators of impairment. We concluded there were indicators of impairment during the three months ended June 30, 2023, of the RU Segment intangible assets. There were no indicators of impairment at HCN. As a result, we recorded a non-cash impairment charge of \$11.0 million to reduce the carrying values of the RU Segment trade name and RU Segment accreditation, licensing and Title IV indefinite-lived intangible assets during the second quarter of 2023 to \$18.5 million and \$6.0 million, respectively. The impairment charge recorded eliminated the difference between the fair value of the trade name and accreditation, licensing, and Title IV indefinite lived intangible assets, and their book values.

Significant assumptions inherent to valuation methodologies for goodwill include, but are not limited to, prospective financial information, growth rates, terminal value, discount rates, and comparable multiples from publicly traded companies in the higher education market. Future changes, including minor changes in the significant assumption or other factors including revenue, operating income, valuation multiples, and other inputs to the valuation process may result in future impairment charges, and those charges could be material.

For more information regarding our Critical Accounting Policies and Use of Estimates, see the "Critical Accounting Policies and Use of Estimates" section of "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report.

Results of Operations

Below we have included a discussion of our operating results and material changes in our operating results during the three and six months ended **March 31, 2024** June 30, 2024, compared to the three and six months ended **March 31, 2023** June 30, 2023. Our revenue and operating results normally fluctuate as a result of seasonal or other variations in our enrollments and the level of expenses in our reportable segments. Our student population varies as a result of new enrollments, graduations, student attrition, the success of our marketing programs, and other reasons that we cannot always anticipate. We expect quarterly fluctuations in operating results to continue as a result of various enrollment patterns and changes in revenue and expenses.

APUS net course registrations for the three months ended **March 31, 2024** **June 30, 2024**, increased to approximately **99,000** **89,800** from approximately **96,300** **88,300**, an increase of **2,700** **1,500**, or **2.8%** **1.7%**, as compared to the prior year period. APUS net course registrations for the six months ended **June 30, 2024**, increased to approximately **188,800** from approximately **184,500**, an increase of **4,300**, or **2.3%**, as compared to the prior year period. The increase in net course registrations **during the three months ended March 31, 2024**, was primarily due to an increase in registrations by **military** **military-affiliated** students utilizing **TA** and **military-affiliated** students utilizing **education benefit programs** administered by the U.S. Department of

Veterans Affairs, or VA. APUS Segment operating **margins** **increased** margin decreased to **28.6%** **23.7%** from **25.8%** for the three months ended **March 31, 2024** **June 30, 2024**, and increased to **26.2%** from **24.4%** for the six months ended **June 30, 2024**, from **23.1%** **in** as compared to the prior year period. The **increase** **decrease** in the **operating margin** **for the three months ended June 30, 2024**, was primarily due to increases in **revenue** **during** **information technology costs**, including **transition service costs**, **employee compensation costs**, and **advertising costs**, as compared to the **three** **prior year period**. The **increase** in **operating margin** **for the six months ended March 31, 2024** **June 30, 2024**, was primarily due to an **increase** in **revenue** and **decreases** **a decrease** in **advertising costs**, **and payment processing fees**, partially offset by **increases** in **employee compensation costs** **and information technology costs**, including **transition service costs**, **and bad debt expense** as compared to the prior year period.

RU total enrollment for the three months ended **March 31, 2024** **June 30, 2024**, was **13,500** compared **decreased** to **14,300** approximately **13,600** from **13,900** for the three months ended **March 31, 2023** **June 30, 2023**, a decrease of **800** **300**, or **5.6%** **2.2%**, driven by a **11.3%** **8.8%** decrease in **on-ground enrollment**, **enrollment**, partially offset by a **4.2%** **increase** in **online enrollment**, which has a **lower revenue per student**. RU total enrollment for the six months ended **June 30, 2024**, decreased approximately **3.9%**, driven by a **10.1%** **decrease** in **on-ground enrollment**, partially offset by a **2.1%** **increase** in **online enrollment**, as compared to the prior year period. We believe this **decline** in **enrollment**, which reflects the **year-over-year** **decline** in **on-ground enrollment** **with** **online enrollment** **remaining flat**, can be attributed to several factors, including caps on nursing student enrollment and low NCLEX pass rates at certain RU campuses, and the overall environment in which RU operates, including as a result of the effects of regulatory matters and competition. Excluding the **loss** **on** **leases** and **severance** **costs** in **2024** and the **non-cash** **impairment** **charge** **on** **goodwill** and **intangible** **assets**, and **marketing** **transition** **services** **fees** in **2023**, RU Segment operating margin improved to negative **16.9%** **15.0%** from negative **25.5%** for the three months ended **March 31, 2024** **June 30, 2024**, and improved to negative **13.2%** from negative **22.4%** **in** **21.7%** for the six months ended **June 30, 2024**, as compared to the prior year period. The improvement in the operating margin **for the three and six months ended June 30, 2024**, was primarily due to **decreases** in **advertising** and **marketing support** **costs** primarily related to the termination of the Collegis LLC, or Collegis, marketing contract during the three months ended **March 31, 2023**, and **decreases** in **depreciation** and **amortization** **expenses**, and **decreases** in **employee compensation costs** **during the three months ended March 31, 2024**, partially offset by the **impact** of **lower revenue** and the **loss** **on** **leases** in the **current year period**. **costs**.

HCN total enrollment for the three months ended **March 31, 2024** **June 30, 2024**, increased to approximately **3,300** from approximately **2,700** **3,000**, an increase of **600** **300**, or **20.5%** **9.4%**, as compared to the prior year period. HCN total enrollment for the six months ended **June 30, 2024** increased approximately **14.7%**, as compared to the prior year period. The increase in total student enrollment is primarily due to the opening of enrollment growth at the Detroit, Michigan campus in October 2022. For campus. HCN Segment operating margin decreased to negative **4.5%** from negative **1.6%** for the three months ended **March 31, 2024** **June 30, 2024**, HCN Segment operating margin and improved to negative **1.8%** **3.2%** from negative **9.9%** **in** **5.6%** for the six months ended **June 30, 2024**, as compared to the prior year period. The improvement **decrease** in the operating margin **is** **for** the three months ended **June 30, 2024**, was primarily due to increases

in employee compensation costs, classroom costs, information technology costs, and bad debt expense, partially offset by an increase in revenue, as compared to the prior year period. The increase in the operating margin for the six months ended June 30, 2024, was primarily due to an increase in revenue, partially offset by increases in employee compensation costs, classroom costs, and bad debt expense, as compared to the prior year period.

For a more detailed discussion of our results by reportable segment, refer to "Analysis of Operating Results by Reportable Segment" below.

Analysis of Consolidated Statements of Income

The following table sets forth statements of income data as a percentage of revenue for each of the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Unaudited)		(Unaudited)	
	(Unaudited)		(Unaudited)	
Revenue				
Revenue				
Revenue	100.0	%	100.0	%
Costs and expenses:				
Costs and expenses:				
Costs and expenses:				
Instructional costs and services				
Instructional costs and services				
Instructional costs and services				
Selling and promotional				
Selling and promotional				
Selling and promotional				
General and administrative				
General and administrative				
General and administrative				
Depreciation and amortization				
Depreciation and amortization				
Depreciation and amortization				

Impairment of goodwill and intangible assets
Loss on leases
Loss on leases
Loss on leases
Total costs and expenses
Total costs and expenses
Loss on disposals of long-lived assets
Total costs and expenses
Income (loss) from operations before interest and income taxes
Income (loss) from operations before interest and income taxes
Income (loss) from operations before interest and income taxes
Interest expense, net
Interest expense, net
Interest expense, net
Income (loss) from operations before income taxes
Income (loss) from operations before income taxes
Income (loss) from operations before income taxes
Income tax expense (benefit)
Income tax expense (benefit)
Income tax expense (benefit)
Equity investment loss
Equity investment loss
Income tax (benefit) expense
Equity investment loss
Net income (loss)
Net income (loss)
Net income (loss)
Preferred Stock Dividend

Preferred Stock Dividend					
Preferred Stock Dividend					
Net loss available to common shareholders	Net loss available to common shareholders	(0.8) %	(35.8)%	(0.7) %	(20.2)%
Net loss available to common shareholders					
Net loss available to common shareholders					

Three Months Ended March 31, 2024 June 30, 2024, Compared to Three Months Ended March 31, 2023 June 30, 2023

Revenue. Our consolidated revenue for the three months ended March 31, 2024 June 30, 2024, was \$154.4 million \$152.9 million, an increase of \$4.7 million \$5.7 million, or 3.2% 3.9%, compared to \$149.7 million \$147.2 million for the three months ended March 31, 2023 June 30, 2023. The increase in revenue was primarily due to a \$6.7 million \$3.5 million, or 9.0% 4.7%, increase in revenue in our APUS Segment, a \$3.3 million \$2.1 million, or 25.2% 15.0%, increase in revenue in our HCN Segment, partially offset by \$4.3 million a \$1.1 million, or 7.5% 2.0%, decrease increase in revenue in our RU Segment, and partially offset by a \$0.9 million \$1.0 million, or 17.2% 13.1%, decrease in GSUSA revenue included in Corporate and Other. The APUS Segment revenue increase was primarily due to a 2.8% 1.7% increase in net course registrations and tuition and fee increases implemented in the second and third quarters of 2023 and the second quarter of 2024, and the timing of course starts within the respective periods, as compared to the prior year period. The HCN Segment revenue increase was primarily due to a 20.5% 9.4% increase in total student enrollment as well as and a 5% tuition increase across all programs implemented during in the second quarter of 2023, as compared to the prior year period. The RU Segment revenue decrease increase was primarily due to an increase in tuition in the first quarter of 2024, which was partially offset by a 5.6% 2.2% decrease in total student enrollment driven by a 11.3% an 8.8% decrease in on-ground enrollment, with partially offset by a 4.2% increase in online enrollment, remaining flat, which has a lower revenue per student, as compared to the prior year period.

Costs and expenses. Costs and expenses for the three months ended March 31, 2024 June 30, 2024, were \$149.3 million \$150.7 million, a decrease of \$5.8 million \$61.8 million, or 3.7% 29.1%, compared to \$155.1 million \$212.5 million for the three months ended March 31, 2023 June 30, 2023. Costs and expenses for the three months ended March 31, 2024 June 30, 2024, include a \$2.9 million \$0.8 in pre-tax loss on leases in our RU Segment, \$0.5 million in severance costs related to the former president of GSUSA in Corporate and \$1.9 million Other, and the planned closure of the Wisconsin campuses in our RU Segment, and \$0.2 million in information technology transition service costs. costs in our APUS and HCN Segments as well as Corporate and Other. Costs and expenses for the three months ended March 31, 2023 June 30, 2023, include a non-cash impairment charge of \$64.0 million to reduce the carrying value of RU Segment goodwill and intangible assets and reflect the corresponding tax impact. Costs and expenses for the three months ended June 30, 2024, as compared to the prior year period, excluding loss on leases, severance costs, and information technology transition services costs in 2024 and goodwill and intangible asset impairment charges in 2023, increased \$0.7 million, due primarily to increases in other technology costs, advertising costs and bad debt expense, partially offset by decreases in depreciation and amortization expenses. Costs and expenses as a percentage

of revenue decreased to 98.5% for the three months ended June 30, 2024, from 144.3% for the three months ended June 30, 2023.

Instructional costs and services expenses. Our instructional costs and services expenses for the three months ended June 30, 2024, were \$76.2 million, an increase of \$1.2 million, or 1.6%, compared to \$75.0 million for the three months ended June 30, 2023. The increase in instructional costs and services expenses was primarily due to increases in employee compensation costs in our APUS and HCN Segments due to an increase in registrations at APUS and enrollments at HCN, as well as graduation event costs in our APUS Segment and classroom costs in our HCN Segment, partially offset by decreases in employee compensation costs in our RU Segment and Corporate and Other, and a decrease in professional fees in our APUS and RU Segments. Instructional costs and services expenses as a percentage of revenue decreased to 49.8% for the three months ended June 30, 2024, from 50.9% for the three months ended June 30, 2023.

Selling and promotional expenses. Our selling and promotional expenses for the three months ended June 30, 2024, were \$33.8 million, an increase of \$0.9 million, or 2.6%, compared to \$33.0 million for the three months ended June 30, 2023. The increase in selling and promotional expenses was primarily due to increases in advertising costs in all our segments and increases in professional fees and marketing support costs in our APUS and RU Segments, partially offset by decreases in employee compensation costs in our RU and APUS Segments. Selling and promotional expenses as a percentage of revenue decreased to 22.1% for the three months ended June 30, 2024, from 22.4% for the three months ended June 30, 2023.

General and administrative expenses. Our general and administrative expenses for the three months ended June 30, 2024, were \$34.4 million, an increase of \$1.9 million, or 5.8%, compared to \$32.5 million for the three months ended June 30, 2023. General and administrative expenses for the three months ended June 30, 2024, include \$0.2 million in information technology transition service costs in our APUS and HCN Segments as well as Corporate and Other. The increase in general and administrative expenses is primarily due to increases in information technology costs in all our segments, employee compensation costs in our RU and HCN Segments, and bad debt expense in our HCN and APUS Segments, partially offset by decreases in employee compensation costs in our APUS Segment and Corporate and Other and professional fees in Corporate and Other. Consolidated bad debt expense for the three months ended June 30, 2024, was \$4.3 million, or 2.8% of revenue, compared to \$3.9 million, or 2.7% of revenue in the prior year period. General and administrative expenses as a percentage of revenue increased to 22.5% for the three months ended June 30, 2024, from 22.1% for the three months ended June 30, 2023. As we continue to evaluate enhancements to our business capabilities, particularly in technology, we expect to incur additional costs and that our general and administrative expenses will vary from time to time.

Depreciation and amortization expenses. Depreciation and amortization expenses were \$5.2 million for three months ended June 30, 2024, compared to \$8.0 million in the prior year period, a decrease of \$2.7 million, primarily related to the full amortization of certain definite lived intangible assets in our RU Segment in 2023. Depreciation and amortization expenses as a percentage of revenue was 3.4% and 5.4% for the three months ended June 30, 2024, and 2023, respectively.

Impairment of goodwill and intangible assets. For the three months ended June 30, 2023, the non-cash impairment of goodwill and intangible assets of \$64.0 million resulted from the reduction of the carrying value of goodwill and intangible assets in our RU Segment and the corresponding tax impact. For additional information regarding the impairment of

goodwill and intangible assets, and a discussion of the potential for future impairment charges for goodwill and intangible assets, please refer to the discussion in "Note 5. Goodwill and Intangible Assets" included in the Consolidated Financial Statements in this Quarterly Report. There was no impairment of goodwill and intangible assets for the three months ended June 30, 2024.

Loss on leases. RU Segment loss on leases was \$0.8 million for the three months ended June 30, 2024. There were no losses on leases in the prior year period.

Loss on disposals of long-lived assets. The loss on disposal of long-lived assets was \$0.2 million for the three months ended June 30, 2024, compared to a loss of \$32,000 for the three months ended June 30, 2023.

Stock-based compensation expenses. Stock-based compensation expenses included in instructional costs and services, selling and promotional, and general and administrative expenses were \$1.8 million and \$2.1 million for the three months ended June 30, 2024, and 2023, respectively. The decrease in stock compensation for the three months ended June 30, 2024 compared to the prior period was primarily due to fewer shares granted in 2024 compared to 2023. Stock-based compensation costs include accelerated expense for retirement-eligible employees and performance stock unit incentive costs.

Interest expense, net. Interest expense, net of interest and other income, was \$0.8 million and \$1.1 million for the three months ended June 30, 2024, and 2023, respectively. The decrease in net interest expense was primarily due to the increase in interest income earned in the three months ended June 30, 2024, as compared to the prior year period.

Income tax (benefit) expense. We recognized an income tax benefit of \$16,000 and \$15.1 million for the three months ended June 30, 2024, and 2023, respectively, or a negative effective tax rate of 4.5%, compared to an effective tax rate benefit of 22.8%, respectively. The decrease in the effective tax rate in 2024 is primarily due to a decrease in non-deductible stock compensation of approximately \$0.2 million, partially offset by the \$1.1 million equity investment loss not deductible for tax purposes in the three months ended June 30, 2024. The income tax benefit for the three months ended June 30, 2023, includes a \$15.8 million income tax benefit related to the impairment of goodwill and intangible assets.

Equity investment loss. Equity investment loss due to the sale of our remaining equity method investment was \$1.1 million for the three months ended June 30, 2024, compared to equity investment loss of \$4,000 in the prior year period.

Net income (loss). Our net income was \$0.4 million, compared to a net loss of \$51.2 million, for the three months ended June 30, 2024, and 2023, respectively, an increase of \$51.6 million. This increase was related to the factors discussed above.

Preferred stock dividends. Preferred stock dividends were \$1.5 million for both the three months ended June 30, 2024, and 2023.

Net loss available to common stockholders. The net loss available to common stockholders was \$1.2 million and \$52.7 million for the three months ended June 30, 2024, and 2023 respectively, an improvement in net loss available to common stockholders of \$51.6 million. This improvement was related to the factors discussed above.

Six Months Ended June 30, 2024, Compared to Six Months Ended June 30, 2023

Revenue. Our consolidated revenue for the six months ended June 30, 2024, was \$307.3 million, an increase of \$10.4 million, or 3.5%, compared to \$296.9 million for the six months ended June 30, 2023. The increase in revenue was primarily due to a \$10.2 million, or 6.9% increase in revenue in our APUS Segment, and a \$5.5 million, or 19.9%, increase in revenue in our HCN Segment, partially offset by \$3.3 million, or 3.0%, decrease in revenue in our RU Segment, and a \$1.9 million, or 14.8%, decrease in GSUSA revenue included in Corporate and Other. The APUS Segment revenue increase was primarily due to a 2.3% increase in net course registrations, tuition and fee increases in the second and third quarters of 2023 and the second quarter of 2024, and the timing of course starts within the respective periods, as compared to the prior year period. The HCN Segment revenue increase was primarily due to a 14.7% increase in total student enrollment, and a 5% tuition increase across all programs implemented in the second quarter of 2023, as compared to the prior year period. The RU Segment revenue decrease, as compared to the prior year period, was primarily due to a 3.9% decrease in total student enrollment driven by a 10.1% decrease in on-ground enrollment, partially offset by a 2.1% increase in online enrollment, which has a lower revenue per student.

Costs and expenses. Costs and expenses for the six months ended June 30, 2024, were \$299.9 million, a decrease of \$67.6 million, or 18.4%, compared to \$367.5 million for the six months ended June 30, 2023. Costs and expenses for the six months ended June 30, 2024, include \$3.7 million pre-tax loss on leases in our RU Segment, \$2.0 million in information technology transition service costs in our APUS and HCN Segments as well as Corporate and Other, and \$0.5 million in severance costs related to the former president of GSUSA in Corporate and Other, and the planned campus closures of our campuses located in Wisconsin in our RU Segment. Costs and expenses for the six months ended June 30, 2023, include a non-cash impairment charge of \$64.0 million for our RU Segment and reflect the corresponding tax impact, and a pre-tax charge of \$2.4 million in transition services fees in our RU Segment selling and promotional expenses related to the termination of the marketing contract with Collegis effective January 31, 2023. Other decreases in costs Costs and expenses for the three six months ended March 31, 2024 June 30, 2024, as compared to the prior year period, were excluding loss on leases, information technology transition services costs, and severance costs in 2024, and goodwill and intangible asset impairment charges and marketing transition services fees in 2023, decreased \$7.5 million, due primarily to decreases in advertising costs, depreciation and amortization expenses and advertising and marketing support costs, and other technology costs, partially offset by increases in employee compensation costs. other technology costs and professional fees. Costs and expenses as a percentage of revenue decreased to 96.6% 97.6% for the three six months ended March 31, 2024 June 30, 2024, from 103.7% 123.8% for the three six months ended March 31, 2023 June 30, 2023.

Instructional costs and services expenses. Our instructional costs and services expenses for the three six months ended March 31, 2024 June 30, 2024, were \$72.4 million \$148.6 million, a decrease of \$1.5 million \$0.2 million, or 2.0% 0.2%, compared to \$73.9 million \$148.9 million for the three six months ended March 31, 2023 June 30, 2023. The decrease in instructional costs and services expenses was primarily due to decreases in employee

compensation costs in our RU Segment and Corporate and Other due to lower revenue, enrollments at RU and in Corporate and Other, GSUSA, decreases in technology costs and professional fees in our RU Segment, and payment processing costs in our APUS Segment, partially offset by increases in employee compensation costs in our APUS and HCN Segments due to an increase in registrations at APUS and enrollments at HCN. Instructional costs and services

expenses as a percentage of revenue decreased to 46.9% 48.4% for the six months ended June 30, 2024, from 50.1% for the three months ended March 31, 2024, from 49.4% for the three months ended March 31, 2023 June 30, 2023.

Selling and promotional expenses. Our selling and promotional expenses for the three six months ended March 31, 2024 June 30, 2024, were \$32.5 million \$66.3 million, a decrease of \$7.5 million \$6.6 million, or 18.7% 9.0%, compared to \$39.9 million \$72.9 million for the three six months ended March 31, 2023 June 30, 2023. Selling and promotional expenses for the three six months ended March 31, 2023 June 30, 2023, include \$2.4 million in transition services fees in our RU Segment related to the termination of the Collegis marketing contract, effective January 31, 2023. Other decreases in selling and promotional expenses were primarily due to decreases in advertising costs in all our segments, a decrease in RU and APUS Segments, marketing support costs in our RU Segment and Corporate and Other, and decreases in employee compensation costs in our RU Segment. Selling and promotional expenses as a percentage of revenue decreased to 21.0% 21.6% for the six months ended June 30, 2024, from 24.6% for the three months ended March 31, 2024, from 26.7% for the three months ended March 31, 2023 June 30, 2023.

General and administrative expenses. Our general and administrative expenses for the three six months ended March 31, 2024 June 30, 2024, were \$36.3 million \$70.7 million, an increase of \$2.8 million \$4.7 million, or 8.3% 7.1%, compared to \$33.5 million \$66.0 million for the three six months ended March 31, 2023 June 30, 2023. General and administrative expenses for the three six months ended March 31, 2024 June 30, 2024, include \$1.9 million \$2.0 million in information technology transition service costs. Other increases costs in our APUS and HCN Segments as well as Corporate and Other. The increase in general and administrative expenses were was primarily due to increases in employee compensation costs and professional fees in our RU and HCN Segments and professional fees other information technology costs in Corporate our APUS and Other, RU Segments, partially offset by a decrease in employee compensation costs in our APUS Segment and Corporate and Other. Consolidated bad debt expense for the three six months ended March 31, 2024 June 30, 2024, was \$4.2 million \$8.5 million, or 2.7% 2.8% of revenue, compared to \$3.9 million \$7.8 million, or 2.6% of revenue in the prior year period. General and administrative expenses as a percentage of revenue increased to 23.5% 23.0% for the three six months ended March 31, 2024 June 30, 2024, from 22.4% 22.2% for the three six months ended March 31, 2023 June 30, 2023. As we continue to evaluate enhancements to our business capabilities, particularly in technology, we expect to incur additional costs and that our general and administrative expenses will vary from time to time.

Loss on disposals of long-lived assets. The loss on disposal of long-lived assets was \$28,000 for the three months ended March 31, 2024, compared to a loss of \$1,000 for the three months ended March 31, 2023.

Depreciation and amortization expenses. Depreciation and amortization expenses were \$5.1 million \$10.4 million for three six months ended March 31, 2024 June 30, 2024, compared to \$7.8 million \$15.7 million in the prior year period, a decrease of \$2.6 million \$5.3 million primarily related to the full amortization of certain definite lived intangible assets in our RU Segment in 2023. Depreciation and amortization expenses as a percentage of revenue was 3.3% 3.4% and 5.2% 5.3% for the three six months ended March 31, 2024 June 30, 2024, and 2023, respectively.

Impairment of goodwill and intangible assets. For the six months ended June 30, 2023, the non-cash impairment of goodwill and intangible assets of \$64.0 million resulted from the reduction of the carrying value of goodwill and intangible assets in our RU Segment, and the corresponding tax impact. For additional information regarding the impairment of goodwill and intangible assets, and a discussion of the potential for future impairment charges for goodwill and intangible

assets, please refer to the discussion in "Note 5. Goodwill and Intangible Assets" included in the Consolidated Financial Statements in this Quarterly Report. There were no impairment charges on goodwill and intangible assets for the six months ended June 30, 2024.

Loss on leases. Loss RU Segment loss on leases was \$2.9 million \$3.7 million for the three six months ended March 31, 2024, for leases in our RU Segment. June 30, 2024. There were no losses on leases in the prior year period.

Loss on disposals of long-lived assets. The loss on disposal of long-lived assets was \$0.2 million for the six months ended June 30, 2024, compared to a loss of \$33,000 for the six months ended June 30, 2023.

Stock-based compensation expenses. Stock-based compensation expenses included in instructional costs and services, selling and promotional, and general and administrative expenses were \$1.9 million \$3.7 million and \$2.2 million \$4.3 million for the three six months ended March 31, 2024 June 30, 2024, and 2023, respectively. The decrease in stock compensation was due to fewer shares granted in 2024 compared to 2023. Stock-based compensation costs include accelerated expense for retirement-eligible employees and performance stock unit incentive costs.

Interest expense, net. Interest expense, net of interest and other income, was \$0.1 million \$0.9 million and \$1.8 million \$2.9 million for the three six months ended March 31, 2024 June 30, 2024, and 2023, respectively. The decrease in net interest expense was primarily due to the increase in interest income earned in the three six months ended March 31, 2024 June 30, 2024, as compared to the prior year period.

Income tax expense (benefit), expense. We recognized income tax expense of \$1.2 million for the three six months ended March 31, 2024 June 30, 2024, compared to an income tax benefit of \$1.4 million \$16.6 million in the prior year period, respectively, or an effective tax rate of 70.2% 57.4% in 2024, compared to an effective tax rate benefit of 19.8% 22.5% in 2023. The increase in the effective tax rate in 2024 is primarily due to the \$3.3 million \$4.4 million equity investment loss not deductible for tax purposes, and an increase in non-deductible stock compensation expense in relation to taxable income in the three six months ended March 31, 2024 June 30, 2024, as compared to the prior year period.

Equity investment loss. Equity investment loss was \$3.3 million \$4.4 million for the three six months ended March 31, 2024 June 30, 2024, compared to equity investment loss of \$5,000 \$9,000 in 2023. the prior year period. The increase is due to a \$3.3 million non-cash investment loss on a cost method an equity investment due to the investee entering into a new convertible debt agreement, which resulted in the conversion of the Company's our preferred

stock holdings in the investee into common shares, and the dilution of our ownership percentage, and a \$1.1 million loss on the Company's ownership percentage.

sale of the remaining equity method investment.

Net income (loss). Our net income was \$0.5 million \$0.9 million, compared to a net loss of \$5.7 million \$57.0 million, for the three six months ended March 31, 2024 June 30, 2024, and 2023, respectively, an increase improvement of \$6.3 million \$57.9 million. This increase was related to the factors discussed above.

Preferred stock dividends. Preferred stock dividends were \$1.5 million \$3.1 million, compared to \$2.9 million, for both the three six months ended March 31, 2024 June 30, 2024, and 2023, 2023, respectively.

Net loss available to common stockholders. The net loss available to common stockholders was \$2.2 million and \$59.9 million for the three six months ended March 31, 2024, was \$1.0 million, compared to June 30, 2024 and 2023, respectively, an improvement in net loss available to common stockholders of \$7.2 million in the prior year, an improvement of \$6.2 million \$57.7 million. This improvement in net loss available to common shareholders was related to the factors discussed above.

Analysis of Operating Results by Reportable Segment

The following table provides details on our operating results by reportable segment for the respective periods (in thousands):

	Three Months Ended March 31,		Six Months Ended June 30,	
	2024	2024	2023	2024
Revenue:				
Revenue:				
Revenue:				
APUS Segment				
APUS Segment				
APUS Segment				
RU Segment				
RU Segment				
RU Segment				
HCN Segment				
HCN Segment				
	(Unaudited)		(Unaudited)	
	(Unaudited)		(Unaudited)	

Revenue:

Revenue:

Revenue:

APUS Segment

APUS Segment

APUS Segment

RU Segment

RU Segment

RU Segment

HCN Segment

HCN Segment

HCN Segment
Corporate and Other
Corporate and Other
Corporate and Other
Total revenue
Total revenue
Total revenue
Income (loss) from operations before interest and income taxes:
Income (loss) from operations before interest and income taxes:
Income (loss) from operations before interest and income taxes:
APUS Segment
APUS Segment
APUS Segment
RU Segment
RU Segment
RU Segment
HCN Segment
HCN Segment
HCN Segment
Corporate and Other
Corporate and Other
Corporate and Other
Total income (loss) from operations before interest and income taxes
Total income (loss) from operations before interest and income taxes
Total income (loss) from operations before interest and income taxes

APUS Segment

For the three months ended **March 31, 2024** **June 30, 2024**, the **\$6.7 million** **\$3.5 million**, or **9.0%** **4.7%**, increase to approximately **\$80.7 million** **\$77.0 million** in revenue in our APUS Segment was primarily attributable to higher net course registrations, and tuition and fee increases in **2023**, the second and third quarters of 2023 and the second quarter of 2024, and the timing of course starts within the respective period, as compared to the prior year period. Net course registrations

increased 2.8% 1.7% to approximately 99,000 89,800 from approximately 96,300 88,300 in the prior year period, was primarily due to an increase in registrations by military-affiliated students utilizing TA education benefit programs administered by the VA. Income from operations before interest and income taxes decreased to \$18.3 million, or by 3.4%, during the three months ended June 30, 2024, from \$18.9 million in the prior year period, a decrease of \$0.7 million, as a result of an increase in expenses as compared to the same period in 2023.

For the six months ended June 30, 2024, the \$10.2 million, or 6.9%, increase to approximately \$157.7 million in revenue in our APUS Segment was primarily attributable to higher net course registrations, tuition and fee increases in 2023 and 2024, and the timing of course starts within the respective periods, as compared to the prior year period. Net course registrations increased 2.3% to approximately 188,800 from approximately 184,500 in the prior year period, primarily due to an increase in registrations by military-affiliated students utilizing VA. Income from operations before interest and income taxes increased to \$23.1 million \$41.4 million, or by 35.2% 14.9%, during the three six months ended March 31, 2024 June 30, 2024, from \$17.1 million \$36.0 million in the prior year period, an increase of \$6.0 million \$5.4 million, as a result of the increase in revenue, partially offset by an increase in expenses as compared to the same period in 2023.

RU Segment

For the three months ended March 31, 2024 June 30, 2024, the \$4.3 million \$1.1 million, or 7.5% 2.0%, decrease increase to approximately \$53.1 million \$53.0 million in revenue in the RU Segment was primarily due to a 5.6% an increase in tuition in the first quarter of 2024, partially offset by 2.2% decrease in total student enrollment which was driven by a 11.3% 8.8% decrease in on-ground enrollment, with partially offset by a 4.2% increase in online enrollment, remaining flat. which has a lower revenue per student, as compared to the prior year period. We believe this decline in enrollment, which reflects year-over-year declines in total nursing on-ground enrollment can be attributed to several factors, including caps on nursing student enrollment and low NCLEX pass rates at certain RU campuses, and the overall environment in which RU operates, including as a result of the effects of regulatory matters and competition. The loss from operations before interest and income taxes was \$9.0 million \$8.8 million and \$12.9 million \$77.3 million for the three months ended March 31, 2024 June 30, 2024, and 2023, respectively, an improvement of \$3.9 million \$68.4 million in the current year period. period primarily due to the \$64.0 million goodwill and intangible asset impairment charges recognized during the three months ended June 30, 2023.

For the six months ended June 30, 2024, the \$3.3 million, or 3.0%, decrease to approximately \$106.2 million in revenue in the RU Segment, as compared to the prior year period, was primarily due to a 3.9% decrease in total student enrollment which was driven by a 10.1% decrease in on-ground enrollment, partially offset by a 2.1% increase in online enrollment, which has a lower revenue per student, and an increase in tuition in the first quarter of 2024, as compared to the prior year period. We believe this decline on-ground enrollment can be attributed to several factors, including caps on nursing student enrollment and low NCLEX pass rates at certain RU campuses, and the overall environment in which RU operates, including as a result of the effects of regulatory matters and competition. The loss from operations before interest and income taxes was \$17.8 million and \$90.1 million for the six months ended June 30, 2024, and 2023, respectively, an improvement of \$72.3 million in the current year period primarily due to the \$64.0 million goodwill and intangible asset impairment charges recognized during the three months ended June 30, 2023.

HCN Segment

For the three months ended March 31, 2024 June 30, 2024, the \$3.3 million \$2.1 million, or 25.2% 15.0%, increase to approximately \$16.4 million in revenue in our HCN Segment was primarily due to year-over-year a 9.4% increase in total

student enrollment, as well as a 5% tuition increase across all programs implemented during the second quarter of 2023. Total student enrollment increased 20.5% to approximately 3,300 students in 2023, as compared to the same period in 2023. The increase in total student enrollment is primarily due to the opening of enrollment growth at the Detroit, Michigan campus in October 2022. The loss from operations before interest and income taxes was \$0.3 million \$0.7 million and \$1.3 million \$0.2 million during the three months ended March 31, 2024 June 30, 2024, and 2023, respectively, an increase of \$0.5 million, as compared to the prior year period.

For the six months ended June 30, 2024, the \$5.5 million, or 19.9% increase to approximately \$32.9 million in revenue in our HCN Segment was primarily due the 14.7% year-over-year increase in total student enrollment, and the tuition increase in the second quarter of 2023, as compared to the prior year period. The increase in total student enrollment is primarily due to enrollment growth at the Detroit, Michigan campus. The loss from operations before interest and income taxes was \$1.0 million and \$1.5 million during the six months ended June 30, 2024, and 2023, respectively, an improvement of \$1.0 million in \$0.5 million, as compared to the current prior year period.

Liquidity and Capital Resources

Liquidity

Cash and cash equivalents were \$153.2 million \$156.2 million and \$144.3 million at March 31, 2024 June 30, 2024, and December 31, 2023, respectively, representing an increase of \$8.9 million \$11.8 million, or 6.2% 8.2%. The increase in cash was primarily due to higher revenue and operating income at APUS, and the receipt of fourth quarter 2023 APUS TA billing in the first quarter of 2024, and a decrease in cash paid for repurchases of common stock, partially offset by the change in the APUS TA billing policy effective January 1, 2024, and higher capital expenditures, and an increase in cash paid for repurchases of common stock, expenditures. We have historically financed operating activities and capital expenditures with cash provided by operating activities. We expect to continue to fund our costs and expenses through cash generated from operations. For more on our material cash requirements from known contractual and other obligations, please refer to the section entitled "Contractual Obligations" in Item 7 of Part II of our Annual Report.

We derive a significant portion of our revenue from our participation in ED's Title IV programs, for which disbursements are governed by federal regulations. We have typically received disbursements under Title IV programs within 30 days of invoicing the applicable course or term. Effective January 1, 2024, APUS revised its billing policy for students utilizing TA, which previously ranged from two weeks to five weeks after course start date to nine weeks after the course start date. After the change in TA billing policy, these funds are generally received within 90 days of the start of the course to which they relate. Another significant source of revenue is derived from the U.S. Department of Veterans Affairs. Generally, these funds are received within 60 days of the start of the courses to which they relate.

ED evaluates institutions on an annual basis for compliance with specified financial responsibility standards, including a complex formula based on line items from the institution's audited financial statements. Generally, an institution's financial ratios must yield a composite score of at least 1.5 for the institution to be deemed financially responsible. A composite score between 1.0 and 1.4 is considered by ED to be in the "zone." An institution in the "zone" may still participate in the Title IV programs as a financially responsible institution through the "zone alternative" or the "financial protection alternative" as set forth in ED regulations. On March 4, 2024, ED notified us that in calculating our composite score for the fiscal year-ended December 31, 2022, it excluded our deferred tax assets from its calculation of our assets. As a result, ED calculated that we had a 2022 consolidated composite score of 1.1 and our institutions were therefore in the "zone." We disagree with ED's calculation and conclusion and submitted a rebuttal to ED on March 18,

2024. On April 10, 2024, ED issued a response to our rebuttal, indicating that ED does not agree it disagrees with our position and reiterating that our institutions must establish financial responsibility on an alternative basis. On April 17, 2024, we timely informed ED that although we continue to disagree with its composite score methodology with respect to deferred tax assets, we select the “zone alternative” as the alternative basis on which we establish financial responsibility. Under the zone alternative, we are required to: (i) make Title IV disbursements to eligible students and parents under the heightened cash monitoring payment method, or HCM1, pursuant to which we would be required to first make disbursements to eligible students and parents and pay any credit balances before we request or receive funds from ED for the amount of those disbursements; (ii) notify ED of certain events, such as an adverse action taken by any of our institution’s accreditors or state authorizing agencies; (iii) provide regular reports to ED relating to our institution’s current operations and future plans; and (iv) require our auditors to express an opinion on our compliance with the requirements under the zone alternative. While RU already complies with HCM1, if HCM1 had applied to APUS and HCN in 2023, we estimate that we would have received approximately \$6.2 million from ED at a point in time after we had disbursed the related funds.

Our Credit Agreement with Macquarie Capital Funding LLC, or the Credit Agreement, and the purchase agreement for the shares of Series A Senior Preferred Stock, or the Purchase Agreement, contain financial covenants that require us to maintain a Total Net Leverage Ratio (as defined in each respective agreement) of no greater than 2.00 to 1.00 and 0.75 to 1.00, respectively, subject to certain exceptions. Changes in TA invoicing in the fourth quarter of 2023 added to our accounts receivable as of December 31, 2023, as compared to prior practice and policy, and resulted in an increase to our leverage ratio as of December 31, 2023, under our Credit Agreement and the Purchase Agreement. As of March 31, 2024 June 30, 2024, the ratio decreased due to our improved operating results, including a decrease in accounts receivable primarily related to our APUS Segment, and an increase in our cash balance. Our and the \$2.6 million debt principal payment in the second quarter. As a result, our Total Net Leverage Ratio, under the Credit Agreement, at March 31, 2024 June 30, 2024, and December 31, 2023, was 0.33 0.23 and 0.51, respectively.

Capital expenditures could be higher in the future as a result of, among other things, additional expenditures for technology or other business capabilities, the maintenance of existing campuses at RU and HCN, the opening of new campuses at RU and HCN, the acquisition or lease of existing structures or potential new construction projects, and necessary tenant improvements that arise as a result of our ongoing evaluation of our space needs and opportunities for physical growth. We also expect to continue to explore opportunities to invest in the education industry, which could include purchasing or investing in other education-related companies or companies developing new technologies.

On April 1, 2024, as part of our technology transformation program, we transitioned to a managed service provider for certain services including service desk, end user support, and network support and operations. The second phase of the project will include the insourcing of technology from Collegis for our RU Segment and is expected to be completed this summer. in September 2024. For the three six months ended March 31, 2024 June 30, 2024, we incurred approximately \$1.9 million \$2.0 million in information technology transition service costs. We estimate that the remaining cost of the technology transformation will be approximately \$1.0 million for the remainder of 2024.

Share Repurchase Program

In January 2024, we repurchased 251,146 shares of common stock for an aggregate purchase price of \$2.8 million. Effective February 1, 2024, the Company we ceased purchases under this purchase authorization.

Operating Activities

Net cash provided by operating activities was **\$20.7 million** **\$33.2 million** and **\$12.8 million** **\$28.5 million** for the **three** **six** months ended **March 31, 2024** **June 30, 2024**, and 2023, respectively. The increase in cash from operating activities was primarily due to improved financial performance and changes in working capital due to the timing of receipts and payments. During the three months ended March 31, 2024, due to a change in the approach to invoicing TA in the fourth quarter of 2023, payments, including cash collected by APUS collected approximately **\$21.4 million** from TA related to periods prior to **2024**, 2024, partially offset by the change in the APUS TA invoicing policy effective January 1, 2024. Accounts receivable at **March 31, 2024** **June 30, 2024**, decreased approximately **\$6.4 million** **\$12.1 million** compared to December 31, 2023, primarily related to our APUS Segment. Accounts payable, accrued liabilities, and accrued compensation and benefits at **March 31, 2024** **June 30, 2024**, were approximately **\$2.6 million** **\$4.2 million** higher than December 31, 2023, primarily due to the timing of payment processing.

Investing Activities

Net cash used in investing activities was **\$6.2 million** **\$11.4 million** and **\$3.2 million** **\$6.6 million** for the **three** **six** months ended **March 31, 2024** **June 30, 2024**, and 2023, respectively. For the **three** **six** months ended **March 31, 2024** **June 30, 2024**, capital expenditures were **\$6.2 million** **\$11.4 million** compared to capital expenditures of **\$3.2 million** **\$6.6 million** for the **three** **six** months ended **March 31, 2023** **June 30, 2023**. The increase in capital expenditures for the **three** **six** months ended **March 31, 2024** **June 30, 2024**, was primarily due to campus relocations at our HCN and RU Segments and an increase in information technology capital expenditures.

Financing Activities

Net cash used in financing activities was **\$5.7 million** **\$9.9 million** and **\$2.8 million** **\$12.0 million** for the **three** **six** months ended **March 31, 2024** **June 30, 2024**, and 2023, respectively. The **increase** **decrease** in cash used in financial activities is primarily due to **an increase** **a decrease** in cash used to repurchase our common stock. For the **three** **six** months ended **March 31, 2024** **June 30, 2024**, we repurchased 251,146 shares of common stock for an aggregate purchase price of **\$2.8 million**, compared to **75,000** **1,335,357** shares for an aggregate purchase price of **\$0.4 million** **\$8.0 million** during the **three** **six** months ended **March 31, 2023** **June 30, 2023**.

Financing activities for the six months ended June 30, 2024, include **\$3.1 million** related to the payment of dividends on our preferred stock, **\$2.6 million** in principal payments on our long term debt, and **\$1.4 million** for the deemed repurchase of our common stock to satisfy minimum tax-withholding requirements in connection with the vesting of restricted stock.

Financing activities for the six months ended June 30, 2023, include **\$2.9 million** related to the payment of dividends on our preferred stock and **\$1.0 million** for the deemed repurchase of our common stock to satisfy minimum tax-withholding requirements in connection with the vesting of restricted stock grants.

Contractual Commitments

We have various contractual obligations consisting of operating leases and purchase obligations. Purchase obligations include agreements with consultants, contracts with third-party service providers, and other future contracts or agreements. For a summary of our contractual obligations, please refer to Item 7 of Part II of our Annual Report.

Outsourced information technology services under the Collegis information technology contract will continue until September 30, 2024, at which time we will complete the transition of information technology services currently provided by Collegis to our internal operations team and to one or more third-party vendors. The total minimum expenses for information technology services through September 30, 2024, is approximately \$4.7 million \$2.3 million.

In July 2024, RU entered into a contract with a third-party to provide nursing program curriculum upgrades and course materials, and testing services to nursing students, replacing an existing third-party provider. Total annual expense under this contract is estimated to be between approximately \$6.0 million and \$7.0 million annually through December 31, 2027, based on enrollment, such amount approximately equal to the prior third-party provider.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk

We had no material derivative financial instruments or derivative commodity instruments as of March 31, 2024 June 30, 2024. We maintain our cash and cash equivalents in bank deposit accounts, money market funds, and short-term U.S. Treasury bills. The bank deposits exceed federally insured limits. We have historically not experienced any losses in such accounts. We believe we are not exposed to any significant credit risk on cash and cash equivalents. Due to the short-term duration of our investment portfolio, the low yield on the portfolio, and the low risk profile of our investments, a 10% increase or decrease in interest rates would not have a material impact on the fair value of our portfolio.

Interest Rate Risk

We are subject to risk from changes in interest rates primarily relating to our investment of funds in short-term U.S. Treasury bills issued at a discount to their par value. Our future investment income will vary due to changes in interest rates.

In the normal course of business, we employ established policies and procedures to manage our exposure to changes in interest rates. For every 100 basis points increase in Term SOFR on our variable rate indebtedness, we would incur an incremental \$1.0 million in interest expense per year, excluding any offset from the interest rate cap agreement. To reduce our exposure to market risks from increases in interest rates on our variable rate indebtedness we entered into a hedging arrangement in the form of an interest rate cap agreement. The new interest rate cap agreement, as further discussed in "Note 7. Long-Term Debt" included in the Notes to the Consolidated Financial Statements in this Quarterly Report, provides us with interest rate protection in the event the one-month Term SOFR rate increases above 1.78% and has a December 31, 2024, termination date. As of March 31, 2024 June 30, 2024, the interest rate cap agreement hedged \$87.5 million of principal under our term loan.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) as of March 31, 2024 June 30, 2024. Based upon the evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2024 June 30, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we have been and may be involved in various legal proceedings. We currently have no material legal proceedings pending.

Item 1A. Risk Factors

An investment in our stock involves a high degree of risk. You should carefully consider the risks set forth in the “Risk Factors” section of our Annual Report and the other information set forth in this Quarterly Report on Form 10-Q, our Annual Report, and the additional information in the other reports we file with the SEC. If any of the risks contained in those reports actually occur, our business, results of operation, financial condition, and liquidity could be harmed, the value of our securities could decline, and you could lose all or part of your investment. With the exception of the following, there have been no material changes in the risk factors set forth in the “Risk Factors” section of our Annual Report.

Our subsidiary institutions’ failure to meet financial responsibility standards may result in additional regulatory requirements that may negatively impact cash flow or the loss of eligibility by one of our institutions to participate in Title IV programs.

To participate in Title IV programs, an eligible institution must satisfy specific measures of financial responsibility prescribed by ED or post a letter of credit in favor of ED, and possibly accept other conditions, such as provisional certification, additional reporting requirements, or regulatory oversight of its participation in Title IV programs. ED’s annual evaluations for compliance with financial responsibility standards include a composite score calculation based on line items from an institution’s audited financial statements. Generally, an institution’s composite score must be at 1.5 or above for the institution to be deemed financially responsible. Under certain circumstances, institutions with a composite score less than 1.5 may be able to establish financial responsibility on an alternative basis by complying with various conditions. A composite score between 1.0 and 1.4 is considered by ED to be in the “zone”. An institution in the “zone” may still participate in the Title IV programs as a financially responsible institution through the “zone alternative” or the “financial protection alternative” as set forth in ED regulations. For purposes of evaluating the financial responsibility of our institutions, including the composite score calculation, we supply consolidated financial statements to ED because ED does not review each of our institution’s financial statements separately. Failure to meet ED’s financial responsibility standards or being subject to zone alternative requirements could adversely affect our results of operations and our operations.

On March 4, 2024, ED notified us that according to its calculations, we had a 2022 consolidated composite score of 1.1 and our institutions were therefore in the “zone.” We disagree with ED’s calculation and conclusion and submitted a rebuttal to ED on March 18, 2024. On April 10, 2024, ED issued a response to our rebuttal, indicating that ED does not

agree with our position and reiterating that our institutions must establish financial responsibility on an alternative basis. On April 17, 2024, we timely informed ED that although we continue to disagree with its composite score methodology with respect to deferred tax assets, we select the “zone alternative” as the alternative basis on which we establish financial responsibility. Under the zone alternative, we are required to: (i) make Title IV disbursements to eligible students and parents under the heightened cash monitoring payment method, or HCM1, pursuant to which we would be required to first make disbursements to eligible students and parents and pay any credit balances before we request or receive funds from ED for the amount of those disbursements; (ii) notify ED of certain events, such as an adverse action taken by any of our institution’s accreditors or state authorizing agencies; (iii) provide regular reports to ED relating to our institution’s current operations and future plans; and (iv) require our auditors to express an opinion on our compliance with the requirements under the zone alternative. In addition, our institutions will be required to seek ED’s approval prior to adding educational programs or a new location at which the institution offers or will offer 50 percent or more of an educational program.

If our institutions are in the zone for three consecutive fiscal years, then in the fourth consecutive fiscal year they must achieve a composite score of at least 1.5. If they do not achieve that score, they will be required to comply with either the “provisional certification alternative” or the “financial protection alternative” as a condition of continued Title IV participation. Under the provisional certification alternative, each of our institutions would continue to participate in the Title IV programs under provisional certification and would be required to (i) provide ED with financial protection of at least 10% of the Title IV funding that the institution received during its most recently completed fiscal year, (ii) demonstrate that the institution was current on its debt payments and has met all of its financial obligations as required under the regulations for its two most recently completed fiscal years, and (iii) continue to comply with the zone alternative requirements. Under the financial protection alternative, each of our institutions would be required to provide financial protection of at least 50% of the Title IV funding that it received during its most recently completed fiscal year.

A determination that we are in the zone could also result in additional adverse regulatory and accreditor requirements and actions, including with respect to State Authorization Reciprocity Agreement, or SARA, eligibility. Institutions with composite scores below 1.5 do not qualify for approval from SARA unless, in the case of scores above 1.0, the home state exercises its discretion to consider additional financial information. Eligibility for SARA is determined separately for each of our institutions by the SARA portal agency in the institution’s home state. If the respective SARA portal agency for APUS, RU, or HCN were not to renew the institution’s approval due to a low composite score, we would need to obtain approval or exemptions in states in which the affected institution offers distance education programs or discontinue the affected institution’s offerings to students in such states. In addition, some states have adopted financial standards that are similar to ED’s composite score, which means an affected institution may be unable to obtain licensure in that state if it were to lose SARA participation. And, because composite scores are viewed as a measure of financial responsibility, other regulators or accreditors could more generally consider a composite score that is in the “zone” negatively, which could have an impact on their interactions with us and what they permit us to do.

An obligation to post a letter of credit, or to accept other conditions, such as a change in our system of Title IV payment from ED for purposes of disbursement, as a result of not meeting financial responsibility standards, could increase our costs of regulatory compliance, or affect our cash flow.

If we are unable to effectively market our programs or expand into new markets at APUS, our results of operations would be negatively affected.

Our marketing strategy for APUS traditionally focused on building long-term, mutually beneficial relationships with businesses, other organizations, and individuals in military, military-affiliated, and public service communities. We must continue to develop and expand marketing channels that attract college-ready students unaffiliated with the military who

may perform well at APUS, including given limitations on access to military students, as discussed further below under the Risk Factor that begins "If APUS does not have strong relationships with, and access to, various military installations...", and a continued focus on efforts to attract students outside of the military, including in order to maintain compliance with the 90/10 Rule. Rule, while continuing to attract military and military-affiliated students. However, we have experienced challenges attracting such students, and there is no assurance that we will be able to do so on a cost-effective basis or to prevent a further decline in non-military enrollments at APUS.

Furthermore, because APUS's tuition is generally lower than that of most of its competitors, it has fewer dollars to spend per student on marketing and advertising than its competitors. Our pricing structure and margin profile may limit the availability of financial resources to be used for marketing and enrollment in general. Nevertheless, we have tried to, and may in the future try to, implement new marketing tactics and channels, including those with which we have no experience, and there is no guarantee that our marketing and branding efforts will achieve the desired results. If we are unable to develop and optimize marketing and advertising programs that are effective in developing awareness of our institutions and the programs we offer and their value propositions and are unable to enroll and retain qualified students in military and non-military markets, our enrollments would suffer, and there could be a material adverse effect on our financial condition and results of operations.

In April 2024, APU announced its intention to expand its reach to become a global digital university that integrates emerging technologies and enhanced teaching and learning opportunities for faculty and students, adopted a new visual identity, a new tagline: Digital Learning for Real Life™, an expanded global focus, and a suite of digital student services. In connection with this transition and rebranding initiative, APU aims to provide students with highly collaborative learning experiences, AI-powered classroom support, and personalized digital services. This transition and rebranding initiative may be difficult to complete, divert management attention, and require us to expend resources and incur expenses. Additionally, despite APU's efforts, this transition and rebranding initiative may not yield increased enrollments, and, even if it does, any increased enrollments may not offset expenses we incur, and could potentially impact the mix of students attracted to APU, which could have a negative effect on our compliance with the "90/10 Rule." If APU fails to successfully rebrand into a global digital university or incurs substantial expenses in an unsuccessful attempt to do so, we may fail to attract new enrollments to the extent necessary to realize a sufficient return on our efforts. Accordingly, our business, results of operations, and financial condition could be impacted.

RU's planned and actual closure of campuses or termination of programs on certain campuses may adversely impact RU and us.

Effective July 1, 2024, RU closed its Lake Elmo, Minnesota campus and moved all enrolled students at the campus to RU's Eagan, Minnesota campus, which is located less than 10 miles from the Lake Elmo campus. There can be no assurance that students will find the transfer suitable. In addition, in May 2024, RU notified the Wisconsin Educational Approval Program, or EAP, that it intends to voluntarily close its Green Bay and Wausau, Wisconsin campuses, effective December 31, 2025, and 2026, respectively. Taken together, these actions are expected to directly impact approximately 90 students, or less than 1% of RU's current total enrollment.

RU's Bloomington, Minnesota ADN program had been subject to adverse action and heightened scrutiny from regulators as a result of a continued failure to meet applicable regulatory and accreditor requirements. In August 2023, RU decided to voluntarily pause new enrollments beginning in November 2023. On December 29, 2023, RU informed the Minnesota Board of Nursing, or MBN, that it intends to voluntarily close the Bloomington, Minnesota ADN program, effective June 15, 2024. The MBN approved the voluntary closure of the Bloomington, Minnesota ADN program at its

February 1, 2024 meeting. For all students enrolled in the Bloomington, Minnesota ADN program graduating after June 2024, their enrollment record was transferred to RU's St. Cloud, Minnesota ADN program. As of June 30, 2024, there are no longer any enrollments in this program.

As RU evaluates its other campuses and programs, it could make similar consolidation and closure decisions about other campuses or programs. The closure of RU's Green Bay and Wausau, Wisconsin and Lake Elmo, Minnesota campuses, its Bloomington, Minnesota ADN program, or any consolidation and closure of other campuses or programs may have an adverse impact on RU's enrollments and reputation, which could further impact RU's enrollments, operations, cash flows, and financial condition. Consolidation and closure decisions could also adversely impact online enrollment in the areas surrounding the closed campuses. In addition, any future consolidation and closure could have a more significant impact on RU's overall student body than these closures.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Repurchases

During the three months ended March 31, 2024, we repurchased shares of our common stock. The table and footnotes below provide details regarding our repurchase programs (unaudited):

	Total Number of Shares Purchased	Average Price Paid per Share	Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
January 1, 2024	—	—	—	—	8,752,961
January 1, 2024 - January 31, 2024	251,146	11.04	251,146	509,339	5,979,687
February 1, 2024 - February 29, 2024	—	—	—	509,339	5,979,687
March 1, 2024 - March 31, 2024	—	—	—	509,339	5,979,687
Total	251,146	\$ 11.04	251,146	509,339	\$ 5,979,687

	Total Number of Shares Purchased	Average Price Paid per Share	Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
January 1, 2024	—	—	—	—	8,752,961
January 1, 2024 - January 31, 2024	251,146	11.04	251,146	509,339	5,979,687
February 1, 2024 - February 29, 2024	—	—	—	509,339	5,979,687
March 1, 2024 - March 31, 2024	—	—	—	509,339	5,979,687
Total	251,146	\$ 11.04	251,146	509,339	\$ 5,979,687

April 1, 2024	—	—	—	—	5,979,687
April 1, 2024 - April 30, 2024	—	—	—	509,339	5,979,687
May 1, 2024 - May 31, 2024	—	—	—	539,789	5,979,687
June 1, 2024 - June 30, 2024	—	—	—	539,789	5,979,687
Total	—	\$ —	—	539,789	\$ 5,979,687

- (1) On December 9, 2011, our Board of Directors, or Board, approved a stock repurchase program for our common stock, under which we could annually purchase up to the cumulative number of shares issued or deemed issued in each year under our equity incentive and stock purchase plans. Repurchases may be made from time to time in the open market at prevailing market prices or in privately negotiated transactions based on business and market conditions. The stock repurchase program does not obligate us to repurchase any shares, may be suspended or discontinued at any time, and is funded using our available cash.
- (2) On May 2, 2019, our Board of Directors authorized the repurchase of up to \$35.0 million of shares of our common stock, and on December 5, 2019, our Board approved an additional authorization of up to \$25.0 million of shares. Further, on November 27, 2023, our Board approved an additional authorization of up to \$10.0 million of shares. We may purchase shares at management's discretion in the open market, in privately negotiated transactions, in transactions structured through investment banking institutions, or a combination of the foregoing. We may from time to time enter into Rule 10b5-1 plans to facilitate repurchases of shares under this authorization. The amount and timing of repurchases are subject to a variety of factors, including liquidity, cash flow, stock price, and general business and market conditions. We have no obligation to repurchase shares and may modify, suspend, or discontinue the repurchase program at any time. The authorization under this program is in addition to our repurchase program under which we may annually purchase up to the cumulative number of shares issued or deemed issued in that year under our equity incentive and stock purchase plan.
- (3) During the three month period ended **March 31, 2024** **June 30, 2024**, we were deemed to have repurchased **113,911** **1,825** shares of common stock forfeited by employees to satisfy minimum tax-withholding requirements in connection with the vesting of restricted stock grants. These repurchases were not part of the stock repurchase program authorized by our Board as described in footnotes 1 and 2 of this table.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

During the three months ended **March 31, 2024** **June 30, 2024**, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.1+	Transition and Release Agreement, dated June 13, 2024, by and among American Public Education, Inc., American Public University System, Inc. and Richard W. Sunderland, Jr. (1)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (1)(2)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (1)(2)
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (2)(3)
EX-101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
EX-101.SCH	Inline XBRL Taxonomy Extension Schema Document
EX-101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
EX-101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
EX-101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
EX-101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

+ Management contract or compensatory plan or arrangement

(1) Incorporated by reference to exhibit filed with the Company's Current Report on Form 8-K (File No. 001-33810) filed with the SEC on June 17, 2024.

(2) Filed herewith.

(2)(3) Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERICAN PUBLIC EDUCATION, INC.

/s/ Angela Selden

May 7, August 6, 2024

Angela Selden

President and Chief Executive Officer
(Principal Executive Officer)

/s/ Richard W. Sunderland, Jr.

May 7, August 6, 2024

Richard W. Sunderland, Jr.

Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

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EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, Angela Selden, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Public Education, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its

consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2024 August 6, 2024

By: /s/ Angela Selden

Name: Angela Selden

Title: President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, Richard W. Sunderland, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Public Education, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons

performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **May 7, 2024** **August 6, 2024**

By: /s/ Richard W. Sunderland, Jr.

Name: Richard W. Sunderland, Jr.

Title: Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

Written Statement of
Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

The undersigned, the Chief Executive Officer and the Chief Financial Officer of American Public Education, Inc. (the "Company"), each hereby certifies that, to the officer's knowledge on the date hereof:

- (a) the Form 10-Q of the Company for the period ended **March 31, 2024** **June 30, 2024** filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Angela Selden

Name: Angela Selden

Title: President and Chief Executive Officer

May 7, August 6, 2024

By: /s/ Richard W. Sunderland, Jr.

Name: Richard W. Sunderland, Jr.

Title: Executive Vice President and Chief Financial Officer

May 7, August 6, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to American Public Education, Inc. and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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