

Grand Canyon Education, Inc. (LOPE)

Q2 Review; Maintain Outperform

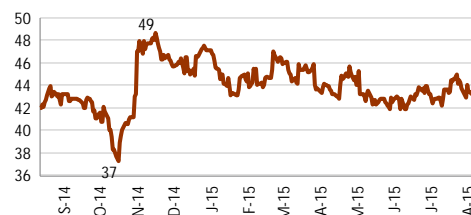
Maintain Outperform rating, but lowering price target, and expect shares to underperform in reaction, given: (1) a modest disappointment vs. expectations for both on-ground and online new enrollment; (2) reduced Q3 revenue guidance; and (3) increased H2E marketing spend. We expect these factors to disappoint investors relative to LOPE's track record of strong and consistent execution, but also believe it has strings to pull, and believe what we view as modest issues are "fixable" and being addressed. Buyers into expected weakness.

- **Q2 P&L likely materially in line with buyside expectations**, in our view, and slightly above formal consensus/guidance (LOPE has long-established track record of exceeding guidance).
- **Modest new enrollment disappointment vs. expectations both on-ground and online.**
 - Online new enrollment "up low-single-digit" rate y/y (slight deceleration from "mid-single-digit" rate last three quarters). July grew at "teens" rate following increase in marketing spend.
 - On-ground fall new enrollment roughly 250 students lower than management's prior expectations for each traditional on-ground (still up materially y/y), and on-site nursing (due to regulatory capacity constraint).
 - While shortfalls are relatively modest and in an industry where variance/shortfalls are common, we believe they will disappoint investors given LOPE's strong/consistent track record.
- **Q3 revenue guidance reduced ~0.8%**; slight, but again, we believe many investors previously viewed guidance as conservative. Q3 EPS guidance maintained, Q4 EPS guidance raised by \$0.01.
 - Guidance optics also impacted by making ~\$3mn payment (recognized as operating expense) in lieu of state taxes, with offsetting lower tax rate (~75% of offset recognized in Q3, ~25% recognized in Q4).
- **Pulling some strings:**
 - Increasing online tuition by 1%, effective September.
 - As referenced above, also increased marketing spend, and July y/y online new enrollment trend was materially improved.
- **Fine-tuning '15 estimates, reducing '16 estimates slightly.**
- **Notably, capex is expected to decline y/y in '16.**
- **Reducing price target to \$50.**
- **Wild card – comment on, but no formal update to "plan B" not-for-profit conversion.** While there was no formal update regarding the "plan B" evaluation of the potential conversion of the university to a not-for-profit entity (with a for-profit servicing arm) given that conversations with regulatory bodies and potential financing sources are ongoing, management alluded to the possible conversion potentially lowering its effective tax rate by "half or more." Management expects an update roughly within the "next 90 days."

Grand Canyon Education, Inc., is a regionally accredited provider of post-secondary education targeting four vertical markets: education, healthcare/nursing, business, and liberal arts.

LOWERING PRICE TARGET

1-Year Price Chart



Stock Data

Rating:	Outperform
Suitability:	Higher Risk
Price Target/Previous:	▼\$50/\$53
Price (8/10/15):	\$42.59
Market Cap (mil):	\$2,015
Shares Out (mil):	47.3
Average Daily Vol (mil):	0.22
Dividend Yield:	0.0%

Estimates

FY Dec	2014A	2015E	2016E
Q1	0.56 A	0.72 A	
Q2	0.49 A	0.55 A	
Q3	0.62 A	0.65 E	
Q4	0.70 A	0.79 E	
Fiscal EPS	2.37 A	2.71 E	2.92 E
Previous Est		2.70 E	2.97 E
Fiscal P/E	18.0x	15.7x	14.6x

Chart/Table Sources: Factset and Baird Data

**Please refer to Appendix
- Important Disclosures
and Analyst Certification**

Details

- Our **\$50 price target** reflects 17.1x our '16 EPS estimate, roughly in line with the three-year historical average NTM P/E of 16.9x, including 18.2x over the last two years (as high as 24.0x). While valuation represents a very modest PEG, total/on ground growth is very capex intensive.

2Q15 Details

Grand Canyon Education (NASDAQ - LOPE)										
Quarterly Results and Variance Sheet										
	Quarterly Results					Cons.		Percent of Revenue		
	Q2-15	Q2-14	Change	Baird	Variance	Cons.	Variance	Q2-15	Q2-14	Baird/
Net Revenues	\$ 174,726	\$ 158,594	10%	\$ 173,524	1%	\$ 173,100	1%			
Bad Debt	3,444	3,266		3,226				2.0%	2.1%	1.9%
Other Instructional Costs & Services	71,913	64,581	11%	72,186	(0%)					
Gross Profit	99,369	90,747	10%	98,112	1%			56.9%	57.2%	56.5%
Admissions, Advertising & Marketing	47,579	41,959	13%	44,694	6%			27.2%	26.5%	25.8%
General & Administrative	9,534	10,901	(13%)	11,453	(17%)			5.5%	6.9%	6.6%
Other	0	0	0%	0	0%			0.0%	0.0%	0.0%
EBIT	42,296	37,887	12%	41,965	1%			24.2%	23.9%	24.2%
Depreciation & Amortization	7,071	6,190	14%	7,071	0%			4.0%	3.9%	4.1%
EBITDA	49,327	44,077	12%	49,036	1%			28.2%	27.8%	28.3%
Other Exp (Inc)	(19)	(159)	(86%)	(350)	(95%)					
Pretax Income	42,237	37,728	12%	41,615	1%			24.2%	23.8%	24.0%
Taxes	16,461	14,659	12%	16,230	1%					
Tax Rate	39.0%	38.9%		39.0%						
Net Income (ex. items)	\$ 25,776	\$ 23,069	12%	\$ 25,385	2%			14.8%	14.5%	14.6%
EPS (ex. items)	\$ 0.55	\$ 0.49	0.06	\$ 0.53	0.02	\$ 0.53	0.02			
Diluted Shares	47,263	46,990	1%	47,601	(1%)					

Sources: Company Data and RW Baird Estimates

Solid 2Q15 results with revenue, EBIT, and EPS once again all above consensus, as well as our estimates, albeit with the beat slightly smaller than LOPE's stellar track record for the second consecutive quarter.

- **Revenue** increased 10% yoy to \$174.7mn, slightly above previous guidance for \$172.8mn, as well as our \$173.5mn estimate and the \$173.1mn consensus, driven by a 9% increase in total enrollment and slight increase in average revenue-per-student (benefit from one month of spring ground campus enrollment, offset partially by continued lower online RPS due to mix-shift).
- **EBIT** of \$42.3 million increased 12% y/y, and was 1% above our \$42.0mn estimate.
- **Operating margin** increased slightly y/y to 24.2% (+30bps y/y), above prior guidance for 23.5%, but in line with our modeled estimate.
- **EPS** of \$0.55 versus \$0.49 in 2Q14 (+11% y/y), above the prior \$0.52 guidance, as well as our in-line \$0.53 estimate, but reflecting a slightly smaller beat relative to LOPE's stellar track record.

Guidance

2015 guidance increased to account for Q2 upside and reduced share count, although with Q3 revenue guidance reduced slightly.

Grand Canyon Education (NASDAQ - LOPE)					
2015 Guidance vs. Baird/Cons. estimates (prior to 2Q results)					
	Guidance			Baird-est.	Consensus
	Initial	Prior	Current		
Revenue (mil)	\$771.0	\$772.1	\$772.6	\$775.1	\$773.7
EBIT (implied)	\$206	\$209	\$206	\$212.4	\$212.5
Operating margin	26.7%	27.1%	26.6%	27.4%	27.5%
Adj. EPS	\$2.62	\$2.66	\$2.70	\$2.70	\$2.69
Capital Expenditures (mil)		~\$192mn			

Sources: Company Data

- **3Q15:** Revenue of \$191.8mn vs. \$193.3mn previously; Operating Margin 24.7% (26.6% previously, although largely due to donation in lieu of state tax); EPS of \$0.65 maintained, although using 47.6mn shares vs. 47.9mn previously; and 75,600 total students (maintained).
- **4Q15:** Revenue of \$211.9mn (maintained); Operating Margin 28.4% vs. 28.9% previously; EPS of \$0.78 (vs. \$0.77 previously) using 47.9mn shares (vs. 48.1mn prev.); and 75,200 total students (maintained).

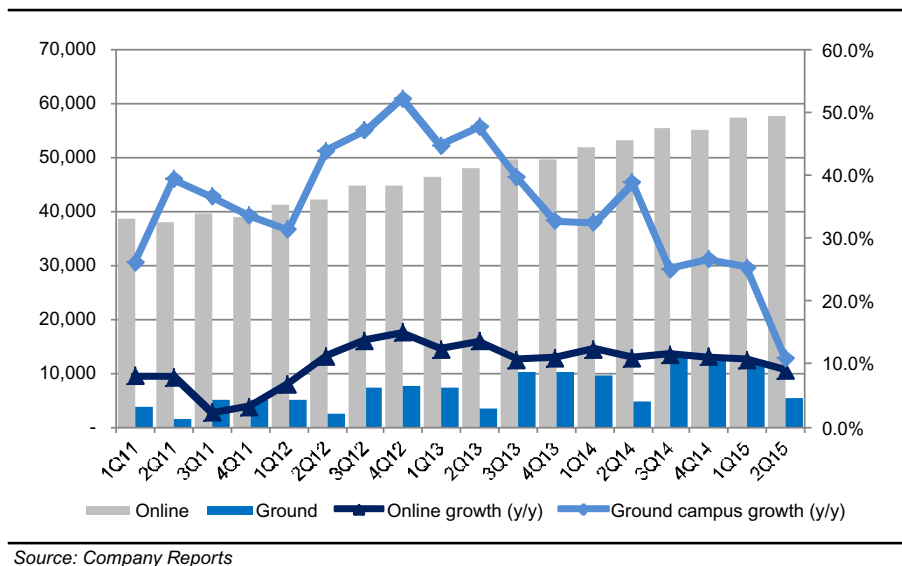
Enrollment

Grand Canyon Education (NASDAQ - LOPE)						
Enrollment Results						
	Quarterly Results			Baird Est.	Variance	
	Q2-15	Q2-14	Change			
Enrollment by Format						
Online	57,681	52,969	9%	58,266	(1%)	
Ground	5,254	4,738	11%	4,750	11%	
Enrollment by Degree						
Graduate	28,224	24,438	15%	-		
Undergraduate	34,771	33,269	5%	-		
Total Enrollment	62,935	57,707	9%	63,016	(0%)	
% of Total						
Online	92%	84%		92%		
Ground	8%	8%		8%		
Graduate	45%	39%		0%		
Undergraduate	55%	53%		0%		
Avg. Revenue/Student	\$ 2,776	\$ 2,748	1%	\$ 2,754	1%	

Sources: Company Data and RW Baird Estimates

- New student starts increased "low-single-digits", but deteriorated slightly sequentially vs. "mid-single-digit" growth over the past three quarters, although facing a more difficult y/y comp in 2Q14 ("high-single digits" vs. "low-single-digits" growth in 1Q14), and compared to a relatively small base of total new enrollments on a quarterly basis. Management believes the slight deceleration was largely timing related/short-term, with June new enrollments slightly below expectations, but April and May in line, and notably July trends reflecting sequential improvement ("up in the teens").
- Total enrollment increased 9% yoy to 62,935 students, maintaining strong yoy growth roughly in line with our 63,016 estimate.
 - Online enrollments increased 9% y/y to 57,681, but were slightly below our 58,266 estimate.
 - Ground enrollments continued solid growth +11% y/y to 5,254, and were above our 4,750 estimate due to better-than-anticipated summer ground enrollments.
 - By degree, graduate degree enrollments continued to show strong y/y growth increasing 15% vs. +17% y/y in Q1, while undergraduate enrollments remained solid, but decelerated on a sequential basis (+5% y/y vs. +10% y/y in Q1).

TOTAL STUDENT ENROLLMENT



Balance Sheet & Cash Flow

Grand Canyon Education (NASDAQ - LOPE)						
Balance Sheet & Cash Flow						
	Q2-15		Q1-15	Q/Q Chg.	Q2-14	Y/Y Chg.
Cash and Equivalents	\$ 134,243	\$ 187,171		(28%)	\$ 176,706	(24%)
Restricted Cash	\$ 63,696	\$ 57,875		10%	\$ 53,233	20%
Total Debt	\$ 83,703	\$ 85,314		(2%)	\$ 90,340	(7%)
Net Unrestricted Cash/Share	\$ 1.07	\$ 2.17			\$ 1.81	
Net Receivables	\$ 41,620	\$ 75,715		(45%)	\$ 81,264	(49%)
Current Deferred Revenue	\$ 107,304	\$ 112,356		(4%)	\$ 96,553	11%
Book value/share	\$ 11.50	\$ 10.92		5%	\$ 8.6	34%

Sources: Company Data and RW Baird Estimates

- **Cash and equivalents** of \$134.2 million down from \$176.7 million in 2Q14, and total debt of \$83.7mn down 7% y/y vs. \$90.3mn in 2Q14.
 - Net unrestricted cash of ~\$1.07/share.
- **Deferred revenue** of \$107.3 million up 11% y/y vs. \$96.6mn ytd in 2014.
- **Cash flow from operations:** \$81.7 million ytd in 2015, compared to \$89.4 million in 2Q14.
- **Cap ex:** \$111.9 million ytd (vs. full year guidance of ~\$192 million), up from \$82.0 million ytd in 2014.
- **Free cash outflow** of ~\$30 million ytd in 2015 compared to FCF of ~\$55.5 million ytd during 2014.

Investment Thesis

Strong growth opportunity. LOPE has now achieved more than three straight years of yoy new enrollment growth and retention has been increasing as well. We believe LOPE is capable of roughly 10%+ revenue growth and 12-15%+ EPS growth over the next 3-5 years as the company continues to build out its traditional campus while growing its online business.

Differentiated model. Although most students attend classes online, ~13,000 students attend the company's traditional four-year campus, with plans to expand enrollment at the traditional campus to up to 25,000 students at its West Phoenix traditional campus, and an additional 10,000 at its East Phoenix/Mesa campus (which is now expected to open in the fall of 2016 vs. fall 2015 previously). GCU supports 21 athletic teams and is a member of the D1 Western Athletic Conference (WAC), which we believe contributes to the non-traditional online student's ability to identify with the university, and has a non-denominational Christian affiliation, which further differentiates GCU from other private-sector schools. Importantly, profitability of on-ground students has been stronger than management originally expected (due largely to strong student retention), and the strength of the Grand Canyon brand (due in part to its traditional on-ground campus) has started to positively impact online enrollment.

Focus on quality. Grand Canyon focuses on the recruitment of high-quality students, with a minimum GPA of 3.0 and an average GPA of 3.5 for incoming campus-based students, which we believe enhances the Grand Canyon brand, including for online students and employers. By attracting higher-quality students, its students are also more likely to retain and graduate and are therefore more profitable, on average, over the long term. Furthermore, we believe that LOPE has significant pricing flexibility.

Regional accreditation. Grand Canyon is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. The institution was reaccredited in 2007 for the maximum term of 10 years. Regional accreditation is the most prestigious type of accreditation.

Risks & Caveats

Competition. The post-secondary education market is highly competitive. Competition is in the form of other for-profit higher education companies, as well as traditional non-profit two-year and four-year colleges and universities. Online programs are becoming increasingly competitive, with more competitive offerings coming from both for-profit and non-profit schools. Further, while LOPE's execution has been strong, the planned opening of a second ground campus in Mesa could add execution risk to its ground enrollment growth outlook.

Regulatory and accreditation risks. Providers of post-secondary education are subject to regulatory requirements as dictated by the Higher Education Act of 1965, and revenue comes primarily from federal government loans and grants. Higher education institutions participating in Title IV funding are required to be accredited by an association recognized by the U.S. Department of Education. Any change in accreditation status, and resulting loss of Title IV eligibility, could have a significant effect on the company's reputation and ability to attract students.

Lower ROIC as a result of ground campus investments. While we believe there are many benefits to the company's on-ground campus expansion, and management has stated that the profitability of on-ground students is on average higher than online students, the ground campus expansion requires significant capital expenditure, thus weighing on the ROIC of the on-ground students.

Company Description

Grand Canyon Education, Inc., founded in 1949 and headquartered in Phoenix, AZ, is a regionally accredited provider of post-secondary education. The company offers doctoral, master's, and bachelor's programs in four primary vertical markets: education, healthcare/nursing, business, and liberal arts. The institution primarily serves working adults seeking a flexible alternative to traditional schools, but has also been expanding enrollment at its traditional campus in Phoenix, AZ. Grand Canyon enrolls approximately 69,500 students, including roughly 80% enrolled online and 20% enrolled at its traditional campus.



Grand Canyon Education (NASDAQ - LOPE)

August 10, 2015
 Fiscal year ends: December
 Figures in \$000s, except percentages and per share data

Robert W. Baird & Co., Inc.
 Jeffrey P. Meuler, CFA / (414) 298-7694
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Income Statement	2010R	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15E	4Q15E	2015E	2016E
Revenue	\$ 385,825	\$ 426,741	\$ 511,257	\$ 142,030	\$ 141,463	\$ 152,399	\$ 162,443	\$ 598,335	\$ 167,432	\$ 158,594	\$ 175,056	\$ 189,973	\$ 691,055	\$ 194,127	\$ 174,726	\$ 191,818	\$ 211,958	\$ 772,630	\$ 844,188
Bad Debt	35,206	34,364	18,012	4,941	4,544	5,396	5,016	19,897	3,795	3,266	3,774	4,210	15,045	3,968	3,444	3,560	4,061	15,033	15,586
Other Instructional Costs & Services	143,838	160,437	202,391	55,056	54,662	57,908	62,955	230,581	66,883	64,581	67,940	74,342	273,746	74,719	71,913	76,727	84,783	308,143	338,277
Gross Profit	206,781	231,940	290,854	82,033	82,257	89,095	94,472	347,857	96,754	90,747	103,342	111,421	402,264	115,440	99,369	111,531	123,114	449,454	490,325
Gross Margin	53.6%	54.4%	56.9%	57.8%	58.1%	58.5%	58.2%	58.1%	57.8%	57.2%	59.0%	58.7%	58.2%	59.5%	56.9%	58.1%	58.1%	58.2%	58.1%
Admissions, Advertising, & Marketing	112,493	119,955	141,300	40,357	39,249	41,375	42,725	163,706	44,764	41,959	45,746	47,438	179,907	50,058	47,579	48,784	51,444	197,865	211,948
General & Administrative	26,621	29,043	35,502	8,051	8,978	9,035	10,870	36,934	8,554	10,901	11,640	10,447	41,542	9,396	9,534	15,085	11,022	45,036	44,748
Other	89	782	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBIT	67,578	82,160	114,052	33,625	34,030	38,685	40,877	147,217	43,436	37,887	45,956	53,536	180,815	55,986	42,256	47,663	60,648	206,552	233,629
EBIT Margin	17.5%	19.3%	22.3%	23.7%	24.1%	25.4%	25.2%	24.6%	25.9%	23.9%	26.3%	28.2%	26.2%	28.8%	24.2%	24.8%	28.6%	26.7%	27.7%
Interest / other income (expense)	(721)	(632)	(628)	(660)	(377)	(528)	(505)	(2,070)	(386)	(159)	(533)	(39)	(1,117)	(118)	(19)	(350)	(350)	(837)	(1,100)
Income before income taxes	66,857	81,528	113,424	32,965	33,653	38,157	40,372	145,147	43,050	37,728	45,423	53,497	179,698	55,868	42,237	47,313	60,298	205,715	232,529
Income tax expense	25,731	30,982	43,977	13,321	13,032	15,672	14,215	56,240	16,762	14,659	16,407	20,404	68,232	21,689	16,461	16,370	22,612	77,132	90,686
Effective Income Tax Rate	38.5%	38.0%	38.8%	40.4%	38.7%	41.1%	35.2%	38.7%	38.9%	38.9%	36.1%	38.1%	38.0%	38.8%	39.0%	34.6%	37.5%	37.5%	39.0%
Net Income (ex. items)	41,126	50,546	69,447	19,644	20,621	22,485	26,157	88,907	26,288	23,069	29,016	33,093	111,466	34,179	25,776	30,943	37,686	128,584	141,843
Nonrecurring gain (loss) - net of tax	(5,972)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GAAP Net Income	\$ 35,153	\$ 50,546	\$ 69,447	\$ 19,644	\$ 20,621	\$ 22,485	\$ 26,157	\$ 88,907	\$ 26,288	\$ 23,069	\$ 29,016	\$ 33,093	\$ 111,466	\$ 34,179	\$ 25,776	\$ 30,943	\$ 37,686	\$ 128,584	\$ 141,843
Weighted avg. shares outstanding	46,396	45,105	45,251	45,449	45,929	46,424	46,712	46,131	46,841	46,990	47,051	47,097	46,995	47,201	47,263	47,600	47,900	47,491	48,502
EPS (ex items)	\$ 0.89	\$ 1.12	\$ 1.53	\$ 0.43	\$ 0.45	\$ 0.48	\$ 0.56	\$ 1.93	\$ 0.56	\$ 0.49	\$ 0.62	\$ 0.70	\$ 2.37	\$ 0.72	\$ 0.55	\$ 0.65	\$ 0.79	\$ 2.71	\$ 2.92
Extraordinary items	(0.13)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GAAP EPS	\$ 0.76	\$ 1.12	\$ 1.53	\$ 0.43	\$ 0.45	\$ 0.48	\$ 0.56	\$ 1.93	\$ 0.56	\$ 0.49	\$ 0.62	\$ 0.70	\$ 2.37	\$ 0.72	\$ 0.55	\$ 0.65	\$ 0.79	\$ 2.71	\$ 2.92
% of Sales																			
Bad Debt	9.1%	8.1%	3.5%	3.5%	3.2%	3.5%	3.1%	3.3%	2.3%	2.1%	2.2%	2.2%	2.2%	2.0%	2.0%	1.9%	1.9%	1.9%	1.8%
Other Instructional Costs & Services	37.3%	37.6%	39.6%	38.8%	38.6%	38.0%	38.8%	38.5%	39.9%	40.7%	38.8%	39.1%	39.6%	38.5%	41.2%	40.0%	40.0%	39.9%	40.1%
Admissions, Advertising, & Marketing	29.2%	28.1%	27.6%	28.4%	27.7%	27.1%	26.3%	27.4%	26.7%	26.5%	26.1%	25.0%	26.0%	25.8%	27.2%	25.4%	24.3%	25.6%	25.1%
General & Administrative	6.9%	6.8%	6.9%	5.7%	6.3%	5.9%	6.7%	6.2%	5.1%	6.9%	6.6%	5.5%	6.0%	4.8%	5.5%	7.9%	5.2%	5.8%	5.3%
Pretax Margin	17.3%	19.1%	22.2%	23.2%	23.8%	25.0%	24.9%	24.3%	25.7%	23.8%	25.9%	28.2%	26.0%	28.8%	24.2%	24.7%	28.4%	26.6%	27.5%
Net Margin (ex items)	10.7%	11.8%	13.6%	13.8%	14.6%	14.8%	16.1%	14.9%	15.7%	14.5%	16.6%	17.4%	16.1%	17.6%	14.8%	16.1%	17.8%	16.6%	16.8%
% Change																			
Total Revenue	47.3%	10.6%	19.8%	21.3%	18.6%	14.1%	15.0%	17.0%	17.9%	12.1%	14.9%	16.9%	15.5%	15.9%	10.2%	9.6%	11.6%	11.8%	9.3%
Gross Margin	29.0%	12.2%	25.4%	23.7%	24.9%	16.9%	14.5%	19.6%	17.9%	10.3%	16.0%	17.9%	15.6%	19.3%	9.5%	7.9%	10.5%	11.7%	9.1%
Operating Income	27.5%	21.6%	38.8%	38.9%	34.0%	24.0%	22.9%	29.1%	29.2%	11.3%	18.8%	31.0%	22.8%	28.9%	11.5%	3.7%	13.3%	14.2%	13.1%
Pretax Income	29.3%	21.9%	39.1%	37.3%	32.8%	22.8%	22.3%	28.0%	30.6%	12.1%	19.0%	32.5%	23.8%	29.8%	12.0%	4.2%	12.7%	14.5%	13.0%
Net Income (ex. items)	33.2%	22.9%	37.4%	35.8%	32.2%	21.7%	25.1%	28.0%	33.8%	11.9%	29.0%	26.5%	25.4%	30.0%	11.7%	6.6%	13.9%	15.4%	10.3%
Average shares	2.0%	-2.8%	0.3%	0.7%	1.7%	2.4%	3.0%	1.9%	3.1%	2.3%	1.4%	0.8%	1.9%	0.8%	0.6%	1.2%	1.7%	1.1%	2.1%
EPS (ex. items)	30.6%	26.4%	37.0%	34.9%	30.0%	18.9%	21.5%	25.6%	29.8%	9.3%	27.3%	25.5%	23.1%	29.0%	11.1%	5.4%	12.0%	14.2%	8.0%

Source: Company reports and Robert W. Baird & Co. estimates.
 Please refer to "Appendix - Important Disclosures" and Analyst Certification.



Grand Canyon Education (NASDAQ - LOPE)

August 10, 2015

Fiscal year ends: December

Figures in \$000s, except percentages and per share data

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Revenue	2010	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15E	4Q15E	2015E	2016E
Revenue ('000)	385,825	426,741	511,257	142,030	141,463	152,399	162,443	598,335	167,432	158,594	175,056	189,973	691,055	194,127	174,726	191,818	211,958	772,630	844,188
% Change	47.3%	10.6%	19.8%	21.3%	18.6%	14.1%	15.0%	17.0%	17.9%	12.1%	14.9%	16.9%	15.5%	15.9%	10.2%	9.6%	11.6%	11.8%	9.3%
Enrollment Data																			
Online	36,817	38,734	43,222	46,258	47,785	49,584	49,580	48,302	51,944	52,969	55,218	55,060	53,798	57,450	57,681	59,635	59,465	58,558	62,657
Ground	2,914	3,875	5,592	7,301	3,415	10,330	10,078	7,781	9,657	4,738	12,904	12,746	12,746	12,102	5,254	16,000	15,804	12,290	14,257
Total student enrollment	39,731	42,608	48,815	53,559	51,200	59,914	59,658	56,083	61,601	57,707	68,122	67,806	67,806	69,552	62,935	75,635	75,269	70,848	76,914
% Change Y/Y																			
Online	25.1%	5.2%	11.6%	12.2%	13.4%	10.6%	10.9%	11.8%	12.3%	10.8%	11.4%	11.1%	11.4%	10.6%	8.9%	8.0%	8.0%	8.8%	7.0%
Ground	14.3%	33.0%	44.3%	44.6%	47.6%	39.5%	32.6%	39.1%	32.3%	38.7%	24.9%	26.5%	63.8%	25.3%	10.9%	24.0%	24.0%	-3.6%	16.0%
Total student enrollment	24.2%	7.2%	14.6%	15.7%	15.2%	14.7%	14.1%	14.9%	15.0%	12.7%	13.7%	13.7%	20.9%	12.9%	9.1%	11.0%	11.0%	4.5%	8.6%
Mix																			
Online	93%	91%	89%	86%	93%	83%	83%	86%	84%	92%	81%	81%	79%	83%	92%	79%	79%	83%	81%
Ground	7%	9%	11%	14%	7%	17%	17%	14%	16%	8%	19%	19%	19%	17%	8%	21%	21%	17%	19%
Enrollment Data																			
Graduate	16,997	17,579	18,762	20,217	21,208	22,394	22,476	21,574	23,770	24,438	26,007	26,319	25,134	27,767	28,224				
Undergraduate	22,734	25,030	30,052	33,342	29,992	37,520	37,182	34,509	37,831	33,269	42,115	41,487	38,676	41,785	34,771				
Total student enrollment	39,731	42,608	48,815	53,559	51,200	59,914	59,658	56,083	61,601	57,707	68,122	67,806	63,809	69,552	62,995				
% Change Y/Y																			
Graduate	15%	3%	7%	12%	17%	15%	16%	15%	18%	15%	16%	17%	17%	17%	15%				
Undergraduate	32%	10%	20%	18%	14%	14%	13%	15%	13%	11%	12%	12%	12%	10%	5%				
Total student enrollment	24%	7%	15%	16%	15%	15%	14%	15%	15%	13%	14%	14%	14%	13%	9%				
New Student Enrollment¹				MSD	MSD	10%+	LDD		LDD	HSD	MSD	MSD		MSD	LSD				
Mix																			
Graduate	43%	41%	38%	38%	41%	37%	38%	38%	39%	42%	38%	39%	39%	40%	45%				
Undergraduate	57%	59%	62%	62%	59%	63%	62%	62%	61%	58%	62%	61%	61%	60%	55%				
Average Enrollment				52,926	52,380	55,557	59,786		60,630	59,654	62,915	67,964		68,679	66,244	69,285	75,452		
% Change				17%	15%	15%	14%		15%	14%	13%	14%		13%	11%	10%	11%		
Average Revenue/Student				2,684	2,701	2,743	2,717		2,762	2,659	2,782	2,795		2,827	2,638	2,769	2,809		
% Change				3.3%	2.7%	-0.7%	0.5%		2.9%	-1.6%	1.4%	2.9%		2.4%	-0.8%	-0.5%	0.5%		

¹Reflects management commentary ("MSD" = mid-single digit, "LDD" = low double digit, etc.)

Please refer to "Appendix - Important Disclosures" and Analyst Certification.



Grand Canyon Education (NASDAQ - LOPE)

August 10, 2015

Fiscal year ends: December

Figures in \$000s, except percentages and per share data

Robert W. Baird & Co., Inc.

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Balance Sheet ('000)	2011	2012	2013	2014	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
Assets										
Cash and Equivalents	21,189	105,111	164,244	166,022	196,595	176,706	183,608	166,022	187,171	134,243
Restricted Cash	56,115	55,964	64,368	67,840	50,834	53,233	58,801	67,840	57,875	63,696
Net Receivables	11,815	7,951	7,217	7,605	7,384	8,515	8,289	7,605	6,689	8,158
Inventory	0	0	0	0	0	0	0	0	0	0
Other Current	26,295	45,148	27,874	25,578	23,126	22,680	24,473	25,578	26,346	24,980
Total Current Assets	115,414	214,174	263,703	267,045	277,939	261,134	275,171	267,045	278,081	231,077
Property Plant and Equipmen	189,947	269,162	339,596	478,170	365,499	416,242	469,294	478,170	527,729	588,275
Intangibles/Other	12,486	11,587	12,801	10,498	11,814	11,168	11,033	10,498	9,760	9,589
Total Assets	317,847	494,923	616,100	755,713	655,252	688,544	755,498	755,713	815,570	828,941
Liabilities and Equity										
Current Debt	2,209	6,688	6,696	6,707	6,609	6,701	6,704	6,707	6,710	7,138
Payables	18,523	14,174	24,231	22,715	27,967	33,290	32,925	22,715	34,316	36,410
Deferred Revenue	79,325	86,359	99,588	106,452	100,911	96,553	137,380	106,452	112,356	107,304
Accrued liabilities/Other	21,448	45,506	35,108	42,837	33,825	43,326	41,247	42,837	48,984	38,605
Total Current Liabilities	121,505	152,727	165,623	178,711	169,312	179,870	218,256	178,711	202,366	189,457
Long Term Debt & Lease	20,575	93,687	86,990	79,877	84,840	83,639	81,961	79,877	78,604	76,565
Deferred Revenue	0	0	0	0	0	0	0	0	0	0
Deferred Taxes/Other	12,474	14,450	18,643	20,893	20,205	17,742	15,791	20,893	21,411	19,592
Shareholders Equity	163,293	234,059	344,844	476,232	380,895	407,293	439,490	476,232	513,189	543,327
Total Liability and Equity	317,847	494,923	616,100	755,713	655,252	688,544	755,498	755,713	815,570	828,941

Balance Sheet Analysis	2011	2012	2013	2014	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
Total Debt/Total Capital	12%	30%	21%	15%	19%	18%	17%	15%	14%	13%
LT Debt/Equity	13%	40%	25%	17%	22%	21%	19%	17%	15%	14%
Current Ratio	0.9	1.4	1.6	1.5	1.6	1.5	1.3	1.5	1.4	1.2
Quick Ratio	0.3	0.7	1.0	1.0	1.2	1.0	0.9	1.0	1.0	0.8
Days Sales Outstanding	13	7	5	4	5	5	4	4	4	4
Working Capital	(6,091)	61,447	98,080	88,334	108,627	81,264	56,915	88,334	75,715	41,620
Book Value/Share	\$3.62	\$5.17	\$7.48	\$10.13	\$8.13	\$8.67	\$9.34	\$10.11	\$10.87	\$11.50
Cash/share	\$0.47	\$2.32	\$3.56	\$3.53	\$4.20	\$3.76	\$3.90	\$3.53	\$3.97	\$2.84

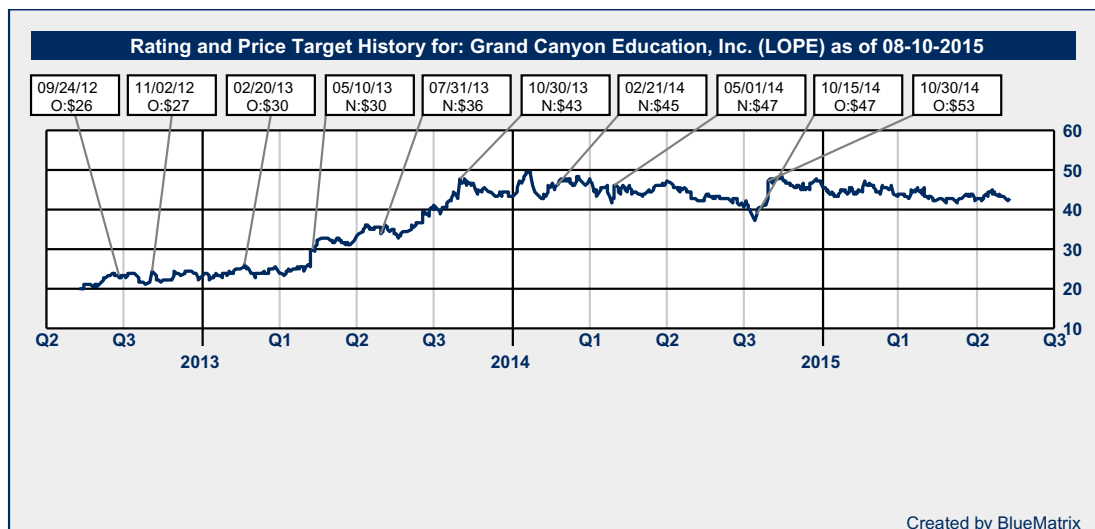
Cash Flow Statement	2011	2012	2013	2014
Net Income	50,546	69,447	88,907	111,466
+Dep. and Amortization	17,034	21,849	26,853	29,473
+Deferred Taxes/Other	23,467	47,186	(40,188)	18,587
-Working Cap. Changes	(3,085)	5,714	42,877	7,470
Cash Flow from Operations	87,962	144,196	118,449	166,996
-Capital Expenditures	(80,545)	(97,653)	(78,948)	(168,646)
Free Cash Flow	7,417	46,543	39,501	(1,650)
Shares (millions)	45,105	45,251	46,131	46,995
Operating Cash Flow/ Share	1.95	3.19	2.57	3.55
Free Cash Flow /Share	0.16	1.03	0.86	-0.04

Ratio Analysis	2011	2012	2013	2014
Net Margins (N/S)	11.8%	13.6%	3.0%	9.2%
Asset Turnover (S/A)	1.4	1.3	0.2	0.1
Leverage (A/E)	2.0	2.0	2.1	1.9
Return on Equity	34.8%	35.0%	1.0%	2.5%
Return on Assets	17.0%	17.1%	0.3%	1.2%
Return on Invested Capital	37.8%	36.4%	33.4%	33.2%

Valuation Measures	2011	2012	2013	2014	
Stock Price (fiscal year)	High	\$ 20.59	\$ 24.44	\$ 47.89	\$ 50.73
	Low	\$ 12.38	\$ 15.95	\$ 22.24	\$ 37.31
	12/31 Close	\$ 15.96	\$ 23.47	\$ 43.60	\$ 43.22
Historical P/E	High	18	16	25	21
	Low	11	10	12	16
Historical P/CF	High	125	24	56	-1445
	Low	75	16	26	-1063

Debt Adj. Market Value	2011	2012	2013	2014
Market Value	719,876	1,062,041	2,011,312	2,031,113
ST+LT Debt	22,784	100,375	93,686	86,584
<u>Cash & Equivalents</u>	<u>21,189</u>	<u>105,111</u>	<u>164,244</u>	<u>166,022</u>
Total Enterprise Value	721,471	1,057,305	1,940,754	1,951,675
EBITDA	99,194	135,901	174,070	210,288
EV/EBITDA	7.3	7.8	11.1	9.3

Appendix - Important Disclosures and Analyst Certification



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