

November 5th start.

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FY 2019 first quarter total revenue was \$16.0 million, compared to \$19.8 million in the prior-year first quarter. The Company's total academic segment revenue was \$15.4 million in the FY 2019 first quarter, compared to \$19.2 million in the prior-cash equivalents and investments of \$3.2million, restricted working capital deficit of \$5.4 million, long-term debt of \$7.2 million, and stockholders' equity

which is now centralized under one leadership team directing structure and oversight of the division and 2) improving retention through faculty engagement and content engagement in the classroom. We believe both are critical to the long-term viability of our institution, as well as to our ability to help our students achieve positive academic and career outcomes.”

Operating Initiatives

Dr. Shape continued, “As discussed in our year-end results, the Company continues actively exploring opportunities that will allow us to reduce our operating expenses through the consolidation of underutilized on-ground locations. Throughout this process, we have not forgotten that our students are our first priority. We believe the changes we have made to improve and expand upon the online and mobile services we offer to our students, as well as our commitment to engaging and retaining students, will result in their best possible outcomes. We have clearly defined our strategic objectives for FY 2019 and look forward to providing more students with the quality academic programming and support they have come to expect from NAU.

“We have now successfully liquidated six locations in total, two through cash buy-outs (Allen, TX and Tigard, OR) and four through lease terminations (Albuquerque East, NM; Colorado Springs North, CO; Wichita West, KS; and Watertown, SD). We are working in earnest to address the leases for several other locations that we have made the decision to consolidate and expect to see continued reductions in our operation lease obligation in the future.”

Opportunities with Other Institutions

Dr. Shape concluded, “In recent months, we have been approached by a number of institutions that have found themselves in the difficult position of needing to close their doors. Last month, we signed a transfer agreement with Harrison College, which operated 11 campuses in Indiana, Ohio, and North Carolina, whereby NAU is working to provide approximately 750 students with primarily online degree completion opportunities. The University accepted and enrolled approximately 250 students for its October 1st start, and additional students have registered for the November 5th start, which will have a positive impact on our enrollments in the current fall term. Given the current industry environment, we believe there will be other instances in the future where we will be able to leverage our existing infrastructure and brand recognition to assist displaced students in pursuing and ultimately achieving their educational goals.”

Operating Review

Enrollment Update

Total NAU student enrollment for the summer 2018 term was 4,974 students, compared to 5,917 during the prior summer term. Students enrolled in 45,860 credit hours, compared to 54,951 credit hours during the prior summer term. The current average age of NAU’s students continues to be in the mid-30s, with those seeking undergraduate degrees remaining the highest portion of NAU’s student population.

The following is a summary of student/credit hour enrollment at August 31, 2018, and August 31, 2017, by degree level and by instructional delivery method:

	August 31, 2018 (Summer '18 Term)		August 31, 2017 (Summer '17 Term)	
	No. of Students	% of Total	No. of Students	% of Total
Continuing Ed	7	0.1		

NATIONAL AMERICAN UNIVERSITY HOLDINGS, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS OF AUGUST 31, 2018

AND CONDENSED CONSOLIDATED BALANCE SHEET AS OF MAY 31, 2018

(In thousands, except share and per share amounts)

August 31,
2018

May 31,
2018

ASSETS

The following table provides a reconciliation of net loss attributable to the Company to LBITDA and Adjusted LBITDA:

	Three Months Ended August 31,	
	2018	2017
	(dollars in thousands)	
Net (Loss) Attributable to the Company	(\$4,954)	(\$3,828)
Net Income Attributable to Non-Controlling Interest	17	14
Interest Income	(31)	(20)
Interest Expense	283	209
Income Tax Expense (Benefit)	8	(241)
Depreciation and Amortization	1,054	1,206
(LBITDA)	<u>(\$3,623)</u>	<u>(\$2,660)</u>
Loss on lease termination and acceleration	43	362
Loss (gain) on impairment and disposition of property and equipment	554	(41)
Adjusted (LBITDA)	<u>(\$3,026)</u>	<u>(\$2,339)</u>

LBITDA consists of income attributable to the Company, less income from non-controlling interest, plus loss from non-controlling interest, minus interest income, plus interest expense (which is not related to any debt but to the accounting required for the capital lease), plus income taxes, plus depreciation and amortization. The Company uses LBITDA as a measure of operating performance. Adjusted LBITDA consists of LBITDA, plus loss on lease termination and acceleration and loss (gain) on impairment and disposition of property and equipment.