S&P Global
Market Intelligence

Universal Technical Institute, Inc. NYSE:UTI

FQ2 2024 Earnings Call Transcripts

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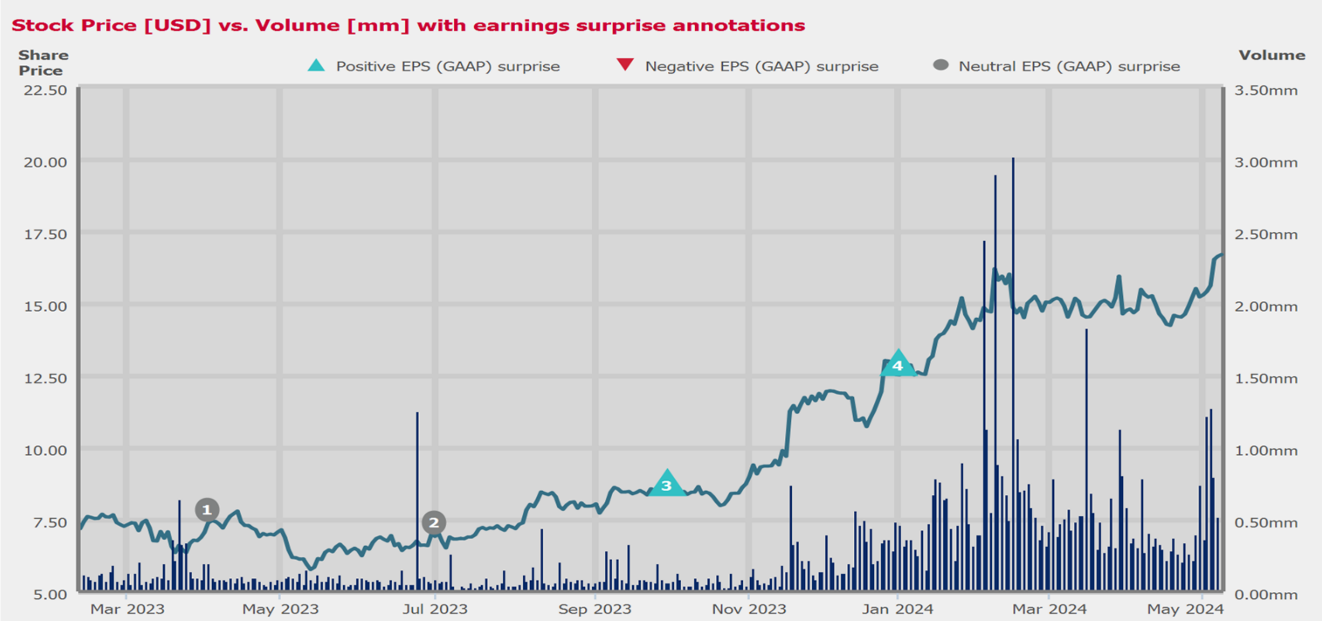
S&P Global Market Intelligence Estimates

	-FQ1 2024-	-FQ2 2024-			-FY 2024-	-FY 2025-
	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS
EPS (GAAP)	0.04	0.15	0.14	▼(6.67 %)	0.70	0.86
Revenue (mm)	169.50	177.16	184.18	▲3.96	715.83	752.27

Currency: USD
Consensus as of Apr-30-2024 7:21 AM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2023	(0.03)	0.04	NM
FQ3 2023	(0.11)	(0.05)	NM
FQ4 2023	0.07	0.10	▲42.86 %
FQ1 2024	0.04	0.17	▲325.00 %

Table of Contents

Call Participants

EXECUTIVES

Jerome A. Grant
CEO & Director

Matthew Kempton
Vice President of Corporate Finance

Troy R. Anderson
Executive VP & CFO

ANALYSTS

Alexander Peter Paris
Barrington Research Associates, Inc., Research Division

Eric Martinuzzi
Lake Street Capital Markets, LLC, Research Division

Michael John Grondahl
Northland Capital Markets, Research Division

Rajiv Sharma
B. Riley Securities, Inc., Research Division

Steven Bruce Frankel
Rosenblatt Securities Inc., Research Division

Presentation

Operator

Good day, and welcome to the Universal Technical Institute Second Quarter 2024 Earnings Conference Call. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Matt Kempton, Vice President of Corporate Finance. Please go ahead.

Matthew Kempton
Vice President of Corporate Finance

Hello, and welcome to Universal Technical Institute's Fiscal Second Quarter 2024 Earnings Call. Joining me today are CEO, Jerome Grant; and CFO, Troy Anderson. Following our prepared remarks, we will open the call for your questions. A replay of this call, its transcript, and our investor presentation will be archived on the Investor Relations section of our website at investor.uti.edu, along with our earnings release issued earlier today and furnished to the SEC.

During this call, we may make comments that contain forward-looking statements as defined in the Private Securities and Litigation Reform Act of 1995, which by their nature address matters that are in the future and are uncertain. These statements reflect management's current beliefs and expectations and are subject to a number of factors that may cause actual results to differ materially from those statements.

These factors include, but are not limited to those discussed in our earnings release and SEC filings. These statements do not guarantee future performance and, therefore, undue reliance should not be placed upon them. We do not intend to update these forward-looking statements as a result of new information or future developments, except as required by law.

Please note, unless otherwise stated, all comparisons in this call will be against our results for the comparable period of fiscal 2023. The information presented today also includes non-GAAP financial measures. These should be viewed in addition to and not as a substitute for the company's reported results prepared in accordance with U.S. GAAP.

All non-GAAP financial measures referenced in today's call are reconciled in our earnings press release to the most directly comparable GAAP measure. For more information regarding definitions of our non-GAAP measures, please see our earnings release, financial supplement, and investor presentation.

With that, I will turn the call over to Jerome Grant, CEO of Universal Technical Institute, for his prepared remarks. Jerome?

Jerome A. Grant
CEO & Director

Thank you, Matt. Good afternoon, everyone. We carried our operational momentum into the second quarter of 2024. Across our key metrics, we performed consistent with, and in most cases, better than our expectations. We had 5,480 new student starts in the quarter, which is an 18.5% increase. And our second quarter revenue grew 12.4% to $184.2 million. Both of these were above our expectations.

For profitability, net income was $7.8 million. Diluted earnings per share was $0.14, and adjusted EBITDA increased 17.8% to $22.6 million, all right in line with our expectations. Our performance through the first half of fiscal '24 continues to demonstrate the strength of our execution on our growth, diversification, and optimization strategy.

I'd like to thank our divisional and corporate teams for their continued leadership, as well as our faculty, staff, partners, and students for their hard work and commitment. As another point of pride, we were prominently featured in a recent Wall Street Journal article, How Gen Z Is Becoming the Toolbelt Generation.

The article highlights one of our welding graduates as a case study for young workers' increased interest in trade professions, or what we refer to as skilled collar jobs. This trend has received more visibility [off] late, including a recent study funded by the Gates Foundation that found that students are both increasingly skeptical about the ROI of a traditional 4-year college education, and are becoming more aware of their alternatives to college.

As traditional higher education enrollments decline, and as an older generation of skilled tradespeople retire, we believe we are optimally positioned to address the rising demand for technical training among the new generation of workers. Our advantage also extends to the healthcare fields we serve, which has experienced even greater job demand momentum.

According to the U.S. Bureau of Labor Statistics, job growth in healthcare support occupations is projected to outpace all other occupational groups, growing at an estimated 15.4% between 2022 and 2032. So, as we welcome and train the next generation of students in both divisions, facilitating superior graduation rates and employment outcomes remains core to our growth strategy.

I'd now like to review the recent performance and highlights by division. Starting with our healthcare division, Kevin Prehn and his Concorde division have continued to outperform our growth expectations, with student start growth of approximately 17% and revenue growth of 8%.

Concorde's newest program rollouts came in ahead of schedule as the necessary regulatory approvals for the 2 planned dental hygiene programs were obtained in February and the programs officially started in April. Combined, these programs had approximately 50 students in their first cohorts. Concorde also continues to make progress with the expansion of its San Diego dental hygiene program, which remains on track to launch later this year.

As Troy will discuss later in the call, [start] performance also benefited from our new phlebotomy and sterile processing technician programs. Market demand remains impressive for Concorde's growing core and clinical program offerings. For division more broadly, Kevin and his team have continued to identify and execute on optimization and efficiency opportunities, as well as evaluate other growth avenues, such as expanded online offerings and additional program expansions.

The team at Concorde is also focused on deepening and expanding their partnership network. These relationships not only benefit graduates' employment opportunities, but also enhance the accessibility and affordability of Concorde's programs. One great partner example is Marquis Companies, a fifth-generation family-owned senior living healthcare company based in Portland, Oregon.

For the last 3 years, Marquis has partnered with Concorde to meet the growing demand for workers. Marquis subsidizes tuition for its employees who want to upskill to become vocational or practical nurses, with tuition subsidies ranging from 25% to 100% based on the student's commitment to stay with the company. We appreciate Marquis' generous support of our students and look forward to making additional partnership progress.

The UTI division also had a strong quarter, with year-over-year student start and revenue growth of approximately 20% and 15% respectively. From a program standpoint, Tracy Lorenz and her team, are making great progress on the second phase of the division's program expansions. 2 of the 4 heating, ventilation, air conditioning, and refrigeration program expansions, which we announced last fall, are now enrolling students at the Avondale and Long Beach campuses. These classes are expected to begin in June and July respectively.

As for UTI's other 2 HVAC program expansions, the Bloomfield campus is now enrolling students, with the first cohort expected to start in September, while the Sacramento campus is on track to start its first cohort of students early next year, pending regulatory approval.

The other 14 new programs, which were launched primarily in late fiscal 2023, have continued to grow nicely, with over 550 combined new student starts between Q4 last year and Q2 this year. Market demand for these new programs continues to build, and we remain confident in having at least 1,000 new students starts in these programs this fiscal year.

As we've also discussed on previous calls, the most recent program launches are just the first step towards expanding the MIAT sourced aviation, skilled trades and energy programs across the UTI division footprint. Unification process of UTI's division's 2 Houston operations into a single campus remains on track to complete later this calendar year, with the phase transition process now underway.

The Houston unification project is a prime example of our strategic focus on optimization, which is designed to drive greater operating efficiencies while enhancing the student experience and outcomes. The UTI team has also grown the division's extensive partnership base.

During the second quarter, UTI announced a new partnership with Hawaiian Airlines and continued to expand its employment program partners. The division has also announced a 5-year renewal of alliance with Interstate Batteries, a leading automotive replacement battery brand, and the exclusive battery provider to all UTI automotive, diesel, and marine technician training programs across our footprint. We appreciate this long-running alliance and look forward to building on the division's industry relationship for years to come.

Turning to our expectations for the balance of 2024 and thoughts on fiscal 2025. We are announcing positive adjustments to our starts, revenue, and profitability guidance for 2024. For new student starts, based on our results to-date and expectations for the upcoming quarters, we now feel confident in increasing our prior range to between 25,500 and 26,500 starts for this fiscal year.

We also expect to generate between $720 million and $730 million in revenue and between $102 million and $104 million in adjusted EBITDA for the fiscal year. Troy will provide additional layers of commentary on these adjustments and expected quarterly phasing for the second half of the year.

With our confidence in our strategy and solid execution in 2024, we've developed our initial projections for fiscal 2025. Based upon our currently announced program expansions, low to mid-single-digit baseline student start growth, and currently planned optimization initiatives, we're estimating 2025 revenue of nearly $800 million, with approximately 10% year-over-year growth and adjusted EBITDA margin of approximately 15%, which represents at least 100 basis points in margin expansion.

With our robust and proven multidivisional model, we are well-positioned for continued growth, diversification, and optimization.

I'd now like to turn the call over to Troy, to review our financial results and our guidance in more depth. Troy?

Troy R. Anderson
Executive VP & CFO

Thank you, Jerome. We continue to deliver positive operational and financial performance through the second quarter, meeting or exceeding expectations across our key metrics. As an important reminder, this marks the first quarter with a full year-over-year comparison for Concorde since we closed the acquisition in December 2022.

For new student starts, we saw double-digit year-over-year growth from both divisions during the quarter, where we delivered 5,480 total starts, representing 18.5% growth, which was above our expectations. UTI Division delivered 2,840 new student starts and grew 19.6%. Same campus, same program growth was a big contributor, and we continue to see the benefits from our new program launches.

Concorde division delivered 2,640 new student starts and grew 17.2%. We also saw strong same-campus same-program growth with Concorde, with a modest contribution from the recent new program launches, as the start cohorts are smaller and less frequent than those of the UTI programs.

Technical starts grew 24.9%, while core starts grew 12.4%. Both reflect the benefits of increased marketing investments and grant programs. Additionally, as Jerome mentioned, our core program start growth includes contributions from the phlebotomy and sterile processing technician programs, which are shorter [cash pay] programs we are working to expand across the Concorde campus footprint.

We look ahead to the third and fourth quarters. I'm sure many of you have heard about the Department of Education's FAFSA simplification initiative and recent challenges with the implementation. We are keeping a watchful eye on these developments and doing everything we can to support our students, as we jointly navigate through the new process. This is particularly important for our incoming high school students.

Turning to our financial results. Revenue on a consolidated basis was $184.2 million, which also exceeded our expectations and reflects an increase of 12.4% year-over-year. UTI division's revenue of $123.3 million increased 14.7%, and Concorde's revenue of $60.9 million increased 8.2%.

Consolidated net income was $7.8 million, which more than doubled versus the prior year quarter. This translated to $0.14 of diluted earnings per share, which now reflects the full benefit of the December 2023 preferred share conversion. At the end of the second quarter, we had 53.8 million total shares outstanding.

Adjusted EBITDA was $22.6 million, an increase of 17.8% year-over-year. Overall, our profitability performance was in line with our expectations and continues to reflect the improved operating leverage associated with our growth in students and revenue, as well as cost efficiencies as we generate higher yield from our growth investments and optimization efforts.

As of the end of the second quarter, our total available liquidity was $145.1 million, which includes $29 million of available capacity from our revolving credit facility. As I noted last quarter, we are now managing the revolver to maintain a modest level of positive working capital at the end of each quarter, which translated to a net paydown of $19 million for the quarter.

We continued to pace ahead of last year in terms of operating and adjusted free cash flow generation, which reflects our improved profitability and lower level of growth investments in CapEx spend. Year-to-date operating cash flow was $8.3 million, and adjusted free cash flow was $3.7 million. Year-to-date capital expenditures were $9.8 million.

Our CapEx spend has been running lighter than planned during the first half of the year, and we expect it to be higher in the second half. Overall, we believe we have ample liquidity to fund continued organic growth initiatives, such as additional program expansions and new campuses.

As Jerome mentioned, we are positively adjusting our new student start, revenue, and profitability guidance for fiscal year 2024, reflecting our current visibility and continued confidence in our execution.

The updated guidance ranges are as follows. Total new student starts of 25,500 to 26,500, a 1,000 start increase to the midpoint. Total revenue of $720 million to $730 million, which increases the midpoint by $10 million. Net income of $37 million to $41 million, an increase of $1 million to the midpoint. Diluted earnings per share of $0.68 to $0.73, an increase of $0.01 at the midpoint.

Total adjusted EBITDA of $102 million to $104 million, which narrows the range and increases the midpoint by $1.5 million. This translates to adjusted EBITDA margin of 14.2% at the midpoint, or roughly 350 basis points of margin expansion versus last year. We remain highly confident in our prior adjusted free cash flow guidance of $62 million to $66 million, which includes total CapEx spend of approximately $30 million.

We will continue to evaluate our guidance throughout the remainder of the year as we gain further insight into our actual and expected performance and make adjustments accordingly.

As far as phasing expectations over the next 2 quarters, for new student starts, we expect low to mid-single-digit growth each quarter, slowing from what we've seen the first 2 quarters as we begin to lap the many initiatives in the UTI program expansions we implemented last year, with a smaller relative impact from both the UTI and Concorde new program expansions launching this year.

For revenue, we expect low double-digit growth each quarter, reflecting the ongoing ramp of our recent program expansions, and the student start growth momentum we are seeing in both divisions. As a reminder on seasonality, we typically see revenue decrease from the second to third quarter, and then measurably increase in the fourth quarter as a result of higher start volumes and growth in the student population. This is more pronounced for UTI than it is for Concorde.

Earning to net income, diluted earnings per share and adjusted EBITDA, we continue to expect significant year-over-year growth each quarter, with third quarter profitability down relative to the second quarter, similar to revenue, and the fourth quarter being the highest profitability quarter for the year by far.

Since our last earnings call, we've spent time evaluating the trajectory of the business as well as potential new growth investments over the next few years. While we don't have anything to announce on the latter point just yet, we are sharing our initial projections for fiscal year 2025, which Jerome also touched upon.

In that regard, we currently estimate revenue of nearly $800 million for the year, representing approximately 10% growth, and we estimate adjusted EBITDA margin of approximately 15%, or at least 100 basis points of margin expansion versus fiscal 2024.

These projections reflect the momentum we expect to carry out of fiscal 2024, based upon our updated guidance, our currently completed and announced program expansions, ongoing baseline new student start growth of low to mid-single-digits, and increasing the yield on our growth and optimization investments, as we gain further operating leverage and enhance the efficiency of our operational infrastructure.

While not considered official guidance, we feel it is important to provide a longer-term view to the investment community along with the rationale behind it. We expect to provide formal fiscal 2025 guidance in November, along with our fiscal 2024 results, consistent with our normal cadence. As always, we encourage everyone to review our press release, financial supplement, and investor presentation, as well as the 10-Q once it is filed, as these materials include the most current information on our consolidated and segment actual results, our strategic roadmap, and our guidance.

We are excited about our performance for the first half of the year, and believe we are entering the second half of fiscal 2024 on very sound footing. I would like to thank our team, students, partners, and investors for their continued engagement and support.

I'll now turn the call back over to Jerome for closing remarks.

Jerome A. Grant
CEO & Director

Thank you, Troy. In the coming quarters, we intend to make additional progress on our 3 strategic [tenets], growth, diversification, and optimization. We're actively pursuing organic initiatives in 3 primary ways. First, we are continuing to consider expansion of our campus locations into new geographies. We are also continuing to expand the geographic reach of our existing programs, as well as exploring adding new in-demand program offerings to our portfolio. And finally, we'll continue to add new partner relationships across our programs.

From an inorganic perspective, we remain active opportunistically in pursuing additional strategic M&A targets. As we discussed previously, we intend to bolster our healthcare presence, as well as program offerings to complement our current [Concorde] business.

Although we have nothing to announce today, we believe our current and future diversification pathways will strengthen our industry leadership, especially as market demand continues to grow across our fields. And of course, in the second half of 2024, we'll continue driving the key operational focus areas that you've come to expect.

These include ramping the most recent campus and program launches in both divisions to drive enrollment, revenue, and profitability growth, enhancing the yield of our marketing and admission investments to optimize lead generation and [inquiry] conversion, and optimizing our workforce and facilities utilization to drive greater program availability, margin expansion, and improved operating leverage.

To date, our company's strategic progress has enhanced our capabilities as a leading workforce solutions provider, all while maintaining our focus on facilitating superior outcomes for an expanding range of in-demand fields. We look forward to providing further updates on our exciting trajectory over the coming quarters.
And I'd now like to turn the call over to the operator for Q&A. Operator?

Question and Answer

Operator

[Operator Instructions] The first question comes from Alex Paris with Barrington Research.

Alexander Peter Paris
Barrington Research Associates, Inc., Research Division

Nice job on the quarter and on the guidance. So my first question is just a big picture within your operations. What's driving demand? We had headwinds, headwinds of COVID, headwinds of inflation, but those headwinds have apparently eased. Would you call it a tailwind at this point?

Jerome A. Grant
CEO & Director

Well, I'd say we're seeing momentum build. I think there's been a great deal of positive press about the ROI of skilled trades, especially as we enter the summer months, and people are making decisions about directions post high school. And so, we're seeing an environment that feels more favorable to considering alternatives like ours. And that's what we're hearing in the conversations and clearly that's what we're seeing in the numbers.

Alexander Peter Paris
Barrington Research Associates, Inc., Research Division

I'm hearing the same thing. Now as I recall on the fourth quarter call, we discussed that you significantly increased your presence in the high school market by adding field reps and you did something similar, although it's a smaller sales force [in] military. How has that been ramping?

Jerome A. Grant
CEO & Director

It's ramping well. As we said, this is the second year. So we've added the resources in high school last fall of 2022, and they really catch their stride as they move into their second year. They've got their relationships with counselors, with the teachers, with the students and begin to catch their stride. So we're seeing them do exactly what we needed them to do. Military is having a very good year, and we added 6 new military recruiters on the bases at that same time in 2022, and they're coming through quite nicely for us.

Troy R. Anderson
Executive VP & CFO

Yes, Alex, this is Troy. You can see in our financial supplement where we have the breakout on the new student start details, both military and high school. Actually all 3 of the channels were double-digits really the last 2 quarters in a row. So just strong performance across the board.

Alexander Peter Paris
Barrington Research Associates, Inc., Research Division

Yes, strongly double-digit. High teens, low 20s, I see that. And then just for orders of magnitude, what is the size of the high school rep group, and what is the size of the military rep group?

Jerome A. Grant
CEO & Director

We've got 24 recruiters in the military group that cover both transitioning service people as well as veterans, and then we've got in the low 150s, 152, 153 high school representatives.

Alexander Peter Paris
Barrington Research Associates, Inc., Research Division

And then, I just wanted to follow-up a little bit on the corporate partnerships. On the UTI side you've always had a lot of really high quality corporate partnerships. Sounds like you're adding and renewing those as well. What are the initiatives over on the Concorde side? As I recall, I don't believe they had as developed corporate partnerships than UTI did?

Jerome A. Grant
CEO & Director

Yes, I mean, UTI is an impressive group, [OEM] relationships, over 6,000 employer partners. And on the Concorde side, their B2B partnerships were really around clinical placements and relationships with hospitals and dental centers, and things along those lines for clinical placements.

But they weren't really as far along in terms of B2B relationships, for training relationships, upskilling relationships. Scholarship relationships was one of them we mentioned in there. And so, we've been adding resources on the Concorde side to focus on some of those things that have made UTI great for all these years.

Operator

And the next question comes from Eric Martinuzzi with Lake Street.

Eric Martinuzzi
Lake Street Capital Markets, LLC, Research Division

Yes, the 1,000 new students start bump up here. You talked about a little bit better on the new program timing. But just trying to bridge that upward revision to the new student starts. Is it more around just helping macro demand? Is it more around new program accelerated launches? What's just [pick] that apart [from]?

Troy R. Anderson
Executive VP & CFO

Sure, yes. This is Troy. Really, it's more the -- we've said all along -- and Jerome touched on demand in the first question, but we've said all along that our inquiry flow has been strong and really our focus has been on conversion rates against that inquiry flow. We continue to see very strong lead generation. We focus very heavily on the marketing efforts and the different tools available to us to maximize inquiry generation and high-quality inquiry generation.

With Concorde, we've invested more in marketing, and have seen great response there. So I'd say, a good portion of that uplift has been better performance on the Concorde side in response to some of the additional marketing investments there and then just overall just better conversion as we've been progressing through the year. We commented last quarter that we had a -- with the strong Q1 that we were flowing through the revenue lift there, and didn't have quite enough data at that point despite the strong start performance to raise guidance and now we're halfway through the year, and another very strong start quarter. And so, now we're at a point where we're comfortable doing that.

Eric Martinuzzi
Lake Street Capital Markets, LLC, Research Division

Okay. And then, given the inflationary pressures, originally inflation was a headwind for kind of the new student start, but I'd like to flip it around and just talk about the inflationary pressures in the business. You guys are talking about essentially at the midpoint here we'd be looking at, I guess the -- roughly a 20% to 25% incremental margin from the additional $75 million of revenue between your current FY '24 and your FY '25. It doesn't look like you're factoring -- I mean, it looks like you're factoring in some good margin expansion and I'm just curious, do you feel like those inflationary pressures and cost structure are not going to be a headwind?

Troy R. Anderson
Executive VP & CFO

Yes, I mean, we've touched on this in some prior calls too. I mean, we haven't seen that significant of an impact from inflationary pressures on the instructor workforce side. It tends to be more on the healthcare, given the larger adjunct population there and the pressure on wages in the healthcare space overall rippling into to our workforce.

We've seen some moderation, frankly, in some of the support organizations relative to what we were seeing last year or the year before, finance, IT organizations like that, as we've been growing some of those organizations along with the company. So we really -- and really our commodities and the like, we haven't really seen a ton of pressure there. A little bit here and there, again, when inflation was really spiking with things like welding supplies.

But -- so generally speaking, I'd say, given our cost structure, so much of it being labor and then marketing expense and then facilities, we haven't seen that much pressure on it. We do have investments that we're continuing to make and we've tried to factor that in a bit in the forward guide projection for next year, but really haven't factored in any excess inflationary pressure per se in that.

Eric Martinuzzi
Lake Street Capital Markets, LLC, Research Division

Okay. And the last question is on the Concorde expansion of the existing footprint. I think there was some Department of Ed hurdles, not hurdles, but anniversaries you needed to celebrate with sort of post-acquisition that you needed to own it for 12 months or so, prove that you're a responsible owner and then you could invest in growing the number of students at given campuses. Are we at that point yet?

Jerome A. Grant
CEO & Director

All right, well, let me let me sharpen that a bit, is that, we are absolutely growing the number of students at the Concorde campuses. One of the reasons for the momentum we're seeing is that we're seeing some extremely positive response to increased investment in marketing and admissions, and so, Concorde's doing quite well in terms of their growth on their campuses.

What we aren't able to do due to the growth restrictions imposed by the Department of Education post-merger, which is a standard operating practice in a merger, is we're not allowed to open a new campus and we're not allowed to start new programs that weren't previously approved before the merger. And so, what that really means is, you won't see a new Concorde campus until late '26 or '27 when those growth restrictions are scheduled to be lifted.

But in the meantime, we're working very diligently on filling those Concorde classes beyond where they had been filled before. You talk about margin expansion, and we've said this in the past, the fastest way to margin expansion is to fill more seats in a classroom, right, that are -- that may be empty. And so, we're working very hard to continue to expand those margins by expanding the representation in each classroom.

Eric Martinuzzi
Lake Street Capital Markets, LLC, Research Division

Yes, congrats on the quarter and the bright outlook for this year and '25.

Operator

And the next question comes from Raj Sharma with a B. Riley.

Rajiv Sharma
B. Riley Securities, Inc., Research Division

Solid results, beating [rays]. If I can start, could you explain the cadence of the new starts growth, [is] going from the high teens in the first half to, I think you indicated mid-single-digits in second half. Is that -- why is that drop happening again? Is that the new program ramps that have happened in the first half and not happening in second half?

Troy R. Anderson
Executive VP & CFO

Yes, correct Raj. this is Troy. The -- few factors. One is we do start to lap the UTI program expansions that started launching in July of last year. We'll still have some growth there on a year-over-year basis as they launch throughout the quarter and of course the first set of starts aren't usually as robust. We try and temper those a little bit just to get -- work out some of the kinks.

We also have just some seasonality effect of the Concorde clinical programs as far as the number of starts available given the programmatic accreditors and the frequency of starts that we can have within a given clinical program. And so, we have some fluctuation with that on a year-over-year basis and across the quarters. And then we implemented a number of initiatives. Jerome talked earlier about the reps in both military and high school hitting their stride.

Again, we're now coming to the end of year 2, so we're getting to a point where they're still driving increased productivity, but it's less on a relative basis than it was earlier in the year. We had implemented some pretty major changes in our adult -- or transformation in our adult lead flow and enrollment process that really was throughout 2023. So again, as we get into the back half of the year, that's a much more mature process.

And so just a number of different factors, frankly, that kind of all roll together, that we are getting a lift in the front half of the year because of those things still generating significantly more year-over-year and that becomes more normalized in the back half of the year.

Rajiv Sharma
B. Riley Securities, Inc., Research Division

And then for the fiscal '25 guidance, are you --what -- [I know] [you're] assuming mid-single-digit starts?

Jerome A. Grant
CEO & Director

Yes, our core projection, just clarification on that, the -- our baseline start growth, we've always said we believe we can generate low to mid-single-digit growth rate in starts, in any given environment. And so that's always our baseline starting point. We do have a little bit of flow through on the new programs that would be a bit incremental to that and we're launching for UTI, HVAC, our programs here in this latter part of the year and into next year the dental hygiene programs that we touched upon in our prepared remarks, launching.

And those are by the way only one start a year. And as we mentioned about 50 starts per year, so not huge drivers, but -- so we have some of that flow through from the new programs in addition to the baseline growth, but not significant.

Troy R. Anderson
Executive VP & CFO

And then the last point is, as you said in the past is that it really takes about 36 months for new campuses to ramp and Miramar and Austin hit that point throughout 2025. So that's the building blocks to what we said would likely be a double-digit increase in revenue and 100 basis points -- at least 100 basis points in margin expansion.

Rajiv Sharma
B. Riley Securities, Inc., Research Division

Great, that's really helpful. And then just, what is causing the EBITDA margin to expand next year? Is that purely operating leverage?

Troy R. Anderson
Executive VP & CFO

Well, it's operating leverage. We've -- again we added -- we had the growth and diversification strategy and now you hear us say growth, diversification and optimization. We've always had programs to optimize our operating model, but now we're driving a new level of that with our workforce optimization, more efficiency, productivity from a workforce perspective, more space, better space utilization so that we can expand programs in the future, which also drives some educational delivery optimization.

So it's a combination of operating leverage as well as just getting more efficient, as we continue to grow and scale and drive more optimization across the footprint, both in the UTI side as well as on the Concorde side. And again, we've always said too with the Concorde acquisition, which at the time of acquisition was an 8% margin, this year it'll be about 10%.

And we said we would drive that toward mid-teens through growth and through driving some of the consistent practices that we've previously implemented at UTI with centralization and more efficiency in various ways. And so that's also contributing towards that.

Operator

The next question comes from Steve Frankel with Colliers.

Steven Bruce Frankel
Rosenblatt Securities Inc., Research Division

You mentioned a couple cash pay programs at Concorde. Could you give us a little more details on that, and what kind of opportunities might you have on the UTI side, to create some cash pay programs there as well?

Troy R. Anderson
Executive VP & CFO

Yes, I'll add some. This is Troy. Steve, thanks for the question. The cash pay programs on the Concorde side, phlebotomy, sterile processing, they're really a subset of the of the MA program, the medical assistant program and there's demand for that in the market. They're 2 to 4 month programs, few thousand dollars. Usually employers may participate in that, or it's a quick start for somebody to get into the medical workforce.

And so, we've seen some demand for that in a number of different markets, continuing to look for more demand. So that's something the Concorde team -- and again back to your other question about the growth restrictions, something the Concorde team came up with as a way to generate some growth in lieu of a Title IV Department of Ed certified program.

It's an accredited program, so through our accreditors, but it doesn't require Department of Ed because we're not requiring Title IV funding for it. So, we'll continue looking at opportunities to expand those within the Concorde footprint.

On the UTI side, we're looking at different ways to try something similar. Nothing imminent by any means, but we've considered some other type of programs, whether a short welding program, an evening or a weekend, a few weekends -- for a few months and get somebody into the workforce again on a quicker basis, but we're working through some things like that on that side as well.

Steven Bruce Frankel
Rosenblatt Securities Inc., Research Division

Okay. And then, done a great job building the start pipeline. What are you doing to make sure these students get to graduation?

Troy R. Anderson
Executive VP & CFO

Well, our persistence -- attrition persistence, there's a number of different metrics that are used even within our own institutions, but across the industry, has been trending very positively. So we're seeing upticks in retaining students and graduating students. And yes, we're not talking 5 and 10 percentage points, but 50 basis points makes a difference.

That's a few hundred more students a year that are finishing the program, and of course support us from a financial performance perspective. So a lot of focus on outcomes. That's what we've always said. We start and end with outcomes first and foremost and -- between getting them started, getting them through as quickly as possible.

So pass rates, we're not having that a lot of retakes, things along those lines, keeping them in schools. They're not out on LOAs and the like. So they can get out in the workforce faster, and then the employment side and continuing our focus all the way through that life cycle.

Jerome A. Grant
CEO & Director

Yes, the other point I'll make is our blended learning model which is at full ramp across the UTI curriculum has already been in place or was in place at Concorde, also mandates that the students are actually only in our building for about 3 hours a day doing their lab work, because the didactic learning is all online. That flexibility is allowing students to be able to keep their jobs while they're in school, do their work asynchronously at other times.

And I think one of the things we're hearing is that this sort of welcome approach that gives flexibility is allowing more students who may have needed to back out because of financial pressures or life happens types of things, staying in the game because they now have more hours of the day they can use for other things like work. So I think that's helping with our retention rates as well.

Steven Bruce Frankel
Rosenblatt Securities Inc., Research Division

Okay. And one of the trends you talked a lot about last year was the employers kind of battling each other, to get on campus to recruit and really fighting to get in front of those students by offering better terms, better tuition reimbursement, things like that. Where are we in that cycle today? Is that less of a factor or are you still able to command these kind of terms from potential employers?

Jerome A. Grant
CEO & Director

So I think demand for our graduates has never been higher. And so there continues to be a significant deficit between the number of open jobs out there and the number of graduates across the industry. And so that demand really drives the behavior of the employment community. And so, we're seeing the packages that are being put in front of our graduates continue to look better and better every year.

We've started these same programs on the Concorde side, and that's helping get it more organized for access to the graduates, and I think that will help let those packages tick up as well.

Operator

The next question comes from Mike Grondahl with Northland Securities.

Michael John Grondahl
Northland Capital Markets, Research Division

First question is just about the 2025 kind of outlook. Is there anything embedded in that for new geographies or new campuses? If so, just curious roughly how much? And then if you could just remind us kind of the economics, the investment of the new campus and kind of how that grows?

Troy R. Anderson
Executive VP & CFO

Yes, thanks for the question Mike. This is Troy. We tried to be fairly clear and I'm glad you asked the question so we can make sure we get it here in the Q&A as well. It's all existing programs in -- already in operation as well as programs that we have announced, that we're planning along. So primarily the 4 remaining HVACR programs now that we have the dental hygiene programs with Concorde already started.

There'll be a small amount on the San Diego expansion that we've talked about, but -- so really it's those -- beyond what we already have it's the 4 HVACR programs and then just the lift we carry out of this year and the next year with the start growth that we've seen and the ramp of those programs.

Jerome A. Grant
CEO & Director

But to be clear, we've yet to announce a new program launch portfolio for 2025 yet. And so that would be additive.

Troy R. Anderson
Executive VP & CFO

Yes, and potentially geographies in addition to that, which [segues] to the second part of your question on the economics. We did add a slide in our investor presentation, it's in the appendix, that shows a campus economics and program economics for both UTI and Concorde. We've talked a lot about dental hygiene with Concorde as that's been the program.

They've primarily been expanding and so we showed an illustrative example there along with the welding or HVACR program since that's what we've been launching mainly with UTI here more recently.

So -- but a campus is current format and historically the UTI format was the auto diesel welding and maybe a manufacturer program, about a $25 million year run rate, revenue generating between $10 million to $12 million in direct EBITDA contribution, about a $15 million capital investment and about 3 to 4 years to ramp [them], commented on that earlier and for your payback or so on the cash investment.

The programs -- those are -- dental hygiene is a fairly expensive program to implement relatively speaking, because we -- the model that we use at Concorde is that we actually build the clinical lab in our campus versus some of the other programs where they do the clinicals on the provider's site.

So we have dentists on staff, we actually build out the dental operatories, the chairs and everything. So it is a few million dollars of investment, requires about 7,500 square feet and you can see it's about a $4 million -- between a $4 million and $5 million run rate revenue. HVACR is about a $2.5 million run rate revenue. Dental hygiene is about a about a 40% margin so $2 million and HVACR is also about a 40% margin or so and -- but about a $600,000 investment. So much lower investment, much smaller footprint, 4,000 square feet.

Michael John Grondahl
Northland Capital Markets, Research Division

Thanks for pointing that out. And then had just one follow-up question, and it's maybe for Jerry. You've talked about with Concorde some online programs, online effort. I think you hired someone to head that up. How is that progressing and how should we think about the growth coming out of that?

Jerome A. Grant
CEO & Director

Sure. Progressing quite well, and again, it's not something you just hire someone and flip the switch, and suddenly you have a hundred online courses that you didn't have before or another direction. And so, we're starting the initial stages of looking at what we consider to be the low hanging fruit in terms of marketing the courses that are already there, courses that are -- that may be underrepresented in the market, we're starting to see some uptick there.

And then we're doing a fair amount of the internal work right now, which will bear fruit over the next 36 months that -- redesigning courses, [refashioning] them to better work in the online environment. And then also thinking about both our admissions marketing and support models to better support a scaled online campus if you would.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Jerome Grant for any closing remarks.

Jerome A. Grant
CEO & Director

Thank you very much, and thank you very much for joining us today. I know it takes a lot of your schedule to spend this time with us. We're looking forward to reporting to you again in 3 months.

A reminder, Troy and I are available for questions and answers over the next few days and throughout the quarter. We would like the -- an air of transparency. We want to make sure that you get everything answered that you can. So have a great afternoon. Thanks.

Operator
The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.