Universal Technical Institute, Inc.

Fiscal Fourth Quarter 2021 Earnings Call

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CORPORATE PARTICIPANTS

Jerome Grant - *Chief Executive Officer*

Troy Anderson - *Chief Commercial Officer*

Matt Kempton - *Vice President of Corporate Finance*

PRESENTATION

Operator
Good day, and welcome to the Universal Technical Institute's Fiscal Fourth Quarter 2021 Earnings Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "*" key followed by "0." After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press "*" then "1" on your touchtone phone, to withdraw your question, please press "*" then "2." 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.

Matt Kempton
Hello, and thank you for joining us. With me today are CEO, Jerome Grant and CFO, Troy Anderson. During the call today, we'll update you on our fiscal fourth quarter and fiscal year 2021 business highlights, financial results and vision for the future. Then we will open the call for your questions.

Before we begin, we want to remind everyone that today's call will contain forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Please carefully review today's press release for additional information and important disclosures about forward-looking statements. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. As a reminder, the section entitled forward-looking statements in today's press release also applies to everything discussed during this conference call.

During today's call, we will refer to adjusted net income or loss, adjusted EBITDA and adjusted free cash flow, which are non-GAAP financial measures. Adjusted net income or loss is net income or loss adjusted for items that affect trends and underlying performance from year-to-year, and are not considered normal recurring operations, including the income tax effect on the adjustments utilizing the effective tax rate. Adjusted EBITDA is net income or loss before interest expense, interest income, income taxes, depreciation, amortization and adjusted for items not considered as part of the company's normal recurring operations. Adjusted free cash flow is net cash provided by, or used in operating activities less capital expenditures, adjusted for items not considered as part of the company's normal recurring operations. Management internally uses adjusted net income or loss, adjusted EBITDA and adjusted free cash flow as performance measures, and those figures will be discussed in today's call. As a reminder, we have provided reconciliations of these non-GAAP measurements to the most directly comparable GAAP financial measurements in today's press release, and we encourage you to carefully review those reconciliations.

It is now my pleasure to turn the call to our CEO, Jerome Grant.

Jerome Grant
Thank you, Matt. I'd like to begin today's call by welcoming all the members of the MIAT team to UTI, having completed the acquisition in early November. We couldn't be more excited about

the future of UTI and what MIAT brings to this company. I'll share a bit more about MIAT in just a few minutes.

I'd also like to thank our students and staff for their ongoing efforts and dedication during this quarter. These efforts allowed all of our campuses to operate uninterrupted, remaining open and fully operational during this entire period. We closed out fiscal 2021 on a strong note, delivering excellent results that build on the momentum we demonstrated throughout a year that was initially hindered by the lingering effects of the COVID-19 pandemic.

It's worth noting that throughout this pandemic, especially as we entered the start of the most recent school year, many sources are reporting enrollment declines across higher education, be it public or private, four year programs or community college. Yet at UTI, we continue to see strong and growing interest throughout the year. While we did see some interruption earlier in the pandemic, we are now servicing the largest student population since the fourth quarter of 2015.

Importantly, while there was considerable uncertainty heading into this past year, we have the confidence to set guidance which we met or exceeded for the year across each measure. I'm very proud of our ability to follow through on our commitments to the investor community, as well as, our students.

For investors, we believe that the strength in our base business sets us up very well for 2022 and beyond. As we continue to execute on our growth and diversification strategy. For students, we maintained a key focus on outcomes, namely completing our course programs and moving on to jobs within industries and with employers that are eager for their skills. That's our mission on behalf of our students and their families.

I also want to take a minute here to highlight some of what we accomplished in fiscal 2021. Specifically, I'd like to focus in four areas, partnerships, new programs, new campuses and innovation. Regarding our employer partnership programs, which are another critical and key differentiator at UTI for our students. We expanded our partnership portfolio considerably throughout the year, building on important relationships, forging new ones, and expanding the reach of existing programs.

Within our existing corporate partnership structure, we extended our download truck program to the East Coast, adding the DTNA finished first program to our Orlando campus. We launched the first of its kind diesel technician training program at Fort Bliss for U.S., service members through a close partnership with Premiere Truck Group, which is part of the Penske Automotive Group.

With BMW, another longtime partner of UTI, we announced that we'll be adding the fast track program to several of our locations. And at Fort Bragg, North Carolina, we added a second BMW on base program, thus further expanding our direct offerings in relationship with the U.S., military service members.

As far as, new programs, we continue to expand our welding program, including newly established programs in Bloomfield, New Jersey and Lisle, Illinois. And we also have two plan launches for this highly sought after program in 2022. With the first being at our NASCAR Technical Institute campus in Morrisville, North Carolina.

We launched our first ever agricultural manufacturing training program partnering with industry leader AGCO. This past year, we announced our intention to open two new blended learning focused campuses in Austin, Texas and Miramar, Florida. I'm pleased to report that work on both of these sites is progressing well, both are on or below budget and will open as scheduled in 2022.

Finally, we recently unveiled initial step in our EV strategy with the announcement of our first official EV curriculum, which includes partnership with major industry players like Ford, Toyota, and Volvo. Expanding into EV as the transportation industry evolves aligns our curriculum in a manner that we believe will be of crucial importance to the future. While we have many students who go on to work in the EV industry. We are very pleased to offer a curriculum specifically geared towards an area that's projected to grow for many years to come.

Our partnerships with industry leaders, as well as, our engagement with the U.S., military services and high schools across the country are critical bookends to our services. And we will be continuing to add these going forward as we grow this company and the vital education we provide.

As far as financials for 2021, Troy will shortly give you a deep dive into a more complete view of our financials and overall performance for this quarter and the fiscal year. He'll also discuss our fiscal 2022 guidance. But first, I'd like to highlight just a few things.

We delivered strong top and bottom line performance during the fourth quarter and the full year 2021 with revenue growing 27.7% for the quarter, and 11.4% for the year. Our adjusted EBITDA grew 88.5% for the quarter, and 133% for the fiscal year. Student starts grew 6.8% for the quarter, and an impressive 15.5% for the year. These figures were all in line or ahead of the fiscal 2021 guidance we gave the market just a year ago. We also saw strong full year double-digit growth for our two largest channels, high school and the adult learners and approximately 10% growth in the military channel.

For our fiscal 2022 guidance, we're setting the bar consistent with what we've been communicating for the past few quarters with a revenue growth rate in the low to mid-20s and adjusted EBITDA margin in the low-teens.

With strong results in 2021, and a bright outlook for 2022 and beyond, we're continuing to focus on both evolving and transforming our business. We are accelerating the rollout of our blended learning model, continuing to rationalize our real estate footprint and we're maintaining a steadfast focus on optimizing our cost structure for the future, all while continuing to gain momentum towards the execution of our growth and diversification strategy.

The bottom line is we didn't stand still and merely focus on recovering from COVID related impacts. We improved our business model and focused on building our company for the future and we are a much stronger company as a result. We're investing prudently both ahead of and in conjunction with the expected growth, but it's important to note that these investments will be leveraged and allow us to more efficiently scale our business going forward.

As I've outlined in the past, our growth and diversification strategy has many critical elements to it, including our investments in new campuses, program expansions, and strategic acquisitions like MIAT. The MIAT acquisition gives us an outstanding opportunity to further evolve the curriculum nationwide and include offerings in growing fields that we believe will continue to be bolstered by technological advances, and the focus on global sustainability. This includes programs in aviation, wind, power, robotics, and much more. These industry aligned high value programs are already offered at MIAT in both Canton, Michigan and Houston, Texas. And we will work expeditiously to make them available across our UTI campuses.

Now, as we move into fiscal 2022, there's a lot of important work to be done with respect to the MIAT transaction, including welcoming the MIAT team to UTI, identifying operating efficiencies, leveraging the UTI national marketing and admissions team to drive growth into the two MIAT campuses, and completing the planning and approvals necessary to begin offering MIAT programs at initial group of UTI campuses in 2023.

Yet, as I've noted, in the past quarters, as we discussed the MIAT acquisition, we're just getting started. Looking ahead with respect to our growth and diversification strategy, we're being very purposeful in our approach, and ensuring we're optimizing the sequencing as much as possible, while continuing to prioritize current student outcomes.

Prior to 2019, the company has seen many years of decline in students' revenue and profitability. And in 2019, we were just returning to grow through our transformation, which included meaningful changes to the way we managed and operated our business. And now after launching our growth and diversification strategy and navigating an array of COVID related headwinds, we are back on a strong trajectory towards meaningful growth.

We believe that all we have done so far sets us up to deliver strong growth in fiscal 2022 and beyond, while continuing to provide top notch education, outcomes and career opportunities for our students.

I'll now hand the call over to Troy for an in-depth discussion of our operating performance, and fiscal 2022 outlook. Troy?

Troy Anderson
Thank you, Jerome. We delivered strong financial and operational performance during the quarter and fiscal year, and as Jerome mentioned, met or exceeded our guidance for the fiscal year across every measure. I'll start with a discussion of our fourth quarter and full year fiscal 2021 results and then conclude with our fiscal 2022 guidance and a review of our longer term strategic roadmap.

Student interest remained strong as we closed out the year with new students starts for the quarter up 6.8% from the prior year quarter. As we mentioned on our last call, we expected lower start growth this quarter versus what we saw in the first three quarters of the year. However, we came in ahead of our internal expectations. The adult channel led the way for year-over-year growth in the quarter, and the high school channel delivered modest growth despite limited access during the peak recruiting periods earlier in the fiscal year.

Start growth in the quarter benefited from a much improved show rate. That was 50 basis points better than fourth quarter 2019 and 400 basis points better than fourth quarter 2020. Start growth for the full year, which totaled 15.5% and was ahead of our guidance range of 10% to 15% was led by adult growth with very positive contributions from high school and military. Show rate improvement for the year was similar to what we saw in the quarter.

Average active students rose 8.1% for the quarter, driven primarily by the new student start growth we've seen this year and lower student leaves of absence throughout the quarter, which continues the trend we've seen the last few quarters. Fourth quarter revenue increased 27.7%

from the prior year period to $97.5 million reflecting student growth and measurably increased revenue per student as we continue to put the pandemic related impacts on student progression behind us.

On that note, average revenue per student for the quarter was approximately $8,000 versus $6,800 in the prior year quarter, and is nearing pre pandemic levels. We expect to see continued gains in revenue per students throughout fiscal 2022. Full year revenue increased 11.4% to $335.1 million, which was within our guidance range of 10% to 15% growth.

Expenses in the quarter increased from the year ago period, and excluding acquisition and new campus related costs are now similar to what they were in the quarters immediately preceding the pandemic. However, we now have measurably higher revenue and students than we did at that time. As a result, our adjusted EBITDA margin of 18.7% for the fourth quarter was 690 basis points higher than the pre-COVID fourth quarter of fiscal 2019.

I'd remind you that during the second half of fiscal 2020, we took discrete actions to measurably decrease labor and other operating expenses, given the pandemic related impacts to our operations and student accounts. Expenses increased exiting the year and throughout fiscal 2021 as we return to more normalized operations and increase students, we've also been making growth and scalability investments as Jerome mentioned, so that we can efficiently grow and support more students, campuses and program offerings. And we continue to drive operating efficiencies in our real estate footprint in other areas, including further optimizing our blended learning model.

Through the various efficiencies we are gaining, as well as, the investments we are making in our infrastructure and the key personnel, we believe we are building a model that can successfully support the growth we anticipate in fiscal 2022 and subsequent years, while continuing to expand margins year-over-year.

We saw significant year-over-year growth in all of our profitability metrics in the fourth quarter and for the fiscal year. Net income for the fourth quarter was $12 million, representing an 87% increase from the prior year period. While diluted earnings per share in the quarter was $0.20, versus $0.09 in the fourth quarter of 2020. Shares outstanding at the end of the quarter were $32.8 million.

Fourth quarter adjusted EBITDA was $18.3 million, compared to $9.7 million in the prior year period. Adjustments for the period included acquisition related and new campus startup costs. For the full year, adjusted EBITDA totaled $32.5 million landing at the midpoint of our guidance range of $30 million to $35 million and more than double versus fiscal year 2020.

Full year adjusted EBITDA margin was just under 10%, which also more than doubled versus the prior year. Adjusted net income for the quarter was $13.9 million compared to $6.6 million in the prior year period reflecting the same adjustments as adjusted EBITDA. Full year adjusted net income totaled $17.5 million above the midpoint of our guidance range of $14 million to $19 million, and which compares to $2.5 million in 2020.

Turning to our balance sheet and cash flow, we increase the liquidity further as our cash flow from operations totaled $55.2 million for the fiscal year, a 400% increase versus fiscal 2020. Cash flow growth was largely driven by the increase in student starts and overall student counts, higher profitability, working capital improvements and CARES related income tax refund.

Adjusted free cash flow in the fiscal year was $37.4 million well ahead of our guidance range of $20 million to $25 million, which was driven by CAPEX timing and stronger operating cash performance. Adjustments include the purchase of our Avondale campus, the CARES related income tax refund, acquisition related costs, new campus startup and CAPEX costs and ongoing severance payments related to our CEO transition.

With a strong fourth quarter cash generation, we finished the year with approximately $134 million of cash and cash equivalents. The cash balance will be reduced in the first quarter of fiscal 2022 as the recent close of the MIAT acquisition and the $26 million purchase price will be reflected at that time. Additionally, given our organic growth investments, we expect heightened CAPEX during the first two quarters of fiscal 2022, which I will provide more color on in a moment. We'll reference our unaudited November 1 cash balance net of the MIAT purchase price was approximately $100 million.

Now, turning to our fiscal 2022 guidance, which is supported by our growth and diversification initiatives, our approved operating model, and our base business strength and is consistent with the expectations we have been messaging in the last few quarters. Note all fiscal year 2022 guidance metrics include the impact of MIAT on an as reported basis, with 11 months of contribution in the fiscal year as a result of the November 1 closing date.

For new students starts we expect year-over-year growth of 14% to 19%. We expect revenue ranging from $405 million to $420 million for year-over-year growth rate in the low to mid-20% range. We anticipate adjusted EBITDA within a range of $50 million to $55 million, which would be 200 to 400 basis points of margin expansion versus 2021 and adjusted net income between $31 million and $36 million. We expect the same type of non-GAAP adjustments in fiscal 2022 that we had in 2021 with the addition of MIAT related program expansion costs, though we included non-GAAP guidance reconciliation tables in our press release.

And finally, we expect adjusted free cash flow between $35 million and $45 million, assuming total CAPEX within a range of $60 million to $65 million before adjustments. Roughly half of the expected fiscal 2022 CAPEX will be adjusted out as it relates to our new campuses in Austin and Miramar in the MIAT related program expansions. The two welding expansions in the Orlando and Arizona real estate consolidation projects drive the bulk of the remaining expected CAPEX.

While we don't provide quarterly guidance, given the many dynamics within fiscal 2022, I thought it would be beneficial to share some additional color around our expected pacing through the year just for reference, again, all reflecting the MIAT close on November 1.

Year-over-year start growth lowest in the first quarter, given the partial contribution from MIAT in a challenging year-over-year comparison versus the prior year first quarter, and the third and fourth quarters being the strongest reflecting base business and MIAT growth and the new campus and welding ramps.

Revenue range from the mid to upper $90 million in the first quarter, then upper $90 million to low $100 million range in the second and third quarters, with the fourth quarter above $110 million. A reminder on revenue for student seasonality, we close our campuses a week in December each year for a holiday break. Thus, you will see a drop in revenue per student from the fourth quarter to the first quarter due to fewer earning days. It should return to the current level or better in subsequent quarters.

Total operating expenses step up in Q1 with the addition of MIAT increase new campus and welding costs, and the growth and scalability investments we have been referencing. Both SG&A and education services and facilities will increase in total dollars versus fiscal 2021. For the full year, those should be improved as a percent of revenue after adjustments.

Total operating expenses could start in the mid $90 million range in the first quarter then increase to the mid $90 million to $100 million range thereafter. Profitability follows the revenue and expense trends with Q2 being the low watermark in the year and Q4 being the highest consistent with our normal seasonality. Finally, for CAPEX, roughly a 60:40 split between the first and second half of the year.

Regarding taxes and our tax rate, while we do not expect to be a U.S., federal cash taxpayer in 2022, there is the possibility our valuation allowance could be reversed later in the fiscal year, which would result in a one-time non-cash benefit and also a substantially higher effective tax rate going forward. We are not reflecting this in our guidance currently as it is not certain when or if it will occur. We will provide more details on this as we monitor our tax position throughout the year.

As it relates to the longer term strategic roadmap, we have been discussing in the last several quarters, our confidence remains high to our announced growth initiatives in current based business expectations. We continue to expect revenue comfortably above $500 million with adjusted EBITDA margins in excess of 20% by the end of fiscal 2025. The growth throughout fiscal 2022 will be predominantly driven by revenue per student improvement and total student growth throughout our existing campus footprint, as well as, the addition of MIAT with a modest impact from our new campuses towards the end of the fiscal year.

In fiscal 2023 to 2025, we expect to see the benefits and the ramp of the two new campuses. The growth synergies from the MIAT acquisition in low to mid-single-digit based business growth, which we believe we can generate in any economic cycle.

As Jerome mentioned, we also continue actively evaluating additional growth opportunities that would be additive to this longer term outlook. Our strong balance sheet and much improved financial performance will support our pursuit of both organic and inorganic growth opportunities.

Before I wrap up, I'd like to point you to our updated investor presentation and financial supplement materials located on our investor relations website at investor.uti.edu. In closing, I'm proud of the UTI team and very thankful for their efforts and driving a strong finish to 2021 despite a lingering pandemic environment, and also for their commitment to our students.

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

Jerome Grant
Thank you, Troy. In summary, this was a very successful and productive year. We set guidance in the midst of uncertainty, which we followed through on. We made several operational improvements and executed on growth initiatives that will allow us to continue to grow while exploring additional opportunities and continue to bolster our robust portfolio of employer partnerships to further enhance student outcomes and experience. I'd like to thank the UTI team once again, for all of their hard work.

With that, I'll now turn the call over to the operator for Q&A. Operator.

QUESTION AND ANSWER

Operator
We will now begin the question and answer session. To ask a question, you may press "*" then "1" on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press "*" then "2."

Our first question today comes from Steve Frankel with Colliers.

Steve Frankel
Hi, good afternoon and congratulations. Let us start with the upside in starts in the quarter. What do you attribute that to? Is that a more effective marketing approach? Is it a change in the environment, how should we think about it?

Jerome Grant
Hey, Steve, great to hear from you. Well, a couple of things. One of the things we've been talking about throughout the quarters has been increased focus on our local adult population as the numbers we shared with you bear out in the quarter. We had a great performance from our adult population. And then also throughout the year, we made some pretty significant changes in the way we were engaging with high schools. The high schools were by and large, closed to outside visitors. And we took a virtual and hybrid approach. And it really paid off. I mean, generating an increase in the fourth quarter in the high school population is, as you know, from the national statistics and comparables is something that we're really proud of. And so, I think the approach we took in high schools throughout the year, hybrid and virtual approach, as well as, the renewed focus from our marketing group on the specifically local adult population really paid off.

Steve Frankel
Okay, and the decline in the military in the quarter, is that a one off or that's a trend that you need to find a way to address?

Jerome Grant
No, I mean, we still almost touch the 10% mark and increase in the military. I think it was somewhat seasonal for it and situational. I think with the programs, we're starting on the campuses with Fort Bragg's first graduating class coming in the next month or so, the interest that's increasing because we're getting more exposure on the military bases, I think we're going to see strong military performance in 2022.

Steve Frankel
Okay, that's good to know. And let's talk about the cost side of things. Everybody's worried about inflation, where are you seeing pressures and what are you doing to combat it?

Troy Anderson
Hey, Steve, this is Troy. I would say we're not seeing anything that's super unusual. I mean, there's always…our technicians are in demand. So, there's always a little bit of competition for instructors, diesel and welding in particular. But we've been, I think, fairly successful in keeping our staff in place, staffing positions when we need them. We've certainly been working through with five major real estate projects throughout the year, just finishing up Sacramento and our new campuses in Austin and Miramar. And then our consolidations in Orlando and Avondale

have been battling through some of the challenges that have been out in the marketplace. But it hasn't been any major setbacks or anything that has really caused us any great concern.

Steve Frankel
Okay, great. And then on placement rates are little lower than normal. Is that a COVID hangover or, again is that something that needs to be addressed?

Troy Anderson
Yes…no, it's definitely COVID related, you have to remember that's a year after so that measurement period is September/October '19, through September '20. And there was a period of time in there that people just weren't hiring, they were keeping the people they had and working them and utilizing them as much as they can, but they weren't necessarily hiring and then you also had people not necessarily seeking employment right away, just given the COVID environment that existed for a large portion of that period. But we were happy to frankly to be at 80% and feel really positive. We continue to see, it was really a slow start to that measurement period, and then it picked up dramatically toward the tail end. And we continue to make placement a very high focus. And honestly, that's one of the areas where we're continuing to invest in to keep driving the successful outcomes we have.

Jerome Grant
Hey, Steve, one other point to that is I think if you look in the investor deck, as you go through the specific disciplines employment rate, you'll see welding kind of looks as like an anomaly in there and one of the reasons why is not an insignificant number of our auto diesel students will take welding as well, because it enhances their job prospects on the shop floor. And so, if it's a placement in an auto environment, it will be set…it will be looked like an auto placement, yet they may be welding in that environment as well. So, I just wanted to make that note.

Steve Frankel
Thank you. That's really helpful. I'll jump back in the queue.

Operator
Our next question comes from Alex Paris with Barrington Research.

Alex Paris
Hi, guys, thanks for taking my questions. Congratulations on the strong finish to the year and the guidance for fiscal '22. I just got a couple of smaller questions. First one, a follow-up on the inflationary cost pressure question. I appreciate your response and color. I was just wondering specifically about advertising/marketing cost per lead, cost per start, you said show rate has improved; maybe a little bit more color along those lines. I've…we've heard across the group, that they're increasing, at least on the cost per lead side.

Jerome Grant
We've talked a lot about our shift to digital, the increased analytics, or we hired a Chief Commercial Officer a little over a year ago now. And really looking at that front end of the funnel and putting a significant amount of emphasis on effectiveness, both from a conversion rate perspective, the quality of the leads, as well as from a cost perspective. So, we're not seeing pressure there. In fact, we're getting optimized further on the front end of the funnel.

Alex Paris
Got you. Thanks. That's helpful. And then also, when do you typically take your tuition price increases? And do you expect the same level of price increase in fiscal 2010?

Troy Anderson
Yes, we historically will do a low single digit price increase. And that's typically in the first part of the calendar year. And again, that's for enrollment agreements written from that date forward are, would be at that price point. So, a student may not start until September, that could be a year later, it could be a month later. So, the bulk of the students are on the current pricing. And then each year, you're getting that lift from the prior year price increase, essentially. But that's the process we've been following and expect to continue quarterly.

Alex Paris
Okay, great. And then following on that same line of questioning, you mentioned, your technicians are in demand, competition for instructors particularly diesel and welding are in particular. What's the turnover of instructors? Has that increased?

Troy Anderson
It really hasn't. And you also have to keep in mind; we've been optimizing our delivery model. With the blended learning earlier in the just six months ago, it's hard to believe it. It's has only been that long ago, we weren't even at fully full densities on our labs, we were restricted on our labs. So, we needed more instructors. Of course, as Jerome said, we have the most students on our campuses that we've had since 2015. And our cost structure has significantly improved. And our delivery model has significantly improved. So, it's…we're not experiencing any excess turnover. And we're actually been optimizing our workforce around our delivery model, and being as efficient as we can with student volumes that we have.

Alex Paris
Great, and then it kind of leads me to my final question. It's speaking of the blended learning model, you're continuing to execute the rollout. Where do we stand so far among the existing campuses that have taken that blended model? And where do you expect to be say 12 months from now?

Troy Anderson
Sure. Well, it's been our primary delivery model for auto diesel, motorcycle and marine, auto, diesel is roughly 50:50, classroom in the online content and then the hands on lab work, and then motorcycle and marine are more, say 30% is the online curriculum and about 70% is hands-on-lab, collision, welding, CNC are…those are full hands-on programs, so all of our campuses have been operating in that model since March, April of last year. And we think continuing to enhance, we migrated to Blackboard earlier this year from Google Classroom, which was the original platform we launched it on, we continue to roll out incremental enhancements to improve the student experience. And we have additional enhancements that we're going to continue rolling out, as we go forward. We've been making some measurable investments in that area just to make sure we get the highest outcomes possible and the best experience possible.

Jerome Grant
And one of the things we talked about for the past year was sort of the progression through class densities, right. Because of COVID and social distancing and local requirements, we began the year with suboptimal class densities because of safety concerns. And so, one thing we can say is that we're to our normal class densities right now in the labs, and rolling forward, we should start to see the efficiencies that we expect to see from the blended learning model.

Alex Paris
And then, with regard to the online portion of the blended model, is that synchronous or asynchronous instruction?

Jerome Grant
It's asynchronous.

Alex Paris
Okay, so there's not a specific meeting time for the online classes, you're just …

Jerome Grant
Right, which actually adds to the flexibility that we're seeing in terms of students engaging with us, one of the potential barriers we saw in the past for students who had jobs and as you know, a student that had a job over the last year didn't really want to give it up to go to school, we've added much more flexibility. So, you're in our lab now, three hours a day, as opposed to being in our building for six. You can do the online portion at night, if you have a day job, in the morning, if you have a night job, and it's adding a level of flexibility that we're hearing from our students, they really appreciate.

Alex Paris
Great. That's very helpful. Thank you so much. And again, congrats on the quarter.

Jerome Grant
Okay. Thank you Alex.

Operator
Our next question comes from Austin Moldow with Canaccord.

Austin Moldow
Hi, thanks for taking my questions. Given that advertising spend had the kind of unusual sequential decrease in Q4, can you talk about what caused you to cut that and what that means for your ad budget going forward?

Troy Anderson
Yes, it's really a timing item, Austin, again, back to some of the comments I made before, our team has really increased the level of analytics and sophistication around the effectiveness of spend such that they're turning dials daily and weekly around cost points and conversion rates, et cetera. And so, there was a point in time in the quarter where they were seeing not as good as productivity as they would like. So, they retrenched a little bit, and then got it back to where they wanted it to be. So, it's…you may see a bit more of that than historically would again, with the digital spend versus a…several years ago and up to really even going into COVID, a much more of a heavier TV and brand spend. We could have more fluctuations in our spend patterns. I do think it will go up, by the way. So, in the guidance, from a cost perspective, we are anticipating spend to go up, we have the two campus launches. And of course, we want to continue driving growth. And so, we will see higher advertising in '22 at least our current expectation is you would see higher advertising, but now they maybe they'll be able to do more with less and surprise us again.

Austin Moldow
Got it. At what point do you expect the high school…high school conditions to get back to normal?

Jerome Grant
Yes, that's a tough question. Now we are seeing is a more normal pattern right now. Specifically in more rural areas, so the access still in the beginning of the year was somewhat limited because the schools were trying to get their sea legs and figure out how to safely bring everyone back into the classroom. But we are seeing the number of booked events are coming in line with something that we would consider to be more normal. And we don't anticipate the same kind of barrier this year that we saw last year. Will it be normal? Doubtful. But that's the other portion of what we're set up for is that we saw that increase in the high school last year, the double-digit increase in high school last year, because we set up an infrastructure to be able to engage with students digitally, or virtually or synchronously if we couldn't get into the classroom. So, we think we've got both bases covered. And we think we'll have strong high school performance this year.

Austin Moldow
Thank you that make sense. And lastly, can you just give us an idea for your current capacity on your current campus footprint with your current program offerings. What's your capacity to increase student count above what you have right now?

Jerome Grant
So, we have…certainly it varies a bit by campus, with the blended learning we were discussing earlier, we certainly have more flexibility now than we had previously. Even in our more constrained campuses, we could run four or potentially even five shifts, where previously we were two or three. And that's obviously adds capacity without adding any space. So, it's….honestly it's…there's no finite number. But what…we can definitely fit more students in our footprint with some campuses more capacity than others. And again, keep in mind, Orlando we're downsizing there about 75,000 square feet, Avondale and Phoenix in total, we're taking out 173,000 square feet by consolidating those two sites, just Avondale and Phoenix standalone. And we're still looking at all of our sites with our program expansion plans with MIAT, and most of our campuses will receive additional programs in addition to what they already have.

Austin Moldow
Great. Thanks very much.

Jerome Grant
Thank you.

Troy Anderson
Yes. Thanks a lot.

Operator
Our next question comes from Raj Sharma with B Riley.

Raj Sharma
Hi, good afternoon, guys. And congratulations on the stellar results and also really good guidance. I'm sorry, if I may have missed you guys' comments on it earlier but I just wanted to delve in a little bit on the high schoolers, they were generally…the starts off from high schools were expected or are not expected to be…or expected to be weak, because they've been closed. That was a better than expected number. And also, the young adults were really strong, despite very tight labor conditions in labor markets. Could you comment on that?

Jerome Grant
Sure. First of all, high schools first…Oh, yes. First of all, as far as high school students, I think the innovations we made when COVID came out, the direction we went in terms of being able to have strategies that are…continue to be face to face where we could, hybrid where we couldn't, totally virtual where we were completely turned down. And the way we evolved, the way they were engaging with the market paid dividends, right, and as you can see from solid, double-digit growth in the high school channel through the year is that we're able to maintain those connection points that our high school reps have. Another strong point for high school, we did a significant number of virtual events. We really upped the game in terms of the number of virtual events that we did with high schools on weekends, and evenings and things along those lines, virtual events in dealerships, virtual events in fleet service areas where we were doing virtual tours, et cetera.

So, we kept the volume up in high school without having to travel as much to the schools as possible. So, we really think that kept the momentum moving more than it could have had we accepted that we weren't going to be able to get in the doors and therefore just moved on. As far as young adults, one of the things we've talked about throughout the year is that we took a very sort of practical, flexible and local approach to engaging young adults. And what I mean by that is the practicality of it was doing a great job of highlighting the job opportunities and the durability of the job opportunities in specific geographies. We found that that resonated very, very well with the young adults in the unskilled labor markets. You've seen a lot around how many job openings there are right now in the unskilled labor markets, people didn't want to reengage in a job, where they thought they might learn it if something bad happened again.

As far as flexibility, the blended learning model resonated very, very well with the young adults, because if they had a job, they could keep it, because they were only in our building for three hours a day, whereas you used to be in the building six hours a day, five days a week, and it really kind of made it impossible to hold down anything other than a part time job. And so that flexibility resonated very well with them. And then the local approach was very focused on reducing the friction between making the decision to engage, I don't have to relocate, I don't have to exit a job in Idaho to come to Arizona. And so, we saw an uptick in the number of local students in the major metropolitan areas that we service. And all of that came through in a strong way for the, we call it the adult population, but it really is young adults, as you know, 19 to 24 years old, right.

Raj Sharma
Great. Thank you. And then on the indications of interest, I mean, I see that you've guided starts up 14% for the year, any sort of color on show rates, how are they trending? Are they in line with historical levels?

Troy Anderson
Yes, Raj, this is Troy. The show rate for the quarter was 50 basis points better than Q4 of 2019, pre-COVID and 400 basis points better than last year. And we, if you just broaden out to the whole year was kind of the…roughly in the same ballpark as far as full year '19 versus full year '21, and of course, last year versus this year. So, we feel really good about show rates, we've done a lot of work on our enroll to show process, all facets of that from point of first engagement with the student all the way through the time they show up. And it's really paying dividends in terms of the student starts. And for next year, we did…yes, real quick, for next year, I mean about half, somewhere in the 40% to 50% of that is the addition of the MIAT starts and then the

other half is coming from our base business and the new campus launches in the back half of the year.

Raj Sharma
So, half of the guidance in starts is from MIAT; the other half is…

Troy Anderson
That's roughly ballpark, yes.

Jerome Grant
Yes. I think one of the things to underscore something, again, that we've said, I think quarter after quarter, which is, we'll plan to grow our same store starts low to mid-single-digits in any environment. And so, when we think about budgeting for 2022, those are the numbers that we'll use to think about how our existing campuses grow. And then starting two new welding programs, the scaling of the two welding programs from last year that we launched, Austin coming online in February, and then Miramar later in the year, and MIAT is now part of the family as of the last couple of weeks. And we believe bringing our national marketing and admissions organization to bear with their campuses could pay some dividends as well. So that's the way it stacks out, yes.

Raj Sharma
Yes. And then just lastly, just on the guidance, the revenue guidance, and could you give us a little bit more color on what are the…what is baked into the guidance on top line, the MIAT any cross-selling from MIAT on your other campuses, or use of MIAT programs of the…just in campuses? Is any of that built into the guidance or and also any new campus contributions? Could you talk about that?

Troy Anderson
Yes, sure. Just, you're going to give me an opportunity to plug a slide, a new slide we put in our investor deck on page 17. We put a start bridge, which was your prior question, and a revenue bridge and we break it out between the base business and new campuses and MIAT. And so, the program expansions will not generate revenue until fiscal '23. We'll be doing a lot of work on them from an approval and early stage implementation work as we get in the back half of the year. But no revenue from that, we do expect to generate some revenue from cross-selling. And some of the starts, as Jerome mentioned previously, and then, really the biggest contributor, which we've talked about previously, is the revenue per student, and just the carryover of the student growth out of UTI, student growth out of '21 into '22. That's more than 10% of the growth is generated from that, we get a modest benefit from the two new campuses, maybe two points or so of growth from the campus launches. But really, the base business is the biggest piece. And then, of course, adding MIAT on an as reported basis for 11 months, you have to keep in mind, it's 11 months of contribution is another big chunk of growth.

Raj Sharma
Right. Got it. And then just, again, thank you for the detail that you provided. It's really, really good. And the transparency on the starts on the different slides, it's really good. Thank you. I'll take my questions offline. Thank you again.

Troy Anderson
That's great. Thanks Raj, thank you very much.

Operator
Our next question comes from Eric Martinuzzi with Lake Street.

Eric Martinuzzi
Congrats on the quarter and also closing of the MIAT transaction. I wanted to ask on the MIAT, did the timing was roughly what you guys thought it would be around the kind of end of the fiscal year, wound up being November 1, any lessons learned there as far as your interactions with the Department of Ed?

Troy Anderson
Not really, I mean, it really did go according to the schedule that was outlined by Regulatory Council right in the very beginning. I think one of the things we said was right, around six months from when we filed, we would get an email from the Department of Ed saying we see no reason to do this. And, lo and behold, within a couple of days of six months that email came, and again, once the email showed it takes us a couple of two or three weeks to get the deal closed. And that's what took us to November 1. So, no abnormalities or spikes of concern or question in the process, it went just as we hoped it would.

Eric Martinuzzi
Okay. And then also on MIAT, you do have this slide that shows the estimated revenue and EBITDA in kind of trailing 12 months for your fiscal year '21. I see that $29.6 million on the revs and $3.9 million on the adjusted EBITDA, the growth rate for MIAT, I think it was faster organic growth rate than the UTI legacy business. Did that…is that trend also baked into your FY 2022 outlook?

Troy Anderson
They had really strong growth for program expansions. So over that time horizon, in both campuses, they had done a fantastic job rolling the programs out that we are so excited about the rollout across the UTI campuses. So that drove some outsized growth over that time horizon, I would say that growth rate on just a base business perspective, normalizes a bit more on a go forward basis. And then really, what supercharges it would be our cross-selling opportunities, and then, again, the program expansion into the UTI campuses. And again, keep in mind, Eric; we have 11, right, 11 months of contribution in the year, so we wouldn't get the full year impact for this fiscal year.

Jerome Grant
And then also, I mean, one last note is also bringing the UTI programs into the Michigan campuses, we've been wanting to have a presence in Michigan for quite some time with all of those OEM relationships, which are based in Michigan, we wanted to be there for a while, and this gives us the opportunity to bring UTI programs into the Detroit area.

Eric Martinuzzi
Okay. And then my last question is on the LOA, just I understand it improved, we expected it to improve, where are we kind of versus normal than where we stand today?

Troy Anderson
Yes, we're pretty normalized on LOA at this point, a lot of those and you see the outcome that's not the only contributor to revenue per student, but it was one of the contributors to the pressure on revenue per student. And you saw that much more normalized, still not fully back to where it could be, but very close. So, I think we're jumping off into '22 in a really good spot from a student metric performance perspective.

Eric Martinuzzi
Got you. Thanks for taking my questions.

Troy Anderson
Thank you, Eric.

Operator
This concludes our question and answer session. I'd like to turn the conference back over to Jerome Grant for some closing comments.

CONCLUSION

Jerome Grant
Well, thanks again, everyone for joining us. We wish you all a happy, healthy, safe holiday season and we look forward to speaking with you again next quarter. This concludes our call.

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