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Market Intelligence

Universal Technical Institute, Inc. NYSE:UTI

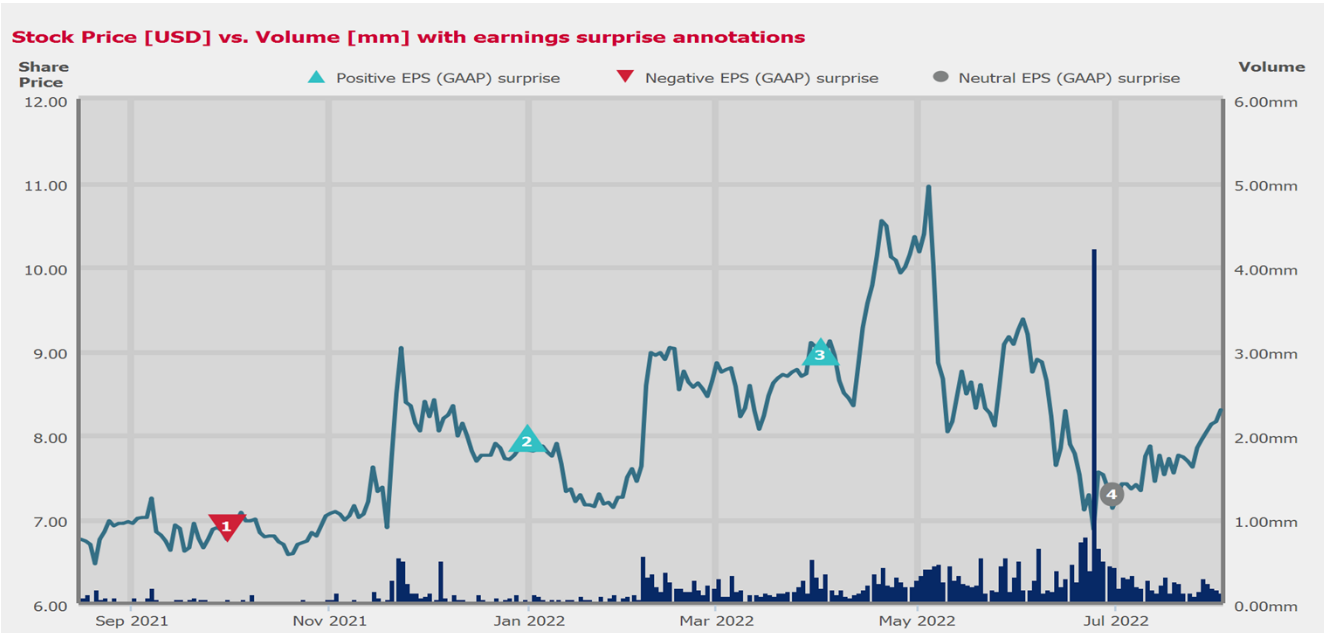
FQ3 2022 Earnings Call Transcripts

Wednesday, August 03, 2022 8:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2022-			-FQ4 2022-	-FY 2022-	-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	(0.12)	(0.01)	NM	0.09	0.51	0.71
Revenue (mm)	96.13	100.97	▲5.03	112.11	415.44	461.68

Currency: USD
Consensus as of Jul-27-2022 2:04 AM GMT



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2021	0.24	0.20	▼(16.67 %)
FQ1 2022	0.05	0.25	▲400.00 %
FQ2 2022	0.02	0.11	▲450.00 %
FQ3 2022	(0.12)	(0.01)	NM

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Call Participants

EXECUTIVES

Jerome A. Grant
CEO & Director

Matthew Kempton
Vice President of Corporate Finance

Troy R. Anderson
Executive VP & CFO

ANALYSTS

Eric Martinuzzi
Lake Street Capital Markets, LLC, Research Division

Steven Bruce Frankel
Rosenblatt Securities Inc., Research Division

Presentation

Operator

Good day, and welcome to the Universal Technical Institute's Third Quarter Fiscal 2022 Earnings Conference Call. [Operator Instructions] Please note, today's event is being recorded. I would now like to turn the conference over to Matt Kempton. Please go ahead.

Matthew Kempton
Vice President of Corporate Finance

Hello, and thank you for joining us. With me today are our CEO, Jerome Grant, and CFO, Troy Anderson. During the call today, we'll update you on our third quarter fiscal year 2022 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 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, relevant factors that could cause actual results to differ materially from the forward-looking statements are listed in the press release and our SEC filings, and 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 of the adjustments utilizing the effective tax rate. Adjusted EBITDA is net income or loss before interest expense, interest income, income taxes, depreciation and amortization, 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 on today's call. As a reminder, we have provided reconciliations of these non-GAAP financial measurements to the most directly comparable GAAP financial measurements in today's press release. We encourage you to carefully review those reconciliations.

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

Jerome A. Grant
CEO & Director

Thank you, Matt. Good afternoon, everyone, and thank you all for joining us today. I'd like to start by expressing my appreciation to our students and staff for their hard work and commitment during the quarter. We are pleased to deliver another quarter of impressive results, while most importantly, achieving strong student and employment outcomes, including graduating 2,800 students in the quarter, enabling them to join the workforce in high-demand career fields.

While delivering these results, we also had a busy quarter executing on all facets of our growth and diversification strategy. We opened the doors of our new Austin, Texas campus, finished the implementation of the Exton, Pennsylvania welding program, expanded the BMW FastTrack program to an additional 2 locations, completed the consolidation of the Phoenix MMI campus into the Avondale, Arizona location, announced our initial MIAT program expansion plans. And finally, we signed a definitive agreement for the acquisition of Concorde Career Colleges. Needless to say, I'm extremely proud of what our team has accomplished in the quarter.

Moving on to our results from the third quarter. Revenue and adjusted EBITDA exceeded our expectations for the quarter. Revenue was $101 million, reflecting a growth rate of 21% compared to the year-ago period, and adjusted EBITDA was $11 million, which represents growth of 53% year-over-year. Given our year-to-date results and our outlook for the fourth quarter, we now expect to come in, in the higher range of our guidance for revenue and adjusted EBITDA, which are $410 million to $420 million, and $52 million to $55 million, respectively. Troy will go deeper into the context for our strong revenue and EBITDA results in just a few minutes.

New student starts were roughly in line with our expectations and grew 25% versus the prior year quarter. As far as new student starts growth expectations for the balance of the year, we're now expecting year-over-year start growth in low to mid-single digits. I'd like to spend a few minutes talking about student starts as there are some important initiatives and dynamics at play that both fueled the impressive growth for the quarter and provide context for our full year expectations.

First, due to the cadence of the MIAT start schedule, this was the first quarter that they had 2 start periods in the same quarter since we closed the acquisition in November. Second, as previously noted, we successfully opened our Austin, Texas campus this quarter, and we're pleased with the results so far, which are in line with our expectation. Third is the impressive performance of our high school channel. In the quarter for UTI only, excluding Austin, we grew 78% year-over-year. Year-to-date, this channel has grown 28%. This is after 6% growth for the full year 2021.

A portion of our year-to-date growth relates to some important work we've been doing to optimize the start schedules for our incoming high school students. More specifically, a year ago, we began working with high school students to encourage them to start school right after their graduation rather than taking the summer off and starting in August and September. It's important to note that this approach will shift the overall contour of start growth from this key market going forward as we'll see a larger number of high school students starting in the third quarter compared to historical norms.

Our efforts around this optimization program are positive for our business as it reduces potential capacity constraints that we experienced in the fourth quarter at various campuses. It also provides benefits for graduating high school students as these earlier starts ultimately enable them to complete their program and join the workforce sooner with the career path already in hand. We plan to continue this effort in 2023 and beyond.

Finally, we are seeing some pressure on our ability to generate growth in the adult job changer segment. Recent macroeconomic factors that include extremely tight job market inflation rates that we've not seen in 40 years, along with more recent recession uncertainty are fueling these headwinds. I'll share some further thoughts on this in a few minutes.

Importantly, we continue to see strong inquiry performance as our digital marketing optimization yields positive results. Thus, the adult issue is more of a conversion challenge than a decrease in interest. For reference, for UTI only, excluding the new Austin campus, we saw a 10% year-over-year decline in the adult channel in the quarter. Year-to-date, this group is down 12%. Overall, for the year, we are expecting a double-digit decline in our adult channel, excluding MIAT and the new campuses.

As far as the economy, we're operating in a macroeconomic environment. There's no shortage of uncertainties and challenges to navigate for companies and people alike, and no shortage of jobs in the field we're providing training in.

It is important to note that challenging macroeconomic factors such as inflation, wage growth and unemployment do not affect all of our prospective student channels uniformly. Prospective students in the adult population, which make up nearly half of our new student starts, has been most impacted by the current economic conditions and uncertainties that exist, creating a challenging environment for prospective adults looking to retrain in order to change jobs. In contrast, and serving as somewhat of a counterbalance, our results across the high school channel, which make up much of the other half of our student starts tend to be less affected by broader economic factors and have performed more consistently regardless of the economy. And thus, we really don't anticipate significant impact from our current conditions for this channel.

As we said in the past, we cannot predict nor do we budget for a recession or other economic conditions. Today, by the strictest definition of the word, we're in a recession. It's being debated all around the country. Many believe that this recession, in fact, will deepen and unemployment rates will be affected sometime in the next few quarters. Now if they're right and past recessionary patterns hold true, we should see some headwinds facing our adult channel subside, potentially providing start upside in the second half of 2023 fiscal year.

In order to both prepare for the growth associated with our strategic initiatives and these potential countercyclical tailwinds, we're working diligently to optimize our adult admissions organization. We're also working to optimize our high school admissions organization by immediately adding field-based resources in preparation for the coming school year. We believe that the pandemic-related high school access issues experienced throughout 2021 and the first half of 2022 are behind us.

Now in addition to having impact on some of our students and prospects, the inflationary cost pressures seen widely across the economy have been present internally for UTI as well. We do expect to experience some ongoing effects of this due to the persistent and higher-than-expected inflation levels everyone has witnessed in this past year. We've been successful thus far, largely offsetting these impacts with increased efficiencies and other cost saving measures and are striving to continue to do so. All of that said, we're enthusiastic about the performance for the year and confident in our previously-issued subsequently updated 2022 financial guidance and longer-term road map.

Next, I'll give a quick update on the initial steps we've taken in our growth and diversification plan. We're very pleased with the progress we've made to date. With our pending acquisition of Concorde Career Colleges, I want to reiterate our positive outlook for the growth prospects of the health care industry as everyone at Universal Technical Institute remains incredibly excited to diversify our core educational offerings into areas like dental and other allied health professions as well as patient care and nursing through the addition of Concorde, which we now expect to close in early 2023.

This acquisition is another key step for the company as we continue to make substantial progress in the early stages of our growth and diversification strategy. The MIAT integration continues to go well, and it's nearly complete, enabling us to move on to the primary objective of this acquisition, the addition of more than a dozen MIAT programs to the UTI campuses nationwide. In June, we announced our initial plans for the programs and locations we intend to launch in 2023 and 2024, and we continue executing on this plan. To remind you, we believe that we can more than double the size of the acquired MIAT business over the next 3 years with the combination of program expansions and modest organic growth.

Since our Austin, Texas campus opened in the third quarter, we've welcomed 230 students through July. We're thrilled with the warm welcome we've received from both the community as a whole and more pointedly, the large employers in Austin and San Antonio. Additionally, our new Miramar, Florida campus is on track to open during the fourth quarter of this year, and we expect to welcome the first cohort of students next week.

Our new Exton, Pennsylvania welding program, which opened in July with a full first class is also receiving a very enthusiastic response. New disciplines, new campuses and continued program expansion fuel my optimism and excitement about the future. We will continue to pursue growth and diversification opportunities regardless of health or economic challenges or tailwinds that come our way. We're pleased with our performance to date across all of these dimensions.

As we've outlined in the past, with the steps we've taken thus far, we are on track to reach our longer-term growth targets of at least $700 million in revenue and approximately 20% EBITDA margin by 2025. Again, I'd like to thank all of our faculty and staff for their unwavering commitment to enhancing the futures of our learners.

With that, I'll turn the call over to Troy to discuss our operational and financial performance for the quarter. Troy?

Troy R. Anderson
Executive VP & CFO

Thank you, Jerome. We are fortunate to have delivered another quarter of strong financial and operational performance despite an increasingly challenging macro environment. I'll spend a few minutes covering our quarterly results, before I give a brief review of our balance sheet and liquidity, and then we'll close out by reviewing our fiscal 2022 guidance, some early thoughts on 2023 and our longer-term strategic road map expectations.

Total revenue for the third quarter was $101 million compared to $83.8 million in the prior year quarter for 20.5% year-over-year growth. The growth was driven by an 11.4% increase in average undergraduate full-time active students, which resulted from new student demand paired with more campus and program offerings across our ecosystem, including the addition of MIAT. Our revenue growth also benefited from higher revenue per student, which reflects continued normalization to pre-COVID operating levels.

Adjusted EBITDA was $11 million compared to $7.2 million in the year ago period. The increase in adjusted EBITDA was driven primarily by the increased revenue and revenue per student. We continue to drive operating efficiencies in our cost structure, but we are seeing some inflation and tight job market impacts to our labor cost in certain variable expenses like welding supplies.

Net income for the quarter was $0.8 million compared to $3 million in the prior year quarter, while adjusted net income was $5.7 million compared to $3.3 million. Our adjustments in the quarter are consistent with prior quarters, primarily reflecting onetime costs associated with acquisitions and integration and the start-up of our new campuses. Loss per share for the quarter was $0.01 versus $0.03 of earnings per share in the prior year period.

Our ending share count was 33,767,000, which includes 724,000 common shares that resulted from the conversion of approximately 24,000 preferred shares by one of the preferred shareholders. We don't anticipate other preferred holders requesting to convert their shares, but I'll remind you that the remaining preferred shareholders are able to convert at any time with the shares held by Coliseum Capital and their affiliates being subject to a conversion cap related to potential education regulatory approvals.

We are optimistic that we will achieve the trigger for the company conversion option in the not-too-distant future but can't predict when that may occur. Our effective tax rate expectation remains approximately 4% for the year, as we adjust out the impact of the valuation allowance reversal that occurred last quarter.

Turning to the balance sheet. At quarter end, our total available liquidity was $70.7 million. We closed the financing for the Lisle campus purchase in April, which allowed us to retire the acquired debt and fund approximately $20 million of the initial $28 million net cash outlay. Our combined term debt for the Lisle and Avondale campus purchases is $67.8 million, a gross debt to adjusted EBITDA leverage ratio slightly above 1:1.

Year-to-date, our capital expenditures, excluding the Lisle campus purchase were $41.1 million, driven primarily by the Austin and Miramar new campus buildouts, new welding program launches and our campus optimization initiatives, all of which are expected to be largely completed during fiscal 2022. We are expecting CapEx at the lower end of our $55 million to $60 million range, primarily as a result of the timing of spend associated with the MIAT program expansions, which will defer some CapEx into next year. Overall, even with the MIAT program expansion plans and full swing in fiscal 2023, we expect CapEx to be significantly less than in 2022.

As we continue to invest in our business and yield the benefits of our growth and efficiency initiatives, we are confident in our ability to generate significant organic cash flow. This will allow us to be agile in our approach to capital allocation and will allow us to act where we deem needed to grow our business organically and inorganically. That said, we also think it's good hygiene to ensure we have ready access to additional capital through building strong relationships with the investment in banking communities and anticipate we will establish a credit facility at some point in time.

Jerome discussed earlier our new student start growth trajectory and how we started more high school students in the quarter than historical norms, and also will be more focused on that channel for growth in the near term, given how the current macroeconomic environment is creating some inertia with the adult job changer population.

Overall, we are very pleased with what we are seeing in the high school channel. And for the adult channel, while we are expecting a double-digit decline this year, excluding MIAT and the new campuses, that comes on the heels of more than 25% growth in 2021. Also, we have seen strong inquiry volume in the adult channel, but still have the opportunity to increase conversion rates and enroll more of those prospective students as the macro dynamics evolve.

For the third quarter, the shift in start timing for a portion of our high school students along with the launch of Austin and having 2 MIAT starts contributed to our strong new student start growth. We still expect to start the vast majority of high school students in the fourth quarter, and we expect total starts in the fourth quarter to be roughly flat to the prior year, with growth in high school and military offset by a decline in adult. Overall, we now expect year-over-year growth for total new student starts in the low to mid-single digits for the year.

For our financial guidance metrics, while we are holding to our previously issued ranges, revenue, adjusted EBITDA and adjusted net income are trending to the higher end of their respective ranges. Strategically, we remain very excited about the Concorde Career Colleges acquisition and believe we are tracking to an early calendar 2023 close, subject to completing the regulatory review process and satisfying other customary closing conditions. While we're not ready to give formal guidance for fiscal 2023, we have enough data points currently that we can share some initial high-level thoughts for UTI, excluding Concorde.

I'll begin with 2023 new student starts. Given the growth trajectory this year, lapping of the MIAT acquisition, timing of our MIAT program expansion efforts, the near-term emphasis on high school growth, much of which will be in the fourth quarter next year, and finally, without any recessionary tailwinds that could materialize primarily in the adult channel. We should see positive year-over-year growth each quarter next year with growth accelerating in the back half of the year and the strongest growth in the fourth quarter.

Translating that to 2023 revenue, with start growth being low to mid-single digits for 2022 and the strongest 2023 start growth in the back half of the year, along with revenue per student now more normalized and the lapping of the MIAT acquisition, we should see modest year-over-year growth in the first half of the year and accelerating growth in the back half of the year.

It is too soon to provide much commentary on adjusted EBITDA as there are many variables at play. As we noted, we're not immune to the inflationary pressures being experienced across all aspects of the economy although we have been successful so far this year, driving efficiencies to largely offset them.

We also continue to make investments in the business, including key personnel to support our growth and diversification strategy. Our expectation for fiscal 2023 will be highly dependent upon where we land with revenue, with our clear goal being to achieve margin expansion and overall adjusted EBITDA growth.

These are our current high-level thoughts around fiscal 2023. We will refine them over the next 3 months and provide more details and formal guidance when we report our fourth quarter and year-end results in November.

Lastly, looking at our strategic road map, we have high confidence in our ability to achieve at least $700 million in revenue in fiscal 2025 with adjusted EBITDA margin of approximately 20%, which includes the Concorde acquisition.

Our strong year-to-date performance in fiscal 2022, along with successful execution on the early stages of our growth and diversification strategy, have positioned us well to close out this year on a positive note and move into 2023 with continued momentum. I would like to thank the UTI team and our students for another quarter of their commitment and hard work.

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

Jerome A. Grant
CEO & Director

Thank you, Troy. As we discussed, we are pleased with our operating results from the quarter and are very optimistic about the future. We are in the beginning stages of our growth and diversification strategy and our early initiatives on this front helped contribute to the strong results for this quarter, providing us with momentum, which we believe will carry into 2023.
Delivering strong student and employment outcomes remains our core focus as we provide opportunities for individuals in markets that have substantial and growing opportunities for well-trained skilled workers.
I'd now like to turn the call over to the operator for Q&A.

Question and Answer

Operator

[Operator Instructions] Today's first question comes from Eric Martinuzzi with Lake Street.

Eric Martinuzzi
Lake Street Capital Markets, LLC, Research Division

Yes. Congratulations on the Q3 results and the outlook for the remainder. I wanted to dive into the new student start, the pressure here and the reset to the low to mid-single digits. As we go back to -- as we entered the year with kind of an outlook for, I think it was in the 10% to 15% range now, we're low single digits. And that low to mid-single digits pretty big reset here. You talked about the headwinds in the adult section and the adult part of the student by -- are we seeing kind of as expected in high school. Is that -- should we take that for granted?

Troy R. Anderson
Executive VP & CFO

Yes, it's a good question, Eric. Thanks. And when we look back at the original guidance, which was 14% to 19% growth, and then we dropped to 8% to 12% last quarter. And of course, as you said, now low to mid-single digits. We really attribute that entirely to the adult channel. We had some challenges in the latter part of Q1 and early part of Q2 with Omicron as we talked about in the prior quarter, which again was primarily adult. Keep in mind that first, second and third quarter, primarily where we get most of the adult students and then the high school kicks in more in the latter part of the third quarter and then the fourth quarter.

So we've had strong inquiry flow all year. We commented on some conversion rate pressure last quarter as well, again, which we thought was more attributable to Omicron as we transitioned into May, June, July, frankly. We've seen that conversion rate pressure continue and frankly, pick up a little bit, again, in the adult side.

The high school side is pretty much on budget, pretty much as we expected. We were hoping, frankly, we could do a little bit more. But that work largely is done in the first and second quarter with the lead generation with the high school students. And then really the third and fourth quarter is finishing -- bringing those students to enrollment. So the pipeline build was before we really had the insight that we have now and to how the adult channel was performing, thus, it was really, frankly, too late to really move the needle too much on high school to offset that.

Eric Martinuzzi
Lake Street Capital Markets, LLC, Research Division

And where's military at?

Troy R. Anderson
Executive VP & CFO

Military is off a bit. I mean those numbers are much smaller. I mean they're 10% to 15% overall. And you can get some other volatility in military tied to, for instance, there's recent headlines about all branches being short of their recruiting goals. So they may go a little heavier on reenrollment incentives and things like that. So you can get a little bit of the economy in there. You could get just the factors affecting military specifically, but we're -- we've seen strong growth factor. We're expecting growth in military in the fourth quarter. So it's a little bit up and down quarter-by-quarter, [that'll] be down a little bit this year overall.

Eric Martinuzzi
Lake Street Capital Markets, LLC, Research Division

Okay. And then you've got the insight on the adult conversion. What does it boil down to as far as leverage you can pull to improve the conversion?

Troy R. Anderson
Executive VP & CFO

Well, we're looking at some optimization in terms of how we do lead routing and how we treat local students versus relocating students. Again, keep in mind, about half our students overall relocate and on the adult side, we have certain programs that are national-only programs like the MMI programs, for example, marine and motorcycle. So we want to make sure that we start tailoring our lead flow and rep engagement to really those specific students with students who are local, get them into the campus, do a tour, work with the rep on campus, spend less time trying to pre-enroll the student. Just get them into the campus, do the tour. And we think things like that, which we've done a bit of here and there, but we're going to do more consistently in more -- in a more focused way will help offset some of the near-term pressure.

Eric Martinuzzi
Lake Street Capital Markets, LLC, Research Division

Okay. And then Jerome, you talked about kind of the impact, not immune to -- or maybe it was Troy, I can't remember -- being not immune to the inflationary pressures. You're still talking about, though a big picture, we're $700 million and around 20% adjusted EBITDA margin. What specifically is your 2 or 3 points of pain on inflationary pressures?

Jerome A. Grant
CEO & Director

Well, are you talking about on the cost side? Or are you talking about on the demand side?

Eric Martinuzzi
Lake Street Capital Markets, LLC, Research Division

On the cost side.

Jerome A. Grant
CEO & Director

On the cost side. Well, I mean, obviously, we're not immune to wage pressures ourselves in terms of -- although we are doing better this year in terms of overall attrition of our instructor and support population, we are finding it a little more difficult to find people, paying a little more money for people when we bring them in. So on that side of the equation, we're seeing probably the same kind of pressure a lot of people are seeing out in the market.

And then as Troy said, there are some materials, part of supply chain issues and inflationary issues in there, welding materials, some of the petroleum materials, things along those lines that are tied to gas prices and things like that, that are bringing some price pressure. I've got to give our team some great praise for really looking at the offsets that we can make. So we really haven't seen net-net a lot of pressure there. But we're not immune to some of those things that you're reading about in the paper as well.

Troy R. Anderson
Executive VP & CFO

Yes. And some of it, Steve -- sorry, Eric, is as we look at different categories. So for example, coming into last year, early part of this year, PCs, we were buying well in advance to secure better pricing and that we're already seeing the PC constraints lift. We give each new student for most of our programs a Chromebook laptop. And so I think some of this just again, as the headlines say, where we overcorrected in some areas and things have flared up in some areas that we think will come back over time, and we're just trying to be transparent about some of the things that we're seeing.

Operator

[Operator Instructions] Today's next question comes from Steve Frankel with Rosenblatt.

Steven Bruce Frankel
Rosenblatt Securities Inc., Research Division

So to go back to the starts issue again. Does this make you want to pause or pull back on adult recruiting in the short run as another way of saving money? Or do you just keep plugging at it, assuming that if the economy starts to tip, then more people than want to change jobs?

Jerome A. Grant
CEO & Director

Well, as Troy outlined, it has us fine-tune or hone the way we look at adult job changers, #1. Those who don't have to relocate convert at a higher rate than those who do have to relocate. So if you're coming from Seattle to Avondale, it's a much bigger decision financially than if you're coming from Glendale to Avondale and making it. So we've been sort of honing and pointing our adult recruiting in a more local fashion. And we've been seeing some benefits and some blunting of the headwinds out of that. We're evolving the way we do adult admissions to make it more flexible and scalable as the market comes back.

And I think the more important issue is we believe we can pull the lever harder in high school, where we can add resources into the high school, go deeper into the high school and bring that population that's significantly less affected by the inflationary pressures to the school. You'll note high school had a very good year this year and better access. We've done some refinement to our territory alignments now that we can bring more people into the organization through that refinement. We're going to pull those levers for the fall. So we have -- we're anticipating a very strong high school performance when we step off in the fall this year.

Steven Bruce Frankel
Rosenblatt Securities Inc., Research Division

And speaking of that, so one of the things you talked about when you bought MIAT was that they were less mature in high school recruitment process. Are you fully ramped up now so that when the school year starts up in September, they're going to hit the ground running?

Jerome A. Grant
CEO & Director

Yes. And again, number one, because many of them may be listening, they have some really great high school reps at MIAT. They just didn't have very many of them, right? And whereas we have nearly 150 reps around the country for their 2 campuses, I think they had [68] reps that were selling into it. So we're ramped up now as we go into this school year. Remember, we closed in the middle of the school year last year -- for high school year last year. As we ramp in this year, our reps are fully trained, they understand the product line. They understand it very well because we're putting over a dozen MIAT programs on the UTI campuses through 2023. So that product line has been fully embraced by our high school channel, and we expect to see the results of that in the '22-'23 school year.

Troy R. Anderson
Executive VP & CFO

Steve, 1 other point I would make back on adult real quick is on the media side, right? So most of the lead generation on the adult side is through media spend. And so we continue to optimize the media spend as well. So we're not, to your point, just throwing money into the market that's not going to be productive. So making sure we're getting the optimal return on the media side and then trying to refine on the rep side to get the conversion rates back to where we'd like them to be.

Steven Bruce Frankel
Rosenblatt Securities Inc., Research Division

And given where we are in terms of the online ad market, I assume you've seen much better rates for the online need that you've been buying, right, for these campaigns?

Troy R. Anderson
Executive VP & CFO

Yes. I think we've done a combination of things. I mean, obviously, the market itself fluctuates up and down depending on time of the year and who the buyers are. And of course, now people are pulling back a bit as you've heard from some of the larger players in that space on recent earnings reports. We also are looking at different lead sources. We've looked at agencies that we work with, enhancing our analytics so that we can get better, more real-time data on responses and conversions and the like. So it's all facets of it beyond even just looking purely at the cost itself.

Steven Bruce Frankel
Rosenblatt Securities Inc., Research Division

Okay. And then just remind me where and when will the first MIAT class open on your -- in the UTI footprint?

Troy R. Anderson
Executive VP & CFO

Where -- well, when is probably Q2 of fiscal '23, latter part of Q2 fiscal '23, but I don't remember...

Jerome A. Grant
CEO & Director

Actually not -- yes, it's the Q2 fiscal '23, but there are 3 or 4 programs across campuses that are all sort of neck and neck vying for first opening right now. So we'll -- as we get closer to that date, we start recruiting into the specific campuses, then we'll be able to let you know where that is.

Troy R. Anderson
Executive VP & CFO

There's a bit of variability because all of them are going through the same approval process, but a different pacing because of our structure with the Department of Ed and they have to typically go through the state and ACCSC first and then go to Department of Ed. So we're just now getting the Department of Ed submissions done. And so we're confident that it will be early '23, but it could vary a little bit depending upon when we clear that, and then we need time to market -- market the programs and do the lead generation once we know we have the approval and a start date confirmed.

Operator

And ladies and gentlemen, this concludes our question-and-answer session. I'd like to turn the conference back over to the management team for final remarks.

Jerome A. Grant
CEO & Director

Thank you very much, everyone, for joining us today. This concludes our conference call for the third quarter 2022. We look forward to talking to you again next quarter. Thanks, and have a great day.

Troy R. Anderson
Executive VP & CFO

Thanks, everyone.

Operator
This concludes today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines, and have a wonderful day.