S&P Global
Market Intelligence

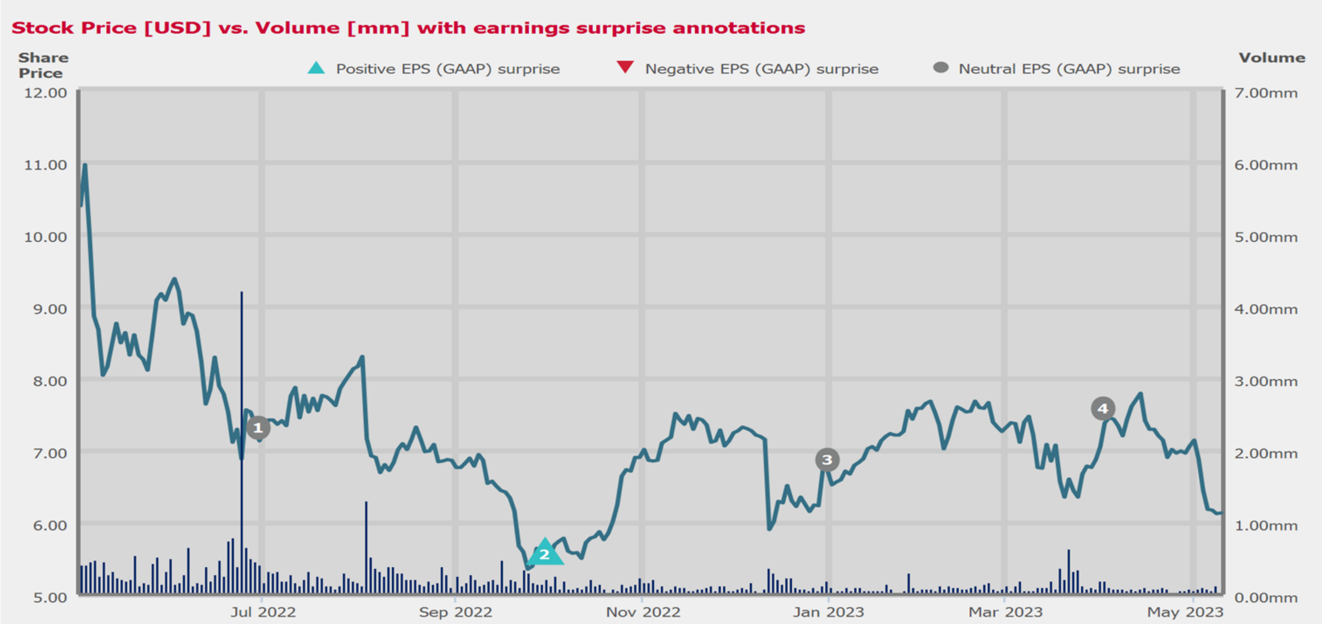
Universal Technical Institute, Inc.
NYSE:UTI
FQ2 2023 Earnings Call Transcripts

Tuesday, May 09, 2023 8:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2023-			-FQ3 2023-	-FY 2023-	-FY 2024-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	(0.03)	0.04	NM	(0.10)	0.18	0.72
Revenue (mm)	153.79	163.82	▲6.52	150.15	600.32	704.27

Currency: USD
Consensus as of May-03-2023 12:18 PM GMT



- EPS (GAAP) -	CONSENSUS	ACTUAL	SURPRISE
FQ3 2022	(0.12)	(0.01)	NM
FQ4 2022	0.02	0.03	▲50.00 %
FQ1 2023	(0.05)	0.02	NM
FQ2 2023	(0.03)	0.04	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

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

Unknown Analyst

Presentation

Operator

Good afternoon, and welcome to the Universal Technical Institute Fiscal Second Quarter 2023 Earnings Conference Call.

[Operator Instructions]

Please note this event is being recorded.

I would now like to turn the conference over to Matt Kempton, VP, Corporate Finance. 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 second quarter fiscal year 2023 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, 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 as part of the company's 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 and amortization adjusted for items not considered as part of the company's normal recurring operations, along with noncash stock-based compensation expense. 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 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 measures to the most directly comparable GAAP financial measures 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 also like to thank our faculty, staff and students for their ongoing hard work and commitment.

During the second quarter, we continue to build out the infrastructure of our combined company and execute on the actions we've already taken to realize the fullest potential of our growth and diversification strategy. We delivered strong performance across a number of our key metrics during the second quarter with $163.8 million in revenue, $19.2 million in adjusted EBITDA and 4,626 total student starts.

Note that our second quarter financial results include the first full quarter of financial contribution from Concorde since completing the acquisition in December of 2022. We strengthened our divisional model and leadership team through some key leadership appointments. For our two divisions, we now have established dedicated divisional presidents with Jamie Fraser at the helm of Concorde as previously announced, and our newest leadership addition, Tracy Lorenz, serving as our new President of UTI.

Tracy joined in April as a proven growth-oriented leader with over 20 years' experience in higher education. She most recently served as President and CEO of Triumph Education, and she previously spent 9 years at Apollo Education Group. Tracy will be wholly focused on UTI's operational and strategic execution, and we're happy to welcome her to the team.

Additionally, we've strengthened our Board's health care representation through the appointment of Michael Slubowski to the Board of Directors. Michael is the President and CEO of Trinity Health, a $21.5 billion national health system, and he brings 40 years of health care experience. We look forward to leveraging his insights as we further integrate and expand our Concorde platform.

With this multidivisional structure, we're building upon our strength as a workforce solution provider for an expanding range of in-demand fields. While current macroeconomic conditions have created a dynamic operating environment over the past year, as we'll discuss throughout the call, our diversified model gives us greater flexibility to navigate these conditions and optimally support our current and prospective students. Importantly, the fields and industry segments on which we are focused, continue to have strong demand, which helps ensure that we're setting our students up for success through graduation and beyond.

Now I'd like to provide an update on our key areas of focus for our without segments in 2023. Starting with the UTI division, there are two main drivers for growth in 2023, the scaling of the two new campuses and new program launches planned for this year. The two newest campuses in Austin, Texas and Miramar, Florida now have over 700 active students. We continue to expect both campuses to reach the benchmarks we set for them as they ramp further.

These markets are showing impressive demand characteristics. One example of this is in the same day of the recent ribbon cutting in Austin. We held a job there with 50 employers present and over 1,500 job openings that were immediately looking to be filled. This illustrates our success with targeting high-demand fields and markets as well as connecting students with a strong range of career opportunities.

As for Miramar, this campus opened later than Austin in 2022 and did not benefit from a full high school start season last year and is now preparing for its first big summer and fall starts as new high school student graduates prepare to join us. The UTI team continues to work on launching 14 new programs across 9 UTI campuses this year and into 2024, which primarily came to us by way of our MIAT acquisition. The programs they're planning to launch include wind and energy management, aviation, robotics and HVACR.

We're encouraged by the strong demand for these new programs as evidenced by the inquiry flow we have seen as they increase our marketing efforts. UTI has now received all of the Department of Education approvals needed for their program launches in 2023, with just the three planned aviation programs still needing another approval. They are expecting the first new programs to launch in July.

It should be noted that for a handful of programs, we experienced delays in regulatory approval process, which we understand to be industry-wide dynamic as agencies work through broader certification backlogs. These have somewhat compressed these programs launch time line, yet interest is high, and these programs should ramp nicely in 2024 and beyond.

As a reminder, our initial fiscal 2023 guidance for the planned program launches only included a modest benefit on student starts and revenue with the primary benefits and higher growth expectations in fiscal

2024 and onward. Overall, demand for the UTI programs remain high as exemplified by strong inquiry volume. While we have seen some improvement in the broader enrollment environment relative to second half of fiscal 2022, it is important to note that the macroeconomic conditions have not yet normalized.

Inflationary pressures have continued to impact some prospective students, most noticeably those who must relocate to attend classes, yet UTI remains focused on mitigating these impacts by implementing additional sources of support for students and families. For example, UTI has enhanced the grant programs to include additional relocation and housing cost support as well as expanding family contribution eligibility.

These enhancements come alongside the initiatives previously implemented, including establishing dedicated teams to support local and relocating adult students, a dedicated military financial aid team as well as assisting prospective adult students through the enhanced call center team.

The UTI team is also steadily working to enhance the yield on their investments in admissions resources to support broader recruitment efforts across our high school and military channels.

Moving on to our Concorde career college division, we collectively continue to execute on critical integration items and have stayed on track with this process. As noted in prior quarters, we are maintaining our focus on facilitating a seamless and effective experience for the Concorde team and their students, while keeping our integrations efforts focused on meeting public company requirements, including financial reporting, internal controls, compliance and IT security.

Throughout the process and over the past several months, we visited all 17 Concorde campuses. We remain encouraged by the high engagement and enthusiasm we've seen from Concorde students, staff and leadership, and it's been great working with the copper team to support positive student outcomes across a variety of critical growing health care professions.

From a growth perspective, the Concorde team has programmatic accreditor visit schedule for the three dental hygiene programs they are planning to open, and we expect these programs to launch in 2024 once they've been successfully accredited. Historically, launching and scaling enrollment for Concorde's dental hygiene programs has also provided a boost to their dental assistant programs on those respective campuses, and we expect this pattern to continue once the three newest programs are up and running.

Our company as a whole has a strong commitment to robust student outcomes. These outcomes define our foundation and drive our future. With Concorde, our combined footprint spans two in-demand industry segments and 33 campuses. We significantly expanded how we reach and support our students and work collaboratively with the employment partners in rewarding high-demand career paths.

As a recent example of our track record and partnership impact, I'd like to share our success story from the annual aerospace maintenance competition event held in conjunction with Aviation Week's MRO Americas. This flagship event recognizes and celebrates aviation and maintenance professionals and raises awareness of the knowledge and skills required to maintain safe and airworthy aircraft.

We had two MIAT student teams compete from our Houston campus. Our Lady Mustang's team won first place overall in the professionalism award category and men's Mustang's team play second in the same category. Opportunities like these demonstrate the benefits of our premier industry partnerships, and I want to thank our partners at United Airlines for making this event possible for our students.

We remain on track to achieve the guidance targets for fiscal 2023 that we set at the beginning of the year. These include revenue ranging from between $595 million and $610 million, adjusted EBITDA between $58 million and $62 million and new student starts between 22,000 and 23,500. In addition, we continue to believe that our ongoing work to drive growth to strengthen our operational infrastructure will position our company for further growth in fiscal 2024 and beyond.

As such, we remain confident with our previous stated fiscal 2024 projections of revenue in excess of $700 million and adjusted EBITDA approaching $100 million. I'm proud of our execution and positive results through the first half of the year and our commitment to facilitating positive student and employment outcomes across a diversified in-demand range of field.

I'd now like to turn the call over to Troy to discuss our results from the quarter in greater detail. Troy?

Troy R. Anderson
Executive VP & CFO

Thank you, Jerome. As Jerome mentioned, we delivered solid performance on our key metrics during the second quarter, with our top and bottom line results exceeding our expectations and new student starts roughly in line with our expectations. As a reminder, Q2 represents our first full quarter of contribution from Concorde, and we have presented results in the segment reporting model we implemented last quarter as a result of the acquisition.

Please note that unless stated otherwise, our year-over-year financial comparisons are on an as-reported basis as the prior year period does not include contributions from Concorde. I'll begin with the new student start performance for the second quarter, where we recorded 4,626 total new student starts, reflecting a 4.4% year-over-year increase in UTI starts and 2,252 Concorde starts. Overall, UTI starts grew year-over-year across all three channels during the quarter. driven by continued ramp of the two new campuses and welding programs we launched last year, along with positive contributions from the MIAT campuses. However, similar to Q1, starts for many of our legacy UTI campuses were down year-over-year, driven primarily by relocating students. That said, for those campuses, we saw a lower overall decline this quarter versus what we saw in the first quarter.

Finally, with this being our first full quarter of contribution from Concorde, we saw the more typical start cadence we outlined during our last conference call with a core program start each month and one primary clinical program start during the quarter. Concorde performed well in the quarter, and while not immune to the macro pressures, they are successfully navigating through these conditions.

Moving into our financial performance. Second quarter revenue on a consolidated basis exceeded our expectations and increased 60% versus the prior year quarter to $163.8 million, significantly driven by Concorde's $56.3 million contribution. UTI revenue increased 5.4% relative to the prior year quarter, driven by the new campuses and programs launched last year and average revenue per student improvement, partially offset by declining average students.

Concorde segment revenue exceeded our expectations, largely due to the phasing of revenue primarily for clinical programs. We implemented a methodology change that was not contemplated in our initial expectations which results in higher than previously expected revenue this quarter and in the third quarter and lower than previously expected revenue in the fourth quarter. I'll discuss our overall pacing expectations for the third and fourth quarters in a few minutes.

Consolidated second quarter net income was $3.5 million and adjusted net income was $6.3 million. These are down and roughly flat on a year-over-year basis, respectively. The net income decrease in the quarter is due to the valuation allowance reversal that occurred in the prior year quarter. Overall and consistent with our initial guidance, our level of profitability reflects the impact of slower start growth for UTI in the second half of 2022 and first half of this year, along with increased expenses associated with the new campuses and programs launched last year, and both ongoing and onetime investments associated with our growth and diversification strategy.

Last, we have a higher effective tax rate due to last year's valuation allowance reversal and the impact of discrete items around state taxes, executive compensation and acquisition-related costs. Diluted earnings per share for the second quarter was $0.04 per share compared to $0.11 per share in the year ago quarter, again, with the decline primarily due to the prior year valuation allowance reversal and result in a higher effective tax rate. At the end of the quarter, we had 34.1 million total shares outstanding.

Adjusted EBITDA increased 54% versus the prior year to $19.2 million. The year-over-year increase reflects an $8.4 million contribution from Concorde. Note our adjusted EBITDA performance through the first half of the year is roughly flat relative to the comparable prior year period. Both this quarter and last quarter were better than we expected when we first outlined our anticipated pacing for the year and largely reflects revenue and expense timing variances across the quarters versus net upside relative to our full year expectations.

Total available cash liquidity at the end of the quarter was $120.6 million, and we have approximately $8 million of the remaining revolver capacity. Our year-to-date operating cash flow was negative $4.3 million and adjusted free cash flow was negative $2 million. Both are down year-over-year with operating cash flow driven primarily by working capital timing, while adjusted free cash flow reflects the decrease in operating cash flow that is mostly offset by lower CapEx spending.

For CapEx, year-to-date, we have spent $38.6 million, a decrease of $14.5 million versus the prior year. Included in the total CapEx number is the purchase of the three primary buildings and associated land at the UTI Orlando, Florida campus. The purchase price was $26 million and funded from previously drawn proceeds from our revolving credit facility. The purchase is expected to result in approximately $2 million of annualized adjusted EBITDA benefit and after-tax cash savings of approximately $500,000. This is another example of our strategically deploying capital towards our real estate footprint and optimizing our cost structure.

The primary drivers of the remaining CapEx spend were the completion of our UTI Austin and Miramar new campus buildouts, as well as program expansions for both UTI and Concorde. As we proceed through the remainder of the year and finalize our program expansion build-outs, we expect our CapEx spend, which is primarily growth focused to skew more heavily towards the second half of the year.

As Jerome discussed earlier, we are reiterating our fiscal 2023 guidance targets across all key metrics and remain confident in our previously-stated projections for fiscal year 2024. As we look across the quarters, our pacing expectations have shifted favorably relative to our initial view as a result of the change in Concorde revenue phasing I mentioned earlier as well as the timing and mix of our new student start expectations and expense timing. The phasing of revenue flows directly to our quarterly profitability.

As a result, we still expect adjusted EBITDA to be lower year-over-year in the third quarter and higher in the fourth quarter, but both to a lesser degree than our original expectations. Overall, we expect adjusted EBITDA to be roughly flat on a year-over-year basis for the second half of the year, consistent with the first half and the full year overall.

For UTI full year revenue, we still expect year-over-year revenue growth in the low single digits, with the third quarter closer to flat in the fourth quarter showing modest growth. For Concorde full year revenue, we still expect a range of $170 million to $175 million, with the second and fourth quarters being seasonally higher revenue quarters and the third quarter being a lower revenue quarter. For new student starts, we are reiterating our overall range of 22,000 to 23,500 and based upon current and expected enrollment pacing, our segment level expectations have shifted.

We currently expect full year UTI new student starts to be at the lower end of the 14,500 to 15,500 range we previously communicated. This represents solid year-over-year growth of approximately 8%. The primary drivers are the continued macro pressures, particularly for adult and relocating students and to a much lesser degree, lowering our expectations for the initial program expansion launches.

Third quarter UTI starts will likely be flat to down year-over-year, while we expect fourth quarter starts to show strong year-over-year growth. Given the change in UTI start expectations and revenue pacing, we will be applying extra diligence to the UTI cost structure to align it as best as possible with student counts and revenues.

For Concorde, we now expect full year new student starts to be at the upper end of the 7,500 to 8,000 range we previously disclosed, primarily due to a more limited impact from the macro factors and performance improvement opportunities we have identified with marketing and grant programs. I want to remind everybody to please be sure to review our press release, financial supplement and investor presentation which have all been updated for the most current consolidated and segment details about our actual results, our strategic road map and our guidance, including our non-GAAP reconciliation tables.

In closing, we extend our gratitude to our team, students and partners for their support and their contribution to our performance through the first half of the fiscal year. I'll now turn the call back over to Jerome for closing remarks. Jerome?

Jerome A. Grant

CEO & Director

Thank you, Troy. To briefly summarize, our second quarter performance came in ahead of our expectations as we sustained execution on our key priorities for both business segments. For UTI, we remain focused on scaling and driving enrollment growth at our new Austin and Miramar campuses. We will also continue to progress our 14 planned program launches this year into fiscal 2024, starting with the planned launch in July of our wind, industrial maintenance and robotics programs at UTI Rancho Cucamonga campus, along with the launches of welding in Sacramento, aviation in Avondale and HVACR in Austin. The remaining programs are planned to launch in August and September, some of which are pending for the regulatory approval.

For Concorde, our integration activities have remained on track, and we will continue to advance this process and work to maintain this segment's execution into the second half of the fiscal year. Our performance through the first half of the fiscal year gives us continued confidence in achieving our fiscal 2023 guidance targets as well as positioning us to achieve our fiscal 2024 revenue and adjusted EBITDA outlook.

Across our business, we are strengthening our divisional operating model as we build out our strategic road map for our combined company. Even as we navigate an evolving operating environment, the breadth and flexibility of our business model optimizes our position as a leading workforce solutions provider for a growing range of skills, careers and fields.
I'll now turn the call over to the operator for Q&A. Operator?

Question and Answer

Operator

[Operator Instructions]

First question will come from Raj Sharma with B. Riley.

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

Could you please start on the starts and the second quarter? Give us some color, please, on high schoolers and young adults and how that kind of played out? And then following that, then your guide for the rest of the year for starts and emphasizing the macro factors, could you kind of elaborate on that place, where you see the weakness or where you see strength?

Troy R. Anderson
Executive VP & CFO

Sure. Raj, this is Troy. Thanks for the question. So yes, Q2 was pretty much in line with our expectations. Again, 4%, 4.4% growth overall. You can see in our materials that we had growth across all channels. High school was closer to flat, but modest growth a few points of growth on adult and a little bit stronger on military and again, all pretty much in line with our expectations overall.

The benefits of the new campuses and new program launches from last year, really driving that growth, and across our legacy footprint seeing some of the declines carry over from last year into this year. And really, that's predominantly driven by what we're seeing more now is pronounced differentiation between local and relocation, and we've talked about that a little bit before with the inflationary pressures and the like. And so as we look into Q3 and Q4, remember, last year, we had a big push on high school to start students in June right after school. And so we're coming up on a tough compare with that.

This year relative to last year, we're seeing about the same kind of result on the high school side. And as we go into Q4, we'll see stronger growth, both with -- really across all the channels and then the program expansions kicking in, in the fourth quarter will pretty much lap the new campus Miramar, not quite as much, but Austin and the new welding launches will have lapped as we get into the fourth quarter. So really, the growth will be the new investments we made in our admissions channels as well as the program expansions, which the first of those programs will start in July and then there'll be another round in August and a final round in September.

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

So what you're saying is the starts guidance hasn't -- the year hasn't changed much since you're reiterating guidance for this year, and you're also kind of reiterating the guidance for next year. Is that fair to assume that starts are still in range this year?

Troy R. Anderson
Executive VP & CFO

Yes. I'm sorry, I didn't specifically comment on that. So my -- the commentary I just gave was really geared toward the UTI start. So yes, both for Concorde and UTI, we're reiterating the ranges, but we are seeing UTI probably in the lower end of the 14.5% to 15.5% range, which is [8%] plus growth. So still strong growth, just not getting quite as far as we were hoping to, given some of the pressure on relocating and some of the delay on the program expansions.

Concorde, conversely, we're seeing skew more toward the upper end of that range. So very comfortably in our total range of 22% to 23.5%. And by being there, exiting this year going into next year, that gives us a lot of confidence along with the program expansion launches executing on those here in the fourth quarter. Those are really the big building blocks, along with just the full year of Concorde for our '24 outlook. So as all those things come together as we exit the year, then that sets us up well for the -- in excess of 700 and approaching 100 for our '24 outlook.

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

Great. And then just if you could touch upon the conversion of the initial -- of the interest. And I think Jerome mentioned that there is an improvement from last year. Could you give us some more color on the reluctance or hesitancy and students in wanting to sign up that has improved.

Jerome A. Grant
CEO & Director

Sure. I mean, we've seen an uptick both in interest, which is represented in inquiry flow into the system as well as our ability to convert students to starts as well. The most pronounced uptick has been with our local population. And as you know, I think one of the things we've outlined to you in the past is that we've been working very, very hard on transformation effort for our local adult population, and that is paid dividends.

And then our -- most of the resources we added in the high school market were added in the local locations, cutting in territories at local locations close to campuses, which also is performing very, very well right now. And as Troy said, we've always been very transparent with you. The only resistance we're seeing out there in the market is economically based around relocation. And what we're doing in that front is working to enhance our relocation grant programs and to expand the group of people who qualify for those relocation grants to help people over the hump of moving across the country or wherever they want to, to take programs at UTI. But as you also see, what we're saying is Concorde will come in, in the high end of their range.

And as you probably know, and we've talked in the past is that the health care business is a very local business. And so feeling the confidence of what we're seeing from Concorde in terms of their local recruiting efforts gives us that confidence that we'll comfortably be in that 22% to 23.5% range and that next year sets up beautifully.

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

Great. That's great. And then just lastly, could you comment on the initial enrollment of the new campuses? Austin, I know you said that you you've got 700 so far. Are they in line with your expectations ahead?

Jerome A. Grant
CEO & Director

Yes, they're in line. I mean, as we said last year, Austin opened later than we wanted it to. So we generally missed out on the high school season last year by the delays associated with supply chain issues and getting that campus open. So Austin is doing very, very well. And in some of the numbers you saw around employment, et cetera, are very encouraging that Austin will beat or exceed the benchmarks.

And our first big fall season for Miramar is upon us, and the pipeline looks strong. It looks like we're going to do just fine there. And so we have absolutely no reservations about saying what we said on the call here, which is these things are on track to meet the models that we've put in place.

Troy R. Anderson
Executive VP & CFO

Yes, it's a 3- to 4-year ramp-up period on the new campuses. So this -- as Jerome said, this will really be -- this is really year 1 for Miramar where as Austin got about a half a year last year, but we feel good about the markets that we're in there and the trajectory that we're heading on.

Operator

[Operator Instructions]

Our next question will come from Ryan Meyers with Lake Street Capital.

Unknown Analyst

First one for me. Can you give us a little bit of commentary on how many of the new programs you guys are still waiting on approval? It sounds like you expect some open in July some August and some September. Just curious how many you're still waiting on that approval for.

Jerome A. Grant
CEO & Director

Yes, three, and it's really just the three aviation programs. There's a sequencing of approvals that you get that all starts with the Department of Education and then moves on to state and local agencies, et cetera. And then the additional layer in aviation programs are the FAA. And so those are the last three for the three aviation programs that we're still working towards. We don't see any problem getting them. That's not the issue.

The issue really was that -- and you may hear on other calls, the Department of Education had quite a backlog. And so the time lines to get that first approval were significantly longer than historical averages because of their backlogs, and that sort of just pushed everything back. And so because the aviation programs need that final step, which is the FAA, very important step, those are the last three we're waiting for.

Unknown Analyst

Got it. And then how should we think about how you're marketing these new campuses in these new programs? And then more, how we should think about the marketing spend associated with them?

Troy R. Anderson
Executive VP & CFO

Yes. When we -- this is Troy, Ryan. We continue to refine our marketing model as we added markets, as we added programs. Some of the programs are very mature, like in HVAC is a very well understood and mature program tends to be more local. The wind technician program or robotics, we're having to build the market a little bit more, raise more awareness, train or educate the prospective students on what the career options might be. So there's a little bit of a different angle on the various programs.

Of course, our more mature programs, welding, auto-diesel et cetera. And on the health care side as well, they have a bit of a different marketing approach where they have the clinical programs, the nursing and the dental hygiene and some of the other programs where people will come in more for those programs and realize that they -- either that's a longer program or a more extensive program or maybe they're not able to pass the required tests or have the prerequisites for those programs and then they migrate into a dental assisting or a medical assisting or some of the other core programs that they offer which tend to be lower cost and shorter programs, get some work experience and then come back maybe for one of the clinical programs.

So it's been a different dynamic across the two schools. But we continue to look at opportunities to drive optimization there. And with the new programs for UTI, for example, we're leveraging off the MIAT model, clearly, with those programs, and so we're able to leverage the work that they had done previously. And then with Austin and Miramar, we're having to put more money into those markets locally as Jerome said, we're driving -- we're really trying to drive the new campuses as primarily local campuses and not relocating campuses. But net-net, yes, you'll see some continued upward movement on marketing spend to support growth but we should get that efficiency probably a little bit inefficient originally with the program launches or a new market launch, but then as they mature, you can get more efficiency overall.

Unknown Analyst

Got it. That's helpful. And then last one for me. How have adult learner enrollments track relative to your guys' expectations?

Jerome A. Grant
CEO & Director

Well, the mitigation efforts we put in place in the local markets are actually paying off quite well in terms of the adult learners, both additional focus on their needs to make the transition from jobs they're in to jobs that we would find them while they're in school. And also just adding additional resources, whether it's in high school or on the campuses to be able to talk to more of them and get in there.

So we're very, very happy with what we're seeing in the local adult markets. And as we said on the call, we've still got some work to do in terms of the relocating students. We've got programs in place for the third and fourth quarter, which we think can help people over the hump of making that decision to relocate -- come to school at one of the UTI campuses, but that's where we are.

Operator

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

Jerome A. Grant
CEO & Director

Thank you very much, and thank you all for joining us today. This concludes our conference for today, and we look forward to talking to you all in the very near future. Take care.

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