



Stride, Inc. NYSE:LRN

Earnings Call

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Call Participants

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Presentation

Operator

Good afternoon. My name is Emma, and I will be your conference operator today. At this time, I would like to welcome everyone to the Stride, Inc. Third Quarter 2023 Earnings Conference Call. [Operator Instructions]

Tim Casey, VP of Investor Relations, you may begin your conference.

Timothy Casey

Vice President of Investor Relations

Thank you, and good afternoon. Welcome to Stride's third quarter earnings call for fiscal year 2023. With me on today's call are James Rhyu, Chief Executive Officer; and Donna Blackman, Chief Financial Officer. As a reminder, today's conference call and webcast are accompanied by a presentation that can be found on the Stride Investor Relations website.

Please be advised that today's discussion of our financial results may include certain non-GAAP financial measures. A reconciliation of these measures is provided in the earnings release issued this afternoon and can also be found on our Investor Relations website. In addition to historical information, this call may also involve forward-looking statements.

The company's actual results could differ materially from any forward-looking statements due to several important factors as described in the company's latest SEC filings. These statements are made on the basis of our views and assumptions regarding future events and business performance at the time we make them, and the company assumes no obligation to update any forward-looking statements made during this call. Following our prepared remarks, we will answer any questions you may have.

I will now turn the call over to James. James?

James J. Rhyu

CEO & Director

Thank you, and good afternoon. The underlying systems and institutions in the U.S. and across the world can be fragile. We have seen this repeatedly over many decades. Headlines in the banking and technology sector are just recent examples. But each time we see these cracks in the economy, the U.S. has been resilient. And more often than not, we surge forward through innovation.

These cycles have enabled the U.S. to progress in amazing ways. The ways in which we travel, bank, shop and even eat have changed dramatically. It wasn't that long ago that we did most of our banking, shopping and transacting in person. However, it has not permeated all sectors equally.

One of the sectors that has not evolved as dramatically is the education sector and most notably, the K-12 education sector. With our recent experience going through a pandemic, I would have hoped we would have emerged with more fundamental change in the system, particularly given the customer feedback we have heard.

But I see kids in school largely the same way as they have for decades. Sure, there are some minor tweaks that technology has enabled but no real substantive change. That both disheartens me but also gives me hope that Stride can begin to move the needle on the system that will power the future of this nation.

From how we think about the trade-offs of skills versus knowledge, trade versus professions, college versus jobs, practical versus theoretical, should kids still be on a traditional belt schedule or should they have flexibility? Should all students really be spending the exact same amount of time on each lesson? Should we enable our students to use their time efficiently in a manner that meets them at their point of need? And should we empower parents to have a say in how their children's time is being spent?

At Stride, we are investing behind these themes. Our core full-time virtual business, both the career and general education aspects, is at the forefront of that investment to enable parents and families to really see how the next generation of schooling can break away from the traditional paradigm of the education system. And I'd love to invite the leaders of the traditional establishment to participate with us for the sake of our children, but I also fear the politics and fights for power often get in the way.

I think the macro data and the trends in our business continue to support my thesis. While we began this year down 8% in enrollments, we saw in-year demand continue to outpace the prior year. We were down 4% at the end of the second quarter and were down just over 1% at the end of the third quarter. The strength of our third quarter was even more impressive in that we booked a trend.

Last year, we lost about 5,000 students from the beginning to the end of the quarter, which is consistent with what we've typically seen. And this year, we're basically flat from the beginning to the end of the quarter as we continue to see strong demand for our product and services.

We're always asked at this time of the year, how things are shaping up for next year. And we always say it's far too early to tell. What I can say is that through today, the positive demand trends have continued in terms of application volumes. As I previously stated, these metrics are the best indicator of demand, so I'm optimistic that we will return to enrollment growth for this fall.

And if you followed us, since I took over as CEO just over 2 years ago, you'll know that I've pushed us to continue to innovate. I believe that schools and districts in the U.S. are too complacent. So I believe it's going to be up to companies like Stride to drive innovation that is focused on the customers, the students.

For example, I've spoken previously about our career platform. Students and parents continue to want more exposure to career skills and opportunities and yet traditional schools still fall short in delivering these options.

For example, in a recent survey, the top priority for respondents was for students to develop practical life skills and yet only 26% rated their local schools as satisfactory in providing these skills. Similarly, only 30% said their local schools have satisfactorily prepared students for careers.

In a separate survey of Gen Z students, 44% said that school only taught them very basic computing skills, while 37% said that school education did not prepare them with the technology skills they needed for their planned careers. And at the same time, the number of organizations with a skills gap has increased from 55% in 2021 to almost 70% in 2022.

The users of our Tallo career platform, including the 1.7 million current users, will have access to exclusive employment and educational options. And employers, workforce organizations and colleges and universities will be able to engage with a unique pool of talent seekers. The platform includes educational content, badges, credentials and certifications in the top current interest areas, including health care, STEM, business and education and training.

As I've mentioned before, Tallo is available to anyone over 13 at no cost. Students in high school and college can join to showcase their skills and talent and connect with employment opportunities. They can take courses and prepare for in-demand certifications while developing durable skills to help them in any industry. On top of the opportunity to get connected to companies looking for their chosen skills, users can match with over \$20 billion in scholarships.

On the other side of that platform, companies and postsecondary organizations can use the platform to recruit specific talent based on interest, credentials, community involvement and test scores. We can also track talent over time to provide predictive information on employee retention.

I also want to talk about another product that I think can revolutionize the way parents, students and teachers collaborate on education. We call this product our Learning Hub. And for too long, the student's education has separated interactions between parents and teachers. Students feel like they need more help at home and parents want to help, but may not know how. Meanwhile, teachers want parental support but find it challenging to manage so many relationships.

Our Learning Hub solves this by being a single platform for personalized content to enhance learning. The platform offers a comprehensive library of curated lessons and resources aligned to state standards. It uses best practices to suggest content for each individual student based on their past use and success. And since students, parents and teachers all have access to the platform, support is seamless and comprehensive.

We just launched Learning Hub this last month, but we've already received positive feedback from teachers and administrators. The great thing about both these products is that we have a built-in user base that we can reach out to, to learn and use to evolve the product. At the same time, these products have the ability to address significant market opportunities outside of our core full-time offering. They allow Stride to diversify our revenue streams and reach more users, and they do so by leveraging the expertise we've developed over the past 20-plus years.

Now before I wrap up, I'm excited to announce that we're planning an Analyst Day sometime later this calendar year, likely in the late fall. By fall, it will have been 3 years since we provided our fiscal '25 targets. And while we remain committed to those targets, both Donna and I look forward to offering a deeper dive into our financial goals and strategic priorities, looking out further and including some of the exciting things we've been working on.

While we are exceeding expectations for this fiscal year, I'm even more bullish on our ability to help transform our educational system in the years to come. Now I'll pass the call over to Donna to give some commentary on our third quarter results and discuss our updated guidance. Donna?

Donna M. Blackman
Executive VP & CFO

Thank you, James, and good afternoon, everyone. First, let me quickly recap our quarterly results. Revenue was \$470.3 million, an increase of 11.5% from the same period last year. Adjusted operating income was \$80.2 million, up \$10.8 million or 15.6% from last year's third quarter. And capital expenditures were \$15.2 million, a decrease of \$3.2 million.

We remain very pleased with how the year is coming together. Our results this quarter for both revenue and adjusted operating income exceeded the high end of our guidance. We continue to see strong retention and new enrollments in the third quarter.

We finished the quarter with total average enrollment of 181,800, up nearly 8,000 enrollments from the first quarter. This reinforces what we've said before about the continued demand for virtual options and furthers our belief that we remain on a path to achieve our fiscal year 2025 revenue and AOI targets.

Now for some more detail on our third quarter results. Korea learning revenue was \$180.7 million, up 71% from the third quarter fiscal 2022. Continued growth in the adult learning business and strength in our middle and high school programs both contributed to the increase. Middle and high school Career Learning revenue was \$150.8 million, up 81% from the third quarter fiscal year '22. This was driven by a 60% increase in enrollments and a 13% increase in revenue per enrollment.

As we've mentioned previously, in the first half of the year, the revenue per enrollment improvement was somewhat timing-driven, and we now have a harder comparison in the back half of the year. That said, we now think we'll see overall revenue per enrollment growth in the mid-teens for the full year.

Adult learning revenue in the quarter was \$29.9 million, up over 32% from the third quarter of fiscal '22. We continue to see growth across all of our adult learning brands and remain excited about the future growth prospects. We still expect to finish the year up around 30% from last year.

Quarterly revenue from our General Education business was \$289.6 million, down 8% from the third quarter last fiscal year. Despite the decrease, we are very encouraged by the in-year enrollment growth in this business. Gen Ed enrollments in the third quarter were 114,600 up more than 2,000 enrollments since the first quarter. This strength in in-year enrollment demonstrates the sustained demand for virtual options in the K-12 space. Revenue per enrollment for Gen Ed increased 16% from the third quarter last year. We believe this business will finish the year with revenue per enrollment growth in the low teens.

Gross margins for the third quarter was 37.3%, up 60 basis points from last year. We feel confident we can finish the full year with gross margins that are roughly flat to last year.

Selling, general and administrative expenses were \$103.1 million, up \$8.9 million from last year. The increase is mostly due to continued adult learning growth and investments in our new products, as James previously mentioned.

Stock-based compensation was \$4.7 million for the quarter. Adjusted operating income for the quarter was \$80.2 million, and adjusted EBITDA was \$103.9 million. Interest expense for the quarter came in at \$2.2 million. The effective tax rate for the quarter was 26%, and diluted earnings per share totaled \$1.30.

Moving to our balance sheet and cash flow items. Capital expenditures totaled \$15.2 million, down \$3.2 million from last year. Free cash flow for the quarter was \$69.8 million, down \$4.8 million from last year. As of many years, we may see some timing impacts in the fourth quarter based on when states pay. So we don't expect free cash flow to be as strong as it was last year. We finished the quarter with cash and cash equivalents of \$373.7 million.

Turning to our guidance. For the full year, we are raising our revenue guidance, raising the bottom end of our adjusted operating guidance and updating our CapEx and tax rate guidance. We now expect revenue in the range of \$1.805 billion to \$1.825 billion, up from \$1.775 billion to \$1.815 billion previously. Adjusted operating income between \$193 million and \$200 million, up from \$180 million to \$200 million previously. Capital expenditures between \$65 million and \$70 million, and an effective tax rate between 26% and 28%.

Thank you for your time today. Now I'll turn the call back over to the operator for Q&A. Operator?

Question and Answer

Operator

[Operator Instructions] Your first question today comes from the line of Jeff Silber with BMO Capital Markets.

Ryan Griffin

This is Ryan Griffin on for Jeff. I was just curious if you can give any color on some of the early indicators and how it relates to Gen Ed or Career Learning? And then if those are coming through the same funnel, do you have any updates on segregating those funnels at any point in the future?

James J. Rhyu

CEO & Director

Yes. So right now, they're still primarily coming from the same funnel. I think we do have some initiatives that we're planning for this fall season that will hopefully open up some incremental [cred-specific funnels]. But for right now, we're seeing the demand that's really from the same funnel.

And I think that sort of the comments we've already made about the fall are probably not going to give that much more context around them. I think we've given a lot, probably more than we normally would give at this time just because it's -- still, we're on the season. Remember, anything that we're talking about now, we're talking about something like less than 10% of overall total enrollment volumes for the season. So while very encouraging, I think, early on, still very early.

Ryan Griffin

Got it. And then just one follow-up on the margins. I think in the past, you've spoken about some of the efficiency initiatives and then about how you're also lapping some of the cost inflation you've seen this year. Just wondering if you can give any color on what we might expect from the cost to the P&L and what that implies for margins next year.

Donna M. Blackman

Executive VP & CFO

So one of the things we've certainly talked about this year is looking at some of those efficiency efforts to offset those inflationary pressures. And so looking at automation, looking at our size and scale as some of those examples of some of those efforts. And so those aren't -- we're always looking at how do we continue to deliver student outcomes in the most efficient way possible.

And so we will continue to look for ways to do that. And so while many of those efficiency efforts mitigated the impact of inflation. It's not like next year, we'd sort of go back to the way we've -- we were doing things. We're always looking at how do we continue to improve. And so with that, we think for this year relative to last year, our margins will be relatively flat.

James J. Rhyu

CEO & Director

I also would point out that just sort of as a -- I think, a data point that suggests that what we're doing is actually paying dividends is we started the year with gross margins below the prior year. We'd said that we were going to really sort of tighten our belts and look for efficiencies. We did it. And in the second and third quarter, we both saw gross margins above the prior year.

And I think that -- I think Donna has mentioned this before, but most of those are sort of, I'll say, I'll call structural in nature, meaning they should have legs into subsequent years. So I don't think they're just quick one-off things that we won't see any benefit into next year.

Operator

Your next question comes from the line of Greg Parrish with Morgan Stanley.

Gregory Scott Parrish

Morgan Stanley, Research Division

Congrats on a strong quarter. I want to talk about the makeup of the students joining midyear here. I don't -- I ask -- enrollments have grown 8,000 since this first quarter and you factor in attrition and even larger numbers. So now what's really driving these students out of brick-and-mortar in the middle of the school year here?

James J. Rhyu

CEO & Director

So -- I mean, obviously, there's a ton of different reasons why kids are leaving. What we're hearing from families, I think particularly postpandemic, I think, continues to be sort of a simple premise that I'll summarize in a sort of, I think, a simplistic way, although it's really a lot of different reasons driving it, which is that I think school districts in spite of the experiences they had in the pandemic, I think, are still struggling to treat their family like customers. To listen to the feedback that they're getting from them that they got during the pandemic, et cetera.

And I think families were expecting in many cases for districts to hear them maybe a little bit more clearly through the pandemic and postpandemic. And I think when they solve the districts reverting back to pretty much status quo, i.e., prepandemic type of everything, a lot of the feedback that we get is that, that's been disappointing for many families. Obviously, not all families, but there are increasing numbers of families who I think want something different.

And I think the pandemic sort of ignited a little bit of maybe an enthusiasm for parents to really go out and explore something different. And I think that the in-year demand that we keep seeing is really that sort of tension between parents' expectations during the school year for what they see in their districts and then they come to us.

And I think that we've talked about our NPS scores, I think, are pretty robust. And so I think that they find that we offer them something that's just a little more flexible it sort of meets in at their point of need a little bit more. So I think that's sort of -- generically, I mean, there's so many situations, whether it's safety related or academically related or [course work] related, but I think that's sort of the general theme of it.

Gregory Scott Parrish

Morgan Stanley, Research Division

Yes. Okay. That's very helpful. And then thinking about next year, and clearly, this year was kind of unprecedented the way enrollments have come in coming out of the pandemic. But how do you go about capturing these students in the summer that maybe are kind of on the fence and last year defaulted back to brick and mortar, but clearly, the demand is still there. So yes, how do you go about sort of capturing them before the school year starts?

James J. Rhyu

CEO & Director

Yes. I think it goes along sort of the same theme in the sense that we're -- right now, we're reaching out to families out next fall and very specifically reaching out to them, talking to them about things that we've heard them say. We've heard them say that they want more socialization. We're talking to them about some of the programs that we're going to be instituting for the fall around socialization. We're going to be trialing new ways of letting the students communicate with each other.

So I think what we're trying to do is listen to what our customers are saying, build in improvements to our program and then proactively reaching back out to them, saying, "Hey, listen, we've heard you and we're making these improvements." And we'll do that. We've already started doing that for the fall. We'll do that through the summer. We've done it now for a couple of years. I think we continue to see improvements in retention rates because of it. And so I think we'll just continue to do that and really listen to our customers

and listen to what they want and try to meet their needs as best we can, and I think that just continues to promote stronger and stronger retention for us.

Gregory Scott Parrish

Morgan Stanley, Research Division

Great. I just want to ask about the broader funding environment. And thank you, Donna, for the color on revenue per enrollment to finish this year. But I just want to think about sort of high level how to think about funding for next year.

James J. Rhyu

CEO & Director

I think high level, we -- I sort of often talk about sort of this generic heat map that we have around the U.S. for funding. And our generic -- sort of the heat map that we see funding across the U.S. continues to be largely green. There's 1 or 2 sort of yellow, red spots, but by and large, it continues to be green. So I think that's consistent with what we've said long term that we believe the funding environment continues to be strong and certainly within the range of 1% to 2% average funding increase across the board.

Operator

Your next question comes from the line of Alex Paris with Barrington Research.

Alexander Peter Paris

Barrington Research Associates, Inc., Research Division

Congrats on the quarter. And James, based on the momentum of the year-to-date period, I think you said in your prepared comments that you're cautiously optimistic that enrollment can increase next year. First off, is that correct? And then second, I think I heard you just say revenue per enrollment should be positive along the long-term trends of 1% to 2%. And then similarly, I heard Donna say gross margin's flat next year. Would gross margins expand given those metrics rising enrollment positive funding?

Donna M. Blackman

Executive VP & CFO

Let me jump in real quick, I want to make sure I clarify something. When I was talking about gross margin, it's flat, it's gross margins this year, flat versus last year. I want to add that point of clarity.

James J. Rhyu

CEO & Director

So let me sort of try to take this -- so growth. Yes, listen, I think I've said this for each of the past 2 years, our intent is to grow every year. And we've grown revenue in each of the past 2 years that I've said that. I think I was a little bit more specific in my comments today that our intent is to grow enrollment for next year. The early indicators look good for us. I think last year, we did deal with some execution issues. I think that we're improving our execution.

So I have optimism based on the facts that -- and circumstances I understand and can see today that we have an ability to grow enrollments in the fall. As I said, we're still less than 10% into the season, so a lot can change. But based on what I can see and what our plans are and our intent is, it's to grow enrollment.

The funding environment -- so rate per enrollment is somewhat of a proxy, but remember, mix and all these other things come into play. I was referring to the funding environment that sort of overall across the landscape of programs that we serve. The funding environment continues to be positive by and large, again, 1 or 2 outliers, but by and large, continues to be positive. And we would expect on average, that funding to be 1% to 2% higher long term. And the -- I think the view of next year, at least of that, is consistent with that sort of long-term view based on everything we know today.

Alexander Peter Paris

Barrington Research Associates, Inc., Research Division

Got you. So with positive new enrollment, positive funding, leverage of fixed cost, is there room for gross margins to expand in fiscal '24?

James J. Rhyu

CEO & Director

Well, here's -- I think what I would say is that I think without getting specific gross margin targets -- because a lot of that plays into our mix. Because sometimes if we mix into certain schools that have higher-ratio or lower-ratio requirements or things like that, there's a lot of play and without knowing the mix, it's hard to say.

What I do think, though, is that it does come into play in terms of adjusted operating income leverage. So I do think that the more we can grow enrollments and the funding environment stays strong that I think it translates into better leverage for our profitability, for sure.

Donna M. Blackman

Executive VP & CFO

And all of the things from an efficiency standpoint, as James noted, were -- are structural, right? And so we'll continue that into next year as well.

Alexander Peter Paris

Barrington Research Associates, Inc., Research Division

Great. And then just a big picture question with regard to marketing. Marketing must have changed over the last 3 years, pre-COVID versus post-COVID. Pre-COVID, I think it was a missionary sale to some extent. How has it changed? And what's your go-to market now? Have it -- has it changed notably?

James J. Rhyu

CEO & Director

Yes. It's a great question. And I think the short answer is yes, it has changed. I think it's changed in both messaging and tactics, meaning, I think you're right. I think -- I probably didn't use these words, but that sort of missionary messaging, I think, is a pretty good description of a lot of how we did go to market or we have gone to market. And I think a lot of that still can apply.

What I think we've honed in tactics are that we -- there are several broad themes that seem to resonate, but within those broad themes, there are a lot of very specific tactics that also resonate and a lot of different messages within those themes.

So one theme of safety, by the way. Safety is a theme that resonates with a lot of families. That could be a bullying message, that could be a gun violence message, that could be -- there's a lot of messages, submessages within that. But themes like that.

And so while I think we were going for some of that more sort of sentimental messaging previously, I think we're trying to hone in to a more specific message these days. And the tactics around that around whether it's social media or digital marketing as opposed to sort of the broader -- maybe broader media TV-type messaging as well, those tactics are shifting as well. And we're finding them to be pretty effective for us. So it's both the messaging and the tactics.

Operator

[Operator Instructions] Your next question comes from the line of Tom Singlehurst with Citi.

Thomas A Singlehurst

Citigroup Inc., Research Division

It's Tom here from Citi. Congratulations on the results. I had a couple of questions on the school side and then one on adult learning, if that's okay. You talked about the funding environment sort of being largely green. I'm just interested in the sort of broader political risk, whether you can -- I know it's difficult across the entire sort of footprint but I was wondering whether -- so maybe difficult to generalize it, but I was

just wondering whether you can give us a quick run-through of how you see sort of the landscape in terms of risks around changes in the policy environment. That would be my first question, and so I'll come back with a second if it's okay.

James J. Rhyu
CEO & Director

Yes. So I would say the broader political environment for us, I would -- in general terms, prepandemic to postpandemic actually has improved, I think, and I think it continues to sustain that improvement. We see across the -- sort of the landscape of education, we see policy that both directly and indirectly looks to be in our favor generically.

One fairly predominant example is laws around voucher type of programs, and there's different names for you, obviously, but they seem to be gaining more traction that tends to benefit our types of programs. Not exactly targeted towards our programs, but the ability for families to have greater choice in how educational funds get applied and used where we are one of the options that they can apply to tends to be good for our business. So that's one that -- there's several states that have enacted laws in that favor and I think more to come in the future.

So I think from the broad political risk standpoint, I think we see less overarching risk in general than we did prepandemic today. So I think our risk profile has improved. And that doesn't mean that there are not pockets of risk. There are pockets of risk. But I think just as a general statement, we feel like our general risk profile has improved over the past several years.

Thomas A Singlehurst
Citigroup Inc., Research Division

That's very clear. The second question is on the competitive landscape. Pearson have announced effectively that they're going to follow a similar strategy to yours and explore launching career-focused structural schools. I mean, obviously, imitation is the sincerest form of flattery, but I'm wondering whether that has any impact on the competitive tension within the market. Does it make a difference? Or how should we think about the competitive landscape?

James J. Rhyu
CEO & Director

Yes. So I guess what I would say is I'm hopeful that Pearson's successful. I think it grows the pie. I think we're more interested in having a larger pie as opposed to splitting up a smaller pie in more ways. I think that whether it's a career program, which I do think this country needs a lot more of, and I think that all the research, all the surveys indicate that, that's true. I mentioned some in my comments earlier today.

But I think competition's good for our industry. I think that it will create greater awareness. It creates greater validity for our programs. So I'm actually encouraged by the competition, not just because it's whatever you said, imitation is a form of flattery, but more for, I think, the validation in the marketplace.

Clearly, the opportunity keeps growing for all of us and I think it's healthy. So I welcome it. I'm hoping Pearson is very successful at their programs. I think it's going to grow the pie for all of us, and I think there's more than enough to go around.

Thomas A Singlehurst
Citigroup Inc., Research Division

Got you. And one final one quickly. Given we haven't talked about it yet, adult learning and in particular, Tech Elevator and MedCerts, I mean, they seem to be going great guns, which is obviously great. I'm just wondering whether we're overdue sort of allocating capital -- more capital to that area. Can you just talk about your philosophy on that?

James J. Rhyu
CEO & Director

Yes. I wouldn't say we're overdue. What I would say, I think, is that we continue to look for ways to allocate capital to all parts of our business that have opportunity. Those are included. And that means both internal investment as well as sort of more strategic M&A type investment.

We have a pretty robust pipeline of companies that we monitor that for the right deal, the right price, we would certainly deploy capital for an acquisition. And -- but we also think that there are internal investments that we can make as well to deploy capital to expand product line, to invest behind different services not just for the adult learning category, but for the K-12 category. I talked a little bit about our Learning Hub investment. I think that can be really significant across the broad spectrum of both K-12, core education, but also supplemental, tutoring, et cetera.

So I just think that there's a lot of opportunity to invest and I don't think that there's a singular category of investment that's more attractive than others. I think that we want to play within the education, training, skilling space broadly, and we'll look to invest behind those themes where the equation's right for us, where valuations have historically been really -- I think, pricing folks like us out of the market. We're not going to try to -- we're not going to overpay. We're going to try to be really disciplined. So I think that the valuations have to be reasonable enough to give us what we believe is the right return for our shareholders.

Operator

Your next question comes from the line of Stephen Sheldon with William Blair.

Patrick James McIlwee

William Blair & Company L.L.C., Research Division

This is Pat McIlwee on for Stephen. So last quarter, you mentioned that you were comfortable with your teacher capacity. And more recently, James, I think you actually mentioned that you're somewhat oversubscribed in terms of teacher capacity. And with that being said, can you just talk a little bit about the trends you're seeing there in terms of teacher salaries and staffing and if some of that wage inflation you've seen in the past quarters has begun to subside at all?

James J. Rhyu

CEO & Director

Yes. I mean here -- I guess here's what I would say. I mean I mentioned -- I think what you just said, I mentioned it at ASU GSV just the other day, which is what you might be referring to. But what I would say is that, first of all, a shout-out to our teachers, we have the best teacher workforce, I think, in the country. They are phenomenal.

I get notes from teachers all the time, many of them thanking me for giving them an opportunity to serve kids in the way that we allow them to serve kids. So -- and I think because of that and because of our unique model and because of some of the sort of the flexibility we provide, yes, we don't have a teacher shortage. I mean I know a lot of districts are struggling with it, and I'm actually hopeful we can help some of these districts.

We've helped a number of districts this past year with their teacher shortage. We hope to continue to help more districts with their teacher shortages. I really empathize with those districts that have that shortage. I think it is -- it hurts kids, it hurts the customers and I think that it's incumbent upon all of us to help that situation.

But for our programs, by and large, we do not have a shortage. We have had the ability to hire more teachers than we need. So when I say we've been oversubscribing, we have more applications and more opportunities to hire teachers than the teachers that we actually need to run our programs. So for us, at least, we happen to be, at least this past year in a pretty good situation where we're not struggling to meet the teacher side of the equation.

Now in previous years to this year, particularly the first year of the pandemic when we saw really explosive growth, we got a little bit caught flat-footed in hiring up teachers fast enough. So it's not that we have

not ever had a shortage, we got caught a little flat-footed operationally a few years ago when we had that explosive growth for the pandemic. But since then, we've sort of normalized, I think. We continue to be able to hire and recruit I think, very effectively. And hopefully, that continues.

And the -- I think the benefits that we can offer for our teachers -- forget about just pure compensation for a second, but we offer them trajectories, professional trajectories. We offer them professional development opportunities. We have many executives within our building who are in various roles who came up through the school ranks, whether that be teacher, administrator or whatever, many of our executives have a trajectory of career development here that I think would be hard to replicate in other places, particularly in a school district that doesn't have sort of a corporate structure like we have that offers some of those opportunities. And it's just by the fact that we are a corporate entity, so we operate a little bit differently.

And so I think all those things help attract teachers. And it's not for everybody. But we've been very, very fortunate, I'm very grateful for the wonderful teachers that we have, that really help our students out and help our customers.

Patrick James McIlwee

William Blair & Company L.L.C., Research Division

Understood. That's very helpful. And switching gears. Last quarter, you mentioned some pilots for new products like the career platform, teacher development solutions. And today, you talked about launching the Learning Hub. Understanding that it's still very early on, I just wanted to ask quickly if you could talk a little bit about how those pilots have been going.

James J. Rhyu

CEO & Director

Yes. So we've run a series of pilots. As you mentioned, our career platform, our new career platform pilot over this past year, it went off. We learned a ton, and I think we're going to get some real good traction here in our next iteration this summer. I think it's a space that we continue to be hugely bullish about, we continue to see a huge need around, we continue to see select point solution products in the marketplace that I think are underserving the needs of high school kids. We think our end-to-end product can really fill a gap in the marketplace. And all the feedback that we've gotten through our pilots has only reinforced that. So I think that, that's for us, at least, very reinforcing, very positive and very validating.

We continue also on other pilots, the Learning Hub that I mentioned. We've run some select pilots for that product. Again, got great feedback. We hear -- we've heard superintendents, principals, educators, all say there's a need for a product like this in the marketplace. So again, pilots like that have been very validating.

We've also run some other smaller pilots around products that may be less fanfare driven, but for our core services are pretty meaningful. We just launched a couple of weeks ago, a pilot. Actually, it's very exciting. That's sort of essentially like a virtual world for our students.

Today, everybody's talking about virtual reality and things like that. And it's not even that, it's just a -- it's a virtual space that our students can mingle and they can talk to each other and communicate and they can socialize, they can play e-sports games and things like that. And so that has gotten tremendous feedback as well.

So, so far, at least, we've been very fortunate that most of the pilots that we've run, we've been able to learn a lot from and most importantly, have been very validating for us.

Patrick James McIlwee

William Blair & Company L.L.C., Research Division

Got it. That's all great to hear. Congrats on a nice quarter.

Operator

This concludes today's Q&A session as well as today's conference. Thank you so much for attending. You may now disconnect.

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