

Capella Education Company Reports First Quarter 2009 Results

CAPELLA EDUCATION COMPANY Consolidated Balance Sheets

	As of March 31, 2009	As of December 31, 2008
ASSETS	(In thousands, except par value)	
	(Unaudited)	
Current assets:		
Cash and cash equivalents	\$ 52,673	\$ 31,225
Marketable securities	92,976	92,372
Accounts receivable, net of allowance of \$1,926 at March 31, 2009 and \$1,419 at December 31, 2008	11,623	11,949
Prepaid expenses and other current assets	5,676	5,184
Deferred income taxes	3,507	3,477
Total current assets	166,455	144,207
Property and equipment, net	36,622	35,349
Total assets	\$ 203,077	\$ 179,556
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,453	\$ 2,227
Accrued liabilities	22,154	18,926
Income tax payable	3,535	150
Deferred revenue	9,982	9,495
Total current liabilities	42,124	30,798
Deferred rent	2,722	1,321
Other liabilities	531	531
Deferred income taxes	6,569	6,069
Total liabilities	51,946	38,719
Shareholders' equity:		
Common stock, \$0.01 par value:		
Authorized shares—100,000		
Issued and outstanding shares—16,719 at March 31, 2009 and 16,666 at December 31, 2008	167	166
Additional paid-in capital	152,726	151,445
Accumulated other comprehensive income	1,251	575
Retained earnings (accumulated deficit)	(3,013)	(11,349)
Total shareholders' equity	151,131	140,837
Total liabilities and shareholders' equity	\$ 203,077	\$ 179,556

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**CAPELLA EDUCATION COMPANY
Consolidated Statements of Income**

	Three Months Ended	
	<u>March 31,</u>	
	<u>2009</u>	<u>2008</u>
	(In thousands, except per share amounts)	
	(Unaudited)	
Revenues	\$ 76,435	\$ 65,251
Costs and expenses:		
Instructional costs and services	31,082	29,016
Marketing and promotional	24,832	21,393
General and administrative	<u>8,333</u>	<u>7,730</u>
Total costs and expenses	<u>64,247</u>	<u>58,139</u>
Operating income	12,188	7,112
Other income, net	<u>686</u>	<u>1,389</u>
Income before income taxes	12,874	8,501
Income tax expense	<u>4,538</u>	<u>3,013</u>
Net income	<u>\$ 8,336</u>	<u>\$ 5,488</u>
Net income per common share:		
Basic	<u>\$ 0.50</u>	<u>\$ 0.32</u>
Diluted	<u>\$ 0.49</u>	<u>\$ 0.31</u>
Weighted average number of common shares outstanding:		
Basic	<u>16,694</u>	<u>17,316</u>
Diluted	<u>17,046</u>	<u>17,894</u>

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CAPELLA EDUCATION COMPANY Other Information (In thousands, except enrollment amounts)

Enrollment by Degree ^(a) :	March 31,		<u>% Change</u>
	2009	2008	
PhD/Doctoral	9,996	8,908	12.2%
Master's	13,015	10,683	21.8%
Bachelor's	5,003	3,779	32.4%
Other	<u>138</u>	<u>126</u>	9.5%
Total	<u>28,152</u>	<u>23,496</u>	19.8%

- (a) Enrollment as of March 31, 2009 and 2008 is the enrollment as of the last day of classes for the quarter ended March 31, 2009 and 2008, respectively.

The following table provides a reconciliation of cash flow from operations to free cash flow for the periods noted below:

	Three Months Ended March 31,	
	2009	2008
	(Unaudited)	
Net cash flow provided by operating activities	\$ 23,612	\$ 10,084
Capital expenditures	<u>3,063</u>	<u>4,449</u>
Free Cash Flow	<u>\$ 20,549</u>	<u>\$ 5,635</u>