

Capella Education Company Reports Fourth Quarter and Full-Year 2007 Results

CAPELLA EDUCATION COMPANY Unaudited Consolidated Balance Sheets

	As of December 31,	
	2007	2006
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 40,939	\$ 22,491
Marketable securities	102,828	65,170
Accounts receivable, net of allowance of \$951 in 2007 and \$1,119 in 2006	7,557	7,401
Prepaid expenses and other current assets	12,593	3,703
Deferred income taxes	1,896	1,800
Total current assets	165,813	100,565
Property and equipment, net	34,462	28,749
Total assets	\$ 200,275	\$ 129,314
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 6,089	\$ 5,113
Accrued liabilities	23,826	18,598
Income taxes payable	—	214
Deferred revenue	6,476	7,488
Current portion of capital lease obligations	—	5
Total current liabilities	36,391	31,418
Deferred rent	1,167	1,813
Capital lease obligations	—	7
Other liabilities	335	—
Deferred income taxes	5,508	2,331
Total liabilities	43,401	35,569
Shareholders' equity:		
Common stock, \$0.01 par value:		
Authorized shares — 100,000		
Issued and outstanding shares — 17,363 in 2007 and 16,002 in 2006	173	160
Additional paid-in capital	196,643	156,513
Accumulated other comprehensive income (loss)	195	(7)
Retained earnings (accumulated deficit)	(40,137)	(62,921)
Total shareholders' equity	156,874	93,745
Total liabilities and shareholders' equity	\$ 200,275	\$ 129,314

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CAPELLA EDUCATION COMPANY Unaudited Consolidated Statements of Income

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2007	2006	2007	2006
	(In thousands, except per share amounts)			
Revenues	\$ 63,964	\$ 50,603	\$ 226,236	\$ 179,881
Costs and expenses:				
Instructional costs and services	27,260	22,154	100,129	83,627
Marketing and promotional	17,026	14,106	69,779	56,646
General and administrative	7,014	6,650	26,378	21,765
Total costs and expenses	<u>51,300</u>	<u>42,910</u>	<u>196,286</u>	<u>162,038</u>
Operating income	12,664	7,693	29,950	17,843
Other income, net	1,426	1,378	4,903	4,472
Income before income taxes	14,090	9,071	34,853	22,315
Income tax expense	4,995	3,398	12,069	8,904
Net income	<u>\$ 9,095</u>	<u>\$ 5,673</u>	<u>\$ 22,784</u>	<u>\$ 13,411</u>
Net income per common share:				
Basic	<u>\$ 0.53</u>	<u>\$ 0.40</u>	<u>\$ 1.39</u>	<u>\$ 1.09</u>
Diluted	<u>\$ 0.51</u>	<u>\$ 0.39</u>	<u>\$ 1.33</u>	<u>\$ 1.06</u>
Weighted average number of common shares outstanding:				
Basic	<u>17,297</u>	<u>14,118</u>	<u>16,396</u>	<u>12,271</u>
Diluted	<u>17,976</u>	<u>14,556</u>	<u>17,141</u>	<u>12,629</u>

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

	<u>Three Months Ended December 31,</u>		<u>Year Ended December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Depreciation and amortization	\$ 2,495	\$ 2,149	\$ 9,772	\$ 8,195
Net cash flow provided by operating activities	9,434	10,441	37,179	28,901
Capital expenditures	1,991	4,222	16,061	15,354

Enrollment by Degree^(a):	<u>December 31,</u>		<u>% Change</u>
	<u>2007</u>	<u>2006</u>	
Doctoral	8,542	7,473	14.3%
Master's	10,032	7,685	30.5%
Bachelor's	3,595	2,729	31.7%
Other	147	89	65.2%
Total	<u>22,316</u>	<u>17,976</u>	24.1%

- (a) Enrollment as of December 31, 2007 and 2006 is the enrollment as of the last day of classes for the quarter ended December 31, 2007 and 2006, respectively.