

CAPELLA EDUCATION CO

FORM 8-K (Current report filing)

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Address	225 SOUTH 6TH STREET 9TH FLOOR MINNEAPOLIS, MN 55402
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) April 30, 2009

CAPELLA EDUCATION COMPANY

(Exact name of registrant as specified in its charter)

Minnesota
*(State or other jurisdiction
of incorporation)*

001-33140
(Commission File Number)

41-1717955
*(IRS Employer
Identification No.)*

225 South 6th Street, 9th Floor
Minneapolis, Minnesota
(Address of principal executive offices)

55402
(Zip Code)

Registrant's telephone number, including area code (888) 227-3552

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

On April 30, 2009, we reported our first quarter 2009 financial results. The press release dated April 30, 2009 is furnished as Exhibit 99.1 to this report.

Item 9.01. Financial Statements and Exhibits.

99.1 Press Release dated April 30, 2009

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 30, 2009

CAPELLA EDUCATION COMPANY

By /s/ Gregory W. Thom

Gregory W. Thom

Vice President and General Counsel

**FOR IMMEDIATE RELEASE****Investor Contact:**

Heide Erickson
Capella Education Company
612-977-5172
Heide.Erickson@capella.edu

Media Contact:

Irene Silber
Capella Education Company
612-977-4132
Irene.Silber@capella.edu

Capella Education Company Reports First Quarter 2009 Results

*Revenue Up 17.1 Percent; Enrollment Up 19.8 Percent;
Operating Income Up 71.4 Percent*

MINNEAPOLIS, April 30, 2009 - **Capella Education Company** (NASDAQ: CPLA), a provider of exclusively online post-secondary education through its wholly owned subsidiary Capella University, today announced financial results for the three months ended March 31, 2009.

“In the short time I’ve been with Capella, I’ve been impressed by our commitment toward academic excellence and the strength of our business model, which is demonstrated by our strong first quarter results,” said Kevin Gilligan, who was appointed chief executive officer of Capella Education Company in March 2009, succeeding Stephen Shank, chairman of Capella Education Company. “Capella is well positioned in a large growing market with attractive demand dynamics. I look forward to working with our talented faculty, staff, and leadership team to strengthen and grow our business, and continue to focus on providing our adult learners with an exceptional learner experience and exceptional learning outcomes,” concluded Gilligan.

(more)

Capella Education Company Reports First Quarter 2009 Results, page 2

For the three months ended March 31, 2009:

- Revenues increased 17.1 percent to \$76.4 million, compared to \$65.3 million in the first quarter of 2008.
- Total active enrollment increased by 19.8 percent to 28,152 learners.
- Operating income increased by 71.4 percent to \$12.2 million, compared to \$7.1 million for the same period in 2008. The operating margin was 15.9 percent, compared to 10.9 percent for the first quarter 2008.
- Net income for the first quarter of 2009 was \$8.3 million, compared to \$5.5 million for the same period in 2008, an increase of 51.9 percent.
- Diluted net income per share was \$0.49, compared to \$0.31 for the same period in 2008.
- The company repurchased approximately 32,000 shares for total consideration of \$1.6 million.

“We are pleased with our first quarter results, which reflect revenue and enrollment growth consistent with our first quarter guidance and greater than anticipated operating margin improvement,” said Lois Martin, senior vice president and chief financial officer. “Revenue and enrollment growth demonstrates solid demand fundamentals across all our degree programs, while our strong operating margin improvement reflects the investments we have made in our infrastructure and efficiency improvements. Our balance sheet remains strong with a substantial cash balance and no debt. We also generated record levels of free cash flow,” concluded Martin.

Balance Sheet and Cash Flow

As of March 31, 2009, the Company had cash, cash equivalents, and marketable securities of \$145.6 million, compared to \$123.6 million at Dec. 31, 2008. The Company had no debt in 2009 or 2008.

Cash flow from operations was \$23.6 million during first quarter 2009 compared to \$10.1 million in the same period in 2008, an increase of 134.2 percent due to the increase in net income and changes in operating assets and liabilities.

Second Quarter 2009 Outlook

For the second quarter ending June 30, 2009, enrollment is expected to grow by 20.5 to 21.5 percent and revenue by 19.0 to 20.0 percent compared to the second quarter of 2008. The operating margin is anticipated to be approximately 15.0 to 16.0 percent of total revenue for the second quarter of 2009.

“Our second quarter expectations reflect strong new enrollment growth fundamentals, solid persistence and significant opportunities for increased operating efficiencies,” said Martin. “We are well positioned to execute against our goals to deliver sustainable growth and operating margin improvement.”

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Forward-Looking Statements

Certain information in this news release does not relate to historical financial information, including statements relating to our future prospects and our expectations regarding our revenues, enrollment, and operating performance, and may be deemed to constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The company cautions investors not to place undue reliance on any such forward-looking statements, which are based on information available at the time those statements are made or management's good faith belief as of that time with regard to future events, and should not be read as a guarantee of future performance or results. Such statements are subject to certain risks and uncertainties that could cause the company's actual results in the future to differ materially from its historical results and those presently anticipated or projected. The company undertakes no obligation to update its forward-looking statements to reflect events or circumstances arising after such date.

Among these risks and uncertainties are any failure to materially comply with the extensive regulatory framework applicable to us, including compliance with Title IV of the Higher Education Act and the regulations thereunder; regional accreditation standards and state and regional regulatory requirements; changes in the administration, funding and availability for Title IV programs; responding to any additional governmental inquiries into our financial aid practices; attracting and retaining learners; updating and expanding the content of existing programs and developing new programs; the review of our business and financial aid practices by governmental authorities, including action by Federal Student Aid on the final audit report of the Office of Inspector General of the U.S. Department of Education arising out of its ongoing compliance audit of Capella University; changes in applicable federal and state laws and regulations and accrediting agency policies; maintaining and expanding existing commercial relationships with employers and developing new such relationships; our failure to keep up with advances in technology important to the online learner experience; our ability to manage growth effectively; our ability to realize expected efficiency improvements from our ERP system and our use our business technology to accurately store, process and report relevant data; reclassification of our adjunct faculty; unforeseen changes in student enrollment or our expenses; and risks associated with the overall competitive environment and general economic conditions.

Other factors that could cause the company's results to differ materially from those contained in its forward-looking statements are included under, among others, the heading "Risk Factors" in our most recent Form 10-K and Form 10-Qs on file with the Securities and Exchange Commission and other documents filed by the company with the Securities and Exchange Commission.

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Conference Call

Capella will discuss its first quarter 2009 results and second quarter 2009 outlook during a conference call scheduled today, April 30, at 9:00 a.m. Eastern time (ET). To participate in the live call, investors should dial (866) 385-4179 (domestic) or (706) 679-1492 (international) at 8:50 a.m. (ET). The webcast, including the accompanying presentation, will be available on the Capella Education Company Web site at www.capellaeducation.com. A replay of the call will be available starting on April 30, 2009, through May 7, 2009, at (800) 642-1687 (domestic) or (706) 645-9291 (international), conference ID 93072885. It will also be archived at www.capellaeducation.com in the investor relations section for 60 days.

About Capella Education Company

Founded in 1991, Capella Education Company (NASDAQ: CPLA) is a national leader in online education and parent company of Capella University, a regionally accredited* online university. Capella University offers graduate degree programs in business, information technology, education, human services, psychology, public health, and public safety, and bachelor's degree programs in business, information technology, and public safety. These academic programs are designed to meet the needs of working adults, combining high quality, competency-based curricula with the convenience and flexibility of an online learning format. Currently, Capella University offers 23 graduate and undergraduate degree programs with 114 specializations and more than 1050 courses. More than 28,100 learners were enrolled as of March 31, 2009. For more information about Capella Education Company, please visit <http://www.capellaeducation.com>. For more information about Capella University, please visit <http://www.capella.edu> or call 1.888.CAPELLA (227.3552).

* Capella University is accredited by The Higher Learning Commission and is a member of the North Central Association of Colleges and Schools (NCA), www.ncahlc.org.

Capella University, 225 South Sixth Street, Ninth Floor, Minneapolis, MN 55402, 1-888-CAPELLA (227-3552), www.capella.edu.

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CAPELLA EDUCATION COMPANY
Consolidated Balance Sheets

	<u>As of March 31,</u>	<u>As of December 31,</u>
	<u>2009</u>	<u>2008</u>
	(In thousands, except par value)	
	(Unaudited)	
ASSETS		
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	<u>166,455</u>	<u>144,207</u>
Property and equipment, net	36,622	35,349
Total assets	<u>\$ 203,077</u>	<u>\$ 179,556</u>
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	<u>42,124</u>	<u>30,798</u>
Deferred rent	2,722	1,321
Other liabilities	531	531
Deferred income taxes	6,569	6,069
Total liabilities	<u>51,946</u>	<u>38,719</u>
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	<u>151,131</u>	<u>140,837</u>
Total liabilities and shareholders' equity	<u>\$ 203,077</u>	<u>\$ 179,556</u>

CAPELLA EDUCATION COMPANY
Consolidated Statements of Income

	Three Months Ended	
	March 31,	
	2009	2008
	(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	8,333	7,730
Total costs and expenses	64,247	58,139
Operating income	12,188	7,112
Other income, net	686	1,389
Income before income taxes	12,874	8,501
Income tax expense	4,538	3,013
Net income	\$ 8,336	\$ 5,488
Net income per common share:		
Basic	\$ 0.50	\$ 0.32
Diluted	\$ 0.49	\$ 0.31
Weighted average number of common shares outstanding:		
Basic	16,694	17,316
Diluted	17,046	17,894

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

	March 31,		% Change
	2009	2008	
Enrollment by Degree ^(a):			
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	138	126	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	3,063	4,449
Free Cash Flow	<u>\$20,549</u>	<u>\$ 5,635</u>