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## Conference Call Transcript

APOL - Q1 2009 Apollo Group Earnings Conference Call

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Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

## CORPORATE PARTICIPANTS

**Allyson Pooley**

*Apollo Group - VP, IR*

**Chas Edelstein**

*Apollo Group - CEO*

**Joe D'Amico**

*Apollo Group - President, CFO, Treasurer*

**Greg Cappelli**

*Apollo Group - EVP, Global Strat., Asst to Exec. Chairman*

**Brian Swartz**

*Apollo Group - SVP-Fin., Chief Accounting Officer*

## CONFERENCE CALL PARTICIPANTS

**Sara Gubins**

*Banc of America Securities - Analyst*

**Mark Zqutowicz**

*Piper - Analyst*

**Andrew Fones**

*UBS - Analyst*

**Trace Urdan**

*Signal Hill - Analyst*

**Gary Bisbee**

*Barclays Capital - Analyst*

**Andrew Steinerman**

*JPMorgan - Analyst*

**Corey Greendale**

*First Analysis - Analyst*

**Scott Schneeberger**

*Oppenheimer - Analyst*

**Patrick Elderby**

*Credit Suisse - Analyst*

**Jerry Herman**

*Stifel Nicolaus - Analyst*

**Gordon Lasic**

*Robert W. Baird - Analyst*

**Paul Condra**

*BMO Capital Markets - Analyst*

**Brandon Dobell**

*William Blair - Analyst*

**Amit Anand**

*Axia Capital - Analyst*

## PRESENTATION

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**Operator**

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

Good afternoon, ladies and gentlemen and welcome to Apollo Group Incorporated fiscal 2009 first quarter earnings conference call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. Please refrain from entering into the queue until those instructions are given. (Operator Instructions).

This conference call is being recorded today, January 8, 2009, and may not be reproduced in whole or in part without permission from the Company. There will be a replay of this call available through January 16, 2009, beginning approximately two hours after we conclude today. The replay number is 800-642-1687, or 706-645-9291 internationally. The conference ID for the replay is 77185340. Additionally, this call will be broadcast over the Internet and can be accessed via the Company's website at [www.apollogrp.edu](http://www.apollogrp.edu). And I would now like to turn the call over to Allyson Pooley, Vice President, Investor Relations of Apollo Group. Ms. Pooley, go ahead, please.

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**Allyson Pooley - Apollo Group - VP, IR**

Thank you. Good afternoon and thank you for joining us today. Speaking on the call are Chas Edelstein, Chief Executive Officer; Joe D'Amico, our President, CFO and Treasurer; and Greg Cappelli, Executive Vice President of Global Strategy and Assistant to the Chairman; Brian Swartz, our Senior Vice President of Finance and Chief Accounting Officer will be available during the Q&A period. During the Q&A period we ask that you be respectful of everyone's time and limit your questions. We expect to take the time necessary to get to all of you.

Before we begin I'd like to remind you that as we discuss our results we note that unless otherwise stated we will be comparing our first quarter of fiscal 2009, the quarter ended November 30, 2008, to the first quarter of fiscal 2008. I would also like to remind you that this conference call may contain forward-looking statements with respect to the future performance and financial condition of Apollo Group that involve risks and uncertainties. Various factors could cause actual results of the Company to be materially different from any future results expressed or implied by such forward-looking statements. These factors are discussed in item 1A and elsewhere in the Company's 10-K report and in subsequent 10-Q reports filed with the Securities and Exchange Commission. The Company does not undertake any obligation to update anyone with regard to the forward-looking statements made during this conference call. And with that, I'll turn the call over to Chas.

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**Chas Edelstein - Apollo Group - CEO**

Thanks, Allyson. Good afternoon, everyone and thanks for joining us today to discuss our fiscal first quarter results. First, I'll provide you with an overview. Then Joe will discuss our results in more detail from both a financial and operational perspective.

Finally, Greg will update you on some of the investments we have made, as well as our outlook. I'm pleased to share record results with you, as our fiscal 2008 year-end momentum carried into the first quarter. We continue to experience strong demand for our educational services. With only 27% of the nation's undergraduates living on campus and attending classes full-time in a traditional manner, we continue to see opportunity by providing a more accessible approach to higher education. We've always provided a schedule that allows students to earn a college degree while meeting their responsibilities at work and at home.

For the first quarter our net income increased 29% to \$180 million, resulting in diluted earnings per share of \$1.12. Consolidated net revenues increased 24% to \$971 million, this resulted in operating income growth of approximately 40% as well as a 350 basis point expansion of our operating margin. The margin expansion was due to economies of scale, stemming from our strong top line growth, as well as cost savings and efficiencies. The majority of which we saw in our instructional costs and services area.

In round numbers our 24% revenue growth this quarter was driven by 18% total enrollment growth, 3% from recent net tuition price increases and another 3% incremental revenues from our Apollo Global and Insight Schools operations. Total enrollment was driven by very strong new student enrollment growth of about 26%, as well as from continued year-over-year improvement in our overall persistence rate.

Additionally, this is the third quarter in a row we've seen an acceleration of our new student enrollment growth which we believe is a result of a number of factors that Joe will discuss in more detail. We're delighted with the increase in new bachelor enrollments which again accelerated, growing almost 20% during the first quarter. The majority of this growth came from students new to the University of Phoenix. But we're also seeing a larger number of students matriculating from our associate's programs into our bachelor's programs. Additionally, we experienced increases in new student enrollments in our master's and doctoral programs. We're really very pleased with these results. However, we don't expect to maintain this level of new enrollment growth over the long-term as we believe some of this growth is attributable to current economic conditions.

Our students and the quality of their academic experience are of the highest importance to us at Apollo. Our mission of providing educational access, opportunity and choice to as many students as can benefit both here and abroad is not only a good business model for us, but it fills an important social need in these difficult economic times. We believe that with our strong balance sheet and our access to capital, we can play an important role in service to the nation and our students while building further value for our shareholders. With that, I'll turn the call over to Joe.

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Thanks, Chas. Chas gave a good overview of our results and now I'd like to discuss some of the financial details and operational actions driving them. As Chas mentioned, driving our 26% new revenue growth were increases in enrollment, retention and net tuition pricing. We were pleased to see the strong results occurred across each degree level. We believe this is in large part attributable to the many marketing initiatives we have been implementing including better targeting of higher quality leads we convert.

Now, let me turn to our operating expenses and their impact on our margins and cash flow. Our operating margin increased 350 basis points to 31.6% from 28.1% a year ago. This increase as a percent of revenue was driven by a 380 basis point improvement in instructional costs and services, and a 60 basis point improvement in G&A, partially offset by a 90 basis point increase in selling and promotional expenses. Let's look at the key reasons for each of these changes.

As a percentage of revenue, instructional costs and services declined 380 basis points to 38.9%. Obviously a significant improvement. A primary contributor was savings from lower negotiated contract costs from third party vendors, particularly in financial aid processing. Processing cost in the area declined 48% year-over-year, despite the increased volume. And contributed 140 basis points of margin improvement.

As a percentage of revenue, bad debt also declined versus a year ago. Bad debt was 3.6% of revenues as compared to 4.2% a year ago. A 60 basis point improvement. This was largely due to a continued focus on our front end collection efforts and improved student retention rates. As compared to the fourth quarter of fiscal 2008, bad debt expense increased 60 basis points as a percentage of revenue, in part due to the risk of collecting aged receivables given the current economic environment. Consistent with past quarters, our total allowance for doubtful accounts continues to exceed all receivables greater than 90 days old.

Finally, finishing up instructional costs and services, as a percentage of revenue, employee compensation and related expenses and faculty compensation together declined 30 basis points due to economies of scale resulting from our strong revenue growth this quarter. As you'll see in our detailed cost tables, there are variances between the two line items, relative to the prior year, which is the result of a reclassification in 2009 of faculty benefit costs from employee compensation to faculty compensation.

Selling and promotional expenses, as a percentage of revenue, increased 90 basis points to 23.5%. This was mainly a result of an 80 basis point increase in other selling and promotional expenses, principally driven by increases in our marketing function, including the addition of employees.

Enrollment counselor compensation was approximately flat as a percentage of revenue. Improved tenure, lower turnover and better lead quality helped improve enrollment counselor effectiveness in the first quarter. And, while we continue to hire enrollment counselors in areas where we see particularly strong demand, we are putting equal focus on better tools and supports systems for our existing enrollment staff to help them become more effective.

Advertising cost increased 23.6% over the prior year. But as a percentage of revenue, actually declined 10 basis points. As I have stated on past calls, we continue to see significant progress in all areas of marketing driven by our investment in Aptimus and the initiatives we implemented as a result of their marketing expertise and improved technology. These initiatives have helped us achieve a year-over-year reduction as a percent of revenue in advertising. We believe our continuing efforts in marketing will allow us to drive additional efficiencies that, over the long-term, will lower the cost of acquiring students while giving us more control over our brand.

Now, to G&A. G&A expenses increased 13.5%, but as a percentage of revenue declined 60 basis points to 6% in the first quarter. This is due to a decrease in legal cost, share based compensation expense, and other G&A expense, somewhat offset by higher employee compensation expense as a percentage of revenue.

For the first quarter of 2008, our share based compensation expense was approximately \$15 million. We now expect share based compensation to be approximately \$70 to \$80 million for the full year, depending on our stock price as well as the level of future equity grants.

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

With respect to income taxes, during the first quarter our effective income tax was 41.5%, above what we expect for the full year which continues to be between 39.3% and 40%. The higher rate in the first quarter is primarily due to additional reserves for uncertain tax positions of \$3.6 million along with a decrease in tax exempt interest and an increase in non-deductible foreign losses.

Now, let's turn to highlights on the balance sheet and cash flows. Cash and marketable securities excluding restricted cash totaled \$821 million, versus \$511 million at August 31, 2008. We generated approximately \$381 million of cash flow from operations during the first quarter, an 83% increase versus a year ago. Excluding our Apollo Global operations, accounts receivable and the associated revenue, our DSO at November 30, 2008, declined 26 days -- declined to 26 days from 35 days a year ago and as compared to 29 days at August 31, 2008. This is due -- this is primarily due to improvements in our processing time for the receipt of student financial aid. With that I'll turn the call over to Greg.

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**Greg Cappelli - Apollo Group - EVP, Global Strat., Asst to Exec. Chairman**

Okay, thanks, Joe. Today I'd like to just give you a brief update on the investments we've made in our core business as well as our newer business areas and then touch on our priority initiatives for 2009.

As I talked about before, when we evaluate investments we do so in a pyramid priority structure with University of Phoenix on top because of its superior returns. We then look at other owned assets and businesses and then we evaluate partnerships and acquisitions. And, of course share repurchases are always considered when we evaluate our uses of capital. Similar to most high return services businesses, at Apollo, investments are primarily operating expenses that run through the income statement in addition to capital investments and acquisitions.

Using this as a backdrop, let me highlight some of our key investment areas, including academic quality and marketing. First in our ongoing quest to maintain a high level of academic quality, we continue to invest aggressively and broadly in the University of Phoenix. This includes research and development on student retention and employee compensation models, expansion of employee and faculty training programs, improving our academic and student support systems and developing new academic programs. To that end, we're pleased to announce that the University of Phoenix recently received approval from the Higher Learning Commission to offer two liberal arts degrees and classes began in December. These degrees will be offered in conjunction with our teacher preparation programs which enable us to continue to address the teacher shortage in America.

Additionally, we've been approved to offer a Ph.D. in nursing and will begin offering it later this year. This program will help address the shortage of nursing instructors which in turn affects the number of nurses that can be educated. We're also investing in more sophisticated levels of market research and consumer response data. This is allowing us to better understand our current and potential students and anticipate their needs to an even greater degree. We think this will help in our ongoing efforts to further refine areas such as curriculum development and retention initiatives.

In addition to academics we're also continuing to invest in marketing. It's been just over a year ago since we acquired Aptimus and we're very pleased with the returns we've seen from this investment. We continue to build our capabilities in marketing, particularly in the area of human capital. We're also investing in personnel to focus on corporate partnerships with renewed vigor, which is an important area for us.

Now, in addition to investing in the University of Phoenix, we're evaluating Apollo's other assets and we continue to invest in new market opportunities in order to leverage our strengths and experience in other markets. Apollo operates several other education entities, and we believe one in particular, Western International University, with its HLC accreditation has unrealized potential. We're in the process of evaluating opportunities to optimize its value to Apollo Group. Finally, we're always evaluating partnerships, acquisitions and the opportunity to expand into new markets. Let me update you on the progress we've made in the two business areas that we've added over the last couple of years. Apollo Global and Insight Schools.

First Global. During the first quarter, Apollo Global generated \$17 million in revenue and operating income of \$0.7 million. Integration efforts are under way at both, UNIACC, our school in Chile and, ULA, our school in Mexico. In fact, UNIACC launched several complete online programs just this last quarter. We're pleased with the results thus far at Apollo Global but want to remind you that it, as well as Insight Schools businesses incurred different seasonality than University of Phoenix as they operate on a traditional school year versus having classes year round. Thus, despite generating a small operating profit this quarter at Apollo Global, we don't expect to reach profitability for the full fiscal year.

Our K-12 addition Insight schools continues to be an area of investment as well. For the first quarter Insight generated \$7.7 million in revenue and had an operating loss of \$3.9 million. Insight began the 2009 school year serving 11 schools in ten states, having launched seven new schools

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

this fall. As we indicated last quarter, we expect Insight to generate fairly significant revenue growth in 2009 due to the additional schools, but because it's still in start up phase, we expect to it to have a similar operating loss in 2009 as it did in 2008.

Looking ahead we continue to believe there are significant opportunities for investment both internally and via acquisition and we're well positioned to capitalize on them. During the first quarter, we generated free cash flow, which we define as cash flow from operations less CapEx and changes in restricted cash of about \$291 million, a 61% increase. Including available borrowings under our credit facility we now have well over \$1 billion in liquidity, and that puts us in a strong financial position to fulfill our investment objectives. During the first quarter we didn't repurchase any of our shares under our repurchase program so we still have \$500 million authorization available to us. We'll continue to evaluate all of our future investment opportunities, utilizing our cash flow based valuation framework.

Now, I'd like to briefly just discuss a change we'll be making to our disclosure beginning next quarter. As we continue to diversify our business we believe the aggregation of the numbers in the cost tables using the past format will become increasingly less relevant. For example, Insight Schools has different seasonality than University of Phoenix and Apollo Global. Thus, we'll revise our analysis to explain revenue and operating income by business segment where appropriate to reflect the different economic characteristics, operating models, and business drivers of our segments. This change should provide more meaningful information to investors. We will discuss the major variances, that impact primary expense categories, instructional costs and services, selling and promo expenses and G&A in our 10-Q and of course in our earnings calls. However, we will not be providing the detailed expense tables.

In an effort to help in this transition, next quarter we'll again include the detailed cost tables in the press release, and move to the new format in our 10-Q MD&A discussion. Beginning in the third we will no longer be providing the detailed cost tables in the press release or in the 10-Q.

In conclusion, we're pleased to see that the momentum from the fiscal 2008 has carried over into our first quarter of fiscal '09. We're seeing positive results from the many investments we've made over the past couple years. We had strong enrollment revenue and cash flow growth in the first quarter and we continue to see many future opportunities. As a reminder, our philosophy is to maximize long-term value creation, and we think the best way to do this is in a high incremental return on capital business is to focus on growth versus margin over the next several years. As a result, we expect 2009 will be another year where we invest aggressively in our existing and our newer businesses, however, given the strong start to the year and our belief that we will continue to reap some benefits from our recent investments we now expect that our operating margin in fiscal 2009 will be higher than fiscal 2008. Finally, on behalf of all of us we want to thank the thousands of employees and faculty who work so hard to deliver high quality education to all of our students this quarter. They are truly an inspiration for all of us at Apollo Group. With that, I'll turn the call back to the operator so we can take your questions.

## QUESTION AND ANSWER

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### Operator

Thank you. Ladies and gentlemen, at this time we will be opening up the call for the question-and-answer session. (Operator Instructions) The first question comes from the line of Sara Gubins with the Banc of America Securities. Your line is open.

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### Sara Gubins - Banc of America Securities - Analyst

Hi, thank you and congratulations on the quarter.

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### Chas Edelstein - Apollo Group - CEO

Thanks, Sara.

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### Sara Gubins - Banc of America Securities - Analyst

Couple of questions. First, in terms of the continued retention improvements which are great to see, how much more do you think there is to go on that front and could you talk a little bit about what's driving it?

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Sure, Sara. We continually strive for improvements in retention and I think there is some room for improvement. But I think the rate of improvement, it's difficult to sustain because we've had such great improvement over the last year. And obviously, there are only so many people who are going to graduate and this is a very tough curriculum. So it's a difficult but high quality curriculum. So we'll continue to provide the support that we can to all of our students. I think if you take into consideration the open enrollment at the associate's level, you know that we are doing an awful lot to help our students get through the curriculum. There was a second part to your question.

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**Sara Gubins - Banc of America Securities - Analyst**

I was just wondering what's driving the continued retention improvement and I guess I'm wondering how much of it might be coming from a weaker economy?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

There could be some of that, from a weaker economy, but we certainly do have in place as you know a number of initiatives that we started a few years ago that we continue. We're constantly looking at what we can do better to enhance retention.

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**Sara Gubins - Banc of America Securities - Analyst**

Okay. One hot topic is corporate reimbursement trends. Can you give us an update on whether or not you're seeing any changes to corporate reimbursement and also whether or not less of your revenue is actually coming from corporate reimbursement?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

With respect to what we're seeing in the marketplace, we're not seeing any significant changes downward in our corporate programs, at least not in the corporations that we're involved with for the most part. There are a couple of industries, obviously very affected by this, automotive being one. But -- and as a percent of our revenue, I don't have that information to provide.

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**Sara Gubins - Banc of America Securities - Analyst**

Okay. And then last question. Were there any costs that you would expect to ramp later in the year, meaning areas where you didn't necessarily spend in the first quarter, but would plan to ramp up due to investments later in the year?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

I mean, we may spend monies in different ways in future quarters but we did not, for example, defer any costs this quarter to future quarters or anything like that. Is that helpful?

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**Sara Gubins - Banc of America Securities - Analyst**

That is. Thanks very much and I'll turn it over.

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**Operator**

Your next question comes from the line of Mark Marostica with Piper Jaffray. Your line is open.

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**Mark Zqutowicz Piper- Analyst**

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

Thank you. It's actually Mark (inaudible) for Marostica. Just a couple questions. Obviously some really strong bachelor start growth but equally impressive, you had some really strong start growth at Axia. Just curious, given the fact that at least our understanding that you de-emphasize your marketing here, I'm curious if it's safe to assume that that area is more economically sensitive than the bachelor enrollment growth?

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**Chas Edelstein - Apollo Group - CEO**

This is Chas. One thing I would say. I don't think it's fair to say that we've deemphasized our marketing in associate's degrees. What we did say is that we were looking to reinvigorate some of the growth in the other areas which is what we did do. But I don't think that that implied that we were looking to de-emphasize. Maybe that would clarify.

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**Mark Zqutowicz Piper- Analyst**

And Chas, would you say that the Axia student is potentially more counter cyclical acting than the bachelor student at this point?

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**Chas Edelstein - Apollo Group - CEO**

I don't think we really have a basis to make that particular judgment.

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

And I think that the key with an Axia student is we may have that student for four years versus two years for a bachelor, potentially a bachelor student. So we haven't de-emphasized it at all and we continue to attract those students and we're not sure the effect of the economy.

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**Mark Zqutowicz Piper- Analyst**

Okay. Great. And then just a question surrounding your direct relationships with the likes of Yahoo! and Google, I'm just curious how the returns have been there, specifically how your CPL has been trending as well as conversions relative to the past quarter, as well as to your overall Company averages?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

We continue to be pleased with our strategy with respect to where we're allocating our advertising dollars. And to the extent that we have spent dollars direct with those institutions, we do find that there is a very good return to that, relative to other sources.

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**Mark Zqutowicz Piper- Analyst**

Okay. And Joe, just one final question. The third party financial aid contract savings, is that something we can carry through for the next -- actually through the remainder of the year, that 140 bps or so you talked about?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

I don't know the number on that basis, but it is -- I think we reported it. It was several tens of millions of dollars. I don't remember exactly how much we said it was now. If we gave that number -- we said last year we saved \$50 million. We expected \$50 million this year which a substantial portion off it was that one contract but there's other cost savings as well that we're experiencing.

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**Operator**

Next question comes from the line of Andrew Fones with UBS. Your line is open.

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

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**Andrew Fones - UBS - Analyst**

Yes, thanks. I was trying to understand how long an average associate student and an average bachelor student is enrolled for? So could you help me understand how many credits the average student has when they come into each of those two programs. And then also, perhaps a technical question but if a student drops out, what proportion of those students would drop out, re-enter and become a start again over the next two quarters? Thanks.

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

With respect to how many credits they come into the curriculum with, that is of course related to each individual student. Let me say that if a student has 60 credits or 45 credits, it's highly likely that they would be in our bachelor program but not necessarily. Certainly, 60 credits or above, they'd be in the bachelor's program but below that there is some range where they could be either potentially in the associate's program or the bachelor program. And we have not given out what the averages are in that regard. With respect to people dropping and coming back into the program, that happens all the time for various reasons, including people getting sick, people having operations, a person that I met with the other day had her house burn down and was out for a while. So there are a lot of personal situations that develop and of course we're catering to those folks who are working adults and today there are a lot of issues that are raised with that. So we do have a number that leave and come back in but we don't report that either.

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**Andrew Fones - UBS - Analyst**

Okay. Can you give me the number of credits that the average associate usually starts with or is that something you're not providing?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

No, we don't provide that either. But it could be as low as zero.

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**Andrew Fones - UBS - Analyst**

Okay. And then do you have any thoughts on potential increases that we may see in federal funding of higher education, given the -- it seems now there's an economic stimulus package that looks like it's come through here? Thanks.

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**Greg Cappelli - Apollo Group - EVP, Global Strat., Asst to Exec. Chairman**

Hi, Andrew. It's Greg. We don't know for sure what that's going to look like with the new administration coming in. I'm sure you've seen some of the reports out there that have talked about the potential to add more dollars to Title IV or to components of it. It's just too early to say how that's going to turn out. We would be thrilled if there were more money available for our students and all students to go to college, but it's too early to make a call. We're following it closely, as you can imagine, but it's too early to comment.

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**Chas Edelstein - Apollo Group - CEO**

I would also add that we have not had our students experience significant difficulty at this point in gaining funding for our education.

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**Andrew Fones - UBS - Analyst**

Okay. Thanks. And just one final one, if I may. The selling and promotion, I think you said there was an increase there on a percentage of revenue basis. Can you explain what drove that? Thanks.

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

Yes. That was additional marketing costs including people.

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**Andrew Fones - UBS - Analyst**

Okay.

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**Greg Cappelli - Apollo Group - EVP, Global Strat., Asst to Exec. Chairman**

We do have marketing costs now going into Apollo Global and Insight as well. So it's not all University of Phoenix related.

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**Andrew Fones - UBS - Analyst**

Okay. Thank you very much.

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**Operator**

Your next question comes from the line of Trace Urdan with Signal Hill. Your line is open.

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**Trace Urdan - Signal Hill - Analyst**

Thanks. Joe, I just wanted to ask about the enrollment counselor compensation because I got the point that it is sort of stable as a percentage of revenue but I don't think about it as being a variable cost as much as a fixed cost and I notice there was sort of a \$10 million sequential increase. Is that due to the new hiring you mentioned or is there bonus money in there? What accounted for that?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Well, year-over-year there is an increase in enrollment counselors.

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**Trace Urdan - Signal Hill - Analyst**

Yes. The sequential increase is what I was looking at.

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Well.

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**Trace Urdan - Signal Hill - Analyst**

From the last quarter.

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Well, there certainly are more people and people with more tenure, so there could be compensation adjustments obviously for those people. Obviously, we had a very good quarter in terms of the effectiveness of enrollment counselors. So we have a lot of people doing quite well.

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**Trace Urdan - Signal Hill - Analyst**

Does that translate into their comp somehow in the quarter?

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

The abilities of our enrollment counselors, the tenure of them, certainly does.

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**Trace Urdan - Signal Hill - Analyst**

Right. But you said that you had a very good quarter, which you clearly did, and you said that that played some role in the comp. I'm just trying to understand that.

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

It's one part of performance and the performance of our group, as a whole, is definitely better. I think in part better because they're longer term employees with more experience.

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**Trace Urdan - Signal Hill - Analyst**

Okay. All right. I'm not trying to get you in a box or anything. I just really want to understand. On the benefit on the financial aid contract restructuring, is that sustainable now at this level, kind of as a percentage of revenue or maybe as a percentage of enrollment?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Well--.

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**Trace Urdan - Signal Hill - Analyst**

It's come down substantially. I want to know if we can count on that.

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

You can count on it being significantly down from period to period. There's a significant savings in that. Exactly what it will be going forward, I can't tell you. It's dependent, the variable today is how many people they employ and the markup on that versus in the past it was based on our volume. So it's no longer directly related to volume, if that helps. It is much more -- akin to a fixed cost.

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**Trace Urdan - Signal Hill - Analyst**

Okay.

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Or semi-fixed.

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**Trace Urdan - Signal Hill - Analyst**

Thank you. And the last question I had was you you've spoken about -- you clearly have an improvement over the last couple quarters in the bachelor's enrollment and you described that that's sort of a deliberate program and something you've addressed. I want to ask the question kind of more starkly. Are you sort of investing more on a cost per start basis in bachelor's than you were previous, previously? Is that sort of a decision that you've made and you're spending more in that area now?

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

We don't target a cost per start of a bachelor student, as you state. But we are targeting and have programs that are attracting bachelor students to our curriculum. We focused some of our advertising to attract those types of students. Our ground campuses are focused on it as well. So we've been working on sort of reinvigorating, if you will, the new enrollments in that category as well as the other advanced degree categories and for the first time in a long time we've seen across the board increases in all the categories. But the second quarter in a row where we've seen substantial growth in bachelor's.

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**Trace Urdan - Signal Hill - Analyst**

I'm going to try to ask that question one more time. Are you investing more dollars behind growing the bachelor's programs than you were a year ago?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

For target marketing and we don't target -- we don't segregate the cost directly into any of those categories.

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**Trace Urdan - Signal Hill - Analyst**

But you've described that you have specific programs addressed at growing the bachelor student, so?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

We have advertising that's targeted towards that, yes.

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**Trace Urdan - Signal Hill - Analyst**

Okay. All right. Thank you very much.

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**Greg Cappelli - Apollo Group - EVP, Global Strat., Asst to Exec. Chairman**

And Trace, I think it's fair to say that we will look at investing more in the bachelor's and master's, generally going forward.

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**Trace Urdan - Signal Hill - Analyst**

I'm just trying to understand. That's all. But thank you.

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**Greg Cappelli - Apollo Group - EVP, Global Strat., Asst to Exec. Chairman**

I'm just trying to help you understand, going forward, that that is a focus as well. There could be more investment dollars there as you point out.

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**Trace Urdan - Signal Hill - Analyst**

Thanks, Greg.

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**Greg Cappelli - Apollo Group - EVP, Global Strat., Asst to Exec. Chairman**

Sure.

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

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**Operator**

Your next question comes from Gary Bisbee with Barclays Capital. Your line is open.

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**Gary Bisbee - Barclays Capital - Analyst**

Congratulations on a great quarter. Let me take another crack at that last question. It seems to me that something that must have been helping the bachelor degree starts over the last two quarters for the loan minimum increase we saw in July. When I just back in the numbers, you must have had a funding gap for most students, I think after that extra \$2,000 you probably don't for very many. Do you have any sense how big an impact or benefit that was, either on the Axia kids who now don't have to cough up money to stay in school or just getting kids coming in fresh for the bachelor program?

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**Greg Cappelli - Apollo Group - EVP, Global Strat., Asst to Exec. Chairman**

That's a great point, Gary. And we don't know for sure, but the point that you made about we are now in a period where a year ago there was a larger gap for our students coming into those programs. Whether they were coming from Axia or just coming first time into the program and that gap either doesn't exist or isn't as big at this point. We figure that has to be helping. We can't pinpoint exact statistics for you on it for you right now.

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**Gary Bisbee - Barclays Capital - Analyst**

When a student decides not to come, your reps have worked with them for a while and they decide not to, how much data have you collected historically as to the reasons why they don't -- you don't get them over the goal line? It seems to me you must have a pretty good sense that financial has been an issue and you're just hearing that a lot less from kids today.

---

**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

We certainly get data on that and as you can imagine, there's a variety of reasons why one decides not to pursue a degree with us. Sometimes they just decide not to pursue a degree, sometimes they do go elsewhere and sometimes the cost is an issue.

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**Gary Bisbee - Barclays Capital - Analyst**

Let me ask a question on the selling and the promotional expense. Obviously as a percent of revenue, the increase there is a lot less than it's been and I guess I'm -- you may not have a great answer to this one either but obviously with the revenue growth accelerating so much, it makes it a lot easier to get the margins looking better. How much of that acceleration in the top line and the revenue growth can you attribute to the better performance of your marketing efforts and just the seasoning of all those reps you hired in the second quarter last year, et cetera, et cetera, versus maybe things that are a little less -- little more outside of your control like the economy, like the higher loan limits, any way to get a sense?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Well, we definitely believe we're getting return on those investments and we think that the actions we've taken, the initiatives we've put in place, the sophistication of the information we're getting now and all of that is playing a big role in our growth. Also, I think as we compare for example our growth quarter to quarter now with our competitors, it's -- we're very competitive, so versus in the past maybe we weren't quite growing at the same levels. So we definitely feel that the growth is a result of what we're doing in large part. It's certainly in part due to the economy.

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**Gary Bisbee - Barclays Capital - Analyst**

And I guess taking that one step further, in terms of the advertising expense, we're hearing, particularly the guys who do a lot of TV and radio that the economy is leading to lower expense and I've heard a few places that actually Internet costs either have stopped growing or they're even

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

coming in a little bit. How much is maybe you're getting some cost side from the economy relative to, again, all the initiatives you've put in place?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

That is definitely a factor as well. Because we're certainly seeing certain of the media that we use that there is cost savings there and it enables us to allocate dollars to do different things including allocate dollars toward branding and toward what branding and content. So we think that that's also helping.

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**Gary Bisbee - Barclays Capital - Analyst**

Okay. Thanks a lot for the color and congrats again.

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Thank you.

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**Operator**

Next question comes from Andrew Steiner with JPMorgan. Your line is open.

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**Andrew Steiner - JPMorgan - Analyst**

Hi, gentlemen. I would love to talk about pricing. I know we put in some tuition increases. This was going to be the first quarter where we get a full effect. Could you talk about how much pricing has been sticking and the effect that it's had in the quarter?

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**Chas Edelstein - Apollo Group - CEO**

Sure, Andrew, it's Chas. Well, I think in terms of whether it's sticking, the best indication we have is the growth we have in our students and so I don't think we're experiencing any pushback on pricing. I think the number that I quoted in my introductory remarks that about 3% of the growth in revenues is from net pricing, that's net of discounts but also net of mix shift. Because as you see from the growth numbers that we published, the growth in associate's is greater than the growth in some of the other areas and that's a lower cost program. So there is a mix there which we haven't quantified the amount of mix shift but in terms of whether it's sticking or not, we're not really seeing any resistance from that standpoint.

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**Andrew Steiner - JPMorgan - Analyst**

And could you talk about how net pricing that's sticking would translate on a revenue per student growth going forward?

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**Chas Edelstein - Apollo Group - CEO**

Yes. I don't -- we haven't commented on growth in student revenue. I mean, that's not a statistic we comment on.

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**Andrew Steiner - JPMorgan - Analyst**

Sure. But I'm just asking, are there any mix shifts going on that you would just comment qualitatively about that would hold back revenue per student growth?

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**Greg Cappelli - Apollo Group - EVP, Global Strat., Asst to Exec. Chairman**

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

Not that you haven't seen as a trend so far. Our associate's continues to grow the fastest and that's going to have an impact. You can't quantify exactly in any given quarter how pricing is going to affect every student and so we can put through price increases, retention will play a factor in the average revenue per average student and the growth in that quarter-to-quarter. So we track it closely but we don't try to give out a projection for you on the call.

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**Brian Swartz - Apollo Group - SVP-Fin., Chief Accounting Officer**

Andrew, it's Brian. The other thing that impacts that is our refund policy which we did change about six months ago, couple quarters ago so that has an impact too. Lots of variables impacting those numbers.

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**Andrew Steinerman - JPMorgan - Analyst**

Sounds great.

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**Operator**

Next question comes from the line of Corey Greendale with First Analysis. Your line is open.

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**Corey Greendale - First Analysis - Analyst**

Hi, good afternoon. You commented about the bad debt being up a little bit sequentially, partially because you had challenge in collecting aging receivables with the economy. Could you just revisit the comment that you made last quarter about believing that your cohort default rate will remain below 10% in light of the comment you're making this quarter about aging receivables?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Yes. There's really no change to the comment that I made last quarter with respect to default rates based on all the information we have to date. That's a once a year calculation, but based on what we have to date, we believe we should be at or under the 10% and even if it were above 10%, the impacts would not be material.

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**Corey Greendale - First Analysis - Analyst**

Okay. And Joe, could you also update on your progress in being able to access direct lending, if you so need to?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Yes. We have had some key meetings with the department. We have a plan in place to offer direct lending. We are doing some things right now internally and with the department to be able to do that if we wanted to with everyone and that should be in place in a reasonable period of time.

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**Corey Greendale - First Analysis - Analyst**

Okay. And Greg, if I could just ask you two quick ones, which is first of all, what would you expect the impact of the weak economy to be on Apollo Global where people pay for school more out of pocket? And secondly, is there anything you could say to elaborate on your comments about looking to maximize value of WIU?

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**Greg Cappelli - Apollo Group - EVP, Global Strat., Asst to Exec. Chairman**

Well, the first question, Corey, it's hard to say. I mean, one of the things I did years ago was go back and we saw some of the international players growing and look at some of the various geographies around the world and even when we had downturns in the US, and we weren't

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

seeing a big disruption in some of the other countries when I studied those a number of years ago. It's possible, is this more of a global recession? There's not Title IV programs like there are in the US and other countries, although there's also an incredible want and need for students and parents to continue to want to go get higher education.

So I can tell you that at this point, in some areas of the world we've seen some disruption and in others we haven't. And we're only -- obviously Apollo Global is only in a couple of geographies now and in one of them we haven't seen any disruption at all and in another we've seen a little bit. It's going to depend on the economies and what not, it's got to be different than the US. Obviously, the funding avenues are different. But we'll continue to monitor it pretty closely and obviously this is a different type of economy globally than we were in the last time in '02, '03.

As far as WIU is concerned I'm not sure I can elaborate any more except to tell you as we said a year ago, we were going to take a close look at all of the subsidiaries of the Company, their value to Apollo Group, what we want to do with them going forward and one of the areas I just wanted to highlight was WIU because it's an HLC accredited school system for us. We think very highly of it. It's obviously a very small piece of Apollo Group right now. And we think that the capabilities there to reach more students globally are significant. So we're starting to put the analytics around the business, to analyze it and to hopefully grow it more significantly going forward. We'll have more to say about it going forward.

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**Corey Greendale - First Analysis - Analyst**

Okay.

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**Operator**

Your next question comes from Scott Schneeberger with Oppenheimer. Your line is open.

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**Scott Schneeberger - Oppenheimer - Analyst**

Thanks. Congratulations. I guess, no repurchases in the quarter, a very hefty cash balance and I know that you do have a large line outstanding. Are you stockpiling for any particular strategic reason or anything behind that?

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**Greg Cappelli - Apollo Group - EVP, Global Strat., Asst to Exec. Chairman**

No. This is Greg. We're not stockpiling for any particular reason. What we've done is we've been conservative and thoughtful about our cash in a dramatically changing economy in the US and also globally in some areas. So we're trying to be smart with our cash. We are looking at and evaluating opportunities to make investments. We're doing that in our core business. We're doing it domestically in general. We're doing it with things like WIU. We're doing it through Global and we're doing it through Insight. So we're going to be looking to use our capital if we can generate high returns with it. If we can't you're going to be seeing it come back in the form of share repurchases. What that tells you is we believe that there are opportunities to generate high returns through some of these investments and so we'll try to talk about that every quarter and if we do something with the capital, then obviously we'll be announcing it.

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**Scott Schneeberger - Oppenheimer - Analyst**

Okay. Thanks. And with the tough economy, anything that you're doing with regard to placement counselors or working with your students that are graduating and going out in this environment, just anything you can speak on there? Thanks.

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Well, we don't do placement and a number of our graduates are working adults. So that's the answer.

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**Scott Schneeberger - Oppenheimer - Analyst**

Okay. Thank you.

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

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**Operator**

Your next question comes from Patrick Elderby with Credit Suisse. Your line is open.

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**Patrick Elderby - Credit Suisse - Analyst**

Hi, it's Patrick for Kelly Flynn. Can you elaborate on the economy related risks that you're seeing with bad debt and on where you expect the bad debt rate to trend in the next few quarters?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

With respect to the trend, that's not something that we have traditionally given out. But with respect to the bad debts, we did see a deterioration of some slight amount in our aging and that's been covered with our provision and our reserve, so we feel very comfortable with the level that we're at. Bad debt's seasonal and it will fluctuate from quarter-to-quarter. It's been within a band that I think you can go back and look at the history, but it's been within a band and I think that band is narrowing. Certainly the top has come down dramatically.

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**Patrick Elderby - Credit Suisse - Analyst**

Thank you.

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**Operator**

Your next question comes from Jerry Herman with Stifel Nicolaus. Your line is open.

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**Jerry Herman - Stifel Nicolaus - Analyst**

Thanks, good afternoon, everybody. Just wanted to ask about the growth relative to long-term expectations, the last couple quarters obviously the numbers have been really strong and I'm just wondering how you guys feel about those numbers relative to some of the ones talked about in the past, i.e. high single digit enrollment growth, mid-to upper single digit enrollment growth and low double digit operating income and cash flow growth. I mean, have you thought about recasting those numbers in any way in light of the recent strength?

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**Chas Edelstein - Apollo Group - CEO**

This is Chas. No, we really haven't recast our long-term view of the market and the industry. Obviously, we have been seeing much more robust numbers recently which we mentioned we think is certainly at least part due to the economy and our expectation is that these numbers are going to come down in the long-term in terms of the growth rates, but it's pretty difficult for us to predict exactly when and how much.

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**Jerry Herman - Stifel Nicolaus - Analyst**

Great. And Greg, one for you in light of the cash build and some of the other stuff going on, could you just remind us how you think about accepting dilution on acquisitions and some parameters there?

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**Greg Cappelli - Apollo Group - EVP, Global Strat., Asst to Exec. Chairman**

Sure. The way we think about it is, while we are sensitive to dilution to earnings, we think much more about long-term value creation and what I mean by that is -- and we've said this for the past couple of years, is -- when we look at doing something, making an investment, it has to make sense strategically first and then from a long-term value perspective. So whether something -- for us to look at something and say gee we can or can't do it because next quarter it's going to push earnings up a few pennies or down a few pennies or be dilutive or accretive by a certain amount

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

probably is not the best way for us to create long-term value for you. So that is what we're doing. We use our internal -- we call it value equation framework to evaluate all the uses of capital. It does take a longer term perspective. We need to be able to explain anything we do, near and long-term from an investment perspective and it's got to create value long-term. We look at things on a cash basis. So our cash flow basis. Does that help at all?

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**Jerry Herman - Stifel Nicolaus - Analyst**

That's helpful. Thanks. I'll turn it over.

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**Operator**

Your next call is from Gordon Lasic with Robert W. Baird. Your line is open.

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**Gordon Lasic - Robert W. Baird - Analyst**

I just wanted to circle back to the question about the Axia matriculation. I understand that you're getting more Axia students on an overall number basis but I'm wondering, can you dig a little deeper into the percent change of Axia students that are matriculating. Is that number increasing as well?

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**Chas Edelstein - Apollo Group - CEO**

It's Chas. We don't actually give out the breakdown in a percentage term. The number of students is what's consistently been going up but certainly the majority of the increase is not the matriculation. The majority is still new students to the University of Phoenix.

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**Gordon Lasic - Robert W. Baird - Analyst**

Okay. Okay. And then another question. In terms of the pattern of new student starts and total enrollment, any comment about -- I mean, did that pick up later in the quarter or was that consistent throughout? Any deceleration or acceleration throughout the quarter? Any color there?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

We don't comment on the timing of our new enrollments. But it's been strong, relatively strong throughout the quarter.

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**Gordon Lasic - Robert W. Baird - Analyst**

Okay. And then just one final one. Can you provide an update on your projected opening of the resource centers? I think you said that you would expect to open 25 by the end of '08 and another 25 by the end of this year. How is that tracking versus your expectations?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

I think we're on track with that.

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**Gordon Lasic - Robert W. Baird - Analyst**

Okay. Thanks a lot.

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**Operator**

Your next question comes from [Paul Condra] with BMO Capital Markets. Your line is open.

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

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**Paul Condra - BMO Capital Markets - Analyst**

Thank you. Thanks for taking my call. I just had a question. You mentioned earlier that you had a lower turnover in enrollment counselors and I wondered if you could talk a little about what's driving that?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

I think there are a number of factors driving that. Including the economy, probably. But we've done a lot of work to help enrollment counselors in terms of being successful and I think that's helping as well. I think they enjoy what they do, generally here, and they're being successful and when you're successful it makes for a better, more job satisfaction.

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**Paul Condra - BMO Capital Markets - Analyst**

Okay. And then the other question I had, and I apologize if this has already been answered, in terms of negotiated contract costs for third party vendors, are you seeing those reductions, are they volume based discounts or is this somehow related to the economy as well?

---

**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

There's two -- let me differentiate between two. There are obviously volume related discounts that we're getting as a result of negotiation, but the major change is the reduction in our student aid contract, which is having the biggest impact.

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**Paul Condra - BMO Capital Markets - Analyst**

Thank you very much.

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**Operator**

Your next question comes from Brandon Dobell with William Blair. Your line is open.

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**Brandon Dobell - William Blair - Analyst**

Thanks, guys. Looking at the quarter on quarter dollar spend with enrollment counselor compensation, up 9 or 10%. Is that an indication of a decent pickup in the head count or just overall incentive comp within that group going the right direction? Just trying to gauge kind of what the drivers were for that compared to last quarter?

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**Chas Edelstein - Apollo Group - CEO**

Brandon, it's Chas. A part of that is really tenure because this reduced turnover that we have means that there are more tenured enrollment counselors and there is a direct relationship between tenure and that. But we are still doing some selective hiring in, as Joe mentioned, in some areas that are particularly strong. But I don't know of that -- of that amount that you quoted, I don't know how much of it is due to tenure and how much of it is due to the more modest increase in headcount from the selective hiring that Joe talked about. But that's really the two factors.

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**Brandon Dobell - William Blair - Analyst**

Okay. That's fair. I guess -- I think Greg you also talked about just I guess a reinvigorated effort around corporate partnerships. I wonder if you could provide any more color on what you were doing that maybe wasn't working to your satisfaction or what you may be doing going forward, either in terms of more headcount, different strategy, different kinds of companies, just trying to get a better feel for how that strategy might be evolving?

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

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**Greg Cappelli - Apollo Group - EVP, Global Strat., Asst to Exec. Chairman**

Sure. And actually I'm going to ask Joe to comment on that because he's been running that.

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Yes. Brandon, it's really a focus. It's a focus and a renewed energy around it. We've always had corporate accounts. We're paying a lot more attention to those corporate accounts. We believe they're important to our future growth. We see it strategically as something that's important, so it's -- we are making investment there is the bottom line in leadership, we put a new person in charge of that who has done a terrific job and we have some strategic things that we're doing that I won't comment on on the call, but we do have some things we're doing with corporations that I think are unique.

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**Brandon Dobell - William Blair - Analyst**

Is it fair to assume that it's mostly focused on areas where you've got business students as opposed to, let's say, healthcare or education or is it pretty much across the board in terms of the organizations you're working with?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Well, it's -- I can't say that it's -- certainly strategically we're looking at all. I don't know historically, whether or not there is one group or another that we've gotten more business from.

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**Brandon Dobell - William Blair - Analyst**

Okay.

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**Greg Cappelli - Apollo Group - EVP, Global Strat., Asst to Exec. Chairman**

Brandon, that area is one of the key pieces of the foundation the Company was built on.

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**Brandon Dobell - William Blair - Analyst**

Right.

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**Greg Cappelli - Apollo Group - EVP, Global Strat., Asst to Exec. Chairman**

And I think we looked at it and under Joe's leadership decided that's an important area of investment, to try to make sure we're in a leading position there.

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**Brandon Dobell - William Blair - Analyst**

Okay. And you mentioned liberal arts degrees and the Ph.D. in nursing. Are those going to be online or both, as they roll out?

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**Chas Edelstein - Apollo Group - CEO**

I think it's -- as it rolls out, yes, but today I think it's on ground.

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

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**Brandon Dobell - William Blair - Analyst**

Okay.

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**Greg Cappelli - Apollo Group - EVP, Global Strat., Asst to Exec. Chairman**

But I'm -- we'll check it for you.

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**Brandon Dobell - William Blair - Analyst**

Okay. I'd be curious about that. Thanks a lot.

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**Operator**

Your next question comes from [Amit Anand] with Axia Capital. Your line is open.

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**Amit Anand - Axia Capital - Analyst**

Hi, I just had a few questions about the acceleration that you saw in new starts in your doctorate programs. I was just wondering if you would comment on what you would attribute that to, if there are any specific programs that are driving that? And also just generally how you think about that business going forward, what do you consider to be the market opportunity there?

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**Chas Edelstein - Apollo Group - CEO**

This is Chas. I think that what I would say in terms of the overall impact is those numbers are really relatively quite small, relative to the whole. So I don't think that those increases on the doctoral side are driving the results or the overall results, nor do we expect that that would be the case in the near term. These are wonderful programs that are very high quality and we think do provide a good service for society and actually in our branding efforts. But I don't think that in the near term you would expect very large financial impact from those numbers.

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**Amit Anand - Axia Capital - Analyst**

And is there anything specific that you're doing to market those programs that would have caused an acceleration recently? I'm just trying to figure out if we should expect continued acceleration in new starts there?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Well, we're definitely looking at the advanced degree programs as well, we look at all of our degree programs. We're focused on getting let's say the biggest bang for the advertising dollar and getting to better sites for getting leads that convert and that retain. And certainly our doctoral programs are top notch, top drawer programs in the country. So we continue to work to grow those as well as the master's.

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**Greg Cappelli - Apollo Group - EVP, Global Strat., Asst to Exec. Chairman**

Tremendous leadership in that area and that's an important area for us.

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**Amit Anand - Axia Capital - Analyst**

Great. Thank you.

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

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**Operator**

Your next question comes from Gary Bisbee with Barclays Capital. Your line is open.

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**Gary Bisbee - Barclays Capital - Analyst**

Hey, guys, just one quick follow-up. Given how interest rates are dropping and the interest you're earning on your cash is dropping, any sort of change in how quickly you're going to look to reinvest the ballooning cash balance or does that not really play into how you think about it? Thanks.

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**Brian Swartz - Apollo Group - SVP-Fin., Chief Accounting Officer**

Yes, Gary, it's Brian Swartz. That money is invested today. We have moved around where we have that money invested just in the prudence of the underlying investments themselves so we're constantly evaluating that. We try to keep the money prudently invested. The interest income amount has gone down as the cash has gone up. As a Company we'll constantly evaluate where we want to have that in in any given quarter.

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**Gary Bisbee - Barclays Capital - Analyst**

I guess the point was just it looks like you earned 0.5% or something on the cash, given that rates have gone so low. Would you be more likely to try to reinvest that more quickly than you might otherwise buy back or is that not something that factors in here?

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

I understand. That is actually not impacting the decision in terms of the investments that we're looking at, Gary.

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**Gary Bisbee - Barclays Capital - Analyst**

Okay. Thanks.

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**Joe D'Amico - Apollo Group - President, CFO, Treasurer**

Sure.

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**Operator**

At this time, there are no further questions in the queue. So I'd like to turn the call back to Mr. Chas Edelstein for closing comments.

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**Chas Edelstein - Apollo Group - CEO**

Well, I really don't have anything other than to say thank you and we look forward to keeping in touch with you all.

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**Operator**

This concludes today's conference. You may now disconnect.

Jan. 08. 2009 / 5:00PM ET, APOL - Q1 2009 Apollo Group Earnings Conference Call

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