

JUNE STOCK SELECTION

Bridgepoint Education

RECOMMENDATION

Our June selection is April IPO Bridgepoint Education. Despite growing well in excess of 100% over the past four years, Bridgepoint was forced to reduce its IPO offering price range by 30% from \$14-16 to its eventual price of \$10.50.

We believe the company has a large growth opportunity in the \$450 billion postsecondary education market through a unique business model outlined below and in a current economic environment well suited for education services. We believe Bridgepoint's present growth trajectory coupled with the discount necessary to complete its offering should have GARP (growth at a reasonable price) investors salivating. We recommend purchase of Bridgepoint shares at current prices for high growth oriented investors.

OPPORTUNITY

Periods of economic weakness coupled with high unemployment are historically a good time to be in the business of providing education. The desire of workers to change profession, retrain to begin new careers, or broaden one's overall education are key enrollment drivers for accredited educational institutions. Shares of publicly-held education services compa-

Bridgepoint Education (NYSE-BPI)

Share Price	\$12.95	Market Cap (Mil)	\$687.6
52-Week High	\$13.68	Total Assets (Mil)	\$172.6
52-Week Low	\$9.56	Net Worth (Mil)	\$19.1
Dividend	-	Book Value/Share	\$0.36
Dividend Yield	-	Long-Term Debt (Mil)	\$0.1
PE Ratio	20.1	Cash & Equiv. (Mil)	\$79.1
Average Volume (000)	500,000	Enterprise Value (Mil)	\$608.4
Shares Outstanding (Mil)	53.1	EBITDA (Yr., Mil)	\$51.1
Short Interest	N/A	Op. Cash Flow (Mil)	\$32.3
Insider Ownership	16%	Fiscal Year End	Dec. 31
Institutional Ownership	66%	Website: www.bridgepointeducation	

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nies such as ITT Educational, **Corinthian Colleges**, and Apollo Group, operator of the University of Phoenix bucked the October 2008 swoon and delivered gains to investors.

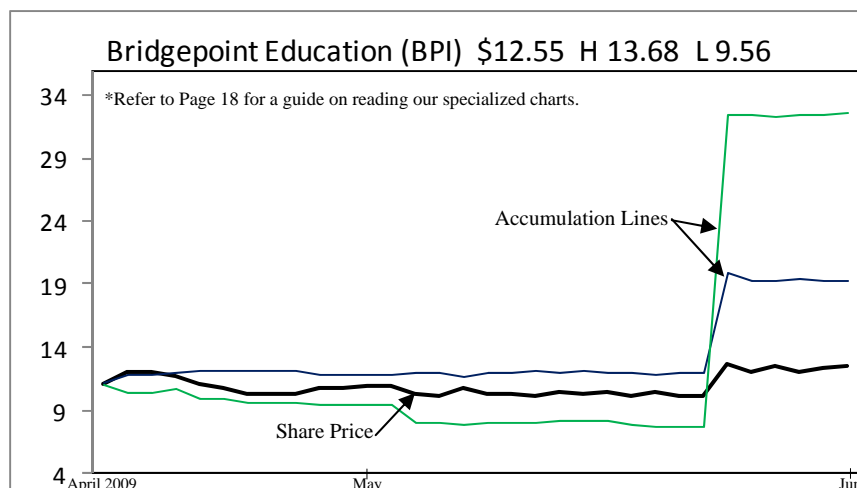
It is therefore no coincidence that two of the nation's eight total IPOs in 2009 have been education companies. The other being hot performing Rosetta Stone.

Bridgepoint was formed in January 2004 by the company's CEO Andrew Clark and an investment group

led by Warburg Pincus to focus on individuals desiring education that also needed to maintain a career. In addition, the company built an operating model to ease issues related to the transferring of credits and educational costs.

This differentiated approach has focused Bridgepoint on unique niches such as members of the U.S. military and large corporations. The company offers scholarships to all members of the military including active duty members and veterans, as well as family members of active duty personnel. Military enrollees currently represent almost 15% of total enrollments. Bridgepoint also works directly with large corporate clients to offer its curriculum to employees who remain a part of the corporation's workforce.

This unique operating model has allowed Bridgepoint to grow revenue from \$8 million in FY05 to \$218.3 million in FY08. As of 1Q09, 98% of Bridgepoint's 42,000 enrolled students access its curriculum online with the remainder enrolled at its college campuses in Iowa and Colorado.



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RECENT RESULTS & GUIDANCE

Bridgepoint generated record first quarter 2009 revenue of \$84.3 million, up 117% from 1Q08. Non-GAAP EPS jumped to \$0.20 per share on stronger operating efficiencies.

First quarter EPS excludes \$10.6 million in expenses from a settlement related to amendments made to its certificate of incorporation in connection with financings in 2005.

Total student 1Q09 enrollment climbed 115% to 42,025 from 19,509 in 1Q08. New student enrollment rose 91% to 16,800 versus 8,800 which the company attributed to the effectiveness of its three-step approach of identifying, recruiting and retaining students.

The company generated cash flow from operations of \$32.3 million versus \$10.8 million last year although capex jumped to \$7.2 million from \$1.0 million due to the occupancy of additional space leased in March.

Bridgepoint also reported that it gained an important Letter of Instruction in the second quarter from the U.S. Army that will allow it greater exposure to members of the military and their families.

For fiscal 2009, the company sees total enrollment of 47,000-49,000 students, revenue of \$405-410 million and fully diluted, non-GAAP EPS of \$0.87-0.90. The company will have a one-time stock-based compensation charge of \$30.4 million in the second quarter to amend management exit options.

BUSINESS

Bridgepoint Education offers accredited degrees at the associate's, bachelor's, master's and doctoral levels in the disciplines of business, education, psychology, social sciences and health sciences. The company operates two campuses, Ashford University in Clinton, Iowa which was acquired in 2005 offering a broad range of degrees and the University of the Rockies in September 2007 which offers master's and doctoral programs primarily in psychology.

Revenue Growth (\$Mil)						
	2007	Change	2008	Change	2009	Change
Q1	13.7	-	38.9	184%	84.3	117%
Q2	16.6	-	49.9	201%		
Q3	24.2	-	60.3	149%		
Q4	31.2	-	69.1	121%		
Year	85.7	-	218.3	155%		
EPS Growth						
	2007	Change	2008	Change	2009	Change
Q1	(0.02)	-	0.03	-	0.20	567%
Q2	(0.03)	-	0.15	-		
Q3	0.06	-	0.16	167%		
Q4	0.04	-	0.10	150%		
Year	0.05	-	0.44	780%		
Recent EPS Performance						
Quarter	Actual	Estimate	Difference			
Mar '08	-	-	-			
Dec '07	-	-	-			
Sept '07	-	-	-			
Jun '07	-	-	-			
Mar '07	-	-	-			
Dec '06	-	-	-			
Analyst Consensus Estimate Trends						
Period	Current Estimate	Oct	Sept	Aug	Nov 2007	
2Q09	0.23	-	-	-	-	
3Q09	0.23	-	-	-	-	
FY09	0.86	-	-	-	-	
FY10	1.15	-	-	-	-	