



Nelnet Reports Year-End and Fourth-Quarter 2007 Results; Strong Fee-based Revenue Growth

LINCOLN, Neb., Feb 29, 2008 /PRNewswire-FirstCall via COMTEX News Network/ -- Nelnet, Inc. (NYSE: NNI) today reported GAAP net income for 2007 of \$32.9 million, or \$0.66 per share, compared with \$68.2 million, or \$1.27 per share, for 2006. Base net income excluding discontinued operations and legislative and restructuring related charges for 2007 was \$85.3 million, or \$1.72 per share, compared with \$76.1 million, or \$1.42 per share, for 2006.

GAAP net income for the fourth-quarter 2007 was \$19.0 million, or \$0.39 per share, compared with a net loss of \$7.3 million, or \$0.14 per share, for the fourth-quarter 2006. Base net income excluding discontinued operations and legislative and restructuring related charges for the fourth-quarter 2007 was \$16.6 million, or \$0.34 per share, compared with \$11.6 million, or \$0.22 per share, in the fourth-quarter 2006.

"In the last year, we have been successful in reducing our reliance on the net interest margin on student loans as our primary revenue driver because of our diversification into education services," said Mike Dunlap, Chairman and Chief Executive Officer of Nelnet. "As a result, our bottom line performance was strong in 2007 when considering the impact of the new legislation and the ongoing global crisis in the financial markets."

Fee-based Revenue

Fee-based revenue for 2007 and the fourth quarter of 2007 represented 56 percent and 65 percent of Nelnet's total revenue, respectively. This is an increase from 2006 and the fourth quarter of 2006 when fee-based revenue represented 44 percent and 53 percent of total revenue, respectively.

Income from loan and guarantee servicing reached \$128.1 million for 2007, up from \$121.6 million in 2006. In the fourth quarter of 2007, loan and guarantee servicing income grew to \$33.0 million, up from \$30.2 million in the fourth quarter of 2006.

Other fee-based income, generated primarily by the Tuition Payment Processing and Campus Commerce and Enrollment Services and List Management operating segments, increased to \$160.9 million for 2007, up from \$102.3 million in 2006. For the fourth quarter of 2007, other fee-based income increased by \$7.7 million, or 21 percent, to \$44.6 million.

Student Loan Assets

In 2007, net student loan assets increased by \$2.9 billion, or 12 percent, to \$26.7 billion at December 31, 2007.

Margin Analysis

Net interest income for 2007 was \$244.6 million compared with \$308.5 million for 2006. For the fourth quarter of 2007, Nelnet reported net interest income of \$44.3 million compared with \$63.8 million for the fourth quarter of 2006.

The company reported core student loan spread of 0.93 percent for the fourth quarter of 2007 compared with 1.31 percent in the same period of 2006 and 1.05 percent for the third quarter of 2007.

Operating Expenses

For 2007, the company reported operating expenses of \$535.6 million compared with \$446.3 million for 2006. Operating expenses were \$120.3 million in the fourth quarter of 2007 compared with \$137.5 million for the same period a year ago.

Non-GAAP Performance Measures

A description of base net income and a reconciliation of GAAP net income to base net income can be found in supplemental financial information to this earnings release online at <http://www.nelnetinvestors.com/releases.cfm?relype=Financial>.

Nelnet will host a conference call to discuss this earnings release at 11:00 a.m. (Eastern) on March 4, 2008. To access the call live, participants in the United States and Canada should dial 877.675.4757 and international callers should dial 719.325.4916 at least 15 minutes prior to the call. A live audio Web cast of the call will also be available at <http://www.nelnetinvestors.com> under the conference calls and Web casts menu. A replay of the conference call will be available between 2:00 p.m. (Eastern) on March 4, 2008 and 11:59 p.m. (Eastern) March 11, 2008. To access the replay via telephone within the United States and Canada, callers should dial 888.203.1112. International callers should dial 719.457.0820. All callers accessing the replay will need to use the confirmation code 5948742. A replay of the audio Web cast will also be available at <http://www.nelnetinvestors.com>.

This press release contains forward-looking statements and information that are based on management's current expectations as of the date of this document. When used in this report, the words "anticipate," "believe," "estimate," "intend," and "expect" and similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to risks, uncertainties, assumptions, and other factors that may cause the actual results to be materially different from those reflected in such forward-looking statements. These factors include, changes in the terms of student loans and the educational credit marketplace arising from the implementation of, or changes in, applicable laws and regulations, which may reduce the volume, average term, and yields on student loans under the Federal Family Education Loan Program (the "FFEL Program" or "FFELP") of the U.S. Department of Education (the "Department") or result in loans being originated or refinanced under non-FFEL programs or may affect the terms upon which banks and others agree to sell FFELP loans to the company. The company could also be affected by changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students, and their families; changes in the general interest rate environment and in the securitization markets for education loans, which may increase the costs or limit the availability of financings necessary to initiate, purchase, or carry education loans; losses from loan defaults; and changes in prepayment rates and credit spreads; and the uncertain nature of the expected benefits from acquisitions and the ability to successfully integrate operations. Additionally, financial projections may not prove to be accurate and may vary materially. The reader should not place undue reliance on forward-looking statements, which speak only as of the date of this press release.

For more information see our filings with the Securities and Exchange Commission, including the risks and uncertainties set forth in Item 1A. "Risk Factors" of the company's Annual Report on Form 10-K for the year ended December 31, 2007.

The company is not obligated to publicly release any revisions to forward-looking statements to reflect events after the date of this press release or unforeseen events. Although the company may from time to time voluntarily update its prior forward-looking statements, it disclaims any commitment to do so except as required by securities laws.

Condensed Consolidated Statements of Operations

	Three months ended		
	December 31, 2007	September 30, 2007	December 31, 2006
	(unaudited)	(unaudited)	(unaudited)
	(dollars in thousands, except share data)		
Interest income:			
Loan interest	\$437,128	460,103	410,015
Variable-rate floor income	2,416	597	-
Amortization of loan premiums and deferred origination costs	(23,878)	(23,449)	(22,838)
Investment interest	18,988	21,023	24,254
Total interest income	434,654	458,274	411,431
Interest expense:			
Interest on bonds and notes payable	390,399	393,875	347,615
Net interest income	44,255	64,399	63,816
Less provision for loan losses	4,550	18,340	1,800
Net interest income after provision for loan losses	39,705	46,059	62,016
Other income:			
Loan and guaranty servicing			

income	32,953	33,040	30,165
Other fee-based income	44,572	38,025	36,868
Software services income	5,647	5,426	4,064
Other income	1,873	7,520	4,894
Derivative market value, foreign currency, and put option adjustments	14,940	18,449	(19,510)
Derivative settlements, net	11,577	(2,336)	7,013
Total other income	111,562	100,124	63,494
Operating expenses:			
Salaries and benefits	54,621	60,545	53,290
Other expenses	59,256	52,511	54,945
Amortization of intangible assets	6,412	10,885	7,758
Impairment expense	-	49,504	21,488
Total operating expenses	120,289	173,445	137,481
Income (loss) before income taxes and minority interest	30,978	(27,262)	(11,971)
Income tax expense (benefit)	11,810	(10,664)	(6,099)
Income (loss) before minority interest	19,168	(16,598)	(5,872)
Minority interest in subsidiary income	-	-	-
Income (loss) from continuing operations	19,168	(16,598)	(5,872)
Income (loss) from discontinued operations, net of tax	(159)	909	(1,438)
Net income (loss)	\$19,009	(15,689)	(7,310)
Earnings (loss) per share, basic and diluted:			
Income (loss) from continuing operations	\$0.39	(0.34)	(0.11)
Income (loss) from discontinued operations, net of tax	-	0.02	(0.03)
Net income (loss)	\$0.39	(0.32)	(0.14)
Weighted average shares outstanding	49,047,048	49,018,091	52,506,936

Year ended
December 31, December 31,
2007 2006
(dollars in thousands,
except share data)

Interest income:		
Loan interest	1,755,064	1,543,108
Variable-rate floor income	3,013	-
Amortization of loan premiums and deferred origination costs	(91,020)	(87,393)
Investment interest	80,219	93,918
Total interest income	1,747,276	1,549,633

Interest expense:		
Interest on bonds and notes payable	1,502,662	1,241,174
Net interest income	244,614	308,459
Less provision for loan losses	28,178	15,308
Net interest income after provision for loan losses	216,436	293,151
Other income:		
Loan and guaranty servicing income	128,069	121,593
Other fee-based income	160,888	102,318
Software services income	22,669	15,890
Other income	19,209	23,365
Derivative market value, foreign currency, and put option adjustments	26,806	(31,075)
Derivative settlements, net	18,677	23,432
Total other income	376,318	255,523
Operating expenses:		
Salaries and benefits	236,631	214,676
Other expenses	219,048	185,053
Amortization of intangible assets	30,426	25,062
Impairment expense	49,504	21,488
Total operating expenses	535,609	446,279
Income (loss) before income taxes and minority interest	57,145	102,395
Income tax expense (benefit)	21,716	36,237
Income (loss) before minority interest	35,429	66,158
Minority interest in subsidiary income	-	(242)
Income (loss) from continuing operations	35,429	65,916
Income (loss) from discontinued operations, net of tax	(2,575)	2,239
Net income (loss)	32,854	68,155
Earnings (loss) per share, basic and diluted:		
Income (loss) from continuing operations	0.71	1.23
Income (loss) from discontinued operations, net of tax	(0.05)	0.04
Net income (loss)	0.66	1.27
Weighted average shares outstanding	49,618,107	53,593,056

Condensed Consolidated Balance Sheets and Financial Data

As of	As of	As of
December 31,	September 30,	December 31,
2007	2007	2006
	(unaudited)	

(dollars in thousands)

Assets:

Student loans receivable, net	\$26,736,122	26,596,123	23,789,552
Cash, cash equivalents, and investments	1,120,838	1,451,772	1,773,751
Goodwill	164,695	164,695	191,420
Intangible assets, net	112,830	119,242	161,588
Other assets	1,028,298	1,010,632	880,562
Total assets	\$29,162,783	29,342,464	26,796,873

Liabilities:

Bonds and notes payable	\$28,115,829	28,234,147	25,562,119
Other liabilities	438,075	516,424	562,904
Total liabilities	28,553,904	28,750,571	26,125,023

Shareholders' equity	608,879	591,893	671,850
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Total liabilities and shareholders' equity	\$29,162,783	29,342,464	26,796,873
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Return on average total assets	0.12%	0.07%	0.27%
Return on average equity	5.33%	2.99%	9.64%
Shareholders' equity to total assets	2.09%	2.02%	2.51%

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