

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTER ENDED MARCH 31, 1997

STRAYER EDUCATION, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN THIS CHARTER)

Maryland

52-1975978

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

1025 15th Street, N.W.
Washington, DC 20005

20005

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (202) 408-2400
Securities registered pursuant to Section 12(b) of the Act: Not Applicable

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, \$.01 PAR VALUE

TITLE AND CLASS

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS, AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES [X] NO []

THE REGISTRANT BECAME SUBJECT TO SUCH FILING REQUIREMENTS ON JULY 25, 1996.

AS OF MARCH 31, 1997, THERE WERE OUTSTANDING 9,450,000 SHARES OF COMMON STOCK, PAR VALUE \$.01 PER SHARE, OF THE REGISTRANT.

STRAYER EDUCATION, INC.

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FORM 10-Q

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STRAYER EDUCATION, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

ASSETS

	December 31, 1996	March 31, 1997
	-----	-----
Current Assets: (Unaudited)		
Cash and cash equivalents	\$11,777	\$15,620
Marketable securities available for sale, at market	5,057	4,472
Short-term investments - restricted	807	830
Tuition receivable, net of allowances for doubtful accounts	8,923	9,500
Inventories	923	796
Other current assets	309	145
	-----	-----
Total current assets	27,796	31,363
Student loans receivable, net of allowances for losses	2,799	3,417
Property and equipment, net	7,063	7,173
Investments in marketable securities available for sale, at market	10,070	12,253
Other assets	94	178
	-----	-----
Total assets	\$47,822	\$54,384
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Trade account payable	\$ 332	\$ 633
Accrued expenses	710	255
Income taxes payable	--	2,723
Unearned tuition	11,150	11,289
Other current liabilities	30	250
	-----	-----
Total current liabilities	12,222	15,150
Deferred income taxes	189	184
	-----	-----
Total liabilities	12,411	15,334
	-----	-----

Stockholders' equity:

Common Stock - Par value \$.01; 20,000,000 shares authorized; 9,450,000 shares issued and outstanding	95	95
Addition	31,192	31,192
Retained earnings	3,893	7,484

The accompanying notes are an integral part of these consolidated financial statements.

STRAYER EDUCATION, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

For the three
months
ended March 31,

-----	1996	1997
-----	-----	-----
Revenues:		
Tuition	\$11,570	
\$13,263		
Fees and other	431	
510		
-----	-----	
13,773	12,001	
-----	-----	
Costs and Expenses:		
Instruction and educational support	4,577	
4,563		
Selling and promotion	974	
1,218		
General and administration	1,822	
1,586		
-----	-----	
7,367	7,373	
-----	-----	
Income from operations	4,628	
6,406		
Investment and other income	108	
514		
-----	-----	
Income before income taxes	4,736	
6,920		
-----	-----	
Provision for income taxes:		
Current	--	
2,723		
Deferred	--	
15		
-----	-----	
2,738	--	
-----	-----	
Net income	\$ 4,736	\$
4,182	=====	

The accompanying notes are an integral part of these consolidated financial statements.

STRAYER EDUCATION, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(AMOUNTS IN THOUSANDS)

	For the three months ended March 31,	
	1996	1997
Cash flow from operating activities		
Net income	\$ 4,736	\$ 4,182
Adjustments to reconcile net income to net cash provided by activities:		
Deferred tax expense	--	15
Depreciation and amortization	195	266
Provision for student loan losses	31	31
Changes in assets and liabilities		
Short-term investments - restricted	(58)	(23)
Tuition receivable, net	12	(577)
Inventories	7	127
Other current assets	30	80
Trade accounts payable	243	301
Accrued expenses	169	(455)
Income taxes payable	--	2,723
Unearned tuition	(81)	139
Other current liabilities	174	220
Student loans originated or acquired	(795)	(1,200)
Collections on student loans receivable	322	582
Proceeds from sale of loans	212	--
	5,197	6,411
Cash flows from investing activities:		
Purchases of property and equipment	(188)	(376)
Purchases of marketable securities	(1,313)	(2,186)
Maturities of marketable securities	825	585
	(676)	(1,977)
Cash flows from financing activities:		
Distributions to stockholders	(1,608)	--
Dividends paid	--	(591)
	(1,608)	(591)
Net increase in cash	2,913	3,843
Cash and cash equivalents - beginning of period	8,992	11,777
Cash and cash equivalents - end of period	\$11,905	\$15,620

The accompanying notes are an integral part of these consolidated financial statements.

STRAYER EDUCATION, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
INFORMATION AS OF MARCH 31, 1996 AND 1997 IS UNAUDITED.

1. ORGANIZATION AND BASIS OF PRESENTATION

Strayer Education, Inc. (the Company) was formed on May 10, 1996, as a Maryland corporation, and was capitalized on May 15, 1996 with cash of \$1,000. The Company commenced operations on July 25, 1996.

On July 30, 1996 the Company completed an initial public offering (the "Offering") of its common stock. The Company sold 3,450,000 shares in the Offering at a price of \$10 per share. Net proceeds to the Company were \$31,313,000. Prior to the closing of the Offering, the Company exchanged 5,999,000 shares of its common stock for 100% of the outstanding common stock of Strayer College, Inc. (the College).

Approximately \$19,838,000 of the net proceeds of the Offering were paid to the stockholders of the College as a distribution of earnings on which the stockholders had previously paid income taxes during the period the College was an S Corporation.

Contemporaneously with the closing of the initial public offering, the Company acquired Education Loan Processing, Inc. (ELP) at a purchase price of \$1,060,000, ELP's net book value. ELP was incorporated in December 1994 and began operations in January 1995. ELP was wholly owned by a stockholder of the Company.

Under generally accepted accounting principles, the College's and ELP's bases in their assets and liabilities were carried over to the Company and the operations of the College, ELP and the Company were retroactively combined in a manner similar to a pooling of interest, because these acquisitions were combinations of entities under common control. All significant intercompany accounts and transactions have been eliminated.

Consistent with the financial statements included in the Company's prospectus and the reorganization of the Company in connection with the completion of the public offering, the 1996 financial statements are presented on a combined basis and the 1997 financial statements are presented on a consolidated basis. The accompanying 1997 financial statements include the accounts of the Company, the College and ELP, collectively referred to herein as the "Company or Companies."

The results of operations for the three months ended March 31, 1996 and 1997 are not necessarily indicative of the results to be expected for the full fiscal year. All information as of March 31, 1997, and for the three month periods ended March 31, 1996 and 1997 is unaudited but, in the opinion of management, contains all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the condensed consolidated financial position, results of operations and cash flows of the Companies.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 1996 Annual Report.

2. NATURE OF OPERATIONS

The College is a regional proprietary accredited institution of higher education that provides undergraduate and graduate degrees in various fields of study through its nine campuses in the District of Columbia, Virginia and Maryland.

STRAYER EDUCATION, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
INFORMATION AS OF MARCH 31, 1996 AND 1997 IS UNAUDITED

ELP is a finance company that purchases and services student loans, principally for the College. For purposes of the consolidated balance sheets, all of ELP's assets and liabilities have been classified as current assets and liabilities with the exception of student loans receivable, which have been classified as noncurrent to be consistent with industry practice.

3. INCOME TAXES

For the quarter ended March 31, 1996, the financial statements of the Companies do not include a provision for income taxes because the taxable income of the College and ELP was included in the income tax returns of the stockholders under the S Corporation elections.

In connection with the formation of Strayer Education, Inc., the initial public offering of the Company's common stock and the acquisition of the College and ELP by Strayer Education, Inc., effective July 25, 1996, the College and ELP are no longer treated as S Corporations for tax purposes. The Companies now provide for deferred income taxes based on temporary differences between financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the year in which the differences are expected to reverse.

4. INCOME PER SHARE

Pro forma 1996 weighted average shares outstanding reflect the acquisition of the College by the Company in exchange for 5,999,000 shares of common stock, as if it had occurred on January 1, 1996. Subsequent to the closing of the initial public offering, the Company made a distribution to the stockholders of the College in respect of earnings previously subject to income tax during the College's period as an S Corporation (the "S Corp. Distribution"). As a result, pro forma weighted average shares outstanding also give effect to the increase in the number of shares which, when multiplied by the net per share proceeds of the Offering, would have been necessary to fund distributions to the stockholders, including the S Corp. Distribution, during the 12 months ended July 1996, to the extent that such distributions exceeded net income during the same period.

Fully diluted income per share for 1997 was not significantly different from the primary amount.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (FAS 128). FAS 128 simplifies the existing earnings per share (EPS) computations under Accounting Principles Board Opinion No. 15, "Earnings Per Share," revises disclosure requirements, and increases the comparability of EPS data on an international basis. In simplifying the EPS computations, the presentation of primary EPS is replaced with basic EPS, with the principal difference being that common stock equivalents are not considered in computing basic EPS. In addition, FAS 128 requires dual presentation of basic and diluted EPS. FAS 128 is effective for financial statements issued for periods ending after December 15, 1997. The Company's basic and diluted EPS under FAS 128 would have been \$0.44 and \$0.43 respectively for the period ended March 31, 1997.

5. CREDIT FACILITY

On March 31, 1997, the Company obtained a credit facility from a bank in the amount of \$10.0 million. Interest on any borrowings under the facility will accrue at an annual rate not to exceed 0.75% above the London Interbank Offered Rate. The Company will not pay a fee for this facility, but in the event of any borrowings, an origination fee of 1% will be due on the amounts borrowed from time to time thereunder.

STRAYER EDUCATION, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
INFORMATION AS OF MARCH 31, 1996 AND 1997 IS UNAUDITED.

6. SUBSEQUENT EVENTS

The Company's Board of Directors declared a dividend of \$.0625 per share to shareholders of record as of April 4, 1997.

In addition, the Company successfully completed a public offering of 1,322,500 shares of common stock in April 1997, of which, 772,500 shares of common stock were sold by the Company and 550,000 shares of common stock were sold by certain stockholders of the Company. The Company received net proceeds from this offering of approximately \$15.0 million.

ITEM 2: MANAGERMENTS'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain of the statements included in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as elsewhere in this report on Form 10-Q are forward-looking statements. These statements involve risks and uncertainties that could cause the actual results to differ materially from those expressed in or implied by such statements.

THREE MONTHS ENDED MARCH 31, 1997 COMPARED TO THREE MONTHS ENDED MARCH 31, 1996

Revenues. Tuition revenue increased 14.6% from \$11.6 million in the first quarter of 1996 to \$13.3 million in the first quarter of 1997, principally due to a 10% increase in the number of credits taken by students and a 5% tuition increase effective for 1997. Fees and other revenue increased 18.3% from \$431,000 in the 1996 quarter to \$510,000 in the 1997 quarter, principally as a result of the increase in the number of students in the 1997 quarter and increased revenue from ELP's operations.

Instruction and educational support expenses. Instruction and educational support expenses remained essentially unchanged from the first quarter of 1996 to the first quarter of 1997. A salary increase of 5% effective January 1, 1997 was offset by savings in rent expense. Rent expense decreased in 1997 from 1996 due to the purchase in October 1996 of the Loudoun Campus facilities and the restructuring of five of the College's leases in May 1996.

Selling and promotion expenses. Selling and promotion expenses increased 25% from \$974,000 in the first quarter of 1996 to \$1.2 million in the first quarter of 1997, due to a small increase in advertising costs, particularly for television advertising, increased advertising related to the opening of a new campus in Maryland, and an increase in the number of admissions representatives in Maryland and personnel in the College's Corporate Outreach Program.

General and administration expenses. General and administration expenses decreased 13.0% from \$1.8 million in the first quarter of 1996 to \$1.6 million in the first quarter of 1997, principally due to a reduction in the bad debt experience rate on tuition receivable.

Income from operations. Operating income increased \$1.8 million, or 38.4%, from \$4.6 million in the first quarter of 1996 to \$6.4 million in the first quarter of 1997. The increase was due to the aforementioned factors.

Investment and other income. Investment and other income increased \$406,000, or 375.9%, from \$108,000 in the first quarter of 1996 to \$514,000 in the first quarter of 1997. The increase was due to additional interest income received on the investment of the proceeds from the Company's initial public offering.

Net income. Net income increased \$1.3 million, or 45.0%, from \$2.9 million on a pro forma basis in the first quarter of 1996 to \$4.2 million in the first quarter of 1997.

LIQUIDITY AND CAPITAL RESOURCES

Prior to the initial public offering of its common stock, the Company financed its operating and capital requirements through cash generated from operating activities or, in the case of ELP, capital contributions from ELP's stockholder. The Company realized net proceeds of approximately \$31.3 million from the initial public offering, of which it used \$19.8 million to fund S Corporation distributions, \$1.1 million to fund the acquisition of ELP, and \$3.1 million to fund the purchase of the Loudoun campus. The remaining \$7.3 million was used to fund student loans and for working capital purposes, including improvements to the College's computer laboratories.

ITEM 2: MANAGERMENTS'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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During the first quarter of 1997, the Company generated cash from operating activities of \$6.4 million. Cash used in investing and financing activities was \$2.0 million and \$591,000, respectively. At March 31, 1997, the Company had available cash and cash equivalents and marketable securities of \$32.3 million. The Company has designated approximately \$3.1 million for the planned acquisition of the Alexandria campus facility, which it expects to complete by August 1997.

In April 1997, the Company received approximately \$15.0 million in net proceeds from a public offering of 772,500 shares of common stock. In addition, on March 31, 1997, the Company obtained a credit facility from a bank in the amount of \$10.0 million. Interest on any borrowings under the facility will accrue at an annual rate not to exceed 0.75% above the London Interbank Offered Rate. The Company will not pay a fee for this facility, but in the event of any borrowings, an origination fee of 1% will be due on the amounts borrowed from time to time thereunder.

The Company believes that existing cash and cash equivalents, marketable securities, net proceeds from the secondary offering, cash generated from operating activities and, if necessary, cash borrowed under the credit facility will be sufficient to meet the Company's requirements for at least the next 24 months. If the College decides to purchase a campus facility, it may finance the acquisition with indebtedness.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None

ITEM 2. CHANGES IN SECURITIES.

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None

ITEM 4. SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS.

None

ITEM 5. OTHER INFORMATION.

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits: The following are annexed as Exhibits:

Exhibit Number	Description
-----	-----
11	Earnings Per Share
Calculation	
27.2	Financial Data Schedule

a) Reports on Form 8-K:

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this statement is being signed by a duly authorized officer of the Registrant and in the capacity as the principal financial officer.

STRAYER EDUCATION, INC.

/s/ illegible

Chief Financial Officer

Date: May 9, 1997

INDEX TO EXHIBITS

EXHIBITS NUMBER	DESCRIPTION	PAGE
11	Earnings Per Share Calculation	14
27.2	Financial Data Schedule	15

PART II: OTHER INFORMATION
EXHIBIT 11: EARNINGS PER SHARE CALCULATION
(IN THOUSANDS OF DOLLARS - EXCEPT PER SHARE AMOUNTS)

Computation of Net Income Per Share

	Three months ended March 31, 1997 -----
Net income	\$4,182
Primary and fully diluted net income	4,182 -----
Weighted average shares outstanding	9,450
Dilutive common stock equivalents for primary net income per share	386 -----
Weighted average shares and common equivalent shares outstanding for primary net income per share	9,836
Additional equivalent shares assuming full dilution (70)	-----
Weighted average shares and common equivalent shares for fully diluted net income per share	9,766 =====
Primary net income per share	\$ 0.43 =====
Fully diluted net income per share	\$ 0.43 =====

ARTICLE 5
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM BALANCE SHEET AND STATEMENT OF INCOME AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q FOR QUARTER ENDED MARCH 31, 1997.

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD START	JAN 31 1997
PERIOD END	MAR 31 1997
CASH	15,620,000
SECURITIES	4,472,000
RECEIVABLES	9,500,000
ALLOWANCES	0
INVENTORY	796,000
CURRENT ASSETS	31,363,000
PP&E	7,173,000
DEPRECIATION	0
TOTAL ASSETS	54,384,000
CURRENT LIABILITIES	15,150,000
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	95,000
OTHER SE	38,955,000
TOTAL LIABILITY ANDEQUITY	54,384,000
SALES	0
TOTAL REVENUES	13,773,000
CGS	0
TOTAL COSTS	7,367,000
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	6,920,000
INCOME TAX	2,738,000
INCOME CONTINUING	4,182,000
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	4,182,000
EPS PRIMARY	.43
EPS DILUTED	.43

End of Filing