

**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 QUARTERLY PERIOD ENDED SEPTEMBER 30, 2003**  
*COMMISSION FILE NO. 0-21039*

**STRAYER EDUCATION, INC.**

(EXACT NAME OF REGISTRANT AS SPECIFIED IN THIS CHARTER)

Maryland

52-1975978

(State or other jurisdiction of incorporation  
or organization)  
No.)

(I.R.S. Employer  
Identification

1100 Wilson Blvd., Suite 2500  
Arlington, VA

22209

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (703) 247-2500

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 //

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS AN ACCELERATED FILER (AS DEFINED IN RULE 12B-2 OF THE EXCHANGE ACT). YES /X/ NO //.

**AS OF OCTOBER 31, 2003, THERE WERE OUTSTANDING 10,735,745 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.**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
(AMOUNTS IN THOUSANDS)

	December 31, 2002	September 30, 2003
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$49,135	\$63,935
Marketable securities available for sale, at fair value.....	18,121	26,033
Income taxes receivable.....	--	2,210
Tuition receivable, net of allowances for doubtful accounts.....	25,759	36,772
Student loans receivable, net of allowances for losses - held for sale.....	--	9,672
Other current assets.....	773	1,338
	-----	-----
Total current assets.....	93,788	139,960
Student loans receivable, net of allowances for losses.....	9,453	--
Property and equipment, net.....	36,571	34,307
Restricted cash.....	--	500
Other assets.....	312	369
	-----	-----
Total assets.....	\$140,124	\$175,136
	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 3,534	\$ 4,392
Accrued expenses.....	1,181	1,582
Income taxes payable.....	1,812	--
Dividends payable.....	1,507	1,512
Unearned tuition.....	29,853	42,939
	-----	-----
Total current liabilities.....	37,887	50,425
Deferred income taxes.....	70	158
Long-term liabilities.....	1,985	2,194
	-----	-----
Total liabilities.....	39,942	52,777
	-----	-----
Commitments and contingencies		
Mandatorily redeemable convertible Series A preferred stock, par value \$.01; 6,000,000 shares authorized; 3,758,456 and 3,863,644 shares issued and outstanding at December 31, 2002 and September 30, 2003, respectively.....	93,807	95,207
Stockholders' equity:		
Common stock, par value \$.01; 20,000,000 shares authorized; 10,652,412 and 10,735,745 shares issued and outstanding at December 31, 2002 and September 30, 2003, respectively.....	107	107
Additional paid-in capital.....	58,868	63,059
Retained earnings (accumulated deficit).....	(52,674)	(36,034)
Accumulated other comprehensive income.....	74	20
	-----	-----
Total stockholders' equity.....	6,375	27,152
	-----	-----
Total liabilities and stockholders' equity.....	\$140,124	\$175,136
	=====	=====

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 September 30,		For the nine months ended September 30,	
	2002	2003	2002	2003
Revenues	\$23,026	\$29,993	\$82,547	\$103,652
Costs and expenses:				
Instruction and educational support.....	9,770	12,236	29,768	38,324
Selling and promotion.....	5,044	7,104	12,537	16,940
General and administration.....	4,254	5,085	12,757	14,687
	19,068	24,425	55,062	69,951
Gain on sale of assets.....	--	1,772	--	1,772
	3,958	7,340	27,485	35,473
Investment and other income.....	484	688	1,242	1,850
	4,442	8,028	28,727	37,323
Provision for income taxes.....	1,732	3,174	11,203	14,753
	2,710	4,854	17,524	22,570
Net income.....	2,710	4,854	17,524	22,570
Preferred stock dividends and accretion.....	2,035	1,287	6,076	3,843
	\$ 675	\$3,567	\$11,448	\$18,727
Basic net income per share.....	\$ 0.08	\$0.33	\$ 1.37	\$ 1.75
Diluted net income per share.....	\$ 0.19	\$0.32	\$ 1.21	\$ 1.53

STRAYER EDUCATION, INC.  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(AMOUNTS IN THOUSANDS)

	For the three months ended September 30,		For the nine months ended September 30,	
	2002	2003	2002	2003
Net income.....	\$ 2,710	\$ 4,854	\$ 17,524	\$ 22,570
Other comprehensive income:				
Change in unrealized gain (loss) on investments, net of taxes.....	73	(222)	45	(54)
Comprehensive income.....	\$ 2,783	\$ 4,632	\$ 17,569	\$ 22,516

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 nine months ended September 30,

	2002	2003
Cash flow from operating activities:		
Net income.....	\$ 17,524	\$ 22,570
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of marketable securities.....	--	(135)
Gain on sale of property and equipment.....	--	(1,772)
Amortization of deferred rent.....	(165)	198
Depreciation and amortization.....	2,652	3,235
Provision for student loan losses.....	163	141
Deferred income taxes.....	76	1
Changes in assets and liabilities:		
Tuition receivable, net.....	(8,623)	(11,013)
Other current assets.....	(956)	(444)
Restricted cash.....	--	(500)
Other assets.....	(74)	(57)
Accounts payable.....	1,891	858
Accrued expenses.....	357	401
Income taxes payable.....	(3,741)	(2,638)
Unearned tuition.....	11,324	13,086
Student loans originated.....	(6,433)	(6,460)
Collections on student loans receivable.....	5,411	6,100
Net cash provided by operating activities.....	19,406	23,571
Cash flows from investing activities:		
Proceeds from sale of property and equipment.....	--	5,150
Proceeds from sale of marketable securities.....	--	26,135
Purchases of property and equipment.....	(16,082)	(4,349)
Purchases of marketable securities.....	(12,000)	(34,000)
Net cash used in investing activities.....	(28,082)	(7,064)
Cash flows from financing activities:		
Deferred lease incentives.....	1,313	11
Common dividends paid.....	(1,628)	(2,080)
Preferred dividends paid.....	(3,937)	(2,445)
Proceeds from exercise of stock options.....	--	2,807
Issuance cost of preferred stock.....	(29)	--
Net cash used in financing activities.....	(4,281)	(1,707)
Net increase (decrease) in cash and cash equivalents	(12,957)	14,800
Cash and cash equivalents - beginning of period.....	58,705	49,135
Cash and cash equivalents - end of period.....	\$ 45,748	\$ 63,935

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

**STRAYER EDUCATION, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**INFORMATION AS OF SEPTEMBER 30, 2002 AND 2003 IS UNAUDITED.**

**1. BASIS OF PRESENTATION**

The financial statements are presented on a consolidated basis. The accompanying financial statements include the accounts of Strayer Education, Inc. (the Company), Strayer University, Inc. (the University) and Education Loan Processing, Inc. (ELP), collectively referred to herein as the "Company" or "Companies."

The results of operations for the three and nine months ended September 30, 2003 are not necessarily indicative of the results to be expected for the full fiscal year. All information as of September 30, 2003, and for the three and nine months ended September 30, 2002 and 2003 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. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

**2. NATURE OF OPERATIONS**

The Company, a Maryland corporation, conducts its operations through its subsidiaries. The University is an accredited institution of higher education that provides undergraduate and graduate degrees in various fields of study through its twenty-five campuses in Maryland, North Carolina, Pennsylvania, Tennessee, Virginia and Washington, D.C. and worldwide via the Internet through Strayer University Online. ELP provides student loans for the University's students.

**3. EARNINGS PER SHARE**

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding. Diluted earnings per share is computed by dividing net income by the weighted average common and potentially dilutive common equivalent shares outstanding, determined as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	(in thousands)		(in thousands)	
	2002	2003	2002	2003
Weighted average shares outstanding used to compute basic net income per share...	8,352	10,727	8,352	10,682
Incremental shares issuable upon the assumed conversion of preferred stock.....	6,004	3,864	5,951	3,828
Incremental shares issuable upon the assumed exercise of stock options.....	200	378	182	286
Shares used to compute diluted net income per share.....	14,556	14,969	14,485	14,796

Set forth below is a reconciliation of net income used to compute net income per share:

	For the three months ended September 30,		For the nine months ended September 30,	
	(in thousands)		(in thousands)	
	2002	2003	2002	2003
Net income available to common stockholders used to compute basic net income per share....	\$ 675	\$ 3,567	\$ 11,448	\$18,727
Plus: Impact of assumed preferred stock conversion: Preferred stock dividends and accretion.....	2,035	1,287	6,076	3,843
Net income used to compute diluted net income per share.....	\$ 2,710	\$ 4,854	\$ 17,524	\$22,570

#### 4. CREDIT FACILITIES

The Company maintains two credit facilities from two banks in the amount of \$10.0 million each. Interest on any borrowings under the facilities will accrue at an annual rate of 0.75% above the London Interbank Offered Rate. There is no outstanding balance and no fees payable on either facility as of September 30, 2003.

#### 5. STOCKHOLDERS' EQUITY

##### Common Stock

A total of 20,000,000 shares of common stock, par value \$0.01, have been authorized. As of December 31, 2002 and September 30, 2003, the Company had 10,652,412 and 10,735,745 shares of common stock issued and outstanding, respectively. For the three months ended September 30, 2003, the Company declared a quarterly cash dividend of \$0.065 per common share. The dividend was payable on October 21, 2003 to common stockholders of record on October 7, 2003.

##### Preferred Stock/Series A Convertible Redeemable Preferred Stock

A total of 8,000,000 shares of Preferred Stock, par value \$0.01, have been authorized. Of these preferred shares, 6,000,000 have been designated as Series A Convertible Redeemable Preferred Stock, including shares reserved for accrue in-kind dividends on the Series

A Convertible Redeemable Preferred Stock. The following table reflects all Preferred Stock activity from December 31, 2002 to September 30, 2003:

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Series A  
Convertible  
Redeemable  
Preferred Stock

	(in thousands)
Balance, December 31, 2002.....	\$ 93,807
Dividends - accrue in-kind shares.....	911
Accretion of carrying value.....	(451)
Balance, March 31, 2003.....	\$ 94,267
Dividends - accrue in-kind shares.....	927
Accretion of carrying value.....	(461)
Balance, June 30, 2003.....	\$ 94,733
Dividends - accrue in-kind shares.....	944
Accretion of carrying value.....	(470)
Balance, September 30, 2003.....	\$ 95,207

On January 1, 2003, the Company recorded 34,456 shares of Series A Convertible Redeemable Preferred Stock as accrued in-kind dividends and paid a quarterly cash dividend of \$0.8 million. On April 1, 2003 the Company recorded 35,059 shares of Series A Convertible Redeemable Preferred Stock as accrued in-kind dividends and paid a quarterly cash dividend of \$0.8 million. On July 1, 2003, the Company recorded 35,673 shares of Series A Convertible Redeemable Preferred Stock as accrued in-kind dividends and paid a quarterly cash dividend of \$0.8 million.

From the original issuance date until May 15, 2006, dividends accrue on the Series A Convertible Redeemable Preferred Stock at an annual rate of 7%, with 3.5% payable in cash and the remaining 3.5% accruing in additional shares of Series A Convertible Redeemable Preferred Stock. After May 15, 2006, dividends accrue at an annual rate of 3.0%, all of which are payable in cash. The Series A Convertible Redeemable Preferred Stock dividends and accretion are recorded based on an effective yield of 5.43% applied to the carrying value of the Series A Convertible Redeemable Preferred Stock. This stock is currently convertible into common shares at a price of \$26.00 per share on a one-for-one basis. To the extent the Company's common stock trades above \$52.00 per share for 20 consecutive trading days at any time after May 15, 2004, the Company may cause conversion of the Series A Convertible Redeemable Preferred Stock. For a more detailed description of the terms of the Series A Convertible Redeemable Preferred Stock, see Note 6 of the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

### Stock Options

In July 1996, the Company's stockholders approved 1,500,000 shares of common stock for grants under the Company's 1996 Stock Option Plan. This Plan was amended by the stockholders at the May 2001 Annual Stockholder's Meeting to increase the shares authorized for issuance thereunder by 1,000,000 (as amended, the "Plan") to 2,500,000. The Plan provides for the grant of options intended to qualify as incentive stock options, and also provides for the grant of non-qualifying options to employees and directors of the Company. Options may be granted to eligible employees or directors of the Company at the discretion of the Board of Directors, at option prices based at or above the fair market value of the shares at the date of grant. Vesting provisions are at the

discretion of the Board of Directors. The maximum term of options granted under the Plan is 10 years.

The table below sets forth the stock option activity for the nine months ended September 30, 2003:

Weighted-Average Price	Number of shares	Exercise
-----		
Balance, December 31, 2002.....	970,000	\$37.09
Grants.....	245,000	\$54.19
Exercises.....	(83,333)	\$33.69
Forfeitures.....	--	--
-----		
Balance, September 30, 2003.....	1,131,667	\$41.05
	=====	=====

Of the 1,131,667 total stock options that have been issued and are outstanding, 506,662 are exercisable as of September 30, 2003. A total of 334,405 shares remain authorized but unissued under the Plan. As of September 30, 2003, the weighted average contractual life of outstanding stock options is 4.7 years.

The Company uses the intrinsic-value-based method of accounting for its stock options plan. Under this method, compensation expense is the excess, if any, of the quoted market price of the stock at grant date over the amount an employee must pay to acquire the stock. Had compensation expense been determined based on the fair value of the options at grant dates computed by the Black-Scholes methodology, the pro forma amounts would be as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2002	2003	2002	2003
-----				
In thousands (except per share)				
Net income.....	\$ 2,710	\$ 4,854	\$ 17,524	\$ 22,570
Stock-based compensation expense, net of tax	623	849	1,842	2,983
-----				
Pro forma net income.....	\$ 2,087	\$ 4,005	\$ 15,682	\$ 19,587
=====				
Net income available to common stockholders	\$ 675	\$ 3,567	\$ 11,448	\$ 18,727
Stock-based compensation expense, net of tax	623	849	1,842	2,983
-----				
Pro forma net income available to common stockholders.....	\$ 52	\$ 2,718	\$ 9,606	\$ 15,744
=====				
Net income per share:				
As reported:				
Basic.....	\$0.08	\$0.33	\$1.37	\$1.75
Diluted.....	\$0.19	\$0.32	\$1.21	\$1.53
Pro forma:				
Basic.....	\$0.01	\$0.25	\$1.15	\$1.47
Diluted.....	\$0.14	\$0.27	\$1.08	\$1.32

The table below sets forth the assumptions used to estimate fair value as of the date of grant using the Black-Scholes option pricing model:



	2002
2003	-----
-----	
Dividend yield.....	0.5%
0.5%	
Risk-free interest rates.....	4.8%
3.0%	
Volatility.....	43%
40%	
Expected option term (years).....	5.9
5.2	
Weighted average fair value of options granted during the year .....	\$23.65
\$21.88	

## 6. INVESTMENTS IN MARKETABLE SECURITIES

In the third quarter of 2003, as part of its cash management activities, the Company liquidated its \$26.1 million investment in a diversified, no load, short-term, investment grade corporate bond fund. This transaction resulted in a \$0.1 million gain before tax on the sale of these marketable securities. Most of the proceeds from the sale were re-invested in a diversified, short-term, investment grade tax exempt bond fund. These marketable securities are considered "available for sale," and as such, are stated at fair value. The net unrealized gains and losses (net of taxes) are reported as a component of accumulated comprehensive income (loss) in stockholders' equity.

## 7. RECENT ACCOUNTING PRONOUNCEMENTS

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 143 ("SFAS 143"), Accounting for Asset Retirement Obligations. SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of intangible long-lived assets and related asset retirement costs. The adoption of SFAS 143 on January 1, 2003 did not have a material impact on the consolidated financial statements.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146 ("SFAS 146"), Accounting for Costs Associated with Exit or Disposal Activities. SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity Including Certain Costs Incurred in a Restructuring. Under EITF 94-3, a liability for an exit activity was recognized at the date of an entity's commitment to an exit plan. SFAS 146 required that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. The adoption of SFAS 146 on January 1, 2003 did not have a material impact on the consolidated financial statements.

In November 2002, the FASB approved FASB Interpretation No. 45 ("FIN 45") Guarantor's Accounting and Disclosure Requirement for Guarantees, Including Indirect Guarantees of Indebtedness of Others. FIN 45 elaborates on the existing disclosure requirement for most guarantees, including loan guarantees such as standby letters of credit. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. FIN 45 is effective on a prospective basis to guarantees issued or modified after December 31, 2002. FIN 45 is effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of FIN 45 as of December 31, 2002 did not have a material impact on the consolidated financial statements.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, Accounting For Certain Financial Instruments with Characteristics of Both Liabilities and Equity ("SFAS No. 150"). SFAS No. 150 established standards for how an issuer classifies and measures in its statement of financial position certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003 and must be applied prospectively by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. The adoption of SFAS No. 150 did not have a material impact on the consolidated financial statements.

#### 8. SALE OF THE WASHINGTON, D.C. CAMPUS BUILDING

During the third quarter of 2003, the Company sold its Washington, D.C. campus building for \$5,150,000, realizing a gain on the sale of \$1,772,000 before tax. The company will be relocating its Washington, D.C. campus to a nearby leased facility described in Note No. 9 below.

#### 9. LEASE AGREEMENTS

During the third quarter of 2003, the Company executed a lease agreement for the relocation and consolidation of its Washington, D.C. campus to the existing Library/Annex location nearby. The table below sets forth additional information regarding the lease:

Annual			Lease Commencement		Average
	Campus	Square Feet	Date	Term	Payment
-----	-----	-----	-----	-----	-----
	Washington, D.C.	37,000	12/01/03	138 months	\$896,000

#### 10. LONG-TERM LIABILITY

In conjunction with the opening of new campuses in Charlotte, North Carolina (two campuses), Cary, North Carolina, and corporate offices in Arlington, Virginia during 2002, the Company was reimbursed by the lessors for improvements made to the leased properties in the amount of \$1,313,000. There was \$11,000 in reimbursements during the three and nine months ended September 30, 2003. In accordance with Financial Accounting Standards Board Technical Bulletin No. 88-1, these reimbursements were capitalized as leasehold improvements and a long-term liability established. The leasehold improvements and the long-term liability will be amortized on a straight-line basis over the corresponding lease terms, which range from five to ten years.

#### 11. SALE OF STUDENT LOAN PORTFOLIO

In the fourth quarter 2003, the Company sold its student loan portfolio to a national student loan marketing organization. Strayer will continue to originate student loans but will periodically divest these at various prices based on market conditions. The student loans receivable, net of allowances for losses, are classified as held for sale at September 30, 2003.

## **ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **CAUTIONARY NOTICE REGARDING FORWARD LOOKING STATEMENTS**

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 made pursuant to the Private Securities Litigation Reform Act of 1995 ("Reform Act"). These statements are based on the Company's current expectations and are subject to a number of assumptions, risks and uncertainties. In accordance with the Safe Harbor provisions of the Reform Act, the Company has identified important factors that could cause the actual results to differ materially from those expressed in or implied by such statements. The assumptions, uncertainties and risks include the pace of growth of student enrollment, our continued compliance with Title IV of the Higher Education Act, and the regulations thereunder, as well as state and regional regulatory requirements, competitive factors, risks associated with the opening of new campuses, risks associated with the offering of new educational programs and adapting to other changes, risks associated with the acquisition of existing educational institutions, risks relating to the timing of regulatory approvals, our ability to continue to implement our growth strategy, and general economic and market conditions. Further information about these and other relevant risks and uncertainties may be found in the Company's annual report on Form 10-K and its other filings with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise forward looking statements.

### **ADDITIONAL INFORMATION**

We maintain a website at <http://www.strayereducation.com>. The information on our website is not incorporated by reference in this Quarterly Report on Form 10-Q and our web address is included as an inactive textual reference only. We make available, free of charge through our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

### **THREE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2002**

Enrollment. Enrollment at Strayer University for the 2003 summer term, which began June 30, 2003 and ended September 15, 2003, increased 25% to 13,928 students compared to 11,171 for the same term in 2002. Across the Strayer University campus network, new student enrollments increased 31% and continuing student enrollments increased 24%. Students taking 100% of their classes at Strayer University Online increased 68% to 6,082 students from 3,612. The total number of students taking any courses online (including students at brick and mortar campuses taking at least one online course) in the summer 2003 quarter was 7,503.

STUDENT ENROLLMENT

	Summer 2002	Summer 2003	% Change
New Campuses (9 in operation 3 or less years)			
Campus Based Students	406	1,106	172%
Online Based Students	354	1,137	221%
Total New Campus Students	760	2,243	195%
Mature Campuses (14 in operation 4 or more years)			
Campus Based Students	7,153	6,740	-6%
Online Based Students	2,591	3,834	48%
Total Mature Campus Students	9,744	10,574	9%
Out-of-Area Online Students	667	1,111	67%
Total University Enrollment	11,171	13,928	25%
Total Students Taking 100% Courses Online	3,612	6,082	68%
Total Students Taking At Least 1 Course Online	4,527	7,503	66%

Revenues. Revenue increased 30% from \$23.0 million in the third quarter of 2002 to \$30.0 million in the third quarter of 2003, principally due to a 25% increase in student enrollments and a 5% tuition increase effective for 2003.

Instruction and educational support expenses. Instruction and educational support expenses increased \$2.5 million, or 25%, from \$9.8 million in the third quarter of 2002 to \$12.2 million in the third quarter of 2003. This increase was principally due to the direct costs necessary to support the increase in student enrollments including faculty compensation, related academic staff salaries, campus facility costs and financial aid processing costs. These costs as a percentage of revenues decreased to 40.8% in the third quarter of 2003 from 42.4% in the third quarter of 2002 as strong revenue growth more than offset the cost increases described above.

Selling and promotion expenses. Selling and promotion expenses increased \$2.1 million, or 41%, from \$5.0 million in the third quarter of 2002 to \$7.1 million in the third quarter of 2003. This increase was principally due to marketing expenses associated with opening three new campuses, two in Pennsylvania for fall term 2003 and one in North Carolina for summer term 2003, as well as ongoing marketing expenses for the two new campuses opened in Tennessee for the spring term 2003. The addition of admissions representatives at these new campuses and at Strayer University Online also contributed to the increase. These expenses

as a percentage of revenues increased to 23.7% in the third quarter of 2003 from 21.9% in the third quarter of 2002 as a result of the aforementioned factors.

General and administration expenses. General and administration expenses increased \$0.8 million, or 20%, from \$4.3 million in the third quarter of 2002 to \$5.1 million in the third quarter of 2003. This increase was principally due to increased employee compensation and related expenses as well as the addition of five new campuses, two in Tennessee for the spring term 2003, one in North Carolina for the summer term 2003 and two in Pennsylvania for the fall term 2003. Higher bad debt expense also contributed to this increase. General and administrative expenses as a percentage of revenues decreased to 17.0% in the third quarter of 2003 from 18.5% in the third quarter of 2002 primarily due to greater revenues being spread over the fixed costs of various centralized functions.

Gain on sale of assets. In the third quarter of 2003, the Company sold its Washington, D.C. campus building for \$5.2 million and signed a lease for space in a nearby building. This transaction resulted in a gain of \$1.8 million before tax.

Income from operations. Operating income increased \$3.3 million, or 85%, from \$4.0 million in the third quarter 2002 to \$7.3 million in the third quarter of 2003. The increase was due to the aforementioned factors. Excluding the gain from the sale of the Washington, D.C. campus building, operating income increased \$1.6 million, or 41%, to \$5.6 million.

Investment and other income. Investment and other income increased \$0.2 million, or 42%, from \$0.5 million in the third quarter of 2002 to \$0.7 million in the third quarter of 2003. The increase was principally due to a higher level of investments in marketable securities and a \$0.1 million gain before tax realized on the sale of marketable securities. The Company also had, on average, a higher cash balance.

Net income. Net income was \$4.9 million in the third quarter of 2003 compared to \$2.7 million for the same period in 2002, an increase of \$2.1 million, or 79%, because of factors discussed above. In addition to the above, management believes it is important to provide investors with the Company's net income excluding the \$1.1 million gain (based on the statutory tax rate) on the sale of the Washington, D.C. campus building since this transaction is a non-recurring item. Excluding the \$1.1 million gain, net income was \$3.8 million in the third quarter of 2003, an increase of 40% compared to the same period in 2002.

#### **NINE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2002**

Revenues. Revenue increased 26% from \$82.5 million in the nine months ended September 30, 2002 to \$103.7 million in the nine months ended September 30, 2003, principally due to an average 20% increase in student enrollments and a 5% tuition increase effective for 2003.

Instruction and educational support expenses. Instruction and educational support expenses increased \$8.6 million, or 29%, from \$29.8 million in the nine months ended September 30, 2002 to \$38.3 million in the nine months ended September 30, 2003. This increase was principally due to the direct costs necessary to support the increase in student enrollments including faculty compensation, related academic staff salaries, campus facility costs and financial aid processing costs. These costs as a percentage of revenues increased to 37.0% in the nine months ended September 30, 2003 from 36.1% in the nine months ended

September 30, 2002 primarily due to the earlier timing of two new campus openings in 2003 as compared to 2002, as well as the increase of the total number of new campus openings to five in 2003 compared to three in 2002.

**Selling and promotion expenses.** Selling and promotion expenses increased \$4.4 million, or 35%, from \$12.5 million in the nine months ended September 30, 2002 to \$16.9 million in the nine months ended September 30, 2003. This increase was principally due to marketing expenses associated with opening five new campuses - two in Tennessee for spring term 2003, one in North Carolina for summer term 2003, and two in Pennsylvania for fall term 2003. The addition of admissions representatives at these new campuses and at Strayer University Online also contributed to the increase. These expenses as a percentage of revenues increased to 16.3% in the nine months ended September 30, 2003 from 15.2% in the nine months ended September 30, 2002 as a result of the aforementioned factors.

**General and administration expenses.** General and administration expenses increased \$1.9 million, or 15%, from \$12.8 million in the nine months ended September 30, 2002 to \$14.7 million in the nine months ended September 30, 2003. This increase was principally due to increased employee compensation and related expenses as well as the addition of five new campuses in 2003 and the ongoing general and administration expenses related to the three new campuses opened for summer term 2002. General and administrative expenses as a percentage of revenues decreased to 14.2% for the nine months ended September 30, 2003 from 15.5% in the nine months ended September 30, 2002 primarily due to greater revenues being spread over the fixed costs of various centralized functions.

**Gain on sale of assets.** In the third quarter of 2003, the Company sold its Washington, D.C. campus building for \$5.2 million and signed a lease for space in a nearby building. This transaction resulted in a gain of \$1.8 million before tax.

**Income from operations.** Operating income increased \$8.0 million, or 29%, from \$27.5 million in the third quarter 2002 to \$35.5 million in the third quarter of 2003. The increase was due to the aforementioned factors. Excluding the gain from the sale of the Washington, D.C. campus building, operating income increased \$6.2 million, or 23%, to \$33.7 million.

**Investment and other income.** Investment and other income increased \$0.6 million, or 49%, from \$1.2 million in the nine months ended September 30, 2002 to \$1.8 million in the nine months ended September 30, 2003. The increase was principally due to a higher level of investments in marketable securities and a \$0.1 million gain before tax on the sale of marketable securities. The Company also had, on average, a higher cash balance.

**Net income.** Net income was \$22.6 million in the nine months ended September 30, 2003 compared to \$17.5 million for the same period in 2002, an increase of \$5.1 million, or 29%, because of factors discussed above. In addition to the above, management believes it is important to provide investors with the Company's net income excluding the \$1.1 million gain (based on the statutory tax rate) on the sale of the Washington, D.C. campus building since this transaction is a non-recurring item. Excluding the \$1.1 million gain from the sale of the Washington, D.C. campus building, net income was \$21.5 million in the nine months ended September 30, 2003, an increase of \$4.0 million or 23% compared to the same period in 2002.

## **LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2003, we had cash, cash equivalents and marketable securities of \$90.0 million compared to \$67.3 million at December 31, 2002 and \$56.8 million at September 30,

2002. Beginning in the second quarter of 2002, we began investing in a diversified no load, short-term, investment grade corporate bond fund in an effort to generate a somewhat higher yield on our short-term, liquid assets than our holdings in bank overnight deposits and money market funds, but taking only limited credit and interest rate risk. In the third quarter of 2003, this \$26.1 million investment was liquidated generating a gain from sale of marketable securities of \$0.1 million before tax. Most of the proceeds were re-invested in a diversified, short-term, investment grade tax-exempt bond fund to further reduce the Company's interest rate risk and to benefit from the tax efficiency of the fund's underlying securities. As of September 30, 2003, we had a total of \$26.0 million invested in this fund. At September 30, 2003, the 452 issues in this fund had an average credit rating of AA+, an average maturity of 438 days and an average duration of 1.1 years, as well as an average yield to maturity of 1.5%. We had no debt as of December 31, 2002 or September 30, 2003.

For the nine months ended September 30, 2003, we generated \$23.6 million net cash from operating activities compared to \$19.4 million for the same period in 2002. Capital expenditures were \$4.3 million for the nine months ended September 30, 2003 compared to \$16.1 million for the same period in 2002, \$12.0 million of which was for the purchase of three existing campus facilities. In the third quarter of 2003, proceeds of \$5.2 million were received for the sale of our Washington, D.C. campus. For the nine months ended September 30, 2003, we paid \$4.5 million in cash dividends - \$2.4 million to our preferred stockholders and \$2.1 million to our common stockholders.

For the third quarter 2003, bad debt expense as a percentage of revenue was 1.7% compared to 1.3% for the same period in 2002. Days sales outstanding, adjusted to exclude tuition receivable related to future quarters, was seven days at the end of the third quarter 2002 and 2003.

Currently, the Company invests its cash in bank overnight deposits, money market funds and a short-term tax-exempt bond fund. In addition, the Company has available two \$10 million credit facilities from two banks. The Company believes that existing cash, cash equivalents, and marketable securities, cash generated from operating activities, and if necessary, cash borrowed under the credit facilities, will be sufficient to meet the Company's requirements for at least the next 12 months.

The table below sets forth our contractual commitments associated with operating leases and preferred stock cash dividends as of September 30, 2003. Although they have historically been paid by the Company, common stock dividend payments are not a contractual commitment and, therefore, have been excluded from this table.

Payments Due By Period (In Thousands)

Years	Within 1 Year	2-3 Years	4-5 Years	After 5
Operating Leases \$26,926	\$6,285	\$12,400	\$9,629	
Preferred Stock Cash Dividends 9,697	3,257	6,456	6,742	
Total \$36,623	\$9,542	\$18,856	\$16,371	

## NEW CAMPUS/NEW STATE OPENINGS

Philadelphia, Pennsylvania

Strayer University successfully opened its two campuses in the Philadelphia area for the fall 2003 term, completing its goal of opening five new campuses in 2003.

Georgia

Strayer University has obtained approval from Georgia's Nonpublic Postsecondary Education Commission to open two campuses in the Atlanta area in 2004.

#### **PBS JOINT VENTURE**

Strayer University has entered into an agreement with the Public Broadcasting Service (PBS) to offer certain PBS courses in the form of continuing education units (CEUs), not for college credit, through Strayer University Online. Strayer University Online will be marketed by PBS through its various media and on its web site. Strayer University will offer the PBS courses starting in January 2004.

#### **FISCAL YEAR 2001 COHORT DEFAULT RATE**

During the third quarter of 2003, the Company was notified by the U.S. Department of Education that its Cohort Default Rate for fiscal year 2001 (the most recent annual period for which data is available) declined to 4.3% from 4.7% for the fiscal year 2000.

#### **SHARE REPURCHASE PLAN**

The Company's Board of Directors has authorized the Company to repurchase up to an aggregate of \$15 million in value of the Common Stock over the next 14 months in open market purchases from time to time at the discretion of the Company's management, depending on market conditions and other corporate considerations. The Company intends to effect such purchases, if any, in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. This share Repurchase Plan may be modified, suspended or terminated at any time by the Company without notice.

#### **TOTAL POTENTIAL SHARE ISSUANCE**

Shares used to compute diluted earnings per share include common shares issued and outstanding, the assumed conversion of Series A Convertible Redeemable Preferred Stock outstanding, and the assumed exercise of issued stock options using the Treasury Stock Method. Our total current and potential common shares outstanding are as follows:

	Shares
-----	
thousands)	(in
Current	
-----	
Weighted average common shares outstanding for the three months ended 9/30/03 .....	10,727
Series A Convertible Redeemable Preferred Stock, convertible on a 1:1 basis (outstanding or recorded) at 9/30/03.....	3,864
Issued stock options using Treasury Stock Method.....	378
	-----
Total current.....	14,969
	-----
Potential	
-----	
Accrual of required PIK dividends on Series A Convertible Redeemable Preferred Stock through May 2006.....	458
(a)	
Total issued stock options, less options accounted for using the Treasury Stock Method above.....	763
Authorized but unissued options	334
	-----
Total potential.....	1,555
	-----
Total current and potential common shares.....	16,524
	=====

(a) This number may be smaller as it does not reflect that the Company has the right to cause conversion of all remaining Series A preferred shares into common shares after May 15, 2004 if the Company's common stock price trades above \$52.00 per share for twenty consecutive trading days. Of the 458,000 shares, 130,000 would potentially accrue through May 15, 2004.

**ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES  
ABOUT MARKET RISK**

The Company is subject to the impact of interest rate changes and may be subject to changes in the market values of its future investments. The Company invests its excess cash in bank overnight deposits, money market funds and a short-term tax-exempt fund. The Company has not used derivative financial instruments in its investment portfolio.

Earnings from investments in bank overnight deposits, money market mutual funds, and short-term tax-exempt bond funds may be adversely affected in the future should interest rates decline. The Company's future investment income may fall short of expectations due to changes in interest rates or the Company may suffer losses in principal if forced to sell securities that have declined in market value due to changes in interest rates. As of September 30, 2003, a 10% increase or decline in interest rates will not have a material impact on the Company's future earnings, fair values, or cash flows related to investments in cash equivalents or interest earning marketable securities.

#### **ITEM 4: CONTROLS AND PROCEDURES**

(a) Disclosure Controls and Procedures. The Registrant's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Registrant's disclosure controls and procedures as of September 30, 2003. Based upon such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Registrant has in place appropriate controls and procedures designed to ensure that information required to be disclosed by the Registrant in the reports it files or submits under the Securities Exchange Act of 1934, as amended, and the rules thereunder, is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in reports it files or submits under the Securities Exchange Act is accumulated and communicated to the Registrant's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Internal Controls Over Financial Reporting. There have not been any changes in the Company's internal controls over financial reporting during the quarter ended September 30, 2003 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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## 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:

#### Exhibit 31.01

Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

#### Exhibit 31.02

Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

#### Exhibit 32.01

Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b) Reports on Form 8-K:

On August 1, 2003, the Registrant filed a Current Report on Form 8-K announcing its Second Quarter 2003 financial results.

On September 4, 2003, the Registrant filed a Current Report on Form 8-K announcing that it had declared its regular quarterly common stock dividend for the third quarter in the amount of \$0.065 per share payable on October 21, 2003 to all holders of record on October 7, 2003.

**SIGNATURES**

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

**STRAYER EDUCATION, INC.**

By:                    /s/ Mark C. Brown

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Mark C. Brown  
Senior Vice President and Chief Financial  
Officer

Date: November 3, 2003

**EXHIBIT INDEX**

Exhibit -----	Description -----
31.01 to	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.02 to	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.01	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**EXHIBIT 31.01**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert S. Silberman, Chairman and Chief Executive Officer, of Strayer Education, Inc. (the "registrant") certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2003

*/s/ Robert S. Silberman*

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*Robert S. Silberman  
Chairman and Chief  
Executive  
Officer*

**EXHIBIT 31.02**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark C. Brown, Chief Financial Officer, of Strayer Education, Inc. (the "registrant") certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2003

*/s/ Mark C. Brown*

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*Mark C. Brown  
Senior Vice President and  
Chief Financial Officer*

**EXHIBIT 32.01**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES - OXLEY ACT OF 2002**

In connection with the Quarterly Report of Strayer Education, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Robert S. Silberman, Chairman and Chief Executive Officer of the Company, and Mark C. Brown, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ Robert S. Silberman*  
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*Robert S. Silberman  
Chairman and Chief Executive  
Officer*

*/s/ Mark C. Brown*  
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*Mark C. Brown  
Senior Vice President and  
Chief Financial Officer*

November 3, 2003

**End of Filing**