

STRAYER EDUCATION INC

FORM 10-Q (Quarterly Report)

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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 PERIOD ENDED MARCH 31, 2005
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)

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

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 APRIL 30, 2005, THERE WERE OUTSTANDING 14,641,955 SHARES OF COMMON STOCK,
PAR VALUE \$.01 PER SHARE, OF THE REGISTRANT.

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

	December 31, 2004	March 31, 2005
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 97,004	\$ 109,884
Marketable securities available for sale, at fair value	25,753	25,621
Tuition receivable, net of allowances for doubtful accounts of \$1,301 and \$1,551 at December 31, 2004 and March 31, 2005, respectively	41,669	45,420
Student loans receivable, held for sale	29	7
Other current assets	3,679	3,724
	-----	-----
Total current assets	168,134	184,656
Property and equipment, net	41,137	42,717
Restricted cash	500	500
Other assets	343	343
	-----	-----
Total assets	\$ 210,114	\$ 228,216
	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,971	\$ 7,238
Accrued expenses	2,318	929
Income taxes payable	6,060	9,240
Unearned tuition	42,059	47,215
	-----	-----
Total current liabilities	55,408	64,622
Deferred income taxes	1,077	802
Long-term liabilities	4,707	4,686
	-----	-----
Total liabilities	61,192	70,110
	-----	-----
Commitments and contingencies		
Stockholders' equity:		
Common Stock, par value \$.01; 20,000,000 shares authorized; 14,669,487 and 14,641,955 shares issued and outstanding at December 31, 2004 and March 31, 2005, respectively	147	147
Additional paid-in capital	140,943	137,952
Retained earnings	7,983	20,240

Accumulated other comprehensive income (loss)	(151)	(233)
Total stockholders' equity	148,922	158,106
Total liabilities and stockholders' equity	\$ 210,114	\$ 228,216

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,	
	2004	2005
Revenues	\$ 46,106	\$ 56,153
Costs and expenses:		
Instruction and educational support	15,191	18,459
Selling and promotion	6,084	8,663
General and administration	6,319	6,543
Total costs and expenses	27,594	33,665
Income from operations	18,512	22,488
Investment and other income	318	610
Income before income taxes	18,830	23,098
Provision for income taxes	7,362	9,007
Net income	11,468	14,091
Preferred stock dividends and accretion	1,110	--
Net income available to common stockholders	\$ 10,358	\$ 14,091
Net income per share:		
Basic	\$ 0.92	\$ 0.96
Diluted	\$ 0.76	\$ 0.94
Weighted average shares outstanding		
Basic	11,304	14,661
Diluted	15,091	14,950

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

	For the three months ended March 31,	
	2004	2005
Net income	\$ 11,468	\$ 14,091
Other comprehensive income:		
Unrealized loss on investment, net of taxes	(19)	(82)
Comprehensive income	\$ 11,449	\$ 14,009

===== =====

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

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STRAYER EDUCATION, INC.
UNAUDITED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Shares	Amount				
Balance at 12/31/04	14,669,487	\$ 147	\$ 140,943	\$ 7,983	\$ (151)	\$ 148
Repurchase of common stock	(27,532)	--	(2,991)	--	--	(2)
Common stock dividends	--	--	--	(1,834)	--	(1)
Change in net unrealized gains (losses) on marketable securities, net of income tax ..	--	--	--	--	(82)	--
Net income	--	--	--	14,091	--	14
Balance at 3/31/05	14,641,955	\$ 147	\$ 137,952	\$ 20,240	\$ (233)	\$ 158

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

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

	For the three months ended March 31,	
	2004	2005
Cash flows from operating activities:		
Net income	\$ 11,468	\$ 14,091
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred rent	135	(7)
Depreciation and amortization	1,242	1,501
Provision for student loan losses	(35)	(21)
Deferred income taxes	(18)	(49)
Changes in assets and liabilities:		
Tuition receivable, net	(5,742)	(3,751)
Other current assets	(732)	(682)
Other assets	10	--
Accounts payable	(509)	778
Accrued expenses	(777)	(1,389)
Income taxes payable	4,177	2,857
Unearned tuition	6,477	5,156
Deferred lease incentives	--	800

Student loans originated	(439)	(336)
Collections on student loans receivable and held for sale	554	365
	-----	-----
Net cash provided by operating activities	15,811	19,313
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment	(2,151)	(1,608)
	-----	-----
Net cash used in investing activities	(2,151)	(1,608)
	-----	-----
Cash flows from financing activities:		
Common dividends paid	(695)	(1,834)
Preferred dividends paid	(1,332)	--
Proceeds from exercise of stock options	4,243	--
Repurchase of common stock	--	(2,991)
	-----	-----
Net cash provided by (used in) financing activities	2,216	(4,825)
	-----	-----
Net increase in cash and cash equivalents	15,876	12,880
Cash and cash equivalents - beginning of period	82,089	97,004
	-----	-----
Cash and cash equivalents - end of period	\$ 97,965	\$ 109,884
	=====	=====
Non-cash transactions:		
Purchases of property and equipment included in accounts payable	\$ 129	\$ 1,489
	=====	=====

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

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STRAYER EDUCATION, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
INFORMATION AS OF MARCH 31, 2004 AND 2005 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 months ended March 31, 2005 are not necessarily indicative of the results to be expected for the full fiscal year. All information as of March 31, 2005 and for the three months ended March 31, 2004 and 2005 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 Company.

The Company's educational programs are offered on a quarterly basis. Approximately 96.5% of the Company's revenues during the three months ended March 31, 2005 consisted of tuition revenue. Tuition revenue is deferred at the time of registration and is recognized in the quarter of instruction. Tuition revenue is shown net of any refunds, withdrawals, corporate discounts, scholarships and employee tuition discounts. Revenues also include application fees, commencement fees, placement test fees, withdrawal fees, loan service and origination fees, textbook-related income and other income which are recognized when incurred.

Purchases of property and equipment and changes in Accounts Payable for the three months ended March 31, 2004 on the Unaudited Condensed Consolidated Statements of Cash Flows have been adjusted to exclude non-cash purchases of property and equipment transactions during that period. In 2004, non-cash transactions were included in these line items. This change in classification

had no impact on Net increase (decrease) in cash and cash equivalents, and is immaterial to prior periods.

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, 2004.

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 34 campuses in Pennsylvania, Maryland, Washington, D.C., Virginia, North Carolina, South Carolina, Tennessee, Georgia, and Florida and worldwide via the Internet through Strayer University Online. ELP originates student loans for the University's students, which loans are held for sale.

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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. Stock options are not included in the computation of diluted earnings per share when the stock option exercise price of an individual grant exceeds the average market price for the period. At March 31, 2005, the Company had 55,000 issued and outstanding stock options that were excluded from the calculation.

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

	For the three months ended March 31,	
	(in thousands)	
	2004	2005
Weighted average shares outstanding used to compute basic net income per share.....	11,304	14,661
Incremental shares issuable upon the assumed conversion of preferred stock.....	3,362	--
Incremental shares issuable upon the assumed exercise of stock options.....	425	289
Shares used to compute diluted net income per share.....	15,091	14,950

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

	For the three months ended March 31,	
	(in thousands)	
	2004	2005

Net income available to common stockholders		
used to compute basic earnings per share.....	\$ 10,358	\$ 14,091
Plus: Impact of assumed preferred stock conversion:		
Preferred stock dividends and accretion.....	1,110	--
	-----	-----
Net income used to compute diluted net income per share.....	\$ 11,468	\$ 14,091
	=====	=====

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 March 31, 2005.

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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, 2004 and March 31, 2005, the Company had 14,669,487 and 14,641,955 shares of common stock issued and outstanding, respectively. Commencing in the third quarter of 2004, the Company increased the annual common stock cash dividend to \$0.50 per share or \$0.125 per share quarterly. However, with the rescheduling of the 2004 third quarter dividend payment from October to December (in connection with a general change in timing of such dividend to occur in March, June, September and December of each year), the \$0.50 per share annual dividend was prorated over a five month period instead of three, resulting in a dividend payment of \$0.21 per share instead of a quarterly payment of \$0.125 per share for the fourth quarter of 2004.

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 and at the May 2005 Annual Stockholder's Meeting to increase the shares authorized for issuance thereunder by 1,000,000 and 500,000, respectively (as amended, the "Plan"). A total of 3,000,000 shares have been approved for grants under the Plan. 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 the options granted under the Plan is ten years after the amendment.

The table below sets forth the stock option activity for the three months ended March 31, 2005:

	Number of shares	Weighted-Average Exercise Price
	-----	-----
Balance, December 31, 2004.....	854,584	\$ 49.22
Grants.....	227,083	107.28
Exercises.....	--	--
Forfeitures.....	--	--
	-----	-----
Balance, March 31, 2005.....	1,081,667	\$ 61.41

Of the 1,081,667 total stock options that have been issued and remain outstanding, 592,913 are exercisable as of March 31, 2005. A total of 48,989 shares were authorized but unissued

under the Plan as of March 31, 2005. As of March 31, 2005, the weighted average contractual life of outstanding stock options is 4.2 years.

The Company uses the intrinsic-value-based method of accounting for stock options granted under the 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 March 31,	
	2004	2005
	-----	-----
In thousands (except per share)		
Net income.....	\$ 11,468	\$ 14,091
Stock-based compensation expense, net of tax.....	802	525
	-----	-----
Pro forma net income.....	\$ 10,666	\$ 13,566
	=====	=====
Net income available to common stockholders.....	\$ 10,358	\$ 14,091
Stock-based compensation expense, net of tax.....	802	525
	-----	-----
Pro forma net income available to common stockholders.....	\$ 9,556	\$ 13,566
	=====	=====
Net income per share:		
As reported:		
Basic.....	\$ 0.92	\$ 0.96
Diluted.....	\$ 0.76	\$ 0.94
Pro forma:		
Basic.....	\$ 0.85	\$ 0.93
Diluted.....	\$ 0.71	\$ 0.91

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:

	For the three months ended March 31,	
	2004	2005
	-----	-----
Dividend yield	0.24%	0.48%
Risk-free interest rate	3.4%	3.8%
Volatility	36%	34%
Expected option term (years)	6.1	6.1
Weighted average fair value of options granted during the year	\$47.33	\$41.18

The Company's investments in marketable securities consist solely of publicly traded securities and are recorded at fair value based on the quoted market prices. The investments are considered "available-for-sale" as they are not held for trading and will not be held to maturity, in accordance with Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities. The Company records the

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net unrealized gains and losses for changes in fair value as a component of accumulated other comprehensive income in stockholders' equity (deficit). Realized gains and losses from the sale of marketable securities are based on the specific identification method.

7. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123(R), Share-Based Payment ("SFAS No. 123(R)"), which requires the compensation cost related to share-based payments, such as stock options and employee stock purchase plans, be recognized in the financial statements. In April 2005, the Securities and Exchange Commission ruled that SFAS No. 123(R) is effective for all annual periods beginning after June 15, 2005, and thus, will be effective for the Company beginning with the first quarter of 2006. The Company is currently evaluating the impact of SFAS No. 123(R) on its financial condition and results of operations. See Note 5 for information related to the pro forma effects on the Company's reported net income and net income per share of applying the fair value recognition provisions of the previous Statement of Financial Accounting Standards 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

8. LONG-TERM LIABILITIES

Lease Incentives

In conjunction with the opening of new campuses, the Company was reimbursed by the lessors for improvements made to the leased properties. In accordance with Financial Accounting Standards Board Technical Bulletin No. 88-1, these improvements were capitalized as leasehold improvements and a long-term liability was established for the reimbursements. 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. As of December 31, 2004 and March 31, 2005, the Company had deferred lease incentives of \$2,669,000 and \$2,529,000, respectively.

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Lease Obligations

In accordance with the FASB Technical Bulletin No. 85-3, "Accounting for Operating Leases with Schedule Rent Increases", the Company records rent expense on a straight-line basis over the initial term of a lease. The difference between the rent payment and the straight-line rent expense is recorded as a long-term liability. As of December 31, 2004 and March 31, 2005, the Company had deferred lease obligations of \$1,823,000 and \$1,956,000, respectively.

Indemnification on the Sale of Student Loans

In 2003, the Company sold substantially all of its student loan portfolio to a national student loan marketing organization. Under the terms of the Indemnification Agreement, the Company has indemnified the purchaser of the student loans for claims that may arise due to loan documentation, regulatory compliance, and loan servicing for the student loans that were sold. As of December 31, 2004 and March 31, 2005, the Company had recorded a liability of \$215,000 and \$201,000, respectively, for the indemnification.

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 regional accreditation standards and 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 SEC). 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.

RESULTS OF OPERATIONS

In the first quarter of 2005, the Company generated \$56.2 million in revenue, a 22% increase compared to the same period in 2004, as a result of average enrollment growth of 18% and a 5% tuition increase at the beginning of 2005. Income from operations was \$22.5 million for the first quarter of 2005, an increase of 21% compared to the same period in 2004. Net income was \$14.1 million, an increase of 23% in the first quarter of 2005 compared to the same period in 2004. Earnings per diluted share was \$0.94 in the first quarter of 2005 compared to \$0.76 in the same period in 2004.

THREE MONTHS ENDED MARCH 31, 2005 COMPARED TO THREE MONTHS ENDED MARCH 31, 2004

Enrollment. Enrollment at Strayer University for the 2005 winter term, which began January 10, 2005 and ended March 28, 2005, increased 18% to 23,815 students compared to 20,110 for the same term in 2004. Across the Strayer University campus network, new student enrollments increased 22% and continuing student enrollments increased 18%. Out of Area Online enrollments increased 53%, while students taking 100% of their classes at Strayer University Online (including campus based students) increased 35%. The total number of students taking any courses online (including students at brick and mortar campuses taking at least one online course) in the 2005 winter quarter was 14,891.

STUDENT ENROLLMENT

	Winter 2004	Winter 2005	% Change
New Campuses (13 in operation 3 or less years)			
Campus Based Students	1,097	2,018	84%
Online Based Students	1,314	2,479	89%
Total New Campus Students	2,411	4,497	87%
Mature Campuses (17 in operation 4 or more years)			
Campus Based Students	9,945	9,521	-4%
Online Based Students	6,085	7,240	19%
Total Mature Campus Students	16,030	16,761	5%
Out of Area Online Students	1,669	2,557	53%
Total University Enrollment	20,110	23,815	18%
Total Students Taking 100% Courses Online	9,068	12,276	35%
Total Students Taking At Least 1 Course Online	11,173	14,891	33%

Revenues. Revenues increased 22% from \$46.1 million in the first quarter of 2004 to \$56.2 million in the first quarter of 2005 principally due to an 18% increase in the average enrollment and a 5% tuition increase in 2005.

Instruction and educational support expenses. Instruction and educational support expenses increased \$3.3 million, or 22%, from \$15.2 million in the first quarter of 2004 to \$18.5 million in the first quarter of 2005. This increase was principally due to direct costs necessary to support the increase in student enrollments, including faculty compensation, related academic staff salaries, and campus facility costs, which increased \$1.4 million, \$0.6 million, and \$0.7 million, respectively. These costs as a percentage of revenues were 33% in the first quarter of 2005, the same as in the first quarter of 2004.

Selling and promotion expenses. Selling and promotion expenses increased \$2.6 million, or 42%, from \$6.1 million in the first quarter of 2004 to \$8.7 million in the first quarter of 2005. This increase was principally due to the direct costs required to generate leads for enrollment growth and the addition of admissions personnel, particularly at new campuses and at Strayer University Online. These expenses as a percentage of revenues increased from 13% in the first quarter of 2004 to 15% in the first quarter of 2005, which was largely attributable to both marketing costs and staffing costs growing faster than tuition revenue.

General and administration expenses. General and administration expenses increased \$0.2 million, or 4%, from \$6.3 million in the first quarter of 2004 to \$6.5 million in the first quarter of 2005. This increase was principally due to higher bad debt expense, which increased \$0.5 million, partially offset by the timing of compensation-related expenses. General and administration expenses as a percentage of revenues decreased to 12% in the first quarter of 2005 from 14% in the first quarter of 2004 primarily due to greater revenues being spread over the largely fixed costs of various centralized functions.

Income from operations. Income from operations increased \$4.0 million, or 21%, from \$18.5 million in the first quarter of 2004 to \$22.5 million in the first quarter of 2005 due to the aforementioned factors.

Investment and other income. Investment and other income increased \$0.3 million, or 92%, from \$0.3 million in the first quarter of 2004 to \$0.6 million in the first quarter of 2005. The increase was attributable to an increase in investment yields and a higher average cash balance.

Provision for income taxes. Income tax expense increased \$1.6 million, or 22%, from \$7.4 million in the first quarter of 2004 to \$9.0 million in the first quarter of 2005 primarily due to the increase in income before taxes attributable to the factors discussed above. The Company's effective tax rate was 39.0% for the first quarter of 2005 compared to 39.1% for the first quarter of 2004.

Net income. Net income increased \$2.6 million, or 23%, from \$11.5 million in the first quarter of 2004 to \$14.1 million in the first quarter of 2005 because of the factors discussed above.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2005, the Company had cash, cash equivalents and marketable securities of \$135.5 million compared to \$122.8 million at December 31, 2004 and \$123.9 million at March 31, 2004. Most of the Company's excess cash is invested in tax-exempt money market funds and a diversified, short-term, investment grade, tax-exempt bond fund to minimize the Company's principal risk and to benefit from the tax efficiency of the fund's underlying securities. As of March 31, 2005, the Company had a total of \$25.6 million invested in the short-term tax exempt bond fund. At March 31, 2005, the 425 issues in this fund had an average credit rating of AA+, an average maturity of 1.1 years and an average duration of 1.0 years, as well as an average yield to maturity of 2.4%. The Company had no debt as of December 31, 2004 or March 31, 2005.

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For the quarter ended March 31, 2005, the Company generated \$19.3 million net cash from operating activities compared to \$15.8 million for the same period in 2004. The increase resulted mostly from higher net income.

Capital expenditures were \$3.1 million for the quarter ended March 31, 2005 compared to \$2.3 million for the same period in 2004. For the quarter ended March 31, 2005, we paid \$1.8 million in cash dividends to our common stockholders. As a result of the conversion of our remaining preferred stock into common stock in June 2004, no further preferred stock dividends are payable. During the three months ended March 31, 2005, the Company spent \$3.0 million for the repurchase of approximately 27,500 shares of common stock at an average price of \$109 per share as part of a previously announced common stock repurchase authorization. The Company's remaining authorization for common stock repurchases was \$22 million at March 31, 2005.

In the first quarter of 2005, bad debt expense as a percentage of revenue was 2.2% compared to 1.5% for the same period in 2004. Days sales outstanding, adjusted to exclude tuition receivable related to future quarters, was nine days at the end of the first quarter of 2005, unchanged from the same period in 2004.

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. There have been no borrowings by the Company under these credit facilities. 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 as of March 31, 2005. 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)

	Total	Within 1 Year	2-3 Years	4-5 Years	After 5 Years
Operating leases	\$80,774	\$9,713	\$19,394	\$18,447	\$33,220

NEW CAMPUSES

The Company opened two new campuses in Tampa, Florida for the spring term 2005. The Company recently opened two more new campuses for the summer term 2005 - one in Greensboro, North Carolina and one in Columbia, South Carolina.

TOTAL POTENTIAL SHARE ISSUANCE

The Company's total current and potential common shares outstanding are as follows (in thousands):

Current	
Common shares issued and outstanding at 3/31/05	14,642
Issued stock options using Treasury Stock Method	289
Total current	14,931
Potential	
Total issued stock options, less options accounted for using the Treasury Stock Method above	793
Authorized but unissued options.....	49 (a)
Total potential	842
Total current and potential common shares	15,773

(a) Excludes authorization of 500,000 additional shares for future issuance approved by the stockholders on May 3, 2005.

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 bond 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 March 31, 2005, a 10% increase or decrease in interest rates would 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 March 31, 2005. Based upon such review, the Chief Executive Officer and Chief Financial Officer have concluded that the Registrant has in place, as of March 31, 2005, effective controls and procedures designed to ensure that information required to be disclosed by the Registrant (including consolidated subsidiaries) 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 Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting during the quarter ended March 31, 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None

ITEM 2. CHANGES IN SECURITIES.

During the quarter, the Company used \$3.0 million to repurchase shares of common stock under its repurchase program. The Company's remaining authorization for common stock repurchases was \$22 million at March 31, 2005. A summary of the Company's share repurchases during the quarter is set forth below:

	Shares Repurchased	Average Price Per Share	Authorization Remaining (\$ mil)
	-----	-----	-----
Beginning Balance (at 12/31/04)			\$25.0
January	--	--	--
February	--	--	--
March	27,532	\$108.66	(3.0)
	-----	-----	-----
Total (at 3/31/05)	27,532	\$108.66	\$22.0
	=====	=====	=====

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:

- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Act.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Act.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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b) Reports on Form 8-K:

On February 23, 2005, the Registrant filed a Current Report on Form 8-K announcing that the Board of Directors of Strayer Education, Inc. approved stock option grants to the Company's named executive officers pursuant to the 1996 stock option plan, as amended.

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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.

By: /s/ Mark C. Brown

Mark C. Brown
Senior Vice President and Chief Financial Officer

Date: May 5, 2005

EXHIBIT INDEX

Exhibit -----	Description -----
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Act.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Act.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

EXHIBIT 31.1

CERTIFICATIONS

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

I have reviewed this quarterly report on Form 10-Q of the registrant;

Based on my knowledge, this quarterly 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;

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;

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) 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
- (d) 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

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 the 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: May 5, 2005

/s/ Robert S. Silberman

Robert S. Silberman
Chairman and Chief Executive
Officer

EXHIBIT 31.2

CERTIFICATIONS

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

I have reviewed this quarterly report on Form 10-Q of the registrant;

Based on my knowledge, this quarterly 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;

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;

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) 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
- (d) 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

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 the 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: May 5, 2005

/s/ Mark C. Brown

Mark C. Brown
Senior Vice President and
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO RULE 13B - 14(b) OF THE SECURITIES

EXCHANGE ACT AND 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 March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert S. Silberman, Chairman and Chief Executive 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

Robert S. Silberman
Chairman and Chief Executive
Officer

May 5, 2005

EXHIBIT 32.2

CERTIFICATION PURSUANT TO RULE 13B - 14(b) OF THE SECURITIES

EXCHANGE ACT AND 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 March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, 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/ Mark C. Brown

Mark C. Brown
Senior Vice President and
Chief Financial Officer

May 5, 2005

End of Filing

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