

STRAYER EDUCATION INC

FORM 10-Q (Quarterly Report)

Filed 7/28/2005 For Period Ending 6/30/2005

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CIK	0001013934
Industry	Schools
Sector	Services
Fiscal Year	12/31

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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 JUNE 30, 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 NO

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

AS OF JULY 25, 2005, THERE WERE OUTSTANDING 14,390,717 SHARES OF COMMON STOCK,
PAR VALUE \$.01 PER SHARE, OF THE REGISTRANT.

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

<TABLE>

	December 31 2004 -----
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 97,004
Marketable securities available for sale, at fair value	25,753
Income taxes receivable	-
Tuition receivable, net allowances for doubtful accounts of \$1,301 and \$1,376 at December 31, 2004 and June 30, 2005, respectively	41,669
Student loans receivable, held for sale	29
Other current assets	3,679

Total current assets	168,134

Property and equipment, net	41,137
Restricted cash	500
Other assets	343

Total assets	\$210,114
	=====

LIABILITIES & STOCKHOLDERS' EQUITY

Current liabilities:	
Accounts payable	\$ 4,971
Accrued expenses	2,318
Income taxes payable	6,060
Unearned tuition	42,059

Total current liabilities	55,408
Deferred income taxes	1,077
Long-term liabilities	4,707

Total liabilities	61,192

Commitments and contingencies	
Stockholders' equity:	
Common stock, par value \$.01; 20,000,000 shares	
authorized; 14,669,487 and 14,390,717 shares issued and outstanding	
at December 31, 2004 and June 30, 2005, respectively	147
Additional paid-in capital	140,943
Retained earnings	7,983
Accumulated other comprehensive income (loss)	(151)

Total stockholders' equity	148,922

Total liabilities and stockholders' equity	\$210,114
	=====

</TABLE>

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 June 30,		For the six months ended June 30,	
	2004	2005	2004	2005
	-----	-----	-----	-----
Revenues	\$46,811	\$55,249	\$92,917	\$111,402
	-----	-----	-----	-----
Costs and expenses:				
Instruction and educational support .	16,533	20,032	31,724	38,491
Selling and promotion	6,320	8,653	12,404	17,316

General and administration	5,596	7,072	11,916	13,615
Total costs and expenses.....	28,449	35,757	56,044	69,422
Income from operations	18,362	19,492	36,873	41,980
Investment and other income	364	795	682	1,405
Income before income taxes	18,726	20,287	37,555	43,385
Provision for income taxes	7,323	7,762	14,685	16,769
Net income	11,403	12,525	22,870	26,616
Preferred stock dividends and accretion	279	-	1,389	-
Net income available to common stockholders	\$11,124	\$12,525	\$21,481	\$26,616
Net income per share:				
Basic	\$ 0.80	\$ 0.86	\$ 1.70	\$ 1.82
Diluted	\$ 0.75	\$ 0.85	\$ 1.51	\$ 1.79
Weighted average shares outstanding:				
Basic	13,957	14,531	12,631	14,596
Diluted	15,164	14,791	15,128	14,870

</TABLE>

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

<TABLE>

	For the three months ended June 30,		For the six months ended June 30,	
	2004	2005	2004	2005
Net income	\$ 11,403	\$ 12,525	\$ 22,870	\$ 26,616
Other comprehensive income:				
Unrealized gain (loss) on investment, net of taxes	(120)	33	(101)	(49)
Comprehensive income	\$ 11,283	\$ 12,558	\$ 22,769	\$ 26,567

</TABLE>

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

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

<TABLE>

	Common Stock		Additional Paid-in Capital	Retai Earni
	Shares	Amount		
Balance at 12/31/04	14,669,487	\$ 147	\$ 140,943	\$ 7,
Repurchase of common stock	(278,770)	(3)	(24,995)	
Common stock dividends	-	-	-	(3,
Change in net unrealized gains (losses) on marketable securities, net of income tax	-	-	-	
Net income	-	-	-	26,
Balance at 6/30/05	14,390,717	\$ 144	\$ 115,948	\$ 30,

</TABLE>

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)

<TABLE>

	For the six months ended June 30,	
	2004	2005
Cash flows from operating activities:		
Net income	\$22,870	\$26,616
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred rent	327	74
Depreciation and amortization	2,564	3,197
Provision for student loan losses	(147)	(63)
Deferred income taxes	(124)	(33)
Changes in assets and liabilities:		
Tuition receivable, net	353	(4,894)
Other current assets	(1,155)	(751)
Other assets	10	-
Accounts payable	128	1,618
Accrued expenses	(757)	(956)
Income taxes payable	3,307	(6,906)
Unearned tuition	(1,954)	5,572
Deferred lease incentives	-	1,531
Student loans originated	(723)	(571)
Collections on student loans receivable and held for sale	879	601

Net cash provided by operating activities	25,578	25,035
Cash flows from investing activities:		
Purchases of property and equipment	(4,384)	(7,793)
Net cash used in investing activities	(4,384)	(7,793)
Cash flows from financing activities:		
Common dividends paid	(1,600)	(3,647)
Preferred dividends paid	(1,510)	-
Repurchase of common stock	(21,166)	(24,998)
Proceeds from exercise of stock options	11,949	-
Net cash used in financing activities	(12,327)	(28,645)
Net increase (decrease) in cash and cash equivalents	8,867	(11,403)
Cash and cash equivalents - beginning of period	82,089	97,004
Cash and cash equivalents - end of period	\$90,956	\$85,601
Non-cash transactions:		
Purchases of property and equipment included in accounts payable	\$ 683	\$ 181

</TABLE>

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

STRAYER EDUCATION, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
INFORMATION AS OF JUNE 30, 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."

The results of operations for the three months and six months ended June 30, 2005 are not necessarily indicative of the results to be expected for the full fiscal year. All information as of June 30, 2005 and for the three and six months ended June 30, 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 six months ended June 30, 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 and six months ended June 30, 2004 and 2005 in 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 35 campuses in 8 states and Washington, D.C. in the eastern United States 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 June 30, 2005, the Company had 282,083 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:

<TABLE>

	For the three months ended June 30,		For the six months ended June 30,	
	(in thousands)		(in thousands)	
	2004	2005	2004	2005
Weighted average shares outstanding				
used to compute basic net income per share ...	13,957	14,531	12,631	14,596
Incremental shares issuable upon the assumed conversion of preferred stock	848	-	2,105	-
Incremental shares issuable upon the assumed exercise of stock options	359	260	392	274
Shares used to compute diluted net income per share	15,164	14,791	15,128	14,870
	=====	=====	=====	=====

</TABLE>

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

<TABLE>

	For the three months ended June 30,		For the six months ended June 30,	
	(in thousands)		(in thousands)	
	2004	2005	2004	2005
Net income available to common stockholders used to compute basic earnings per share	\$11,124	\$12,525	\$21,481	\$26,616
Plus: Impact of assumed preferred stock conversion: Preferred stock dividends and accretion	279	-	1,389	-
Net income used to compute diluted net income per share	\$11,403	\$12,525	\$22,870	\$26,616

</TABLE>

4. CREDIT FACILITIES

The Company maintains two credit facilities from two banks in the amount of \$10 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 there are no fees payable on either facility as of June 30, 2005.

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 June 30, 2005, the Company had 14,669,487 and 14,390,717 shares of common stock issued and outstanding, respectively. Commencing in the third quarter of 2004, the Company increased the annual common stock cash dividend from \$0.26 per share to \$0.50 per share, or \$0.125 per share quarterly.

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, officers and directors of the Company. Options may be granted to eligible employees, officers 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 six months ended June 30, 2005:

<TABLE>

	Number of shares -----	Weighted- Average Exercise Price -----
Balance, December 31, 2004	854,584	\$ 49.22
Grants	227,083	107.28
Exercises	-	-
Forfeitures	-	-

Balance, June 30, 2005 ...	1,081,667	\$ 61.41
	=====	

</TABLE>

Of the 1,081,667 total stock options that have been issued and remain outstanding, 599,580 are exercisable as of June 30, 2005. A total of 548,989 shares were authorized but unissued under the Plan as of June 30, 2005. As of June 30, 2005, the weighted average contractual life of outstanding stock options is 4.0 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:

<TABLE>

	For the three months ended June 30,		F
	----- 2004	2005 -----	----- 20 -----
In thousands (except per share data)			
Net income	\$11,403	\$12,525	\$22
Stock-based compensation expense, net of tax	459	637	1
	-----	-----	-----
Pro forma net income	\$10,944	\$11,888	\$21
	=====	=====	===
Net income available to common stockholders	\$11,124	\$12,525	\$21
Stock-based compensation expense, net of tax	459	637	1
	-----	-----	-----
Pro forma net income available to common stockholders .	\$10,665	\$11,888	\$20
	=====	=====	===

Net income per share:

As reported:

Basic	\$0.80	\$0.86	\$
Diluted	\$0.75	\$0.85	\$
Pro forma:			
Basic	\$0.76	\$0.82	\$
Diluted	\$0.72	\$0.80	\$

</TABLE>

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:

<TABLE>

	2004	2005
	-----	-----
Dividend yield	0.24%	0.48%
Risk-free interest rate	3.8%	3.8%
Volatility	34%	34%
Expected option term (years)	6.1	6.1
Weighted average fair value of options granted during the year	\$47.70	\$41.18

</TABLE>

6. INVESTMENTS IN MARKETABLE SECURITIES

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 net unrealized gains and losses for changes in fair value as a component of accumulated other comprehensive income in stockholders' equity. 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, in some instances, 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 June 30, 2005, the Company had deferred lease incentives of \$2,669,000 and \$3,857,000, respectively.

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 June 30, 2005, the Company had deferred lease obligations of \$1,823,000 and \$2,240,000, 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 June 30, 2005, the Company had recorded a liability of \$215,000 and \$159,000, 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 (the "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" or

"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.

RESULTS OF OPERATIONS

In the second quarter of 2005, the Company generated \$55.2 million in revenues, an 18% increase compared to the same period in 2004, as a result of average enrollment growth of 15% and a 5% tuition increase at the beginning of 2005. Income from operations was \$19.5 million for the second quarter of 2005, an increase of 6% compared to the same period in 2004. Net income was \$12.5 million, an increase of 10% in the second quarter of 2005 compared to the same period in 2004. Earnings per diluted share was \$0.85 in the second quarter of 2005 compared to \$0.75 in the same period in 2004.

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THREE MONTHS ENDED JUNE 30, 2005 COMPARED TO THREE MONTHS ENDED JUNE 30, 2004

Enrollment. Enrollment at Strayer University for the 2005 spring term increased 15% to 23,733 students compared to 20,681 for the same term in 2004. For the 2005 spring term, as compared to the 2004 spring term, Strayer University's rate of growth of continuing students was 18%, and its rate of growth of new students was 0%. Out-of-area online students increased 42%, while students taking 100% of their classes at Strayer University Online (including campus based students) increased 26%. 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 spring term is 15,246.

Revenues. Revenues increased 18% from \$46.8 million in the second quarter of 2004 to \$55.2 million in the second quarter of 2005, principally due to a 15% increase in student enrollments and a 5% tuition increase effective for 2005.

Instruction and educational support expenses. Instruction and educational support expenses increased \$3.5 million, or 21%, from \$16.5 million in the second quarter of 2004 to \$20.0 million in the second 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, \$0.8 million, and \$0.8 million, respectively. These costs as a percentage of revenues increased from 35.3% in the second quarter of 2004 to 36.3% in the second quarter of 2005.

Selling and promotion expenses. Selling and promotion expenses increased \$2.4 million, or 37%, from \$6.3 million in the second quarter of 2004 to \$8.7 million in the second 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 13.5% in the second quarter of 2004 to 15.7% in the second quarter of 2005, which was largely attributable to both marketing costs and staffing costs growing faster than tuition revenue as the Company continues to invest for growth.

General and administration expenses. General and administration expenses

increased \$1.5 million, or 26%, from \$5.6 million in the second quarter of 2004 to \$7.1 million in the second quarter of 2005. This increase was principally due to higher compensation costs and higher bad debt expense, which increased \$0.8 million and \$0.3 million, respectively. General and administration expenses as a percentage of revenues increased to 12.8% in the second quarter of 2005 from 12.0% in the second quarter of 2004 primarily due to lower than expected revenues during the second quarter of 2005 being spread over the largely fixed costs of various centralized functions.

Income from operations. Income from operations increased \$1.1 million, or 6%, from \$18.4 million in the second quarter of 2004 to \$19.5 million in the second quarter of 2005 due to the aforementioned factors.

Investment and other income. Investment and other income increased \$0.4 million, or 100%, from \$0.4 million in the second quarter of 2004 to \$0.8 million in the second quarter of 2005. The increase was primarily attributable to an increase in investment yields.

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Provision for income taxes. Income tax expense increased \$0.5 million, or 6%, from \$7.3 million in the second quarter of 2004 to \$7.8 million in the second quarter of 2005 primarily due to the increase in income before taxes discussed above. The Company's effective tax rate was 38.3% for the second quarter of 2005 compared to 39.1% for the second quarter of 2004. The decrease in the Company's effective tax rate is primarily attributable to the increase in the Company's investment income from tax-exempt funds.

Net income. Net income increased \$1.1 million, or 10%, from \$11.4 million in the second quarter of 2004 to \$12.5 million in the second quarter of 2005 because of the factors discussed above.

SIX MONTHS ENDED JUNE 30, 2005 COMPARED TO SIX MONTHS ENDED JUNE 30, 2004

Revenues. Revenues increased 20% from \$92.9 million in the six months ended June 30, 2004 to \$111.4 million in the six months ended June 30, 2005, principally due to a 17% average increase in student enrollments and a 5% tuition increase effective for 2005.

Instruction and educational support expenses. Instruction and educational support expenses increased \$6.8 million, or 21%, from \$31.7 million in the six months ended June 30, 2004 to \$38.5 million in the six months ended June 30, 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 \$2.8 million, \$1.4 million, and \$1.5 million, respectively. These expenses as a percentage of revenues increased from 34.1% in the six months ended June 30, 2004 to 34.6% in the six months ended June 30, 2005.

Selling and promotion expenses. Selling and promotion expenses increased \$4.9 million, or 40%, from \$12.4 million in the six months ended June 30, 2004 to \$17.3 million in the six months ended June 30, 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 13.3% in the six months ended June 30, 2004 to 15.5% in the six months ended June 30, 2005, which was largely attributable to both marketing costs and staffing costs growing faster than tuition revenue as the Company continues to invest for growth.

General and administration expenses. General and administration expenses increased \$1.7 million, or 14%, from \$11.9 million in the six months

ended June 30, 2004 to \$13.6 million in the six months ended June 30, 2005. This increase was principally due to higher bad debt expense, which increased \$0.9 million. General and administration expenses as a percentage of revenues decreased to 12.2% in the six months ended June 20, 2005 from 12.8% in the six months ended June 30, 2004 primarily due to greater revenues being spread over the largely fixed costs of various centralized functions.

Income from operations. Income from operations increased \$5.1 million, or 14%, from \$36.9 million in the six months ended June 30, 2004 to \$42.0 million in the six months ended June 30, 2005 due to the aforementioned factors.

Investment and other income. Investment and other income increased \$0.7 million, or 106%, from \$0.7 million in the six months ended June 30, 2004 to \$1.4 million in the six

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months ended June 30, 2005. The increase was primarily attributable to an increase in investment yields and a higher average cash balance.

Provision for income taxes. Income tax expense increased \$2.1 million, or 14%, from \$14.7 million in the six months ended June 30, 2004 to \$16.8 million in the six months ended June 30, 2005 primarily due to the increase in income before taxes discussed above. The Company's effective tax rate was 38.7% for the six months ended June 30, 2005 compared to 39.1% for the six months ended June 30, 2004. The decrease in the Company's effective tax rate is primarily attributable to the increase in the Company's investment income from tax-exempt funds.

Net income. Net income increased \$3.7 million, or 16%, from \$22.9 million in the six months ended June 30, 2004 to \$26.6 million in the six months ended 2005 because of the factors discussed above.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2005, the Company had cash, cash equivalents and marketable securities of \$111.3 million compared to \$122.8 million at December 31, 2004 and \$116.7 million at June 30, 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 June 30, 2005, the Company had a total of \$25.7 million invested in the short-term tax-exempt bond fund. At June 30, 2005, the 431 issues in this fund had an average credit rating of AA+, an average maturity of 1.1 years and an average duration of 1.1 years, as well as an average yield to maturity of 2.7%. The Company had no debt as of December 31, 2004 or June 30, 2005.

For the six months ended June 30, 2005, the Company generated \$25.0 million net cash from operating activities compared to \$25.6 million for the same period in 2004. The decrease is primarily attributable to higher net income offset by higher income tax payments.

Capital expenditures were \$7.8 million for the six months ended June 30, 2005 compared to \$4.4 million for the same period in 2004. For the six months ended June 30, 2005, the Company paid \$3.6 million in cash dividends to the Company's common stockholders. As a result of the conversion of the Company's remaining preferred stock into common stock in June 2004, no further preferred stock dividends are payable. During the six months ended June 30, 2005, the Company spent \$25 million for the repurchase of approximately 278,800 shares of common stock at an average price of \$89.67 per share, utilizing its remaining share repurchase authorization. In July 2005, the Company's Board of Directors authorized an additional \$25 million for the repurchase of common stock under the existing share repurchase program.

In the second quarter of 2005, bad debt expense as a percentage of revenue was 2.5% compared to 2.2% for the same period in 2004. Days sales outstanding, adjusted to exclude tuition receivable related to future quarters, was eight days at the end of the first quarter of 2005, compared to nine days for 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

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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.

NEW CAMPUSES

The Company opened two new campuses for the spring term 2005 - one in Greensboro, North Carolina and one in Columbia, South Carolina. The Company recently opened one more new campus in Atlanta, Georgia, its third campus in that market, for fall term 2005. The Company has opened a total of five new campuses in 2005 and now has a total of 35 campuses.

TOTAL POTENTIAL SHARE ISSUANCE

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

<TABLE>

Current

Common shares issued and outstanding at 6/30/05	14,391
Issued stock options using Treasury Stock Method	260

Total current	14,651

Potential

Total issued stock options, less options accounted for using the Treasury Stock Method above	822
Authorized but unissued options.....	549

Total potential	1,371

Total current and potential common shares	16,022
	=====

</TABLE>

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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 June 30, 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 Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2005. Based upon such review, the Chief Executive Officer and Chief Financial Officer have concluded that the Company has in place, as of June 30, 2005, effective controls and procedures designed to ensure that information required to be disclosed by the Company (including consolidated subsidiaries) in the reports it files or submits under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), 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 Exchange Act is accumulated and communicated to the Company'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 June 30, 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 \$22.0 million, its remaining authorization, to repurchase shares of common stock under its repurchase program. The total amount authorized for share repurchases under this program was \$65 million as of June 30, 2005. On July 26, 2005, the Company's Board of Directors amended the Company's share repurchase program to authorize the repurchase of an additional \$25 million in value of the Company's common stock. A summary of the Company's share repurchases during the quarter is set forth below:

<TABLE>

	Shares Repurchased	Average Price Per Share	Authorization (\$ mil)
	-----	-----	-----
Beginning Balance (at 4/1/05)			\$22.0
April	-	-	-
May	198,488	\$87.36	(17.3)
June	52,750	\$88.46	(4.7)
	-----		-----
Total (at 6/30/05)	251,238	\$87.59	\$ -
	=====		=====

</TABLE>

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None

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

At the Annual Meeting of our Stockholders held on May 3, 2005, the following matters were submitted to a vote of our common stockholders:

Proposal

1. Election of Common Stock Directors:

	For ---	Withheld -----
Robert S. Silberman	13,886,309	98,916
Dr. Charlotte F. Beason	13,938,504	46,721
William E. Brock	13,942,929	42,296
David A. Coulter	13,943,479	41,746
Gary Gensler	13,943,259	41,966
Robert R. Grusky	13,943,279	41,946
Robert L. Johnson	13,802,293	182,932
Steven B. Klinsky	13,943,582	41,643
Todd A. Milano	13,797,318	187,907
G. Thomas Waite, III	13,938,807	46,418
J. David Wargo	13,801,790	183,435

2. Ratification of Appointment of PricewaterhouseCoopers LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2005:

For ---	Against -----	Abstain -----
13,912,395	70,911	1,919

3. Amendment to the Employee Stock Option Plan:

For ---	Against -----	Abstain -----
8,471,852	1,862,380	1,434,637

ITEM 5. OTHER INFORMATION.

None

ITEM 6. EXHIBITS.

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Act of 1933, as amended (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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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: July 28, 2005

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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

CERTIFICATIONS

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)) 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
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 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: July 28, 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:

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)) 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

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 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: July 28, 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 June 30, 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

July 28, 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 June 30, 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

July 28, 2005

End of Filing

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