

STRAYER EDUCATION INC

FORM 8-K
(Current report filing)

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Address	1100 WILSON BLVD., SUITE 2500 ARLINGTON, Virginia 22209
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CIK	0001013934
Industry	Schools
Sector	Services
Fiscal Year	12/31

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) FEBRUARY 15, 2007

0-21039

52-1975978

(Commission File Number)

(IRS Employer Identification No.)

1100 WILSON BOULEVARD, #2500, ARLINGTON, VA

22209

(Address of principal executive offices)

(Zip Code)

(703) 247-2500

(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On February 15, 2007, Strayer Education, Inc. announced 2006 fourth quarter and full year revenues, earnings, and winter term 2007 enrollments. The February 15, 2007 press release is attached hereto as an exhibit and incorporated herein by reference. The information contained in the February 15, 2007 press release is deemed furnished under this Item; and should not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act, as amended (the "Exchange Act"), or otherwise subject to that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

Exhibit 99.01 Press Release dated February 15, 2007. (The information contained in the February 15, 2007 press release is deemed furnished under Item 2.02.)

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: Strayer Education, Inc.
February 15, 2007

By: /s/ Mark C. Brown

Mark C. Brown
Senior Vice President and
Chief Financial Officer

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EXHIBIT INDEX

EXHIBIT	DESCRIPTION
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99.01	Press Release dated February 15, 2007

FOR IMMEDIATE RELEASE

FOR MORE INFORMATION CONTACT:

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Chief Financial Officer
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STRAYER EDUCATION, INC. REPORTS RECORD
FOURTH QUARTER AND FULL YEAR 2006 REVENUES, EARNINGS AND
WINTER TERM 2007 ENROLLMENTS

- STRAYER FOURTH QUARTER REVENUES UP 20% --
- STRAYER FOURTH QUARTER DILUTED EPS \$1.11/\$1.22 EXCLUDING
STOCK-BASED COMPENSATION --
- STRAYER FULL YEAR DILUTED EPS \$3.61/\$3.96 EXCLUDING
STOCK-BASED COMPENSATION --
- STRAYER WINTER 2007 TOTAL ENROLLMENTS UP 16%/NEW STUDENTS
UP 20%/ONLINE UP 26% --
- TWO ORLANDO, FL CAMPUSES OPENED FOR 2007 SPRING TERM --

ARLINGTON, Va., February 15, 2007 - Strayer Education, Inc. (Nasdaq: STRA) today announced financial results for the three months and year ended December 31, 2006. Financial highlights are as follows:

THREE MONTHS ENDED DECEMBER 31

- o Revenues for the three months ended December 31, 2006 increased 20% to \$74.3 million, compared to \$62.0 million for the same period in 2005, due to increased enrollment and a 5% tuition increase which commenced in January 2006.
- o Income from operations was \$24.1 million compared to \$23.3 million for the same period in 2005, an increase of 3%. In 2006, the Company began recording stock-based compensation expense, which amounted to \$2.5 million before tax for the three months ended December 31, 2006. Excluding stock-based compensation expense, income from operations was \$26.6 million, an increase of 14% compared to 2005.
- o Net income was \$16.0 million compared to \$15.0 million for the same period in 2005, an increase of 7%. Net income for the three months ended December 31, 2006 includes the effect of a \$1.6 million after tax expense related to stock-based compensation. Excluding stock-based compensation expense, net income was \$17.6 million, an increase of 17% compared to 2005.

Diluted earnings per share was \$1.11 compared to \$1.03 for the same period in 2005, an increase of 8%. Diluted earnings per share for the three months ended December 31, 2006 includes the effect of a \$0.11 per share after tax expense related to stock-based compensation. Excluding stock-based compensation expense, diluted earnings per share was \$1.22, an increase of 18% compared to 2005. Diluted weighted average shares outstanding decreased

to 14,452,000 from 14,590,000 for the same period in 2005.

YEAR ENDED DECEMBER 31

- o Revenues for the year ended December 31, 2006 increased 20% to \$263.6 million, compared to \$220.5 million for the same period in 2005, due to increased enrollment and a 5% tuition increase effective for 2006.
- o Income from operations was \$79.5 million compared to \$74.9 million for the same period in 2005, an increase of 6%. In 2006, the Company began recording stock-based compensation expense, which amounted to \$8.1 million before tax for the year ended December 31, 2006. Excluding stock-based compensation expense, income from operations was \$87.6 million, an increase of 17% compared to 2005.
- o Net income was \$52.3 million compared to \$48.1 million for the same period in 2005, an increase of 9%. Net income for the year ended December 31, 2006 includes the effect of a \$5.1 million after tax expense related to stock-based compensation. Excluding stock-based compensation expense, net income was \$57.4 million, an increase of 19% compared to 2005. Diluted earnings per share was \$3.61 compared to \$3.26 for the same period in 2005, an increase of 11%. Diluted earnings per share for the year ended December 31, 2006 includes the effect of a \$0.35 per share after tax expense related to stock-based compensation. Excluding stock-based compensation expense, diluted earnings per share was \$3.96, an increase of 21% compared to 2005. Diluted weighted average shares outstanding decreased to 14,492,000 from 14,741,000 for the same period in 2005.

Income from operations, net income and diluted earnings per share for the three months and year ended December 31, 2006 excluding stock-based compensation (as presented above) are considered non-GAAP financial measures. The Company believes these non-GAAP financial measures provide investors, potential investors, securities analysts and others with useful information to evaluate the performance of the business, because they exclude stock-based compensation expense which had not been included in the prior years. Additional information is contained in the attached financial statements including a reconciliation of GAAP to these non-GAAP measures.

"We are pleased with both our fourth quarter and year-end financial results," said Robert S. Silberman, Chairman and Chief Executive Officer of Strayer Education, Inc. "We are also pleased with our student enrollment efforts and our new campus openings in the Kentucky market and look forward to serving students at our two new Orlando campuses beginning in the spring term."

BALANCE SHEET AND CASH FLOW

At December 31, 2006, the Company had cash, cash equivalents and marketable securities (a diversified, no load, short-term, tax-exempt bond fund) of \$128.4 million and no debt. The Company generated \$61.8 million from operating activities in 2006. Capital expenditures were \$13.2 million for the same period.

During the fourth quarter 2006, the Company repurchased 72,300 shares of common stock at an average price of \$110.69 per share under a previously announced common stock repurchase authorization. During the full year 2006, the Company repurchased 349,066 shares of common stock at an average price of \$100.39 per share. As of December 31, 2006, the Company had a \$32 million authorization remaining under this plan.

In the fourth quarter 2006, bad debt expense as a percentage of revenue was 3.5% compared to 2.8% for the same period in 2005. Days sales outstanding, adjusted to exclude tuition receivable related to future quarters, was 13 days at the end of the fourth quarter 2006, compared to 10 days at the end of the same period in 2005.

STUDENT ENROLLMENT

Total enrollment at Strayer University for the 2007 winter term increased 16% to 32,150 students compared to 27,621 students for the same term in 2006. Across the Strayer University campus network, new student enrollments increased 20% and continuing student enrollments increased 16%. Out-of-area online students increased 26%, while students taking 100% of their classes at Strayer University Online (including campus based students) increased 20%. The total number of students taking any courses online (including students at brick and mortar campuses taking at least one online course) in the 2007 winter term increased to 22,591.

STUDENT ENROLLMENT

	Winter 2006	Winter 2007	% Change
	-----	-----	-----
New Campuses (20 in operation 3 or less years)			
Classroom Students	1,247	2,511	101%
Online Students	1,754	3,135	79%
	-----	-----	
Total New Campus Based Students	3,001	5,646	88%
	-----	-----	
Mature Campuses (25 in operation more than 3 years)			
Classroom Students	10,757	10,832	1%
Online Students	11,090	12,185	10%
	-----	-----	
Total Mature Campus Based Students	21,847	23,017	5%
	-----	-----	
Total Campus Based Students	24,848	28,663	15%
Out of Area Online Students	2,773	3,487	26%
	-----	-----	
Total University Enrollment	27,621	32,150	16%
	=====	=====	
Total Students Taking 100% Courses Online	15,617	18,807	20%
Total Students Taking At Least 1 Course Online	18,877	22,591	20%

NEW CAMPUS OPENINGS

The Company announced today that it has opened two new campuses in Orlando, Florida for the 2007 spring term. Including the two new campuses successfully opened for the 2007 winter quarter in Lexington and Louisville, Kentucky, the Company has now opened four of the eight new campuses planned for 2007.

STOCK-BASED COMPENSATION ACTIVITY

In February 2007, the Company's Board of Directors approved a grant of approximately 20,000 shares of restricted stock to certain employees. The Company's stock price closed at \$113.72 on the date of the restricted stock grant.

COMMON STOCK CASH DIVIDEND

The Company announced today that its Board of Directors has declared its regular, quarterly common stock cash dividend of \$0.3125 per share. This dividend will be paid on March 12, 2007 to shareholders of record as of February

28, 2007.

BUSINESS OUTLOOK

Based on the strong enrollment growth announced for the 2007 winter term and the planned investments in opening new campuses, the Company estimates first quarter 2007 diluted EPS will be in the range of \$1.27 to \$1.29. The Company estimates that it will incur stock-based compensation expense for the first quarter of 2007 of approximately \$2.5 million before tax or \$0.11 per share after tax, which is included in the Company's EPS estimate.

2007 ANNUAL MEETING OF STOCKHOLDERS

The Company announced today that its 2007 annual meeting of stockholders will take place on Wednesday, May 2, 2007 in Arlington, Virginia. Tuesday, March 6, 2007 will be the record date for this annual meeting.

CONFERENCE CALL WITH MANAGEMENT

Strayer Education, Inc. will host a conference call to discuss its fourth quarter earnings and year-end results at 10:00 a.m. (ET) today. To participate on the live call, investors should dial (800) 289-0468 10 minutes prior to the start time. In addition, the call will be available via live Webcast over the Internet. To access the live Webcast of the conference call, please go to www.strayereducation.com 15 minutes prior to the start time of the call to register. An archived replay of the conference call will be available at (888) 203-1112 (pass code 6851740) starting at 1:00 p.m. (ET) today and will be available through Monday, February 19, and archived at www.strayereducation.com for 90 days.

Strayer Education, Inc. (Nasdaq: STRA) is an education services holding company that owns Strayer University and certain other assets. Strayer's mission is to make higher education achievable and convenient for working adults in today's economy. Strayer University is a proprietary institution of higher learning that offers undergraduate and graduate degree programs in business administration, accounting, information technology, education, and public administration to more than 32,000 working adult students at 47 campuses in 11 states in the Eastern United States

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and Washington, D.C. and worldwide via the Internet through Strayer University Online. Strayer University is committed to providing an education that prepares working adult students for advancement in their careers and professional lives. Founded in 1892, Strayer University is accredited by the Middle States Commission on Higher Education. For more information on Strayer Education, Inc. visit www.strayereducation.com and for Strayer University visit www.strayer.edu.

This press release contains statements that are forward looking and are made pursuant to the "safe-harbor" provisions of the Private Securities Litigation Reform Act of 1995 ("Reform Act"). The statements are based on the Company's current expectations and are subject to a number of uncertainties and risks. In connection with the Safe Harbor provisions of the Reform Act, the Company has identified important factors that could cause the Company's actual results to differ materially from those expressed in or implied by such statements. The 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, our ability to implement our growth strategy, 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, 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, all of which are incorporated herein by reference and which are available from the Commission. We undertake no obligation to update or revise forward looking statements.

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

	For the three months ended December 31,		For the year ended December 31,	
	2005	2006	2005	2006
Revenues.....	\$62,018	\$74,307	\$220,507	\$263,648
Costs and expenses:				
Instruction and educational support.....	20,402	24,750	76,977	91,120
Selling and promotion.....	10,765	14,258	41,090	52,269
General and administration.....	7,539	11,220	27,576	40,723
Income from operations.....	23,312	24,079	74,864	79,536
Investment and other income.....	891	1,265	2,982	4,542
Income before income taxes.....	24,203	25,344	77,846	84,078
Provision for income taxes.....	9,192	9,347	29,781	31,771
Net income.....	\$15,011	\$15,997	\$ 48,065	\$ 52,307
Net income per share:				
Basic	\$1.05	\$1.13	\$3.32	\$3.69
Diluted	\$1.03	\$1.11	\$3.26	\$3.61
Weighted average shares outstanding:				
Basic.....	14,328	14,136	14,472	14,187
Diluted.....	14,590	14,452	14,741	14,492
Common dividends per share.....	\$0.25	\$0.31	\$0.63	\$1.06

In 2006, the Company adopted FAS 123(R) and began recording stock-based compensation expense for stock options. Prior to the adoption of FAS 123(R), the Company recorded expense for other forms of stock-based compensation. For the three months ended December 31, 2006, stock-based compensation expense was \$2.5 million, or \$1.6 million net of tax, and reduced EPS by \$0.11. For the year ended December 31, 2006, stock-based compensation expense was \$8.1 million, or \$5.1 million net of tax, and reduced EPS by \$0.35. The table below sets forth the amount of various forms of stock-based compensation expense recorded in each of the expense line items.

	For the three months ended December 31,		For the year ended December 31,	
	2005	2006	2005	2006
Instruction and educational support..	\$--	\$150	\$--	\$638
Selling and promotion.....	--	136	--	545
General and administration.....	28	2,232	47	6,866

For the three months ended December 31, 2005, including the pro forma impact of recording \$1.3 million in stock-based compensation expense net of tax, the Company would have reported net income of approximately \$13.7 million and diluted EPS of \$0.94. For the year ended December 31, 2005, including \$3.4 million in stock-based compensation expense net of tax, the Company would have reported net income of approximately \$44.7 million and diluted EPS of \$3.02. The pro forma impact of recording stock-based compensation expense for the year ended December 31, 2005 was disclosed in Note 2 to the Company's Consolidated Financial Statements included in its Form 10-K.

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

	December 31, 2005	December 31, 2006
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 74,212	\$52,663
Marketable securities available for sale, at fair value.....	45,594	75,763
Tuition receivable, net of allowances for doubtful accounts of \$1,927 and \$3,029 in 2005 and 2006, respectively.....	55,935	80,753
Other current assets.....	2,581	4,653
	-----	-----
Total current assets.....	178,322	213,832
Property and equipment, net.....	46,684	52,748
Deferred income taxes.....	--	3,400
Restricted cash.....	500	500
Other assets.....	339	364
	-----	-----
Total assets.....	\$225,845	\$270,844
	=====	=====
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 6,402	\$10,923
Accrued expenses.....	1,483	1,830
Income taxes payable.....	3,773	4,979
Unearned tuition.....	55,778	73,896
	-----	-----
Total current liabilities.....	67,436	91,628
Deferred income taxes.....	205	--
Long-term liabilities.....	6,364	7,689
	-----	-----
Total liabilities.....	74,005	99,317
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.01; 20,000,000 shares authorized; 14,292,249 and 14,293,584 shares issued and outstanding, as of December 31, 2005 and 2006, respectively.....	143	141
Additional paid-in capital.....	104,923	87,487
Retained earnings.....	47,020	84,043
Accumulated other comprehensive income (loss).....	(246)	(144)
	-----	-----
Total stockholders' equity.....	151,840	171,527
	-----	-----
Total liabilities and stockholders' equity.....	\$225,845	\$270,844
	=====	=====

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

	For the year ended December 31,	
	2005	2006
	-----	-----
Cash flows from operating activities:		
Net income.....	\$ 48,065	\$52,307
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of assets.....	37	--
Amortization of deferred rent.....	230	190
Depreciation and amortization.....	6,619	7,059
Provision for student loan losses.....	(162)	(120)
Deferred income taxes.....	(63)	(4,034)
Stock-based compensation.....	48	7,413
Changes in assets and liabilities:		
Tuition receivable, net.....	(14,266)	(24,818)
Other current assets.....	630	(1,710)
Other assets.....	4	(25)
Accounts payable.....	1,503	4,581
Accrued expenses.....	(835)	347
Income taxes payable.....	(2,804)	4,801
Excess tax benefits from stock-based payment arrangements.....	--	(3,595)
Unearned tuition.....	13,719	18,118
Deferred lease incentives	2,342	1,235
Student loans originated.....	(686)	(3)
Collections on student loans receivable.....	762	23
	-----	-----
Net cash provided by operating activities.....	55,143	61,769
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment.....	(12,275)	(13,183)
Purchases of marketable securities.....	(20,000)	(30,000)
	-----	-----
Net cash used in investing activities.....	(32,275)	(43,183)
	-----	-----
Cash flows from financing activities:		
Common dividends paid.....	(9,028)	(15,284)
Proceeds from exercise of stock options.....	1,336	6,595
Excess tax benefits from stock-based payment arrangements.....	--	3,595
Repurchase of common stock.....	(37,968)	(35,041)
	-----	-----
Net cash used in financing activities.....	(45,660)	(40,135)
	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(22,792)	(21,549)
Cash and cash equivalents - beginning of period.....	97,004	74,212
	-----	-----
Cash and cash equivalents - end of period.....	\$ 74,212	\$ 52,663
	=====	=====
Non-cash transactions:		
Purchases of property and equipment included in accounts payable.....	\$ 561	\$ 501

	For the three months ended December 31, 2006			For the year ended December 31, 2006		
	GAAP Results	Stock-based Compensation Expense	Non-GAAP Results	GAAP Results	Stock-based Compensation Expense	Non-GAAP Results
Revenues.....	\$74,307	\$ --	\$74,307	\$263,648	\$ --	\$263,648
Costs and expenses:						
Instruction & educational support.....	24,750	(150)	24,600	91,120	(638)	90,482
Selling & promotion.....	14,258	(136)	14,122	52,269	(545)	51,724
General & administration.....	11,220	(2,232)	8,988	40,723	(6,866)	33,857
Total costs and expenses.....	50,228	(2,518)	47,710	184,112	(8,049)	176,063
Income from operations.....	24,079	2,518	26,597	79,536	8,049	87,585
Investment and other income.....	1,265	--	1,265	4,542	--	4,542
Income before income taxes.....	25,344	2,518	27,862	84,078	8,049	92,127
Provision for income taxes.....	9,347	880	10,227	31,771	2,992	34,763
Net income.....	\$15,997	\$ 1,638	\$17,635	\$ 52,307	\$ 5,057	\$ 57,364
Net income per share:						
Basic.....	\$1.13	\$0.12	\$1.25	\$3.69	\$0.35	\$4.04
Diluted.....	\$1.11	\$0.11	\$1.22	\$3.61	\$0.35	\$3.96
Weighted average shares outstanding:						
Basic.....	14,136	14,136	14,136	14,187	14,187	14,187
Diluted.....	14,452	14,452	14,452	14,492	14,492	14,492

(a) These unaudited non-GAAP financial measures are for informational purposes only and are not presented in accordance with GAAP. The Company believes these non-GAAP financial measures provide investors, potential investors, securities analysts and others with useful information to evaluate the performance of the business, because they exclude stock-based compensation expense which had not been included in the prior years. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the Company's condensed consolidated statements of income.

Additional Data:	December 31, 2005	December 31, 2006
Common shares outstanding at year end	14,292,249	14,293,584
Authorized, issued and outstanding stock options	1,103,334	762,334