STRAYER EDUCATION INC.

Strayer Education, Inc. Reports Record Third Quarter 2004 Enrollment, Revenues and Earnings

- Strayer Third Quarter Revenues Up 27% -
- Strayer Third Quarter Diluted EPS of $0.34 -
- Strayer Fall 2004 Total Enrollments Up 17%, Online Enrollments Up 53% -
- Strayer University Approved by State of Florida for Two New Campuses in 2005 -
- Strayer Full Year 2004 EPS Estimate Raised from $2.60 - $2.65 to $2.69 - $2.71 -

ARLINGTON, Va., Oct 28, 2004 /PRNewswire-FirstCall via COMTEX/ -- Strayer Education, Inc. (Nasdaq: STRA) today announced financial results for the three months ended September 30, 2004. Financial highlights are as follows:

Three Months Ended September 30

* Revenues for the three months ended September 30, 2004 increased 27% to $38.0 million, compared to $30.0 million for the same period in 2003, due primarily to increased enrollment and a 5% tuition increase which commenced in January 2004.
* Income from operations increased 7% to $7.8 million from $7.3 million for the same period in 2003. Income from operations in 2003 included a $1.8 million gain from the sale of the Washington, D.C. campus building. Excluding the 2003 gain from the sale of the Washington, D.C. campus building, income from operations rose 41%. Management believes that excluding this asset sale provides a useful indicator of the Company's underlying operating performance.
* Net income rose 5% to $5.1 million compared to $4.9 million for the same period in 2003. Excluding the 2003 gain from the sale of the Washington, D.C. campus building, net income rose 34%. Earnings per diluted share rose 6% to $0.34 compared to $0.32 for the same period in 2003. Excluding the 2003 sale of the Washington, D.C. campus building, earnings per diluted share rose 36%. Diluted weighted average shares outstanding increased to 15,021,000 from 14,969,000 for the same period in 2003.

Nine Months Ended September 30

* Revenues for the nine months ended September 30, 2004 increased 26% to $130.9 million, compared to $103.7 million for the same period in 2003, due primarily to increased enrollment and a 5% tuition increase effective for 2004.
* Income from operations rose 26% to $44.7 million from $35.5 million for the same period in 2003. Excluding the 2003 gain from the sale of the Washington, D.C. campus building, income from operations rose 33%.
* Net income rose 24% to $28.0 million compared to $22.6 million for the same period in 2003. Excluding the 2003 gain from the sale of the Washington, D.C. campus building, net income rose 30%. Earnings per diluted share rose 21% to $1.85 compared to $1.53 for the same period in 2003. Excluding the 2003 gain from the sale of the Washington, D.C. campus building, earnings per diluted share rose 28%. Diluted weighted average shares outstanding increased to 15,092,000 from 14,796,000 for the same period in 2003.

"We are pleased with our solid financial and student enrollment results for the third quarter," said Robert S. Silberman, Chairman and Chief Executive Officer of Strayer Education, Inc. "The 17% enrollment growth for the fall term and the strong opening of our five new campuses, including our first two in the Atlanta, Georgia market and our first campus in South Carolina, reflects our ongoing commitment to high-quality, accessible adult education. As planned, we have successfully opened five campuses this year and look forward to five new campuses in 2005. We are particularly pleased with our approval from the Florida Department of Education to open two campuses in Tampa, Florida next year as we continue to execute our geographic and online expansion strategy."

Balance Sheet and Cash Flow

At September 30, 2004, the Company had cash, cash equivalents and marketable securities (a diversified, no load, short-term, tax exempt bond fund) of $111.7 million and no debt. The Company generated $40.2 million from operating activities in the first nine months of 2004. Capital expenditures were $8.0 million for the same period.

During the three months ended September 30, 2004, the Company spent $15.6 million for the repurchase of 165,900 shares of common stock at an average price of $94 per share as part of a previously announced common stock repurchase authorization. During the nine months ended September 30, 2004, the Company spent $36.8 million for the repurchase of 346,500 shares of common stock at an average price of $106 per share.

In the third quarter 2004, bad debt expense as a percentage of revenue was 2.5% compared to 1.7% for the same period in 2003. Days sales outstanding, adjusted to exclude tuition receivable related to future quarters, was nine days at the end of the third quarter 2004 compared to seven days for the same period in 2003.

Student Enrollment

Enrollment at Strayer University for the 2004 fall term increased 17% to 23,539 students compared to 20,138 for the same term in 2003. Across the Strayer University campus network, new student enrollments increased 16% and continuing student enrollments increased 18%. Out-of-area online students increased 53%, while students taking 100% of their classes online (including campus-based students) increased 36%.

Student Enrollment

	Fall 2003	Fall 2004	% Change
Campus Based Students:			
New Campuses (13 in operation 3 or less years)			
Classroom	942	1,843	96%
Online	1,005	2,201	119%
Total New Campus Students	1,947	4,044	108%
Mature Campuses (17 in operation 4 or more years)			
Classroom	10,646	10,027	-6%
Online	5,907	6,968	18%
Total Mature Campus Students	16,553	16,995	3%
Total Campus Based Students	18,500	21,039	14%
Online Based Students (out-of-area)	1,638	2,500	53%
Total Students	20,138	23,539	17%
Total Students Taking 100% of Courses Online	8,550	11,669	36%
Total Students Taking at Least 1 Course Online	10,615	14,347	35%

New Campus/New State Openings

Philadelphia, Pennsylvania

The Company reported today that in the fall term it successfully opened its third new campus in the Philadelphia, Pennsylvania area. This new Pennsylvania campus, together with two new campuses opened in Atlanta in the summer term and one new campus opened in each of Memphis, Tennessee and Greenville, South Carolina, completed the Company's goal of five new campuses in 2004. Strayer University now has a total of 30 campuses.

Florida

Strayer University has obtained approval from the State of Florida to open two campuses in the Tampa area in 2005.

Expanded Online Course Offerings

Strayer University Online is offering 852 online classes in the 2004 fall term, compared to 621 online classes offered in the 2003 fall term, with all academic programs available asynchronously.

Fiscal Year 2002 Cohort Default Rate

During the third quarter of 2004, the Company was notified by the U.S. Department of Education that its Cohort Default Rate for fiscal year 2002 (the most recent annual period for which data is available) declined to 3.7% from 4.3% for the fiscal year 2001.

Common Stock Cash Dividend

As previously announced, the Company is increasing its annual common stock dividend to $0.50 per share from $0.26 per share. This increase in annual dividend will result in a quarterly dividend payment of $0.125 per share. The Company also previously reported that it is changing the timing of its dividend announcements and subsequent payment dates to correspond with its quarterly earnings releases. As a result, the third quarter dividend, which was declared on October 26, 2004, will now be paid on December 10 instead of in October. The Company intends to make subsequent dividend payments on a quarterly basis on March 10, June 10, September 10, and December 10 of each year. The dividend record date will be announced in the quarterly earnings release and will precede the dividend payment date by approximately two weeks.

With the rescheduling this year of the third quarter dividend payment from October to December, the $0.50 annual dividend will be prorated over a five month period instead of three, resulting in a dividend payment of $0.21 per share on December 10, 2004 to shareholders of record as of November 26, 2004.

Share Repurchase Plan

During the third quarter of 2004, the Company fully utilized its remaining authorization under the Company's $40 million common share repurchase program. The Company announced that the Company's Board of Directors has amended the Company's previously disclosed $40 million share repurchase program to authorize the repurchase of an additional $25 million in value of the Company's Common Stock over the next 14 months in open market purchases from time to time at the discretion of the Company's management, depending on market conditions and other corporate considerations. The Company intends to effect such purchases, if any, in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended. This share Repurchase Plan may be modified, suspended or terminated at any time by the Company without notice.

2004 Business Outlook

Based on the strong enrollment growth announced for the 2004 fall term, the Company estimates fourth quarter 2004 diluted EPS will be in the range of $0.84 - $0.86. Based on its fourth quarter estimates, the Company therefore is increasing its estimate of full year 2004 diluted EPS to $2.69 - $2.71 from $2.60 - $2.65.

2005 Business Outlook

The Company announced that it intends to open five new campuses in 2005, and that under the following enrollment growth assumptions, the Company would expect the following full year 2005 results:

Enrollment:	15% - 18% growth
Revenue:	19% - 22% growth
Operating Margin:	35.0% - 35.5%
Diluted EPS:	$3.20 - $3.30
Diluted Shares Outstanding:	15,000,000

Stock Option Activity

In the third quarter 2004, the Company granted 20,000 additional employee stock options. These options had an exercise price of $95.19 per share (the fair market value on the date of the grant), vest in four years, and expire eight years from the date of grant.

The Company uses the intrinsic-value-based method of accounting for its stock option 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 Company estimates net income and diluted net income per share would have been $4.6 million and $0.31 per share, respectively, for the three months ended September 30, 2004, and $26.2 million and $1.74 per share, respectively, for the nine months ended September 30, 2004.

The following assumptions were used to estimate fair value as of the date of grant using the Black-Scholes option pricing model:

	2003	2004
Dividend yield	0.5%	0.24%
Risk-free interest rates	3.0%	3.8%
Volatility	40%	34%
Expected option term (years)	5.2	6.1
Weighted average fair value of options granted during		

the year	$21.88	$45.23

Calculation of Total Potential Share Issuance

The table below sets forth the Company's total current and potential common shares outstanding (in thousands):

Current	
Common shares issued and outstanding at 9/30/04	14,669
Issued stock options using Treasury Stock Method	278
Total current	14,947
Potential	
Total issued stock options, less options accounted for using the Treasury Stock Method above	587
Authorized but unissued options	266
Total potential	853
Total current and potential common shares	15,800

Conference Call with Management

Strayer Education, Inc. will host a conference call to discuss its third quarter 2004 earnings on October 28, 2004 at 10:00 a.m. ET. 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 http://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 197271) starting at 3:00 p.m. (ET) today and will be available through Friday, November 5, and archived at http://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 23,000 working adult students at 30 campuses in eight states in the eastern United States 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 http://www.strayereducation.com and for Strayer University visit http://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. 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 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 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, 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 September 30,		For the nine months ended September 30,	
	2003	2004	2003	2004
Revenues	$29,993	$38,009	$103,652	$130,926
Costs and expenses:				
Instruction and educational support	12,236	14,889	38,324	46,613
Selling and promotion	7,104	9,159	16,940	21,564
General and administration	5,085	6,124	14,687	18,041
Gain on sale of asset	1,772	–	1,772	–
Income from operations	7,340	7,837	35,473	44,708
Investment and other income	688	376	1,850	1,058
Income before income taxes	8,028	8,213	37,323	45,766
Provision for income taxes	3,174	3,123	14,753	17,808
Net income	4,854	5,090	22,570	27,958
Preferred stock dividends and accretion	1,287	–	3,843	1,389
Net income available to common stockholders	$3,567	$5,090	$18,727	$26,569
Basic net income per share	$ 0.33	$ 0.35	$ 1.75	$ 1.99
Diluted net income per share	$ 0.32	$ 0.34	$ 1.53	$ 1.85
Weighted average shares outstanding				
Basic	10,727	14,743	10,682	13,340
Diluted	14,969	15,021	14,796	15,092

STRAYER EDUCATION, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	At December 31, 2003	At September 30, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 82,089	$ 85,823
Marketable securities available for sale, at fair value	25,951	25,835
Income taxes receivable	–	1,259
Tuition receivable, net of allowances for doubtful accounts	35,997	47,315
Student loans receivable – held for sale	65	22
Other current assets	1,656	3,671
Total current assets	145,758	163,925
Property and equipment, net	35,930	39,957
Restricted cash	500	500
Other assets	368	343
Total assets	$ 182,556	$ 204,725
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,127	$ 6,402
Accrued expenses	2,329	1,985
Income taxes payable	2,898	–
Dividends payable	1,510	–
Unearned tuition	39,134	51,941
Total current liabilities	50,998	60,328
Deferred income taxes	228	959
Long-term liabilities	2,666	4,575
Total liabilities	53,892	65,862
Series A convertible redeemable preferred stock	95,686	–
Stockholders' equity:		
Common stock	107	147
Additional paid-in capital	59,838	141,035
Retained earnings (accumulated deficit)	(26,918)	(2,218)
Accumulated other comprehensive income (loss)	(49)	(101)

Total stockholders' equity	32,978	138,863
Total liabilities and stockholders' equity	$ 182,556	$ 204,725

STRAYER EDUCATION, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(Amounts in thousands)

	For the nine months ended September 30,	
	2003	2004
Cash flows from operating activities:		
Net income	$22,570	$27,958
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred rent	198	442
Gain on sale of marketable securities	(135)	–
Gain on sale of property and equipment	(1,772)	–
Depreciation and amortization	3,235	3,971
Provision for student loan losses and indemnification	141	(182)
Deferred income taxes	1	(69)
Changes in assets and liabilities:		
Tuition receivable, net	(11,013)	(11,318)
Other current assets	(444)	(762)
Restricted cash	(500)	–
Other assets	(57)	25
Accounts payable	858	1,275
Accrued expenses	401	(344)
Income taxes payable	(2,638)	6,271
Unearned tuition	13,086	12,807
Student loans originated	(6,460)	(1,088)
Collections on student loans receivable and held for sale	6,100	1,235
Net cash provided by operating activities	23,571	40,221
Cash flows from investing activities:		
Proceeds from sale of property and equipment	5,150	–
Proceeds from sale of marketable equipment	26,135	–
Purchases of property and equipment	(4,349)	(7,998)
Purchases of marketable securities	(34,000)	–
Net cash used in investing activities	(7,064)	(7,998)
Cash flows from financing activities:		
Deferred lease incentives	11	582
Common stock dividends paid	(2,080)	(2,564)
Preferred stock dividends paid	(2,445)	(1,684)
Repurchase of Common Stock	–	(36,772)
Proceeds from exercise of stock options	2,807	11,949
Net cash used in financing activities	(1,707)	(28,489)
Net increase in cash and cash equivalents	14,800	3,734
Cash and cash equivalents – beginning of period	49,135	82,089
Cash and cash equivalents – end of period	$63,935	$85,823

SOURCE Strayer Education, Inc.

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