STRAYER EDUCATION INC.

# Strayer Education, Inc. Reports Record Fourth Quarter 2005 and Full Year Enrollment, Revenues and Earnings

-- Strayer Fourth Quarter Diluted EPS of $1.03 --
-- Strayer Full Year Diluted EPS of $3.26 --
-- Strayer Winter 2006 Total Enrollments Up 16%/New Students Up 17%/Online Up 41% --
-- Two Pittsburgh, PA Campuses Opened for 2006 Spring Term --

ARLINGTON, Va.,Feb 16, 2006 /PRNewswire-FirstCall via COMTEX News Network/ -- Strayer Education, Inc. (Nasdaq: STRA) today announced financial results for the three months and year ended December 31, 2005. Financial highlights are as follows:

Three Months Ended December 31

* Revenues for the three months ended December 31, 2005 increased 19% to $62.0 million, compared to $52.3 million for the same period in 2004, due to increased enrollment and a 5% tuition increase which commenced in January 2005.

* Income from operations rose 12% to $23.3 million from $20.8 million for the same period in 2004. Operating income margin for the three months ended December 31, 2005 was 37.6% compared to 39.7% for the same period in 2004.

* Net income rose 13% to $15.0 million compared to $13.3 million for the same period in 2004. Earnings per diluted share rose 16% to $1.03 compared to $0.89 for the same period in 2004. Diluted weighted average shares outstanding decreased to 14,590,000 from 14,953,000 for the same period in 2004.

Year Ended December 31

* Revenues for the year ended December 31, 2005 increased 20% to $220.5 million, compared to $183.2 million for the same period in 2004, due to increased enrollment and a 5% tuition increase effective for 2005.

* Income from operations rose 14% to $74.9 million from $65.5 million for the same period in 2004. Operating income margin for the year ended December 31, 2005 was 34.0% compared to 35.7% for the same period in 2004.

* Net income rose 17% to $48.1 million compared to $41.2 million for the same period in 2004. Earnings per diluted share rose 19% to $3.26 compared to $2.74 for the same period in 2004. Diluted weighted average shares outstanding decreased to 14,741,000 from 15,057,000 for the same period in 2004.

"We are pleased with Strayer's financial performance for the fourth quarter and year-end, as well as our enrollment for the winter term," said Robert Silberman, Chairman and Chief Executive Officer of Strayer Education, Inc. "Our yearly results reflect the positive contribution of 2005's five new campuses, including the impact of successfully opening three new markets in North Carolina, South Carolina, and Florida, as well as the continued growth of Strayer University Online. We look forward to the start of classes in our newest market of Pittsburgh, Pennsylvania, with two campuses opening for the spring term. In 2006, we intend to continue to execute on our expansion strategy by opening a total of eight new campuses, including four already opened for the winter and spring terms."

Balance Sheet and Cash Flow

At December 31, 2005, the Company had cash, cash equivalents and marketable securities (a diversified, no load, short-term, tax-exempt bond fund) of $119.8 million and no debt. The Company generated $55.1 million from operating activities in 2005.

Capital expenditures were $12.3 million for the same period.

During the fourth quarter 2005, the Company repurchased 80,910 shares of common stock at an average price of $98.56 under a previously announced common stock repurchase authorization. During 2005, the Company repurchased 410,071 shares of common stock at an average price of $92.59. As of December 31, 2005, the Company had a $32 million authorization remaining under this plan.

In the fourth quarter 2005, bad debt expense as a percentage of revenue was 2.8% compared to 2.9% for the same period in 2004. Days sales outstanding, adjusted to exclude tuition receivable related to future quarters, was 10 days at the end of the fourth quarter 2005, compared to 11 days at the end of the same period in 2004.

## Student Enrollment

Total enrollment at Strayer University for the 2006 winter term increased 16% to 27,621 students compared to 23,815 students for the same term in 2005. Across the Strayer University campus network, new student enrollments increased 17% and continuing student enrollments increased 16%. Out-of-area online students increased 41%, while students taking 100% of their classes at Strayer University Online (including campus based students) increased 27%. The total number of students taking any courses online (including students at brick and mortar campuses taking at least one online course) in the 2006 winter term increased to 18,877.

Student Enrollment

| | Winter 2005 | Winter 2006 | % Change |
|---|---|---|---|
| New Campuses (17 in operation 3 or less years) | | | |
| Campus Based Students | 1,365 | 2,420 | 77 % |
| Online Based Students | 1,776 | 3,102 | 75 % |
| Total New Campus Students | 3,141 | 5,522 | 76 % |
| Mature Campuses (20 in operation more than 3 years) | | | |
| Campus Based Students | 10,174 | 9,584 | -6 % |
| Online Based Students | 8,260 | 9,355 | 13 % |
| Total Mature Campus Students | 18,434 | 18,939 | 3 % |
| Total Campus Based Students | 21,575 | 24,461 | 13 % |
| Out of Area Online Students | 2,240 | 3,160 | 41 % |
| Total University Enrollment | 23,815 | 27,621 | 16 % |
| Total Students Taking 100% Courses Online | 12,276 | 15,617 | 27 % |
| Total Students Taking At Least 1 Course Online | 14,891 | 18,877 | 27 % |

## New Campus Openings

The Company announced today that it has opened two new campuses in Pittsburgh, Pennsylvania for the 2006 spring term. Including the two new campuses successfully opened for the 2006 winter quarter in Wilmington, Delaware and Philadelphia, Pennsylvania, the Company has now opened four of the eight new campuses planned for 2006.

## Academic Leadership Succession

The Company announced today that the President of Strayer University, Dr. J. Chris Toe, will step down from his post on March 31, 2006 to assume the position of Minister of Agriculture in the new democratically elected government of the Republic of Liberia. Dr. Toe will remain a member of Strayer University's adjunct faculty, and continue to serve as a member of the University's Board of Trustees. The University has designated Dr. Joel Nwagbaraocha, its current Dean of Graduate Studies, to serve as Interim University President as of April 1, 2006, and announced it will conduct a formal search for a permanent successor. In addition to serving as Dean of Graduate Studies, Dr. Nwagbaraocha has been a campus dean, and a full time faculty member at Strayer University since 1994. Prior to joining Strayer, Dr. Nwagbaraocha served as the President of Barber-

Scotia College, a regionally accredited, historically black college in Concord, North Carolina. Dr. Nwagbaraocha holds a doctoral degree in education administration from Harvard University. Mr. Silberman stated, "We are very proud of Dr. Toe's decision to lend his many talents to the government in his native Liberia and we wish him every success. We are also very pleased to have Dr. Nwagbaraocha agree to step in as Interim University President, as his long history and familiarity with Strayer University will allow a smooth and seamless transition in academic leadership."

Common Stock Cash Dividend

The Company announced today that its Board of Directors has declared a quarterly common stock cash dividend of $0.25 per share. This dividend will be paid on March 10, 2006 to shareholders of record as of February 28, 2006.

Stock-based Compensation Activity

In February 2006, the Company's Board of Directors approved a grant of approximately 151,000 shares of restricted stock.

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 $13.7 million and $0.94 per share, respectively, for the three months ended December 31, 2005, and $44.7 million and $3.02 per share, respectively, for the year ended December 31, 2005.

Beginning in the first quarter of 2006, the Company will adopt on a prospective basis Financial Accounting Standards No. 123®, Share-based Payment ("SFAS 123®"), which requires the compensation cost related to share-based payments, such as stock options, be recognized in the financial statements. The Company will continue to evaluate the impact of SFAS 123® on its financial condition and results of operations.

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

| | For the twelve months ended December 31, | |
|---|---|---|
| | 2004 | 2005 |
| Dividend yield | 0.24 % | 0.48 % |
| Risk-free interest rate | 3.8 % | 3.9 % |
| Volatility | 34 % | 34 % |
| Expected option term (years) | 6.1 | 6.1 |
| Weighted average fair value of options granted during the year | $45.27 | $39.61 |

Business Outlook

Based on the strong enrollment growth announced for the 2006 winter term, the Company estimates first quarter 2006 diluted EPS will be in the range of $1.10 to $1.12 before the impact of SFAS 123®. Based on the impact of new restricted share grants approved by the Company's Board of Directors in February 2006, the Company now estimates that it will incur SFAS 123® stock-based compensation expense for the first quarter of 2006 of approximately $2.0 million before tax or $0.08 per share after tax, and for the full year 2006 of approximately $9.0-$9.5 million before tax or $0.36-0.38 per share after tax.

Conference Call with Management

Strayer Education, Inc. will host a conference call to discuss its fourth quarter earnings and year-end results on Thursday, February 16, 2006 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.

Strayer Education, Inc. (Nasdaq: STRA - News) 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 27,000 working adult students at 39 campuses in 9 states in the Eastern United States 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

http://www.strayereducation.com and for Strayer University visit http://www.strayer.edu.



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, | |
|---|---|---|---|---|
| | 2004 | 2005 | 2004 | 2005 |
| Revenues | $52,268 | $62,018 | $183,194 | $220,507 |
| Costs and expenses: | | | | |
| Instruction and educational support | 17,247 | 20,402 | 63,860 | 76,977 |
| Selling and promotion | 7,872 | 10,765 | 29,435 | 41,090 |
| General and administration | 6,377 | 7,539 | 24,416 | 27,576 |
| Income from operations | 20,772 | 23,312 | 65,483 | 74,864 |
| Investment and other income | 537 | 891 | 1,595 | 2,982 |
| Income before income taxes | 21,309 | 24,203 | 67,078 | 77,846 |
| Provision for income taxes | 8,030 | 9,192 | 25,838 | 29,781 |
| Net income | 13,279 | 15,011 | 41,240 | 48,065 |
| Preferred stock dividends and accretion | -- | -- | 1,389 | -- |
| Net income available to common stockholders | $13,279 | $15,011 | $39,851 | $48,065 |
| Net income per share: | | | | |
| Basic | $0.91 | $1.05 | $2.91 | $3.32 |
| Diluted | $0.89 | $1.03 | $2.74 | $3.26 |
| Weighted average shares outstanding: | | | | |
| Basic | 14,669 | 14,328 | 13,674 | 14,472 |
| Diluted | 14,953 | 14,590 | 15,057 | 14,741 |

STRAYER EDUCATION, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share data)

| | December 31, 2004 | December 31, 2005 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $97,004 | $74,212 |
| Marketable securities available for sale, at fair value | 25,753 | 45,594 |
| Tuition receivable, net of allowances for doubtful accounts of $1,301 and $1,927 in 2004 and 2005, respectively | 41,669 | 55,935 |
| Student loans receivable - held for sale | 29 | -- |
| Other current assets | 3,679 | 2,581 |
| Total current assets | 168,134 | 178,322 |
| Property and equipment, net | 41,137 | 46,684 |
| Restricted cash | 500 | 500 |
| Other assets | 343 | 339 |
| Total assets | $210,114 | $225,845 |
| **LIABILITIES & STOCKHOLDER'S EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $4,971 | $6,402 |
| Accrued expenses | 2,318 | 1,483 |
| Income taxes payable | 6,060 | 3,773 |
| Unearned tuition | 42,059 | 55,778 |
| Total current liabilities | 55,408 | 67,436 |
| Deferred income taxes | 1,077 | 205 |
| Long-term liabilities | 4,707 | 6,364 |
| Total liabilities | 61,192 | 74,005 |
| Commitments and contingencies | | |
| Stockholder's equity: | | |
| Common stock, par value $.01; 20,000,000 shares authorized; 14,669,487 and 14,292,249 shares issued and outstanding, as of December 31, 2004 and 2005, respectively | 147 | 143 |
| Additional paid-in capital | 140,943 | 105,328 |
| Unearned compensation - restricted stock | -- | (405) |
| Retained earnings | 7,983 | 47,020 |
| Accumulated other comprehensive income (loss) | (151) | (246) |
| Total stockholder's equity | 148,922 | 151,840 |
| Total liabilities and stockholder's equity | $210,114 | $225,845 |

## STRAYER EDUCATION, INC.
## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

| | For the year ended December 31, 2004 | 2005 |
|---|---|---|
| Cash flow from operating activities: | | |
| Net income | $41,240 | $48,065 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Loss on disposal of assets | 30 | 37 |
| Amortization of deferred rent | 614 | 230 |
| Depreciation and amortization | 5,375 | 6,619 |
| Provision for student loan losses | (227) | (162) |
| Deferred income taxes | (101) | (63) |
| Stock-based compensation | -- | 48 |
| Changes in assets and liabilities: | | |
| Tuition receivable, net | (5,672) | (14,266) |
| Other current | (899) | 630 |
| Other assets | 25 | 4 |
| Accounts payable | 287 | 1,503 |
| Accrued expenses | (11) | (835) |
| Income taxes payable | 13,650 | (2,804) |
| Unearned tuition | 2,925 | 13,719 |
| Deferred lease incentives | 745 | 2,342 |
| Student loans originated | (1,361) | (686) |
| Collections on student loans receivable | 1,506 | 762 |
| Net cash provided by operating activities | 58,126 | 55,143 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (11,063) | (12,275) |
| Purchases of marketable securities | -- | (20,000) |
| Net cash used in investing activities | (11,063) | (32,275) |
| Cash flows from financing activities: | | |
| Common dividends paid | (5,645) | (9,028) |
| Preferred dividends paid | (1,684) | -- |
| Proceeds from exercise of stock options | 11,948 | 1,336 |
| Repurchase of common stock | (36,767) | (37,968) |
| Net cash used in financing activities | (32,148) | (45,660) |
| Net increase in cash and cash equivalents | 14,915 | (22,792) |
| Cash and cash equivalents - beginning of period | 82,089 | 97,004 |
| Cash and cash equivalents - end of period | $97,004 | $74,212 |
| | | |
| Non-cash transactions: | | |
| Purchases of property and equipment included in accounts payable | $633 | $561 |

Source: Strayer Education, Inc.