SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ Quarterly Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2024

or

☐ Transition Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File No. 0-21039

Strategic 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.)**
2303 Dulles Station Boulevard Herndon, VA	**20171**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (703) 561-1600

Securities Registered Pursuant to Section 12(b) of the Exchange Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	STRA	Nasdaq Global Select Market

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 18, 2024, there were outstanding 24,569,439 shares of Common Stock, par value $0.01 per share, of the Registrant.

STRATEGIC EDUCATION, INC.
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FORM 10-Q

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements

STRATEGIC EDUCATION, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2023	September 30, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 168,481	$ 195,889
Marketable securities	39,728	26,182
Tuition receivable, net	76,102	105,795
Other current assets	44,758	55,648
Total current assets	329,069	383,514
Property and equipment, net	118,529	116,205
Right-of-use lease assets	119,202	116,700
Marketable securities, non-current	483	—
Intangible assets, net	251,623	251,952
Goodwill	1,251,888	1,260,599
Other assets	54,419	58,554
Total assets	$ 2,125,213	$ 2,187,524
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 90,888	$ 107,211
Income taxes payable	2,200	1,658
Contract liabilities	92,341	154,144
Lease liabilities	24,190	22,827
Total current liabilities	209,619	285,840
Long-term debt	61,400	—
Deferred income tax liabilities	28,338	26,183
Lease liabilities, non-current	127,735	116,090
Other long-term liabilities	45,603	42,615
Total liabilities	472,695	470,728
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value $0.01; 32,000,000 shares authorized; 24,406,816 and 24,569,439 shares issued and outstanding at December 31, 2023 and September 30, 2024, respectively	244	246
Additional paid-in capital	1,517,650	1,529,594
Accumulated other comprehensive loss	(34,247)	(23,238)
Retained earnings	168,871	210,194
Total stockholders' equity	1,652,518	1,716,796
Total liabilities and stockholders' equity	$ 2,125,213	$ 2,187,524

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

STRATEGIC EDUCATION, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2024	2023	2024
Revenues	$ 285,936	$ 305,958	$ 830,222	$ 908,474
Costs and expenses:				
Instructional and support costs	155,735	162,668	470,152	483,612
General and administration	97,598	106,206	292,066	308,013
Amortization of intangible assets	3,382	—	10,364	—
Merger and integration costs	330	—	1,335	—
Restructuring costs	3,262	758	15,208	(2,757)
Total costs and expenses	260,307	269,632	789,125	788,868
Income from operations	25,629	36,326	41,097	119,606
Other income	842	2,264	4,411	3,935
Income before income taxes	26,471	38,590	45,508	123,541
Provision for income taxes	8,012	10,842	14,846	36,193
Net income	$ 18,459	$ 27,748	$ 30,662	$ 87,348
Earnings per share:				
Basic	$ 0.79	$ 1.18	$ 1.31	$ 3.73
Diluted	$ 0.77	$ 1.15	$ 1.28	$ 3.62
Weighted average shares outstanding:				
Basic	23,365	23,422	23,415	23,418
Diluted	23,870	24,173	23,952	24,137

STRATEGIC EDUCATION, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2024	2023	2024
Net income	$ 18,459	$ 27,748	$ 30,662	$ 87,348
Other comprehensive income (loss):				
Foreign currency translation adjustment	(11,891)	23,828	(28,053)	10,770
Unrealized gains on marketable securities, net of tax	97	25	243	239
Comprehensive income	$ 6,665	$ 51,601	$ 2,852	$ 98,357

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

STRATEGIC EDUCATION, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	For the three months ended September 30, 2023					
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Par Value				
Balance at June 30, 2023	24,465,671	$ 245	$ 1,509,077	$ 140,368	$ (51,084)	$ 1,598,606
Stock-based compensation	—	—	3,905	172	—	4,077
Exercise of stock options	1,382	—	71	—	—	71
Issuance of restricted stock, net	(47,961)	(1)	(30)	—	—	(31)
Common stock dividends ($0.60 per share)	—	—	—	(14,634)	—	(14,634)
Foreign currency translation adjustment	—	—	—	—	(11,891)	(11,891)
Unrealized gains on marketable securities, net of tax	—	—	—	—	97	97
Net income	—	—	—	18,459	—	18,459
Balance at September 30, 2023	24,419,092	$ 244	$ 1,513,023	$ 144,365	$ (62,878)	$ 1,594,754

	For the three months ended September 30, 2024					
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Par Value				
Balance at June 30, 2024	24,622,994	$ 246	$ 1,526,037	$ 198,908	$ (47,091)	$ 1,678,100
Stock-based compensation	—	—	6,887	—	—	6,887
Repurchase of common stock	(53,555)	—	(3,330)	(1,670)	—	(5,000)
Common stock dividends ($0.60 per share)	—	—	—	(14,792)	—	(14,792)
Foreign currency translation adjustment	—	—	—	—	23,828	23,828
Unrealized gains on marketable securities, net of tax	—	—	—	—	25	25
Net income	—	—	—	27,748	—	27,748
Balance at September 30, 2024	24,569,439	$ 246	$ 1,529,594	$ 210,194	$ (23,238)	$ 1,716,796

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

STRATEGIC EDUCATION, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	For the nine months ended September 30, 2023					
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Par Value				
Balance at December 31, 2022	24,402,891	$ 244	$ 1,510,924	$ 159,690	$ (35,068)	$ 1,635,790
Stock-based compensation	—	—	15,030	172	—	15,202
Exercise of stock options	2,704	—	126	—	—	126
Issuance of restricted stock, net	142,570	1	(5,051)	—	—	(5,050)
Repurchase of common stock	(129,073)	(1)	(8,006)	(2,006)	—	(10,013)
Common stock dividends ($1.80 per share)	—	—	—	(44,153)	—	(44,153)
Foreign currency translation adjustment	—	—	—	—	(28,053)	(28,053)
Unrealized gains on marketable securities, net of tax	—	—	—	—	243	243
Net income	—	—	—	30,662	—	30,662
Balance at September 30, 2023	24,419,092	$ 244	$ 1,513,023	$ 144,365	$ (62,878)	$ 1,594,754

	For the nine months ended September 30, 2024					
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Par Value				
Balance at December 31, 2023	24,406,816	$ 244	$ 1,517,650	$ 168,871	$ (34,247)	$ 1,652,518
Stock-based compensation	—	—	18,789	—	—	18,789
Exercise of stock options	4,864	—	318	—	—	318
Issuance of restricted stock, net	211,314	2	(3,833)	—	—	(3,831)
Repurchase of common stock	(53,555)	—	(3,330)	(1,670)	—	(5,000)
Common stock dividends ($1.80 per share)	—	—	—	(44,355)	—	(44,355)
Foreign currency translation adjustment	—	—	—	—	10,770	10,770
Unrealized gains on marketable securities, net of tax	—	—	—	—	239	239
Net income	—	—	—	87,348	—	87,348
Balance at September 30, 2024	24,569,439	$ 246	$ 1,529,594	$ 210,194	$ (23,238)	$ 1,716,796

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

STRATEGIC EDUCATION, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the nine months ended September 30,	
	2023	2024
Cash flows from operating activities:		
Net income	$ 30,662	$ 87,348
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of property and equipment	(2,136)	—
Gain on early termination of operating leases	(98)	(6,166)
Amortization of deferred financing costs	416	421
Amortization of investment discount/premium	(40)	(47)
Depreciation and amortization	44,881	33,033
Deferred income taxes	(5,947)	(2,272)
Stock-based compensation	15,202	18,789
Impairment of right-of-use lease assets	5,135	—
Changes in assets and liabilities:		
Tuition receivable, net	(35,113)	(27,849)
Other assets	(12,456)	(15,877)
Accounts payable and accrued expenses	11,119	12,878
Income taxes payable and income taxes receivable	(14,669)	(646)
Contract liabilities	52,836	57,576
Other liabilities	(2,619)	(3,762)
Net cash provided by operating activities	87,173	153,426
Cash flows from investing activities:		
Purchases of property and equipment	(27,318)	(29,346)
Purchases of marketable securities	(16,904)	(14,720)
Proceeds from marketable securities	8,175	29,525
Proceeds from sale of property and equipment	5,890	—
Proceeds from other investments	457	20
Other investments	(314)	(490)
Cash paid for acquisition, net of cash acquired	(448)	(163)
Net cash used in investing activities	(30,462)	(15,174)
Cash flows from financing activities:		
Common dividends paid	(44,139)	(44,262)
Payments on long-term debt	(40,000)	(61,275)
Net payments for stock awards	(4,925)	(3,514)
Repurchase of common stock	(9,999)	(5,000)
Net cash used in financing activities	(99,063)	(114,051)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(3,657)	1,495
Net increase (decrease) in cash, cash equivalents, and restricted cash	(46,009)	25,696
Cash, cash equivalents, and restricted cash — beginning of period	227,454	181,925
Cash, cash equivalents, and restricted cash — end of period	$ 181,445	$ 207,621
Non-cash transactions:		
Non-cash additions to property and equipment	$ 2,110	$ 2,834
Right-of-use lease assets obtained in exchange for operating lease liabilities	$ 8,329	$ 10,205

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

STRATEGIC EDUCATION, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Nature of Operations

Strategic Education, Inc. ("Strategic Education" or the "Company"), a Maryland corporation, is an education services company that provides access to high-quality education through campus-based and online post-secondary education offerings, as well as through programs to develop job-ready skills for high-demand markets. Strategic Education's portfolio of companies is dedicated to closing the skills gap by placing adults on the most direct path between learning and employment.

The accompanying condensed consolidated financial statements and footnotes include the results of the Company's three reportable segments: (1) U.S. Higher Education ("USHE"), which is primarily comprised of Capella University and Strayer University and is focused on providing flexible and affordable certificate and degree programs to working adults; (2) Education Technology Services, which primarily develops and maintains relationships with employers to build employee education benefits programs that provide employees access to affordable and industry-relevant training, certificate, and degree programs; and (3) Australia/New Zealand, which through Torrens University and associated assets, provides certificate and degree programs in Australia and New Zealand. The Company's reportable segments are discussed further in Note 15.

2. Significant Accounting Policies

Financial Statement Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

All information as of, and for the three and nine months ended, September 30, 2023 and 2024 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 condensed consolidated balance sheet as of December 31, 2023 has been derived from the audited consolidated financial statements at that date. Certain amounts in the prior period have been reclassified to conform to the current period's presentation. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted. These unaudited 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, 2023. The results of operations for the three and nine months ended September 30, 2024 are not necessarily indicative of the results to be expected for the full fiscal year.

Below is a description of the nature of the costs included in the Company's operating expense categories.

> Instructional and support costs generally contain items of expense directly attributable to activities that support students. This expense category includes salaries and benefits of faculty and academic administrators, as well as admissions and administrative personnel who support and serve student interests. Instructional and support costs also include course development costs and costs associated with delivering course content, including educational supplies, facilities, and all other physical plant and occupancy costs, with the exception of costs attributable to the corporate offices. Bad debt expense incurred on delinquent student account balances is also included in instructional and support costs.
>
> General and administration expenses include salaries and benefits of management and employees engaged in finance, human resources, legal, regulatory compliance, marketing and other corporate functions. Also included are the costs of advertising and production of marketing materials. General and administration expense also includes the facilities occupancy and other related costs attributable to such functions.
>
> Amortization of intangible assets consists of amortization and depreciation expense related to intangible assets and software assets acquired through the Company's acquisition of Torrens University and associated assets in Australia and New Zealand ("ANZ").
>
> Merger and integration costs include integration expenses associated with the Company's merger with Capella Education Company and the Company's acquisition of ANZ.
>
> Restructuring costs include severance and other personnel-related expenses from voluntary and involuntary employee terminations, asset impairment charges, gains on sale of real estate and early termination of leased facilities, and other costs associated with the Company's restructuring activities. See Note 4 for additional information.

Foreign Currency Translation and Transaction Gains and Losses

The United States Dollar ("USD") is the functional currency of the Company and its subsidiaries operating in the United States. The financial statements of its foreign subsidiaries are maintained in their functional currencies. The functional currency of each of the foreign subsidiaries is the currency of the economic environment in which the subsidiary primarily does business. Financial statements of foreign subsidiaries are translated into USD using the exchange rates applicable to the dates of the financial statements. Assets and liabilities are translated into USD using the period-end spot foreign exchange rates. Income and expenses are translated at the weighted-average exchange rates in effect during the period. Equity accounts are translated at historical exchange rates. The effects of these translation adjustments are reported as a component of accumulated other comprehensive income (loss) within stockholders' equity.

For any transaction that is in a currency different from the entity's functional currency, the Company records a net gain or loss based on the difference between the exchange rate at the transaction date and the exchange rate at the transaction settlement date (or rate at period end, if unsettled) in the unaudited condensed consolidated statements of income.

Restricted Cash

In the United States, a significant portion of the Company's revenues are funded by various federal and state government programs. The Company generally does not receive funds from these programs prior to the start of the corresponding academic term. The Company may be required to return certain funds for students who withdraw from a U.S. higher education institution during the academic term. The Company had approximately $1.8 million of these unpaid obligations as of December 31, 2023 and September 30, 2024. In Australia and New Zealand, advance tuition payments from international students are required to be restricted until a student commences his or her course. In addition, a portion of tuition prepayments from students enrolled in a vocational education and training program are held in trust by a third party law firm to adhere to tuition protection requirements. As of December 31, 2023 and September 30, 2024, the Company had approximately $11.1 million and $9.4 million, respectively, of restricted cash related to these requirements in Australia and New Zealand. These balances are recorded as restricted cash and included in other current assets in the unaudited condensed consolidated balance sheets.

As part of conducting operations in Pennsylvania, the Company is required to maintain a "minimum protective endowment" of at least $0.5 million in an interest-bearing account as long as the Company operates its campuses in the state. The Company holds these funds in an interest-bearing account, which is included in other assets in the unaudited condensed consolidated balance sheets.

The following table illustrates the reconciliation of cash, cash equivalents, and restricted cash shown in the unaudited condensed consolidated statements of cash flows as of September 30, 2023 and 2024 (in thousands):

	As of September 30,	
	2023	**2024**
Cash and cash equivalents	$ 167,707	$ 195,889
Restricted cash included in other current assets	13,238	11,232
Restricted cash included in other assets	500	500
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 181,445	$ 207,621

Marketable Securities

Investments in marketable securities are carried at either amortized cost or fair value. Investments in marketable securities that the Company has the positive intent and ability to hold to maturity are carried at amortized cost and classified as held-to-maturity. Investments in marketable securities that are not classified as held-to-maturity are carried at fair value and classified as either trading or available-for-sale. Management determines the appropriate designation of marketable securities at the time of purchase and re-evaluates such designation as of each balance sheet date. All of the Company's marketable securities are designated as either held-to-maturity or available-for-sale.

The Company's available-for-sale marketable securities consist of tax-exempt municipal securities and corporate debt securities, which are carried at fair value as determined by quoted market prices or other inputs either directly or indirectly observable in the marketplace for identical or similar assets, with unrealized gains and losses, net of tax, recognized as a component of accumulated other comprehensive income (loss) within stockholders' equity. Management reviews the fair value of the portfolio at least quarterly, and evaluates individual securities with fair value below amortized cost at the balance sheet date for impairment. In order to determine whether there is an impairment, management evaluates whether the Company intends to sell the impaired security and whether it is more likely than not that the Company will be required to sell the security before recovering its amortized cost basis.

If management intends to sell an impaired debt security, or it is more likely than not the Company will be required to sell the security prior to recovering its amortized cost basis, an impairment is deemed to have occurred. The amount of an impairment related to a credit loss, or securities that management intends to sell before recovery, is recognized in earnings. The amount of an impairment on debt securities related to other factors is recorded consistent with changes in the fair value of all other available-for-sale securities as a component of accumulated other comprehensive income (loss) within stockholders' equity.

The cost of securities sold is based on the specific identification method. Amortization of premiums, accretion of discounts, interest, dividend income and realized gains and losses are included in other income. The contractual maturity date of available-for-sale securities is based on the days remaining to the effective maturity. The Company classifies marketable securities as either current or non-current assets based on management's intent with regard to usage of those funds, which is dependent upon the security's maturity date and liquidity considerations based on current market conditions. If management intends to hold the securities for longer than one year as of the balance sheet date, they are classified as non-current.

Tuition Receivable and Allowance for Credit Losses

The Company records tuition receivable and contract liabilities for its students upon the start of the academic term or program. Tuition receivables are not collateralized; however, credit risk is minimized as a result of the diverse nature of the Company's student bases and through the participation of the majority of the students in federally funded financial aid programs. An allowance for credit losses is established based upon historical collection rates by age of receivable and adjusted for reasonable expectations of future collection performance, net of estimated recoveries. These collection rates incorporate historical performance based on a student's current enrollment status, likelihood of future enrollment, degree mix trends and changes in the overall economic environment. In the event that current collection trends differ from historical trends, an adjustment is made to the allowance for credit losses and bad debt expense.

The Company's current tuition receivable and allowance for credit losses were as follows as of December 31, 2023 and September 30, 2024 (in thousands):

	December 31, 2023	September 30, 2024
Tuition receivable	$ 123,357	$ 156,068
Allowance for credit losses	(47,255)	(50,273)
Tuition receivable, net	$ 76,102	$ 105,795

An additional $2.5 million and $7.2 million of tuition receivable, net, are included in other assets as of December 31, 2023 and September 30, 2024, respectively, because these amounts are expected to be collected after 12 months.

The following table illustrates changes in the Company's current and non-current allowance for credit losses for the three and nine months ended September 30, 2023 and 2024 (in thousands).

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2024	2023	2024
Allowance for credit losses, beginning of period	$ 46,284	$ 46,787	$ 47,586	$ 47,605
Additions charged to expense	14,880	13,793	37,138	39,418
Write-offs, net of recoveries	(12,469)	(15,044)	(36,029)	(41,487)
Allowance for credit losses, end of period	$ 48,695	$ 45,536	$ 48,695	$ 45,536

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price of an acquired business over the amount assigned to the assets acquired and liabilities assumed in a business combination. Indefinite-lived intangible assets, which include trade names, are recorded at fair value on their acquisition date. An indefinite life was assigned to the trade names because they have the continued ability to generate cash flows indefinitely.

Goodwill and the indefinite-lived intangible assets are assessed at least annually for impairment on the first day of the fourth quarter, or more frequently if events occur or circumstances change between annual tests that would more likely than not reduce the fair value of the respective reporting unit or indefinite-lived intangible asset below its carrying amount. The Company identifies its reporting units by assessing whether the components of its operating segments constitute businesses for which discrete financial information is available, and management regularly reviews the operating results of those components.

Finite-lived intangible assets that are acquired in business combinations are recorded at fair value on their acquisition dates and are amortized on a straight-line basis over the estimated useful life of the asset. Finite-lived intangible assets consist of student relationships.

The Company reviews its finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are not recoverable, a potential impairment loss is recognized to the extent the carrying amount of the assets exceeds the fair value of the assets.

Authorized Stock

The Company has authorized 32,000,000 shares of common stock, par value $0.01, of which 24,406,816 and 24,569,439 shares were issued and outstanding as of December 31, 2023 and September 30, 2024, respectively. The Company also has authorized 8,000,000 shares of preferred stock, none of which is issued or outstanding. Before any preferred stock may be issued, the Board of Directors must establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, and the terms or conditions of the redemption of the preferred stock.

In July 2024, the Company's Board of Directors declared a regular, quarterly cash dividend of $0.60 per share of common stock. The dividend was paid on September 16, 2024.

Net Income Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the periods. Diluted earnings per share reflects the potential dilution that could occur assuming conversion or exercise of all dilutive unexercised stock options, restricted stock, and restricted stock units ("stock awards"). The dilutive effect of stock awards was determined using the treasury stock method. Under the treasury stock method, the following are assumed to be used to repurchase shares of the Company's common stock: (1) the proceeds received from the exercise of stock options and (2) the amount of compensation cost associated with the stock awards for future service not yet recognized by the Company. Stock awards are excluded from the computation of diluted earnings per share when their effect would be anti-dilutive.

Set forth below is a reconciliation of shares used to calculate basic and diluted earnings per share for the three and nine months ended September 30, 2023 and 2024 (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2024	2023	2024
Weighted average shares outstanding used to compute basic earnings per share	23,365	23,422	23,415	23,418
Incremental shares issuable upon the assumed exercise of stock options	3	5	4	5
Unvested restricted stock and restricted stock units	502	746	533	714
Shares used to compute diluted earnings per share	23,870	24,173	23,952	24,137
Anti-dilutive shares excluded from the diluted earnings per share calculation	276	—	219	—

Comprehensive Income

Comprehensive income includes net income and all changes in the Company's equity during a period from non-owner sources, which for the Company consists of unrealized gains and losses on available-for-sale marketable securities, net of tax, and foreign currency translation adjustments. As of December 31, 2023 and September 30, 2024, the balance of accumulated other comprehensive loss was $34.2 million, net of tax of $0.1 million, and $23.2 million, net of tax of $0.1 million, respectively. There were no reclassifications out of accumulated other comprehensive income (loss) to net income for the three and nine months ended September 30, 2023 and 2024.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period reported. The most significant management estimates include allowances for credit losses, useful lives of property and equipment and intangible assets, incremental borrowing rates, potential sublease income and vacancy periods,

accrued expenses, forfeiture rates and the likelihood of achieving performance criteria for stock-based awards, value of free courses earned by students that will be redeemed in the future, valuation of goodwill and intangible assets, and the provision for income taxes. Actual results could differ from those estimates.

Recently Issued Accounting Standards Not Yet Adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which requires disclosure of significant segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of segment profit or loss. The standard also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of segment profit or loss in assessing segment performance and deciding how to allocate resources. Additionally, ASU 2023-07 requires all segment disclosures to be provided on an annual and interim basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted and the amendments must be applied retrospectively. We are currently evaluating the impact that the standard will have on our financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740)—Improvements to Income Tax Disclosures* ("ASU 2023-09"), which requires disclosure of specific categories in the effective tax rate reconciliation. Further, the standard requires certain disclosures of state versus federal income tax expense and taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted and the amendments should be applied on a prospective basis although retrospective application is permitted. We are currently evaluating the impact that the standard will have on our financial statement disclosures.

Other ASUs recently issued by the FASB but not yet effective are not expected to have a material effect on the Company's consolidated financial statements.

3. Revenue Recognition

The Company's revenues primarily consist of tuition revenue arising from educational services provided in the form of classroom instruction and online courses. Tuition revenue is deferred and recognized ratably over the period of instruction, which varies depending on the course format and chosen program of study. Capella University's GuidedPath classes and Strayer University's educational programs typically are offered on a quarterly basis, and such periods coincide with the Company's quarterly financial reporting periods, while Capella University's FlexPath courses are delivered over a twelve-week subscription period. Torrens University offers the majority of its education programs on a trimester system having three primary academic terms, which all occur within the calendar year.

The following table presents the Company's revenues from contracts with customers disaggregated by material revenue category for the three and nine months ended September 30, 2023 and 2024 (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2024	2023	2024
U.S. Higher Education Segment				
Tuition, net of discounts, grants and scholarships	$ 192,850	$ 198,873	$ 575,725	$ 616,175
Other[1]	8,978	8,836	25,677	27,383
Total U.S. Higher Education Segment	201,828	207,709	601,402	643,558
Australia/New Zealand Segment				
Tuition, net of discounts, grants and scholarships	61,667	69,973	165,855	184,611
Other[1]	1,597	1,975	4,384	5,842
Total Australia/New Zealand Segment	63,264	71,948	170,239	190,453
Education Technology Services Segment[2]	20,844	26,301	58,581	74,463
Consolidated revenue	$ 285,936	$ 305,958	$ 830,222	$ 908,474

(1) Other revenue is primarily comprised of academic fees, sales of course materials, placement fees and other non-tuition revenue streams.
(2) Education Technology Services revenue is primarily derived from tuition revenue.

Revenues are recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those goods and services. The Company applies the

five-step revenue model under Accounting Standards Codification ("ASC") 606, *Revenue Recognition* ("ASC 606") to determine when revenue is earned and recognized.

Arrangements with students may have multiple performance obligations. For such arrangements, the Company allocates net tuition revenue to each performance obligation based on its relative standalone selling price. The Company generally determines standalone selling prices based on the prices charged to customers and observable market prices. The standalone selling price of material rights to receive free classes or scholarships in the future is estimated based on class tuition prices or amounts of scholarships, and likelihood of redemption based on historical student attendance and completion behavior.

At the start of each academic term or program, a contract liability is recorded for academic services to be provided, and a tuition receivable is recorded for the portion of the tuition not paid in advance. Any cash received prior to the start of an academic term or program is recorded as a contract liability. Some students may be eligible for scholarship awards, the estimated value of which will be realized in the future and is deducted from revenue when earned, based on historical student attendance and completion behavior. Contract liabilities are recorded as a current or long-term liability in the unaudited condensed consolidated balance sheets based on when the benefits are expected to be realized.

Course materials are available to enable students to access electronically all required materials for courses in which they enroll during the quarter. Revenue derived from course materials is recognized ratably over the duration of the course as the Company provides the student with continuous access to these materials during the term. For sales of certain other course materials, the Company is considered the agent in the transaction, and as such, the Company recognizes revenue net of amounts owed to the vendor at the time of sale. Revenues also include certain academic fees recognized within the quarter of instruction, and certificate revenue and licensing revenue, which are recognized as the services are provided.

Contract Liabilities – Graduation Fund

Strayer University offers the Graduation Fund, which allows undergraduate students to earn tuition credits that are redeemable in the final year of a student's course of study if he or she successfully remains in the program. Students registering in credit-bearing courses in any undergraduate degree program receive one free course for every three courses that the student successfully completes. To be eligible, students must meet all of Strayer University's admission requirements and must be enrolled in a bachelor's degree program. Students who have more than one consecutive term of non-attendance lose any Graduation Fund credits earned to date, but may earn and accumulate new credits if the student is reinstated or readmitted by Strayer University in the future.

Revenue from students participating in the Graduation Fund is recorded in accordance with ASC 606. The Company defers the value of the related performance obligation associated with the credits estimated to be redeemed in the future based on the underlying revenue transactions that result in progress by the student toward earning the benefit. The Company's estimate of the benefits that will be redeemed in the future is based on its historical experience of student persistence toward completion of a course of study within this program and similar programs. Each quarter, the Company assesses its assumptions underlying these estimates, and to date, any adjustments to the estimates have not been material. The amount estimated to be redeemed in the next 12 months is $20.4 million and is included as a current contract liability in the unaudited condensed consolidated balance sheets. The remainder is expected to be redeemed within two to four years.

The table below presents activity in the contract liability related to the Graduation Fund (in thousands):

	For the nine months ended September 30,	
	2023	**2024**
Balance at beginning of period	$ 46,842	$ 44,480
Revenue deferred	14,543	16,358
Benefit redeemed	(16,931)	(17,054)
Balance at end of period	$ 44,454	$ 43,784

Contract Liabilities – Tuition Cap

Students in certain programs at Capella University and Strayer University may be eligible for tuition cap pricing, wherein their tuition is waived once the student has reached the designated dollar cap threshold for their program. The Company defers the value of the related performance obligation associated with this tuition benefit estimated to be redeemed in the future based on the underlying revenue transactions that result in progress by the student towards reaching the tuition cap. The Company's estimate of the benefits that will be redeemed in the future is based on its historical experience of student persistence toward completion of a course of study within these programs or similar programs. Each quarter, the Company assesses its assumptions underlying these

estimates. As of December 31, 2023 and September 30, 2024, the Company had $11.8 million and $14.7 million, respectively, of contract liabilities in the unaudited condensed consolidated balance sheets related to tuition cap benefits that are estimated to be redeemed in the future. The amount estimated to be redeemed in the next 12 months is $6.7 million and is included as a current contract liability in the unaudited condensed consolidated balance sheets.

Unbilled Receivables – Student Tuition

Academic materials may be shipped to certain new undergraduate students in advance of the term of enrollment. Under ASC 606, the materials represent a performance obligation to which the Company allocates revenue based on the fair value of the materials relative to the total fair value of all performance obligations in the arrangement with the student. When control of the materials passes to the student in advance of the term of enrollment, an unbilled receivable and related revenue are recorded.

Costs to Obtain a Contract

Certain commissions earned by third party international agents are considered incremental and recoverable costs of obtaining a contract with customers in the Australia/New Zealand segment. These costs are deferred and then amortized over the period of benefit which ranges from one year to two years.

4. Restructuring and Related Charges

The Company incurs severance and other employee separation costs related to employee terminations that are not tied to a formal restructuring plan. The Company incurred $2.9 million and $11.3 million of severance and other employee separation charges during the three and nine months ended September 30, 2023, respectively, and $0.6 million and $1.9 million during the three and nine months ended September 30, 2024, respectively, related to the elimination of certain positions. These severance and other employee separation charges are included in Restructuring costs on the unaudited condensed consolidated statements of income.

The following details the changes in the Company's severance and other employee separation costs restructuring liabilities during the nine months ended September 30, 2023 and 2024 (in thousands):

	Severance Restructuring Liability
Balance at December 31, 2022	$ —
Restructuring and other charges	11,256
Payments	(8,731)
Balance at September 30, 2023	$ 2,525
Balance at December 31, 2023[1]	$ 795
Restructuring and other charges	1,896
Payments	(2,593)
Balance at September 30, 2024[1]	$ 98

(1) Restructuring liabilities are included in accounts payable and accrued expenses in the unaudited condensed consolidated balance sheets.

The Company evaluates its owned and leased real estate portfolio on an ongoing basis, which has resulted in the consolidation and sale of underutilized facilities. The Company recorded approximately $5.1 million of right-of-use lease asset charges during the nine months ended September 30, 2023 related to facilities that were consolidated during the period. The Company also recorded fixed asset impairment charges of approximately $0.1 million and $0.4 million during the three and nine months ended September 30, 2023. During the nine months ended September 30, 2023, the Company recorded a $2.1 million gain from the sale of property and equipment of an owned campus that was previously closed. The Company recorded a net benefit related to the early termination and related extinguishment of lease liabilities of approximately $6.2 million during the nine months ended September 30, 2024. These right-of-use lease asset and fixed asset impairment charges, gains on the sale of property and equipment, and net benefits from early lease terminations are included in Restructuring costs on the unaudited condensed consolidated statements of income.

5. Marketable Securities

The following is a summary of available-for-sale and held-to-maturity securities as of September 30, 2024 (in thousands):

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized (Losses)	Estimated Fair Value
Available-for-sale securities:				
Corporate debt securities	$ 2,000	$ —	$ (10)	$ 1,990
Held-to-maturity securities:				
Term deposits	$ 24,192	$ —	$ —	$ 24,192

The following is a summary of available-for-sale securities as of December 31, 2023 (in thousands):

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized (Losses)	Estimated Fair Value
Available-for-sale securities:				
Tax-exempt municipal securities	$ 10,055	$ 2	$ (144)	$ 9,913
Corporate debt securities	3,202	—	(79)	3,123
Total available-for sale securities	$ 13,257	$ 2	$ (223)	$ 13,036
Held-to-maturity securities:				
Term deposits	$ 27,175	$ —	$ —	$ 27,175

The unrealized gains and losses on the Company's investments in corporate debt and municipal securities as of December 31, 2023 and September 30, 2024 were caused by changes in market values primarily due to interest rate changes. As of September 30, 2024, the fair value of the Company's securities which were in an unrealized loss position for a period longer than twelve months was $2.0 million. The Company does not intend to sell these securities, and it is not more likely than not that the Company will be required to sell these securities prior to the recovery of their amortized cost basis, which may be at maturity. As such, no impairment charges were recorded during the three and nine months ended September 30, 2023 and 2024. The Company has no allowance for credit losses related to its available-for-sale or held-to-maturity securities as all investments are in investment grade securities.

The following table summarizes the maturities of the Company's marketable securities as of December 31, 2023 and September 30, 2024 (in thousands):

	December 31, 2023		September 30, 2024	
	Available-for-sale securities	Held-to-maturity securities	Available-for-sale securities	Held-to-maturity securities
Due within one year	$ 12,553	$ 27,175	$ 1,990	$ 24,192
Due after one year through three years	483	—	—	—
Total	$ 13,036	$ 27,175	$ 1,990	$ 24,192

The following table summarizes the proceeds from the maturities and sales of marketable securities for the three and nine months ended September 30, 2023 and 2024 (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2024	2023	2024
Maturities of marketable securities	$ 3,215	$ 7,000	$ 8,175	$ 29,525
Sales of marketable securities	—	—	—	—
Total	$ 3,215	$ 7,000	$ 8,175	$ 29,525

The Company did not record any gross realized gains or losses in net income during the three and nine months ended September 30, 2023 and September 30, 2024.

6. Fair Value Measurement

Assets measured at fair value on a recurring basis consist of the following as of September 30, 2024 (in thousands):

		Fair Value Measurements at Reporting Date Using		
	September 30, 2024	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds	$ 102,754	$ 102,754	$ —	$ —
U.S. treasury bills	29,860	29,860	—	—
Available-for-sale securities:				
Corporate debt securities	1,990	—	1,990	—
Total assets at fair value on a recurring basis	$ 134,604	$ 132,614	$ 1,990	$ —

Assets measured at fair value on a recurring basis consist of the following as of December 31, 2023 (in thousands):

		Fair Value Measurements at Reporting Date Using		
	December 31, 2023	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds	$ 92,231	$ 92,231	$ —	$ —
U.S. treasury bills	5,000	5,000	—	—
Available-for-sale securities:				
Tax-exempt municipal securities	9,913	—	9,913	—
Corporate debt securities	3,123	—	3,123	—
Total assets at fair value on a recurring basis	$ 110,267	$ 97,231	$ 13,036	$ —

The Company measures the above items on a recurring basis at fair value as follows:

- Money market funds and U.S. treasury bills – Classified in Level 1 is excess cash the Company holds in money market funds and U.S. treasury bills with original maturities of three months or less, which are included in cash and cash equivalents in the accompanying unaudited condensed consolidated balance sheets. The Company records any net unrealized gains and losses for changes in fair value as a component of accumulated other comprehensive income (loss) in stockholders' equity. The Company's cash and cash equivalents and held-to-maturity securities held at December 31, 2023 and September 30, 2024 approximate fair value and are not disclosed in the above tables because of the short-term nature of the financial instruments.

- Available-for-sale securities – Classified in Level 2 and valued using readily available pricing sources for comparable instruments utilizing observable inputs from active markets. The Company does not hold securities in inactive markets.

The Company did not change its valuation techniques associated with recurring fair value measurements from prior periods and did not transfer assets or liabilities between levels of the fair value hierarchy during the nine months ended September 30, 2023 and 2024.

7. Goodwill and Intangible Assets

Goodwill

The following table presents changes in the carrying value of goodwill by segment for the nine months ended September 30, 2024 (in thousands):

	U.S. Higher Education	Australia / New Zealand	Education Technology Services	Total
Balance as of December 31, 2023	$ 632,075	$ 519,813	$ 100,000	$ 1,251,888
Additions	—	—	—	—
Impairments	—	—	—	—
Currency translation adjustments	—	8,711	—	8,711
Adjustments to prior acquisitions	—	—	—	—
Balance as of September 30, 2024	$ 632,075	$ 528,524	$ 100,000	$ 1,260,599

The Company assesses goodwill at least annually for impairment during the fourth quarter, or more frequently if events occur or circumstances change between annual tests that would more likely than not reduce the fair value of the respective reporting unit below its carrying amount. No events or circumstances occurred in the three and nine months ended September 30, 2024 to indicate an impairment to goodwill at any of the Company's segments. There were no impairment charges related to goodwill recorded during the three and nine months ended September 30, 2023 and 2024.

Intangible Assets

The following table represents the balance of the Company's intangible assets as of December 31, 2023 and September 30, 2024 (in thousands):

	December 31, 2023			September 30, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Subject to amortization						
Student relationships	$ 200,002	$ (200,002)	$ —	$ 200,002	$ (200,002)	$ —
Not subject to amortization						
Trade names	251,623	—	251,623	251,952	—	251,952
Total	$ 451,625	$ (200,002)	$ 251,623	$ 451,954	$ (200,002)	$ 251,952

The Company's finite-lived intangible assets were comprised of student relationships, which were amortized on a straight-line basis over a three-year useful life. Straight-line amortization expense for finite-lived intangible assets reflects the pattern in which the economic benefits of the assets were consumed over their estimated useful lives. Amortization expense related to finite-lived intangible assets was $8.0 million for the nine months ended September 30, 2023. All finite-lived intangible assets were fully amortized by the end of 2023.

Indefinite-lived intangible assets not subject to amortization consist of trade names. The Company assigned an indefinite useful life to its trade name intangible assets, as it is believed these assets have the ability to generate cash flows indefinitely. In addition, there are no legal, regulatory, contractual, economic, or other factors to limit the useful life of the trade name intangibles.

The Company assesses indefinite-lived intangible assets at least annually for impairment during the fourth quarter, or more frequently if events occur or circumstances change between annual tests that would more likely than not reduce the fair value of the respective indefinite-lived intangible asset below its carrying amount. In the second quarter of 2024, the Company recorded a $0.8 million indefinite-lived intangible asset impairment charge, which is included in Restructuring costs on the unaudited condensed consolidated statements of income. There were no other impairment charges related to indefinite-lived intangible assets recorded during the three and nine months ended September 30, 2023 and 2024.

8. Other Current Assets

Other current assets consist of the following as of December 31, 2023 and September 30, 2024 (in thousands):

	December 31, 2023	September 30, 2024
Prepaid expenses	$ 20,028	$ 26,530
Restricted cash	12,944	11,232
Cloud computing arrangements	6,870	11,381
Other	4,916	6,505
Other current assets	$ 44,758	$ 55,648

9. Other Assets

Other assets consist of the following as of December 31, 2023 and September 30, 2024 (in thousands):

	December 31, 2023	September 30, 2024
Prepaid expenses, net of current portion	$ 16,679	$ 15,634
Equity method investments	16,068	13,595
Cloud computing arrangements, net of current portion	12,806	14,111
Tuition receivable, net, non-current	2,516	7,217
Other investments	2,806	2,786
Other	3,544	5,211
Other assets	$ 54,419	$ 58,554

Prepaid Expenses

Long-term prepaid expenses primarily relate to payments that have been made for future services to be provided after one year. In 2020, pursuant to the terms of the perpetual license agreement associated with the Jack Welch Management Institute, the Company made a final one-time cash payment of approximately $25.3 million for the right to continue to use the Jack Welch name and likeness. As of December 31, 2023 and September 30, 2024, $16.2 million and $15.0 million, respectively, of this payment is included in the prepaid expenses, net of current portion balance, as the payment is being amortized over an estimated useful life of 15 years.

Equity Method Investments

The Company holds investments in certain limited partnerships that invest in various innovative companies in the health care and education-related technology fields. The Company has commitments to invest up to an additional $2.2 million across these partnerships through 2031. The Company's investments range from 3%-5% of any partnership's interest and are accounted for under the equity method.

The following table illustrates changes in the Company's limited partnership investments for the three and nine months ended September 30, 2023 and 2024 (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2024	2023	2024
Limited partnership investments, beginning of period	$ 17,205	$ 13,963	$ 13,879	$ 16,068
Capital contributions	162	394	314	490
Pro-rata share in the net income (loss) of limited partnerships	(114)	(290)	3,060	(2,491)
Distributions	(1,078)	(472)	(1,078)	(472)
Limited partnership investments, end of period	$ 16,175	$ 13,595	$ 16,175	$ 13,595

Cloud Computing Arrangements

The Company defers implementation costs incurred in cloud computing arrangements and amortizes these costs over the term of the arrangement.

Other Investments

The Company holds investments in education technology start-ups focused on transformational technologies that improve student success. These investments are accounted for at cost less impairment as they do not have readily determinable fair value.

Tuition Receivable

Non-current tuition receivable, net, represents tuition that the Company expects to collect, but not within the next 12 months.

Other

Other is comprised primarily of deferred financing costs associated with the Company's credit facility, deferred contract costs related to commissions paid in the Australia/New Zealand segment to third party international recruitment agents, and refundable security deposits associated with the Company's leased campus and office space.

10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of December 31, 2023 and September 30, 2024 (in thousands):

	December 31, 2023	September 30, 2024
Trade payables	$ 49,247	$ 56,642
Accrued compensation and benefits	34,988	41,504
Accrued student obligations and other	6,653	9,065
Accounts payable and accrued expenses	$ 90,888	$ 107,211

11. Long-Term Debt

On November 3, 2020, the Company entered into an amended credit facility ("Amended Credit Facility"), which, prior to the Amendment (as defined below) in October 2024, provided for a senior secured revolving credit facility (the "Revolving Credit Facility") in an aggregate principal amount of up to $350 million. The Amended Credit Facility provides the Company with an option, subject to obtaining additional loan commitments and satisfaction of certain conditions, to increase the commitments under the Revolving Credit Facility or establish one or more incremental term loans (each, an "Incremental Facility") in the future in an aggregate amount of up to the sum of (x) the greater of (A) $300 million and (B) 100% of the Company's consolidated EBITDA (earnings before interest, taxes, depreciation, amortization, and noncash charges, such as stock-based compensation) calculated on a trailing four-quarter basis and on a pro forma basis, and (y) if such Incremental Facility is incurred in connection with a permitted acquisition or other permitted investment, any amounts so long as the Company's leverage ratio (calculated on a trailing four-quarter basis) on a pro forma basis will be no greater than 1.75:1.00. In addition, the Amended Credit Facility provides for a subfacility for borrowings in certain foreign currencies in an amount equal to the U.S. dollar equivalent of $150 million. Prior to the Amendment, the maturity date of the Amended Credit Facility was November 3, 2025. The Company paid approximately $1.9 million in debt financing costs associated with the Amended Credit Facility, and these costs are being amortized on a straight-line basis over the five-year term of the Amended Credit Facility.

On June 13, 2023, the Company amended its Revolving Credit Facility to replace references to LIBOR with alternative benchmark rates, including Term SOFR with respect to loans denominated in U.S. dollars, beginning on June 30, 2023. There were no other significant changes to the Revolving Credit Facility related to the amendment.

Borrowings under the Revolving Credit Facility bear interest at a per annum rate equal to Term SOFR or a base rate, plus a margin ranging from 1.50% to 2.00% depending on the Company's leverage ratio. The Company also is subject to a quarterly unused commitment fee ranging from 0.20% to 0.30% per annum depending on the Company's leverage ratio, times the daily unused amount under the Revolving Credit Facility.

The Amended Credit Facility is guaranteed by all domestic subsidiaries, subject to certain exceptions, and secured by substantially all of the assets of the Company and its subsidiary guarantors. The Amended Credit Facility contains customary affirmative and negative covenants, representations, warranties, events of default, and remedies upon default, including acceleration and rights to foreclose on the collateral securing the Amended Credit Facility. In addition, the Amended Credit Facility requires that the Company satisfy certain financial maintenance covenants, including:

- A leverage ratio of not greater than 2.00 to 1.00. Leverage ratio is defined as the ratio of total debt (net of unrestricted cash in an amount not to exceed $150 million) to trailing four-quarter EBITDA.

- A coverage ratio of not less than 1.75 to 1.00. Coverage ratio is defined as the ratio of trailing four-quarter EBITDA and rent expense to trailing four-quarter interest and rent expense.
- A U.S. Department of Education (the "Department" or "Department of Education") Financial Responsibility Composite Score of not less than 1.0 for any fiscal year and not less than 1.5 for any two consecutive fiscal years.

The Company was in compliance with all the terms of the Amended Credit Facility as of September 30, 2024.

As of December 31, 2023, the Company had approximately $61.4 million outstanding under the Revolving Credit Facility, of which approximately $3.4 million was denominated in Australian dollars. In July 2024, the Company repaid the remaining $61.3 million outstanding balance under the Revolving Credit Facility. The Company had no borrowings outstanding under the Revolving Credit Facility as of September 30, 2024.

During the nine months ended September 30, 2023 and 2024, the Company paid $5.4 million and $3.1 million, respectively, of interest and unused commitment fees related to its Revolving Credit Facility.

Debt Amendment

On October 18, 2024, the Company entered into a Sixth Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement and Amendment to Other Loan Documents (the "Amendment") with certain of its subsidiaries party thereto as subsidiary guarantors, Truist Bank, as administrative agent, and the other lenders party thereto. The Amendment, among other things, (i) extends the maturity date of the Revolving Credit Facility from November 3, 2025 to October 18, 2029 and (ii) reduces the total commitments under the Revolving Credit Facility from $350 million to $250 million.

Except as amended by the Amendment, the remaining terms of the Amended Credit Facility remain in full force and effect.

The foregoing descriptions of the Amendment do not purport to be complete and are qualified in their entirety by reference to the full text of the Amendment which is filed as Exhibit 10.1 to this Quarterly Report and incorporated by reference herein.

The Amendment had no impact on the unaudited condensed consolidated financial statements included in this report.

12. Other Long-Term Liabilities

Other long-term liabilities consist of the following as of December 31, 2023 and September 30, 2024 (in thousands):

	December 31, 2023	September 30, 2024
Contract liabilities, net of current portion	$ 37,188	$ 35,532
Asset retirement obligations	5,225	4,065
Other	3,190	3,018
Other long-term liabilities	$ 45,603	$ 42,615

Contract Liabilities

In connection with its student tuition contracts, the Company has an obligation to provide free classes in the future should certain eligibility conditions be maintained. Long-term contract liabilities represent the amount of revenue under these arrangements that the Company expects will be realized after one year.

Asset Retirement Obligations

Certain of the Company's lease agreements require the leased premises to be returned in a predetermined condition.

13. Equity Awards

The following table sets forth the amount of stock-based compensation expense recorded in each of the expense line items for the three and nine months ended September 30, 2023 and 2024 (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2024	2023	2024
Instructional and support costs	$ 597	$ 2,005	$ 4,128	$ 5,060
General and administration	3,210	4,813	10,708	13,455
Restructuring costs	270	69	366	274
Stock-based compensation expense included in operating expense	4,077	6,887	15,202	18,789
Tax benefit	1,054	1,835	3,988	5,002
Stock-based compensation expense, net of tax	$ 3,023	$ 5,052	$ 11,214	$ 13,787

During the nine months ended September 30, 2023 and 2024, the Company recognized shortfall tax impacts of approximately $1.4 million and $1.2 million, respectively, related to share-based payment arrangements, which were adjustments to the provision for income taxes.

14. Income Taxes

During the nine months ended September 30, 2023 and 2024, the Company recorded income tax expense of $14.8 million and $36.2 million, respectively. Income tax expense for the nine months ended September 30, 2023 and 2024 include shortfall tax impacts of approximately $1.4 million and $1.2 million, respectively, related to share-based payment arrangements.

The Company had $0.9 million of unrecognized tax benefits as of December 31, 2023 and September 30, 2024. Interest and penalties, including those related to uncertain tax positions, are included in the provision for income taxes in the unaudited condensed consolidated statements of income.

The Company paid $35.6 million and $39.5 million in income taxes during the nine months ended September 30, 2023 and 2024, respectively.

The tax years since 2020 remain open for federal tax examination, the tax years since 2019 remain open to examination by certain states, and the tax years since 2018 remain open to examination by foreign taxing jurisdictions in which the Company is subject to taxation.

15. Segment Reporting

Strategic Education is an educational services company that provides access to high-quality education through campus-based and online post-secondary education offerings, as well as through programs to develop job-ready skills for high-demand markets. Strategic Education's portfolio of companies is dedicated to closing the skills gap by placing adults on the most direct path between learning and employment. The Company's organizational structure includes three operating and reportable segments: U.S. Higher Education, Education Technology Services, and Australia/New Zealand.

The USHE segment provides flexible and affordable certificate and degree programs to working adults primarily through Capella University and Strayer University, including the Jack Welch Management Institute MBA, which is a unit of Strayer University. USHE also operates non-degree web and mobile application development courses through Hackbright Academy and Devmountain, which are units of Strayer University.

The Education Technology Services segment develops and maintains relationships with employers to build employee education benefits programs that provide employees access to affordable and industry-relevant training, certificate, and degree programs. The employer relationships developed by the Education Technology Services segment are an important source of student enrollment for Capella University and Strayer University, and a significant portion of the revenue attributed to the Education Technology Services segment is driven by the volume of enrollment derived from these employer relationships. Education Technology Services also supports employer partners through Workforce Edge, a platform which provides employers a full-service education benefits administration solution, and Sophia Learning, which offers low-cost online general education-level courses recommended by the American Council on Education for credit at other colleges and universities.

The Australia/New Zealand segment is comprised of Torrens University, Think Education, and Media Design School in Australia and New Zealand, which collectively offer certificate and degree programs in business, design, education, hospitality, healthcare, and technology through campuses in Australia, New Zealand, and online.

Revenue and operating expenses are generally directly attributable to the segments. Inter-segment revenues are not presented separately, as these amounts are immaterial. The Company's Chief Operating Decision Maker does not evaluate operating segments using asset information.

A summary of financial information by reportable segment for the three and nine months ended September 30, 2023 and 2024 is presented in the following table (in thousands):

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2024	2023	2024
Revenues				
U.S. Higher Education	$ 201,828	$ 207,709	$ 601,402	$ 643,558
Australia/New Zealand	63,264	71,948	170,239	190,453
Education Technology Services	20,844	26,301	58,581	74,463
Consolidated revenues	$ 285,936	$ 305,958	$ 830,222	$ 908,474
Income from operations				
U.S. Higher Education	$ 10,412	$ 11,446	$ 26,742	$ 59,284
Australia/New Zealand	13,875	14,846	20,984	26,651
Education Technology Services	8,316	10,792	20,278	30,914
Amortization of intangible assets	(3,382)	—	(10,364)	—
Merger and integration costs	(330)	—	(1,335)	—
Restructuring costs	(3,262)	(758)	(15,208)	2,757
Consolidated income from operations	$ 25,629	$ 36,326	$ 41,097	$ 119,606

16. Litigation

The Company is involved in litigation and other legal proceedings arising out of the ordinary course of its business. Except as described below, there have been no material developments in the litigation and other legal proceedings that are described in our Annual Report on Form 10-K for the year ended December 31, 2023.

On January 25, 2024, Capella University received notice that the Department received approximately 6,700 borrower defense to repayment applications with claims for forgiveness of loans taken out at the university and filed between June 23, 2022 and November 15, 2022. On February 1, 2024, Strayer University received notice that the Department received approximately 1,900 borrower defense to repayment applications with claims for forgiveness of loans taken out at the university and filed between June 23, 2022 and November 15, 2022. In the notices received, the Department indicated that: (1) the notification was occurring prior to any substantive review of the applications as well as their adjudication; (2) it would send the applications to Capella University and Strayer University in batches of 500 per week; (3) it is optional for institutions to respond to the applications; and (4) not responding will result in no negative inference by the Department. The Department has also explained that it will separately decide whether to seek recoupment on any approved claim and that any recoupment actions the Department chooses to initiate will have their own notification and response processes, which include providing additional evidence to the institution. The Department has indicated that an institution will learn of the Department's determination only if it approves a Borrower Defense to Repayment ("BDTR") application and the Department seeks recoupment. In relation to the separate 2021 notice received by Capella University, the Department indicated there were more than 1,000 applications pending, but the Company only ever received approximately 500 actual claims, and after an exhaustive review and response process the Company believes that none properly stated a claim for loan forgiveness. Since the Department's 2024 notices, Capella University has received approximately 6,770 applications, and Strayer University has received approximately 1,870 applications. Each university has provided or will provide a response to the applications it received within the time allowed by the Department. At this time, the Company is unable to predict whether the Department will grant BDTR relief for the claims noticed on January 25, 2024 and February 1, 2024, or if so, whether it will seek recoupment from Capella University or Strayer University. If the Department were to seek recoupment, Capella University and Strayer University would dispute and defend against such efforts. However, if the Department were to successfully seek recovery for the amounts of discharged loans from Strayer University and Capella University in future proceedings, any such recovery could have a material adverse effect on our business.

17. Regulation

Our higher education institutions are subject to uncertain and varying laws and regulations, and any changes to these laws or regulations or their application to us may materially adversely affect our business, financial condition, and results of operations. Other than as set forth below, there have been no material changes to the laws and regulations affecting our higher education institutions that are described in our Annual Report on Form 10-K for the year ended December 31, 2023.

United States Regulation

Gainful Employment

Under the Higher Education Act, a proprietary institution offering programs of study other than a baccalaureate degree in liberal arts (for which there is a limited statutory exception) must prepare students for gainful employment in a recognized occupation. On October 31, 2014, the Department of Education published final regulations related to gainful employment. The regulation went into effect on July 1, 2015 ("2015 Regulations"), with the exception of new disclosure requirements, which generally went into effect January 1, 2017, although some portions of those requirements were delayed until July 1, 2019.

The 2015 Regulations included two debt-to-earnings measures, consisting of an annual income rate and a discretionary income rate. The annual income rate measured student debt in relation to earnings, and the discretionary income rate measured student debt in relation to discretionary income. A program passed if the program's graduates:

- have an annual income rate ratio that does not exceed 8%; or
- have a discretionary income rate that does not exceed 20%.

In addition, a program that did not pass either of the debt-to-earnings metrics and had an annual income rate between 8% and 12% or a discretionary income rate between 20% and 30% was considered to be in a warning zone. A program failed if the program's graduates had an annual income rate of 12% or greater and a discretionary income rate of 30% or greater. A program became Title IV-ineligible for three years if it failed both metrics for two out of three consecutive years or failed to pass at least one metric for four consecutive award years.

On January 8, 2017, Capella University and Strayer University received their final 2015 debt-to-earnings measures. None of their programs failed the debt-to-earnings metrics. One active Capella University program, the Masters of Science in Marriage and Family Counseling/Therapy, was "in the zone" and two active Strayer University programs, the Associate in Arts in Accounting and Associate in Arts in Business Administration, were "in the zone." Each of those three programs remained fully eligible. The Department has not released any subsequent debt-to-earnings measures under the 2015 Regulations.

On July 1, 2019, the Department of Education released final gainful employment regulations, which contain a full repeal of the 2015 Regulations, including all debt measures, reporting, disclosure, and certification requirements, effective July 1, 2020.

On December 8, 2021, the Department of Education announced its intention to establish a negotiated rulemaking committee to prepare proposed regulations for, among other topics, gainful employment, via the Institutional and Programmatic Eligibility rulemaking. Meetings of the negotiated rulemaking committee occurred in spring 2022 with the committee failing to reach consensus. On May 17, 2023, the Department released proposed rules on financial value transparency and gainful employment, financial responsibility, administrative capability, certification procedures, and ability to benefit. On September 27, 2023, the Department released final regulations on financial value transparency and gainful employment, which are largely consistent with the proposed rule. The gainful employment final rule establishes two independent metrics, both of which must be passed by a gainful employment program subject to the rule in order to maintain Title IV eligibility. Any gainful employment program that fails either or both metrics in a single year would be required to provide a disclosure to current and prospective students, and any such program that fails the same metric in two out of three consecutive years for which the program's metrics are calculated would lose its access to federal financial aid. The two metrics are 1) a debt-to-earnings ratio that compares the median earnings of graduates who received federal financial aid to the median annual payments on loan debt borrowed for the program, which must be less than or equal to 8% of annual earnings or 20% of discretionary earnings, and 2) an earnings premium test that measures whether the typical graduates from a program that received federal financial aid earn more than a typical high school graduate in their state (or, in some cases, nationally) and within a certain age range in the labor force. A program that fails in two out of three consecutive years, or is voluntarily discontinued by the institution, would not be eligible to have Title IV reinstated for the program or launch and receive Title IV for a "substantially similar program" (generally defined as a program with the same four-digit CIP code) for a minimum of three years. The final rule describes that the Department will now measure earnings six years after graduation (instead of the proposed rule's three years after graduation) for certain qualifying graduate programs such as clinical psychology, marriage and family therapy, clinical social work, and clinical counseling. The final rule also includes the requirement that, beginning July 1, 2026, all schools provide a link to a Department of Education-hosted website that includes information on cost, earnings, and licensure information, and the gainful employment metrics. The final gainful employment regulations took effect July 1, 2024. The Department has indicated that it will release metrics beginning in the 2025 financial aid award year. Beginning July 1, 2026, if a program fails a metric, an institution must provide warnings to students and prospective students meeting certain minimum requirements to be specified by the Department; programs that fail the same metric in the first two years the rates are issued will lose eligibility in 2026. On December 22, 2023, a lawsuit was filed against the Department in the United States District Court for the Northern District of Texas alleging that the rulemaking process and final rule were based on arbitrary and capricious decisions made by the Department, and that the rule violates constitutional rights related to speech, equal protection, and due process. On March 20, 2024, another lawsuit was filed against the Department in the United States District Court for the Northern District of Texas seeking a preliminary and permanent injunction enjoining the Department from enforcing the final rule on the grounds that the rule exceeds the Department's statutory authority, and is arbitrary, capricious, an abuse of discretion, and otherwise is not in accordance with law, and the motion for preliminary injunction was denied on June 20, 2024. On July 2, 2024, the court consolidated the two Gainful Employment cases into one. Capella University and Strayer University are not parties to the lawsuits. The Company is unable to predict the ultimate outcome of litigation.

In a March 29, 2024 Electronic Announcement (GE-24-01), the Department released additional information and updates to help institutions prepare for complying with the Financial Value Transparency ("FVT") and Gainful Employment ("GE") Regulations, including that the deadline for initial institutional data reporting has been extended from July 31, 2024 to October 1, 2024. The Department indicated that in early 2025, it plans to publish the FVT/GE metrics and notify institutions of failing GE programs, as well as provide additional information on the program eligibility effects of the metrics on failing GE programs. In a September 13, 2024 Electronic Announcement (GE-24-08), the Department announced the deadline for initial institutional data reporting has been further extended from October 1, 2024 to January 15, 2025.

Borrower Defenses to Repayment

Pursuant to the Higher Education Act and following negotiated rulemaking, on November 1, 2016, the Department of Education released a final regulation specifying the acts or omissions of an institution that a borrower may assert as a defense to repayment of a loan made under the Direct Loan Program and the consequences of such borrower defenses for borrowers, institutions, and the Secretary of Education (the "2016 BDTR Rule"). Under the 2016 BDTR Rule, for Direct Loans disbursed after July 1, 2017, a student borrower may assert a defense to repayment if: (1) the student borrower obtained a state or federal court judgment against the institution; (2) the institution failed to perform on a contract with the student; and/or (3) the institution committed a "substantial misrepresentation" on which the borrower reasonably relied to his or her detriment.

These defenses are asserted through claims submitted to the Department of Education, and the Department has the authority to issue a final decision. In addition, the regulation permits the Department to grant relief to an individual or group of individuals, including individuals who have not applied to the Department seeking relief. If a defense is successfully raised, the Department has discretion to initiate action to collect from an institution the amount of losses incurred based on the borrower defense. The 2016 BDTR Rule also amends the rules concerning discharge of federal student loans when a school or campus closes and prohibits pre-dispute arbitration agreements and class action waivers for borrower defense-type claims. On January 19, 2017, the Department of Education issued a final rule, updating the hearing procedures for actions to establish liability against an institution of higher education and establishing procedures for recovery proceedings under the borrower defense regulations. Several times between June 2017 and February 2018, the Department of Education announced delays until July 1, 2019 of implementation of certain portions of the 2016 BDTR Rule, including those portions of the regulations that establish a new federal standard and a process for determining whether a Direct Loan borrower has a defense to repayment of a Direct Loan based on an act or omission of an institution. However, in October 2018, a judge denied a request to delay implementation of portions of the regulations, and as a result the 2016 BDTR Rule went into effect as of October 16, 2018.

On September 23, 2019, the Department published final Borrower Defense to Repayment regulations (the "2019 BDTR Rule"), which governs borrower defense to repayment claims in connection with loans first disbursed on or after July 1, 2020. Under the 2019 BDTR Rule, an individual borrower can assert a defense to repayment and be eligible for relief if she or he establishes, by a preponderance of the evidence, that (1) the institution at which the borrower enrolled made a misrepresentation of material fact upon which the borrower reasonably relied in deciding to obtain a Direct Loan or a loan repaid by a Direct Consolidation Loan; (2) the misrepresentation directly and clearly related to the borrower's enrollment or continuing enrollment at the institution or the institution's provision of education services for which the loan was made; and (3) the borrower was financially harmed by the misrepresentation. The Department will grant forbearance on all loans related to a claim at the time the claim is made.

The 2019 BDTR Rule defines "financial harm" as the amount of monetary loss that a borrower incurs as a consequence of a misrepresentation. The Department will determine financial harm based upon individual earnings and circumstances, which must include consideration of the individual borrower’s career experience subsequent to enrollment and may include, among other factors, evidence of program-level median or mean earnings. “Financial harm” does not include damages for nonmonetary loss, and the act of taking out a Direct Loan, alone, does not constitute evidence of financial harm. Financial harm also cannot be predominantly due to intervening local, regional, national economic or labor market conditions, nor can it arise from the borrower's voluntary change in occupation or decision to pursue less than full-time work or decision not to work. The 2019 BDTR Rule contains certain limitations and procedural protections. Among the most prominent of these restrictions, the regulation contains a three-year limitation period of claims, measured from the student's separation from the institution, does not permit claims to be filed on behalf of groups, and requires that institutions receive access to any evidence in the Department's possession to inform its response. The 2019 BDTR Rule permits the usage of pre-dispute arbitration agreements as a condition of enrollment, so long as the institution provides plain-language disclosures to students and the disclosure is placed on the institution's website. The regulations also allow for a borrower to choose whether to apply for a closed school loan discharge or accept a teach-out opportunity. In addition, the closed school discharge window is expanded from 120 days to 180 days prior to the school's closure, though the final rule does not allow for an automatic closed school loan discharge.

Institutions are required to accept responsibility for the repayment of amounts discharged by the Secretary pursuant to the borrower defense to repayment, closed school discharge (associated with closure of a school or an additional location or branch campus), false certification discharge, and unpaid refund discharge regulations. If the Secretary discharges a loan in whole or in part, the Department of Education may require the school to repay the amount of the discharged loan.

On August 10, 2021, the Department of Education announced its intention to establish a rulemaking committee to develop proposed regulations on, among other things, Borrower Defense to Repayment. Negotiated rulemaking committee meetings completed in December 2021 with no consensus reached on the topic. On July 6, 2022, the Department released proposed Borrower Defense to Repayment regulations for public comment and subsequently published a final rule on October 31, 2022 (the "2022 BDTR Rule"). Among other things, the 2022 BDTR Rule sets a single standard and streamlined process for relief that will apply to all future and pending Borrower Defense to Repayment claims as of July 1, 2023, regardless of the date of a borrower's loan disbursement; defines the types of misconduct that could lead to borrower defense discharges, including substantial misrepresentations, substantial omissions of fact, breaches of contract, aggressive and deceptive recruitment, and state or federal judgments or final Department of Education actions that could give rise to a Borrower Defense to Repayment claim; establishes a presumption that borrowers reasonably relied upon misrepresentations or omissions; establishes a reconsideration process for borrowers whose claims are not approved for a full discharge, including based on a state law standard; and creates a process for the adjudication of group claims based on common facts. The 2022 BDTR Rule permits nonprofit legal assistance organizations to request group claims. The 2022 BDTR Rule also establishes a recoupment process separate from the approval of Borrower Defense to Repayment claims. In addition, the 2022 BDTR Rule prohibits institutions from requiring borrowers to sign mandatory pre-dispute arbitration agreements or class action waivers for claims related to the making of a Federal Direct Loan or the provision of educational services for which the loan was obtained. The 2022 BDTR Rule also modified the closed school discharge rule to provide an automatic discharge one year after an institution or location's closure date for borrowers who were enrolled at the time of closure or left 180 days before closure and who do not accept an approved teach-out agreement or continuation of the program at another location of the school; those who accept but do not complete a teach-out agreement or program continuation will receive a discharge one year after their last date of attendance. The 2022 BDTR Rule became effective July 1, 2023.

On August 7, 2023, in the matter of *Career Colleges and Schs. of Tex. vs. U.S. Dep't of Educ.*, et al. (No. 23-50491), the U.S. Court of Appeals for the Fifth Circuit granted a nationwide emergency injunction preventing the Department of Education's enforcement of the 2022 BDTR Rule. On April 4, 2024, the Fifth Circuit reversed the underlying district court decision denying injunctive relief and remanded the case to the district court with instructions to enjoin and postpone the effective date of the 2022 BDTR Rule pending final judgment. The Department petitioned the Fifth Circuit for panel rehearing, which the Fifth Circuit denied on June 12, 2024. On October 10, 2024, the Department timely filed a petition for a writ of certiorari, seeking review by the Supreme Court of the United States. The Respondent's (i.e., Career Colleges and Schools of Texas) response to the Department's petition is due December 12, 2024. The Department has previously stated that it will not adjudicate any borrower defense applications under the latest rule unless and until the effective date is reinstated. The Department will continue to adjudicate borrower defense applications using an earlier version of the regulations where required under the court settlement in the *Sweet* matter discussed in Note 21, Litigation, to the consolidated financial statements appearing in our Annual Report on Form 10-K for the year ended December 31, 2023. The Company is unable to predict the ultimate outcome of the litigation.

State Authorization Reciprocity Agreement (SARA)

Capella University and Strayer University participate in the State Authorization Reciprocity Agreement ("SARA"), which allows the Universities to enroll students in distance education programs in each SARA member state, including 49 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Each of the Universities applies separately to non-SARA member states (i.e., California) for authorization to enroll students, if such authorization is required by the state. On January 16, 2024, SARA's coordinating entity, the National Council for State Authorization Reciprocity Agreements ("NC-SARA"), initiated its 2024 policy manual modification process with a call for proposals for SARA policy changes. The call for proposals ended February 2, 2024 and yielded 50 proposed changes to NC-SARA policies, some of which, if adopted, could significantly alter the distance education reciprocity agreements. Such proposals include that an institution may be denied participation in SARA if it violates any requirement related to state authorization, accreditation, or participation in federal Title IV financial aid programs; and that an institution may be denied participation in SARA or have its participation limited as a result of adverse actions against it related to the institution's academic quality, financial stability, or student consumer protection issues. On April 26, 2024, NC-SARA held its public comment forum to seek input on these potential changes. In addition to the public comment forum, NC-SARA accepted written comments between April 15, 2024 and May 17, 2024. On September 10, 2024, NC-SARA announced that the four regional compacts/regional steering committees approved 10 policy change proposals, which include proposed changes related to when an institution may be placed on provisional status and when a state must deny or may exercise its discretion to deny an institution's participation in SARA. The NC-SARA board of directors approved the proposals on October 23-25, 2024, concluding the 2024 policy modification process. The adoption of certain proposals, including those described above to the extent they affect the ability of institutions to participate in the agreements, could have a material adverse effect on Capella University, Strayer University, and the Company.

Beginning in January 2024, the Department convened a negotiated rulemaking committee to consider new proposed regulations on, among other things, state authorization and state authorization reciprocity agreements. Negotiated rulemaking committee meetings concluded in March 2024 with no consensus reached on the topics. In the absence of consensus, the Department of Education has discretion to propose a rule for public comment. We cannot predict whether the Department of Education will promulgate any regulations that would negatively affect Capella University or Strayer University.

Negotiated Rulemaking

Beginning January 2024, the Department convened negotiated rulemaking committee meetings to consider new proposed regulations on distance education, cash management, return of federal funds, state authorization, accreditation and related issues, and TRIO programs. Negotiated rulemaking committee meetings concluded in March 2024. Consensus was reached on TRIO programs but no other topics. In the absence of consensus, the Department of Education has discretion to propose a rule for public comment. On July 17, 2024, the Department released proposed rules on distance education, return of federal funds, and TRIO programs. The proposed rules related to distance education would, among other things, establish a "virtual location" as a distinct type of additional location for Title IV purposes and define "distance education course" to include courses that are offered exclusively through distance education, notwithstanding in-person non-instructional requirements (such as orientation, testing, academic support services, or residency experiences). The proposed rules also would require institutions to report each Title IV recipient's enrollment in distance education or correspondence courses. The proposed rules would also require an institution to take attendance, for the purposes of the Title IV return calculation ("R2T4"), for each course offered entirely through distance education, except for doctoral dissertation research courses. The Department accepted public comments through August 23, 2024.

On July 17, 2024, the Department of Education also announced that it intends to publish proposed regulations related to state authorization (including state authorization reciprocity agreements), cash management and accreditation by the end of the year, and that the Department intends to convene a negotiated rulemaking process to consider regulations related to third party servicers broadly. We cannot predict whether the Department of Education will promulgate any regulations that would negatively affect Capella University or Strayer University.

Title IX

On April 19, 2024, the U.S. Department of Education released its final rule regarding the implementation of Title IX, which prohibits discrimination on the basis of sex in education programs that receive funding from the federal government. The new rule applies to all forms of sex-based harassment (not only sexual harassment); clarifies that Title IX's prohibition against sex discrimination includes discrimination on the basis of sex stereotypes, sex characteristics, pregnancy or related conditions, sexual orientation, and gender identity; and eliminates the requirement for live hearings with an opportunity for cross-examination at the post-secondary level. Multiple states have joined lawsuits against the Department challenging the new rules, and federal district courts have granted preliminary injunctions enjoining the Department from enforcing the final rule in Alabama, Alaska, Arkansas, Florida, Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Montana, Nebraska, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia, and Wyoming. Certain courts have issued orders expanding the injunction to named schools, irrespective of where those schools are located; Capella University and Strayer University were named among nearly 700 schools in one such order on July 15, 2024. *Kansas v. U.S. Dep't of Educ.*, No. 5:24-cv-4041 (D. Kan. 2024). Except where enjoined, the new rules otherwise became effective on August 1, 2024.

Australia Regulation

On May 16, 2024, the *Education Services for Overseas Students Amendment (Quality and Integrity) Bill 2024*, which would amend the *Education Services for Overseas Students Act 2000*, was introduced into the House of Representatives of the Australian Parliament. On August 15, 2024, the Bill was introduced into the Senate of the Australian Parliament. The Bill contains several measures that would authorize the Minister for Education to regulate the provision of education to overseas students, including, among other things, by limiting the enrollments of overseas students. These limits would apply to Torrens University and to Think Education. The Company is unable to predict the final specific limits or their effect at this time.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations is a supplement to and should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q and the audited consolidated financial statements and the related notes and other financial information included in our Annual Report on Form 10-K for the year ended December 31, 2023.

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 Quarterly Report on Form 10-Q are forward-looking statements made pursuant to the Private Securities Litigation Reform Act of 1995 ("Reform Act"). Such statements may be identified by the use of words such as "expect," "estimate," "assume," "believe," "anticipate," "may," "will," "forecast," "outlook," "plan," "project," "potential" or similar words, and include, without limitation, statements relating to future enrollment, revenues, revenues per student, earnings growth, operating expenses, and capital expenditures. 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, risks and uncertainties include the pace of student enrollment, our continued compliance with Title IV of the Higher Education Act, and the regulations thereunder, as well as other federal laws and regulations, institutional accreditation standards and state regulatory requirements, rulemaking and other action by the U.S. Department of Education or other governmental entities, including without limitation action related to borrower defense to repayment applications, gainful employment, 90/10, increased focus by the U.S. Congress on for-profit education institutions, and including actions by governmental entities in Australia and New Zealand, 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 including our acquisition of Torrens University and associated assets in Australia and New Zealand, the risk that the benefits of our acquisition of Torrens University and associated assets in Australia and New Zealand may not be fully realized or may take longer to realize than expected, the risk that our acquisition of Torrens University and associated assets in Australia and New Zealand may not advance our business strategy and growth strategy, risks related to the timing of regulatory approvals, our ability to implement our growth strategy, the risk that the combined company may experience difficulty integrating employees or operations, risks associated with the ability of our students to finance their education in a timely manner, and general economic and market conditions. You should not put undue reliance on any forward-looking statements. Further information about these and other relevant risks and uncertainties may be found in Part II, "Item 1A. Risk Factors" of this Quarterly Report on Form 10-Q, Part I, "Item 1A. Risk Factors" of the Company's Annual Report on Form 10-K and in the Company's other filings with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise forward-looking statements, except as required by law.

Additional Information

We maintain a website at http://www.strategiceducation.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 Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

Background

Strategic Education, Inc. ("SEI," "we," "us," "our," or "the Company") is an education services company that provides access to high-quality education through campus-based and online post-secondary education offerings, as well as through programs to develop job-ready skills for high-demand markets. We operate primarily through our wholly-owned subsidiaries Capella University and Strayer University, both accredited post-secondary institutions of higher education located in the United States, and Torrens University, an accredited post-secondary institution of higher education located in Australia. Our operations also include the Education Technology Services segment, which develops and maintains relationships with employers to build employee education benefits programs that provide employees access to affordable and industry-relevant training, certificate, and degree programs.

Segments Overview

As of September 30, 2024, we had the following reportable segments:

U.S. Higher Education ("USHE") Segment

- The USHE segment provides flexible and affordable certificate and degree programs to working adults primarily through Capella University and Strayer University, including the Jack Welch Management Institute MBA, which is a unit of Strayer University. USHE also operates non-degree web and mobile application development courses through Hackbright Academy and Devmountain, which are units of Strayer University.

- Capella University is accredited by the Higher Learning Commission and Strayer University is accredited by the Middle States Commission on Higher Education, both higher education institutional accrediting agencies recognized by the U.S. Department of Education. The USHE segment provides academic offerings both online and in physical classrooms, helping working adult students develop specific competencies they can apply in their workplace.

- In the third quarter of 2024, USHE enrollment increased 4.8% to 86,533 compared to 82,548 for the same period in 2023.

- Trailing 4-quarter student persistence within USHE was 87.0% in the second quarter of 2024 compared to 87.3% for the same period in 2023. Student persistence is calculated as the rate of students continuing from one quarter to the next, adjusted for graduates, on a trailing 4-quarter basis. Student persistence is reported one quarter in arrears. The table below summarizes USHE trailing 4-quarter student persistence for the past 8 quarters.

Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
87.7 %	87.4 %	87.4 %	87.3 %	87.4 %	87.0 %	86.9 %	87.0 %

- Trailing 4-quarter government provided grants and loans per credit earned within USHE decreased 3.8% as of the end of the second quarter of 2024. Government provided grants and loans per credit earned includes all Federal loans and grants for students (Title IV hereafter) in our USHE institutions, and is calculated on a trailing 4-quarter basis and reported one quarter in arrears. Title IV per credit earned has been declining as employer-affiliated enrollment has grown, and as more students earn credit through Sophia Learning and other affordable alternative pathways. The table below summarizes the percentage change in USHE trailing 4-quarter Title IV per credit earned for the past 8 quarters.

Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024
(5.3)%	(6.2)%	(7.2)%	(7.4)%	(8.3)%	(7.4)%	(5.0)%	(3.8)%

Education Technology Services Segment

- Our Education Technology Services segment develops and maintains relationships with employers to build employee education benefits programs that provide employees access to affordable and industry-relevant training, certificate, and degree programs. The employer relationships developed by the Education Technology Services segment are an important source of student enrollment for Capella University and Strayer University, and a significant portion of the revenue attributed to the Education Technology Services segment is driven by the volume of enrollment derived from these employer relationships. Enrollments attributed to the Education Technology Services segment are determined based on a student's employment status and the existence of a corporate partnership arrangement with SEI. All enrollments attributed to the Education Technology Services segment continue to be attributed to the segment until the student graduates or withdraws, even if his or her employment status changes or if the partnership contract expires.

- In the third quarter of 2024, employer affiliated enrollment as a percentage of USHE enrollment was 29.8% compared to 27.8% for the same period in 2023.

- Education Technology Services also supports employer partners through Workforce Edge, a platform which provides employers a full-service education benefits administration solution, and Sophia Learning, which offers low-cost online general education-level courses recommended by the American Council on Education for credit at other colleges and universities.

Australia/New Zealand ("ANZ") Segment

- Torrens University is the only investor-funded university in Australia. Torrens University offers undergraduate, graduate, higher degree by research, and specialized degree courses primarily in five fields of study: business, design and creative technology, health, hospitality, and education. Courses are offered both online and at physical campuses. Torrens

University is registered with the Tertiary Education Quality and Standards Agency (“TEQSA”), the regulator for higher education providers and universities throughout Australia, as an Australian University that is authorized to self-accredit its courses.

- Think Education is a vocational registered training organization and accredited higher education provider in Australia. Think Education delivers education services at several campuses in Sydney, Melbourne, Brisbane, and Adelaide as well as through online study. Think Education and its colleges are accredited in Australia by the TEQSA and the Australian Skills Quality Authority, the regulator for vocational education and training organizations that operate in Australia.

- Media Design School is a private tertiary institution for creative and technology qualifications in New Zealand. Media Design School offers industry-endorsed courses in 3D animation and visual effects, game art, game programming, graphic and motion design, digital media, artificial intelligence, and creative advertising. Media Design School is accredited in New Zealand by the New Zealand Qualifications Authority, the organization responsible for the quality assurance of non-university tertiary training providers.

- In the third quarter of 2024, Australia/New Zealand enrollment increased 5.1% to 19,205 compared to 18,279 for the same period in 2023.

We believe we have the right operating strategies in place to provide the most direct path between learning and employment for our students. We are constantly innovating to differentiate ourselves in our markets and drive growth by supporting student success, producing affordable degrees, optimizing our comprehensive marketing strategy, serving a broader set of our students’ professional needs, and establishing new growth platforms. The talent of our faculty and employees, supported by market leading technology, enable these strategies. We believe our strategy will allow us to continue to deliver high quality, affordable education, resulting in continued growth over the long-term. We will continue to invest in this strategy to strengthen the foundation and future of our business.

Critical Accounting Policies and Estimates

“Management’s Discussion and Analysis of Financial Condition and Results of Operations” discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and judgments related to its allowance for credit losses; income tax provisions; the useful lives of property and equipment and intangible assets; redemption rates for scholarship programs and valuation of contract liabilities; fair value of right-of-use lease assets for facilities that have been vacated; incremental borrowing rates; valuation of deferred tax assets, goodwill, and intangible assets; forfeiture rates and achievability of performance targets for stock-based compensation plans; and accrued expenses. Management bases its estimates and judgments on historical experience and various other factors and assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Management regularly reviews its estimates and judgments for reasonableness and may modify them in the future. Actual results may differ from these estimates under different assumptions or conditions.

Management believes that the following critical accounting policies are its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenue recognition — Capella University and Strayer University offer educational programs primarily on a quarter system having four academic terms, which generally coincide with our quarterly financial reporting periods. Torrens University offers the majority of its education programs on a trimester system having three primary academic terms, which all occur within the calendar year. Approximately 96% of our revenues during the nine months ended September 30, 2024 consisted of tuition revenue. Capella University offers monthly start options for new students, who then transition to a quarterly schedule. Capella University also offers its FlexPath program, which allows students to determine their 12-week billing session schedule after they complete their first course. Tuition revenue for all students is recognized ratably over the period of instruction as the universities provide academic services, whether delivered in person at a physical campus or online. Tuition revenue is shown net of any refunds, withdrawals, discounts, and scholarships. The universities also derive revenue from other sources such as textbook-related income, certificate revenue, certain academic fees, licensing revenue, accommodation revenue, and food and beverage fees, which are all recognized when earned. In accordance with Accounting Standards Codification 606, *Revenue Recognition*, materials provided to students in connection with their enrollment in a course are recognized as revenue when control of those materials transfers to the student. At the start of each academic term or program, a contract liability is recorded for academic services to be provided, and a tuition receivable is recorded for the portion of the tuition not paid in advance. Any cash received prior to the start of an academic term or program is recorded as a contract liability.

Students at Capella University and Strayer University finance their education in a variety of ways, and historically about 75% of our students have participated in one or more financial aid program provided through Title IV of the Higher Education Act. In addition, many of our working adult students finance their own education or receive full or partial tuition reimbursement from their employers. Those students who are veterans or active duty military personnel have access to various additional government-funded educational benefit programs.

In Australia, domestic students attending an ANZ institution finance their education themselves or by taking a loan through the national Higher Education Loan Program provided by the Australian government to support higher education. In New Zealand, domestic students may utilize government loans to fund tuition and may be eligible for a period of “fees free” study funded by the government. International students attending an ANZ institution are not eligible for funding from the Australian or New Zealand governments.

A typical class is offered in weekly increments over a six- to twelve-week period, depending on the university and course type, and is followed by an exam. Student attendance is based on physical presence in class for on-ground classes. For online classes, attendance consists of logging into one’s course shell and performing an academically-related activity (e.g., engaging in a discussion post or taking a quiz).

If a student withdraws from a course prior to completion, a portion of the tuition may be refundable depending on when the withdrawal occurs. We use the student’s withdrawal date or last date of attendance for this purpose. Our specific refund policies vary across the universities and non-degree programs. For students attending Capella University, our refund policy varies based on course format. GuidedPath students are allowed a 100% refund through the first five days of the course, a 75% refund from six to twelve days, and 0% refund for the remainder of the period. FlexPath students receive a 100% refund through the 12th calendar day of the course for their first billing session only and a 0% refund after that date and for all subsequent billing sessions. For students attending Strayer University, our refund policy typically permits students who complete less than half of a course to receive a partial refund of tuition for that course. For domestic students attending an ANZ institution, refunds are typically provided to students that withdraw within the first 20% of a course term. For international students attending an ANZ institution, refunds are provided to students that withdraw prior to the course commencement date. In limited circumstances, refunds to students attending an ANZ institution may be granted after these cut-offs subject to an application for special consideration by the student and approval of that application by the institution. Refunds reduce the tuition revenue that otherwise would have been recognized for that student. Since the academic terms coincide with our financial reporting periods for most programs, nearly all refunds are processed and recorded in the same quarter as the corresponding revenue. For certain programs where courses may overlap a quarter-end date, we estimate a refund or withdrawal rate and do not recognize the related revenue until the uncertainty related to the refund is resolved. The portion of tuition revenue refundable to students may vary based on the student’s state of residence.

For U.S. students who receive funding under Title IV and withdraw, funds are subject to return provisions as defined by the Department of Education. The university is responsible for returning Title IV funds to the Department and then may seek payment from the withdrawn student of prorated tuition or other amounts charged to him or her. Loss of financial aid eligibility during an academic term is rare and would normally coincide with the student’s withdrawal from the institution. In Australia and New Zealand, government funding for eligible students is provided directly to the institution on an estimated basis annually. The amount of government funding provided is based on a course-by-course forecast of enrollments that the institution submits for the upcoming calendar year. Using the enrollment forecast provided as well as the requesting institution’s historical enrollment trends, the government approves a fixed amount, which is then funded to the institution evenly on a monthly basis. Periodic reconciliation and true-ups are undertaken between the relevant government authority and the institution based on actual eligible enrollments, which may result in a net amount being due to or from the government.

Students at Strayer University registering in credit-bearing courses in any undergraduate program qualify for the Graduation Fund, whereby qualifying students earn tuition credits that are redeemable in the final year of a student’s course of study if he or she successfully remains in the program. Students must meet all of Strayer University’s admission requirements and not be eligible for any previously offered scholarship program. To maintain eligibility, students must be enrolled in a bachelor’s degree program. Students who have more than one consecutive term of non-attendance lose any Graduation Fund credits earned to date, but may earn and accumulate new credits if the student is reinstated or readmitted by Strayer University in the future. In their final academic year, qualifying students will receive one free course for every three courses that the student successfully completed in prior years. Strayer University’s performance obligation associated with free courses that may be redeemed in the future is valued based on a systematic and rational allocation of the cost of honoring the benefit earned to each of the underlying revenue transactions that result in progress by the student toward earning the benefit. The estimated value of awards under the Graduation Fund that will be recognized in the future is based on historical experience of students’ persistence in completing their course of study and earning a degree and the tuition rate in effect at the time it was associated with the transaction. Estimated redemption rates of eligible students vary based on their term of enrollment. As of September 30, 2024, we had deferred $43.8 million for

estimated redemptions earned under the Graduation Fund, as compared to $44.5 million at December 31, 2023. Each quarter, we assess our assumptions underlying our estimates for persistence and estimated redemptions based on actual experience. To date, any adjustments to our estimates have not been material. However, if actual persistence or redemption rates change, adjustments to the reserve may be necessary and could be material.

Tuition receivable — We record estimates for our allowance for credit losses related to tuition receivable from students primarily based on our historical collection rates by age of receivable and adjusted for reasonable expectations of future collection performance, net of recoveries. Our experience is that payment of outstanding balances is influenced by whether the student returns to the institution, as we require students to make payment arrangements for their outstanding balances prior to enrollment. Therefore, we monitor outstanding tuition receivable balances through subsequent terms, increasing the reserve on such balances over time as the likelihood of returning to the institution diminishes and our historical experience indicates collection is less likely. We periodically assess our methodologies for estimating credit losses in consideration of actual experience. If the financial condition of our students were to deteriorate based on current or expected future events resulting in evidence of impairment of their ability to make required payments for tuition payable to us, additional allowances or write-offs may be required. For the third quarter of 2024, our bad debt expense was 4.5% of revenue, compared to 5.2% for the same period in 2023. A change in our allowance for credit losses of 1% of gross tuition receivable as of September 30, 2024 would have changed our income from operations by approximately $1.6 million.

Goodwill and intangible assets — Goodwill represents the excess of the purchase price of an acquired business over the amount assigned to the assets acquired and liabilities assumed. Indefinite-lived intangible assets, which include trade names, are recorded at fair market value on their acquisition date. At the time of acquisition, goodwill and indefinite-lived intangible assets are allocated to reporting units. Management identifies its reporting units by assessing whether the components of its operating segments constitute businesses for which discrete financial information is available and management regularly reviews the operating results of those components. Goodwill and indefinite-lived intangible assets are assessed at least annually for impairment. No events or circumstances occurred in the three and nine months ended September 30, 2024 to indicate an impairment to goodwill. Accordingly, no impairment charges related to goodwill were recorded during the three and nine month periods ended September 30, 2024. In the second quarter of 2024, the Company recorded a $0.8 million indefinite-lived intangible asset impairment charge. There were no other impairment charges related to indefinite-lived intangible assets recorded during the three and nine months ended September 30, 2024.

Finite-lived intangible assets that are acquired in business combinations are recorded at fair value on their acquisition dates and are amortized on a straight-line basis over the estimated useful life of the asset. Finite-lived intangible assets consist of student relationships. We review our finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are not recoverable, a potential impairment loss is recognized to the extent the carrying amount of the assets exceeds the fair value of the assets. No impairment charges related to finite-lived intangible assets were recorded during the three and nine month periods ended September 30, 2024.

Other estimates — We record estimates for income tax liabilities and estimate the useful lives of our property and equipment and intangible assets. We also periodically review our assumed forfeiture rates and ability to achieve performance targets for stock-based awards and adjust them as necessary. Should actual results differ from our estimates, revisions to the carrying amount of property and equipment and intangible assets, stock-based compensation expense, and income tax liabilities may be required.

Results of Operations

In the third quarter of 2024, we generated $306.0 million in revenue compared to $285.9 million for the same period in 2023. Our income from operations was $36.3 million in the third quarter of 2024 compared to $25.6 million for the same period in 2023, primarily due to higher revenue driven by enrollment growth in the USHE and Australia/New Zealand segments and growth in Sophia Learning subscriptions in the Education Technology Services segment, lower restructuring costs, and lower amortization expense of intangible assets, partially offset by higher operating expenses. Net income in the third quarter of 2024 was $27.7 million compared to $18.5 million for the same period in 2023, and diluted earnings per share was $1.15 in the third quarter of 2024 compared to $0.77 for the same period in 2023. For the nine months ended September 30, 2024, we generated $908.5 million in revenue compared to $830.2 million for the same period in 2023. Our income from operations was $119.6 million for the nine months ended September 30, 2024 compared to $41.1 million for the same period in 2023, primarily due to higher revenue driven by enrollment growth in the USHE and Australia/New Zealand segments and growth in Sophia Learning subscriptions in the Education Technology Services segment, lower restructuring costs, and lower amortization expense of intangible assets, partially offset by higher operating expenses. Net income was $87.3 million for the nine months ended September 30, 2024 compared to $30.7 million for the same period in 2023, and diluted earnings per share was $3.62 for the nine months ended September 30, 2024 compared to $1.28 for the same period in 2023.

Three Months Ended September 30, 2024 Compared to the Three Months Ended September 30, 2023

Revenues. Consolidated revenue increased to $306.0 million in the third quarter of 2024 compared to $285.9 million in the third quarter of 2023, primarily due to enrollment growth in the USHE and Australia/New Zealand segments and growth in Sophia Learning subscriptions. In the USHE segment for the three months ended September 30, 2024, total enrollment increased 4.8% to 86,533 from 82,548 for the same period in 2023. USHE segment revenue increased 2.9% to $207.7 million in the third quarter of 2024 compared to $201.8 million in the third quarter of 2023, primarily due to an increase in enrollment, partially offset by lower revenue per student. In the Australia/New Zealand segment for the three months ended September 30, 2024, total enrollment increased 5.1% to 19,205 from 18,279 for the same period in 2023. Australia/New Zealand segment revenue increased 13.7% to $71.9 million in the third quarter of 2024 compared to $63.3 million in the third quarter of 2023, primarily due to an increase in enrollment, higher revenue per student as a result of students taking higher course loads, and favorable foreign currency exchange impacts. Education Technology Services segment revenue increased 26.2% to $26.3 million in the third quarter of 2024 compared to $20.8 million in the third quarter of 2023, primarily as a result of growth in Sophia Learning subscriptions and higher employer affiliated enrollment.

Instructional and support costs. Consolidated instructional and support costs increased to $162.7 million in the third quarter of 2024 compared to $155.7 million in the third quarter of 2023, principally due to increases in personnel-related costs, stock-based compensation expense, and technology-related expenses, and unfavorable foreign currency exchange impacts, partially offset by lower student material costs, bad debt expense, and facility costs. Consolidated instructional and support costs as a percentage of revenues decreased to 53.2% in the third quarter of 2024 from 54.5% in the third quarter of 2023.

General and administration expenses. Consolidated general and administration expenses increased to $106.2 million in the third quarter of 2024 compared to $97.6 million in the third quarter of 2023, principally due to higher personnel-related costs, increased investments in branding initiatives and partnerships with brand ambassadors, higher stock-based compensation expense, and unfavorable foreign currency exchange impacts. Consolidated general and administration expenses as a percentage of revenues increased to 34.7% in the third quarter of 2024 from 34.1% in the third quarter of 2023.

Amortization of intangible assets. There was no amortization of intangible assets in the third quarter of 2024 compared to $3.4 million in the third quarter of 2023, due to the finite-lived intangible assets acquired through the acquisition of ANZ becoming fully amortized in the fourth quarter of 2023.

Merger and integration costs. There were no merger and integration costs in the third quarter of 2024 compared to $0.3 million in the third quarter of 2023. These costs primarily related to integration expenses associated with the Company's acquisition of ANZ.

Restructuring costs. Restructuring costs decreased to $0.8 million in the third quarter of 2024 compared to $3.3 million in the third quarter of 2023, primarily due to a $2.3 million decrease in severance and other personnel-related expenses from employee terminations and a $0.1 million decrease in asset impairment charges.

Income from operations. Consolidated income from operations increased to $36.3 million in the third quarter of 2024 compared to $25.6 million in the third quarter of 2023, primarily due to higher revenue driven by enrollment growth in the USHE and Australia/New Zealand segments and growth in Sophia Learning subscriptions in the Education Technology Services segment, lower restructuring costs, and lower amortization expense of intangible assets, partially offset by higher operating expenses. USHE segment income from operations increased 9.9% to $11.4 million in the third quarter of 2024 compared to $10.4 million in the third quarter of 2023, primarily driven by higher revenue due to an increase in enrollment, decreased investments in branding initiatives, lower student material costs, and lower bad debt expense, partially offset by higher personnel-related costs, stock-based compensation expense, and technology-related expenses. Australia/New Zealand segment income from operations increased 7.0% to $14.8 million in the third quarter of 2024 compared to $13.9 million in the third quarter of 2023, primarily driven by higher revenue due to an increase in enrollment and higher revenue per student as a result of students taking higher course loads, partially offset by increased investments in branding initiatives, higher personnel-related costs, and higher stock-based compensation expense. Education Technology Services segment income from operations increased 29.8% to $10.8 million in the third quarter of 2024 compared to $8.3 million in the third quarter of 2023, primarily due to higher revenue as a result of growth in Sophia Learning subscriptions and an increase in employer affiliated enrollment, partially offset by higher personnel-related costs.

Other income. Other income increased to $2.3 million in the third quarter of 2024 compared to $0.8 million in the third quarter of 2023, primarily due to a $1.3 million decrease in interest expense and a $0.2 million increase in interest income. We incurred $0.7 million of interest expense in the three months ended September 30, 2024 compared to $2.0 million in the three months ended September 30, 2023.

Provision for income taxes. Income tax expense was $10.8 million in the third quarter of 2024, compared to $8.0 million in the third quarter of 2023. Our effective tax rate for the third quarter of 2024 was 28.1% compared to 30.3% in the third quarter of 2023.

Net income. Net income increased to $27.7 million in the third quarter of 2024 compared to $18.5 million in the third quarter of 2023 due to the factors discussed above.

Nine Months Ended September 30, 2024 Compared to the Nine Months Ended September 30, 2023

Revenues. Consolidated revenue increased to $908.5 million in the nine months ended September 30, 2024 compared to $830.2 million in the same period in 2023, primarily due to enrollment growth in the USHE and Australia/New Zealand segments and growth in Sophia Learning subscriptions, partially offset by unfavorable foreign currency exchange impacts. USHE segment revenue increased 7.0% to $643.6 million in the nine months ended September 30, 2024 compared to $601.4 million in the same period in 2023, primarily due to an increase in enrollment. Australia/New Zealand segment revenue increased 11.9% to $190.5 million in the nine months ended September 30, 2024 compared to $170.2 million in the same period in 2023, primarily due to an increase in enrollment and higher revenue per student as a result of students taking higher course loads, partially offset by unfavorable foreign currency exchange impacts. Education Technology Services segment revenue increased 27.1% to $74.5 million in the nine months ended September 30, 2024 compared to $58.6 million in the same period in 2023, primarily as a result of growth in Sophia Learning subscriptions and higher employer affiliated enrollment.

Instructional and support costs. Consolidated instructional and support costs increased to $483.6 million in the nine months ended September 30, 2024 compared to $470.2 million in the same period in 2023, principally due to increases in personnel-related costs, technology-related expenses, bad debt expense, and stock-based compensation expense, partially offset by lower student material costs and favorable foreign currency exchange impacts. Consolidated instructional and support costs as a percentage of revenues decreased to 53.2% in the nine months ended September 30, 2024 from 56.6% in the nine months ended September 30, 2023.

General and administration expenses. Consolidated general and administration expenses increased to $308.0 million in the nine months ended September 30, 2024 compared to $292.1 million in the same period in 2023, principally due to higher personnel-related costs, increased investments in branding initiatives and partnerships with brand ambassadors, and higher stock-based compensation expense, partially offset by favorable foreign currency exchange impacts. Consolidated general and administration expenses as a percentage of revenues decreased to 33.9% in the nine months ended September 30, 2024 from 35.2% in the nine months ended September 30, 2023.

Amortization of intangible assets. There was no amortization of intangible assets in the nine months ended September 30, 2024 compared to $10.4 million in the same period in 2023, due to the finite-lived intangible assets acquired through the acquisition of ANZ becoming fully amortized in the fourth quarter of 2023.

Merger and integration costs. There were no merger and integration costs in the nine months ended September 30, 2024 compared to $1.3 million in the same period in 2023. These costs primarily related to integration expenses associated with the Company's acquisition of ANZ.

Restructuring costs. Restructuring costs decreased to a $2.8 million net benefit in the nine months ended September 30, 2024 compared to $15.2 million of net costs in the same period in 2023, primarily due to a $9.1 million decrease in severance and other personnel-related expenses from employee terminations, a $6.1 million increase in gains related to the early termination of operating leases, and a $4.7 million decrease in asset impairment charges, partially offset by a $2.1 million gain from the sale of property and equipment of an owned campus in 2023.

Income from operations. Consolidated income from operations increased to $119.6 million in the nine months ended September 30, 2024 compared to $41.1 million in the same period in 2023, primarily due to higher revenue driven by enrollment growth in the USHE and Australia/New Zealand segments and growth in Sophia Learning subscriptions in the Education Technology Services segment, lower restructuring costs, and lower amortization expense of intangible assets, partially offset by higher operating expenses. USHE segment income from operations increased to $59.3 million in the nine months ended September 30, 2024 compared to $26.7 million in the same period in 2023, primarily driven by higher revenue due to an increase in enrollment, decreased investments in branding initiatives, and lower student material costs, partially offset by higher personnel-related costs, technology-related expenses, and bad debt expense. Australia/New Zealand segment income from operations increased 27.0% to $26.7 million in the nine months ended September 30, 2024 compared to $21.0 million in the same period in 2023, primarily driven by higher revenue due to an increase in enrollment and higher revenue per student as a result of students taking higher course loads, partially offset by increased investments in branding initiatives, higher personnel-related costs, and higher stock-based compensation expense. Education Technology Services segment income from operations increased 52.5% to

$30.9 million in the nine months ended September 30, 2024 compared to $20.3 million in the same period in 2023, primarily due to higher revenue as a result of growth in Sophia Learning subscriptions and an increase in employer affiliated enrollment, partially offset by higher personnel-related costs.

Other income. Other income decreased to $3.9 million in the nine months ended September 30, 2024 compared to $4.4 million in the same period in 2023, primarily due to a $5.0 million decrease in net investment income from our limited partnership investments, partially offset by a $2.1 million increase in interest income and a $2.4 million decrease in interest expense. We incurred $3.4 million of interest expense in the nine months ended September 30, 2024 compared to $5.8 million in the same period in 2023.

Provision for income taxes. Income tax expense was $36.2 million in the nine months ended September 30, 2024 compared to $14.8 million in the same period in 2023. Income tax expense for the nine months ended September 30, 2024 and 2023 include shortfall tax impacts of approximately $1.2 million and $1.4 million, respectively, related to share-based payment arrangements.

Net income. Net income increased to $87.3 million in the nine months ended September 30, 2024 compared to $30.7 million in the same period in 2023 due to the factors discussed above.

Non-GAAP Financial Measures

We use certain financial measures including Adjusted Revenue, Adjusted Total Costs and Expenses, Adjusted Income from Operations, Adjusted Operating Margin, Adjusted Income Before Income Taxes, Adjusted Net Income, and Adjusted Diluted Earnings per Share that are not required by or prepared in accordance with GAAP. These measures, which are considered “non-GAAP financial measures” under SEC rules, are defined by us to exclude the following:

- amortization and depreciation expense related to intangible assets and software assets acquired through our acquisition of Torrens University and associated assets in Australia and New Zealand;
- integration expenses associated with our merger with Capella Education Company and our acquisition of Torrens University and associated assets in Australia and New Zealand;
- severance costs, asset impairment charges, gains on sale of real estate and early termination of leased facilities, and other costs associated with our restructuring activities;
- income/loss from partnership and other investments that are not part of our core operations; and
- discrete tax adjustments related to stock-based compensation and other adjustments.

To illustrate currency impacts to operating results, Adjusted Revenue, Adjusted Total Costs and Expenses, Adjusted Income from Operations, Adjusted Operating Margin, Adjusted Income Before Income Taxes, Adjusted Net Income, and Adjusted Diluted Earnings per Share for the three and nine months ended September 30, 2024 are also presented on a constant currency basis.

When considered together with GAAP financial results, we believe these measures provide management and investors with an additional understanding of our business and operating results, including underlying trends associated with our ongoing operations.

Non-GAAP financial measures are not defined in the same manner by all companies and may not be comparable with other similarly titled measures of other companies. Non-GAAP financial measures may be considered in addition to, but not as a substitute for or superior to, GAAP results. A reconciliation of these measures to the most directly comparable GAAP measures is provided below.

Adjusted income from operations was $37.1 million in the third quarter of 2024 compared to $32.6 million for the same period in 2023. Adjusted net income was $27.9 million in the third quarter of 2024 compared to $23.3 million for the same period in 2023, and adjusted diluted earnings per share was $1.16 in the third quarter of 2024 compared to $0.97 for the same period in 2023. Adjusted income from operations was $116.8 million for the nine months ended September 30, 2024 compared to $68.0 million for the same period in 2023. Adjusted net income was $86.9 million for the nine months ended September 30, 2024 compared to $48.7 million for the same period in 2023, and adjusted diluted earnings per share was $3.60 for the nine months ended September 30, 2024 compared to $2.03 for the same period in 2023.

The tables below reconcile our reported results of operations to adjusted results (amounts in thousands, except per share data):

Reconciliation of Reported to Adjusted Results of Operations for the three months ended September 30, 2024

		Non-GAAP Adjustments					
	As Reported (GAAP)	Amortization of intangible assets(1)	Merger and integration costs(2)	Restructuring costs(3)	Loss from other investments(4)	Tax adjustments(5)	As Adjusted (Non-GAAP)
Revenues	$ 305,958	$ —	$ —	$ —	$ —	$ —	$ 305,958
Total costs and expenses	$ 269,632	$ —	$ —	$ (758)	$ —	$ —	$ 268,874
Income from operations	$ 36,326	$ —	$ —	$ 758	$ —	$ —	$ 37,084
Operating margin	*11.9%*						*12.1%*
Income before income taxes	$ 38,590	$ —	$ —	$ 758	$ 290	$ —	$ 39,638
Net income	$ 27,748	$ —	$ —	$ 758	$ 290	$ (851)	$ 27,945
Diluted earnings per share	$ 1.15						$ 1.16
Weighted average diluted shares outstanding	24,173						24,173

Reconciliation of Reported to Adjusted Results of Operations for the three months ended September 30, 2023

		Non-GAAP Adjustments					
	As Reported (GAAP)	Amortization of intangible assets(1)	Merger and integration costs(2)	Restructuring costs(3)	Income from other investments(4)	Tax adjustments(5)	As Adjusted (Non-GAAP)
Revenues	$ 285,936	$ —	$ —	$ —	$ —	$ —	$ 285,936
Total costs and expenses	$ 260,307	$ (3,382)	$ (330)	$ (3,262)	$ —	$ —	$ 253,333
Income from operations	$ 25,629	$ 3,382	$ 330	$ 3,262	$ —	$ —	$ 32,603
Operating margin	*9.0%*						*11.4%*
Income before income taxes	$ 26,471	$ 3,382	$ 330	$ 3,262	$ (215)	$ —	$ 33,230
Net income	$ 18,459	$ 3,382	$ 330	$ 3,262	$ (215)	$ (1,957)	$ 23,261
Diluted earnings per share	$ 0.77						$ 0.97
Weighted average diluted shares outstanding	23,870						23,870

Reconciliation of Reported to Adjusted Results of Operations for the nine months ended September 30, 2024

		Non-GAAP Adjustments					
	As Reported (GAAP)	Amortization of intangible assets(1)	Merger and integration costs(2)	Restructuring costs(3)	Loss from other investments(4)	Tax adjustments(5)	As Adjusted (Non-GAAP)
Revenues	$ 908,474	$ —	$ —	$ —	$ —	$ —	$ 908,474
Total costs and expenses	$ 788,868	$ —	$ —	$ 2,757	$ —	$ —	$ 791,625
Income from operations	$ 119,606	$ —	$ —	$ (2,757)	$ —	$ —	$ 116,849
Operating margin	*13.2%*						*12.9%*
Income before income taxes	$ 123,541	$ —	$ —	$ (2,757)	$ 2,467	$ —	$ 123,251
Net income	$ 87,348	$ —	$ —	$ (2,757)	$ 2,467	$ (166)	$ 86,892
Diluted earnings per share	$ 3.62						$ 3.60
Weighted average diluted shares outstanding	24,137						24,137

Reconciliation of Reported to Adjusted Results of Operations for the nine months ended September 30, 2023

	As Reported (GAAP)	Non-GAAP Adjustments: Amortization of intangible assets[1]	Merger and integration costs[2]	Restructuring costs[3]	Income from other investments[4]	Tax adjustments[5]	As Adjusted (Non-GAAP)
Revenues	$ 830,222	$ —	$ —	$ —	$ —	$ —	$ 830,222
Total costs and expenses	$ 789,125	$ (10,364)	$ (1,335)	$ (15,208)	$ —	$ —	$ 762,218
Income from operations	$ 41,097	$ 10,364	$ 1,335	$ 15,208	$ —	$ —	$ 68,004
Operating margin	*5.0%*						*8.2%*
Income before income taxes	$ 45,508	$ 10,364	$ 1,335	$ 15,208	$ (2,826)	$ —	$ 69,589
Net income	$ 30,662	$ 10,364	$ 1,335	$ 15,208	$ (2,826)	$ (6,031)	$ 48,712
Diluted earnings per share	$ 1.28						$ 2.03
Weighted average diluted shares outstanding	23,952						23,952

(1) Reflects amortization and depreciation expense of intangible assets and software assets acquired through the Company's acquisition of Torrens University and associated assets in Australia and New Zealand.
(2) Reflects integration expenses associated with the Company's merger with Capella Education Company and the Company's acquisition of Torrens University and associated assets in Australia and New Zealand.
(3) Reflects severance costs, asset impairment charges, gains on sale of real estate and early termination of leased facilities, and other costs associated with the Company's restructuring activities.
(4) Reflects income/loss recognized from the Company's investments in partnership interests and other investments.
(5) Reflects tax impacts of the adjustments described above and discrete tax adjustments related to stock-based compensation and other adjustments, utilizing adjusted effective tax rates of 29.5% and 30.0% for the three and nine months ended September 30, 2024 and 2023, respectively.

The table below presents our adjusted results of operations on a constant currency basis for the three and nine months ended September 30, 2024 (amounts in thousands, except per share data):

	For the three months ended September 30, 2024			For the nine months ended September 30, 2024		
	As Adjusted (Non-GAAP)	Constant currency adjustment[1]	As Adjusted with Constant Currency (Non-GAAP)	As Adjusted (Non-GAAP)	Constant currency adjustment[1]	As Adjusted with Constant Currency (Non-GAAP)
Revenues	$ 305,958	$ (1,517)	$ 304,441	$ 908,474	$ 1,649	$ 910,123
Total costs and expenses	$ 268,874	$ (1,219)	$ 267,655	$ 791,625	$ 1,538	$ 793,163
Income from operations	$ 37,084	$ (298)	$ 36,786	$ 116,849	$ 111	$ 116,960
Operating margin	*12.1%*		*12.1%*	*12.9%*		*12.9%*
Income before income taxes	$ 39,638	$ (313)	$ 39,325	$ 123,251	$ 126	$ 123,377
Net income	$ 27,945	$ (221)	$ 27,724	$ 86,892	$ 88	$ 86,980
Diluted earnings per share	$ 1.16		$ 1.15	$ 3.60		$ 3.60
Weighted average diluted shares outstanding	24,173		24,173	24,137		24,137

(1) Reflects an adjustment to translate foreign currency results for the three and nine months ended September 30, 2024 at a constant exchange rate of 0.65 and 0.67 Australian Dollars to U.S. Dollars, respectively, which were the average exchange rates for the same period in 2023.

Liquidity and Capital Resources

At September 30, 2024, we had cash, cash equivalents, and marketable securities of $222.1 million compared to $208.7 million at December 31, 2023 and $198.6 million at September 30, 2023. We maintain our cash and cash equivalents primarily in money market funds and demand deposit bank accounts at high credit quality financial institutions, which are included in cash and cash equivalents at September 30, 2024 and 2023. In addition, we invest excess cash in U.S. treasury bills with maturities of three months or less, which are included in cash and cash equivalents. We also hold marketable securities, which primarily include tax-exempt municipal securities, corporate debt securities, and term deposits. During the nine months ended September 30, 2024 and 2023, we earned interest income of $9.7 million and $7.6 million, respectively.

We are party to a credit facility (the "Amended Credit Facility"), which, prior to the Amendment (as defined below) in October 2024, provided for a senior secured revolving credit facility (the "Revolving Credit Facility") in an aggregate principal amount of up to $350 million. The Amended Credit Facility provides us with an option, subject to obtaining additional loan commitments and satisfaction of certain conditions, to increase the commitments under the Revolving Credit Facility or establish one or more incremental term loans (each, an "Incremental Facility") in an amount up to the sum of (x) the greater of (A) $300 million and (B) 100% of the Company's consolidated EBITDA (earnings before interest, taxes, depreciation, amortization, and noncash charges, such as stock-based compensation) calculated on a trailing four-quarter basis and on a pro forma basis, and (y) if such Incremental Facility is incurred in connection with a permitted acquisition or other permitted investment, any amounts so long as the Company's leverage ratio (calculated on a trailing four-quarter basis) on a pro forma basis will be no greater than 1.75:1.00. In addition, the Amended Credit Facility provides for a subfacility for borrowings in certain foreign currencies in an amount equal to the U.S. dollar equivalent of $150 million. Borrowings under the Revolving Credit Facility bear interest at a per annum rate equal to Term SOFR or a base rate, plus a margin ranging from 1.50% to 2.00%, depending on our leverage ratio. An unused commitment fee ranging from 0.20% to 0.30% per annum, depending on our leverage ratio, accrues on unused amounts. We were in compliance with all applicable covenants related to the Amended Credit Facility as of September 30, 2024. In July 2024, we repaid the remaining $61.3 million outstanding balance under the Revolving Credit Facility. We had no borrowings outstanding under the Revolving Credit Facility as of September 30, 2024 and $61.2 million outstanding under our Revolving Credit Facility as of September 30, 2023. During the nine months ended September 30, 2024 and 2023, we paid $3.1 million and $5.4 million, respectively, of interest and unused commitment fees related to our Revolving Credit Facility.

On October 18, 2024, we entered into a Sixth Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement and Amendment to Other Loan Documents (the "Amendment") with certain of our subsidiaries party thereto as subsidiary guarantors, Truist Bank, as administrative agent, and the other lenders party thereto. The Amendment, among other things, (i) extends the maturity date of the Revolving Credit Facility from November 3, 2025 to October 18, 2029 and (ii) reduces the total commitments under the Revolving Credit Facility from $350 million to $250 million.

Except as amended by the Amendment, the remaining terms of the Amended Credit Facility remain in full force and effect.

The foregoing descriptions of the Amendment do not purport to be complete and are qualified in their entirety by reference to the full text of the Amendment which is filed as Exhibit 10.1 to this Quarterly Report and incorporated by reference herein.

Our net cash provided by operating activities for the nine months ended September 30, 2024 increased to $153.4 million, compared to $87.2 million for the same period in 2023. The increase in net cash from operating activities was primarily driven by higher earnings and favorable working capital.

Our net cash used in investing activities for the nine months ended September 30, 2024 decreased to $15.2 million, compared to $30.5 million for the same period in 2023. The decrease in net cash used in investing activities was primarily driven by a $20.9 million increase in cash proceeds from marketable securities and other investments and a $2.2 million decrease in purchases of marketable securities, partially offset by $5.9 million of cash proceeds related to the sale of property and equipment in 2023 and higher capital expenditures for the nine months ended September 30, 2024. Capital expenditures increased to $29.3 million for the nine months ended September 30, 2024, compared to $27.3 million for the same period in 2023, primarily due to the timing of capital projects.

Our net cash used in financing activities for the nine months ended September 30, 2024 increased to $114.1 million, compared to $99.1 million for the same period in 2023. The increase in net cash used in financing activities was primarily driven by a $61.3 million long-term debt payment during the nine months ended September 30, 2024 compared to a $40.0 million long-term debt payment for the same period in 2023, partially offset by a $5.0 million decrease in share repurchases and a $1.4 million decrease in net payments for employee stock awards.

The Board of Directors declared a regular, quarterly cash dividend of $0.60 per share of common stock in each of the first three quarters of 2024. During the nine months ended September 30, 2024, we paid a total of $44.3 million in cash dividends on our common stock, compared to $44.1 million for the same period in 2023. During the nine months ended September 30, 2024, we paid $5.0 million to repurchase shares of common stock in the open market under our repurchase program, compared to $10.0 million for the same period in 2023. As of September 30, 2024, we had $235.0 million of share repurchase authorization remaining to use through December 31, 2024.

For the third quarter of 2024 and 2023, bad debt expense as a percentage of revenue was 4.5% and 5.2%, respectively.

Our recurring cash requirements consist primarily of general operating expenses, capital expenditures, discretionary dividend payments, income tax payments, and contractual obligations related to our lease agreements, limited partnership investments, and Revolving Credit Facility. We believe that the combination of our existing cash, cash equivalents, and marketable securities, cash

generated from operating activities, and if necessary, cash available under our Amended Credit Facility will be sufficient to meet our cash requirements for the next 12 months and beyond.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are subject to the impact of interest rate changes and may be subject to changes in the market values of our future investments. We invest our excess cash in money market mutual funds, bank overnight deposits, U.S. treasury bills, and marketable securities. We have not used derivative financial instruments in our investment portfolio. Earnings from investments in money market mutual funds, bank overnight deposits, U.S. treasury bills, and marketable securities may be adversely affected in the future should interest rates decline, although such a decline may reduce the interest rate payable on any borrowings under our Revolving Credit Facility. Our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if forced to sell securities that have declined in market value due to changes in interest rates. As of September 30, 2024, a 1% increase or decrease in interest rates would not have a material impact on our future earnings, fair values, or cash flows related to investments in cash equivalents or interest earning marketable securities.

We had no outstanding debt under our Amended Credit Facility as of September 30, 2024. Borrowings under the Amended Credit Facility bear interest at Term SOFR or a base rate, plus a margin ranging from 1.50% to 2.00%, depending on our leverage ratio. An unused commitment fee ranging from 0.20% to 0.30%, depending on our leverage ratio, accrues on unused amounts under the Amended Credit Facility. An increase in Term SOFR would affect interest expense on any outstanding balance of the Revolving Credit Facility. For every 100 basis points increase in Term SOFR, we would incur an incremental $2.5 million in interest expense per year assuming the entire $250 million Revolving Credit Facility was utilized.

Foreign Currency Risk

The United States Dollar (“USD”) is our reporting currency. The functional currency of each of our foreign subsidiaries is the currency of the economic environment in which the subsidiary primarily does business. Revenues denominated in currencies other than the USD accounted for 21.0% of our consolidated revenues for the nine months ended September 30, 2024. We therefore have foreign currency risk related to these currencies, which is primarily the Australian dollar. Accordingly, changes in exchange rates, and in particular a weakening of foreign currencies relative to the USD may negatively affect our revenue and operating income as expressed in the USD. For the nine months ended September 30, 2024, a hypothetical 10% adverse change in the average foreign currency exchange rates would have decreased our consolidated revenues by approximately $19.0 million. In addition, the effect of exchange rate changes on cash, cash equivalents, and restricted cash for the nine months ended September 30, 2024 was an increase of $1.5 million. We do not use foreign exchange contracts or derivatives to hedge any foreign currency exposures.

ITEM 4: CONTROLS AND PROCEDURES

a) *Disclosure Controls and Procedures.* The Company’s management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures as of September 30, 2024. Based upon such review, the Chief Executive Officer and Chief Financial Officer have concluded that the Company had in place, as of September 30, 2024, effective disclosure 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 September 30, 2024 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

We are involved in litigation and other legal proceedings arising out of the ordinary course of our business. From time to time, certain matters may arise that are other than ordinary and routine. The outcome of such matters is uncertain, and we may incur costs in the future to defend, settle, or otherwise resolve them. We currently believe that the ultimate outcome of such matters will not, individually or in the aggregate, have a material adverse effect on our consolidated financial position, results of operations or cash flows. However, depending on the amount and timing, an unfavorable resolution of some or all of these matters could materially affect future results of operations in a particular period. See Note 16, Litigation, in the condensed consolidated financial statements appearing in Part I, Item 1 of this report for additional information regarding our legal proceedings and related matters, which information is incorporated herein by reference.

Item 1A. Risk Factors

You should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, which could materially affect our business, adversely affect the market price of our common stock and could cause you to suffer a partial or complete loss of your investment. There have been no material changes to the risk factors previously described in Part I, "Item 1A. Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2023, other than as set forth below. The risks described below and in our Annual Report on Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also could materially adversely affect our business. See "Cautionary Notice Regarding Forward-Looking Statements."

Capella University or Strayer University could lose its eligibility to participate in federal student financial aid programs or be provisionally certified with respect to such participation if the percentage of its revenues derived from those programs were too high, or could be restricted from enrolling students in certain states if the percentage of the University's revenues from federal or state programs were too high.

Under a requirement of the Higher Education Act, commonly referred to as the "90/10 Rule," a proprietary institution may lose its eligibility to participate in the federal Title IV student financial aid program if it derives more than 90% of its revenues, on a cash basis, from federal funds for two consecutive fiscal years. A proprietary institution of higher education that violates the 90/10 Rule for any fiscal year will be placed on provisional status for up to two fiscal years. For fiscal year 2023, Capella University derived approximately 66.79% of its cash-basis revenues from federal funds. For fiscal year 2023, using the formula specified in the Higher Education Act, Strayer University derived approximately 89.48% of its cash-basis revenues from federal funds. On March 11, 2021, President Biden signed into law the American Rescue Plan Act of 2021, which amends the 90/10 Rule to include "all federal education assistance" in the "90" side of the ratio calculation. The legislation required the Department to conduct a negotiated rulemaking process to modify related Department regulations, which was considered by the Institutional and Programmatic Eligibility negotiated rulemaking committee. The Department of Education released final 90/10 regulations on October 27, 2022. The final regulations provided for an expanded definition of "federal education assistance" that will be periodically defined by the Secretary. In addition, the preamble to the final rule and subsequent sub-regulatory guidance prohibit the inclusion of non-Title IV eligible programs offered in part or in full through distance education in the 10% calculation. On December 21, 2022, the Department released a list of federal agencies and federal education assistance programs that must be included as federal revenue in the 90/10 calculation. Such agencies include the U.S. Department of Defense (military tuition assistance) and the Department of Veterans Affairs (veterans education benefits) in addition to the Title IV programs already covered by the 90/10 Rule. These revisions to the 90/10 Rule apply to institutional fiscal years beginning on or after January 1, 2023. From time to time, legislation has been introduced in both chambers of Congress that seek to modify the 90/10 Rule further, including proposals to change the ratio requirement to 85/15 (federal to nonfederal revenue). We cannot predict whether Congress will pass any of these legislative proposals. If one of the Universities were to violate the 90/10 Rule, the loss of eligibility to participate in the federal student financial aid programs would have a material adverse effect on our business. Certain states have also proposed legislation that would prohibit enrollment of their residents based on a state and federal funding threshold that is more restrictive than the federal 90/10 Rule. If such legislation were to be enacted, and the Universities were unable to meet the threshold, loss of eligibility to enroll students in certain states would have a material adverse effect on our business.

If either Capella University or Strayer University fails to maintain its institutional accreditation or if its institutional accrediting body loses recognition by the Department of Education, the University would lose its ability to participate in Title IV programs.

The loss of Capella University's accreditation by the Higher Learning Commission or the Higher Learning Commission's loss of recognition by the Department of Education would render Capella University ineligible to participate in Title IV programs and would have a material adverse effect on our business. Similarly, the loss of Strayer University's accreditation by the Middle States

Commission on Higher Education (“Middle States”) or Middle States’ loss of recognition by the Department of Education would render Strayer University ineligible to participate in Title IV programs and would have a material adverse effect on our business. In addition, an adverse action by the Higher Learning Commission or Middle States other than loss of accreditation, such as issuance of a warning, could have a material adverse effect on our business.

The Higher Education Act charges the National Advisory Committee on Institutional Quality and Integrity (“NACIQI”) with recommending to the Secretary of Education which accrediting or state approval agencies should be recognized as reliable authorities for judging the quality of post-secondary institutions and programs. On May 31, 2023, the Department of Education, acting on the recommendation of NACIQI renewed its recognition of the Higher Learning Commission for a period of five years and required it provide a monitoring report regarding one item of substantial compliance, and continued the current recognition of Middle States for one year, requiring a compliance report regarding one item of noncompliance. In an April 24, 2024 Federal Register notice, the Department requested written comments from the public by May 20, 2024 on Middle States and other accrediting agencies up for review at the summer 2025 NACIQI meeting. Increased scrutiny of accreditors by the Secretary of Education in connection with the Department of Education’s recognition process may result in increased scrutiny of institutions by accreditors or have other adverse consequences.

The failure by Capella University or Strayer University to comply with the Clery Act or Title IX could result in sanctions and other liability.

Capella University and Strayer University must comply with the campus safety and security reporting requirements as well as other requirements in the Clery Act, including changes made to the Clery Act by the Violence Against Women Reauthorization Act of 2013. On October 20, 2014, the Department of Education promulgated final regulations implementing amendments to the Clery Act. In addition, the Department of Education has interpreted Title IX, which prohibits discrimination on the basis of sex in education programs that receive funding from the federal government, to categorize sexual violence as a form of prohibited sex discrimination and to require institutions to follow certain disciplinary procedures with respect to such offenses. Failure to comply with the Clery Act or Title IX requirements or regulations thereunder could result in action by the Department of Education to require corrective action, fine the University, or limit or suspend its participation in Title IV programs, which could lead to litigation and could harm the University’s reputation. In addition, individuals alleging sex discrimination may sue an institution under Title IX for corrective action and monetary damages.

On May 6, 2020, the Department of Education published final rules related to implementation of Title IX, which prohibits discrimination on the basis of sex in education programs that receive funding from the federal government. The final rules define what constitutes sexual harassment for purposes of Title IX in the administrative enforcement context, describe what actions trigger an institution’s obligation to respond to incidents of alleged sexual harassment, and specify how an institution must respond to allegations of sexual harassment. Among other things, the 2020 rules include a requirement for live hearings on Title IX sexual harassment claims, which includes direct and cross-examination of parties, university-provided advisors (in the event a student or party does not provide an advisor), rulings on questions of relevance by decision-makers, and the creation and maintenance of a record of the live hearing proceedings. The final rule became effective August 14, 2020. On August 24, 2021, the Department of Education Office for Civil Rights issued guidance indicating it would cease enforcement of the rules’ prohibition against consideration of statements made by individuals failing to submit to cross-examination at a live hearing.

On June 23, 2022, the Department of Education released proposed Title IX regulations for public comment, and on October 4, 2022 the Department of Education’s Office for Civil Rights released a resource document for students and institutions addressing pregnancy and related conditions. On April 19, 2024, the Department of Education released a new final rule regarding the implementation of Title IX, which prohibits discrimination on the basis of sex in education programs that receive funding from the federal government. The new rule applies to all forms of sex-based harassment (not only sexual harassment); clarifies that Title IX’s prohibition against sex discrimination includes discrimination on the basis of sex stereotypes, sex characteristics, pregnancy or related conditions, sexual orientation, and gender identity; and eliminates the requirement for live hearings with an opportunity for cross-examination at the post-secondary level. Multiple states have joined lawsuits against the Department challenging the new rules, and federal district courts have granted preliminary injunctions enjoining the Department from enforcing the final rule in Alabama, Alaska, Arkansas, Florida, Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Montana, Nebraska, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, West Virginia, and Wyoming. Certain courts have issued orders expanding the injunction to named schools, irrespective of where those schools are located; Capella University and Strayer University were named among nearly 700 schools in one such order on July 15, 2024. *Kansas v. U.S. Dep’t of Educ.*, No. 5:24-cv-4041 (D. Kan. 2024). Except where enjoined, the new rules otherwise became effective on August 1, 2024.

Failure to comply with these final rules and the resulting sanctions could have a material adverse effect on our business.

If either Capella University or Strayer University fails to maintain any of its state authorizations, the University would lose its ability to operate in that state and to participate in Title IV programs there.

Capella University is registered as a private institution with the Minnesota Office of Higher Education, as required for most post-secondary private institutions that grant degrees at the associate level or above in Minnesota and as required by the Higher Education Act to participate in Title IV programs. The loss of state authorization would, among other things, limit Capella University's ability to operate in that state, render Capella University ineligible to participate in Title IV programs, and could have a material adverse effect on our business.

Each Strayer University campus is authorized to operate and to grant degrees, diplomas, or certificates by the applicable education agency or agencies of the state where the campus is located. Such state authorization is required for students at the campus to participate in Title IV programs. The loss of state authorization would, among other things, limit Strayer University's ability to operate in that state, render Strayer University ineligible to participate in Title IV programs at least at those state campus locations, and could have a material adverse effect on our business.

Effective July 1, 2011, Department of Education regulations provide that an institution is considered legally authorized by a state if the state has a process to review and appropriately act on complaints concerning the institution, including enforcing applicable state laws, and the institution complies with any applicable state approval or licensure requirements consistent with the new rules. If a state in which Capella University or Strayer University is located fails to comply in the future with the provisions of the new rule or fails to provide the University with legal authorization, it could limit the University's ability to operate in that state and to participate in Title IV programs at least for students in that state and could have a material adverse effect on our operations.

On December 19, 2016, the Department of Education published final regulations addressing, among other issues, state authorization of programs offered through distance education. The final regulations, which became effective on May 26, 2019, require an institution offering distance education programs to be authorized by each state in which the institution enrolls students (other than the state(s) in which the institution is physically located), if such authorization is required by the state, in order to award Title IV aid to such students. An institution could obtain such authorization directly from the state or (except in California) through a state authorization reciprocity agreement. Under those rules, if one of the Universities should fail to obtain or maintain required state authorization to provide post-secondary distance education in a specific state in which the institution is not physically located, the institution could lose its ability to provide distance education in that state and to award Title IV aid to online students in that state. The 2016 rules require that schools disclose all applicable prerequisites for licensure for professional programs and whether the school's programs satisfy those prerequisites in each state where enrolled students reside. The institution must make direct disclosures to students and prospective students if the institution determines that a program does not meet a state's professional licensure requirements. If an institution has not made these determinations, it must make a general disclosure to the public to that effect. The disclosure rules have been modified by U.S. Department of Education regulations effective July 1, 2024, as described below. An institution must also notify students within 14 days if it determines that a program does not meet a state's requirements. If one of the Universities failed to make any of these disclosures, the Department of Education could limit, suspend, or terminate its participation in Title IV programs or impose other penalties such as requiring the Universities to make refunds, pay liabilities, or pay an administrative fine upon a material finding of noncompliance.

Capella University and Strayer University participate in the State Authorization Reciprocity Agreement ("SARA"), which originated after the 2016 rulemaking and allows the Universities to enroll students in distance education programs in each SARA member state. Each of the Universities applies separately to non-SARA member states (i.e., California) for authorization to enroll students, if such authorization is required by the state. If Capella University or Strayer University fails to comply with the requirements to participate in SARA or state licensing or authorization requirements to provide distance education in a non-SARA state, the University could lose its ability to participate in SARA or may be subject to the loss of state licensure or authorization to provide distance education in that non-SARA state, respectively.

On November 1, 2019, the Department released final regulations on accreditation and state authorization of distance education, which became effective July 1, 2020. The rules maintain the requirement from the 2016 rule that institutions offering post-secondary education through distance education or correspondence courses to students located in a state in which the institution is not located meet state requirements in that state or participate in a state authorization reciprocity agreement. In addition, an institution must make disclosures readily available to enrolled and prospective students regarding whether programs leading to professional licensure or certification meet state educational requirements, and provide a direct disclosure to students in writing if the program leading to professional licensure or certification does not meet state educational requirements in the state in which the student is located, or if no determination for such state has been made by the institution. The disclosure rules have been modified by U.S. Department of Education regulations effective July 1, 2024, as described below.

On March 1, 2023, SARA's coordinating entity, the National Council for State Authorization Reciprocity Agreements ("NC-SARA"), held its first of two public comment forums to seek input on potential changes to NC-SARA policies. The forum included a discussion of 63 proposed policy changes, some of which, if adopted, would have significantly altered the distance education reciprocity agreements, including a proposal that NC-SARA permit states to apply more stringent standards to for-profit institutions or to eliminate the ability of for-profit institutions to participate in the agreements altogether. On October 24-25, 2023 the NC-SARA board of directors approved five policy modifications, none of which permitted states to apply more stringent standards to for-profit institutions or exclude for-profit institutions from NC-SARA participation. Nonetheless, the process demonstrates the possibility that the adoption of certain NC-SARA proposals in the future, including the earlier proposal to alter standards or to eliminate the ability of for-profit institutions to participate in the agreements, could have a material adverse effect on Capella University, Strayer University, and the Company.

On January 16, 2024, NC-SARA initiated its 2024 policy manual modification process with a call for proposals for SARA policy changes. The call for proposals ended February 2, 2024 and yielded 50 proposed changes to NC-SARA policies, some of which, if adopted, could significantly alter the distance education reciprocity agreements. Such proposals include that an institution may be denied participation in SARA if it violates any requirement related to state authorization, accreditation, or participation in federal Title IV financial aid programs; and that an institution may be denied participation in SARA or have its participation limited as a result of adverse actions against it related to the institution's academic quality, financial stability, or student consumer protection issues. On April 26, 2024, NC-SARA held its public comment forum to seek input on these potential changes. In addition to the public comment forum, NC-SARA accepted written comments between April 15, 2024 and May 17, 2024. On September 10, 2024, NC-SARA announced that the four regional compacts/regional steering committees approved 10 policy change proposals, which include proposed changes related to when an institution may be placed on provisional status and when a state must deny or may exercise its discretion to deny an institution's participation in SARA. The NC-SARA board of directors approved the proposals on October 23-25, 2024, concluding the 2024 policy modification process. The adoption of certain proposals, including those described above to the extent they affect the ability of institutions to participate in the agreements, could have a material adverse effect on Capella University, Strayer University, and the Company. For example, if excluded from the ability to participate in the agreements, Capella University and Strayer University would need to seek authorization in each state, which would increase costs and present the risk that certain jurisdictions would decline authorization.

Pursuant to new U.S. Department of Education regulations, beginning July 1, 2024, in each state where an institution is located, students enrolled by the institution are located, or students attest that they intend to seek employment, the institution must determine that each program eligible for Title IV: (i) is programmatically accredited if the state or a Federal agency requires such accreditation, including as a condition for employment in the occupation for which the program prepares the student and (ii) satisfies the applicable educational requirements for professional licensure or certification requirements in the state so that a student who enrolls in the program, and seeks employment in that state after completing the program, qualifies to take any licensure or certification exam that is needed for the student to practice or find employment in an occupation that the program prepares students to enter; and (iii) complies with all state laws related to closure, including record retention, teach-out plans or agreements, and tuition recovery funds or surety bonds. Institutions may not enroll for Title IV purposes a student located in a state in which the program does not meet such requirements, unless at the time of initial enrollment the student attests their intent to seek employment in another state that would satisfy such requirements.

Beginning in January 2024, the Department convened a negotiated rulemaking committee to consider new proposed regulations on, among other things, state authorization and state authorization reciprocity agreements. Negotiated rulemaking committee meetings concluded in March 2024 with no consensus reached on the topics. In the absence of consensus, the Department of Education has discretion to propose a rule for public comment. We cannot predict whether the Department of Education will promulgate any regulations that would negatively affect Capella University or Strayer University.

Our enrollment rate is uncertain, and we may not be able to estimate our future enrollments effectively.

Our ability to grow enrollment depends on a number of factors, including macroeconomic factors like unemployment and the resulting lower confidence in job prospects, and many of the regulatory risks discussed above. Our enrollment will be affected by legislative uncertainty and regulatory activity in the U.S. and Australia, and macroeconomic conditions globally. It is likely that legislative, regulatory, and economic uncertainties will continue for the foreseeable future, and thus it is difficult to assess our long-term growth prospects. Since 2013, we have selectively closed physical locations of Strayer University to align our resources in keeping with the increasing preference of our current students for online course delivery. Although we plan to continue investing selectively in new campus facilities, and to pursue other growth opportunities in the future, there can be no assurance as to what our growth rate will be or as to the steps we may need to take to adapt to the changing regulatory, legislative, and economic conditions.

On May 16, 2024, the *Education Services for Overseas Students Amendment (Quality and Integrity) Bill 2024*, which would amend the *Education Services for Overseas Students Act 2000*, was introduced into the House of Representatives of the Australian Parliament. On August 15, 2024, the Bill was introduced into the Senate of the Australian Parliament. The Bill contains several measures that would authorize the Minister for Education to regulate the provision of education to overseas students, including, among other things, by limiting the enrollments of overseas students by provider. These limits would apply to Torrens University and to Think Education. The Company is unable to predict the final specific limits or their effect at this time. Limitations on the number of enrollments of oversees students could materially and adversely affect our business.

If Capella University and Strayer University fail to comply with the extensive legal and regulatory requirements for higher education institutions, they could face significant monetary or other liabilities and penalties, including loss of access to federal student loans and grants for their students.

As providers of higher education, Capella University and Strayer University are subject to extensive laws and regulation on both the federal and state levels and by accrediting agencies. In particular, the Higher Education Act and related regulations subject Capella University, Strayer University, and all other higher education institutions that participate in the various Title IV programs to significant regulatory scrutiny.

The Higher Education Act mandates specific regulatory responsibilities for each of the following components of the higher education regulatory triad: (1) the federal government through the Department of Education; (2) the accrediting agencies recognized by the Secretary of Education; and (3) state education regulatory bodies.

In addition, other federal agencies such as the CFPB, Federal Trade Commission ("FTC"), and Federal Communications Commission and various state agencies and state attorneys general enforce consumer protection, calling and texting, marketing, privacy and data security, and other laws applicable to post-secondary educational institutions. Findings of noncompliance could result in monetary damages, fines, penalties, injunctions, or restrictions or obligations that could have a material adverse effect on our business. Some of these laws also include private rights of action.

On October 8, 2021, the Department of Education announced establishment of an Office of Enforcement within the Department's Office of Federal Student Aid, designed to strengthen oversight over and enforcement against post-secondary schools that participate in federal student loan, grant, and work-study programs. The Office of Enforcement restores an office first established by the Department in 2016. The Department announced the Office of Enforcement would comprise four existing divisions: Administrative Actions and Appeals Services Group, Borrower Defense Group, Investigations Group, and Resolution and Referral Management Group. The Department intends the Office of Enforcement to coordinate with other state and federal partners, including the U.S. Department of Justice, CFPB, FTC, state attorneys general, and other state and federal partners.

On October 6, 2021, the FTC announced that it is resurrecting Penalty Offense Authority under Section 5(m) of the FTC Act (the "Act"). Under the Act, the FTC may secure penalties against entities not a party to an original proceeding if the FTC can show that the entity had actual knowledge that the conduct in question was found to be unfair or deceptive. In an effort to establish actual knowledge and create a pathway for penalties in the event of post-notice acts or practices, the FTC issued that same day an informational notice to the 70 largest for-profit schools based on enrollment and revenues. The notice included a list of acts and practices that the FTC has determined are unfair or deceptive, including but not limited to acts relating to misrepresentation of employment opportunities and other benefits, together with citation to various prior determinations from cases previously litigated by the FTC. Capella University and Strayer University received the FTC's notice on October 7, 2021, although the FTC made clear that receipt of the notice itself does not reflect any assessment by the FTC as to whether Capella University or Strayer University has engaged in deceptive or unfair conduct.

On April 4, 2022, the Company received correspondence from the CFPB, in which the CFPB took the position that it has supervisory authority over the Company as a covered person that offers or provides private education loans pursuant to 12 U.S.C. 5514(a)(1)(D) and further indicated the CFPB is considering whether to cite violations based on preliminary findings that the Company may have violated the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. 5301 et seq., due to alleged student loan servicing and collections practices or policies. Specifically, the CFPB referred to Capella University and Strayer University's historical practice of withholding official transcripts from students who were delinquent in paying amounts due, a practice which both universities discontinued prior to receipt of the correspondence. While the Company disagrees with CFPB's position as to its supervisory authority and disputes any alleged legal or regulatory violations, the Company cooperated with CFPB's inquiry and responded to CFPB as requested on April 25, 2022. The CFPB subsequently sent a letter on July 8, 2022, indicating that it believed the withholding of transcripts was a violation, and requiring the Company to cease withholding transcripts for those with an outstanding balance and to take other remedial actions. The Company had already discontinued its historical practice prior to the CFPB's notice, and informed the CFPB that it completed the remedial actions in the allotted 30 days. On April 26, 2022, the CFPB informed the Company that it intended to conduct an announced education loan exam in June

2022. The examination started on June 13, 2022 and fieldwork concluded on August 5, 2022. On September 12, 2022, the CFPB informed the Company of a preliminary finding related to a product that is no longer utilized, and invited the Company's response. The Company timely responded to the CFPB's letter, disagreeing with the preliminary finding and noting that the product to which it related is no longer utilized. On November 29, 2022, the CFPB informed the Company that, within 90 days, it should remediate the finding for any impacted students, and it also identified areas for the Company to address to ensure regulatory compliance. The Company took remedial action and responded to the CFPB within the 90-day deadline. On December 15, 2023, the Company provided answers to questions from the CFPB in the first of two annual telephone conversations as part of the CFPB's periodic monitoring practice. On October 25, 2024, CFPB notified the Company that it would be conducting a review of the Company's remediation efforts and, upon completion, will determine whether it will close the 2022 exam.

The laws, regulations, standards, and policies applicable to our business frequently change, and changes in, or new interpretations of, applicable laws, regulations, standards, or policies could have a material adverse effect on our accreditation, authorization to operate in various states, permissible activities, ability to communicate with prospective students, receipt of funds under Title IV programs, or costs of doing business. The Department of Education periodically engages in negotiated rulemaking sessions to revise regulations that govern the federal Title IV student financial aid programs. Certain proposals or new rules related to these issues could raise the cost of compliance for Capella University or Strayer University or require changes in the educational programs offered by Capella University and Strayer University. We cannot predict whether the Department of Education will promulgate any regulations that would negatively affect Capella University or Strayer University.

Title IV requirements are enforced by the Department of Education and, in some instances, by private plaintiffs or other third parties. If Capella University and Strayer University are found not to be in compliance with these laws, regulations, standards, or policies, they could lose access to Title IV program funds and face related monetary liability, which would have a material adverse effect on the Company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended September 30, 2024, the Company paid $5.0 million to repurchase shares of common stock under its repurchase program. The remaining authorization for common stock repurchases was $235.0 million as of September 30, 2024, and is available for use through December 31, 2024. A summary of the Company's share repurchases during the quarter is set forth below:

Period	Total number of shares purchased[(1)]	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs ($ mil)
July 1 to July 31, 2024	—	$ —	—	$ 240.0
August 1 to August 31, 2024	31,640	93.70	31,640	237.0
September 1 to September 30, 2024	21,915	92.89	21,915	235.0
Total	53,555	$ 93.37	53,555	$ 235.0

(1) The Company's repurchase program was announced on November 3, 2003 for repurchases up to an aggregate amount of $15 million in value of common stock through December 31, 2004. The Board of Directors amended the program on various dates increasing the amount authorized and extending the authorization date. On November 1, 2023, the Board of Directors increased the amount authorized to $240.0 million for use through December 31, 2024.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Director and Officer Trading Arrangements

During the three months ended September 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

3.1	Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Commission on August 1, 2018).
3.2	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q filed with the Commission on July 29, 2021).
10.1	Sixth Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement and Amendment to Other Loan Documents, dated October 18, 2024, by and among Strategic Education, Inc., certain subsidiaries of Strategic Education, Inc. party thereto as subsidiary guarantors, and Truist Bank, as Administrative Agent.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934.
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.
101	INS Inline XBRL Instance Document
101	SCH Inline XBRL Schema Document
101	CAL Inline XBRL Calculation Linkbase Document
101	DEF Inline XBRL Definition Linkbase Document
101	LAB Inline XBRL Label Linkbase Document
101	PRE XBRL Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

STRATEGIC EDUCATION, INC.

By: /s/ Daniel W. Jackson
Daniel W. Jackson
Executive Vice President and Chief Financial Officer
Date: November 7, 2024