STRAYER EDUCATION, INC.



Making Education Achievable for Working Adults









Annual Report 2001

OUR MISSION

Strayer Education, Inc. (Nasdaq: STRA) (www.strayeredu.com) is an education services holding company which owns Strayer University and certain other assets. Strayer's mission is to make higher education achievable and convenient for working adults in today's economy.

Strayer University (www.strayer.edu) is a proprietary institution of higher learning which offers undergraduate and graduate degree programs in business administration, accounting, and information technology to more than 14,000 working adults at 17 campuses in Maryland, Virginia, Washington, DC, and via the Internet through Strayer ONLINE. Strayer University is committed to providing an education that prepares working adult students for career advancement and lifelong learning. By constantly adapting to the latest techniques and technologies used in business, we provide our graduates with practical skills and a competitive edge in the changing marketplace.

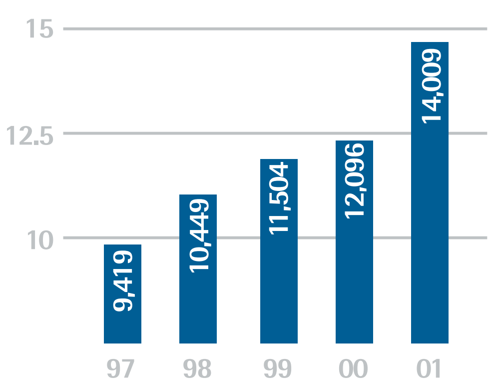
Strayer University is accredited by the Middle States Commission on Higher Education. Founded in 1892, Strayer attracts students from around the country and throughout the world.

STRAYER EDUCATION, INC.

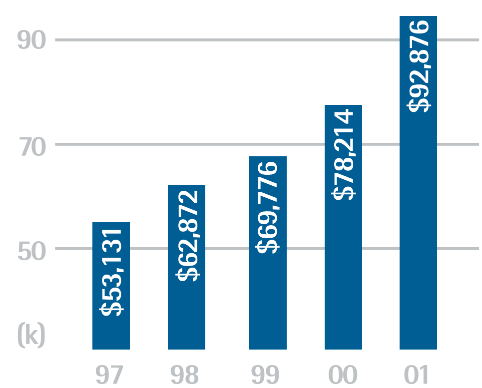
Making Education Achievable for Working Adults

FINANCIAL HIGHLIGHTS

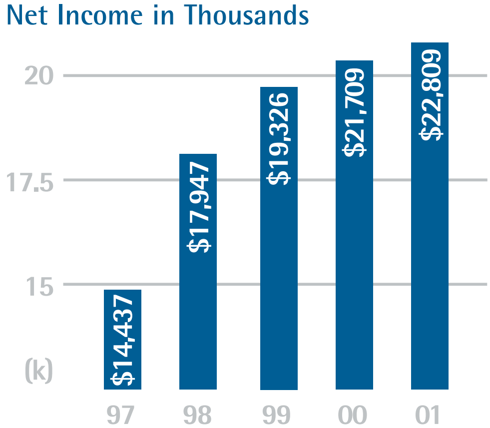
Student Enrollment-Fall Quarter



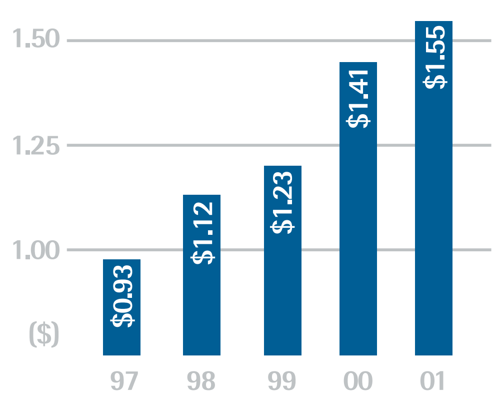
Total Revenue in Thousands



Net Income in Thousands



Earnings Per Share (diluted)



Robert S. Silberman
President and Chief Executive Officer

LETTER TO SHAREHOLDERS

Dear Fellow Shareholder,

2001 was a year of tremendous change and growth for our company, as well as a year of historic turmoil and challenge for our nation. Looking back over the intense level of activity of the last twelve months, I believe it is more important than ever that in this letter I return to first principles; that I address as simply and clearly as possible what Strayer Education, Inc. does, and how our business model generates both reported income and distributable free cash flow for our shareholders; that I articulate our strategy to increase the value of the company; and that I report our performance against that strategy for 2001.

Strayer Education, Inc. is an education services holding company whose primary asset is Strayer University, a 110 year old institution of higher learning focused on educating working adults. In this letter, when I use the term "Strayer", I am referring to the company, as opposed to the university. Strayer University, founded in 1892, offers associate's, bachelor's, and master's level degree programs in Business Administration, Accounting, and Computer Information Systems. Strayer serves students at 17 physical campuses in Maryland, the District of Columbia, and Virginia, and has received approval to open campuses to serve students in the state of North Carolina. In addition, Strayer serves students in all 50 states and 39 foreign countries worldwide on the internet through its virtual university: Strayer ONLINE.

Strayer's revenue comes from tuition payments and fees paid by, or on behalf of, Strayer University students. That revenue comes in essentially three forms. Roughly half is paid through federally insured student loans by banks, approximately 20% is paid directly to Strayer by corporations or institutions on behalf of their employees who attend Strayer, and the remainder is paid by students through their own sources of credit.

Strayer's expenses include salaries paid to the faculty at the university who perform the teaching duties, salaries paid to the administrative and admissions staff who manage the campuses and recruit the students, and salaries paid to the corporate staff who manage the company's affairs. Expenses also include lease payments for the campus buildings we lease and depreciation for the campus buildings we own, as well as advertising and marketing costs which serve to attract prospective students to Strayer. Finally, our expenses include supplies such as books, paper, pencils, desks, chairs and computers necessary to support the educational process. Some of the furniture and electronic equipment is capitalized on our balance sheet and the expense is recorded as amortization over the period we expect the equipment to last, in accordance with generally accepted accounting principles.

"We believe that the value of a college degree is rising with the transition to a knowledge economy, and that working adult students in search of an accredited college degree are underserved. We believe that Strayer's academic quality and convenience makes it ideally suited to meet this growing demand."

The difference between the revenue we take in and the expenses we pay out is used to first pay taxes, and then is added to the after tax income generated by our financial assets (cash and marketable securities on our balance sheet), to make up our reported net income on a fully diluted basis. Our balance sheet includes approximately $150,000,000 of convertible preferred stock which we assume is converted to common stock when we report our net income on a fully diluted basis.

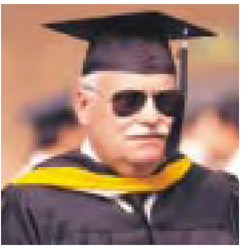
Two of the attractive attributes of our business are that it generates significant after tax free cash flow from operations, and that it has a high return on invested capital. The required capital expenditures to keep our existing assets functioning are roughly equal to our depreciation expenses. The investment capital required to fund our growth initiatives is not major. This investment capital includes traditional GAAP defined capitalized expenses, as well as increased spending which runs through our income statement. We are therefore in the enviable position of generating almost our entire net income as distributable free cash flow, even after investing in our growth. Some of this cash we do distribute back to our shareholders as dividends (common and preferred). The rest of the cash we intend to maintain as liquidity to either fund new opportunities, or ultimately return to our shareholders in a tax efficient manner. We understand that the redeployment of this cash is crucial to creating shareholder value.

As both shareholders and management, we are excited by this business model because we believe that the value of a college degree is rising with the transition to a knowledge economy, and that working adult students in search of an accredited college degree are underserved. We know that Strayer's academic quality and convenience make it ideally suited to meet this growing demand. We have the right product at the right time for a growing market. Our product, a quality college degree, is valued highly both by students and employers.

In 2001, we developed and committed to a new strategic plan, geared to expanding beyond our current regional focus to serve unmet nationwide demand for working adult post-secondary education. This plan consists of five elements:

- Reversing what had been a decline in the enrollment in our core mature campuses.
- Accelerating the addition of new campuses, by opening 2 to 3 per year, particularly beyond our current geographic scope.
- Investing in our online university.
- Maintaining strong alliances and outreach to the major employers of our students.
- Carefully screening opportunities to reinvest capital back into the sector through acquisitions.

During 2001, the company also successfully accomplished a major recapitalization which positioned it for future growth. The company issued the aforementioned $150,000,000 of convertible preferred stock to an



investment group led by New Mountain Capital, a New York-based private equity fund. The company used those proceeds, and some cash on its balance sheet, to successfully execute a self-tender to buy back approximately 7.2M of its shares at $25 per share. The result of this recapitalization is that we have reduced our common shares outstanding on a fully diluted basis by approximately 1,000,000 shares or 6.5%. Our balance sheet, with over $50 million of cash and no debt at December 31, 2001, remains strong.

Finally, during 2001, we also assembled and integrated a new corporate management team. We have transitioned the positions of Chief Executive Officer, Chief Financial Officer, Chief Information Officer, and Vice President of Marketing, and have added two new positions - Chief Operating Officer and General Counsel.

"There is no better way to see the value created by the capital you have entrusted to us than to watch adults, who had long since given up hope of achieving a university degree, walk across a stage to receive their diploma."

While we were executing these internal changes at the company, the economic landscape in which we operate shifted abruptly in 2001. The technology sector meltdown and its resulting drag on overall economic activity was significant and was apparent early in the calendar year. Like many organizations and families, the September 11 attacks had an incalculable human impact on the Strayer community. Our Arlington, Virginia campus is within sight of the Pentagon, and much of our student body is in the Washington, DC area. However, Strayer's performance through those two major events of 2001 gave us increased confidence in the strength and resiliency of our business model. Notwithstanding the overall economic slowdown, our enrollment during 2001 grew by 14.5% over the previous year to over 14,000 students enrolled during the Fall term.

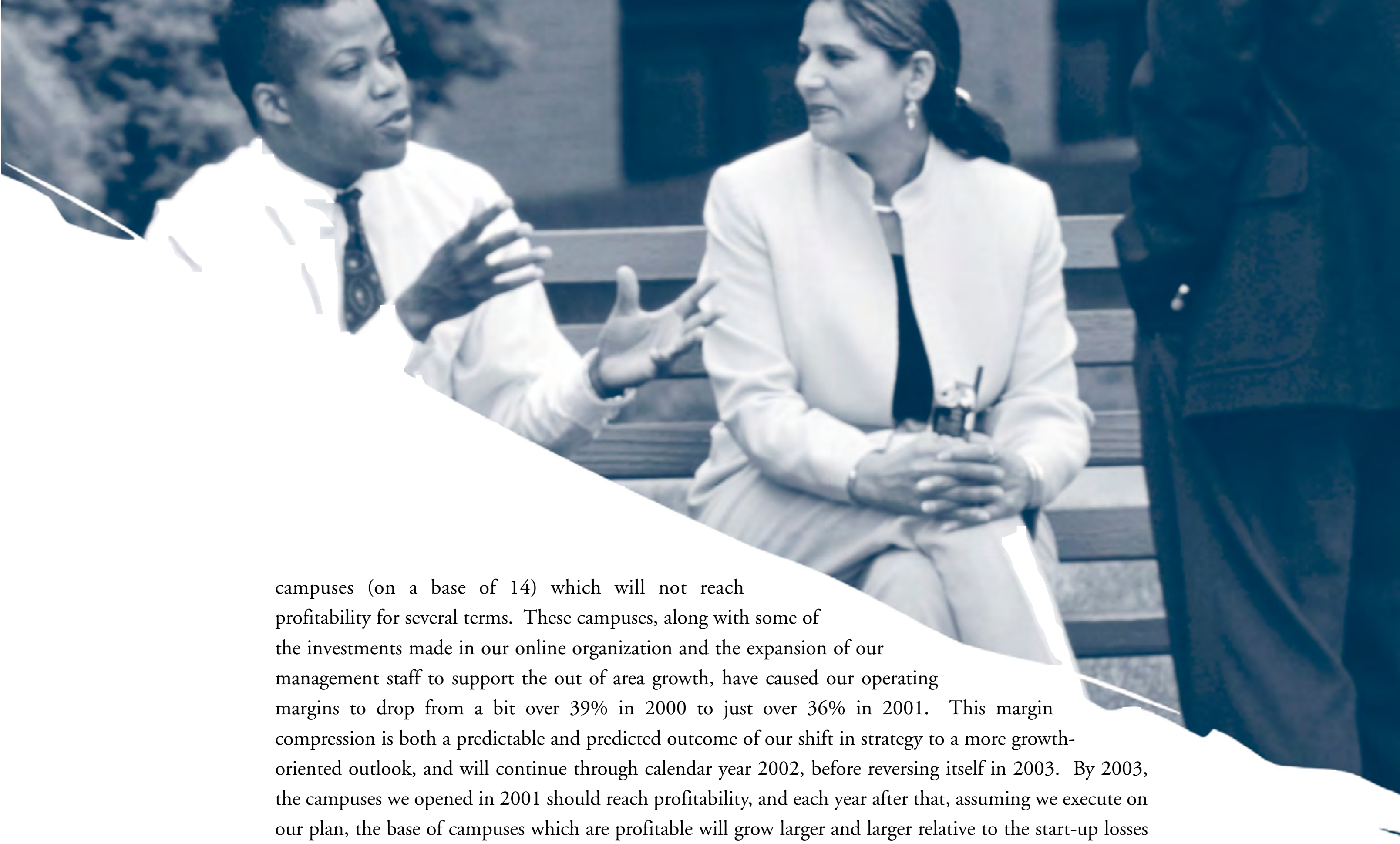
During 2001, we made a solid start on the execution of our strategic plan. In order to stem the erosion in our core campuses, we increased marketing, revitalized our curriculum with 28 new program offerings, and broke ground on a new campus to replace the aging Arlington structure. In each of the third and fourth quarters, we reversed enrollment shrinkage and showed positive growth in those mature campuses.

We successfully opened three new campuses in 2001, one in the Baltimore area (our third in that market) and two in the Norfolk/Hampton Roads area of Virginia (our first two in that market). We are excited about our expansion into North Carolina, and hope to open two to three campuses there in 2002.

During 2001, we made major investments in both staff and equipment at our online university and the business responded by growing at an average of over 80% on a year-over-year basis. Our entire curriculum is now available online; we initiated the development of asynchronous (on-demand) online courses, and we had our first solely online bachelor's degrees awarded in 2001. We are very excited about the quality of our online product. I strongly recommend you consider it for yourself or your organization.

In the Corporate Alliances area, we signed new partnerships with EDS, United Parcel Service, Computer Sciences Corporation, The Naval Audit Agency and The U.S. Department of Energy during 2001. We currently have arrangements with 81 commercial and governmental institutions. In the acquisition area, we did not spend significant effort, as we were focused on our core businesses for much of the year.

It should not go unremarked that one of the effects of the large increase in investments for growth which we made in 2001 is that our expenses grew at an even faster rate than our revenues. We opened three new



campuses (on a base of 14) which will not reach profitability for several terms. These campuses, along with some of the investments made in our online organization and the expansion of our management staff to support the out of area growth, have caused our operating margins to drop from a bit over 39% in 2000 to just over 36% in 2001. This margin compression is both a predictable and predicted outcome of our shift in strategy to a more growth-oriented outlook, and will continue through calendar year 2002, before reversing itself in 2003. By 2003, the campuses we opened in 2001 should reach profitability, and each year after that, assuming we execute on our plan, the base of campuses which are profitable will grow larger and larger relative to the start-up losses of the new campuses.

Our challenge is, quite simply, to maintain the high academic quality and convenience of our educational product, while growing geographically to satisfy unmet working adult demand. To execute this plan, we must constantly hire and train educators and managers who understand and appreciate our focus on the working adult student. We must also reinvest in our curriculum, our physical facilities, and our online program to maintain the quality of our academic content. Finally, we must maintain the strong focus on cost control and efficient business practices which allow us to create value for our shareholders.

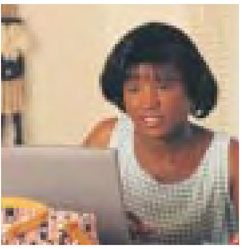
As both shareholders and management, we welcome these business challenges. We are fortunate to offer a high quality product in a market with growing demand and limited supply. Our business is not capital intensive and generates strong free cash flow to support our growth. Our high operating margins and high returns on invested capital give us the capability to internally and organically grow to meet increased demand. Strayer University has been serving working adult students since its founding in 1892. We know it is a strong platform on which to base our growth.

I hope to see many of you at our annual meeting on May 1, 2002 in Arlington, Virginia. I would also urge you to attend the 2002 graduation exercises of Strayer University at 9:30 am, on Saturday, June 23, at The George Mason Patriot Center in Fairfax, Virginia. There is no better way to see the value created by the capital you have entrusted to us than to watch adults, who had long since given up hope of achieving a university degree, walk across a stage to receive their diploma.

Sincerely,
Robert S. Silberman

Robert S. Silberman

President and CEO
Strayer Education, Inc.



STRAYER ONLINE

In August, 1997, the company began operation of Strayer ONLINE, a division of the University. Through Strayer ONLINE, the University offers courses and degree programs via the Internet using both synchronous (real-time interactive) and on demand (time-independent) approaches to online learning. Students may take courses solely through Strayer ONLINE or in addition to traditional, on-site courses. A student taking classes through Strayer ONLINE has the same admission and financial aid requirements, policies and procedures, and student services as other University students. Tuition for Strayer ONLINE courses is the same as for campus courses.

In 2001, ONLINE students participated from all 50 states and 39 foreign countries. During the Winter 2002 quarter, the University had 4,260 students participating in the University's online programs, of whom 3,222 students took classes solely through Strayer ONLINE. Enrollment at ONLINE has grown at above a 50% cumulative average annual growth rate since inception. The University believes its ONLINE offerings meet its mission of providing high quality academic programs in a manner which is convenient to working adults.

CORPORATE/INSTITUTIONAL ALLIANCES

The company believes it is well-positioned to pursue significant opportunities in the large corporate/institutional market. Currently, it has in place sponsorship and reimbursement arrangements of varying sorts with over 80 corporations and government institutions, including AT&T, Verizon, General Motors, PEPCO, Sallie Mae, Northrop Grumman Information Technology, UPS, Lockheed Martin, Raytheon, the Defense Logistics Agency, The National Guard, The District of Columbia, The General Services Administration, The United States Navy Audit Agency, the U.S. Department of Energy and the World Bank.

"I am able to spend the time I need with my family and still earn my degree…Strayer understands my real-life challenges"

STRAYER EDUCATION, INC.

...responding to the **demand** for more **adult education** opportunities

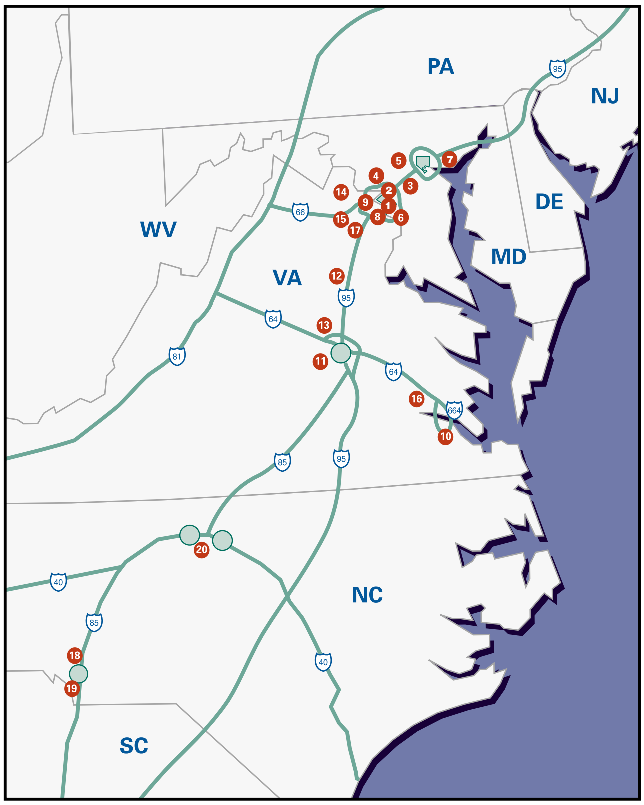
CAMPUS LOCATIONS

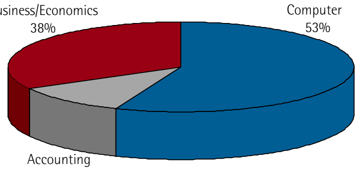
Washington, D.C.
1 Washington
2 Takoma Park

Maryland
3 Anne Arundel
4 Montgomery
5 Owings Mills
6 Prince George's
7 White Marsh

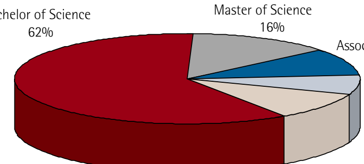
Virginia
8 Alexandria
9 Arlington
10 Chesapeake
11 Chesterfield
12 Fredericksburg
13 Henrico
14 Loudoun
15 Manassas
16 Newport News
17 Woodbridge

Opening 2002...
North Carolina
18 Charlotte-North
19 Charlotte-South
20 Raleigh-Durham



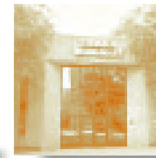


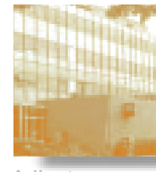
STUDENT ENROLLMENT BY MAJOR



STUDENT ENROLLMENT BY DEGREE


Anne Arundel


Alexandria


Arlington

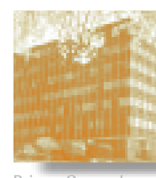

Chesterfield


Fredericksburg


Loudoun


Manassas


Montgomery


Prince George's


Takoma Park


Washington, DC


Woodbridge

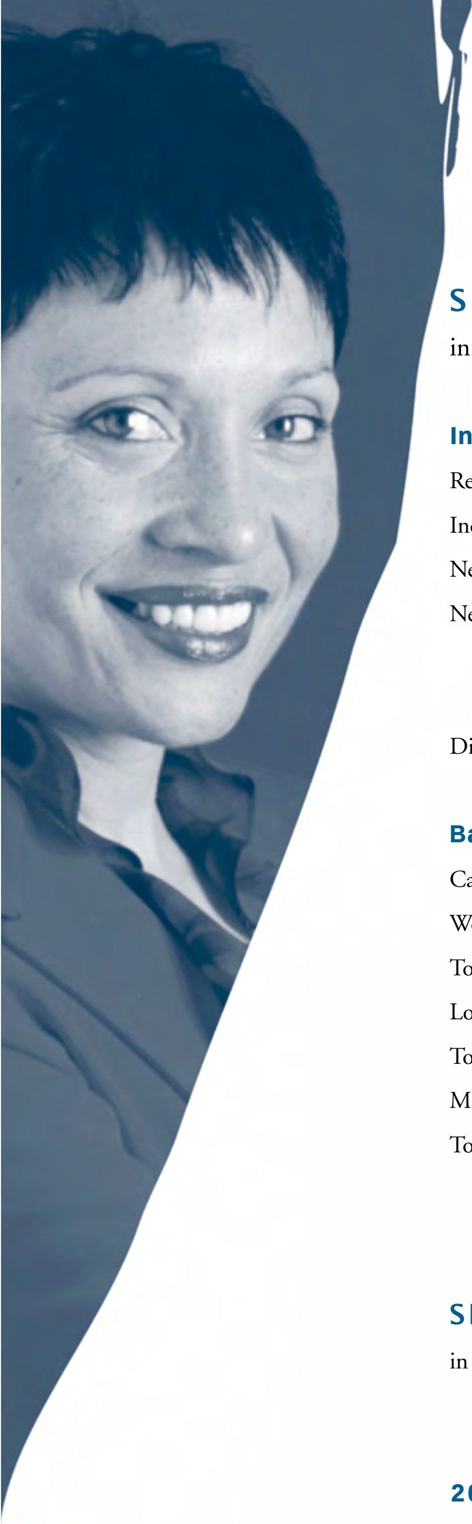

Chesapeake


Henrico


Newport News


Owings Mills


White Marsh



SELECTED FINANCIAL DATA

in thousands, except per share data

Income Statement Data	1997	1998	1999	2000	2001
Revenues	$ 53,131	$ 62,872	$ 69,776	$ 78,214	$ 92,876
Income from operations	20,685	26,207	27,524	30,927	33,507
Net income	14,437	17,947	19,326	21,709	22,809
Net income per share					
Basic	$ 0.96	$ 1.15	$ 1.25	$ 1.42	$ 1.62
Diluted	$ 0.93	$ 1.12	$ 1.23	$ 1.41	$ 1.55
Dividends per common share	$ 0.17	$ 0.23	$ 0.24	$ 0.25	$ 0.26

Balance Sheet Data	1997	1998	1999	2000	2001
Cash and cash equivalents	$ 15,934	$ 18,614	$ 12,213	$ 25,190	$57,659
Working capital	20,600	23,363	18,170	26,742	49,846
Total assets	78,248	97,146	98,096	119,139	110,488
Long-term liabilities	137	330	141	-	763
Total liabilities	13,125	15,501	17,035	21,395	29,513
Mandatorily Redeemable Preferred Stock	-	-	-	-	148,347
Total stockholders' equity	65,123	81,645	81,061	97,744	(67,372)

SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

in thousands, except per share data

	Quarter			
2000	**First**	**Second**	**Third**	**Fourth**
Revenues	$ 21,128	$ 20,325	$ 14,691	$ 22,070
Income from operations	10,423	8,432	2,192	9,880
Net income	6,810	5,878	2,126	6,895
Net income per fully diluted share	$ 0.44	$ 0.38	$ 0.14	$ 0.45
2001	**First**	**Second**	**Third**	**Fourth**
Revenues	$ 23,644	$ 23,826	$ 18,222	$ 27,184
Income from operations	11,459	9,262	2,744	10,042
Net income	8,137	6,248	2,008	6,416
Net income per fully diluted share	$ 0.53	$ 0.42	$ 0.14	$ 0.45

CORPORATE INFORMATION

Front left to right: Dr. J. Chris Toe, Kevin O'Reagan, Scott Steffey and Robert Farmer.
Back left to right: Steven McArthur, Mark Brown, Robert Silberman and Lysa Hlavinka.

Executive Officers

Robert S. Silberman
President and
Chief Executive Officer

Scott W. Steffey
Executive Vice President and
Chief Operating Officer

Mark C. Brown
Senior Vice President and
Chief Financial Officer

Steven A. McArthur
Senior Vice President and
General Counsel

Lysa A. Hlavinka
Vice President of Marketing and
Public Relations

Kevin P. O'Reagan
Vice President and
Chief Technology Officer

Robert E. Farmer
Vice President of Administration,
Human Resource and Training

Chris Toe, Ph.D.
Provost and Academic Dean,
Strayer University

Corporate Office

1100 Wilson Boulevard, Suite 2500
Arlington, Virginia 22209
703-247-2500

Web Site

www.strayeredu.com

Annual Meeting

The Company's annual meeting of stockholders is scheduled to be held on Wednesday, May 1, 2002, at 9:00 a.m. at the Ritz Carlton Pentagon City, Arlington, Virginia, 703-415-5000.

Additional Information

Additional information may be obtained upon request to:
Mark Brown
Senior Vice President and
Chief Financial Officer
Strayer Education, Inc.
1100 Wilson Boulevard, Suite 2500
Arlington, Virginia 22209
703-247-2500
mbrown@strayer.edu

Transfer Agent

American Stock & Trust Company
40 Wall Street
New York, NY 10005

Stock Listing

The common stock of Strayer Education, Inc. trades on The Nasdaq Stock Market® under the symbol "STRA."

STRA NASDAQ LISTED

Board of Directors

Steven B. Klinsky (Executive Committee)
Chairman of the Board, Strayer Education, Inc.
Founder and CEO, New Mountain Capital LLC
Former General Partner, Forstmann Little & Co.

Robert S. Silberman (Executive Committee)
President and CEO, Strayer Education, Inc.
Former President and COO, CalEnergy Company, Inc.
Former U.S. Assistant Secretary of the Army

Charles Ayres (Executive and Compensation Committees)
Managing Director, DB Capital Partners
(a division of Deutsche Bank)

Charlotte F. Beason, Ed.D.
Vice-Chair, Commission on Collegiate Nursing Education
Program Director, U.S. Department of Veterans Affairs

William E. Brock (Compensation Committee)
Chairman, BRIDGES Learning Systems, Inc.
Former U.S. Secretary of Labor
Former U.S. Special Trade Representative
Former U.S. Senator, State of Tennessee

Gary Gensler (Audit Committee)
Former U.S. Under Secretary of the Treasury
Former Partner, Goldman Sachs Group, L.P.

Robert R. Grusky (Executive and Audit Committees)
Principal, New Mountain Capital LLC
Former President RSL Investments
Former Vice President, Goldman Sachs & Co.

Todd A. Milano (Compensation Committee)
President and CEO, Central Pennsylvania Business School

G. Thomas Waite, III (Audit Committee)
Treasurer and CFO, Humane Society of the United States

J. David Wargo
Principal, New Mountain Capital, LLC
President, Wargo & Company, Inc.
Former Managing Director, The Putnam Companies

David B. Coulter
Vice Chairman, J.P. Morgan Chase & Co.
Former Chairman and CEO, BankAmerica Corporation

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