

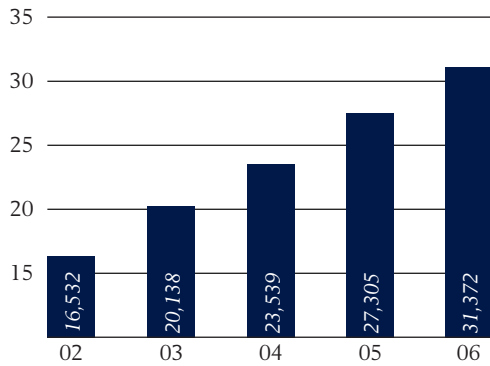
STRAYER EDUCATION INC.

2006 Annual Report

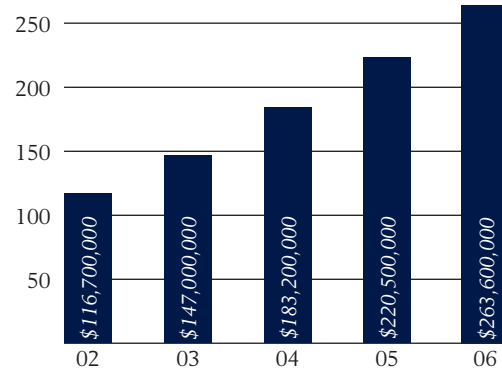


SELECTED FINANCIAL DATA

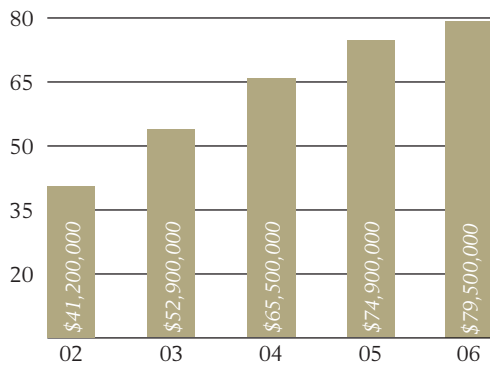
Student Enrollment: Fall Quarter



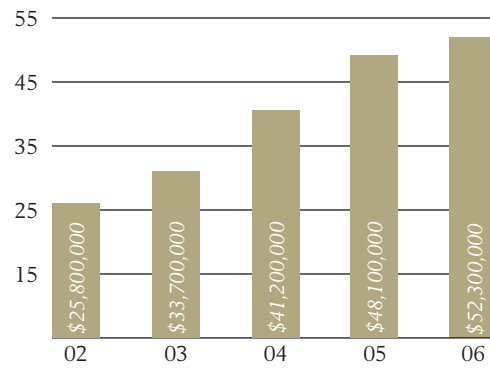
Revenues



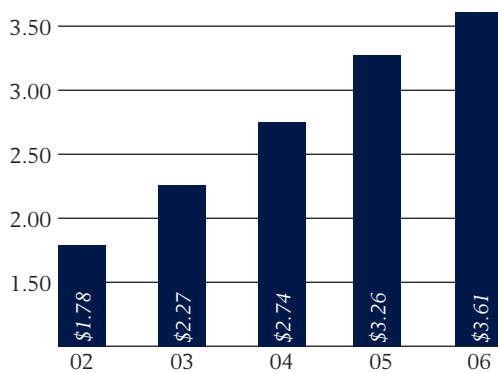
Operating Income



Net Income



Earnings Per Share (diluted)



LETTER TO SHAREHOLDERS

ROBERT S. SILBERMAN
Chairman & Chief Executive Officer

Dear Fellow Shareholder,

First, the headlines. In 2006 Strayer University increased its student population by 15%. This in turn led to an increase in our Company's revenue, operating income, and earnings per share of 20%, 17%, and 21% respectively. Since 2001, the year present management assumed the stewardship of Strayer Education, Inc., our revenue, operating income, and earnings per share have grown at compounded rates of 22%, 19% and 19% respectively. The facing page shows our progress over the last six years, in graph form. As shareholders ourselves, we are certainly pleased by financial graphs which move up and to the right. In this letter, however, I would like to share with you in more detail the stories behind our headlines and financial graphs, as well as discuss our opportunities and challenges for the future. In order to frame that discussion, reprinted on page 5 of this annual report is an excerpt from my 2001 Letter to Shareholders, describing what our Company actually does, how our business model generates reported net income and distributable cash flow, and what our strategy is to increase the intrinsic value of your investment. This excerpt has been reprinted in our annual report each year since 2001, with factual updates italicized to reflect our growth. Shareholders who are new to Strayer, or those long term shareholders who wish to refresh themselves on our basic business model and strategy, should read the excerpt on page 5 before reading this letter.

Probably the most significant story behind our headlines in 2006 was the successful expansion of Strayer University's campus network. I went into some detail in last year's Letter to Shareholders on the improvements we had made to our management development process and organizational structure to support an increase in our growth (See my 2005 Letter to Shareholders, available on our website: www.strayereducation.com). In 2006, those efforts paid off, as we were able to open eight new campuses, versus five the year before, increasing our rate of campus expansion to 23%, versus 17% the year before. We covered a wide geographic area with our investments in 2006. The eight new campuses included four in the Northeast (one campus each in Wilmington, DE and downtown Philadelphia, PA; and two campuses in the Pittsburgh, PA market) as well as four in the Southeast (Atlanta, GA, Virginia Beach, VA,

Charleston, SC, and Birmingham, AL). Three of our investments responded to increased demand in existing markets, and the remaining five increased our footprint into new territories.

In deciding where to open new campuses each year, we try to balance our interest in spreading our brand into new markets with our desire to fully satisfy unmet demand in markets that we have already penetrated. We have no hard and fast rules for making the allocation between these two competing interests, and indeed have occasionally concentrated in past years on one more than the other. We have only three immutable principles which guide our investment decisions:

- First, as long as the unlevered financial returns on opening new campuses remain as high as they are (by our estimate in excess of 70%), we will open as many campuses as we can, as quickly as we can.
- Second, we will not expand our university beyond a scale for which we have sufficient academic and administrative leadership to ensure a quality educational experience for all of our students.
- Third, while our ambition is to ultimately reach a nationwide scale, our campus expansion plan will generally take place into contiguous geographies, because that makes it easier to maintain academic quality during the expansion.

Through 2006, present management has opened 30 new Strayer University campuses in 16 different metropolitan markets. All have performed at or above our investment expectations. I am sure we will eventually find a market in which we are not immediately successful. It is unreasonable to assume that Strayer's advance across the United States will continue, in the words of a favorite poet, "marching rank upon rank, an army of unalterable law."



But, at least to date, we have seen nothing which lessens our confidence in the attractiveness of our academic product, or the potential size of the market we are attempting to penetrate. Indeed, quite the contrary.

Ultimately, the value of our company will be based on the returns we achieve on our invested capital, multiplied by the rate at which we are able to invest that capital. The best news for shareholders in 2006 was that during the year we were able to increase our *rate* of investment, and still maintain the high *returns* we achieve on those investments. If we can continue to accomplish these two objectives in the future, we will almost certainly increase the intrinsic value of our Company.

During 2006 we recruited and educated roughly 15% of our student body exclusively through our online campus, Strayer University Online. These students come to us over the Internet from those communities in the United States where we have yet to open physical campuses, as well as from some 30 foreign countries. On my last visit to our online headquarters, I watched as an admissions officer finalized the registration of a student who had found us on the Internet from Katmandu, Nepal. This student decided to take one of his courses in the synchronous, or real-time mode. This means the student will be required to be online for the entire four hour class once a week, at the same time as his classmates and his professor. The student will not just hear the lecture, but will also be able to respond to the Socratic teaching method through voice over Internet protocol. That we have a student enrolled from Nepal is not that surprising to me. What is surprising is that the student decided to register for a class which meets on the Internet at 6:00 p.m. Eastern Standard time, every Monday night, which means he will need to log on at 4:00 a.m. Nepal time, every Tuesday morning. Not normally the most conducive hour to study International Economic Policy.

The majority of our online courses are actually taken in the asynchronous, or on-demand mode. This allows the student to log on for the class lecture at his or her convenience at any time during a seven day period. We make both types of online courses available to the 85% of our students who are based at one of our 47 campuses. Indeed, I cannot emphasize enough how fully integrated the online university is within Strayer University as a whole. This has been a deliberate strategy on our part, reasoning that next to academic quality, the most important product attribute for our working adult student is convenience. We believed, and still do, that students should decide the educational format which works best for them, whether it be classroom, real-time online, or on-demand online. In 2006, over 50% of our students took at least one online course, 46% of all the

class sections we taught were conducted online, and 55% of our campus based faculty taught at least one class online.

During 2006 we made significant progress in a number of academic areas. We continued to add to our academic infrastructure by naming three new senior university administrative positions: a Dean of the School of Computer Science and Information Systems, a Dean of the School of Business, and a Dean of the School of Arts and Sciences. These positions will report to our Provost and Chief Academic Officer, and will be responsible for the quality and content of courses taught in their respective curricula. Along with our full-time faculty, the Deans of the Schools will also lead, approximately every three years, a periodic full curricula review of their academic programs. In 2006, we finished the first such review of the Computer Science and Information Systems curricula, and made

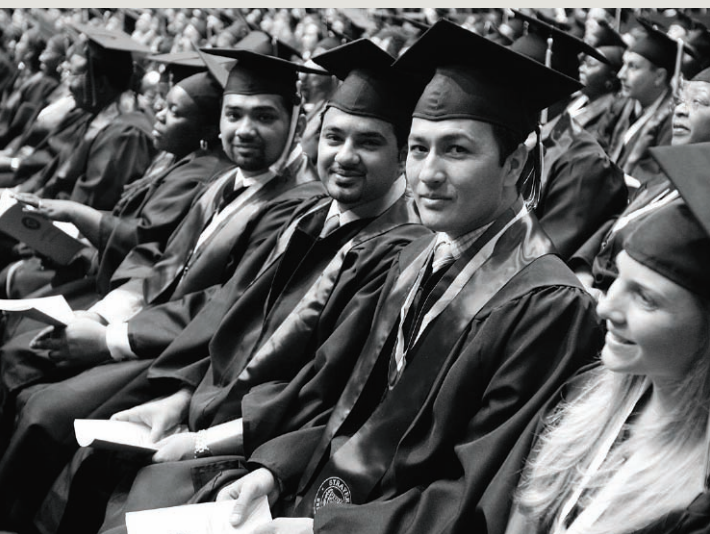


significant updates and improvements. In 2007, we intend to review our Master of Business Administration curricula.

In 2006 we also completed a comprehensive review of all aspects of Strayer University, in what is known in academic circles as an institutional self study. Analogous in the corporate world to a major strategic plan update, our institutional self study led us to the above mentioned decisions to supplement our academic leadership with the Deans of Schools, and to implement the structured periodic curricula reviews. We also concluded that we should improve our educational support with two other initiatives. First, we decided to slightly increase our ratio of full-time to adjunct faculty, particularly in our new campuses. Second, we decided to develop a short, conveniently administered diagnostic test which will allow us to more easily identify those of our students who require additional remedial

work in basic English and math to succeed at the college level. We are excited by the impact that we believe these initiatives will have on our overall academic quality. In addition, based on the findings of our self study, in 2006 we petitioned our regional accrediting body, the Middle States Commission on Higher Education, to accelerate the reaffirmation of Strayer University's 10 year accreditation, which was originally scheduled to be reviewed in 2010. The Commission has agreed to consider this, and we are hopeful that early reaffirmation can be accomplished in 2007.

Our focus on improving our educational support functions, described in detail in last year's Letter to Shareholders, had some immediate impact in 2006, as our retention rate (the rate at which students, who are enrolled in a given quarter register for courses in the next quarter) rose by 1.5% over



the previous year. More importantly, in 2006, the number of students who completed their degree and graduated from Strayer University increased by 20% to more than 6,000. We also took the opportunity in 2006 to fully renovate four of our existing campuses, two of which involved significant expansions, as we had outgrown their initial footprints.

Given the strong operating and academic results we achieved in 2006, and indeed that we have achieved over the last six years, we are not inclined to significantly alter our strategy or business model in 2007. We feel the steady improvements we have made in both our academic offerings and our human capital have given us a strong foundation on which to realize our ambition of building a high quality, regionally accredited, nationwide university for working adults. And, as I noted earlier, our experience to date has

done nothing to lessen our confidence in the demand for the educational services we offer.

In 2007 we plan to again open eight new campus locations. We believe eight is the maximum number of new campuses we can adequately staff this year and still ensure the quality of the academic product we provide our students. The first four locations have already been identified, and are in new markets for Strayer: Louisville and Lexington, Kentucky, and Orlando, Florida (two campuses). The remaining four campuses will be opened in the latter half of the year, and will probably be in a mix of existing and new markets. We also believe that with the faster than anticipated ramp to profitability of those campuses we opened in 2006, we can incur the losses associated with opening eight new campuses in 2007 and still maintain roughly stable operating margins versus the prior year. However, it is important for shareholders to understand that we enjoy exceptional returns on invested capital when we open new campuses. Therefore, in the future we will gladly suffer lower operating margins in a given year by investing in more campus openings, *if we can do so and still maintain our academic quality.*

During 2006, the Company generated approximately \$49 million in distributable cash flow. We define our distributable cash flow as our after-tax cash from ongoing operations of \$62 million, minus our required capital expenditures (including those capital expenditures necessary to fund our growth) of \$13 million. That \$13 million of capital expenditures included \$7 million to open eight new campuses in 2006, \$3 million for the renovation and expansion of four existing campuses; and the remaining \$3 million for information technology and other routine maintenance.

We deployed our \$49 million of distributable cash as follows: we returned \$15 million to our shareholders in the form of common dividends, and we used the remaining \$34 million to repurchase approximately 340,000 shares of our common stock at an average price of \$100 per share. During 2006, we felt we deployed as much financial capital into our organic growth strategy as we could, while still maintaining our academic quality. However, we were once again unable to find any acquisition candidates that we believed would add sufficient value to our enterprise, so we did not employ any of our financial capital for acquisitions.

Our balance sheet and capital structure at the end of 2006 remain quite strong. After our share repurchases we have approximately 14.3 million shares of common stock outstanding, \$172 million of shareholder's equity, \$130 million in cash or short term equivalents, and no debt. After looking at our prospects for 2007, and what we believe will be a rather predictable increase in distributable cash from the

execution of our organic growth strategy, our Board of Directors decided to increase our annual dividend in 2007 by 25% to \$1.25 per share, and approved another \$40 million for share repurchases. Please see my 2003 Letter to Shareholders (available on our website) for a more detailed discussion of how we approach capital allocation.

As a result of our past successes, and as a necessary predicate to our future growth, we were very pleased to make a number of internal promotions this year. Reggie Rainey, Patti Pellicci, Dan Jackson, and Jim McCoy were all named to the newly created positions of Vice President—Operations. Randi Reich, who has held numerous operating and academic positions in her six years with Strayer, was promoted to Senior Vice President—Academic Administration. Greg Ferenbach, our Deputy General Counsel, was promoted to General Counsel, and Dr. Joel Nwagbaraocha, the Dean of our Graduate School, was promoted to Provost and Chief Academic Officer. These individuals, whose tenures at Strayer range from five to twenty years, have all been key to our ability to consistently serve our students. As shareholders, should you run into any of them at one of our campuses, be sure to thank them, they deserve it. We were also pleased this year to bring on Karl McDonnell as our President and Chief Operating Officer. Karl has had extensive experience in senior positions at The Walt Disney Company and Goldman, Sachs & Company, two organizations whose focus on internal human capital development I have always admired.

In 2007 you will have a great opportunity to meet all these individuals, as we are planning to hold an Investor Day in Philadelphia, PA on November 6th and 7th. In addition to hearing presentations from various levels of the Company's management, we will also be touring several of our Philadelphia area campuses, and having dinner on the 6th with Strayer University students, alumni, and faculty. We consider our executives' and administrators' time to be among our most valuable assets, and therefore only hold these events approximately every three years, so please consider this letter to be your save-the-date notice.

Of course, I also look forward to seeing any of you who can come to our 2007 Annual Meeting of Shareholders, to be held May 2, 2007, at our corporate offices at 1100 Wilson Blvd., Arlington, VA 22209. Please contact Sonya Udler,

our Vice President of Corporate Communications, if you are planning to attend and if you would like to visit one of our Washington, DC area campuses at the same time.

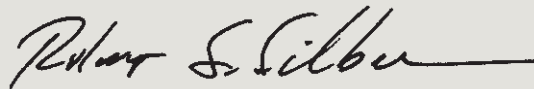
On the topic of personal due diligence, I always invite shareholders to attend one of our graduation ceremonies to get a more visceral feel for the nature of our product. I have included in this annual report pictures from our 2006 ceremonies in Baltimore, MD, Washington, DC, and Richmond, VA. Due to our growth, we have increased our graduation schedule in 2007 to four events, and have included an Atlanta, GA, ceremony. Please see our website for a complete list.

Finally, I would like once again to thank you, on behalf of the entire Board of Directors and management team, for the ongoing opportunity to be the stewards of your capital.

We intend to put it to good works. As educators we are continually awed by the intensity of the commitment of our students. Our requirement is to match that intensity with the quality of both our academic offerings and educational services. Our challenge is daunting, but it is precisely the intensity of our students which also makes it easier for us to employ your capital. Committed customers (in this case, students), often create above average returns to capital. We consider ourselves fortunate to be stewards of an enterprise with intensely committed customers. Observing developments

in the education sector over the last year, I have often been reminded of a verbal command I learned as a young naval officer. This command was used to instruct a helmsman to maintain a ship's speed and heading through choppy water or unsettled weather. It was a simple four words, but signified confidence in the chosen course: Steady as she goes.

Sincerely,



Robert S. Silberman
Chairman of the Board of Directors, and
Chief Executive Officer



OUR BUSINESS MODEL

(Reprinted from the 2001 Annual Report)

Strayer Education, Inc. is an education services holding company whose primary asset is Strayer University, a 115 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, bachelor’s, and master’s level degree programs in Business Administration, Accounting, and Computer Information Systems, *Education, Health Services Administration and Public Administration*. Strayer serves students at 47 physical campuses in Maryland, the District of Columbia, Virginia, *North Carolina, South Carolina, Tennessee, Pennsylvania, Georgia, Florida, Delaware, Alabama and Kentucky*. In addition, Strayer serves students in all 50 states and more than 60 foreign countries worldwide on the Internet through Strayer University 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.

The difference between the revenue we take in and the expenses we pay out is used to first pay taxes and is then 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.

Two of the attractive attributes of our business are that it generates significant after-tax free cash flow from operations, and 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. 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 two to three 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.



TIMOTHY GATES Bachelor of Science in Accounting '05
Medical Service Corps Officer, U.S. Navy

“Even though I was stationed in Keflavik, Iceland, I wanted to earn a degree from an accredited U.S.-based institution. Strayer University Online made it possible. Their responsive and supportive personnel helped me every step of the way. After graduation, I was commissioned as a U.S. Navy Medical Service Corps Officer and I now recommend Strayer University to every service person I know.”

REGGIE STEWART Master of Business Administration '05
Senior Director of Talent Acquisition, Sodexo USA

“Between daily business travel and being a single dad I didn’t know when I would find time to earn a master’s degree. Strayer University’s convenient campus locations and online learning options made it possible. I was able to attend graduate school while getting ahead in my career and getting home to my daughter.”

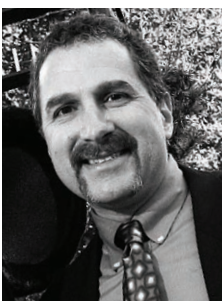


ELLIE NAZEMOFF Master of Science in Communications Technology '98
President and Chief Executive Officer, Acolyst

“I was already running a successful company and was not interested in learning from teachers who hadn’t been outside a classroom in 20 years. Strayer University offered top-notch professors with high-level, real-world experience. I was able to bring my business issues to class and find practicable solutions with insight from the instructors.”

DAWN SYKES Master of Health Services Administration '05
Founder and Chief Executive Officer, Open Arms Residential Facility

“As a registered nurse with dreams of opening my own company, I needed to learn the skills to be an effective business manager. As a working mother, I needed an adult-oriented graduate school with flexible education choices. I liked the convenience of Strayer University’s class schedule and thrived under the personalized attention I received.”



ALAN FRAWERT Bachelor of Science in Computer Information Systems '00
Principal Systems Specialist, The Walt Disney Co.

“After years of working in information systems I hit a glass ceiling. I knew the only thing that would keep me moving up the ladder was a college degree. Strayer University offered a well-respected IT program along with convenient course scheduling options that left time for my other obligations. Now I have a dream job at The Walt Disney Co.”



**STRAYER
UNIVERSITY
CAMPUS
LOCATIONS**

CORPORATE INFORMATION

Executive Officers

Robert S. Silberman
Chairman and Chief
Executive Officer

Karl McDonnell
President and Chief
Operating Officer

Mark C. Brown
Senior Vice President and
Chief Financial Officer

Gregory Ferenbach
Senior Vice President
General Counsel

Lysa A. Hlavinka
Senior Vice President
Marketing and Administration

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

Sonya G. Udler
Vice President
Corporate Communications

Strayer University Officers

Dr. Joel O. Nwagbaraocha
Interim University President,
Provost and Chief Academic
Officer

Randi S. Reich
Senior Vice President
Academic Administration

Patricia Ardoline-Pellicci
Vice President
Operations

Daniel W. Jackson
Vice President
Operations

James F. McCoy
Vice President
Operations

Reginald Rainey
Vice President
Operations



Left to right: Gregory Ferenbach, Kevin O'Reagan, Dr. Joel Nwagbaraocha, Sonya Udler, Randi Reich, Karl McDonnell, Mark Brown, Lysa Hlavinka

Board of Directors

Robert S. Silberman
Chairman and Chief
Executive Officer
Former President and COO,
CalEnergy Company, Inc.
Former U.S. Assistant Secretary
of the Army

Charlotte F. Beason, Ed.D.
Chairwoman, Strayer University
Board of Trustees
Former Chairwoman,
Commission on Collegiate
Nursing Education

William E. Brock
Founder and Chairman,
Brock Offices
Former U.S. Secretary of Labor
Former U.S. Special Trade
Representative
Former U.S. Senator,
State of Tennessee

David A. Coulter
Managing Director and Senior
Advisor, Warburg Pincus, LLC
Former Chairman and CEO,
BankAmerica Corporation
Former Vice Chairman, JP
Morgan Chase & Co.

Gary Gensler
Former U.S. Under Secretary of
the Treasury
Former Partner, Goldman Sachs
Group, LP

Robert R. Grusky
Founder and Managing Member,
Hope Capital Management, LLC
Former President, RSL
Investments Corporation
Former Vice President, Goldman,
Sachs & Co.

Robert L. Johnson
Chairman and CEO, RLJ
Companies
Founder, Black Entertainment
Television

Todd A. Milano
President and CEO, Central
Pennsylvania College

G. Thomas Waite, III
Treasurer and CFO, Humane
Society of the United States

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

Corporate Office: 1100 Wilson Boulevard, Suite 2500, Arlington, VA 22209 (703) 247-2500 **Web Sites:** Strayer Education, Inc. (www.strayereducation.com), Strayer University (www.strayer.edu) **Annual Meeting:** The annual meeting of shareholders will be held on Wednesday, May 2, 2007, at 8:30 a.m. at The Twin Towers Conference Center, 1100 Wilson Boulevard, Mall Level, Arlington, VA 22209.

Transfer Agent: American Stock Transfer & Trust Company, 59 Maiden Lane, New York, NY 10038 **Stock Listing:** Strayer Education, Inc.'s common stock is traded on The NASDAQ Stock Market® under the symbol "STRA" **Independent Registered Public Accounting Firm:** PricewaterhouseCoopers LLP, 1800 Tysons Boulevard, McLean, VA 22102 **Investor Relations:** Information may be obtained by writing: Strayer Education, Inc., Investor Relations Department, 1100 Wilson Boulevard, Suite 2500, Arlington, VA 22209, or calling: (703) 247-2500.

OUR HERITAGE

Introduction from the Strayer 1912 student catalog

This catalog was written with a view of setting before the men and women of this community some of the advantages of a business education, and of acquainting them with the superior facilities of this school for giving high-grade business training.

The courses have been designed and presented to meet the needs of the business office of today. The teachers are men and women who are specialists in their respective subjects. The school rooms have been chosen and equipped with special reference to light, comfort and sanitation, so as to make it an ideal place for study.

We ask that the public, in determining which school it shall attend, to consider the facts in connection with this school, as are outlined in this catalog and supplementary literature. It is twenty years old. It has grown steadily since the beginning. It attributes its growth to correct ideals, careful management and successful, enthusiastic, and rapidly increasing alumni.

While it is essential to its success that a school should give thorough instruction in the subjects that comprise its courses, yet the school that does only this, falls short of its full mission. The development of those traits of character which make for reliability in business and good citizenship are the peculiar province of the school as well as the home. This school, then, has nothing in common, can have nothing in common, with those so-called business schools offering cheap and superficial courses. Such courses, while inexpensive, and possibly of short duration, cannot result in anything but disappointment in the end.

This school, then, stands for high ideals, it courts investigation, welcomes comparison, and stands by its promises. It is a school to which you may attend with the knowledge that you will be in pleasant surroundings, will be accorded fair treatment, and will be given thorough and painstaking instruction.

Finally, in presenting this catalog, we want to thank a discerning public for its support, and assure it that we shall endeavor to continue to merit the bountiful confidence it has heretofore placed in us.



Strayer's campus
circa 1912

Strayer Education, Inc.

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Suite 2500

Arlington, Virginia 22209

(703) 247-2500

www.strayereducation.com