

Strayer Education, Inc.

Making Education Achievable for Working Adults

Financial Overview

Mark C. Brown

**Senior Vice President and
Chief Financial Officer**

Investor Day
November 7, 2007

Mark C. Brown

Senior Vice President and Chief Financial Officer



- ❖ Joined Strayer Education, Inc. in 2001 as Chief Financial Officer
- ❖ Previously served as the Chief Financial Officer of The Kantar Group, the information and consultancy division of WPP Group
- ❖ Held a variety of management positions at PepsiCo Inc. including Director of Corporate Planning and Business Unit CFO
- ❖ Began career as a CPA with PricewaterhouseCoopers
- ❖ Received undergraduate degree in Accounting from Duke University and a MBA from Harvard University

Agenda

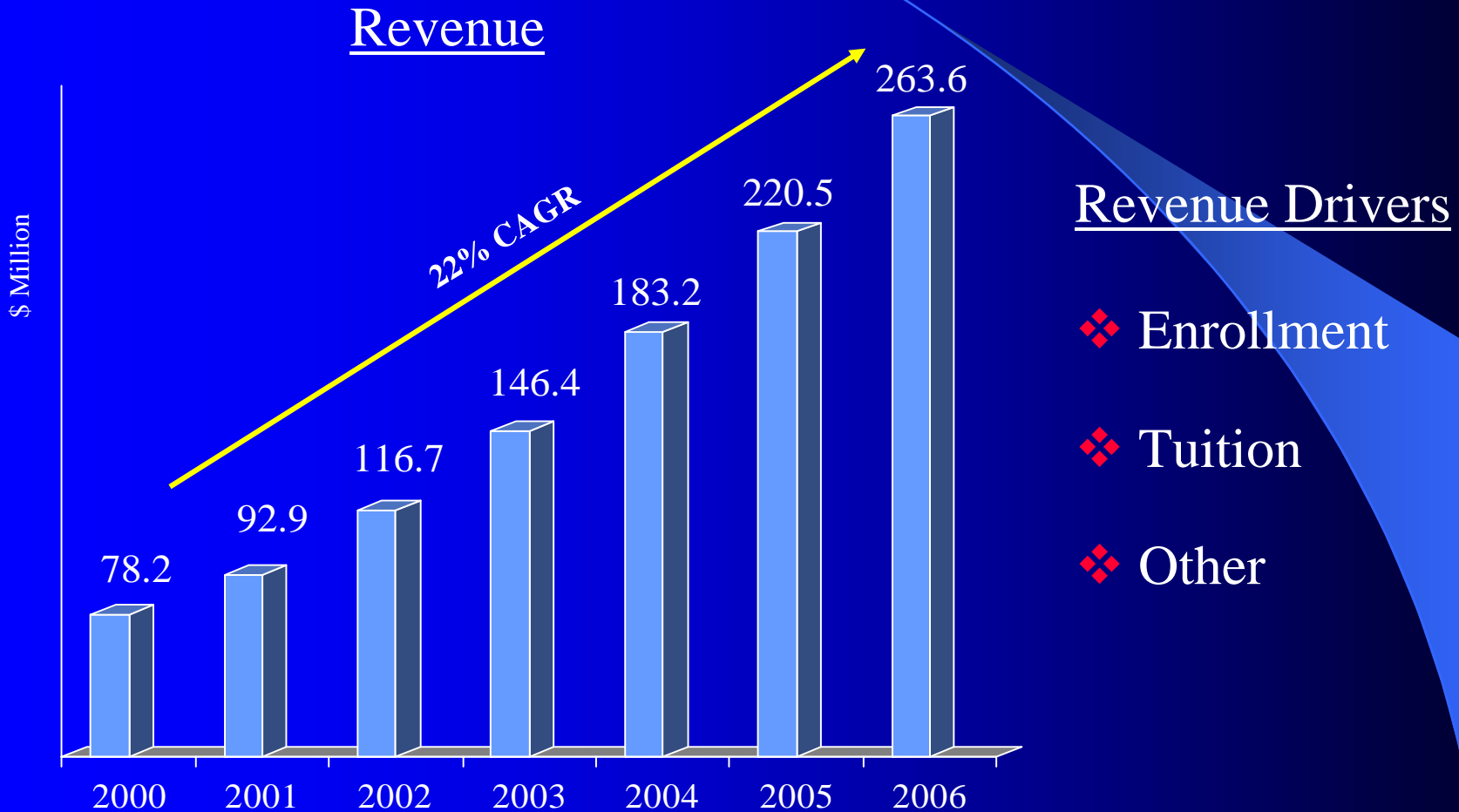
- ❖ Strayer Financial Model
- ❖ New Campus Economics
- ❖ Internal Controls Review
- ❖ 2007 Financial Highlights
- ❖ 2008 Outlook

Strayer Financial Model

Key Characteristics

- ❖ Visibility of revenues and earnings
- ❖ High operating margins
- ❖ Investing for future growth
- ❖ Strong balance sheet
- ❖ Significant cash generation

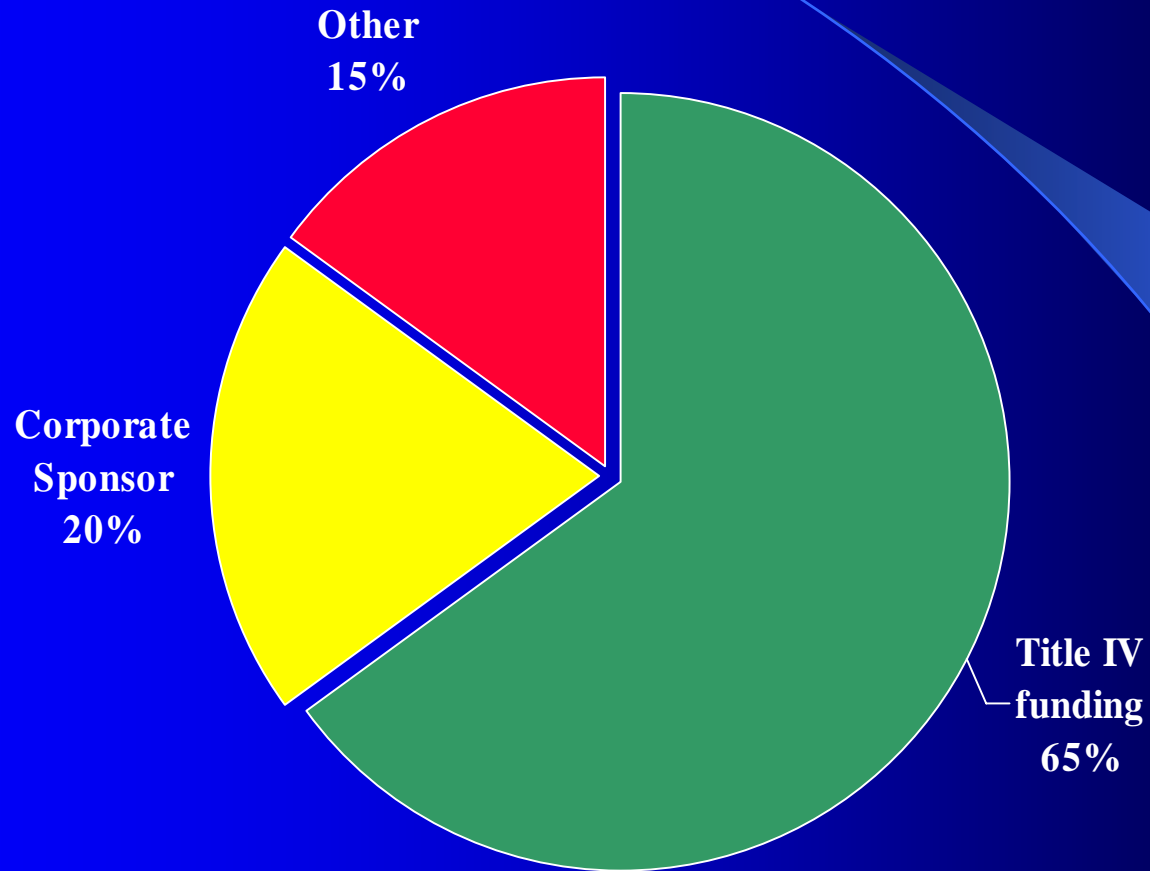
Revenue Growth



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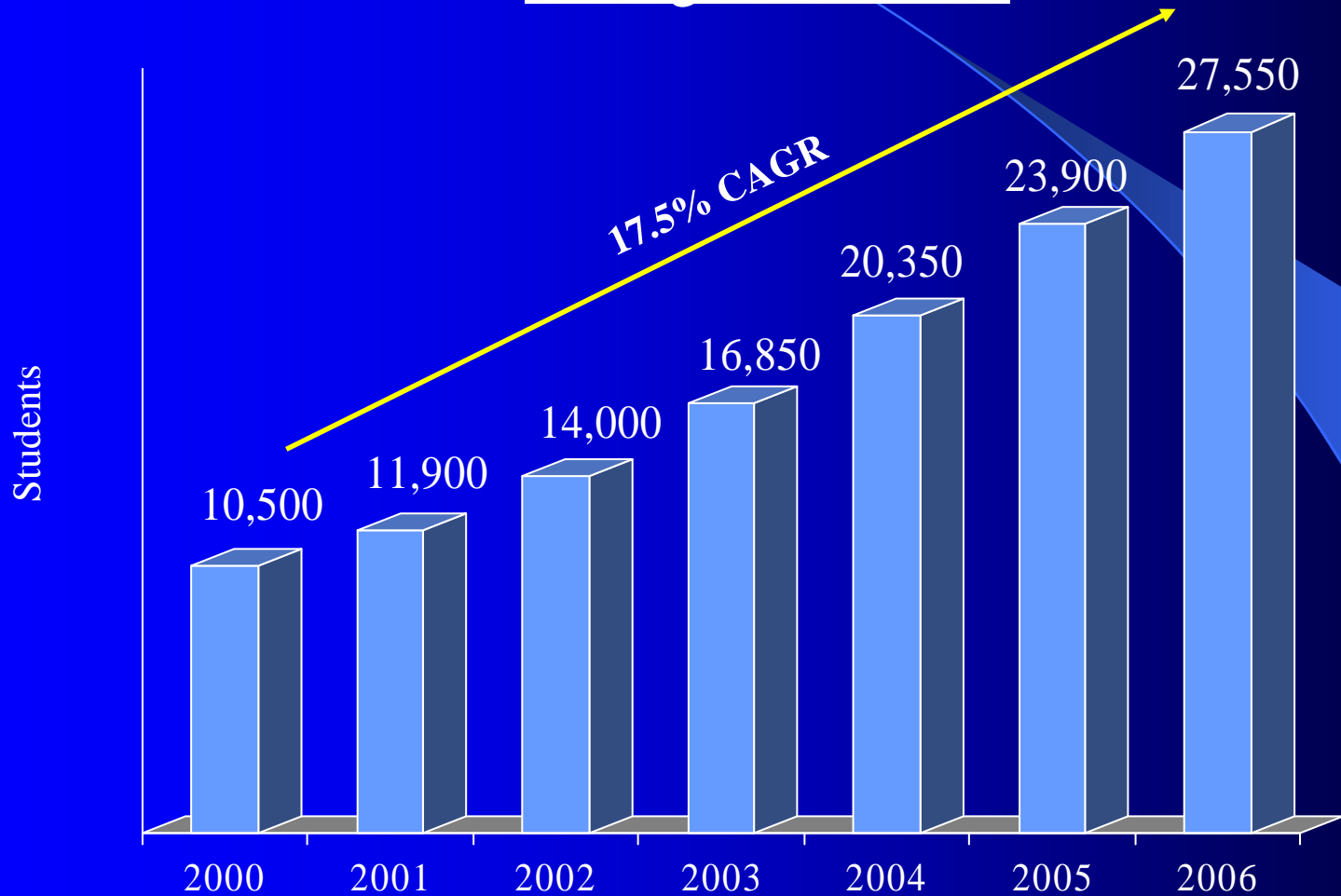
Funding a Strayer Education



Note: approximate percentages; vary by quarter

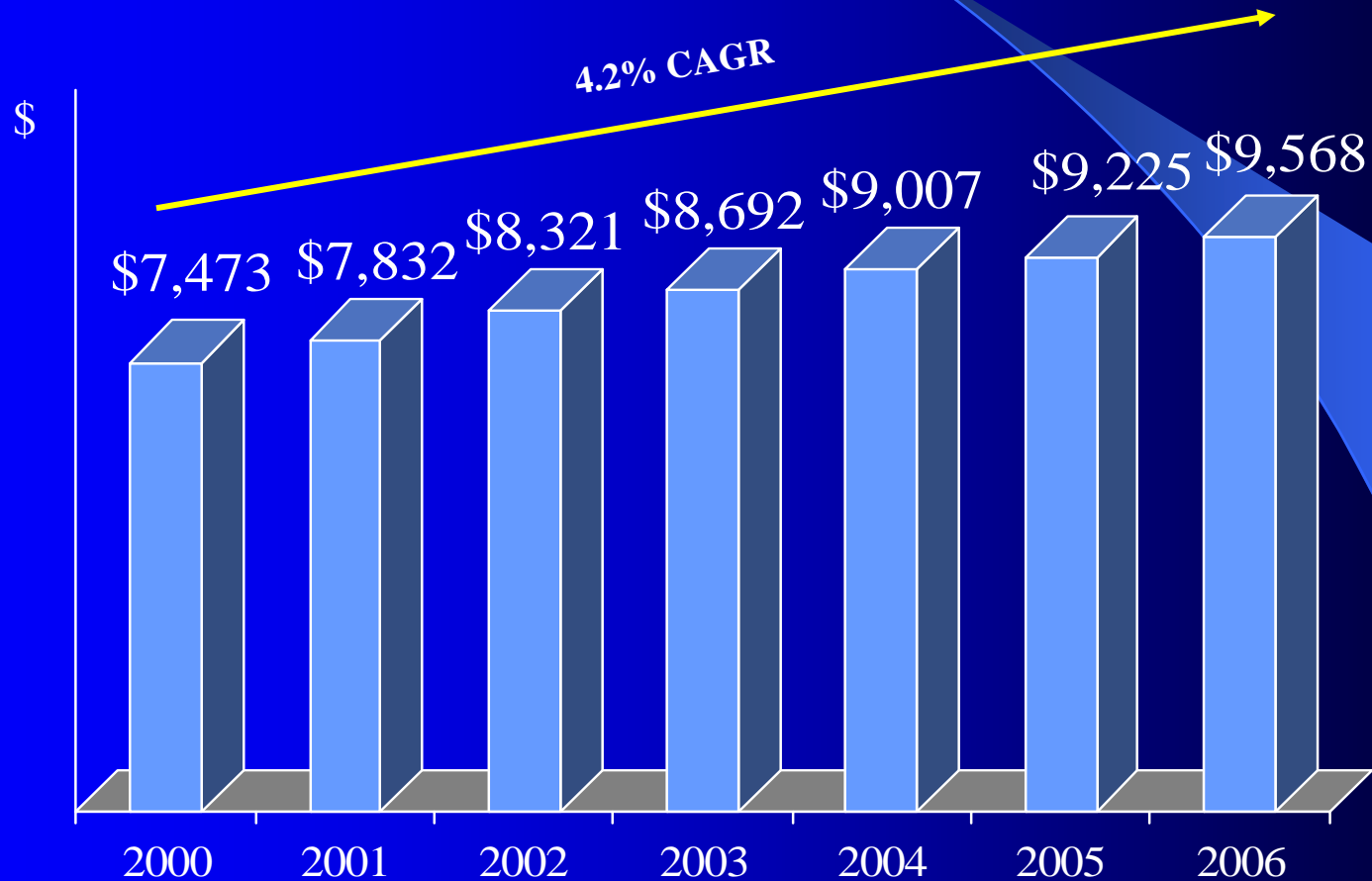
Revenue Driver: Enrollment

Average Enrollment



Revenue Driver: Tuition

Revenue per Student



Revenue Driver: Tuition

Tuition

	<u>Per Course</u>	<u>Per Program*</u>
Full-time undergraduate	\$1,280	\$51,200
Part-time undergraduate	\$1,355	\$54,200
Graduate	\$1,730	\$20,760

* Note - Most Students enrolling at Strayer already have college credits and therefore pay less to complete their program

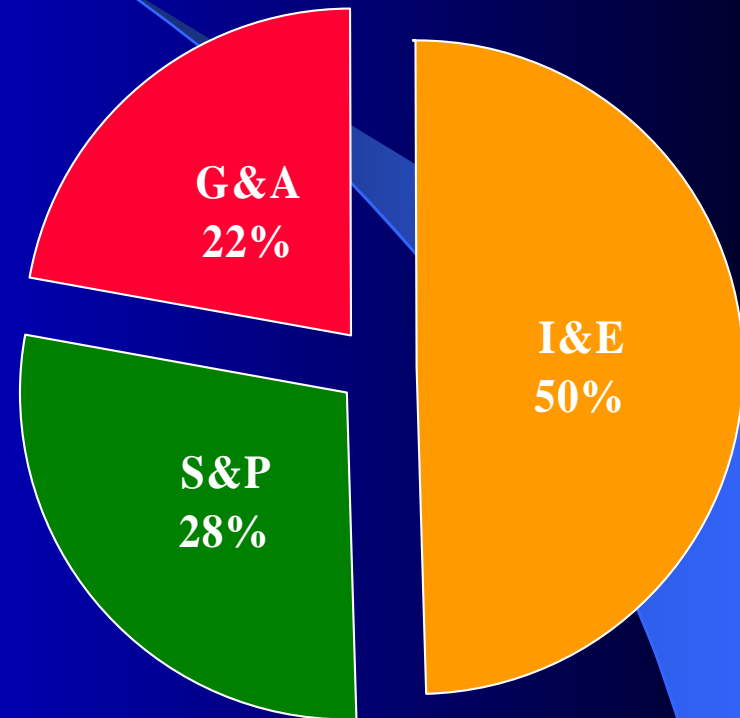
Revenue Driver: Other

Other Factors

- ❖ Seats per student
- ❖ Tuition per seat (i.e., student mix)
- ❖ Drop rate
- ❖ Corporate/military/employee discounts
- ❖ Fee income
- ❖ Textbook income
- ❖ Scholarships and awards

Operating Expenses

- ❖ Instruction & Educational
- ❖ Selling & Promotion
- ❖ General & Administrative



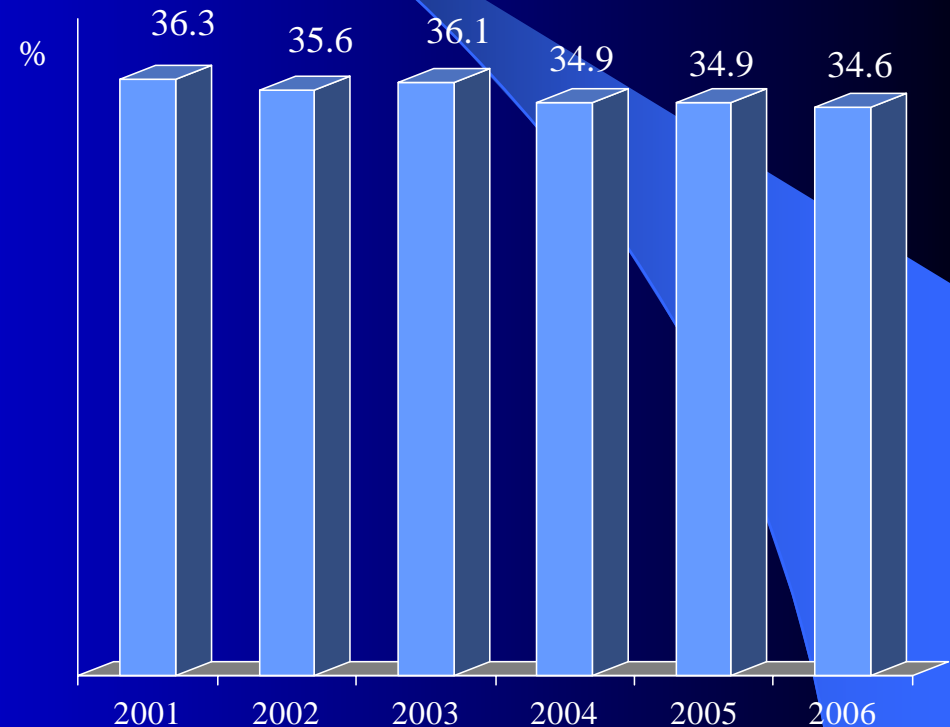
Operating Expenses

Instruction & Educational

Types of Expense

- ❖ Deans
- ❖ Full-time/part-time professors
- ❖ Academic assistants
- ❖ Facility costs
- ❖ Technology licenses
- ❖ Libraries/Computer labs
- ❖ Classroom equipment & supplies
- ❖ Datalines

% of Revenue



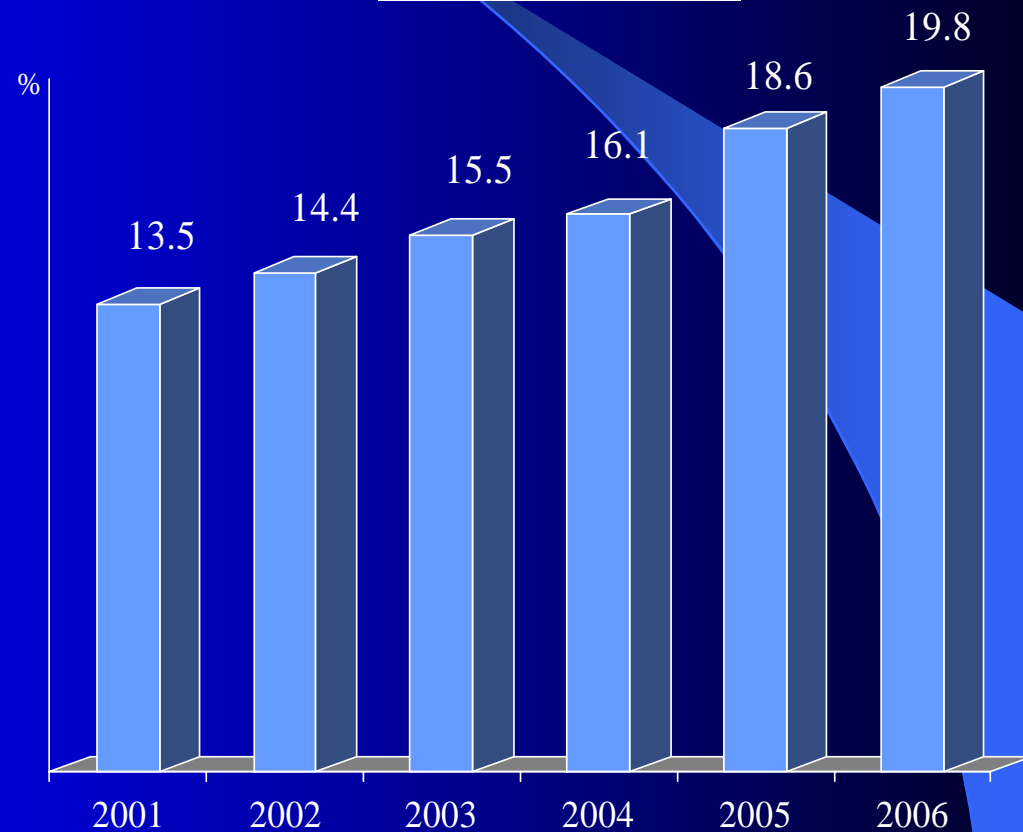
Operating Expenses

Selling & Promotion Expenses

% of Revenue

Types of Expense

- ❖ Admissions officers & assistants
- ❖ Marketing and business development personnel
- ❖ Advertising
- ❖ Trade shows



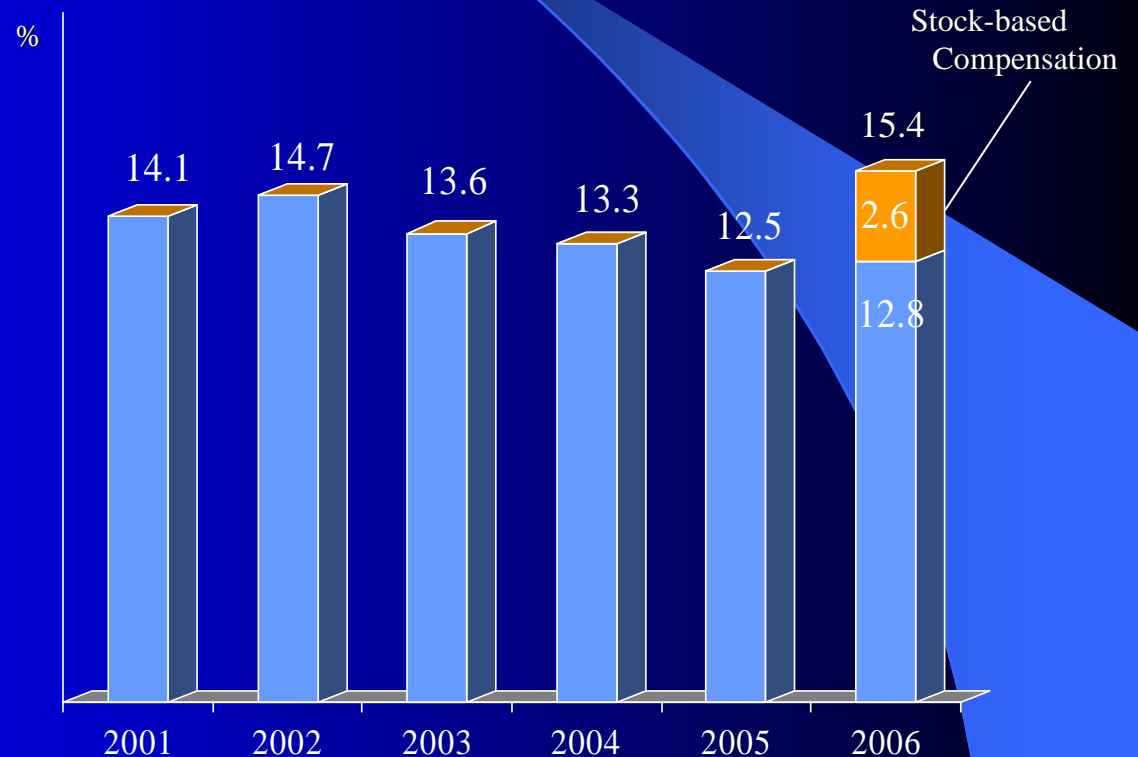
Operating Expenses

General & Administrative Expense

Types of Expense

- ❖ Business Office Managers and support staff
- ❖ Corporate staff
- ❖ Public company expenses
- ❖ Business licenses & taxes
- ❖ Bad debt expense
- ❖ Stock-based compensation (beginning in 2006)

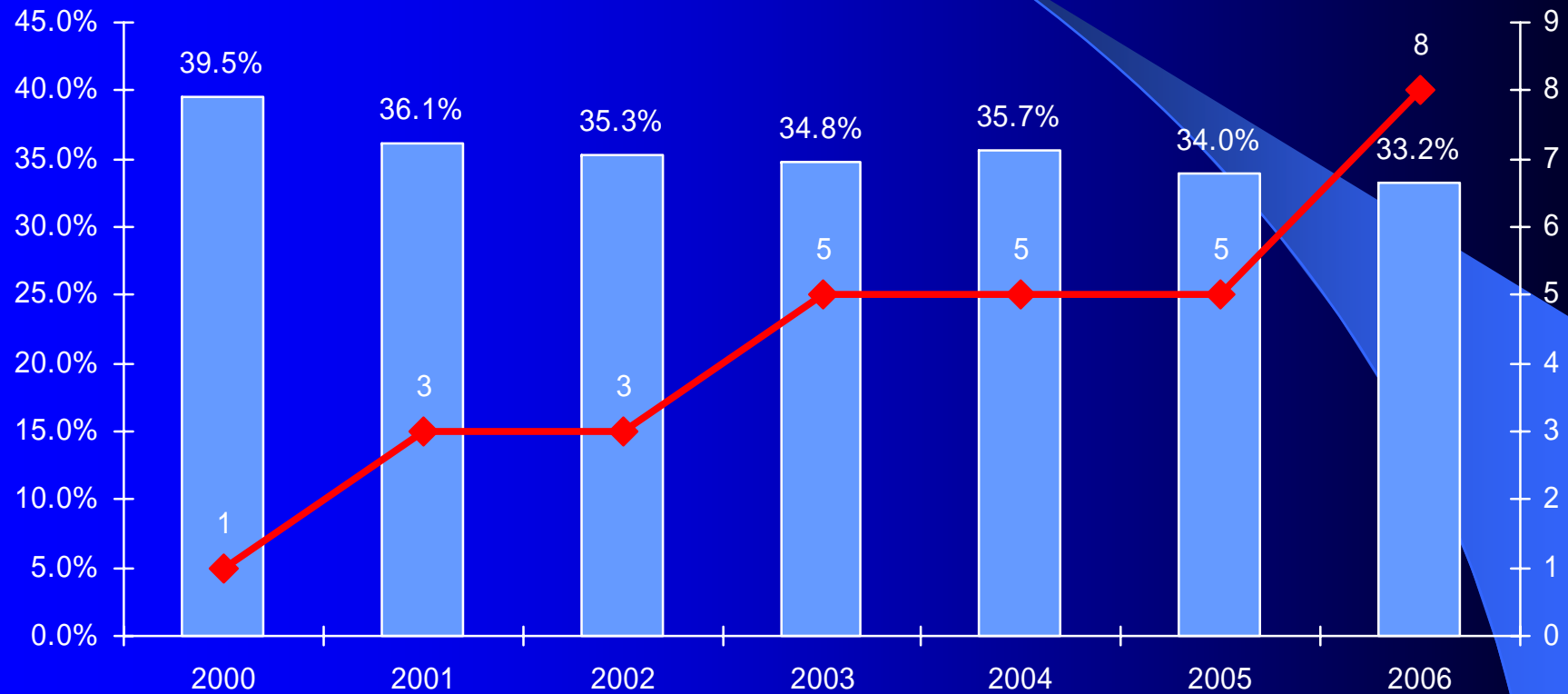
% of Revenue



Operating Margin

Operating Margin

New Campuses



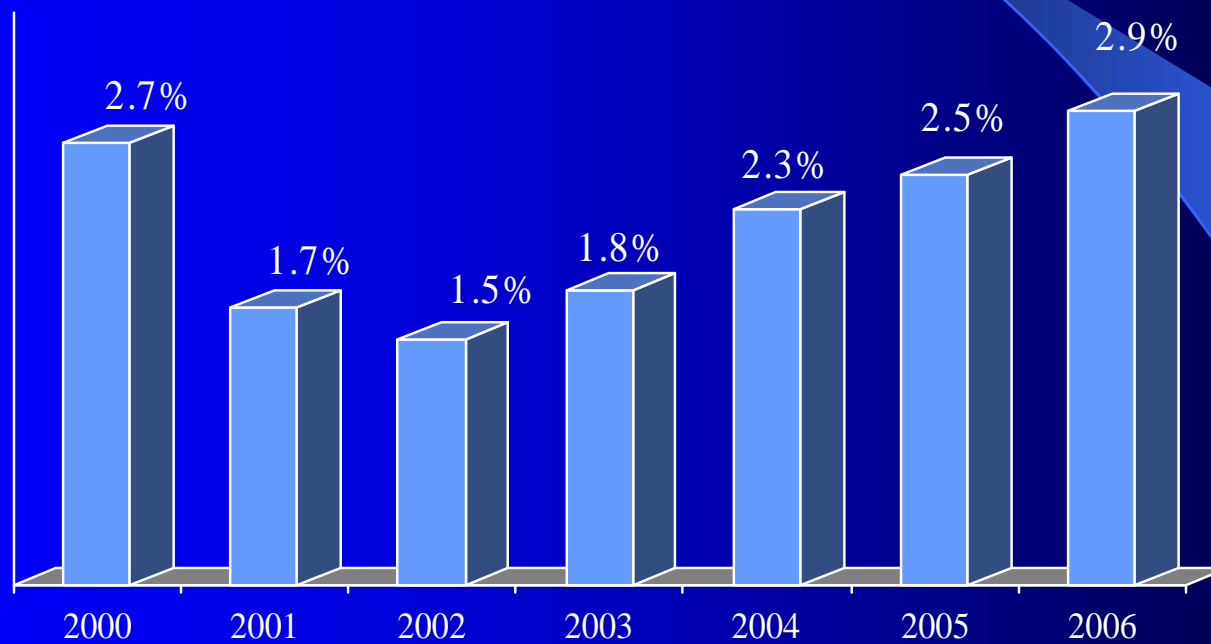
* Excluding stock-based compensation which company began recording in 2006

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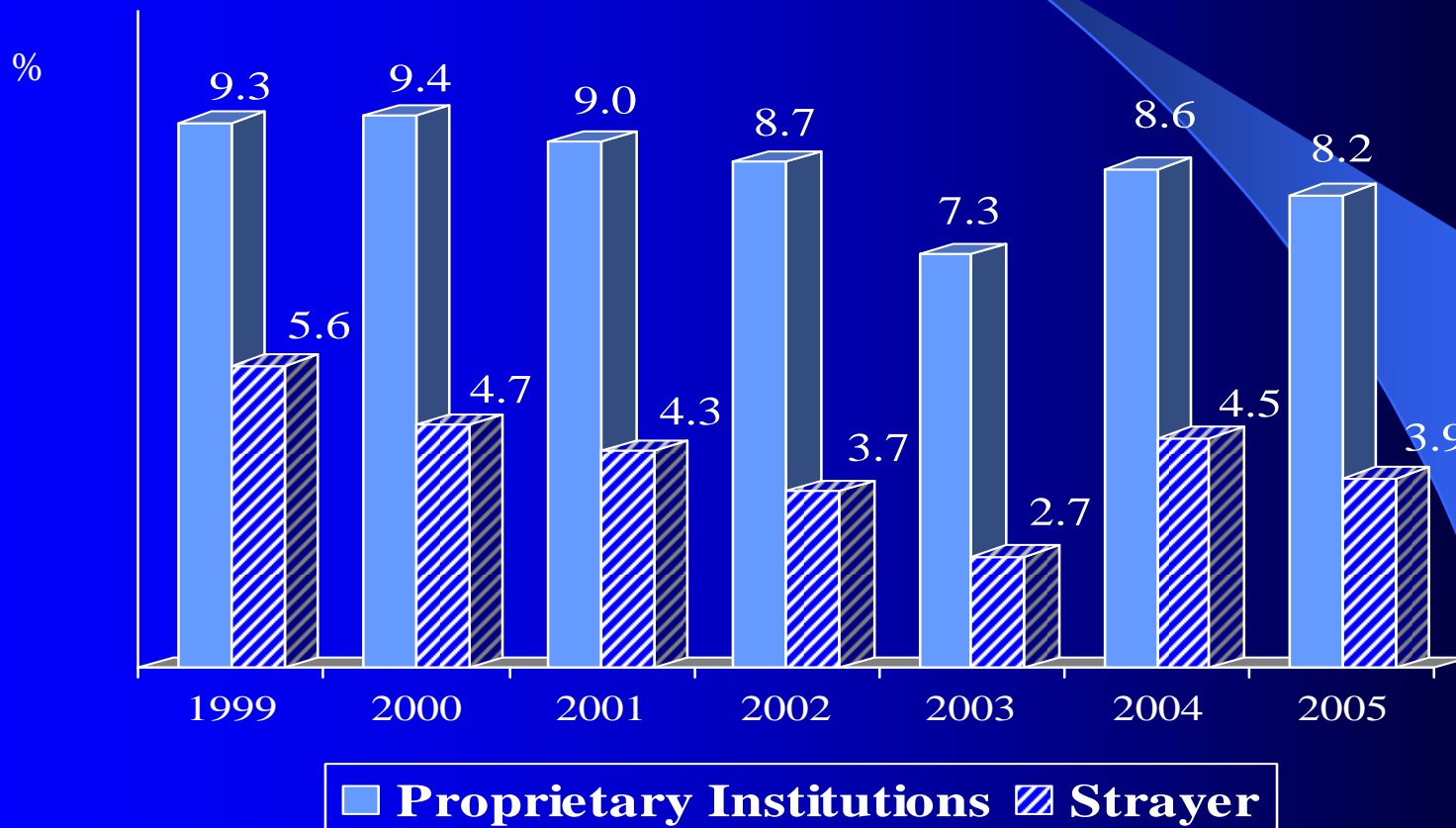
Bad Debt Expense

Bad Debt
(% of Revenue)



Cohort Default Rate

Strayer Cohort Default Rate vs. Proprietary Institutions
(FFEL Program Loans)



Source: # Department of Education

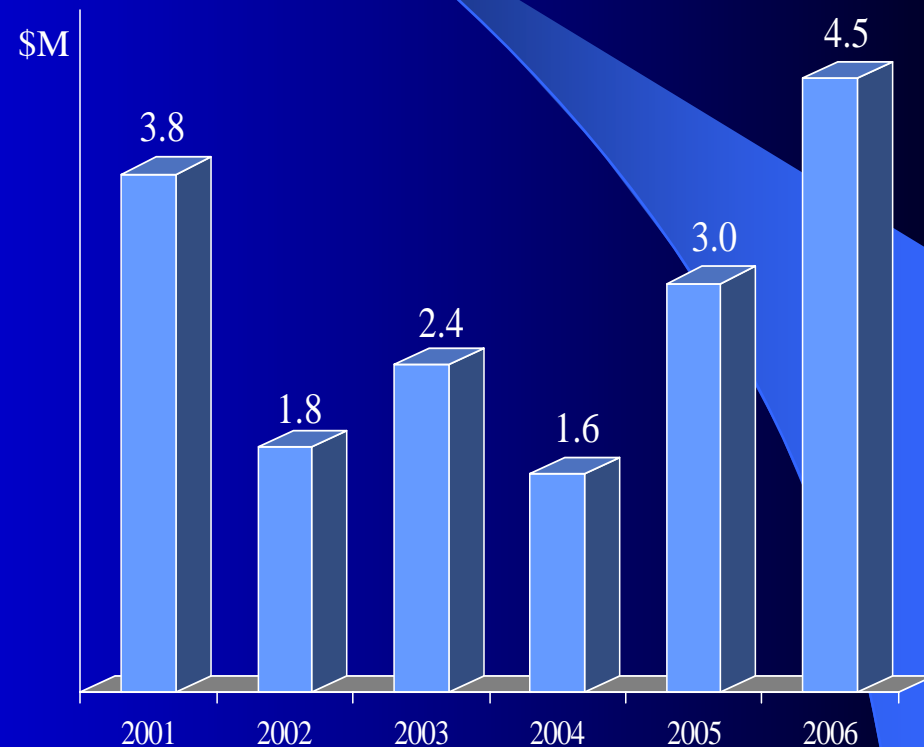
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Investment Income

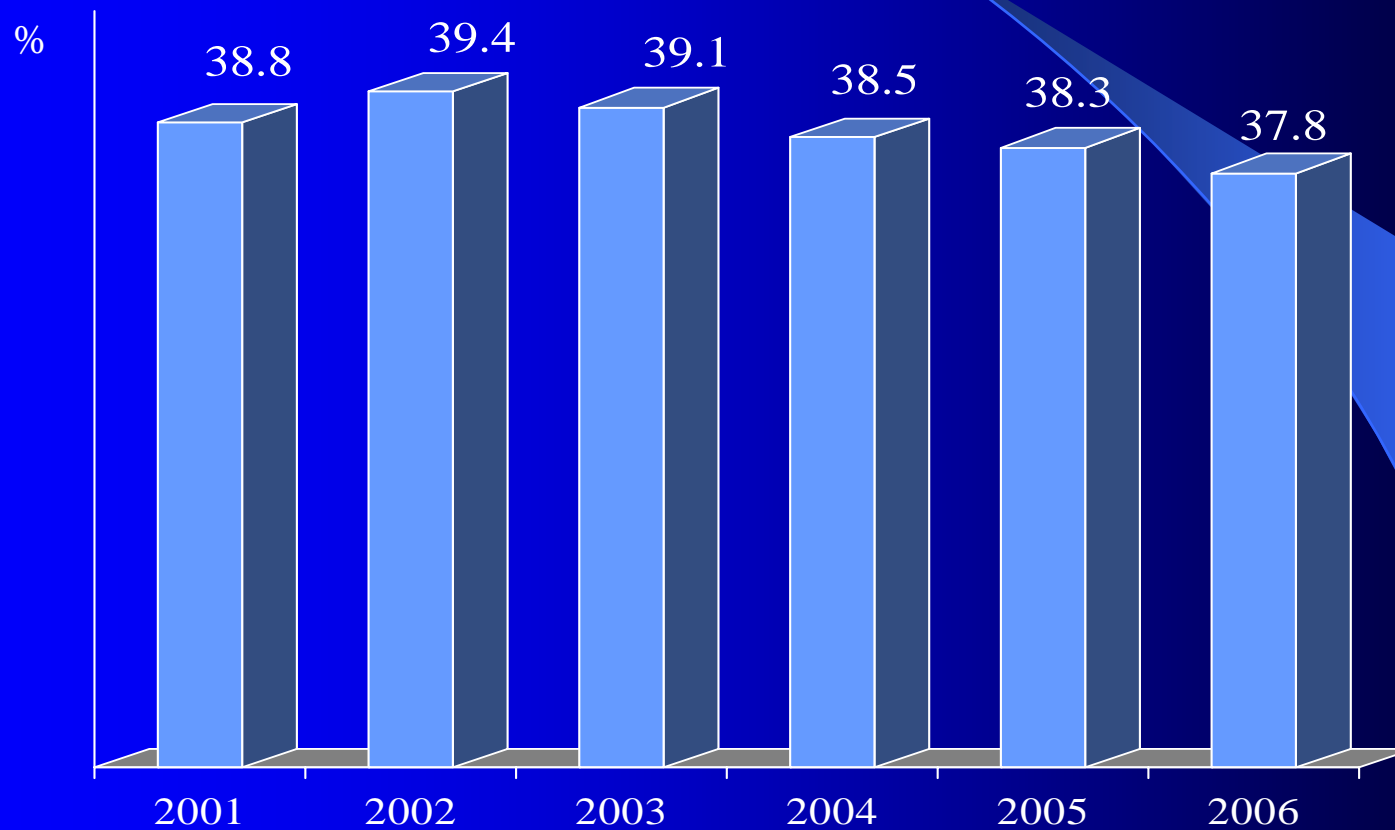
Investment Income

- ❖ Most excess cash is in tax-exempt money market funds and a tax-exempt short-term bond fund
- ❖ Good quality; short duration
- ❖ Higher Investment Income in recent years is attributable to both higher yields and higher average cash balance



Income Taxes

Effective Tax Rate

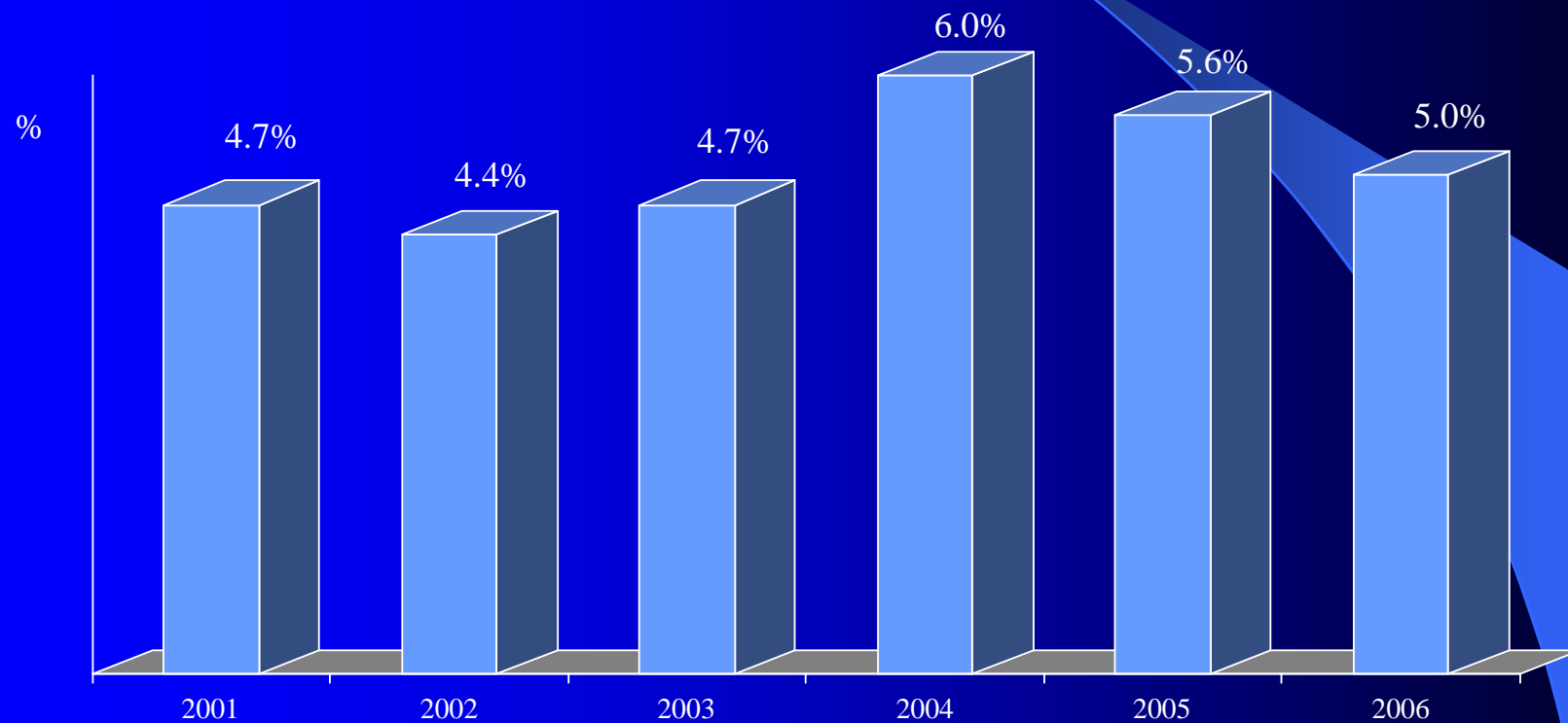


Balance Sheet

- ❖ \$162 million in cash at September 30, 2007
- ❖ No debt
- ❖ Five campus facilities owned, remaining are leased

Capital Expenditures

Capex
(% of Revenue)



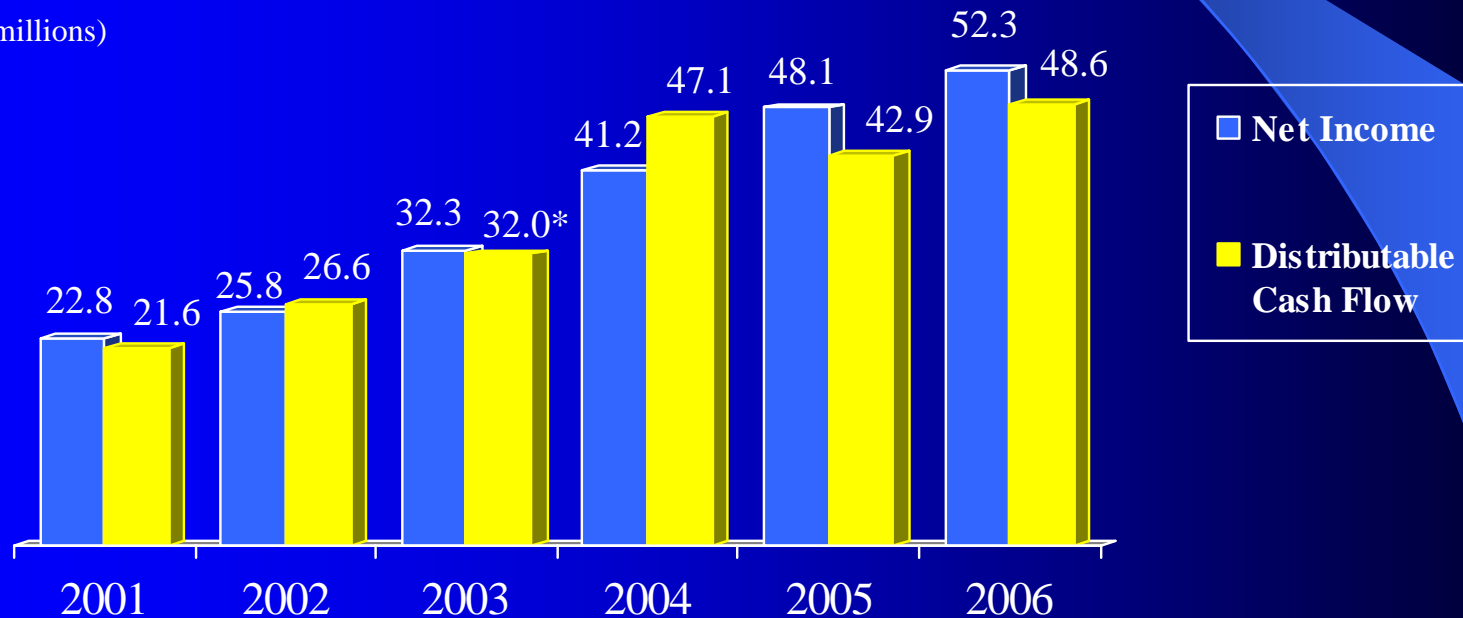
*Excluding campus building purchases in 2001 and 2002

Cash Flow

Significant Cash Generation

- ❖ The majority of net income each year is distributable cash flow

(Dollars in millions)



*Excluding 2003 asset sales

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Redeployment of Excess Cash

- ❖ Maintain sufficient liquidity for regulatory and operational purposes
- ❖ Invest as much as possible in organic growth strategy
- ❖ Have capital available for future acquisitions and investment purposes
- ❖ After the above, return cash to shareholders
 - Dividends (regular or special)
 - Share buybacks

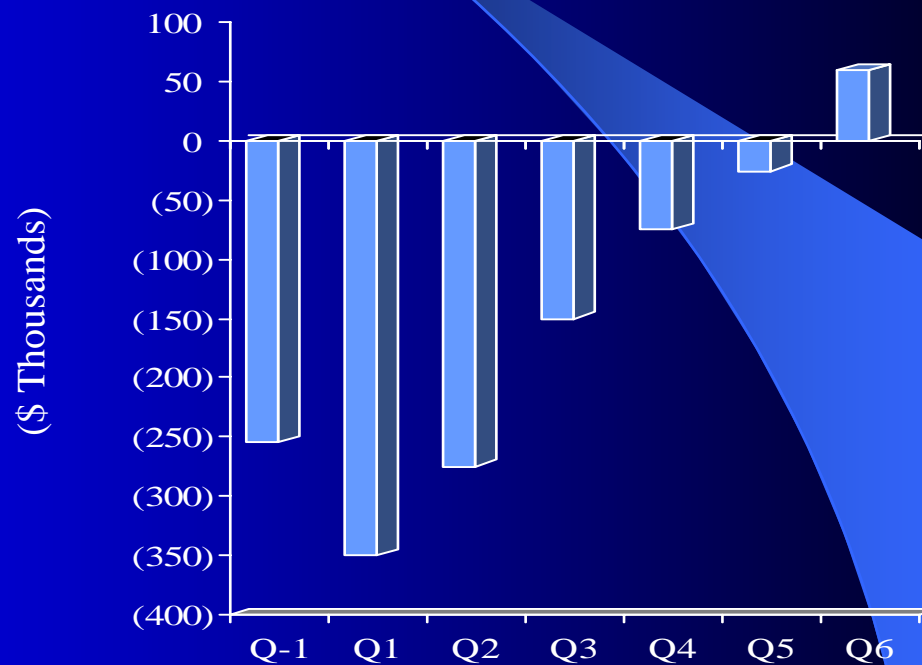
New Campus Economics

First Year Impact of Opening a New Campus

(Amounts in \$ millions, except enrollment data)

Student Quarters	125
Revenue	\$0.2
Operating Costs	<u>1.1</u>
Operating Loss	<u><u>(\$0.9)</u></u>

Operating Income



Internal Controls

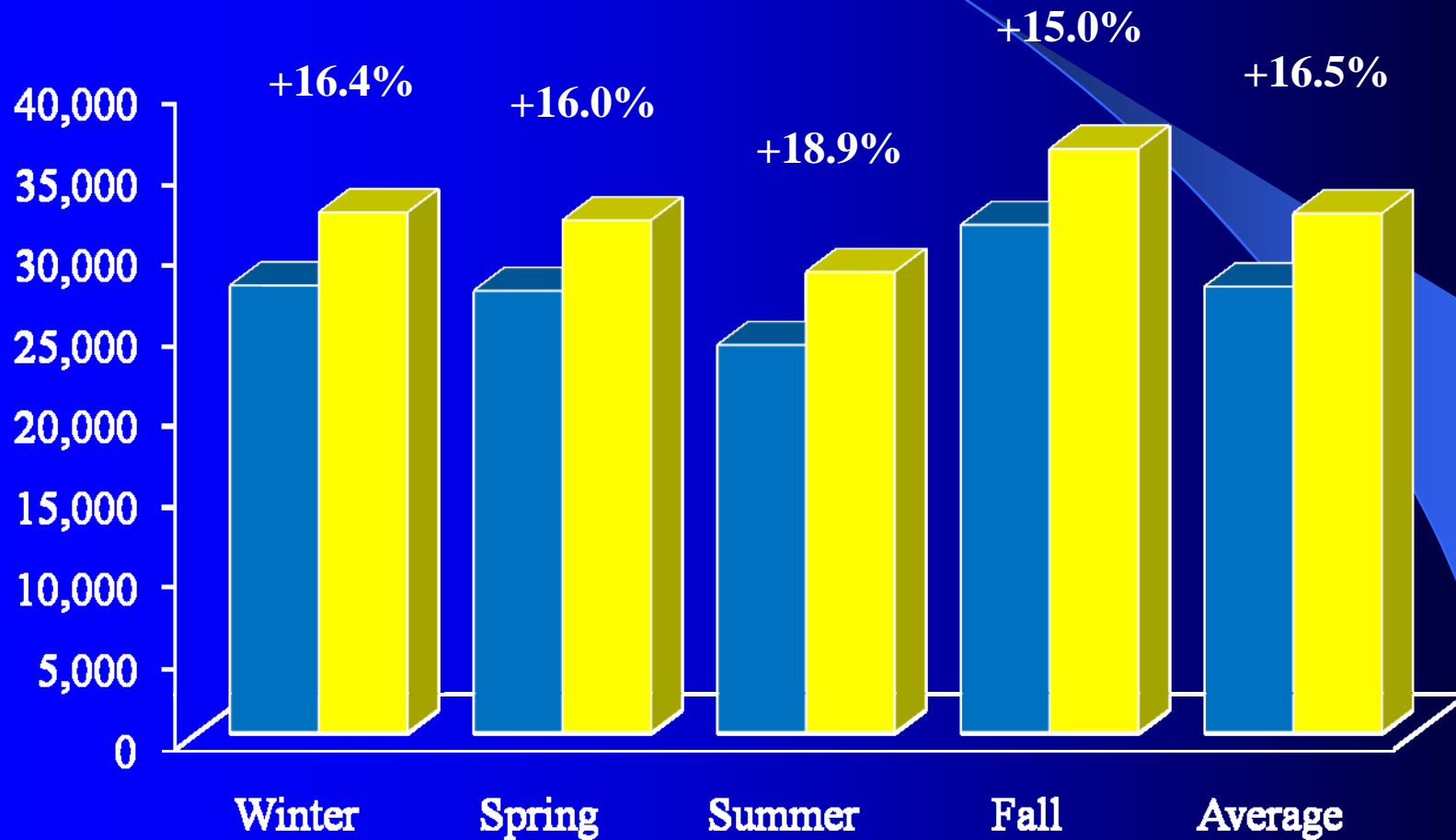
- ❖ Sarbanes-Oxley: No Material Weaknesses
- ❖ Very capable Audit Committee which meets or exceeds independence and financial expertise requirements
- ❖ Dedicated Internal Audit function reporting directly to Audit Committee
- ❖ Code of Conduct with “Whistleblower” provision

2007 Financial Highlights

- ❖ Opened eight new campuses
- ❖ Sold Loudoun, Virginia campus facility
- ❖ Repurchased 158,000 shares of common stock at an average price of \$126.63 (through 9/30/07)
- ❖ Paid \$14 million in common stock dividends (through 9/30/07)

2007 Review

Enrollment



■ 2006 ■ 2007

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2007 Review

	Q 3 Only			Q 3 YTD		
	<u>2006</u>	<u>2007</u>	<u>% Change</u>	<u>2006</u>	<u>2007</u>	<u>% Change</u>
Revenue (M)	56.7	69.8	23	189.3	228.9	21
Operating Income (M)	9.0	13.1	45	55.5	68.4	23
Operating Margin (%)	15.9%	18.7%	2.8pts	29.3%	29.9%	0.6pts
Net Income (M)	6.3	9.3	46	36.3	45.4	25
EPS	\$0.44	\$0.64	45	\$2.50	\$3.13	25
Dist. cash flow (M)	5.8	(0.4)	N/A	30.4	36.9	21

2008 Outlook

Strayer Business Model

New Campuses	9
Enrollment	15%
Revenue	18 - 19%
Operating Margin	Stable
Diluted EPS	\$5.15 - \$5.25
Diluted Shares Outstanding	14,570,000

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