

## Strayer Education (STRA)

### Expecting a Good Q1

- **Thesis:** We believe that Strayer could generate at least 15-20% revenue growth over the long-term regardless of the economic cycle through the continued opening of new campuses across the United States. Management's discipline in preserving academic quality at the expense of greater growth warrants a premium valuation in our opinion. As well, we think that investor concern regarding the possible reduction or elimination of tuition reimbursements at corporate partners is a bit overblown.
- **Scheduled to report Q1 2009 earnings on Thursday, April 30, before the market opens.** The dial in number is (800) 289-0468.
- **Overall, we think that Strayer could have a good quarter, and do not expect a repeat of the sell-off that occurred when the company reported 4Q08 results.** In our opinion, the stock is no longer priced to perfection, as investors no longer are expecting significant acceleration in new starts at postsecondary institutions. Like its peers, we expect Strayer in Q1 to benefit from a much more favorable advertising environment, with declining customer acquisition costs. As well, we think that persistence rates could have improved as working adults strive to complete their degrees given increasing job insecurity due to macroeconomic pressures. Clearly the key overhang over the stock remains investor concern regarding the status of corporate tuition reimbursement policies at student employers. We expect management to once again state that at this time this remains a non-issue for the company.
- **We expect Strayer to report in-line or higher than consensus Q1 results.** We expect Q1 revenue of \$122.3M versus the consensus estimate of \$122.8M. As well, we expect Q1 EPS of \$1.99 versus the consensus estimate of \$1.97 and management's guidance of \$1.96-1.98. Regarding Q2, we estimate that Strayer could report Spring enrollments of ~46,000 representing a 22% growth rate YoY. We note that we are conservatively modeling Q2 EPS of \$1.76, four pennies below the consensus estimate of \$1.80. To be clear, Strayer's operating margins in Q2 could likely decline YoY due to the timing of already announced company investments including the opening of a second on-line operations center.
- **Maintain \$210 target price, which reflects a ~17x EV/EBITDA multiple to our 2009 EBITDA estimate.** Our multiple reflects the company's strong revenue growth rate and operating leverage opportunities and is in-line with other education stocks with similar revenue and operating margin characteristics.

April 27, 2009

Price (as of close 4/24/09)

**\$181.97**

Rating

**BUY**

12- Month Price Target

**\$210**

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#### Company Information

52-Week Range	\$143.16 - 239.99
Shares Outstand.	14.1 million
Insider/Institutional	5.8% / NA
Public Float	13.9 million
Market Cap.	\$2.6 billion
ST / LT Debt	\$0 / 0 million
Debt/Capital	0.0%
ROE	44.3%
Cash & Inv/Share	\$7.59
Book Value/Share	\$12.45

#### Company Description

Strayer is a market funded postsecondary education company that serves working adults. Headquartered in Arlington VA and founded in 1892, Strayer offers undergraduate and graduate degree programs in education, business administration, accounting, information technology, and public administration.

FYE DEC	2008A			2009E			2010E		
	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.		
REV. (\$m)									
Q1 Mar	\$97.1A	\$122.3E		\$122.8	\$146.8E		\$146.1		
Q2 Jun	97.9A	122.9E		122.5	147.5E		146.7		
Q3 Sep	87.0A	108.7E		108.8	130.5E		132.5		
Q4 Dec	114.3A	142.9E		141.5	171.4E		168.5		
Year*	<b>\$396.3A</b>	<b>\$496.8E</b>		<b>\$495.1</b>	<b>\$596.2E</b>		<b>\$601.5</b>		
Change		25.4%		24.9%	20.0%		21.5%		
EPS**									
Q1 Mar	\$1.64A	\$1.99E		\$1.97	\$2.42E		\$2.41		
Q2 Jun	1.50A	1.76E		1.80	2.14E		2.25		
Q3 Sep	0.81A	1.06E		1.03	1.30E		1.30		
Q4 Dec	1.71A	2.20E		2.19	2.68E		2.67		
Year*	<b>\$5.67A</b>	<b>\$7.00E</b>		<b>\$6.99</b>	<b>\$8.54E</b>		<b>\$8.63</b>		
P/E	32.1x	26.0x		26.0x	21.3x		21.1x		
Change		23.3%			22.1%				

\*Numbers may not add up due to rounding. \*\* EPS normalized for one-time expenses and tax benefits.



Source: Nasdaq.com

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Risks to attainment of our share price target include the loss of regional accreditation, the loss of access to Title IV funding, increasing competition, service disruption's of the company's technology infrastructure, regulatory changes by federal, state, and accreditation bodies, and financial misconduct of other market-funded universities which could tarnish Strayer's brand.

**Exhibit 1: Multiples Analysis**

	Valuation @ Current Price of \$181.97			Valuation @ 12-Month Target Price of \$210.00		
	2008A	2009E	2010E	2008A	2009E	2010E
<b>Price</b>	<b>\$181.97</b>	<b>\$181.97</b>	<b>\$181.97</b>	<b>\$210.00</b>	<b>\$210.00</b>	<b>\$210.00</b>
Fully Diluted Shares 4Q08A	14.1	14.1	14.1	14.1	14.1	14.1
<b>Market Capitalization</b>	<b>\$2,573.6</b>	<b>\$2,573.6</b>	<b>\$2,573.6</b>	<b>\$2,970.0</b>	<b>\$2,970.0</b>	<b>\$2,970.0</b>
Less: Net Cash 4Q08A	(107.3)	(107.3)	(107.3)	(107.3)	(107.3)	(107.3)
• Net Cash / Share	(\$7.59)	(\$7.59)	(\$7.59)	(\$7.59)	(\$7.59)	(\$7.59)
<b>Enterprise Value</b>	<b>\$2,466.3</b>	<b>\$2,466.3</b>	<b>\$2,466.3</b>	<b>\$2,862.7</b>	<b>\$2,862.7</b>	<b>\$2,862.7</b>
• EV / Share	\$174.38	\$174.38	\$174.38	\$202.41	\$202.41	\$202.41
EBITDA	\$126.9	\$171.4	\$208.3	\$126.9	\$171.4	\$208.3
<b>EV / EBITDA</b>	<b>19.4x</b>	<b>14.4x</b>	<b>11.8x</b>	<b>22.6x</b>	<b>16.7x</b>	<b>13.7x</b>
EPS, Normalized	\$5.67	\$7.00	\$8.54	\$5.67	\$7.00	\$8.54
• % Change	-----	23.3%	22.1%	-----	23.3%	22.1%
<b>P/E Multiple</b>	<b>32.1x</b>	<b>26.0x</b>	<b>21.3x</b>	<b>37.0x</b>	<b>30.0x</b>	<b>24.6x</b>
<b>PEG Ratio</b>	<b>-----</b>	<b>1.1x</b>	<b>1.0x</b>	<b>-----</b>	<b>1.3x</b>	<b>1.1x</b>
Revenue	\$396.3	\$496.8	\$596.2	\$396.3	\$496.8	\$596.2
<b>EV / Revenue</b>	<b>6.2x</b>	<b>5.0x</b>	<b>4.1x</b>	<b>7.2x</b>	<b>5.8x</b>	<b>4.8x</b>
Operating Cash Flow	\$88.6	\$117.1	\$146.2	\$88.6	\$117.1	\$146.2
• Operating Cash Flow / Share	\$6.26	\$8.28	\$10.34	\$6.26	\$8.28	\$10.34
<b>EV / Operating Cash Flow</b>	<b>27.8x</b>	<b>21.1x</b>	<b>16.9x</b>	<b>32.3x</b>	<b>24.4x</b>	<b>19.6x</b>
Free Cash Flow	\$67.9	\$93.1	\$116.2	\$67.9	\$93.1	\$116.2
• Free Cash Flow / Share	\$4.80	\$6.58	\$8.22	\$4.80	\$6.58	\$8.22
<b>EV / Free Cash Flow</b>	<b>36.3x</b>	<b>26.5x</b>	<b>21.2x</b>	<b>42.2x</b>	<b>30.8x</b>	<b>24.6x</b>
<b>Free Cash Flow Yield</b>	<b>2.6%</b>	<b>3.6%</b>	<b>4.5%</b>	<b>2.3%</b>	<b>3.1%</b>	<b>3.9%</b>

Source: Wedbush and company filings

**Exhibit 2: STRAYER EDUCATION Income Statement**

Expense Assumptions	2007A	2008A	2009E	2010E	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
<b>Expenses as a % of Revenue</b>																
• Instructional Costs and Services	34.2%	33.0%	32.9%	32.7%	32.6%	33.6%	35.1%	31.3%	32.5%	34.0%	34.5%	31.0%	32.3%	33.8%	34.3%	30.8%
• Selling & Promotion	19.1%	19.2%	19.1%	18.9%	15.5%	17.1%	26.4%	18.7%	15.5%	17.0%	26.3%	18.6%	15.3%	16.8%	26.1%	18.4%
• General & Administration	16.0%	15.8%	16.0%	15.8%	15.2%	15.0%	17.5%	15.5%	15.0%	16.5%	17.4%	15.3%	14.8%	16.3%	17.2%	15.1%
Effective Tax Rate	37.6%	38.5%	39.0%	39.0%	37.4%	38.0%	38.6%	39.8%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%	39.0%
<b>Expenses % Change Yr/Yr</b>																
• Instructional Costs and Services	19.5%	20.2%	24.8%	19.3%	20.7%	23.1%	16.4%	20.6%	25.6%	27.0%	22.8%	23.9%	19.3%	19.3%	19.3%	19.2%
• Selling & Promotion	16.2%	25.3%	24.8%	18.7%	17.2%	26.9%	27.2%	28.4%	25.6%	24.9%	24.4%	24.4%	18.5%	18.6%	19.1%	18.7%
• General & Administration	24.9%	22.8%	27.2%	18.5%	21.6%	16.5%	22.3%	30.0%	24.2%	38.1%	24.4%	23.1%	18.4%	18.5%	18.6%	18.4%
<b>Strayer Education Normalized Income Statement (\$ in 000s except per share data)</b>																
	2007A	2008A	2009E	2010E	2008A				2009E				2010E			
					Q1A Mar	Q2A Jun	Q3A Sep	Q4A Dec	Q1E Mar	Q2E Jun	Q3E Sep	Q4E Dec	Q1E Mar	Q2E Jun	Q3E Sep	Q4E Dec
<b>Revenue</b>	318,012	396,276	496,805	596,166	97,074	97,928	86,993	114,281	122,313	122,900	108,741	142,851	146,776	147,480	130,490	171,422
• % Change Yr/Yr	20.6%	24.6%	25.4%	20.0%	21.1%	24.2%	24.6%	28.2%	26.0%	25.5%	25.0%	25.0%	20.0%	20.0%	20.0%	20.0%
• % Change Sequentially	---	---	---	---	8.9%	0.9%	(11.2)%	31.4%	7.0%	0.5%	(11.5)%	31.4%	2.7%	0.5%	(11.5)%	31.4%
• Seasonality (% of annual revenue in a qtr)	---	---	---	---	24.5%	24.7%	22.0%	28.8%	24.6%	24.7%	21.9%	28.8%	24.6%	24.7%	21.9%	28.8%
Instructional Costs and Services	108,852	130,836	163,337	194,812	31,642	32,909	30,548	35,737	39,752	41,786	37,516	44,284	47,409	49,848	44,758	52,798
Selling & Promotion	60,760	76,162	95,021	112,833	15,095	16,729	22,985	21,353	18,959	20,893	28,599	26,570	22,457	24,777	34,058	31,542
General & Administration	50,843	62,426	79,403	94,091	14,778	14,683	15,209	17,756	18,347	20,278	18,921	21,856	21,723	24,039	22,444	25,885
<b>Total Operating Expenses</b>	<b>220,455</b>	<b>269,424</b>	<b>337,761</b>	<b>401,736</b>	<b>61,515</b>	<b>64,321</b>	<b>68,742</b>	<b>74,846</b>	<b>77,057</b>	<b>82,957</b>	<b>85,036</b>	<b>92,710</b>	<b>91,588</b>	<b>98,664</b>	<b>101,260</b>	<b>110,224</b>
• % Change Yr/Yr	19.7%	22.2%	25.4%	18.9%	20.0%	22.5%	21.1%	24.9%	25.3%	29.0%	23.7%	23.9%	18.9%	18.9%	18.1%	18.9%
<b>Operating Income</b>	<b>97,557</b>	<b>126,852</b>	<b>159,045</b>	<b>194,431</b>	<b>35,559</b>	<b>33,607</b>	<b>18,251</b>	<b>39,435</b>	<b>45,256</b>	<b>39,942</b>	<b>23,706</b>	<b>50,141</b>	<b>55,188</b>	<b>48,816</b>	<b>29,230</b>	<b>61,197</b>
• Operating Margin %	30.7%	32.0%	32.0%	32.6%	36.6%	34.3%	21.0%	34.5%	37.0%	32.5%	21.8%	35.1%	37.6%	33.1%	22.4%	35.7%
• BPS Change Yr/Yr	51 bp	133 bp	00 bp	60 bp	53 bp	91 bp	228 bp	175 bp	37 bp	(182) bp	82 bp	59 bp	60 bp	60 bp	60 bp	60 bp
Interest Income (Expense), net	6,495	4,527	3,200	3,600	2,036	785	905	801	800	800	800	800	900	900	900	900
<b>EBT</b>	<b>104,052</b>	<b>131,379</b>	<b>162,245</b>	<b>198,031</b>	<b>37,595</b>	<b>34,392</b>	<b>19,156</b>	<b>40,236</b>	<b>46,056</b>	<b>40,742</b>	<b>24,506</b>	<b>50,941</b>	<b>56,088</b>	<b>49,716</b>	<b>30,130</b>	<b>62,097</b>
Income Taxes (Benefit)	39,115	50,570	63,275	77,232	14,073	13,069	7,394	16,034	17,962	15,890	9,557	19,867	21,874	19,389	11,751	24,218
<b>Net Income, Normalized</b>	<b>64,937</b>	<b>80,809</b>	<b>98,969</b>	<b>120,799</b>	<b>23,522</b>	<b>21,323</b>	<b>11,762</b>	<b>24,202</b>	<b>28,094</b>	<b>24,853</b>	<b>14,948</b>	<b>31,074</b>	<b>34,214</b>	<b>30,327</b>	<b>18,379</b>	<b>37,879</b>
Shares Outstanding (Fully Diluted)	14,517	14,242	14,143	14,143	14,340	14,248	14,557	14,143	14,143	14,143	14,143	14,143	14,143	14,143	14,143	14,143
<b>Normalized IS to Pro Forma (which excludes stock option compensation)</b>																
<b>Reconciliation</b>	2007A	2008A	2009E	2010E	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Stock Based Compensation	9,834	10,582	11,200	11,600	2,683	2,811	2,763	2,325	2,800	2,800	2,800	2,800	2,900	2,900	2,900	2,900
Pro Forma EBITDA	107,391	137,434	182,561	219,947	40,662	38,989	23,743	44,589	50,985	45,771	29,635	56,170	61,417	55,145	35,659	67,726
• EBITDA Margin %	33.8%	34.7%	36.7%	36.9%	41.9%	39.8%	27.3%	39.0%	41.7%	37.2%	27.3%	39.3%	41.8%	37.4%	27.3%	39.5%
Pro Forma Operating Profit	107,391	137,434	170,245	206,031	38,242	36,418	21,014	41,760	48,056	42,742	26,506	52,941	58,088	51,716	32,130	64,097
• Operating Margin %	33.8%	34.7%	34.3%	34.6%	39.4%	37.2%	24.2%	36.5%	39.3%	34.8%	24.4%	37.1%	39.6%	35.1%	24.6%	37.4%
<b>Per Share Analysis</b>	2007A	2008A	2009E	2010E	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
<b>Normalized GAAP EPS Fully Diluted</b> (excludes preferred stock & normalizes tax rate)	<b>\$4.47</b>	<b>\$5.67</b>	<b>\$7.00</b>	<b>\$8.54</b>	<b>\$1.64</b>	<b>\$1.50</b>	<b>\$0.81</b>	<b>\$1.71</b>	<b>\$1.99</b>	<b>\$1.76</b>	<b>\$1.06</b>	<b>\$2.20</b>	<b>\$2.42</b>	<b>\$2.14</b>	<b>\$1.30</b>	<b>\$2.68</b>
• % Change Yr/Yr	23.9%	26.8%	23.3%	22.1%	26.4%	25.1%	26.8%	27.6%	21.1%	17.4%	30.8%	28.4%	21.8%	22.0%	23.0%	21.9%
PF EPS Fully Diluted (excludes stock based compensation, preferred stock, & normalizes tax rate)	<b>\$5.15</b>	<b>\$6.13</b>	<b>\$7.48</b>	<b>\$9.04</b>	<b>\$1.76</b>	<b>\$1.62</b>	<b>\$0.92</b>	<b>\$1.81</b>	<b>\$2.11</b>	<b>\$1.88</b>	<b>\$1.18</b>	<b>\$2.32</b>	<b>\$2.54</b>	<b>\$2.27</b>	<b>\$1.42</b>	<b>\$2.80</b>
• % Change Yr/Yr	25.0%	19.0%	22.0%	20.9%	20.1%	18.1%	13.5%	19.7%	18.9%	16.0%	27.4%	28.1%	20.7%	20.8%	21.0%	20.9%
GAAP EPS, Fully Diluted	<b>\$4.47</b>	<b>\$5.67</b>	<b>\$7.00</b>	<b>\$8.54</b>	<b>\$1.64</b>	<b>\$1.50</b>	<b>\$0.81</b>	<b>\$1.71</b>	<b>\$1.99</b>	<b>\$1.76</b>	<b>\$1.06</b>	<b>\$2.20</b>	<b>\$2.42</b>	<b>\$2.14</b>	<b>\$1.30</b>	<b>\$2.68</b>
• % Change Yr/Yr	23.9%	26.8%	23.3%	22.1%	26.4%	25.1%	26.8%	27.6%	21.1%	17.4%	30.8%	28.4%	21.8%	22.0%	23.0%	21.9%
<b>Key Metrics</b>																
Total Enrollments	36,082	44,564	54,368	65,242	37,323	37,733	34,176	44,564	45,697	46,034	41,695	54,368	54,836	55,241	50,034	65,242
Total Enrollments % Change YoY	15.0%	23.5%	22.0%	20.0%	16.1%	19.2%	20.1%	23.5%	22.4%	22.0%	22.0%	22.0%	20.0%	20.0%	20.0%	20.0%
Bad Debt Expense % of Revenue	3.3%	3.2%	3.7%	4.2%	2.5%	2.8%	3.7%	3.8%	3.0%	3.5%	4.0%	4.2%	3.5%	4.0%	4.5%	4.8%

Source: Wedbush and company filings

**Exhibit 3: STRAYER EDUCATION Enrollments**

Strayer Education Enrollments Analysis	2007A	2008A	2009E	2010E	2008A				2009E				2010E			
					Q1A Mar	Q2A Jun	Q3A Sep	Q4A Dec	Q1E Mar	Q2E Jun	Q3E Sep	Q4E Dec	Q1E Mar	Q2E Jun	Q3E Sep	Q4E Dec
<b>Total Enrollments</b>	<b>36,082</b>	<b>44,564</b>	<b>54,368</b>	<b>65,242</b>	<b>37,323</b>	<b>37,733</b>	<b>34,176</b>	<b>44,564</b>	<b>45,697</b>	<b>46,034</b>	<b>41,695</b>	<b>54,368</b>	<b>54,836</b>	<b>55,241</b>	<b>50,034</b>	<b>65,242</b>
• % Change Yr/Yr	15.0%	23.5%	22.0%	20.0%	16.1%	19.2%	20.1%	23.5%	22.4%	22.0%	22.0%	22.0%	20.0%	20.0%	20.0%	20.0%
<b>Average Enrollments</b>	<b>31,499</b>	<b>37,389</b>	<b>45,723</b>	<b>54,979</b>	<b>36,703</b>	<b>37,528</b>	<b>35,955</b>	<b>39,370</b>	<b>45,131</b>	<b>45,866</b>	<b>43,864</b>	<b>48,031</b>	<b>54,602</b>	<b>55,039</b>	<b>52,637</b>	<b>57,638</b>
• % Change Yr/Yr	16.5%	18.7%	22.3%	20.2%	15.6%	17.6%	19.6%	22.0%	23.0%	22.2%	22.0%	22.0%	21.0%	20.0%	20.0%	20.0%
• Additions (Dtr/Otr)	4,453	5,890	8,334	9,256	4,431	826	(1,574)	3,416	5,761	735	(2,001)	4,167	6,571	437	(2,401)	5,000
<b>Revenue/Average Enrollments</b>	<b>10,096</b>	<b>10,599</b>	<b>10,866</b>	<b>10,844</b>	<b>10,580</b>	<b>10,438</b>	<b>9,678</b>	<b>11,611</b>	<b>10,841</b>	<b>10,718</b>	<b>9,916</b>	<b>11,896</b>	<b>10,752</b>	<b>10,718</b>	<b>9,916</b>	<b>11,896</b>
• % Change Yr/Yr	3.6%	5.0%	2.5%	(0.2)%	4.8%	5.5%	4.2%	5.1%	2.5%	2.7%	2.5%	2.5%	(0.8)%	0.0%	0.0%	0.0%
• Tuition Price Increases	5.0%	5.0%	5.0%	---	---	---	---	---	---	---	---	---	---	---	---	---
<b>Revenue/Enrollments</b>	<b>8,814</b>	<b>8,892</b>	<b>9,138</b>	<b>9,138</b>	<b>10,404</b>	<b>10,381</b>	<b>10,182</b>	<b>10,258</b>	<b>10,706</b>	<b>10,679</b>	<b>10,432</b>	<b>10,510</b>	<b>10,706</b>	<b>10,679</b>	<b>10,432</b>	<b>10,510</b>
• % Change Yr/Yr	4.9%	0.9%	2.8%	0.0%	4.3%	4.2%	3.8%	3.8%	2.9%	2.9%	2.5%	2.5%	0.0%	0.0%	0.0%	0.0%
<b># of Campuses in Operation</b>	<b>53</b>	<b>62</b>	<b>73</b>	<b>81</b>	<b>55</b>	<b>57</b>	<b>60</b>	<b>62</b>	<b>67</b>	<b>69</b>	<b>71</b>	<b>73</b>	<b>75</b>	<b>77</b>	<b>79</b>	<b>81</b>
• Additions (Dtr/Otr)	8	9	11	8	2	2	3	2	5	2	2	2	2	2	2	2
<b>Students / Campus</b>	<b>681</b>	<b>719</b>	<b>745</b>	<b>805</b>	<b>679</b>	<b>662</b>	<b>570</b>	<b>719</b>	<b>682</b>	<b>667</b>	<b>587</b>	<b>745</b>	<b>731</b>	<b>717</b>	<b>633</b>	<b>805</b>
• Students / Campus % Change Yr/Yr	(2.3)%	5.6%	3.6%	8.1%	(0.8)%	(1.7)%	2.1%	5.6%	0.5%	0.8%	3.1%	3.6%	7.2%	7.5%	7.8%	8.1%
<b>Revenue (\$000s)</b>	<b>318,</b>															

**Exhibit 4: STRAYER EDUCATION Cash Flow Statement**

Strayer Education Cash Flow Statement (\$ in 000s except per share data)					2008A				2009E				2010E			
	2007A	2008A	2009E	2010E	Q1A Mar	Q2A Jun	Q3A Sep	Q4A Dec	Q1E Mar	Q2E Jun	Q3E Sep	Q4E Dec	Q1E Mar	Q2E Jun	Q3E Sep	Q4E Dec
<b>Operating Activities</b>																
Net Income	64,937	80,808	98,969	120,799	23,522	21,322	11,762	24,202	28,094	24,853	14,948	31,074	34,214	30,327	18,379	37,879
Amortization of Deferred Rent	(115)	(525)	-	-	(87)	(130)	(72)	(236)	-	-	-	-	-	-	-	-
Amortization of Gain on Sale of PP&E	(148)	(281)	-	-	(71)	(70)	(70)	(70)	-	-	-	-	-	-	-	-
Gain on Sale of Marketable Securities	-	(785)	-	-	(785)	-	-	-	-	-	-	-	-	-	-	-
Depreciation & Amortization	8,523	10,761	12,316	13,916	2,420	2,571	2,729	3,041	2,929	3,029	3,129	3,229	3,329	3,429	3,529	3,629
Deferred Income Taxes	(5,700)	226	-	-	(1,318)	(741)	(1,499)	3,784	-	-	-	-	-	-	-	-
Stock Compensation Expense	9,834	10,561	11,200	11,600	2,683	2,804	2,757	2,317	2,800	2,800	2,800	2,800	2,900	2,900	2,900	2,900
Other	51	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in Working Capital	3,371	(12,193)	(5,391)	(113)	7,858	(16,507)	3,880	(7,424)	871	(3,421)	2,428	(5,268)	7,575	(3,824)	2,630	(6,494)
<b>Cash Flow from Operations</b>	<b>80,753</b>	<b>88,572</b>	<b>117,094</b>	<b>146,202</b>	<b>34,222</b>	<b>9,249</b>	<b>19,487</b>	<b>25,614</b>	<b>34,694</b>	<b>27,261</b>	<b>23,305</b>	<b>31,835</b>	<b>48,018</b>	<b>32,832</b>	<b>27,438</b>	<b>37,914</b>
• % Change Yr/Yr	30.7%	9.7%	32.2%	24.9%	-----	-----	365.3%	(19.9)%	1.4%	194.7%	19.6%	24.3%	38.4%	20.4%	17.7%	19.1%
<b>FCF / Share</b>	<b>\$5.56</b>	<b>\$6.22</b>	<b>\$8.28</b>	<b>\$10.34</b>	<b>\$2.39</b>	<b>\$0.65</b>	<b>\$1.34</b>	<b>\$1.81</b>	<b>\$2.45</b>	<b>\$1.93</b>	<b>\$1.65</b>	<b>\$2.25</b>	<b>\$3.40</b>	<b>\$2.32</b>	<b>\$1.94</b>	<b>\$2.68</b>
• % Change Yr/Yr	30.5%	11.8%	33.1%	24.9%	-----	-----	365.3%	(17.7)%	2.8%	196.9%	23.1%	24.3%	38.4%	20.4%	17.7%	19.1%
<b>Investing Activities</b>																
Capital Expenditures	(14,869)	(20,657)	(24,000)	(30,000)	(5,128)	(4,904)	(5,300)	(5,325)	(6,000)	(6,000)	(6,000)	(6,000)	(7,500)	(7,500)	(7,500)	(7,500)
<b>Free Cash Flow</b>	<b>65,884</b>	<b>67,915</b>	<b>93,094</b>	<b>116,202</b>	<b>29,094</b>	<b>4,345</b>	<b>14,187</b>	<b>20,289</b>	<b>28,694</b>	<b>21,261</b>	<b>17,305</b>	<b>25,835</b>	<b>40,518</b>	<b>25,332</b>	<b>19,938</b>	<b>30,414</b>
• % Change Yr/Yr	35.6%	3.1%	37.1%	24.8%	87.4%	(80.0)%	(4040.8)%	(30.1)%	(1.4)%	389.3%	22.0%	27.3%	41.2%	19.1%	15.2%	17.7%
• FCF Margin (FCF/Revenue)	20.7%	17.1%	18.7%	19.5%	30.0%	4.4%	16.3%	17.8%	23.5%	17.3%	15.9%	18.1%	27.6%	17.2%	15.3%	17.7%
<b>FCF / Share</b>	<b>\$4.54</b>	<b>\$4.77</b>	<b>\$6.58</b>	<b>\$8.22</b>	<b>\$2.03</b>	<b>\$0.30</b>	<b>\$0.97</b>	<b>\$1.43</b>	<b>\$2.03</b>	<b>\$1.50</b>	<b>\$1.22</b>	<b>\$1.83</b>	<b>\$2.86</b>	<b>\$1.79</b>	<b>\$1.41</b>	<b>\$2.15</b>
• % Change Yr/Yr	35.4%	nmf	38.0%	24.8%	-----	-----	(4040.8)%	(28.1)%	(0.0)%	392.9%	25.6%	27.3%	41.2%	19.1%	15.2%	17.7%
Purchase/Sale of ST Investments	-	25,816	-	-	76,785	(30,180)	(20,381)	(408)	-	-	-	-	-	-	-	-
Proceeds on Sale of PPE	5,754	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Equity Investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Cash Flow from Investing</b>	<b>(9,115)</b>	<b>5,159</b>	<b>(24,000)</b>	<b>(30,000)</b>	<b>71,657</b>	<b>(35,084)</b>	<b>(25,681)</b>	<b>(5,733)</b>	<b>(6,000)</b>	<b>(6,000)</b>	<b>(6,000)</b>	<b>(6,000)</b>	<b>(7,500)</b>	<b>(7,500)</b>	<b>(7,500)</b>	<b>(7,500)</b>
<b>Financing Activities</b>																
Debt Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock Repurchase	(38,094)	(109,125)	-	-	(56,267)	(12,709)	(10,291)	(29,858)	-	-	-	-	-	-	-	-
Stock Issuance	15,178	10,633	-	-	3,378	6,947	308	-	-	-	-	-	-	-	-	-
Dividend	(19,027)	(51,929)	(28,400)	(36,000)	(34,193)	(5,352)	(5,339)	(7,045)	(7,100)	(7,100)	(7,100)	(7,100)	(9,000)	(9,000)	(9,000)	(9,000)
Excess Tax Benefits, Stock-Based	12,678	18,033	-	-	5,033	6,465	-	6,535	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Cash Flow from Financing</b>	<b>(29,265)</b>	<b>(132,388)</b>	<b>(28,400)</b>	<b>(36,000)</b>	<b>(82,049)</b>	<b>(4,649)</b>	<b>(15,322)</b>	<b>(30,368)</b>	<b>(7,100)</b>	<b>(7,100)</b>	<b>(7,100)</b>	<b>(7,100)</b>	<b>(9,000)</b>	<b>(9,000)</b>	<b>(9,000)</b>	<b>(9,000)</b>
Exchange Rate Impact/Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Increase in Cash</b>	<b>42,373</b>	<b>(38,657)</b>	<b>64,694</b>	<b>80,202</b>	<b>23,830</b>	<b>(30,484)</b>	<b>(21,516)</b>	<b>(10,487)</b>	<b>21,594</b>	<b>14,161</b>	<b>10,205</b>	<b>18,735</b>	<b>31,518</b>	<b>16,332</b>	<b>10,938</b>	<b>21,414</b>
Cash at Beginning of Year	52,663	95,036	56,379	121,073	95,036	118,866	88,382	66,866	56,379	77,973	92,134	102,339	121,073	152,591	168,923	179,861
<b>Cash and at End of Year</b>	<b>95,036</b>	<b>56,379</b>	<b>121,073</b>	<b>201,275</b>	<b>118,866</b>	<b>88,382</b>	<b>66,866</b>	<b>56,379</b>	<b>77,973</b>	<b>92,134</b>	<b>102,339</b>	<b>121,073</b>	<b>152,591</b>	<b>168,923</b>	<b>179,861</b>	<b>201,275</b>

Source: Wedbush and company filings

**Exhibit 5: STRAYER EDUCATION Balance Sheet**

Strayer Education Balance Sheet (\$ in 000s except per share data)	2006A	2007A	2008A				2009E			2010E	
	Q4A Dec	Q4A Dec	Q1A Mar	Q2A Jun	Q3A Sep	Q4A Dec	Q1E Mar	Q2E Jun	Q3E Sep	Q4E Dec	
Cash & Cash Equivalents	52,663	95,036	118,866	88,382	66,866	56,379	77,973	92,134	102,339	121,073	201,275
Marketable Securities	75,763	76,299	-	30,066	50,222	50,952	50,952	50,952	50,952	50,952	50,952
Tuition Receivable	80,753	100,651	103,466	102,406	127,120	131,458	130,367	128,520	158,900	164,323	197,187
Income Taxes Receivable	-	-	-	1,646	458	3,534	3,534	3,534	3,534	3,534	3,534
Other Current Assets	4,653	4,097	5,360	5,648	6,656	7,175	7,175	7,175	7,175	7,175	7,175
<b>Total Current Assets</b>	<b>213,832</b>	<b>276,083</b>	<b>227,692</b>	<b>228,148</b>	<b>251,322</b>	<b>249,498</b>	<b>270,001</b>	<b>282,314</b>	<b>322,900</b>	<b>347,057</b>	<b>460,123</b>
PP&E	52,748	57,946	58,952	61,481	63,517	66,304	69,375	72,346	75,217	77,988	94,072
Deferred Income Taxes	3,400	8,830	9,951	10,800	12,204	7,799	7,799	7,799	7,799	7,799	7,799
Restricted Cash	500	500	500	500	500	500	500	500	500	500	500
Other Assets	364	419	494	483	483	462	462	462	462	462	462
<b>Total Assets</b>	<b>270,844</b>	<b>343,778</b>	<b>297,589</b>	<b>301,412</b>	<b>328,026</b>	<b>324,563</b>	<b>348,137</b>	<b>363,421</b>	<b>406,878</b>	<b>433,806</b>	<b>562,956</b>
<b>Liabilities</b>											
Accounts Payable	10,923	15,682	17,463	13,065	15,885	17,099	19,209	14,372	17,474	18,809	20,690
Accrued Expenses	1,830	3,303	2,620	4,458	4,215	4,567	2,882	4,904	4,637	5,024	5,526
Income Taxes Payable	4,979	4,754	10,981	-	-	-	-	-	-	-	-
Dividends Payable	-	28,853	-	-	-	-	-	-	-	-	-
Unearned Tuition	73,896	91,476	94,144	91,937	116,020	114,872	112,973	110,324	139,224	137,846	165,416
Other Current Liabilities	-	281	281	281	281	281	281	281	281	281	281
<b>Total Current Liabilities</b>	<b>91,628</b>	<b>144,349</b>	<b>125,489</b>	<b>109,741</b>	<b>136,401</b>	<b>136,819</b>	<b>135,345</b>	<b>129,881</b>	<b>161,615</b>	<b>161,960</b>	<b>191,913</b>
LT Liabilities	7,689	10,922	10,764	10,927	11,822	11,663	12,917	13,112	14,186	13,996	16,795
<b>Total Liabilities</b>	<b>99,317</b>	<b>155,271</b>	<b>136,253</b>	<b>120,668</b>	<b>148,223</b>	<b>148,482</b>	<b>148,262</b>	<b>142,993</b>	<b>175,801</b>	<b>175,956</b>	<b>208,707</b>
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Shareholder's Equity</b>	<b>171,527</b>	<b>188,507</b>	<b>161,336</b>	<b>180,744</b>	<b>179,803</b>	<b>176,081</b>	<b>199,875</b>	<b>220,428</b>	<b>231,076</b>	<b>257,850</b>	<b>354,249</b>
<b>Total Liabilities &amp; SE</b>	<b>270,844</b>	<b>343,778</b>	<b>297,589</b>	<b>301,412</b>	<b>328,026</b>	<b>324,563</b>	<b>348,137</b>	<b>363,421</b>	<b>406,878</b>	<b>433,806</b>	<b>562,956</b>

Source: Wedbush and company filings

**ANALYST CERTIFICATION**

I, Ariel Sokol, certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

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**STRONG BUY** – The stock is expected to return at least 20% over the next 6-12 months.

**BUY** – The stock is expected to return at least 15% over the next 6-12 months.

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Additional information is available upon request by contacting Ellen Kang at (213) 688-4529 or [ellen.kang@wedbush.com](mailto:ellen.kang@wedbush.com).

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