

STRAYER EDUCATION INC
Form 10-Q
July 30, 2015

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2015

Commission File No. 0-21039

Strayer Education, Inc.

(Exact name of registrant as specified in this charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

52-1975978
(I.R.S. Employer
Identification No.)

2303 Dulles Station Boulevard
Herndon, VA
(Address of principal executive offices)

20171
(Zip Code)

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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 July 15, 2015, there were outstanding 11,028,265 shares of Common Stock, par value \$0.01 per share, of the Registrant.

STRAYER EDUCATION, INC.

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

	December 31, 2014	June 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 162,283	\$195,557
Tuition receivable, net	16,942	15,222
Other current assets	17,426	14,520
Total current assets	196,651	225,299
Property and equipment, net	82,266	80,336
Deferred income taxes	16,241	18,097
Goodwill	6,800	6,800
Other assets	5,857	5,471
Total assets	\$ 307,815	\$336,003
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 43,836	\$40,733
Income taxes payable	1,286	4,236
Deferred revenue	4,682	8,974
Other current liabilities	281	281
Current portion of term loan	6,250	6,250
Total current liabilities	56,335	60,474
Term loan, less current portion	112,500	109,375
Other long-term liabilities	46,248	45,498
Total liabilities	215,083	215,347
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.01; 20,000,000 shares authorized; 10,903,341 and 11,028,265 shares issued and outstanding at December 31, 2014 and June 30, 2015, respectively	109	110
Additional paid-in capital	14,550	19,447
Retained earnings	77,985	101,244
Accumulated other comprehensive income (loss)	88	(145)
Total stockholders' equity	92,732	120,656
Total liabilities and stockholders' equity	\$ 307,815	\$336,003

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

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

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2015	2014	2015
Revenues	\$112,747	\$109,750	\$229,215	\$221,635
Costs and expenses:				
Instruction and educational support	59,799	59,245	118,912	118,942
Marketing	13,360	14,670	29,674	31,351
Admissions advisory	4,433	4,062	8,552	8,055
General and administration	11,157	10,844	22,170	22,499
Total costs and expenses	88,749	88,821	179,308	180,847
Income from operations	23,998	20,929	49,907	40,788
Investment income	2	100	3	178
Interest expense	1,281	1,272	2,634	2,545
Income before income taxes	22,719	19,757	47,276	38,421
Provision for income taxes	9,042	7,883	18,816	15,162
Net income	\$13,677	\$11,874	\$28,460	\$23,259
Earnings per share:				
Basic	\$1.29	\$1.12	\$2.70	\$2.20
Diluted	\$1.29	\$1.11	\$2.68	\$2.17
Weighted average shares outstanding:				
Basic	10,565	10,587	10,547	10,583
Diluted	10,623	10,705	10,602	10,721

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

	For the three months ended June 30,	For the six months ended June 30,
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	2014	2015	2014	2015
Net income	\$13,677	\$11,874	\$28,460	\$23,259
Other comprehensive income:				
Change in fair value of derivative instrument, net of income tax	(170)	(28)	(95)	(233)
Comprehensive income	\$13,507	\$11,846	\$28,365	\$23,026

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

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

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	
	Shares	Par Value	Capital	Earnings	Income (Loss)	Total
Balance at December 31, 2013	10,797,464	\$ 108	\$ 7,137	\$ 31,629	\$ 28	\$ 38,902
Tax shortfall associated with stock-based compensation arrangements	—	—	(1,811)	—	—	(1,811)
Restricted stock grants, net of forfeitures and conversions	108,379	1	(1)	—	—	—
Stock-based compensation	—	—	4,507	—	—	4,507
Change in fair value of derivative instrument, net of income tax	—	—	—	—	(95)	(95)
Net income	—	—	—	28,460	—	28,460
Balance at June 30, 2014	10,905,843	\$ 109	\$ 9,832	\$ 60,089	\$ (67)	\$ 69,963

	Common Stock		Additional Paid-in	Retained	Accumulated Other Comprehensive	
	Shares	Par Value	Capital	Earnings	Income (Loss)	Total
Balance at December 31, 2014	10,903,341	\$ 109	\$ 14,550	\$ 77,985	\$ 88	\$ 92,732
Tax shortfall associated with stock-based compensation arrangements	—	—	(25)	—	—	(25)
Restricted stock grants, net of forfeitures and conversions	124,924	1	(1)	—	—	—
Stock-based compensation	—	—	4,923	—	—	4,923
Change in fair value of derivative instrument, net of income tax	—	—	—	—	(233)	(233)
Net income	—	—	—	23,259	—	23,259
Balance at June 30, 2015	11,028,265	\$ 110	\$ 19,447	\$ 101,244	\$ (145)	\$ 120,656

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

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

	For the six months ended June 30, 2014 2015	
Cash flows from operating activities:		
Net income	\$28,460	\$23,259
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of gain on sale of assets	(140)	(140)
Amortization of deferred rent	(471)	(424)
Amortization of deferred financing costs	390	390
Depreciation and amortization	10,827	9,292
Deferred income taxes	(358)	(1,621)
Stock-based compensation	4,507	4,923
Changes in assets and liabilities:		
Tuition receivable, net	2,019	1,554
Other current assets	1,042	2,357
Other assets	—	2
Accounts payable and accrued expenses	(5,376)	(2,808)
Income taxes payable and income taxes receivable	6,331	3,387
Deferred revenue	5,922	5,544
Other long-term liabilities	(7,956)	(2,259)
Net cash provided by operating activities	45,197	43,456
Cash flows from investing activities:		
Purchases of property and equipment	(2,319)	(7,057)