



# TAL Education Group

## Investor Presentation

May 2017

# Disclaimer

This presentation has been prepared by TAL Education Group (the “Company”) solely for informational purposes and does not constitute an offer to sell or issue or the solicitation of an offer to buy or acquire securities of the Company in any jurisdiction or an inducement to enter into investment activity, nor may it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

This presentation does not contain all relevant information relating to the Company or its securities, particularly with respect to the risks and special considerations involved with an investment in the securities of the Company. No part of this document shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

This presentation has been prepared by the Company solely for use at this presentation. The information contained in this presentation has not been independently verified. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. None of the Company or any of its affiliates, directors, officers, advisors or representatives will be liable (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising from or in connection with the presentation.

This presentation contains statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include descriptions regarding the intent, belief or current expectations of the Company or its officers with respect to the consolidated results of operations and financial condition of the Company, which can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” “confident” and similar statements. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in the forward-looking statements as a result of various factors and assumptions. The Company or any of its affiliates, directors, officers, advisors or representatives has no obligation and does not undertake to revise forward-looking statements to reflect future events or circumstances.

# Our Mission

**TAL Education's Mission is to Help Students Achieve Better Outcomes Through a More Efficient Learning Process**



# What We Do

## Comprehensive Tutoring Service Offering

We develop multi-subject, multi-year relationships with our students

We Cover Core Subjects in the K-12 School Curriculum <sup>1</sup>

	K	Primary School						Middle School			High School		
		1	2	3	4	5	6	7	8	9	10	11	12
Mathematics	●	●	●	●	●	●	●	●	●	●	●	●	●
English	●	●	●	●	●	●	●	●	●	●	●	●	●
Chinese	●	●	●	●	●	●	●	●	●	●	●	●	●
Physics									●	●	●	●	●
Chemistry										●	●	●	●
Biology											●	●	●

Offered Through Multiple Class Formats

### Small Classes



www.speiyou.com

Launched in  
2003



Launched in  
2011



Consolidated in  
2016

### Personalized Premium Services (1-on-1)



Launched in 2007

### Online Courses

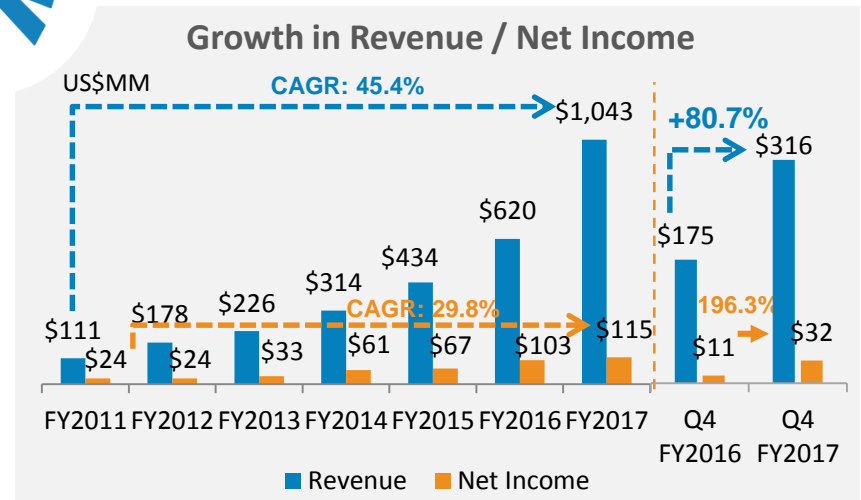
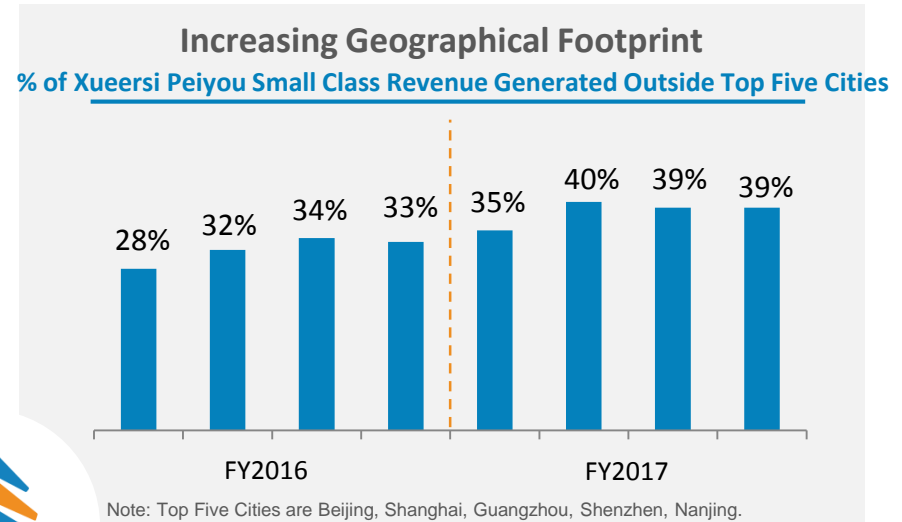
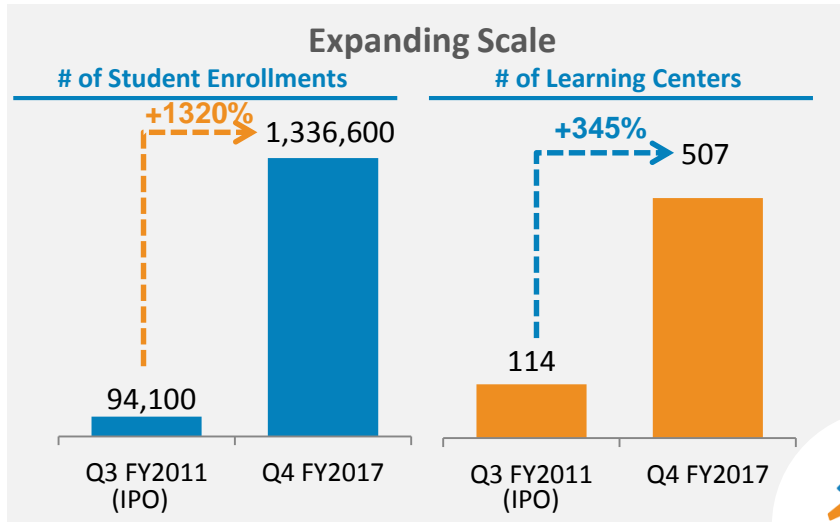


学而思网校  
www.xueersi.com

Launched in 2010

<sup>1</sup> ● "Denotes currently offered course"

# Significant Progress Since IPO



Note: Year and period are as per fiscal year.

# Experienced Management Team and Distinguished Board

**Bangxin Zhang:** Chairman and CEO since our inception

**Jane Jie Sun:** Audit Committee Chair, Independent Director since Oct 2010, CEO and Director of Ctrip Inc.

**Weiru Chen:** Compensation Committee Chair, Independent Director since June 2015, associate professor of strategy at China Europe International Business School (“CEIBS”)

**Kaifu Zhang:** Nominating & Corporate Governance Committee Chair, Independent Director since Oct 2016, assistant professor of Marketing and the Xerox Junior Chair at the Tepper School of Business, Carnegie Mellon University

**Yachao Liu:** Company Director since Oct 2016, Senior VP of TAL from Apr 2011 to Oct 2016, 11+ years with TAL

**Yunfeng Bai:** President since Oct 2016, Senior VP of TAL from Apr 2011 to Oct 2016, 11+ years with TAL

**Rong Luo:** CFO effective from Nov 1<sup>st</sup> 2014, former CFO of eLong Inc.

**Yan Huang:** CTO effective from Oct 2016, joined TAL in Apr 2015

# Company Highlights



**Industry Leader in Large and Attractive Market**

**Strong Brand, Recognized for High Quality Teaching, Proprietary Content, and Student Outcomes**

**Significant Scale and Reach Offline and Online**

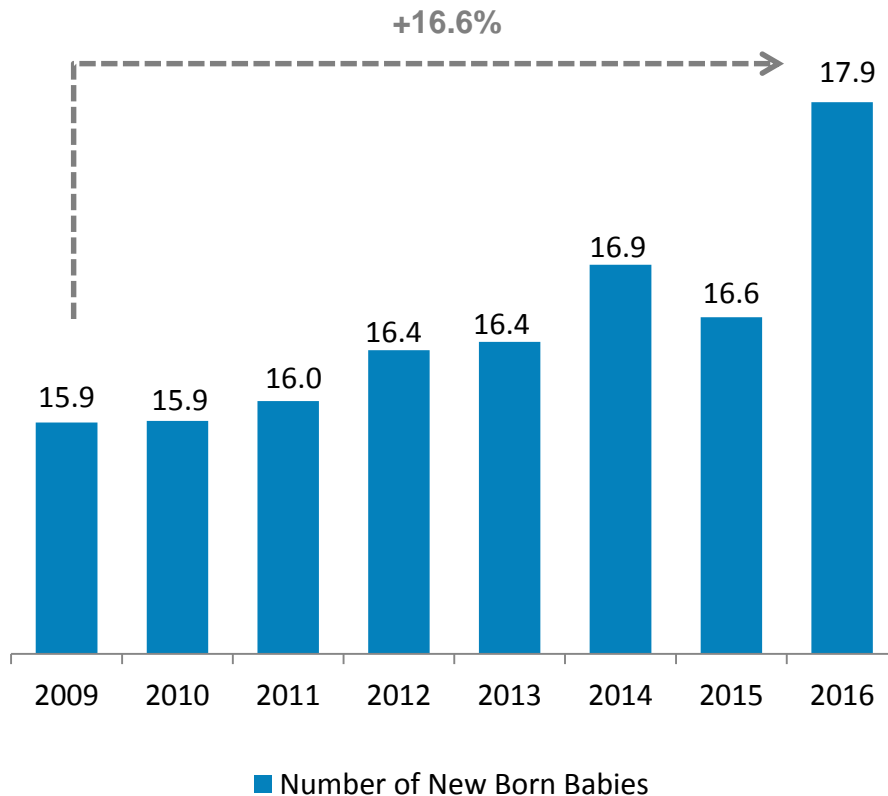
**Strong Operational Performance with Consistent Growth**

**High Visibility Recurring Revenue Model with Strong Cash Flow**

# Huge, Fragmented and Underpenetrated Market

## Accelerated Growth of New Born Babies<sup>1</sup>

MM



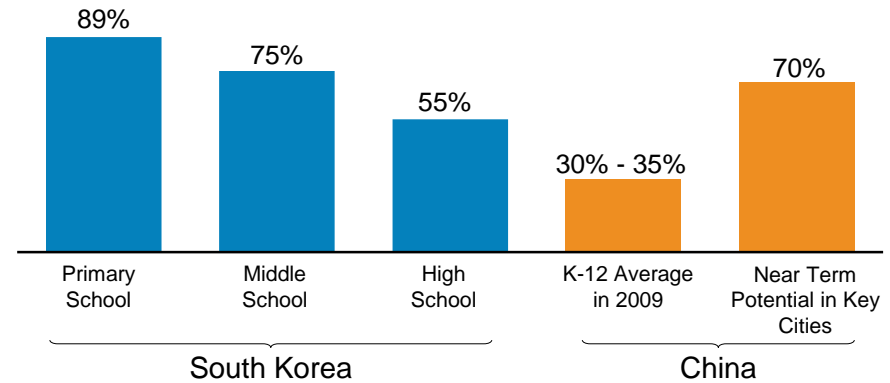
<sup>1</sup> Source: gov.cn/xinwen/

<sup>2</sup> Source: iResearch, July 2010 Report

<sup>3</sup> Source: Ministry of Education, 2015; Public Disclosure of TAL and EDU, 2017

## Penetration of Tutoring Services<sup>2</sup>

### China vs. South Korea



National K-12 Enrollments



Top 2 Nation-wide K-12 Players Combined

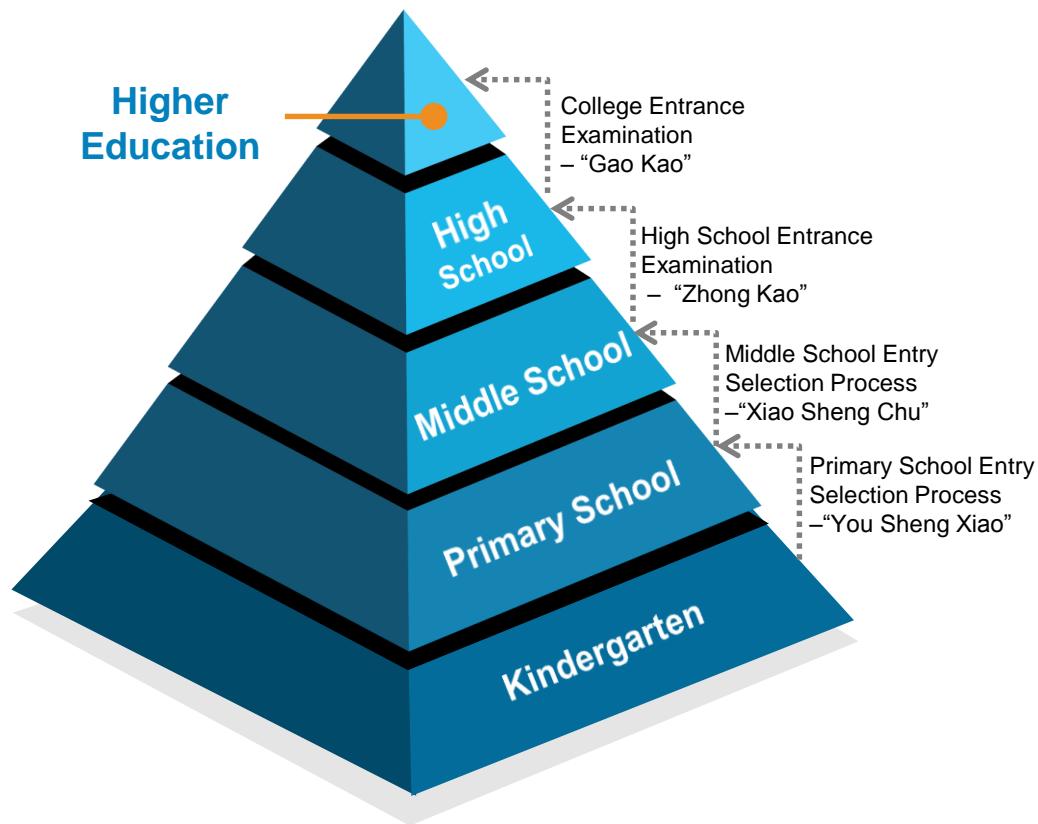


**Highly fragmented market where top 2 players account for less than 2% of total market<sup>3</sup>**



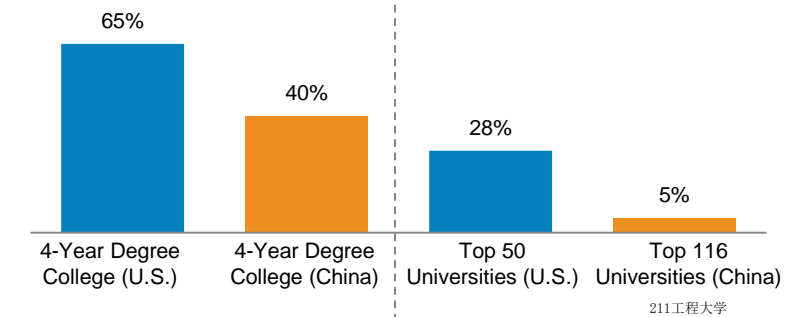
# Underpinned by Intensely Competitive Education System

## Examination-Focused Education System

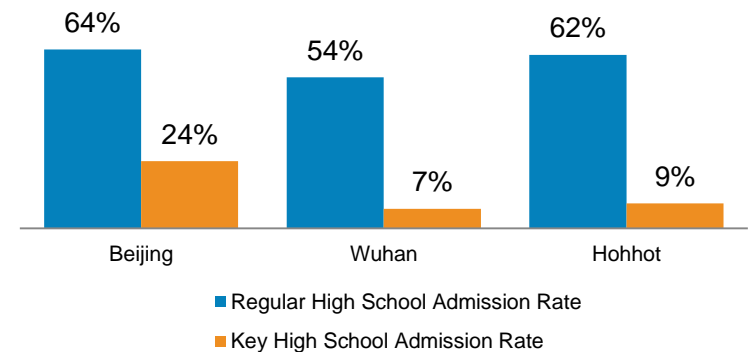


## Lower College Admission in China<sup>1</sup>

### College Admission Rate<sup>1</sup>



## Lower Key High School Admission in China<sup>2</sup>

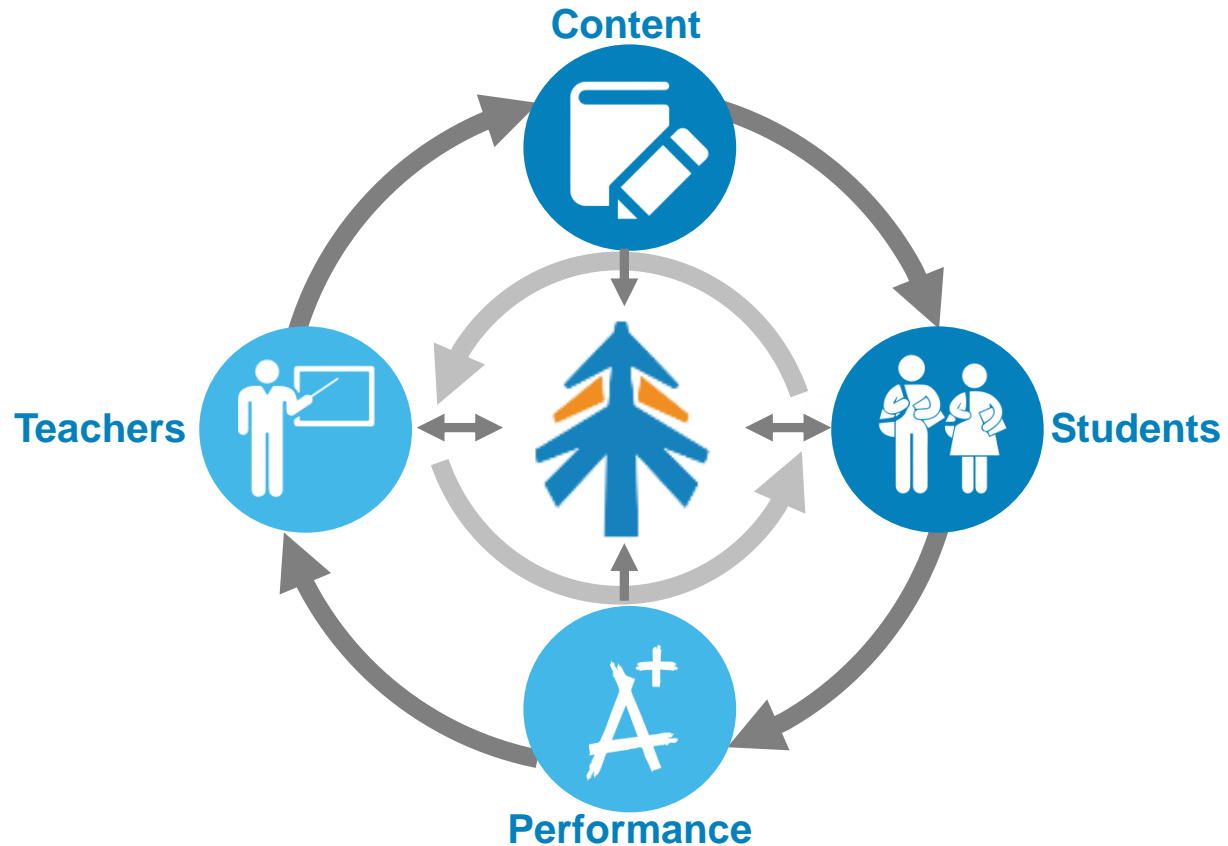


<sup>1</sup> Source: National Association for College Admission Counseling, 2013; collegeadmissions100.com, 2013; learning.sohu.com, 2015; Ministry of Education of the People's Republic of China, 2015

<sup>2</sup> Source: liuxue86.com, 2015; 51edu.com, 2015; chuzhong.eol.cn, 2015; edu-hb.com, 2015; mt.sohu.com, 2015; hhkszx.cn, 2015

# Brand Drives Sustainable Competitive Advantage

- TAL became **Fastest Growing Brand** in China according to annual ranking by WPP and Millward Brown on March 21, 2017.
- **No.11** Fasted Growing Companies in the world by Fortune in 2016, up from No. 25 in 2015. The **Only Chinese Education Company** within Top 15



- ✓ High student retention rate
- ✓ Ability to attract top-quality teachers

- ✓ High referral rate and low student acquisition costs
- ✓ Premium pricing power

# Based Upon High Teaching Quality and Differentiated Proprietary Content

## Optimized Teacher Management System



### Selective Hiring Process

- Top university graduates
- Rounds of tests and interviews



### Comprehensive Training

- Comprehensive new teacher training
- Regular ongoing training



### Rigorous Evaluation Process

- Continuous evaluation
- Performance based compensation

## Proprietary Content Development

Review local curriculum requirements

Analyze latest trends

Develop tailored course materials

Collect teacher and student feedback

*Regular evaluation and improvement process*

Headquarters in-house content development team of over 100 people

External education experts hired as advisors

IP transfer and content license agreements with leading international publishers for English subject areas

# Straightforward Strategy to Expand Scale Both Online and Through Learning Center Network

## Growth Strategy

- 1 Further penetrate existing markets by opening new learning centers
- 2 Enter new markets: Target around 4 new cities each year
- 3 Enhance content offering across subjects and grade levels
- 4 Maintain premium pricing while diversifying programs
- 5 Expand online and mobile offerings, driving online engagement

# Large Untapped Geographic Expansion Opportunity

## Incremental Center Opportunities

City	Year of Entry	# of Small Class Centers			# of One-on-One Centers	# of Total Learning Centers
		# of Peiyou Centers	# of Firstleap Centers	# of Mobby Centers		
Beijing	2003	73	27	7	34	141
Shanghai	2008	36		1	12	49
Nanjing	2011	30	12		6	48
Guangzhou	2009	28			16	44
Shenzhen	2010	19			8	27
Wuhan	2008	19			6	25
Tianjin	2008	20			5	25
Xi'an	2011	18			7	25
Chengdu	2011	13			6	19
Hangzhou	2011	13			4	17
Shenyang	2012	4	8		-	12
Zhengzhou	2012	12			1	13
Chongqing	2012	9	4		-	13
Suzhou	2012	8			2	10
Taiyuan	2012	10				10
Changsha	2014	5				5
Shijiazhuang	2014	4				4
Hefei	2016	2	2			4
Jinan	2014	3				3
Qingdao	2014	2				2
Changchun	2016	2				2
Luoyang	2015	1				1
Nanchang	2015	1				1
Ningbo	2015	1				1
Wuxi	2015	1				1
Fuzhou	2015	1				1
Guiyang	2016	1				1
Xiamen	2017	1				1
Lanzhou	2017	1				1
Dalian	2017	1				1
Total		339	53	8	107	507



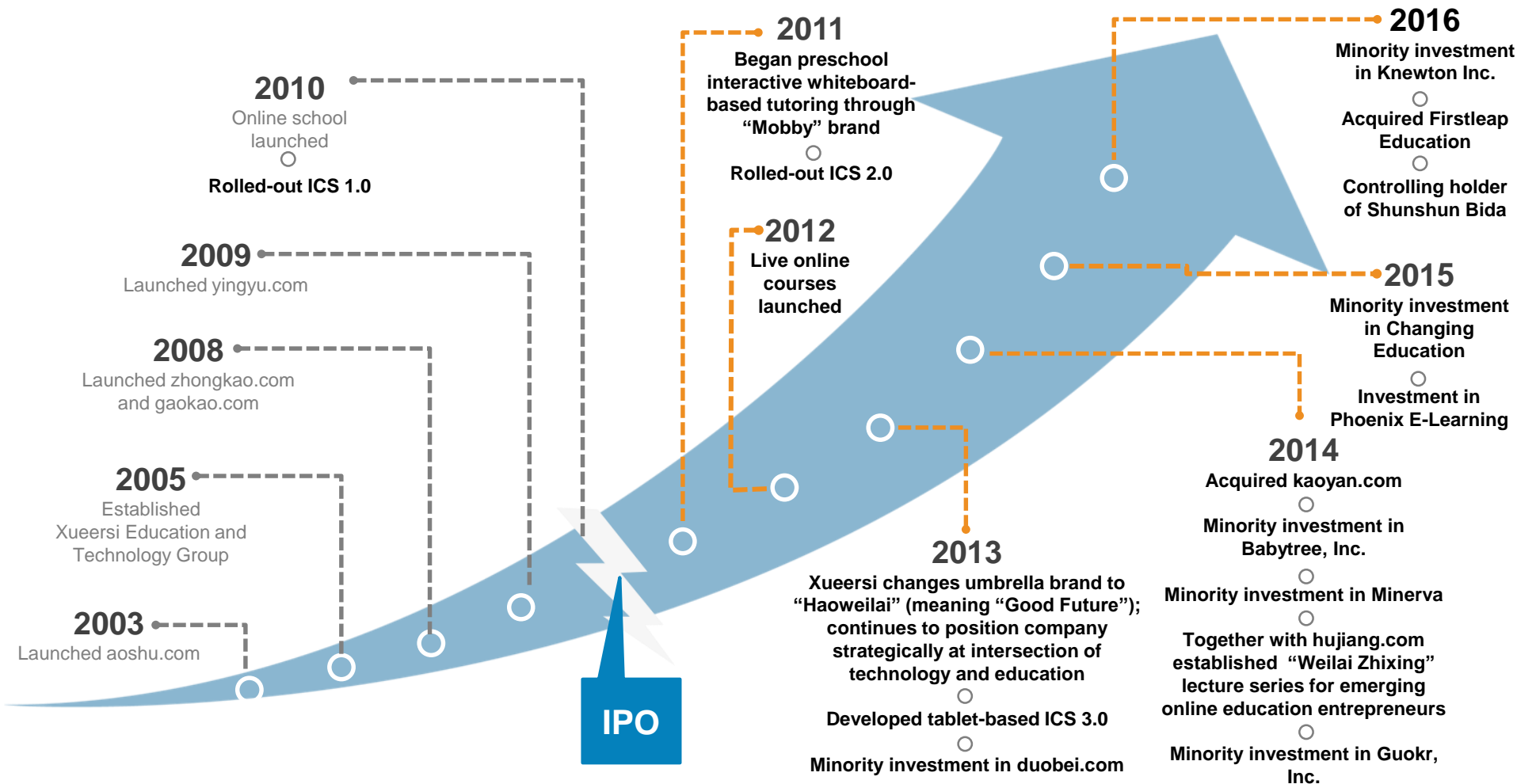
Province with learning center coverage



Province not yet covered by TAL learning center network

# Complemented by Continued Focus Online

## Accelerated Investment in New Technologies Across Online Platform



# Online Platform Now Covers the Student Lifecycle

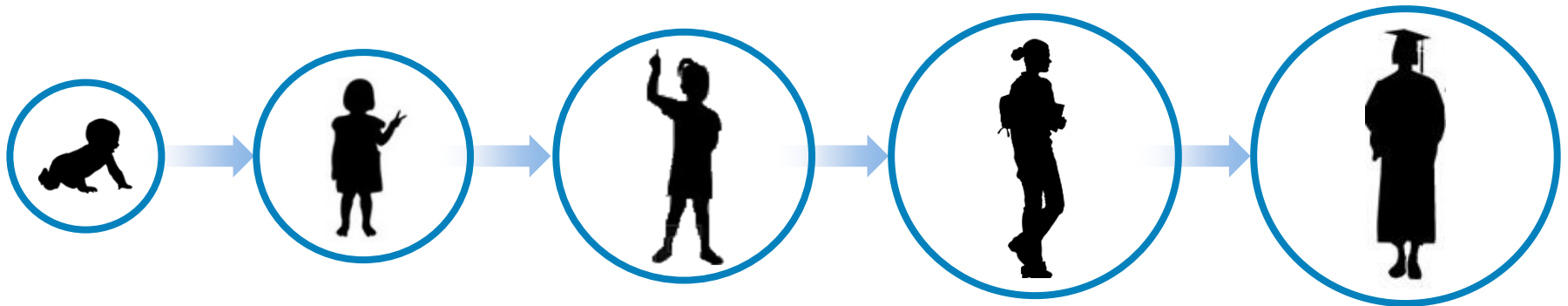


Minority Strategic Investment



Main portal to TAL Education's education-related websites

Babytree 宝宝·树	youjiao.com 幼教网	yingyu.com 英语网	aoshu.com 奥数网	zhongkao.com 中考网	gaokao.com 高考网	kaoyan.com 考研网
Social platform for expecting and young parents	Preschool, kindergarten, and preparation for primary school admissions	English language study and related examinations	Mathematics, competitions, and preparation for middle school admissions	Preparation for China's high school admissions test	Preparation for China's college entrance examination	Preparation for China's postgraduate entrance examination

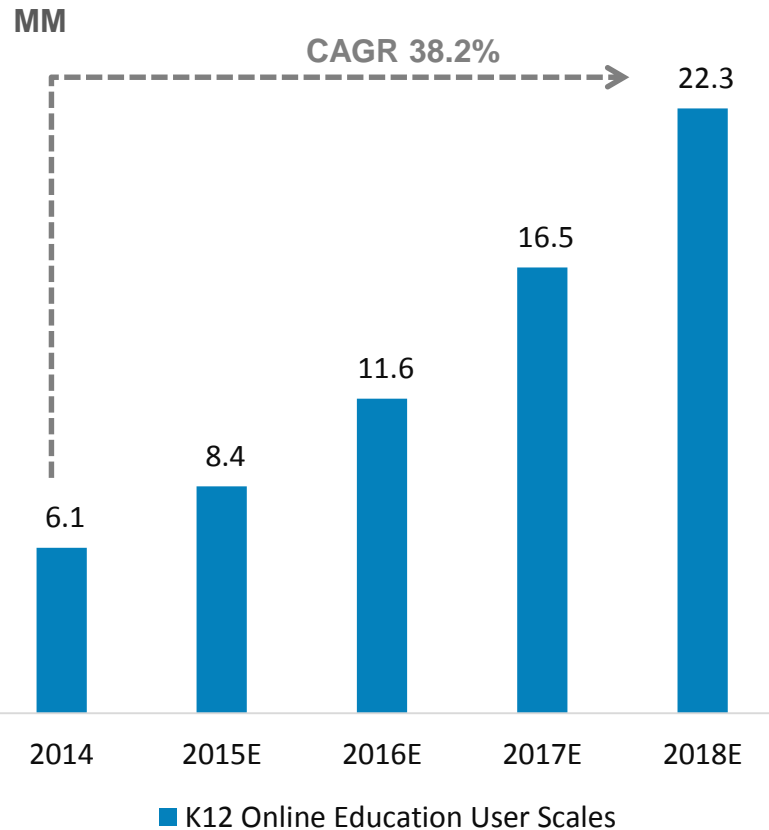


Note: Jiazhongbang APP was elected as one of the Top K-12 APPs and Kaoyanbang APP was elected as one of the Top Examination APPs by Sina Education Channel in November, 2014.

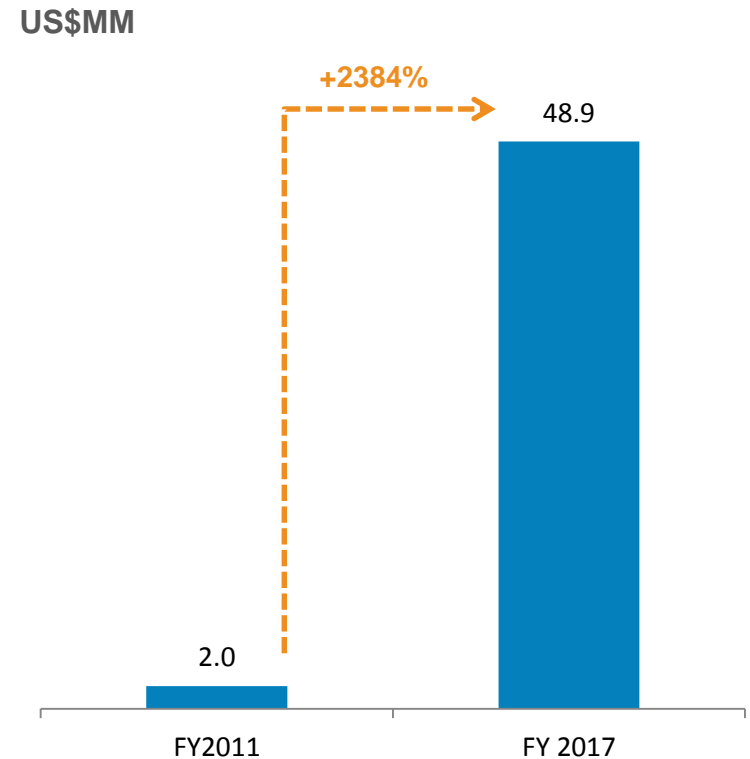
Babytree is a minority investment announced in January 2014.

# While Online School is Also Gaining Traction

## Explosive Growth of K12 Online Education<sup>1</sup>



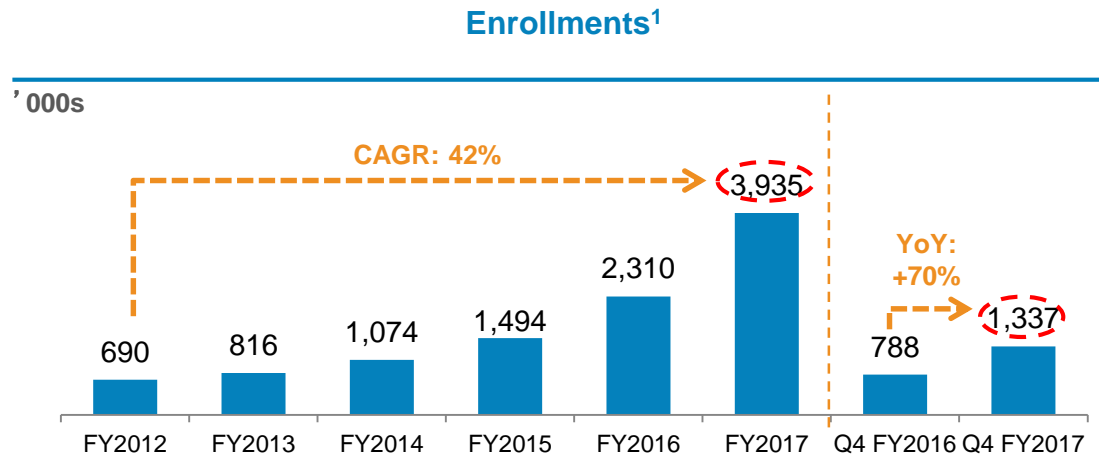
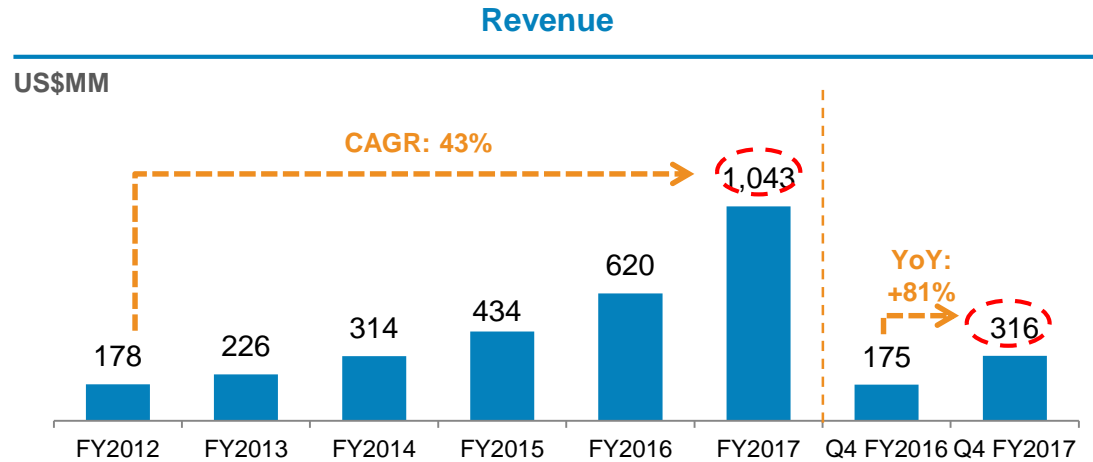
## Growing Online Revenue from Xueersi.com



<sup>1</sup> Source: 2015 China Online Education Platform Report by iResearch



# Strong Enrollment Growth Keep Driving Topline Growth

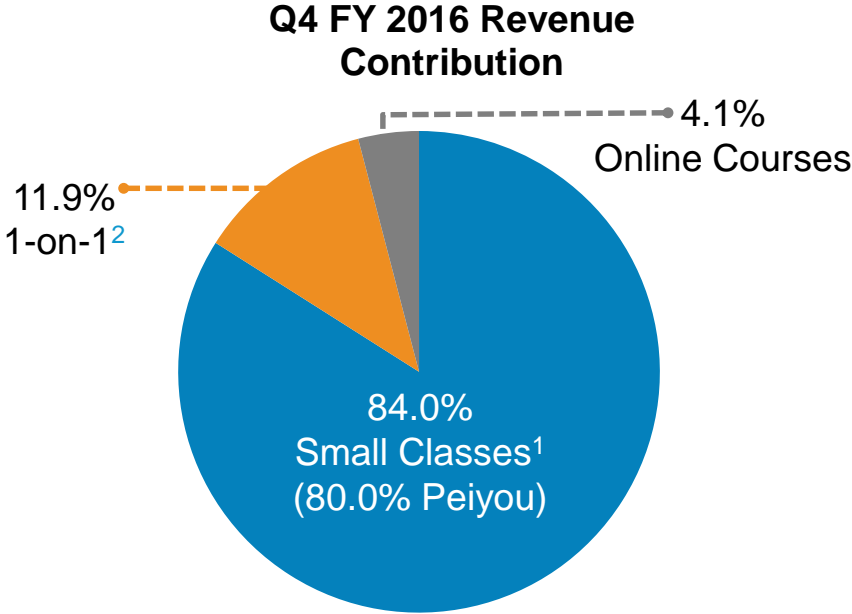
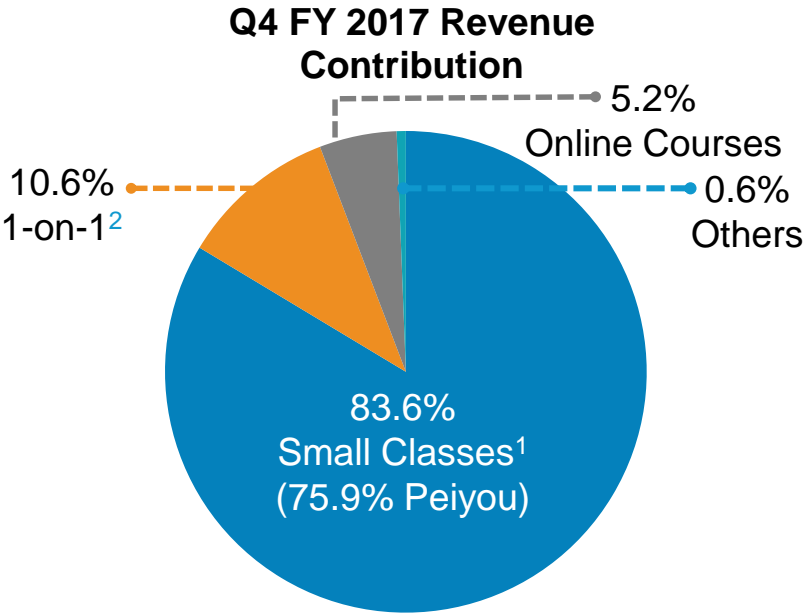


<sup>1</sup> Defined as total student enrollments of small class, personalized premium service (1-on-1) and online courses.

Refer to the cumulative total number of courses enrolled in and paid for by our students, including multiple courses enrolled in and paid for by the same student.

# Robust Growth of the Core Small Class Business

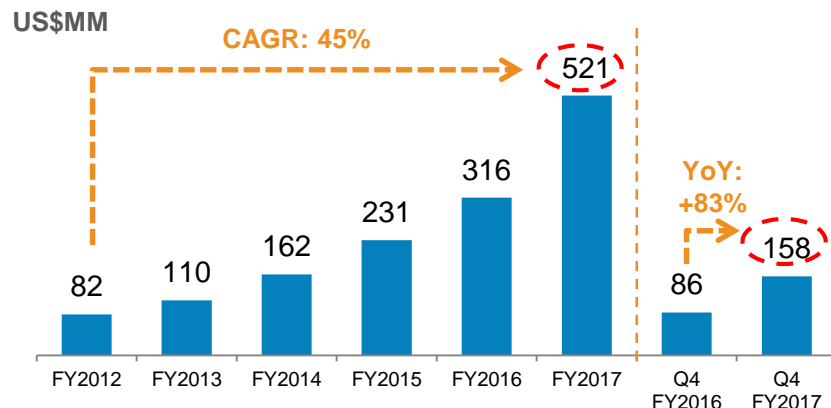
	Q4 FY2017	Q4 FY2016
Revenue Growth in RMB YoY	90%	56%
Enrollment Growth YoY	65%	58%



1 Small classes include Xueersi Peiyou, Firstleap, Mobby and some other educational programs.  
 2 One-on-one includes Zhikang one-on-one and Shunshun overseas consultancy businesses .

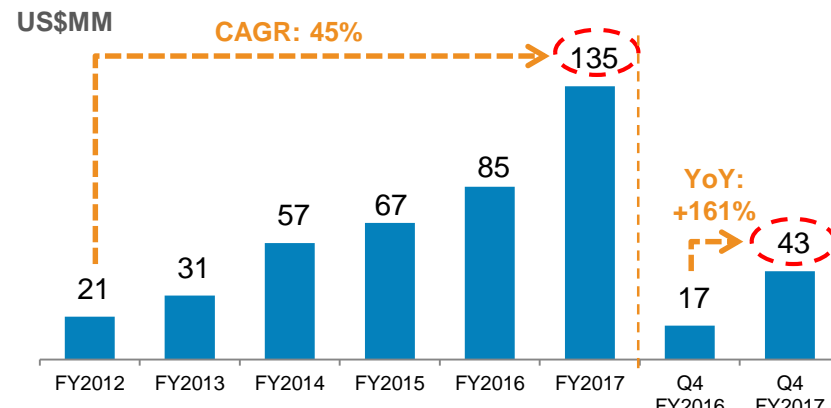
# Margins Have Increased with Improved Utilization

## Gross Profit



Margin: 46.2% 48.8% 51.7% 53.2% 51.0% 49.9% 49.3% 50.0%

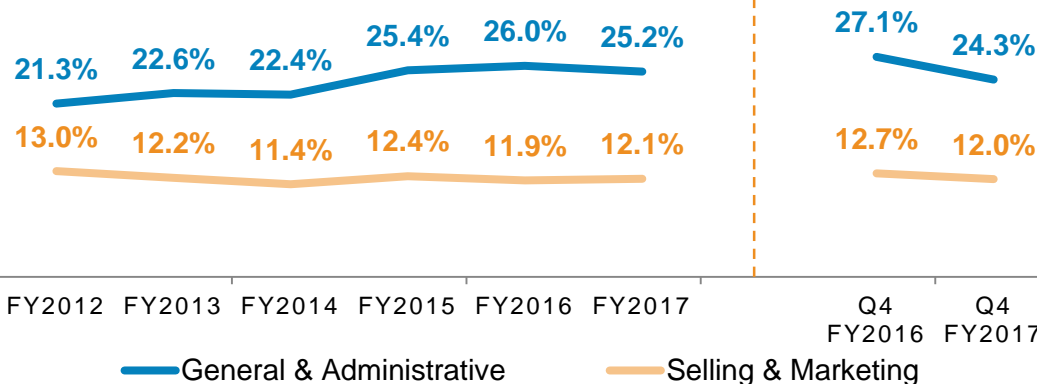
## Operating Income



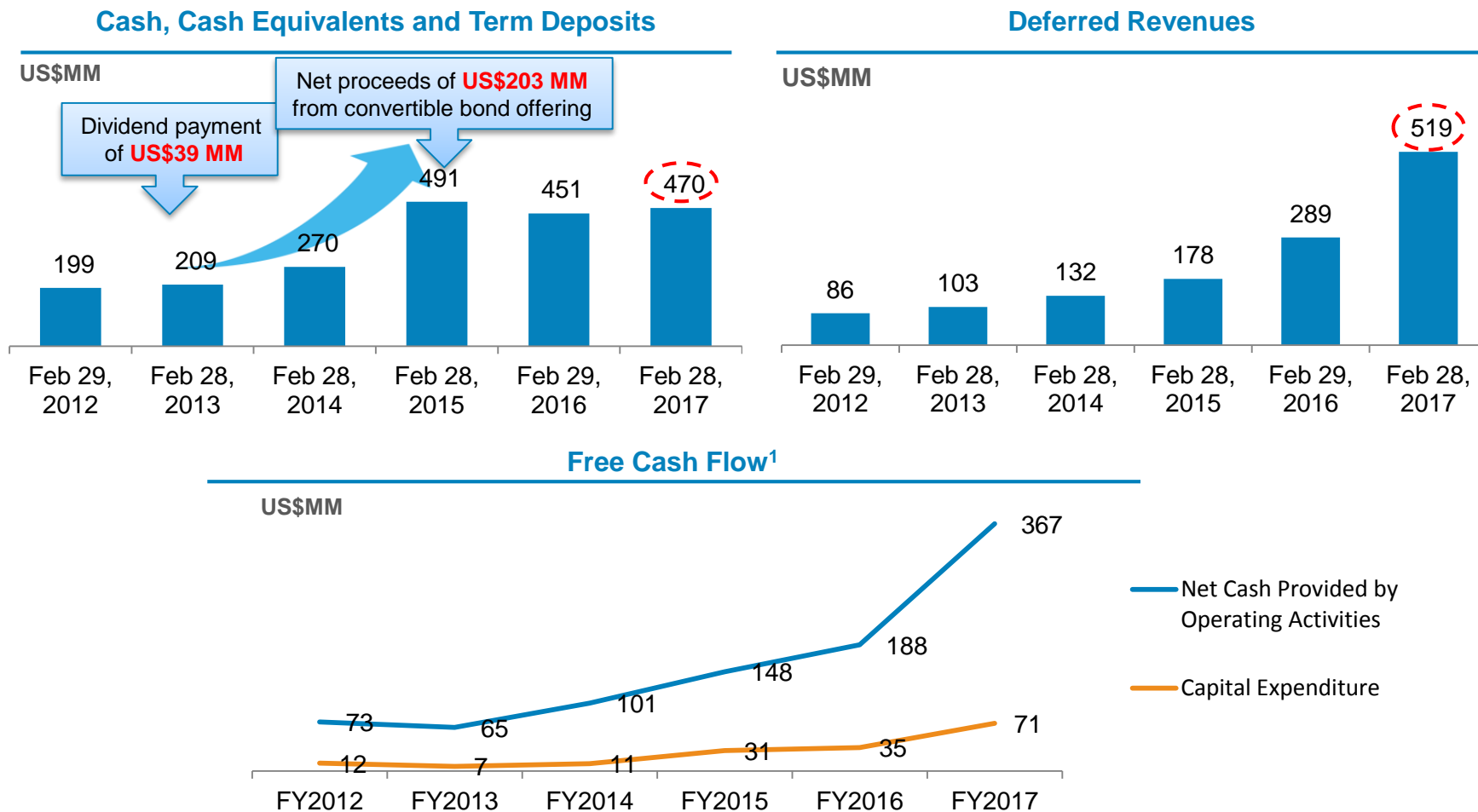
Margin: 11.8% 13.9% 18.3% 15.5% 13.7% 12.9% 9.5% 13.7%

## SG&A

% of Revenue



# While High Visibility Cash Flows Provide Strength to Balance Sheet



1: Capital expenditure in fiscal 2012 was US\$74.3 million. The significant increase was primarily related to the purchase of office space for headquarter in Beijing in the amount of \$62.5 million. The capital expenditure of US\$12 million in fiscal 2012 shown in the graph is excluding the impact from the purchase of this office space.

# Declaration of Special Cash Dividend

US\$0.25 per common share (US\$0.50 per ADS)

Aggregate dividend payment of approximately  
US\$41.2 million

Record Date: the close of business on May 11,  
2017

Payment Date: on or about May 25, 2017

# Thank You

**Investor Relations Contact:**

**ir@100tal.com**

**+8610 5292 6658**

**15/F Danling SOHO, No. 6 Danling Street,  
Haidian District, Beijing 100080**

