



# TAL Education Group

## Investor Presentation

July 2015

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# 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



 学而思培优  
www.speiyou.com

Launched in  
2003

 MOBBY  
摩比思维馆

Launched in  
2011

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



 智康 1对1  
jiajiaoban.com

Launched in 2007

### Online Courses



 学而思网校  
www.xueersi.com

Launched in 2010

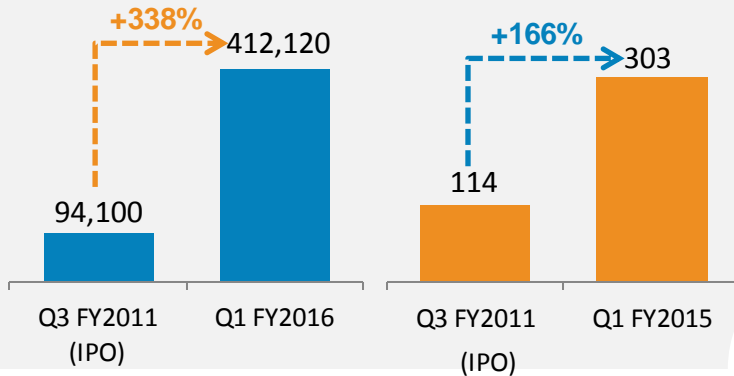
<sup>1</sup> ● "Denotes currently offered course"

# Significant Progress Since IPO

## Expanding Scale

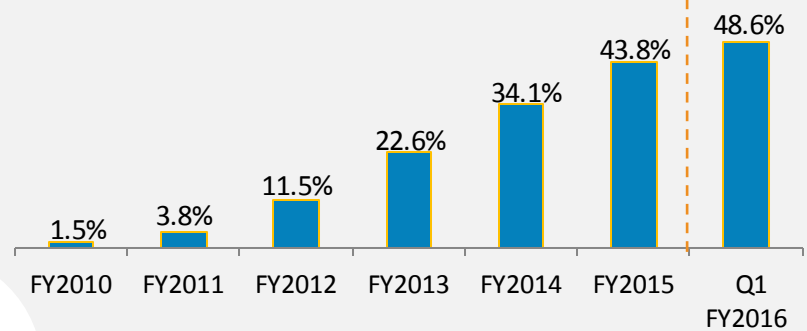
# of Student Enrollments

# of Learning Centers



## Increasing Geographical Footprint

% of Total Revenue Generated Outside Beijing and Shanghai

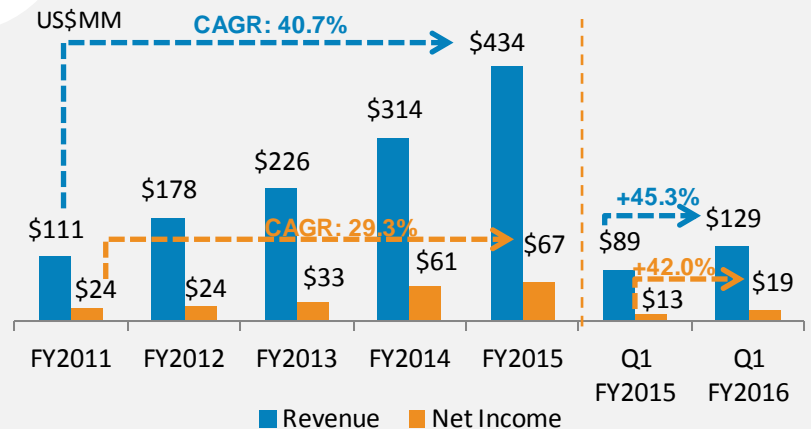


Note: Revenue generated from online course business is recorded in Beijing.

## Investment in Online, Mobile and Education Technology



## Growth in Revenue / Net Income



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, COO of Ctrip Inc

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

**Wei Wang:** Nominating & Corporate Governance Committee Chair, Independent Director since Jun 2011, Chairman and CEO of Vancl Inc

**Joseph Kauffman:** Company Director since Oct 2014, CFO of TAL from Jun 2010 to Oct 2014

**Yachao Liu:** Senior VP, GM of Online School, 10+ years with TAL

**Yunfeng Bai:** Senior VP, GM of Small Class, 9+ years with TAL

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

# Company Highlights



**Industry Leader in Large and Attractive Market**

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

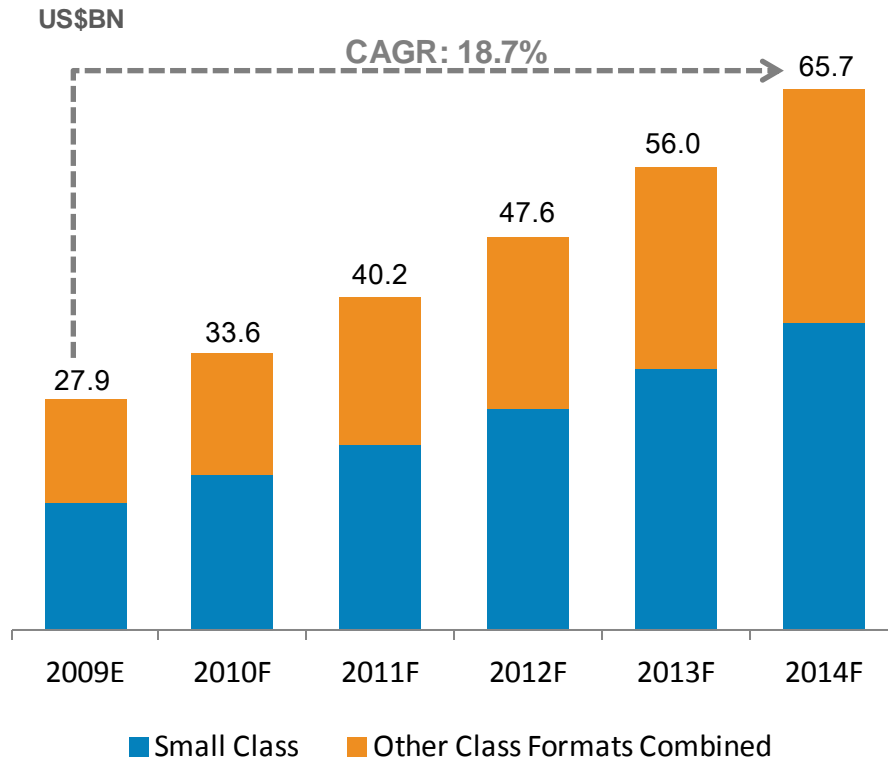
**Significant Scale and Reach Offline and Online**

**Strong Operational Performance with Consistent Growth**

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

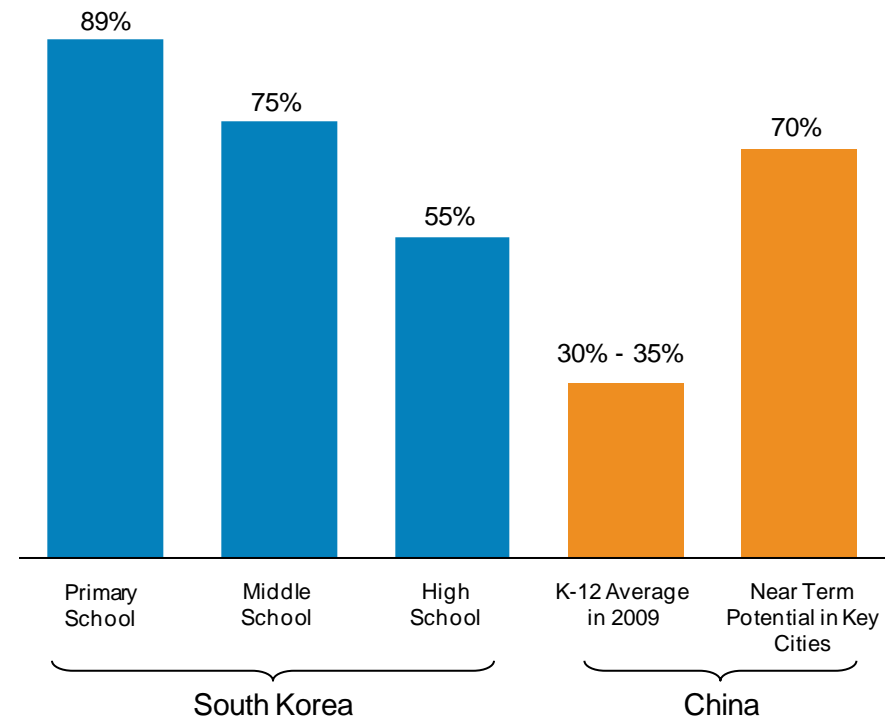
# Huge, Fragmented and Underpenetrated Market

## Rapid K-12 Market Growth Led by Small Class<sup>1</sup>



## Penetration of Tutoring Services<sup>1</sup>

China vs. South Korea



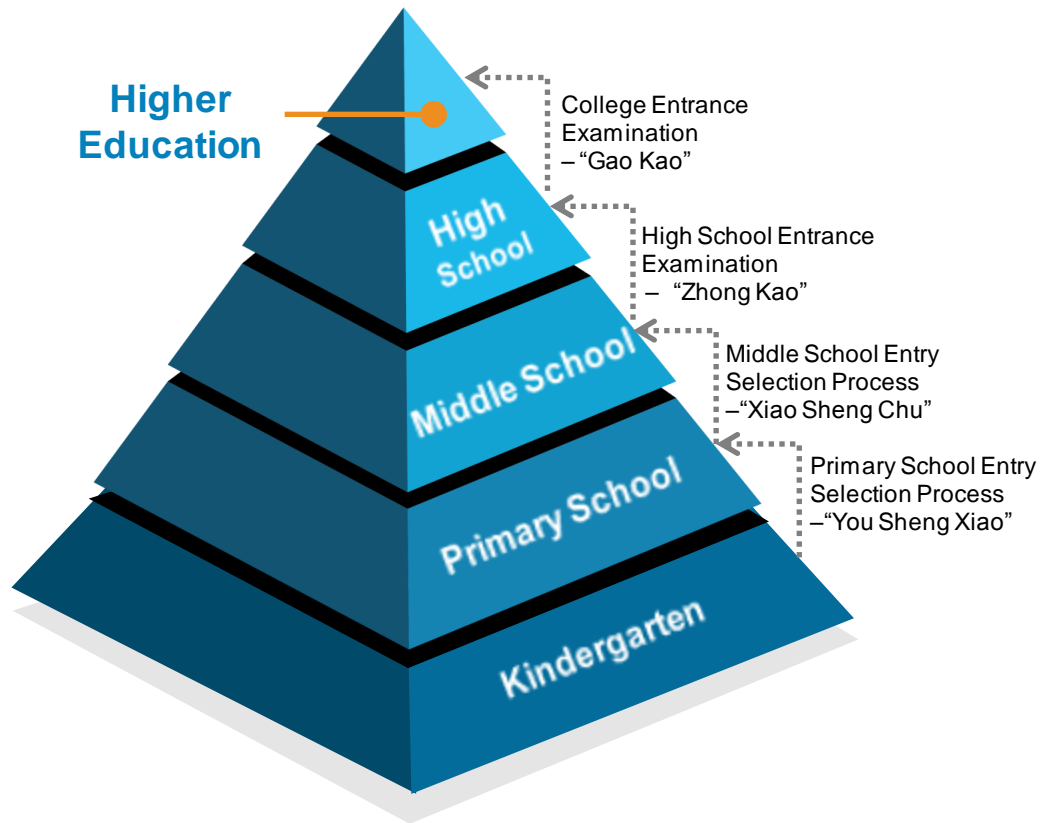
**Highly fragmented market where top 3 players account for less than 3.5% of total market**

<sup>1</sup> Source: iResearch, July 2010 Report.



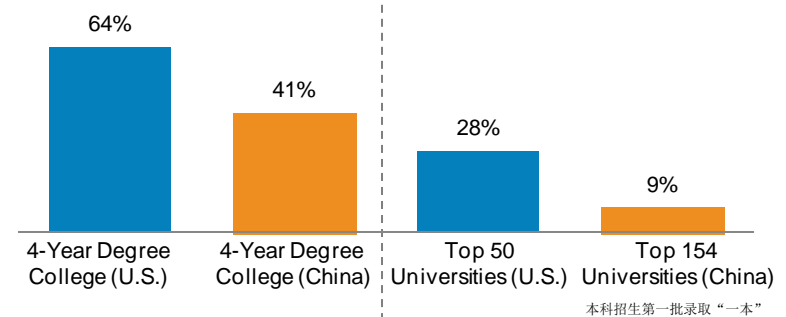
# Underpinned by Intensely Competitive Education System

## Examination-Focused Education System

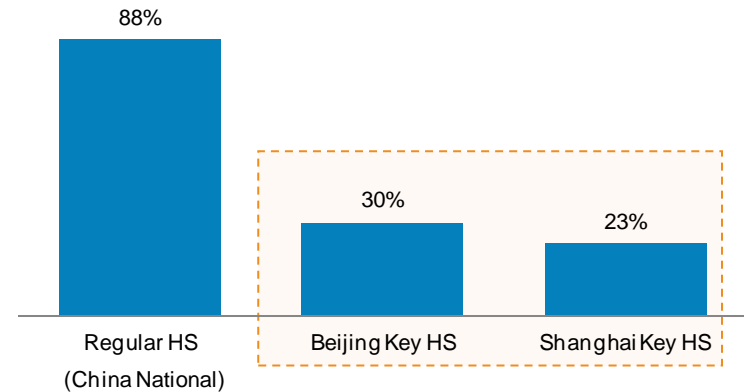


## Fierce Competition to Enter Key Schools

### College Admission Rate<sup>1,2</sup>



### High School Admission Rate in China<sup>3</sup>

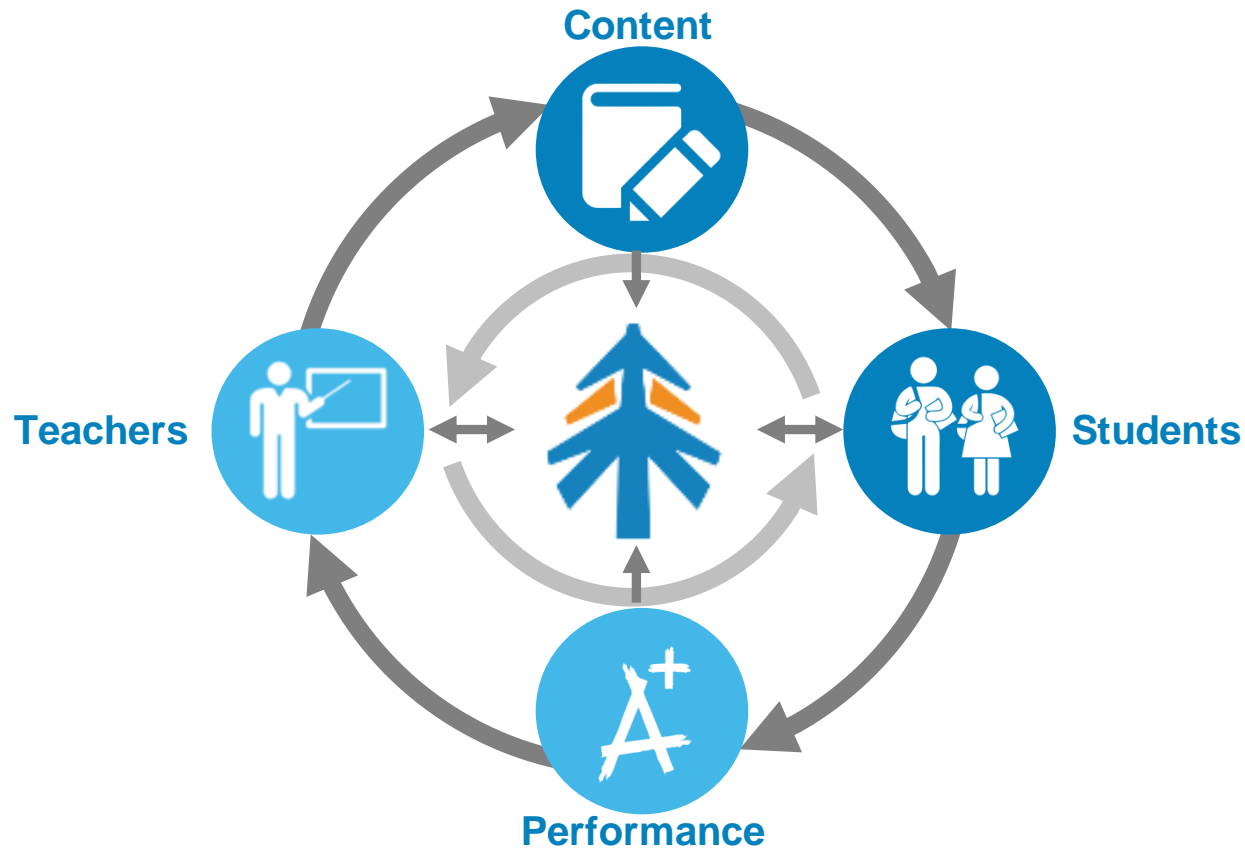


<sup>1</sup> “Admission rate” refers to the number of students admitted over the total examination applicants in China or denoted cities; and refers to the number of students admitted over the total application pool in the U.S.

<sup>2</sup> Source: National Association for College Admission Counseling, 2012; Ministry of Education of the People’s Republic of China, 2012; collegeadmissions100.com, 2012; gaokao.eol.cn, 2012

<sup>3</sup> Source: Ministry of Education of the People’s Republic of China, 2012; iResearch, 2010

# Brand Drives Sustainable Competitive Advantage



- ✓ 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 2-4 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 |
|--------------|---------------|--------------------------|-------------------------|-----------------------------|
| Beijing      | 2003          | 69                       | 36                      | 105                         |
| Shanghai     | 2008          | 33                       | 11                      | 44                          |
| Guangzhou    | 2009          | 17                       | 10                      | 27                          |
| Nanjing      | 2011          | 14                       | 4                       | 18                          |
| Shenzhen     | 2010          | 11                       | 6                       | 17                          |
| Tianjin      | 2008          | 12                       | 4                       | 16                          |
| Wuhan        | 2008          | 9                        | 5                       | 14                          |
| Xi'an        | 2011          | 9                        | 5                       | 14                          |
| Chengdu      | 2011          | 8                        | 3                       | 11                          |
| Hangzhou     | 2011          | 7                        | 4                       | 11                          |
| Zhengzhou    | 2012          | 6                        |                         | 6                           |
| Chongqing    | 2012          | 4                        |                         | 4                           |
| Suzhou       | 2012          | 3                        |                         | 3                           |
| Taiyuan      | 2012          | 3                        |                         | 3                           |
| Shenyang     | 2012          | 3                        |                         | 3                           |
| Qingdao      | 2014          | 2                        |                         | 2                           |
| Changsha     | 2014          | 2                        |                         | 2                           |
| Shijiazhuang | 2014          | 2                        |                         | 2                           |
| Jinan        | 2014          | 1                        |                         | 1                           |
| <b>Total</b> |               | <b>215</b>               | <b>88</b>               | <b>303</b>                  |



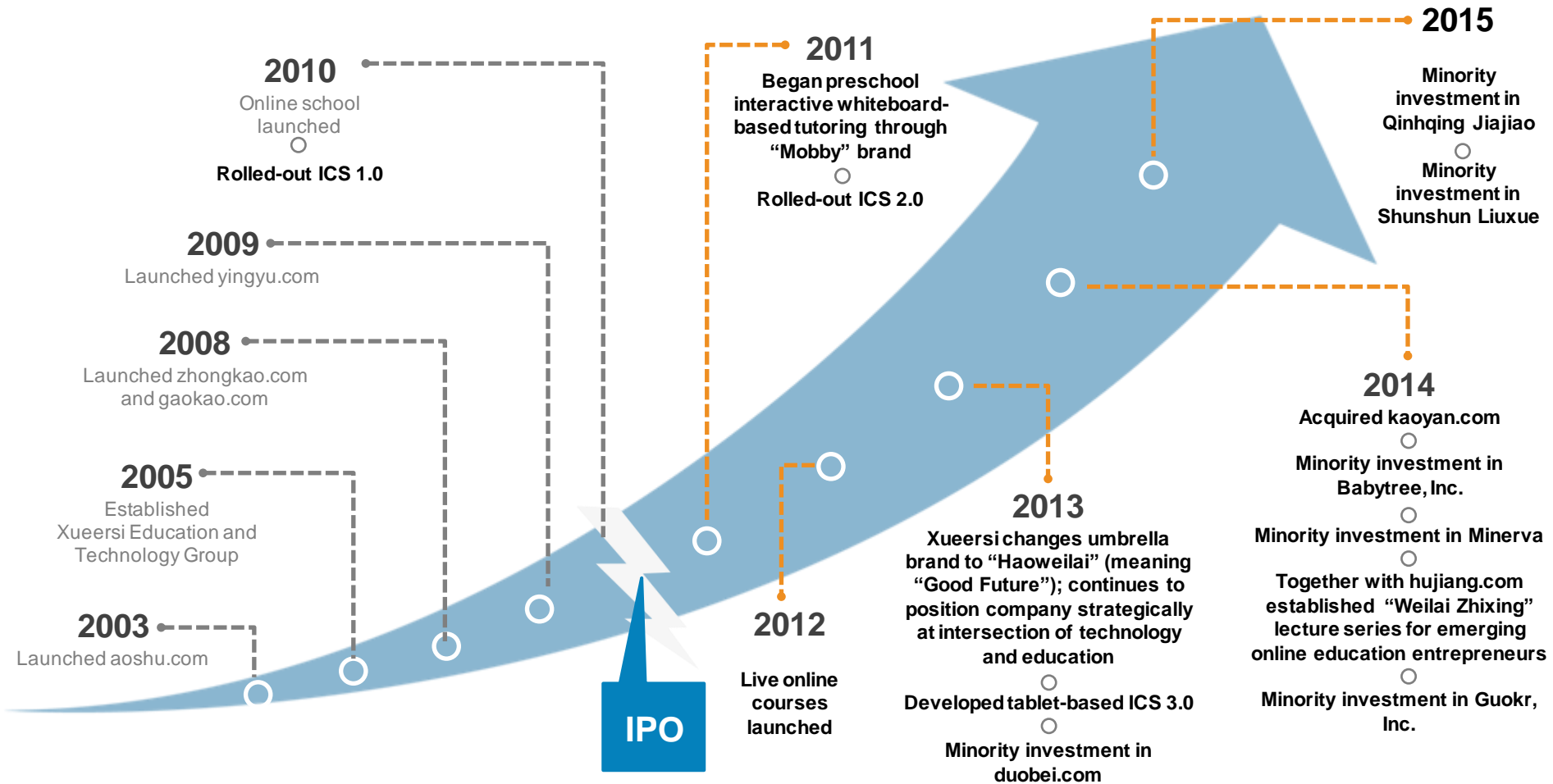
Province with learning center coverage



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

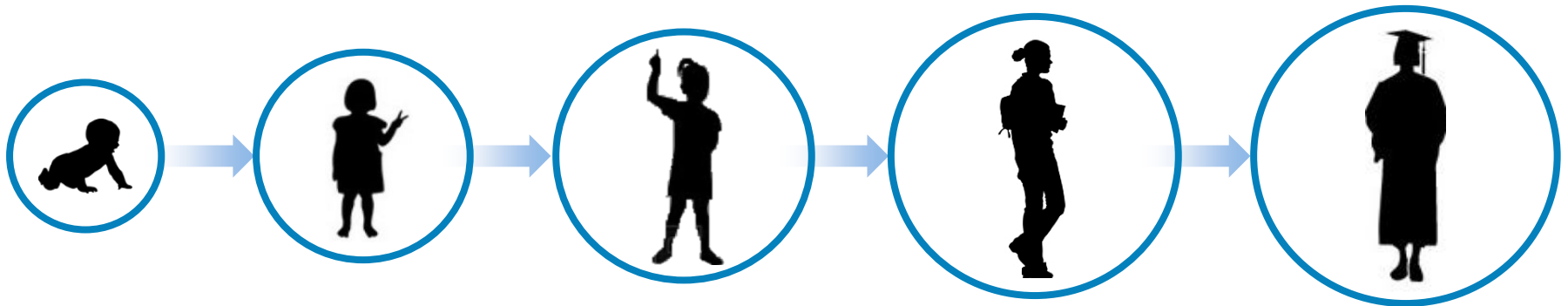


Minority Strategic Investment



Main portal to TAL Education's education-related websites

| Babytree<br>宝宝·树                                | youjiao 幼教网<br>.com  | zuowen 作文网<br>.com  | yingyu 英语网<br>.com                              | aoshu 奥数网<br>.com   | zhongkao 中考网<br>.com                                | gaokao 高考网<br>.com                                   | kaoyan 考研网<br>.com  |
|---|--|---------------------|---|---|---|--|---|
| Social platform for expecting and young parents | Preschool, kindergarten, and preparation for primary school admissions | Chinese composition | 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 |

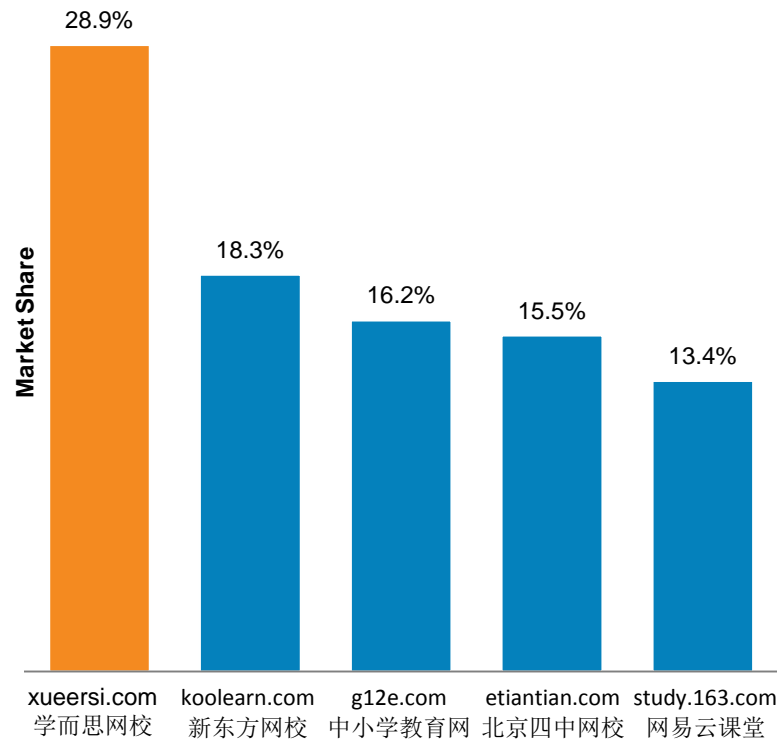


Note: Jiazhangbang APP was elected as one of the Top K-12 APPs and Kaoyanbang APP was elected as one of the Top Examination APPs by Sina Education Channel in November, 2014.

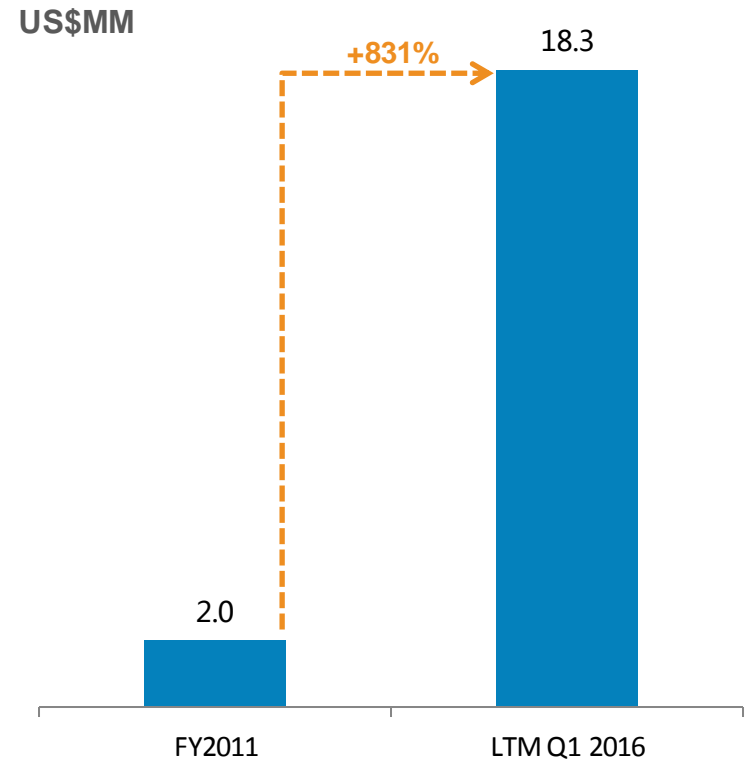
Babytree is a minority investment announced in January 2014.

# While Online School is Also Gaining Traction

## Leading K-12 Online Tutoring Brand<sup>1</sup>



## Growing Online Revenue



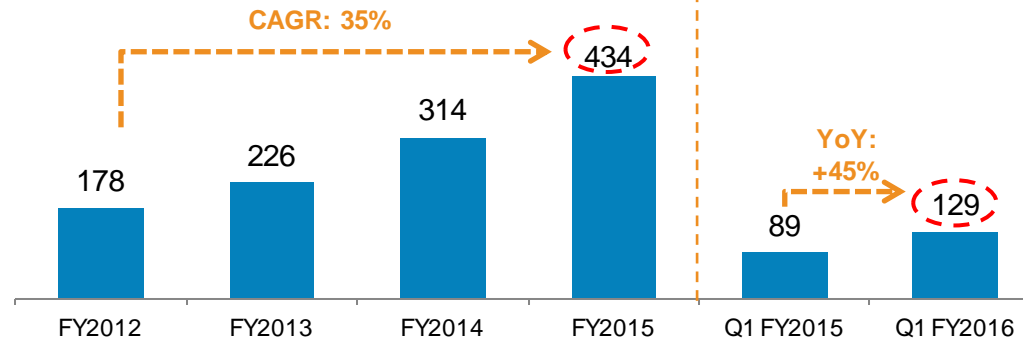
<sup>1</sup> Source: 2013 China Online Education Report (《新浪2013中国在线教育调查报告》) by AC Nielsen and sina.com.



# Effective Strategy Implementation Has Accelerated Topline Growth

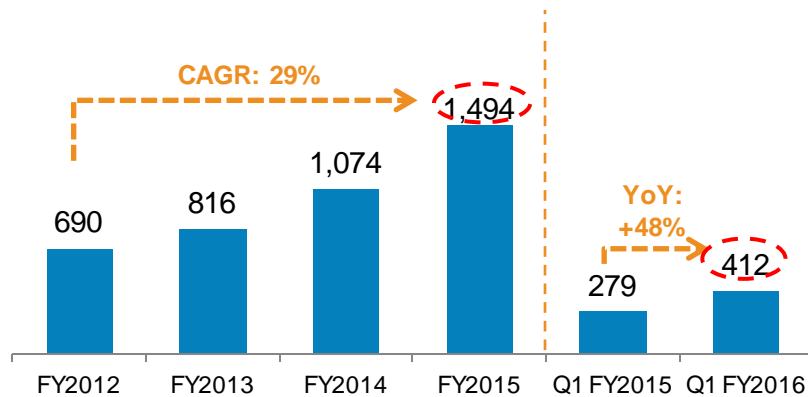
## Revenue

US\$MM



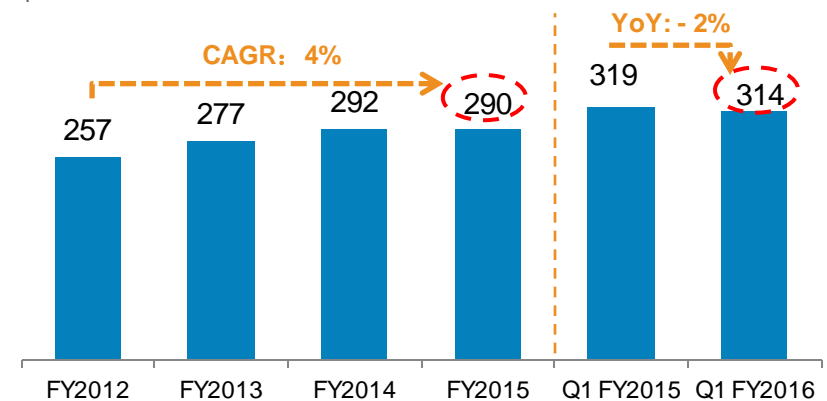
## Enrollments<sup>1</sup>

'000s



## ASP<sup>2</sup>

US\$



<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.

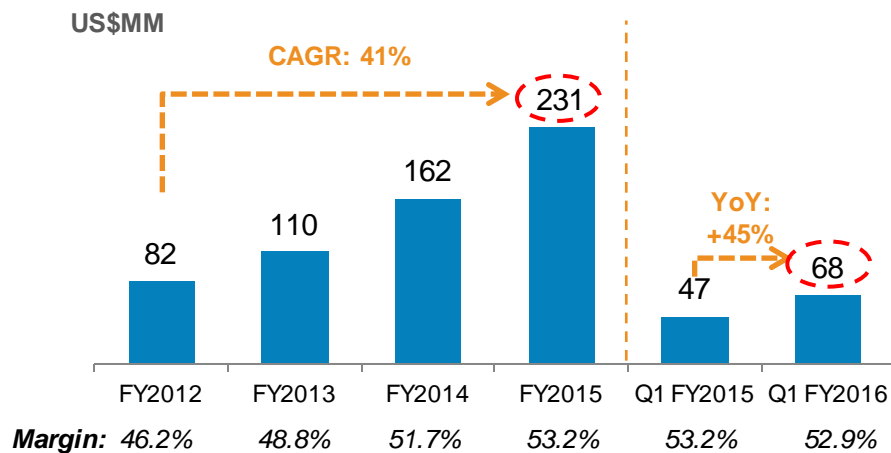
<sup>2</sup> Total revenue / total enrollments

# Year-Over-Year Growth by Business Unit

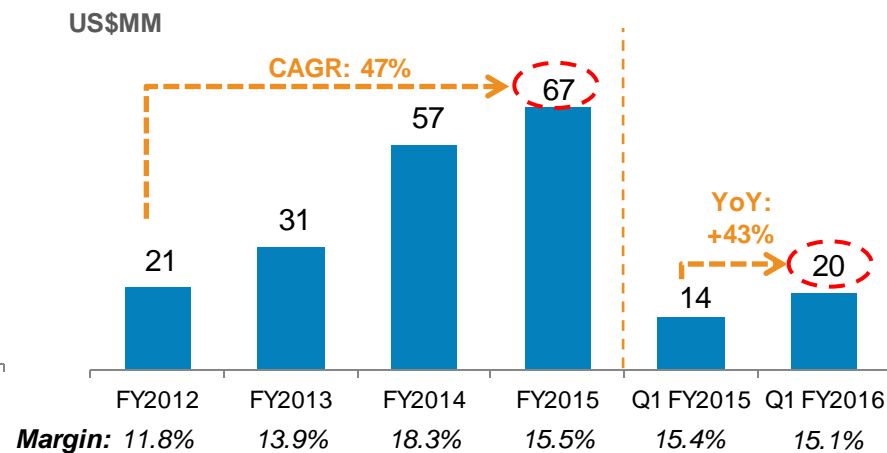
|                       | Small Classes |           | 1-on-1    |           | Online Courses |           |
|-----------------------|---------------|-----------|-----------|-----------|----------------|-----------|
|                       | Q1 FY2015     | Q1 FY2016 | Q1 FY2015 | Q1 FY2016 | Q1 FY2015      | Q1 FY2016 |
| Revenue contribution  | 73%           | 77%       | 23%       | 18%       | 4%             | 5%        |
| Revenue YoY growth    | 56%           | 54%       | 17%       | 14%       | 68%            | 70%       |
| Enrollment YoY growth | 43%           | 44%       | 16%       | 18%       | 72%            | 75%       |
| ASP YoY growth        | 9%            | 7%        | 1%        | -3%       | -3%            | -3%       |

# Gross Margins Have Increased with Improved Utilization

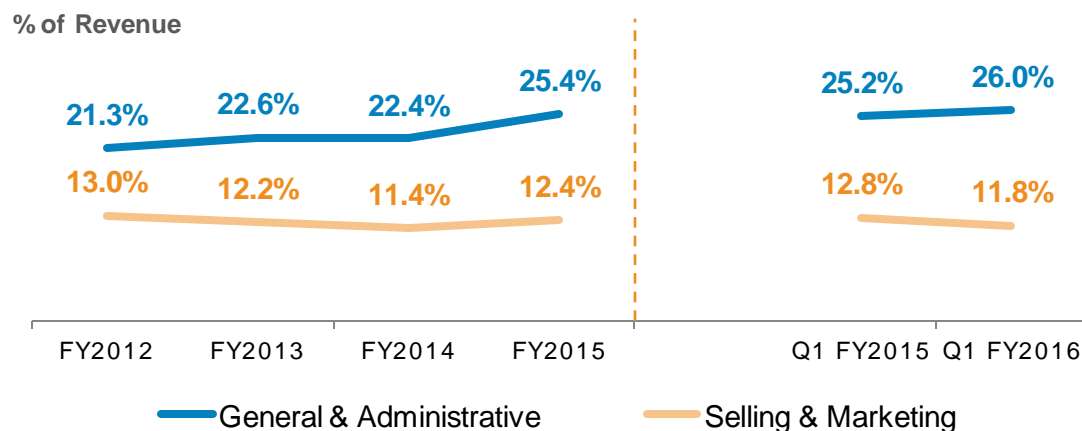
## Gross Profit



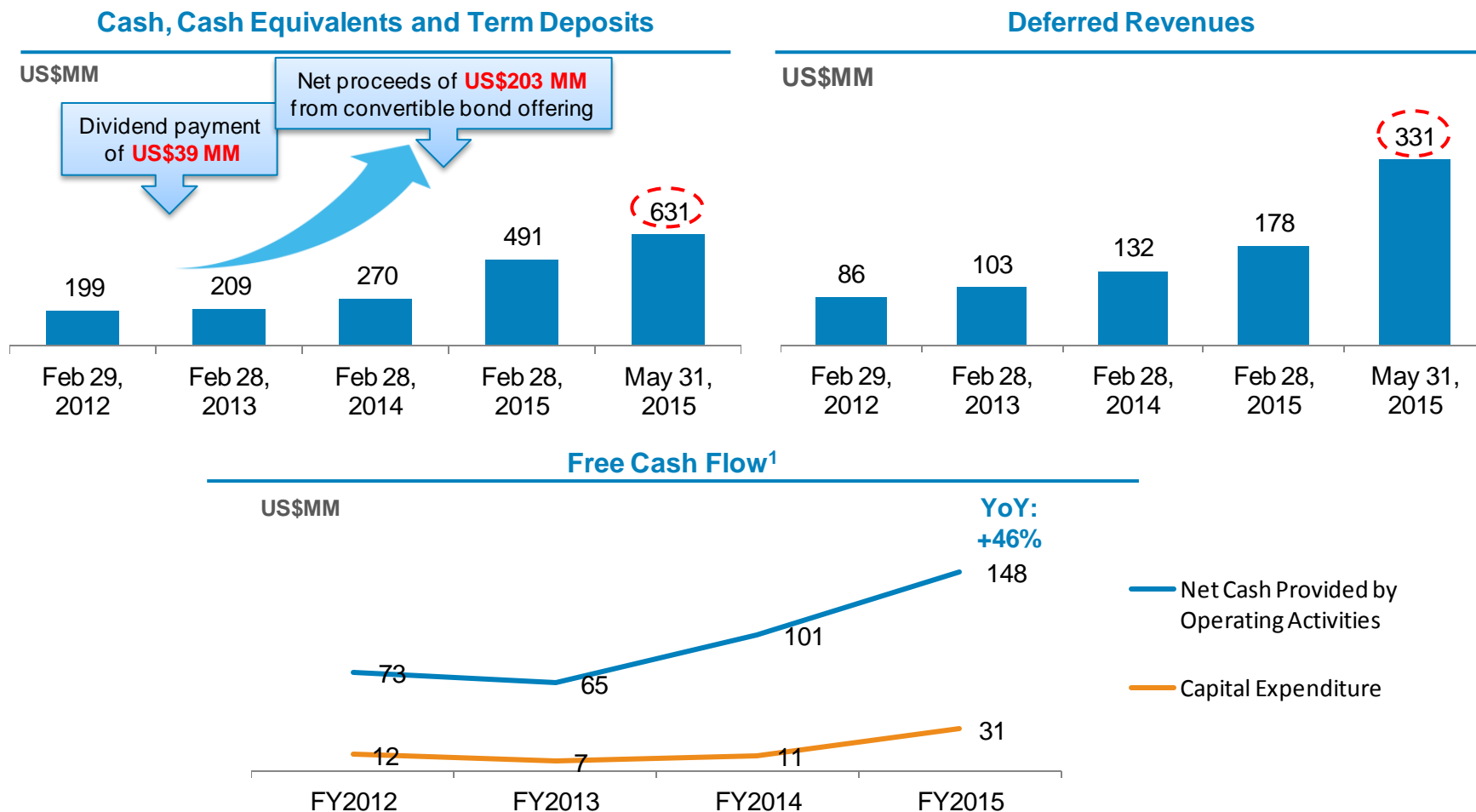
## Operating Income



## SG&A Reflects Investment in Future Growth



# 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.

# Thank You

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