



# TAL Education Group

## Investor Presentation

October 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

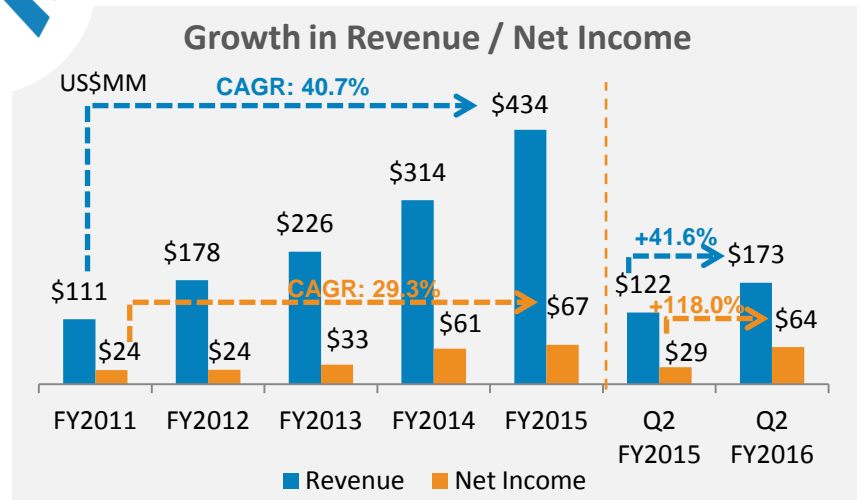
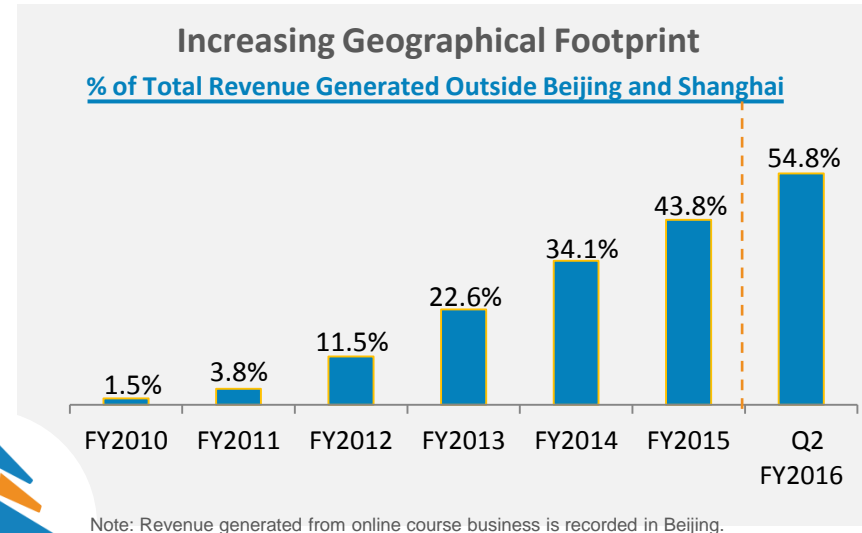
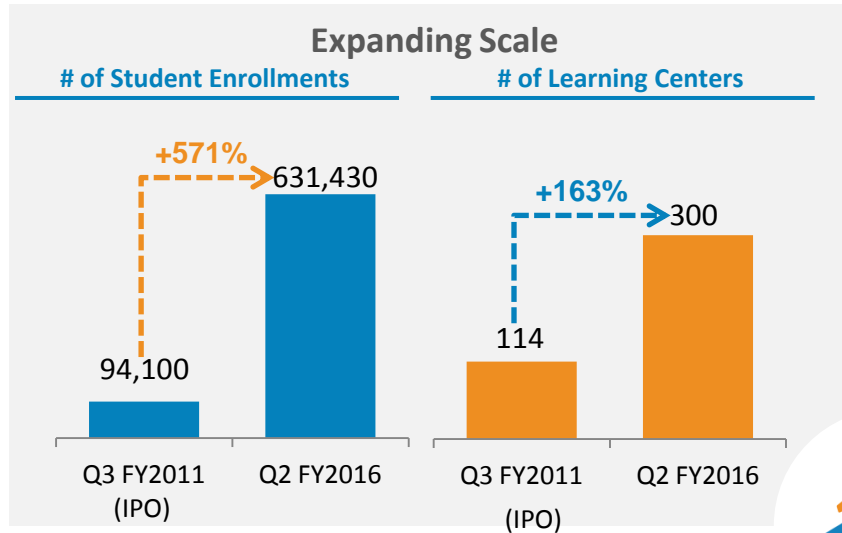


**学而思网校**  
www.xueersi.com

Launched in 2010

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

# Significant Progress Since IPO



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**

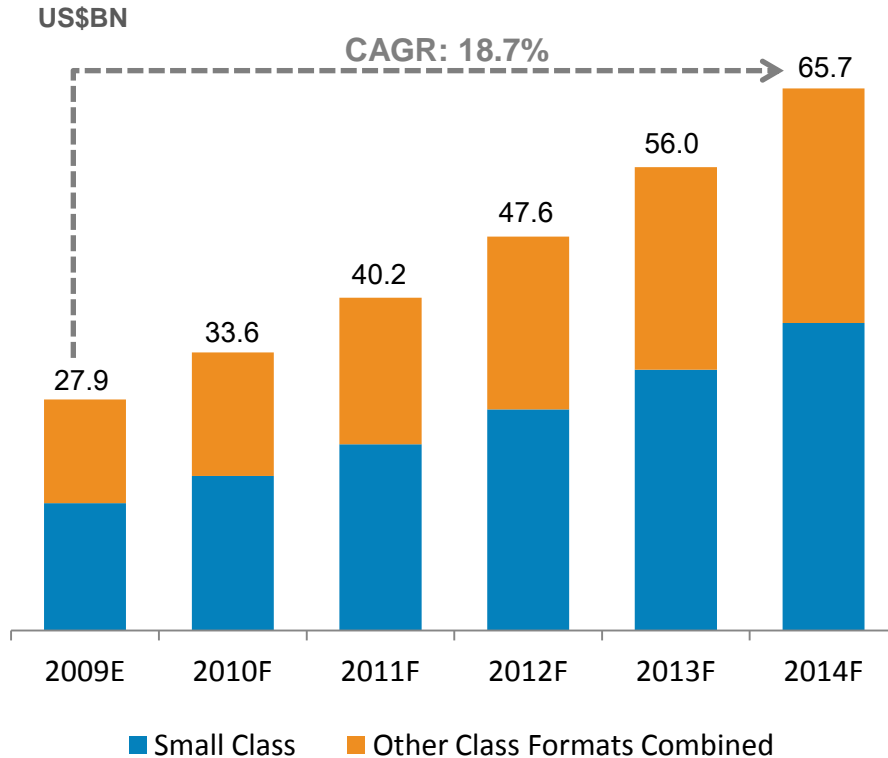
**Significant Scale and Reach Offline and Online**

**Strong Operational Performance with Consistent Growth**

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

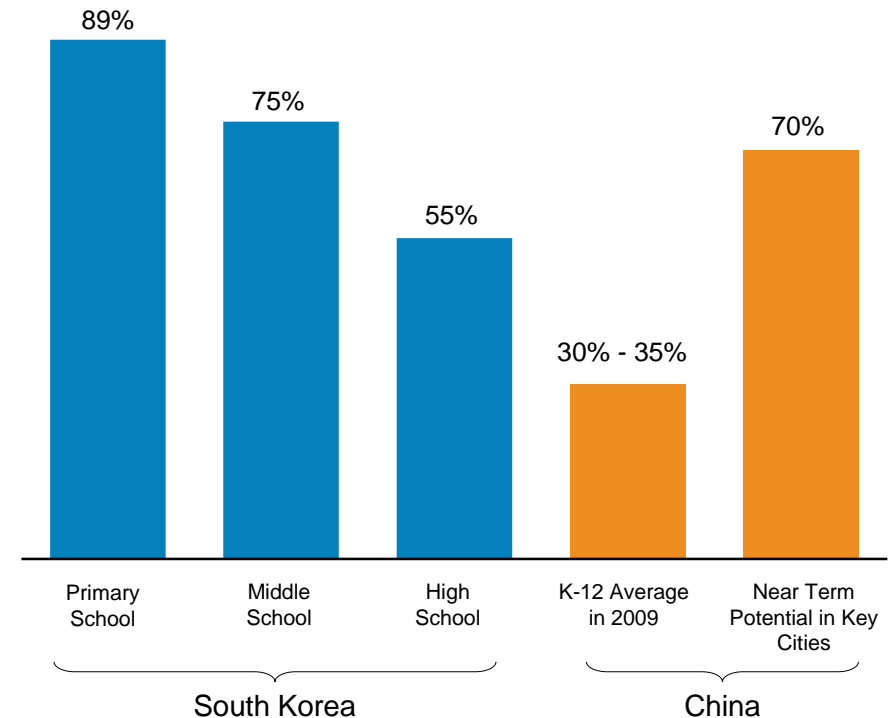
# Huge, Fragmented and Underpenetrated Market

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



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

China vs. South Korea



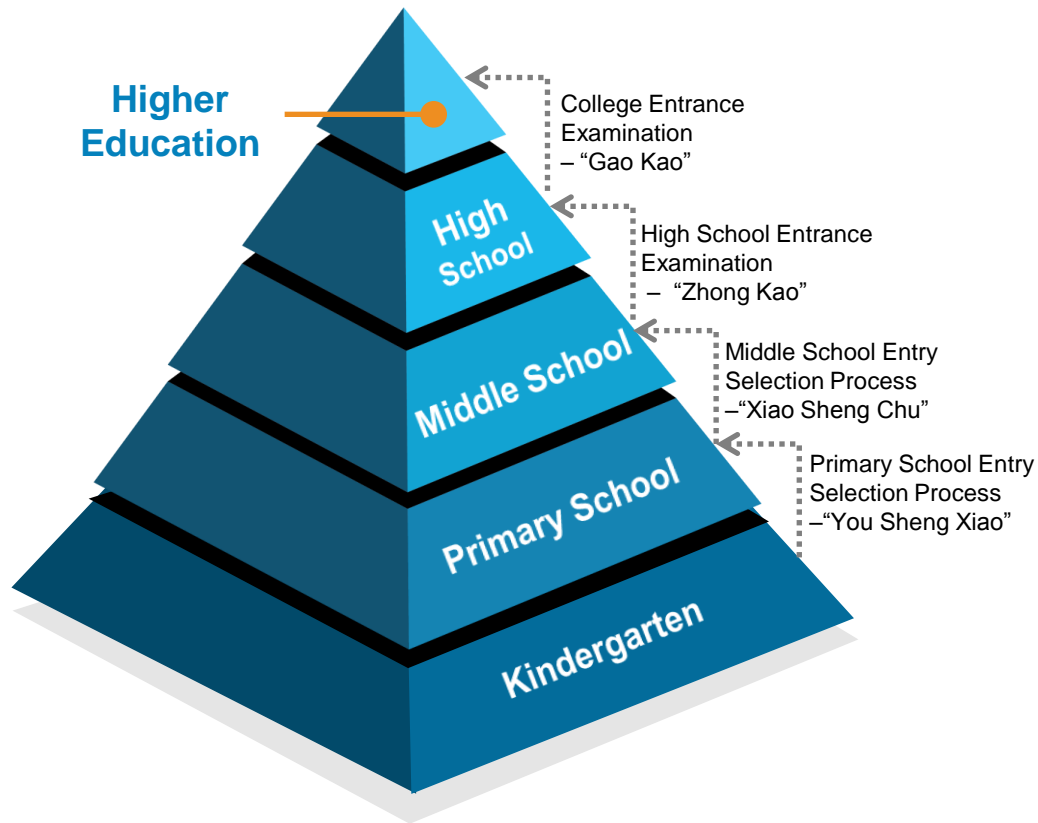
**Highly fragmented market where top 3 players account for less than 3.5% of total market**

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



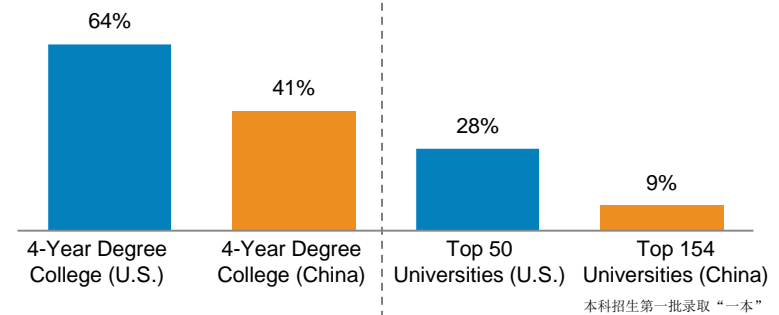
# Underpinned by Intensely Competitive Education System

## Examination-Focused Education System

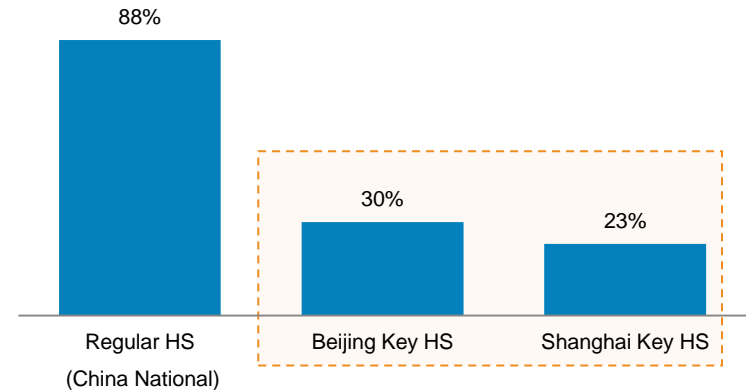


## Fierce Competition to Enter Key Schools

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



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

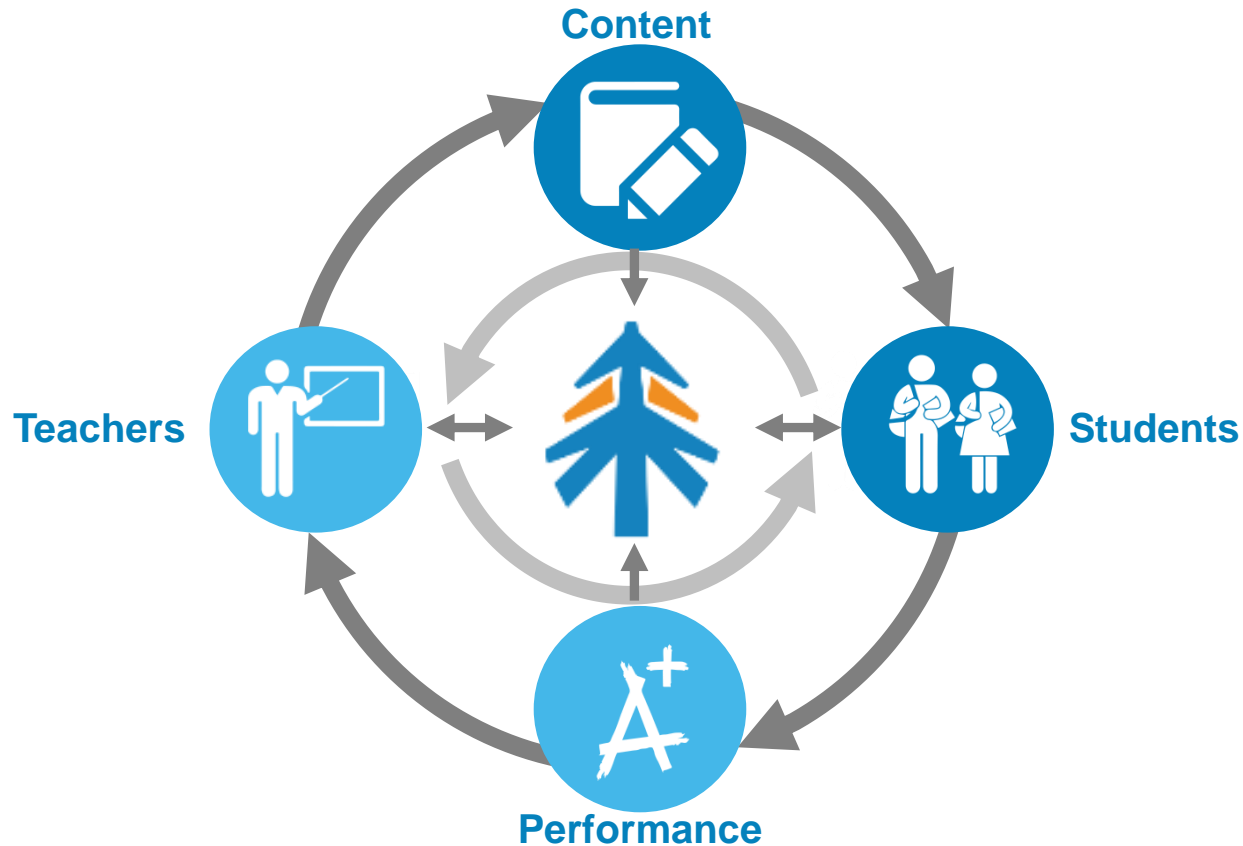


<sup>1</sup> “Admission rate” refers to the number of students admitted over the total examination applicants in China or denoted cities; and refers to the number of students admitted over the total application pool in the U.S.

<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	68	35	103
Shanghai	2008	30	9	39
Guangzhou	2009	18	10	28
Nanjing	2011	14	5	19
Shenzhen	2010	12	7	19
Tianjin	2008	13	3	16
Wuhan	2008	9	5	14
Xi'an	2011	9	5	14
Chengdu	2011	8	3	11
Hangzhou	2011	6	4	10
Zhengzhou	2012	6		6
Chongqing	2012	4		4
Taiyuan	2012	4		4
Suzhou	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>214</b>	<b>86</b>	<b>300</b>



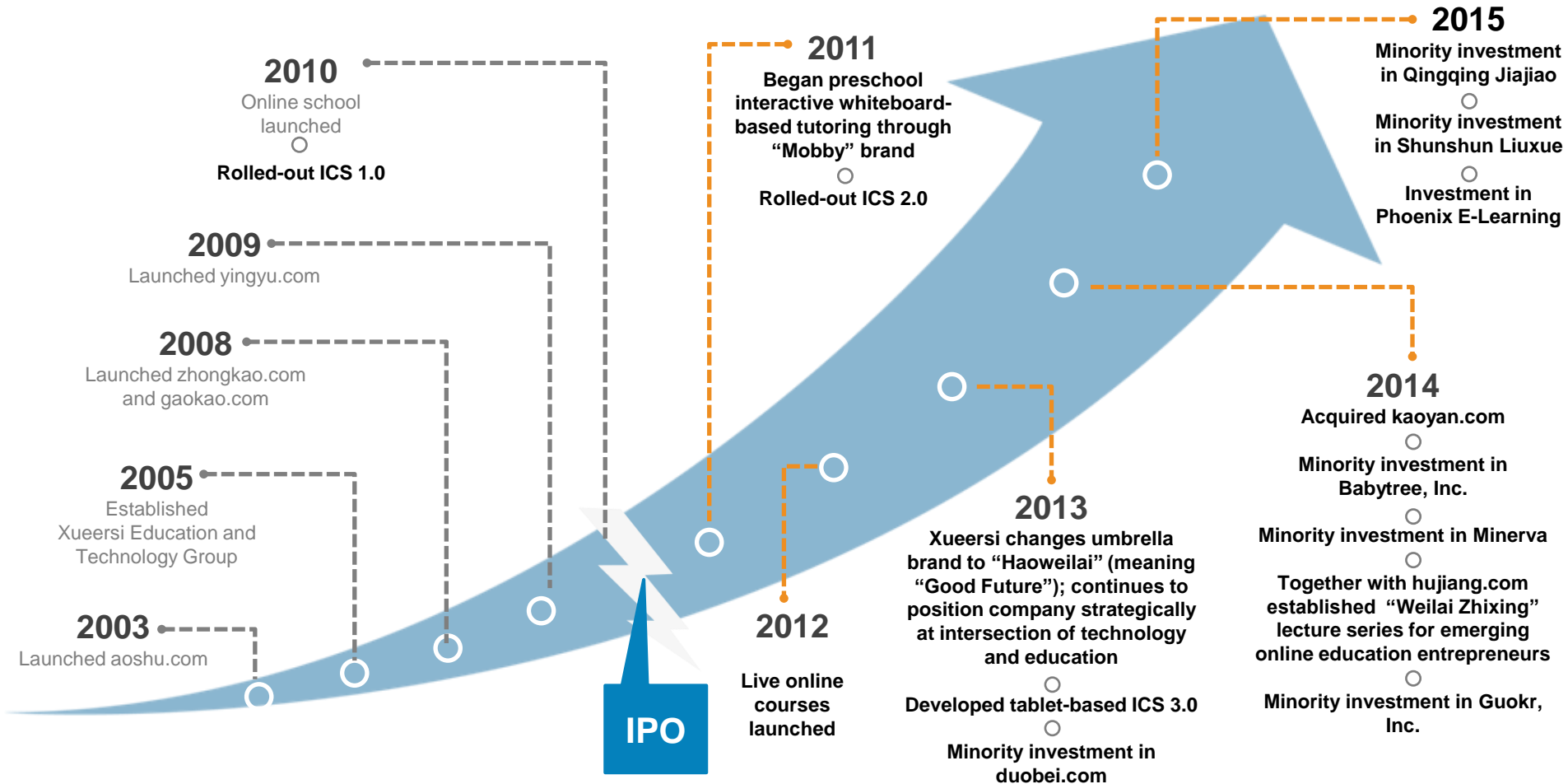
Province with learning center coverage



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

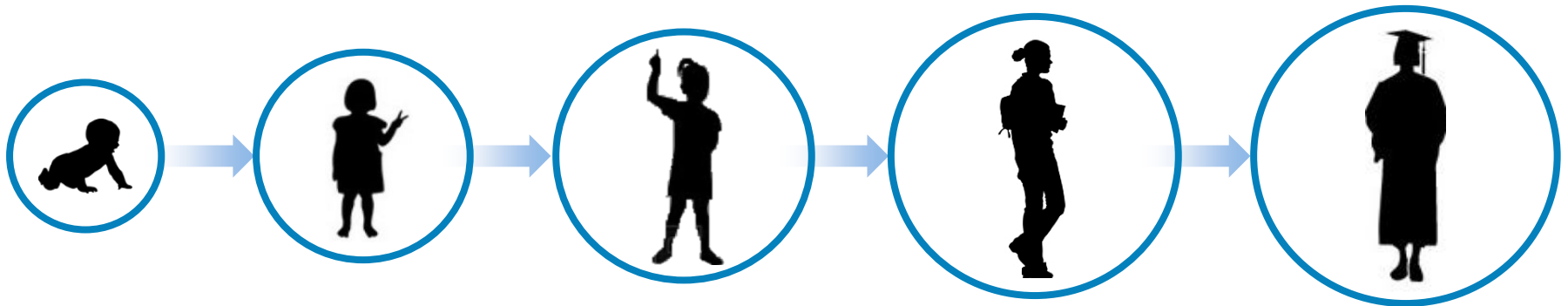


Minority Strategic Investment



Main portal to TAL Education's education-related websites

Babytree 宝宝·树	youjiao 幼教网 .com	zuowen 作文网 .com	yingyu 英语网 .com	aoshu 奥数网 .com	zhongkao 中考网 .com	gaokao 高考网 .com	kaoyan 考研网 .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

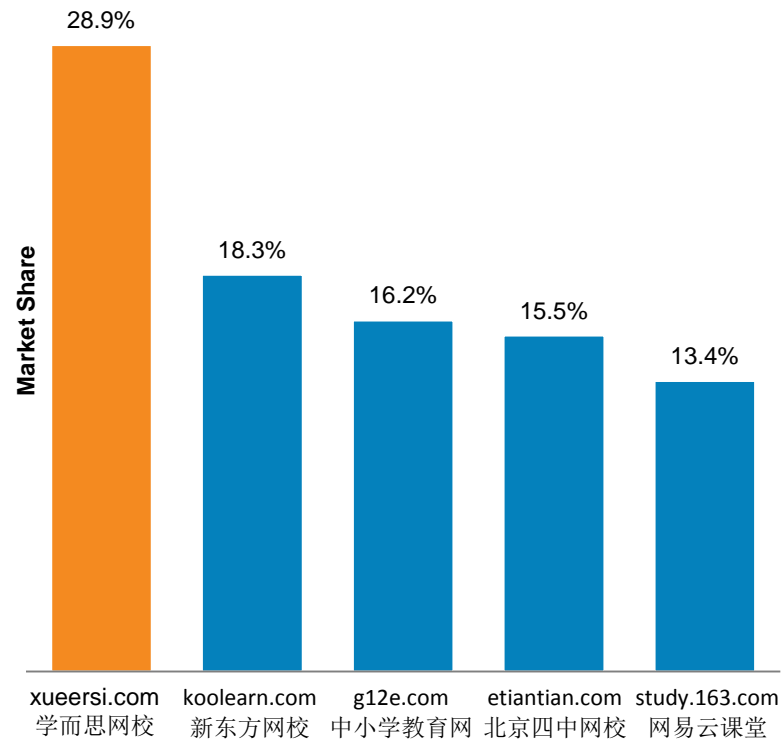


Note: Jiazhongbang APP was elected as one of the Top K-12 APPs and Kaoyanbang APP was elected as one of the Top Examination APPs by Sina Education Channel in November, 2014.

Babytree is a minority investment announced in January 2014.

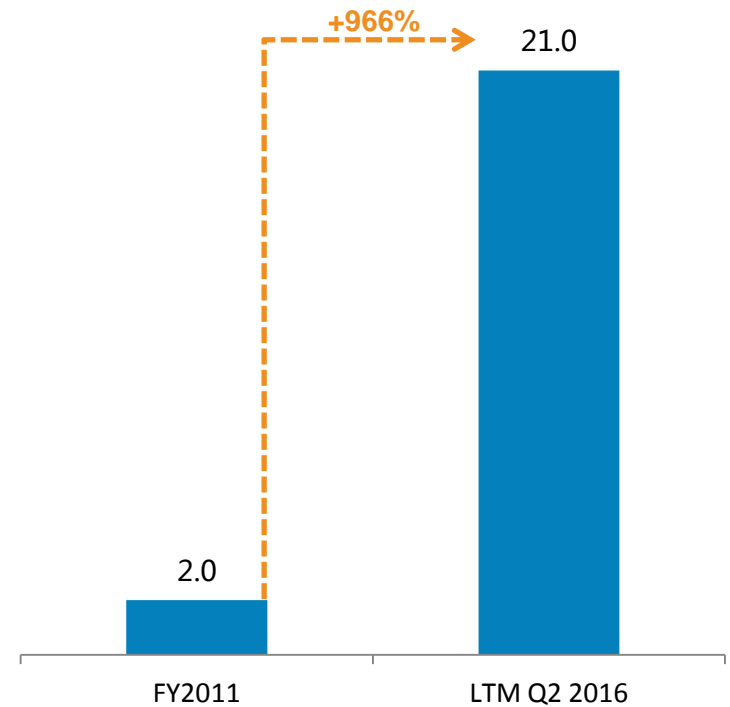
# While Online School is Also Gaining Traction

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



## Growing Online Revenue

US\$MM



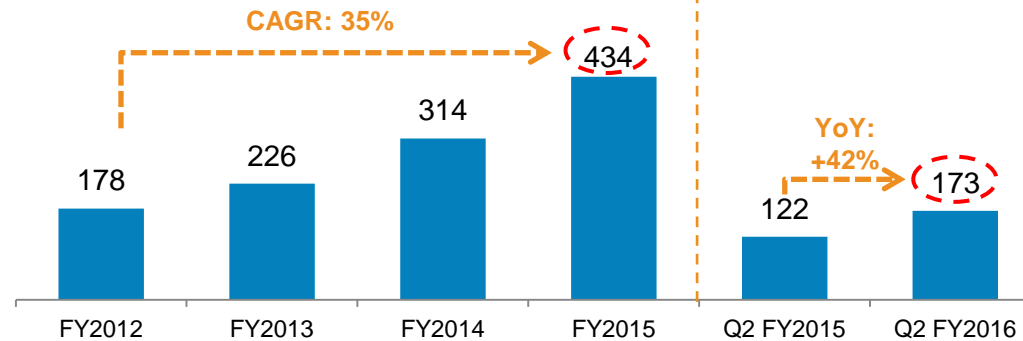
<sup>1</sup> Source: 2013 China Online Education Report (《新浪2013中国在线教育调查报告》) by AC Nielsen and sina.com.



# Strong Enrollment Growth Keep Driving Topline Growth

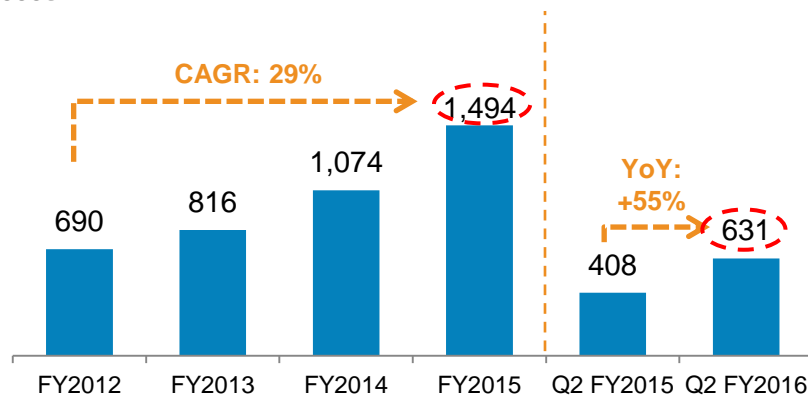
## Revenue

US\$MM



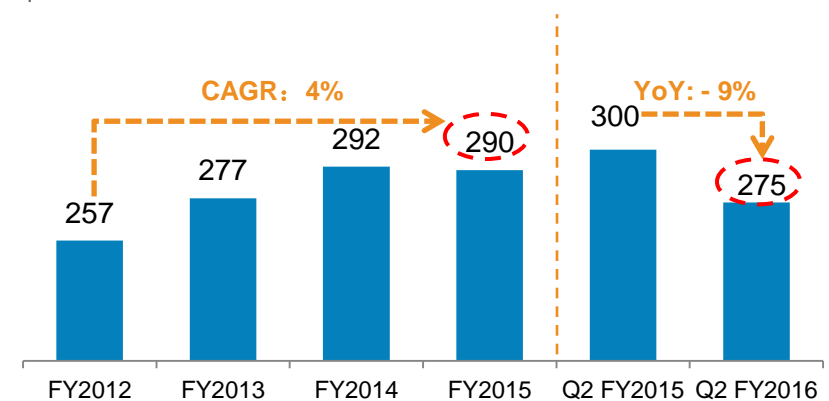
## Enrollments<sup>1</sup>

'000s



## ASP<sup>2</sup>

US\$



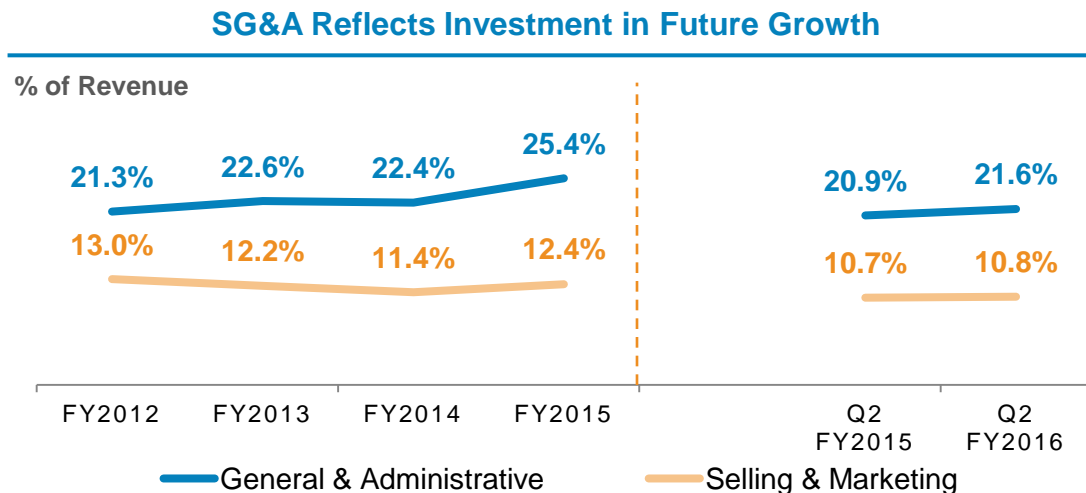
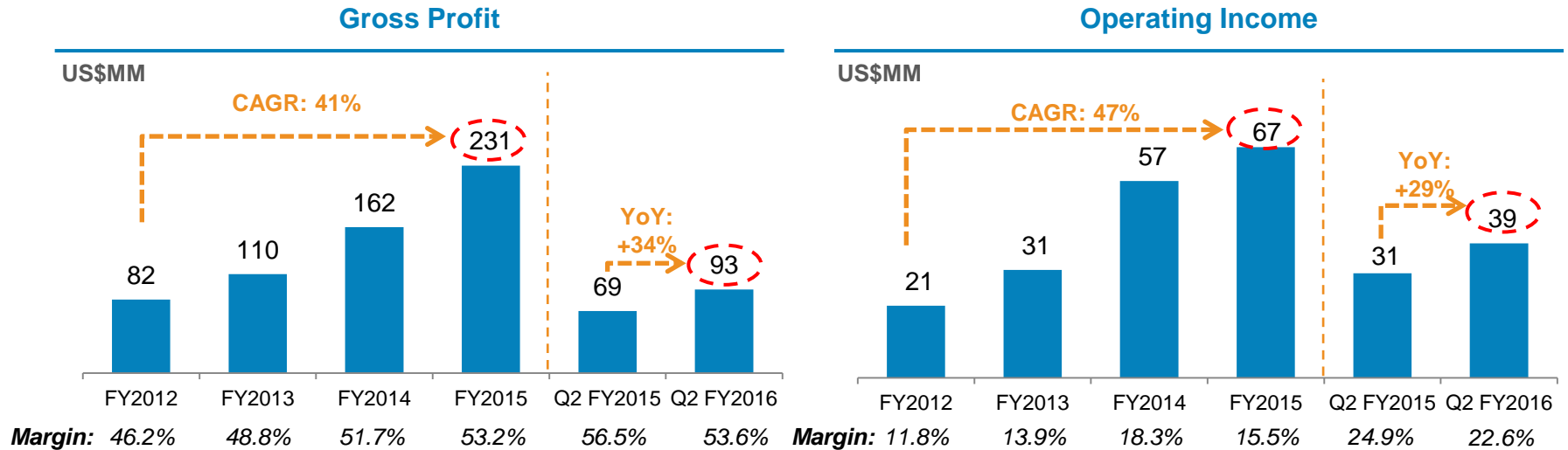
<sup>1</sup> Defined as total student enrollments of small class, personalized premium service (1-on-1) and online courses. Refer to the cumulative total number of courses enrolled in and paid for by our students, including multiple courses enrolled in and paid for by the same student.

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

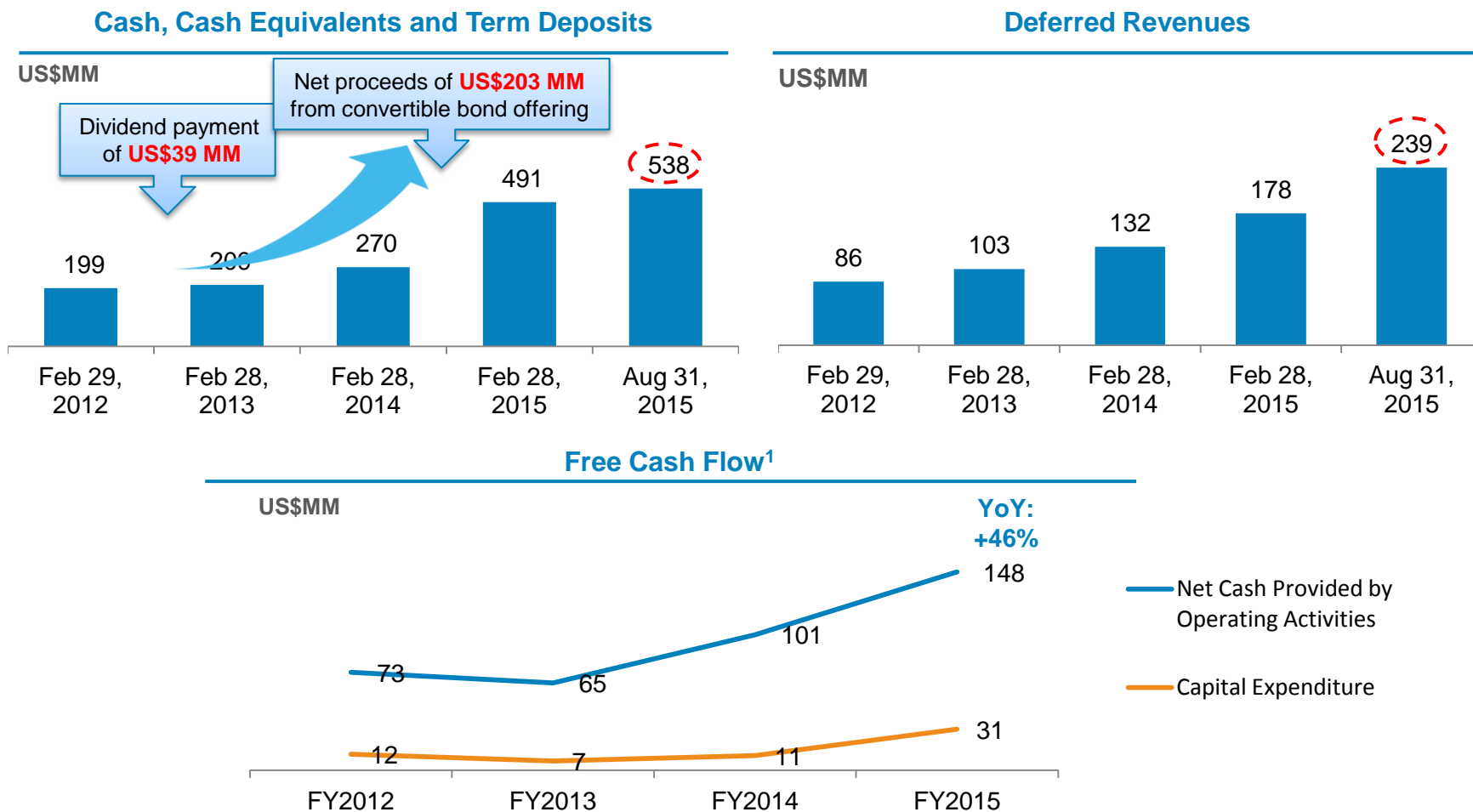
# Year-Over-Year Growth by Business Unit

	Small Classes		1-on-1		Online Courses	
	Q2 FY2015	Q2 FY2016	Q2 FY2015	Q2 FY2016	Q2 FY2015	Q2 FY2016
Revenue contribution	82%	83%	15%	13%	3%	4%
Revenue YoY growth	38%	44%	7%	24%	62%	69%
Enrollment YoY growth	30%	52%	8%	50%	60%	74%
ASP YoY growth	6%	-5%	-1%	-17%	2%	-3%

# Gross Margins Have Increased with Improved Utilization



# 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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