



TAL Education Group

Investor Presentation

January 2017

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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 ¹

	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



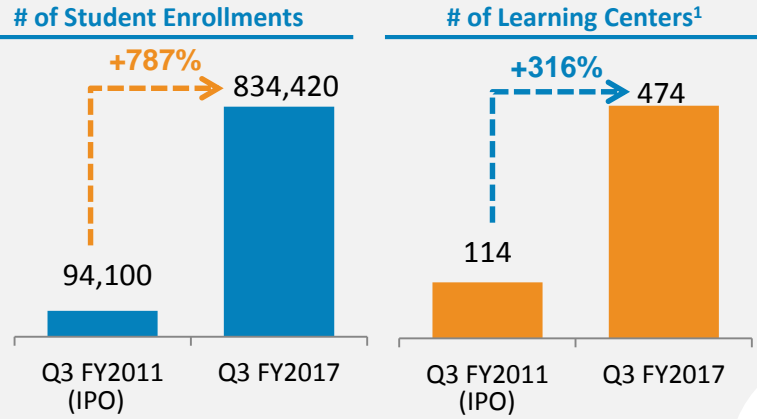
学而思网校
www.xueersi.com

Launched in 2010

¹ ● "Denotes currently offered course"

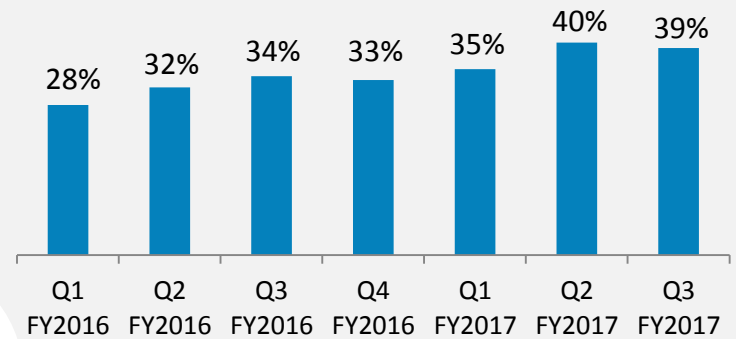
Significant Progress Since IPO

Expanding Scale



Increasing Geographical Footprint

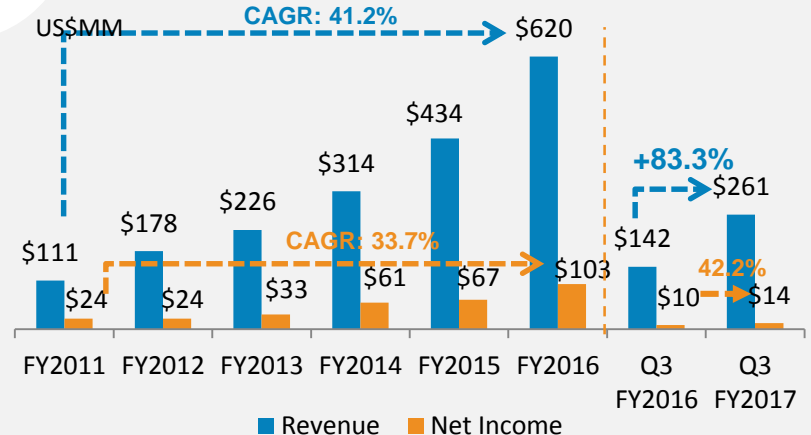
% of Peiyou Small Class Revenue Generated Outside Top Five Cities



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”)

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 1st 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

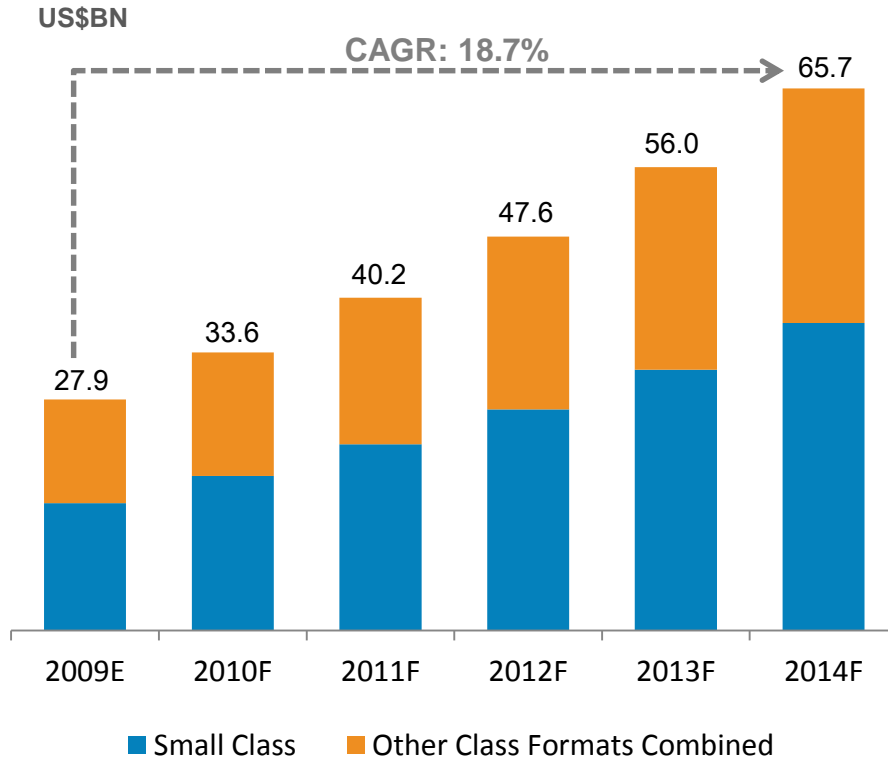
Significant Scale and Reach Offline and Online

Strong Operational Performance with Consistent Growth

High Visibility Recurring Revenue Model with Strong Cash Flow

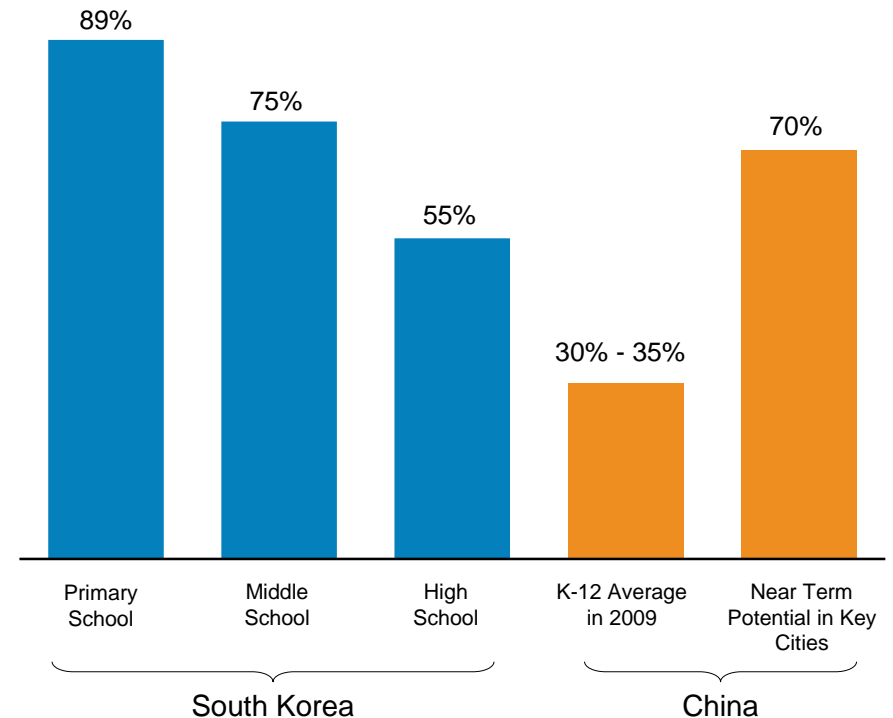
Huge, Fragmented and Underpenetrated Market

Rapid K-12 Market Growth Led by Small Class¹



Penetration of Tutoring Services¹

China vs. South Korea

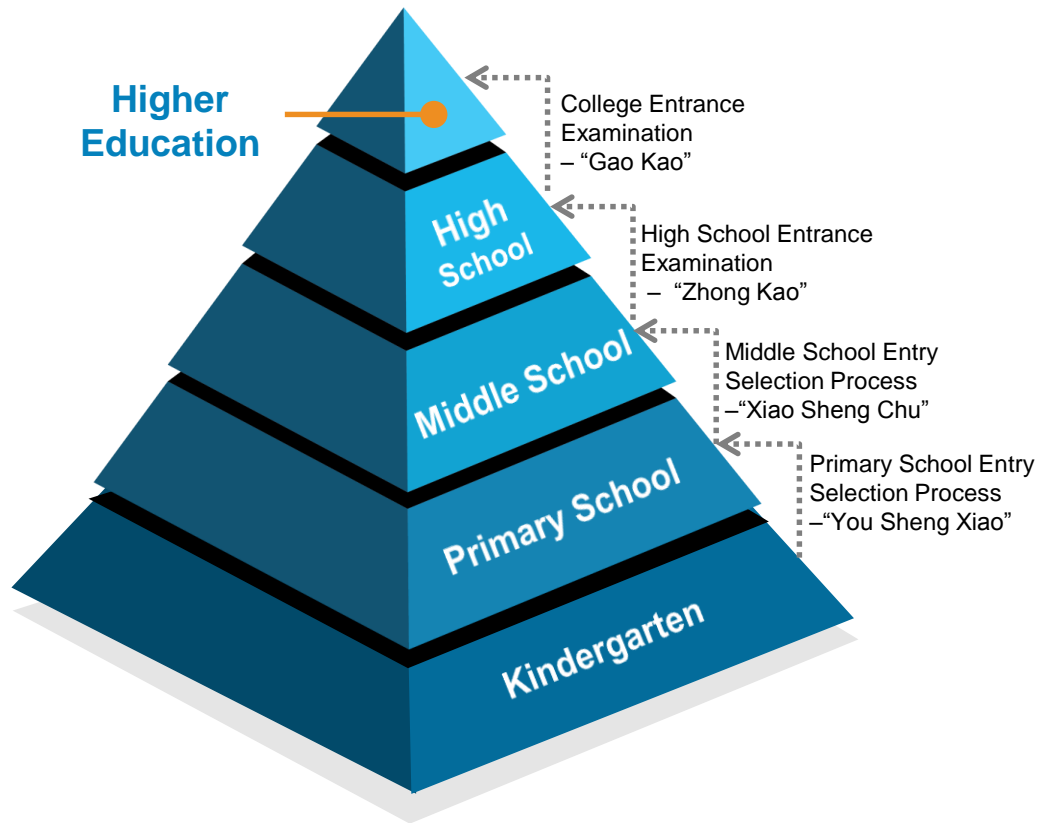


Highly fragmented market where top 3 players account for less than 3.5% of total market

¹ Source: iResearch, July 2010 Report.

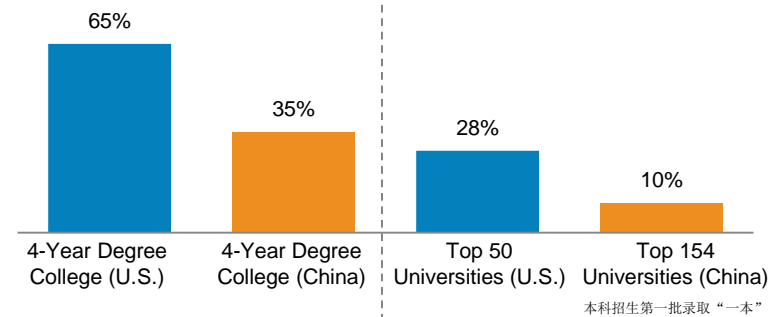
Underpinned by Intensely Competitive Education System

Examination-Focused Education System

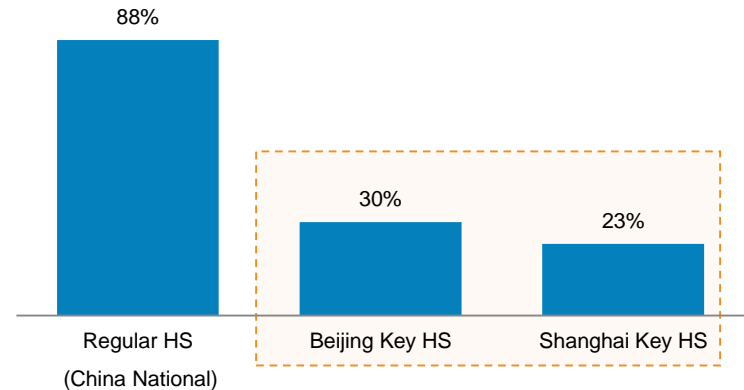


Fierce Competition to Enter Key Schools

College Admission Rate^{1,2}



High School Admission Rate in China³



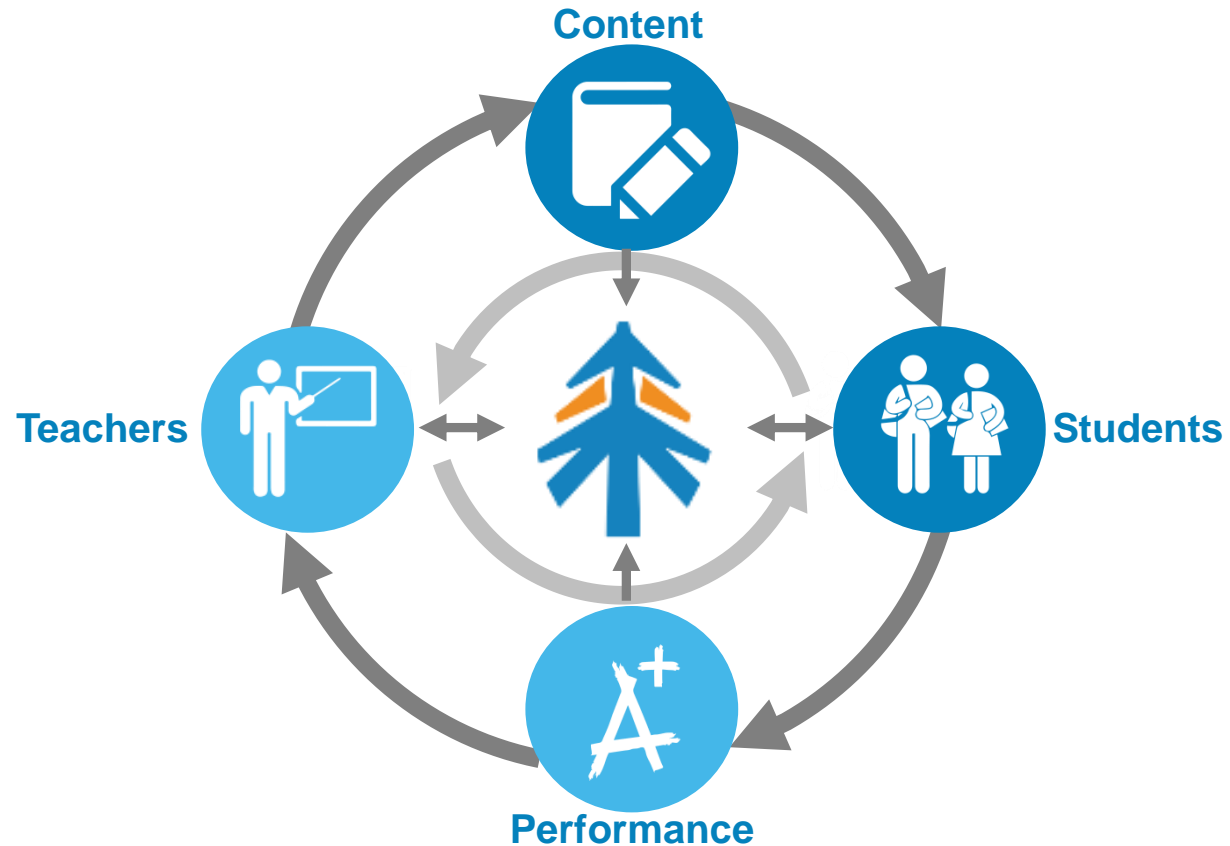
¹ “Admission rate” refers to the number of students admitted over the total examination applicants in China or denoted cities; and refers to the number of students admitted over the total application pool in the U.S.

² Source: National Association for College Admission Counseling, 2013; gaokao.eol.cn, 2013; collegeadmissions100.com, 2013; Ministry of Education of the People's Republic of China, 2013; gaokao.eol.cn, 2013

³ Source: Ministry of Education of the People's Republic of China, 2012; iResearch, 2010

Brand Drives Sustainable Competitive Advantage

- TAL remains **China's Most Valuable Education Brand** according to 6th annual ranking by WPP and Millward Brown on March 21, 2016.
- **No.11** Fasted Growing Companies 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	71	26	7	34	138
Shanghai	2008	39		1	10	50
Nanjing	2011	27	12		6	45
Guangzhou	2009	28			14	42
Shenzhen	2010	17			7	24
Wuhan	2008	19			5	24
Tianjin	2008	19			5	24
Xi'an	2011	15			7	22
Chengdu	2011	11			5	16
Hangzhou	2011	12			3	15
Shenyang	2012	4	8		-	12
Zhengzhou	2012	11			1	12
Chongqing	2012	7	4		-	11
Suzhou	2012	7			2	9
Taiyuan	2012	7			-	7
Changsha	2014	5				5
Shijiazhuang	2014	4				4
Hefei	2016	1	2			3
Qingdao	2014	2				2
Jinan	2014	2				2
Luoyang	2015	1				1
Nanchang	2015	1				1
Ningbo	2015	1				1
Wuxi	2015	1				1
Fuzhou	2015	1				1
Changchun	2016	1				1
Guiyang	2016	1				1
Total		315	52	8	99	474



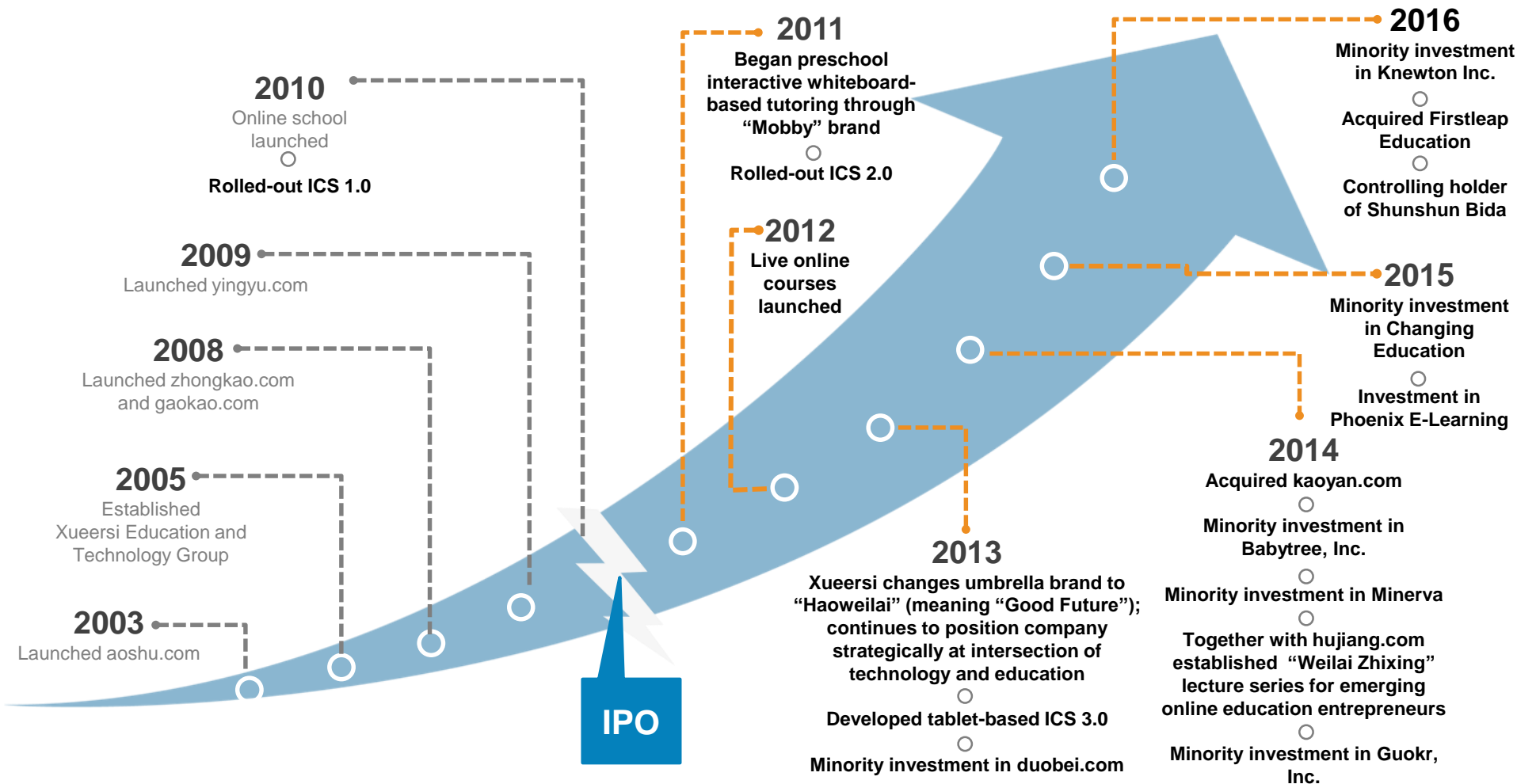
Province with learning center coverage



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

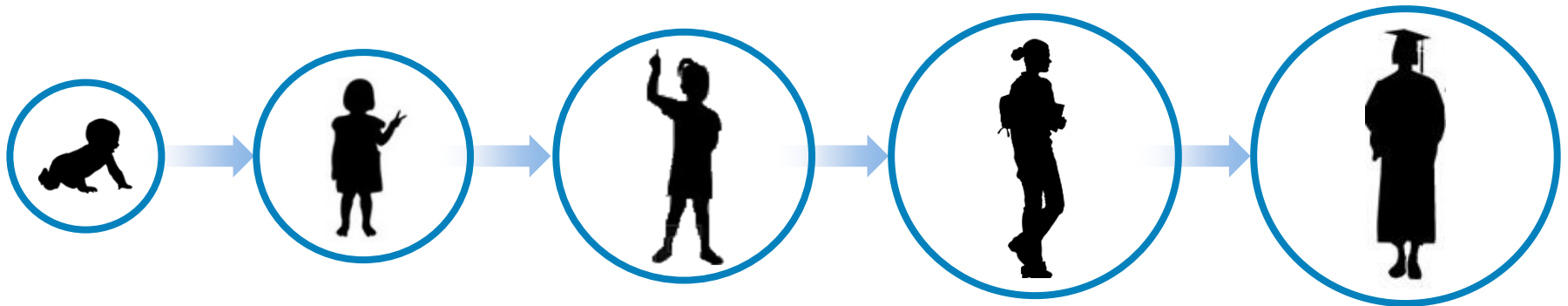


Minority Strategic Investment



Main portal to TAL Education's education-related websites

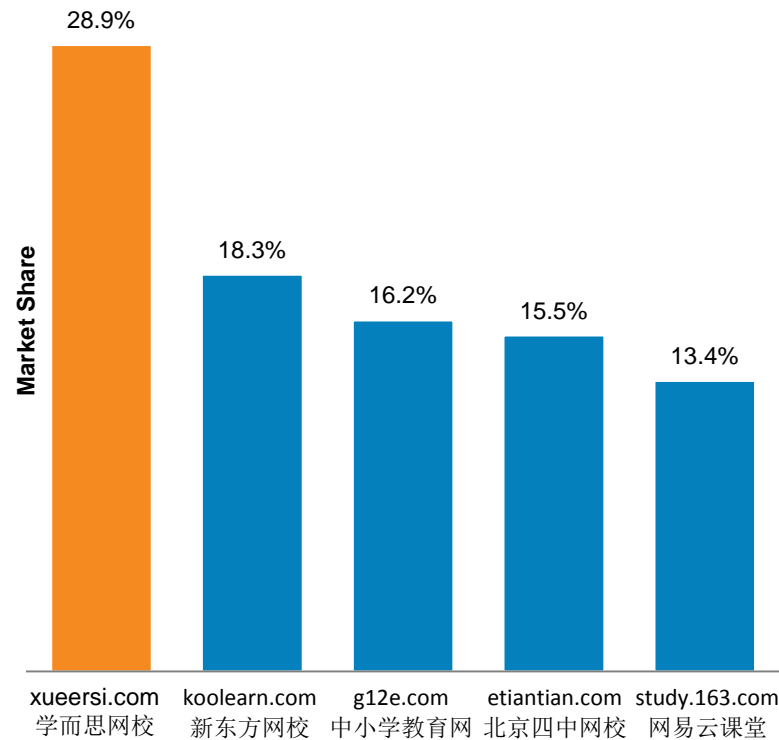
Babytree 宝宝·树	youjiao.com 幼教网	yingyu.com 英语网	aoshu.com 奥数网	zhongkao.com 中考网	gaokao.com 高考网	kaoyan.com 考研网
Social platform for expecting and young parents	Preschool, kindergarten, and preparation for primary school admissions	English language study and related examinations	Mathematics, competitions, and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



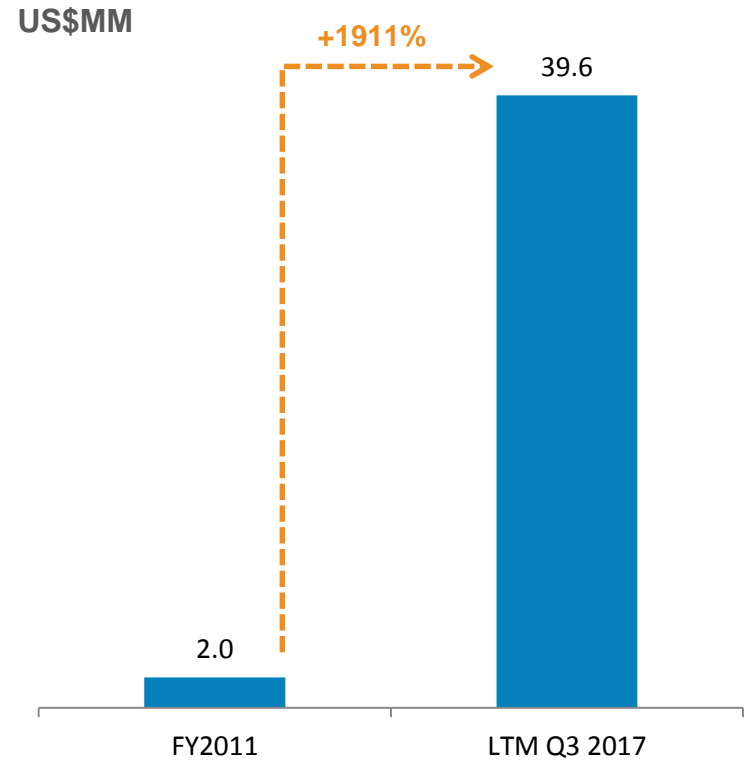
Note: Jiazhongbang APP was elected as one of the Top K-12 APPs and Kaoyanbang APP was elected as one of the Top Examination APPs by Sina Education Channel in November, 2014.
Babytree is a minority investment announced in January 2014.

While Online School is Also Gaining Traction

Leading K-12 Online Tutoring Brand¹

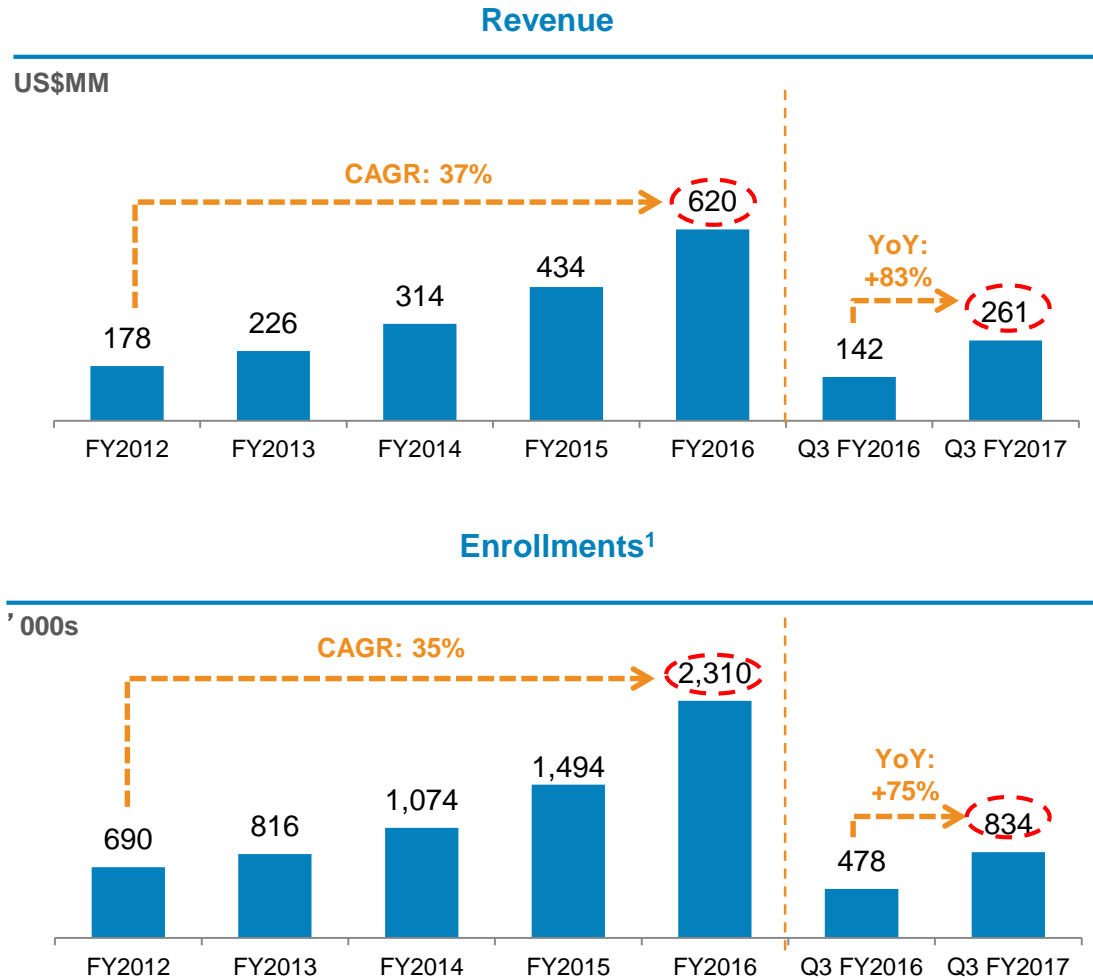


Growing Online Revenue



¹ 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

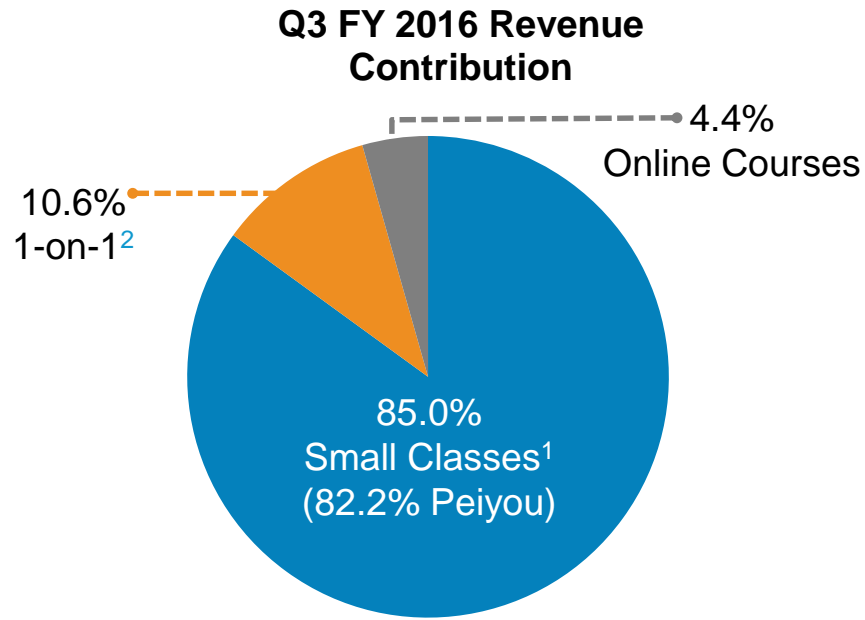
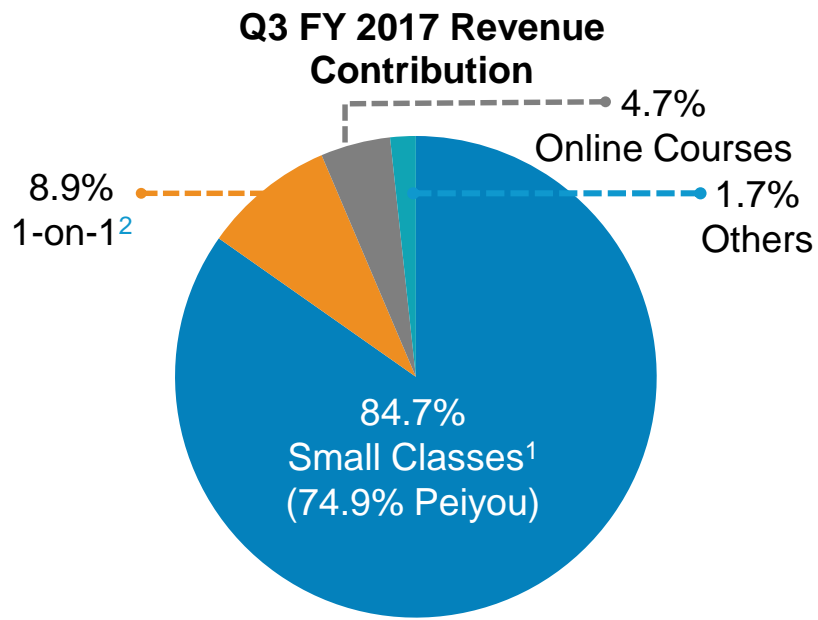


¹ Defined as total student enrollments of small class, personalized premium service (1-on-1) and online courses.

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.

Year-Over-Year Growth of the Core Small Class Business

	Q3 FY2017	Q3 FY2016
Revenue in RMB	94%	54%
Enrollment	71%	56%



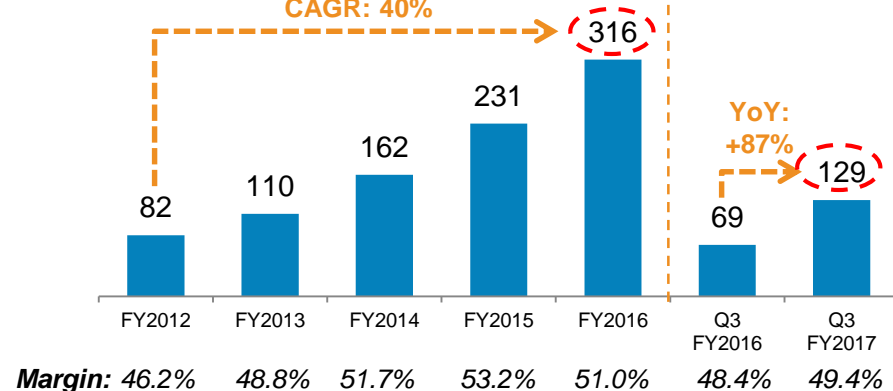
1 Small classes include Xueersi Peiyou, Firstleap, Mobby and some other educational programs.
2 One-on-one includes Zhikang one-on-one and Shunshun overseas consultancy businesses .

Gross Margins Have Increased with Improved Utilization

Gross Profit

US\$MM

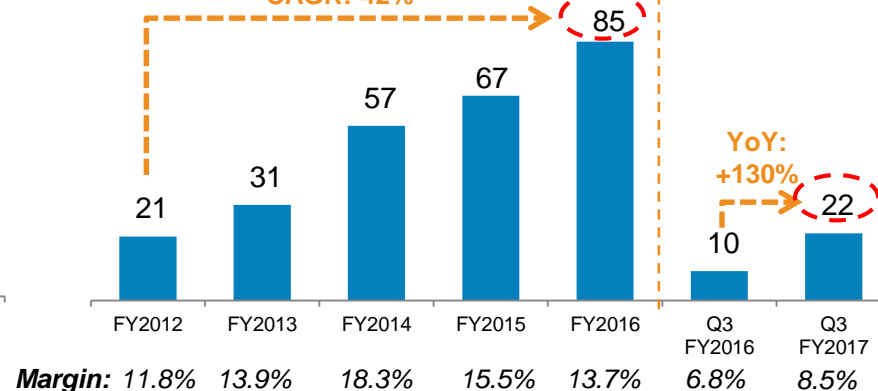
CAGR: 40%



Operating Income

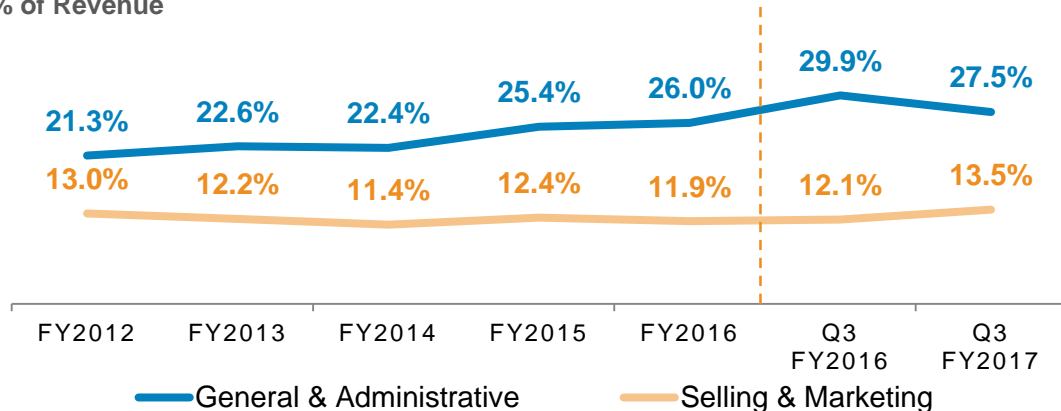
US\$MM

CAGR: 42%



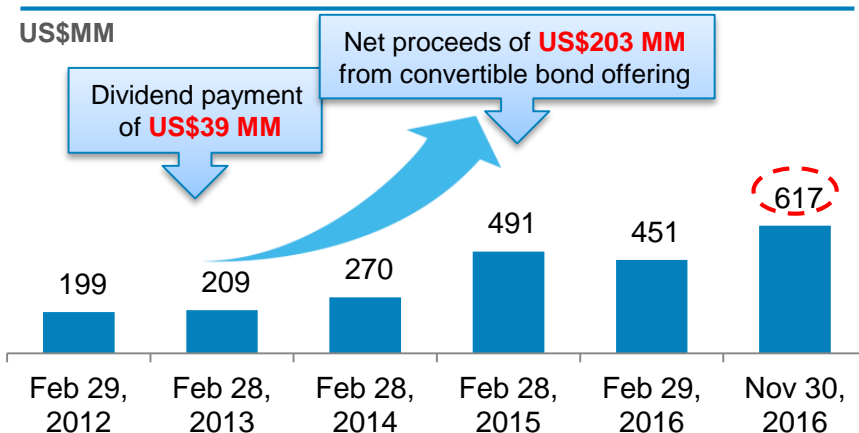
SG&A

% of Revenue

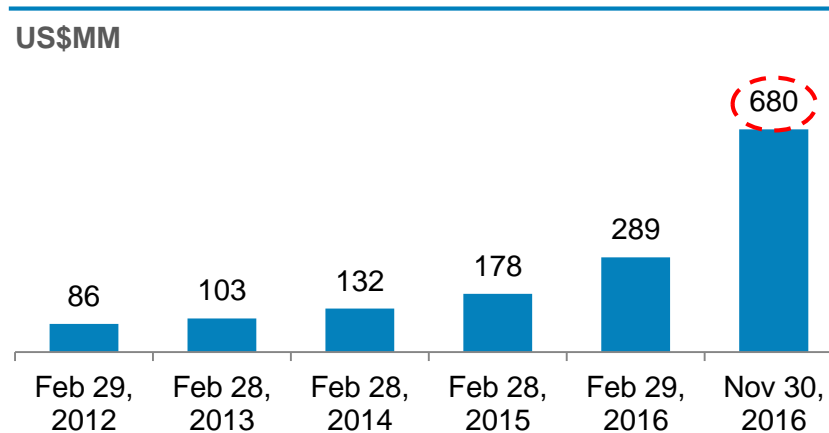


While High Visibility Cash Flows Provide Strength to Balance Sheet

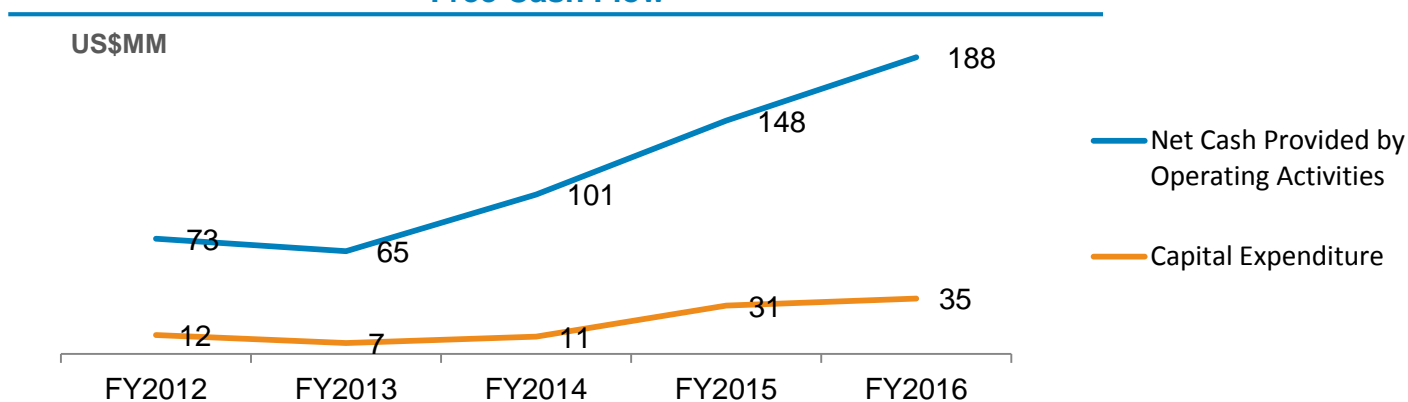
Cash, Cash Equivalents and Term Deposits



Deferred Revenues



Free Cash Flow¹



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

Investor Relations Contact:

ir@100tal.com

+8610 5292 6658

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

