



# TAL Education Group

## Investor Presentation

April 2019

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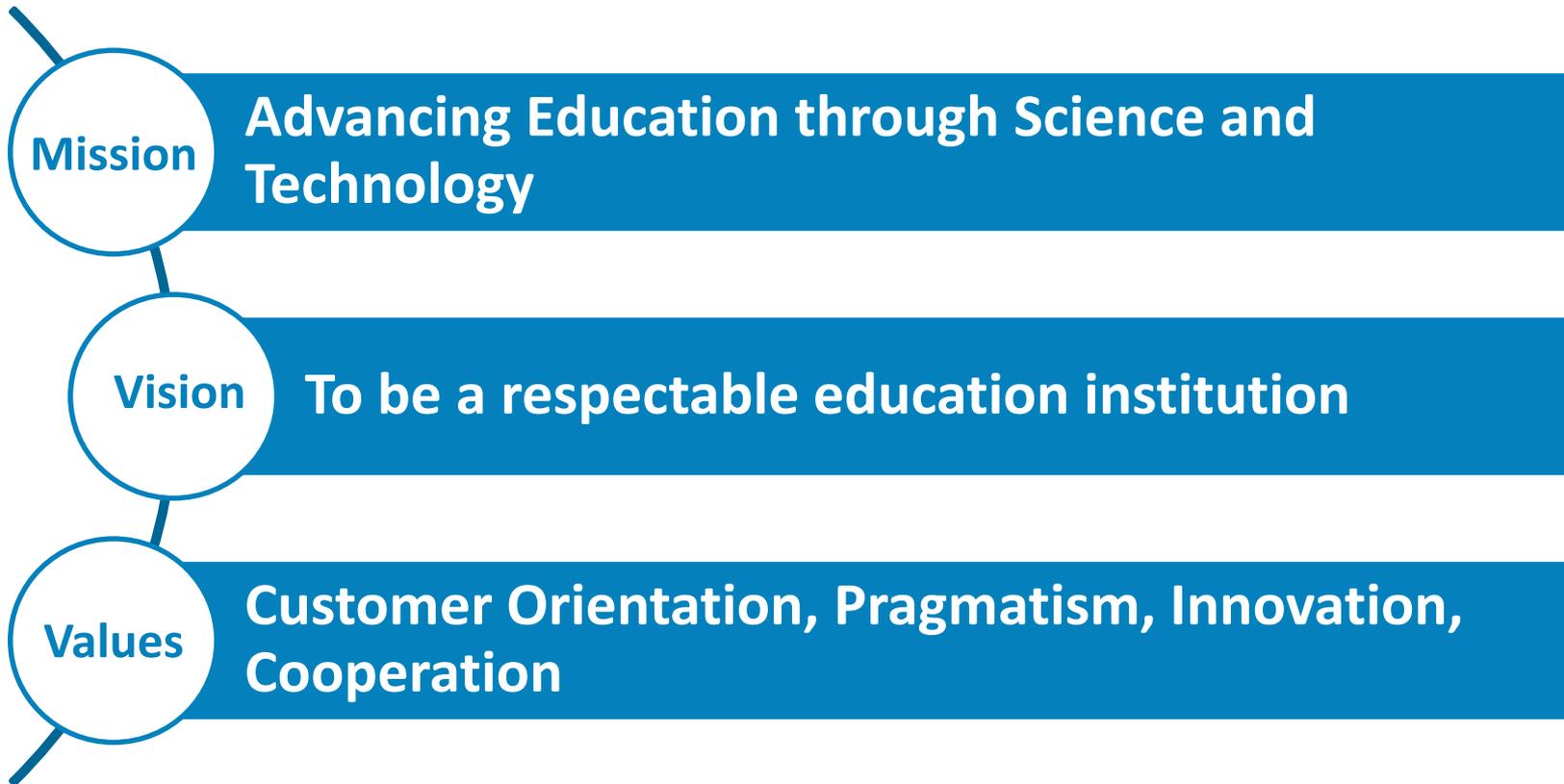
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# Mission, Vision and Values of TAL



# 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**

**Leading Edge of Science and Technology Development**

# 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											●	●	●

### Small Classes



Consolidation from 2016

 学而思培优 Launched in 2003

 学而思 文市课堂 Launched in 2016

 学而思 在线 Launched in 2018  
更有效的学而思本地直播课

 Mobby 摩比 Launched in 2011

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



Launched in 2007

### Online Courses



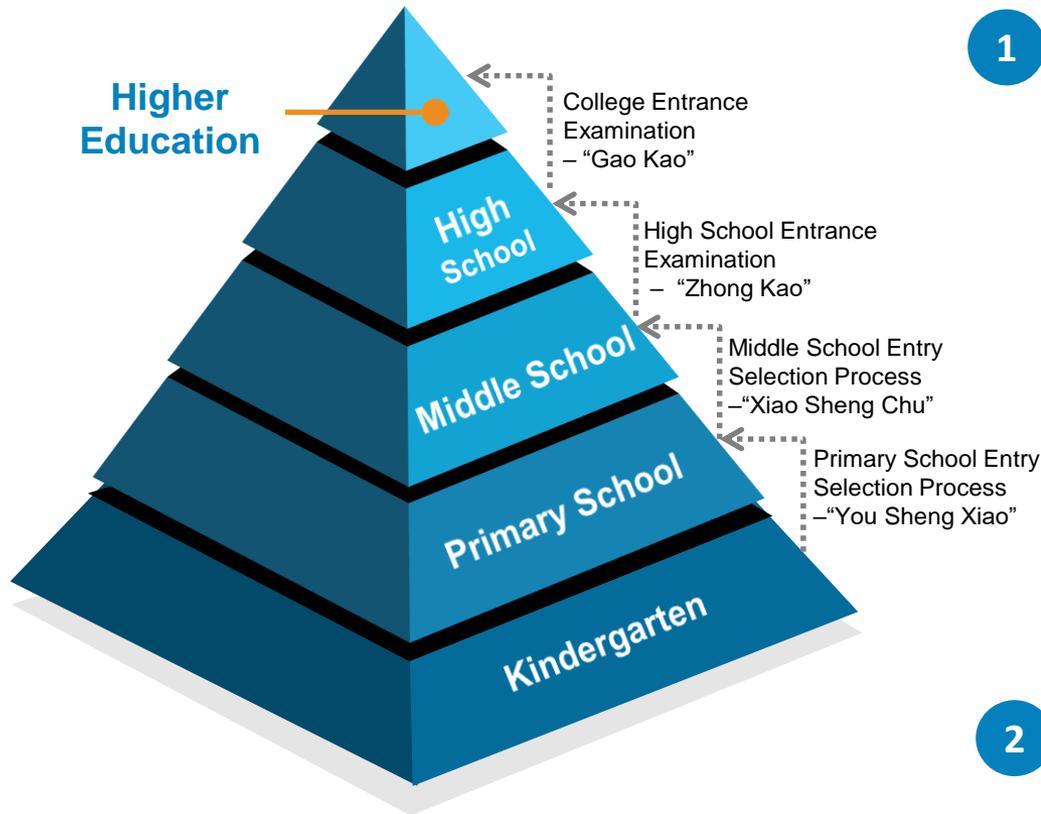
**学而思网校**  
在线学习更有效

Launched in 2010  
Live Broadcasting started from 2Q FY2017

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

# Reform of College Entrance Examination Creates New Opportunities

## Examination-Focused Education System



## Examination-Focused Education System

### 1 “3+Comprehensive Exam” to “3+3”

3+Comprehensive Exam: Choose between Comprehensive Liberal Arts and Comprehensive Science

3+3: Choose 3 courses among Physics, Chemistry, Biology, Politics, History and Geography

- Reform of college entrance exam has influenced High School Entrance Exam.
- Longer period, more Complicated rules and increased uncertainty push students to prepare earlier.

### 2 Gradually Uniform College Entrance Exam

- Efficiency of content development will improve.

# 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

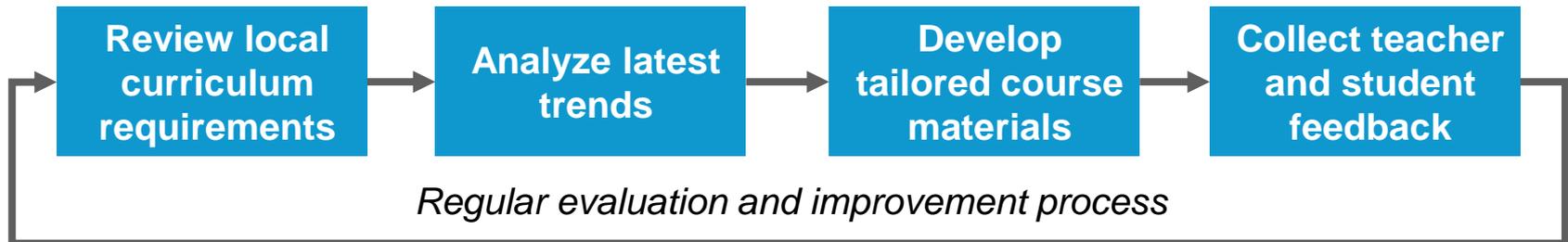
- Comprehensive new teacher training
- Regular ongoing training



### Rigorous Evaluation Process

- Continuous evaluation
- Performance based compensation

## Proprietary Content Development



In-house content development team of over 1000 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 Offline and Online

## Growth Strategy

- 1 Further penetrate existing markets by both online and offline offerings
- 2 Enter new markets: Target to enter new cities each year
- 3 Enhance content offering across subjects and grade levels
- 4 Maintain premium pricing while diversifying programs
- 5 Polishing online and mobile offerings, expanding online engagement

# Online and Mobile Platform Now Covers the Student Lifecycle




Minority Strategic Investment




Main portal to TAL Education's education-related platform

						
<p>Social platform for expecting and young parents</p>	<p>Preschool, kindergarten, and preparation for primary school admissions</p>	<p>English language study and related examinations</p>	<p>Mathematics, competitions, and preparation for middle school admissions</p>	<p>Preparation for China's high school admissions test</p>	<p>Preparation for China's college entrance examination</p>	<p>Preparation for China's postgraduate entrance examination</p>



Peiyou



Firstleap



Mobby



Zhikang



Online School



Kaomanfen

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.

# 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	66	35	9	25	135
Nanjing	2011	38	22	1	6	67
Shanghai	2008	46	2	3	12	63
Guangzhou	2009	33		1	12	46
Shenzhen	2010	31	1	1	9	42
Tianjin	2008	30			5	35
Hangzhou	2011	25			5	30
Xi'an	2011	21			8	29
Wuhan	2008	24			5	29
Chongqing	2012	13	6		1	20
Zhengzhou	2012	16			3	19
Shenyang	2012	7	10		1	18
Chengdu	2011	13			5	18
Suzhou	2012	13			3	16
Taiyuan	2012	10				10
Changsha	2014	8				8
Hefei	2016	4	4			8
Jinan	2014	6			1	7
Fuzhou	2015	7				7
Shijiazhuang	2014	5				5
Qingdao	2014	5				5
Nanchang	2015	4				4
Zhenjiang	2017	3				3
Ningbo	2015	3				3
Wuxi	2015	3				3
Xuzhou	2017	3				3
Changchun	2016	3				3
Changzhou	2017	3				3
Foshan	2017	2	1			3

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		
Nantong	2017	3				3
Luoyang	2015	2				2
Guiyang	2016	2				2
Xiamen	2017	2				2
Lanzhou	2017	2				2
Wenzhou	2017	2				2
Dalian	2017	1				1
Dongguan	2017	1				1
Shaoxing	2017	1				1
Yangzhou	2017	1				1
Yantai	2017	1				1
Zhongshan	2017	1				1
Zibo	2018	1				1
Huizhou	2018	1				1
Huai'an	2018	1				1
Handan	2018	1				1
Nanning	2018	1				1
Kunming	2018	1				1
Yinchuan	2018	1				1
Urumchi	2018	1				1
Haikou	2018	1				1
Ha'erbin	2018	1				1
Hohhot	2018	1				1
Linyi	2018	1				1
Weifang	2018	1				1
Tangshan	2018	1				1
Hong Kong	2019	1				1
<b>Total</b>		<b>479</b>	<b>81</b>	<b>15</b>	<b>101</b>	<b>676</b>

Province with learning center coverage

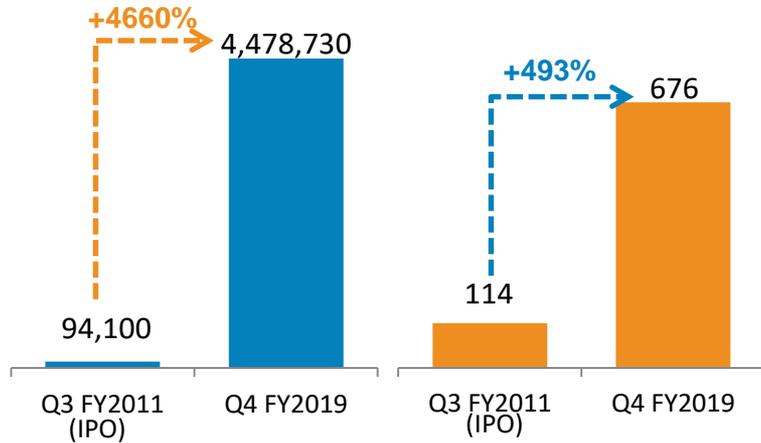
Province not yet covered by TAL learning center network

# Ongoing Progress Since IPO in Fiscal Year 2011

## Expanding Scale

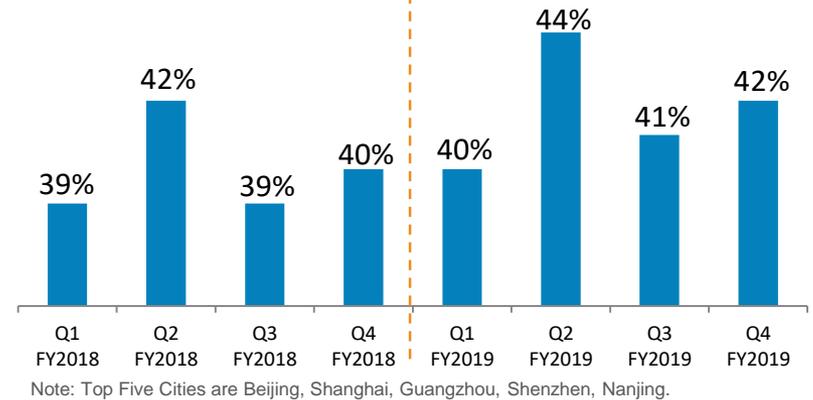
# of Student Enrollments

# of Learning Centers

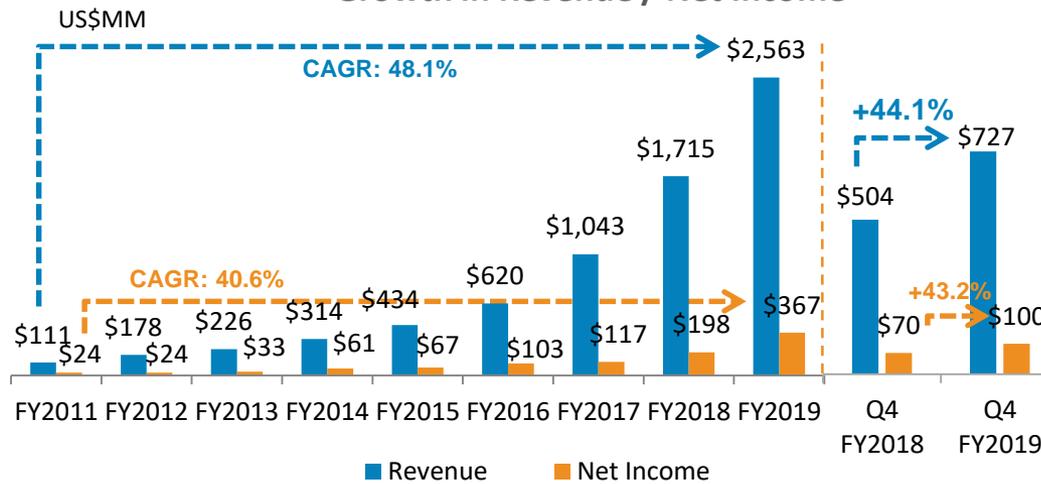


## Increasing Geographical Footprint

% of Xueersi Peiyou Small Class Revenue Generated Outside Top Five Cities

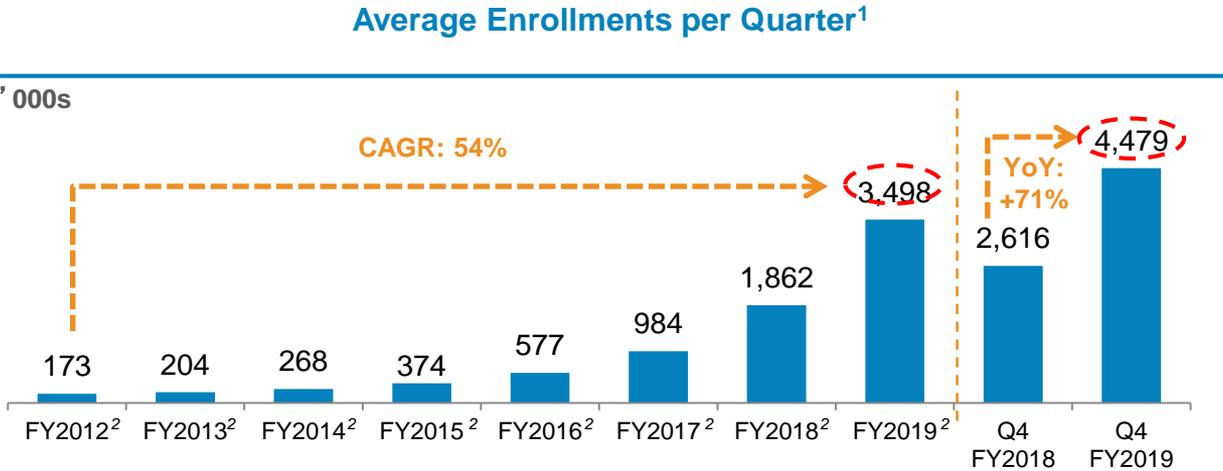
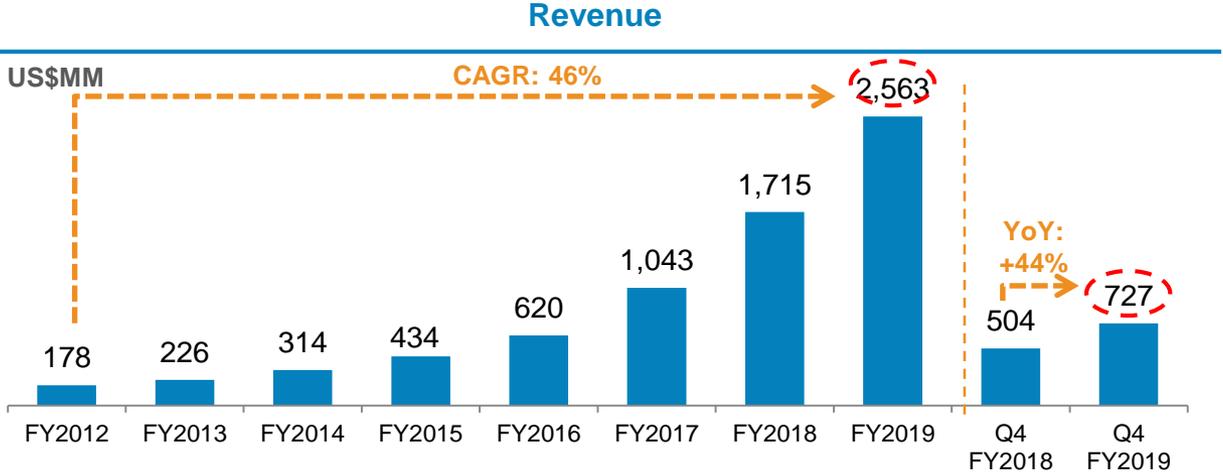


## Growth in Revenue / Net Income



Note: Year and period are as per fiscal year.

# Enrollment Growth Keep Driving Topline Growth

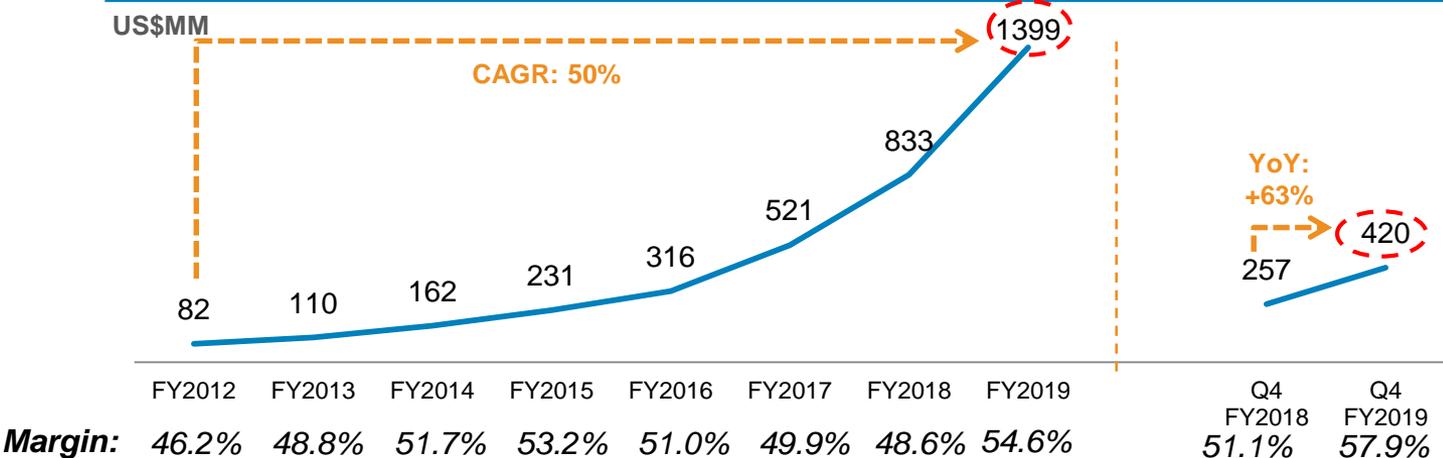


1 Defined as total student enrollments of small class, personalized premium service (1-on-1) and online courses.  
Refer to the cumulative total number of courses enrolled in and paid for by our students, including multiple courses enrolled in and paid for by the same student.

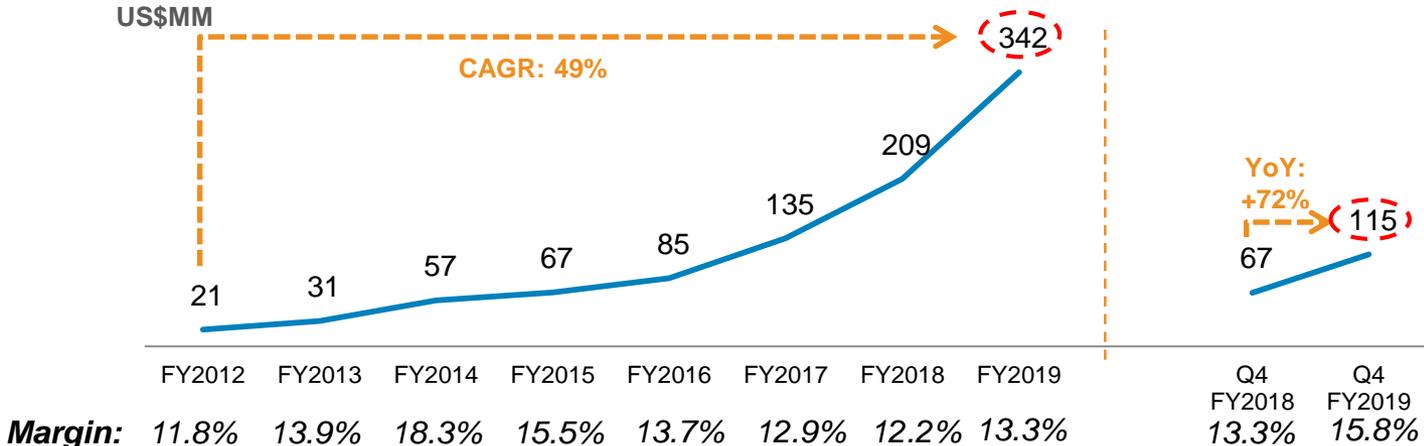
2 Average student enrollments per quarter

# Ongoing Investments to Increase Future Growth

## Gross Profit



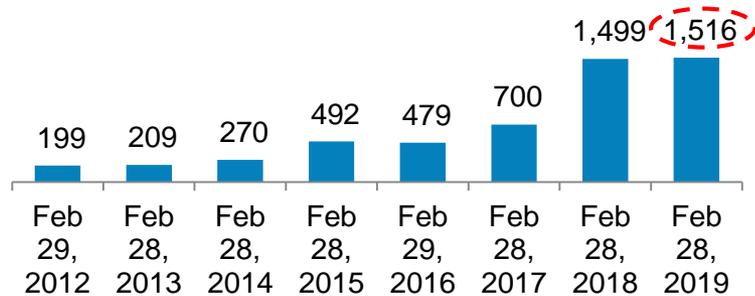
## Operating Income



# While High Visibility Cash Flows Provide Strength to Balance Sheet

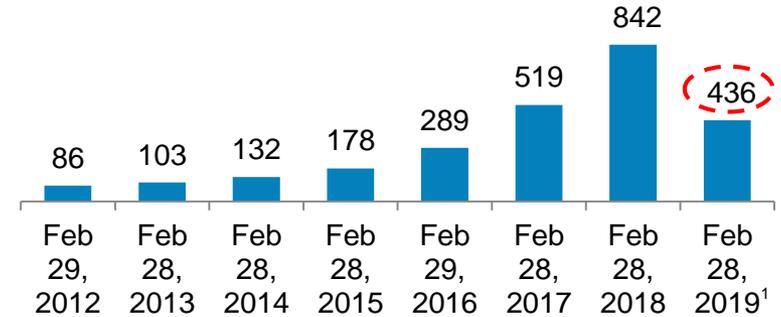
## Cash, Cash Equivalents, Term Deposits and Short-term Investments

US\$MM



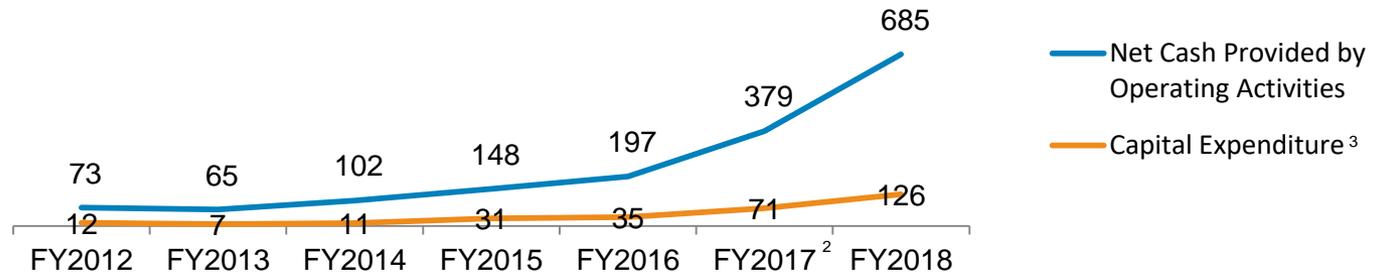
## Deferred Revenues

US\$MM



## Free Cash Flow

US\$MM



1: The Group adopted Revenue from Contracts with Customers ("Topic 606") on March 1, 2018. Reclassification was made from deferred revenue to accrued expenses and other current liabilities for tuition collected that may be refunded to the customers in the future if students withdraw from a course for any remaining classes. The Group adopted government policy from the Third Quarter of Fiscal Year 2019 that advanced tuition fees of more than three months may not be collected.

2: The Group adopted ASU 2016-09 standard on March 1, 2017. The retrospective application resulted in a \$9.4 million and \$19.5 million reclassification of these cash outflows from operating activities to financing activities on our consolidated statements of cash flows for the years ended February 29, 2016 and February 28, 2017, respectively.

3: 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.

# 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:** COO effective from Jun 2017, Company Director from Oct 2016 to Jun 2017, Senior VP of TAL from Apr 2011 to Oct 2016, 13+ years with TAL

**Yunfeng Bai:** President since Oct 2016, Senior VP of TAL from Apr 2011 to Oct 2016, 13+ 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

# Thank You

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