



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 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



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

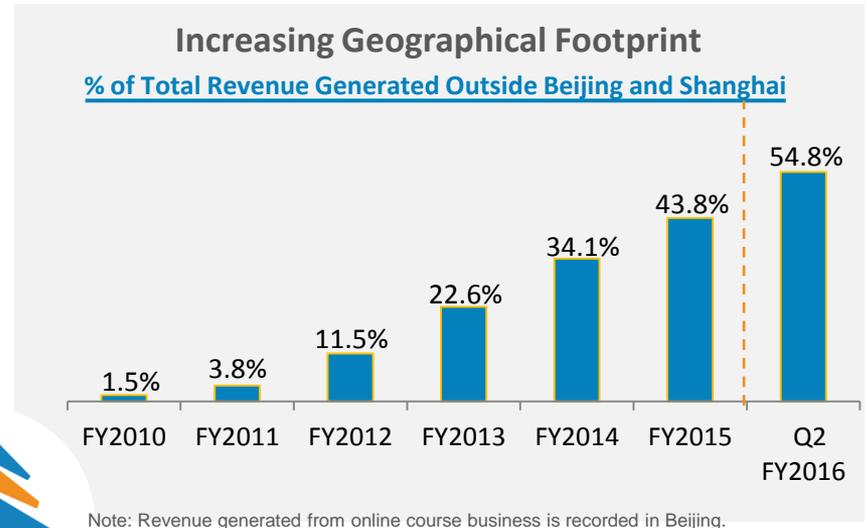
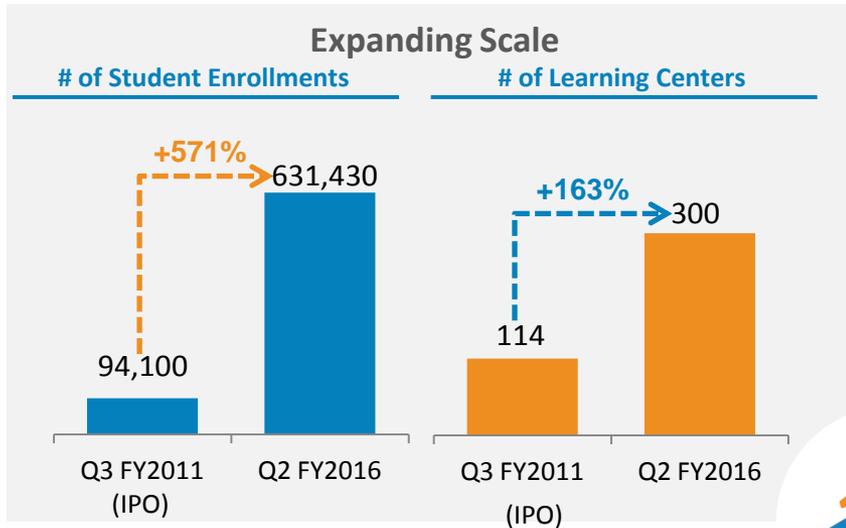
Online Courses



学而思网校
www.xueersi.com
Launched in 2010

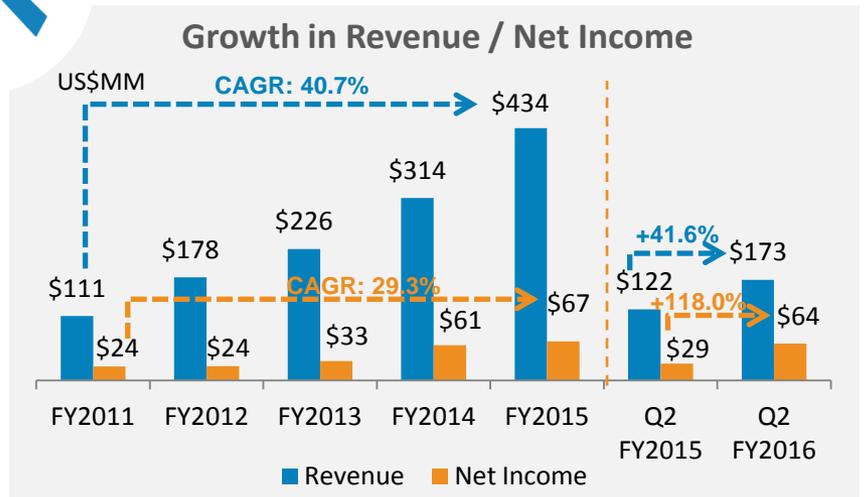
¹ ● "Denotes currently offered course"

Significant Progress Since IPO



Investment in Online, Mobile and Education Technology

- 学而思网校 (www.xueersi.com)
- MINERVA
- 家长帮 (www.jzb.com)
- 果壳
- Kao^{an} 考研网
- 轻轻 (您的私人家庭教师)
- 学科网 (www.zxxk.com)
- 顺顺留学



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 1st 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

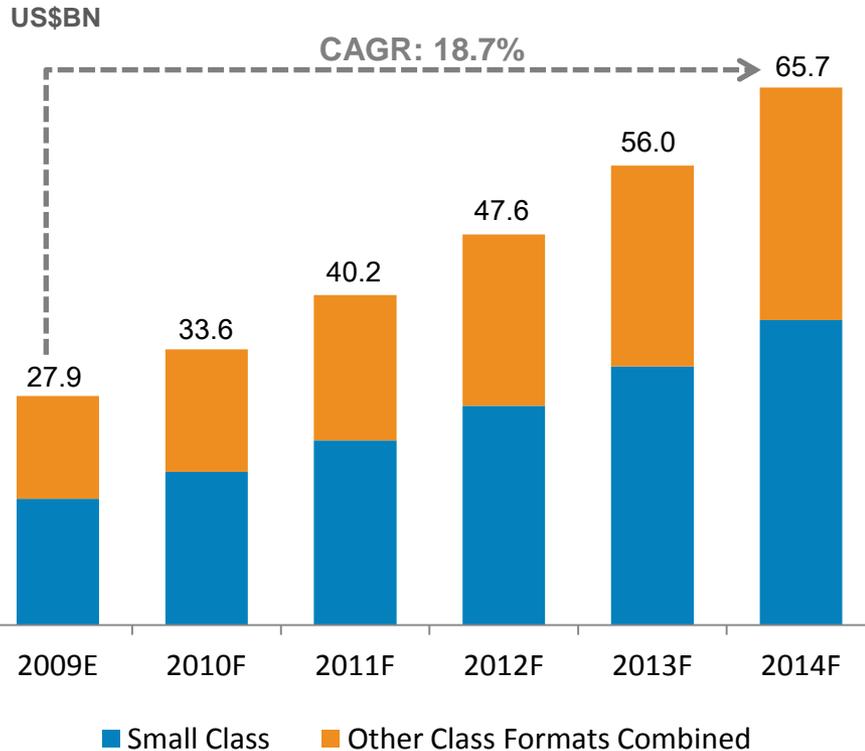
Significant Scale and Reach Offline and Online

Strong Operational Performance with Consistent Growth

High Visibility Recurring Revenue Model with Strong Cash Flow

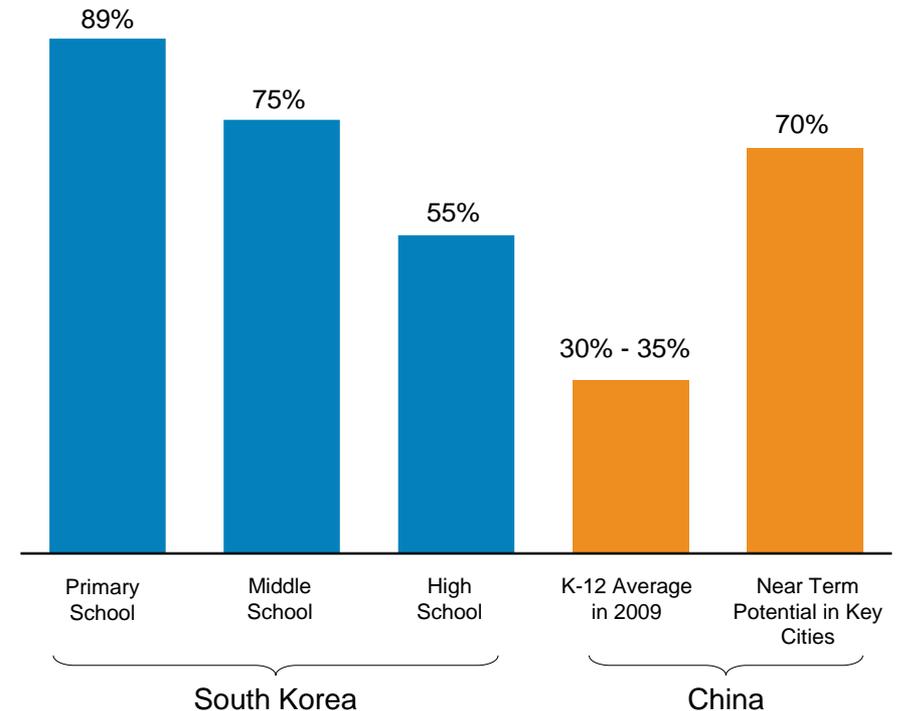
Huge, Fragmented and Underpenetrated Market

Rapid K-12 Market Growth Led by Small Class¹



Penetration of Tutoring Services¹

China vs. South Korea

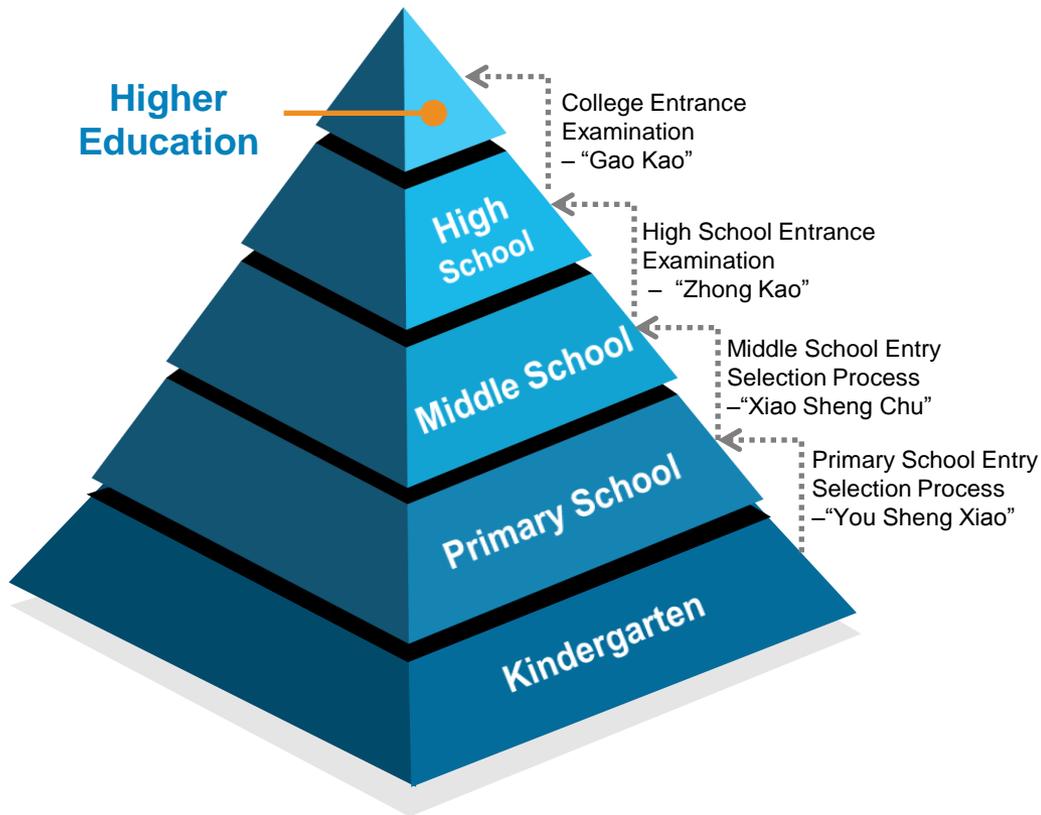


Highly fragmented market where top 3 players account for less than 3.5% of total market

¹ Source: iResearch, July 2010 Report.

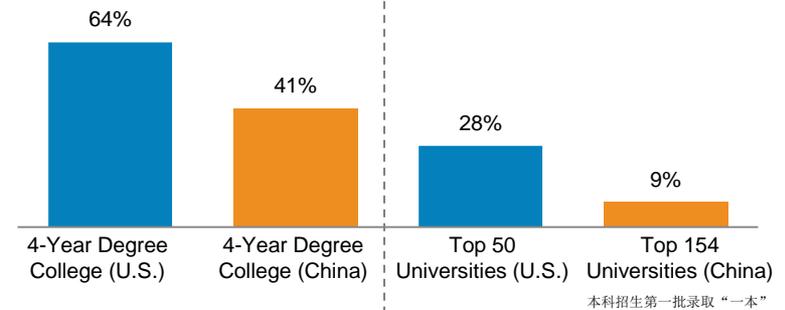
Underpinned by Intensely Competitive Education System

Examination-Focused Education System

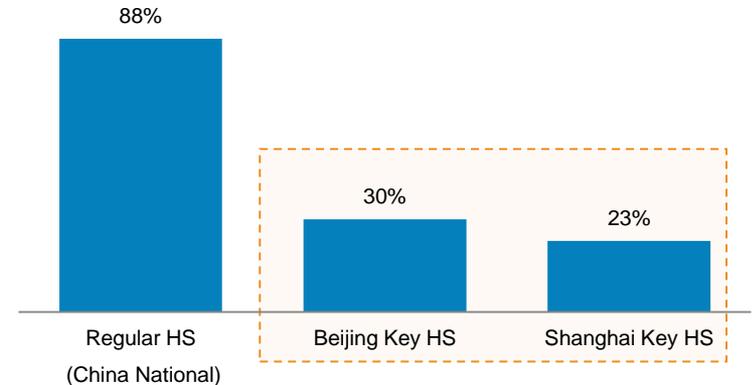


Fierce Competition to Enter Key Schools

College Admission Rate^{1,2}



High School Admission Rate in China³

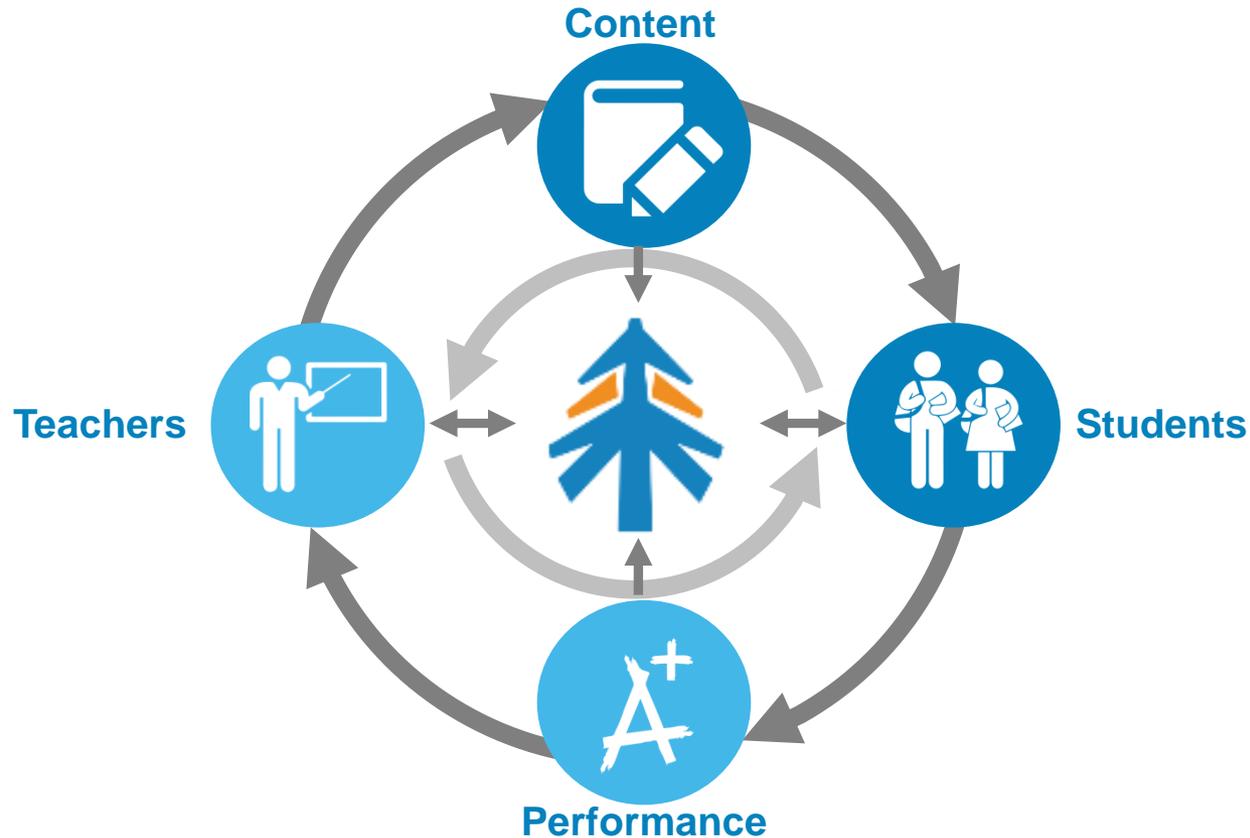


¹ “Admission rate” refers to the number of students admitted over the total examination applicants in China or denoted cities; and refers to the number of students admitted over the total application pool in the U.S.

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

³ 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

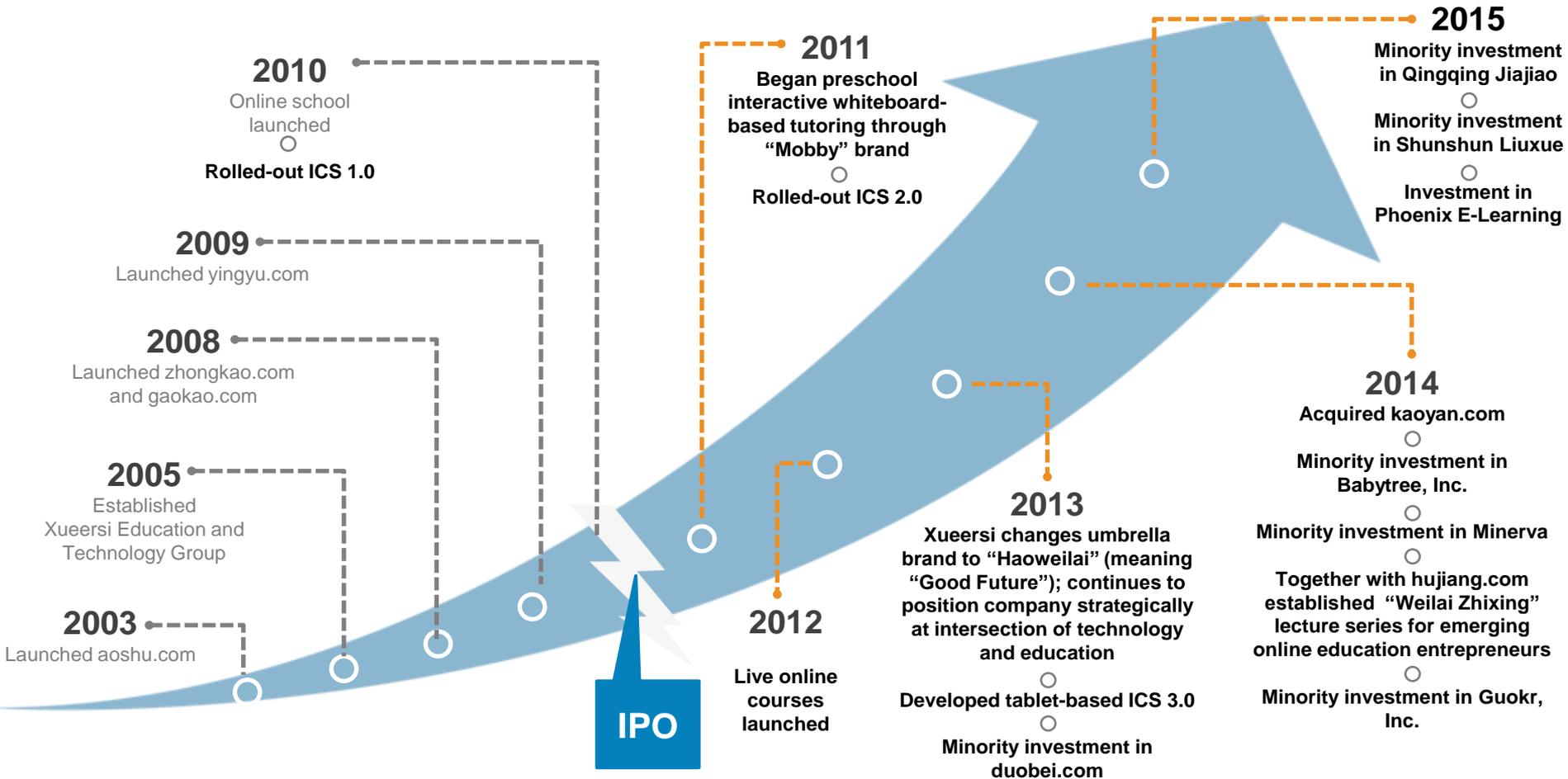
City	Year of Entry	# of Small Class Centers	# of One-on-One Centers	# of Total Learning Centers
Beijing	2003	68	35	103
Shanghai	2008	30	9	39
Guangzhou	2009	18	10	28
Nanjing	2011	14	5	19
Shenzhen	2010	12	7	19
Tianjin	2008	13	3	16
Wuhan	2008	9	5	14
Xi'an	2011	9	5	14
Chengdu	2011	8	3	11
Hangzhou	2011	6	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
Total		214	86	300

 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

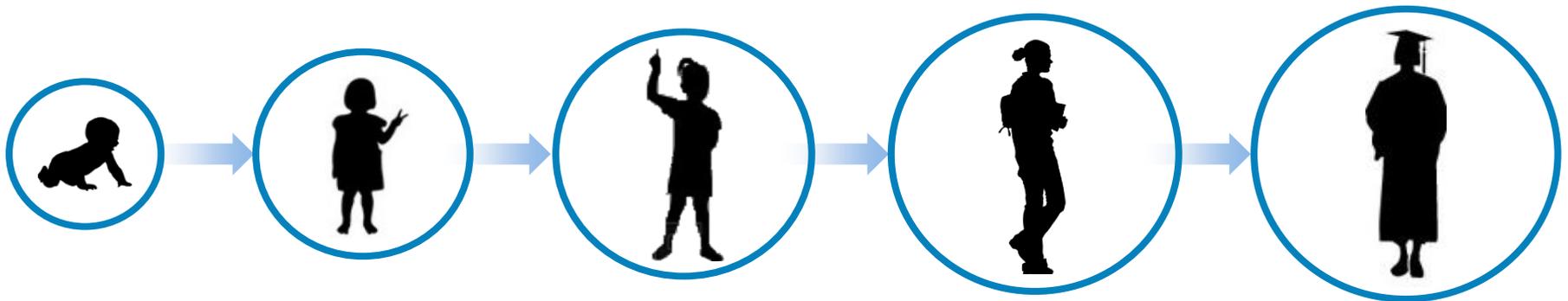


Minority Strategic Investment



Main portal to TAL Education's education-related websites

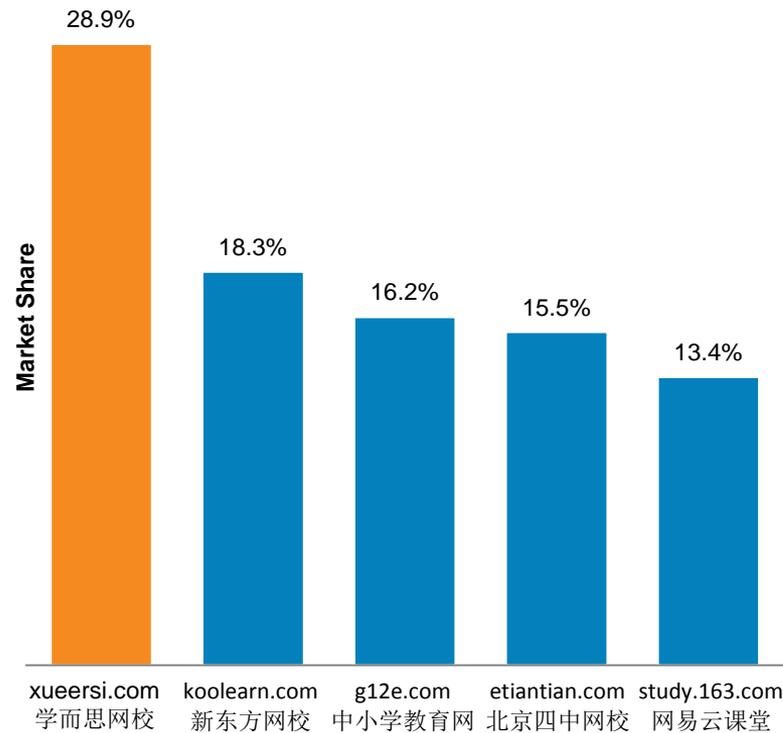
Social platform for expecting and young parents	Preschool, kindergarten, and preparation for primary school admissions	Chinese composition	English language study and related examinations	Mathematics, competitions, and preparation for middle school admissions	Preparation for China's high school admissions 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.

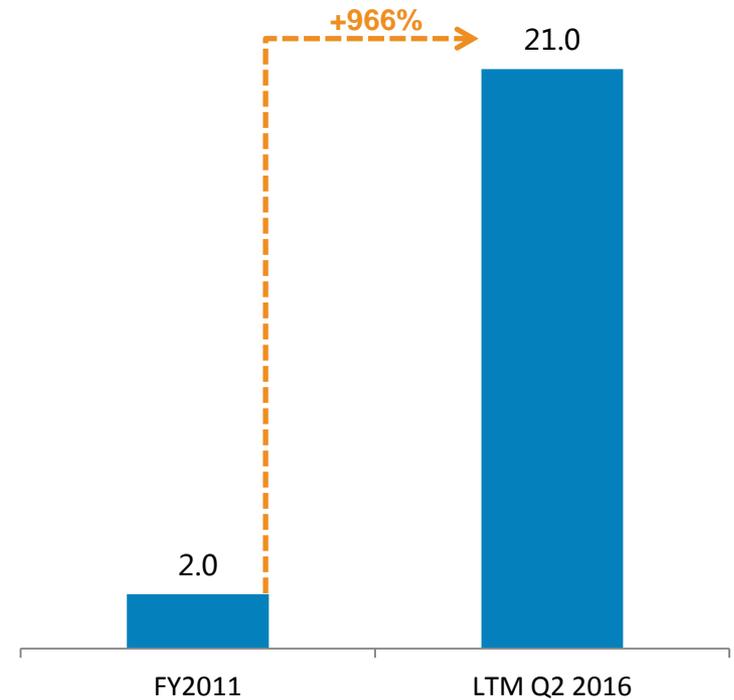
While Online School is Also Gaining Traction

Leading K-12 Online Tutoring Brand¹



Growing Online Revenue

US\$MM

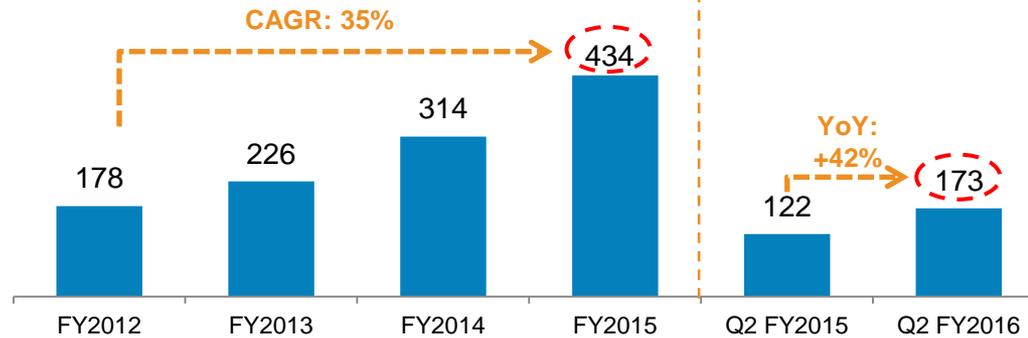


¹ Source: 2013 China Online Education Report (《新浪2013中国在线教育调查报告》) by AC Nielsen and sina.com.

Strong Enrollment Growth Keep Driving Topline Growth

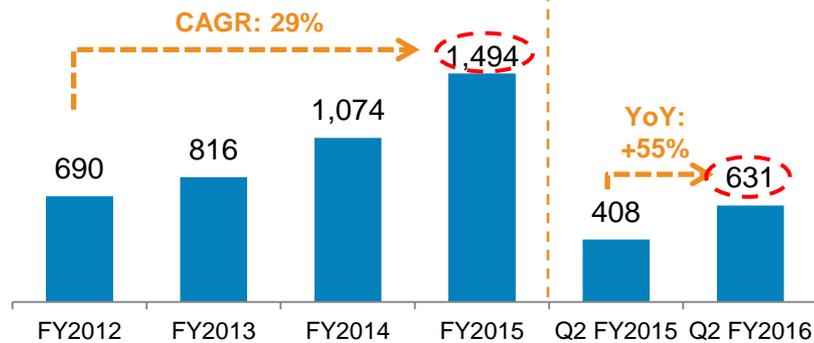
Revenue

US\$MM



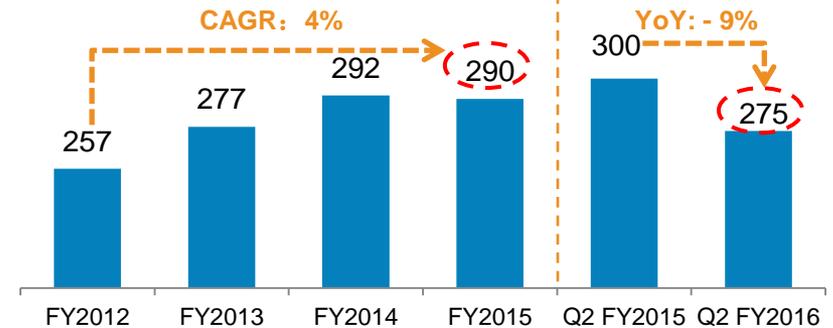
Enrollments¹

'000s



ASP²

US\$



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 Total revenue / total enrollments

Year-Over-Year Growth by Business Unit

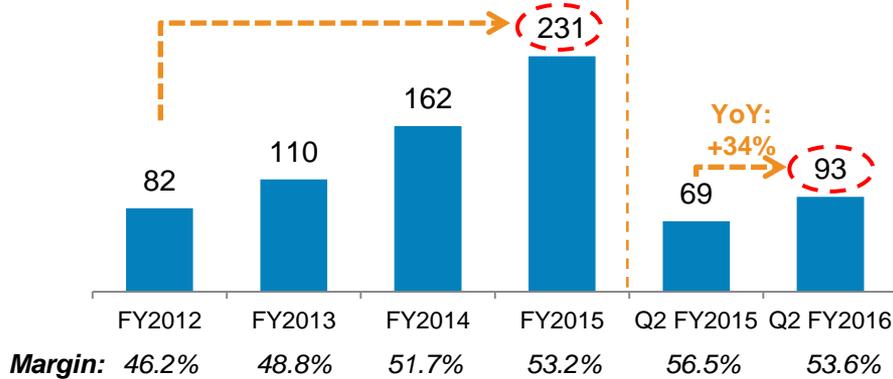
	Small Classes		1-on-1		Online Courses	
	Q2 FY2015	Q2 FY2016	Q2 FY2015	Q2 FY2016	Q2 FY2015	Q2 FY2016
Revenue contribution	82%	83%	15%	13%	3%	4%
Revenue YoY growth	38%	44%	7%	24%	62%	69%
Enrollment YoY growth	30%	52%	8%	50%	60%	74%
ASP YoY growth	6%	-5%	-1%	-17%	2%	-3%

Gross Margins Have Increased with Improved Utilization

Gross Profit

US\$MM

CAGR: 41%

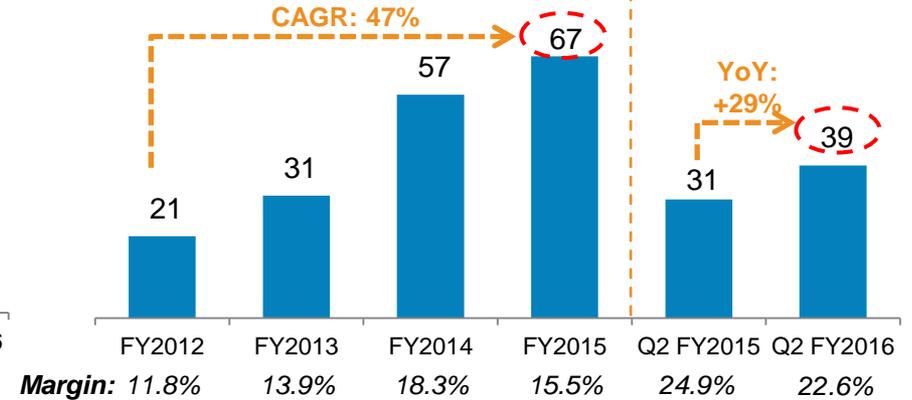


Operating Income

US\$MM

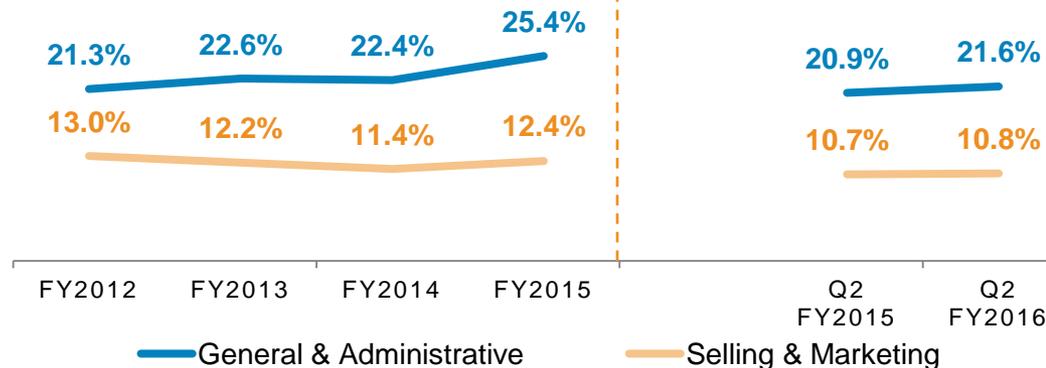
CAGR: 47%

YoY: +29%



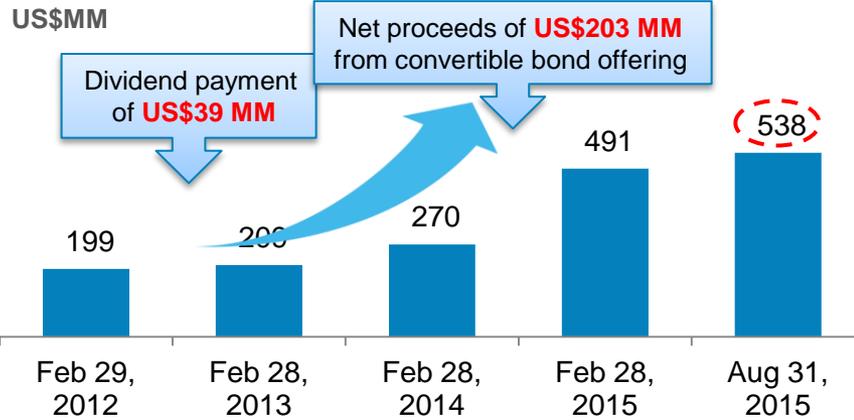
SG&A Reflects Investment in Future Growth

% of Revenue

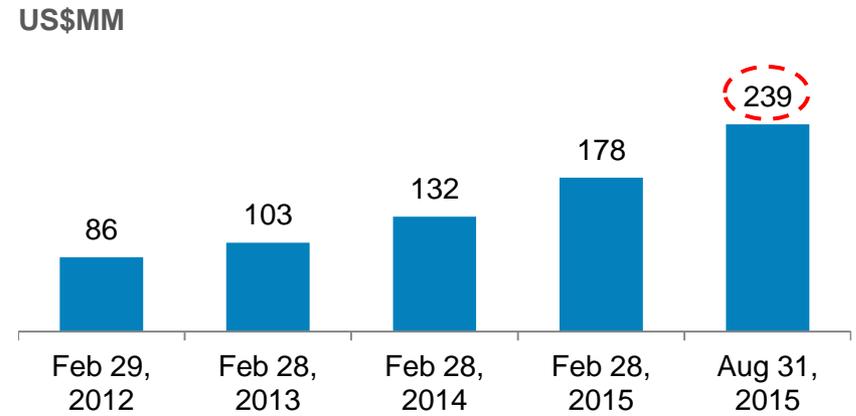


While High Visibility Cash Flows Provide Strength to Balance Sheet

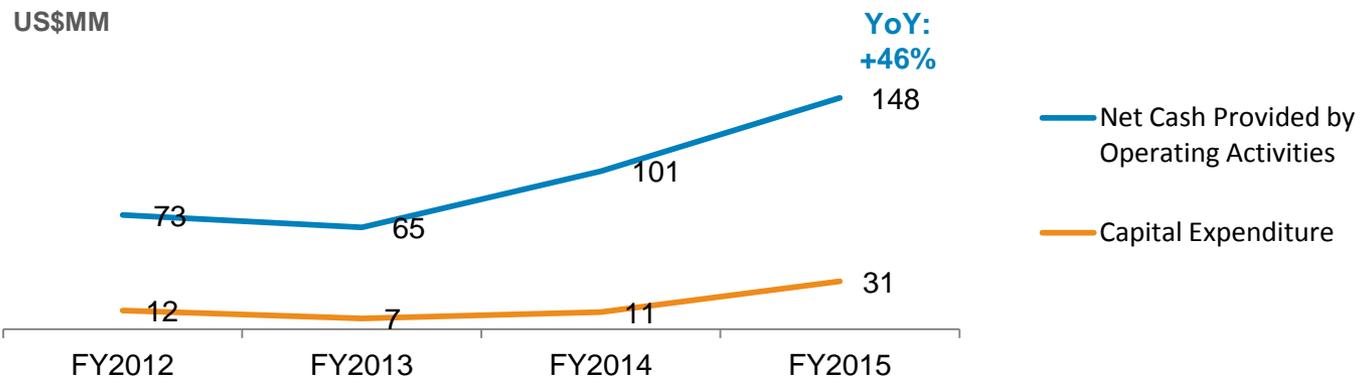
Cash, Cash Equivalents and Term Deposits



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

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