



TAL Education Group

Investor Presentation

December 2016

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Ticker Symbol Change

As of **December 1, 2016**, TAL Education Group's ticker symbol on the New York Stock Exchange will change **from 'XRS' to 'TAL'**. With the Company retaining the listing of its ADS under the new name **'TAL'**, group name and abbreviated stock symbol are unified.



TAL Education Group

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

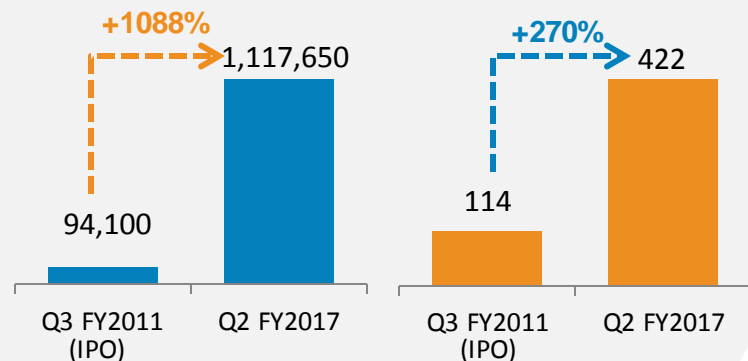
¹ ● "Denotes currently offered course"

Significant Progress Since IPO

Expanding Scale

of Student Enrollments

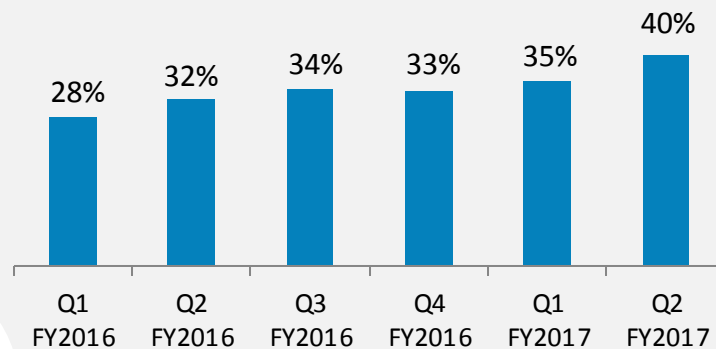
of Learning Centers¹



Note1: including 41 learning centers from the new business acquisition of Firstleap Education

Increasing Geographical Footprint

% of Peiyou Small Class Revenue Generated Outside Top Five Cities

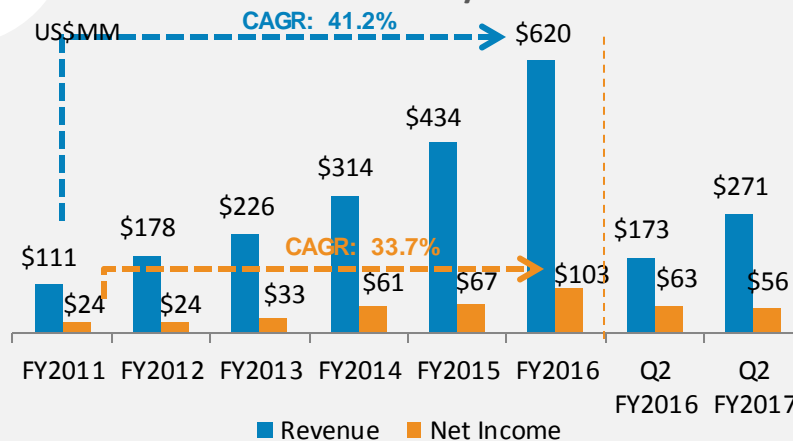


Note: Top Five Cities include Beijing, Shanghai, Guangzhou, Shenzhen, Nanjing.

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: Senior VP, GM of Small Class, 10+ 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

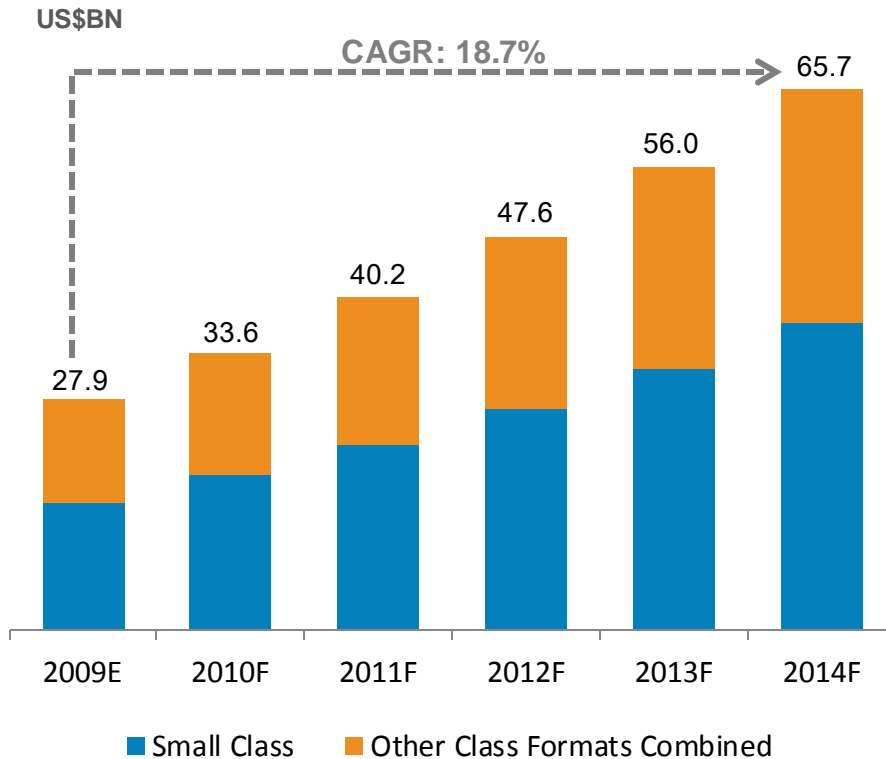
Significant Scale and Reach Offline and Online

Strong Operational Performance with Consistent Growth

High Visibility Recurring Revenue Model with Strong Cash Flow

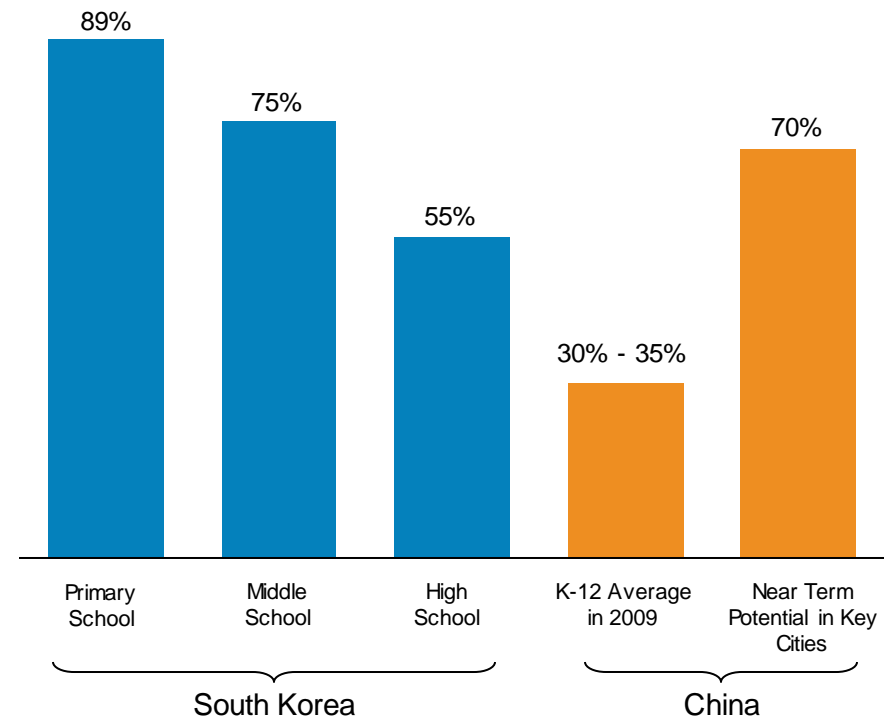
Huge, Fragmented and Underpenetrated Market

Rapid K-12 Market Growth Led by Small Class¹



Penetration of Tutoring Services¹

China vs. South Korea

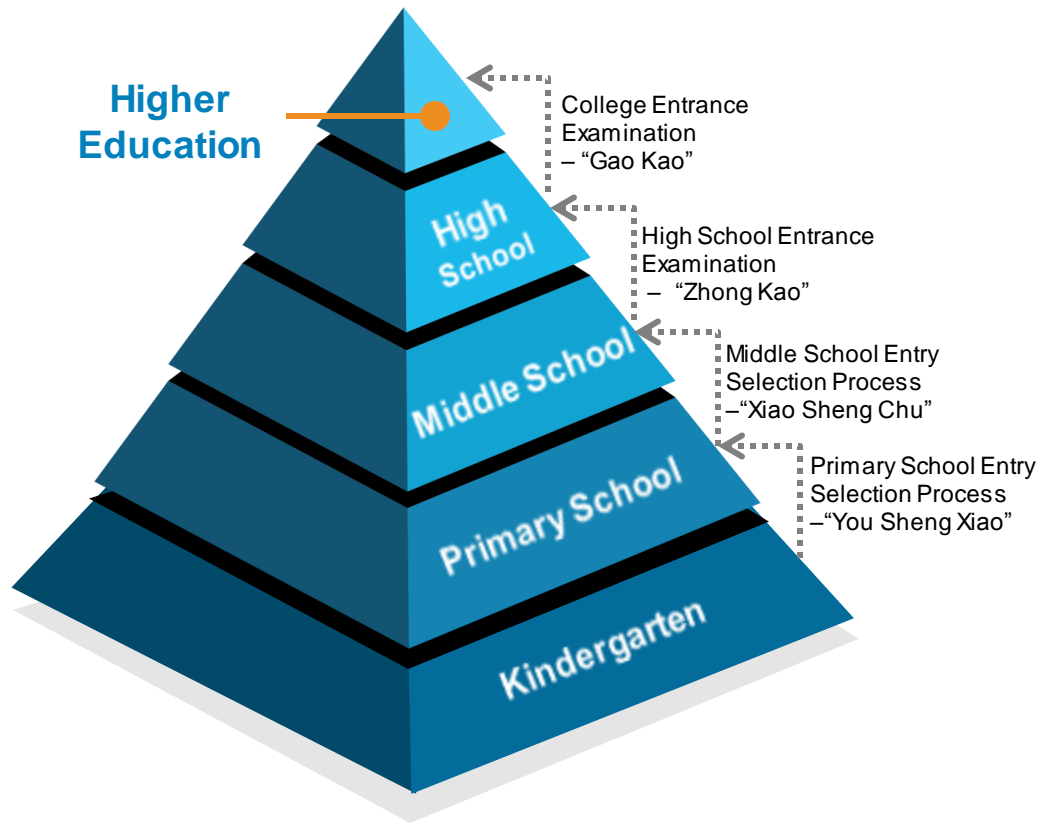


Highly fragmented market where top 3 players account for less than 3.5% of total market

¹ Source: iResearch, July 2010 Report.

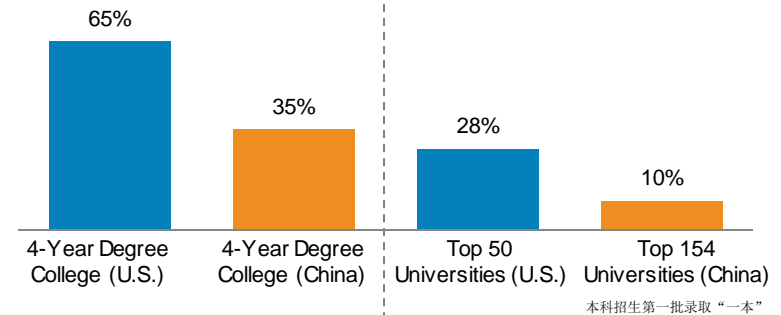
Underpinned by Intensely Competitive Education System

Examination-Focused Education System

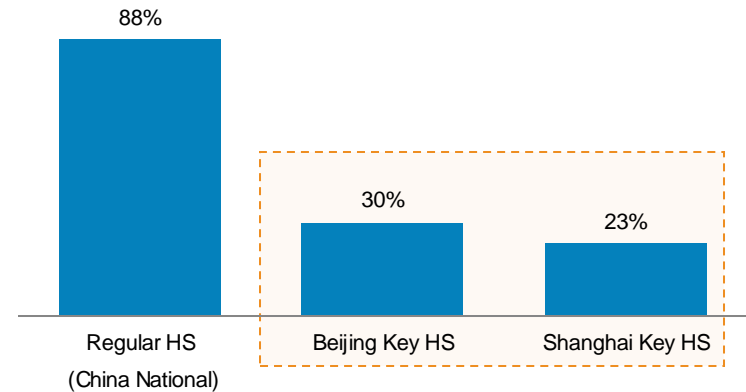


Fierce Competition to Enter Key Schools

College Admission Rate^{1,2}



High School Admission Rate in China³



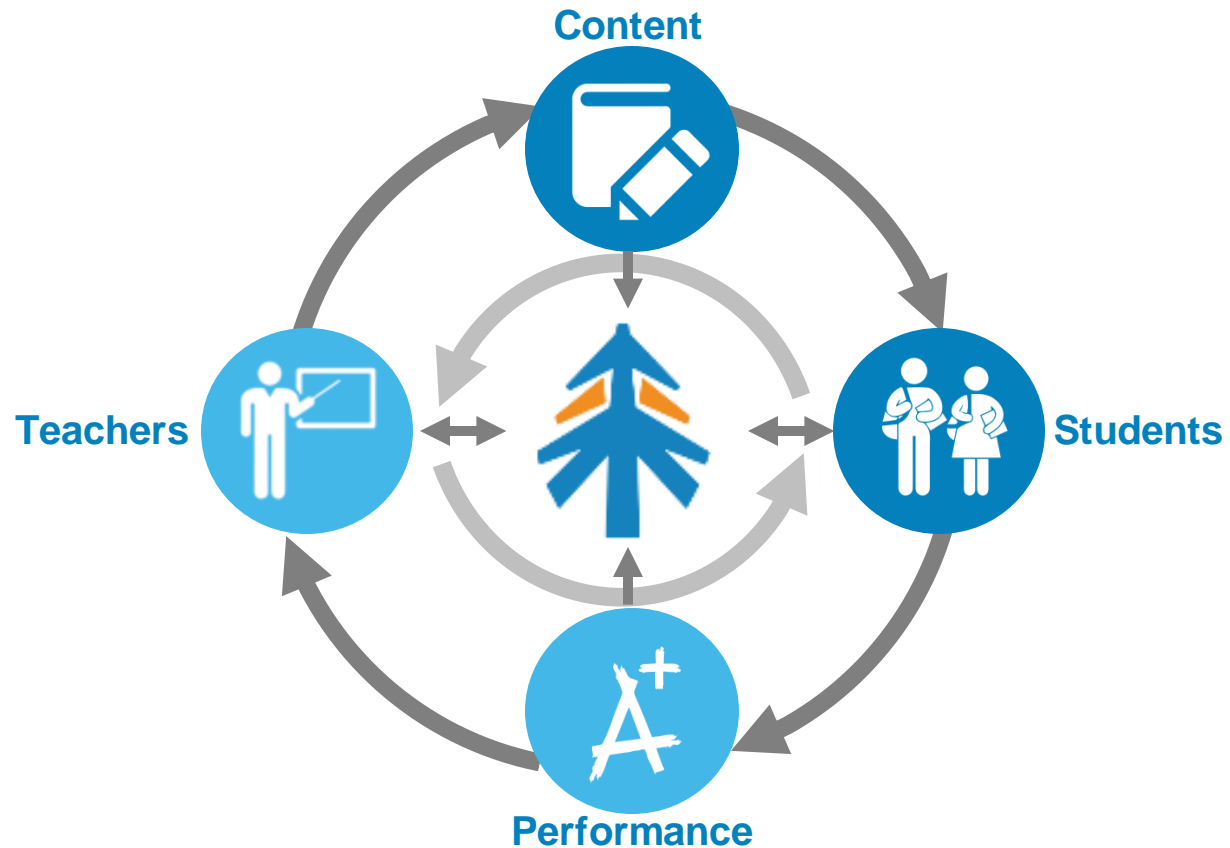
¹ “Admission rate” refers to the number of students admitted over the total examination applicants in China or denoted cities; and refers to the number of students admitted over the total application pool in the U.S.

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 and Mobby Centers | # of Firstleap Centers | | |
| Beijing | 2003 | 76 | 23 | 33 | 132 |
| Shanghai | 2008 | 36 | | 10 | 46 |
| Nanjing | 2011 | 23 | 11 | 5 | 39 |
| Guangzhou | 2009 | 24 | | - | 24 |
| Shenzhen | 2010 | 15 | | 7 | 22 |
| Wuhan | 2008 | 15 | | 5 | 20 |
| Xi'an | 2011 | 16 | | 6 | 22 |
| Tianjin | 2008 | 16 | | 6 | 22 |
| Chengdu | 2011 | 11 | | 6 | 17 |
| Hangzhou | 2011 | 10 | | 3 | 13 |
| Shenyang | 2012 | 4 | 7 | - | 11 |
| Zhengzhou | 2012 | 9 | | 1 | 10 |
| Chongqing | 2012 | 5 | 4 | - | 9 |
| Taiyuan | 2012 | 7 | | - | 7 |
| Suzhou | 2012 | 7 | | 2 | 9 |
| Changsha | 2014 | 4 | | | 4 |
| Shijiazhuang | 2014 | 4 | | | 4 |
| Hefei | 2016 | 1 | 2 | | 3 |
| Qingdao | 2014 | 2 | | | 2 |
| Jinan | 2014 | 1 | | | 1 |
| Luoyang | 2015 | 1 | | | 1 |
| Nanchang | 2015 | 1 | | | 1 |
| Ningbo | 2015 | 1 | | | 1 |
| Wuxi | 2015 | 1 | | | 1 |
| Fuzhou | 2015 | 1 | | | 1 |
| Total | | 291 | 47 | 84 | 422 |



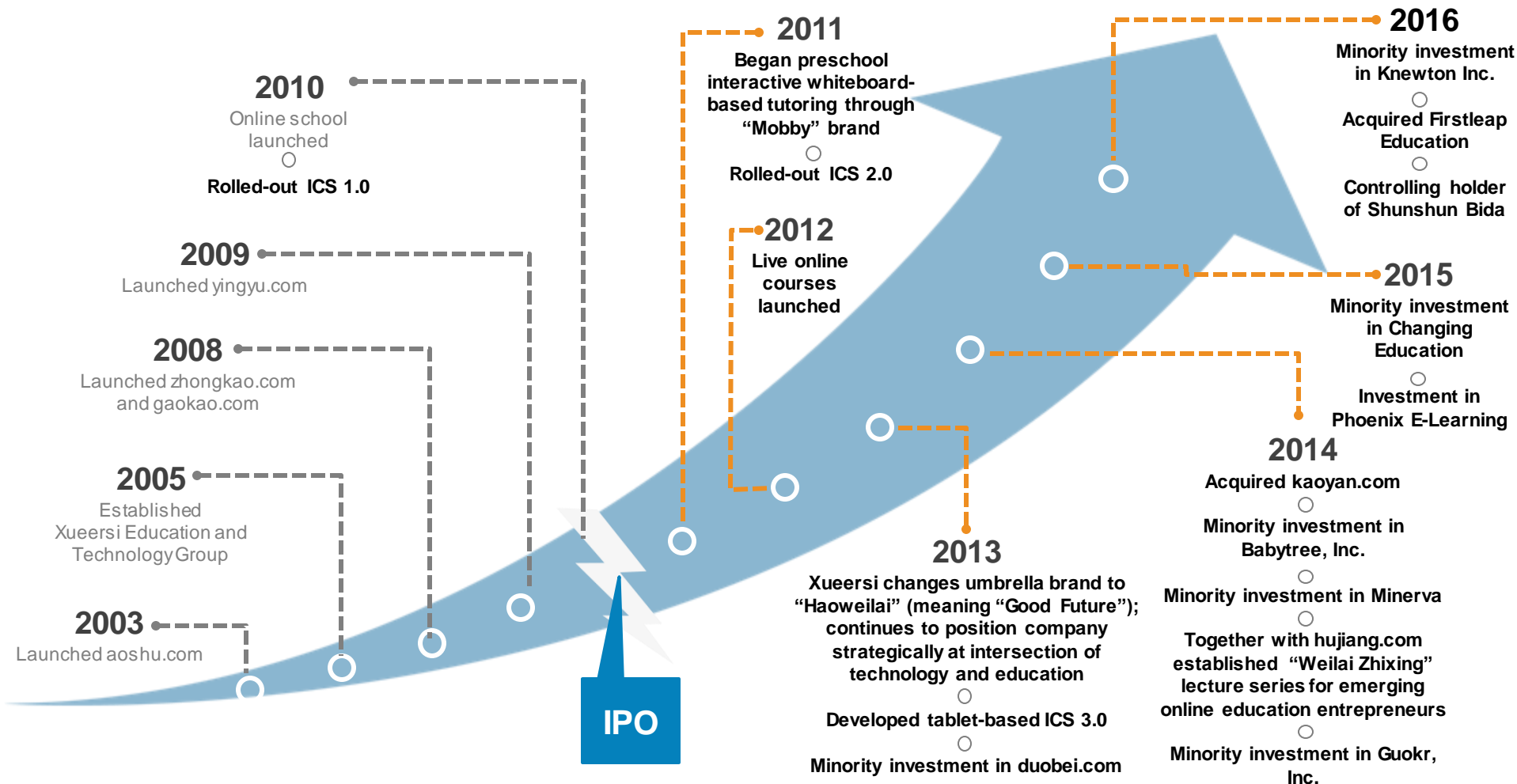
Province with learning center coverage



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

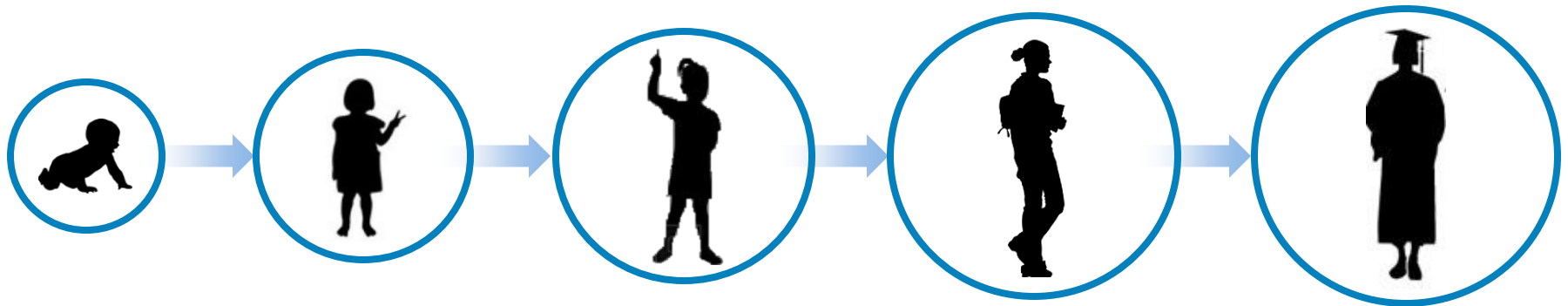


Minority Strategic Investment



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 |

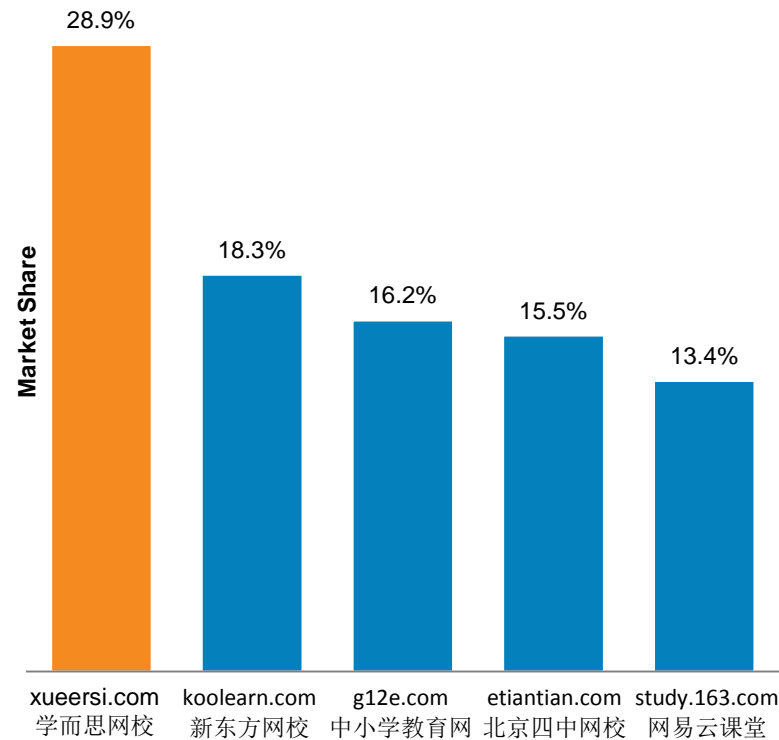


Note: Jiazhongbang APP was elected as one of the Top K-12 APPs and Kaoyanbang APP was elected as one of the Top Examination APPs by Sina Education Channel in November, 2014.

Babytree is a minority investment announced in January 2014.

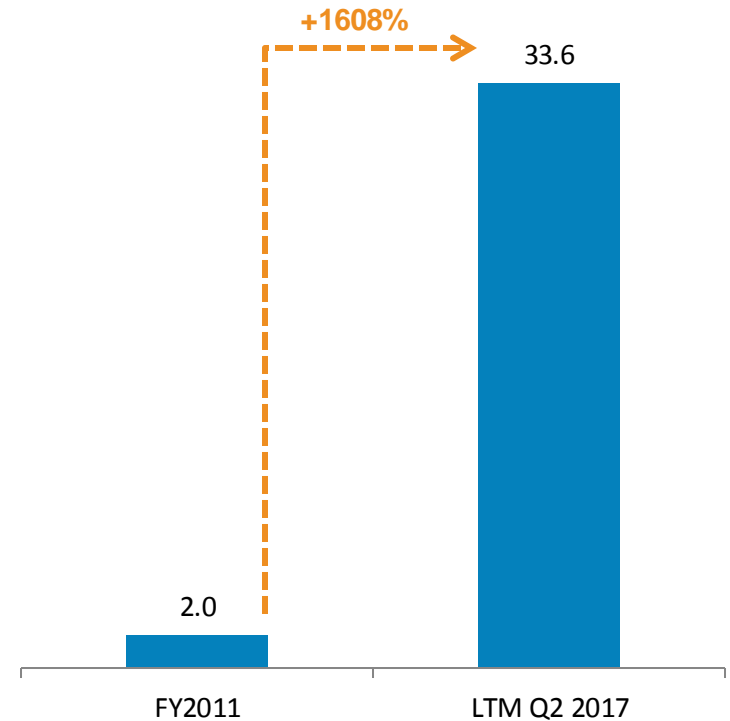
While Online School is Also Gaining Traction

Leading K-12 Online Tutoring Brand¹



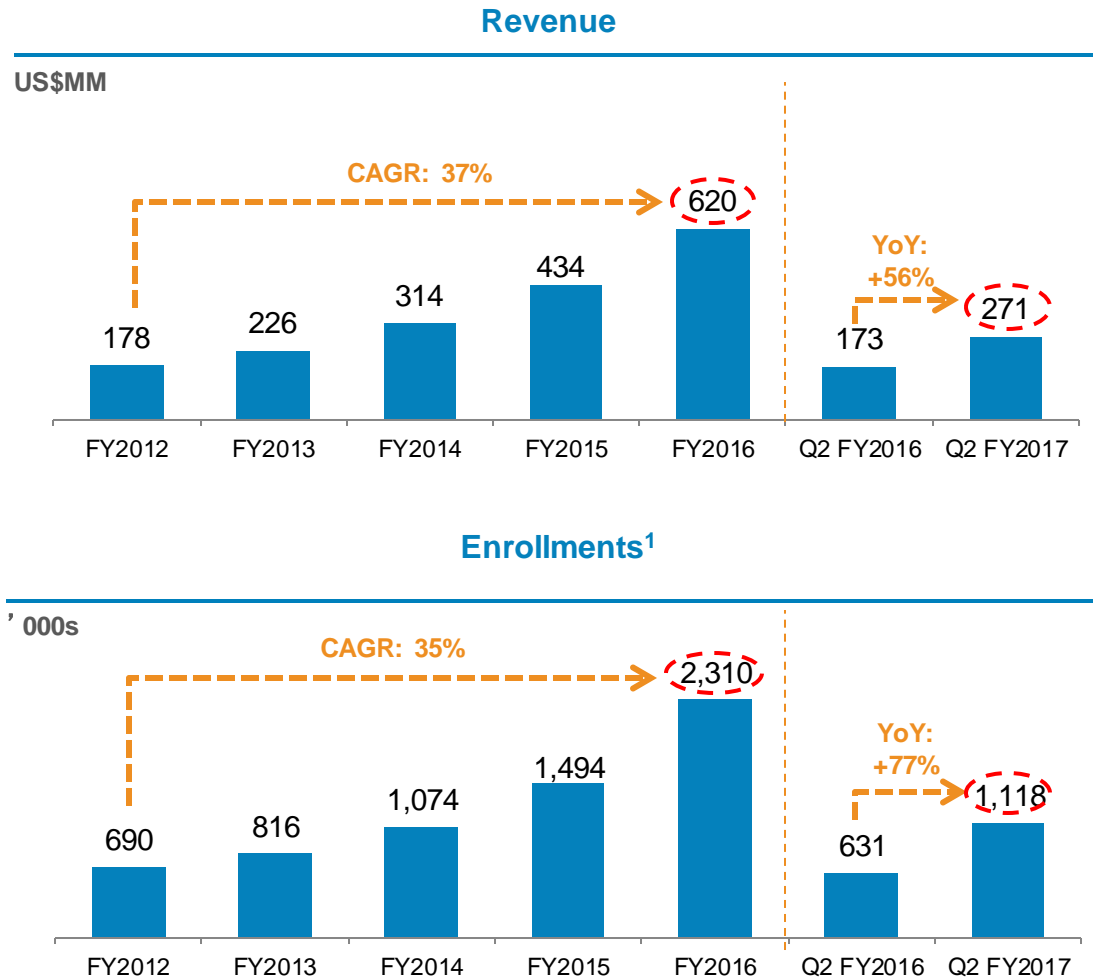
Growing Online Revenue

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

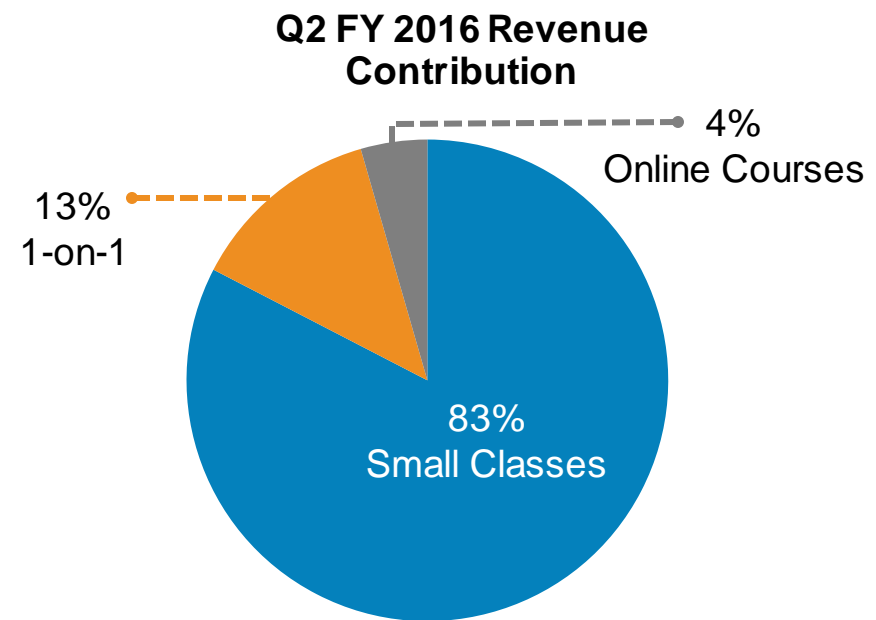
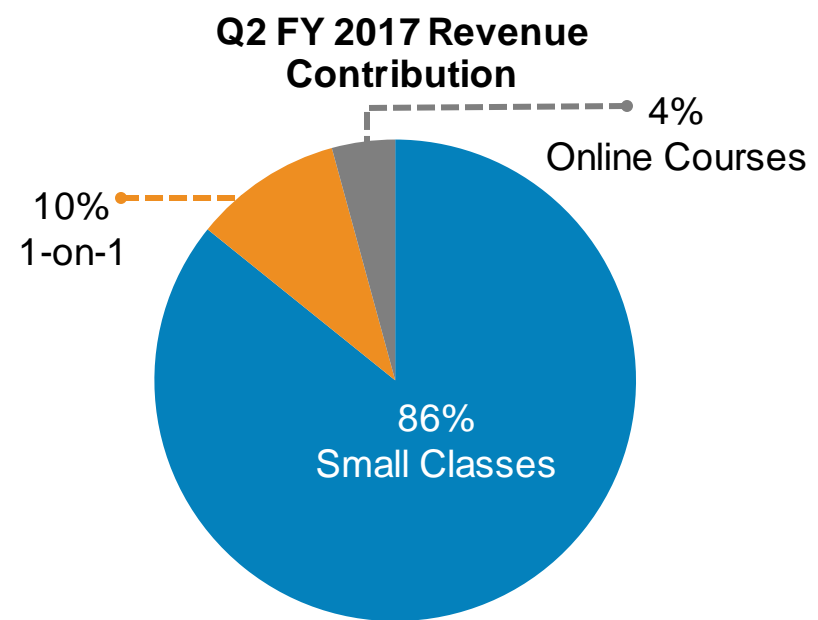


¹ Defined as total student enrollments of small class, personalized premium service (1-on-1) and online courses.

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

| | Q2 FY2017 | Q2 FY2016 |
|----------------|-----------|-----------|
| Revenue in RMB | 72% | 45% |
| Enrollment | 62% | 52% |



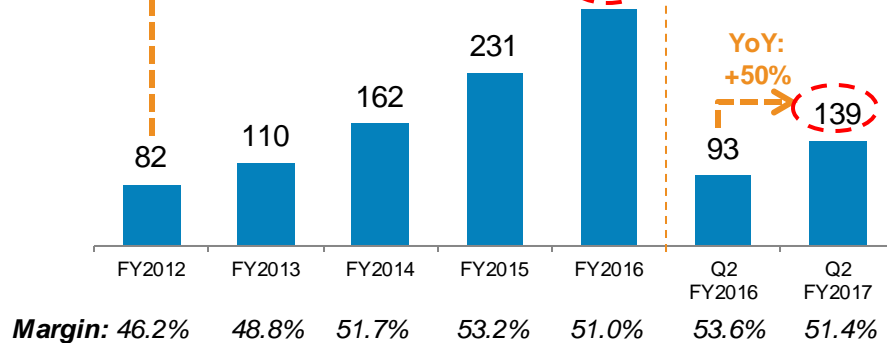
Increased Costs & Operating Expenses Reflect Investment in Future Growth

Gross Profit

US\$MM

CAGR: 40%

YoY:
+50%

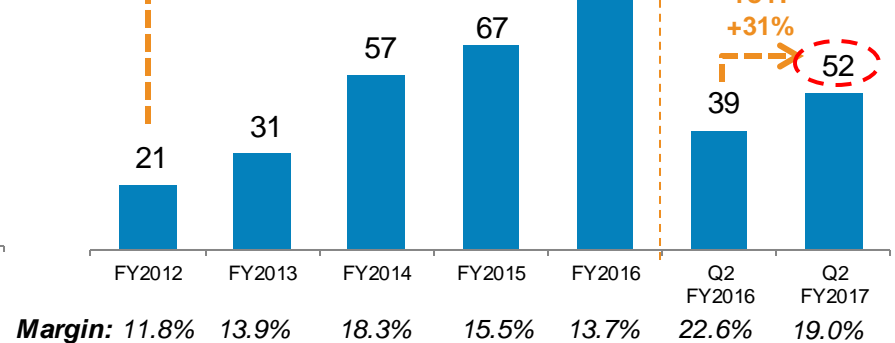


Operating Income

US\$MM

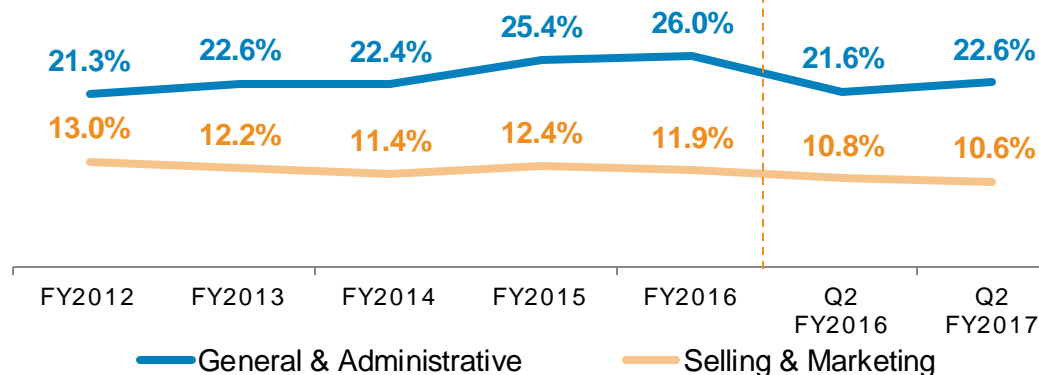
CAGR: 42%

YoY:
+31%



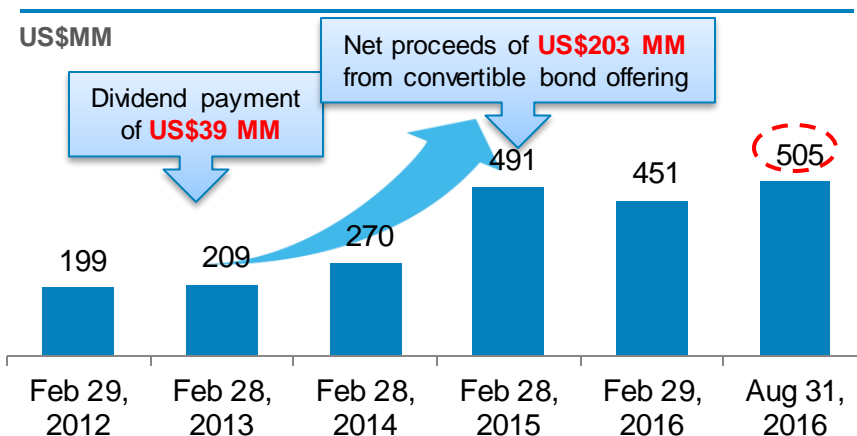
SG&A

% of Revenue

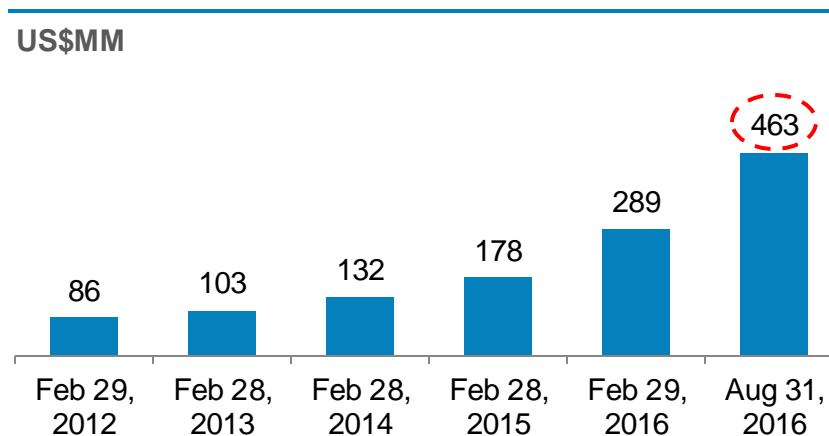


While High Visibility Cash Flows Provide Strength to Balance Sheet

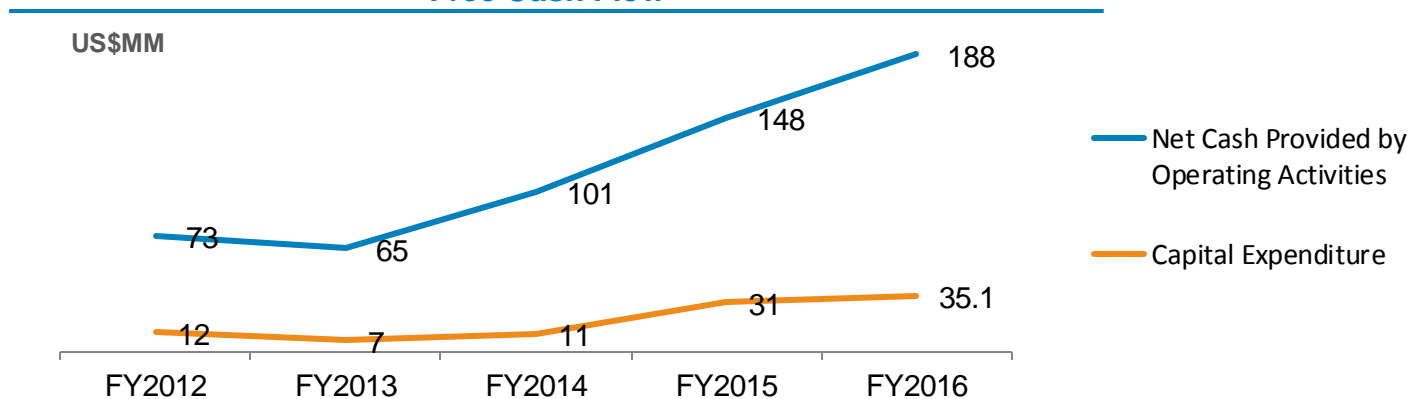
Cash, Cash Equivalents and Term Deposits



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

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