



Xueda Education Group

Third Quarter 2014 Earnings Conference Call

November 19, 2014 HKT



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CEO Discussion



“In the third quarter, our effective student count grew 17.1% YoY to a record 64,600 students. We believe we are well positioned to end the year with positive enrollment momentum.

Moving into 2015, with a solidly larger enrollment base to begin the year, we will shift effort to growing revenues through adjusting pricing, growing student count and normalizing the average revenue per student.”

Xin Jin – Xueda Co-Founder & Chief Executive Officer



Growing Student Base



Effective Student Count

- 64,641 by the end of 3Q 2014
- +17.1% Year-over-year

New Student Sign-ups

- 32,587 in 3Q 2014
- +15.2% YoY

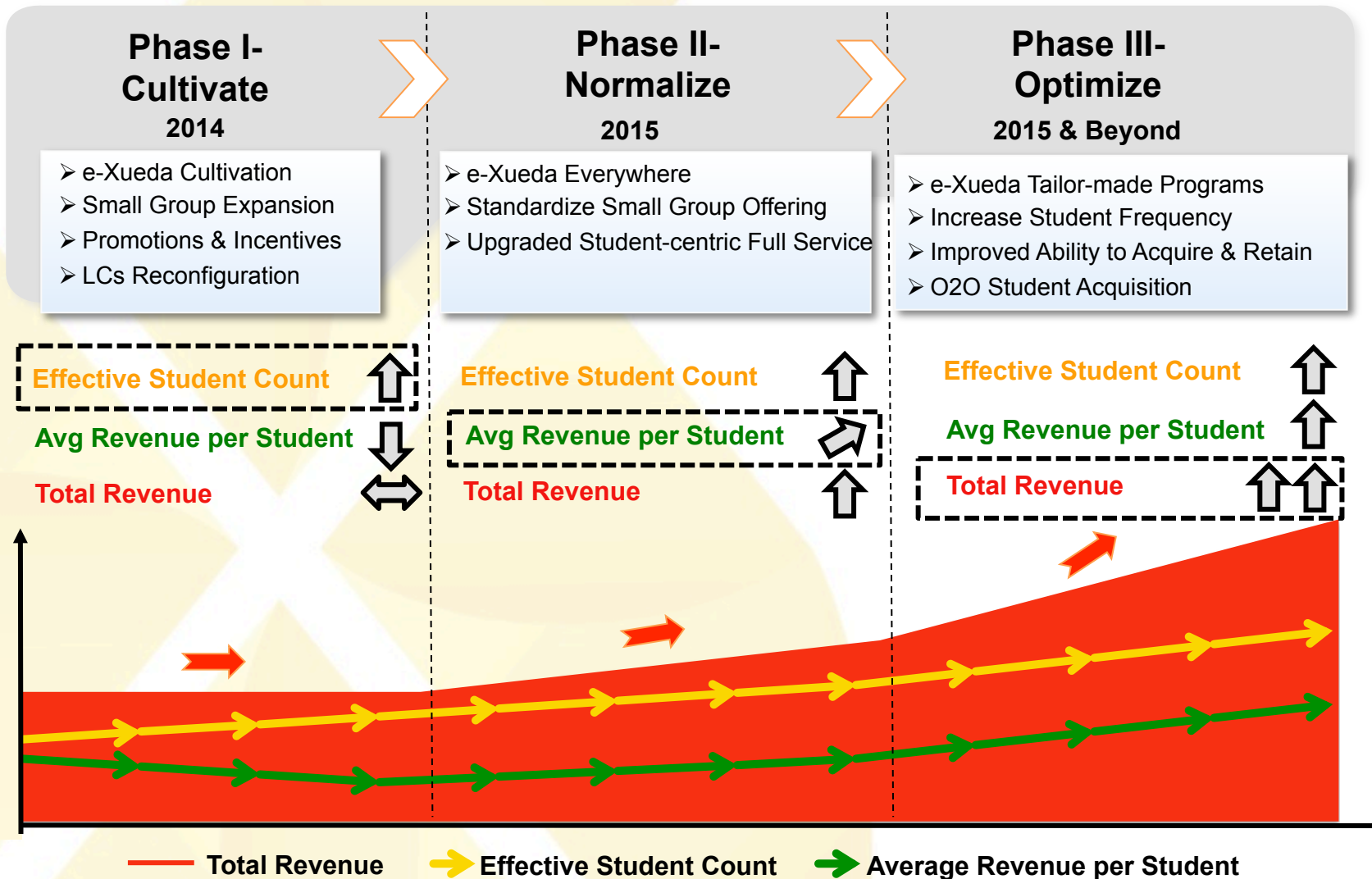
Student Retention Rate

- 54.4% in 3Q 2014
- +70 basis points YoY



Collective efforts to attract and retain students are producing enrollment results!

3-Phase Roadmap





CFO Discussion and Financial Review



“Gross margin for the third quarter deleveraged as a result of the lower year-over-year revenue.

With our 2015 focus on normalizing average revenue per student and continued enrollment growth, we look forward to quickly returning to healthier gross margin and profitability levels.”

Christine Lu-Wong – Xueda Chief Financial Officer



Student Count-Driven Revenue Model



Two Key Drivers

Effective Student Count

End of 3Q 2014: 64,641

Up 17.1% YoY



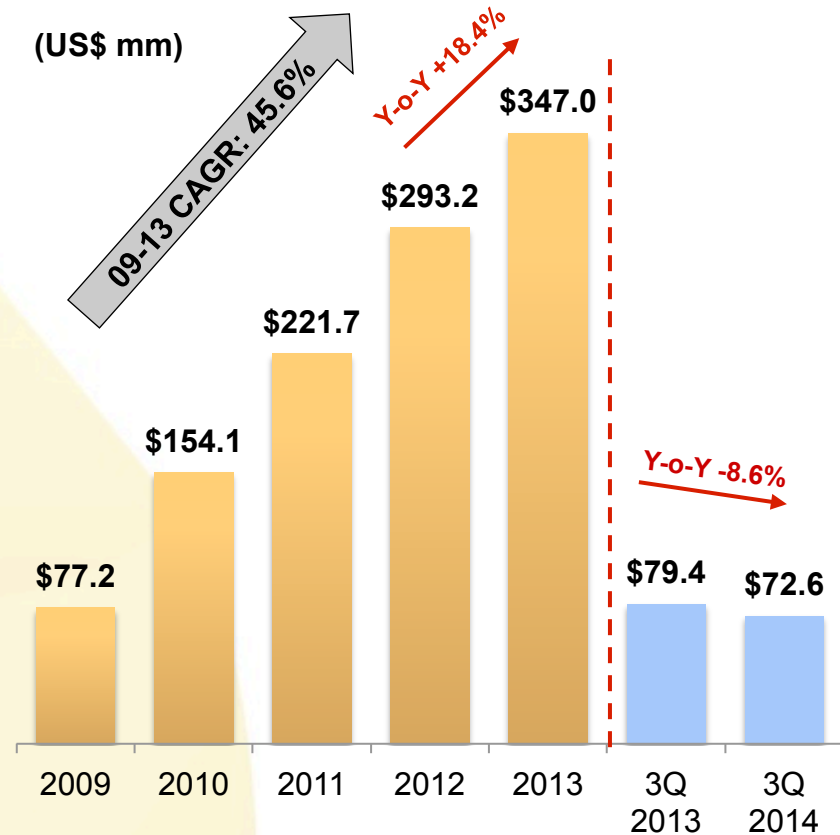
Average Revenue per Student

3Q 2014: \$1,171

Down 22.4% YoY

Net Revenue

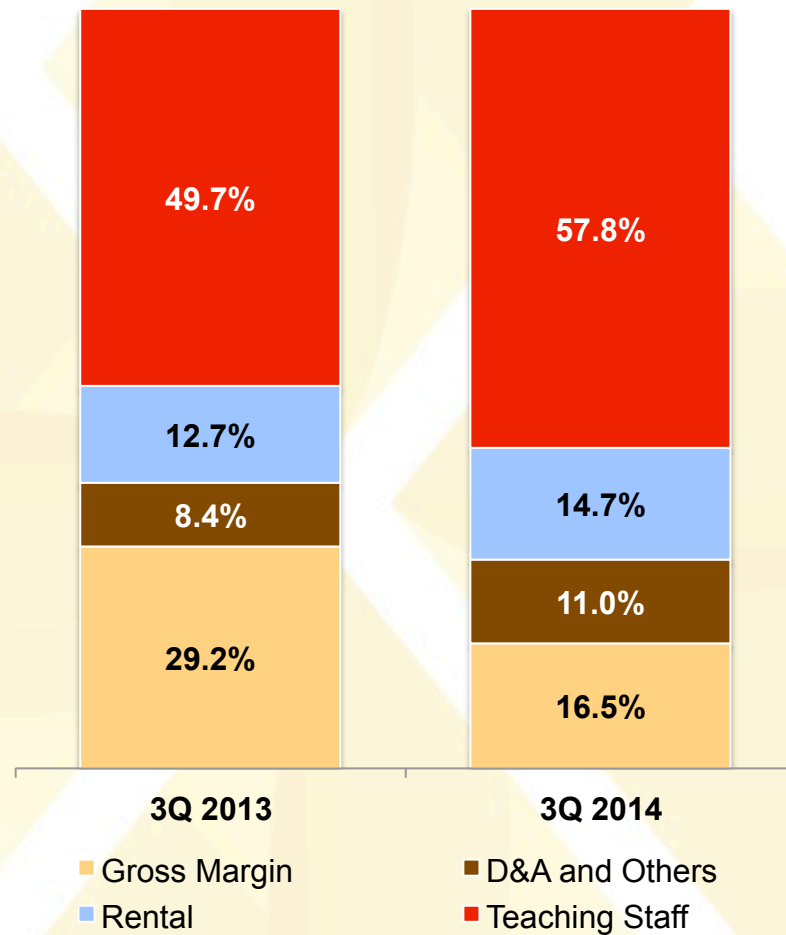
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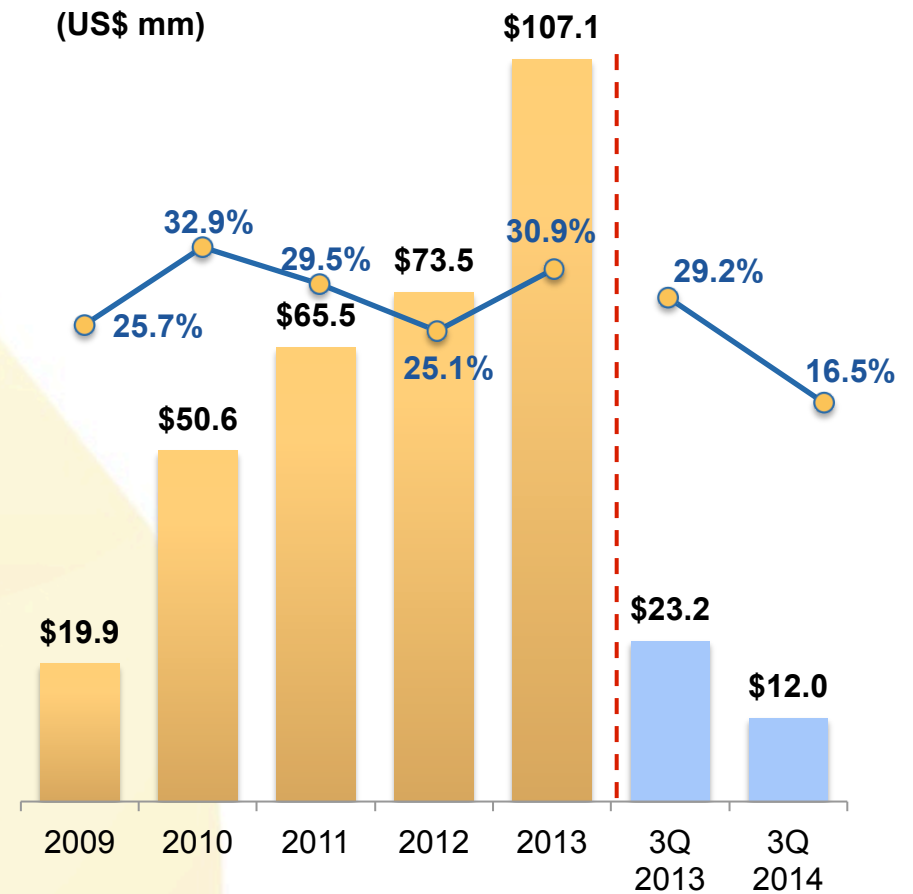
Gross Margin & Cost Structure Breakdown



Cost Structure



Gross Profit and Gross Margin



Operating Expenses



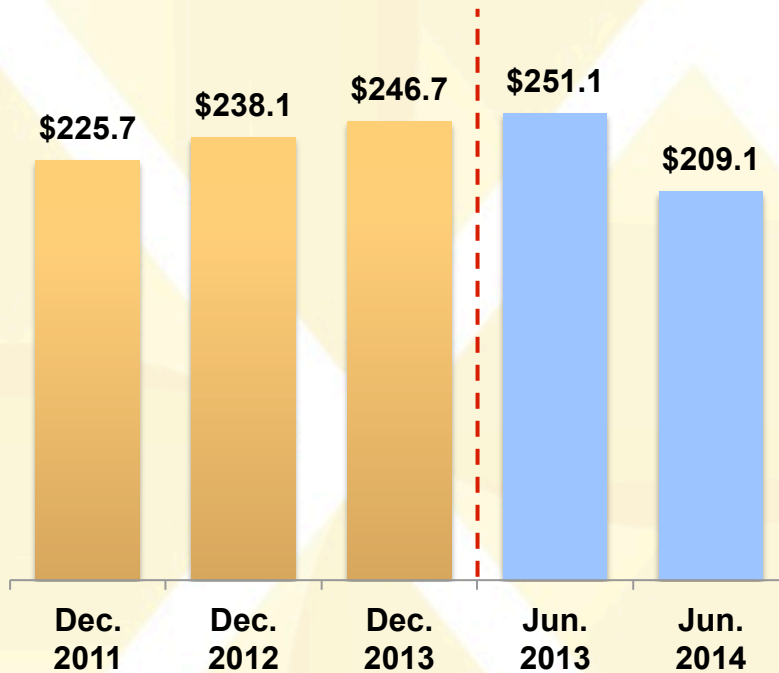
	3Q 2014	3Q 2013	Y-o-Y Change Percentage
Non-GAAP G&A Expense	\$13.2M	\$11.1M	+19.3%
As % of Total Net Revenue	18.2%	13.9%	+430 bps
Non-GAAP S&M Expense	\$10.0M	\$10.2M	-2.6%
As % of Total Net Revenue	13.8%	12.9%	+90 bps
Non-GAAP Operating (loss) Income	\$(11.2)M	\$1.9M	N.A.
Non-GAAP Diluted Net (loss) Income per ADS	\$(0.14)	\$0.04	N.A.

Strong Cash Position and Healthy Cash Flows



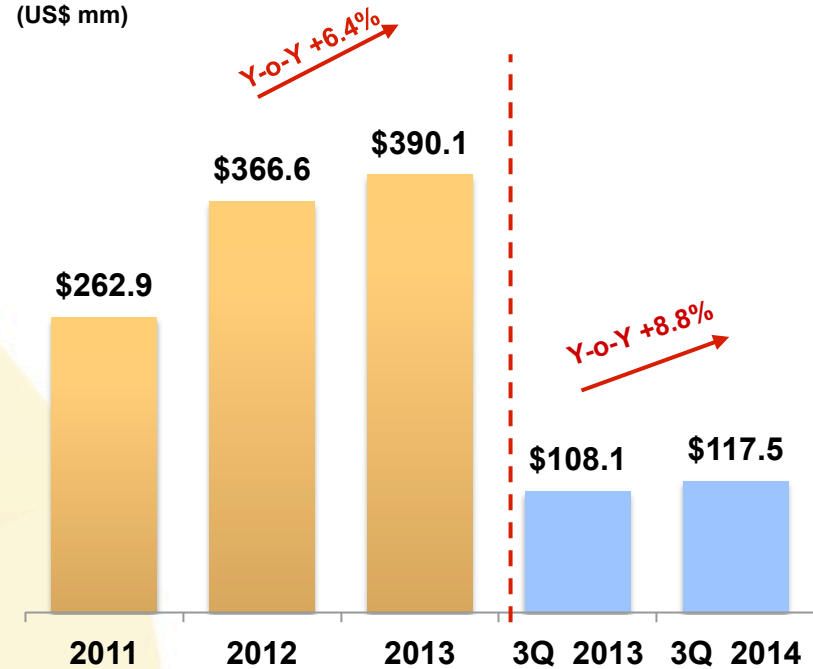
Cash Position*

(US\$ mm)



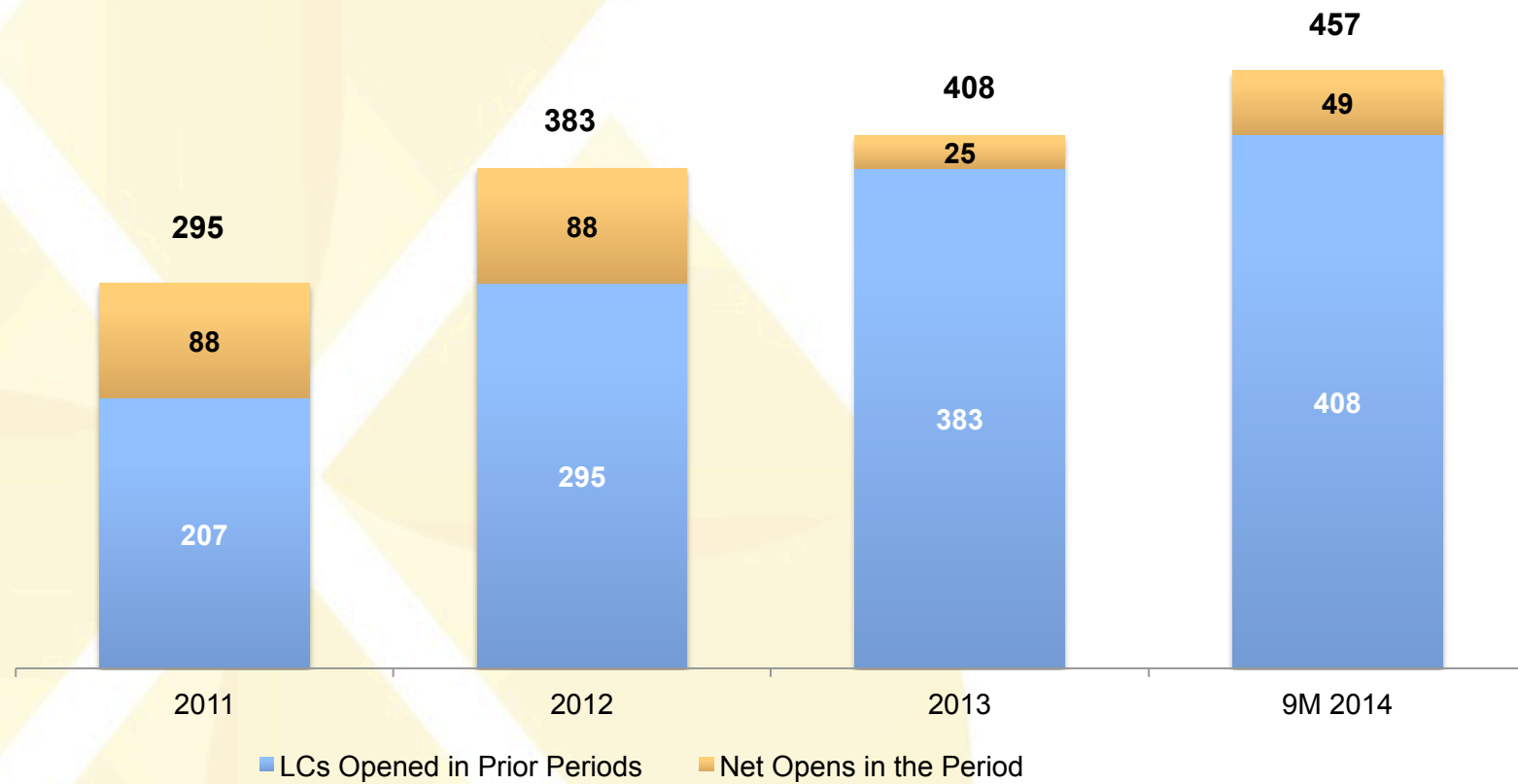
Cash Collections

(US\$ mm)



* Cash, cash equivalents and short term investment, net of dividends payable.

Learning Centers Network



Guidance

Fourth Quarter and Full-Year 2014



Fourth Quarter and Full-Year 2014 Guidance



4Q 2014	Guidance	Y-o-Y Change
Net Revenues	At least \$59.4 million	<i>Approx. -14.1%</i>
Non-GAAP EPADS*	Approx. -\$0.25	<i>N.A.</i>

FY 2014	Guidance	Y-o-Y Change
Net Revenues	At least \$338.0 million	<i>Approx. -2.6%</i>
Non-GAAP EPADS**	Approx. -\$0.06	<i>N.A.</i>

*Non-GAAP diluted net loss per ADS estimate for 4Q 2014 assumes weighted average basic ADSs of 62.4 million.

**Non-GAAP diluted net loss per ADS estimate for FY2014 assumes weighted average basic ADSs of 63.5 million.

Thank you!

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