



Xueda Education Group

Fourth Quarter and Full-Year 2013

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This presentation contains statements that may constitute “forward-looking statements” (as defined in the U.S. Private Securities Litigation Reform Act of 1995), regarding the intent, belief or current expectations of Xueda and its management with respect to its financial condition and results of operations. In many cases but not all, these statements contain words such as “anticipate”, “believe”, “estimate”, “expect”, “intend”, “may”, “plan”, “probability”, “risk”, “project”, “should”, “seek”, “target” and similar expressions. These forward-looking statements are based on a number of assumptions about the Company’s operations and other factors, and risks and uncertainties, many of which are beyond the Company’s control, and accordingly, actual results may differ materially from these forward-looking statements. Further information regarding these and other risks, uncertainties or factors is included in our filings with the U.S. Securities and Exchange Commission. Any forward-looking statements and projections made by others in this presentation are not adopted by the Company, and the Company is not responsible for the forward-looking statements and projections of others. Except as otherwise required by applicable securities laws, the Company has no obligation and does not undertake to update or revise any forward-looking statements to reflect future events or circumstances.

Information on the calculation of non-GAAP financial measures referred to in this presentation can be found in the company’s quarterly results press releases, which can be found in the investor relations section on our website: www.xueda.com.

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Overview



Company

- Xueda Education Group (“Xueda”)
- Established in 2001
- Headquartered in Beijing, China

Business

- A leading national provider of personalized tutoring services for primary and secondary school students in China

Exchange / Ticker

- NYSE / “XUE” (Listed and Traded: November 2, 2010)

Capital Structure (As of March 3, 2014)

- 1 ADS = 2 ordinary shares
- Price: \$5.62
- 52-week Range: \$2.63 - \$7.70
- ADS Outstanding (Diluted): 66.5 million
- Market Cap: ~\$374 million

Selected Full-Year 2013 Financials

- Net Revenues: \$347.0 million, Up 18.4% Y-o-Y
- Gross Margin: 30.9%, Up 580 bps Y-o-Y
- Non-GAAP Net Income: \$21.5 million, Up 319.7% Y-o-Y
- Cash, Cash Equivalents and Short-term Investments: \$246.7 million

Value Proposition



Xueda Education Group is a leading national provider of personalized tutoring services



Xueda is the largest provider of personalized tutoring services for primary and secondary school students in China

Unique market position to benefit from the large and rapidly growing private education sector in China

Differentiated, personalized one-on-one service model with strict quality control through standardized operating platform

Leading national brand, with high customer loyalty and solid student outcomes

Track record of robust revenue growth with margin expansion potential



Industry Overview

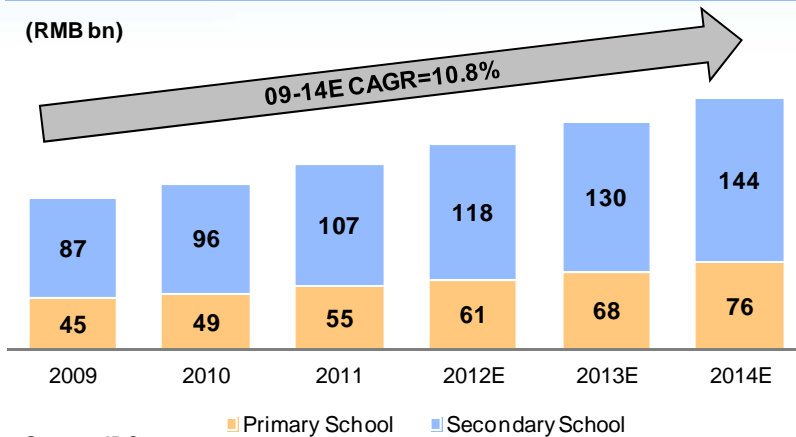
Chinese Education Industry

Large and Under-Invested Market

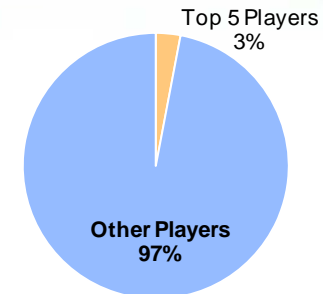


China's Primary and Secondary Tutoring Market

(RMB bn)



Highly Fragmented Tutoring Market in China

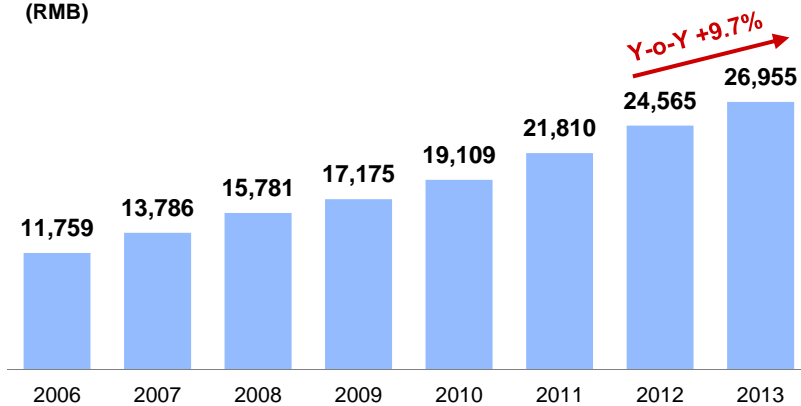


Leaders best positioned for market share gains from:

- Regional players
- Individual tutors

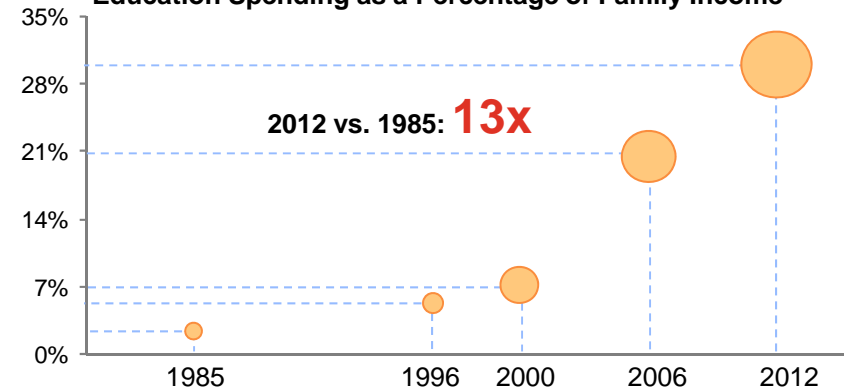
China Per Capita Disposable Income of Urban Households

(RMB)



Increasing Family Spending

Education Spending as a Percentage of Family Income



Source: Hexun.com (China Education and Research NetWork)/ People's Daily Online

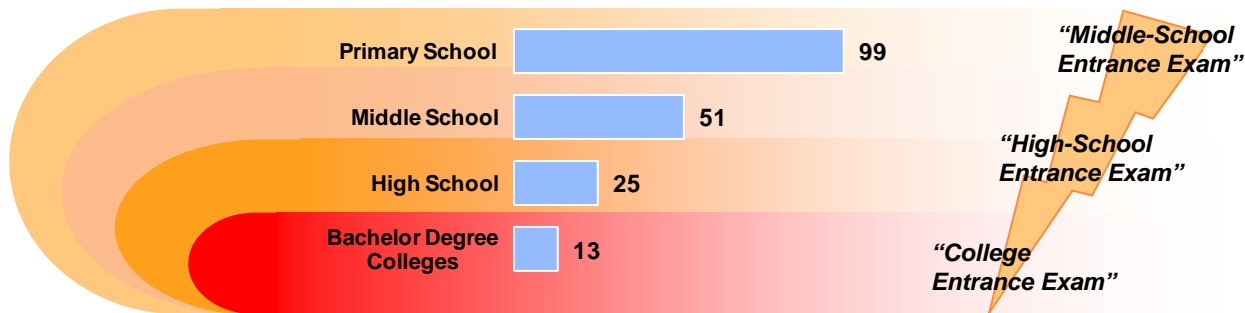
Chinese Education Industry

Examination-Focused Education System Drives Demand



Why Private Education is so Important in China?

China Education Mechanism and Admission Exams



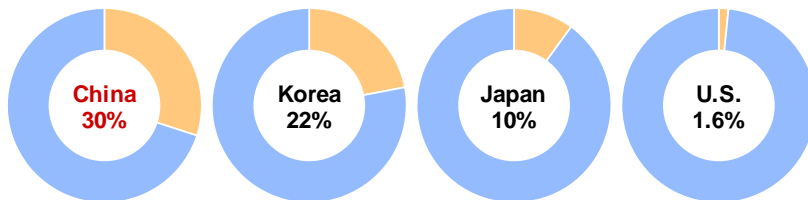
2011 student number in millions from statistics by Ministry of Education of the People's Republic of China



Education Expenditures as % of Household Income¹

30% - Nearly 1/3 of household income spent on education

The highest education expenditure ratio in Asia

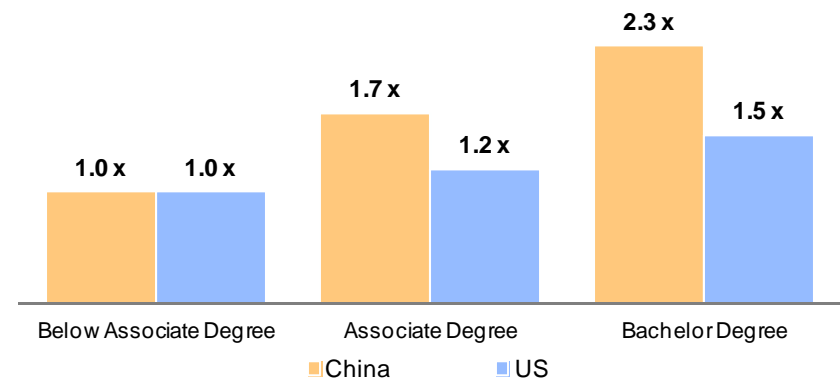


1. Source: Hexun.com, China Education and Research Network, People.com.cn

2. US Department of Labor, ChinaHR.com, US Census Bureau, Economist Intelligence Unit, IDC

Higher Education = Higher Wage

Average Annual Salary Differentials by Education Degree²



Chinese Education Industry

Government Support and Healthy Industry Dynamics



Ministry of Education of the People's Republic of China recently:

- Re-emphasized government support for the development of private education
- Encouraged private education enterprises to voluntarily establish a Self-Discipline Agreement (Code of Conduct) for private tutoring industry

Xueda has been actively promoting industry best-practices for the private tutoring sector

- On February 28th, 2013, Ministry of Education designated Xueda as the leader to organize the signing of Self-Discipline Agreement by 17 private tutoring enterprises
- The Agreement emphasizes best-practices in the following areas:
 - Qualification —Service —Quality —Fees
 - Safety —Competition —Cooperation



Company Overview

Who We Are



Our Position

- **The largest provider** of tutoring services for primary and secondary school students in China, in terms of revenue and nation-wide network

Our Market

- Targeting **200 million** students at primary and secondary schools in China as of 2012¹
- China tutoring services for primary and secondary school students market size of around **US\$32 billion** in 2013²

Our Business

- Differentiated, personalized tutoring services
- **US\$347.0 million** net revenues in 2013

Our Network

- **Organically** developed **nationwide** network
- Well-diversified learning centers, covering **77** cities as of December 31, 2013

Our People

- **Approximately 8,700** full-time instructors, and **16,300** full-time employees in 2013 on average

Our philosophy of "teaching tailored to each student's aptitude" ensures holistic growth

1. Source: Deloitte Touche China Private Education 2012
2. Source: IDC, National Bureau of Statistics of China

Competitive Advantages



#1

Extensive National Learning Center Network

#2

Highly Recognized National Brand

#3

Standardized Scalable Operating Platform

#4

Differentiated, Personalized Service Model

#5

Expertise in Building and Managing a Large Full-time Service Team

#6

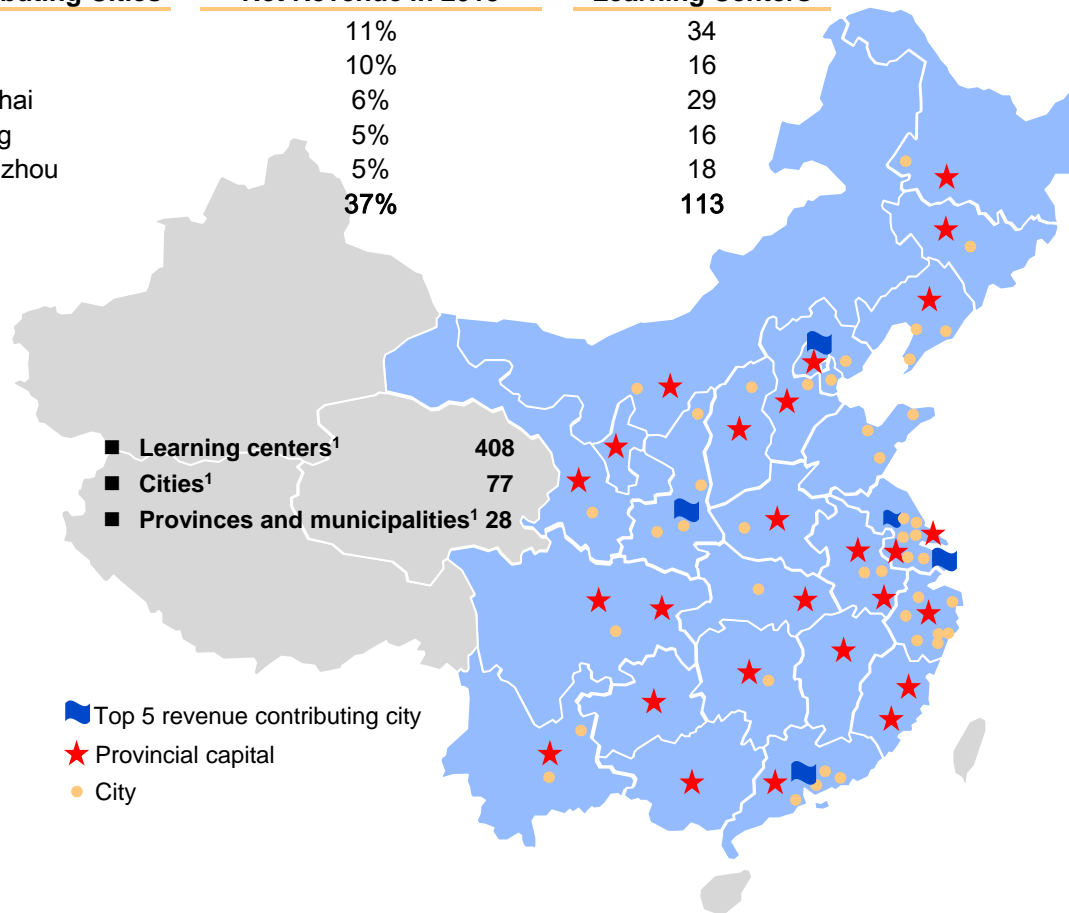
Seasoned Management with Proven Success

#1 Extensive National Learning Center Network



Well-Balanced Network

Top 5 Revenue Contributing Cities	Contribution to Net Revenue in 2013	Number of Learning Centers
Beijing	11%	34
Xi'an	10%	16
Shanghai	6%	29
Nanjing	5%	16
Guangzhou	5%	18
Total	37%	113



Suzhou Pingjiang Learning Center



Dalian Wusi Square Learning Center



Learning Center Interior View



1. As of December 31, 2013

#2 Highly Recognized National Brand



“2012 Leading Educational Institution In China”

— Sina, December 2012



“2012 Most Recognized Brand In After-School Tutoring by Parents”

— China.com.cn, January 2013



“2012 Best Word-of-Mouth Reputation And Most Influential After-School Tutoring Institution”

— Sina, December 2012



“2012 Most Influential After-School Tutoring Institution”

— China Education Online, December 2012



“2012 Top 10 Best After-School Education Brand”

— NetEase, December 2012



“2012 “Five-Star Gold Medal” After-School Tutoring Team”

— Sina, September 2012



#3 Standardized Scalable Operating Platform



Robust Information Technology Support

- Advanced proprietary ERP system
- Real-time tracking of operational metrics
- In-depth data analysis to support managerial decision-making

Disciplined Tutoring Process

- Personalized assessment by trained consultants
- Personalized study plan jointly crafted by education consultant, instructor and study counselor
- On-going communication with parents by study counselors

Centralized Knowledge and Content Management

- Dedicated research and development team
- Comprehensive educational resource database
- Centralized course development

Standardized Operational Support

- Systematic human resource management
- Centralized procurement and construction management
- Centralized cash collection management



ERP Sample 1: Contract Renewal Analysis



ERP Sample 2: New Contract Analysis

#4 Differentiated, Personalized Service Model



WHO WE SERVE

- Every student in primary to high schools
- Every student seeking personalized tutoring



WHAT WE OFFER

- Personalized tutoring experience
- Dedicated service team
- On-going parental involvement
- Well-rounded approach



HOW WE DO IT

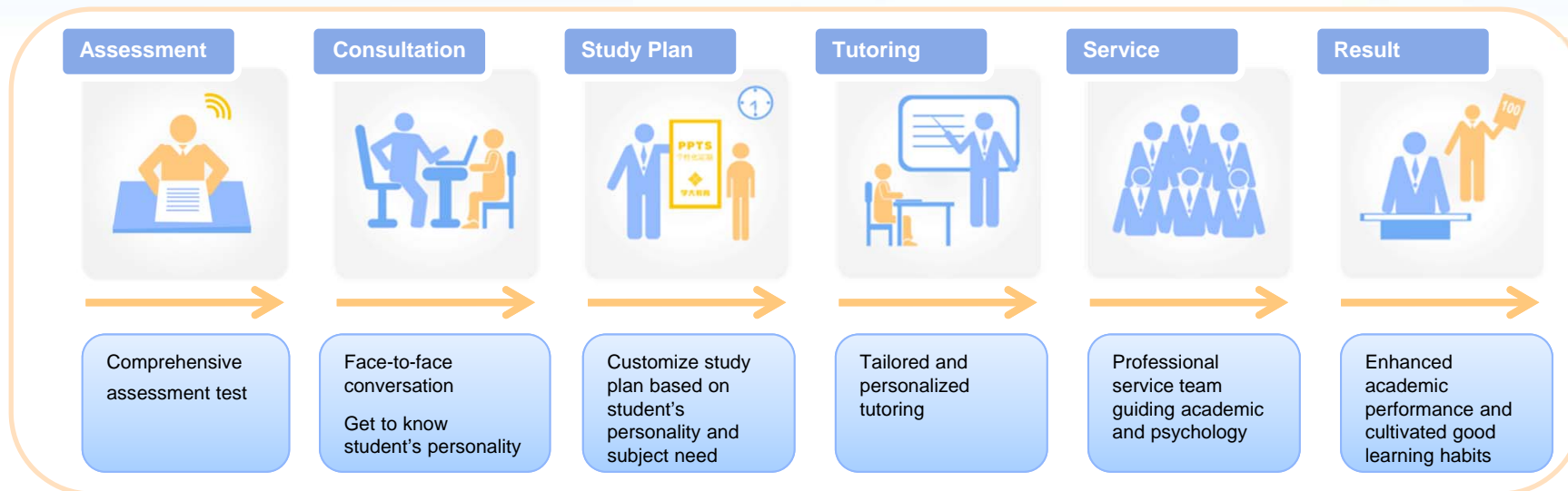
- Consultation and Assessment
- Formulation of Customized Study Plan
- Personalized Tutoring
- Delivery of Support Services



#4 Differentiated, Personalized Service Model (Cont'd)



Personalized Service Model



Xueda's PPTS System

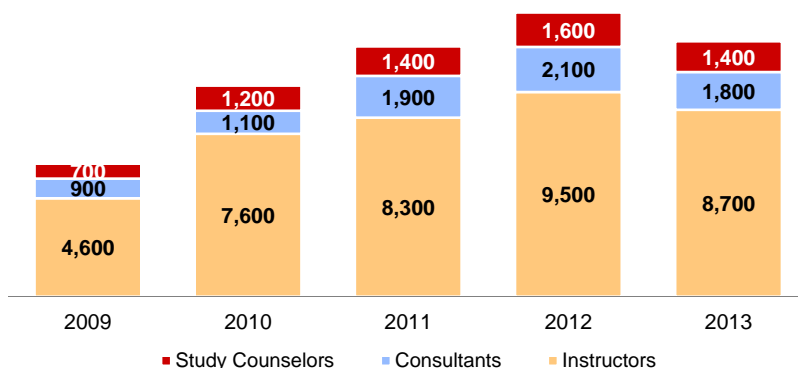


#5 Expertise in Building and Managing a Large Full-time Service Team

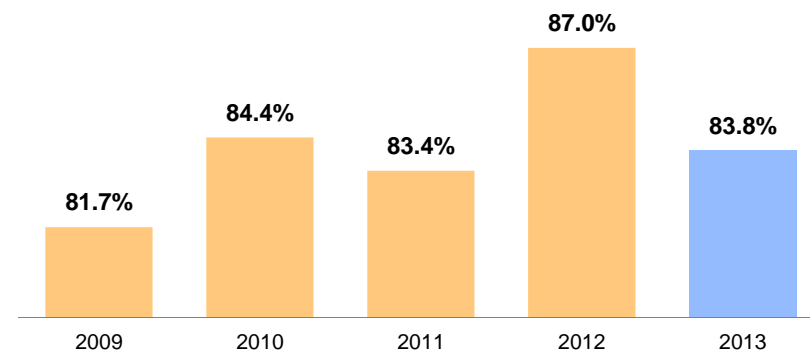


Strong, Full-time Instructional Workforce

~Approx. 11,900 full-time teaching staff



Deliver significant majority of course hours



Established HR System with Proven Track Record

Recruiting

- Well-defined recruiting criteria
- Very selective process
- On-campus recruiting
 - SEED student scholarship
 - Training Program built in college curriculum
- Scalability of part-time workforce

Training

- New-hire training
- Ongoing weekly training at all levels
 - National
 - Regional
 - Learning centers
- Regular teaching research
- Mentor for tutors

Career Development

- Well designed career ladder
- Growth & transfer opportunities
- Customer satisfaction and quality of service oriented KPIs

Compensation

- Competitive compensation
 - Base + incentive structure
- Performance driven
 - Course hours delivered, as well as total contract value signed / renewed
 - Higher customer satisfaction rate/ student performance improvement reward

#6

Seasoned Management with Proven Success



Industry Experienced and Professional Management Team



Xin JIN
CEO & Co-founder

- Served in various Company management positions since 2002, including General Manager and Co-President



Christine LU-WONG
CFO

- CFO since November 2012
- 19 years of finance operation and management experience in multi-national companies in US and US-listed companies in China
- California CPA

Sophisticated Sponsors with Proven Track Record



WARBURG PINCUS



Zhijun DIAO
VP, Sales & Marketing



Wei ZHANG
VP, Customer Service & Quality Control



Wenbin XU
Sr. Director, Tutoring Management & Academic Material R&D



Maria JIN
Sr. Director, Human Resources

Entrepreneurial, Results-Oriented Regional Management Team

- 30+ General Managers in charge of regional subsidiaries
- A young, home-grown management team with shared educational philosophy and core values



Financial Overview

Fourth Quarter and Full-Year 2013

Management Discussion:



Xin Jin – Xueda Co-Founder & Chief Executive Officer

“2013 was a transformative year for Xueda. We began 2013 with a clear and focused goal to increase profitability. Our FY2014 results demonstrate we executed well against this goal.

We aim to capture the gains of 2013 and add to them by setting “Healthy Growth and Sustained Profitability” as our operational goal for 2014.”



Christine Lu-Wong – Xueda Chief Financial Officer

“I’m excited to report results for the fourth quarter and full-year 2013 because they reflect our 2013 “Focus on Profit” strategy was successful and we have delivered on our promise to investors.

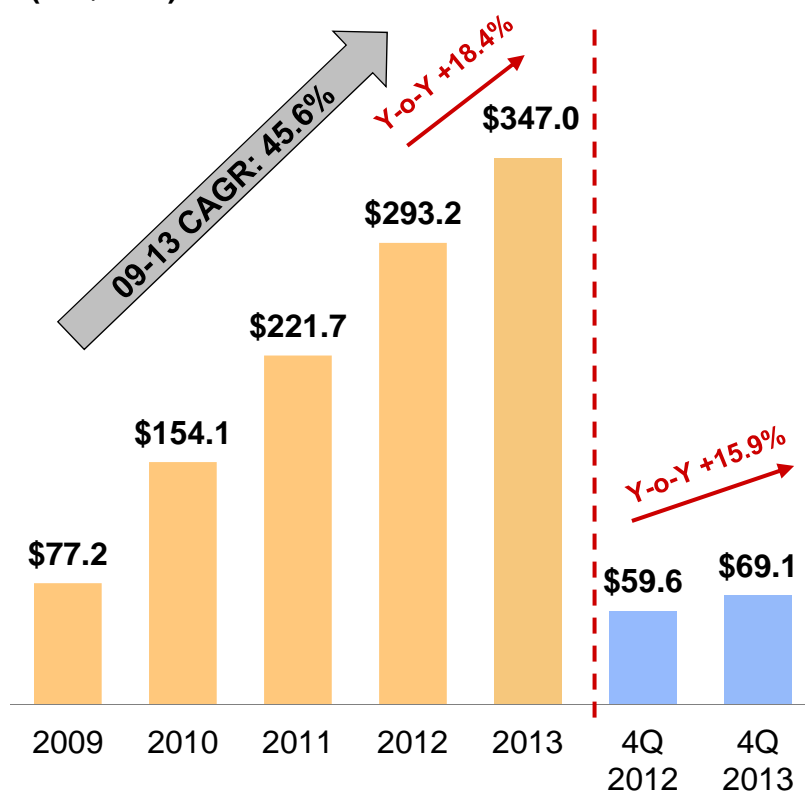
Now, it is time to sail forward demonstrating to shareholders that Xueda can grow at a healthy rate while at the same time sustaining profitability.”

Healthy Revenue Growth



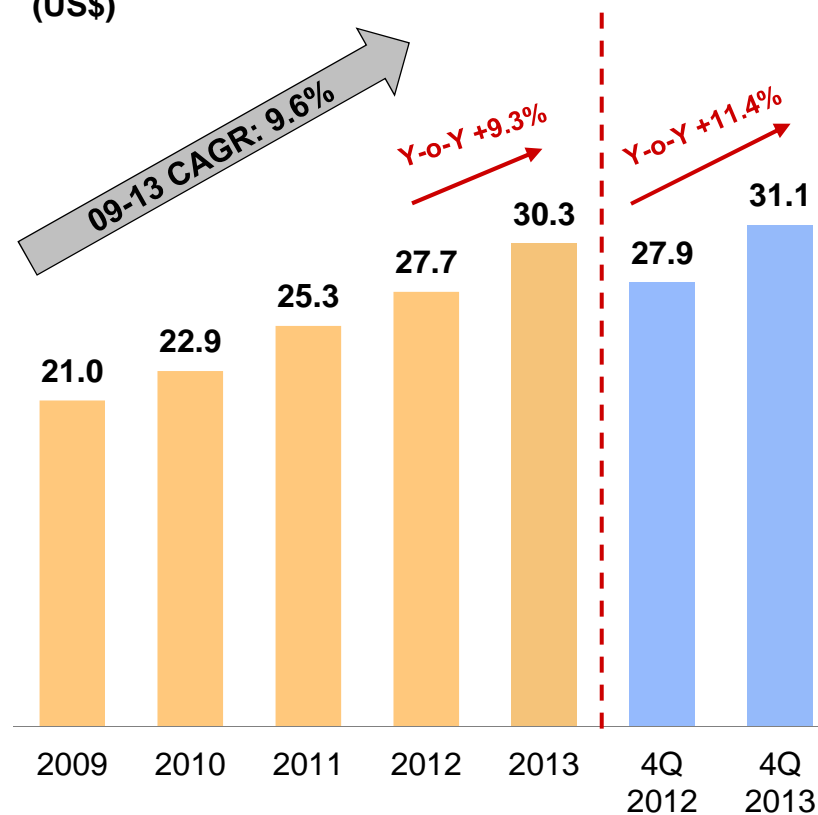
Healthy Revenue Growth

(US\$ mm)



Average Hourly Course Fee

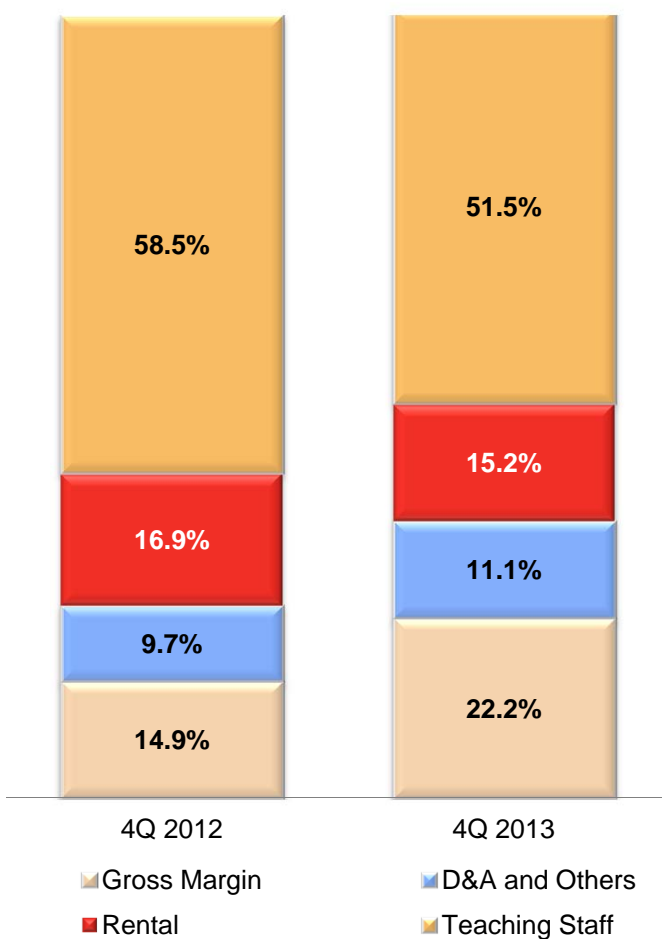
(US\$)



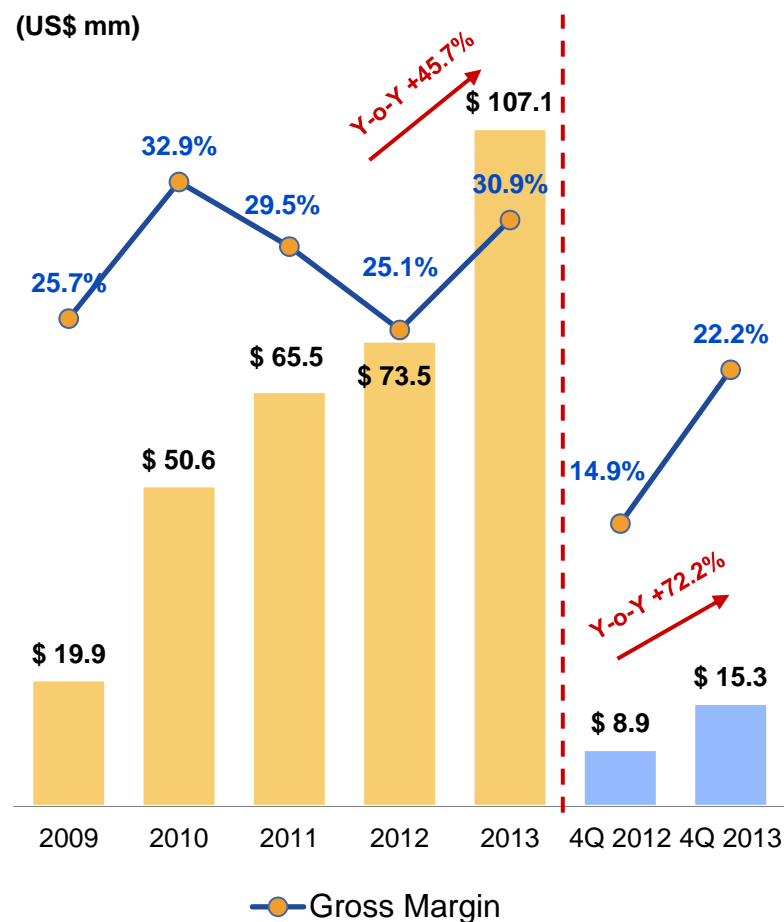
Significantly Improved Gross Margin



Cost Structure Improvement



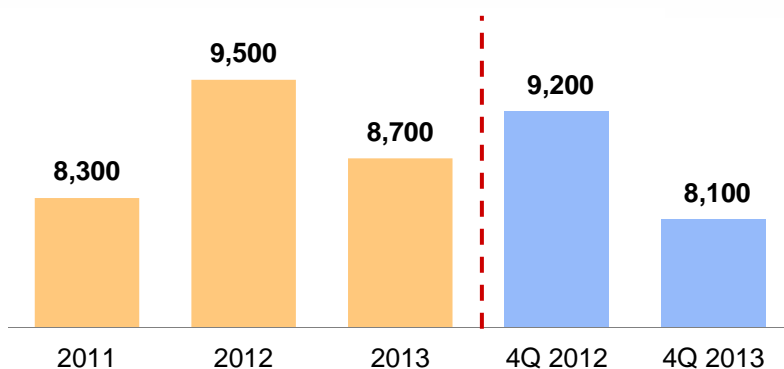
Gross Profit and Gross Margin



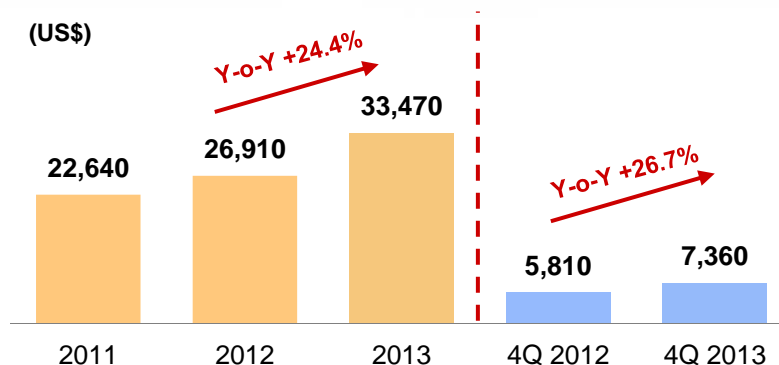
Improved Labor and Space Utilization Efficiencies Continue to Drive Greater Profitability



Average Full-time Instructor Headcount*

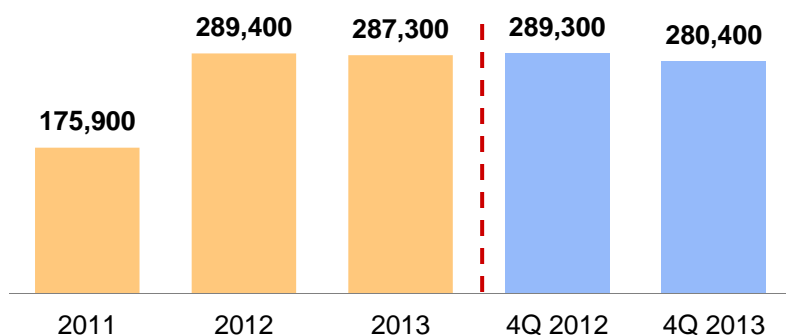


Net Revenue per Full-time Instructor

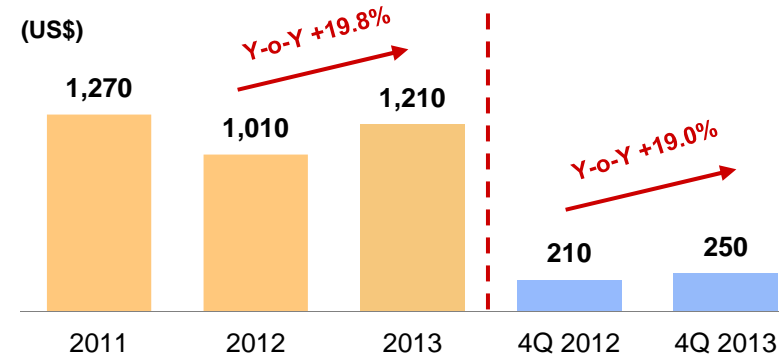


Average M² of LC*

(Square meter)



Net Revenue per M² of LC



* Rounded

Optimizing Operating Leverage



	FY2013	FY2012	Y-o-Y Chg. %	4Q2013	4Q2012	Y-o-Y Chg. %
Non-GAAP G&A Expense	\$46.9M	\$43.1M	+8.8%	\$10.8M	\$12.0M	-9.8%
As % of Total Net Revenue	13.5%	14.7%	-120 bps	15.7%	20.1%	-440 bps
Non-GAAP S&M Expense	\$36.3M	\$31.3M	+15.6%	\$7.9M	\$6.8M	+16.2%
As % of Total Net Revenue	10.5%	10.7%	-20 bps	11.4%	11.3%	+10 bps
Non-GAAP Net Income (Loss)	\$21.5M	\$5.1M	+320%	\$(2.7M)	\$(7.3M)	N.A.
Non-GAAP Diluted Income (Loss) per ADS	\$0.32	\$0.08	+300.0%	\$(0.04)	\$(0.11)	N.A.

Quick Review of Cash Position & Regular Annual Dividend



	FY2013	FY2012	YoY Change Percentage
Cash, Cash Equiv., ST investment	\$246.7M	\$215.4 M*	+14.5%
Estimated Cash per ADS	\$3.71	\$3.31	+12.1%

Returning Value to Shareholders

Board of Directors has authorized and approved the Company's payment of a regular annual dividend of \$0.16 per ADS, or \$0.08 per common share (each ADS represents two ordinary shares).

2013 Dividend:

- \$0.16 per ADS, or \$0.08 per common share
- Total cash payment of US\$10.7 million
- Date of record: March 28, 2014
- Payment date: on or about April 15, 2014

**net of dividends payable*



Guidance

First Quarter and Full-Year 2014

First Quarter and Full-Year 2014 Guidance



1Q 2014	Guidance	Y-o-Y Growth Rate
Net Revenues	At least \$83.9 million	<i>At least flat</i>
Non-GAAP EPADS*	At least \$0.06	<i>At least 20.0%</i>
FY 2014	Guidance	Y-o-Y Growth Rate
Net Revenues	At least \$394.0 million	<i>At least 13.5%</i>
Non-GAAP EPADS*	At least \$0.42	<i>At least 31.3%</i>

* Non-GAAP diluted net income per ADS estimate for 1Q&FY 2014 assumes an effective income tax rate of 20% on non-GAAP income before income tax and weighted average diluted ADSs of 69.6 million and 70.3 million, respectively.



Appendix

Inherent Seasonality in Education-Related Business



Seasonal Factors Affecting Individual Learning Centers

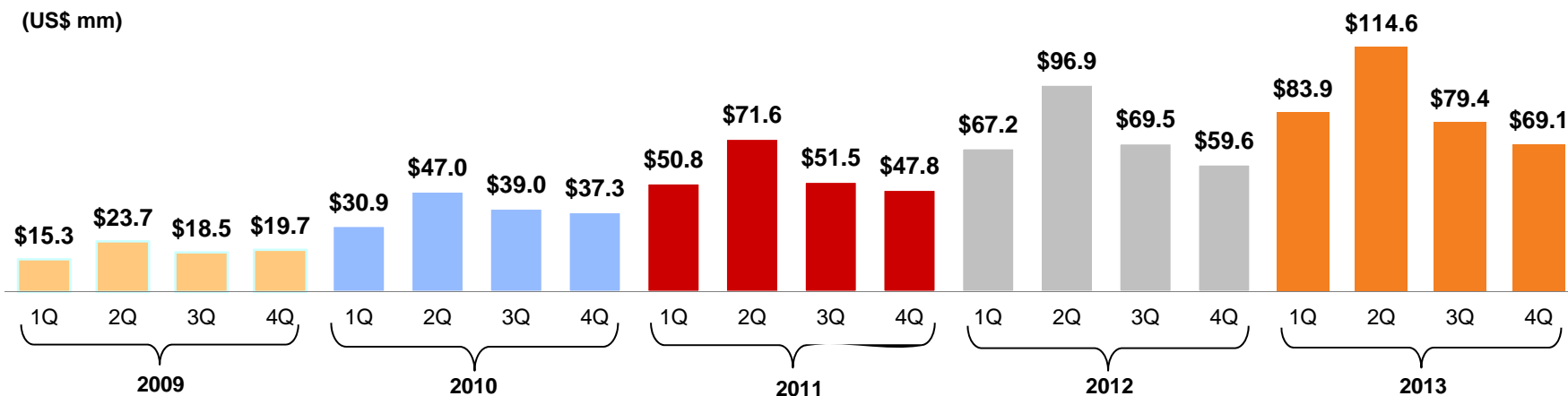
Public Holidays

Entrance Exams

Academic Calendar

Net Revenue Impacted by Seasonality

(US\$ mm)



Shareholder List



Founders, Management & Pre-IPO Investors

Co-founders¹	47.6%
Xin Jin	21.3%
Rubin Li	16.2%
Jinbo Yao ³	10.1%
Other Management³	3.5%
Pre-IPO investors	26.0%
CDH Xueda Limited ¹	14.8%
Warburg Pincus, LLC ²	11.2%
Total	77.1%

Top 5 Institutional Investors²

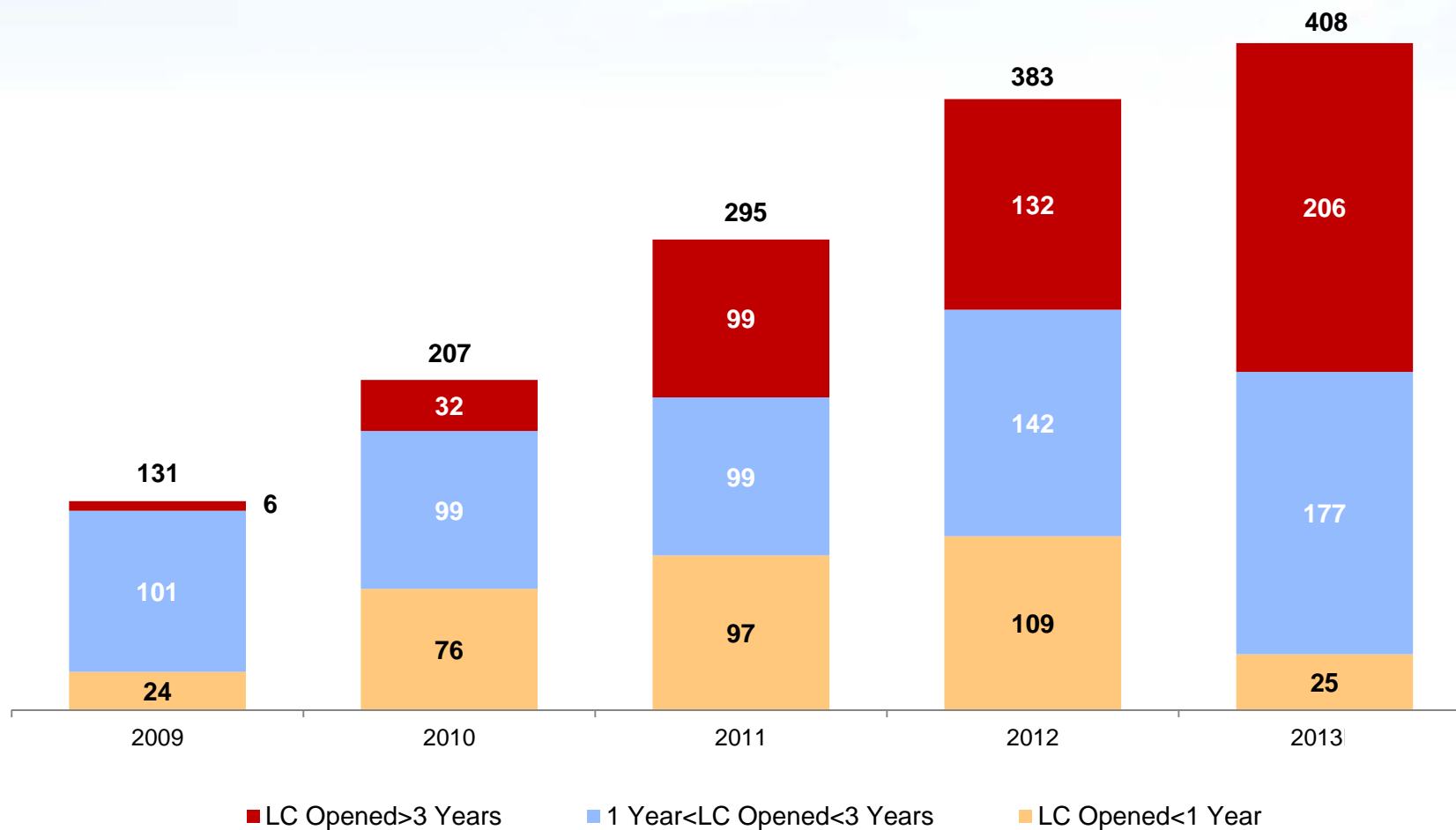
Fidelity Management & Research Company	5.7%
First Manhattan Co. Asset Management	2.4%
Wellington Management Company, LLP	1.3%
O'Shaughnessy Asset MGMT, LLC	0.6%
Weatherbie M A & Co., Inc.	0.6%
Total	10.6%

1. Based on Xueda's SC 13G/A reports for period ended December 31, 2013, filed with the SEC in February 2014

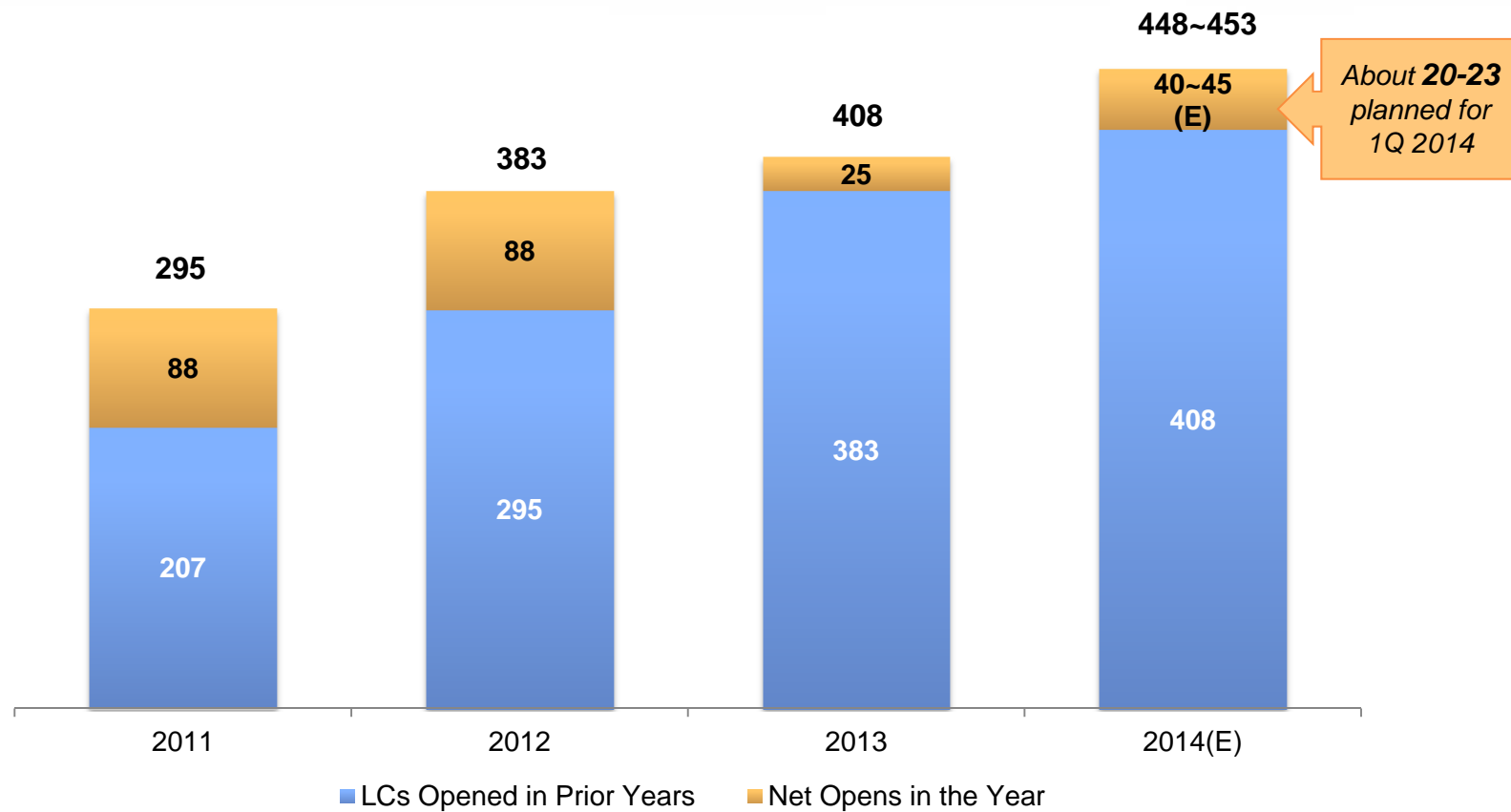
2. As of December 31, 2013, from Bloomberg

3. Based on Xueda's annual report on Form 20-F for the period ended December 31, 2012, filed with the SEC on April 3, 2013

Learning Center Mix by Maturity



Learning Centers Expansion Roadmap



Thank you!

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