Tedu.cn
达内教育

Investor Presentation

Nov 2015

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Presenters

Shaoyun HAN

Founder, Chairman, CEO

- Founder and CEO of Tarena since 2002
- Former deputy chief engineer and director of the software division of AsiaInfo-Linkage
- Bachelor's degree in Computer Application from Jilin University

Suhai JI

CFO

- CFO since 2013
- Former CFO of a NYSE-listed company, director in NYSE Beijing, VP / Associate in investment banking at Deutsche Bank Hong Kong
- MBA from Columbia Business School

Yuduo YANG

Co - CFO

- Co-CFO since 2015
- Former VP at Beijing Fengshun Lubao Car Auction Co. Ltd, finance director at Bybon Group Co. Ltd, finance manager at Google and Lucent Technologies, auditing manager at KPMG Beijing Office
- Bachelor's degree in Economics from Renmin University of China, MBA from Fordham University

Tarena's mission and vision

Our Mission…

To improve careers and change lives by delivering high quality professional education services

Our Vision…

To become the world's leading and most innovative professional education services provider

I. Company overview

Who we are

Innovative
Hybrid learning model

95%+
Student job placement rates[2]

14
11 IT subjects and 3 non-IT subjects[3]

Tedu.cn 达内教育 **#1**
IT professional education services provider in China[1]

A network of **~60,500** corporate employers[3]

128
Nationwide learning centers network[3]

270,000+
Trained students since inception

Source: Company filings, IDC report
1. Source: IDC, as measured by revenues in 2013
2. Four-month post-course job placement rates for students enrolled in 1H2015
3. Operating data as of Sep. 30, 2015. All learning centers are directly operated learning centers

Our value proposition

Students

Strong training and employment outcomes

Tedu.cn 达内教育

Access to trained human capital

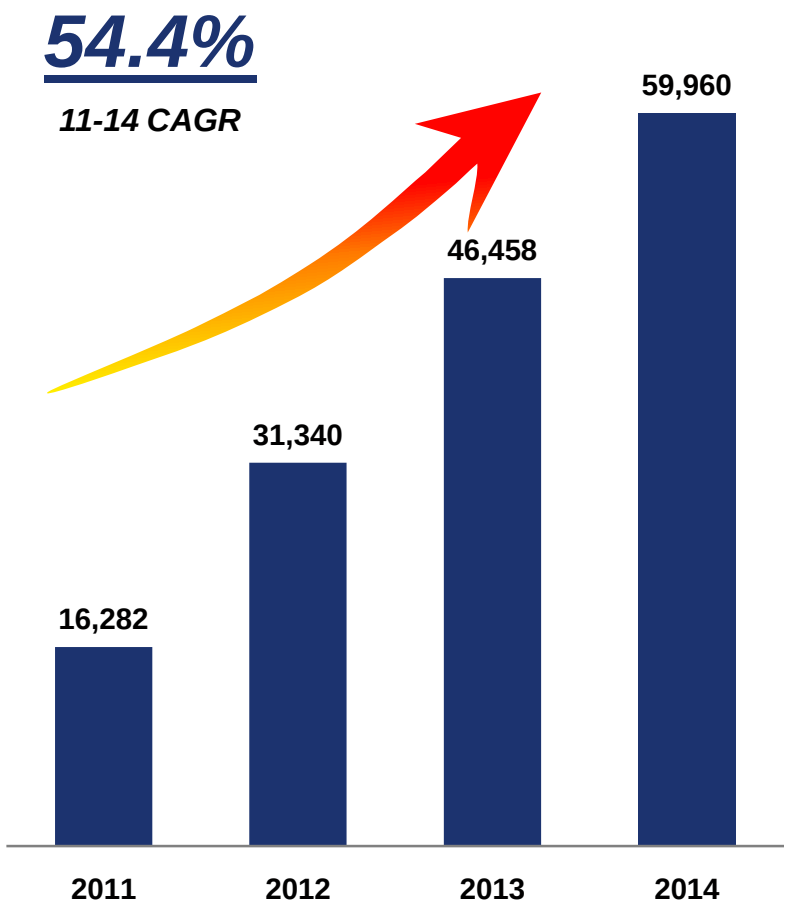
Employers

Increased graduate employment

Universities and colleges

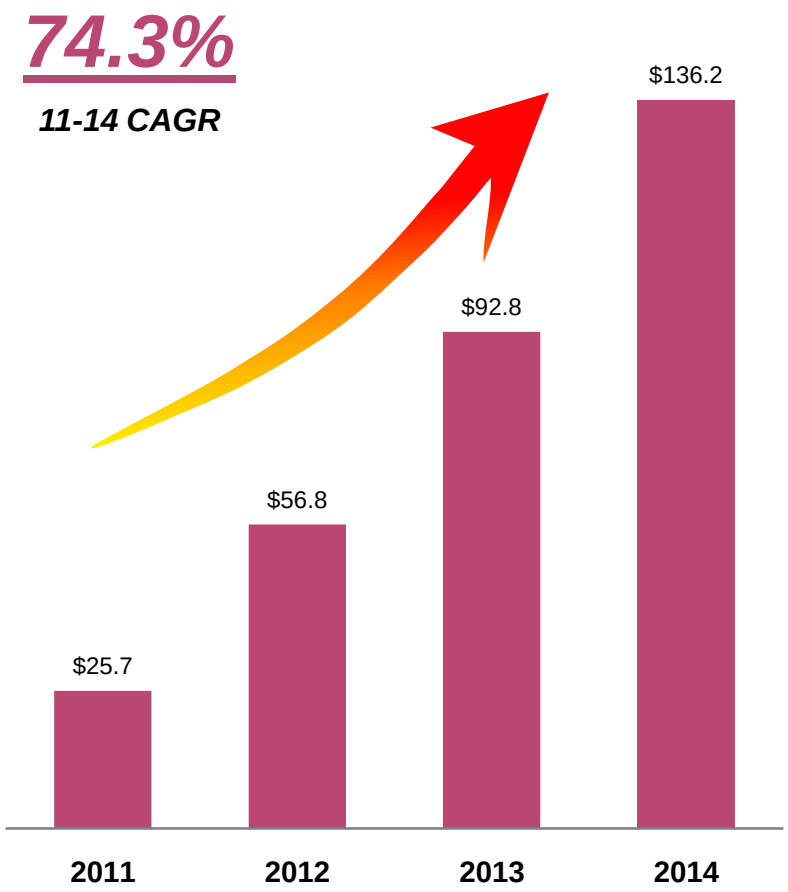
Our growth

Our student enrollments[1]



Our net revenues

(US$ mm)



Source: Company filings

1. Student enrollments throughout the presentation exclude student enrollments at the Company's two franchised learning centers in Xi'an

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II. Investment highlights

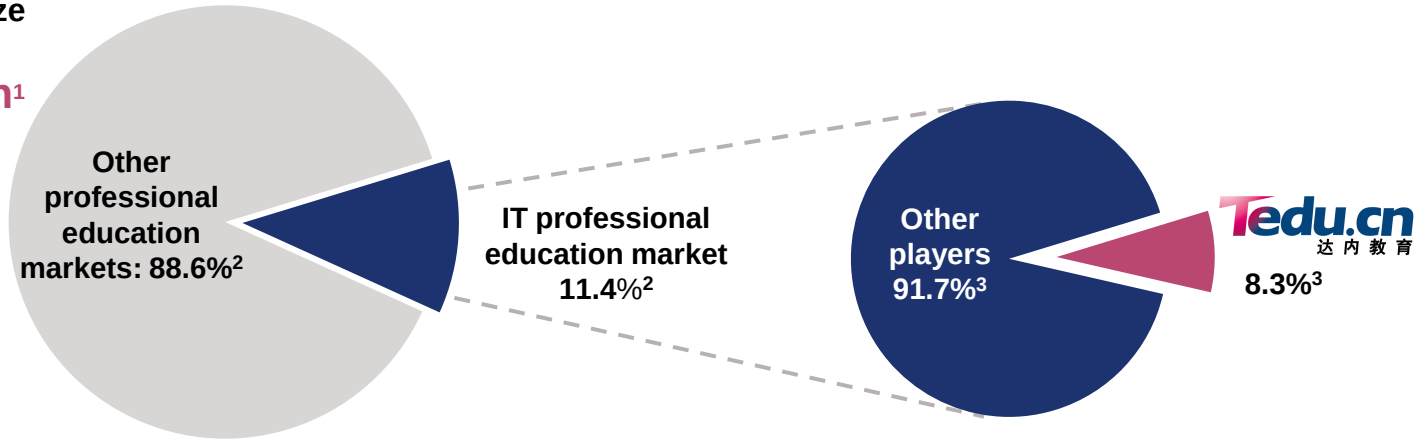
Investment highlights

1. Attractive market opportunities
2. Innovative and effective education platform
3. Scalable and efficient business model
4. Respected brand known for high quality professional education
5. Outstanding job placement record
6. Stable and experienced management team

1 Attractive market opportunities

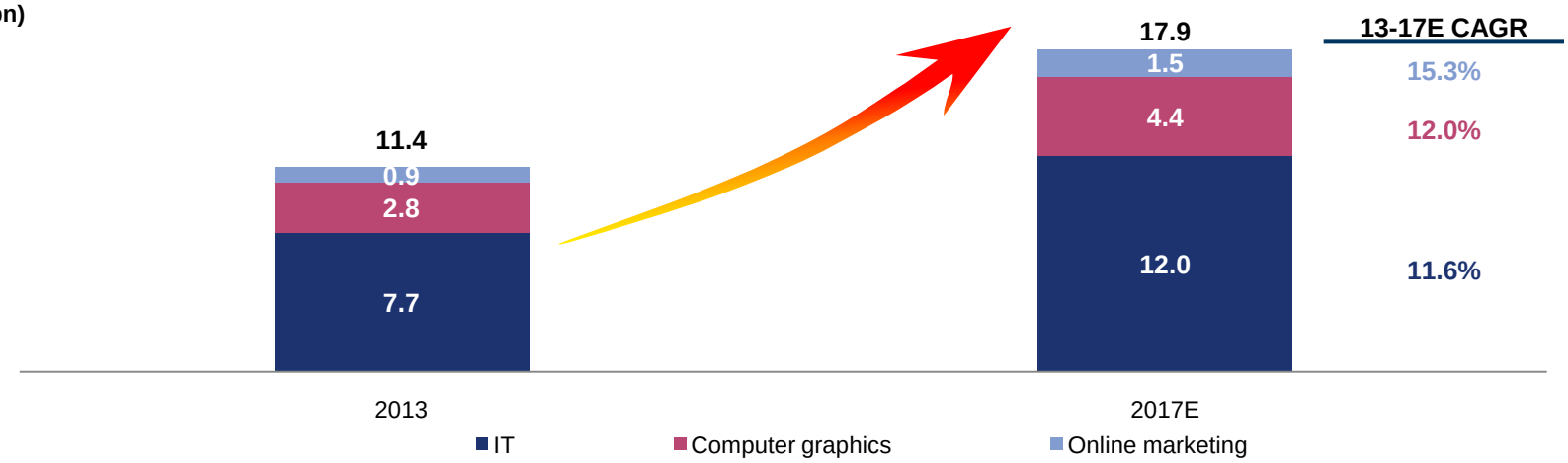
Significant growth opportunities

Total market size in 2013:
RMB67.5 bn[1]



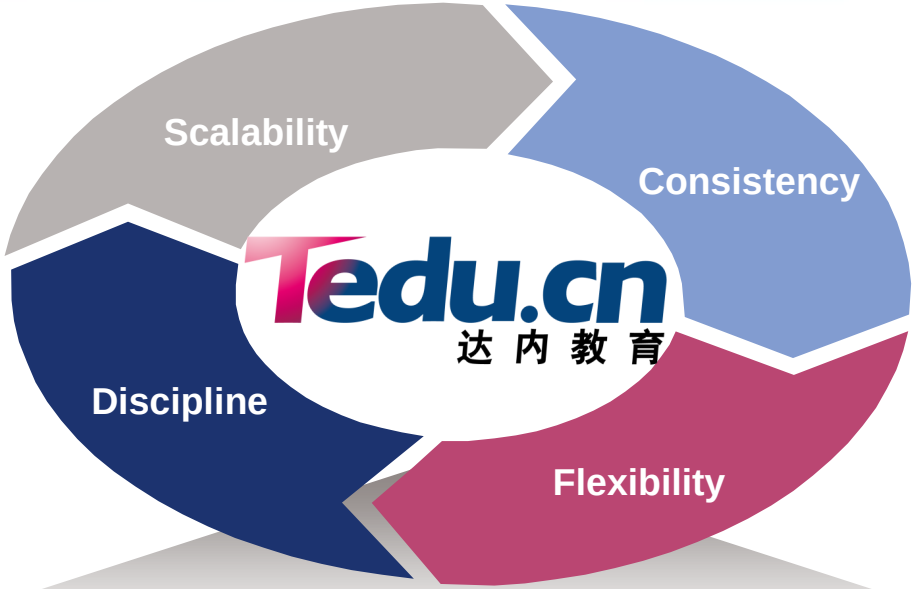
Large and growing addressable market[1]

(RMB bn)

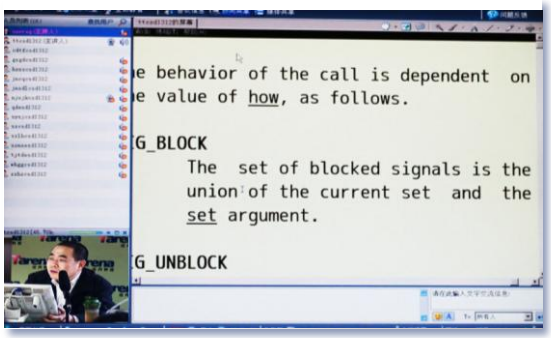


1. Source: IDC
2. Source: IDC, Professional education service market segment by revenues in 2013
3. Source: IDC, IT professional education market share by revenues in 2013

2 Innovative and effective education platform



Live distance instruction



Classroom-based tutoring

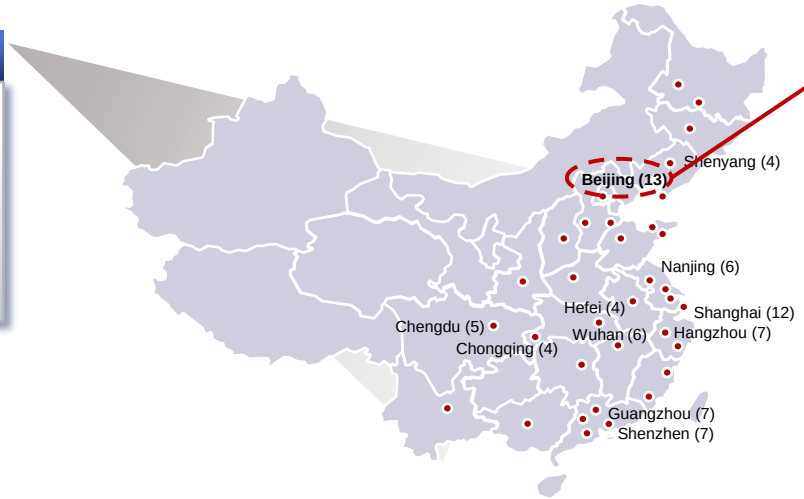
Online learning modules

3 Scalable and efficient business model

Organically developed nationwide network…

Learning center network

- **128 directly operated** learning centers covering **38** cities[1]
- New centers operational in **7 weeks** on average

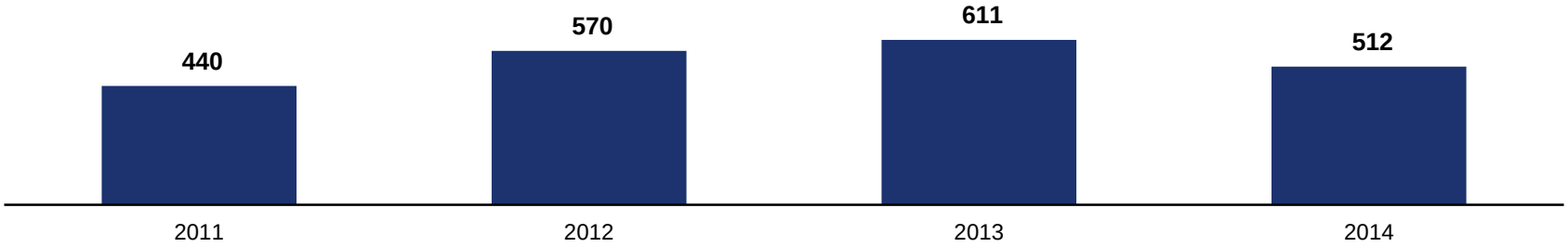


Headquarters in Beijing

- **167** instructors all based in Beijing[1]
- Centralized planning and control over nationwide network

… Proven to be scalable and efficient

Average student enrollments per instructor[2]



Source: Company filings
1. As of Jun 30, 2015
2. Defined as student enrollments in a year divided by the number of instructors as of the end of that year

4 Respected brand known for high quality professional education

High quality instruction

- Instructors with extensive industry experience
- Highly selective instructor hiring process
- Proprietary and comprehensive curricula

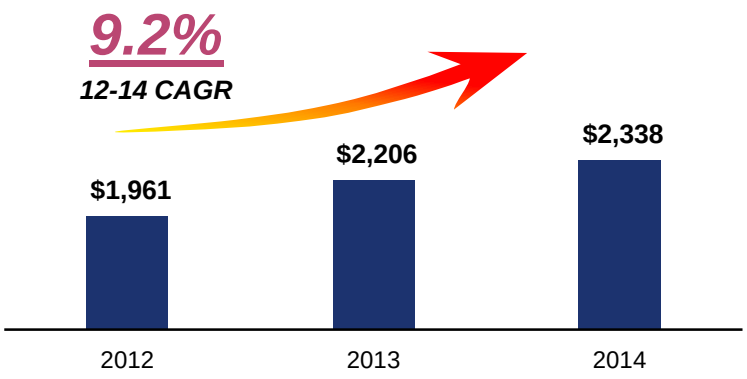
Outstanding brand recognition

- ***"Outstanding Training Institute"*** [1]
- ***"Professional Training Institute for Service Outsourcing Industry"*** [2]
- ***Winner of "Leading Enterprise in China Education Industry"*** [3]

Excellent track record of students' success

- Outstanding job placement record
- Strong commitment to career services for students

Average net revenues per course enrollment [4] (US$)



Source: Company filings, public information
1. "教育行业优秀培训基地", granted by Ministry of Industry and Information Technology of the PRC in 2013
2. "服务外包人才培训基地", granted by local Municipal Commissions of Commerce in 2012
3. "中国教育行业领军企业", granted by CCTV and New Champions Magazine in 2011
4. Defined as net revenues divided by course enrollments in corresponding periods

5 Outstanding job placement record

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270,000+
trained students since inception

A network of ~60,500 corporate employers[1]

95+%
student job placement rates[2]

Average starting salary 14.3% higher than national average[3]

Source: Company filings, IDC report
1. As of Sep 30, 2015
2. Four-month post-course job placement rates for students enrolled in 1H2015
3. The average starting salary of Tarena students enrolled in 2012 was 14.3% higher than the national average of college graduates in 2012. The national average salary comes from IDC

6 Experienced and stable management team

Mr. Shaoyun HAN
Founder, Chairman and CEO

Founded Tarena in 2002

Mr. Suhai JI
CFO

Joined Tarena in 2013

Mr. Yuduo YANG
Co-CFO

Joined Tarena in 2015

Ms. Ying SUN
Vice President

Joined Tarena in 2005

Mr. Yi LI
Vice President

Joined Tarena in 2008

Mr. Yinan QI
Vice President

Joined Tarena in 2007

Mr. Jiangyou WANG
Vice President

Joined Tarena in 2008

Source: Company filings

III. Growth strategies

Growth strategies

1. Grow student enrollments
2. Expand course offerings
3. Continuously enhance quality of education services
4. Expand corporate employer network

Grow student enrollments

Cities	Learning Centers	Java	C++	Digital Art	Software Testing	PHP	Embedded	Android	.NET	iOS	Linux and Network Engineering	Online Sales & Marketing	Accounting	Web Front	Big Data
Beijing	14	●	●	●	●	●	●	●	●	●	●	●	●	▲	▲
Shanghai	10	●	●	●	●	●	▲	●	●	●	●	●	●	▲	
Hangzhou	8	●	●	●	●	●	●	●		▲		●	▲	▲	
Shenzhen	7	●	●	●	●	●	●	●		●	●	●	▲	▲	
Guangzhou	7	●	●	●	●	●	●	●	●	●	●	●	▲	▲	
Nanjing	6	●	●	●	●		●			●	●	●	●	▲	
Wuhan	6	●	●	●	●	●	●	●		●		●	●	▲	
Chengdu	5	●	●	●		●		▲		▲		●	●	▲	
Chongqing	4	●		●		●	●	●		●		●	●	▲	
Hefei	5	●	●	●									▲		
Shenyang	4	●		●								●	▲		
Changsha	3	●	●	●								▲			
Zhengzhou	3	●		●		●	●	●		▲			▲		
Harbin	3	●	●	●								●		▲	
Changchun	3	●		●								●	●		
Jinan	3	●	●	●		●		▲		▲		●	▲		
Qingdao	3	●	●	●			▲		●			●	▲		
Nanchang	3	●	●	●						▲					
Dalian	3	●		●			●					▲	▲		
Kunming	2	●		●								●			
Tianjin	3	●		●								●			
Nanning	1	●		●								●			
Wuxi	2	●		▲											
Suzhou	2	●	●	▲											
Ningbo	1	●		●											
Shijiazhuang	1	●		●				▲		▲					
Fuzhou	1	●		●											
Xi'an	2			●	●	●		●		▲		●			
Zhuhai	1	●		●				▲							
Daqing	1	●		●											
Yantai	1	●		●											
Xiamen	2	●		●											
Taiyuan	3	●		●		●		▲					▲		
Lanzhou	1	●		▲											
Others*	4	●		●											

*Dongguan, Haikou, Guiyang, Weifang

● Existing course offerings in a city as of Dec 31 2014 ▲ New course offerings in a city in 2015 ▲ New course offerings in a city in 2015Q3

Source: Company filings

Grow student enrollments (cont'd)

Expansion in existing cities

Existing Learning Center (Course A)

↓

Existing Learning Center (Course A + Course B)

↓

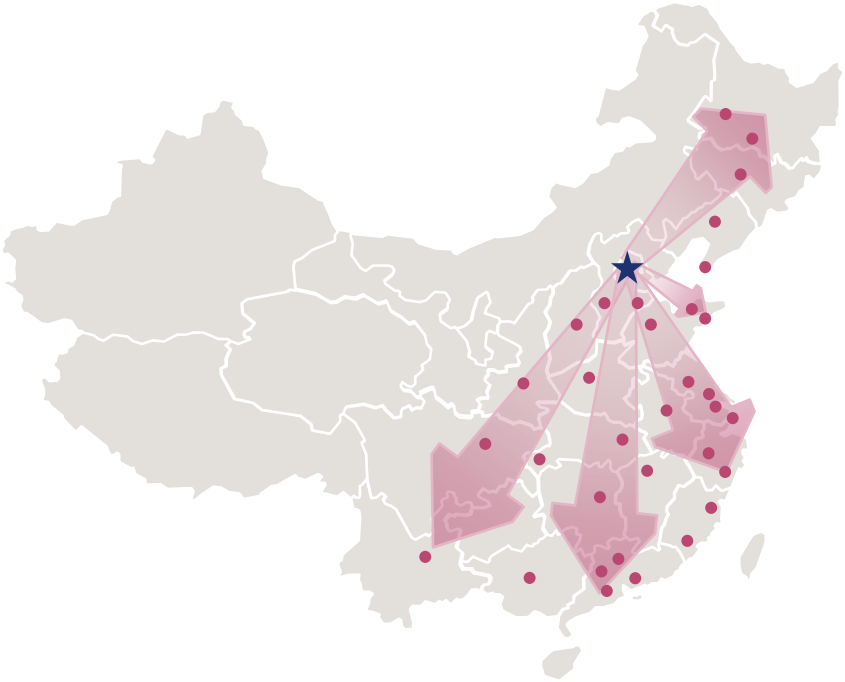
Existing Learning Center (Course A)

New Learning Center (Course B)

Network expansion in an existing city as result of growing student demand

Growing geographic footprint

14 Network Cities at the beginning of 2011 → 38 Network Cities at the end of 2015Q3



Source: Company filings

Expand course offerings

	2002	2007	2009	2010	2011	2012	2013	2014	2015	Future
Java	✓	✓	✓	✓	✓	✓	✓	✓	✓	
.NET		✓	✓	✓	✓	✓	✓	✓	✓	
C++			✓	✓	✓	✓	✓	✓	✓	
Software testing			✓	✓	✓	✓	✓	✓	✓	
Embedded			✓	✓	✓	✓	✓	✓	✓	
PHP				✓	✓	✓	✓	✓	✓	
Android					✓	✓	✓	✓	✓	
iOS						✓	✓	✓	✓	
Linux and network engineering							✓	✓	✓	
Digital art							✓	✓	✓	
Online sales and marketing							✓	✓	✓	
Accounting								✓	✓	
Web Front									✓	
Big Data									✓	

Management

+

Other new course development according to market needs

Strategic cooperation / acquisition

Source: Company filings

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IV. Financial highlights

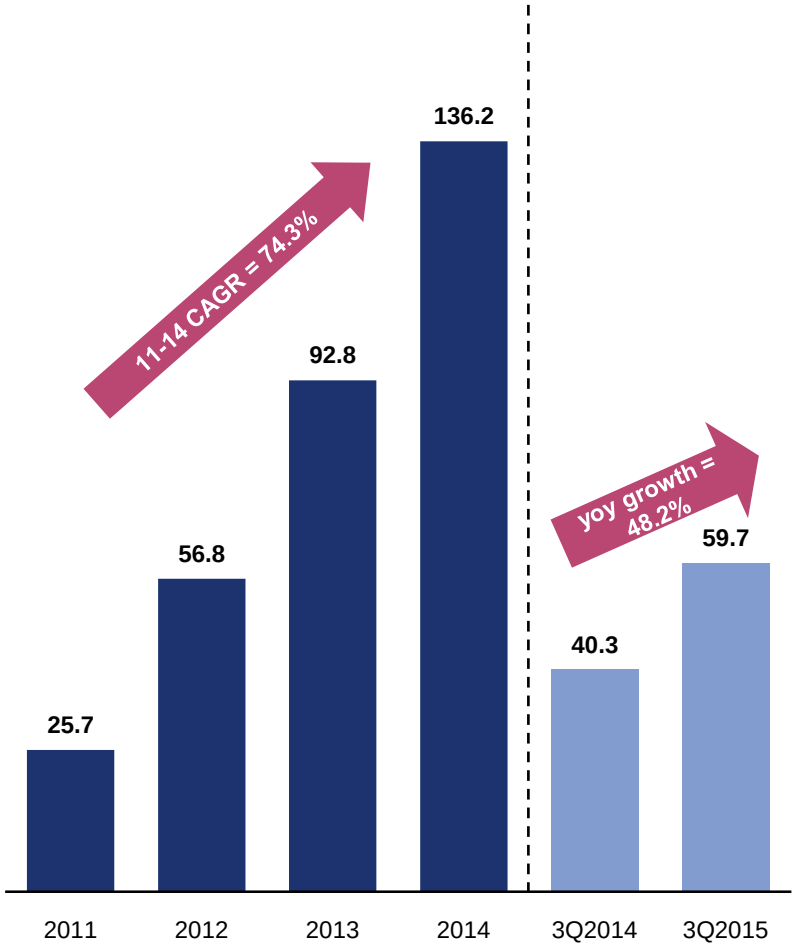
Financial highlights

1. Robust revenue growth
2. Scalable business model drives profitability
3. Solid cash flow generation

Robust revenue growth…

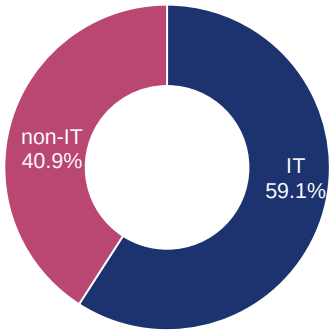
Total net revenues[1]

(US$ mm)



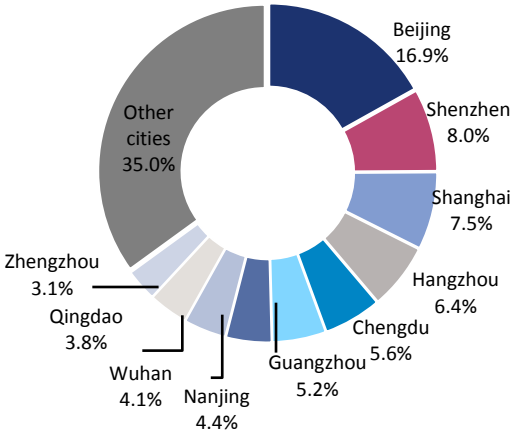
Enrollment contribution by IT and non-IT courses

Student enrollments by courses in 3Q2015



Enrollment contribution by geographic markets

Student enrollments by cities in 3Q2015

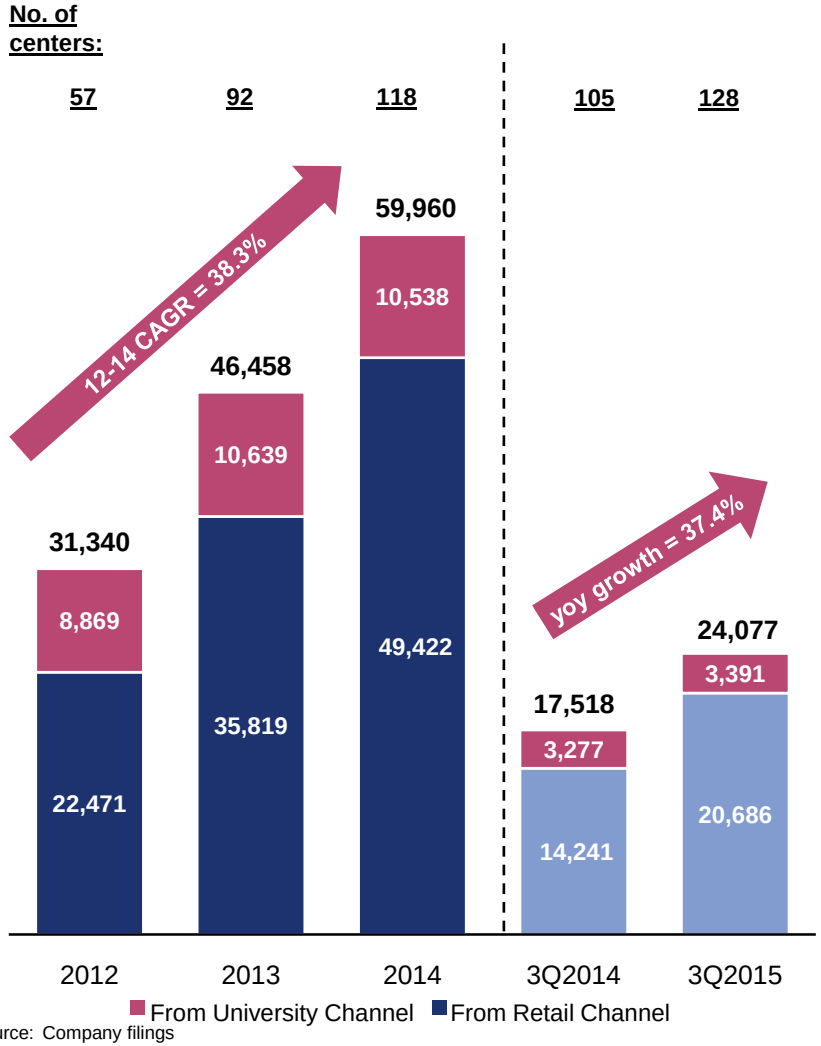


Source: Company filings

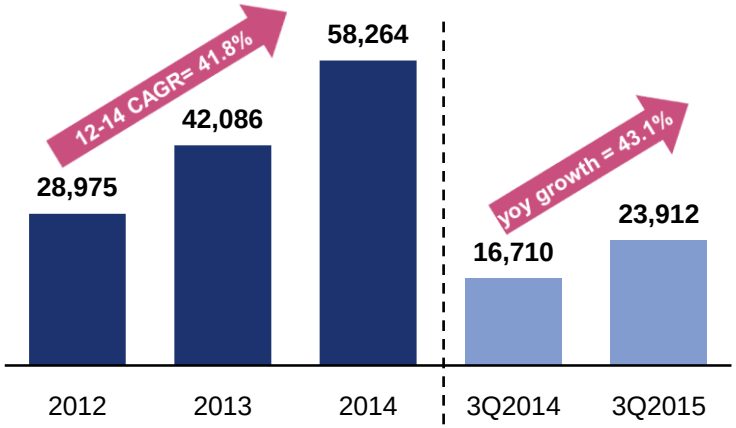
1. Including tuition fees, certification service fee, other revenues, net off business taxes and surcharges

…Driven by strong enrollments growth and ASP increase

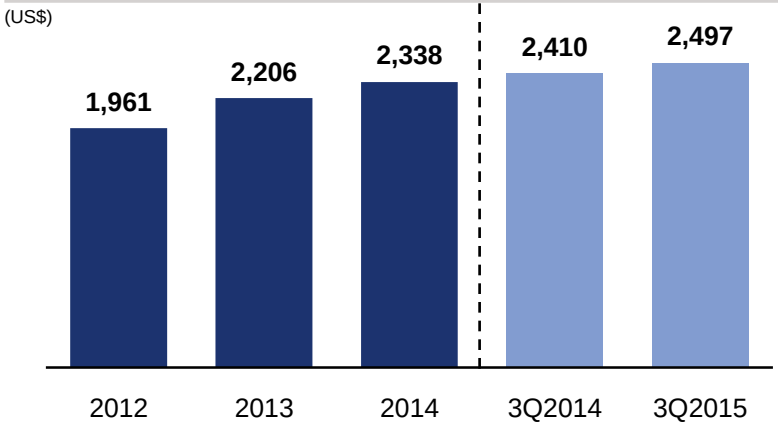
Number of student enrollments[1]



Number of course enrollment[2]



Average revenue per course enrollment[3]



Source: Company filings

1. The number of student enrollments from university channel is calculated by multiplying the percentage of student enrollments from universities and colleges which the Company cooperated with by the total student enrollments. The percentages were disclosed as 37.5%, 28.3%, 22.9% and 10.6% in 2011, 2012, 2013 and 2014 respectively. The number of student enrollments from retail channel is calculated by deducting the student enrollments from university channel from the total student enrollments
2. The number of course enrollment defined as the cumulative number of courses enrolled in by our students
3. Defined as net revenues divided by course enrollment in corresponding periods

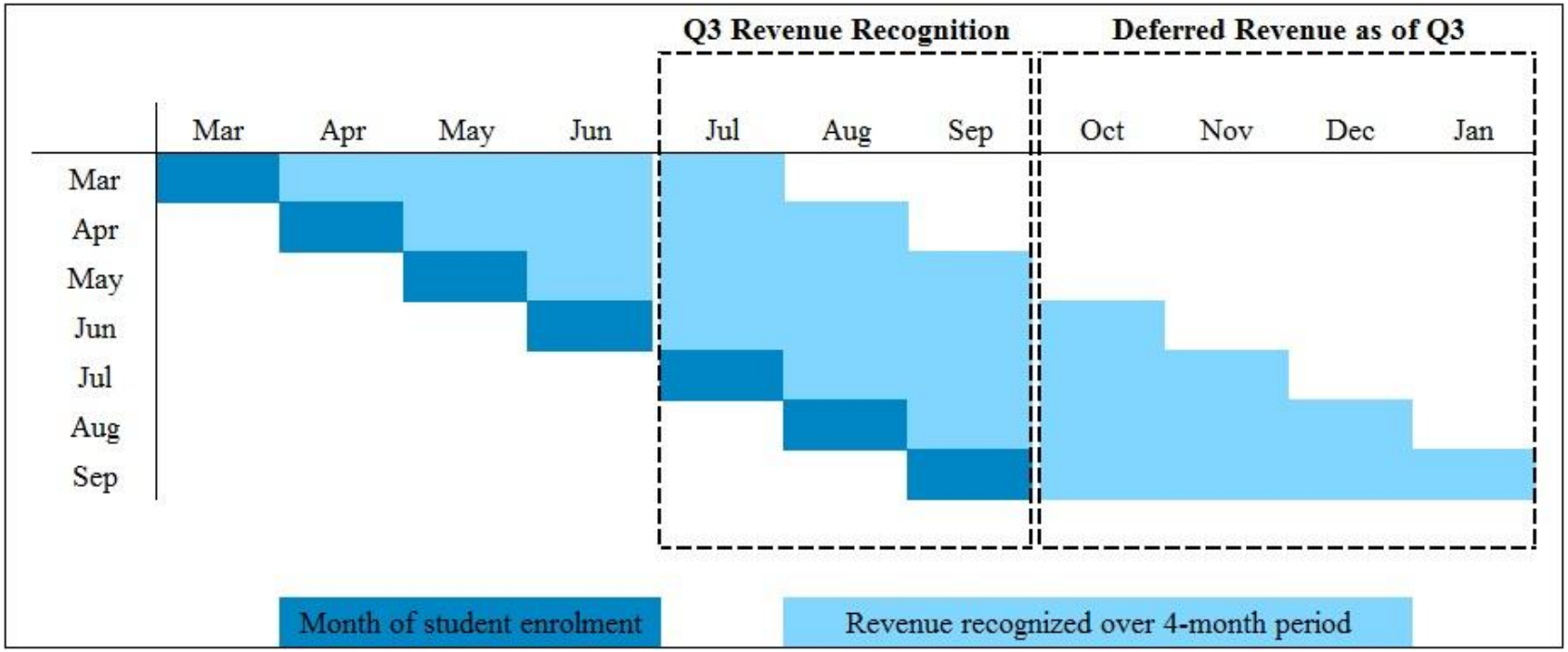
Predicable revenue backed by historical enrollments

Revenue Recognition

Q3 revenue is recognized based on courses delivered in this quarter to the students registered from March to August. There is a time gap between student registration and revenue recognition, as students registration is ahead of courses actually delivered.

Deferred Revenue[1] Recognition

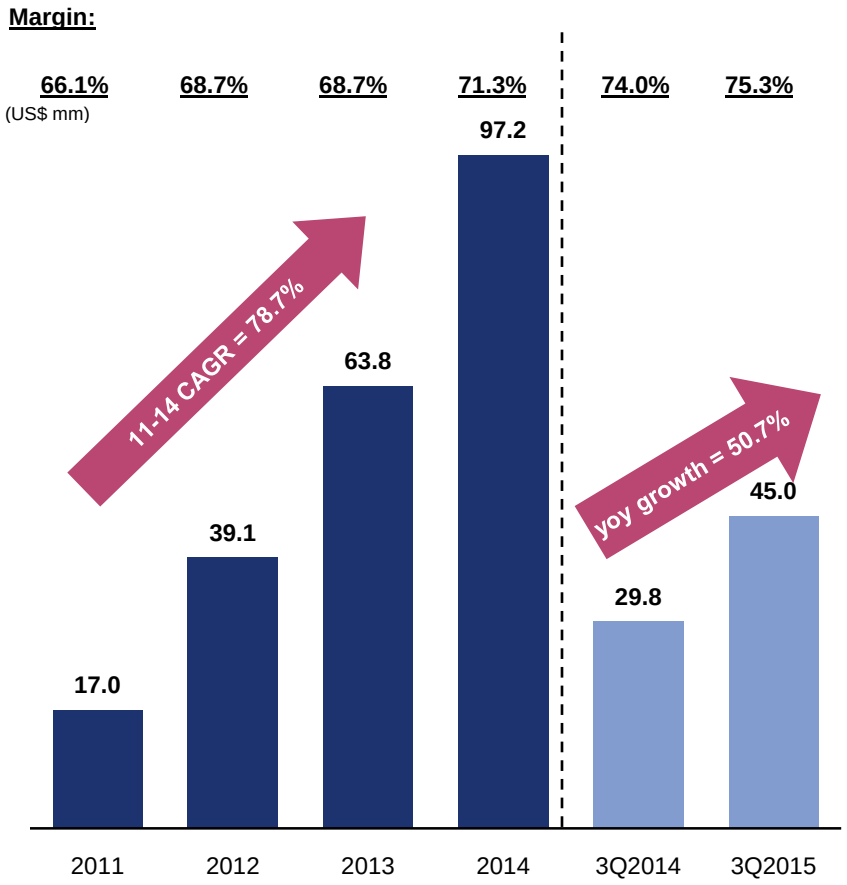
Tuition fees collected for the portion of courses not yet delivered by end of Q3 were recorded as deferred revenue. When courses are delivered in the following quarter(s), the revenue is recognized accordingly.



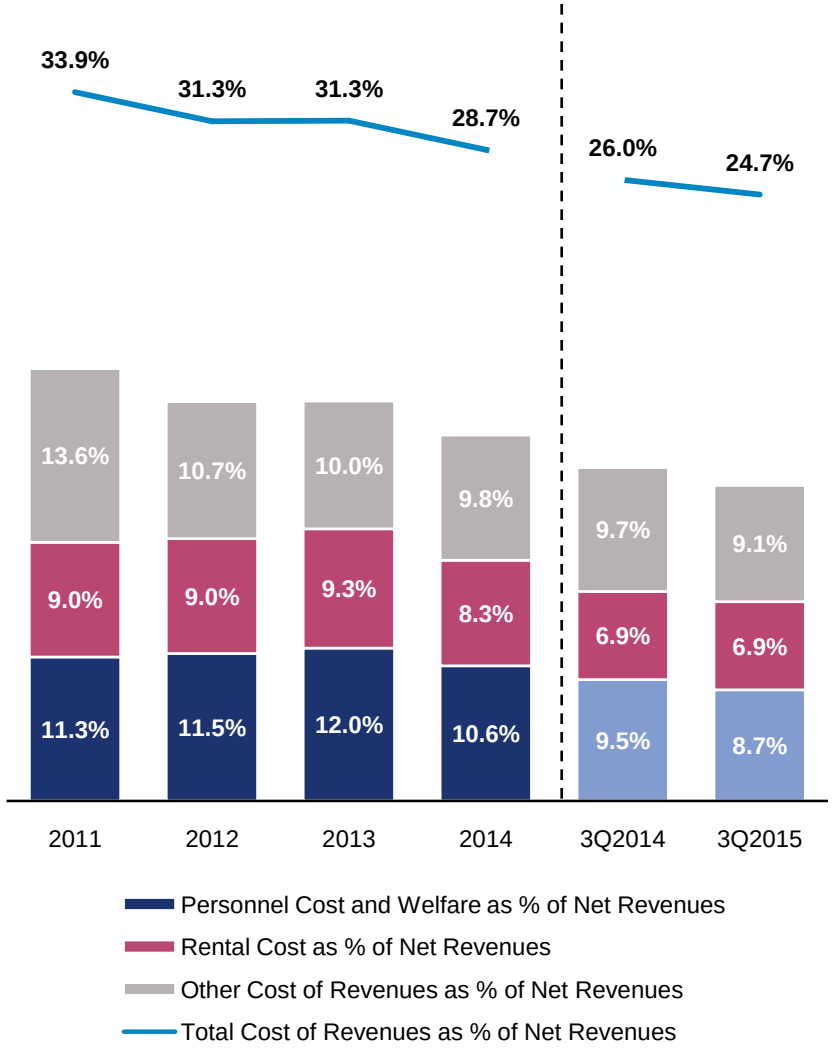
1. The company delivers full-time training courses to students. Normally, a course starts around month-end and lasts four to five months. Our tuition fees are recognized ratably over the period of the training course. The unearned portion of tuition fees is recorded as deferred revenue.

Scalable business model drives profitability

Gross profit and margin (Non-GAAP)[1]



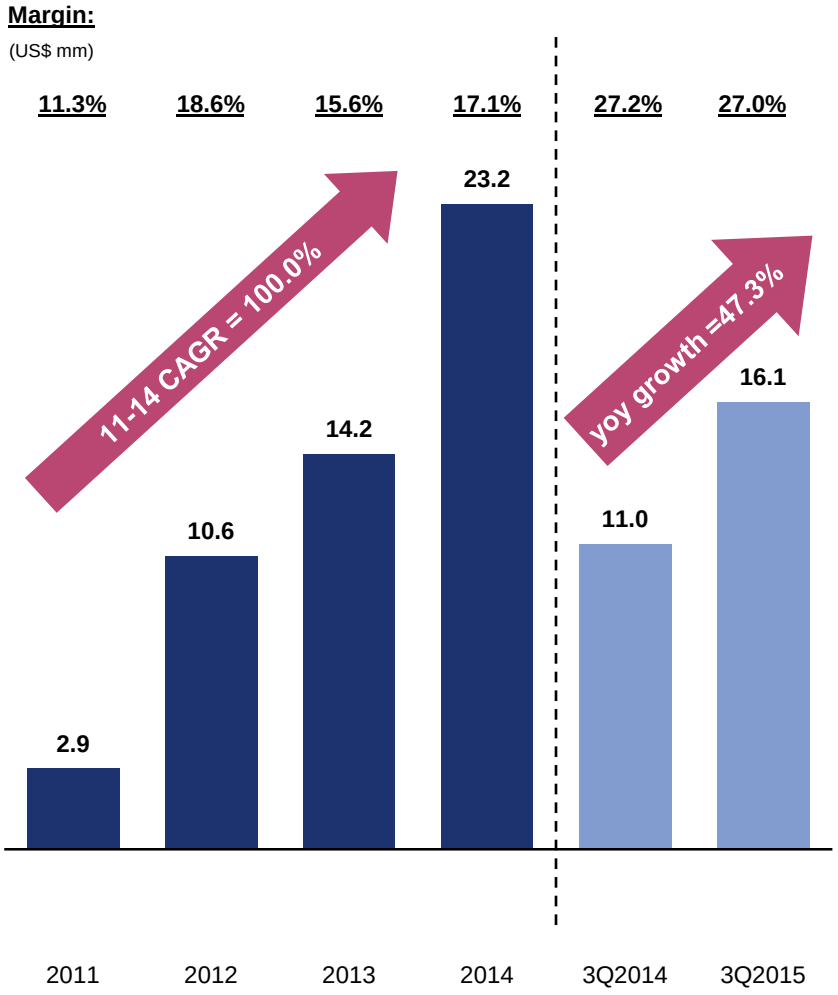
Cost of revenues (Non-GAAP)[1]



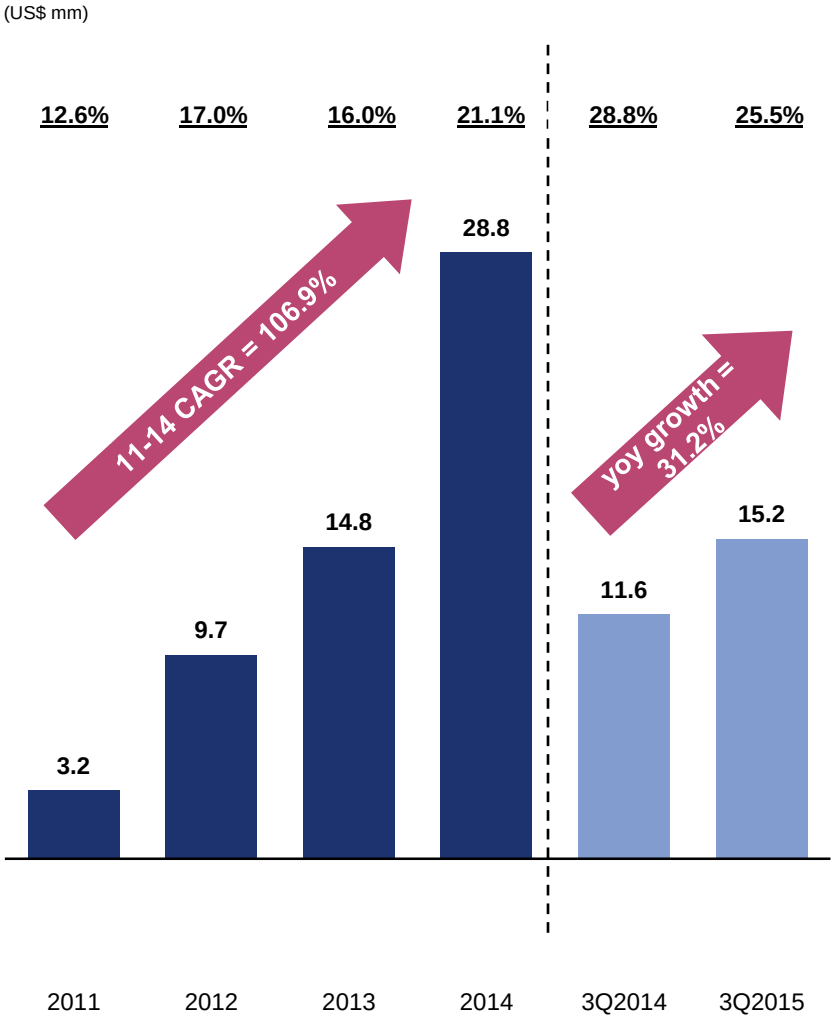
Source: Company filings
1. Non-GAAP financial measures exclude share-based compensation

Scalable business model drives profitability (cont'd)

Operating profit and margin (Non-GAAP)[1]



Net income and margin (Non-GAAP)[2]



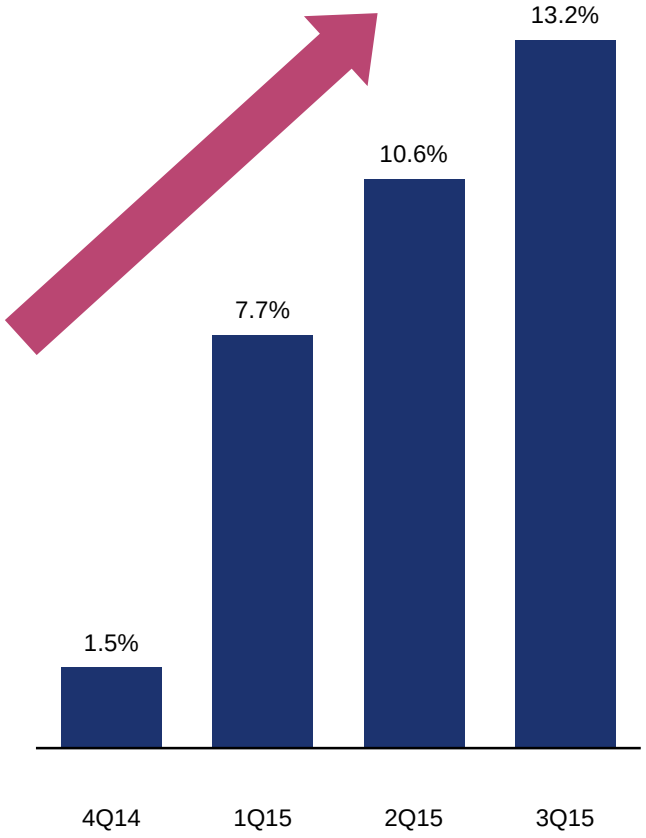
Source: Company filings

1. The non-GAAP operating profit and non-GAAP net income in 2011 both exclude the one-off US$2.5 million compensation charge in relation to ordinary share repurchases from Connion Capital Limited, a company owned by Mr. Shaoyun Han; All non-GAAP financial measures exclude share-based compensation
2. The company booked $3.4m one-off foreign exchange loss in 3Q2015, If we add it back, the net margin would be 28.9%

New course contribution and advertising spending

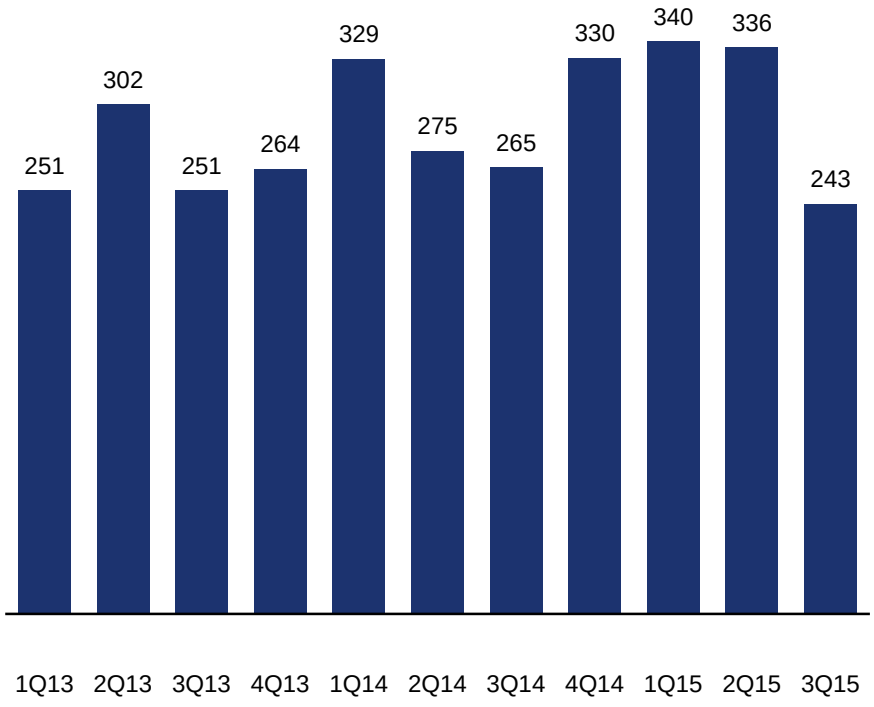
The student enrollments in new course offerings[1]

(% of total student enrollments)



Average Advertising Spending Per Student enrollment

(US$)

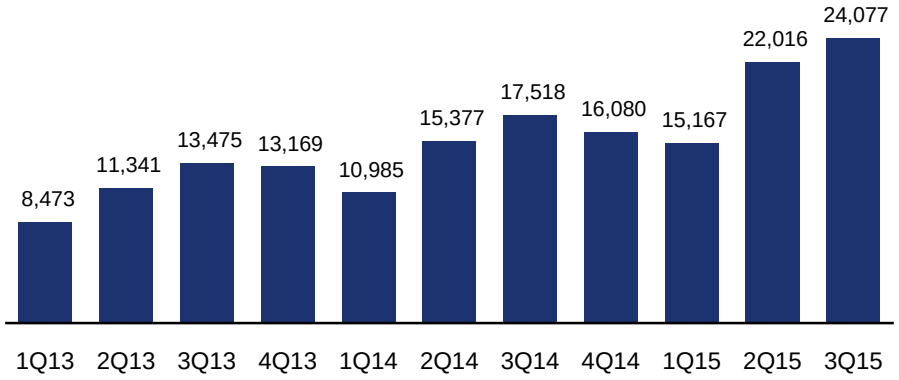


Source: Company filings

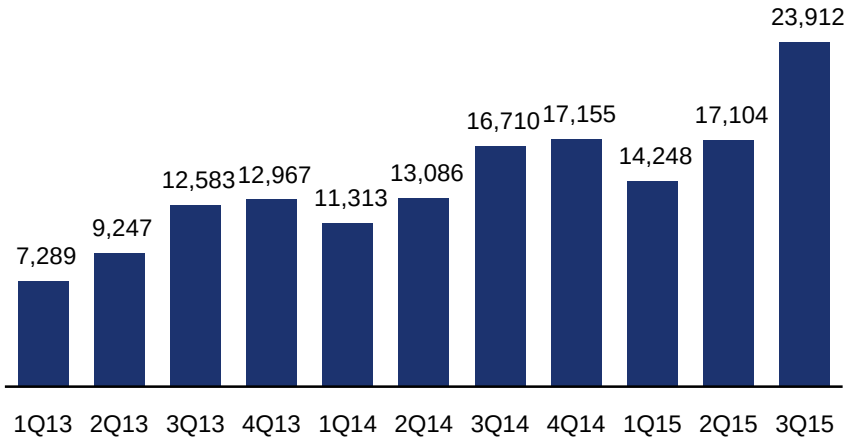
1 The company launched accounting course in 4Q2014, web front course in 1Q2015 and big data course in 2Q2015.

Seasonality

Quarterly student enrollments

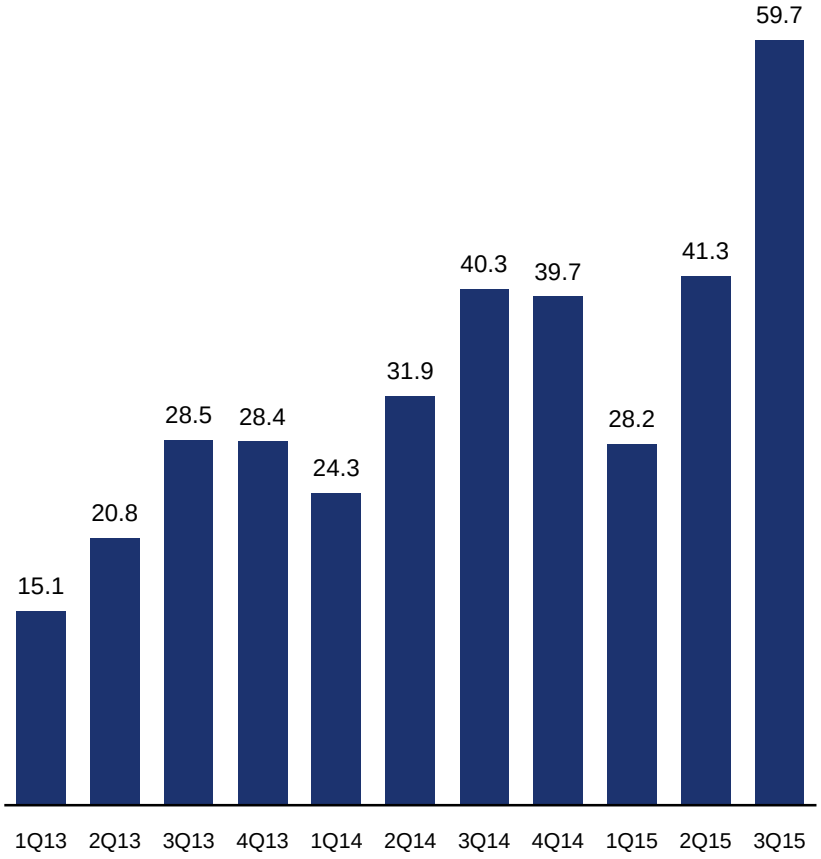


Quarterly course enrollments



Quarterly net revenues

(US$ mm)

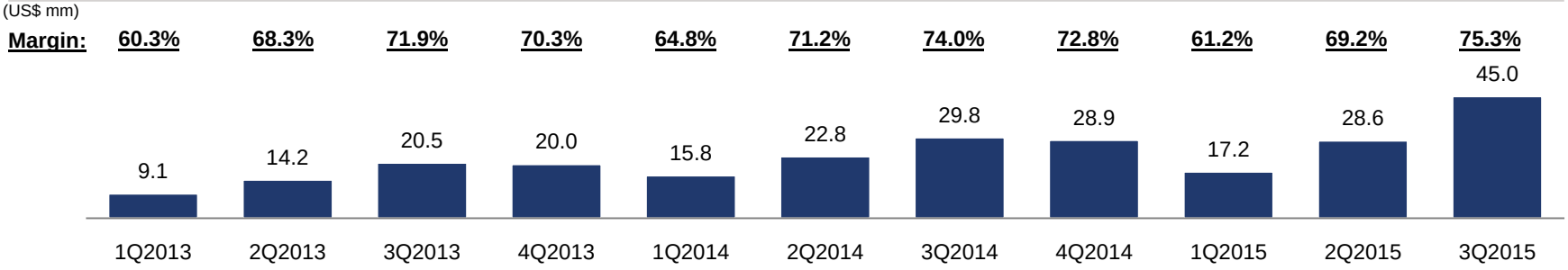


Source: Company filings

Seasonality (cont'd)

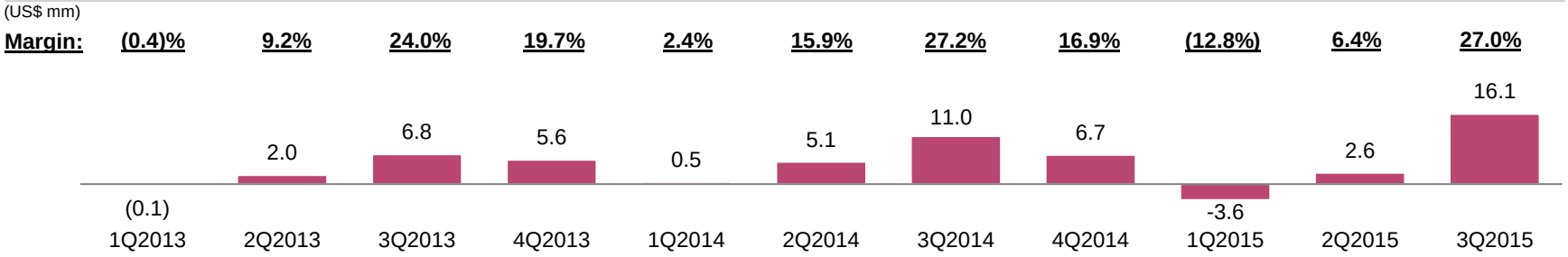
Non-GAAP gross profit and margin[1]

(US$ mm)



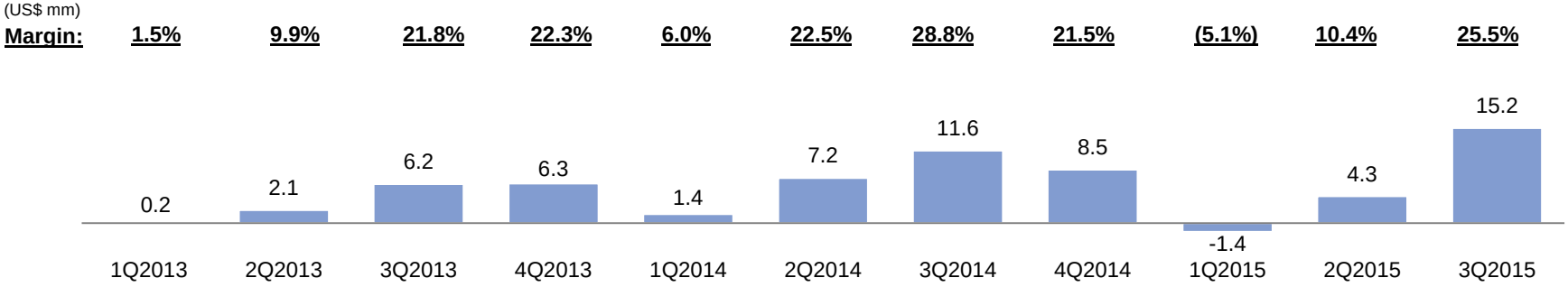
Non-GAAP operating profit and margin[1]

(US$ mm)



Non-GAAP net profit and margin[1]

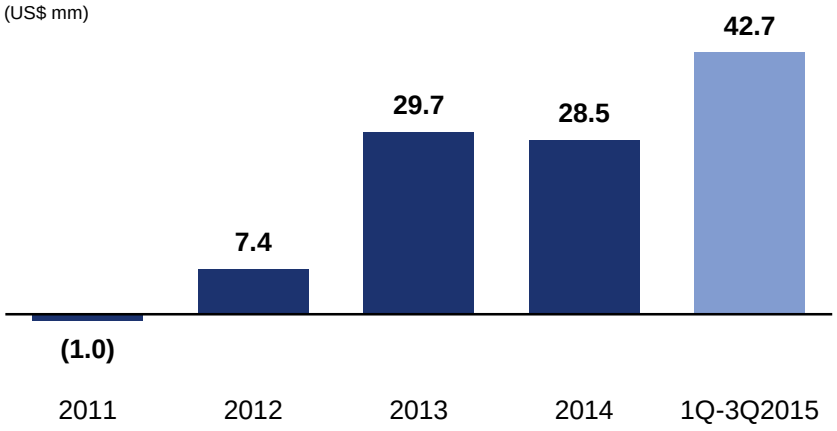
(US$ mm)



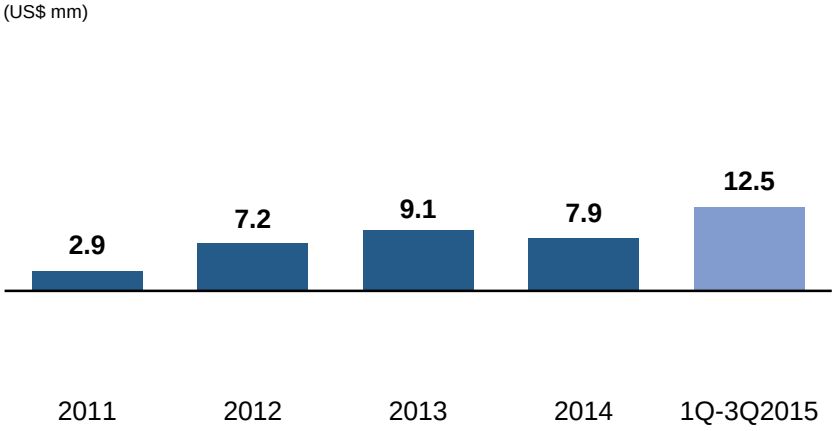
1. Non-GAAP measures exclude the expense from share-based compensation

Solid cash flow generation

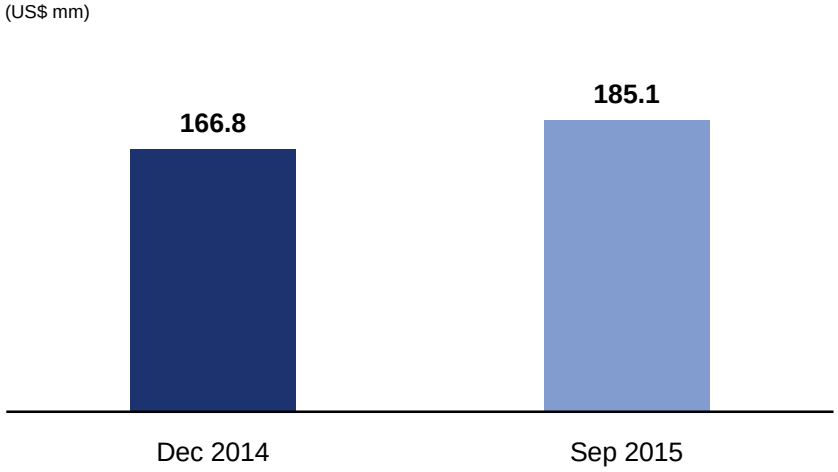
Operating cash flow



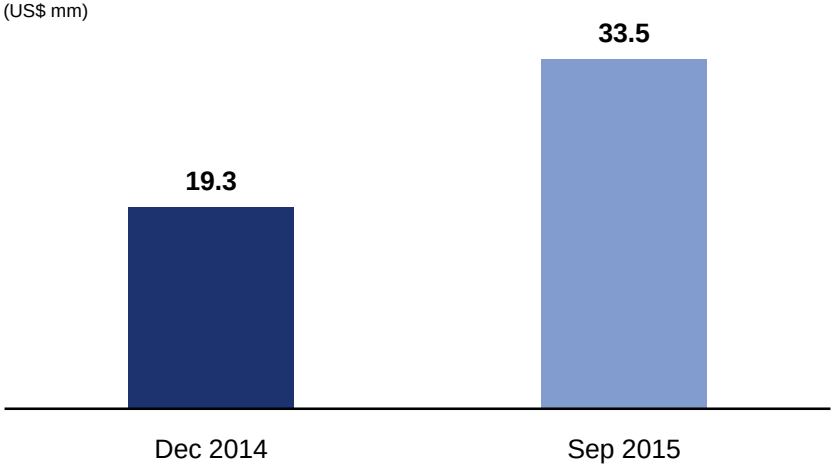
Capital expenditure



Cash, cash equivalents, restricted cash and time deposits



Deferred revenue

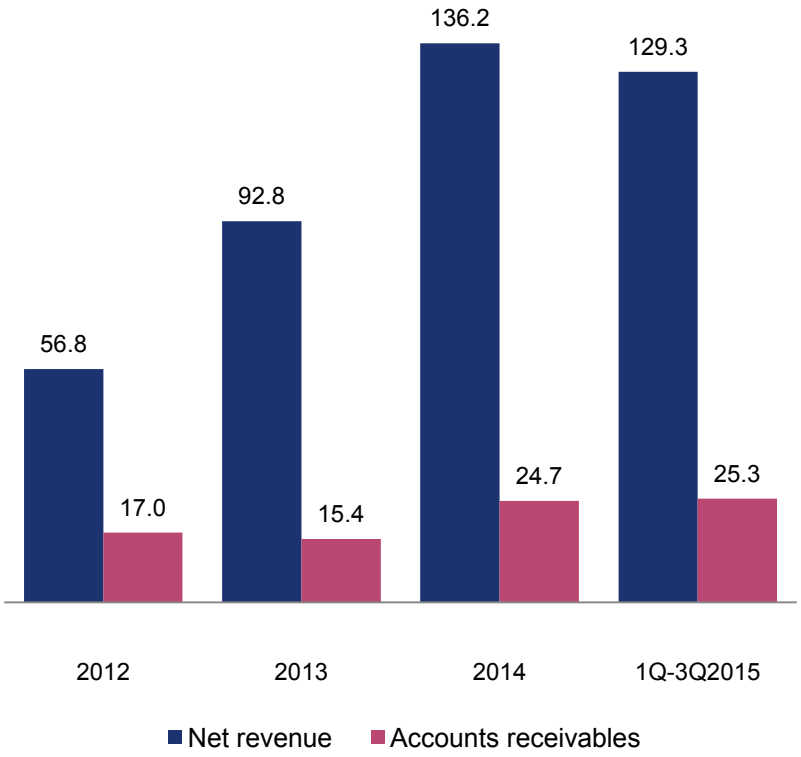


Source: Company filings

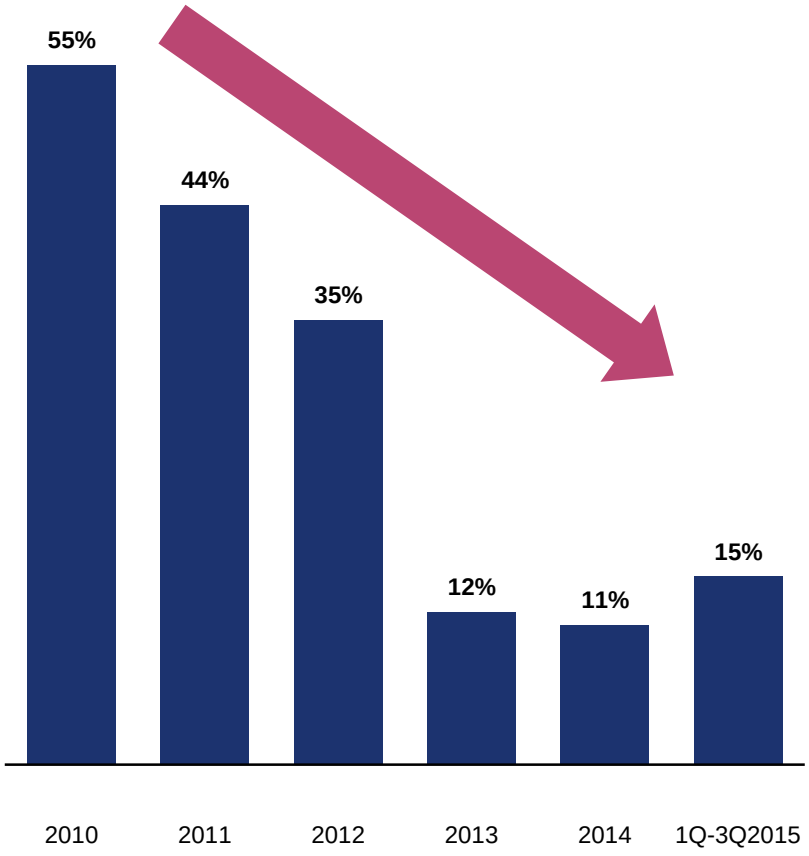
Accounts receivables and TPET students proportion

Accounts Receivables, net

(US$ mm)



TPET Students Proportion[1]



Source: Company filings

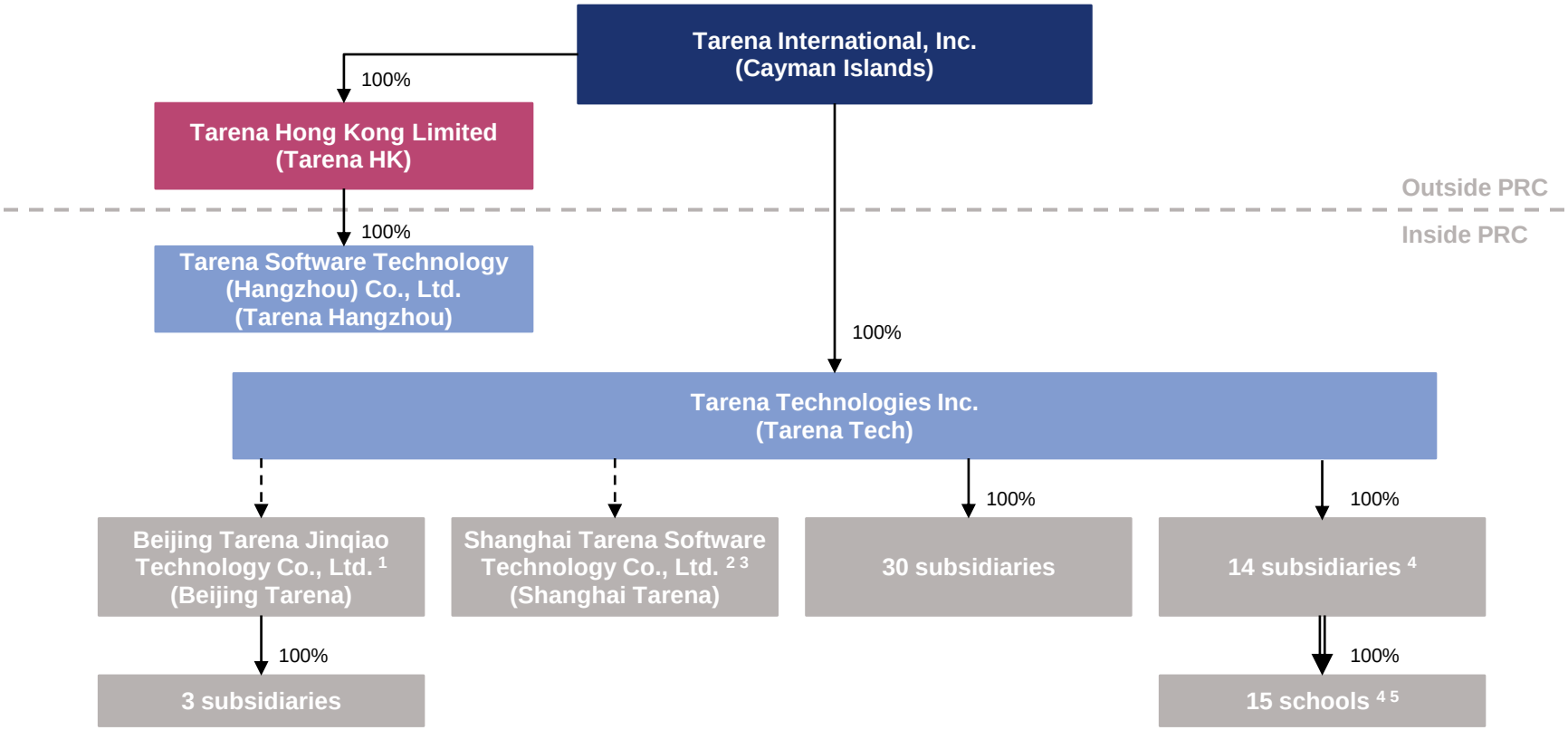
1. The TPET students proportion is calculated as the student enrollments in installment payment plan divided by total student enrollments

Closing remarks

1. Attractive market opportunities
2. Innovative and effective education platform
3. Scalable and efficient business model
4. Respected brand known for high quality professional education
5. Outstanding job placement record
6. Stable and experienced management team

Appendix A: Corporate structure

Current corporate structure



Equity control

Contractual arrangements consisted of exclusive business cooperation agreement, powers of attorney, equity interest pledge arrangements, exclusive option agreements, loan agreements and spousal consent letters

Sponsorship interest

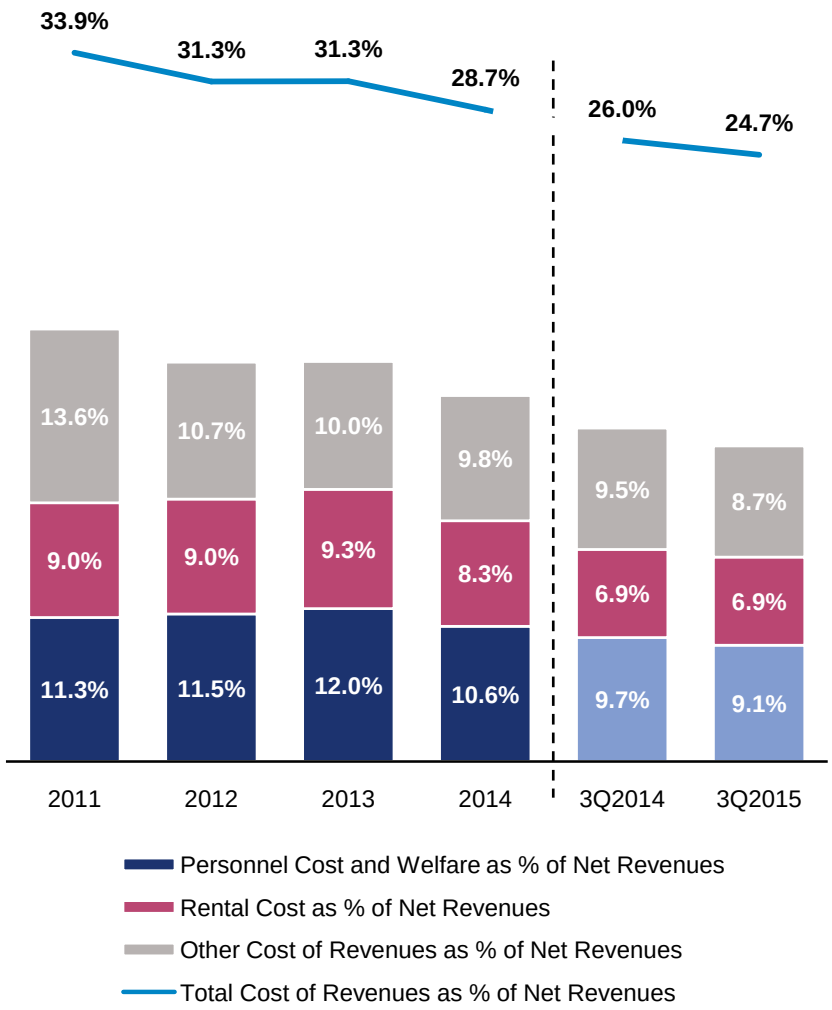
1. Mr. Shaoyun Han, our founder, chairman and chief executive officer, owns 70% of the equity interest in Beijing Tarena. Mr. Jianguang Li, our director, owns 30% of the equity interest in Beijing Tarena
2. Mr. Shaoyun Han and Mr. Jianguang Li own 49% and 51% of the equity interest in Shanghai Tarena, respectively
3. Shanghai Tarena is in the process of voluntary winding down
4. Tarena (Wuhan) Technology Co., Ltd., which is a wholly-owned subsidiary of Tarena Tech, wholly owns Wuhan Tarena Software Co., Ltd., which holds 100% of the sponsorship interest in Wuhan Tarena Professional Education School
5. Mr. Shaoyun Han is the principal of Shenyang Tarena Professional Education School, Jinan Tarena Professional Education School, Wuhan Tarena Professional Education School, Chongqing Jiulongpo Tarena Professional Education School, Kunming Tarena Professional Education School and Nanjing Tarena Professional Education School; De Xun Wang is the principal of Guangzhou Tarena Professional Education School and Shenzhen Bao'an Tarena Professional Education School; Xuefeng Lu is the principal of Harbin Tarena Professional Education School; Qian Li is the principal of Qingdao Tarena Professional Education School; Yun Yang Gan is the principal of Zhengzhou Tarena Professional Education School; Chun Bo Shen is the principal of Dalian Gaoxin Tarena Professional Education School; Yue Qin Shen is the principal of Nanjing Weishang Tarena Professional Education School; Na Zhang is the principal of Shenyang Tarena Shidai Professional Education School; and Nini Tong is the principal of Zhuhai Tarena Professional Education School.

Appendix B: Historical financials

Cost and expenses - annual

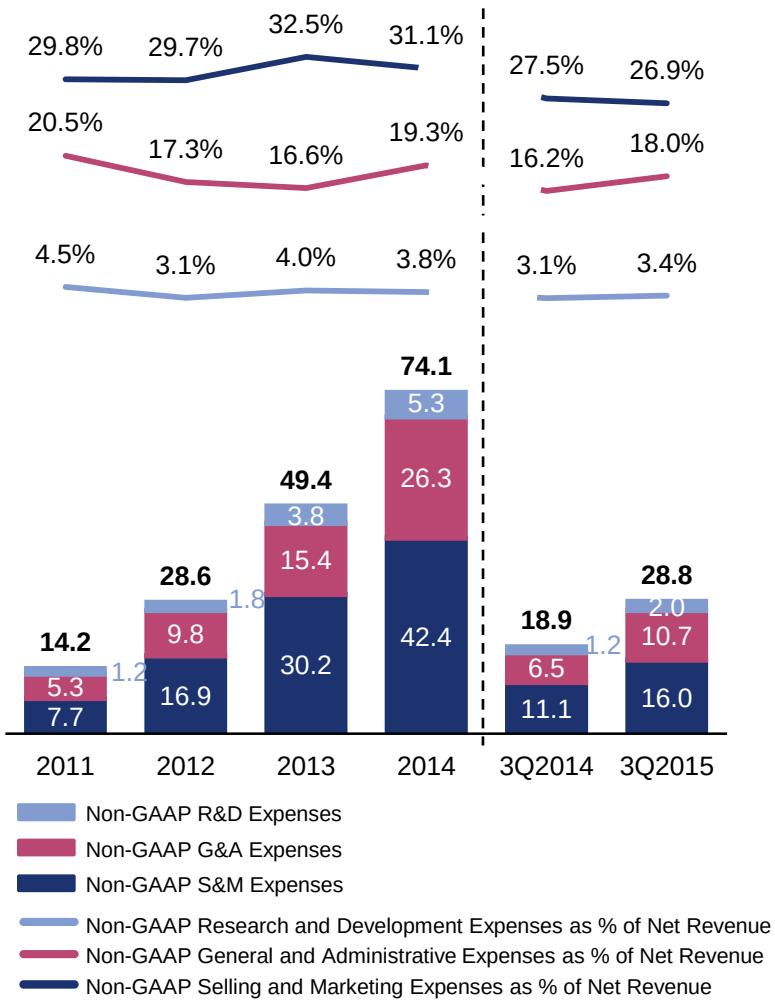
Cost of revenues (Non-GAAP)[1]

(US$ mm and as % of net revenues)



Operating expenses (Non-GAAP)[1 2]

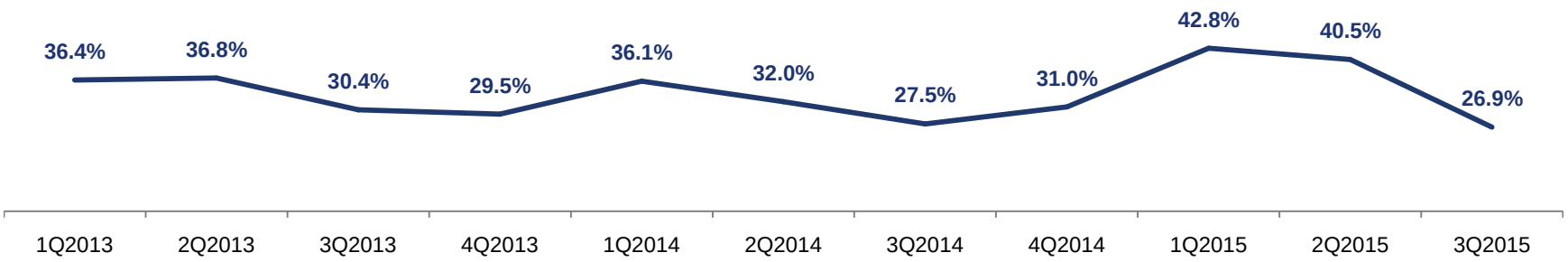
(US$ mm and as % of net revenues)



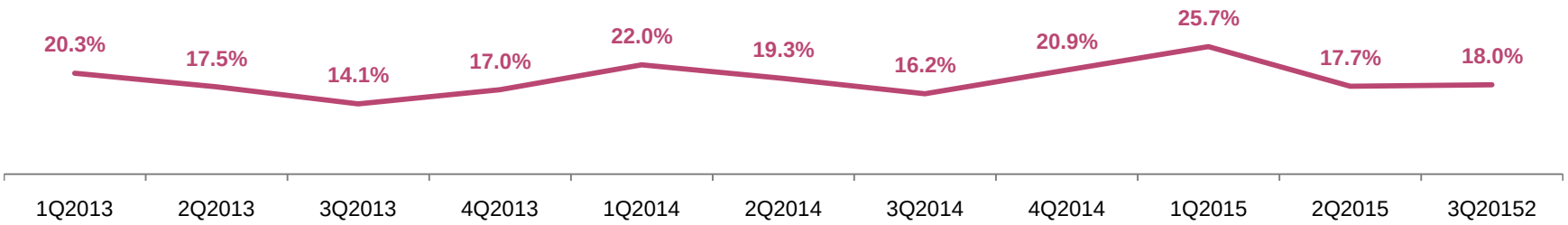
1. Non-GAAP financial measures exclude share-based compensation
2. The general and administrative expenses in 2011 excludes the one-off US$2.5 million compensation charge in relation to ordinary share repurchases from Connion Capital Limited, a company owned by Mr. Shaoyun Han

Quarterly operating expenses

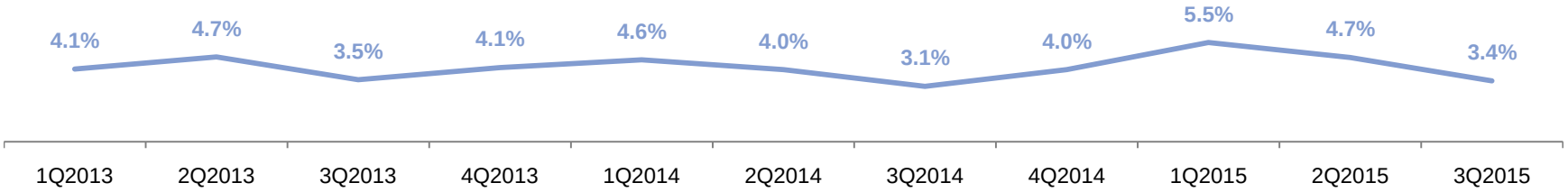
Non-GAAP selling & marketing expenses as % of net revenue[1]



Non-GAAP general & administrative expenses as % of net revenue[1]



Non-GAAP research & development expenses as % of net revenue[1]



1. Non-GAAP measures exclude the expense from share-based compensation

Summary income statement

(US$'000)	Year ended December 31, 2012	2013	2014	Three Months ended September30, 2014	2015
Net revenues	**56,820**	**92,834**	**136,204**	**40,273**	**59,701**
Cost of revenues	(17,762)	(29,068)	(39,080)	(10,468)	(14,772)
Gross profit	**39,058**	**63,766**	**97,124**	**29,805**	**44,929**
Selling and marketing expenses	(16,875)	(30,252)	(42,562)	(11,111)	(16,119)
General and administrative expenses	(9,949)	(16,224)	(29,948)	(7,607)	(11,908)
Research and development expenses	(1,792)	(3,807)	(5,446)	(1,275)	(2,135)
Operating income	**10,443**	**13,483**	**19,169**	**9,811**	**14,768**
Interest income	1,165	1,541	4,360	1,415	2,083
Interest expense	(6)	–	–	–	–
Exchange gain and loss	–	–	1,197	(3)	(3,404)
Other income	170	1,294	2,371	343	650
Income before income taxes	**11,772**	**16,318**	**27,097**	**11,566**	**14,097**
Income tax expense	(2,219)	(2,271)	(2,405)	(1,110)	(252)
Net income	**9,552**	**14,047**	**24,692**	**10,456**	**13,846**

Summary balance sheet

(US$ '000)	31-Dec-13	31-Dec-14
ASSETS		
Current assets:		
Cash and cash equivalents	26,139	42,660
Time deposits	–	106,835
Accounts receivable, net of allowance for doubtful accounts	15,001	23,184
Amounts due from related parties		–
Prepaid expenses and other current assets	3,497	8,730
Deferred income tax assets	1,546	2,056
Total current assets	**46,184**	**183,465**
Time deposits	12,162	17,313
Accounts receivable, net of allowance for doubtful accounts	416	1,488
Property and equipment, net	12,806	13,374
Deferred income tax assets	–	170
Other non-current assets	2,106	2,145
Total assets	**73,673**	**217,954**
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	217	319
Amounts due to related parties	–	–
Income taxes payable	3,012	5,394
Deferred revenue	15,487	19,277
Accrued expenses and other current liabilities	6,618	8,439
Total current liabilities	**25,335**	**33,429**
Other non-current liabilities	244	1,638
Total liabilities	**25,578**	**35,067**
Mezzanine equity:		
Series A convertible redeemable preferred shares	420	–
Series B convertible redeemable preferred shares	15,748	–
Series C convertible redeemable preferred shares	95,211	–
Total mezzanine equity	**111,379**	**–**
Shareholders' equity (deficit) :		
Ordinary shares	12	51
Additional paid-in capital	-	135,888
Accumulated other comprehensive income	1,635	1,703
Accumulated deficit	(64,931)	45,247
Total shareholders' equity (deficit)	**(63,284)**	**182,887**
Total liabilities, mezzanine equity and shareholders' equity (deficit)	**73,673**	**217,954**

Summary cash flow statement

(US$ '000)	Year ended December 31, 2012	2013	2014
Operating activities:			
Net income	$9,552	$14,047	$24,691
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	2,426	4,654	7,078
Bad debt expense	419	941	7,487
Loss (gain) on disposal of property and equipment	(7)	66	179
Deferred income tax (benefit) /expense	(21)	(1,052)	(683)
Share based compensation expense	129	765	4,062
Foreign currency exchange loss, net	–	197	(1,075)
Changes in operating assets and liabilities			
Accounts receivable	(11,005)	1,117	(16,762)
Prepaid expenses and other current assets	(994)	(535)	(2,496)
Accrued interest income on time deposits	–	(331)	(2,863)
Other non-current assets	(422)	(473)	(652)
Accounts payable	(133)	(7)	(45)
Income taxes payable	1,114	1,422	2,384
Deferred revenue	5,239	5,444	3,830
Accrued expenses and other current liabilities	1,055	3,394	1,930
Other non-current liabilities	89	55	1,395
Net cash provided by (used in) operating activities	**$7,444**	**$29,706**	**$28,460**
Investing activities:			
Purchase of property and equipment	($7,189)	($9,109)	($7,879)
Proceeds from disposal of property and equipment	26	50	156
Purchase of short term investment	–	(11,298)	(101,390)
Proceeds from maturity of short term investment	–	11,298	101,390
Purchase of time deposits	(792)	(17,286)	(115,281)
Proceeds from maturity of time deposits	697	6,456	3,635
Issuance of loans to employees	(657)	(340)	(496)
Proceeds from repayment of housing loans from employees	–	691	407
Net cash used in investing activities	**($7,915)**	**($19,537)**	**($119,459)**
Financing activities:			
Proceeds from bank borrowings	$301	–	–
Repayment of bank borrowings	(301)	–	–
Amounts received on behalf of a related party	669	141	
Repayment of amounts received on behalf of a related party	(746)	(233)	
Advances from a related party	309	153	
Repayment of advances to a related party	(309)	(153)	
Payment of issuance cost of Series C convertible redeemable preferred shares	(150)	–	–
Initial public offering proceeds	–	–	109,755
Ordinary shares issued in connection with exercise of share options and restricted shares	–	–	249
Payment of initial public offering costs	–	(499)	(3,532)
Net cash provided by financing activities	**($227)**	**($591)**	**$106,472**
Effect of foreign currency exchange rate changes on cash	46	364	1,047
Net increase (decrease) in cash	($653)	$9,942	$16,520