

Tarena International LLC Ticker: TEDU Sector: Consumer Discretionary Industry: Education Services	Intrinsic Value(FCF): \$ 77 Current Price: \$12.75 (11/5) Stop Loss: \$ 9 Upside Review: \$29	P/E: N/A Forward P/E: 23 Beta: N/A	Market Cap: \$653.53M Dividend Yield: N/A 52 Week Range: \$ 6.54 – \$15.85
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Business Summary:

Tarena International LLC is a leading provider of professional education services in China which provides 9 IT courses and 2 non-IT courses to college students to improve their qualified skills to meet the demand of employers. It has established "Tarena" as a respected brand known for high teaching quality and excellent student placement track record.

Industry Trends:

Professional education training market in China is a fast-growing market. IT training market is more attractive in this market due to government's strong support of the IT industry.

Investment Thesis:

Tarena International LLC has developed a leading position in the market since it started due to its high teaching quality and excellent reputation in improving employment. The company has achieved above average growth of net income through strong demand for its service and scalable teaching. The company also commits itself to build up its long-term distinctive competitiveness through building up advanced Tarena teaching system, expanding course offering to non-IT industry and deepening the cooperation with universities and employers. We foresee that the company will be continually keeping a rapid growth based on strong demand from IT industry for qualified skilled professionals.

Competitive Analysis:

Tal Education Group has strong competitiveness power in the market. Most of its revenue comes from Online to Offline (O2O) teaching business which provides students with high quality online teaching and offline learning environment. Its powerful employment tutoring team and corporate representative team ensure the high employment rate and above average salary for trained students.

Pros:

- The intensely competitive employment market promotes students to turn to vocational training to build up qualified skills to improve their core competency.
- The fast-growing IT industry provides great demand for qualified IT engineers.
- The high efficiency of online teaching system makes it possible to keep a small number of top talented IT teachers to teach as many students as possible.
- Such scalable business model ensures it to achieve favorable cost control ability, helping its future growth more profitable.

Risk Factors:

- The education quality in China's public university is greatly improved so that students have no need to get qualified training.
- The growth of IT industry slows down so that it has no more great demand for qualified engineers
- The intense competition for quality education in the market

5 Year Stock Performance:



Total Return Estimates

3 Yr FV Reversion: 31%
5 Yr FV Reversion: 20%

Key Valuation Assumptions

Est Revenue Growth: 31%
WACC: 9%
Expected Inflation: 1.7%
Terminal Growth Rate: 6.5%
10 Yr Risk Free Rate: 2.58%
Equity Risk Premium: 2.47%
Tax Rate: 15.00%

Key Financial Data

Est 2014 EPS: \$0.49
Est 2015 EPS: \$0.74
3-5 Yr Est EPS Growth: 31%
PEG (TTM): 0.66
ROE: 49%
ROA: 30.3%
Price/Book: 3.99
Price/Cash Flow: 4.79
Debt/Equity: 0%
Current Ratio: 1.82
Quick Ratio: 1.82

Competitor Comparison:

Direct Competitor Comparison					
	TEDU	DL	CAST	CEDU	Industry
Market Cap:	642.08M	496.71M	490.20K	N/A	90.80M
Employees:	3,104	1,118	N/A	N/A	1,48K
Qtrly Rev Growth (yoy):	0.53	0.37	0.31	N/A	0.15
Revenue (ttm):	113.15M	88.99M	104.81M	N/A	277.98M
Gross Margin (ttm):	0.70	0.58	0.47	N/A	0.52
EBITDA (ttm):	21.24M	24.13M	48.73M	N/A	17.02M
Operating Margin (ttm):	0.14	0.24	0.29	N/A	0.06
Net Income (ttm):	-25.13M	19.09M	15.51M	N/A	N/A
EPS (ttm):	-1.25	0.53	0.32	0.70	0.05
P/E (ttm):	N/A	26.21	0.03	10.00	21.00
PEG (5 yr expected):	0.65	0.75	N/A	N/A	1.04
P/S (ttm):	5.68	5.61	0.01	N/A	1.21

Information from: Bloomberg, Value Line, S&P Net Advantage, Yahoo

Prepared by Regina Ma (Nov 9, 2014)

2014 – 2015 Student Managed Fund Supplemental CSR Information

Although Tarena International LLC does not publish CSR information in the U.S. due to no such obligation required by SEC, it emphasizes an importance to making contributions to society.

1. Training is an environmentally harmless business
2. Its business is to promote college student employment
3. It reduces social difference to some degree and promotes social equity through helping students coming from poor families to get jobs after training
4. It offered free training for students whose families suffered in the enormous Chinese earthquake in 2008
5. It offered free IT training for disabled students to get jobs
6. So far, it has sponsored 30,000 poor students with IT training to get jobs
7. It has received many awards by government or other institutions