

16 June 2014

买入
维持

校企合作提升品牌价值

达内科技 (TEDU:US)

Market Data: June,13

Closing Price (US\$)	11.75
Price Target (US\$)	14.96
HSCCI	10,518
HSCCI	4,352
52-week High/Low (US\$)	11.82/6.54
Market Cap (US\$m)	595
Market Cap (Rmbm)	3,719
ADS Outstanding (m)	51
Exchange Rate (US\$/Rmb)	6.25

Source: Bloomberg

Analyst

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Related Reports

"Tarena International (TEDU: US) –
Hot for teacher" Jun 03,2014

Financial summary and valuation

	FY2012	FY2013	FY2014E	FY2015E	FY2016E
Revenue (US\$m)	56.82	92.83	134.61	181.72	238.06
YoY (%)	120.74	63.38	45.00	35.00	31.00
Net income (US\$m)	9.55	14.05	23.69	34.27	44.67
YOY (%)	1263.29	47.05	68.62	44.71	30.32
EPS (US\$)	(1.57)	(2.77)	0.47	0.68	0.88
Diluted EPS (US\$)	(1.57)	(2.77)	0.47	0.68	0.88
ROE (%)	29.73	29.21	14.20	17.05	18.18
Debt/asset (%)	31.44	34.72	16.25	18.12	18.82
Dividend Yield (%)	0.00	0.00	0.00	0.00	0.00
P/E (x)	(7.50)	(4.24)	25.15	17.38	13.34
P/B (x)	(2.76)	(1.54)	2.71	2.24	1.84
EV/Ebitda (x)	35.88	25.46	16.36	10.42	7.75

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised. P/E is calculated as closing price divided by each year's EPS.

投资要点:

- **达内科技宣告校企合作。**达内科技日前宣告与江苏省内 6 所高校签订校企合作协议,双方合作提供软件工程和计算机科学方面的课程。
- **校企合作双赢。**根据签署的协议,这 6 所高校将对在校生开放达内提供的课程,与达内合作开发专业课程。达内将收取相应的课时费。达内将在这 6 所高校内建立实习和培训中心,以提升在校大学生求职的竞争力。
- **校企合作有助提升达内对在校生的影响力。**该合作彰显达内在计算机培训业界的声誉,提升了达内对在校生的影响力。校企合作符合中国政府和教育部有关提升高等教育中实践课程的精神。未来可能有更多的高校与达内合作。
- **完善的 O2O 教学平台。**经过 11 年的发展,达内已经建立起一套完善的 O2O 教学平台 (TTS),将线上和线下服务有机结合。教师在线授课,助教提供课后辅导,形成在线教育和传统线下教育的优势互补。
- **重申“买入”评级,目标价提升至 14.96 美元。**随着校企合作的深入,我们上调了公司 2015,2016 年的招生人数预测,提升了 2015,2016 年公司盈利预测。目标价从 12.10 美元上调至 14.96 美元,对应 2015 年 22 倍 PE,及 27%的上升空间。

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Investment Highlights:

Cooperation with colleges. In order to offer joint major programmes in software engineering and computer science, Tarena International announced plans to sign cooperation agreements with six universities and colleges in Jiangsu Province.

Win-win cooperation. These six universities and colleges will offer their students the option to enrol in joint major programmes with Tarena and include Tarena's selected courses in their standard undergraduate curriculum. In return, Tarena will receive a portion of the students' tuition that are attributable to Tarena courses. Each of these six schools and Tarena will also jointly establish an internship and training centre to increase student competitiveness in the job market and improve post-graduation placement results.

Improving Tarena's brand. The cooperation will act as a strong endorsement for Tarena's credibility and brand reputation in the online education industry. The cooperation is consistent with the government's and Ministry of Education's policies to encourage higher education institutions in China and to incorporate practical training courses into their curriculum. Increasingly, universities and colleges are exploring and establishing close relationships with education service providers such as Tarena.

Sophisticated online-to-offline (O2O) platform. Tarena has built up a sophisticated O2O learning platform called the Tarena Teaching System (TTS), combining online and offline services in an attractive offering. Students are able to attend online lectures and take part in classroom-based tutoring study centres.

Upping the target. In order to factor in a higher enrolment forecast, we raise Tarena's net profit forecast from US\$32.22m to US\$34.27m in 15E, from US\$41.96m to US\$44.67m in 16E. We revise up our discounted cash flow (DCF) based target price from US\$12.10 to US\$14.96, representing 22x 15E PE. With 27% upside, we maintain our BUY recommendation.

Cooperation with colleges.

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The cooperation will help to improve Tarena's influence on graduates and increase the company's future enrolment numbers. In order to factor in the positive impacts from its cooperation with colleges, we raise the company's 2015 and 2016 revenue and net profit as below.

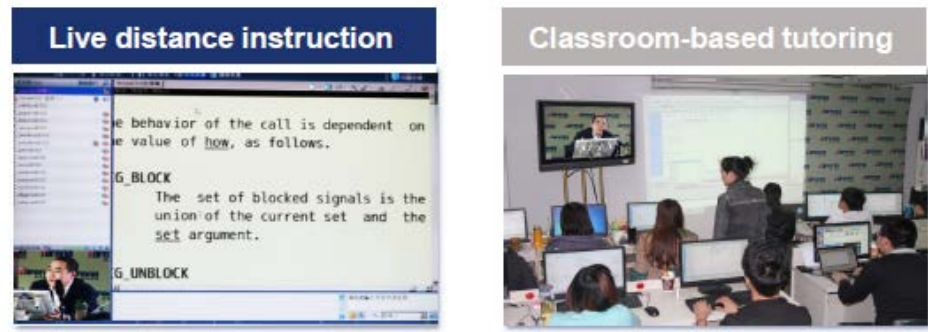
Figure 1: Revise up 2015 and 2016 earning forecast

	2014E	Previous forecast		Updated forecast	
		2015E	2016E	2015E	2016E
Revenue (US\$m)	134.61	174.99	229.24	181.72	238.06
YoY (%)	45	30%	31%	35%	31%
Net income (US\$m)	23.69	32.22	41.96	34.27	44.67
YoY (%)	68.62	36%	30%	45%	30%

Source: Company announcement, SWS Research

Sophisticated O2O platform

Tarena has built up a sophisticated O2O learning platform known as TTS, this combines online and offline services in an attractive offering.

Figure 2: Unique online and offline combination

Source: Company announcement, SWS Research

Online services refer to live distance lectures, while offline services refer to classroom-based tutoring. Students attend lectures via webcasts under the supervision of teaching assistants. After the lecture, students may access the course content, the class and interact with tutors. Unlike other online education companies, which excel at either online or offline services, Tarena is able to integrate both in an effective format.

Appendix

Figure 1: Consolidated Income Statement

USD mn	2012	2013	2014E	2015E	2016E
Revenue	57	93	135	182	238
Cost of Sales	(18)	(29)	(41)	(53)	(68)
Gross Profit	39	64	94	129	170
SG&A Expense	(17)	(29)	(50)	(73)	(94)
EBITDA	13	18	28	44	60
EBIT	10	13	21	34	47
Finance Costs	(0)	0	0	0	0
Profit before tax	12	16	27	40	53
Income tax expense	2	2	4	6	8
Minority interests	0	0	0	0	0
Profit for the year	10	14	24	34	45

Source: Company Data, SWS Research

Figure 2: Consolidated Cash Flow Statement

USD mn	2012	2013	2014E	2015E	2016E
Net income(loss)	10	14	24	34	45
Plus: Depr. and amortisation	2	5	7	10	13
Finance cost	(0)	0	0	0	0
Losses from investments					
Change in working capital	(5)	10	3	13	8
Others	1	1	7	(4)	(14)
CF from operating activities	7	30	41	53	51
CAPEX	(7)	(9)	(13)	(17)	(24)
Other CF from investing activities	(1)	(10)	0	0	0
CF from investing activities	(8)	(20)	(13)	(17)	(24)
Net change in liabilities	(1)	(0)	0	0	0
Dividend and interest paid	0	0	0	0	0
Other CF from financing activities	1	(0)	80	0	0
CF from financing activities	(0)	(1)	80	0	0
Net cash flow	(1)	10	108	36	27
FCFF	0	21	28	36	27
FCFE	(1)	20	28	36	27

Source: Company Data, SWS Research

Figure 3: Consolidated Balance Sheet

USD mn	2012	2013	2014E	2015E	2016E
Current Assets	34	46	169	208	253
Bank balances and cash	16	26	134	170	197
Trade and other receivables	14	15	25	29	42
Inventories	0	0	0	0	0
Other current assets	4	5	9	9	14
Long-term investment					
PP&E	8	13	18	28	38
Intangible and other assets	4	15	12	12	12
Total Assets	47	74	199	248	303
Current Liabilities	15	25	32	45	57
Borrowings	0	0	0	0	0
Trade and other payables	3	7	7	11	13
Other current liabilities	11	18	25	34	44
Long-term liabilities	0	0	0	0	0
Other non-current liabilities	0	0	0	0	0
Total Liabilities	15	26	32	45	57
Minority interest	0	0	0	0	0
Preferred shares	67	111	0	0	0
Shareholder Equity	(35)	(63)	167	201	246
Share Capital	0.01	0.01	0.01	0.01	0.01
Additional paid-in capital & Reserves	(35)	(63)	167	201	246
Equity attributable					
Total Liabilities and equity	47	74	199	246	303

Source: Company Data, SWS Research

Figure 4: Key Financial Ratios

	2012	2013	2014E	2015E	2016E
Ratios per share (USD)					
Earnings per ADS	(1.57)	(2.77)	0.47	0.68	0.88
Diluted earnings per ADS	(1.57)	(2.77)	0.47	0.68	0.88
Operating CF per ADS	0.69	2.72	0.81	1.05	1.01
Dividend per ADS	0.00	0.00	0.00	0.00	0.00
Net assets per ADS	2.96	4.40	3.28	4.01	4.86
Key Operating Ratios(%)					
ROIC	-54.64%	-28.59%	45.78%	18.64%	20.00%
ROE	29.73%	29.21%	14.20%	17.05%	18.18%
Gross profit margin	68.74%	68.69%	69.77%	70.89%	71.55%
EBITDA Margin	22.65%	19.54%	20.97%	24.39%	25.02%
EBIT Margin	18.38%	14.52%	15.77%	18.89%	19.55%
Growth rate of Revenue(YoY)	120.74%	63.38%	45.00%	35.00%	31.00%
Growth rate of Profit(YoY)	129.39%	63.26%	47.28%	37.17%	32.23%
Debt-to-asset ratio	31.44%	34.72%	16.25%	18.12%	18.82%
Turnover rate of net assets	(1.62)	(1.89)	2.60	0.99	1.07
Turnover rate of total assets	1.21	1.54	0.99	0.81	0.86
Effective tax rate (%)	18.9%	13.9%	13.0%	15.0%	15.0%
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Valuation Ratios (X)					
P/E	(7.50)	(4.24)	25.15	17.38	13.34
P/B	(2.76)	(1.54)	2.71	2.24	1.84
EV/Sale	10.48	6.42	4.43	3.28	2.50
EV/EBITDA	35.88	25.46	16.36	10.42	7.75

Source: Company Data, SWS Research

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