

January 28, 2015

买入
维持

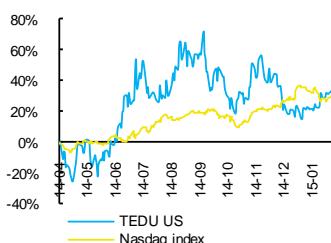
低估值，高成长，重申买入

达内科技 (TEDU:US)

Market Data: Jan, 27

Closing Price (US\$)	12.02
Price Target (US\$)	16.68
Dow	17,815
S&P 500	2,067
52-week High/Low (US\$)	15.85/12.86
Market Cap (US\$m)	664
Market Cap (Rmbm)	4,077
ADS Outstanding (m)	51
Exchange Rate (US\$/Rmb)	6.14

Price Performance Chart:



Source: Bloomberg

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"Tarena International (TEDU:US) –On
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Financial summary and valuation

	2012	2013	2014E	2015E	2016E
Revenue (USD million)	56.82	92.83	134.61	180.38	238.10
YOY (%)	120.74	63.38	45.00	34.00	32.00
Net income (USD million)	9.55	14.05	24.54	38.27	55.87
YOY (%)	1263.29	47.05	74.70	55.93	46.00
EPS (USD)	-1.57	-2.77	0.48	0.75	1.10
Diluted EPS (USD)	-1.57	-2.77	0.48	0.75	1.10
ROE (%)	29.73	29.21	14.64	18.59	21.34
Debt/asset (%)	31.44	34.72	16.13	17.76	17.77
Dividend Yield (%)	0.00	0.00	0.00	0.00	0.00
P/E (x)	-7.68	-4.33	24.83	15.93	10.91
P/B (x)	-3.73	-2.08	3.64	3.96	2.33
EV/EBITDA (x)	36.85	26.15	16.24	10.19	6.86

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:

四季度 Non-GAAP 下净利润将同比增长 31.4%。我们预计公司将于二月中下旬汇报四季度的业绩，Non-GAAP 下净利润将同比增长 31.4%，达 830 万美元。四季度收入将增长约 39%，但利润率水平由于新创设的会计课程和新中心的快速设立而下滑。达内科技股价自 11 月 7 日以来下跌 13%。作为一家新上市的公司，市场需要公司一次次公布季度业绩证明自己，并建立信誉，因此每一次公司公布季报都是股价的阶段高点。

练好内功，提升经营效率。三季度达内科技重新梳理了组织架构，升级销售的激励机制，建立员工集中培训体系以及优化广告方面的费用管理，希望籍此提升经营效率，为未来的成长打下坚实基础。

课程多元化有利于提升公司估值水平。自 2014 年 10 月底，达内在北京设立了第一个会计学教学中心，并准备在 2015 年全国开设 15 家会计中心，约占到全部教学中心的 14.3% (截至 2014 年 9 月 30 日，公司共运营 105 家教学中心)。达内也在筹备管理类的课程，可能在 2015 年年底推出。如果公司的会计和管理类课程也能够像 IT 类课程一样成功，达内将从 IT 培训公司成功转型为职业培训公司，从而提升盈利的天花板进而提升估值水平。

重申“买入”，目标价 16.68 美元。我们预期公司净利润将同比增长 55.9% 和 46.0% 达 3830 万 和 5590 万美元。目前公司股价对应 2015 年为 16.1 倍市盈率，如果扣除股权激励等非现金类科目的影响，2015 年仅 13.8 倍市盈率。重申“买入”评级。

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Investment Highlights :

Last quarter profit to grow by a third. We expect Tarena International to report 4Q non-GAAP net profit of US\$8.3m, up 31.4% YoY in mid- to late-February, based on our forecast of 39% YoY growth in revenue during the quarter on enrolment growth and higher rates than in the previous year. We expect operating margin contracted, due to costs associated with newly launched accounting courses (still in trial operation with enrolment in low-hundreds at present) and expansion of its learning centre network.

Improved productivity and operational efficiency. Tarena said it streamlined its organisational structure, upgraded its sales incentives and compensation, set up a centralised employee training system and continued to optimise adspend in 3Q14. The moves raise our confidence in the company's management, particularly in regards to likely improvements in sales team stability. We are also positive on the company's efforts to centralise its adspend, compared with the earlier model where branches had more control over ad budgets, resulting in inefficiency and even competition. The resulting increase in bargaining power and efficiency translates to cost savings.

Diversifying its portfolio. Tarena launched the first accounting course facility in Beijing at end-October last year and plans to open c.15 more centres nationwide, which would account for 14.3% of the company's existing learning centre network as of end-September. Although the competition in the accounting courses segment is greater, Tarena differentiates by promoting its course's vocational focus rather than the more exam-centric approach for the majority of courses. Meanwhile, Tarena is preparing management courses, which we expect it may launch late 2015. The additional courses would help broaden the company's range from being an IT course specialist to a more inclusive professional qualifications provider. The diversification away from IT will also help broaden the appeal to a wider audience.

Maintain BUY. We forecast net income of US\$38.3m (+55.9% YoY) in 2015E and US\$55.9m (+46.0% YoY) in 16E. The company's stock is changing hands at 16.1x 15E PE, or 13.8x 15E PE on a non GAAP basis, one of the lowest valuations in the sector at present, despite our expectation that the company will be one of the only to report positive profit growth in 4Q. We maintain our DCF-based target price of US\$16.68, representing 22x 15E PE. With 38.8% upside, we maintain our BUY recommendation.

Appendix

Consolidated Income Statement

US\$m	2012	2013	2014E	2015E	2016E
Revenue	57	93	135	180	238
Cost of Sales	(18)	(29)	(41)	(52)	(65)
Gross Profit	39	64	94	129	173
SG&A Expense	(17)	(29)	(50)	(72)	(92)
Ebitda	13	18	29	47	69
Ebit	10	13	22	37	56
Finance Costs	(0)	0	0	0	0
Profit before tax	12	16	28	43	62
Income tax expense	2	2	4	4	6
Minority interests	0	0	0	0	0
Profit for the year	10	14	25	38	56

Source: Company Data, SWS Research

Consolidated Cash Flow Statement

US\$m	2012	2013	2014E	2015E	2016E
Net income (loss)	10	14	25	38	56
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	12	7
Others	1	1	7	(6)	(13)
CF from operating activities	7	30	42	54	63
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	109	37	39
FCFF	0	21	29	37	39
FCFE	(1)	20	29	37	39

Source: Company Data, SWS Research

Consolidated Balance Sheet

US\$m	2012	2013	2014E	2015E	2016E
Current Assets	34	46	170	210	268
Bank balances and cash	16	26	135	172	212
Trade and other receivables	14	15	25	29	43
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	200	250	318
Current Liabilities	15	25	32	44	57
Borrowings	0	0	0	0	0
Trade and other payables	3	7	7	11	12
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	44	57
Minority interest	0	0	0	0	0
Preferred shares	67	111	0	0	0
Shareholder Equity	(35)	(63)	168	206	262
Share Capital	0.01	0.01	0.01	0.01	0.01
Additional paid-in capital & Reserves	(35)	(63)	168	206	262
Equity attributable					
Total Liabilities and equity	47	74	200	250	318

Source: Company Data, SWS Research

Key Financial Ratios

	2012	2013	2014E	2015E	2016E
Ratios per share (US\$)					
Earnings per ADS	(1.57)	(2.77)	0.48	0.75	1.10
Diluted earnings per ADS	(1.57)	(2.77)	0.48	0.75	1.10
Operating CF per ADS	0.69	2.72	0.83	1.07	1.25
Dividend per ADS	0.00	0.00	0.00	0.00	0.00
Net assets per ADS	2.96	4.40	3.31	4.06	5.16
Key Operating Ratios (%)					
ROIC	-54.64%	-28.59%	47.04%	20.49%	23.89%
ROE	29.73%	29.21%	14.64%	18.59%	21.34%
Gross margin	68.74%	68.69%	69.90%	71.25%	72.55%
Ebitda Margin	22.65%	19.54%	21.70%	25.79%	29.01%
Ebit Margin	18.38%	14.52%	16.50%	20.25%	23.55%
Growth rate of Revenue (YoY)	120.74%	63.38%	45.00%	34.00%	32.00%
Growth rate of Profit (YoY)	129.39%	63.26%	47.55%	36.58%	34.42%
Debt-to-asset ratio	31.44%	34.72%	16.13%	17.76%	17.77%
Turnover rate of net assets	(1.62)	(1.89)	2.58	0.97	1.02
Turnover rate of total assets	1.21	1.54	0.98	0.80	0.84
Effective tax rate (%)	18.9%	13.9%	13.0%	10.0%	10.0%
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Valuation Ratios (x)					
P/E	(7.68)	(4.33)	24.83	15.93	10.91
P/B	(3.73)	(2.08)	3.64	2.96	2.33
EV/Sale	10.73	6.56	3.52	3.38	2.56
EV/Ebitda	36.85	26.15	16.24	10.19	6.86

Source: Company Data, SWS Research

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Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

Underperform: Share price performance is expected to generate between 10-20% downside over a 12-month period.

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