

04 March 2015

买入
维持

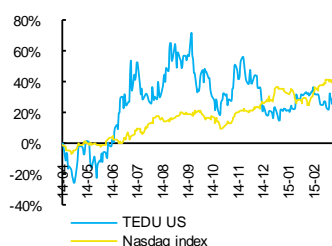
晚春效应导致一季度增速放缓

达内科技 (TEDU:US)

Market Data: Mar, 03

Closing Price (US\$)	10.45
Price Target (US\$)	16.68
DJI	17,815
S&P 500	2,067
52-week High/Low (US\$)	15.85/6.54
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) – Broadening minds" Jan28, 2015

"Tarena International (TEDU:US) – On course for expansion" Nov27, 2014

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Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (US\$m)	92.83	136.20	180.38	238.10	309.52
YOY (%)	63.38	46.72	32.43	32.00	30.00
Net income (US\$m)	14.05	23.49	38.27	55.87	72.19
YOY (%)	47.05	67.26	62.87	46.00	29.21
EPS (US\$)	-2.77	0.51	0.75	1.10	1.42
Diluted EPS (US\$)	-2.77	0.51	0.75	1.10	1.42
ROE (%)	29.21	14.10	18.68	21.43	21.68
Debt/asset (%)	34.72	16.07	18.00	17.69	18.26
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
PE (x)	-3.77	20.49	13.85	9.48	7.34
PB (x)	-1.80	2.57	2.59	2.03	1.59
EV/Ebitda (x)	16.25	11.26	6.34	4.27	3.38

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

投资要点：

四季度 Non-GAAP 下净利润同比增长 34.9%。达内科技四季度收入同比增长 39.7%，达 3970 万美元，较我们原先的预计高 0.7%。Non-GAAP 下净利润将同比增长 34.9%，达 850 万美元。利润率水平由于新创设的会计课程，新中心的设立和应收帐快的坏账计提而有所下滑。四季度公司招生人数同比增长 22.1%，达 16,080。

2014 年新股上市，业务发展开局良好。达内科技 2014 年 4 月登陆纳斯达克，首年（2014）收入同比增长 46.7%，达 1.36 亿美元，Non GAAP 利润同比增长 94.1%，达 2880 万美元。教学中心的数量从 92 家扩展到 118 家，招生人数同比增长 29.1%，达 59960。教学中心的综合利用率为 71%，较 2013 年提升了 5%。

2015 年一季度受春节影响，收入增长放缓。公司预期 2015 年一季度收入位于 2780 万美元至 2880 万美元的区间，同比增长 14.4%至 18.5%。收入增长放缓主要受 2015 年春节较晚的影响。通常来说，客户会在春节结束后报名，2015 年春节较晚，从而给公司一季度的招生带来不利影响。公司一季度可能出现小幅亏损。

2015 年全年增长依然强劲。公司预计 2015 年收入将位于 1.80-1.86 亿美元之间，同比增长 32.2-36.6%。我们预计收入为 1.80 亿美元，位于公司预测区间的下限。我们预期招生人数增长 26%左右，客单价的提升贡献了余下的增幅。公司宣布自 2015 年 3 月起，课程单价上涨 1000 元人民币，同比提升约 6%。

重申“买入”，目标价 16.68 美元。我们维持 2015 年和 2016 年的盈利预测，并推出 2017 年盈利预测 7220 万美元，同比增长 29.2%。目前公司股价对应 2015 年为 13.9 倍市盈率。重申“买入”评级。公司一季度指引增速较差，引发股价调整，将为投资者带来买入机会，我们依然看好公司的长期增长和投资价值。

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Investment Highlights:

Profit passes expectation in 4Q14. Tarena 4Q14 revenue grew 39.7% YoY to US\$39.7m, 0.7% higher than our expectation, and non-GAAP net profit grew by 34.9% YoY to US\$8.5m, 3.5% higher than our forecast. The main reason for the beat is better-than-expected cost and expense control. Enrollments rose 22.1% YoY to 16,080 in 4Q14.

Strong full-year results. Full-year net revenue grew 46.7% YoY to US\$136.2m, and full-year non-GAAP net income grew 94.1% YoY to US\$28.8m in 2014. The company's learning centre network increased by 26 over the year to 118 by year-end, and total student enrollments increased 29.1% YoY to 59,960 in 2014. Overall centre utilisation increased by c.5% YoY to 71% for 2014.

Expect 1Q15 weakness. The company guides 1Q15 net revenue of US\$27.8-28.8m (+14.4-18.5% YoY), a slower rate of growth than is typical, which we attribute to the later-than-usual timing of the lunar Chinese New Year (CNY) festival in 2015. Enrollments typically peak in the months after CNY, with a quiet period prior to the holiday. Thus, we forecast the company may report a small loss in 1Q15.

Resilient growth in full-year 2015. For the full year ahead, the company forecasts net revenue of US\$180-186m (+c.32.2-36.6% YoY); we believe the lower end of the range is more likely, at US\$180.4m. We base this on our expectation of enrolment growth of c.26% YoY in 2015, with revenue also boosted by an increase in average course fees – the company will increase its course rates by Rmb1,000 (5.95%) in March 2015.

Readies online open course model. Tarena plans to launch its online platform, on which it will host massive open online courses (MOOCs), in 2015. The company aims to offer both IT and non-IT courses, of which 30% will be available free-of-charge.

Maintain BUY. We maintain our (GAAP) net profit forecasts of US\$38.3m (+62.9% YoY) in 15E and US\$55.9m (+46.0% YoY) in 16E, and forecast a net of US\$72.2m (+29.2% YoY) in 17E. The company's stock is currently changing hands at 13.9x 15E PE, after having fallen 9.2% on 03 March. We maintain our DCF-based target price of US\$16.68, representing 22x 15E PE. With 59.6% upside, we maintain our BUY recommendation. We see the sharp stock price correction due to weak 1Q15 guidance as providing a good entrance point.

Figure 1: Quarterly analysis

(US\$m)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Net revenues	15.14	20.83	28.49	28.37	24.34	31.94	40.27	39.65
YoY					60.80%	53.30%	41.30%	39.76%
Cost of revenues	-6.01	-6.62	-8.02	-8.42	-8.58	-9.21	-10.47	-10.82
Gross profit	9.13	14.21	20.47	19.96	15.75	22.73	29.8	28.84
YoY					72.50%	60.00%	45.60%	44.47%
Selling and marketing expenses	-5.52	-7.67	-8.67	-8.39	-8.83	-10.3	-11.11	-12.32
General and administrative expenses	-3.22	-3.68	-4.15	-5.17	-5.68	-7.43	-7.61	-9.15
Research and development expenses	-0.63	-1	-1	-1.18	-1.14	-1.37	-1.27	-1.66
Operating income	-0.24	1.86	6.66	5.2	0.11	3.63	9.81	5.70
YoY					-145.80%	95.20%	47.30%	9.65%
Interest income	0.29	0.51	0.64	0.1	0.46	1.01	1.41	1.48
Foreign exchange gain (loss)	0	-0.12	-0.04	0.16	0	0.79	0	0.32
Other income	0	0.04	0.1	1.15	0.47	0.97	0.34	0.58
Income before income taxes	0.06	2.29	7.36	6.61	1.04	6.41	11.57	8.09
Income tax expenses	-0.01	-0.41	-1.33	-0.52	-0.07	-0.68	-1.11	-0.54
Net income	0.05	1.88	6.03	6.09	0.96	5.73	10.46	7.54
Accretion of convertible redeemable preferred shares	-0.48	-0.51	-0.53	-42.84	-0.56	-0.02	0	0.00
Net income attributable to ordinary shareholders	-0.44	1.38	5.5	-36.75	0.41	5.71	10.46	7.54
YoY					-193.20%	313.80%	90.20%	-120.52%

Source: Company Data, SWS Research

Appendix

Consolidated Income Statement

US\$m	2013	2014	2015E	2016E	2017E
Revenue	93	136	180	238	310
Cost of Sales	(29)	(39)	(49)	(65)	(84)
Gross Profit	64	97	129	173	226
SG&A Expense	(29)	(50)	(78)	(95)	(117)
Ebitda	18	26	47	69	87
Ebit	13	19	37	56	74
Finance Costs	0	0	0	0	0
Profit before tax	16	26	43	62	80
Income tax expense	2	2	4	6	8
Minority interests	0	0	0	0	0
Profit for the year	14	23	38	56	72

Source: Company Data, SWS Research

Consolidated Cash Flow Statement

US\$m	2013	2014	2015E	2016E	2017E
Net income (loss)	14	23	38	56	72
Plus. Depr. and amortisation	5	7	10	13	13
Finance cost	0	0	0	0	0
Losses from investments					
Change in working capital	10	3	13	6	18
Others	1	7	(6)	(13)	(10)
CF from operating activities	30	41	55	62	93
Capex	(9)	(13)	(17)	(24)	(24)
Other CF from investing activities	(10)	0	0	0	0
CF from investing activities	(20)	(13)	(17)	(24)	(24)
Net change in liabilities	(0)	0	0	0	0
Dividend and interest paid	0	0	0	0	0
Other CF from financing activities	(0)	80	0	0	0
CF from financing activities	(1)	80	0	0	0
Net cash flow	10	108	38	38	69
FCFF	21	28	38	38	69
FCFE	20	28	38	38	69

Source: Company Data, SWS Research

Consolidated Balance Sheet

US\$m	2013	2014	2015E	2016E	2017E
Current Assets	46	169	209	267	343
Bank balances and cash	26	134	172	210	279
Trade and other receivables	15	26	28	43	50
Inventories	0	0	0	0	0
Other current assets	5	9	9	14	15
Long-term investment					
PP&E	13	18	28	38	52
Intangible and other assets	15	12	12	12	12
Total Assets	74	199	250	317	407
Current Liabilities	25	32	45	56	74
Borrowings	0	0	0	0	0
Trade and other payables	7	7	11	12	18
Other current liabilities	18	25	34	44	57
Long-term liabilities	0	0	0	0	0
Other non-current liabilities	0	0	0	0	0
Total Liabilities	26	32	45	56	74
Minority interest	0	0	0	0	0
Preferred shares	111	0	0	0	0
Shareholder Equity	(63)	167	205	261	333
Share Capital	0.01	0.01	0.01	0.01	0.01
Additional paid-in capital & Reserves	(63)	167	205	261	333
Equity attributable					
Total Liabilities and equity	74	199	250	317	407

Source: Company Data, SWS Research

Key Financial Ratios

	2013	2014	2015E	2016E	2017E
Ratios per share (US\$)					
Earnings per ADS	(2.77)	0.51	0.75	1.10	1.42
Diluted earnings per ADS	(2.77)	0.51	0.75	1.10	1.42
Operating CF per ADS	2.72	0.99	1.09	1.22	1.83
Dividend per ADS	0.00	0.00	0.00	0.00	0.00
Net assets per ADS	4.40	4.07	4.04	5.14	6.57
Key Operating Ratios (%)					
ROIC	-28.59%	45.49%	20.61%	24.00%	24.32%
ROE	29.21%	14.10%	18.68%	21.43%	21.68%
Gross margin	68.69%	71.31%	71.25%	72.55%	72.97%
Ebitda Margin	19.54%	19.21%	25.79%	29.01%	28.17%
Ebit Margin	14.52%	14.07%	20.25%	23.55%	23.97%
Growth rate of Revenue (YoY)	63.38%	46.72%	32.43%	32.00%	30.00%
Growth rate of Profit (YoY)	63.26%	52.31%	32.31%	34.42%	30.76%
Debt-to-asset ratio	34.72%	16.07%	18.00%	17.69%	18.26%
Turnover rate of net assets	(1.89)	2.64	0.97	1.02	1.04
Turnover rate of total assets	1.54	1.00	0.80	0.84	0.86
Effective tax rate (%)	13.9%	9.3%	10.0%	10.0%	10.0%
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Valuation Ratios (x)					
P/E	(3.77)	20.49	13.85	9.48	7.34
P/B	(1.80)	2.57	2.59	2.03	1.59
EV/Sale	4.62	2.16	2.38	1.80	1.38
EV/Ebitda	16.25	11.26	6.34	4.27	3.38

Source: Company Data, SWS Research

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