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TEDU - Q1 2015 Tarena International Inc Earnings Call

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## CONFERENCE CALL PARTICIPANTS

**Ella Ji** *Oppenheimer - Analyst*

**Fan Liu** *Goldman Sachs - Analyst*

**Clara Fan** *Jefferies Group - Analyst*

**Jialong Shi** *Credit Suisse - Analyst*

**Anne Shih** *Brean Capital - Analyst*

## PRESENTATION

### Operator

Ladies and gentlemen, thank you for standing by, and welcome to Tarena International, Inc First Quarter 2015 Earnings Conference Call.

At this time, all participants are in a listen-only mode. After management's prepared remarks, there will be a question-and-answer session. Today's conference is being recorded. If you have any objections, you may disconnect at any time.

I would now like to turn the conference over to your host for today, Ms. Christina Zhu,

Tarena's Investor Relations Manager. Please go ahead.

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### Christina Zhu - Tarena International - IR Manager

Thank you, operator. Hello, everyone and welcome to Tarena's first quarter 2015 earnings conference call. The Company's earnings results were released earlier today and are available on our IR Web site, [ir.tarena.com.cn](http://ir.tarena.com.cn), as well as on newswire services.

Today you will hear opening remarks from Tarena's Founder, Chairman and CEO, Mr. Shaoyun Han, followed by our Chief Financial Officer, Suhai Ji, who will take you through the Company's operational and financial results for the first quarter 2015 and give guidance for the second quarter and full-year of 2015. After their prepared remarks, Mr. Han and Mr. Ji will be available to answer your questions.

Before we continue, please note that the discussion today will contain certain forward-looking statements made under the Safe Harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995.

These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from our current expectations. Tarena does not assume any obligation to update any forward-looking statements except as required under applicable law.

Also please note that some of the information to be discussed includes non-GAAP financial measures as defined in Regulation G, the U.S. GAAP financial measures and information reconciling these non-GAAP financial measures to Tarena's financial results prepared in accordance with U.S. GAAP are included in Tarena's earnings release, which has been posted on the Company's IR Web site at [ir.tarena.com.cn](http://ir.tarena.com.cn).



Finally as a reminder, this conference is being recorded. In addition, a Webcast of this conference call is available on Tarena's Investor Relations Web site.

I will now turn the call over to Mr. Shaoyun Han, Tarena's Founder, Chairman and CEO. Mr. Han will speak in Mandarin and I will translate.

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**Shaoyun Han** - *Tarena International - Founder, Chairman, CEO*

(interpreted) Thank you and welcome everyone to our first quarter 2015 earnings conference call. Due to the impact of Chinese New Year, first quarter has always been the seasonally lowest quarter for our business and the later the Chinese New Year falls in the quarter, the bigger the impact is. In the first quarter of 2015, we achieved net revenues of \$28.2 million resulting in 16% year-over-year growth because of the late timing of Chinese New Year which fell toward the end of February.

Our new student enrollments were light in the month of January and very few in the month of February. However, our March enrollments after Chinese New Year [which] lead to significant pent up demand and we achieved a March enrollment figure that was the highest monthly enrollment in Tarena's entire operating history.

About 74% of our first quarter's total student enrollments, or 11,200 students, occurred in March. However, this enrollment only began contributing to our net revenues in the second quarter. This can be seen from our record high deferred revenue balance of \$24.9 million at the end of first quarter. By comparison, in the first quarter of 2014 only 47% of the total first quarter enrollments occurred in March, which meant more than half of the total student enrollment in the quarter contributed to the first quarter revenues.

Therefore, revenues recognized from the student enrollments in the first quarter were far below that of the same period in 2014, which resulted in lower year-over-year revenue growth. Our student enrollments in the first quarter of 2015 totaled 15,167, a 38% increase year-over-year. Such year-over-year quarterly enrollment growth rate was the highest that we have achieved since becoming a public company in April, 2014.

This enrollment result gives us tremendous confidence in achieving our full year enrollment in revenue targets and more importantly is also a strong validation of the market demand for our high quality professional education services in both IT and non-IT verticals.

In the first quarter of 2015, our efforts to further diversify our course offerings and revenues by expanding into other high growth disciplines continued to bear fruit. The three non-IT courses, comprised of digital art, online sales and marketing, and accounting together accounted for 44% of the total student enrollments in the first quarter.

While our digital art and online sales and marketing courses continued to enjoy strong growth, we are particularly pleased with the excellent progress of our accounting course, which only launched in the fourth quarter of 2014. In addition to the eight accounting learning centers opened in December, 2014, we opened another seven accounting centers in the first quarter bringing the total number of accounting learning centers to 16.

In the first quarter, accounting has already become our number three course in terms of student enrollments, enrolling more than 900 students behind only digital art and Java. Among IT courses, iOS and Android continued to experience strong growth and were the number two and number three IT courses in the first quarter.

In the first quarter, our student enrollments from the retail and university channels were 89% and 11% of total student enrollment compared with 87% and 13% in the same period in 2014 respectively. Given Chinese New Year, first quarter has generally being the smallest quarter for university channel enrollment. But we still achieved 13% year-over-year growth in student enrollments from the university channel and we also expect a higher percentage of student enrollments from the university channel in the second quarter.

We believe our university channel will continue to benefit from the favorable government policies that encourage colleges to work with credible professional education service providers like Tarena and expect high growth in university channel student enrollments in 2015.

In terms of course offering, we have 13 courses in total in the first quarter of 2015, up from 11 in the same period a year ago and 12 from the previous quarter. We launched our accounting course in the fourth quarter of 2014 and another new course, new IT course front-end Web development in the first quarter of 2015.

We expect to launch one more IT course, big data, in the second quarter and another non-IT course towards the end of the year. As we continue to expand our course offering, our targeted demographic and market potential will also become broader which we believe will drive the sustained future growth.

In terms of new learning centers, we opened eight in the first quarter of 2015 compared to five in the first quarter of 2014 and 13 in the previous quarter. Our utilization rate in the first quarter was 69%, a number that does not include learning centers that have opened that have not yet enrolled students, this compared with 60% in the first quarter of 2014 and 75% in the previous quarter. We expect the utilization rate to increase in the second quarter as we continue to ramp up student enrollments in the newly opened centers.

Specifically in the first quarter, we opened three learning centers in January. One each in Shenyang, Hangzhou and Guangzhou, one learning center in Xi'an in February and four learning centers in March with one each in Dalian, Tianjin, Wuxi and Zhengzhou. Other than the learning center in Wuxi, which was for UID course, the other seven learning centers were all for accounting.

In the first quarter, we also merged four learning centers, one each in Jinan, Chengdu, Guangzhou and Shanghai into existing centers due to reallocations of the property or changes in course offerings and center management.

In total, we added a net of four learning centers in the first quarter, bringing the total number of learning centers to 122. We expect to open another 22 to 27 new learning centers for the remaining three quarters in 2015.

Because we opened 11 new learning centers in December of 2014 and another eight in the first quarter of 2015 with costs associated with the new centers incurred ahead of the enrollment and revenue rep and therefore, we experienced a small loss in the first quarter of 2015. In conjunction with the revenue impact from this year's Chinese New Year these activities also contributed to lower margins for the first quarter.

However given the strong enrollment results in the first quarter and healthy business fundamentals, we are confident in our overall revenue and profitability growth outlook for the full year of 2015.

As discussed in our last quarter's earnings call. We also officially launched Tarena MOOC, or TMOOC, our online learning platform in March this year to further extend our footprint beyond entry level training to lifelong professional education services. Within the first two months of launch, we already had more than 26,000 registered users and our proprietary content library currently offers about 4,000 hours of video content in close to 400 different online classes.

We believe that TMOOC.cn complements our existing hybrid model well and enable us to target an even broader customer base to drive long-term future growth.

More recently, we signed a cooperation agreement with Renmin University School of Continuing Education to offer joint major programs in digital art, Java, front-end Web development and Android. Such programs will also attract students who have the need for degree programs to come to Tarena.

Lastly, I would like to reiterate the three top priority for Tarena in fiscal year 2015 as we discussed in our last earnings call.

First, our balanced growth strategy on revenue and profitability. Even the seasonality of our business and in particular the impact from the late timing of Chinese New Year, we were only beginning to see the acceleration of revenue and profit growth starting in the second quarter this year. Historically, we typically generate around 60% of the full year's revenue and an even greater percentage of profits in the second half of the year.



For example, in 2014, 59% of the revenue and 70% of profits were generated in the second half of the year. In 2013, those figures were 61% and 85% respectively. Because of the impact of the late timing of Chinese New Year this year, we expect the revenue percentage from the second-half of the year to exceed 62%.

The demand for our business remains strong as evidenced by our outstanding student enrollment rates, employment rates and we are positive in our outlook for the full year revenue and profit growth.

Second, we will continue to invest in and develop our people which are our most valuable assets. In the first quarter of 2015, our employee headcount, excluding those at headquarters, grew by 29% year-over-year but our student enrollment grew by 38% year-over-year indicating increase employee productivity. We continue to optimize our organizational structure so that we can run our business more efficiently.

We also continue to spend significant time and efforts in recruiting, training and putting in the right incentives for our employees. Our people are at the heart of our business and employee productivity is key to our success.

Third, we will continuously invest in new technologies and products and enhance the quality of our education services which covers all aspects of our education platform including the quality of our instructive content and operational infrastructure.

In the first quarter, in addition to launching TMOOC and other new IT course in front-end Web development, as mentioned earlier, we also are enrolling our operated online learning management system, TDS 8.0, which will further enhance our students' learning experiences and outcome. At the end of the day, our student success is the foundation of our own success.

With that, I'll now turn the call over to our CFO, Mr. Suhai Ji, to discuss the first quarter financial results and outlook for the second quarter and full year.

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**Suhai Ji - Tarena International - CFO**

Thank you, Mr. Han. Thank you, Christina and hello to everyone on the call. Since you have all the detailed number in the press release now, I will review our financial results for the first quarter briefly and leave more time for Q&A. Please note that unless stated otherwise, all numbers that we discuss today are in U.S. Dollars.

For the first quarter of 2015, we grew our net revenues by 16% year-over-year to \$28.2 million. As Mr. Han explained before, this quarter's slower growth was mainly due to the impact by the late timing of Chinese New Year.

Total student enrollments in the quarter increased by 38% year-over-year to 15,167. This 38% growth is a number that we are particularly proud of, and as indicated earlier, this is the highest year-over-year quarterly enrollment growth that we have experienced since becoming a public company.

Average revenue per student enrollment in the quarter decreased by 16% year-over-year to \$1,858. This may sound counterintuitive initially given we have been increasing our tuition fees and our student enrollments from retail channel have been growing faster than the university channel. The reason for the decrease was actually caused by the mismatch between the timing of our revenue recognition and the students enrollments which are the number of student we recruit each quarter.

Student enrollments in our current disclosure are really a lead indicator of the revenues that will be recognized in the following four months of the course duration after the students start their courses. For example, our March enrollments, although very strong, do not generate any revenue in the first quarter, but in the following four months of April, May, June and July.

We disclosed student enrollments data because it is a key metric to measure our success on student recruitment and serve as a important KPI for our center managers. Going forward, in order to better reconcile the revenue and the student enrollments, we plan to introduce an additional



operating metric called course enrollments to fully align our revenues with enrollments so that analysts and investors can easily model our average selling price for our courses.

Course enrollments for our period will be defined as the cumulative total number of courses enrolled in by our students during such periods. For example, a student commences a Java course at the end of month on March 31 with a course duration of four months. For the second quarter, the course enrollment will be three quarter, or 0.75. This way, the course enrollment and the revenue generated in the quarter will be fully aligned.

Now moving onto the cost of revenues and operating expenses. Cost of revenues in the first quarter increased by 28% year-over-year to \$11 million mainly due to higher personnel cost, higher rental cost and higher depreciation expenses. Gross profit increased by 9% year-over-year to \$17 million. Gross margin decreased to 61%, mainly due to revenue impact associated with the late timing of Chinese New Year in the first quarter and the cost associated with increased number of learning centers.

Selling and marketing expenses increased by 37% year-over-year to \$12 million mainly due to higher personnel cost and expanded marketing efforts in advertising as we expanded our network of learning centers. General and administrative expenses increased by 44% year-over-year to \$8.2 million mainly due to higher compensation cost, higher bad debt allowance and higher share based compensation expenses.

In the first quarter, we booked about \$1.5 million in bad debt allowance compared to about \$1 million in the same period a year ago and about \$3.2 million in the previous quarter. Research and development expenses increased by 42% year-over-year to \$1.6 million mainly due to higher personnel cost.

In the first quarter, we incurred an operating loss of \$4.7 million compared to a small operating income of \$0.1 million in the same period in 2014. Non-GAAP operating loss was \$3.6 million compared to a non-GAAP operating income of \$0.6 million in the period a year ago.

Our net loss for the first quarter was \$2.5 million and non-GAAP net loss was \$1.4 million. Our GAAP basic and diluted net loss per ADS were \$0.05, non-GAAP basic and diluted net loss was \$0.03.

So looking forward to the second quarter of 2015, we expect total net revenues to be in the range of \$41 million to \$42 million representing an increase of 29% to 32% on a year-over-year basis.

We would also like to reaffirm our revenue guidance for the full year of 2015 to be between \$180 million to \$186 million representing an increase of 32% to 37% on a year-over-year basis. This guidance reflects our company's current expectation which is subject to change. We note again that our guidance for revenue growth in the second quarter is below our expected growth rate for the full year.

This is mostly due to the residual impact of lower enrollments in January and February of the first quarter because of the timing of Chinese New Year, which will have an impact on revenues in the second quarter.

While we saw continued strong enrollment in April and expect the same for May, some of the associated revenue from those enrollments will only be recognized in the third quarter.

So finally, as some of you may be aware, our current IR Manager, Christina, will be replaced by Helen Song after this quarterly earnings. Christina, who many of you have met or spoken with, will be going to Columbia Business School in the summer and Helen just joined us from GOME Electrical Appliances, a Hong Kong listed company.

So I want to take this opportunity to thank Christina for her great contribution to the IR effort at Tarena and also welcome Helen to the Tarena team. So, this concludes my remarks and I will now hand the call over to the operator and open the line for questions. Operator?

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**Christina Zhu** - Tarena International - IR Manager

Operator, we're ready for taking the questions.



## QUESTIONS AND ANSWERS

### Operator

Thank you very much for that.

(Operator Instructions)

Our first question comes from the line of Ella Ji of Oppenheimer. Your line is now open, please go ahead.

### Ella Ji - Oppenheimer - Analyst

Good morning. Thank you for taking my questions. My first question is actually regarding your second quarter guidance. You know, your 1Q enrollment growth is very strong, 38%, but your 2Q revenue guidance range is below that.

So, I wonder if you can help us understand, is this because, you know, only part of the enrollment is recorded in 2Q, or are we seeing some volatilities in the organic pricing level? So, that's my first question.

### Suhai Ji - Tarena International - CFO

Yes. Hi, Ella, I will take this question. As we just explained on the call, our first quarter revenue growth is only 16% but our enrollment growth was 38% and that's because the mismatch between the revenue and the enrollment metric that we disclosed. In March, that's where we generated over 74% -- close to 74% of our student enrollment. But those enrollments will not generate revenue onto the second quarter.

Similarly, second quarter revenue is actually contributed by the student enrollment from December last year to the student enrollment up to May. So, the lower enrollment in January and February will continue to have impact on the second quarter.

So in the second quarter, if we, you know, given the existing disclosure of the student enrollment, we expect that enrollment growth will be again higher than the revenue growth in the second quarter revenue guidance which we currently give which is about 32% because we're seeing the enrollment growth is actually higher even in April, you know, above 35%.

But you can see the gap is much smaller now. So, it would be more like 32% versus 35% compared to revenue growth of 16% versus a student enrollment growth of 38%.

Then, once we get to the third quarter, the impacts on the first quarter enrollments on revenue will be completely gone, again we will see the normalized pattern and that's why another reason we decided to add a additional operating metric in the second quarter about a course enrollment which I've just discussed.

So, that metric will be completely in line with the revenue recognition that we have. And once you divide the revenue by the course enrollments, that will give you a better idea of the average selling price of our courses.

### Ella Ji - Oppenheimer - Analyst

Okay, that's very helpful. Thank you. So, you know, so can you also comment on the average of course prices on apple-to-apple basis?



**Suhai Ji** - *Tarena International - CFO*

Yes, that's very simple because our course pricing is determined by two factors. One is the nominal tuition fee that we charge students, which we have increased by RMB1,000 every year. We did that in March, which would take effect actually in the second quarter revenue and so we've increased the tuition fee by end of March.

So for the end of March enrollment, they will pay RMB1,000 more and similarly, we did the same in 2015, you know, in the first quarter, in the end of March as well and you will see that impact from the second quarter onwards.

And that's one factor is the nominal tuition fee increase, and the other factor is really the channel mix between the retail channel and the university channel, and because for the university channel we offer certain discounts to the students enrolled through that channel. But the retail channel, as we have been discussing, has been growing in importance of faster growth than the university channel. That will also help contribute to the effective price increase.

But the RMB1,000 nominal price increase now is only probably 4% to 5% of the total price that we charge. So we expect that price, you know, once we disclose the course enrollments data you will see that that will be in the single digits. So most of our revenue will be still driven by the student enrollment growth, which we expect to be, you know, quite strong this year again.

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**Ella Ji** - *Oppenheimer - Analyst*

Okay, got it. Thank you. And then, second question is also relating to your full year expansion plan. Can you update us with your learning center expansion plan? And also, you know, with that, how should we think about your margins trend on a year-over-year basis? Thank you.

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**Suhai Ji** - *Tarena International - CFO*

Yes, we, you know, discussed that a little bit on the remarks by Mr. Han. So, for example, in the first quarter, we opened eight new centers and we target to open another 22 to 27. So in the second quarter, we probably plan to open around another 10 and then the rest for the second half of the year.

And because last quarter, in the fourth quarter 2014, we opened actually 13 centers. So we expect those centers, the newly opened one, most of them are actually for accounting course to continue to ramp up their enrollments. And in total, this year's new learning centers in number actually will be -- seem slightly more than last year, 2014, but actually less than 2013 when we opened 35. And in 2014 we opened 26, and this year we plan to open around 30 to 35.

But given the larger base of the more mature centers, we expect the center utilization on the overall basis for the full year actually to exceed that of last year, which means we should also have some margin improvements.

And I think, as we discussed before, the target operating margin we're looking at will be somewhere between 19% for the full year of 2015 and most of that will kick in in the third quarter and the fourth quarter, when we, you know, fully ramp up the enrollment. And that's when the seasonality factor that Mr. Han discussed earlier will typically generate over 60% of the revenue in the second half and this year probably more than 62%, and also more than 70% of the profits in the second half as well.

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**Ella Ji** - *Oppenheimer - Analyst*

Thank you, Suhai. Very helpful.



**Suhai Ji** - Tarena International - CFO

Thank you, Ella.

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**Operator**

Thank you very much for that. Our next question comes from the line of Fan Liu of Goldman Sachs. Your line is now open, please go ahead.

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**Fan Liu** - Goldman Sachs - Analyst

Thank you. So, hi. Christina, so I have one question. You had mentioned that the tuition increase for the selected courses. Would you mind share with us, what these courses are and the rationale behind the decision making on tuition change? Thank you.

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**Suhai Ji** - Tarena International - CFO

Okay, I will let Christina translate the question for Han and he will address it, I will address it as well.

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**Shaoyun Han** - Tarena International - Founder, Chairman, CEO

(interpreted) So in 2015, we increased most of our courses like all the other major courses, Java, UID, online sales and marketing, all those courses increased by RMB1,000 only for accounting course which was only launched towards the end of last year. So we kept that price the same and most of our other courses price increased by RMB1,000.

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**Suhai Ji** - Tarena International - CFO

You were asking, like, what's the rationale behind, like, why we're able to increase the prices or?

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**Fan Liu** - Goldman Sachs - Analyst

Yes, yes, that would be helpful. Any color. I think for accounting and accounting classes. So would you mind share with us what's the plan to follow tuition increase going forward?

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**Suhai Ji** - Tarena International - CFO

Yes, for accounting courses, we plan to increase that by another RMB1,000 next year. So that will come in March, 2016. And the reason why we have been able to increase the price is because, you know, when we look at affordability of our students, we look at return on investments or they have payback period. Typically, we expect students to be able to pay back their entire tuition within four to five months.

So, after they go through the Tarena training, after they get a job, get paid a monthly salary which is typically in the range of RMB4,000 to RMB5,000 in the tier one city compared to the tuition fee we charge, the most expensive now is RMB17,800 or RMB16,800, so that's about four to five months payback period.

So as long as the base salary continue to increase each year, if you're we're able to continue to increase the price because the payback period to the students remains roughly the same. Does that address your question, Fan?

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**Fan Liu** - Goldman Sachs - Analyst

Yes, yes. Thank you, Suhai.

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**Operator**

Thank you very much for that. Our next question comes from the line of Clara Fan from Jefferies. Your line is now open. Please go ahead.

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**Clara Fan** - Jefferies Group - Analyst

Hi, hello. Thank you for taking my questions. I have three questions. First one is I see that you mentioned that we have 900 enrollments in the accounting course in the first quarter, so I'm just wondering, you know, have our target for the full year accounting enrollment changed? Because previously we've got it around 7,000 to 8,000 enrollment for the accounting course in fiscal year 15.

And my second question is, we saw that in your announcement that you mentioned there's a higher bad debt expense in this quarter. Just wondering whether -- how much is it and what do we expect for full year fiscal 15? And my last question is, we previously mentioned that we'll probably have some savings in our marketing courses from Baidu and I'm just wondering whether we're seeing any effect now? Thank you.

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**Suhai Ji** - Tarena International - CFO

Okay, I'd like Han to address your first question, accounting, okay? And we'll translate the question, or maybe you want to ask in Chinese, Clara?

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**Clara Fan** - Jefferies Group - Analyst

(Spoken in Chinese)

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**Shaoyun Han** - Tarena International - Founder, Chairman, CEO

(Spoken in Chinese)

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**Clara Fan** - Jefferies Group - Analyst

(Spoken in Chinese)

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**Suhai Ji** - Tarena International - CFO

Also because, like, we only opened seven accounting centers only in March. So it would take time for them to ramp up as well. And so, those -- most of the accounting centers are newly opened. So we expect those enrollments to ramp up for the remainder of the year. So we're still expecting about 7,000, you know, between 7,000 or 8,000, you know, that kind of range for the accounting student enrollment for the full year.

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**Clara Fan** - Jefferies Group - Analyst

Thank you.

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**Suhai Ji** - *Tarena International - CFO*

And your second question, maybe I addressed your last - your third question regarding the rebate or discount we're getting from Baidu, that will kick in in the second quarter. So, we will see the benefits of that from second quarter onwards because those contract were signed taking effect only in the first quarter in March. So, that's where we're going to see the benefit. Okay? And the second question, could you repeat again, what do you mean by the expenses?

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**Clara Fan** - *Jefferies Group - Analyst*

Just wondering, how much was the bad debt expense in the first quarter and guidance for full year?

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**Suhai Ji** - *Tarena International - CFO*

Oh, yes. Yes. On the first quarter, I mentioned on the script, you may not have heard it clearly. Within the G&A expenses, the bad debt expense is about \$1.5 million and that compared with about \$1 million for the first quarter a year ago, first quarter of 2014, and \$3.2 million that was booked as bad debt expenses in the fourth quarter. So, we reduced that by more than half on the sequential basis and we expect this, I think as we discussed last earnings call, probably close to \$5 million for the full year.

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**Clara Fan** - *Jefferies Group - Analyst*

Okay, thank you.

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**Suhai Ji** - *Tarena International - CFO*

You know, we're going to continue to be diligent on the AR, accounts receivable management, and try to, you know, minimize the bad debt expenses.

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**Clara Fan** - *Jefferies Group - Analyst*

Thank you.

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**Suhai Ji** - *Tarena International - CFO*

Okay, thank you, Clara.

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**Operator**

Thank you very much. Our next question comes from the line of Jialong Shi from Credit Suisse. Your line is now open, please go ahead.

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**Jialong Shi** - *Credit Suisse - Analyst*

Hi, good morning, Han, also, hi, Christina and thanks for taking my question. I have a follow-up on your new programs with Renmin University which Han mentioned in the prepared remark. I just wonder, Han or Suhai can provide more colors on this new initiative?



I'm quite curious how scannable is this new program and will you maybe, you know, for the rest of the year, will you consider expanding this, you know, program to other universities? And lastly, I just wonder how different, you know, this program compared to your existing or your previous, you know, collaboration with local Chinese universities to recruit students?

(Spoken in Chinese)

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**Shaoyun Han** - *Tarena International - Founder, Chairman, CEO*

(interpreted) Well first of all, the joint program that we have with Renmin University School of Continuing Education is quite different from what we had in the past. So the joint program will have, will cover three aspects.

First, towards current students at Tarena and some students at Tarena they only have high school degree, so they can, you know, apply for this program and they can advance their degree from, you know, high school to bachelor and because [Renda] they acknowledge Tarena's IT courses, they don't - students who enroll in this program, they don't have to take major professional courses in [Renda]. They can just transfer credits from Tarena courses.

Also for, you know, Tarena students who have Diploma degree they can also enroll in this program and advance their -- improve their degree from Diploma to Bachelors. So for students at Tarena who want to enroll this program, they only have to pay an extra of RMB9,000. And Tarena will get a cut out of RMB9,000 payable to Renmin University.

Also this program will actually cover a broader customer base towards those who didn't pass the entrance exam for college. So, you know, now we can target those students, those who failed in the entrance exam for colleges because they not only they have a need for degrees, they also have need for, you know, professional education to help them find a job. So this program between Tarena and Renda will not only help them achieve the goal of having an advanced degree, but also sharpening the competitiveness in professional job hunting markets.

(Multiple Speakers)

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**Jialong Shi** - *Credit Suisse - Analyst*

Please go ahead.

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**Shaoyun Han** - *Tarena International - Founder, Chairman, CEO*

And also, currently we are not planning to expand to the program with other universities because Renmin University is already a very top university, for example, in China. So this already, you know, meets the need for students who, you know, who want to advance degree and get a job. So, that's our thinking.

And on the other hand for students enrolled at Renda who are doing the degree programs at [Renda], they might be also interested in, you know, enrolling in Tarena's course. Not only they get a favorable price, but they also get the professional education services. So this program would also contribute to student enrollments of courses at Tarena as well.

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**Jialong Shi** - *Credit Suisse - Analyst*

Thank you. (Spoken in Chinese) So, my second question is that of the average, you know, placement rate for the graduates in 2014?



**Shaoyun Han** - *Tarena International - Founder, Chairman, CEO*

The placement rate for our graduates, who within four months post graduation, is over 95%.

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**Jialong Shi** - *Credit Suisse - Analyst*

(Spoken in Chinese)

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**Suhai Ji** - *Tarena International - CFO*

Thank you, Jialong.

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**Operator**

Thank you very much. Our next question comes from the line of Anne Shih from Brean Capital. Your line is now open please go ahead.

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**Anne Shih** - *Brean Capital - Analyst*

Hi, good morning. Hi, Christina, thanks for taking my question. Just a quick follow-up on your non-IT courses. Could you provide some more details on just how quickly IT versus non-IT revenue is growing? Specifically given how quickly accounting is growing, how do you see the proportions of revenues changing over the next year or so? And also, do you see similar placement rates for IT versus non-IT? Thank you.

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**Suhai Ji** - *Tarena International - CFO*

Yes. Hi, Anne. I will address this question. In terms of the breakdown between the IT and the non-IT in the first quarter is about 44% for non-IT and this percentage remains roughly unchanged from the previous quarter in Q4 last year because we are seeing also continued growth in the IT student's enrollments as well.

So, their revenue would be roughly the same split as their enrollment split. But we expect because accounting is coming up from a smaller base. So it's going to have a faster growth. Right now, there are three non-IT courses, digital art, online sales and marketing, and accounting, and digital art is already the number one course in the first quarter. Java is still the number two and accounting is at number three. And I think online sales and marketing is number four then it's iOS and Android, but those are similar in enrollments.

So towards end of this year, we think the non-IT will be greater in terms of percentage. So it will be about half, half if not more. And in terms of job placement rates, they're equally good, especially for our digital art course and that placement rate has been, you know, outstanding, and also for accounting, we expect similar job placement rate. So that's an area that we're not as concerned about given the high quality students that we produce after, you know, going through our training program.

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**Anne Shih** - *Brean Capital - Analyst*

That's very helpful. Thank you.

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**Suhai Ji** - *Tarena International - CFO*

And by the way, the pricing of the non-IT and IT, they're pretty much all the same. You know, the only difference is probably only RMB1,000. So they're comparable that's why the revenue would be similar as well in proportion to the enrollment split.



**Anne Shih** - *Brean Capital - Analyst*

Great, thanks.

**Suhai Ji** - *Tarena International - CFO*

Okay. Thank you, Anne.

**Operator**

Thank you for that, Anne.

(Operator Instructions)

It appears there are no further questions at this time. I will now hand the call over to Ms. Christina Zhu for any additional closing remarks.

**Christina Zhu** - *Tarena International - IR Manager*

Thank you, operator. If there are no further questions at present, we'd like to conclude by thanking everyone for joining us on the call.

We welcome you to reach out to us directly by e-mailing [ir@tarena.com.cn](mailto:ir@tarena.com.cn) should you have any questions or requests for additional information and encourage you to visit our Investor Relations site at [ir.tarena.com.cn](http://ir.tarena.com.cn). This concludes Tarena's earnings conference call. Thank you.

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