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TEDU - Q4 2014 Tarena International Inc Earnings Call

EVENT DATE/TIME: MARCH 03, 2015 / 1:00PM GMT

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to Tarena International, Incorporated Fourth Quarter and Fiscal Year 2014 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 call over to your host for today's conference, Ms. Christina Zhu, Tarena's Investor Relations Manager. Please go ahead.

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

Thank you, operator. Hello, everyone and welcome to Tarena's fourth quarter and fiscal year 2014 earnings conference call. The Company's earnings results were released earlier today and are available on our IR website, 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 fourth quarter and fiscal year 2014 and give guidance for the first 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 US 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 the applicable law.

Also please note that some of the information to be discussed includes non-GAAP financial measure as defined in Regulation G. The US GAAP financial measures and information reconciling these non-GAAP financial measures to Tarena's financial results prepared in accordance with US GAAP are included in Tarena's earnings release, which has been posted on the Company's IR website at 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 website.

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.

Shaoyun Han - *Tarena International Inc. - Chairman, CEO*

(interpreted) Welcome everyone to our fourth quarter and fiscal year 2014 earnings conference call. I am pleased to report that we finished our first fiscal year as a public company on a strong note, delivering 39.7% and 46.7% revenue growth for the fourth quarter and for the year respectively.

In addition to the strong top line growth, we also achieved the objective set at the beginning of this year to improve profitability by delivering an even stronger net income growth of 75.8% for fiscal year 2014.

In the fourth quarter, our top line revenue grew by almost 40% year-over-year to reach $39.7 million. Our student enrollments in the fourth quarter of 2014 totaled 16,080 increasing by 22% year-over-year. Eleven out of the 13 new learning centers in the fourth quarter were just opened in December and have not started to enroll students. So the enrollment growth in the fourth quarter is mostly coming from existing learning centers through an increase in utilization rate.

In the fourth quarter, we continue to see positive results in our strategy to penetrate additional high growth verticals and extend our reach beyond our core strength in IT. Non-IT courses comprised of digital art and online sales and marketing and now our newly launched accounting course accounted for 45% of the total student enrollment in the fourth quarter.

In the first two months of launch in Beijing only, we enrolled 247 students in our accounting course. We plan to rollout this course in eight additional cities and begin enrolling students in the first quarter of 2015. Eight out of the 11 learning centers opened in December have been a [mark] for accounting and we are optimistic that it will provide an additional growth engine to our business in 2015.

We will continue to execute on our strategy to diversify our course offerings and revenues to drive sustained growth. In addition to the success enjoyed by the newly launched non-IT courses, some newer IT courses such as Android and iOS continued to perform strongly.

Android and iOS have both surpassed C++ to become the number two and number three IT courses in the fourth quarter. Our market-oriented demand-driven approach to identify high-growth verticals coupled with our proven execution capabilities will enable us to continue our future expansion and growth.

In the fourth quarter, our student enrollments from retail channel increased to 82% of total student enrollments compared with 77% in the same period in 2013. Together with the tuition fee increase in the second quarter of 2014, this resulted in higher average revenue per student, a 14.4% increased year-over-year and contributed to our revenue growth exceeding our student enrollment growth.

In fiscal year 2014, we grew our revenue by almost 47% $136.2 million, our student enrollment increased by 29.1% to reach almost 60,000. We expect such strong enrollment growth to continue in 2015.

Student enrollment mix from retail and university channel for fiscal year 2014 was 82% and 18%, compared with 77% and 23% for fiscal year 2013. In 2015, we expect such mix to remain relatively stable. Beginning in March 2015, we will also increase the tuition fee for our courses by another RMB1,000 which should further increase our average revenue per student.

In terms of course offerings as previously stated, we will launched our non-IT accounting course in the fourth quarter of 2014, so that's bringing the total number of course offerings to 12 in fiscal year 2014 up from 11 in fiscal year 2013. When we launch three new courses including digital arts and online sales and marketing. In the first quarter of 2015, we also plan to launch an additional new IT course, front-end web development.

In terms of new learning centers, we opened 13 in the fourth quarter of 2014, compared to six in a same period of 2013 and two in a previous quarter. Our utilization rate in the third quarter already surpassed 77% and we were ready to accelerate the center openings to accommodate student growth in both existing and new courses.

Specifically, we opened one center in Beijing on October and one center in Weifang in November. In December we opened one center each in Beijing, Tianjin, Haikou, Nanjing, Qingyang, Chengdu, Chongqing, Shanghai, Hohai, Chongqing and Qingdao. As a result of new center openings, our utilization rate in the fourth quarter declined slightly to 75%, but still above the 70% utilization rate in the same period in 2013. And for the entire fiscal year of 2014, we added a net of 26 learning centers compared to 35 in 2013 and our center utilization rate for the year increased to 71% from 66% in 2013.

We are also pleased to see that in 2014, we achieved very good results in some of the third-tier cities such as Weifang, Yantai, Dongguan and Ningbo, which laid a solid foundation for our future business expansion in third-tier cities.

For 2015, we plan to open another 30 to 35 new learning centers to meet the student enrollment demand for our courses.

Another operating metric that we are particularly proud of has been our job placement record, which is a key indicator of our education quality and outcome. I am pleased to report that in 2014, we continue to deliver outstanding employment results for our students. Our four months post graduation job placement rate in 2014 was consistently above 95%. This compared with a six-month post graduation job placement rate of 90% in 2013.

These best in class results are function of the strength and quality of our learning platform, as well as the market demand for trained professionals. They also support our market leading brand, pricing strategy and overall competitive position.

As a mission focus organization, we are proud of our role in enhancing the career prospects of tens of thousand to students who went through Tarena course each year and believe strongly that our student success is the foundation for our own.

Consistent with what we stated in the previous earnings call, we have taken a prudent approach to new center openings in 2014 in order to drive our margin and profitability. I am pleased to say that we have achieved the objectives we set at the beginning of the year to improve center efficiency and utilization.

For the full-year of 2104, our overall center utilization rate has reached 71% as compared to 66% in 2013. Gross margin increased by 262 basis points year-over-year to 71.3%, and non-GAAP operating margin increased by 149 basis points year-over-year to 17.1%.

In the fourth quarter, we decided to write-off bad debt of $4 million and took $3.2 million in bad debt allowances. This is a legacy issue primarily related to students enrolled between year of 2010 and 2012 through our installment payment option plan, which we have substantially reduced after third-party financing providers established loan programs for our students in 2013. The percentage of student on an installment payment plan extended by Tarena accounted for 50%, 44% and 35% of total student enrollment in 2010, 2011 and 2012 respectively.

Since 2013, we have substantially reduced a percentage of students on such installment payment option and that percentage has now decreased to less than 13% in 2014. Going forward, we expect the bad debt allowance to be significantly reduced and our operating margin to return to a normalized level in 2015.

Without such impact from bad debt allowance which totaled $7.5 million in 2014 as compared to $1 million in 2013. Our operating margin would have been much higher in 2014. The future improvement in bad debt allowance will provide an additional upside in our margin expansion in 2015.

Lastly, I would like to touch on a few priorities for Tarena in fiscal year 2015. First, we will continue to pursue a balanced growth strategy. We target to deliver strong top line growth, but at the same time further improve our margins and profitability over what we already achieved in 2014.

The demand for our business remains strong as evidenced by our outstanding employment rates and we are positive in our outlook for ongoing growth momentum in fiscal year 2015 based primarily on the enrollment growth. We will continue to grow by expanding our course offerings and opening learning centers at a manageable pace to accommodate the enrollment growth.

Second, we will continue to invest and develop our people which are our most valuable assets. In fact the biggest bottleneck constraining our growth is not the industry or the market potential, but the human resources. In 2014, we already grew our total employee headcount by 27% from 3,104 at the end of 2013 to 3,904 at the end of 2014 to support our business expansion.

Utilization rate for our existing centers was already at 71%. So most of the additional growth will be limited by the number of new center openings. It's the only public company focused on the professional education. We are well-positioned to retain and attract the best talents.

Through the series of initiatives that were discussed in our third quarter earnings call and which have been largely implemented, we aim to constantly improve our employee productivity and enhance our operational efficiency. After all, we are running a people 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 instructors, content and operational infrastructure. In 2015, in addition to launching new courses, we will rollout our upgraded online learning management system TDS 8.0 from TDS 7.0, which will further enhance our students leaning experiences and outcome.

Later this month, we will also launch Tarena [MUC] or TMUC, our pure online learning platform. TMUC is positioned to provide continued and lifelong learning platform for existing IT professionals, Tarena and Tarena graduates, as well as for corporate training and other value added services, complementing our current hybrid model and targeting an even broader customer demographics. We will also remain opportunistic for potential strategic cooperation risks or acquisition of other education services providers, who are complementary to our strategic goals to drive our long-term growth.

With that, I will now turn the call over to our CFO, Suhai Ji, to discuss the fourth quarter financial results and outlook for the full-year of 2015.

Suhai Ji - *Tarena International Inc. - CFO*

Thank you, Mr. Han. Thank you, Christina, and hello to everyone on the call. As Mr. Han mentioned, we are very pleased to finish our first fiscal year as a public company with both strong top and a bottom line results. Since you have all the numbers in the press release now, I will review our financial results for the fourth quarter and fiscal year 2014 more briefly. Please note that unless stated otherwise, all numbers I will discuss today are in U.S. dollars.

For the fourth quarter of 2014, we grew our net revenues by 40% year-over-year to $39.7 million mainly driven by increased student enrollments and higher average revenue per student. Total student enrollments in the quarter increased by 22% year-over-year to 16,080. The number of our course offerings increased from 11% to 12% in the fourth quarter year-over-year, while the number of our learning centers increased from $92 million to $118 million in the same period year-over-year to cater to the increased demand for our courses.

Average revenue per student in the quarter increased by 14% year-over-year to $2,466, the growth was driven by the increase of standard tuition fees for our courses and the higher percentage of retail channel in our student enrollment channel mix.

Now moving on to the cost of revenues and operating expenses. As discussed in previous earnings calls, please refer to our disclosure on non-GAAP financial measures that was included in our official press release. In the fourth quarter of 2014, total SBC expenses were $1 million up from $0.2 million in the same period in 2013. Eighty seven of the total shared-based compensation expenses this quarter fell in the general and administrative expense line with the rest being relatively insignificant across the other expense line.

Cost of revenue in the fourth quarter increased by 28% year-over-year to $10.8 million mainly due to higher personnel cost, higher rental cost and higher depreciation expenses.

GAAP gross profit increased by 45% year-over-year to $29 million. GAAP gross margin increased by 240 basis points year-over-year to 73% mainly due to increased center utilization rate to 75% from 70% in the same period in 2013.

Selling and marketing expenses increased by 47% year-over-year to $12 million mainly due to the higher personnel cost and expanded marketing efforts in advertising as we expanded our network of learning centers.

Non-GAAP general and administrative expenses increased by 72% year-over-year to $8.3 million mainly due to higher bad debt allowances and higher compensation cost. As explained before out of the $8.3 million, $3.2 million were in bad debt allowance for the quarter.

Research and development expenses increased by 40% year-over-year to $1.7 million, mainly due to higher personnel cost.

Our operating income for the fourth quarter increased by 6.4% year-over-year to almost $5.6 million. Non-GAAP operating income increased by 20% year-over-year to $6.7 million. Non-GAAP operating margin increased to 16.9% mostly due to the higher bad debt expenses discussed earlier.

Our net income for the fourth quarter increased by 24% year-over-year to $7.5 million and our non-GAAP net income increased by 35% year-over-year to $8.5 million. So for the fourth quarter, our GAAP basic and diluted earnings per ADS were $0.15 and $0.13 respectively. Non-GAAP basic and diluted earnings per ADS were $0.17 and $0.15 respectively.

So for fiscal year 2014, our net revenue grew by 47% to $136.2 million also mainly due to the increase due to enrollment and higher average revenue per student. Total student enrollments for 2014 increased by 29% over 2013 to $59,960. The number of course offerings increased from 11% to 12% year-over-year, while the number of our learning centers increased from 92 to 118 year-over-year to cater to the increased demand for our courses.

Average revenue per student in the quarter increased by 14.4% year-over-year to $2,272 mainly due to the increase of standard tuition fees for our courses and the higher percentage of retail channel in our student enrollment channel mix.

For fiscal year 2014 total shared based compensation expenses were $4.1 million up from $0.8 million in 2013, almost 90% of the total SBC expenses in 2014 fell in the general and administrative expense line with the rest being relatively insignificant across other expense lines.

Cost of revenue in fiscal year 2014 increased by 30% year-over-year to $39 million mainly due to higher personnel cost, higher rental cost and higher depreciation expenses.

GAAP gross profit increased by 52% over 2013 to $97 million, GAAP gross margin increased 262 basis points to 71% mainly due to increased center utilization rate to 71% from 66% in 2013.

Selling and marketing expenses increased by 41% year-over-year to $43 million mainly due to higher personnel cost and expanded marketing efforts in advertising as we expanded our network of learning centers.

Non-GAAP general and administrative expenses increased by 71% year-over-year to $26 million, mainly due to higher compensation cost and higher bad debt allowance amounting to $7.5 million.

Research and development expenses increased by 43% year-over-year to $5.4 million mainly due to higher personnel cost.

Our operating income for fiscal year 2014 increased by 40% over 2014 to almost $19 million. Non-GAAP operating income increased by 61% to $23 million. Non-GAAP operating margin increased to 17.1% in fiscal year 2014 as compared to 15.6% in 2013.

In fiscal year 2014, we had a decrease in effective income tax rate to 8.9% from 13.9% in 2013 mainly due to a tax holiday enjoyed by one of our wholly-owned subsidiaries.

Our net income for the fiscal year 2014 increased by 76% over 2013 to $24.7 million. Non-GAAP net income increased by 94% year-over-year to $28.8 million. So for fiscal year 2014, our GAAP basic and diluted earnings per ADS were $0.51 and $0.43 respectively.

Non-GAAP basic and diluted earnings per ADS were $0.59 and $0.51 respectively. If we were to use the same number of share count as in the fourth quarter of 2014, the pro forma non-GAAP basic and the diluted earnings per ADS would have been $0.57 and $0.49 receptively.

So looking forward to the first quarter of 2015, we expect total net revenues to be in the range of $27.8 million and $28.8 million representing an increase of 14.4% to 18.5% on a year-over-year basis. The Company also initiates its total net revenue guidance for the full-year of 2015 to be between $180 million and $186 million, representing an increase of 32% to 37% on a year-over-year basis. So this guidance reflects the Company's current expectation which is subject to change.

So we note that our guidance for the revenue growth in the first quarter of 2015 is below our expected growth rate for the full-year. This is mainly due to the expected impact of normal seasonality on our first quarter and more over in 2015, the Chinese New Year fell on February 18, thus we could only commence new classes at the end of January and end of March, but not February.

So usually we experience much stronger enrollment post-Chinese New Year holidays as in the case for the first quarter of 2014 when we commence new classes at the end of February and March after the Chinese New Year which happened at the end of the January. Therefore, we expect smaller year-over-year revenue increase for the first quarter of 2015.

So this concludes my remarks and I will now hand the call over to the operator and open the line for questions. Operator?

QUESTIONS AND ANSWERS

Operator

Thank you, Mr. Ji. Ladies and gentlemen, we will now begin the question-and-answer session.

(Operator Instructions)

The first question comes from the line Fan Liu from Goldman Sachs. Your line is open. Please go ahead.

Fan Liu - *Goldman Sachs - Analyst*

Hi, [Hanjong], Suhai and Christina for taking my question. I understand the reason behind the weaker fourth quarter revenue guidance. Suhai so, excluding this New Year effect how would be the top line growth look like for the first quarter?

Shaoyun Han - *Tarena International Inc. - Chairman, CEO*

(spoken in foreign language)

Fan Liu - *Goldman Sachs - Analyst*

(spoken in foreign language)

Shaoyun Han - *Tarena International Inc. - Chairman, CEO*

(spoken in foreign language)

Suhai Ji - *Tarena International Inc. - CFO*

Okay, I'll explain that in English to elaborate a bit on your question. So again our business is seasonal to begin with because first quarter, because the Chinese New Year has been traditionally our weakest quarter and this year in particular because of the timing of the Chinese New Year on February 18 which is towards the end of the February.

So usually the time between the New Year, which is January 1 or the Christmas and the Chinese New Year, that period is the slowest period for us, for our student enrollment. So the longer that period is, the larger the impact it is for our business. And this year has been probably the longest, and compared to last year, the Chinese New Year fell at the end of January, so we can commence the class after the Chinese Year end of February and end of March, and usually we experienced much stronger demand for enrollment post the Chinese New Year.

So we basically had two months of strong enrollments after the Chinese New Year, but this year we have only recruit student in January which is the weakest month.

And then for student enrolled in March who commenced class at end of the March, we don't really book any revenues in the first quarter, because that revenue we get booked in April, in May get pushed to the second quarter. So a weaker quarter this year compared to a relatively stronger quarter last year explained the smaller gross rate between the two quarterly revenues.

Fan Liu - *Goldman Sachs - Analyst*

Thank you, Hanjong, Suhai.

Operator

Your next question comes from the line of Fiona Zhang from Oppenheimer. Your line is open. Please go ahead.

Fiona Zhang - *Oppenheimer & Co. - Analyst*

Hi, good evening. Hanjong, [Chizo] and Christina, thank you for taking my questions and I am calling in behalf of Ella. I have two questions today and my first question is on your marketing expenses, we have noticed that your average student acquisition costs actually seem to have increased in 4Q. So how should we understand that increase and how should we expect the trend in 2015. And also can you talk about your focus on your marketing activities for 2015.

(spoken in foreign language)

Suhai Ji - *Tarena International Inc. - CFO*

Okay. (spoken in foreign language) So I would address the first part of your question basically the sales and marketing expenses Q4 2014 increased more on a per person or per operating enrollment basis and that's actually because we opened more new learning centers in the fourth quarter and our sales and marketing expenses comprised of mostly two parts. One is the compensation for the sales and marketing staff and two is the advertising spending. And because we opened a net up 13 new learning centers in the fourth quarter, so once we opened those learning centers, we need to staff them with the sales and marketing staff and that compared with many fewer numbers in the same quarter previously.

And in the fourth quarter of 2013, we only opened six new learning centers, so that explained the sales marketing variations. So that really depends on how many new learning centers we opened, because as soon as we opened those learning centers that will incur the sales and marketing expenses.

Okay so that's your; and going forward in 2015, actually even for the 2014 as a whole, you can see that our sales and marketing expenses as a percentage revenue actually declined to 31.2% for the full-year compared 32.6% in fiscal year 2013. And that also largely because in 2013, we opened 35 new learning centers; and in 2014, it's only 2014, 13 plus 11, so 24 learning centers. So that really has to do with the speed of which we opened new learning centers and that will drive the sales and marketing expenses.

Okay and the second part of your question in terms of 2015, what we are going to do. Actually, we already discussed that a bit on the last quarter's earnings call. One is continue to optimize our advertising spending and there are several measures we took beginning actually from the third quarter, so essentially instead of doing the advertising on center base, we will centralize them on a city level and which has given us a very decent results and we will continue to do that in 2015. And also I will ask Shaoyun to see whether he has anything to add.

(spoken in foreign language).

Shaoyun Han - *Tarena International Inc. - Chairman, CEO*

(spoken in foreign language).

Fiona Zhang - *Oppenheimer & Co. - Analyst*

Thank you. Sorry, go ahead.

Suhai Ji - *Tarena International Inc. - CFO*

Just additional point, I was going to translate, but I think you got what Shaoyun said.

Fiona Zhang - *Oppenheimer & Co. - Analyst*

Yes.

Suhai Ji - *Tarena International Inc. - CFO*

Maybe I just translate part of just also the English for the benefit of other investors.

Shaoyun Han - *Tarena International Inc. - Chairman, CEO*

(interpreted) So in addition to what I mentioned earlier for 2015, we would further diversify our advertising spending channel. So in addition to the search engine marketing through Baidu, we will also utilize some other channels such as recruiting website which has worked very well in a lot of regions for student recruitment and they are cheaper channels to recruit students. And also even for Baidu, we have become their VIP customer. So we are expecting additional rebate or discount from the advertising spending on Baidu's search engine.

Fiona Zhang - *Oppenheimer & Co. - Analyst*

All right, thank you, that's very helpful. And my second question is on your new TMUC platform. So I am just wondering currently are you only focused on the IT courses and how do you charge for these courses. Do you plan to like how much do you want to charge for that? And also can you talk about your partnership with corporate you have mentioned previously. Thank you.

(spoken in foreign language)

Shaoyun Han - *Tarena International Inc. - Chairman, CEO*

(spoken in foreign language)

Suhai Ji - *Tarena International Inc. - CFO*

I would translate that in English.

Shaoyun Han - *Tarena International Inc. - Chairman, CEO*

(interpreted) So the first question, the TMUC, we actually plan to put our existing course offerings, some of it on our platform. So more than just IT courses and it's targeted more towards -- especially for IT courses, which it will consist the bulk of the offering, because that's what we are still the majority of our course offerings, that will be suitable for existing professional or for people who are really graduated from Tarena courses and have full time jobs and they want to continue to improve their skills. So that would be extension of our existing customer base.

And for the potential revenue, I think 70% of the courses will be charged either by ours or by our membership fee or subscription and another 30% would be free. So we offer more details once we launch that platform later this month.

In terms of corporation with those cooperates, for example I think it's ready reported in a media that we are appointed as the official training, IT training providers for Baidu. So for Baidu staff or employees, it's impossible for them to quite the job to study during their full time, so they can utilize this online platform to provide the training for the Baidu employees.

Fiona Zhang - *Oppenheimer & Co. - Analyst*

All right. Got it, that's very helpful. Thank you, Hanjong, Chizo.

Shaoyun Han - *Tarena International Inc. - Chairman, CEO*

Thank you.

Operator

Your next question comes from the line of Leo Fan from SWS Research. Your line is open. Please go ahead.

Leo Fan - *SWS Research Co., Ltd - Analyst*

Thanks, Hanjong, Chizo and Christina. And we have not paid dividend in this year and is it possible to pay in the future? (spoken in foreign language)

Suhai Ji - *Tarena International Inc. - CFO*

Yes, that's something we would consider of doing in fiscal year 2015, but exact amount and timing is due to be decided and also that depends on the various other factors, the company's financial performance and also the use of cash. Right now, we have a total balance of over $166 million on our balance sheet. So if we do not find good use for the cash, we would definitely consider to returning some of those to the shareholders and that something that we are continuously considering and so we'll keep investors posted.

Operator

(Operator Instructions) We will now move on to the line of Clara Fan from Jefferies. Your line is open. Please go ahead.

Clara Fan - *Jefferies Group Inc. - Analyst*

Hi, hello. I have a few question, the first one is I guess we've talked about the first quarter guidance, when we look at the full-year guidance is slightly less than what the Street has expected as well. I'm just wondering whether there is any other reason other than the first quarter seasonality. (spoken in foreign language)

And my second question would be a follow-up on the marketing expenses question that we asked before, you mentioned that the number of center openings will affect the market expense which means the more centers we open, we will incur more expenses. And from the prepared remarks, we mentioned about 32, 35 new centers in fiscal year 2015, so that's more than this year, should we then - can we still expect a decrease in the sales and marketing expenses to sales ratio? (spoken in foreign language)

Shaoyun Han - *Tarena International Inc. - Chairman, CEO*

(interpreted) So the first question - yes, the first quarter, we will have some impact, but more importantly, I think we want to have a more controlled pace of expansion. In addition to the top line growth, we want to make sure our profitability; we will continue to grow in 2015. So we do not want to over extend ourselves in opening too many more newer learning centers. And as we mentioned earlier, you know to open a new learning center, you need to grow your personnel as well, and over 2014, we already grew our headcount by more than 25% and that's the constraint, restricting our growth.

So in 2015, we are already targeting to open more number of learning centers, the number about 30 to 35 so that's sort of in a manageable sort of arena that we feel comfortable with and by not sacrificing the margin or the profitability, but of course, we will assess you know the pace of new center opening as we progress along each quarter and to decide the pace of center openings, especially on the utilization rate and that's a key metric.

Suhai Ji - *Tarena International Inc. - CFO*

So actually this is a good segue onto your second question, you asked about sales and marketing expenses, despite the fact we are opening more new learning centers but we believe our overall utilization rate for the learning centers will continue to go up in 2015, mostly because we now have a much larger matured center base, so even we open the same number of learning centers, the incremental impact will be smaller.

So we feel comfortable or confident that our operating margin will continue to grow over the basis of 2014 both in terms of sales and marketing leverage and also in terms of G&A expense as also we discussed on earnings call, in terms of these bad debt allowance, we expect that to significantly decrease as well in 2015.

So overall, we believe our operating margin will go back up to close if not higher than the level at 2012. Actually, if not for the bad debt, our operating margin would have been higher or reached a new peak in 2014.

Clara Fan - *Jefferies Group Inc. - Analyst*

Thank you.

Suhai Ji - *Tarena International Inc. - CFO*

Thank you.

Operator

(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 or closing remarks.

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

Thank you, operator. If there are no further questions at present, we would like to conclude by thanking everyone for joining us on the call. We welcome you to reach out to us directly by emailing ir@tarena.com.cn should you have any questions or requests for additional information and encourage you to visit our Investor Relations website at ir.tarena.com.cn.

This concludes Tarena's earnings conference call. Thank you, everyone.

Operator

And this concludes today's conference call. Thank you for your participation. You may all disconnect.
