



SUCCESS THROUGH LEARNING 弘扬教育 成就人生

## **Building for Long Term Growth**

Fourth Quarter and Fiscal Year 2009 Results Presentation  
March 12, 2010

## Forward-Looking Statement

To supplement the unaudited condensed consolidated financial information presented in accordance with Accounting Principles Generally Accepted in the United States of America (“GAAP”), the Company uses non-GAAP measures of income from operations and net income attributable to ChinaEdu Corporation, which are adjusted from results based on GAAP to exclude certain non-cash items of share-based compensation, exchange loss, amortization of intangible assets and land use rights, goodwill and intangibles impairment charges and one-time accounts receivable write-off, if applicable. The Company also uses adjusted EBITDA, which is also a non-GAAP measure and is adjusted from GAAP results of net income to exclude interest income, taxes, depreciation, amortization of intangible assets and land use rights, share-based compensation, exchange loss, goodwill and intangibles impairment charges and one-time accounts receivable write-off, if applicable. These non-GAAP financial measures are provided to enhance the investors’ overall understanding of the Company’s current and past financial performance in on-going core operations as well as prospects for the future. These measures should be considered in addition to results prepared and presented in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results. Management considers the non-GAAP information as important measures internally and therefore deems it important to provide all of this information to investors.

## Convenience Translation

- The reporting currency of the Company is RMB, but for the convenience of the reader, the amounts are presented in U.S. dollars in this presentation
- All translations from RMB to USD were made at the rate of RMB6.8259 to \$1.00, the noon buying rate in effect on December 31, 2009 in the H.10 statistical release of the Federal Reserve Board
  - Historical financials presented in USD will differ from USD amounts presented for illustration purpose in past earnings releases due to different exchange rates used
- All percentages are calculated using the numbers presented in the financial statements contained in the earnings release presented in RMB
- We make no representation that the RMB or USD amounts referred could be converted into USD or RMB, at any particular rate or at all

## Fourth Quarter & 2009 Highlights

# Fourth Quarter 2009 Financial Highlights

*Strong 2009 fall semester enrollment; operating results and EPS improved significantly in 4Q09 vs. 4Q08*

- Total net revenue in 4Q09 grew by 10.4% to \$14.0mm compared to \$12.7mm in 4Q08
- Net revenue for the Online Degree Programs in 4Q09 grew by 9.3% to \$11.2mm vs. \$10.3mm in 4Q08
  - Driven by 2009 fall semester enrollment of 140,000 revenue students which grew by 18.6% from 118,000 revenue students in 2008 fall semester
- Adjusted EBITDA increased by 160% to \$4mm in 4Q09 compared to \$1.5mm in 4Q08
  - Adjusted EBITDA margin was 28.6% in 4Q09 compared to 12.1% in 4Q08
- Operating income increased to \$2.9mm in 4Q09 compared to a loss of \$7.2mm in 4Q08
  - No goodwill or intangible assets impairment
- Net income increased to \$1.3mm in 4Q09 compared to a loss of \$5.7mm in 4Q08
- Adjusted net income decreased by 31% to \$1.7mm in 4Q09 compared to \$2.5mm in 4Q08
  - Adjusted net margin was 12.3% in 4Q09 compared to 19.6% in 4Q08

	4Q08	4Q09
Earnings per Diluted ADS	-\$0.308	\$0.075
Adj. Earnings per Diluted ADS	\$0.130	\$0.098

# Fiscal Year 2009 Financial Highlights

*Operating results and EPS improved significantly in 2009*

- Total net revenue grew by approximately 12% to \$52mm in 2009 from \$47mm in 2008
- Net revenue for online degree programs grew by approximately 12% to \$42mm in 2009 from \$37mm in 2008
- Number of revenue students grew by 18.1% from 243,000 in 2008 to 287,000 in 2009
- Adjusted EBITDA grew by approximately 28% to \$16mm in 2009 from \$13mm in 2008.
- Net income increased to \$5.1mm in 2009 compared to a loss of \$6.3mm in 2008. Adjusted net income increased by approximately 11% to \$7mm in 2009 from \$6mm in 2008.

	2008	2009
Earnings per Diluted ADS	-\$0.330	\$0.291
Adj. Earnings per Diluted ADS	\$0.308	\$0.394

## 2009 Operational Summary

*In 2009, the Company delivered on its strategy and made important strides in our core business*

### ■ Online degree programs:

- Revenue students increase by 18.1% from 243,000 in 2008 to 287,000 in 2009
- Signed exclusive collaborative alliance with Fujian Radio and TV University
- Signed long term technology service partnership with Jiangsu University for its adult degree program and its future online degree programs
- Continued investment in R&D (technologies and content) with concerted effort to further strengthen and streamline our supporting infrastructure and processes.
- Continued expansion in learning center network:
  - 60 learning centers, 22 proprietary and 38 franchised
  - Recruiting services and technology support for 15 universities

## 2009 Operational Summary (Cont'd)

*We continued to focus on our online business including 101 Online Tutoring and adult non-degree programs*

### ■ Online tutoring:

- Expanded sales channel throughout China with increased sales effort in Beijing
- Continued product development and increased level of services
- Established offline classrooms offering to supplement online school
- Established separate development team for 101tutor.com

### ■ Private schools:

- Completed new constructions
- Improved program quality and management processes
- With established capacities, expecting future growth

## 2010 Strategic Focus

*Strategic growth in online education with execution of key initiatives*

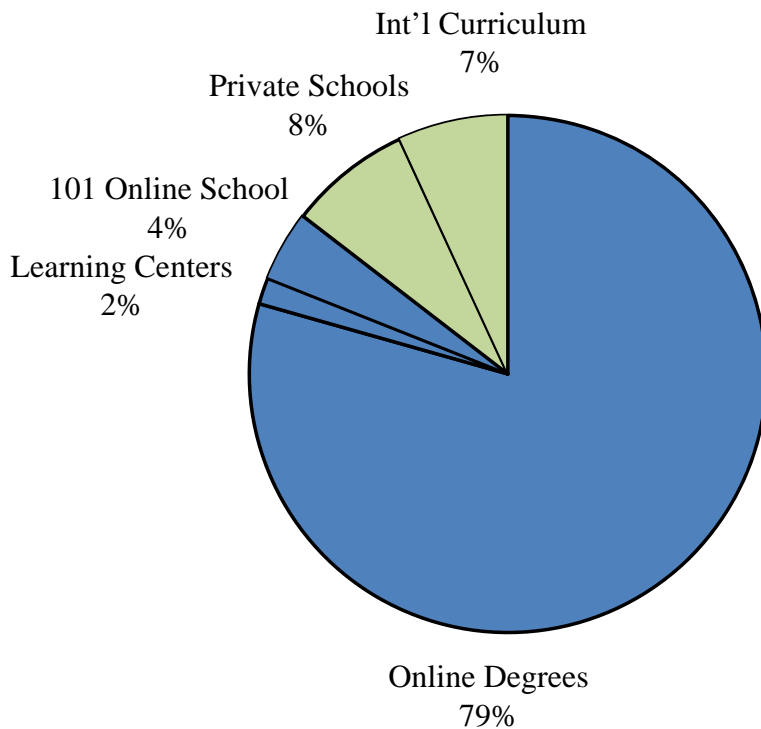
- Continuously execute the initiatives set out in 2009 to further strengthen our core competency and leadership position in online education, such as the expansion of learning centers network, 101 online school and etc.
- Further position the company for long term sustainable growth
  - Develop online degree partnerships within 68 licensed universities
  - Develop long term partnerships outside 68 licensed universities in anticipation for online degree offerings
  - Develop long term partnerships to expand and penetrate into adult degree programs (estimated 30 million students with only 1.5 million online)
- Continued development of interactive online learning community

## Fourth Quarter and Full Year Financial Results Review

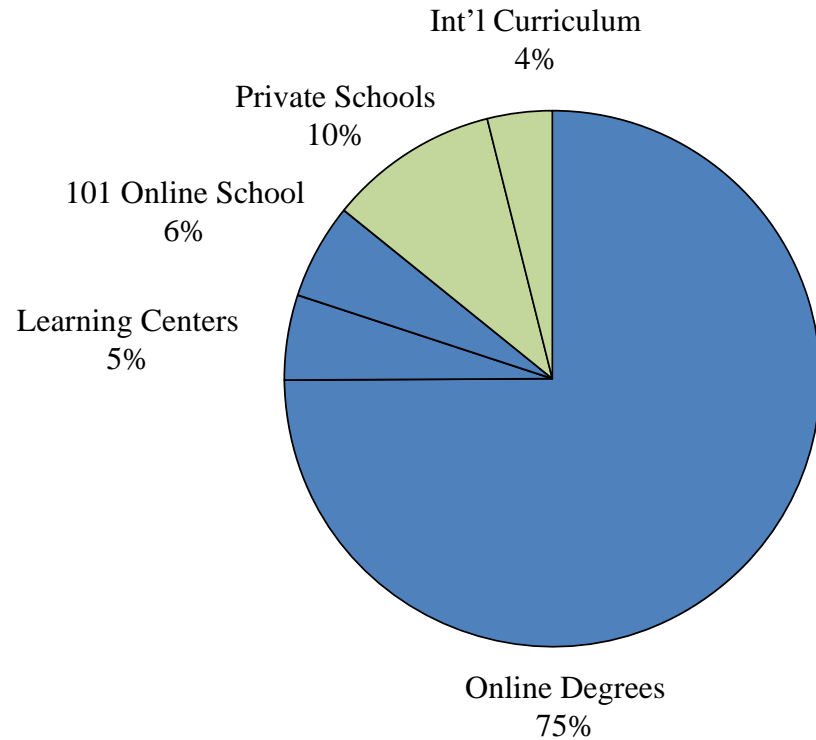
# Business Segment Revenue Comparison

*Revenue contribution from Learning Centers and 101 Online Tutoring have both increased significantly*

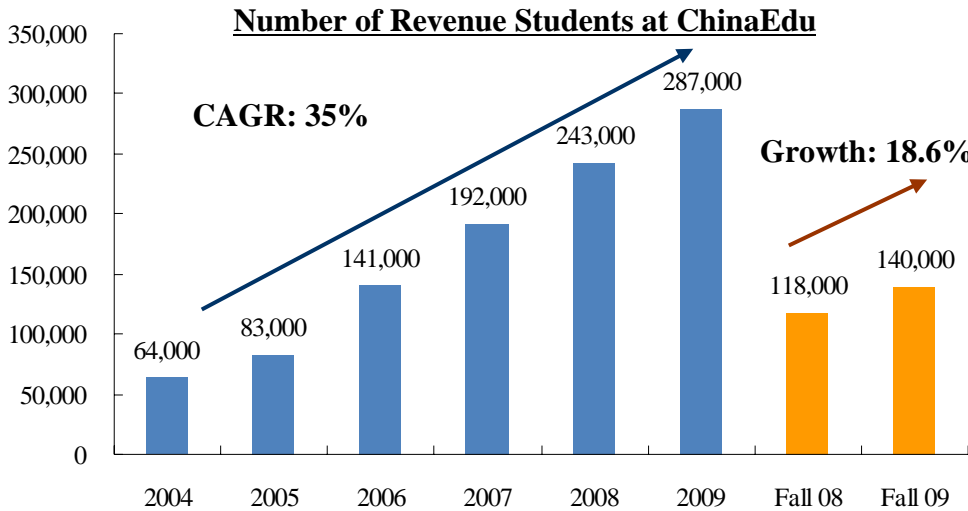
**Q1 Net Revenue: \$11.9mm**



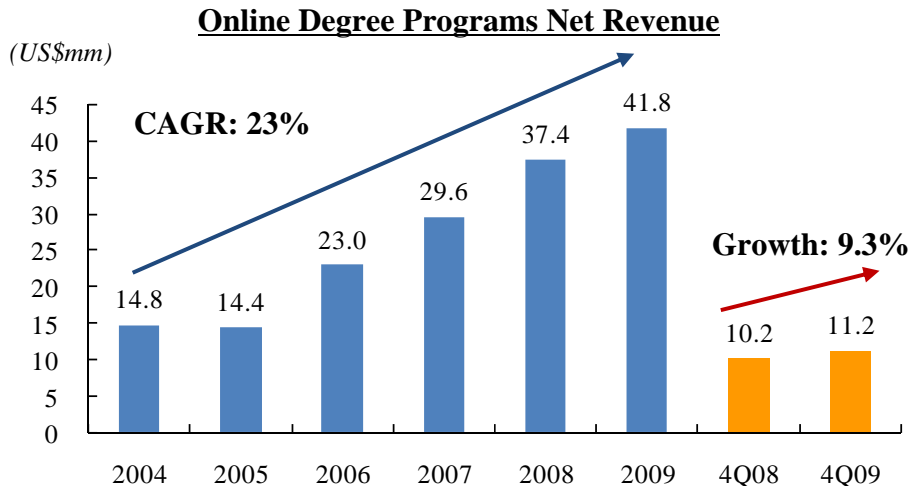
**Q4 Net Revenue: \$14.0mm**



# Online Degree Programs Net Revenue



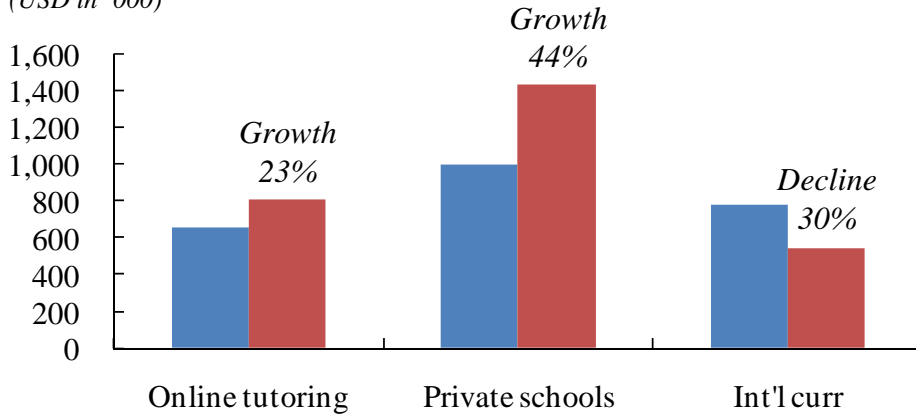
- Number of revenue students increased by 18.1% in 2009 vs. 2008
- Number of revenue students increased by 18.6% in 4Q09 vs. 4Q08
- Online Degree net revenue increased by 11.7% to \$41.8mm in 2009
- Online Degree net revenue increased by 9.3% to \$11.2mm in 4Q09 vs. 4Q08
- Learning centers network continued to expand, reaching 60 LCs by the end of the 2009
  - 22 Proprietary, 38 Franchised
  - Contributes to over 6% of total Online Degree net revenue



# Other Business Lines Net Revenue

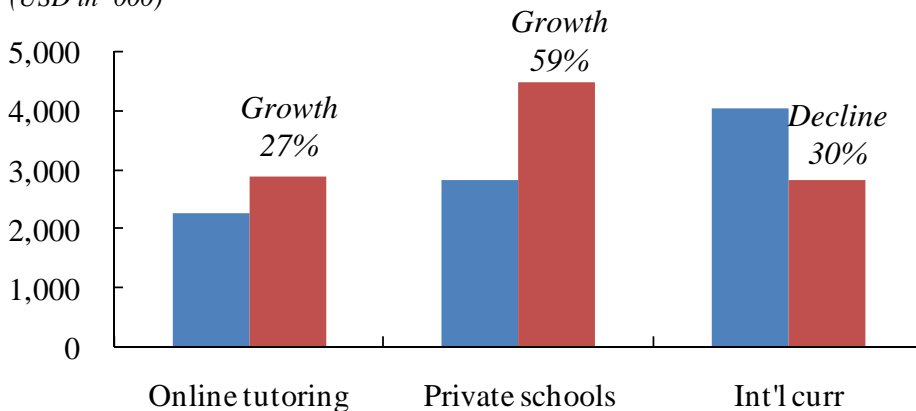
**Net Revenue 2008Q4 vs. 2009Q4**

(USD in '000)



**Net Revenue 2008 vs. 2009**

(USD in '000)

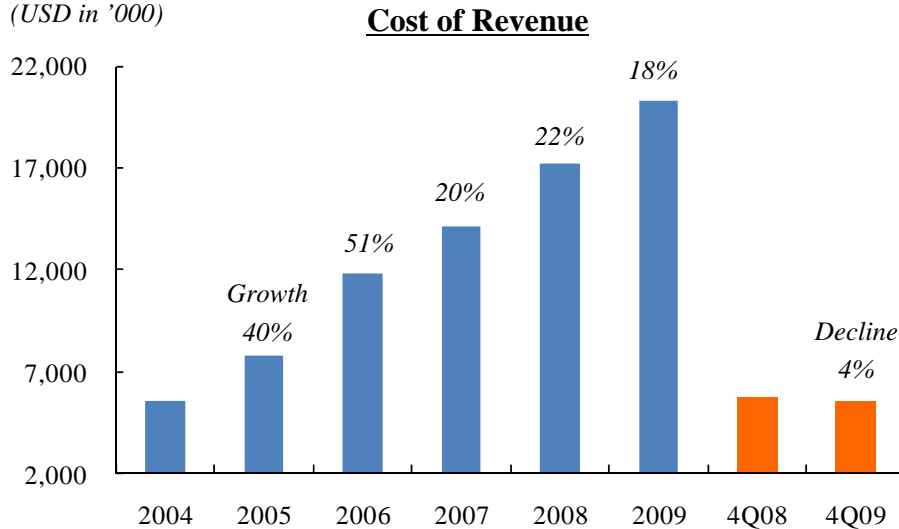


■ 2008 ■ 2009

- 101 Online tutoring total net revenue increased Y/Y
  - Increased sales channels
  - Developed additional courseware and increase customer service
  - Offline classrooms to supplement online school
- Anqing School experienced strong revenue growth upon completion of new campus construction
- Int'l Curriculum
  - Increased operational efficiencies
  - Continued BD efforts for new high school partnership

# Cost of Revenue and Gross Margin

(USD in '000)

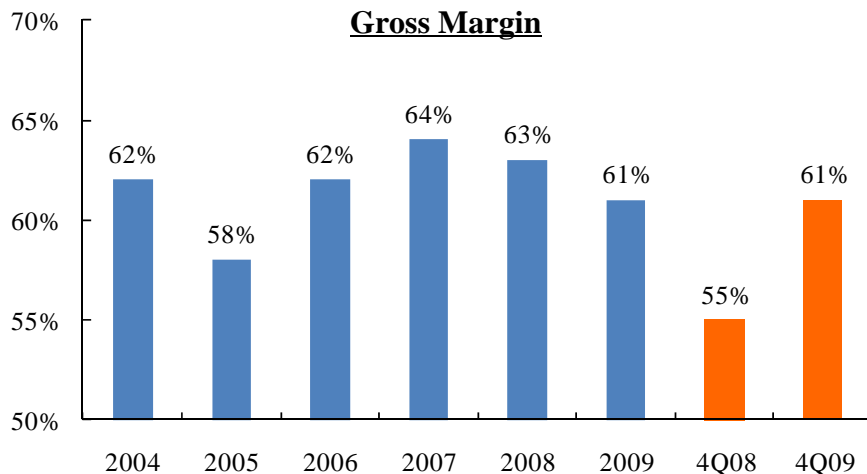


- Online Degree Programs gross margin normalized due to:
  - Reduction in employee and recruiting commission related costs
  - Decrease of special courseware development which occurred in 4Q08
  - Gross margin will continue to decrease as our learning centers network continues to expand

- Online Tutoring gross margin was 71% in 2009 vs. 74% in 2008 due to continued product development

- Private schools gross margin improved from 9% to 15% in 2009

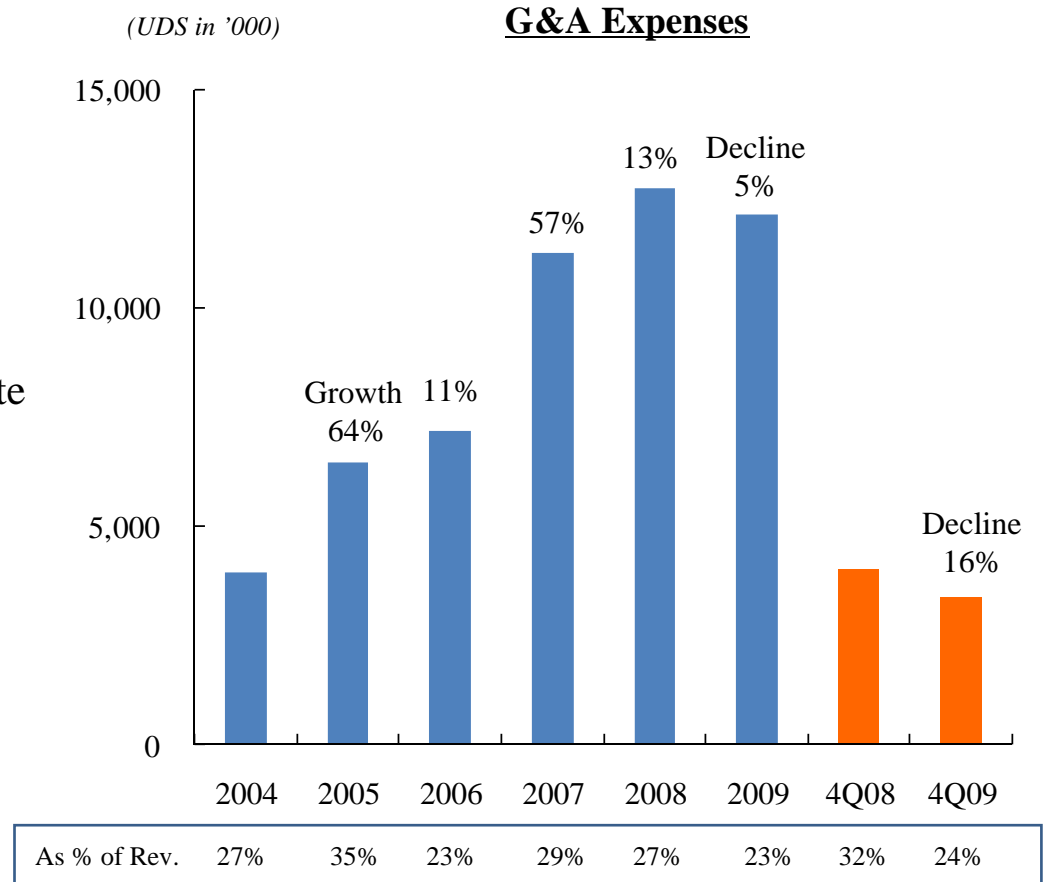
- International Curriculum gross margin improved from 28% to 43% in 2009



# General & Admin Expenses

*G&A expenses decreased with tight expense control*

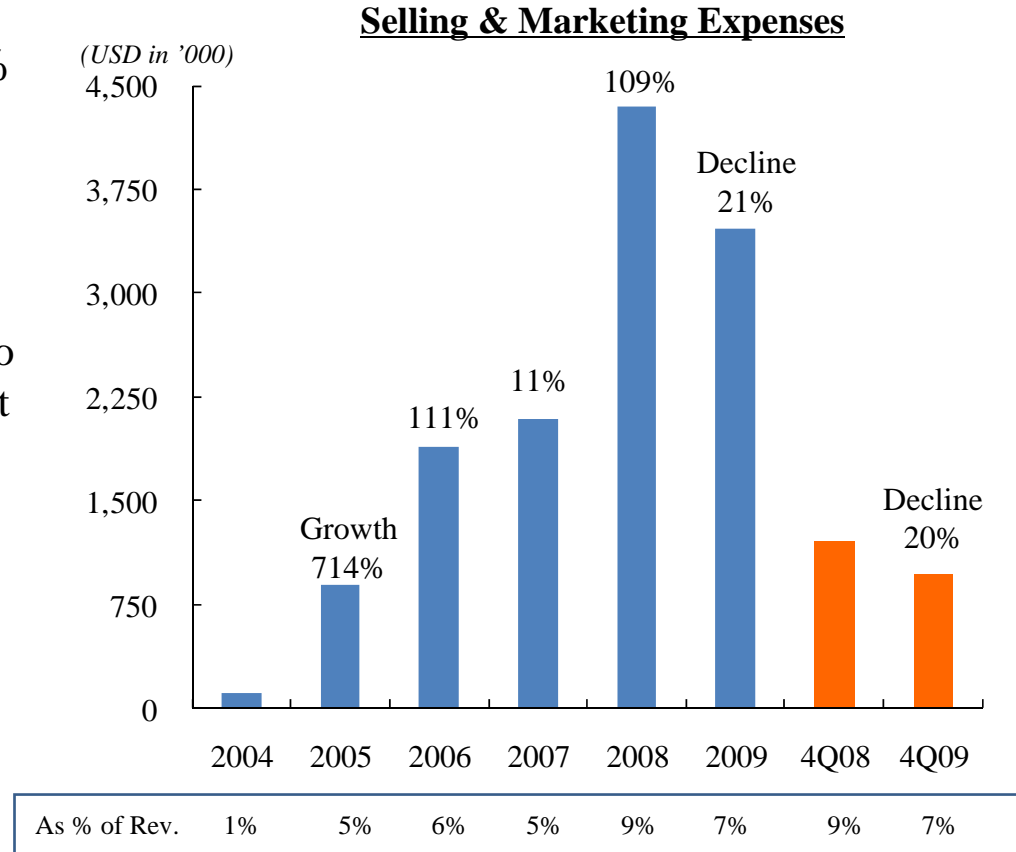
- G&A expenses decreased by 16% in 4Q09 vs. 4Q08, and by 5% in 2009 compared to 2008:
  - Reduction in headquarter employee related expenses
  - Lack of accounts receivables write off which occurred in 2008
- G&A expenses as % of total net revenue decreased from 32% to 24% in 4Q09 vs. 4Q08, and from 27% to 23% in 2009 vs. 2008



# Selling & Marketing Expenses

*S&M expenses decreased in 2009 vs. 2008, on normalized increase pattern compared to historical years*

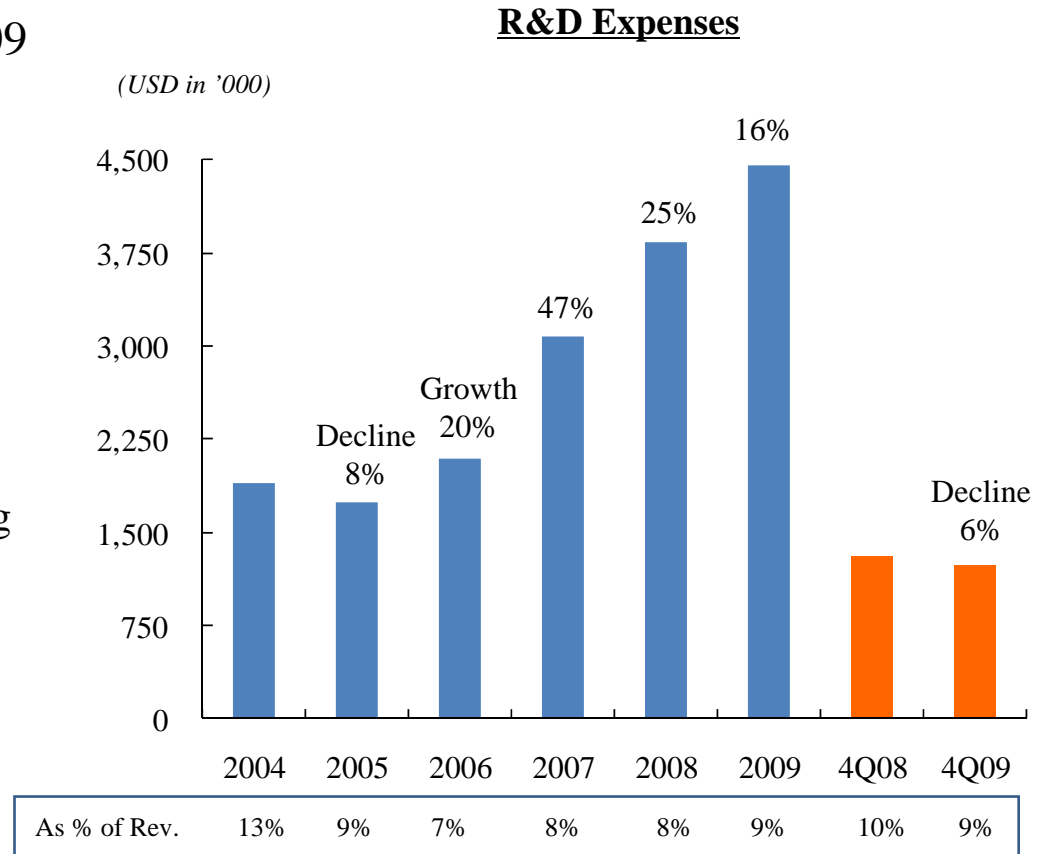
- S&M expenses decreased by 20% in 2009 vs. 2008:
  - Reduction in conference and other sales related expenses at 101 Online Tutoring
  - Shift from marketing activities to direct recruiting related efforts at the learning centers network
  - More efficient sales and marketing efforts as our adult non-degree education continues to grow
- S&M expenses as % of total net revenue was 7% in 2009 compared to 9% in 2008 and 5% in 2007



# Research & Development Expenses

*R&D expenses continues to increase at a controlled pace in 2009 vs. 2008*

- R&D expenses decreased in 4Q09 vs. 4Q08 due to a reduction in employee related expenses
- R&D expenses as % of total net revenue increased from 8% in 2008 to approx. 9% in 2009:
  - Learning management system upgrade for online degree programs, including the learning centers network
  - R&D for adult non-degree education
  - R&D for interactive online learning community and 101tutor.com

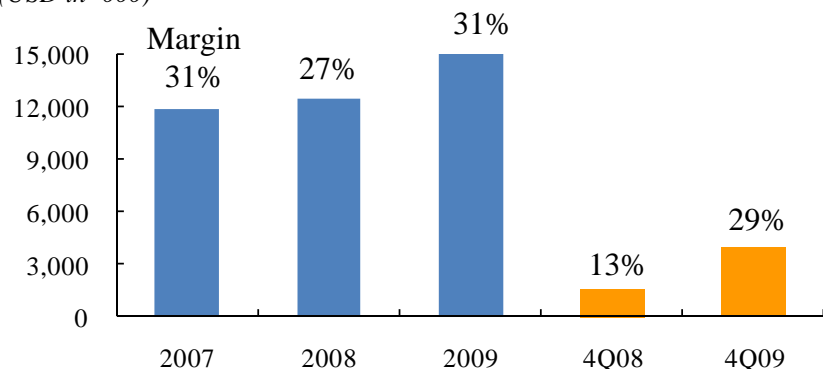


# Operating Margins

*Adj. EBITDA and Adj. Operating Margin both increased compared to 2008, returning to normalized levels*

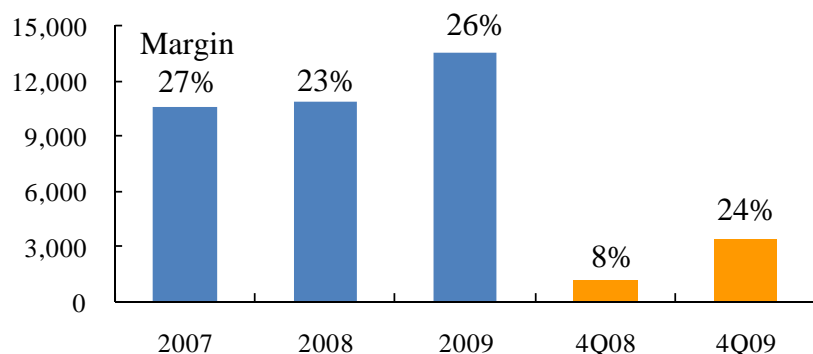
## Adj. EBITDA

(USD in '000)



## Adj. Operating Income

(USD in '000)



■ Operating margins improved significantly in 2009 compared to 2008:

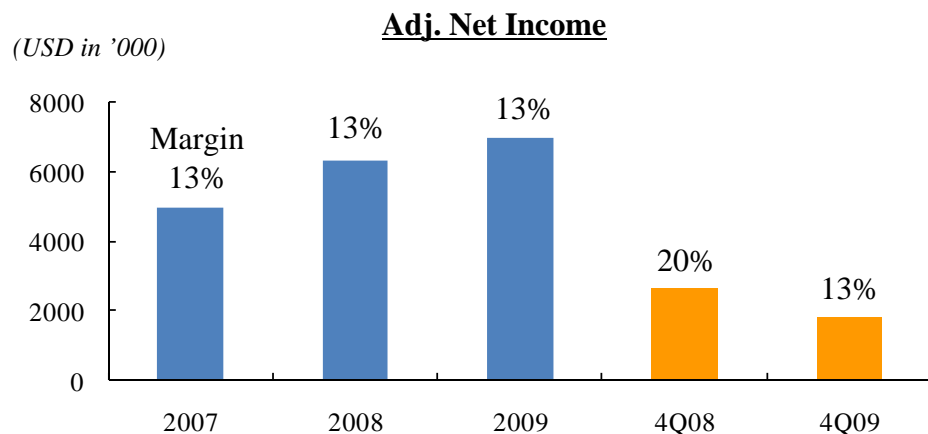
- A lacking of goodwill and intangibles impairment charges
- Margin improvement at 101 Online School
- Margin improvement at learning centers network
- Margin improvement at Anqing school as revenue and enrollment grew strongly
- Margin improvement for adult non-degree programs

## Net Income and EPS

*GAAP Net income and EPS improved significantly in 2009 compared to 2008*

	2008	2009	4Q08	4Q09
<b>NI (\$ '000)</b>	\$-6,302	\$5,096	\$-5,711	\$1,326
<b>Net Margin</b>	-13.5%	9.8%	-45%	9.5%
<b>Diluted EPS</b>	-\$0.33	\$0.29	-\$0.31	\$0.08
<b>Adj. Dil. EPS</b>	\$0.31	\$0.39	\$0.13	\$0.10
<b>Dil. ADSs O/S</b>	19.2mm	17.5mm	18.7mm	17.6mm

- GAAP Net income and net margin improved significantly in 2009 primarily due to a lacking of goodwill and intangibles impairment
- Adj. net margin for 2009 remained steady at 13%
- Adj. net income and margin decreased in 4Q09 vs. 4Q08 due to reduction in deferred tax liabilities for the full year of 2008 being reversed in 4Q08 resulting in an income tax benefit in that quarter



## Balance Sheet Summary

(in thousands, unaudited)	December	December	December
	31,2008	31,2009	31,2009
	RMB	RMB	USD
Cash and cash equivalents	353,933	203,143	29,761
Term deposits	63,500	122,304	17,918
AR	14,854	28,334	4,151
Amounts due from related parties	150,472	176,802	25,902
Other current assets	24,237	48,547	7,112
<b>Total current assets</b>	<b>606,996</b>	<b>579,130</b>	<b>84,844</b>
PP&E & Deposits for PP&E	161,925	203,995	29,885
Intangible assets, net	70,377	66,621	9,760
Goodwill	38,155	38,155	5,590
Other long-term assets	41,227	48,391	7,090
<b>Total assets</b>	<b>918,680</b>	<b>936,292</b>	<b>137,169</b>
Deferred revenues	96,068	97,853	14,336
Accounts payable	8,530	6,467	947
Accrued expenses and other current liabilities	51,629	68,917	10,096
Amounts due to related parties	25,769	25,668	3,760
Tax payable	39,925	49,289	7,221
<b>Total current liabilities</b>	<b>221,921</b>	<b>248,194</b>	<b>36,360</b>
Deferred revenues	6,073	8,075	1,183
Deferred tax liabilities	11,069	10,143	1,486
Unrecognized tax benefit	5,473	7,727	1,132
<b>Total liabilities</b>	<b>244,536</b>	<b>274,139</b>	<b>40,161</b>
ChinaEdu shareholders' equity	589,829	559,973	82,039
Noncontrolling interest	84,315	102,180	14,969
<b>Total equity</b>	<b>674,144</b>	<b>662,153</b>	<b>97,008</b>
<b>Total liabilities and equity</b>	<b>918,680</b>	<b>936,292</b>	<b>137,169</b>

- Cash totaled \$50.7mm as of Dec. 31, 2009, compared to \$48mm as of Sept. 30, 2009 and \$61mm as of Dec. 31, 2008
- Major cash outflows in 2009:
  - \$9mm share repurchase from Tiger Global
  - \$2.2mm share repurchase from open market
  - \$6.5mm in CAPEX for Anqing School's new campus
  - \$3.0mm in real estate purchase by collaborative alliances

## Revenue Guidance for First Quarter 2010

## Revenue Guidance for 1Q2010

- 2010 First quarter revenue guidance is between \$12.7mm and \$13.2mm (¥87mm and ¥90mm)

## Non-GAAP Financial Measures

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## Questions and Answers