

51Talk

China Online Education Group Management Presentation

Fourth Quarter 2018



NYSE: COE

Safe Harbor Statement

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Use of Non-GAAP Financial Measures

In evaluating its business, China Online Education considers and uses the following measures defined as non-GAAP financial measures by the SEC as supplemental metrics to review and assess its operating performance: non-GAAP sales and marketing expenses, non-GAAP product development expenses, non-GAAP general and administrative expenses, non-GAAP operating expenses, non-GAAP loss from operations, non-GAAP net loss, non-GAAP net loss attributable to ordinary shareholders, and non-GAAP net loss attributable to ordinary shareholders per share and per ADS. To present each of these non-GAAP measures, the Company excludes share-based compensation expenses. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. For more information on these non-GAAP financial measures, please see the table captioned “Reconciliations of non-GAAP measures to the most comparable GAAP measures” set forth at the end of the quarterly results press releases.

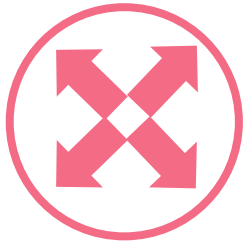
China Online Education believes that these non-GAAP financial measures provide meaningful supplemental information regarding its performance by excluding share-based expenses that may not be indicative of its operating performance from a cash perspective. China Online Education believes that both management and investors benefit from these non-GAAP financial measures in assessing its performance and when planning and forecasting future periods. These non-GAAP financial measures also facilitate management’s internal comparisons to China Online Education’s historical performance. China Online Education computes its non-GAAP financial measures using the same consistent method from quarter to quarter and from period to period. China Online Education believes these non-GAAP financial measures are useful to investors in allowing for greater transparency with respect to supplemental information used by management in its financial and operational decision-making. A limitation of using non-GAAP measures is that these non-GAAP measures exclude share-based compensation expenses that have been and will continue to be for the foreseeable future a significant recurring expense in the China Online Education’s business. Management compensates for these limitations by providing specific information regarding the GAAP amounts excluded from each non-GAAP measure. The accompanying table at the end of the quarterly results press releases provides more details on the reconciliations between GAAP financial measures that are most directly comparable to non-GAAP financial measures.



Record high gross billings 503.2RMB million in Q4 , year-over-year growth of 27.9%



Record high operating cash flow of 67.3RMB million in Q4



Q4 K-12 mass-market one-on-one gross billings grew 63.0% year-over-year to 365.7RMB million

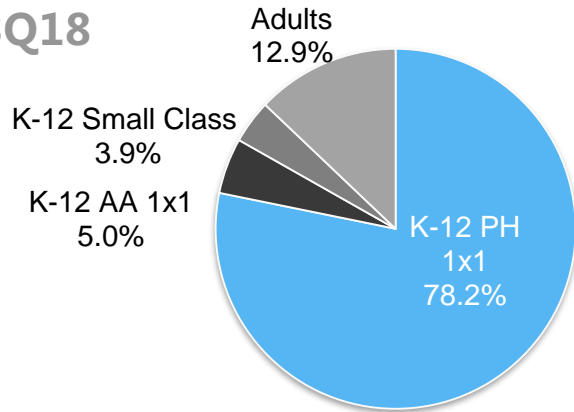


Non-tier-one cities accounted for 69.7% of K-12 mass-market one-on-one gross billings in Q4

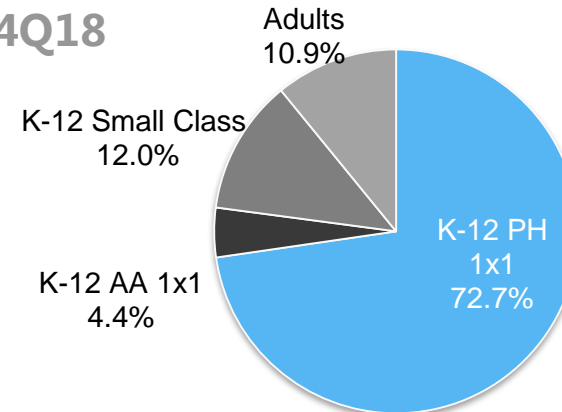
Gross Billing Summary: By Quarter



3Q18

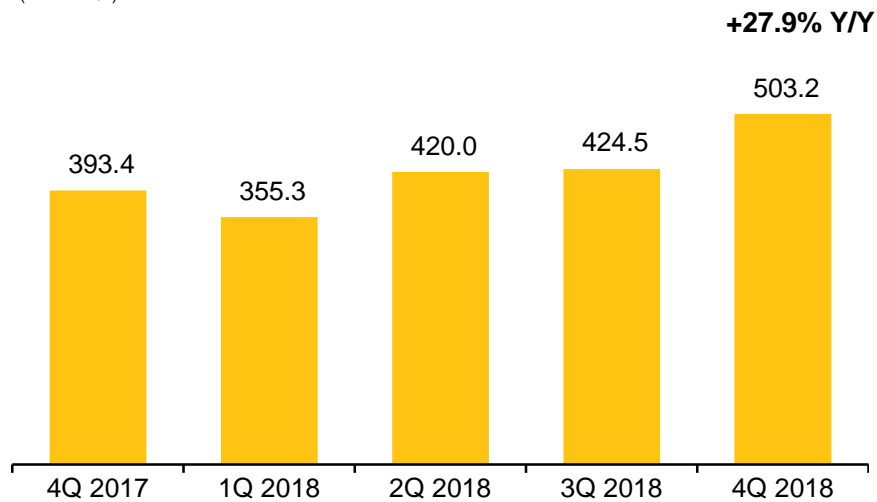


4Q18



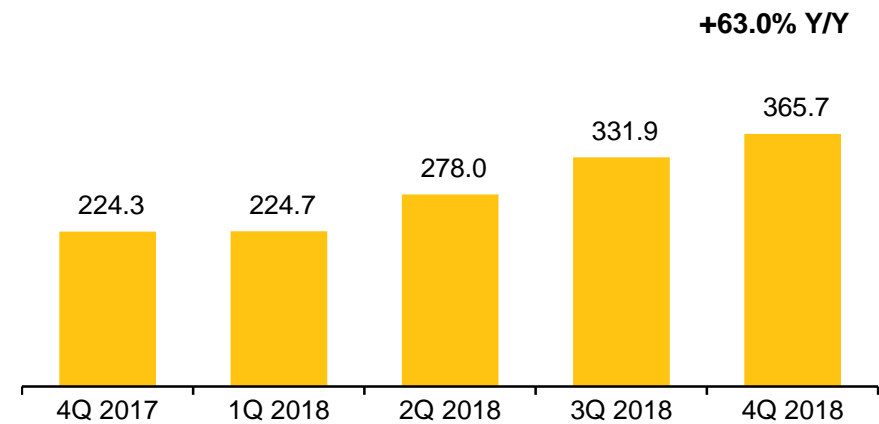
Total Gross Billings

(RMB million)



K-12 PH 1x1 Gross Billings

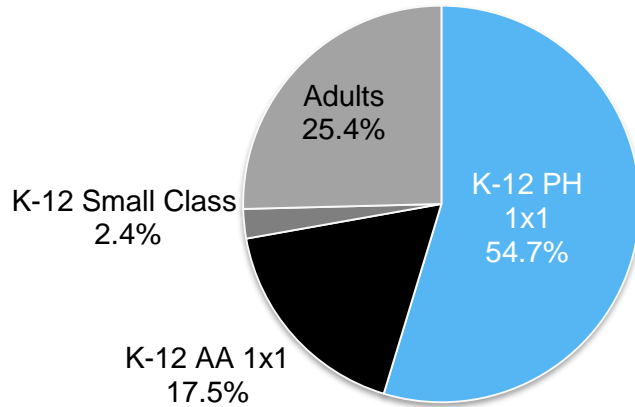
(RMB million)



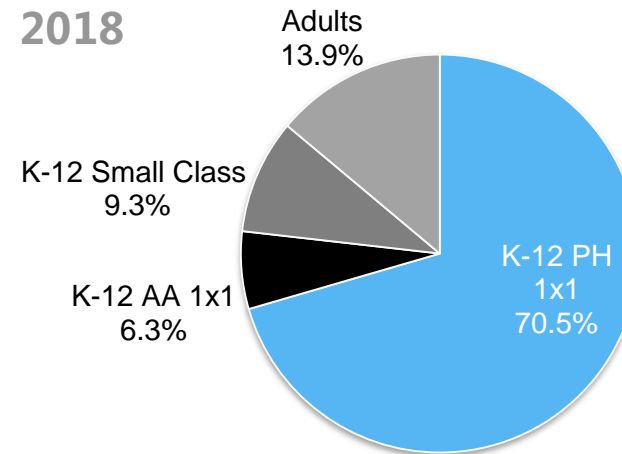
Gross Billing Summary: By Year



2017

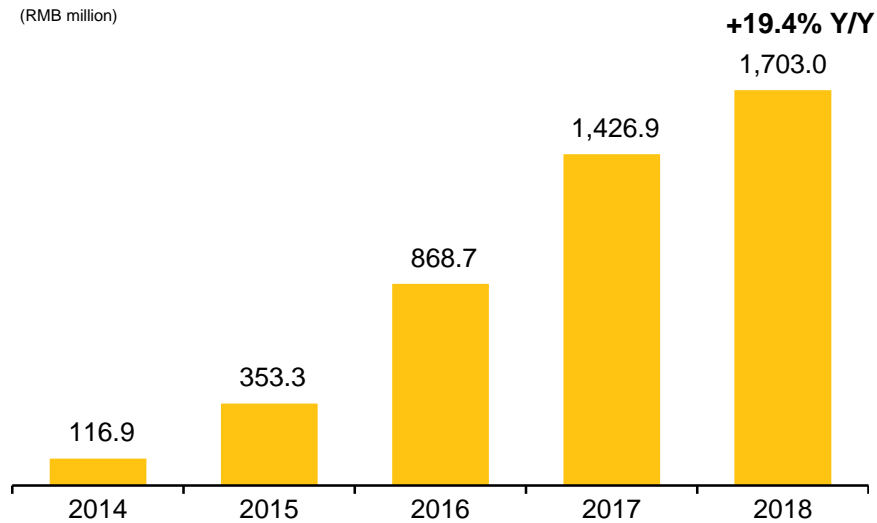


2018



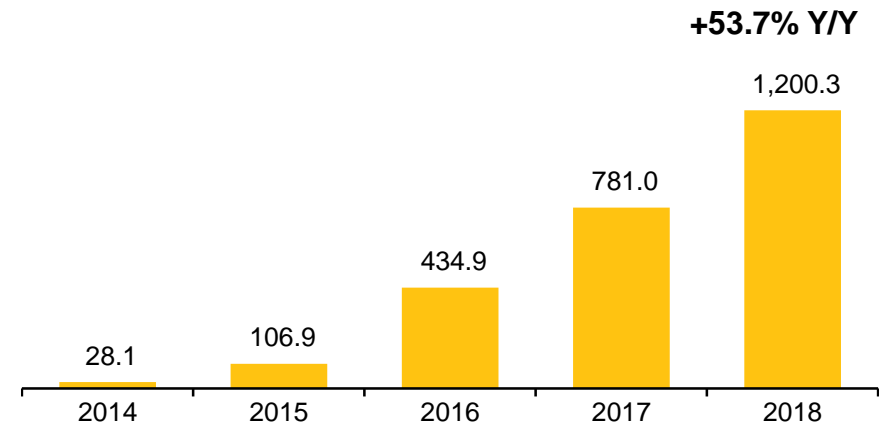
Total Gross Billings

(RMB million)



K-12 PH 1x1 Gross Billings

(RMB million)

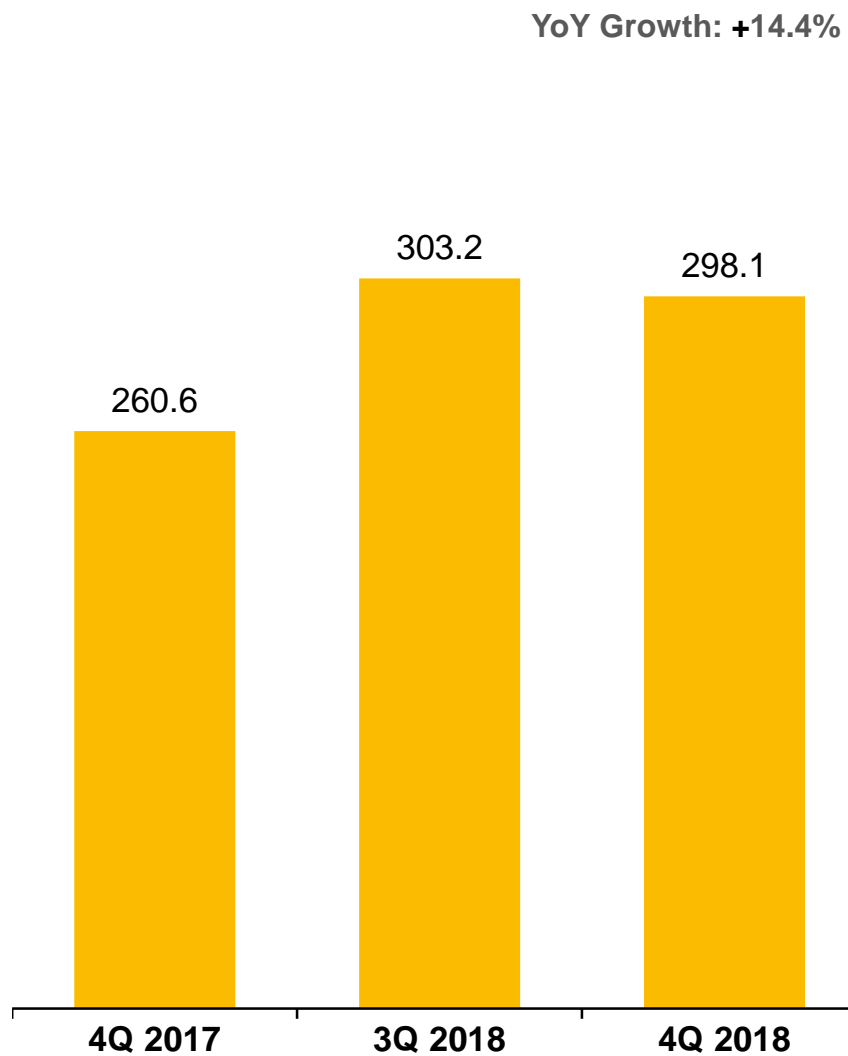


Net Revenues



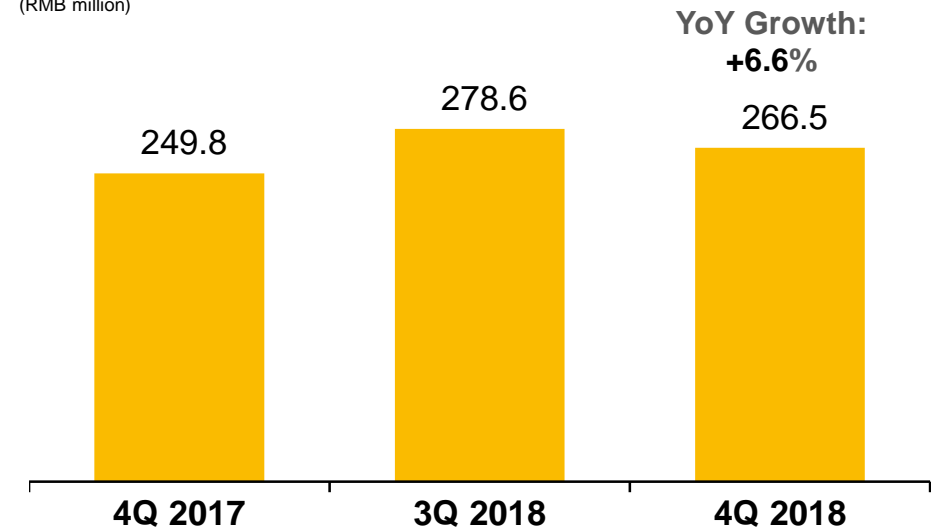
Net Revenues Overall

(RMB million)



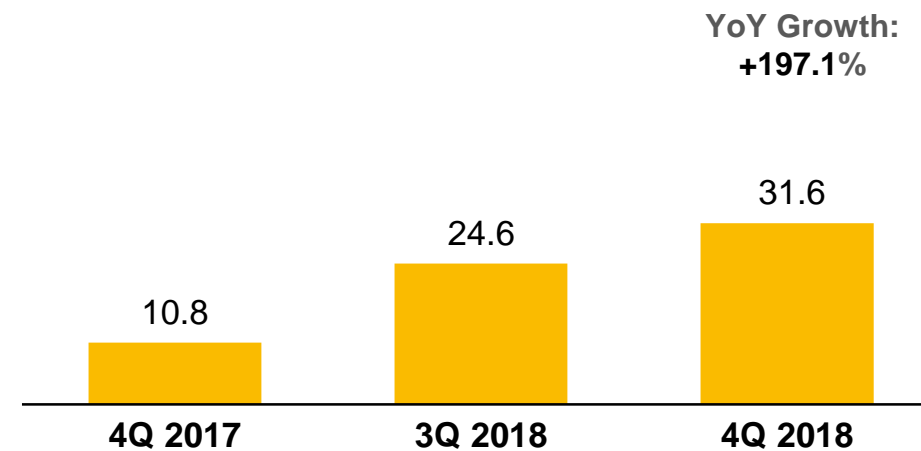
1x1 Net Revenues

(RMB million)



1xN Net Revenues

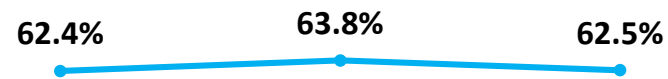
(RMB million)



Gross Margins



Gross Margins Overall

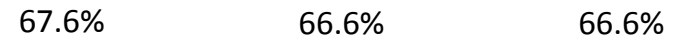


4Q17

3Q18

4Q18

1x1 Gross Margins

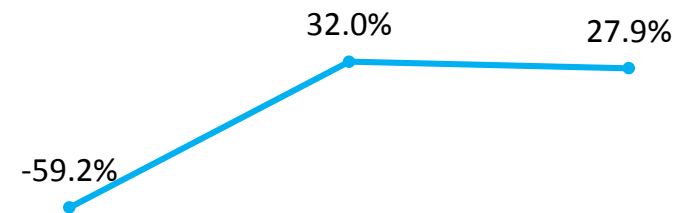


4Q17

3Q18

4Q18

1XN Gross Margins



4Q17

3Q18

4Q18

Operating Expenses

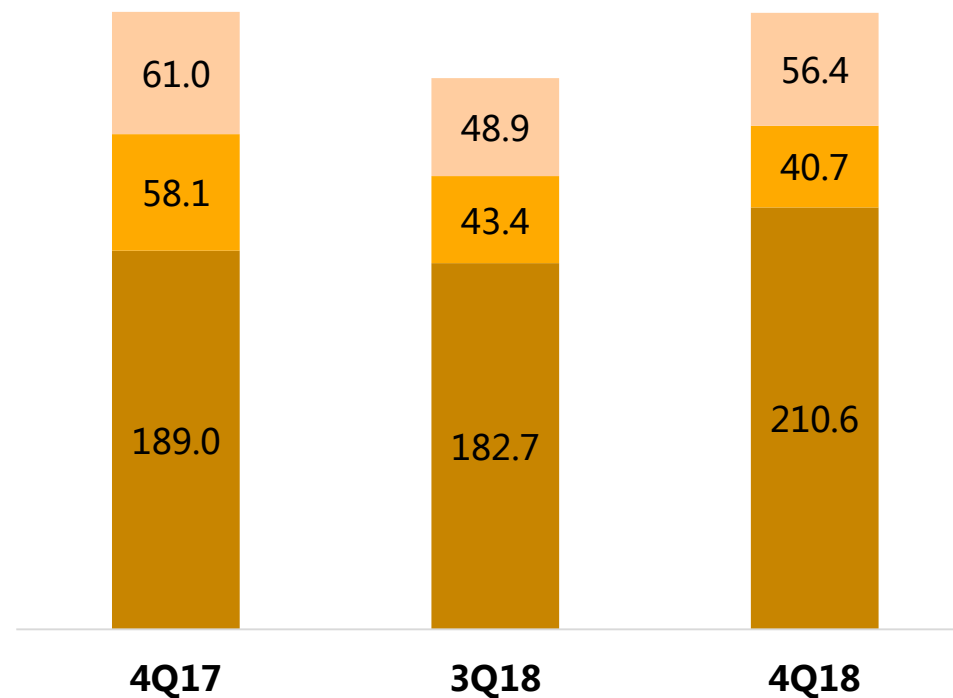
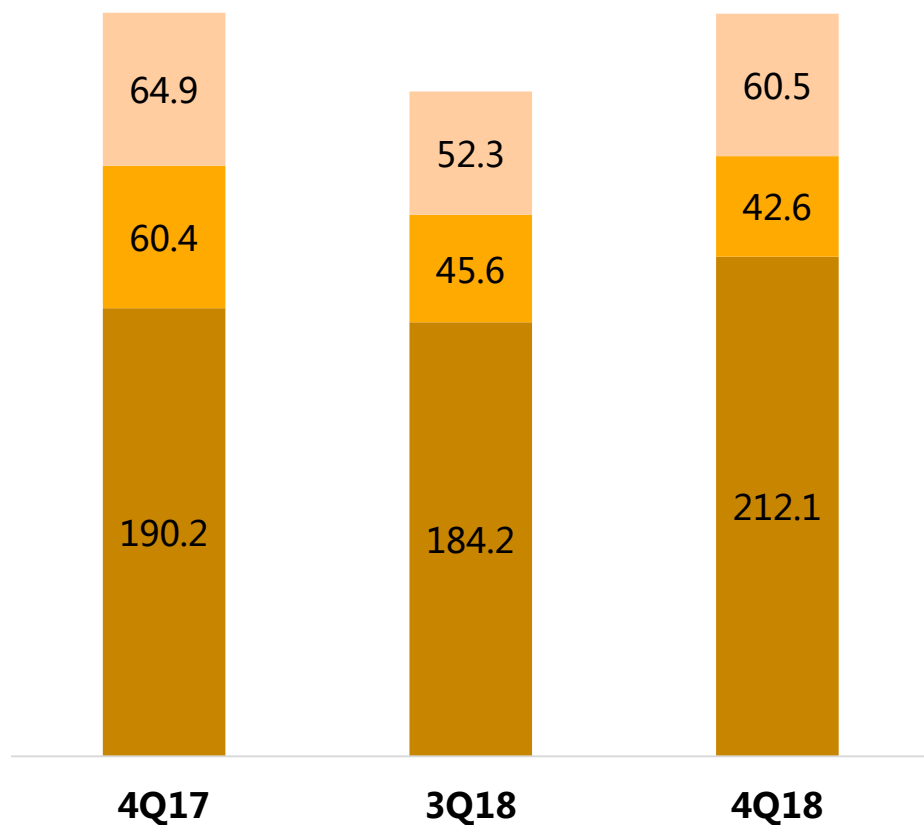


GAAP

(RMB million)

Non-GAAP

(RMB million)



- General and administrative
- Product development
- Sales and marketing

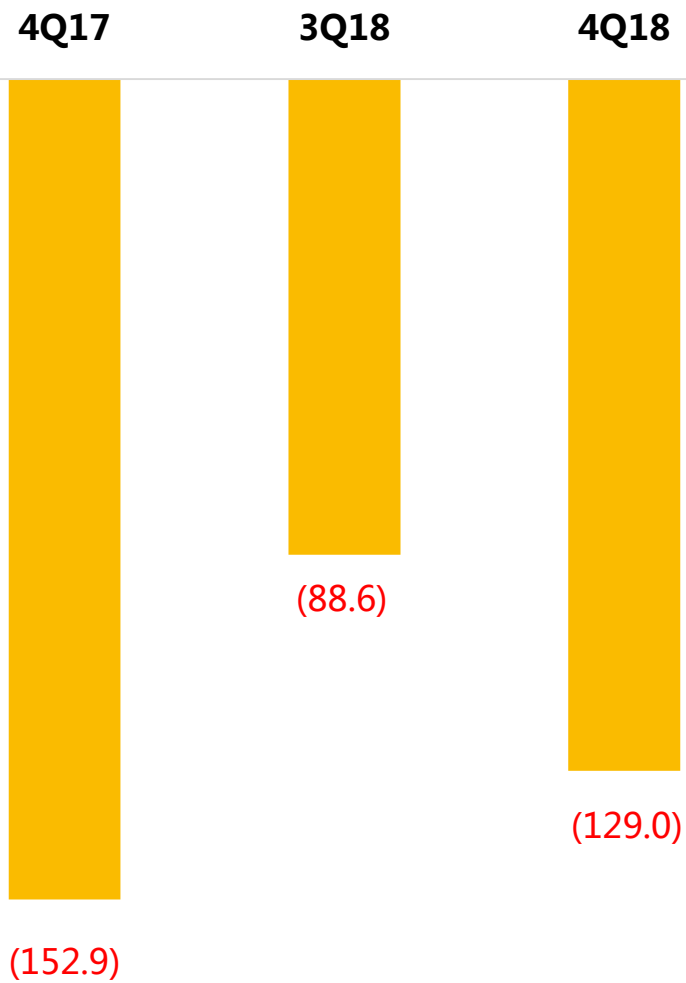
- General and administrative
- Product development
- Sales and marketing

Operating Income (Loss)



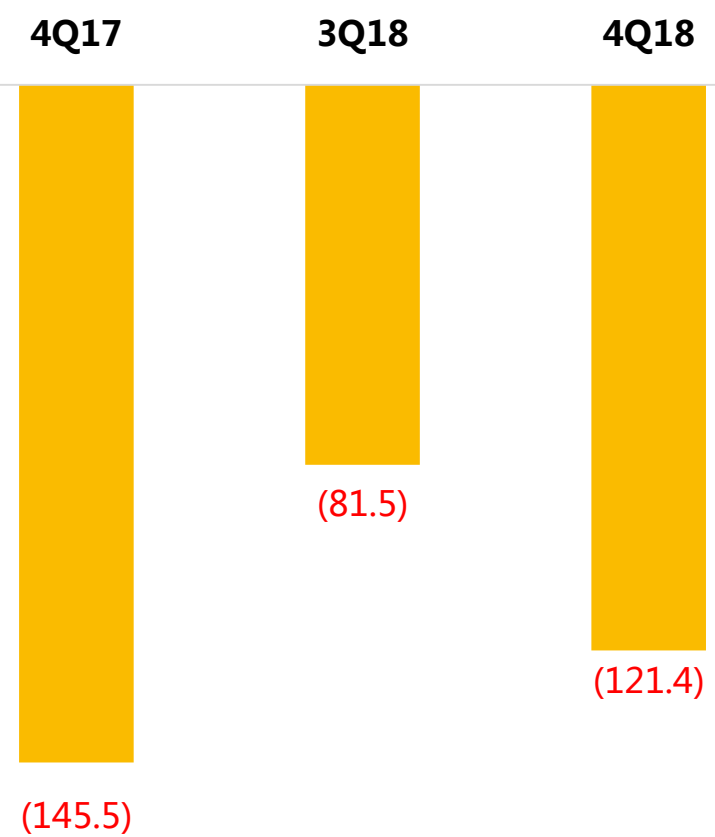
GAAP

(RMB million)



Non-GAAP

(RMB million)

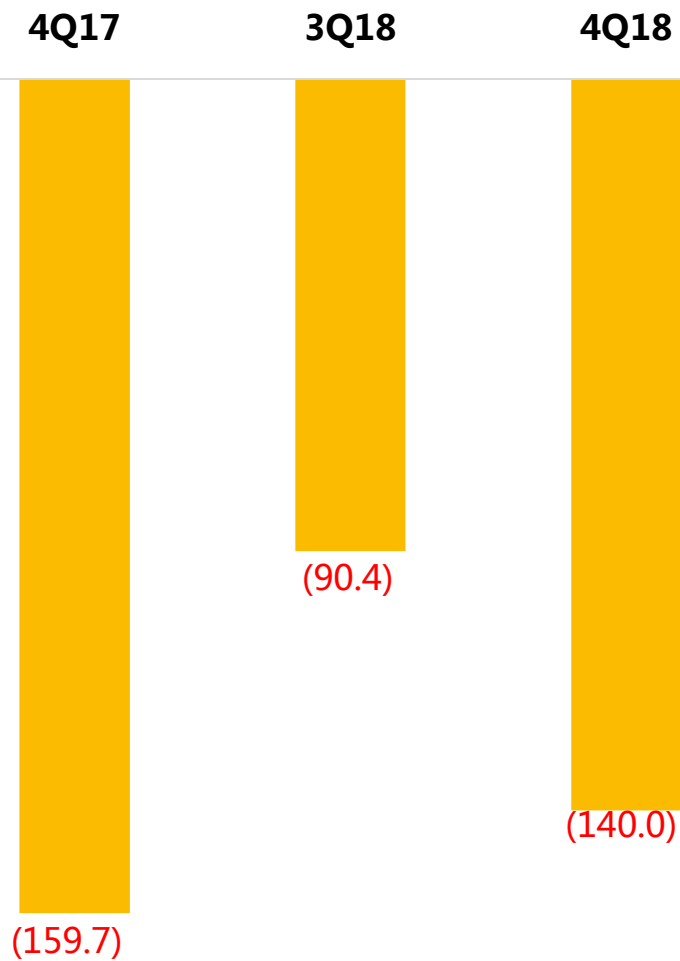


Net Income (Loss)



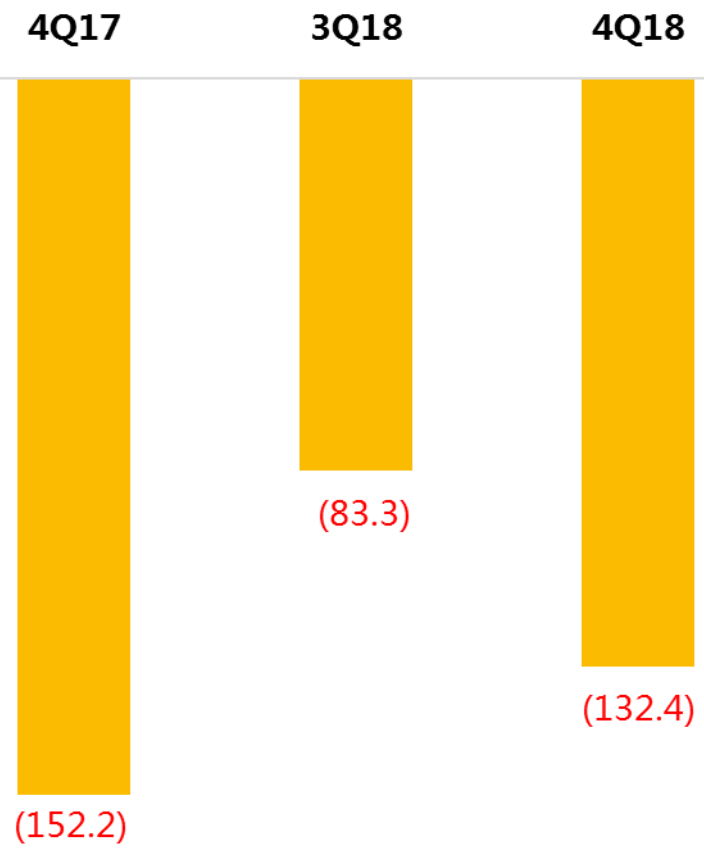
GAAP

(RMB million)



Non-GAAP

(RMB million)

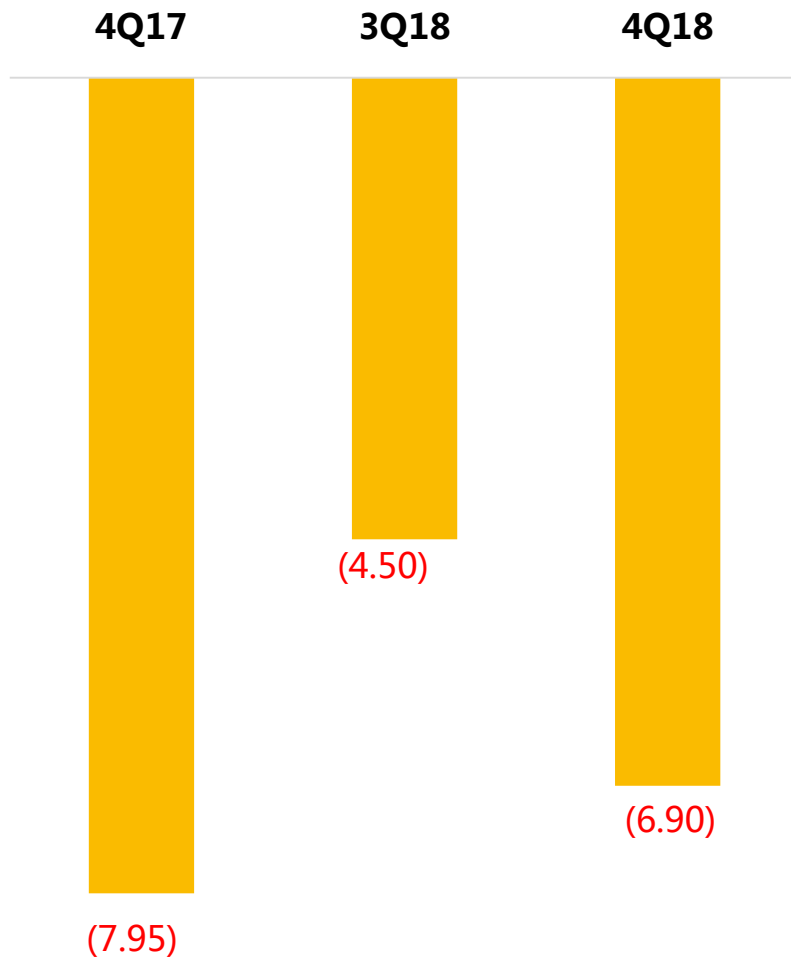


Net Income (Loss) per ADS



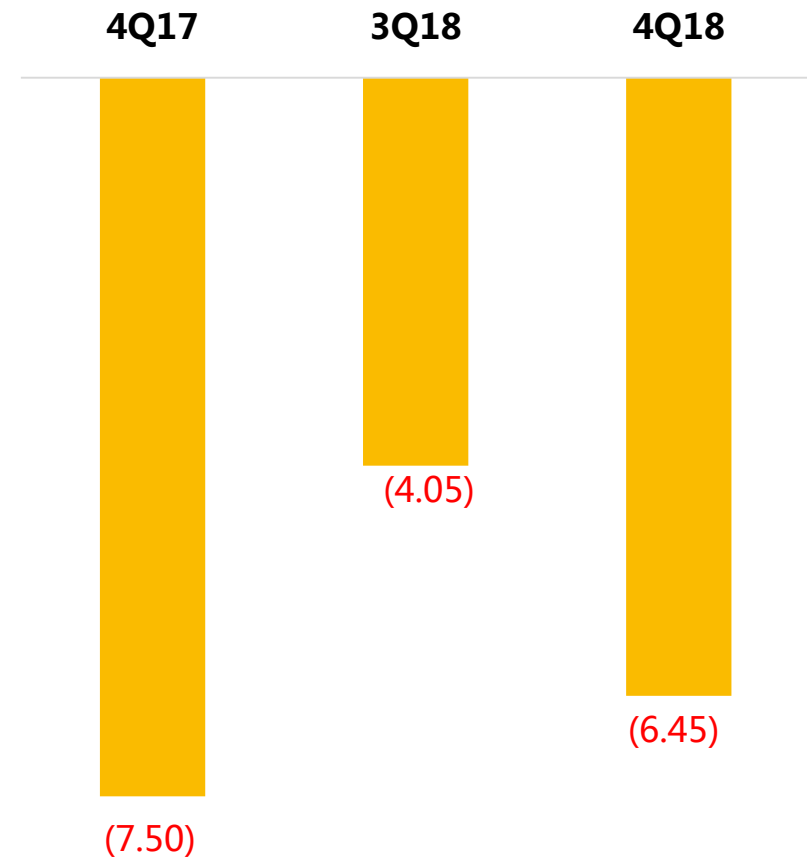
GAAP

(RMB)



Non-GAAP

(RMB)

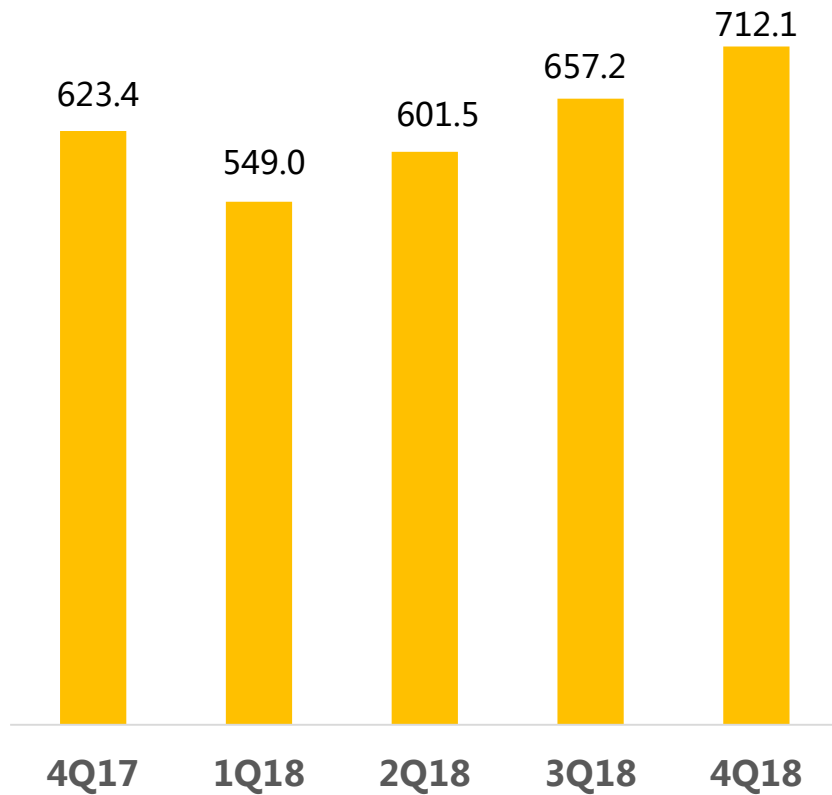


Cash Balance and Deferred Revenues



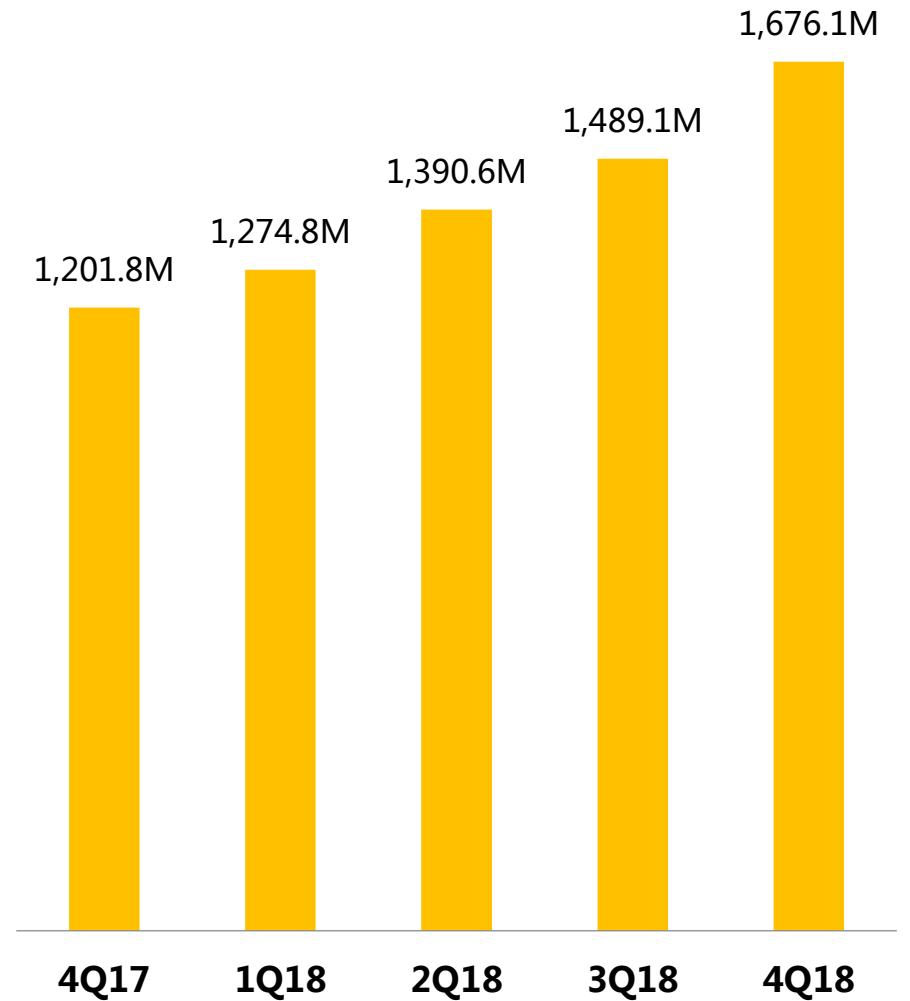
Cash and cash equivalents, Time Deposit and Short-term Investments

(RMB million)



Deferred Revenues

(RMB million)



2019 Q1 Guidance



(RMB million)

	1Q 2018	4Q 2018	1Q 2019 Outlook	Y/Y Growth
Gross Billings	355.3	503.2	425-435	19.6%-22.4%
1 x 1	318.4	442.6	411-421	29.1%-32.2%
1 x N	36.9	60.6	14	-62.1%
Net Revenues	262.6	298.1	300-305	14.3%-16.2%