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To empower people to build better lives through learning

## Investor Presentation

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3Q 2020

敦兮若朴  
敝而新成

**Puxin Limited**

Successful Consolidator of the After-school Education Industry in China

# Safe Harbor Statement

This presentation contains forward-looking statements made under the “safe harbor” provisions of Section 21E of the Securities Exchange Act of 1934, as amended, and the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will”, “expects”, “may”, “would”, “anticipates”, “future”, “intends”, “aim”, “plans”, “believes”, “estimates”, “predict”, “project”, “continue” and “confident” and similar statements. The Company may also make written or oral forward-looking statements in its reports filed with or furnished to the U.S. Securities and Exchange Commission, in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Any statements that are not historical facts, including statements about the Company’s beliefs and expectations, are forward-looking statements that involve factors, risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such factors and risks include, but not limited to the following: its goals and strategies, its ability to achieve and maintain profitability, its ability to attract and retain students to enroll in its courses, its ability to effectively manage its business expansion and successfully integrate businesses it acquired, its ability to identify or pursue targets for acquisitions, its ability to compete effectively against its competitors, its ability to improve the content of its existing courses or to develop new courses, and relevant government policies and regulations relating to the Company’s corporate structure, business and industry. Further information regarding these and other risks is included in the Company’s filings with the U.S. Securities and Exchange Commission. All information provided in this presentation is current as of the date of the press release, and the Company does not undertake any obligation to update such information, except as required under applicable law.

# SECTION 1

## Operational and Financial Highlights

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## Student Enrollments

1,122,167

+28.7% YoY



## No. of Learning Centers

400

As at 30 September 2020



## Acquisition & Integration

M&As since 2014: **60** schools (excluding asset purchases)



*Growth*

*Revenue*

## Net Revenues

RMB833.2 million

-16.3% YoY due to COVID-19 pandemic



## K-12 Tutoring

RMB609.3 million

+1.0% YoY

(Excluding Puxin Online School)



## Puxin Online School

RMB32.5 million

+351.3% YoY



## Margin

- ✓ **3Q2019 – profitability pivot**  
Consolidated and study-abroad services had first quarterly positive operating margin
- ✓ **1Q2020-3Q2020 – continued profitable growth**  
Adjusted EBITDA stayed positive since the beginning of 2020

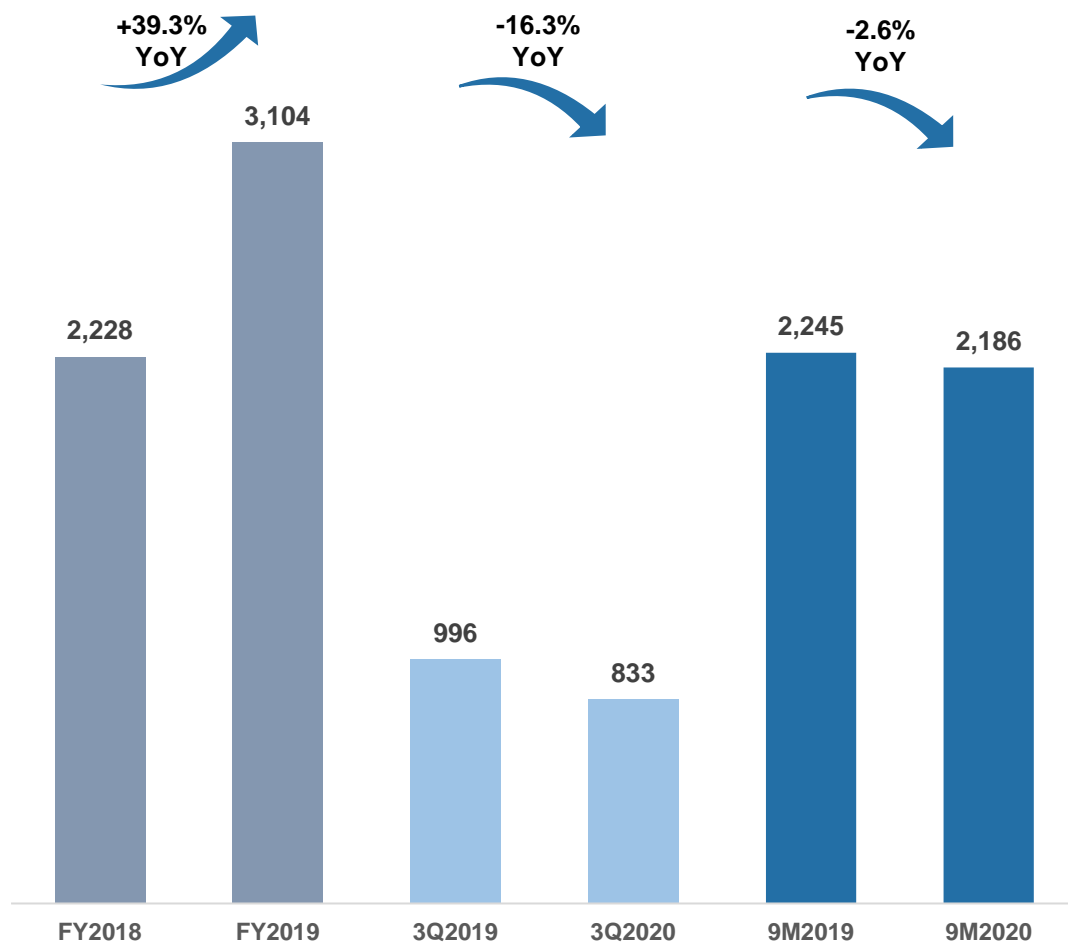
## Outlook

- ✓ **FY2020-FY2021**  
Optimize revenue structure of the business lines
- ✓ **Online-merge-Offline (OMO)**  
Further penetrate to lower tier cities
- ✓ **Double-engine strategy**  
Internal growth + M&A

# Core Business Segment's Continued Growth Contribution

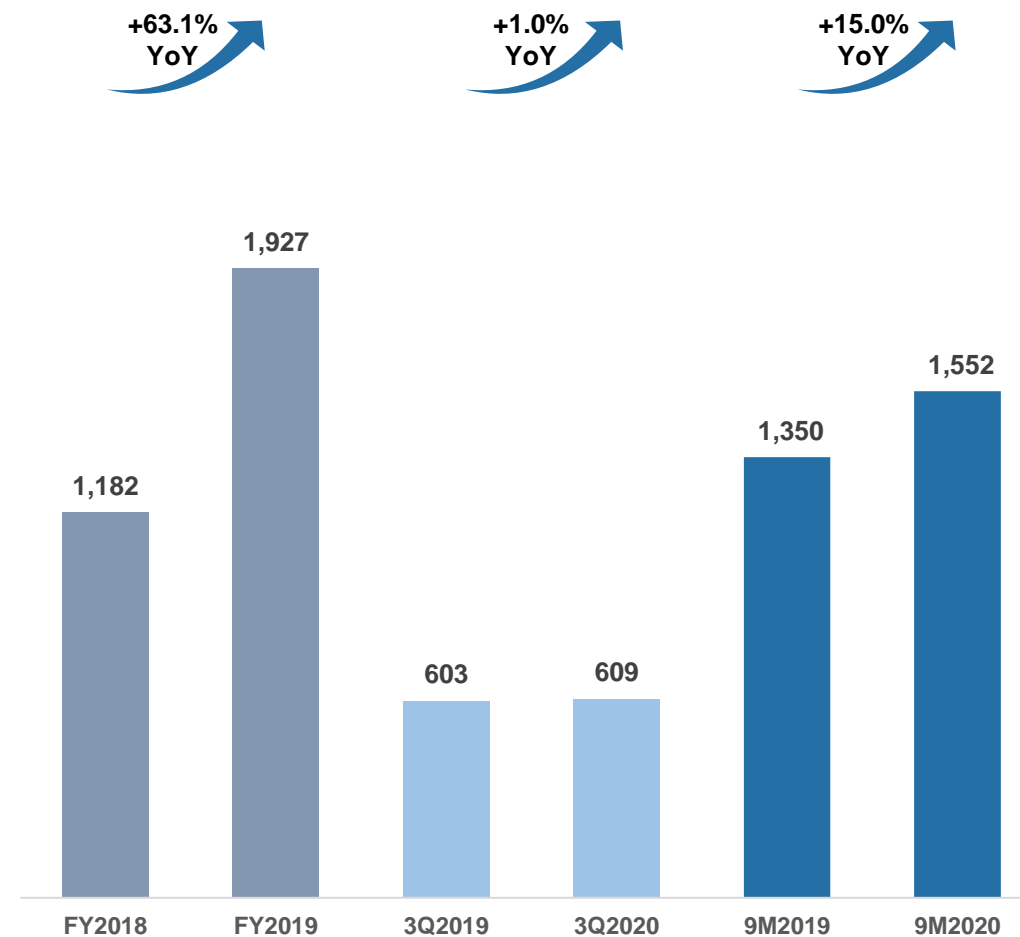
## Net Revenues

(RMB million)



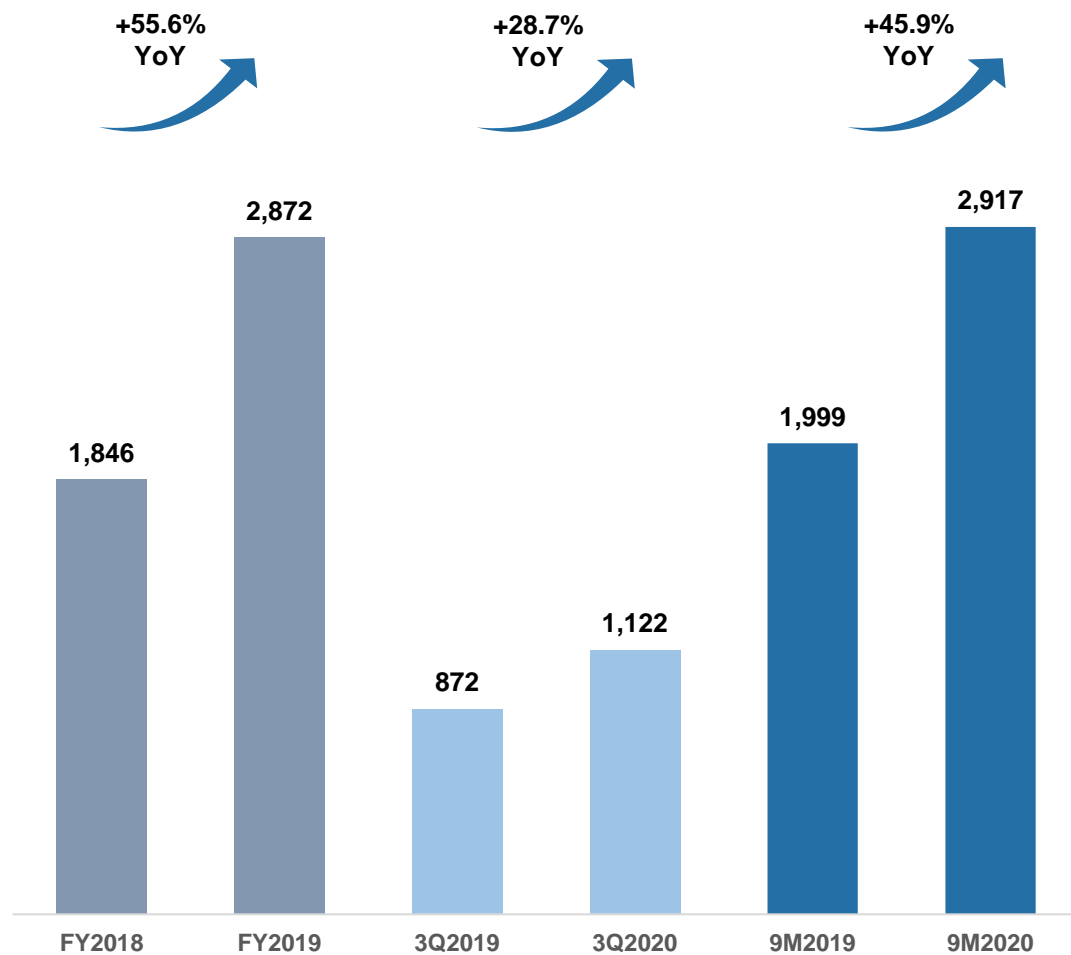
## K-12 Revenues Excluding Puxin Online School

(RMB million)



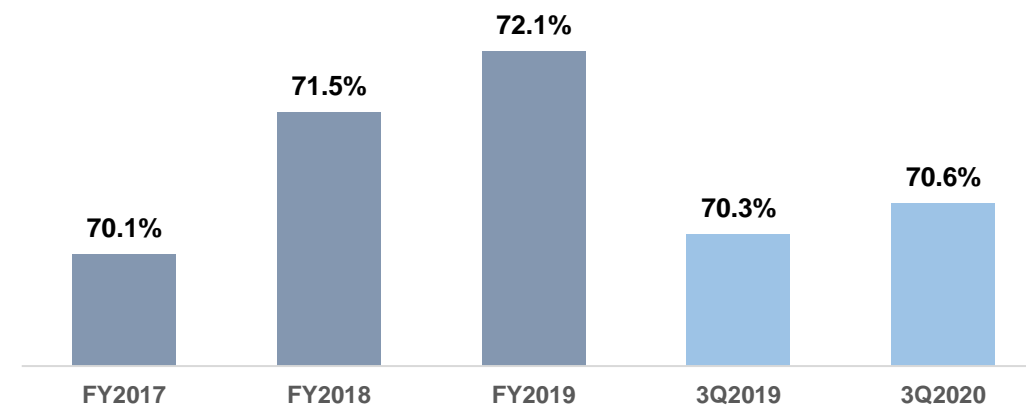
## Total Student Enrollments Including Puxin Online School

(Thousand)



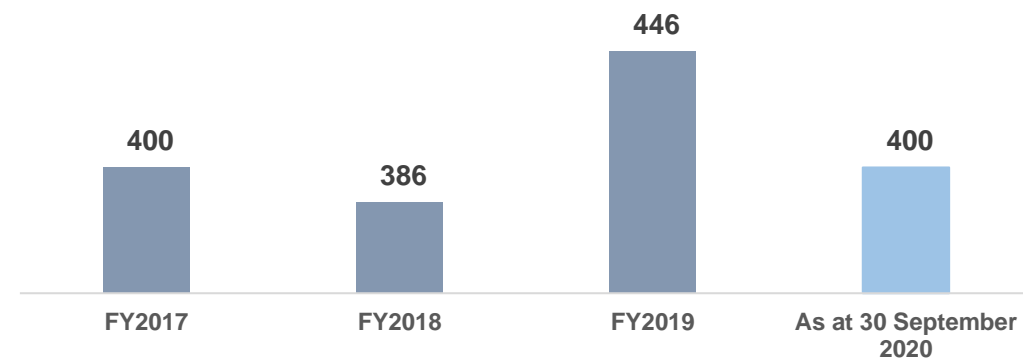
## Student Retention Rate of K-12 Group Class Courses

(All schools operating under Puxin's management for over 12 months)



## Number of Learning Centers

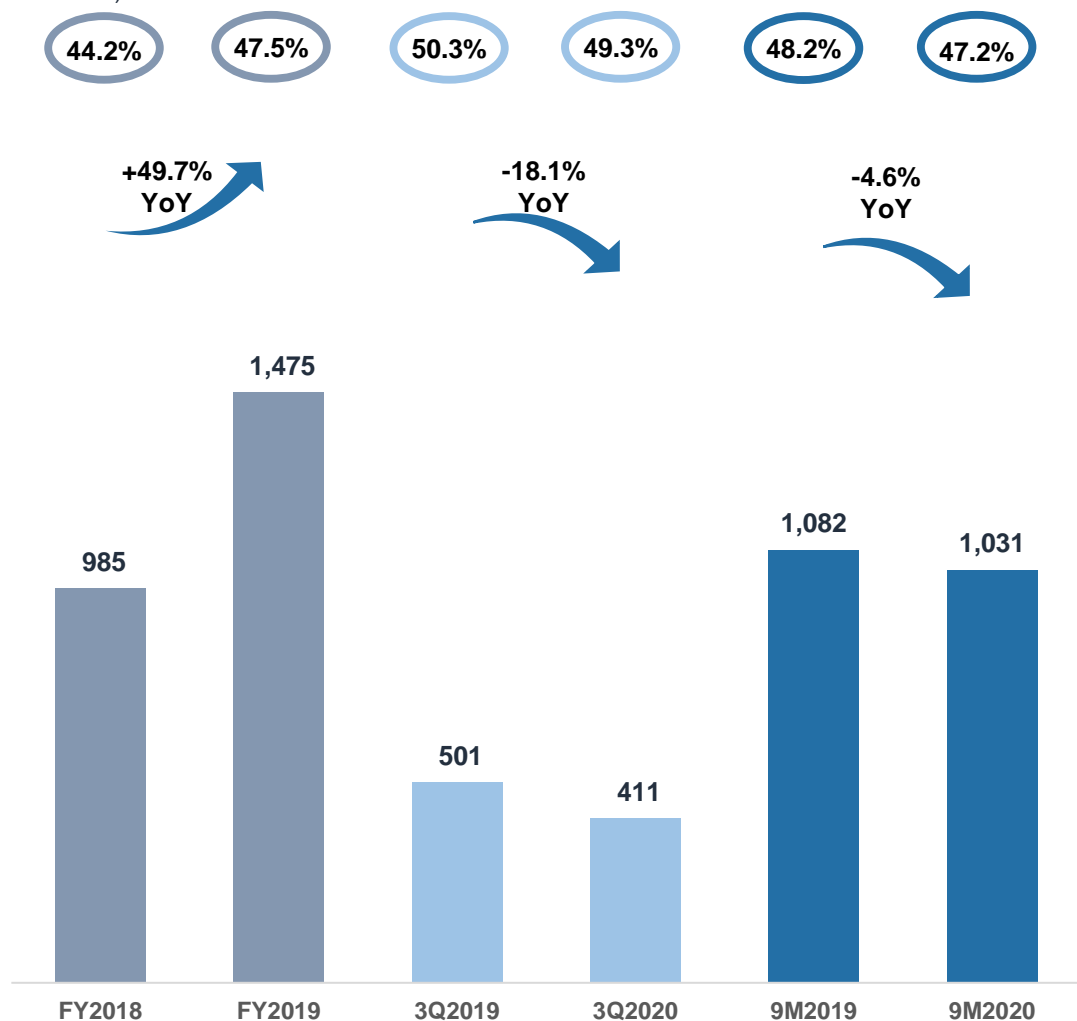
(By the end of fiscal periods)



# Continued Growth and Improved Profitability

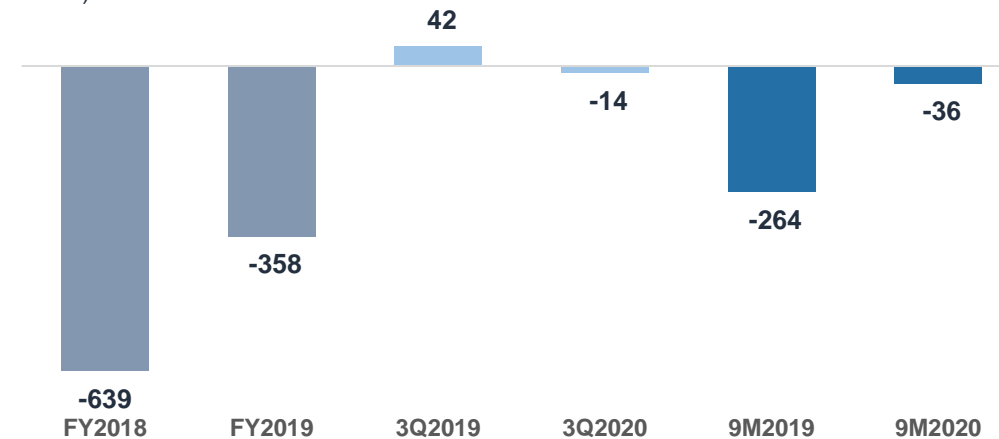
## Gross Profit and Gross Margin

(RMB million)



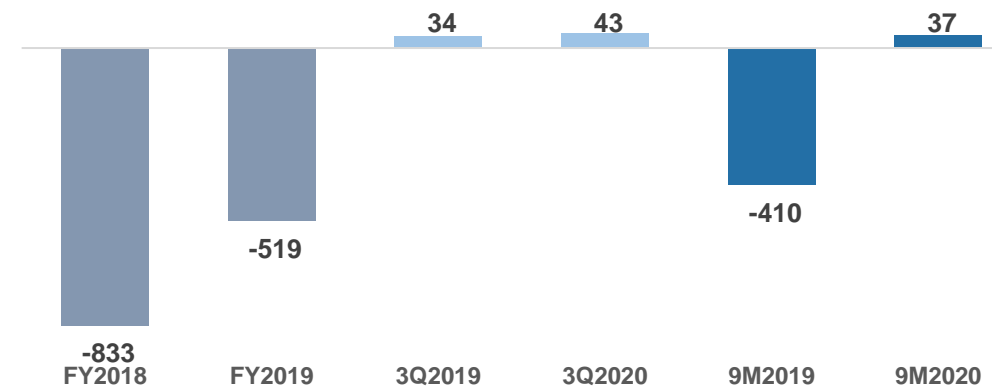
## Operating Income (Loss)

(RMB million)



## Net Income (Loss) Attributable to Puxin Limited

(RMB million)



# SECTION 2

## Company Overview

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# Experienced Management Team and Key Achievements

## Yunlong SHA - Founder, Chairman and Chief Executive Officer

- 22 years' experience in education industry
- Senior Vice President and various managerial positions at New Oriental Education

## Peng WANG - Chief Financial Officer

- 21 years' experience in education industry
- Senior Vice President at China Hi-Tech Group Co. Ltd. from 2016 to 2017
- Principal of a school under New Oriental Education from 2010 to 2016

**Founded in 2014, with 60 acquired schools and 400 learning centers in 32 cities, Puxin became a leading after-school education services providers in China**

- Student enrollments increased by 45.9% to 2,917,116 in 9M2020 from 1,999,075 in 9M2019.

- Puxin Business System (PBS), a unique modular management system that incorporates best practices of operating after-school learning centers, creates high entry barriers for competitors
- Selective teacher hiring process with an emphasis on continual training and rigorous evaluation for teachers
- Clear corporate strategy & vision and effective execution that attract high-quality talents to join

Experienced  
management  
team

Stable  
revenue  
growth

Sustainable  
long-term  
development

Puxin  
maintained  
strong organic  
growth



# Puxin Provides Premium K-12 and Study-Abroad Education Services



K-12 after-school tutoring

Online school and classes

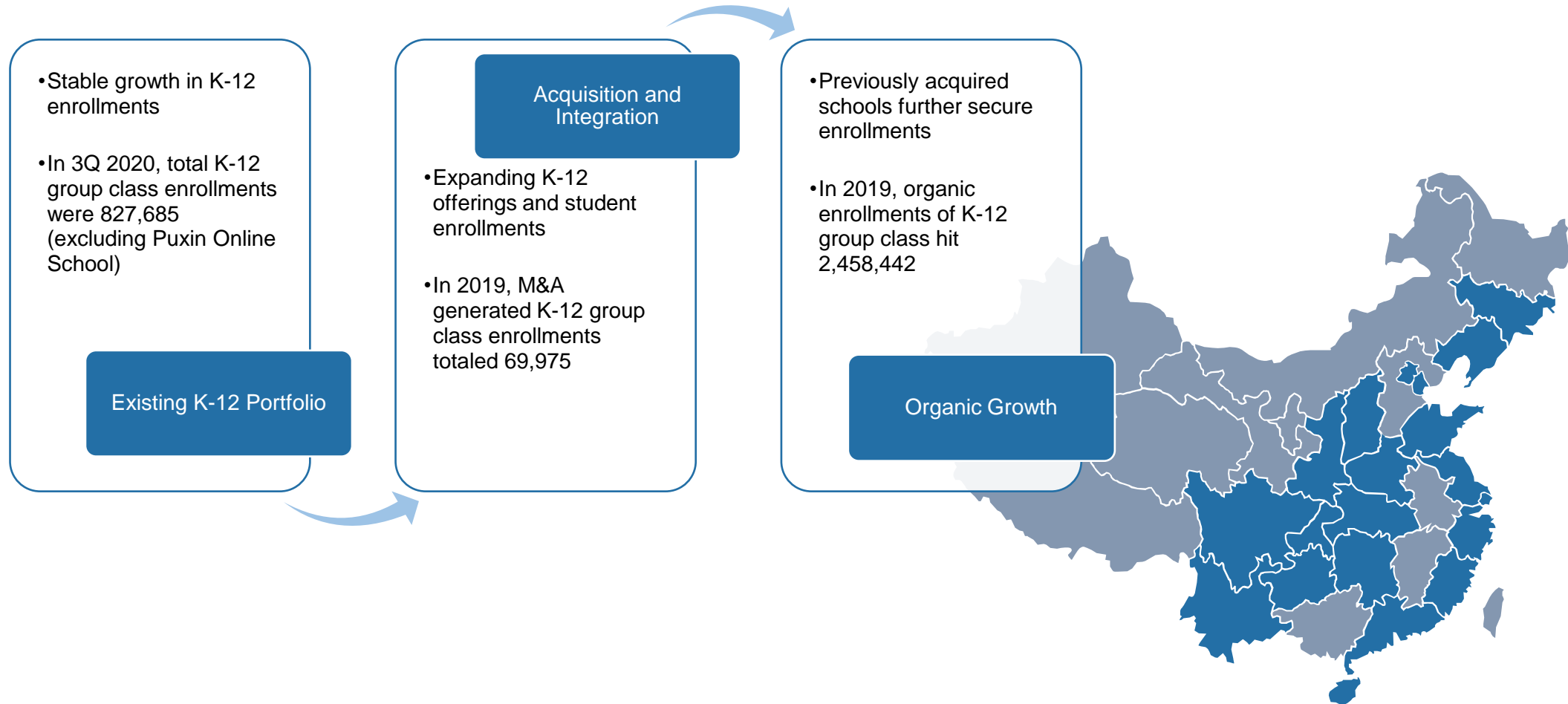
Study-abroad tutoring and consulting

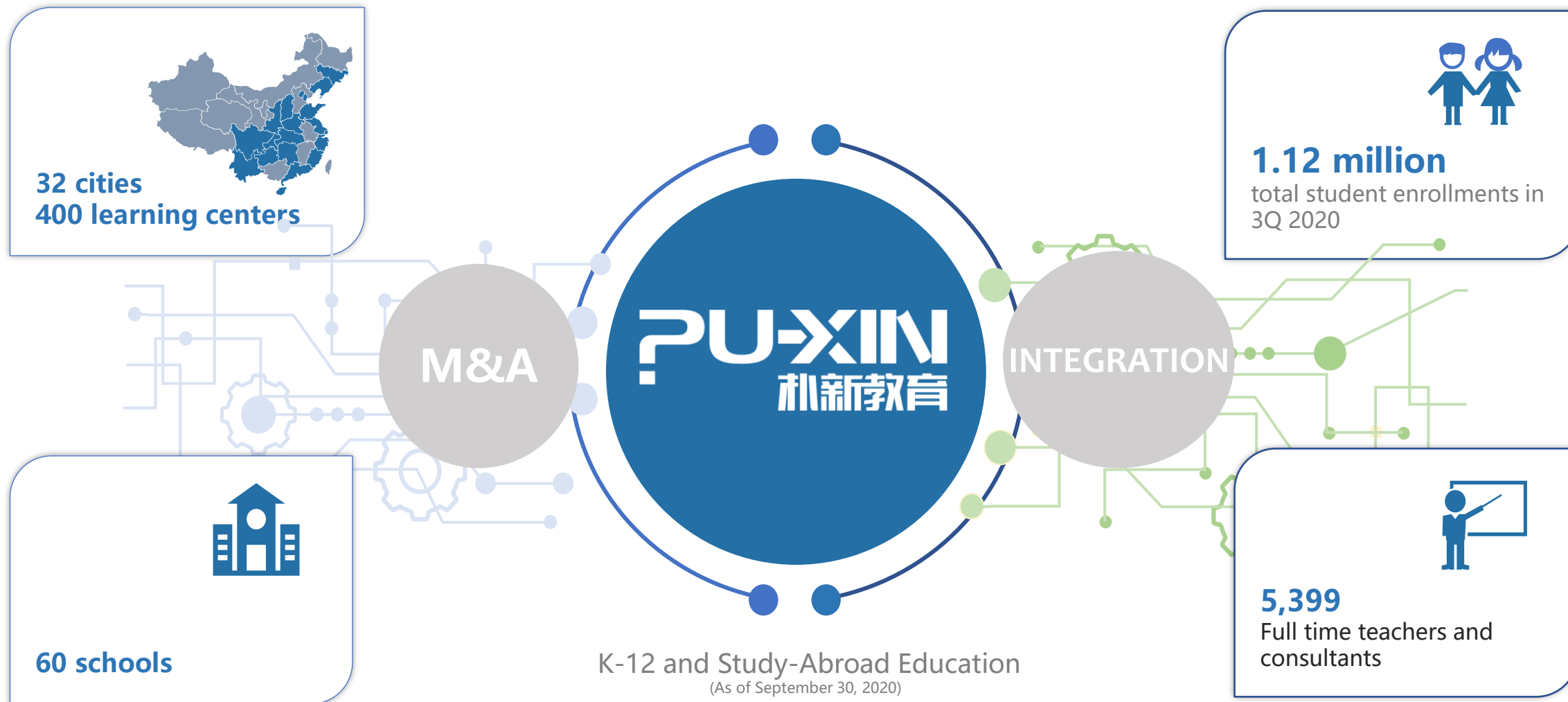


	After-school Tutoring	Mathematics	English	Chinese	Physics	Chemistry	Biology	Study-abroad	IELTS	TOEFL	SSAT	SAT	ACT	GRE	GMAT
	K		★					K							
PRIMARY SCHOOL	1	★	★	★				1							
	2	★	★	★				2							
	3	★	★	★				3							
	4	★	★	★				4		★	★				
	5	★	★	★				5		★	★				
	6	★	★	★				6		★	★				
MIDDLE SCHOOL	7	★	★	★	★			7		★	★				
	8	★	★	★	★	★		8		★	★	★	★		
	9	★	★	★	★	★		9	★	★	★	★	★		
HIGH SCHOOL	10	★	★	★	★	★	★	10	★	★	★	★	★		
	11	★	★	★	★	★	★	11	★	★		★	★		
	12	★	★	★	★	★	★	12	★	★		★	★		
	Higher education							Higher education	★	★				★	★

# Puxin Ranks High for K-12 Tutoring Services in Terms of Student Enrollments in China

## Group class is the key





## Deep understanding of education market segments and regulations in China

### Pre-school education



- Pending improvements in regulations, yet leading players might dive into pre-school education segment.

### K-12 after-school tutoring

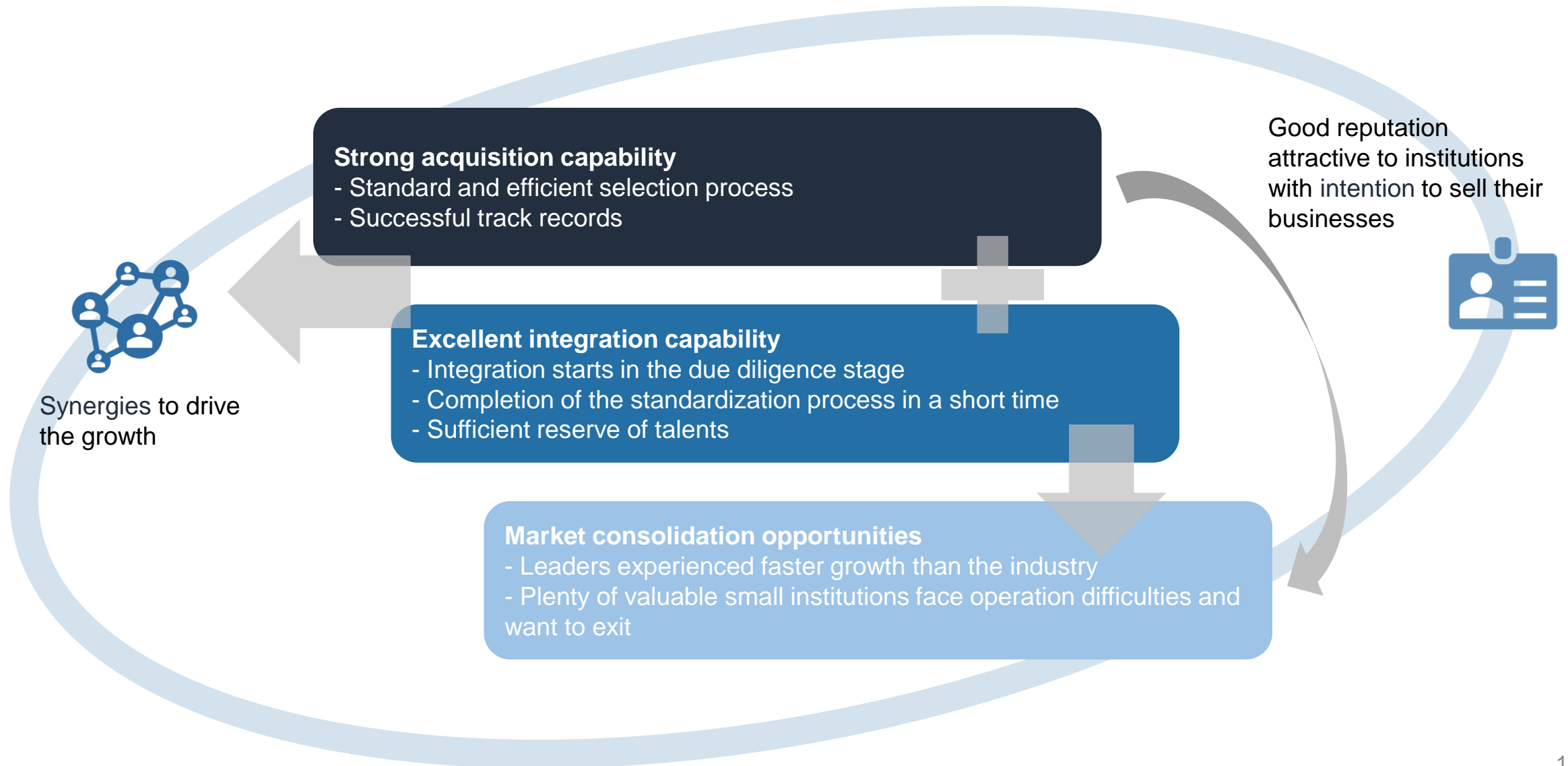


- **K-12 schools, showing strong growth momentum, are M&A priorities for Puxin.**
- Organic internal growth was secured by implementing PBS system.

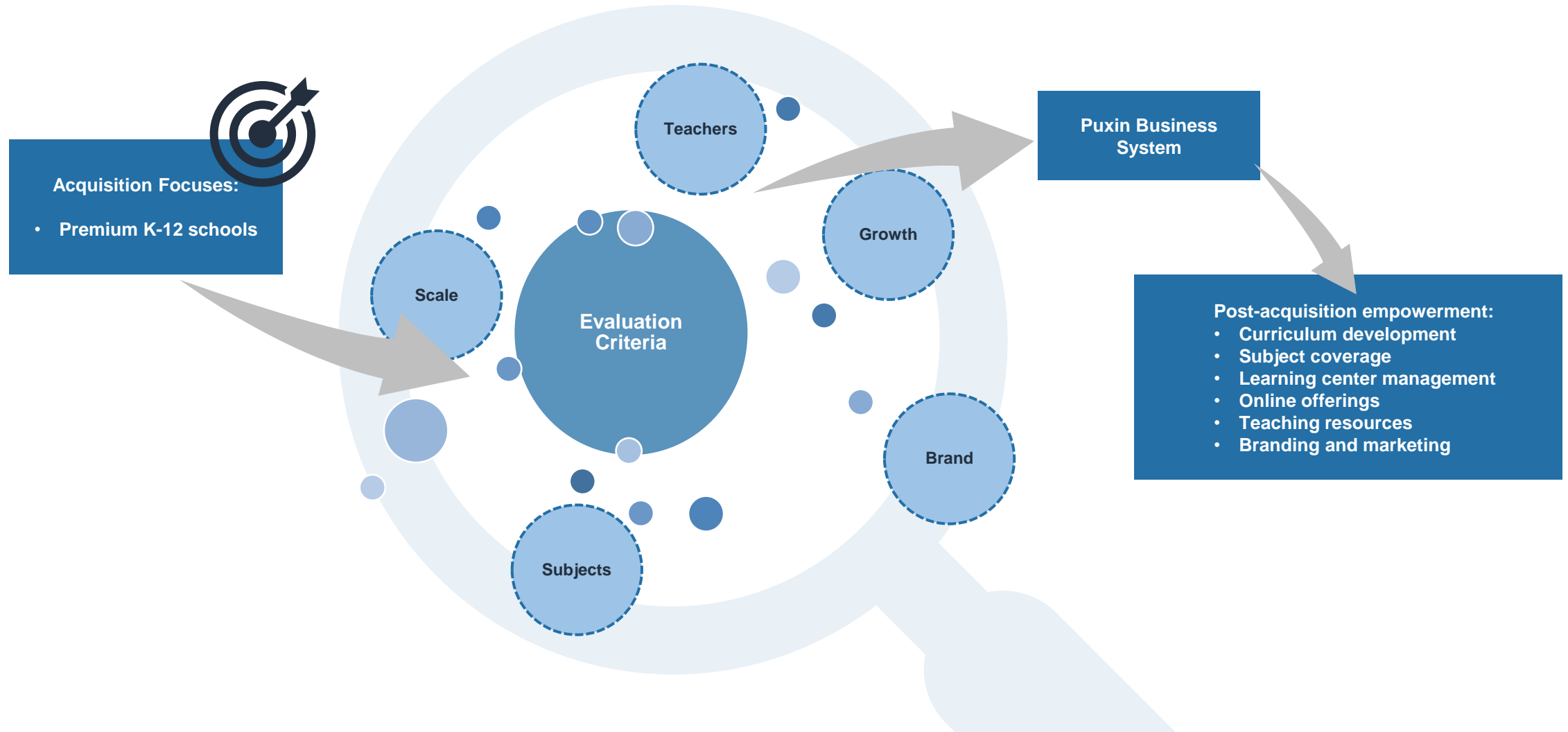
### Private high-school education



- High entry barrier for education service providers though the outlook is quite promising.
- Subject to education industry policies - Puxin has a very small portion of business.



Screening Criteria: Market Scale / Regional Top / Rapid Growth / Subject Advantage / Teacher Advantage



## Key aspects of 100-day execution plan and 21 post-acquisition milestones



- A dedicated acquisition team at the headquarters provide guidance and oversee the executions.

- The principal regularly reports the day-to-day operations of the acquired school to our headquarters for at least three months.



### Student recruitment and marketing

- Referrals and promotion prices
- Tailor-made marketing plans

### Curriculum and service offering

- Unified curricula and course materials
- Standardized student service protocol

### Teachers

- Comprehensive training for teachers
- Systematic performance reviews

### IT systems

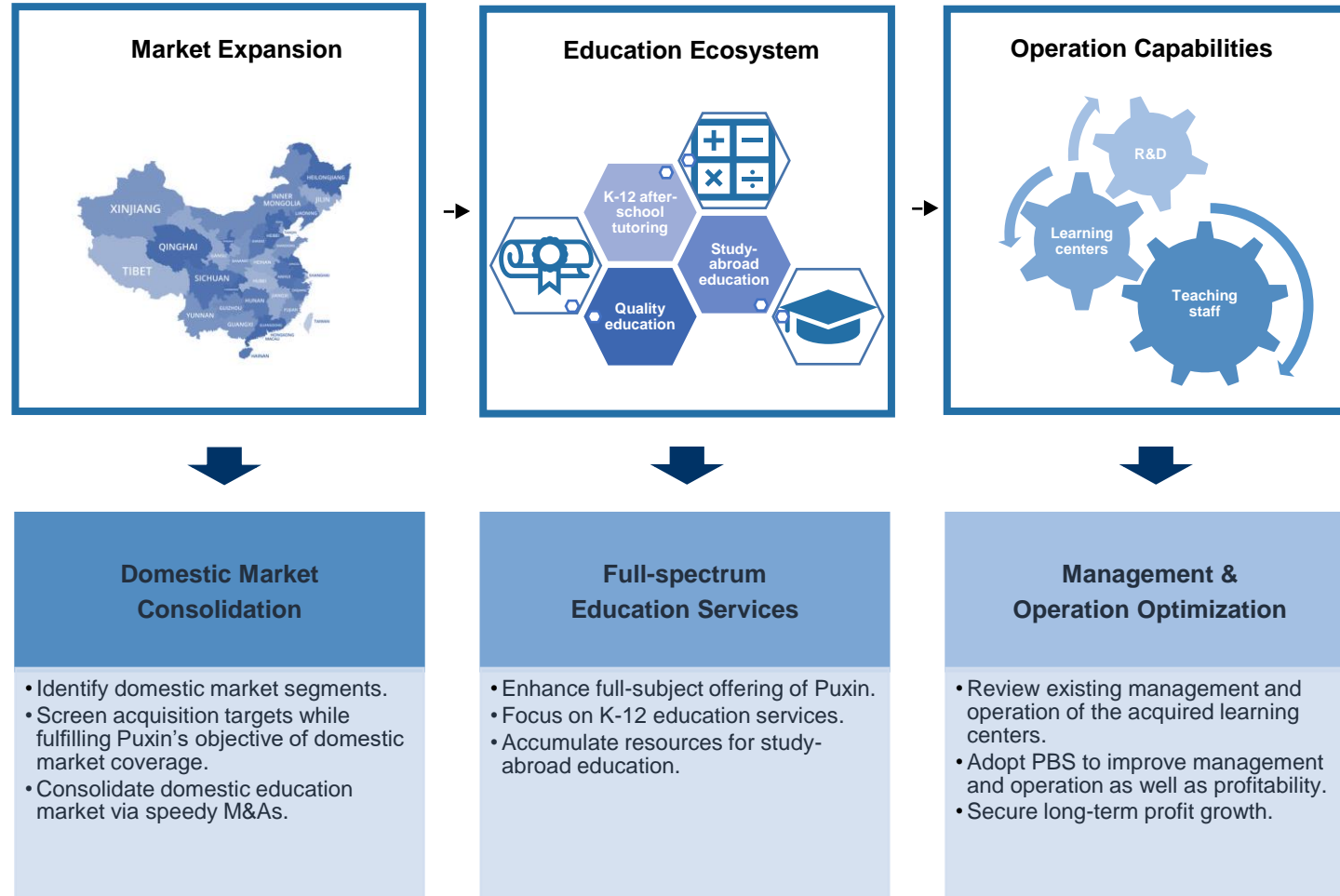
- Unified ERP, CRM and knowledge management system

### Financial management

- Centralized financial management, e.g. budget plans and performance target



We have integrated more than 50 education brands over the past 5 years



# Typical Path of A Turnaround

Quarter	Actions Taken	Enrollment Trend	Revenue Trend	Operating Margin Trend
1 <sup>st</sup> -2 <sup>nd</sup> Quarter	Regulatory compliance		+	+
	ERP CRM launch	+	+	
	Teacher training	+	+	
3 <sup>rd</sup> -4 <sup>th</sup> Quarter	Marketing promotion for enrollment	+++++	++	
	Expanding subject coverage	+++	+++	+
	Structural adjustments to personnel	+	+	+
5 <sup>th</sup> -6 <sup>th</sup> Quarter	Improving retention rate	++++	++++	+++++
	Improving utilization rate	++++	++++	++
7 <sup>th</sup> -8 <sup>th</sup> Quarter	Product iteration	+++	+++	
	Cost optimization			++++

(RMB thousand)

Net Revenue	9M2019	9M2020	YoY
School A	52,776	51,708	-2.0%
School B	25,846	30,635	18.5%
School C	35,986	42,665	18.6%
School D	66,335	63,933	-3.6%
School E	51,595	52,432	1.6%
School F	72,854	75,377	3.5%

Operating Income	9M2019	9M2020	YoY
School A	9,203	15,773	71.4%
School B	2,757	7,072	156.5%
School C	12,208	16,858	38.1%
School D	16,935	21,218	25.3%
School E	9,473	14,783	56.0%
School F	8,328	14,346	72.3%

## Principal Selection Training Institute

- Top talent training plan
- 9 months per session
- Theory + practice
- 13 sessions delivered

# PUXIAN

- Senior management training program
- Hands-on experience backed by theoretical training
- Internal support with optimized resource allocation

# PUXIAN PLUS

# PUYOU

- Middle-level management training
- Various lines of training
- Selection every 6 months

# PUXING

- Training for front-line staff and management trainee
- Talent exploration plan
- Selection every 3 months

# SECTION 3

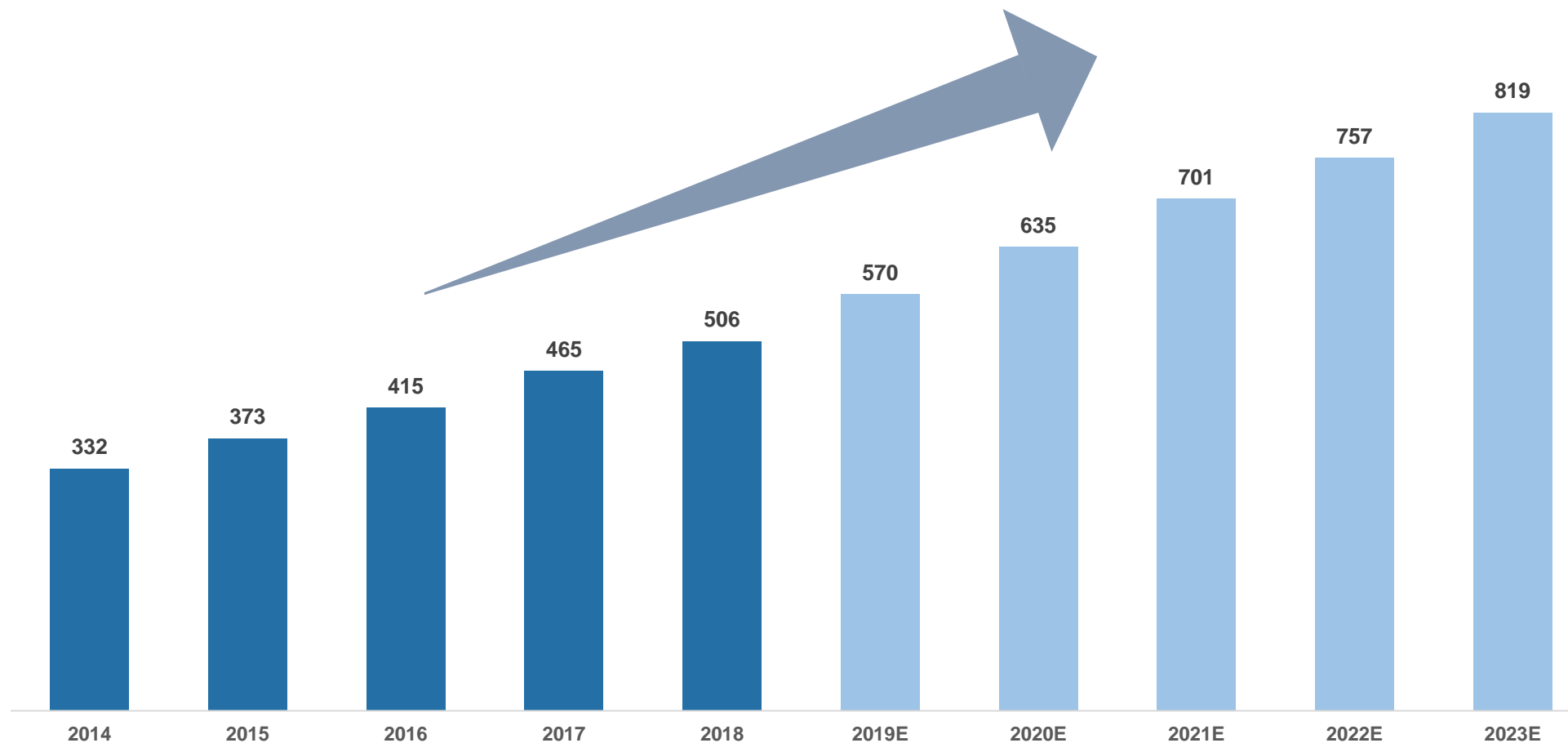
## Market Overview

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# After School K-12 Tutoring Market Size

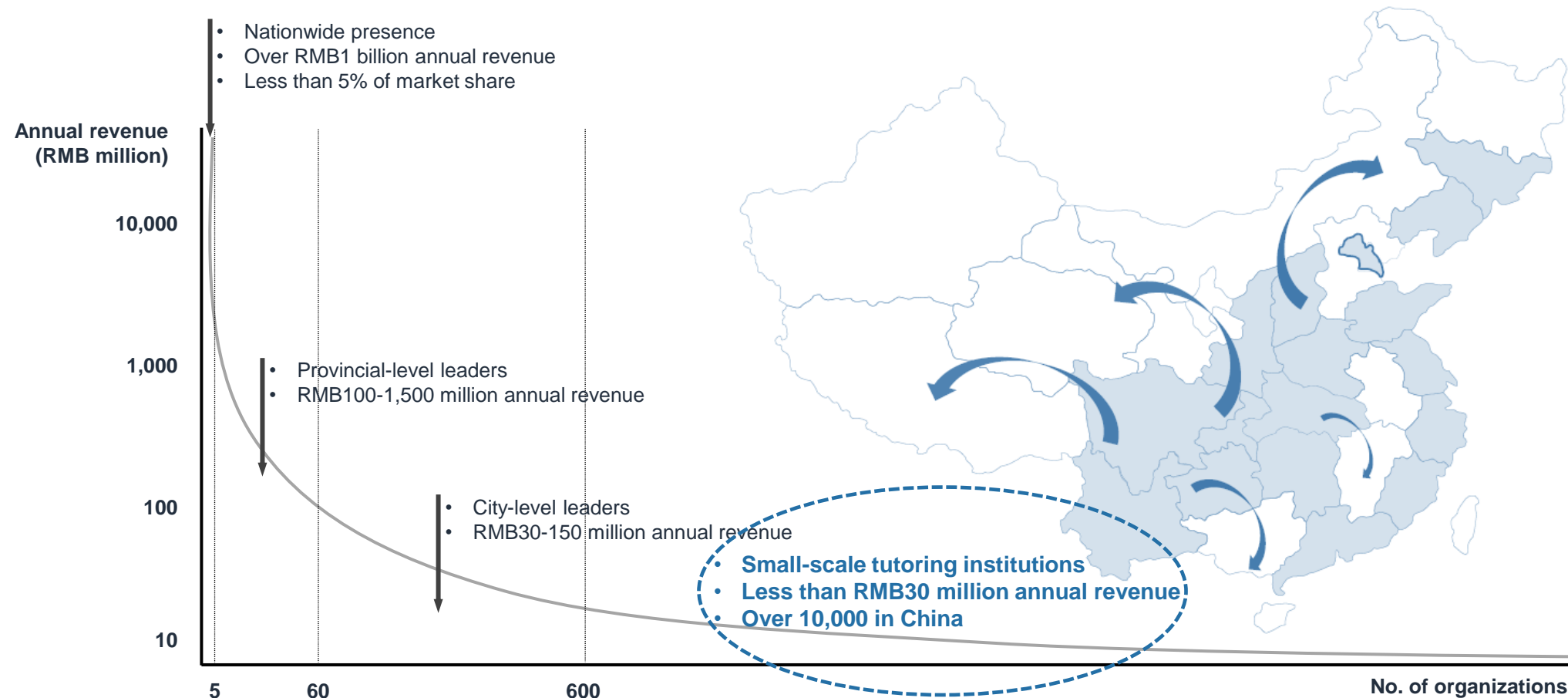
After-School K-12 Tutoring Market Size (Revenue)

(RMB billion)



# High Degree of Fragmentation Presents Integration Opportunity

The highly fragmented market promises opportunities for consolidation



# SECTION 4

## Appendix

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# Consolidated Balance Sheet

	As of December 31, 2019	As of September 30, 2020	
	RMB'000	RMB'000	USD'000
<b>Current assets</b>			
Cash and cash equivalents	256,763	67,850	9,993
Restricted cash, current portion	349,540	492,246	72,500
Inventories	13,311	17,016	2,506
Prepaid expenses and other current assets	117,148	161,464	23,781
Loan receivable, current portion	191,230	207,442	30,553
<b>Total current assets</b>	<b>927,992</b>	<b>946,018</b>	<b>139,333</b>
<b>Non-current assets</b>			
Restricted cash, non-current portion	36,727	33,062	4,870
Operating lease right-of-use assets	1,045,941	909,176	133,907
Property, plant and equipment, net	298,719	266,971	39,321
Intangible assets	264,540	230,034	33,880
Goodwill	2,055,922	2,035,577	299,808
Deferred tax assets	2,199	2,061	304
Rental deposit	75,015	70,783	10,425
Other non-current assets	-	59,400	8,749
<b>Total non-current assets</b>	<b>3,779,063</b>	<b>3,607,064</b>	<b>531,264</b>
<b>Total assets</b>	<b>4,707,055</b>	<b>4,553,082</b>	<b>670,597</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accrued expenses and other current liabilities	983,715	738,379	108,752
Loans payable to third parties, current portion	413,838	271,452	39,981
Income taxes payable	21,248	20,557	3,028
Deferred revenue, current portion	1,205,609	1,131,788	166,694
Operating lease liabilities, current portion	276,877	255,438	37,622
Amounts due to related parties, current portion	1,451	4,853	715
Bank borrowings	318,600	555,900	81,875
Promissory note, current portion	87,023	169,740	25,000
<b>Total current liabilities</b>	<b>3,308,361</b>	<b>3,148,107</b>	<b>463,667</b>

# Consolidated Balance Sheet (Cont'd)

	As of December 31, 2019		As of September 30, 2020	
	RMB'000		RMB'000	USD'000
<b>Non-current liabilities</b>				
Deferred revenue, non-current portion		101,372	64,841	9,550
Operating lease liabilities, non-current portion		693,505	572,822	84,368
Loan payable to third parties, non-current portion		-	193,237	28,461
Deferred tax liabilities		81,969	74,028	10,903
Franchise deposits		2,533	2,549	375
Derivative liabilities		172,235	-	-
Promissory note, non-current portion		87,022	-	-
<b>Total non-current liabilities</b>		<b>1,138,636</b>	<b>907,477</b>	<b>133,657</b>
<b>Total liabilities</b>		<b>4,446,997</b>	<b>4,055,584</b>	<b>597,324</b>
<b>Shareholders' equity</b>				
Ordinary shares		62	62	9
Additional paid-in capital		2,175,652	2,389,985	352,007
Statutory reserve		7,979	7,979	1,175
Accumulated other comprehensive income		68,707	58,182	8,569
Accumulated deficit		(1,991,220)	(1,954,618)	(287,884)
<b>Total Puxin Limited shareholders' equity</b>		<b>261,180</b>	<b>501,590</b>	<b>73,876</b>
Non-controlling interest		(1,122)	(4,092)	(603)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>260,058</b>	<b>497,498</b>	<b>73,273</b>
<b>TOTAL LIABILITIES AND TOTAL SHAREHOLDERS' EQUITY</b>		<b>4,707,055</b>	<b>4,553,082</b>	<b>670,597</b>

# Consolidated Income Statement

	3Q2019	3Q2020	
	RMB'000	RMB'000	USD'000
<b>Net revenues</b>	<b>996,042</b>	<b>833,204</b>	<b>122,718</b>
Cost of revenues	494,581	422,582	62,240
<b>Gross profit</b>	<b>501,461</b>	<b>410,622</b>	<b>60,478</b>
<b>Operating expenses</b>			
Selling expenses	304,801	317,008	46,690
General and administrative expenses	155,113	107,557	15,841
<b>Total operating expenses</b>	<b>459,914</b>	<b>424,565</b>	<b>62,531</b>
<b>Operating income (loss)</b>	<b>41,547</b>	<b>(13,943)</b>	<b>(2,053)</b>
Interest expense	13,773	19,450	2,865
Interest income	6,925	11,120	1,638
Foreign exchange gain (loss)	318	(383)	(56)
Gain on changes in fair value of derivative liabilities	912	41,366	6,093
Other income, net	-	23,804	3,506
<b>Income before income taxes</b>	<b>35,929</b>	<b>42,514</b>	<b>6,263</b>
Income tax expenses	2,187	86	13
<b>Net income</b>	<b>33,742</b>	<b>42,428</b>	<b>6,250</b>
Less: Net income (loss) attributable to non-controlling interest	32	(1,039)	(153)
<b>Net income attributable to Puxin Limited</b>	<b>33,710</b>	<b>43,467</b>	<b>6,403</b>
<b>Net income per ADS attributable to Puxin Limited, Basic*</b>	<b>0.38</b>	<b>0.50</b>	<b>0.08</b>
<b>Net income per ADS attributable to Puxin Limited, Diluted*</b>	<b>0.38</b>	<b>0.48</b>	<b>0.08</b>
Weighted average shares used in calculating net income per share – Basic	173,938,756	174,220,018	174,220,018
Weighted average shares used in calculating net income per share – Diluted	177,818,968	178,394,583	178,394,583

\* Each ADS represents two ordinary shares.  
Note: In thousands of RMB and USD, except for share, per ADS data

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