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To become a world class education institution

## Investor Presentation

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1Q 2021

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**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.

- **01. Investment Values: K-12 Industry and Puxin's Opportunities**
- **02. Operational System and Management Capabilities**
- **03. Future Growth Strategy**
- **04. Operational & Financial Highlights**
- **05. Appendix**



# SECTION 1

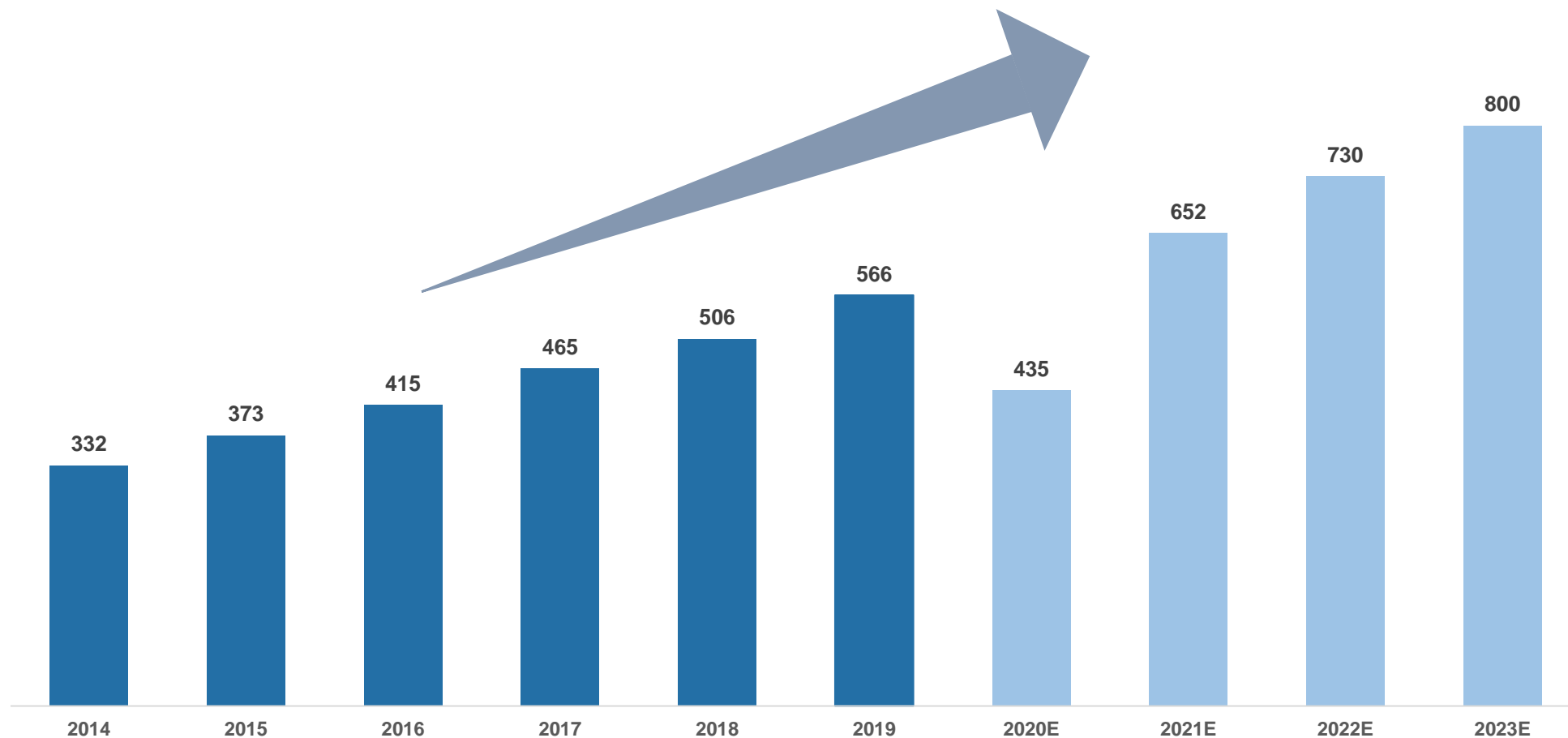
## Investment Values: K-12 Industry and Puxin's Opportunities

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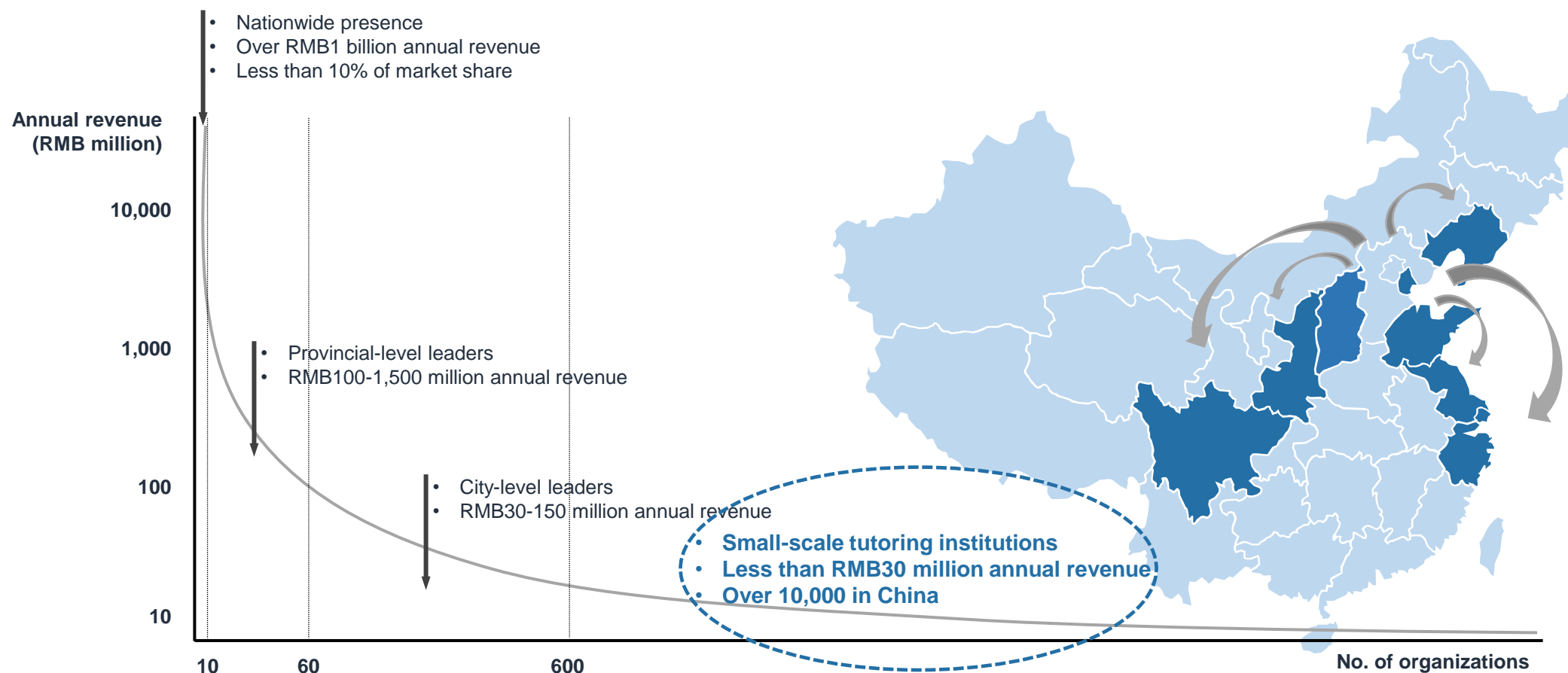
# K-12 After School Tutoring Market Size

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

(RMB billion)

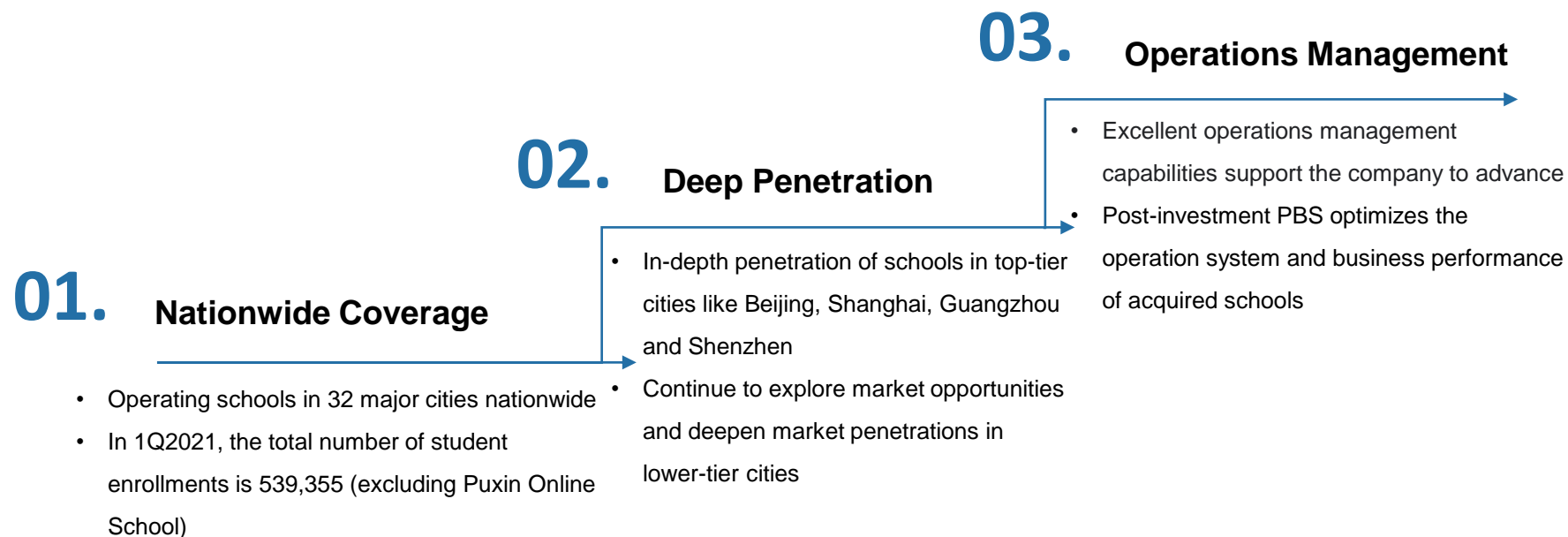


## The highly fragmented market promises opportunities for consolidation



## Puxin possesses a national network of schools

Exceptional operational capability is the key reason for Puxin to thrive



VS. Hard to root

VS. Market fragmentation

VS. Higher operational capability required to expand business nationally

Overcome the Difficulties of Nationwide Business Expansion Step by Step

## SECTION 2

# Core Competencies: Operational System and Management Capabilities

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## Operations Management System and Capabilities

Focus on both organic growth and extensive M&A

Ensure to improve operational efficiency of the entire group and each brand school

Continue to promote M&A strategy and expand the market coverage nationally

### Puxin Culture

#### Corporate culture and core values

Our faith: Continue learning and do not seek complacency  
Our mission: Empowering people to build better lives through learning  
Our vision: Becoming a reputable education institution  
Core values: Customer-oriented, integrity, pragmatism, collaboration and innovation

### Puxin Development

#### Management team and company talents

Core team: Puxin's management team has extensive experience in the education and training industry in China  
Talent pool: Emphasizing both campus recruiting and experienced hires to further cultivate potential core team members

### Puxin Speed

#### Investment decision and operation management

Core strategy: Focus on the continuous evolution of PBS's post-investment capability system, the development of K-12 business, and achieve profitable growth driven by both internal and external factors

## Experienced management team

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

- 22 years of experience in education industry
- Was a Senior Vice President and took various managerial positions at New Oriental Education

### Peng WANG - Chief Financial Officer

- 21 years of 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

## Stable revenue growth

- 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

## Sustainable long-term development

- Founded in 2014, with 61 acquired schools and 407 learning centers in 32 cities, Puxin became one of the leading after-school education service providers in China
- Student enrollments decreased by 7.1% to 539,355 in 2021Q1 from 580,661 in 2020Q1

Note: 1Q2020 and 1Q2021 excluding Puxin Online School

## Group-wide talent training program:

Puxin provides systematic training programs to ensure the sustainable growth of the team

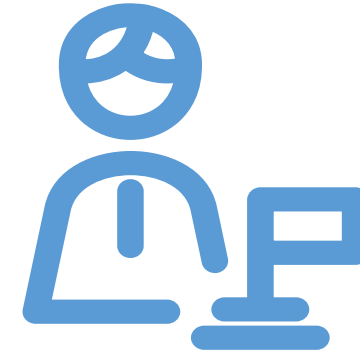


## Key aspects of 100-day execution plan and 21 post-acquisition milestones



- 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

# Typical Path of A Turnaround

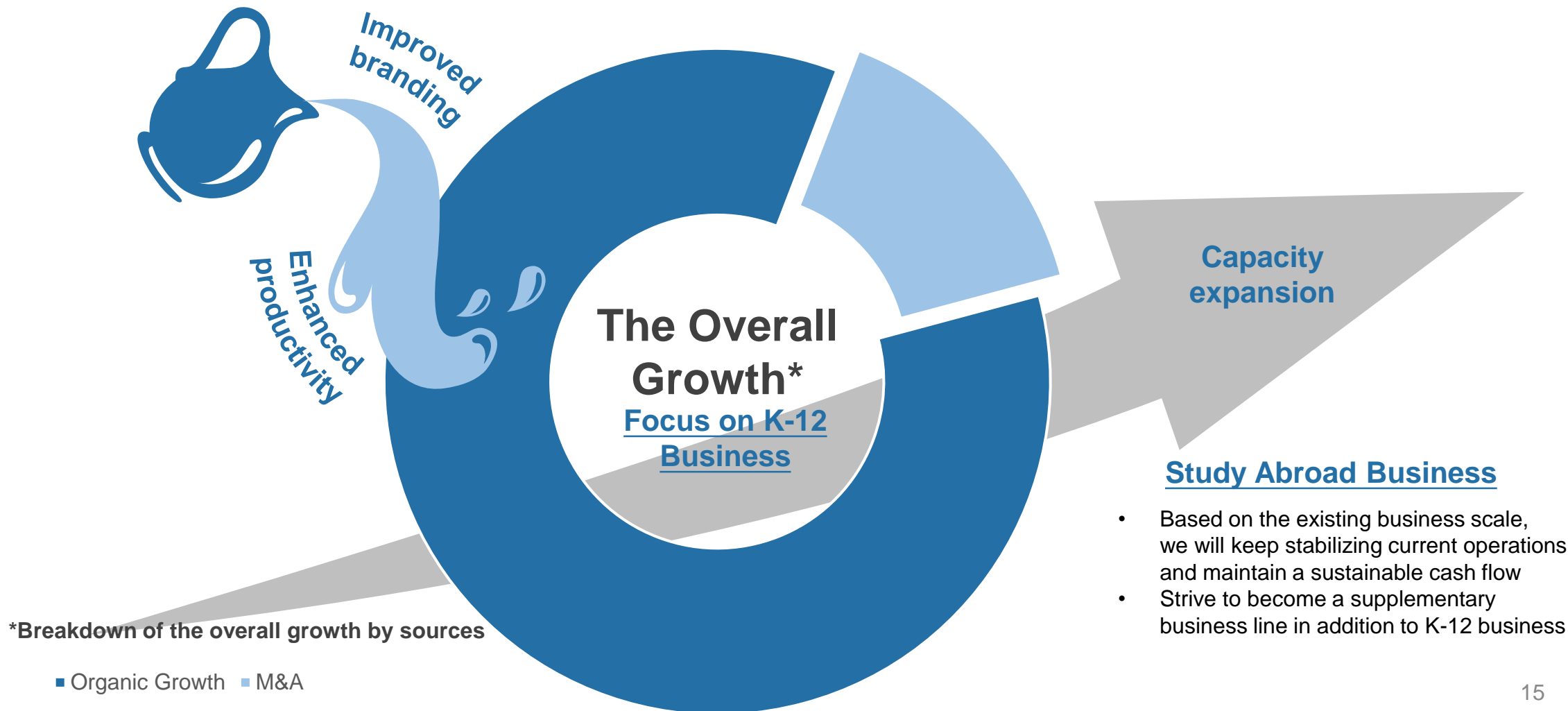
Quarter	Actions Taken	Enrollment Trend	Revenue Trend	Operating Margin Trend
1 <sup>st</sup> -2 <sup>nd</sup> Quarter	Regulatory compliance		+	+
	ERP CRM launch	+	+	
	Teacher training	+	+	
3 <sup>rd</sup> -4 <sup>th</sup> Quarter	Marketing promotion for enrollment	+++++	++	
	Expanding subject coverage	+++	+++	+
	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			++++

# SECTION 3

## Future Growth Strategy

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We expect continued and solid revenue growth



## What is Blended Learning Model?

- ✓ Blended learning model: offline downtown learning center + online learning platform
- ✓ Expand student pool, enhance teaching capacity, control customer acquisition cost.
- ✓ Expansion to lower-tier cities where lack in education resources.



## COVID-19 drives “Blended Learning Model” strategy

- ✓ The COVID-19 outbreak drove the demand and time usage of students to conduct online courses.
- ✓ As for students who lack self-control, insufficient internal drive, and whose parents lack counseling ability or time, the teaching services provided by offline institutions are irreplaceable.
- ✓ In the future, online and offline tutoring services will be highly complementary.



# SECTION 4

## Operational and Financial Highlights

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## Total Student Enrollments

**539,355**

-7.1% YoY

Note: Q1 student 2020 student enrollment and YoY changes are excluding Puxin Online School



## No. of Learning Centers

**408**

As at 31 March 2021



## Acquisition & Integration

M&As since 2014: **61** schools



**Growth**

**Profitability**

## Net Revenues

**RMB686.8 million**

-8.6% YoY due to COVID-19 pandemic



## K-12 Tutoring Net Revenues

**RMB550.6 million**

+5.2% YoY



## EBITDA

**RMB74.2 million**

vs. RMB(3.9) million in Q1 2020



## Margin

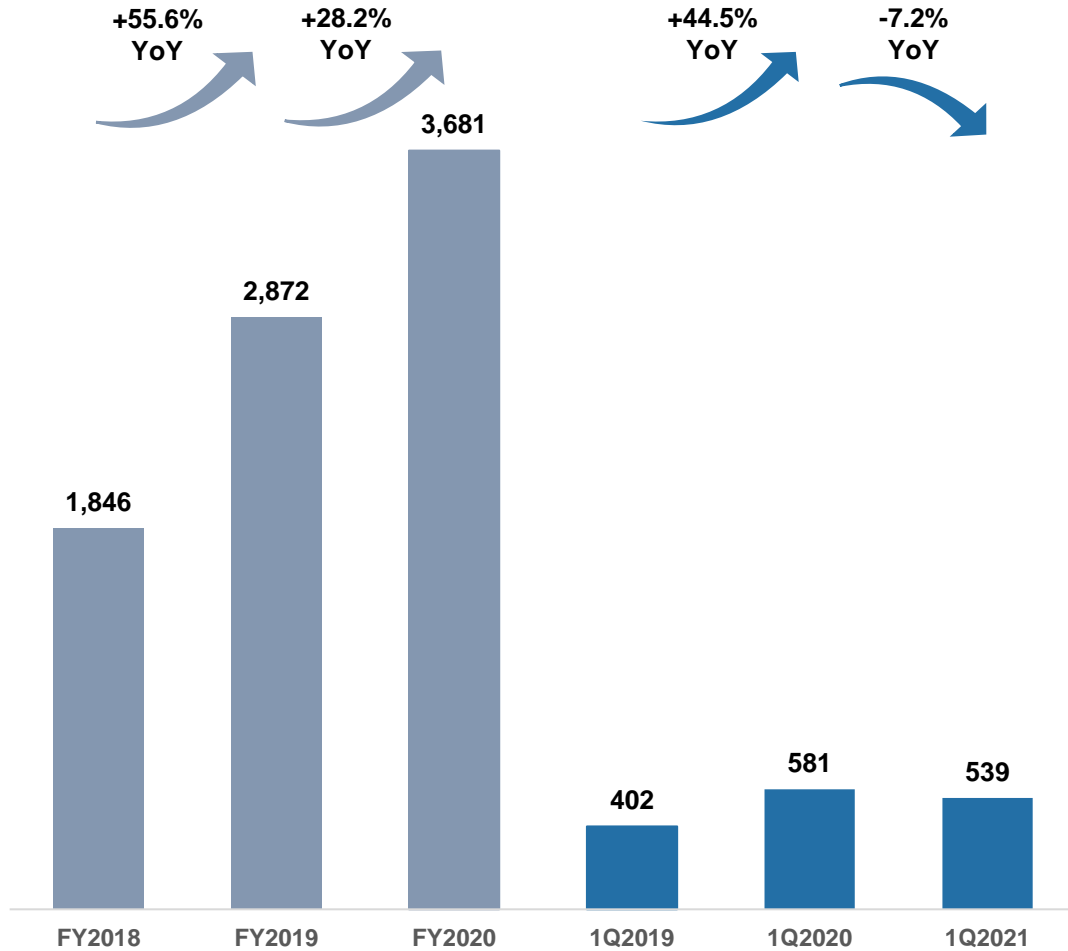
- ✓ **3Q2019 – profitability pivot**  
Consolidated and study-abroad services had first quarterly positive operating margin
- ✓ **1Q 2020 & 1Q2021**  
EBITDA margin improved to 10.8%, compared to (0.5)% in Q1 2020

## Outlook

- ✓ **FY2021-FY2022**  
Optimize revenue structure of the business lines
- ✓ **Blended learning model**  
Further penetrate to lower tier cities
- ✓ **Double-engine strategy**  
Internal growth + M&A

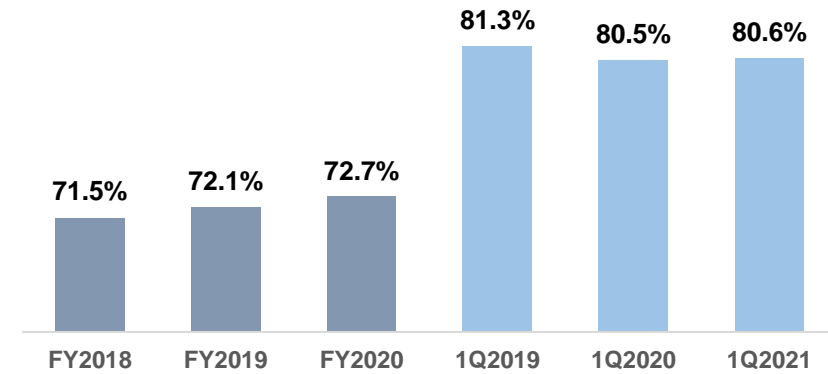
## Total Student Enrollments

(Thousand)

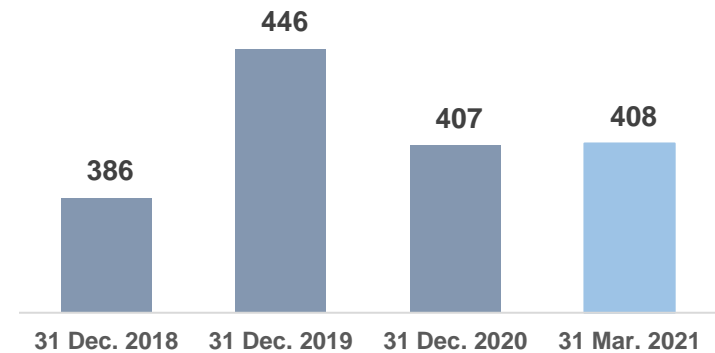


## Student Retention Rate of K-12 Group Class Courses

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



## Number of Learning Centers

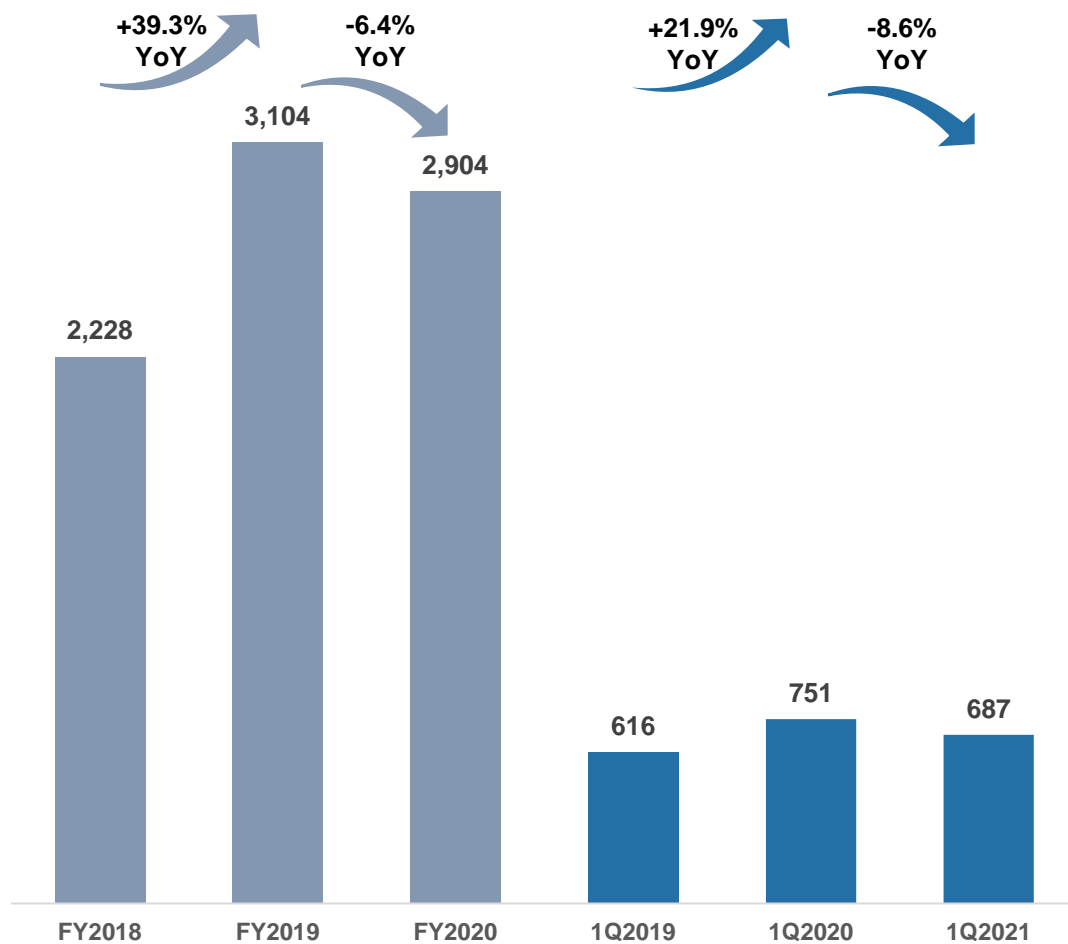


Note: FY2018-FY2020 including Puxin Online School. 1Q2020-1Q2021 excluding Puxin Online School

# Core Business Segment's Continued Growth Contribution

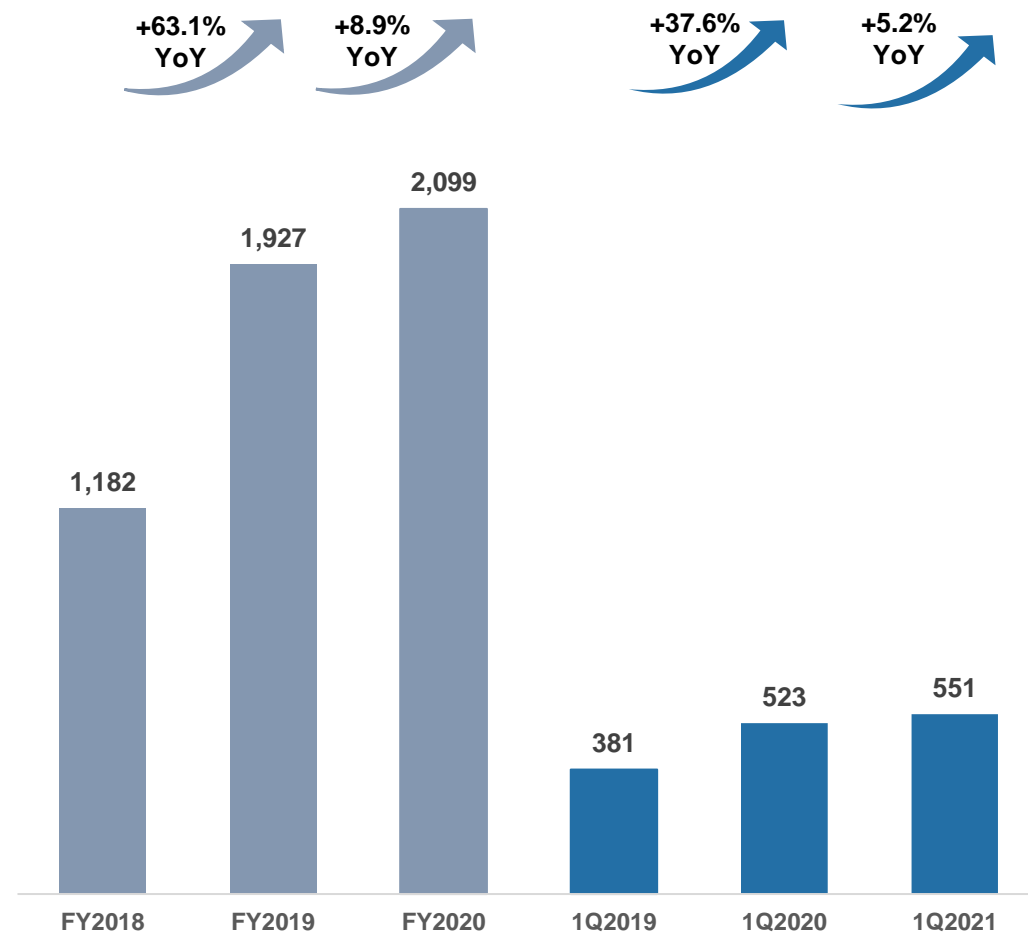
## Net Revenues

(RMB million)



## K-12 Revenues

(RMB million)

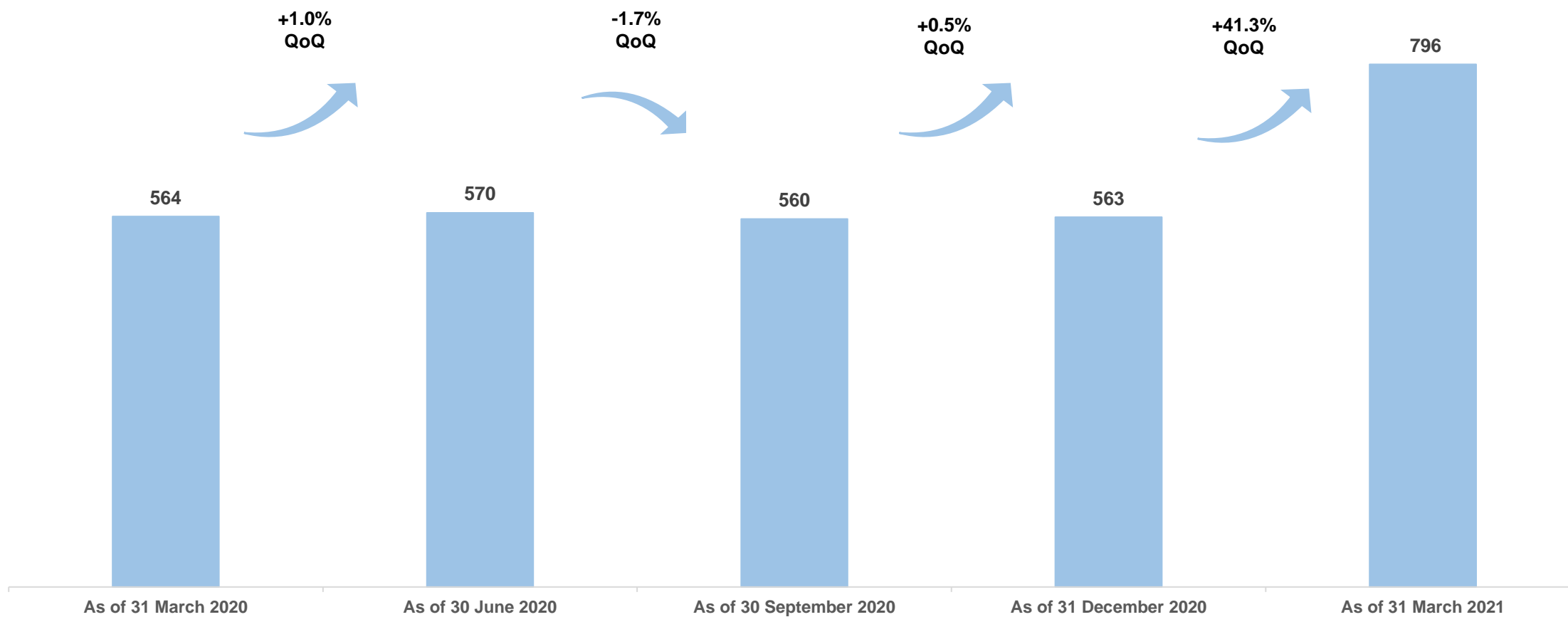


Note: FY2019-FY2020 and 1Q2020-1Q2021 excluding Puxin Online School

# Overview of the Quarterly Performance

## Cash and Current Bank Balances

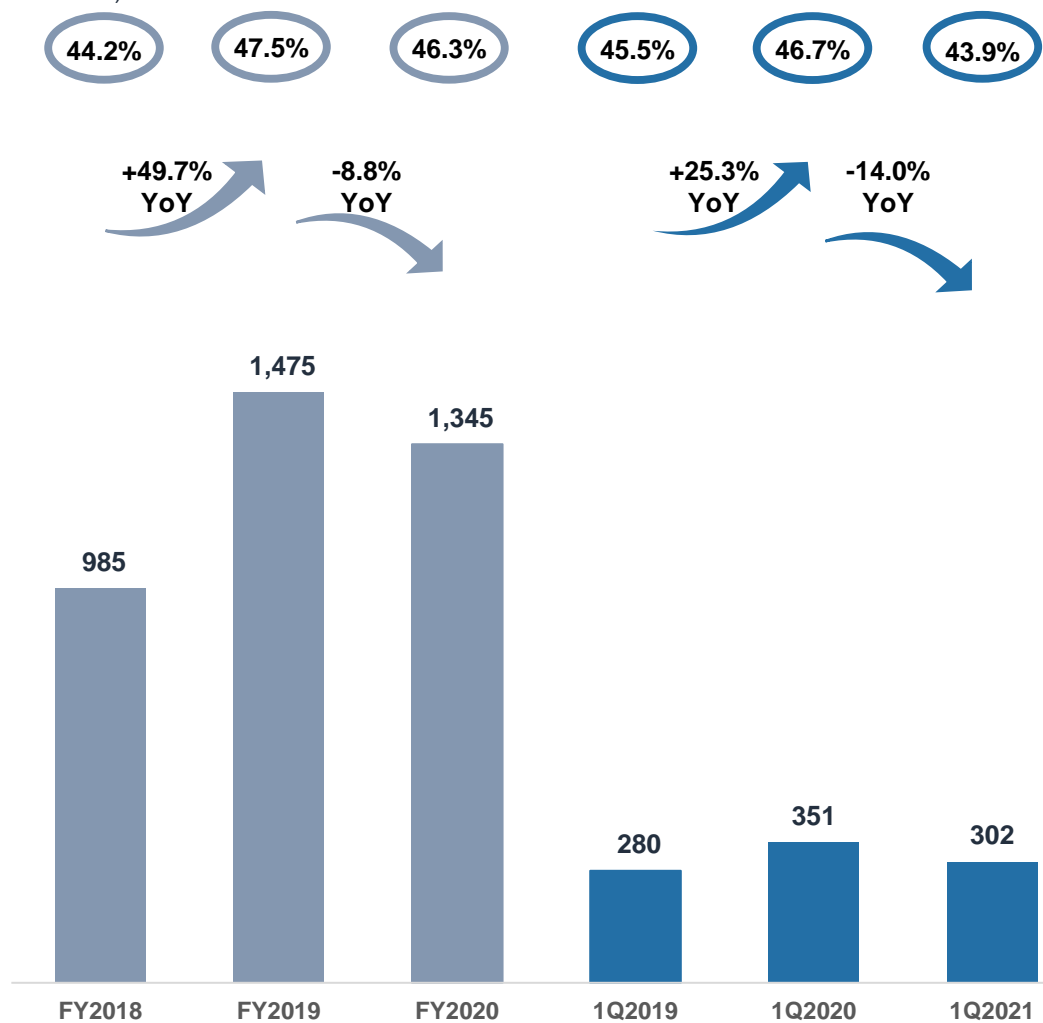
(RMB million)



# Growth Metrics Highlights

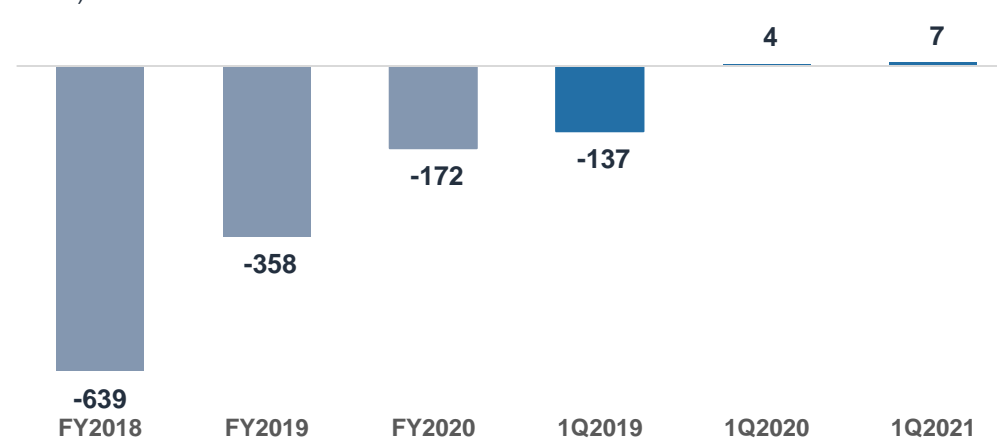
## Gross Profit and Gross Margin

(RMB million)



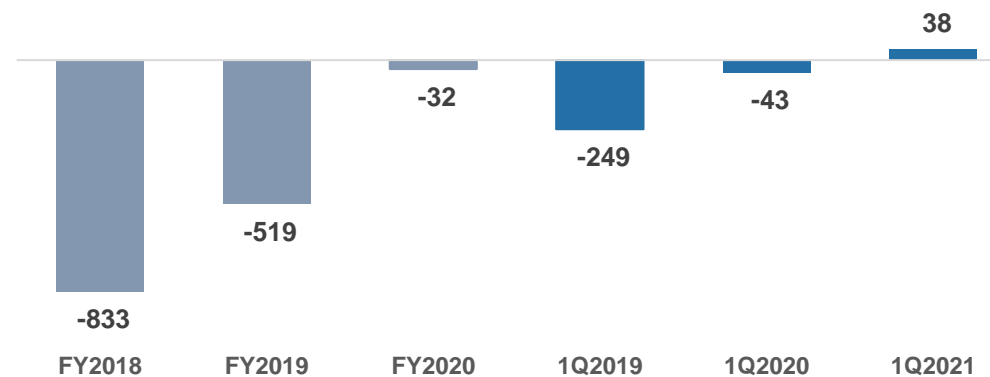
## Operating Income (Loss)

(RMB million)



## Net Income (Loss) Attributable to Puxin Limited

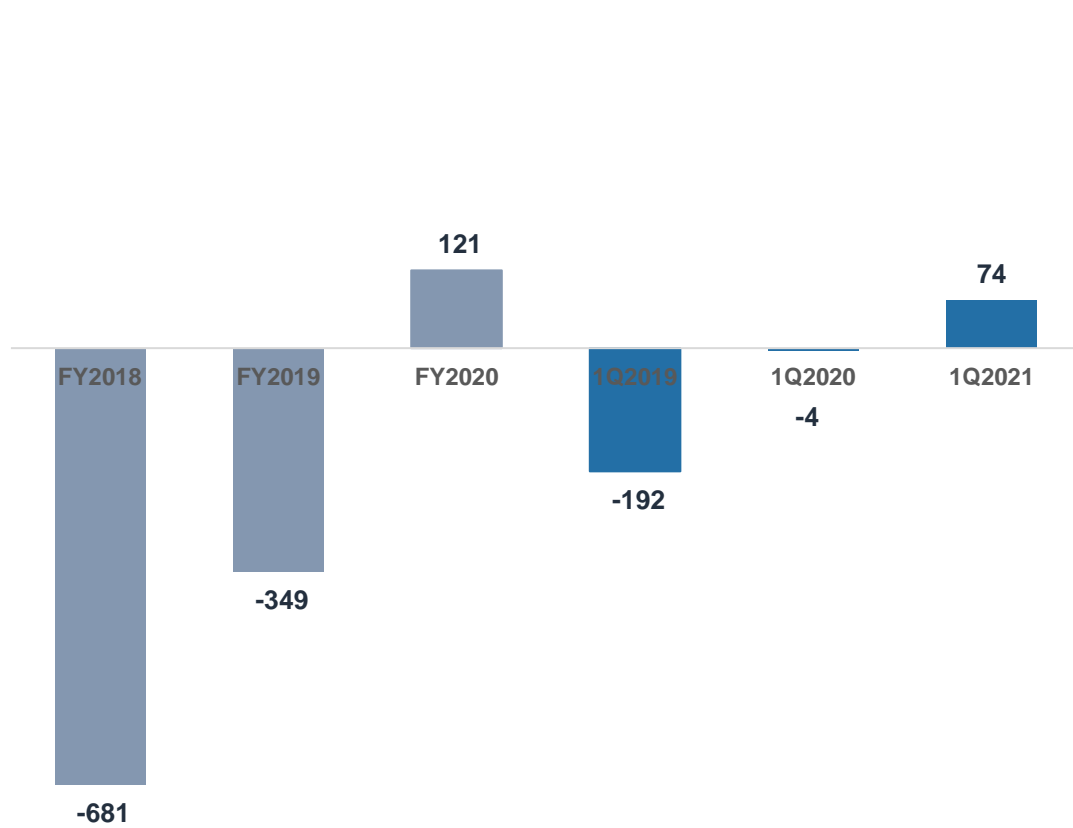
(RMB million)



# The Improving EBITDA

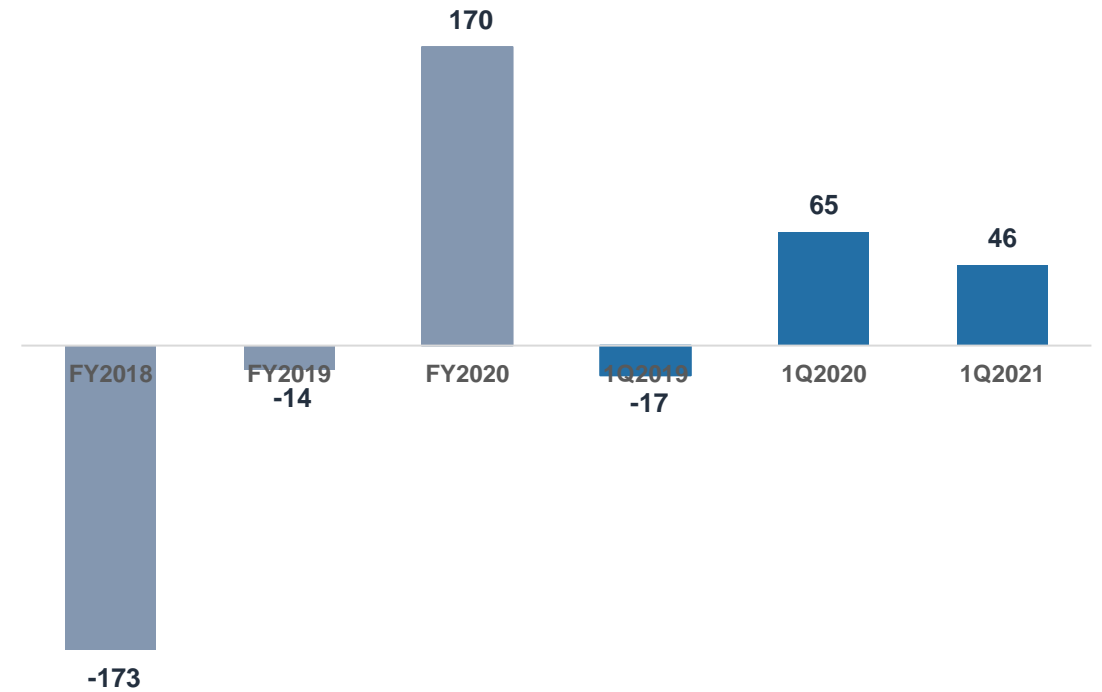
## EBITDA

(RMB million)



## Adjusted EBITDA

(RMB million)



# SECTION 5

## Appendix

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# Consolidated Balance Sheet

	As of December 31, 2020		As of March 31, 2021	
	RMB'000		RMB'000	USD'000
<b>Current assets</b>				
Cash and cash equivalents	48,497		279,088	42,597
Restricted cash, current portion	514,496		516,609	78,850
Inventories	15,210		14,411	2,200
Prepaid expenses and other current assets	141,894		112,586	17,184
Loan receivables	222,895		172,240	26,289
<b>Total current assets</b>	<b>942,992</b>		<b>1,094,934</b>	<b>167,120</b>
<b>Non-current assets</b>				
Restricted cash, non-current portion	25,814		21,452	3,274
Operating lease right-of-use assets	940,568		981,798	149,852
Property, plant and equipment, net	265,029		252,717	38,572
Intangible assets	225,170		219,815	33,550
Goodwill	2,083,151		2,083,151	317,951
Deferred tax assets	3,522		3,457	528
Rental deposits	71,948		71,016	10,839
Long-term investments	-		6,000	916
Other non-current assets	59,400		59,400	9,066
<b>Total non-current assets</b>	<b>3,674,602</b>		<b>3,698,806</b>	<b>564,548</b>
<b>Total assets</b>	<b>4,617,594</b>		<b>4,793,740</b>	<b>731,668</b>
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
Accrued expenses and other current liabilities	784,894		596,537	91,049
Income tax payable	32,445		28,740	4,387
Deferred revenue, current portion	1,023,037		927,074	141,499
Operating lease liabilities, current portion	254,002		262,348	40,042
Bank borrowings	585,000		593,300	90,555
Loans payable to third parties, current portion	301,850		254,218	38,801
Promissory note	163,125		163,795	25,000
<b>Total current liabilities</b>	<b>3,144,353</b>		<b>2,826,012</b>	<b>431,333</b>

# Consolidated Balance Sheet (Cont'd)

	As of December 31, 2020		As of March 31, 2021	
	RMB'000		RMB'000	USD'000
<b>Non-current liabilities</b>				
Deferred revenue, non-current portion		81,805	51,601	7,876
Deferred tax liabilities		71,674	70,222	10,718
Franchise deposits		2,549	2,549	389
Operating lease liabilities, non-current portion		605,827	649,399	99,118
Loans payable to third parties, non-current portion		121,870	121,193	18,498
Amounts due to related parties, non-current portion		170,393	60,491	9,233
Convertible Notes		-	549,041	83,800
<b>Total non-current liabilities</b>		<b>1,054,118</b>	<b>1,504,496</b>	<b>229,632</b>
<b>Total liabilities</b>		<b>4,198,471</b>	<b>4,330,508</b>	<b>660,965</b>
<b>Shareholders' equity</b>				
Ordinary shares		62	62	9
Additional paid-in capital		2,396,406	2,402,177	366,644
Statutory reserve		11,444	11,444	1,747
Accumulated other comprehensive income		43,711	44,577	6,804
Accumulated deficit		(2,026,891)	(1,989,092)	(303,595)
<b>Total Puxin Limited shareholders' equity</b>		<b>424,732</b>	<b>469,168</b>	<b>71,609</b>
Non-controlling interest		(5,609)	(5,936)	(906)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>419,123</b>	<b>463,232</b>	<b>70,703</b>
<b>TOTAL LIABILITIES AND TOTAL SHAREHOLDERS' EQUITY</b>		<b>4,617,594</b>	<b>4,793,740</b>	<b>731,668</b>

# Consolidated Income Statement

	1Q2020	1Q2021	
	RMB'000	RMB'000	USD'000
<b>Net revenues</b>	751,345	686,757	104,820
Cost of revenues	(400,278)	(384,992)	(58,761)
<b>Gross profit</b>	<b>351,067</b>	<b>301,765</b>	<b>46,059</b>
<b>Operating expenses</b>			
Selling expenses	(230,497)	(185,643)	(28,335)
General and administrative expenses	(116,918)	(109,590)	(16,728)
<b>Total operating expenses</b>	<b>(347,415)</b>	<b>(295,233)</b>	<b>(45,063)</b>
<b>Operating income</b>	<b>3,652</b>	<b>6,532</b>	<b>996</b>
Interest expense	(20,853)	(20,704)	(3,160)
Interest income	11,956	9,529	1,454
Foreign exchange income (loss)	142	(8,865)	(1,353)
(Loss) gain on changes in fair value of derivative liabilities and convertible notes	(60,435)	33,705	5,144
Other income, net	21,848	17,659	2,695
<b>(Loss) income before income taxes</b>	<b>(43,690)</b>	<b>37,856</b>	<b>5,776</b>
Income tax expenses	(693)	(384)	(59)
<b>Net (loss) income</b>	<b>(44,383)</b>	<b>37,472</b>	<b>5,717</b>
Less: Net loss attributable to non-controlling interest	(920)	(327)	(50)
<b>Net (loss) income attributable to ordinary shareholders of Puxin Limited</b>	<b>(43,463)</b>	<b>37,145</b>	<b>5,667</b>
<b>Net (loss) income per ADS attributable to Puxin Limited, Basic*</b>	<b>(0.50)</b>	<b>0.44</b>	<b>0.06</b>
<b>Net (loss) income per ADS attributable to Puxin Limited, Diluted*</b>	<b>(0.50)</b>	<b>0.06</b>	<b>0.01</b>
Weighted average shares used in calculating net loss per share – Basic	174,056,517	174,469,883	174,469,883
Weighted average shares used in calculating net loss per share – Diluted	174,056,517	184,218,083	184,218,083

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

(RMB thousand)

Net Revenue	Q1 2020	Q1 2021	YoY
School A	19,533	12,721	-34.9%
School B	11,006	11,036	0.3%
School C	10,173	12,419	22.1%
School D	22,916	15,966	-30.3%
School E	18,141	17,842	-1.6%
School F	28,789	31,097	8.0%

Operating Income	Q1 2020	Q1 2021	YoY
School A	8,243	3,337	-59.5%
School B	3,582	3,238	-9.6%
School C	4,199	3,556	-15.3%
School D	8,145	3,420	-58.0%
School E	6,057	4,199	-30.7%
School F	8,001	6,951	-13.1%

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