# RYB Education, Inc. Reports Third Quarter 2018 Financial Results

**BEIJING**, November 28, 2018 -- **RYB Education, Inc.** ("RYB" or the "Company") (NYSE: RYB), a leading early childhood education service provider in China, today announced its unaudited financial results for the third quarter ended September 30, 2018.

**Third Quarter 2018 Operational and Financial Summary**

- Number of students enrolled at RYB directly operated kindergartens was 23,010 as of September 30, 2018 as compared to 21,413 as of September 30, 2017.
- Net revenues decreased by 5.7% to $35.3 million, compared with $37.4 million for the third quarter of 2017.
- Gross profit was $1.2 million, compared with $9.0 million for the third quarter of 2017.
- Net loss attributable to ordinary shareholders of RYB for the third quarter of 2018 was $4.3 million, compared with net income attributable to ordinary shareholders of RYB of $1.6 million for the third quarter of 2017. Adjusted net loss attributable to ordinary shareholders[1] of RYB for the third quarter of 2018 was $1.9 million, compared with adjusted net income attributable to ordinary shareholders of $3.8 million for the third quarter of 2017.
- Cash generated from operating activities was $14.7 million in the third quarter of 2018 as compared to $19.3 million for the third quarter of 2017.

**First Nine Months of 2018 Financial Highlights**

- Net revenues were $111.5 million, compared with $101.7 million for the first nine months of 2017.
- Gross profit was $17.7 million, compared with $22.0 million for the first nine months of 2017.
- Net loss attributable to ordinary shareholders of RYB for the first nine months of 2018 was $2.3 million, compared with net income of $6.9 million for the same period last year. Adjusted net income attributable to ordinary shareholders of RYB for the first nine months of 2018 was $4.1 million, compared with $9.3 million for the first nine months of 2017.
- Cash generated from operating activities was $9.4 million for the nine months of 2018, compared with $40.1 million for the first nine months of 2017.

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[1] Adjusted net income (loss) attributable to ordinary shareholders is a non-GAAP financial measure, which is defined as net income (loss) attributable to ordinary shareholders excluding share-based compensation expenses and accretion of redeemable non-controlling interests. See "Use of Non-GAAP Financial Measures" and "Reconciliations of GAAP and non-GAAP results" included elsewhere in this earnings release.

“The third quarter saw a slight decrease in our total revenue as the cessation of our kindergarten franchise program and the temporary pause of our play-and-learn franchise expansion in the first half of this year continued to affect our performance. In addition, a smaller kindergarten applicant population due to a lower birth rate in 2015 also contributed to lower-than-expected quarterly kindergarten student enrollment,” said Ms. Yanlai Shi, Co-founder, Director and Chief Executive Officer of RYB. “However, the number of enrolled students at our directly operated kindergartens continue to increase subsequent to the end of the third quarter and our play-and-learn program has also gained healthy momentum as we continue to focus on delivering quality education and services to our students and franchisees. Additionally, with over 70 new centers enrolled, or nearly enrolled, in our play-and-learn offering since July, we believe that we are well-positioned for growth in our non-kindergarten business segments in 2019.”

“Importantly, we fully support the recently issued “Opinions of the CPC central committee and the State Council on further reforming the orderly development of kindergarten education (“Opinion”).” We will proactively work with the government agencies tasked with regulating kindergartens to assess the impact of the Opinion on our current kindergarten operation and make adjustments if needed. As a well-diversified, full-service early childhood education services provider, and as a responsible corporate citizen, we are committed to providing individualized age-appropriate high quality education to nurture and inspire each child to realize his or her full potential. We firmly believe in the value of our differentiated, high-quality early childhood education services and the familial and societal benefits they bring.” Ms. Shi concluded.

Ms. Ping Wei, Chief Financial Officer of RYB, added, “In the third quarter, some of our kindergartens experienced operating losses, as lower-than-expected enrollments and conservative pricing strategy affected our revenue growth, and the higher costs and expenses associated with increases in teachers’ and staff compensation also affected our margin. Our total revenues for the quarter were also impacted by the implementation of the new GAAP revenue recognition requirements ASC606 for initial franchise fees as well as the impact of pausing of the kindergarten franchise program and the temporary pause of play-and-learn franchises for the first half of this year. In addition, the third quarter is a seasonally low revenue and profitability quarter, especially for directly operated kindergartens, as many students take time off in the summer.”

“Looking forward, we will continue to focus on our educational quality by investing in our teachers, educational content and innovations. We will also continue to prioritize the security and safety of our children and our facilities. Furthermore, in response to the CPC’s mandate to increase the affordability and accessibility of quality kindergarten education, we may see more of our kindergarten facilities offering inclusive kindergarten services in the future. All these may affect our revenue growth and margins for the short term. We remain fully committed to providing high-quality education programs and social value to our students and their families and maintain our steadfast focus on providing sustained value for our shareholders,” Ms. Wei remarked.

**Third Quarter 2018 Financial Results**

***Net Revenues***

Net revenues for the third quarter of 2018 decreased by 5.7% to \$35.3 million, from \$37.4 million for the same quarter of 2017.

Service revenues for the third quarter of 2018 decreased by 2.2% to \$31.2 million, from \$31.9 million for the same quarter of 2017. The decrease was primarily due to the decreased franchise services revenue as the pausing of the kindergarten franchise program, temporary pause of play-and-learn franchise expansion during the first half of this year as well as lower revenue generated from existing franchisees as a one-off fee reduction at the beginning of this year all affected revenue generated in the quarter. The decrease was partially offset by the increase in kindergarten revenue as the number of facilities in operation and number of students enrolled all increased from same period last year.

Product revenues for the third quarter of 2018 decreased by 25.9% to \$4.1 million, from \$5.5 million for the same quarter of 2017. The decrease was primarily due to a decrease in the amount of merchandise sold through the Company's franchise network as the Company paused franchise expansion for the first half of this year.

***Cost of Revenues***

Cost of revenues for the third quarter of 2018 was \$34.0 million, a 19.9% increase from \$28.4 million for the same quarter of 2017. Cost of revenues for services for the third quarter of 2018 was \$31.9 million, compared with \$25.3 million for the same quarter of 2017. The increase was primarily due to an increase in staff compensation at the Company's directly operated kindergartens and higher operating cost, such as rental and material consumption as the Company continued to moderately expand its kindergarten facilities network. Cost of products revenues for the third quarter of 2018 was \$2.2 million, compared with \$3.1 million for the same quarter of 2017. The reduction was in line with the decrease in revenue.

***Gross Profit and Gross Margin***

Gross profit for the third quarter of 2018 decreased by 86.4% to \$1.2 million, compared with \$9.0 million for the same quarter of 2017. The decrease in gross profit was primarily due to the losses generated with the Company's directly operated kindergartens due to higher costs and expenses incurred and lower margin generated from franchise operation.

Gross margin for the third quarter of 2018 was 3.5%, compared with 24.1% for the same quarter last year. The decrease in gross margin was primarily due to the decreased franchise fee revenue and the increase in staff compensation and operating costs at the directly operated kindergartens.

*Operating Expenses*

Total operating expenses for the third quarter of 2018 were $6.5 million, comparable with $6.3 million for the same quarter of 2017. Excluding share-based compensation expenses, operating expenses were $4.9 million, an increase of 19.2% from $4.1 million for the third quarter of 2017.

Selling expenses for the third quarter of 2018 were $0.8 million, compared with $0.5 million for the same quarter of 2017.

General and administrative ("G&A") expenses for the third quarter of 2018 were $5.6 million, comparable with $5.7 million for the same quarter of 2017. Excluding share-based compensation expenses, G&A expenses were $4.1 million for the third quarter of 2018, a 12.8% increase from $3.6 million for the same quarter of 2017. The increase in G&A expenses excluding share-based compensation expenses was primarily due to higher payroll expenses and additional expenses incurred in professional service fees. The share-based compensation expenses included in G&A expenses were $1.5 million for the quarter.

*Operating Income/loss*

Operating loss for the third quarter of 2018 was $5.3 million, compared with $2.8 million operating income for the same quarter last year. Adjusted operating loss[2] was $3.7 million for the third quarter of 2018, compared with $4.9 million adjusted operating income for the same quarter of 2017.

*Net Income/loss*

Net loss attributable to ordinary shareholders of RYB for the third quarter of 2018 was $4.3 million, compared with net income attributable to ordinary shareholders of RYB of $1.6 million for the same quarter of 2017. Adjusted net loss attributable to ordinary shareholders of RYB, which excludes the impact of $1.6 million of share-based compensation expense and $0.8 million accretion of redeemable non-controlling interests for the third quarter of 2018, was $1.9 million, compared with adjusted net income attributable to ordinary shareholders of RYB of $3.8 million for the same quarter of 2017.

Basic and diluted net losses per American depositary share ("ADS") attributable to ordinary shareholders of RYB for the third quarter of 2018 were both $0.15, compared with basic and diluted net income per ADS attributable to ordinary shareholders of RYB of $0.07 and $0.06, respectively, for the same quarter of 2017. Each ADS represents one Class A ordinary share.

Adjusted basic and diluted net losses per ADS attributable to ordinary shareholders[3] of RYB for the third quarter of 2018 were both $0.06, compared with adjusted basic and

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[2] Adjusted operating loss is a non-GAAP financial measure, which is defined as operating income excluding share-based compensation expenses. See "Use of Non-GAAP Financial Measures" and "Reconciliations of GAAP and non-GAAP results" elsewhere in this earnings release.

[3] Adjusted basic and diluted net income per ADS attributable to ordinary shareholders is a non-GAAP financial measure, which is defined as basic and diluted net income per ADS attributable to ordinary shareholders excluding share-based compensation expenses and accretion of redeemable non-

diluted net income per ADS attributable to ordinary shareholders of RYB of $0.16 and $0.15, respectively, for the same quarter of 2017.

EBITDA[4] for the third quarter of 2018 was a loss of $2.0 million, compared with an income of $4.5 million for the same period of 2017. Adjusted EBITDA[5] for the third quarter of 2018 was a loss of $0.4 million, compared with an income of $6.7 million for the same quarter of 2017.

***Balance Sheet***

As of September 30, 2018, the Company had total cash, cash equivalents and term deposits of $137.6 million, compared with $158.7 million as of December 31, 2017. The decrease in cash balance was primarily driven by acquisition payments of $15.3 million, capital expenditures of $9.7 million; partially offset by $9.4 million of operational cash flow generated for the first nine months of 2018.

***Operating Cash Flow***

Cash generated from operating activities were $14.7 million during the third quarter of 2018, compared with $19.3 million from operating activities during the third quarter of 2017. The decrease was primarily due to the decreased cash earnings in the quarter.

**First Nine Months of 2018 Financial Results**

***Net Revenues***

Net revenues for the first nine months of 2018 were $111.5 million, compared with $101.7 million for the first nine months of 2017.

Services revenues for the first nine months of 2018 were $100.8 million, compared with $88.1 million for the same period last year. The increase was mainly contributed by the increase in kindergarten revenue as the number of facilities in operation and number of students enrolled both increased from the same period last year. Franchise services revenue also contributed to the increase due to the recognition of initial franchise fee revenue over the service period as the Company adopted Topic 606 "Revenue from Contracts with Customers" (ASC 606) applying the modified retrospective method to franchise contracts not completed as of January 1, 2018. This increase was partially offset by reduced revenue due to the pausing of the kindergarten franchise program, temporary pause of play-and-learn franchise expansion during the first half of this year as well as lower revenue generated from existing franchisees as a one-off fee reduction at the beginning of this year continued.

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controlling interest. See “Use of Non-GAAP Financial Measures” and “Reconciliations of GAAP and non-GAAP results” elsewhere in this earnings release.

[4] EBITDA is defined as net income excluding depreciation, amortization and income tax expenses. See “Use of Non-GAAP Financial Measures” and “Reconciliations of GAAP and non-GAAP results” included elsewhere in this earnings release.

[5] Adjusted EBITDA is a non-GAAP financial measure, which is defined as net income excluding depreciation, amortization, interest expenses, income tax expenses, and share-based compensation expenses. See “Use of Non-GAAP Financial Measures” and “Reconciliations of GAAP and non-GAAP results” included elsewhere in this earnings release.

Products revenues for the first nine months of 2018 were $10.7 million, compared with $13.6 million for the same period in 2017. The decrease was primarily due to a decrease in the amount of merchandise sold through the Company's franchise network.

### *Cost of Revenues*

Cost of revenues for the first nine months of 2018 was $93.8 million, compared with $79.7 million for the first nine months of 2017. Cost of services revenues for the first nine months of 2018 was $88.0 million, compared with $72.2 million for the same period in 2017. The increase was primarily due to an increase in staff compensation at the Company's directly operated kindergartens and higher operating cost, such as rental and material consumption as the Company continued to moderately expand its kindergarten facilities network. Cost of products revenues for the first nine months of 2018 was $5.8 million, compared with $7.5 million for the same period last year. The reduction was in line with the decrease in product revenue.

### *Gross Profit and Gross Margin*

Gross profit for the first nine months of 2018 was $17.7 million, compared with $22.0 million for the first nine months of 2017.

Gross margin for the first nine months of 2018 was 15.9%, compared with 21.7% for the same period last year.

### *Operating Expenses*

Total operating expenses for the first nine months of 2018 were $20.6 million, compared with $12.6 million for the same period last year. Excluding share-based compensation expenses, operating expenses were $15.2 million.

Selling expenses were $1.5 million for the first nine months of 2018, compared with $1.2 million for the same period last year.

G&A expenses for the first nine months of 2018 were $19.1 million, compared with $11.3 million for the same period last year. Excluding share-based compensation expenses, G&A expenses were $13.7 million for the first nine months of 2018, a 51.4% increase from $9.1 million for the same quarter of 2017. The increase in G&A expenses excluding share-based compensation expenses was primarily due to higher payroll expenses and additional expenses incurred in professional service fees.

### *Operating Income/loss*

Operating loss for the first nine months of 2018 was $2.9 million, compared with operating income of $9.5 million for the same period last year. Adjusted operating income for the first nine months of 2018 was $2.6 million, compared with $11.8 million for the same period last year.

### *Net Income/loss*

Net loss attributable to ordinary shareholders of RYB for the first nine months of 2018 was $2.3 million, compared with $6.9 million for the same period last year. Adjusted net income attributable to ordinary shareholders of RYB, which excludes the impact of share-based compensation expenses and assertion of redeemable non-controlling interests, for the first nine months of 2018 was $4.1 million, compared with $9.3 million for the same period last year.

Basic and diluted net losses per ADS attributable to ordinary shareholders of RYB for the first nine months of 2018 were both $0.08, compared with basic and diluted net income per ADS attributable to ordinary shareholders of RYB of $0.30 and $0.28, respectively, for the same period last year. Each ADS represents one Class A ordinary share.

Adjusted basic and diluted net income per ADS attributable to ordinary shareholders of RYB for the first nine months of 2018 were $0.14 and $0.13, respectively, compared with adjusted basic and diluted net income per ADS attributable to ordinary shareholders of RYB of $0.40 and $0.37, respectively, for the same period last year.

EBITDA for the first nine months of 2018 was $5.3 million, compared with $14.2 million for the same period last year. Adjusted EBITDA for the first nine months of 2018 was $10.8 million, compared with $16.5 million for the same period last year.

## Outlook

For the fourth quarter of 2018, the Company's management currently expects:

- Net revenues to be between $39.8 million and $43.8 million, representing a year-over-year increase of approximately 1.8% to 12.0%.

For the full year of 2018, the Company's management currently expects:

- Net revenues to be between $151 million and $155 million, representing a year-over-year increase of approximately 7.2% to 10.1%.

The above outlook is based on the current market conditions and reflects the Company management's current and preliminary estimates of market and operating conditions and customer demand, which are all subject to change.

**About RYB Education, Inc.**

Founded on the core values of "Care" and "Responsibility," “Inspire” and “Innovate,” RYB Education, Inc. is a leading early childhood education service provider in China. Since opening its first play-and-learn center in 1998, the Company has grown and flourished with the mission to provide high-quality, individualized and age-appropriate care and education to nurture and inspire each child for his or her betterment in life. During its two decades of operating history, the Company has built "RYB" into a well-recognized education brand and helped bring about many new educational practices in China's early childhood education industry. RYB's comprehensive early childhood education solutions meet the needs of children from infancy to 6 years old through structured courses at kindergartens and play-and-learn centers, as well as at-home educational products and services.

For more information, please visit http://ir.rybbaby.com

**Use of Non-GAAP Financial Measures**

We use EBITDA, adjusted EBITDA, adjusted operating income, adjusted net income, and adjusted basic and diluted net income per ADS, each a non-GAAP financial measure, in evaluating our operating results and for financial and operational decision-making purposes.

EBITDA is defined as net income excluding depreciation, amortization, interest expenses, and income tax expenses; adjusted EBITDA is defined as net income excluding depreciation, amortization, interest expenses, income tax expenses, and share-based compensation expenses; adjusted operating income is defined as operating income excluding share-based compensation expenses; adjusted net income attributable to ordinary shareholders is defined as net income attributable to ordinary shareholders excluding share-based compensation expenses and accretion of redeemable non-controlling interests; and adjusted basic and diluted net income per ADS attributable to ordinary shareholders are defined as basic and diluted net income per ADS attributable to ordinary shareholders excluding share-based compensation expenses and accretion of redeemable non-controlling interests.

We believe that EBITDA, adjusted EBITDA, adjusted operating income, adjusted net income, and adjusted basic and diluted net income per ADS, help identify underlying trends in our business that could otherwise be distorted by the effect of certain expenses that we include in income from operations and net income. We believe that EBITDA, adjusted EBITDA, adjusted operating income, adjusted net income, and adjusted basic and diluted net income per ADS, provide useful information about our operating results, enhance the overall understanding of our past performance and future prospects and allow for greater visibility with respect to key metrics used by our management in its financial and operational decision-making.

EBITDA, adjusted EBITDA, adjusted operating income, adjusted net income, and adjusted basic and diluted net income per ADS, should not be considered in isolation or construed as an alternative to net income or any other measure of performance or as an indicator of our operating performance. Investors are encouraged to review the historical Adjusted financial measures to the most directly comparable GAAP measures. EBITDA, adjusted EBITDA, adjusted operating income, adjusted net income, and adjusted basic and diluted net income per ADS, presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

**Safe Harbor Statement**

This announcement contains forward-looking statements. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "confident" and similar statements. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: the Company’s brand recognition and market reputation; student enrollment in the Company’s teaching facilities; the Company's growth strategies; its future business development, results of operations and financial condition; trends and competition in China's early childhood education market; changes in its revenues and certain cost or expense items; the expected growth of the Chinese early childhood education market; Chinese governmental policies relating to the Company's industry and general economic conditions in China. Further information regarding these and other risks is included in the Company's filings with the SEC. All information provided in this press release and in the attachments is as of the date of this press release, and the Company undertakes no obligation to update any forward-looking statement, except as required under applicable law.

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***UNAUDITED CONDENSED CONSOLIDATED STATEMENTS BALANCE SHEETS***

*(in thousands of U.S. dollars)*

| | As of | |
|---|---|---|
| | September 30, 2018 | December 31, 2017 |
| **Current assets** | | |
| Cash and cash equivalents | 82,468 | 158,691 |
| Term deposits | 55,146 | - |
| Accounts receivable, net | 1,162 | 901 |
| Inventories | 5,009 | 3,549 |
| Prepaid expenses and other current assets | 14,125 | 9,541 |
| Amounts due from related parties | 36 | 126 |
| **Total current assets** | **157,946** | **172,808** |
| **Non-current assets** | | |
| Restricted Cash | 771 | 543 |
| Property and equipment, net | 46,039 | 40,163 |
| Acquired intangible assets | 4,766 | - |
| Goodwill | 26,369 | 428 |
| Long-term investment | 164 | 256 |
| Deferred tax assets | 15,373 | 12,430 |
| Loan receivables | 1,165 | - |
| Other non-current assets | 4,499 | 3,110 |
| Available-for-sale security | 437 | - |
| **Total non-current assets** | **99,583** | **56,930** |
| **Total assets** | **257,529** | **229,738** |
| **Liabilities and shareholders' equity** | | |
| **Current liabilities** | | |
| Prepayments from customers, current portion(including prepayments from customers of the consolidated VIEs without recourse to the Group of $7,624 and $11,962 as of September 30, 2018 and December 31, 2017, respectively) | 7,653 | 11,968 |
| Accrued expenses and other current liabilities(including accrued expenses and other current liabilities of the consolidated VIEs without recourse to the Group of $58,098 and $48,123 as of September 30, 2018 and December 31, 2017, respectively) | 63,348 | 51,854 |
| Income taxes payable(including income taxes payable of the consolidated VIEs without recourse to the Group of $5,249 and $10,125 as of September 30, 2018 and December 31, 2017, respectively) | 9,785 | 10,534 |
| Deferred revenue, current portion(including deferred revenue of the consolidated VIEs without recourse to the Group of $37,485 and $22,327 as of September 30, 2018 and December 31, 2017, respectively) | 44,289 | 22,666 |

| | | |
|---|---|---|
| **Total current liabilities** | **125,075** | **97,022** |
| **Non-current liabilities** | | |
| Prepayments from customers, non-current portion (including prepayments from customers of the consolidated VIEs without recourse to the Group of $3,956 and $8,542 as of September 30, 2018 and December 31, 2017, respectively) | 3,956 | 8,542 |
| Deferred revenue, non-current portion (including deferred revenue of the consolidated VIEs without recourse to the Group of $5,687 and $8,505 as of September 30, 2018 and December 31, 2017, respectively) | 7,045 | 10,396 |
| Deferred income taxes liabilities(including deferred income taxes liabilities of the consolidated VIEs without recourse to the Group of $499 and nil as of September 30, 2018 and December 31, 2017, respectively) | 1,178 | - |
| Other non-current liabilities (including other non-current liabilities of the consolidated VIEs without recourse to the Group of $8,166 and $8,484 as of September 30, 2018 and December 31, 2017, respectively) | 8,166 | 8,484 |
| **Total non-current liabilities** | **20,345** | **27,422** |
| **Total liabilities** | **145,420** | **124,444** |
| **Mezzanine equity** | | |
| Redeemable non-controlling interests | 1,672 | - |
| **Shareholders' equity:** | | |
| Ordinary shares | 29 | 29 |
| Additional paid-in capital | 134,426 | 129,134 |
| Statutory reserve | 2,678 | 2,678 |
| Accumulated other comprehensive (loss) income | (316) | 783 |
| Accumulated deficits | (30,300) | (28,879) |
| **Total RYB Education, Inc. shareholders' equity** | **106,517** | **103,745** |
| **Non-controlling interests** | **3,920** | **1,549** |
| **Total equity** | **110,437** | **105,294** |
| **Total liabilities, mezzanine equity and total equity** | **257,529** | **229,738** |

*UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS*

*(in thousands of U.S. dollars, except share, ADS, per share and per ADS data)*

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| **Net revenues:** | | | | |
| Services | 31,151 | 31,865 | 100,753 | 88,114 |
| Products | 4,106 | 5,539 | 10,741 | 13,628 |
| **Total net revenues** | **35,257** | **37,404** | **111,494** | **101,742** |
| **Cost of revenues:** | | | | |
| Services | 31,870 | 25,257 | 87,976 | 72,230 |
| Products | 2,166 | 3,139 | 5,784 | 7,463 |
| **Total cost of revenues** | **34,036** | **28,396** | **93,760** | **79,693** |
| **Gross profit** | **1,221** | **9,008** | **17,734** | **22,049** |
| **Operating expenses** | | | | |
| Selling Expenses | 844 | 513 | 1,537 | 1,238 |
| General and administrative | 5,628 | 5,744 | 19,090 | 11,313 |
| **Total operating expenses** | **6,472** | **6,257** | **20,627** | **12,551** |
| **Operating (loss) income** | **(5,251)** | **2,751** | **(2,893)** | **9,498** |
| Interest income | 465 | 51 | 1,503 | 128 |
| Government subsidy income | 94 | 239 | 384 | 420 |
| Gain (loss) on disposal of subsidiaries | - | - | 1 | (168) |
| **(Loss) income before income taxes** | **(4,692)** | **3,041** | **(1,005)** | **9,878** |
| Less: Income tax (benefits)/expenses | (843) | 1,529 | 552 | 3,326 |
| **(Loss) income before loss in equity method investments** | **(3,849)** | **1,512** | **(1,557)** | **6,552** |
| Loss from equity method investment | (134) | (30) | (224) | (122) |
| **Net (loss) income** | **(3,983)** | **1,482** | **(1,781)** | **6,430** |
| Less: Net loss attributable to non-controlling interest | (524) | (106) | (319) | (485) |

| | | | | |
|---|---|---|---|---|
| Less: Accretion of redeemable non-controlling interests | 885 | - | 885 | - |
| **Net (loss) income attributable to ordinary shareholders of RYB Education, Inc.** | **(4,344)** | **1,588** | **(2,347)** | **6,915** |
| Net (loss) income per share attributable to ordinary shareholders of RYB Education, Inc. | | | | |
| Basic | (0.15) | 0.07 | (0.08) | 0.30 |
| Diluted | (0.15) | 0.06 | (0.08) | 0.28 |
| Net (loss) income per ADS attributable to ordinary shareholders of RYB Education, Inc. (Note 1) | | | | |
| Basic | (0.15) | 0.07 | (0.08) | 0.30 |
| Diluted | (0.15) | 0.06 | (0.08) | 0.28 |
| Weighted average shares used in calculating net income per ordinary share | | | | |
| Basic | 29,406,801 | 23,343,149 | 29,324,087 | 23,224,241 |
| Diluted | 29,406,801 | 25,255,573 | 31,458,658 | 24,858,196 |
| Net (loss) income | (3,983) | 1,482 | (1,781) | 6,430 |
| Other comprehensive (loss) income, net of tax of nil: | | | | |
| Change in cumulative foreign currency translation adjustments | (819) | 128 | (2,441) | 295 |
| **Total comprehensive (loss) income** | (4,802) | 1,610 | (4,222) | 6,725 |
| Less: Comprehensive loss attributable to non-controlling interest | (544) | (86) | (601) | (446) |
| **Comprehensive (loss) income attributable to RYB Education, Inc.** | (4,258) | 1,696 | (3,621) | 7,171 |

Note 1：Each ADS represents one Class A ordinary share.

***RECONCILIATION OF GAAP and non-GAAP results***

*(in thousands of U.S. dollars, except share, ADS, per share and per ADS data)*

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Operating (loss) income | (5,251) | 2,751 | (2,893) | 9,498 |
| Share-based compensation expenses | 1,562 | 2,169 | 5,536 | 2,336 |
| Adjusted operating (loss) income | (3,689) | 4,920 | 2,643 | 11,834 |
| Net (loss) income attributable to ordinary shareholders of RYB Education, Inc. | (4,344) | 1,588 | (2,347) | 6,915 |
| Share-based compensation expenses | 1,562 | 2,169 | 5,536 | 2,336 |
| Accretion of redeemable non-controlling interests | 885 | - | 885 | - |
| Adjusted net (loss) income attributable to ordinary shareholders of RYB Education, Inc. | (1,897) | 3,757 | 4,074 | 9,251 |
| Net (loss) income | (3,983) | 1,482 | (1,781) | 6,430 |
| Add: Income tax expense | (843) | 1,529 | 552 | 3,326 |
| Depreciation of property, plant and equipment, and amortization of intangible assets | 2,864 | 1,527 | 6,530 | 4,431 |
| EBITDA | (1,962) | 4,538 | 5,301 | 14,187 |
| Share-based compensation expenses | 1,562 | 2,169 | 5,536 | 2,336 |
| Adjusted EBITDA | (400) | 6,707 | 10,837 | 16,523 |
| Net (loss) income per ADS attributable to ordinary shareholders of RYB Education,Inc.- Basic (Note1) | (0.15) | 0.07 | (0.08) | 0.30 |
| Net (loss) income per ADS attributable to ordinary shareholders of RYB Education,Inc.- Diluted (Note1) | (0.15) | 0.06 | (0.08) | 0.28 |
| Adjusted net (loss) income per ADS attributable to ordinary shareholders of RYB Education,Inc.- Basic (Note1) | (0.06) | 0.16 | 0.14 | 0.40 |
| Adjusted net (loss) income per ADS attributable to ordinary shareholders of RYB Education,Inc.- Diluted (Note1) | (0.06) | 0.15 | 0.13 | 0.37 |

| | | | | |
|---|---|---|---|---|
| Weighted average shares used in calculating basic net income per ADS(Note1) | 29,406,801 | 23,343,149 | 29,324, 087 | 23,224, 241 |
| Weighted average shares used in calculating diluted net income per ADS(Note1) | 29,406,801 | 25,255,573 | 31,458,658 | 24,858,196 |
| Adjusted net income per share- Basic | (0.06) | 0.16 | 0.14 | 0.40 |
| Adjusted net income per share- Diluted | (0.06) | 0.15 | 0.13 | 0.37 |

Note 1：Each ADS represents one Class A ordinary share.