

51Talk

China Online Education Group Earnings Presentation

Frist Quarter 2021



NYSE: COE

Safe Harbor Statement

This presentation contains statements that may constitute “forward-looking” statements pursuant to 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”, “aims”, “future”, “intends”, “plans”, “believes”, “estimates”, “likely to” and similar statements. Among other things, China Online Education’s business outlook and quotations from management in this announcement, as well as China Online Education’s strategic and operational plans, contain forward-looking statements. China Online Education may also make written or oral forward-looking statements in its periodic reports to the Securities and Exchange Commission (“SEC”), 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. Statements that are not historical facts, including statements about China Online Education’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: China Online Education’s goals and strategies; China Online Education’s expectations regarding demand for and market acceptance of its brand and platform; China Online Education’s ability to retain and increase its student enrollment; China Online Education’s ability to offer new courses; China Online Education’s ability to engage, train and retain new teachers; China Online Education’s future business development, results of operations and financial condition; China Online Education’s ability to maintain and improve infrastructure necessary to operate its education platform; competition in the online education industry in China; the expected growth of, and trends in, the markets for China Online Education’s course offerings in China; relevant government policies and regulations relating to China Online Education’s corporate structure, business and industry; general economic and business condition in China, the Philippines and elsewhere and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks is included in China Online Education’s filings with the SEC. All information provided in this presentation is as of the date of this presentation, and China Online Education does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

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.



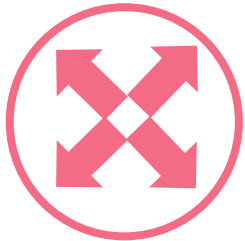
Net revenues: RMB 600.4M, 23.3% y/y growth

Gross margin: 73.4%, compared with 70.4% for 1Q20



Non-GAAP net income of RMB 16.8M, 2.8% non-GAAP net margin

GAAP net income of RMB 8.0M, 1.3% net margin



Operating cash inflow: RMB 39.0M



Cash, time deposits and short-term investments: RMB 1,730.3M

Gross billings: RMB 685.0M, 14.8% y/y growth

- Leverage Koala's expertise in Chinese reading assessments to develop a trailblazing English reading skill evaluation system
- Widen our course offerings with additional Chinese courses and diversify our curriculum portfolio



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最近测评 2018.12.31

全国同年级

阅读能力水平分布

| 等级 | 百分比 |
|----|-----|
| 拔尖 | 5% |
| 优秀 | 10% |
| 良好 | 35% |
| 一般 | 35% |
| 不足 | 10% |
| 落后 | 5% |



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| 高洪波 | 林汉达 | 北猫 | 汤素兰 | 张天真 |
| 西游记 | 三国演义 | 水浒传 | 红楼梦 | 伊索寓言 |
| 希腊神话 | 昆虫记 | 绿野仙踪 | 小王子 | 金银岛 |



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| 每日一句-《三人行必有我师》 | 课程进度 100% | 回顾 |

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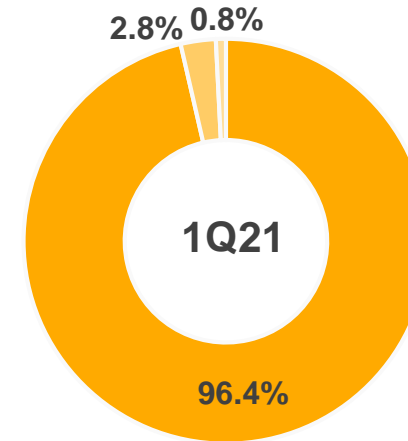
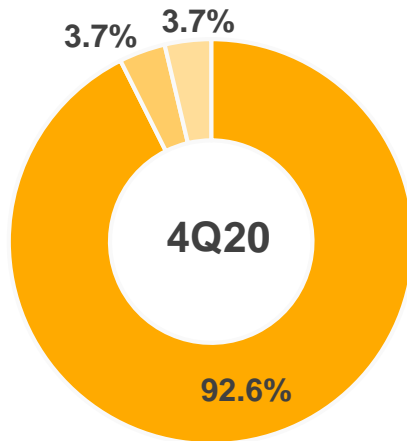
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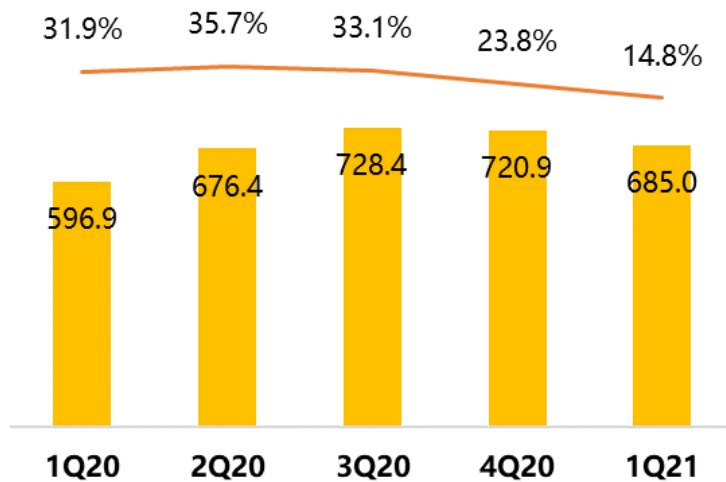
Gross Billings Summary



■ 1x1 K-12 Mass- Market
 ■ 1x1 Others
 ■ K-12 Small Class

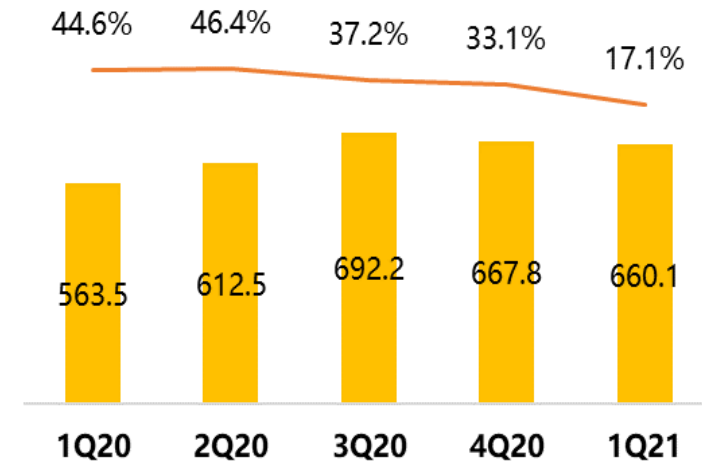
Total Gross Billings

(RMB million)



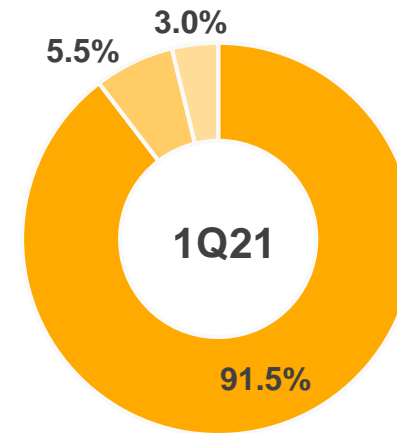
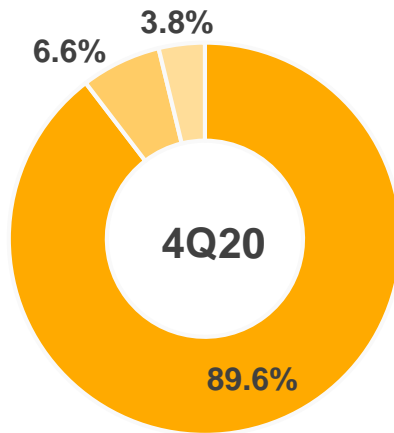
K-12 PH 1x1 Gross Billings

(RMB million)



Note:
1. The percentage represents gross billings

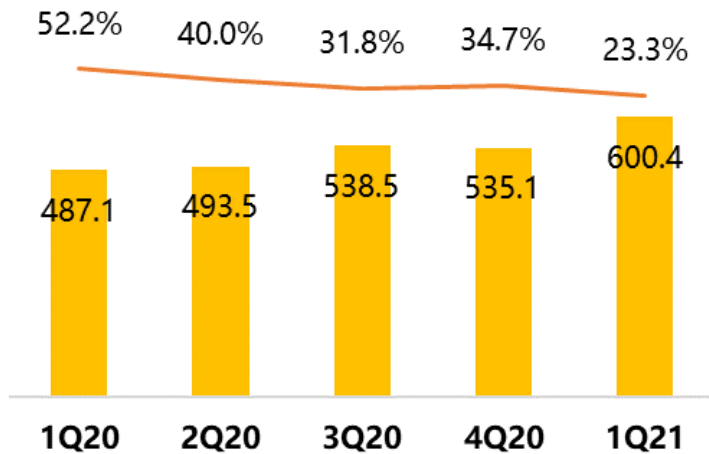
Net Revenues Summary



■ 1x1 K-12 Mass- Market
 ■ 1x1 Others
 ■ K-12 Small Class

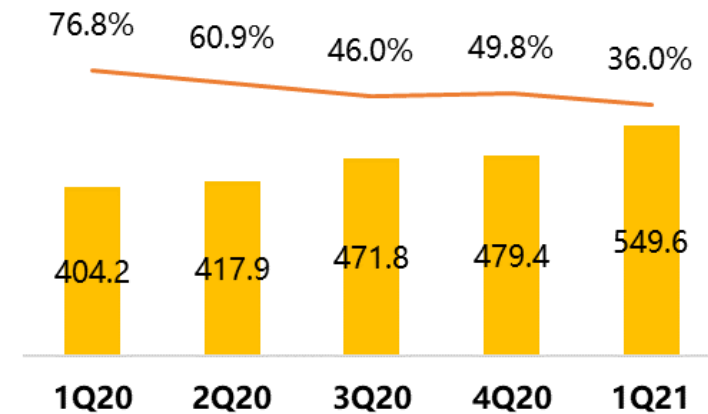
Total Net Revenues

(RMB million)



K-12 PH 1x1 Net Revenues

(RMB million)

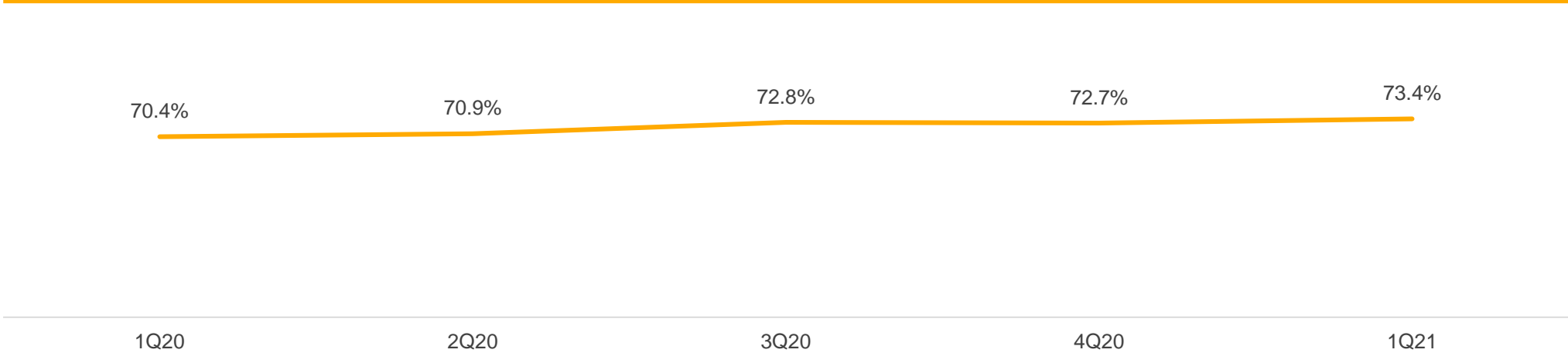


Note:
1. The percentage represents net revenues

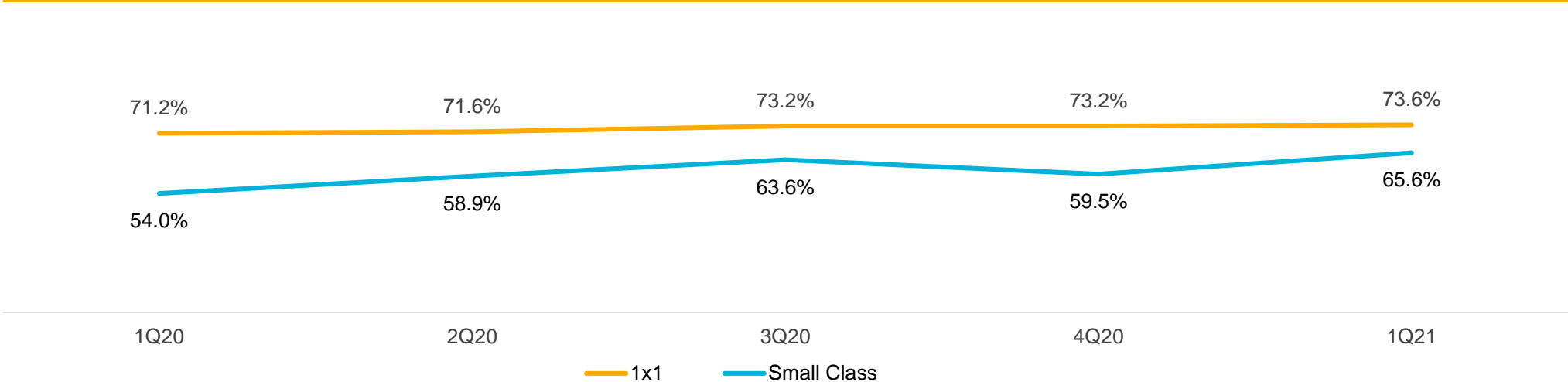
Significant Operating Leverage Industry-leading Gross Margins



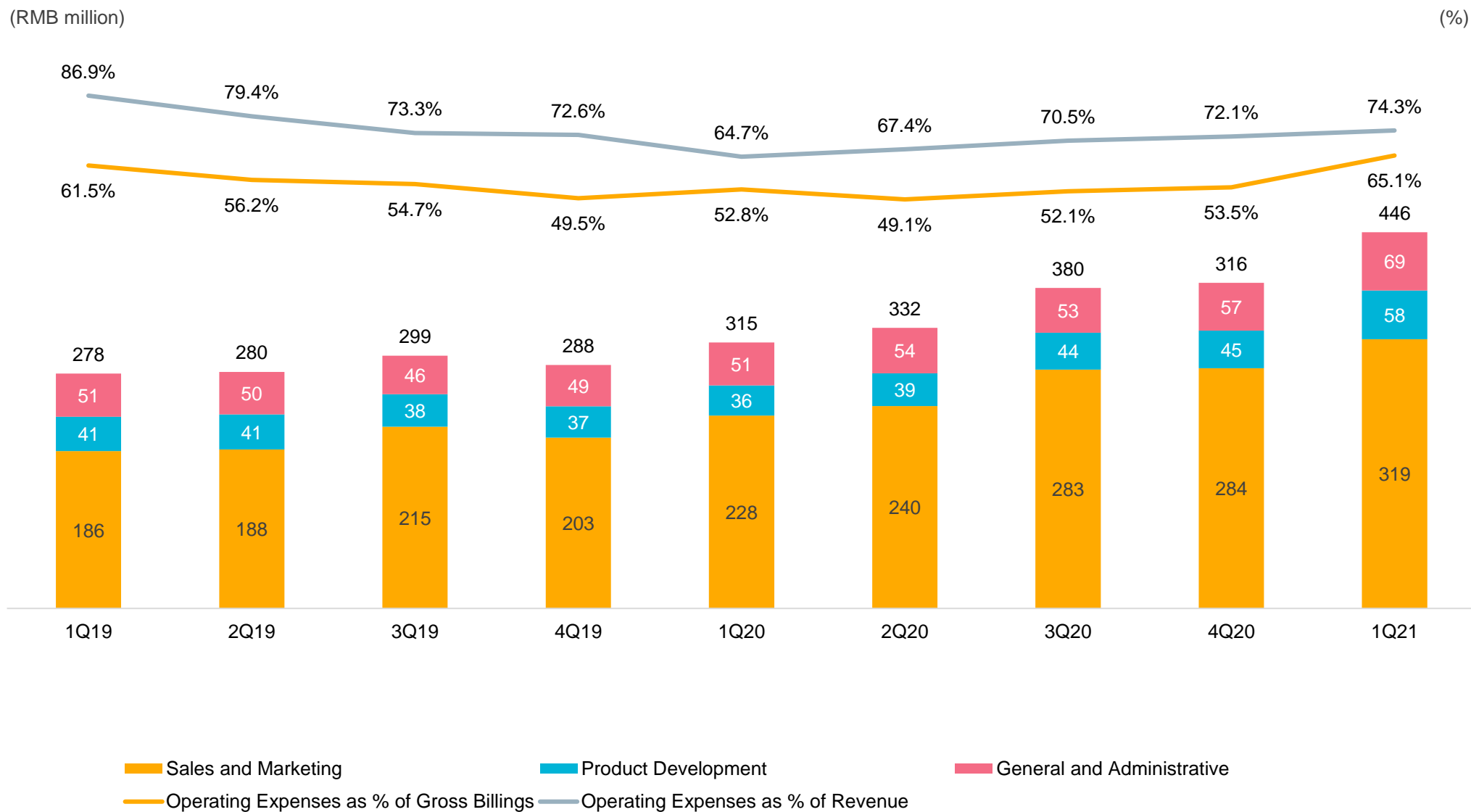
Total Gross Margins



1x1 and Small Class Gross Margins



GAAP Operating Expenses

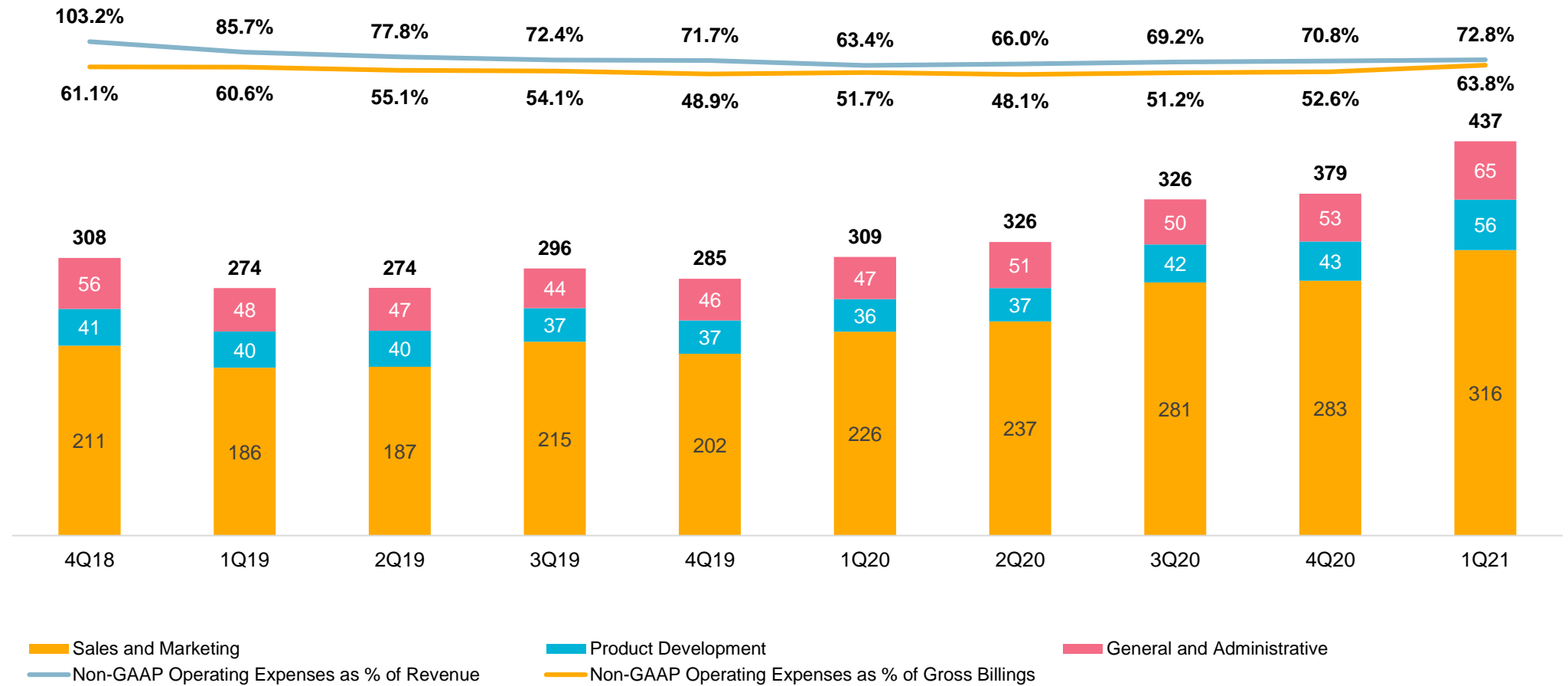


Non-GAAP Operating Expenses



(RMB million)

(%)

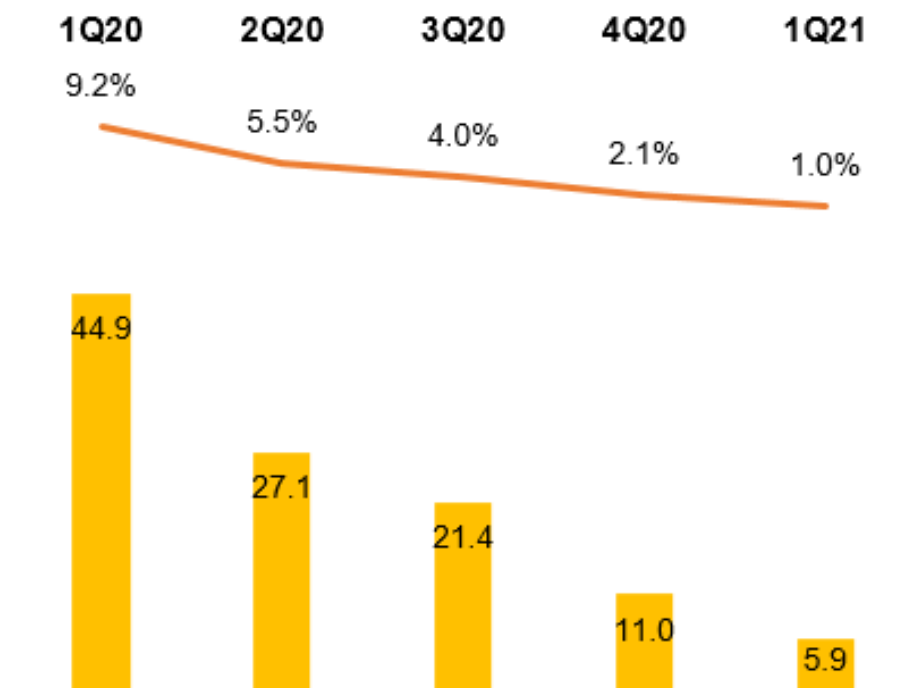


Operating Income



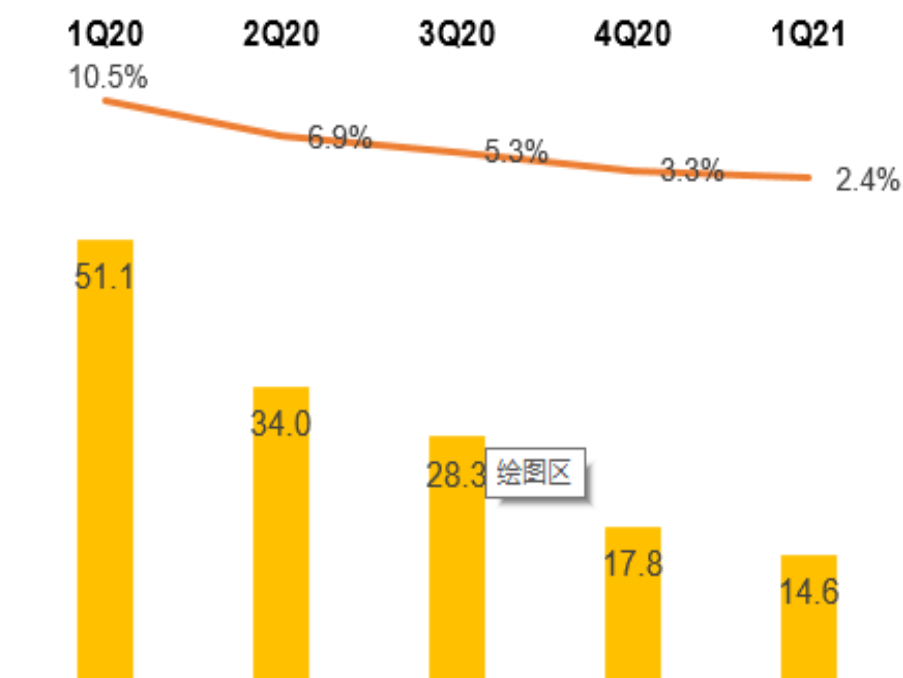
GAAP

(RMB million)



Non-GAAP

(RMB million)



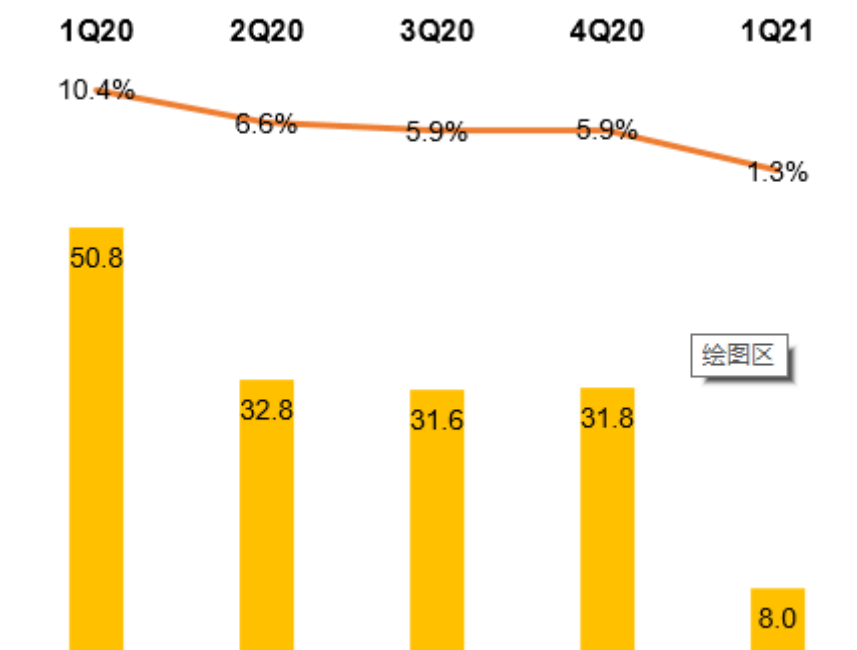
Operating income/(loss) Operating margin

Net Income



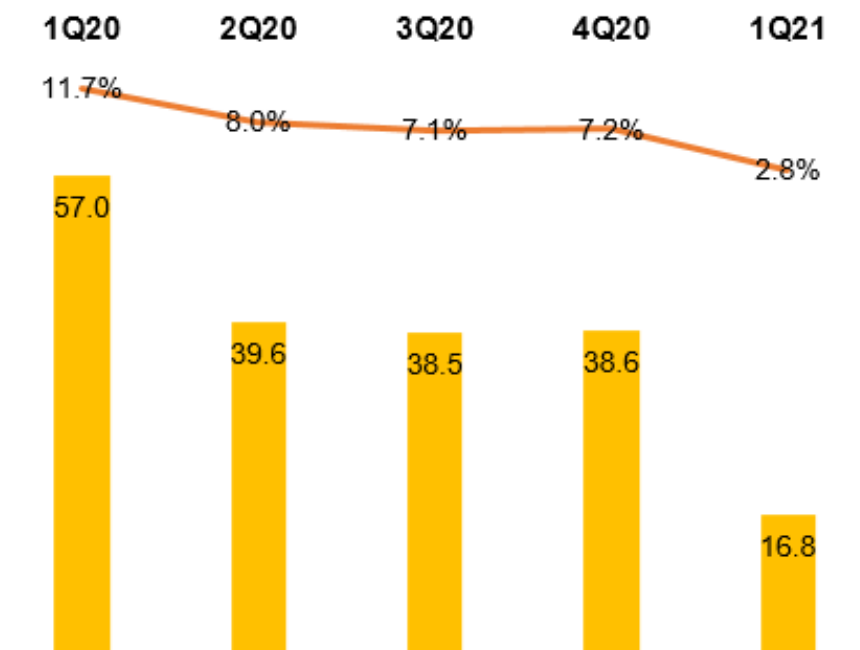
GAAP

(RMB million)



Non-GAAP

(RMB million)



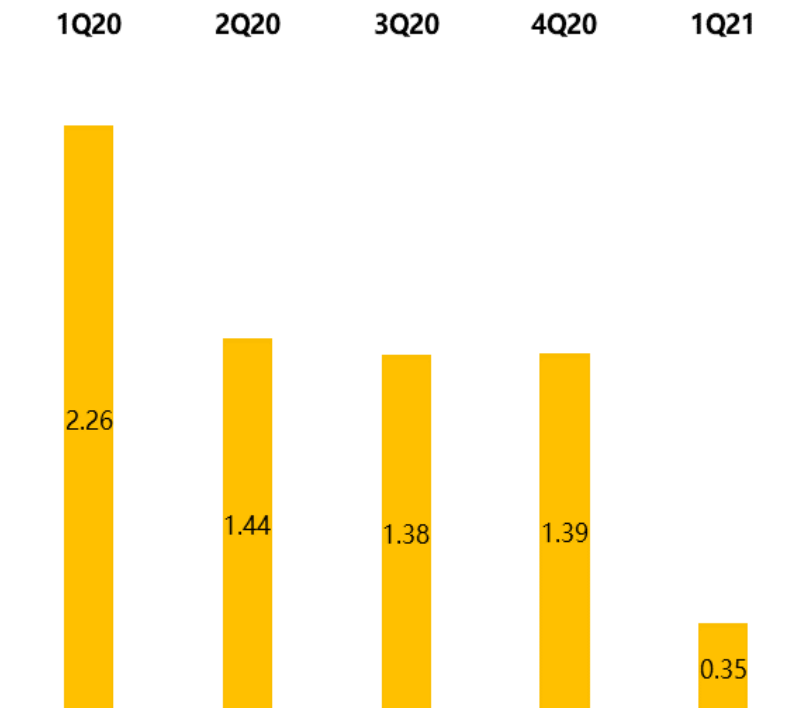
Net income/(loss) Net margin

EPS in ADS - Diluted



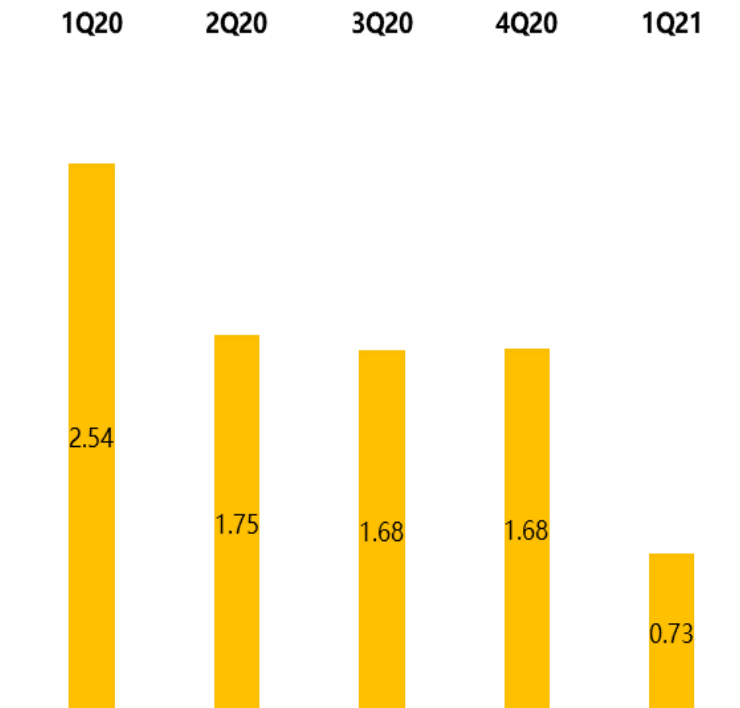
GAAP

(RMB)



Non-GAAP

(RMB)

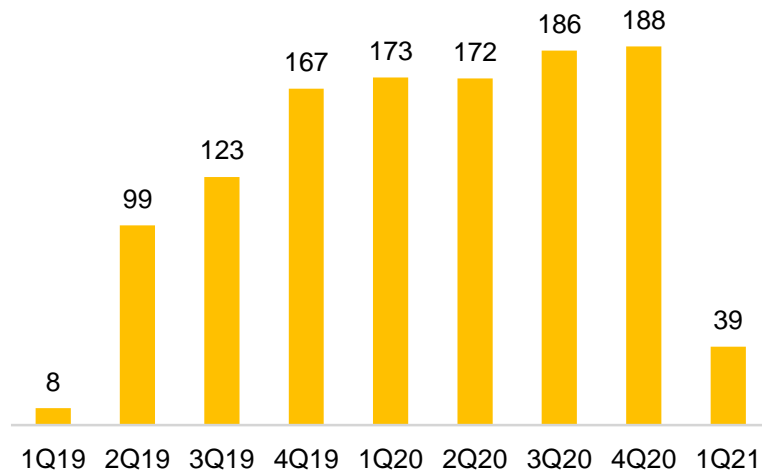


Positive Operating Cash Flow and Healthy Liquidity Position



Net Cash from Operating Activities

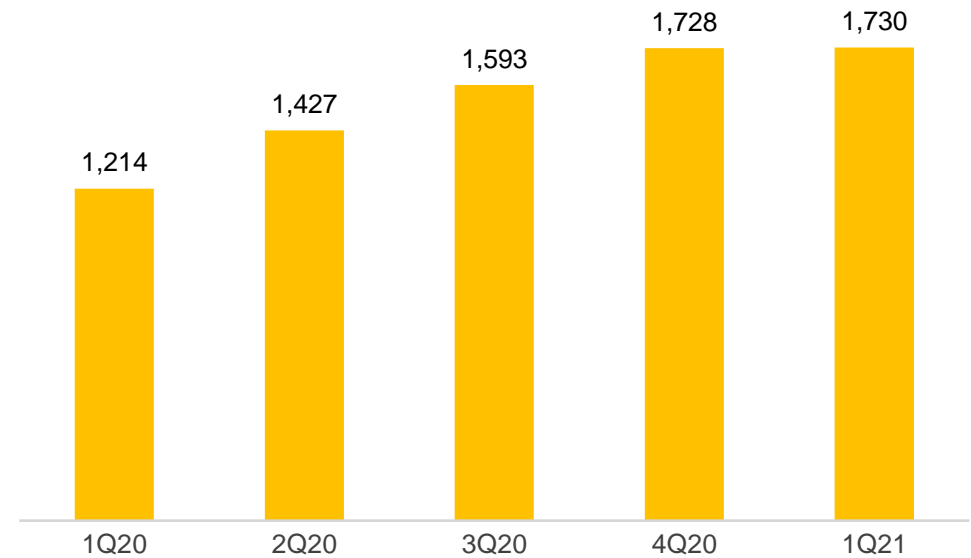
(RMB million)



Cash Flow Positive

Cash Balance ⁽¹⁾

(RMB million)



Sufficient Cash Balance

Operational Flexibility

Note:

1. Cash includes cash and cash equivalents, time deposit and short-term investments

(RMB million)

| | 2Q 2020 | 1Q 2021 | 2Q 2021 Outlook | Y/Y Growth |
|---------------------|----------------|----------------|------------------------|--------------------|
| Net Revenues | 493.5 | 600.4 | 597-603 | 21.0%~22.2% |