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To empower people to build better lives through learning

Investor Presentation

4Q 2020

Safe Harbor Statement

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- **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**



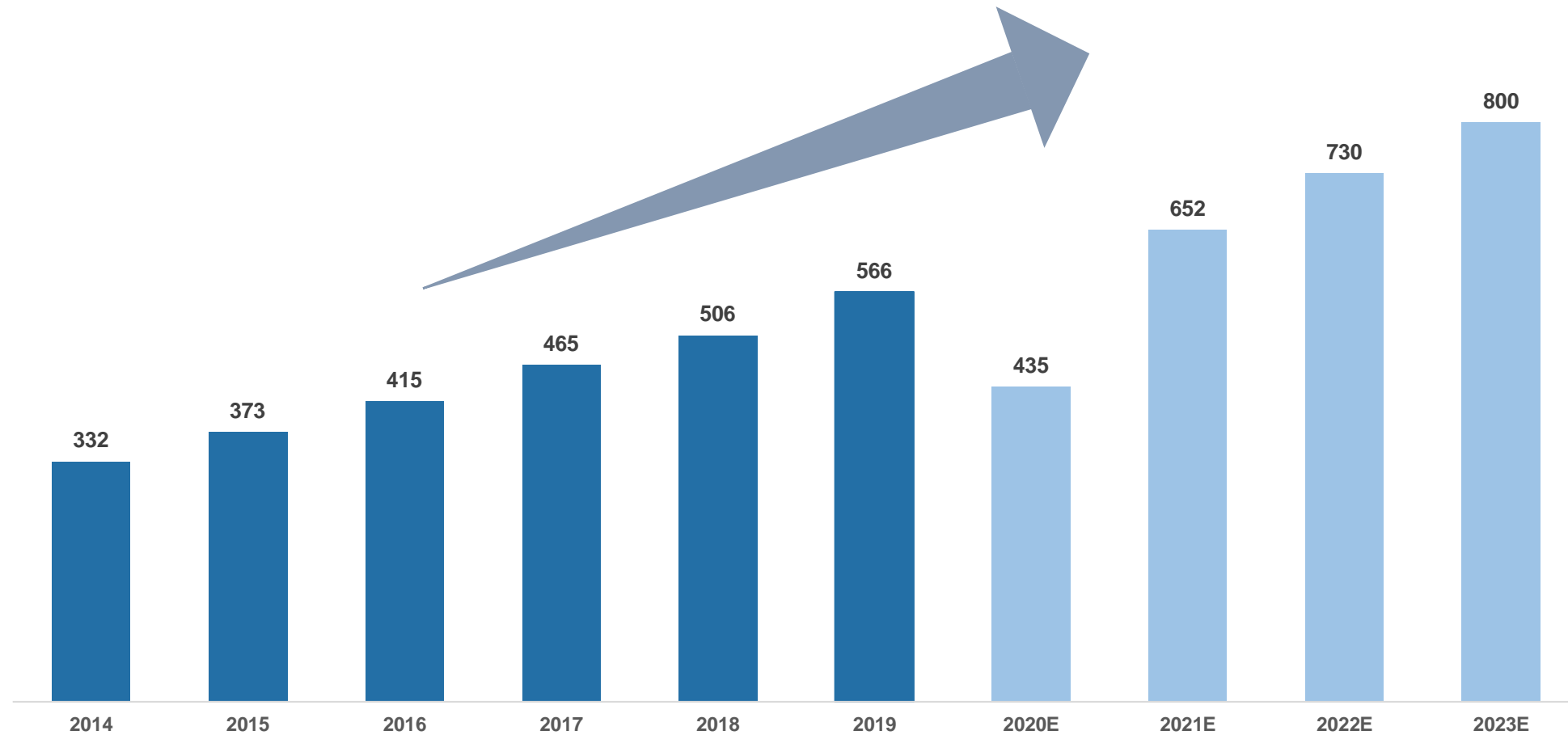
SECTION 1

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

K-12 After School Tutoring Market Size

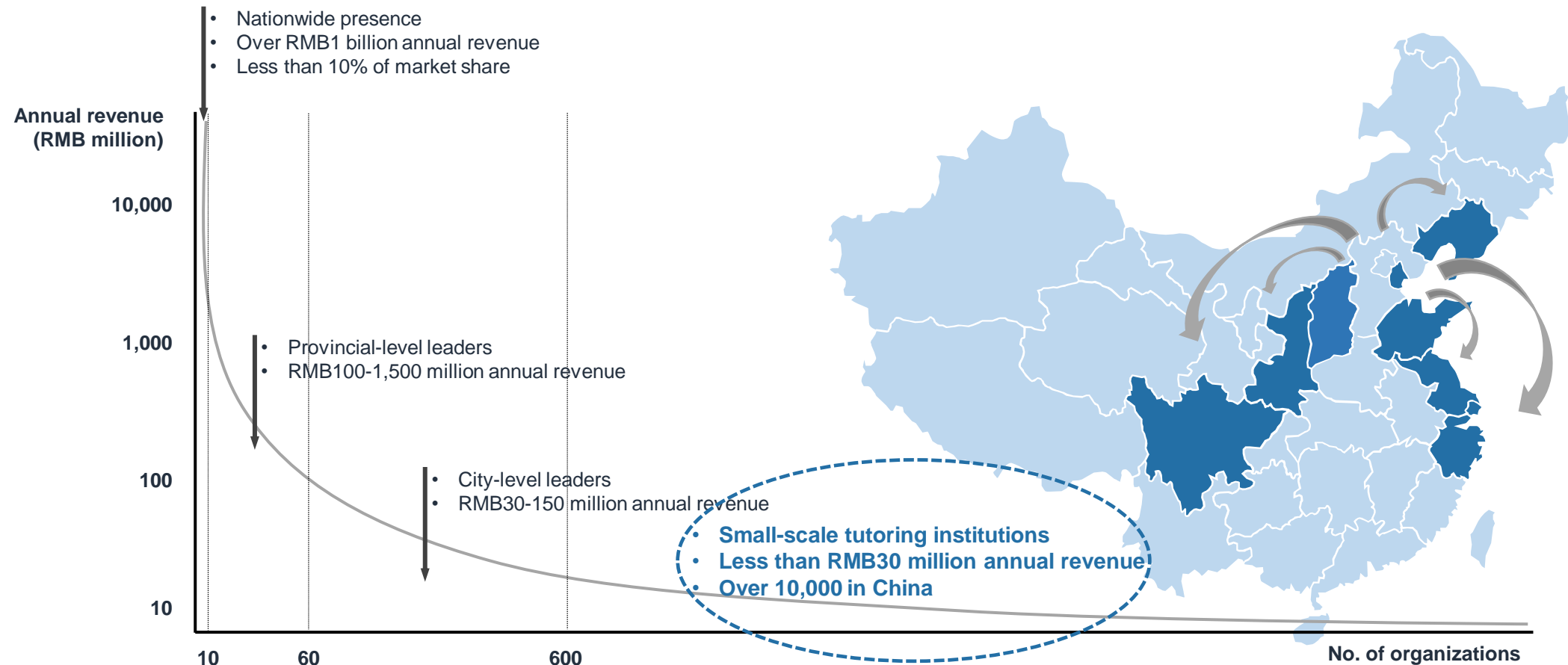
K-12 After-School Tutoring Market Size (Revenue)

(RMB billion)



High Degree of Fragmentation Presents Integration Opportunities

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

01. Nationwide Coverage

- Operating schools in 32 major cities nationwide
- In 4Q2020, the total number of student enrollments is 763,626
- In FY2020, the number of student enrollments totaled 3,680,742

Note: including Puxin Online School

VS. Market fragmentation

02. Deep Penetration

- In-depth penetration of schools in top-tier cities like Beijing, Shanghai, Guangzhou and Shenzhen
- Continue to explore market opportunities and deepen market penetrations in lower-tier cities

VS. Hard to root

03. Operations Management

- Excellent operations management capabilities support the company to advance
- Post-investment PBS optimizes the operation system and business performance of acquired schools

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

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

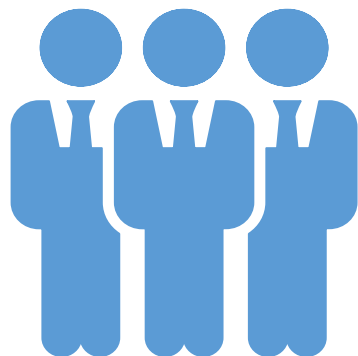
- Founded in 2014, with 61 acquired schools and 407 learning centers in 32 cities, Puxin became one of the leading after-school education service providers in China
- Student enrollments increased by 28.2% to 3,680,742 in FY2020 from 2,872,025 in FY2019

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

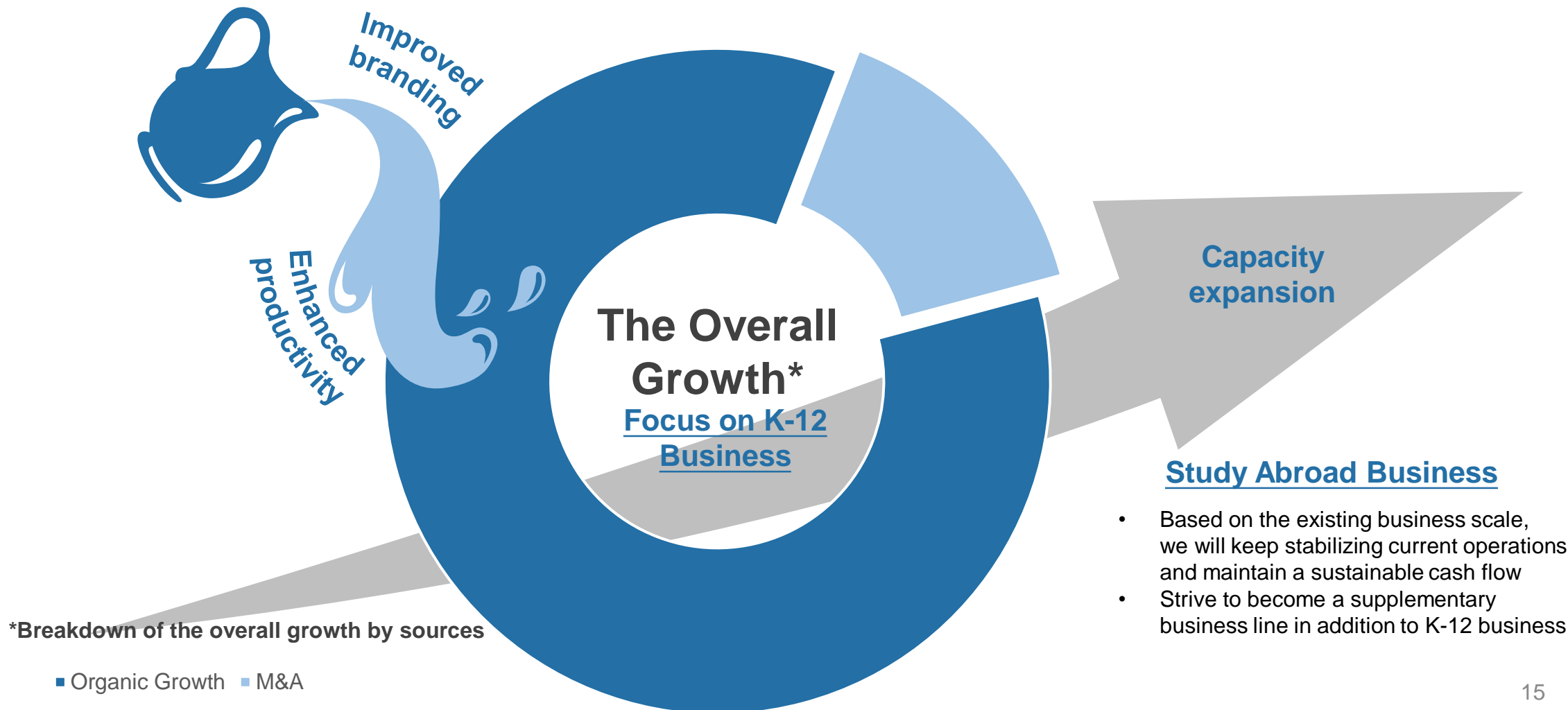
Typical Path of A Turnaround

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

SECTION 3

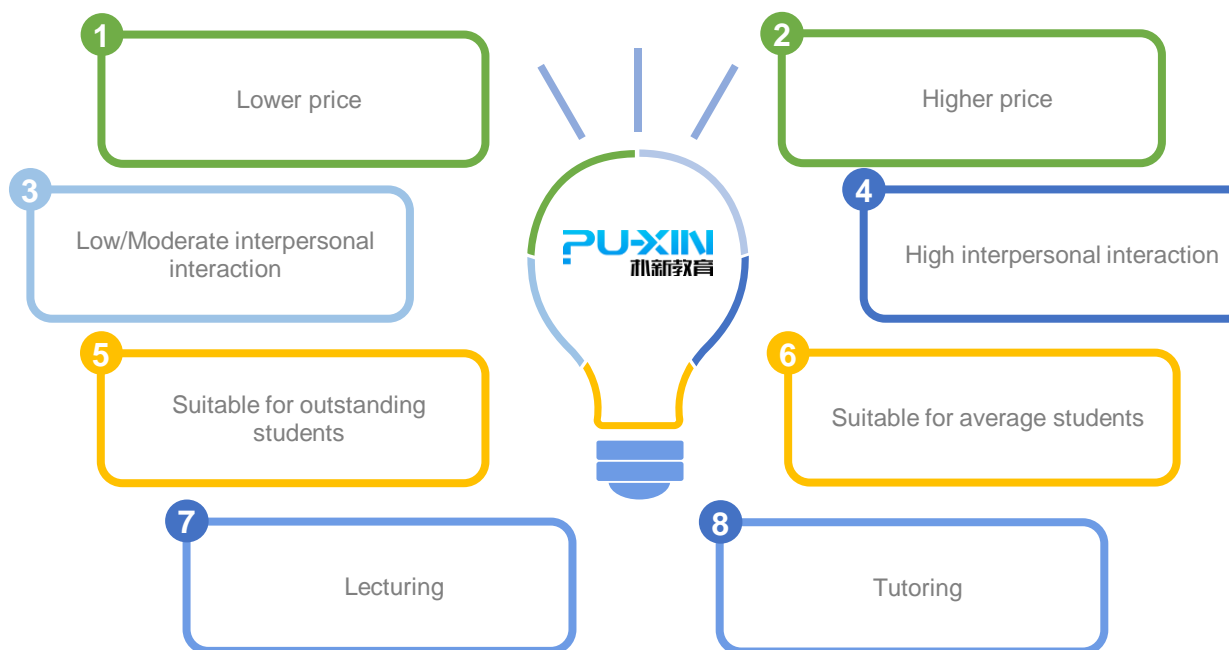
Future Growth Strategy

We expect continued and solid revenue growth



What is OMO strategy?

- ✓ OMO strategy: offline downtown learning center + online small group class (same city) + dual-teach community school (same city).
- ✓ Expand student pool, enhance teaching capacity, control customer acquisition cost.
- ✓ Online group class: focuses on lower-tier cities lack in education resources.



COVID-19 drives “online-merge-offline” 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

Total Student Enrollments

3,680,742

+28.2% YoY



No. of Learning Centers

407

As at 31 December 2020



Acquisition & Integration

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



Growth

Profitability

Net Revenues

RMB2.9 billion

-6.4% YoY due to COVID-19 pandemic



K-12 Tutoring Net Revenues

RMB2.1 billion

+8.9% YoY

(Excluding Puxin Online School)



EBITDA

RMB121.3 million

vs. negative RMB349.1 million in FY2019



Margin

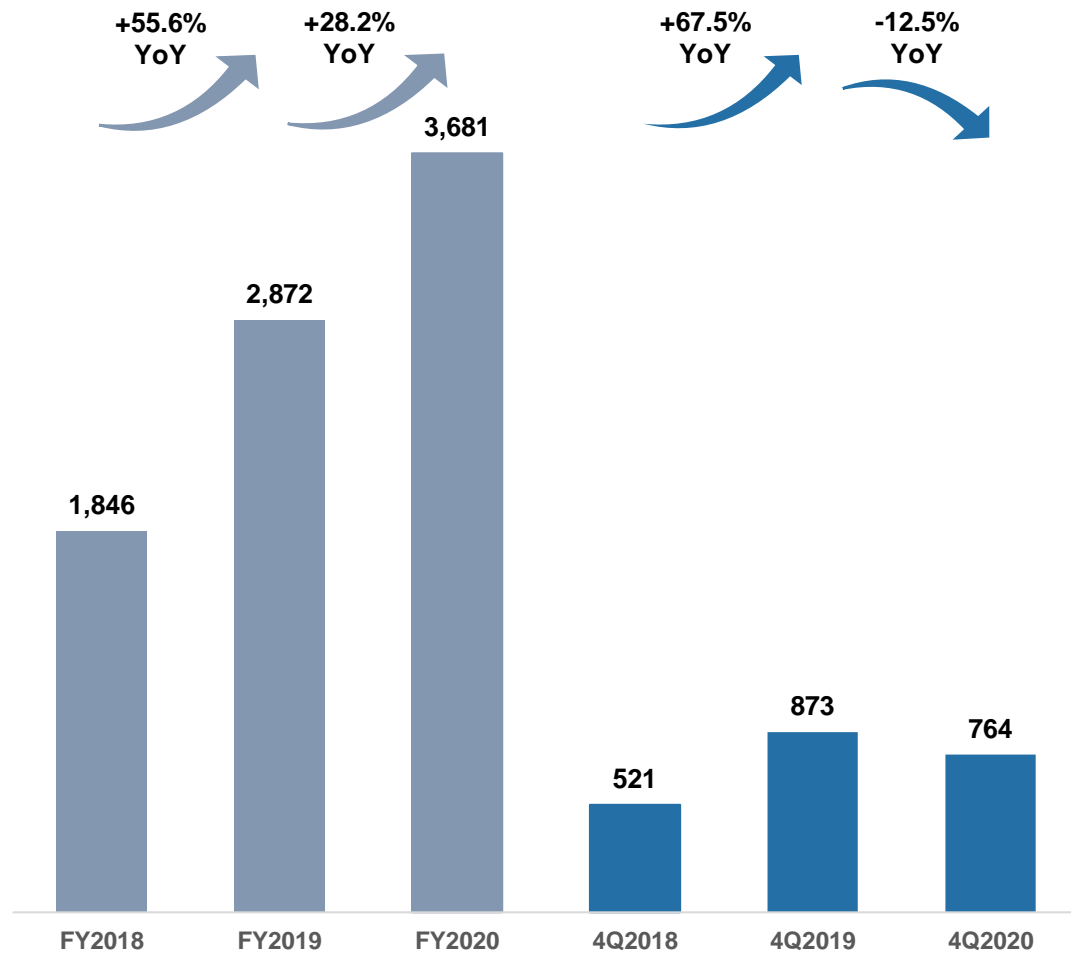
- ✓ **3Q2019 – profitability pivot**
Consolidated and study-abroad services had first quarterly positive operating margin
- ✓ **FY2020 – continued profitable growth**
EBITDA and adjusted EBITDA turned positive compared with FY2019

Outlook

- ✓ **FY2021-FY2022**
Optimize revenue structure of the business lines
- ✓ **Online-merge-Offline (OMO)**
Further penetrate to lower tier cities
- ✓ **Double-engine strategy**
Internal growth + M&A

Total Student Enrollments

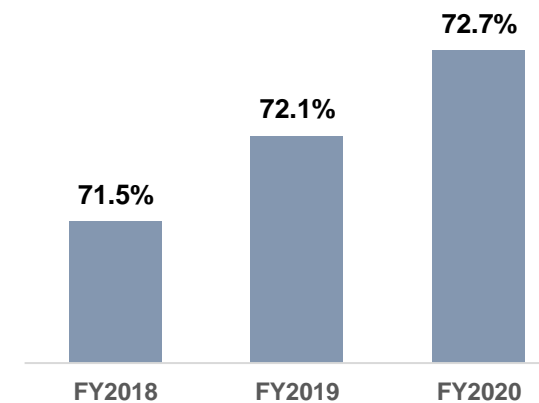
(Thousand)



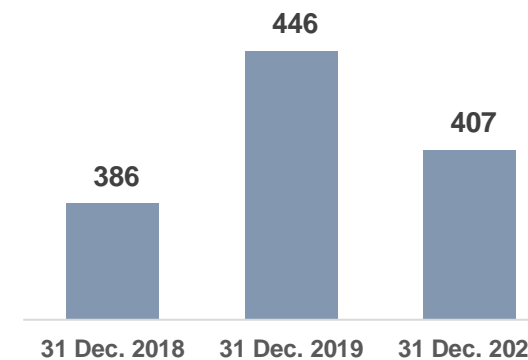
Note: including Puxin Online School

Student Retention Rate of K-12 Group Class Courses

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



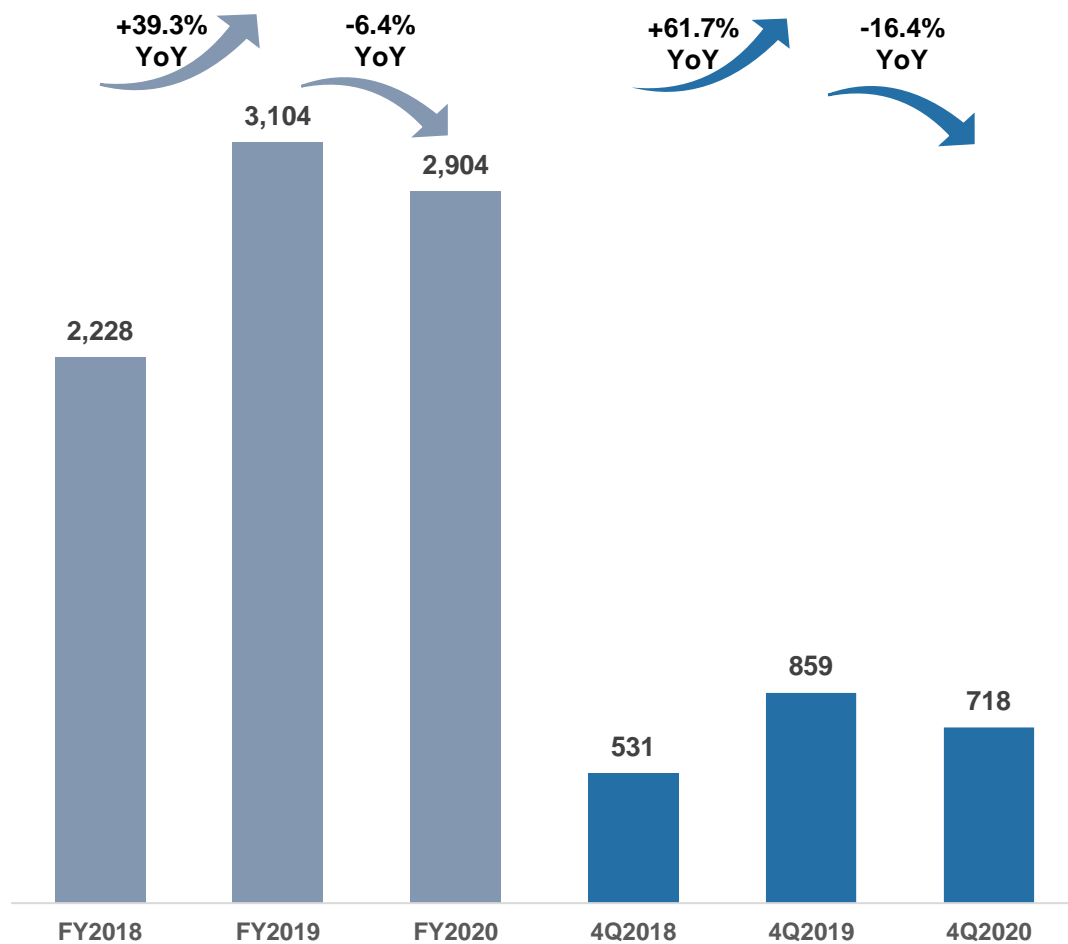
Number of Learning Centers



Core Business Segment's Continued Growth Contribution

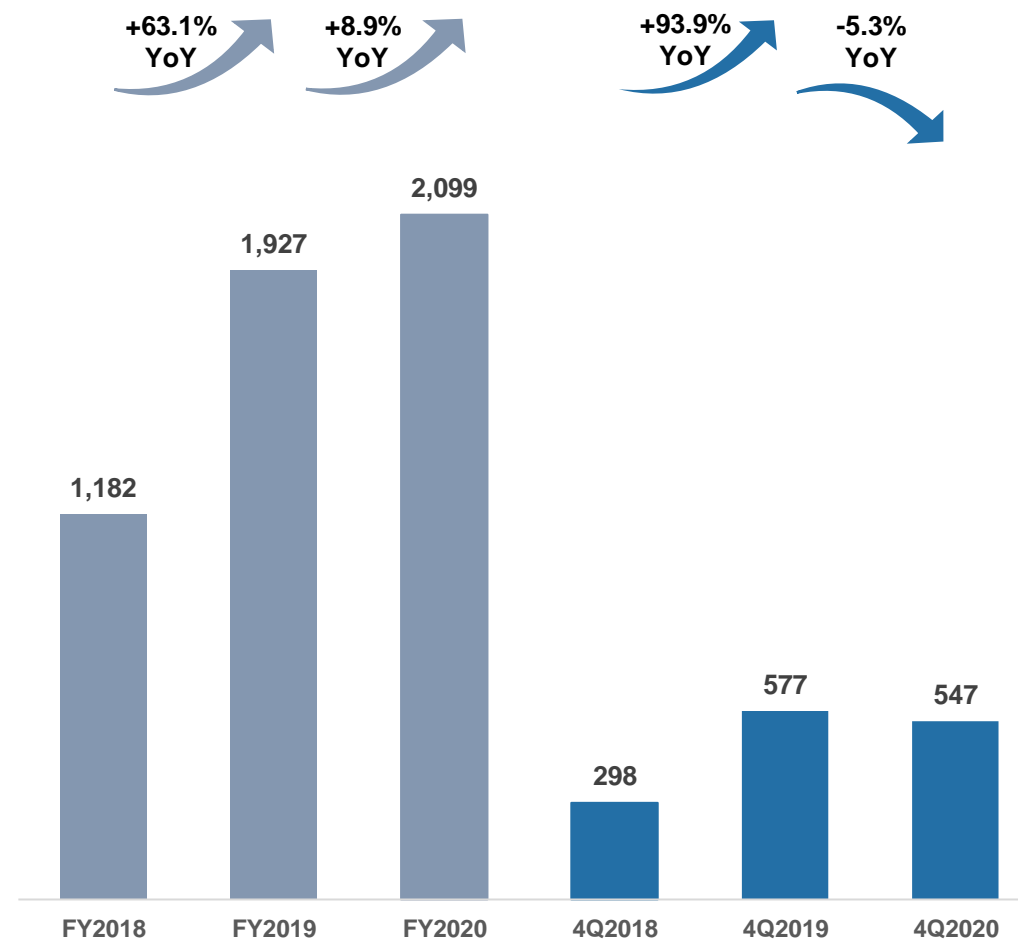
Net Revenues

(RMB million)



K-12 Revenues

(RMB million)

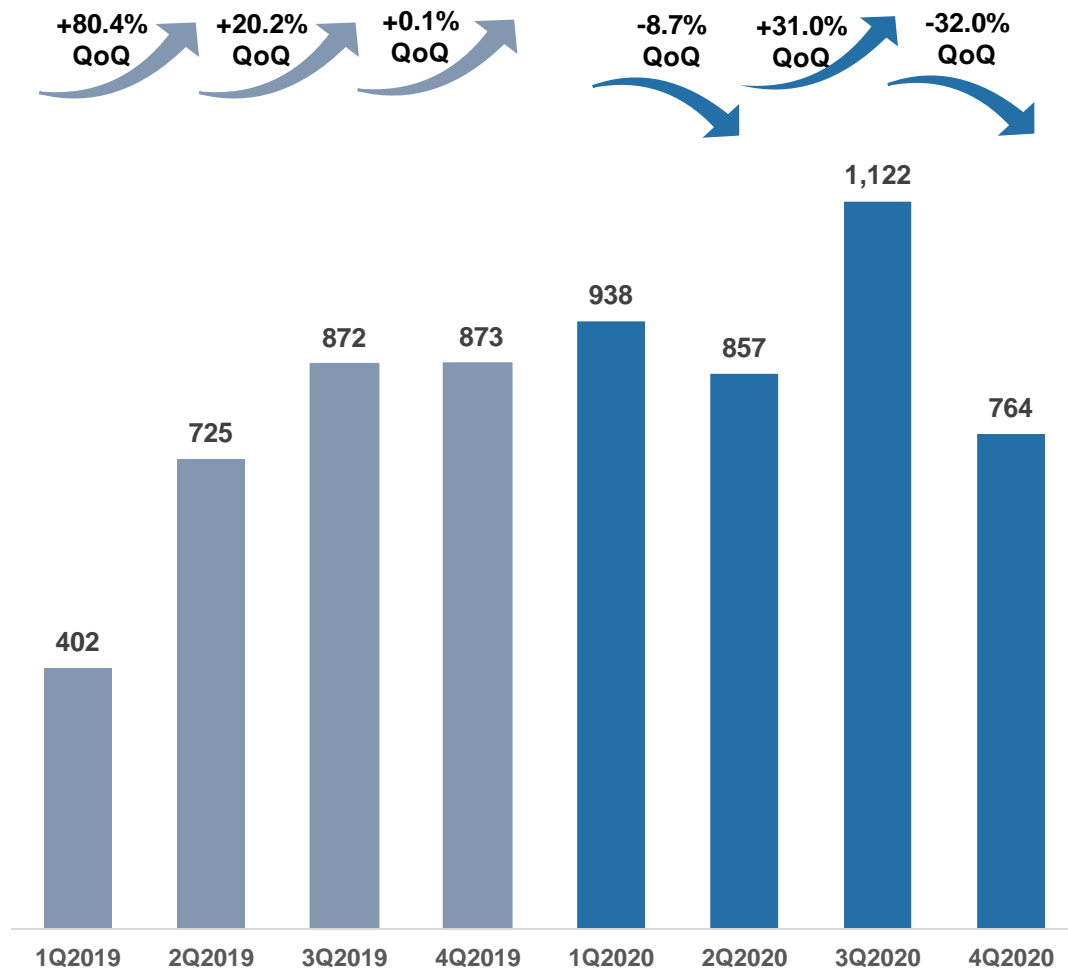


Note: excluding Puxin Online School

Overview of the Quarterly Performance

Total Student Enrollments

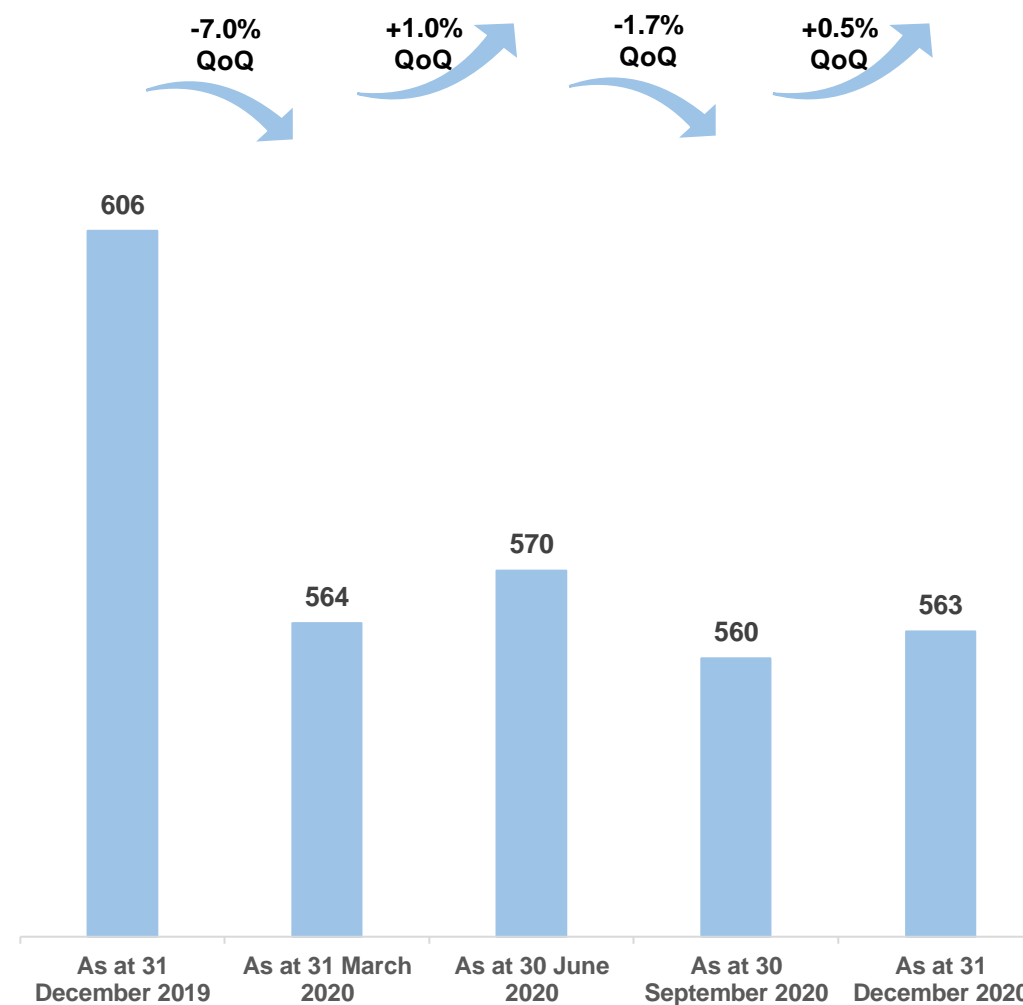
(Thousand)



Note: including Puxin Online School

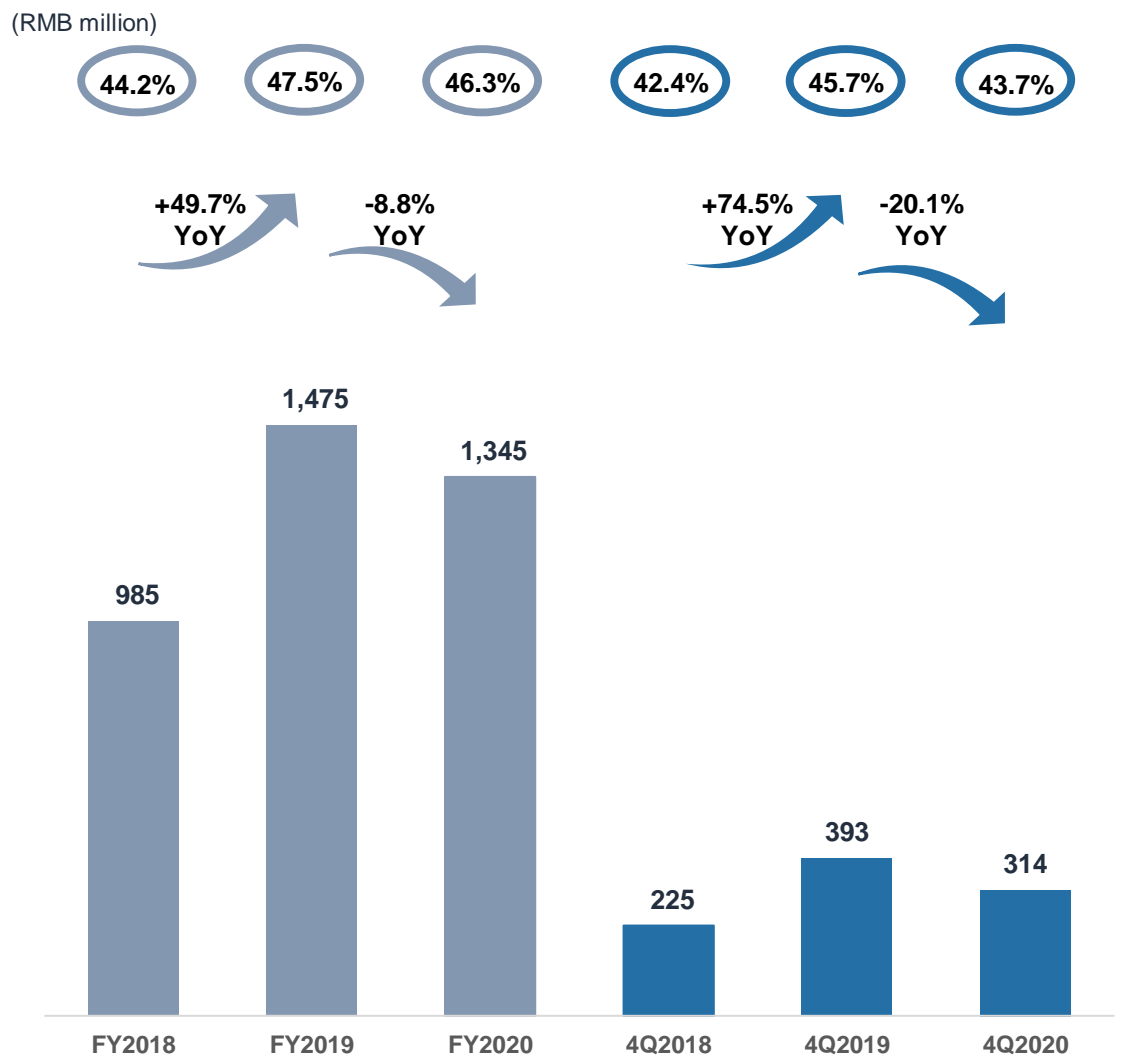
Cash and Current Bank Balances

(RMB million)

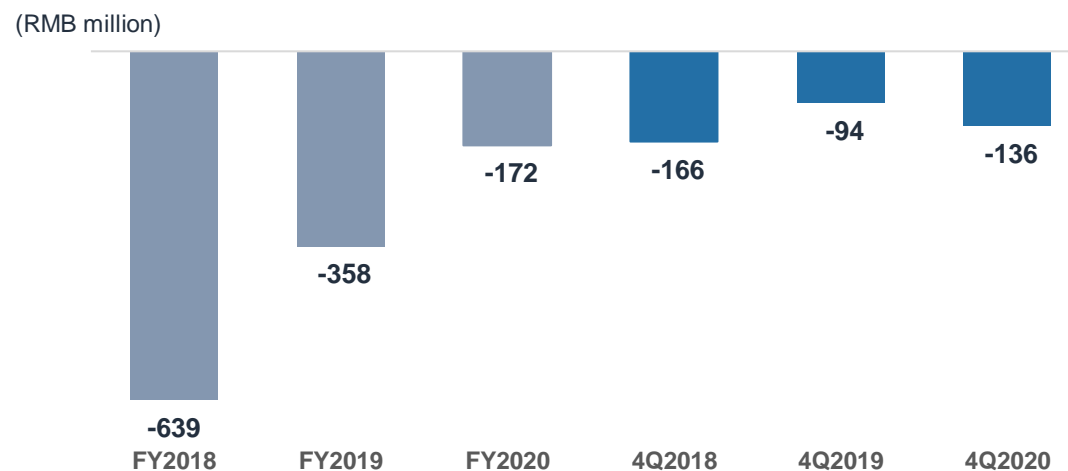


Growth Metrics Highlights

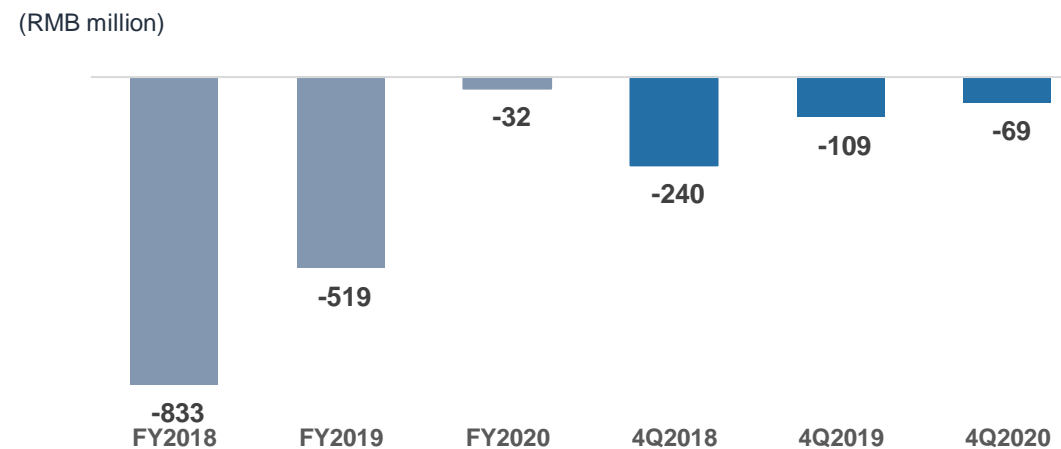
Gross Profit and Gross Margin



Operating Income (Loss)



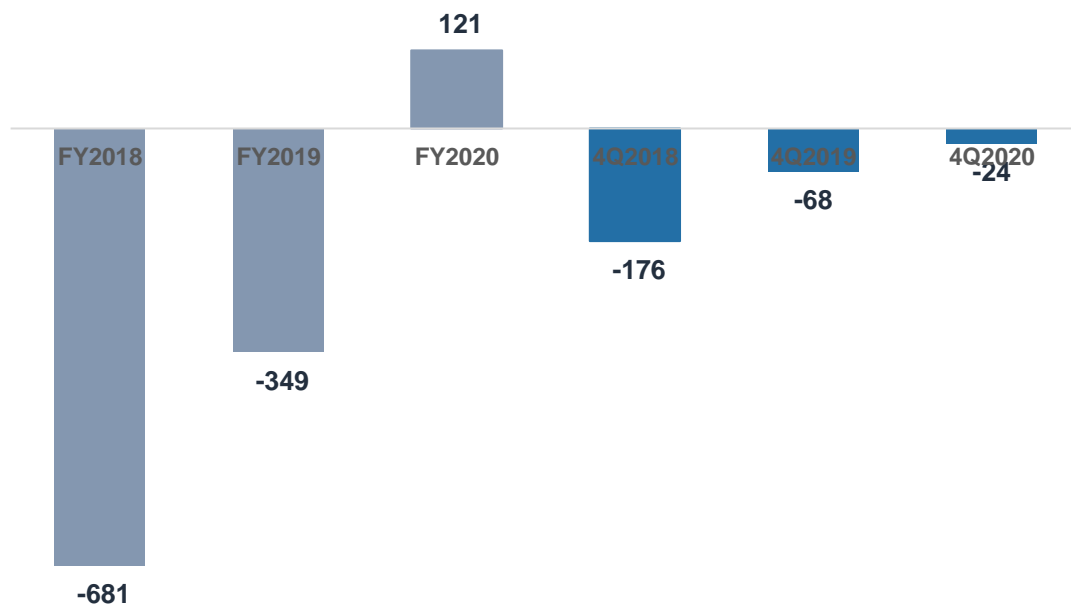
Net Income (Loss) Attributable to Puxin Limited



The Improving EBITDA

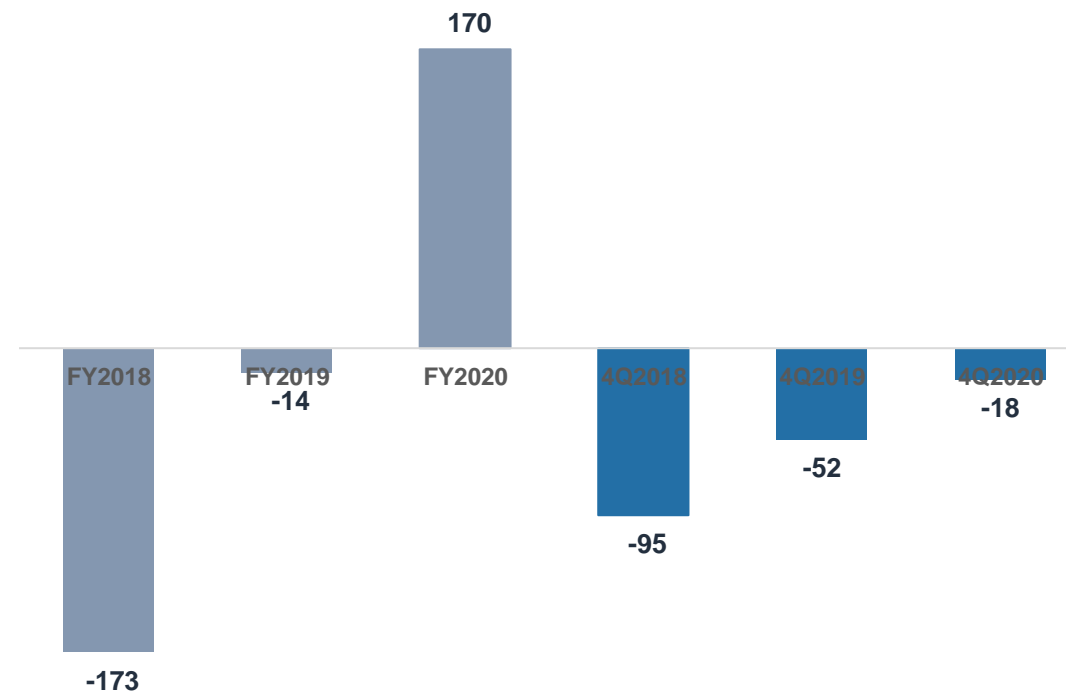
EBITDA

(RMB million)



Adjusted EBITDA

(RMB million)



SECTION 5

Appendix

Consolidated Balance Sheet

	As of December 31, 2019		As of December 31, 2020	
		RMB'000	RMB'000	USD'000
Current assets				
Cash and cash equivalents		256,763	48,497	7,432
Restricted cash, current portion		349,540	514,496	78,850
Inventories		13,311	15,210	2,331
Prepaid expenses and other current assets		117,148	141,894	21,746
Loan receivable		191,230	222,895	34,160
Total current assets		927,992	942,992	144,519
Non-current assets				
Restricted cash, non-current portion		36,727	25,814	3,956
Operating lease right-of-use assets		1,045,941	940,568	144,148
Property, plant and equipment, net		298,719	265,029	40,617
Intangible assets		264,540	225,170	34,509
Goodwill		2,055,922	2,083,151	319,257
Deferred tax assets		2,199	3,522	540
Rental deposit		75,015	71,948	11,027
Other non-current assets		-	59,400	9,103
Total non-current assets		3,779,063	3,674,602	563,157
Total assets		4,707,055	4,617,594	707,676
Liabilities and shareholders' equity				
Current liabilities				
Accrued expenses and other current liabilities		983,715	784,894	120,290
Income tax payable		21,248	32,445	4,972
Deferred revenue, current portion		1,205,609	1,023,037	156,787
Operating lease liabilities, current portion		276,877	254,002	38,928
Amounts due to related parties, current portion		1,451	-	-
Bank borrowings		318,600	585,000	89,655
Loans payable to third parties, current portion		413,838	301,850	46,261
Promissory notes, current portion		87,023	163,125	25,000
Total current liabilities		3,308,361	3,144,353	481,893

Consolidated Balance Sheet (Cont'd)

	As of December 31, 2019		As of December 31, 2020	
	RMB'000		RMB'000	USD'000
Non-current liabilities				
Deferred revenue, non-current portion	101,372		81,805	12,537
Deferred tax liabilities	81,969		71,674	10,985
Franchise deposits	2,533		2,549	391
Operating lease liabilities, non-current portion	693,505		605,827	92,847
Loans payable to third parties, non-current portion	-		121,870	18,677
Amounts due to related parties, non-current portion	-		170,393	26,114
Promissory notes, non-current portion	87,022		-	-
Derivative liabilities	172,235		-	-
Total non-current liabilities	1,138,636		1,054,118	161,551
Total liabilities	4,446,997		4,198,471	643,444
Shareholders' equity				
Ordinary shares	62		62	9
Additional paid-in capital	2,175,652		2,396,406	367,265
Statutory reserve	7,979		11,444	1,754
Accumulated other comprehensive income	68,707		43,711	6,699
Accumulated deficit	(1,991,220)		(2,026,891)	(310,635)
Total Puxin Limited shareholders' equity	261,180		424,732	65,092
Non-controlling interest	(1,122)		(5,609)	(860)
TOTAL SHAREHOLDERS' EQUITY	260,058		419,123	64,232
TOTAL LIABILITIES AND TOTAL SHAREHOLDERS' EQUITY	4,707,055		4,617,594	707,676

Consolidated Income Statement

	4Q2019	4Q2020	
	RMB'000	RMB'000	USD'000
Net revenues	859,319	718,313	110,086
Cost of revenues	(466,439)	(404,386)	(61,975)
Gross profit	392,880	313,927	48,111
Operating expenses			
Selling expenses	(314,621)	(290,851)	(44,575)
General and administrative expenses	(172,098)	(159,345)	(24,421)
Total operating expenses	(486,719)	(450,196)	(68,996)
Operating loss	(93,839)	(136,269)	(20,885)
Interest expense	(17,094)	(19,358)	(2,967)
Interest income	13,707	11,214	1,719
Foreign exchange loss	(65)	(1,060)	(162)
Loss on changes in fair value of derivative liabilities	(6,622)	-	-
Other income, net	-	18,674	2,862
Gain on disposal of subsidiaries	-	66,000	10,115
Impairment loss on intangible assets	-	-	-
Loss before income taxes	(103,913)	(60,799)	(9,318)
Income tax expenses	(6,084)	(9,526)	(1,460)
Net loss	(109,997)	(70,325)	(10,778)
Less: Net loss attributable to non-controlling interest	(1,169)	(1,517)	(232)
Net loss attributable to ordinary shareholders of Puxin Limited	(108,828)	(68,808)	(10,546)
Net loss per ADS attributable to Puxin Limited, Basic*	(1.26)	(0.78)	(0.12)
Net loss per ADS attributable to Puxin Limited, Diluted*	(1.26)	(0.78)	(0.12)
Weighted average shares used in calculating net loss per share – Basic	173,989,979	174,276,664	174,276,664
Weighted average shares used in calculating net loss per share – Diluted	173,989,979	174,276,664	174,276,664

* Each ADS represents two ordinary shares.

Note: In thousands of RMB and USD, except for share, per ADS data

(RMB thousand)

Net Revenue	FY2019	FY2020	YoY
School A	69,511	67,521	-2.9%
School B	33,417	39,342	17.7%
School C	49,447	55,186	11.6%
School D	89,139	82,353	-7.6%
School E	67,631	66,996	-0.9%
School F	95,198	94,020	-1.2%

Operating Income	FY2019	FY2020	YoY
School A	12,388	17,623	42.3%
School B	2,813	5,181	84.2%
School C	16,958	20,962	23.6%
School D	21,630	26,550	22.7%
School E	11,417	14,403	26.2%
School F	10,531	12,249	16.3%

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