

Our Mission

To empower people to build better lives through learning.

4Q2019 & FY2019 Investor Presentation

March 2020

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”, “anticipates”, “future”, “intends”, “plans”, “believes”, “estimates”, “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

Key Highlights for the 4Q2019 & FY2019

Student Enrollments

4Q2019: **872,950**, +67.5% YoY
FY2019: **2,872,025**, +55.6% YoY



No. of Learning Centers

31 Dec 2018: **386**
31 Dec 2019: **446**



Acquisition & Integration

During 2019: integrated **12** schools
M&As since 2014: **63** schools in total



Growth

Revenue

Net Revenues

4Q2019: **RMB859.3** million, +61.7% YoY
FY2019: **RMB3,104.0** million, +39.3% YoY



K-12 Tutoring

4Q2019: **RMB581.9** million, +95.3% YoY
FY2019: **RMB1,943.9** million, +64.4% YoY



Study-abroad Services

4Q2019: **RMB 277.4** million, +18.8% YoY
FY2019: **RMB 1,160.1** million, +10.9% YoY



Margin

- ✓ **3Q2019 – profitability pivot**
Consolidated and study-abroad services had first quarterly positive operating margin
- ✓ **4Q2019 – continued growth momentum**

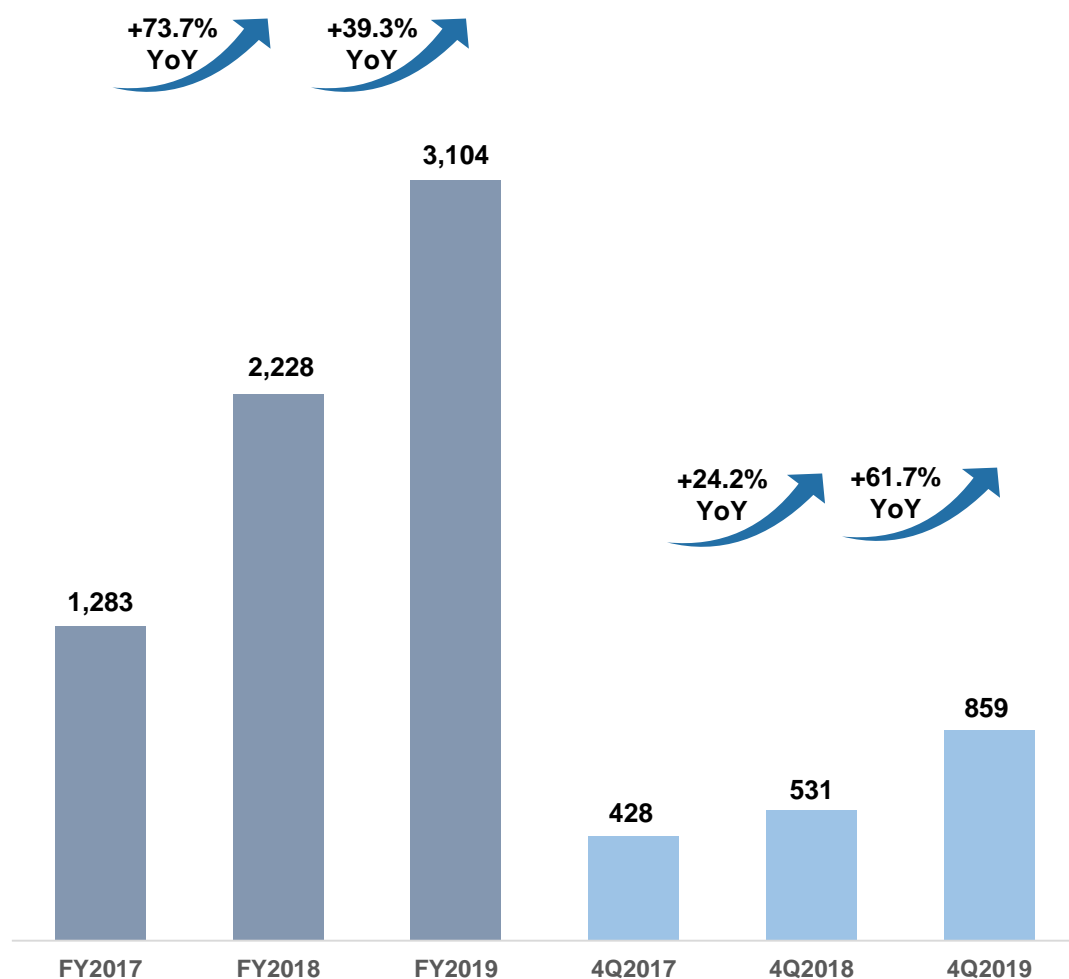
Outlook

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

Strong Top-line Growth Momentum in Key Business Segments

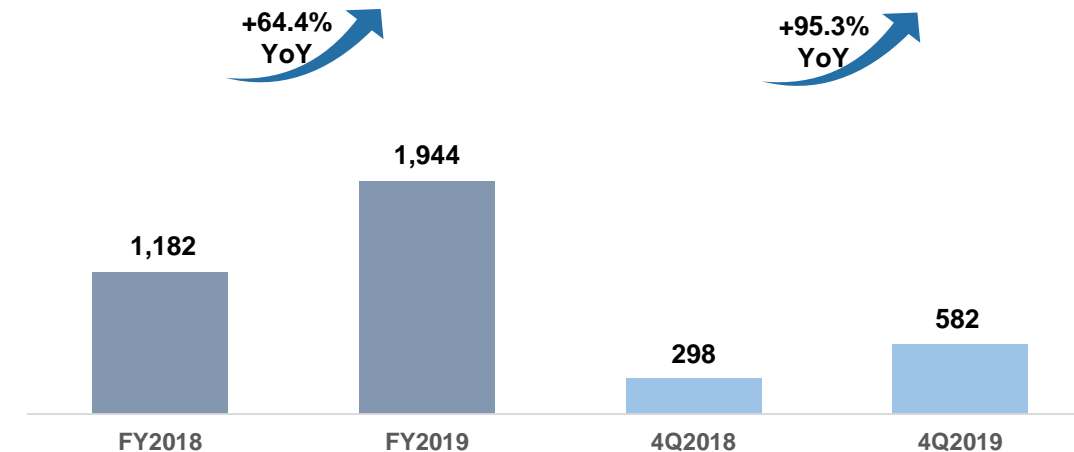
Net Revenues

(RMB million)



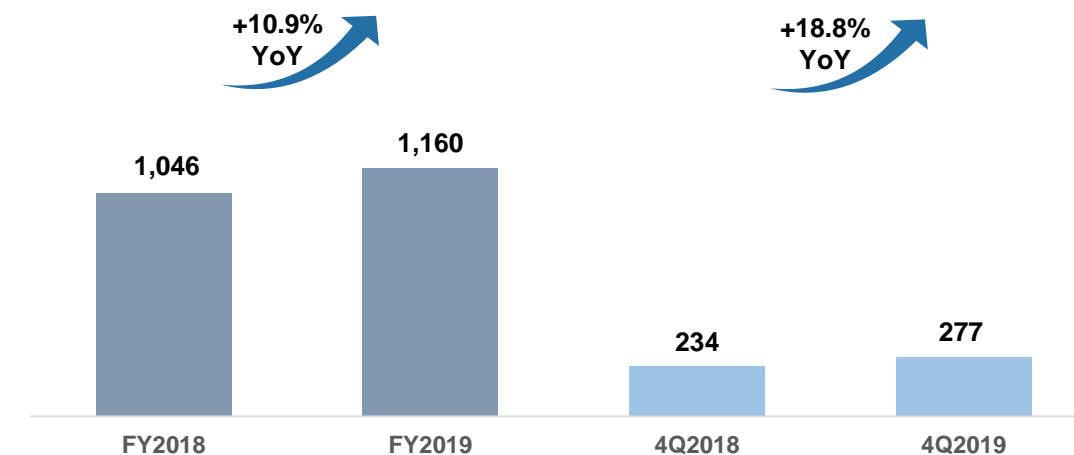
K-12 Revenues

(RMB million, excluding financial impact from headquarters)



Study Abroad Revenues

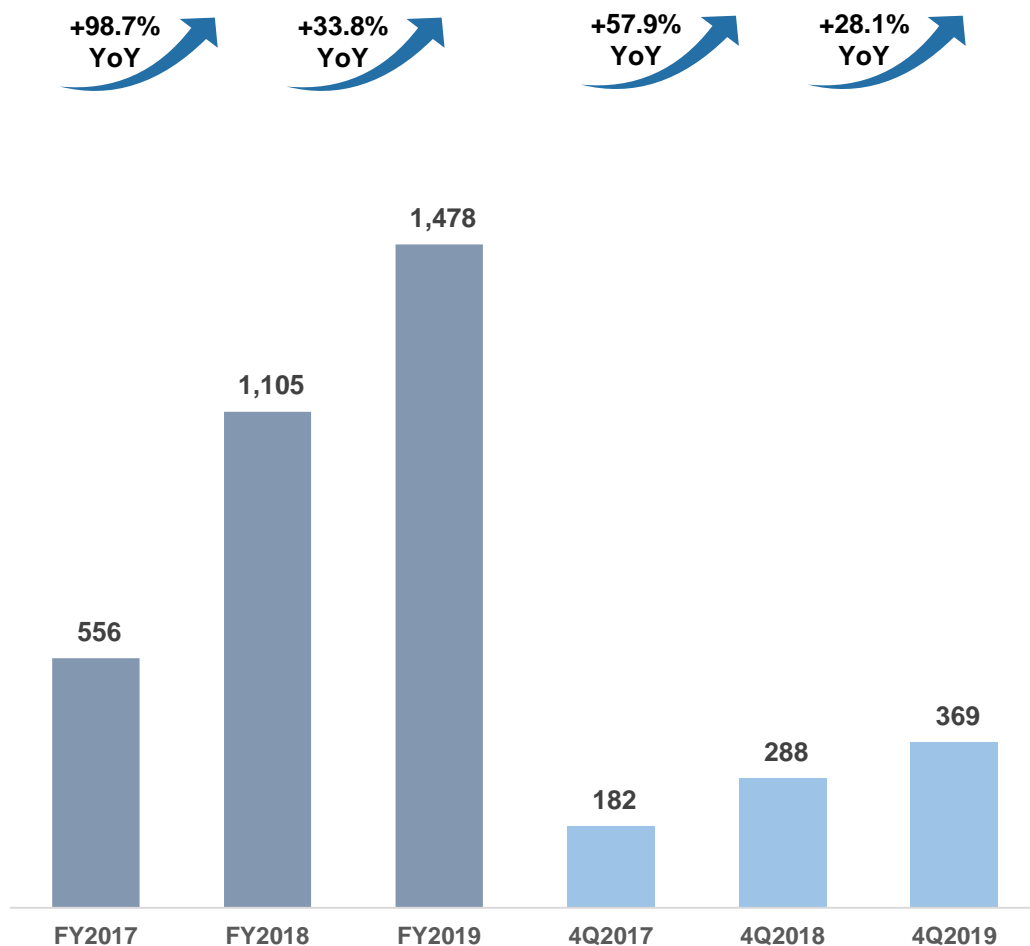
(RMB million)



Organic Growth and M&A as Drivers for K-12 Segment Success

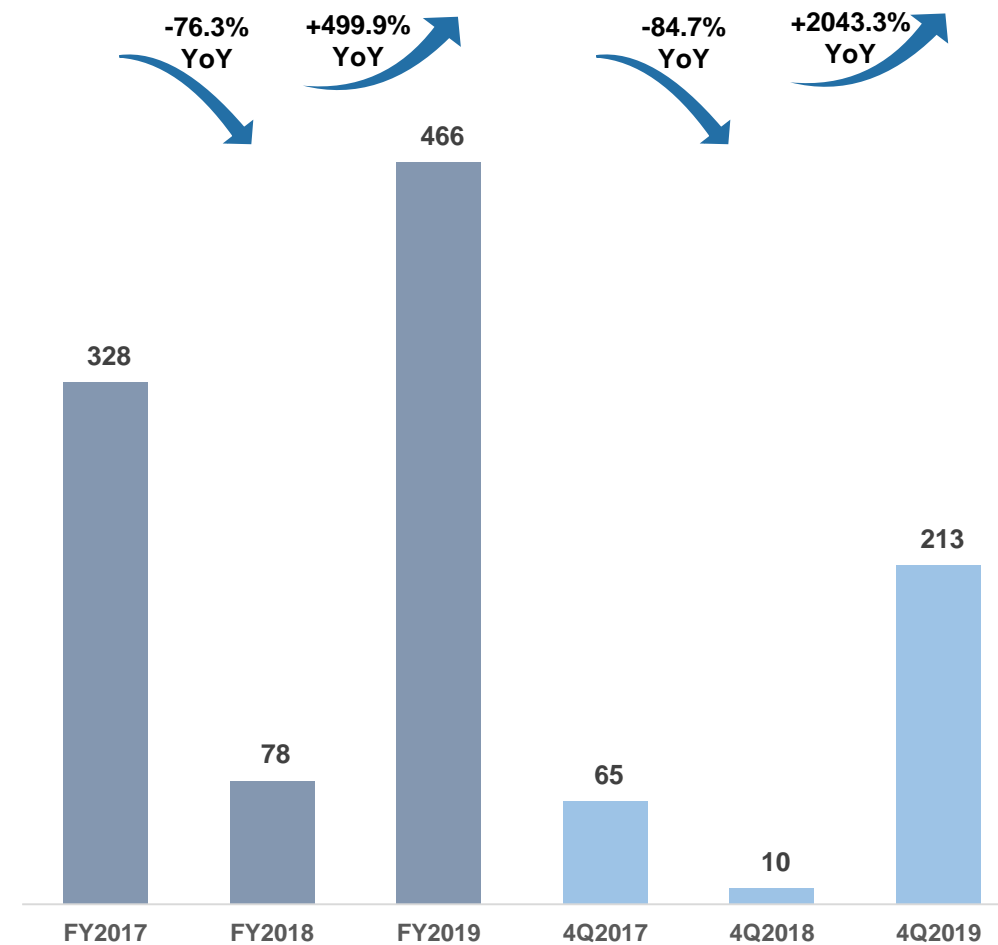
K-12 Revenues from Organic Growth

(RMB million)



K-12 Revenues from M&As

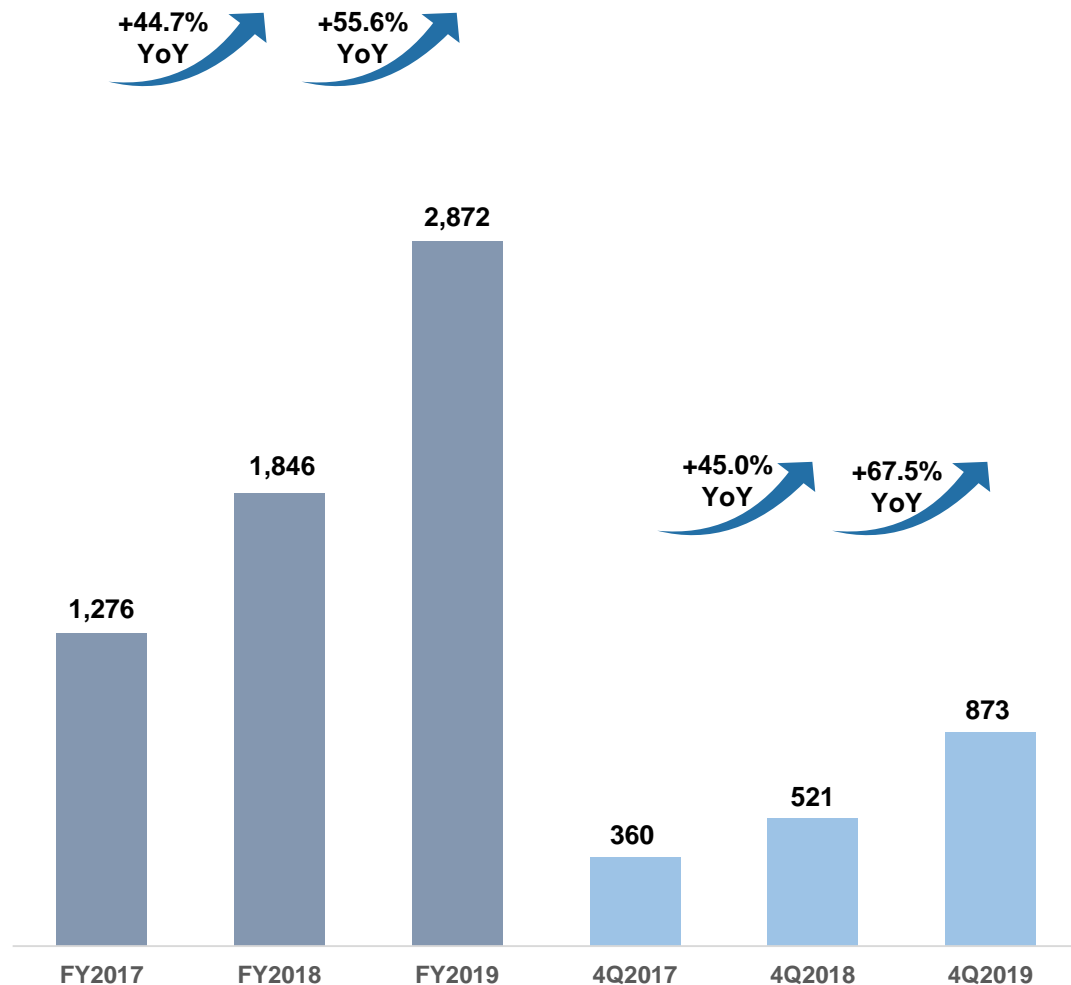
(RMB million)



Solid Operating Metrics

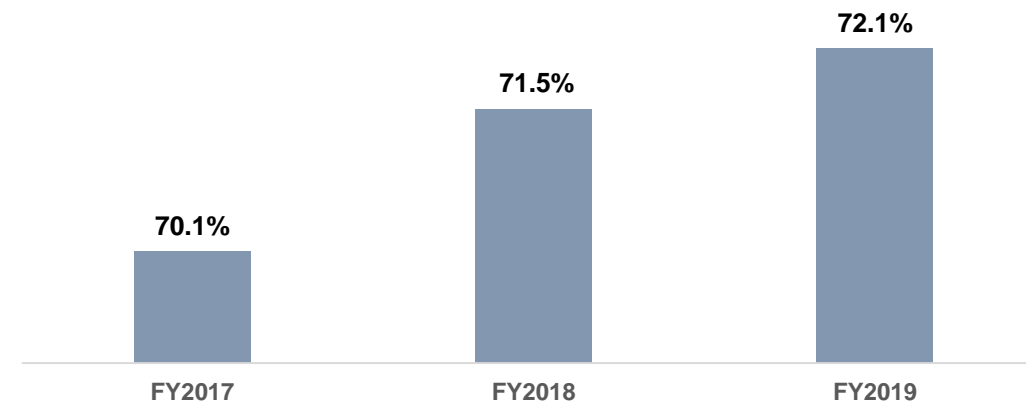
Total Enrollments

(Thousand)



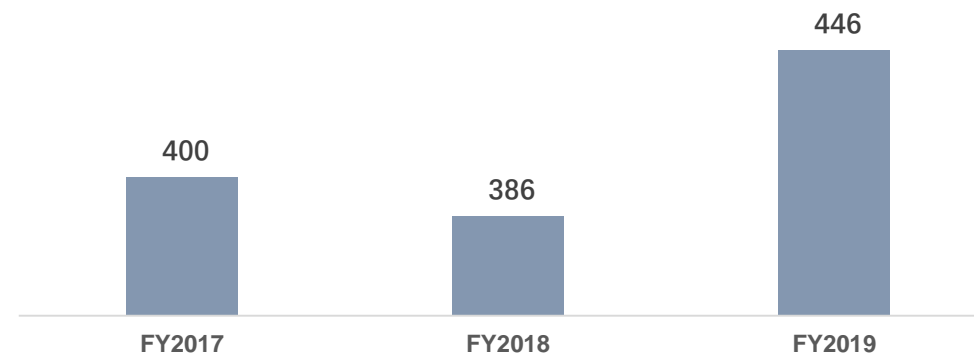
Student Retention Rate

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



Number of Learning Centers

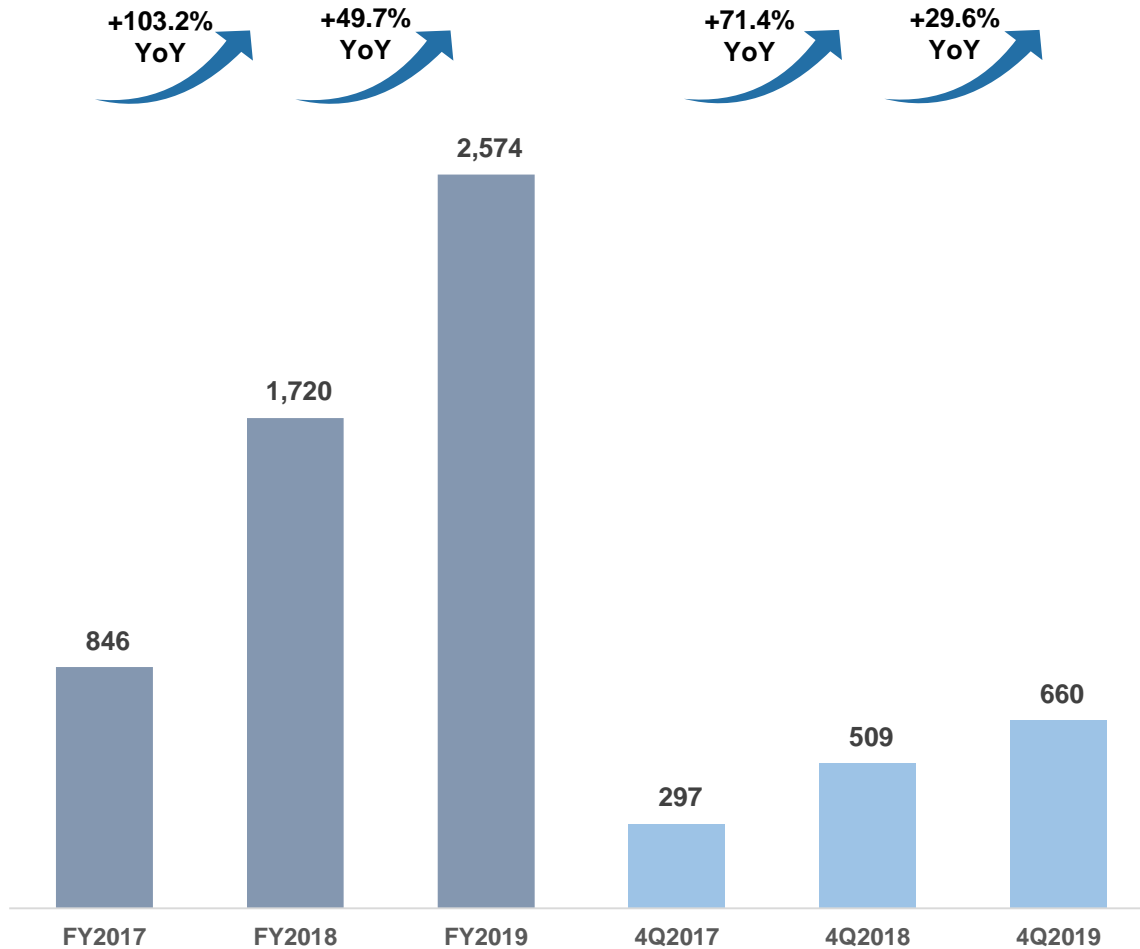
(By the end of fiscal periods)



Organic Growth and M&A as Strategic Sources for Enrollments

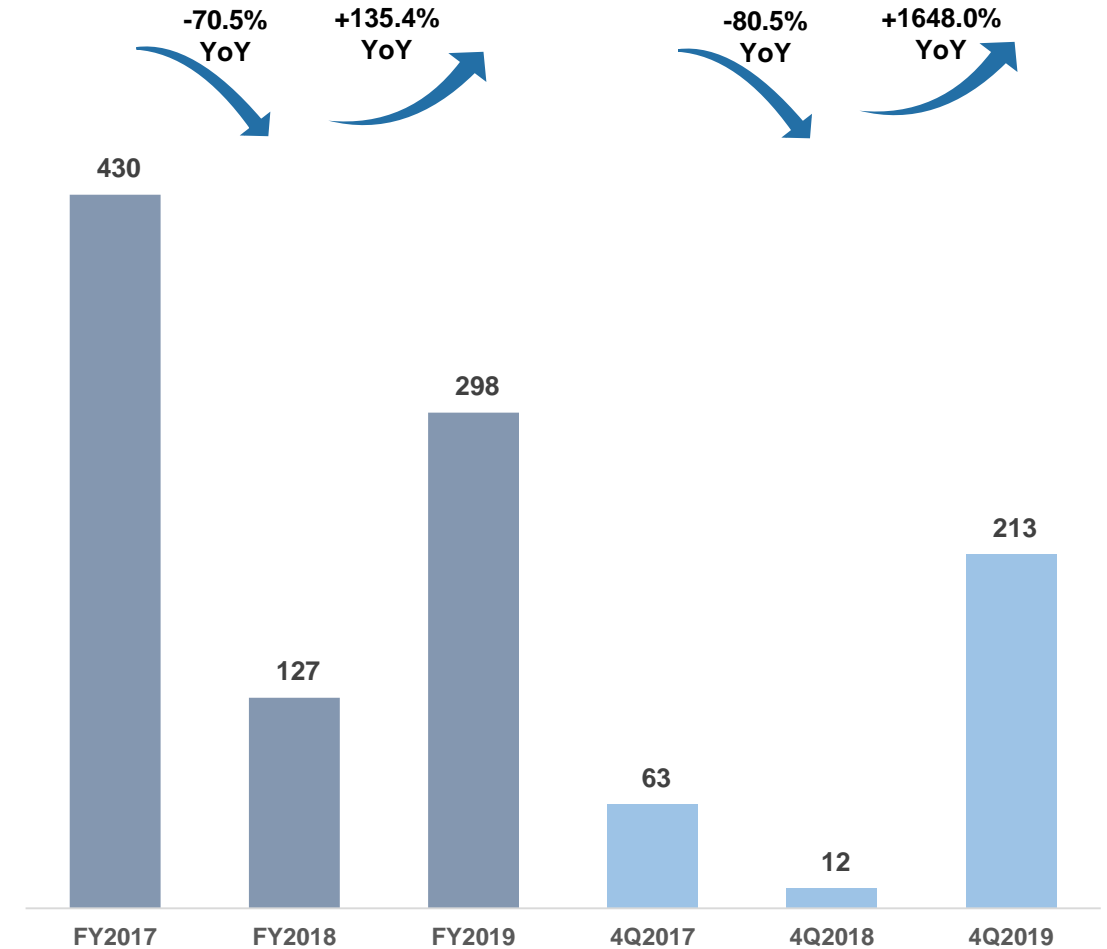
Enrollments from Organic Growth

(Thousand)



Enrollments from M&As

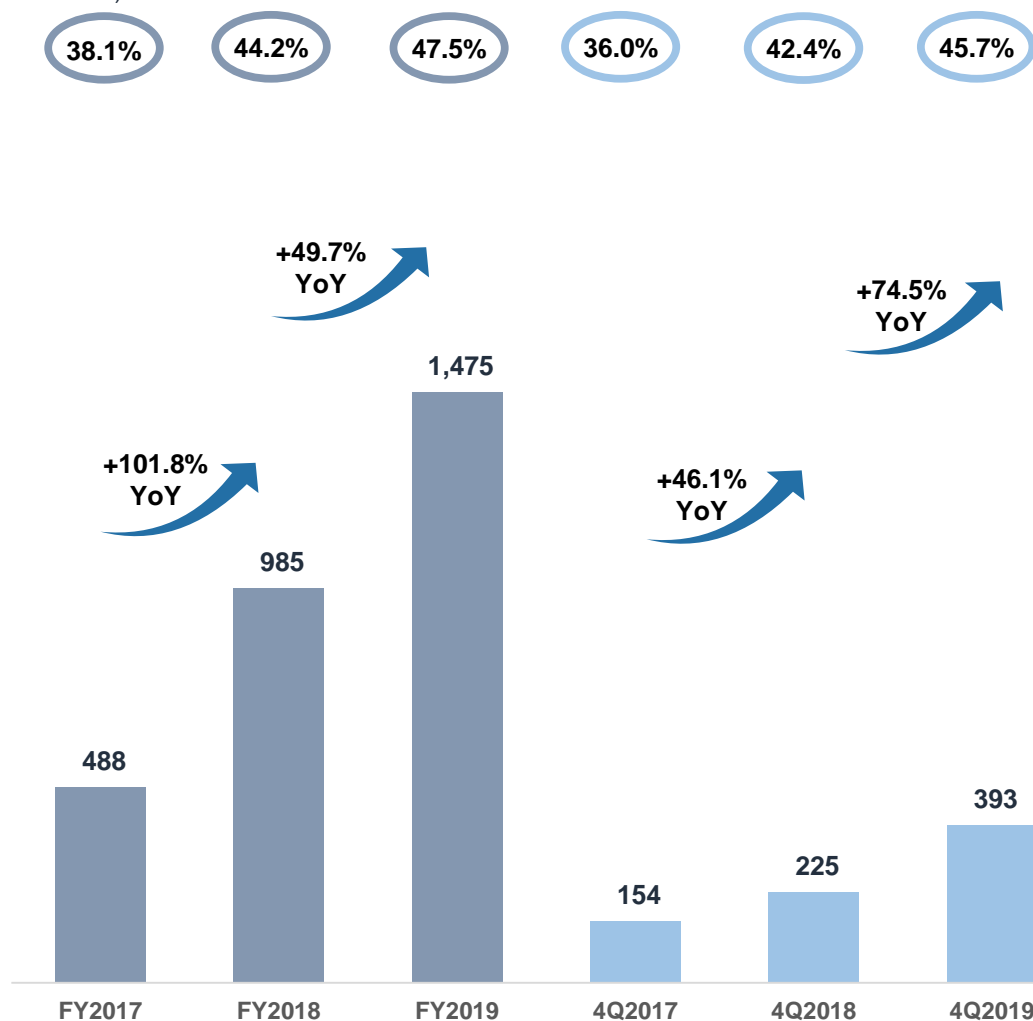
(Thousand)



Continued Growth and Improved Profitability

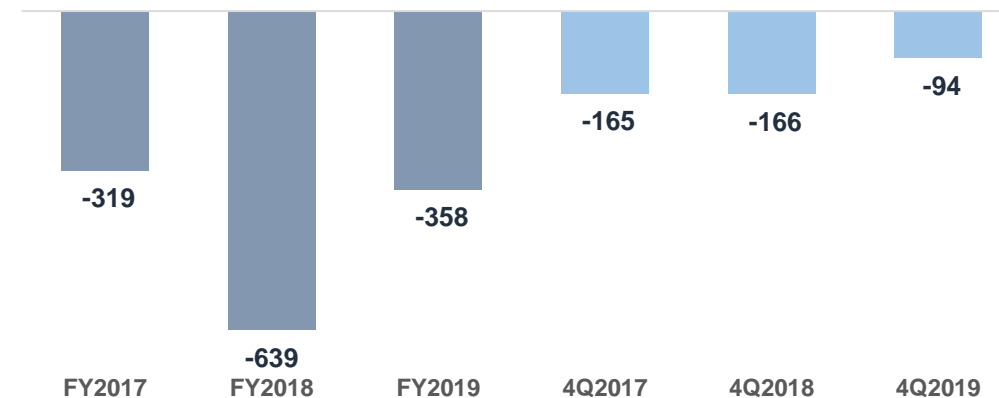
Gross Profit and Gross Margin

(RMB million)



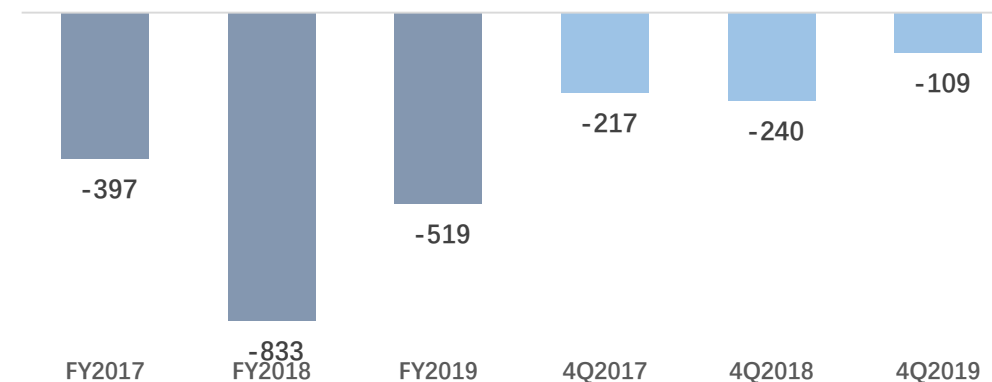
Operating Loss and Operating Margin

(RMB million)



Net Loss Attributable to Puxin Limited

(RMB million)



SECTION 2

Company Overview

Successful AST Consolidator in China

Yunlong Sha - Founder, Chairman and Chief Executive Officer

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

Peng Wang - Chief Financial Officer

- 15 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 63 acquired schools and 446 learning centers in 35 cities, Puxin became one of the largest after-school education services providers in China

- Student enrollments increased by 55.6% to 2,872,025 in 2019 from 1,846,349 in 2018.

- 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 secured
strong organic
growth**



Providing Premium K-12 and Study-Abroad Education Services

K-12 after-school tutoring

Online school and classes

Study-abroad tutoring and consulting

Pu-Xin
朴新·新课标

朴新双师

朴新网校
puxinwangxiao.com

环球教育
GEDU.org

啄木鸟教育
ZMN Education

Pu-Xin
朴新环球游学

	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	★	★				★	★

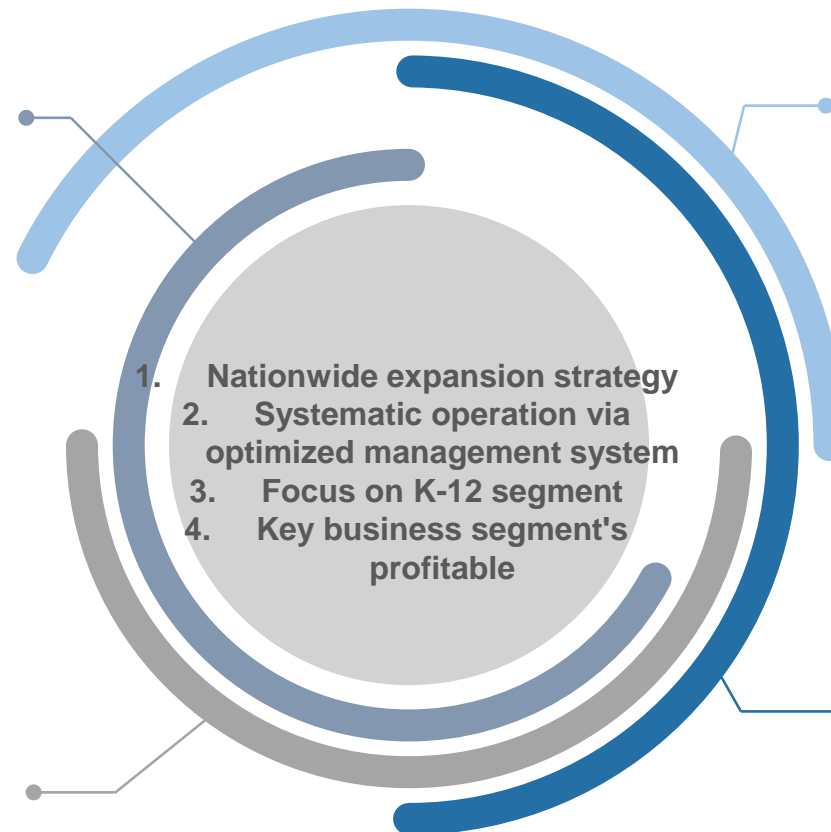
Four Characteristics of National Education Groups

446 learning centers nationwide

- Balanced revenue mix while Beijing becomes curriculum development center
- Puxin's learning centers are located in 35 cities. Puxin Beijing School serves as a benchmark for education reform in Haidian District

National adaptation of Puxin Business System which empowers schools

- Operational efficiency was improved as Puxin Business System continued to expand into lower-tier cities
- Retention rate reached 72.1% in 2019, and has exceeded 70% for three consecutive years



Long-term focus on K-12 education

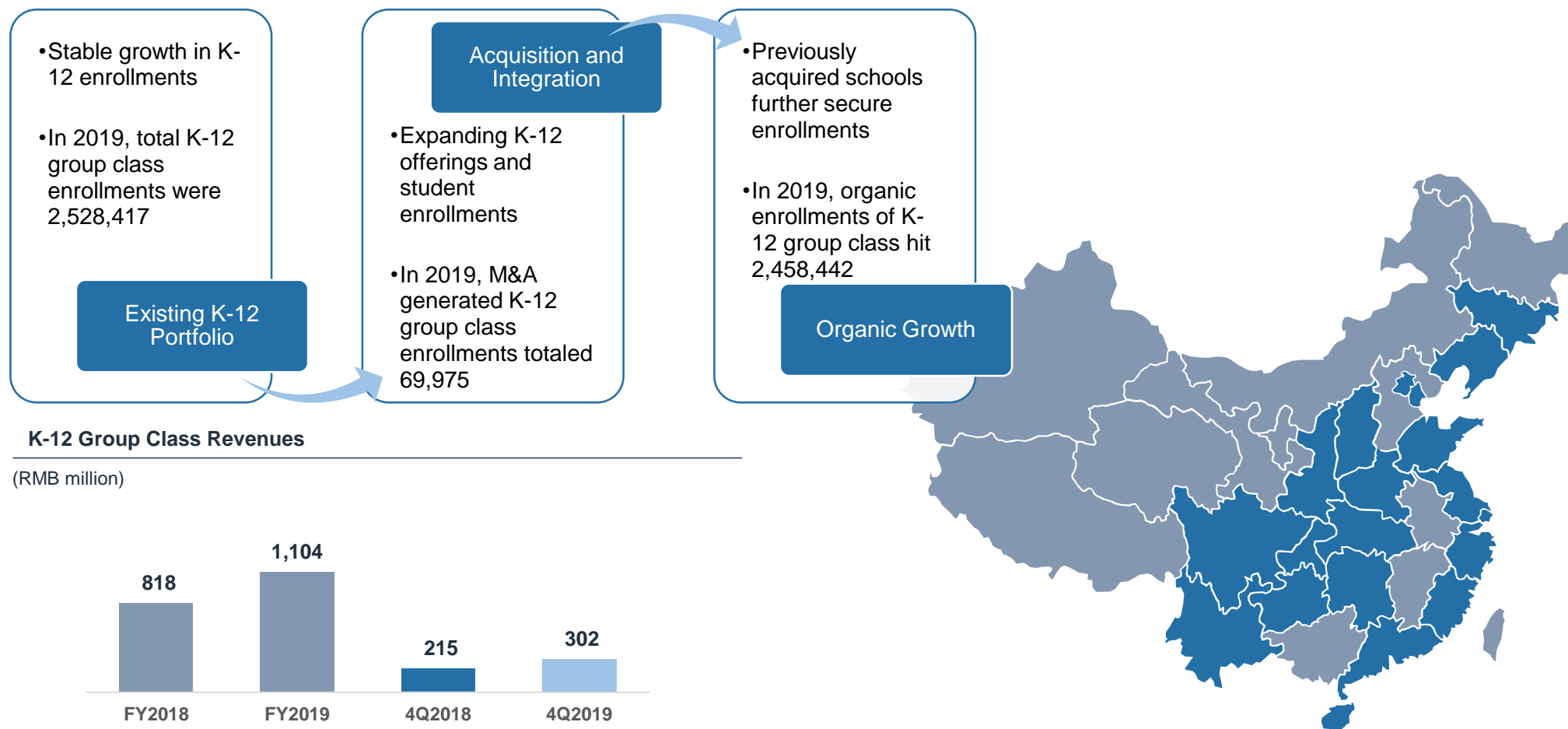
- In the fourth quarter of 2019, K-12 revenues took up 67.7% of total net revenues
- In 2019, K-12 revenues took up 62.6% of total net revenues
- In mid- to long-term, K-12 will take a bigger portion of total net revenues

Profitable K-12 education service

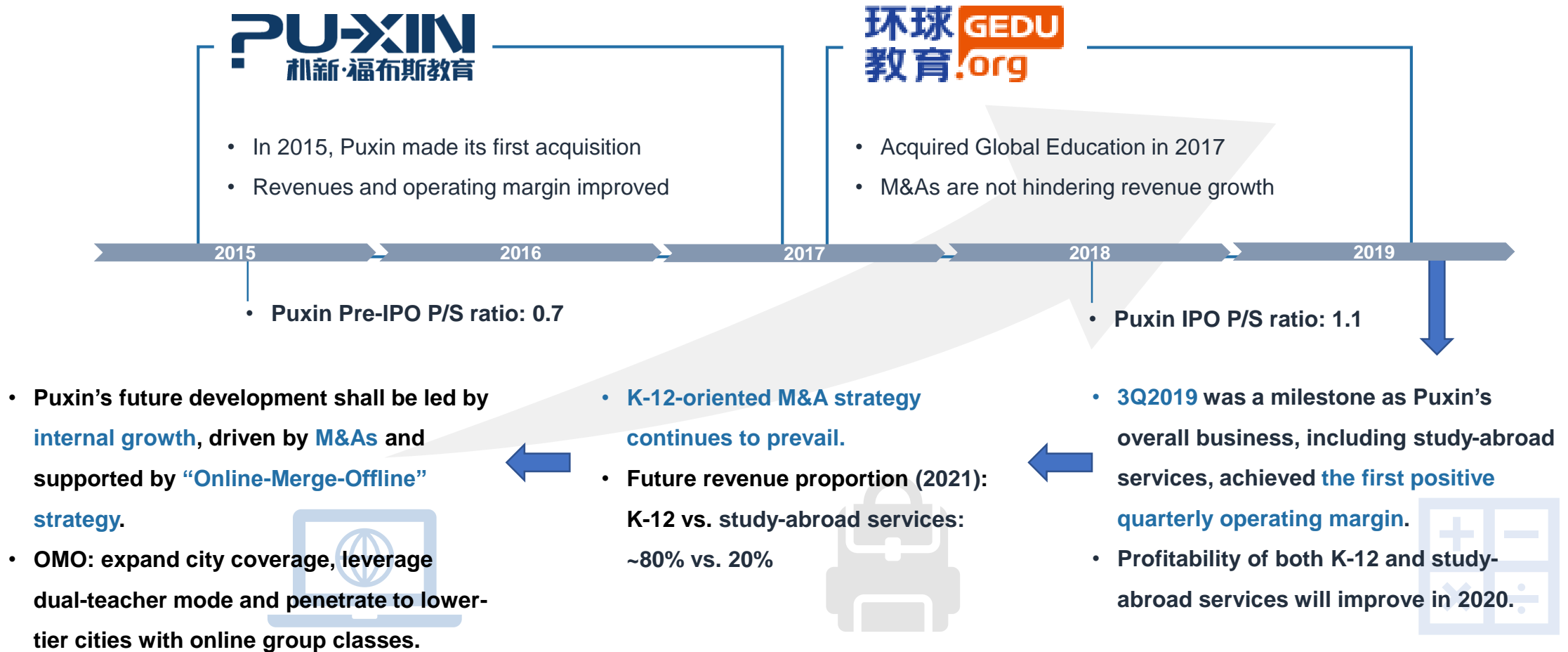
- K-12 business turned profitable in 2018 on non-GAAP basis
- In 4Q2019, excluding online classes and headquarters, operating profit of K-12 segment increased by 1664.0% YoY to RMB65.4 million
- In 2019, excluding online classes and headquarters, K-12 operating profit was RMB237.4 million, increased by 472.2% YoY

Why Puxin Ranks the 3rd in China^①

Group class is the key



Replicable and profitable M&As



Key Reasons for Puxin's Accomplishment

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.

Higher education

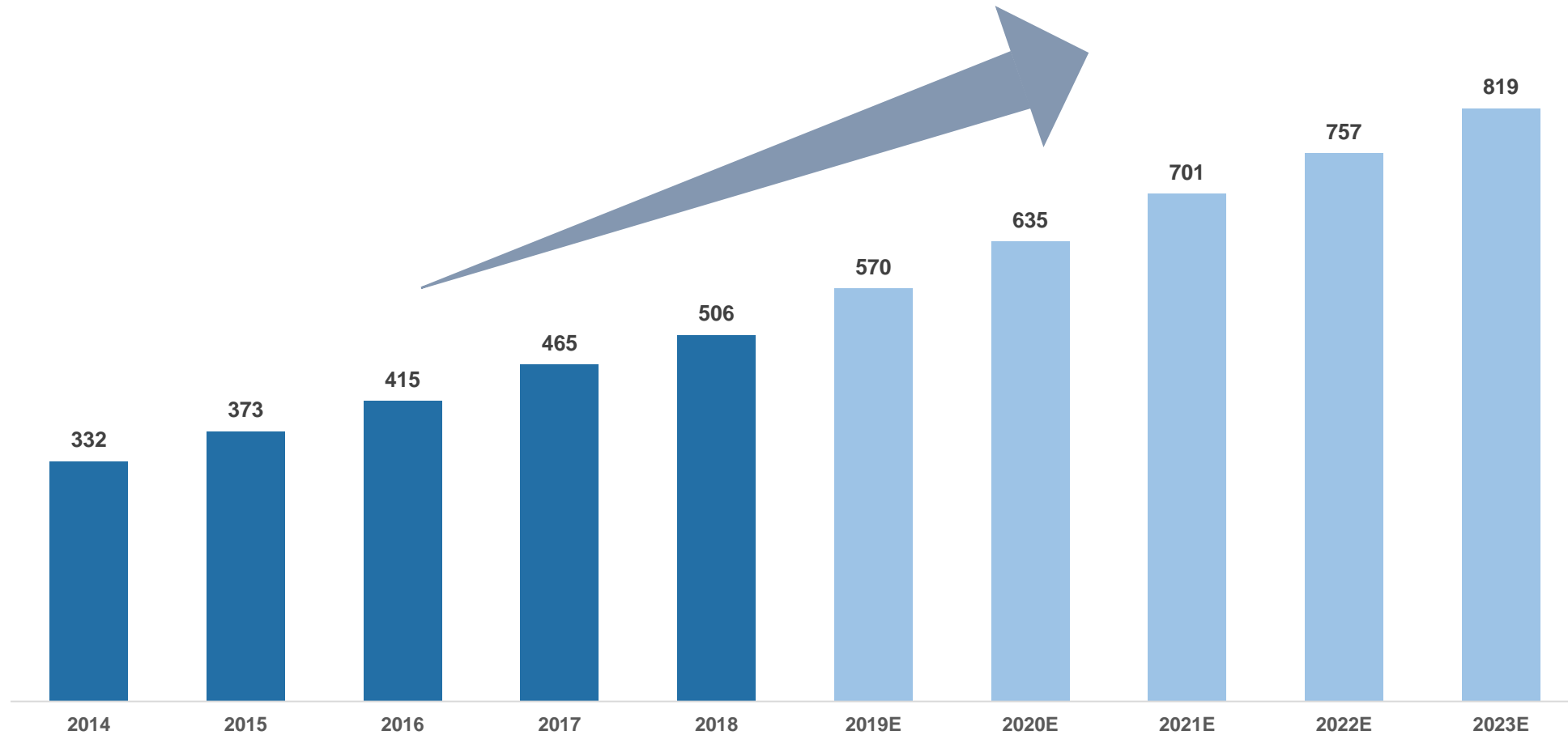


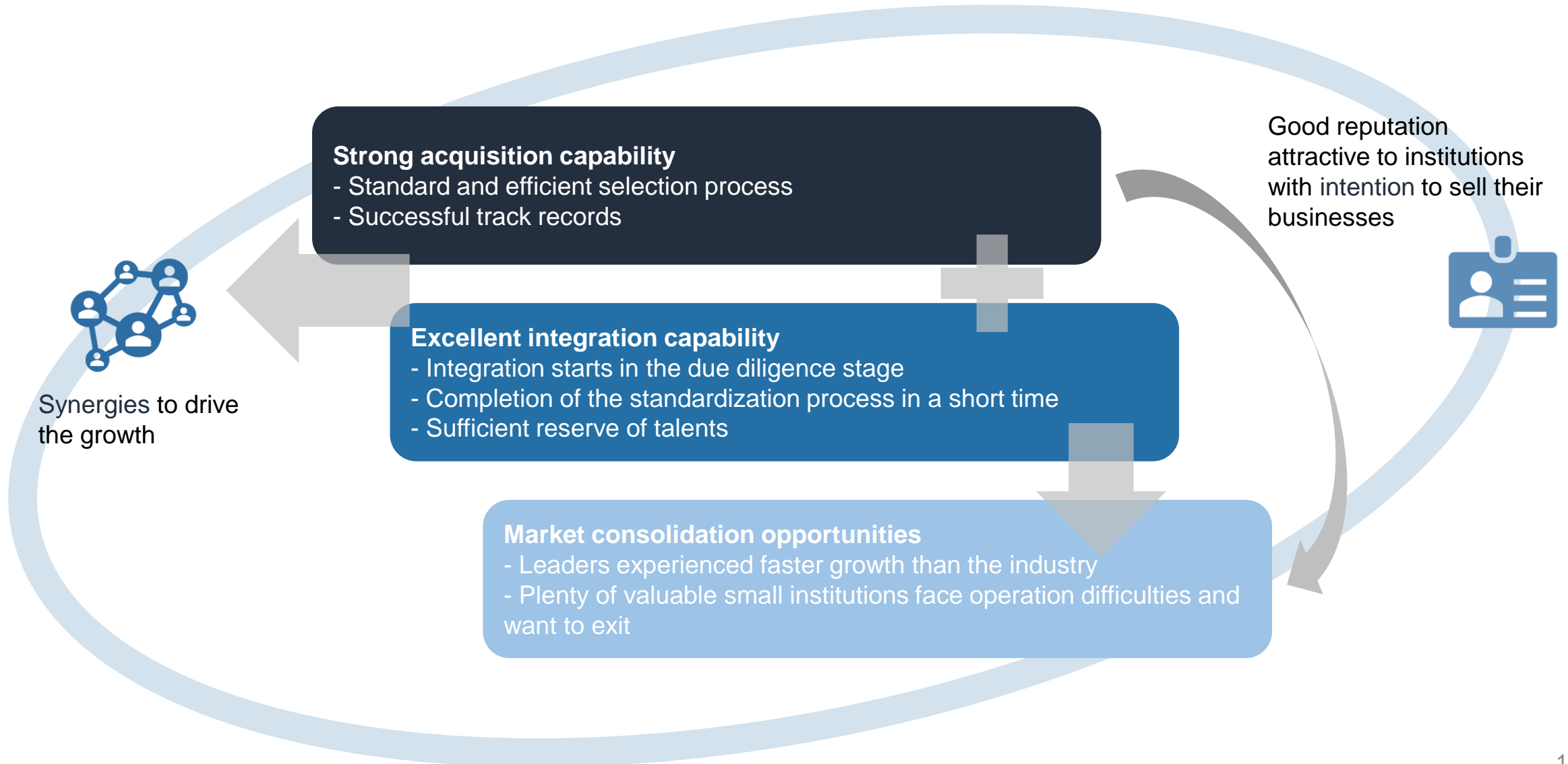
- Puxin has a minor portion of online higher education services thus the company is relatively immune to policy changes.

Puxin's Market Share and Consolidation Opportunity

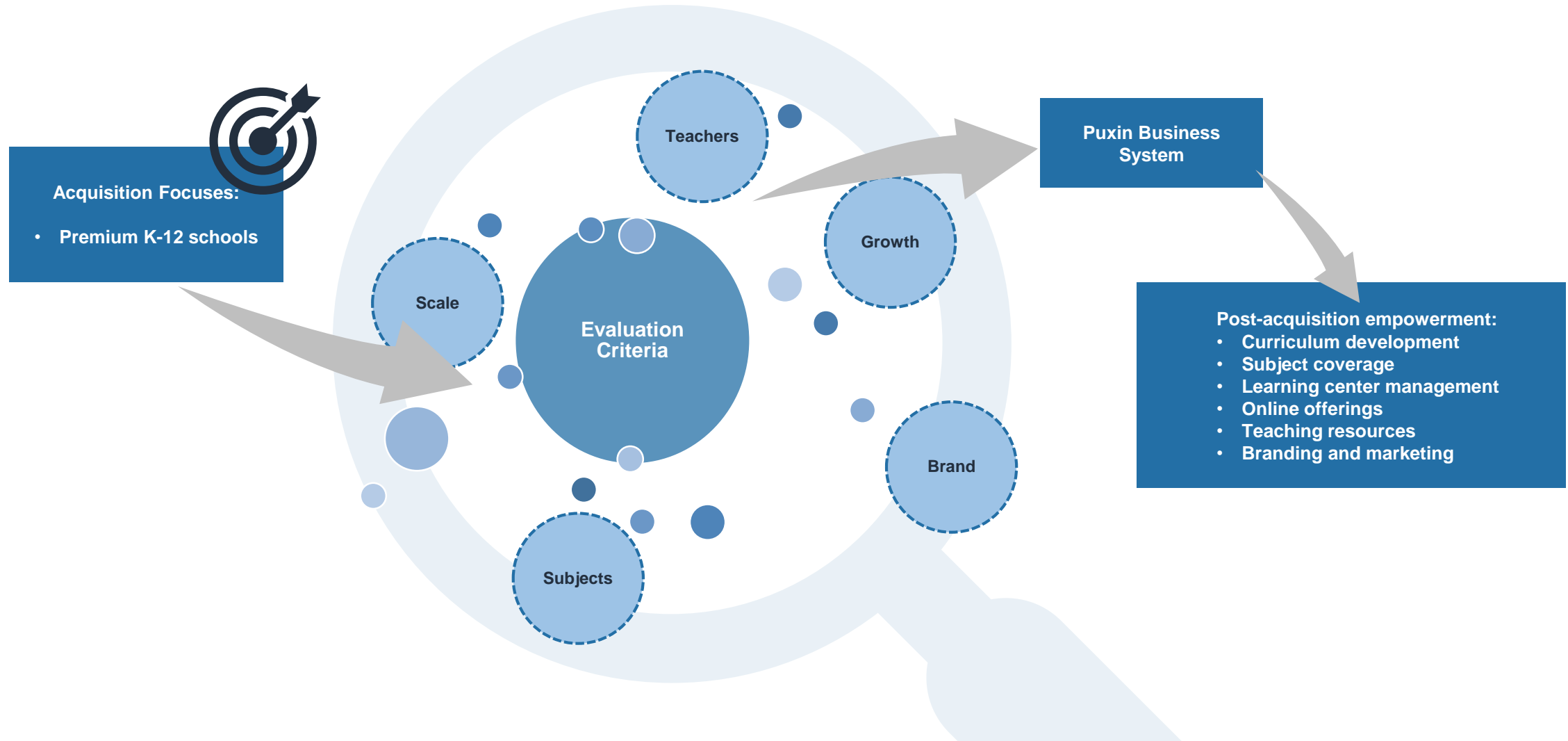
After-School K-12 Tutoring Market Size (Revenue)

(RMB billion)





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

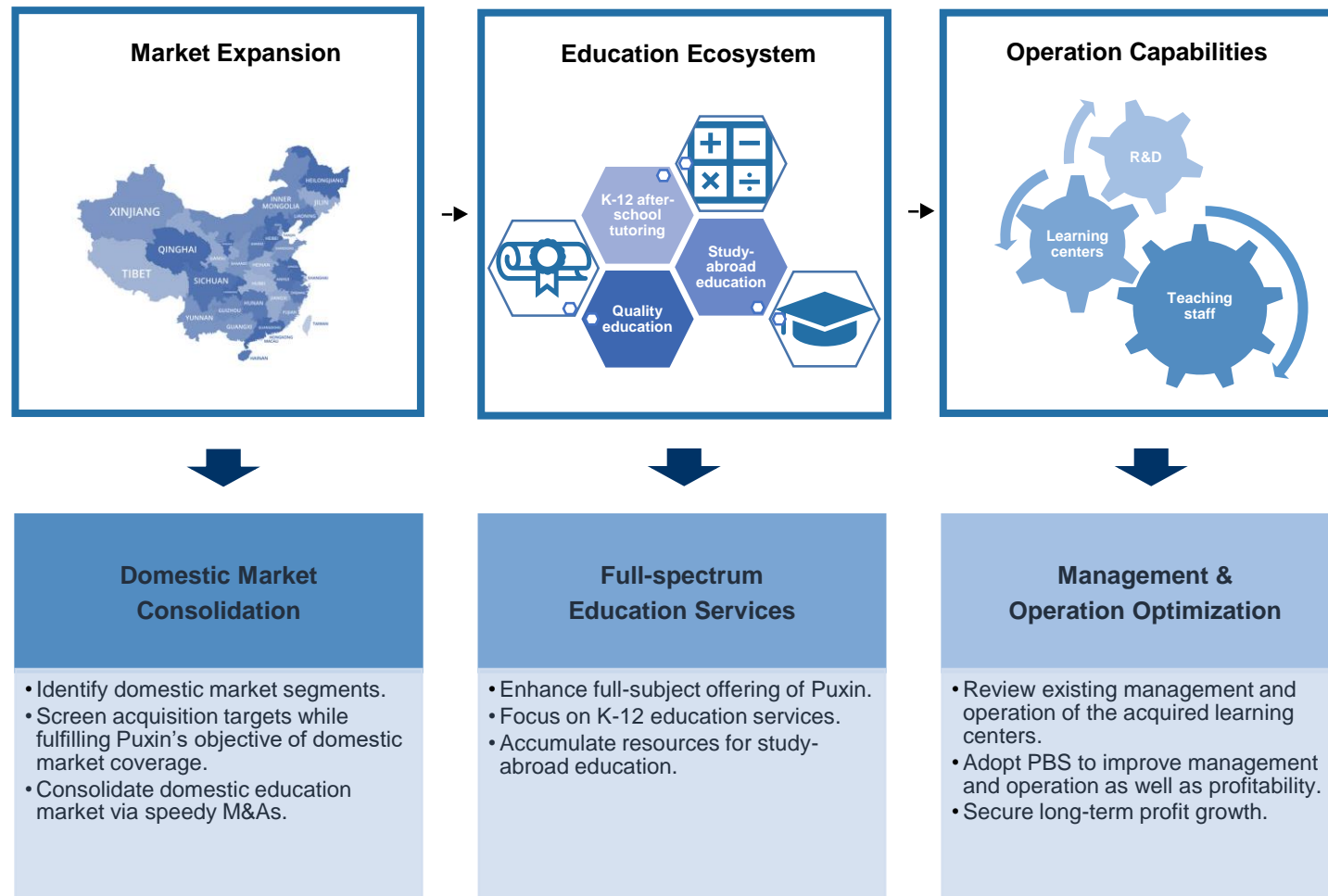
IT systems

- 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



Principal Selection Training Institute

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

PUXIAN

- Tiered talent management
- Veteran management leading new schools
- New management leading established schools

Positive Talent Development

PUYOU

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

PUXING

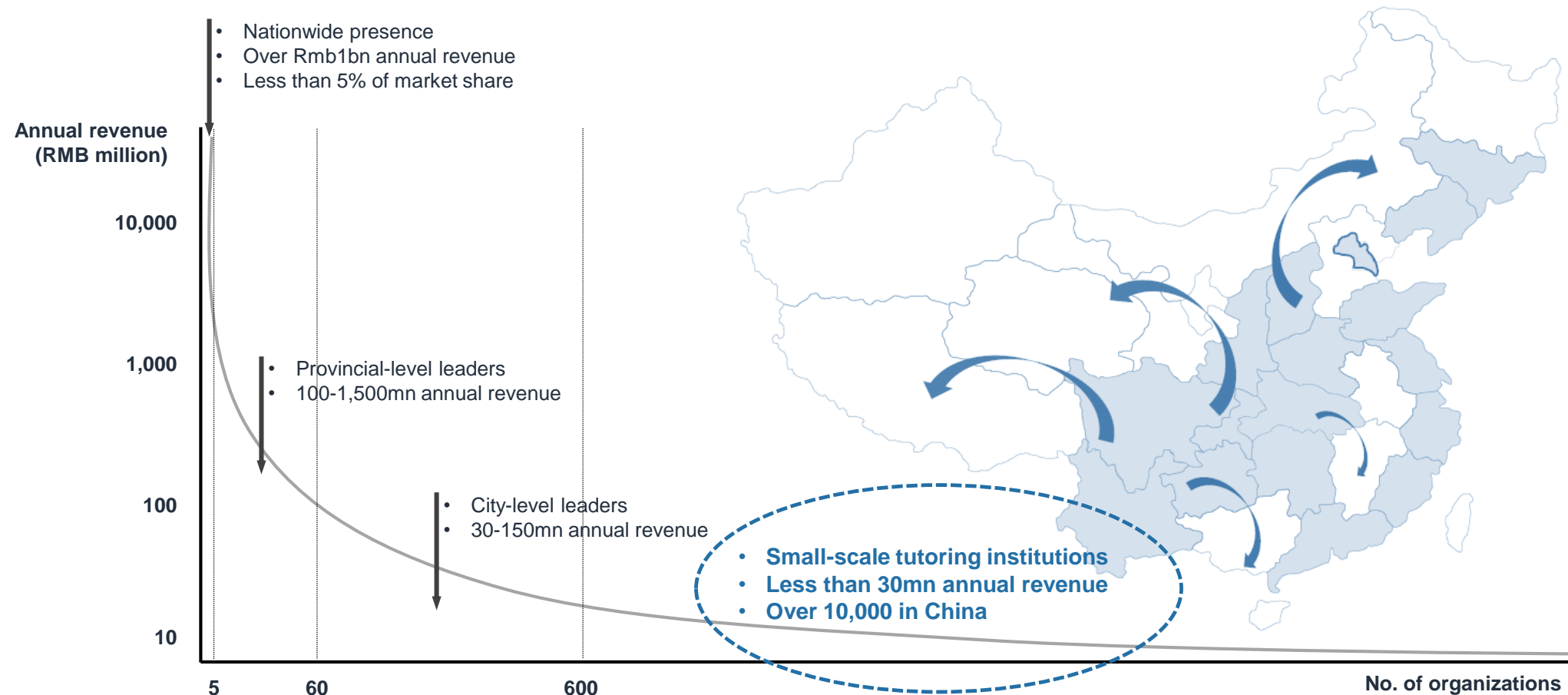
- Training for front-line staff and management trainee
- Talent exploration plan
- Selection every 3 months

SECTION 3

Market Overview

High Degree of Fragmentation Presents Opportunity

The highly fragmented market promises opportunities for consolidation



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 4

Appendix

Consolidated Balance Sheet

	As of December 31, 2018	As of December 31, 2019	
	RMB'000	RMB'000	USD'000
Current assets			
Cash and cash equivalents	778,006	256,763	36,882
Restricted cash, current portion	-	349,540	50,208
Inventories	9,659	13,311	1,912
Prepaid expenses and other current assets	128,638	117,148	16,827
Loan receivable	-	191,230	27,468
Total current assets	916,303	927,992	133,297
Non-current assets			
Restricted cash, non-current portion	40,971	36,727	5,276
Operating lease right-of-use assets	-	1,045,941	150,240
Property, plant and equipment, net	248,801	298,719	42,908
Intangible assets	218,978	264,540	37,999
Goodwill	1,243,817	2,055,922	295,315
Deferred tax assets	3,456	2,199	316
Rental deposit	64,693	75,015	10,775
Total non-current assets	1,820,716	3,779,063	542,829
Total assets	2,737,019	4,707,055	676,126
Liabilities and shareholders' liabilities			
Current liabilities			
Accrued expenses and other current liabilities	436,123	983,715	141,302
Income taxes payable	15,755	21,248	3,052
Deferred revenues, current portion	876,861	1,205,609	173,175
Operating lease liabilities, current portion	-	276,877	39,771
Amounts due to related parties	54,493	1,451	208
Bank borrowings	106,600	318,600	45,764
Loans payable to third parties	79,500	413,838	59,444
Promissory notes, current portion	361,888	87,023	12,500
Total current liabilities	1,931,220	3,088,361	475,216

Consolidated Balance Sheet (Cont'd)

	As of December 31, 2018	As of December 31, 2019	
	RMB'000	RMB'000	USD'000
Non-current liabilities			
Deferred revenue, non-current portion	121,191	101,372	14,561
Operating lease liabilities, non-current portion	-	693,505	99,616
Deferred tax liabilities	71,031	81,969	11,774
Franchise deposits	1,763	2,533	364
Derivative liabilities	63,942	172,235	24,740
Promissory note, non-current portion	-	87,022	12,500
Total non-current liabilities	257,927	1,138,636	163,555
Total liabilities	2,189,147	4,446,997	638,771
Shareholders' equity:			
Ordinary shares	62	62	9
Additional paid-in capital	1,944,325	2,175,652	312,513
Statutory reserve	4,595	7,979	1,146
Accumulated other comprehensive income	68,214	68,707	9,869
Accumulated deficits	(1,469,303)	(1,991,220)	(286,021)
Total Puxin Limited shareholders' equity	547,893	261,180	37,516
Non-controlling interests	(21)	(1,122)	(161)
TOTAL SHAREHOLDERS' EQUITY	547,872	260,058	37,355
TOTAL LIABILITIES AND TOTAL SHAREHOLDERS' EQUITY	2,737,019	4,707,055	676,126

Consolidated Income Statement

	4Q2018	4Q2019	
	RMB'000	RMB'000	USD'000
Net revenues	531,441	859,319	123,433
Cost of revenues	306,235	466,439	67,000
Gross profit	225,206	392,880	56,433
Operating expenses:			
Selling expenses	236,125	314,621	45,192
General and administrative expenses	155,011	172,098	24,720
Total operating expenses	391,136	486,719	69,912
Operating loss	(165,930)	(93,839)	(13,479)
Interest expense	32,049	17,159	2,465
Interest income	1,124	13,707	1,969
Loss on changes in fair value of convertible notes, derivative liabilities and warrants	35,620	6,622	951
Loss before income taxes	(232,475)	(103,913)	(14,926)
Income tax expenses	7,275	6,084	874
Net loss	(239,750)	(109,997)	(15,800)
Less: Net loss attributable to non-controlling interest	(10)	(1,169)	(168)
Net loss attributable to Puxin Limited	(239,740)	(108,828)	(15,632)
Net loss per ADS attributable to Puxin Limited, Basic and diluted*	(2.92)	(1.26)	(0.18)
Weighted average shares used in calculating net loss per share – Basic	164,121,416	173,989,979	173,989,979
Weighted average shares used in calculating net loss per share – Diluted	164,121,416	173,989,979	173,989,979

*: Each ADS represents two ordinary shares.

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

Consolidated Income Statement

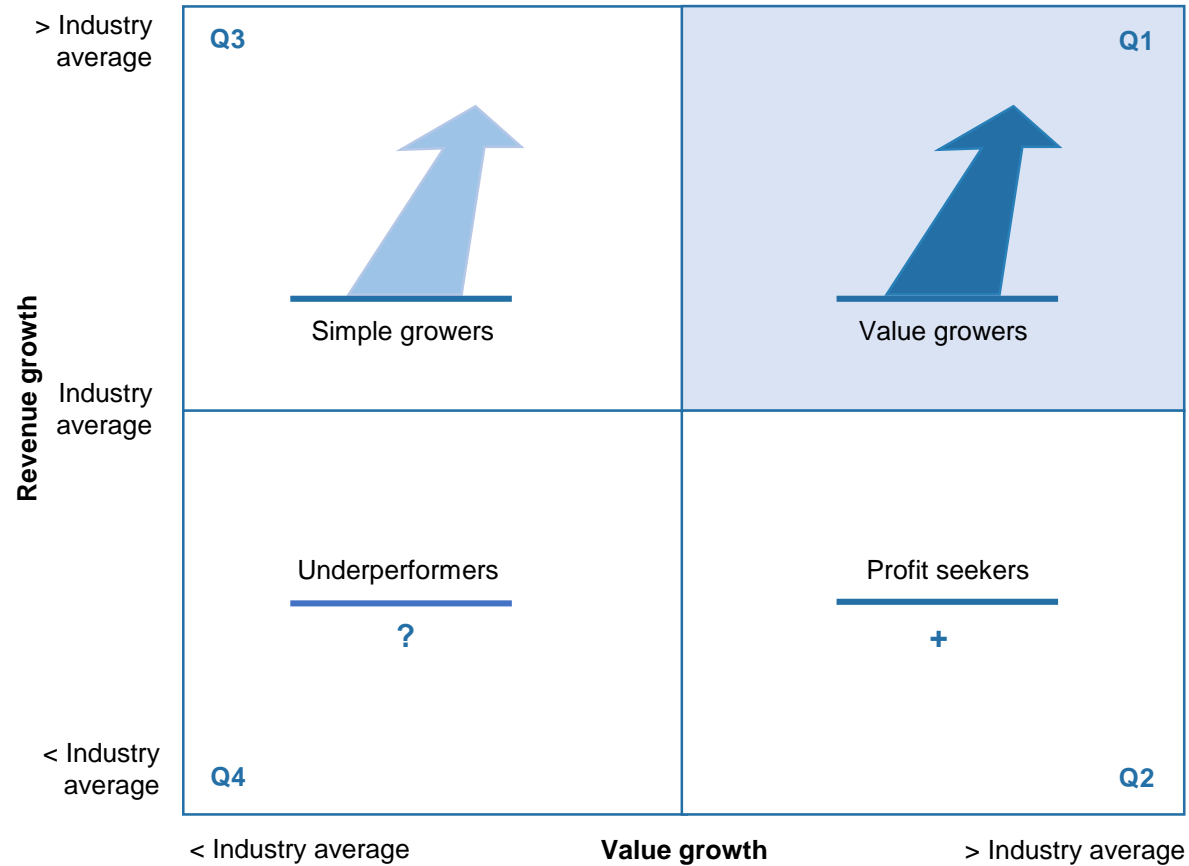
	FY2018	FY2019	
	RMB'000	RMB'000	USD'000
Net revenues	2,228,117	3,103,958	445,856
Cost of revenues	1,242,889	1,629,447	234,055
Gross profit	985,228	1,474,511	211,801
Operating expenses:			
Selling expenses	848,088	1,083,795	155,677
General and administrative expenses	775,883	748,259	107,481
Total operating expenses	1,623,971	1,832,054	263,158
Operating loss	(638,743)	(357,543)	(51,357)
Interest expense	59,522	70,856	10,178
Interest income	2,826	25,542	3,669
Loss on changes in fair value of convertible notes, derivative liabilities and warrants	131,748	104,589	15,023
Loss on extinguishment of convertible notes	900	-	-
Loss before income taxes	(828,087)	(507,446)	(72,889)
Income tax expenses	5,322	12,188	1,751
Net loss	(833,409)	(519,634)	(74,640)
Less: Net income (loss) attributable to non-controlling interest	2	(1,101)	(158)
Net loss attributable to Puxin Limited	(833,411)	(518,533)	(74,482)
Net loss per ADS attributable to Puxin Limited, Basic and diluted*	(11.56)	(6.06)	(0.88)
Weighted average shares used in calculating net loss per share – Basic	144,157,947	170,903,317	170,903,317
Weighted average shares used in calculating net loss per share – Diluted	144,157,947	170,903,317	170,903,317

*: Each ADS represents two ordinary shares.

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

The Strategic Investment Approach and Rapid Strategic Investments

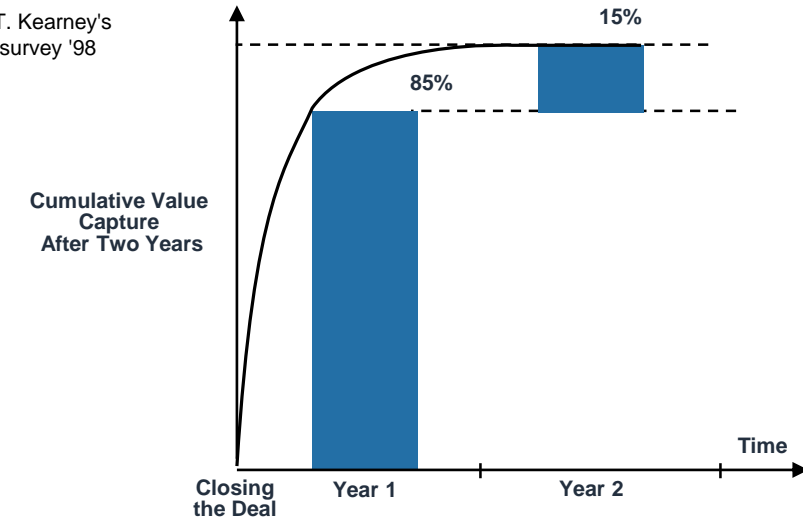
The A.T. Kearney growth matrix



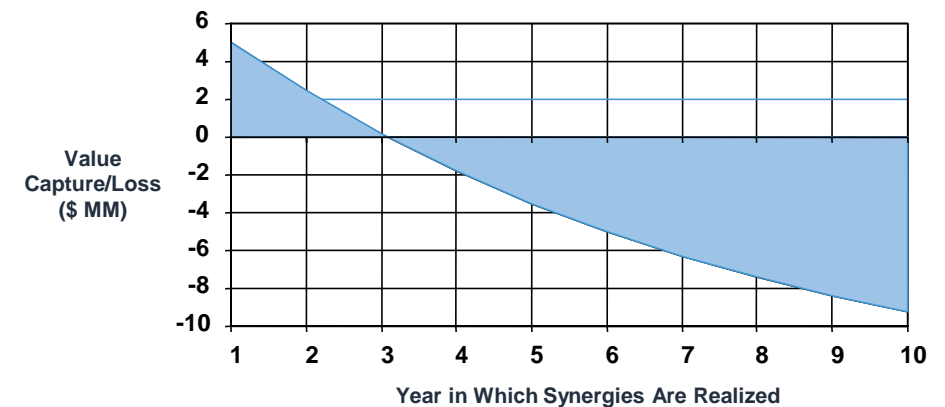
Note: Value growth: Measured as adjusted market capitalization growth = market capitalization growth adjusted for change in equity. Source: James McGrath, Fritz Kroeger, et al, "The Value Growers," (New York: McGraw-Hill), 2000.

Value Capture of Top Performers Over Time

Source: A.T. Kearney's global PMI survey '98



Timing of Synergy Realization Is Also Critical



Source: The Synergy Trap by Marl L Sirower. Calculated based on a \$10MM acquisition premium, representing 50% of market value.

(RMB million)

Net Revenue	2018H1	2019H1	H/H
School A	11,955	16,248	35.9%
School B	26,237	34,250	30.5%
School C	26,393	33,019	25.1%
School D	22,448	29,366	30.8%
School E	12,005	16,371	36.4%
School F	30,312	48,707	60.7%

Operating Margin	2018H1	2019H1	H/H
School A	-828	1,495	280.6%
School B	7,858	12,388	57.6%
School C	88	6,362	7129.5%
School D	2,575	7,901	206.8%
School E	1,820	5,317	192.1%
School F	-998	5,435	644.6%

T H A N K Y O U !