



51Talk

China Online Education Group NYSE | COE Management Presentation



Second Quarter 2021

Important Information



This presentation contains forward-looking statements, including statements about the Company’s business and financial outlook, strategy and market opportunity, and statements about the Company’s historical results that may suggest trends for its business. All statements, other than statements of historical facts, contained in this presentation, including statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans and objectives of management, are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements are forward-looking statements within the meaning of the U.S. securities laws. These forward-looking statements are made only, and are based on estimates and information available to the Company, as of the date of this presentation, and are not guarantees of future performance. These forward-looking statements are based on a number of assumptions which are subject to known and unknown risks, uncertainties and other factors that are beyond the Company’s control, such as the political, social, legal and economic environment in which the Company will operate in the future. Accordingly, actual results, performance or achievements may differ materially from those expressed or implied by these forward-looking statements and future results could materially differ from historical performance. The information presented or contained in these materials is as of the date hereof and is subject to change without notice and its accuracy, fairness or completeness is not guaranteed. The Company undertakes no obligation to update or revise these forward-looking statements for events or circumstances that occur subsequent to the date of this presentation.

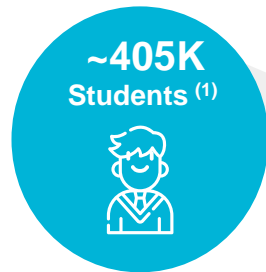
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I. Company Overview

We are a Leading Online English Learning Platform Connecting Students with High Quality and Affordable English Language Education



Our Value Propositions

Engaging learning experience tailored for every need

Access to highly effective foreign teachers

Highly affordable

Accessible anytime, anywhere



Our Value Propositions

Competitive compensation

Flexible working hours and locations

Sense of personal achievement

Notes:

1. Active students in 2Q21. "Active students" for a specified period refers to students who booked at least one paid lesson, excluding those students who only attended paid live broadcasting lessons or trial lessons. A lesson is considered "booked" when it is taken or when the student to such lesson is confirmed absent
2. As of June 30, 2021

Our Key Product Offerings



INTERACTIVE LIVE STREAMING CURRICULUM



SMALL-GROUP AND 1X1 CLASSES



ENGAGEMENT WITH EXPERIENCED TEACHERS



COMPREHENSIVE TESTING AND ASSESSMENT

	Brand	Target Student Demographic	Format	Teachers	Pricing	% of Total Revenue in 2Q21
K-12 Offering	All-Round Proficiency Course	Chinese K-12 Mass Market	Small Class	Chinese	~RMB40/25mins	N/A
		International Mass Market	1x1	Filipino	~RMB40/25mins	92.2% 27.9% YoY growth
Adult Offerings	Worry-Free English ⁽¹⁾	Chinese Adult Mass Market	1x1	Filipino	~RMB40/25mins	3.9%

Notes:
1. Branded as *WuYouYingYu*, an adult English learning program

We Focus on Providing Quality English Training



Why **1x1**



Interactive, Engaging and Highly Effective

Why **Online**



**Access Anytime, Anywhere
Rapid Scaling without Need for Physical Infrastructure**

Why **Filipino Teachers**



Native-level English Proficiency with Meaningful Cost Benefits

Why **Chinese Teachers**



**Understand Chinese Students
Familiarity with Chinese Education System**

Well-Positioned to Tackle Immense Opportunity in Non-Tier-One City Market

China K-12 After-School Education Market Size ⁽¹⁾

City Tier	K-12 Student Population	Per Capita Disposal Income	COE's Average Package Size
Tier-1	5.9MM	US\$84.6K	US\$1.1K ⁽³⁾
Tier-2	33.2MM	US\$53.7K	
Tier-3+	170.5MM	US\$31.0K	

Non-tier-one City Market



Strong and recognizable brand versus peers

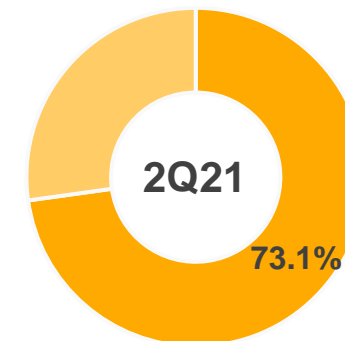


Affordable price points given disposable income levels



Quality education with foreign teachers

Non-tier-one Cities as % of K-12 1x1 Mass-Market Gross Billings ⁽²⁾



■ Non-tier-one ■ Tier-one

Notes:

1. China Insights Consultancy Research, UBS Evidence Lab; Tier 1 cities refer Beijing, Shanghai, Guangzhou, and Shenzhen; Tier 2 cities refer to all the capital cities in mainland China except for Guangzhou, and some prefecture-level cities namely Tianjin, Chongqing, Xiamen, Wuxi, Suzhou, Ningbo, Tangshan, Dalian, Qingdao, Yantai, Foshan, Dongguan, Quanzhou, Wenzhou; Tier 3 cities refer to all other prefecture-level cities except for Tier 1 and Tier 2 cities; Tier 4 cities refer to all other cities in mainland China

2. Tier-one cities refers to Beijing, Shanghai, Guangzhou, Shenzhen and Tianjin, and non-tier-one cities refers to cities in China other than tier-one cities

3. For 2021, calculated using the total gross billings divided by the number of paying students

Our Strong Brand and User Engagement Drives Growth



Strong and recognized brand



High quality experience promotes retention and referral



Engaging experience encourages lesson consumption driving growth



Outstanding 51Talk Students



75.0%
Retention Rate ⁽¹⁾



62.6%
Referral Rate ⁽²⁾

Notes:

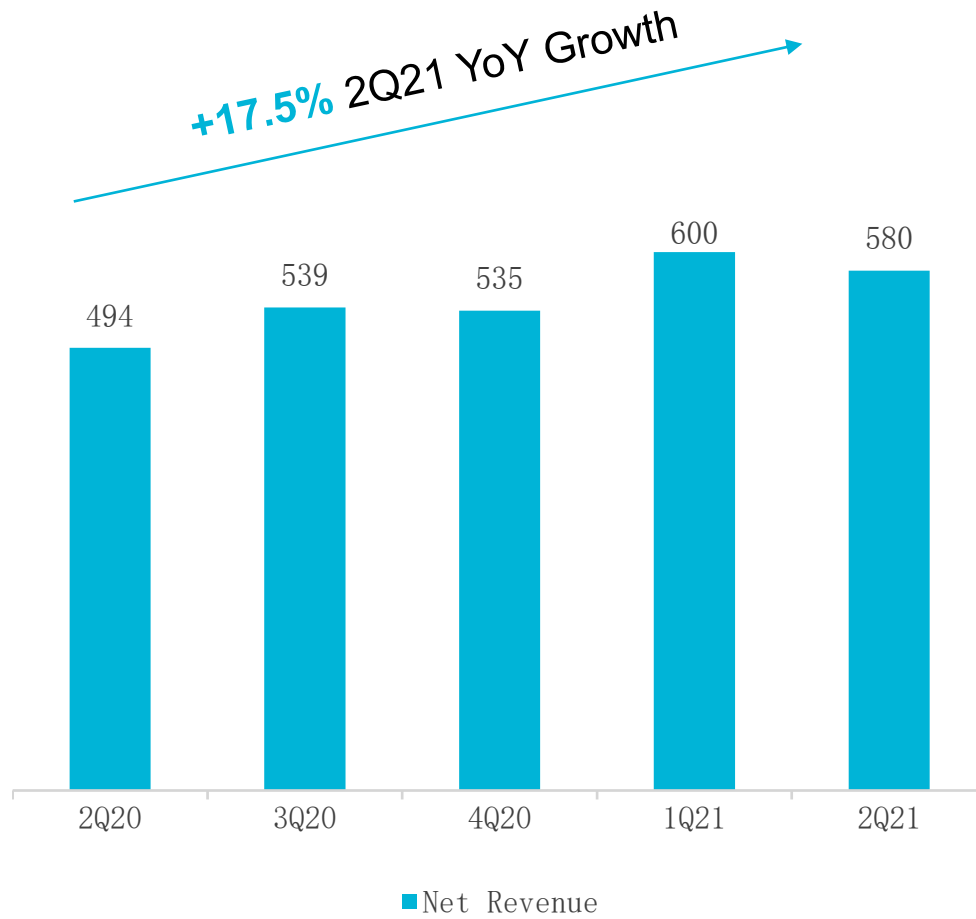
- 1. During 2Q 2021, K-12 retention rate
- 2. During 2Q 2021, K-12 referral rate.

Robust and Continued Topline Growth Driven by Active Students

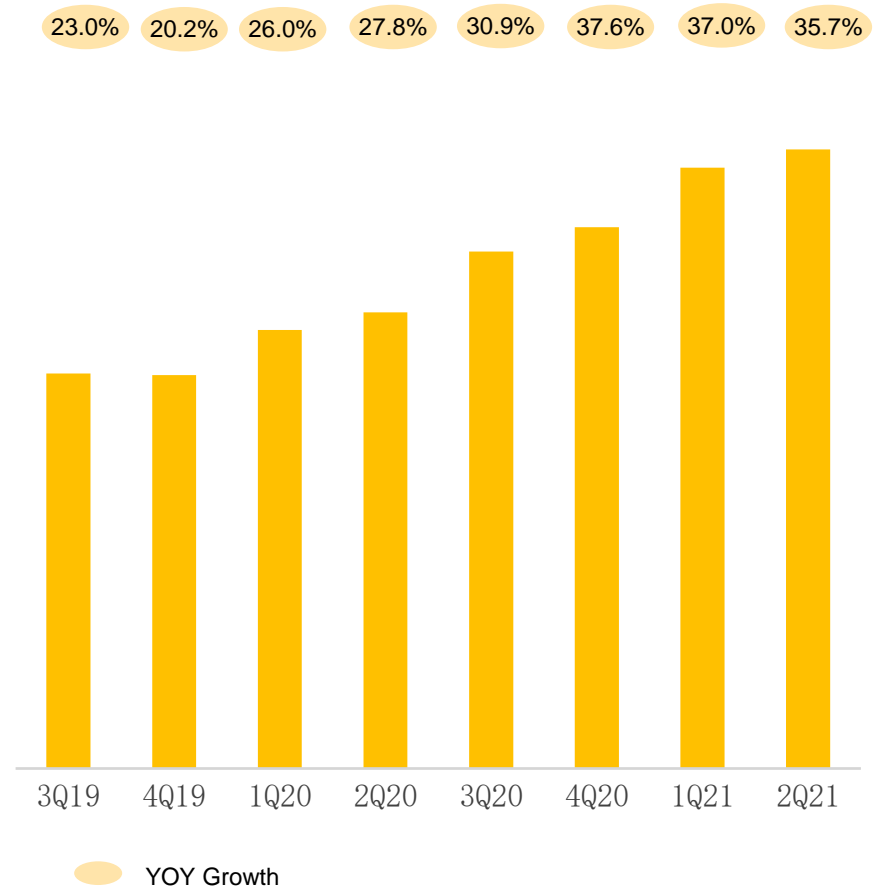


Net Revenues

(RMB million)



Active Students



The Launch of the All-Round Proficiency Course in Q3



AI Preview (25 minutes)

Preview before class

Multiple interactions

Chinese Teacher Small Class (Two 25-min sessions with a 10-min break)

Small class lecture

Fixed teacher

Play and learn with peers

AI Reading Class (25 minutes)

Reading under guidance

Interactive evaluation

Self-study without parental supervision

1V1 AI Preview

25-minute session, once a week, 40 weeks per level

1V8 Chinese Teacher Small Class

Two 25-minute sessions back-to-back with a 10-minute break, once a week, 40 weeks per level

1V1 AI Reading

25-minute reading session with a virtual foreign teacher, once a week, 40 weeks per level

Counselors in Student Wechat Group

Around-the-clock helps from Chinese teaching assistants



Fixed Classmates



Fixed Teachers



Fixed Time

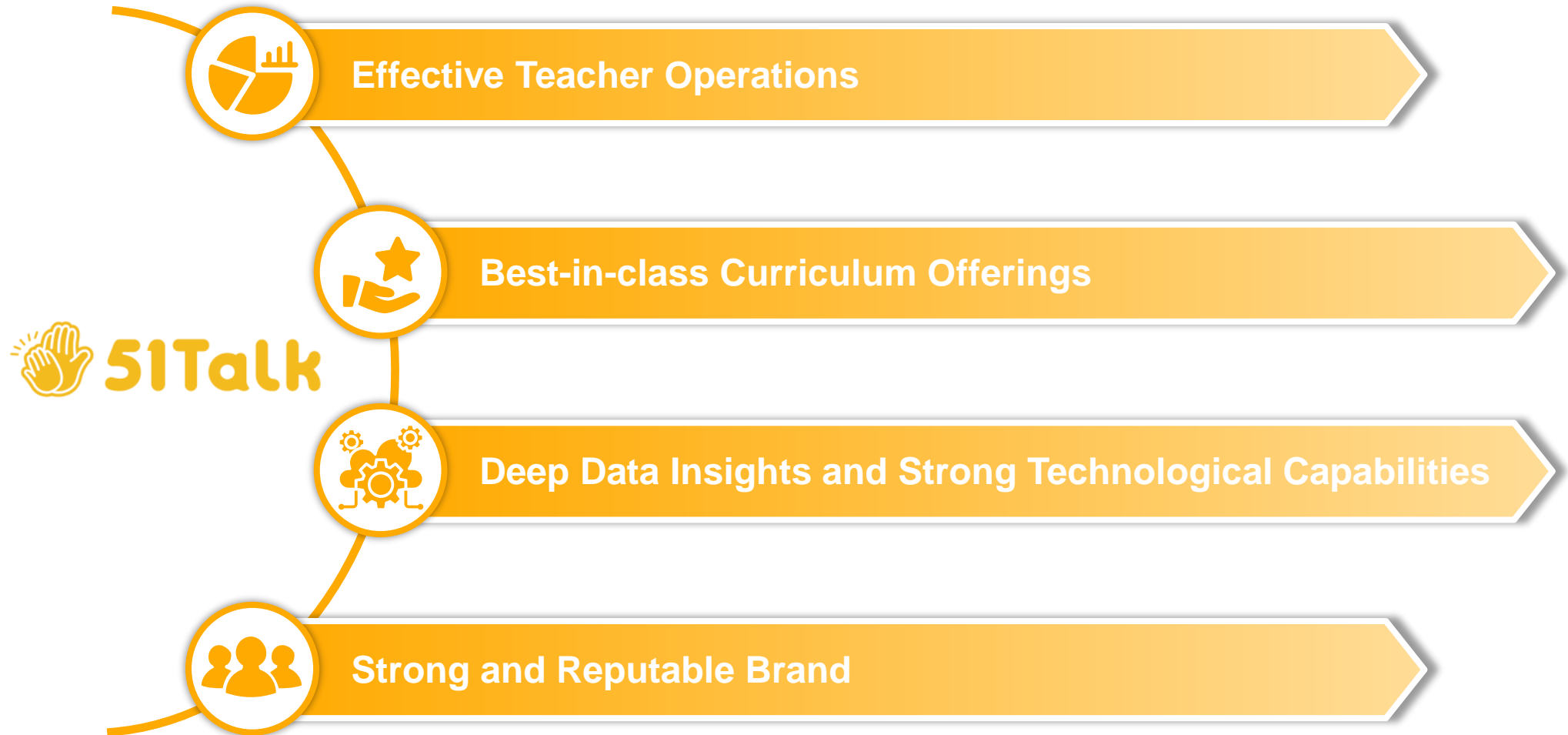
Play and learn

Live teaching combined with AI interaction

Sophisticated curriculum with more than 10 years' track record



II. Competitive Advantages



Systematic Sourcing of Foreign Teachers Ensures Best-in-class English Immersion Learning

Best Brand Amongst Instructors

- **~33K Teachers** as of June 30, 2021
- High referral rate of **50%**
- Established presence with Manila central office for teacher operations **since 2012**
- **Large pool** of teacher candidates

Rigorous Recruitment System

- **~ 4%** acceptance rate reflects high standards for intake
- **100%** of the teachers have TESOL certificates
- **Native-level** English proficiency

Philippines Teachers' Clubs

- **+1,160** clubs
- Enhance teacher engagement, promote referrals, strengthen brand awareness

6 School Partnerships

- **6 Colleges in the Philippines**
- Conduct webinars and trainings to increase understanding of online teaching as a profession; provide job opportunities

Teacher Training Centers in the Philippines



Philippines Teachers' Clubs

- Over 1,160 51Talk teacher clubs in the Philippines
- Clubs for teachers living in the same area – multiple benefits:



Enhance
Teacher
Engagement



Strengthen
Brand
Awareness

Promote
Referrals



Proprietary Curriculum Development Capabilities

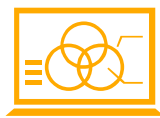
Our Curriculum Design Philosophy



11-level K-12 Courses Based on Proficiency



Integrated Interactive Learning Materials



Animation and Gamification

Systematic Curriculum Development



~100 Dedicated Course Content Development Professionals⁽¹⁾

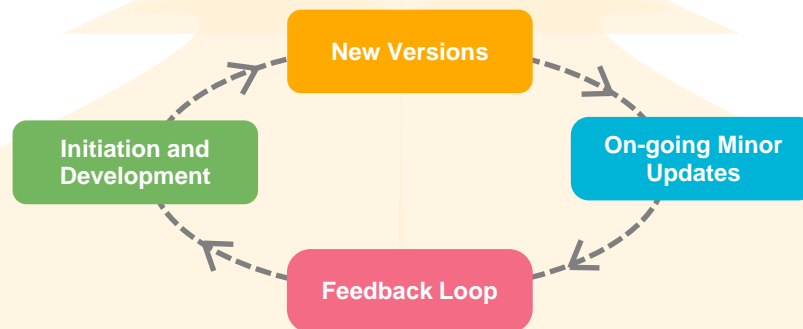


CEFR Standards⁽²⁾



Tailored and Immersive

Virtuous Feedback Cycle for Continuous Improvement



Notes:

1. As of June 30, 2021

2. CEFR refers to Common European Framework of Reference for Languages

Ongoing Investment in Technology to Optimize Class Quality and Student Experience

Technologies Support Learning Experience



Optimized streaming technologies supporting smooth learning experience

- Adaptive adjustment for audio and video quality
- Scalable video coding technology
- Dedicated VPN lines & optimized network topology across countries



Facial recognition based

- Virtual make-up
- Background superimposition



AI based

- Speech and gesture recognition
- Voice speed detection
- Background noise reduction
- Pronunciation correction

Technologies Enable Interactive Curriculum



Interactive

- Prompt interactive features backed by strong technology
- Animated in-class reward mechanism
- Constant feedback collected to develop better curriculum

Technologies Improve Business Operation



Accurate matching and behavior based suggestions

- Match students with suitable teachers for optimized learning outcome
- Analyze student behavior and provide personalized learning experience

Strong Brand in the Philippines



The screenshot shows the 51Talk website interface. At the top left, the 51Talk logo is displayed with the tagline 'Teach at home' and the stock ticker 'NYSE:COE'. Navigation links for 'Teach with 51Talk', 'About', 'FAQs', 'Blogs', 'TPCAP', 'Sign In', and 'Sign Up' are visible. The main content area is split into two sections. On the left, a yellow banner features the headline 'ACE COMPANY, TEACH FREELY.' and a list of bullet points: 'Publicly-listed in the New York Stock Exchange (NYSE:COE)', 'More than 30,000 home-based English teachers', and 'Earn up to Php200 per hour'. Below this is a 'Join us! #proudly51Talk' call to action and a testimonial from Maine Mendoza, a 51Talk Guest Teacher, with her signature and name. On the right, a blue sign-up form titled 'Sign up to teach!' includes fields for 'Name' (First Name and Surname), 'E-Mail Address' (john.doe@domain.com), 'Mobile Number' (091-2345-6789), and 'Password'. A yellow button at the bottom of the form says 'START EARNING FROM HOME NOW!' with a right-pointing arrow. A chat icon with a notification bubble is in the bottom right corner.

Our Brand Ambassador and 51Talk Guest Teacher Maine Mendoza

Reputable Brand in China



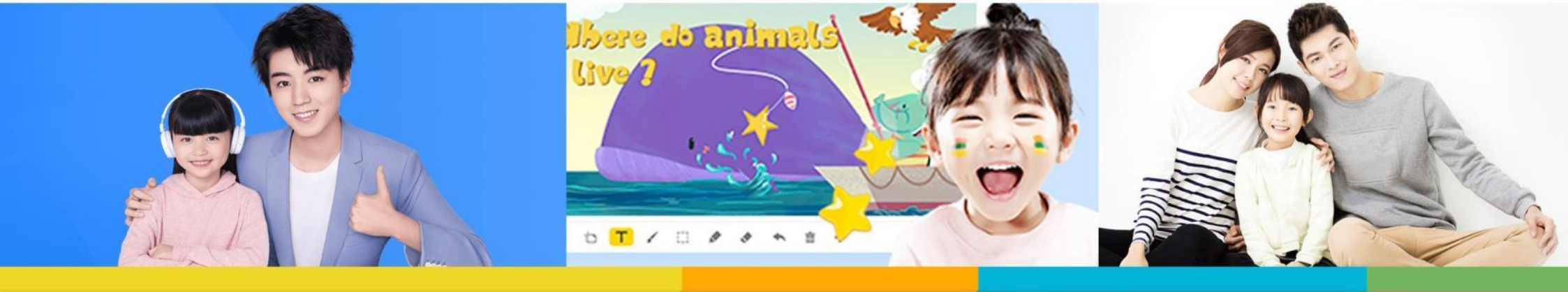
Cooperation with Popular TV show





English Speech Contest
Organized by 51Talk

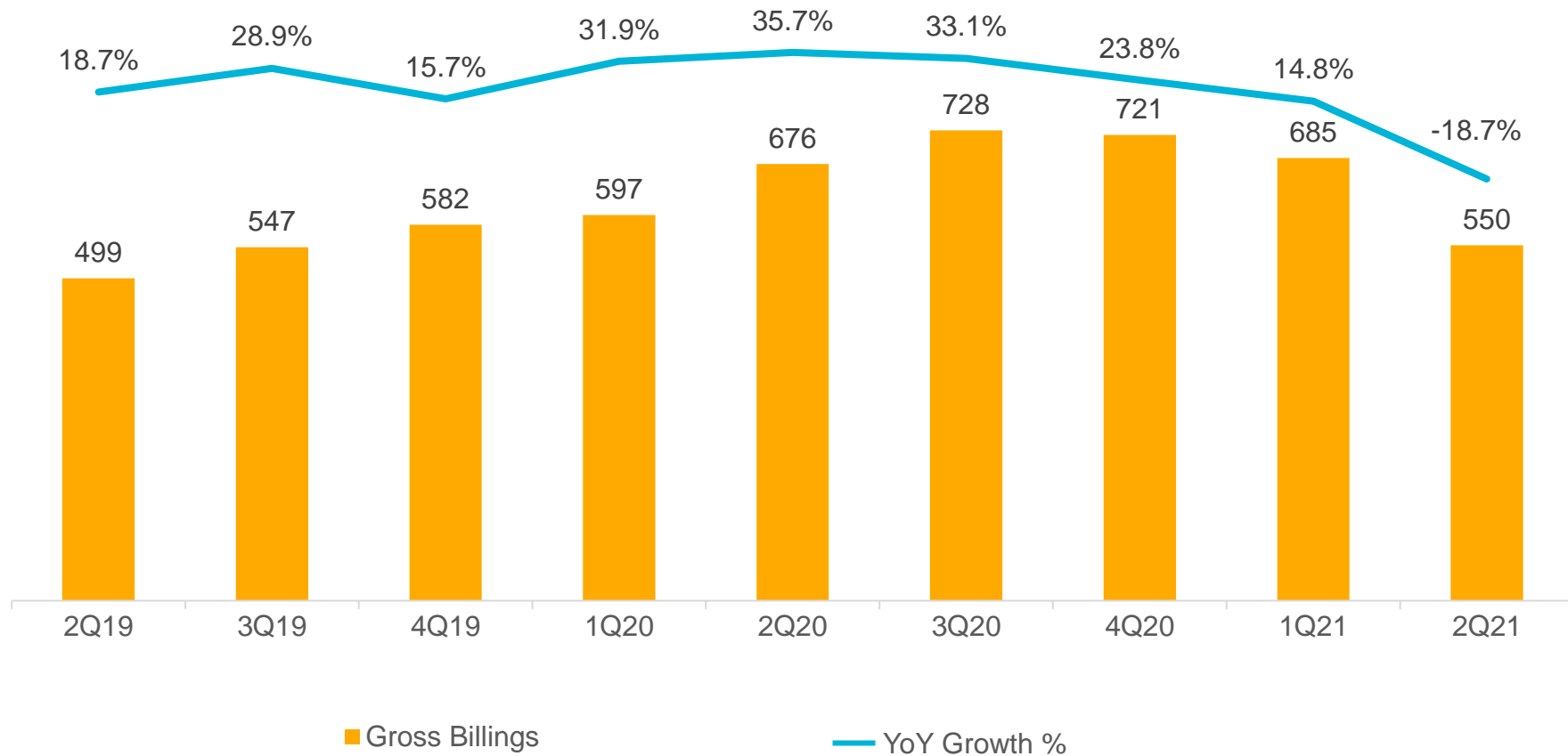




III. Financial Highlights

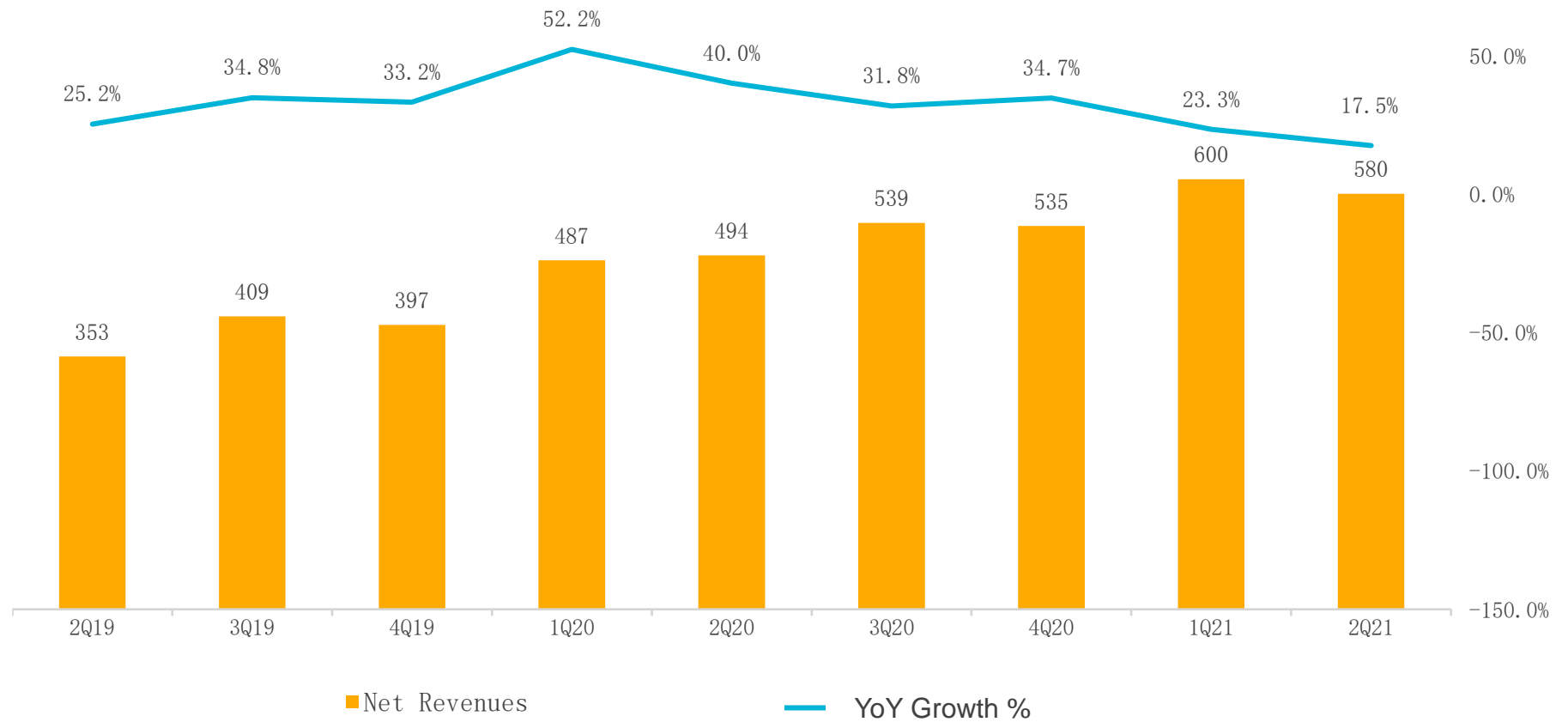
Total Gross Billings

(RMB million)



Total Net Revenues

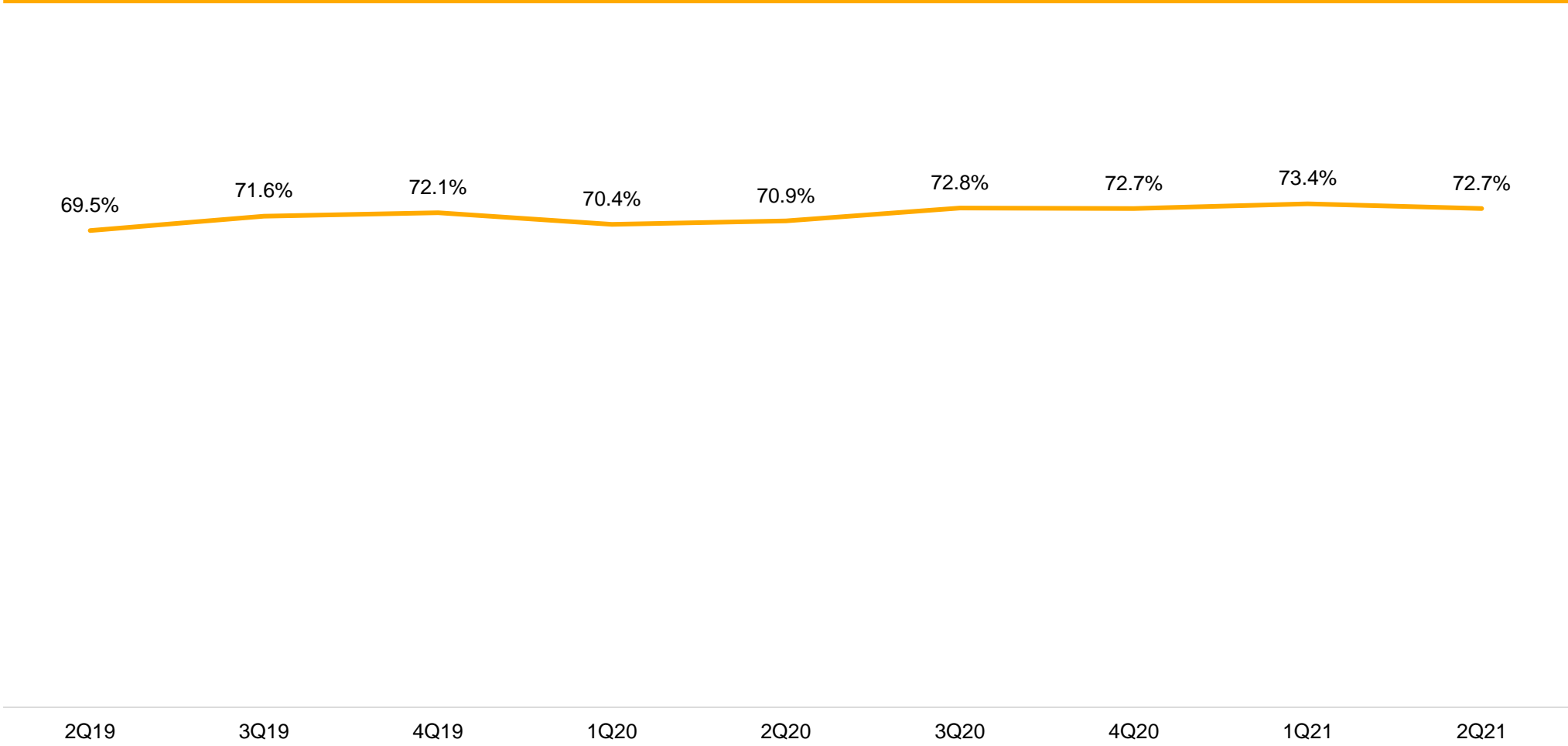
(RMB million)



Industry-leading Gross Margins



Gross Margins

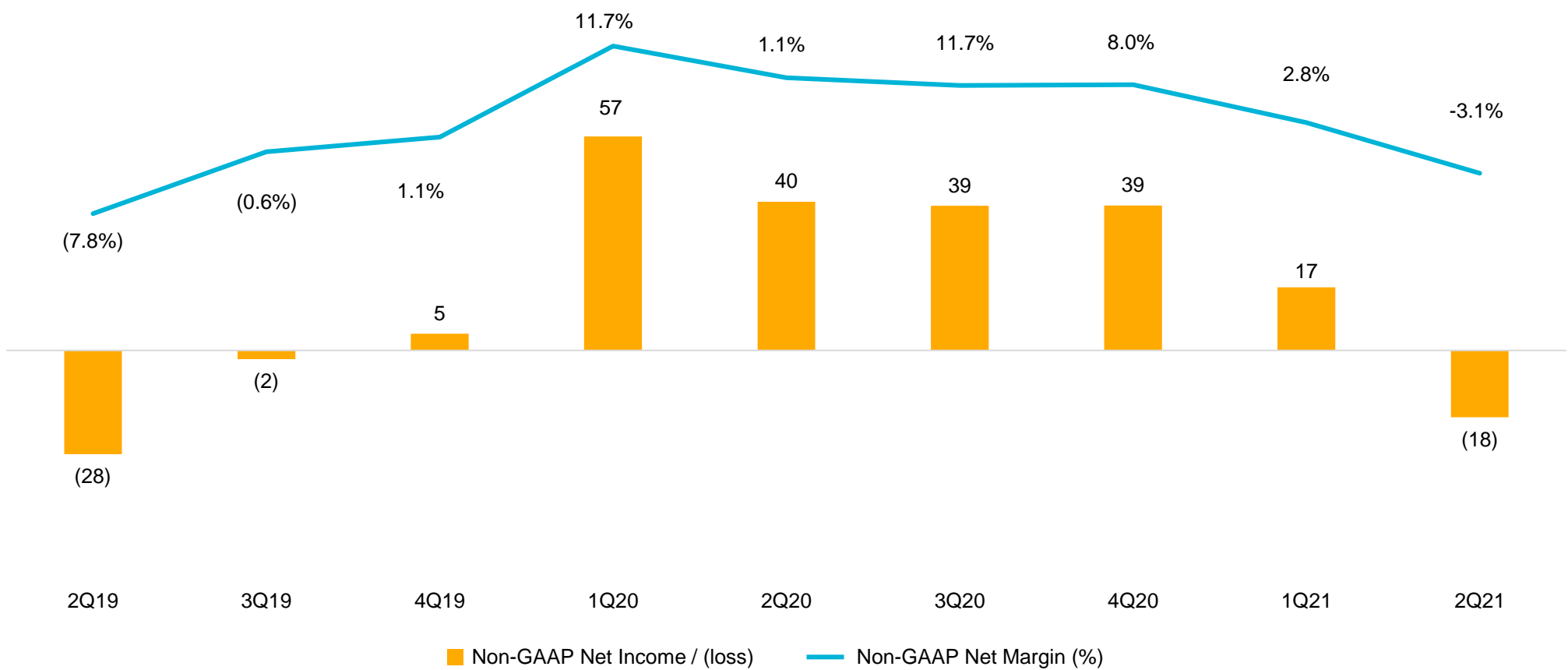


Non-GAAP: Net Income / (Loss)



Non-GAAP: Net Income / (Loss) ⁽¹⁾

(RMB million)



Notes:

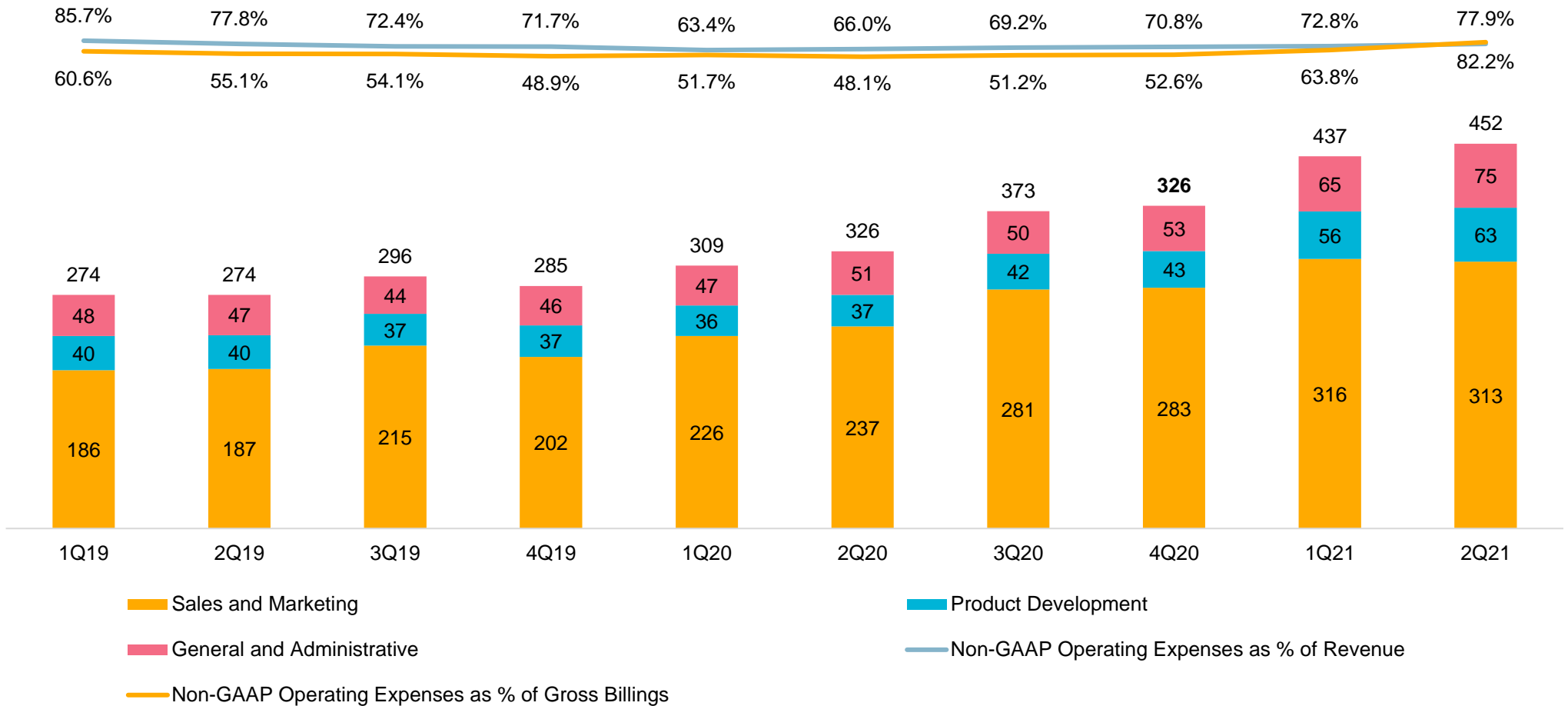
1. Non-GAAP net income adjusted for share-based compensation expenses

Non-GAAP Operating Expenses

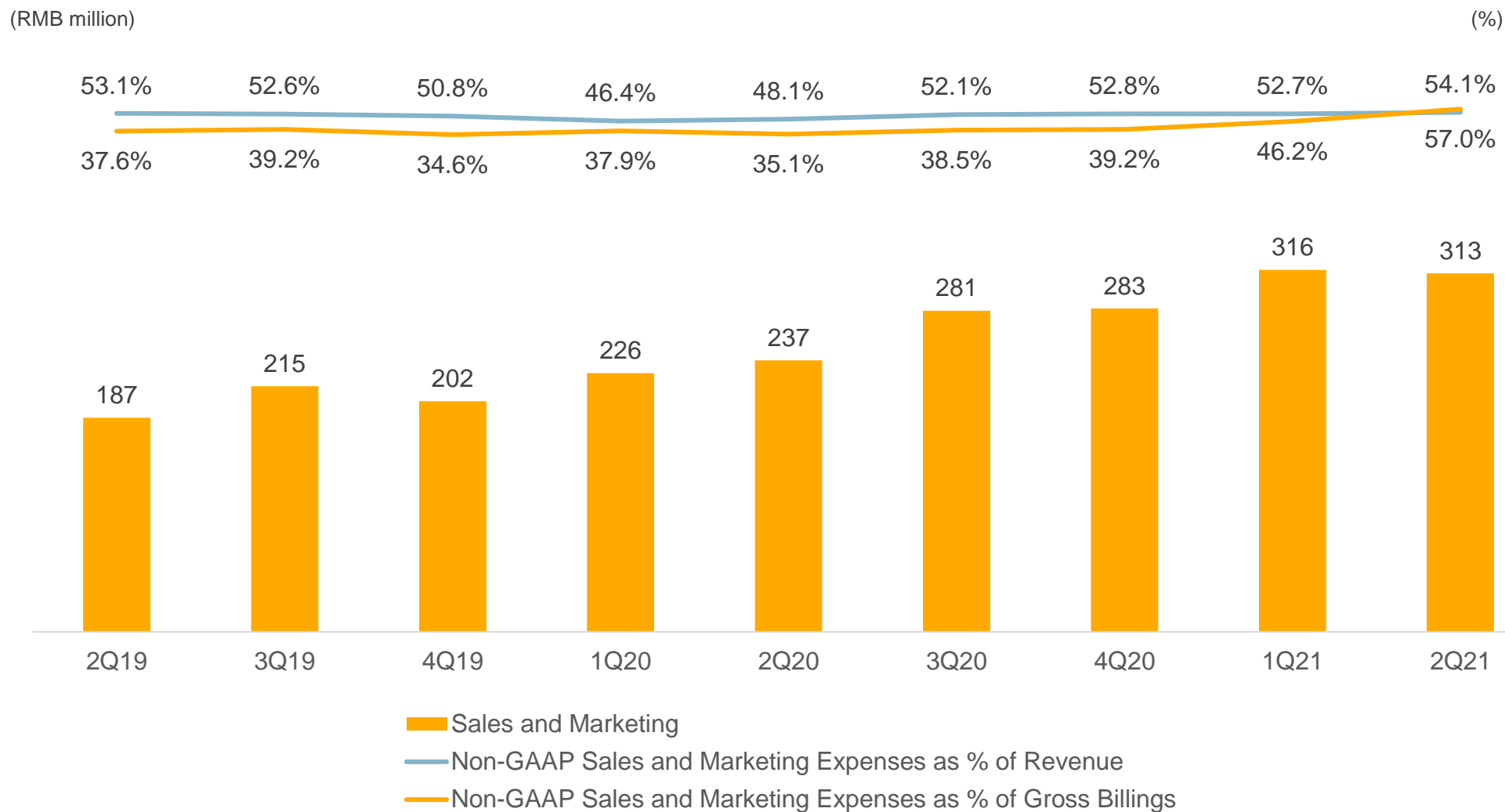


(RMB million)

(%)



Non-GAAP Sales and Marketing Expenses

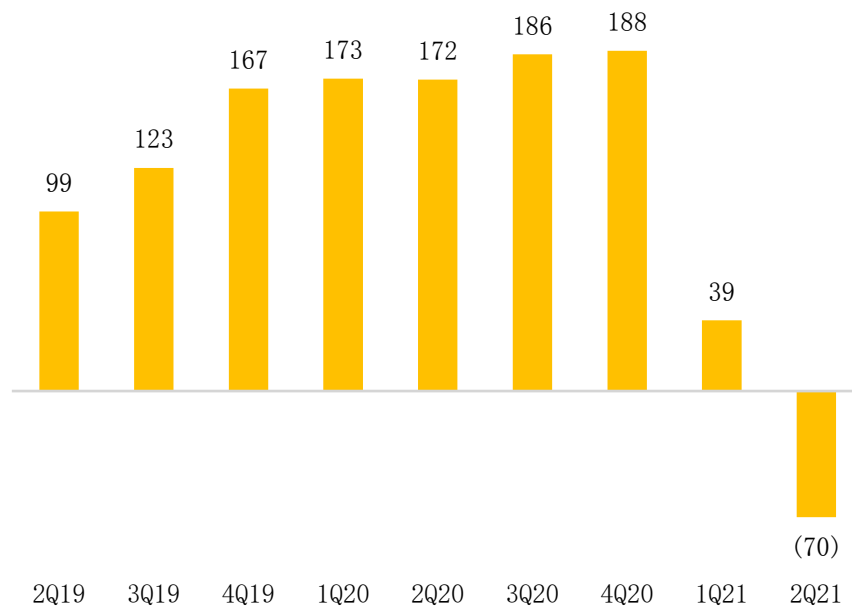


Operating Cash Flow and Cash Balance



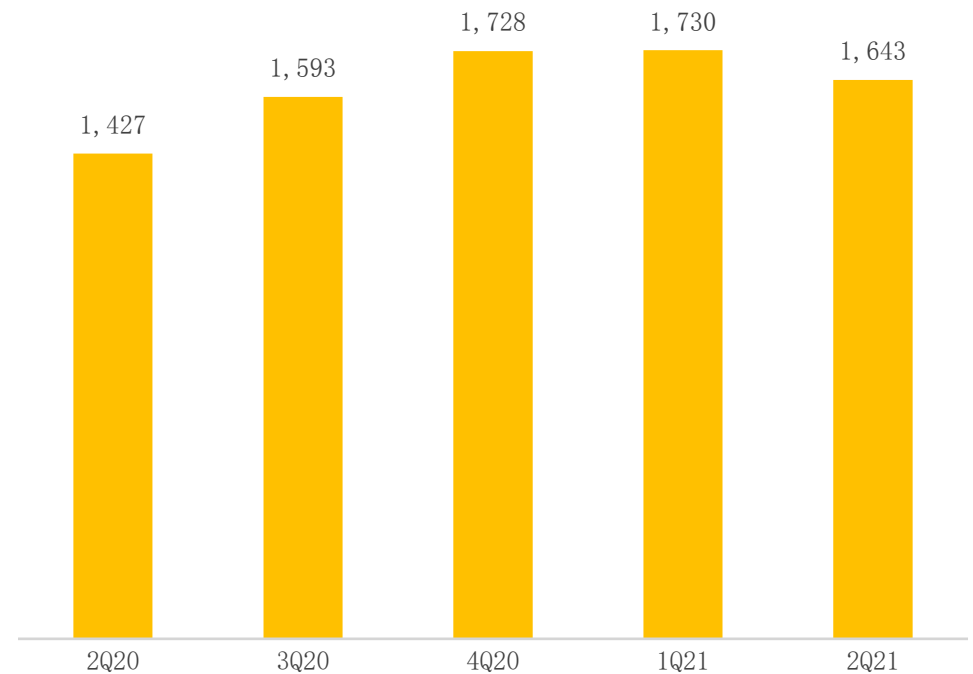
Net Cash from Operating Activities

(RMB million)



Cash Balance ⁽¹⁾

(RMB million)



Notes:

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



Thank You