



OneSmart Education

OneSmart International Education Group Limited FY21 Q2 (Dec-Feb) Results Presentation

May 2021





OneSmart Education

Section 1

Long-term Outlook



OneSmart Mission, Vision and Values



Our Mission

POWER LEARNING changes
the future

Our Vision

To be the most trusted and
heart-warming education
company

Our Values

Premium brand positioning
Marketing-driven
Customer-oriented
Technology-empowered





Go Premium Strategy

Continuous Premium Product Innovation

- Continuous launch of innovative new products with higher price such as Elite VIP, SVIP, etc.
- Constantly upgrade premium teaching & services

City Scale-up and Premium Center Experience

- Focus on key cities and maximize market shares
- Premium learning center experience
- Continuous center upgrade

Premium Brand Building

- Gain consumer recognition
- Represent premium education sector
- Enhance advertising efforts and PR activities

China Premium K-12 AST Sector Continues to Grow, OneSmart Leads the Market and Gains Shares



OneSmart Cash Sales

(in RMB billions)

3.7

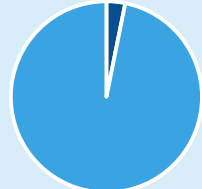
(FY2020)

10

30

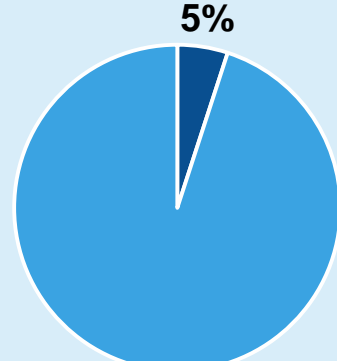
China Premium K-12 AST Market

(in RMB billions)



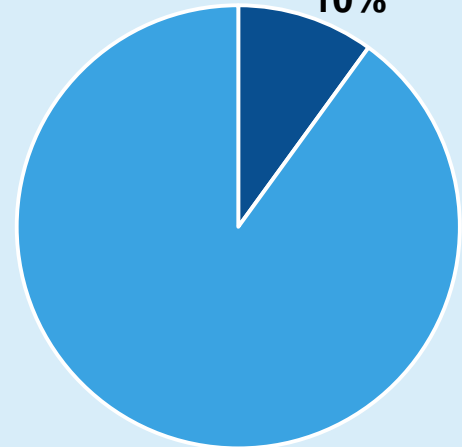
125

2019



216

2023E



309

2026E

■ OneSmart cash sales as % of total premium market

Key company growth assumption:

- Management targets Cash Sales to grow at ~40% CAGR in the next few years

Key market growth drivers

- Rising awareness and preferences for personalized learning
- Consumption upgrade by increasing number of elite and mid-class families
- Rising willingness to pay for premium tutoring



OneSmart Education

Section 2

Business Updates



Overall business update:

(1) Go Premium Strategy execution on track



Go Premium Strategy in Execution

- Go Premium Strategy to deliver higher quality products and services, upgraded teacher profiles, learning centers and value added services such as personalized school-admission planning and in-person caring. Due to strong demand, ASP ⁽¹⁾ per class unit increased
- Revamped **premium services** to enhance word-of-mouth and customer satisfaction, such as newly-launched digital study progress reports
- Upgrades of **learning centers** and openings of flagship centers to enhance premium customer experience
- Learning-center-oriented local marketing activities to generate **higher brand awareness** and boost new signings

Product line	YoY Growth in ASP as of April 2021
OneSmart VIP	23%
HappyMath	7%
FasTrack English	11%

- **2X conversion rate** of new customers from leads (from 11% to 23%) during April 2021, post the launch of digitalized customer services platform
- **14** flagship centers opened by end of April 2021
- Sequential increase in new customers signed from local marketing activities



Note:

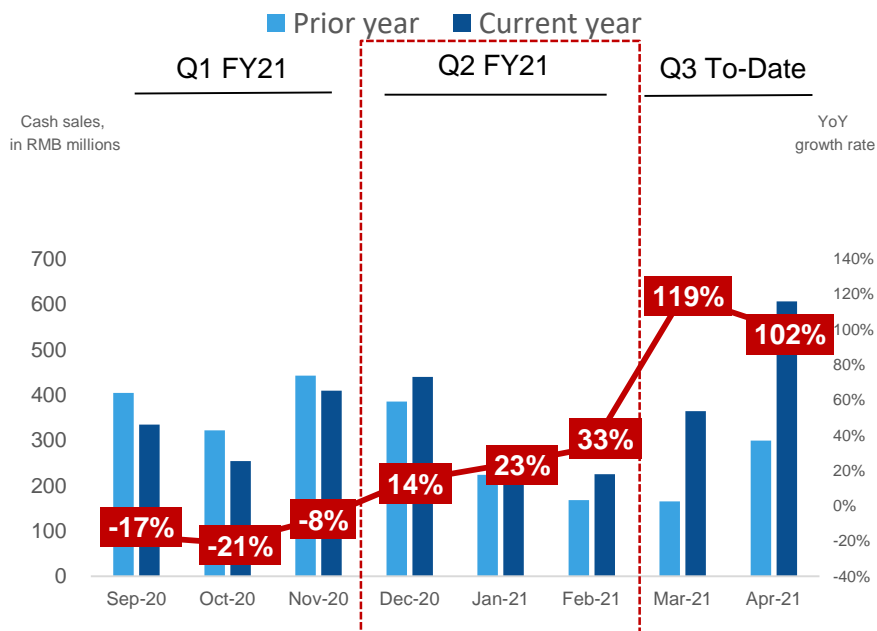
1. Defined as cash revenues divided by number of class unit in sales contracts during each period.

Overall business update:

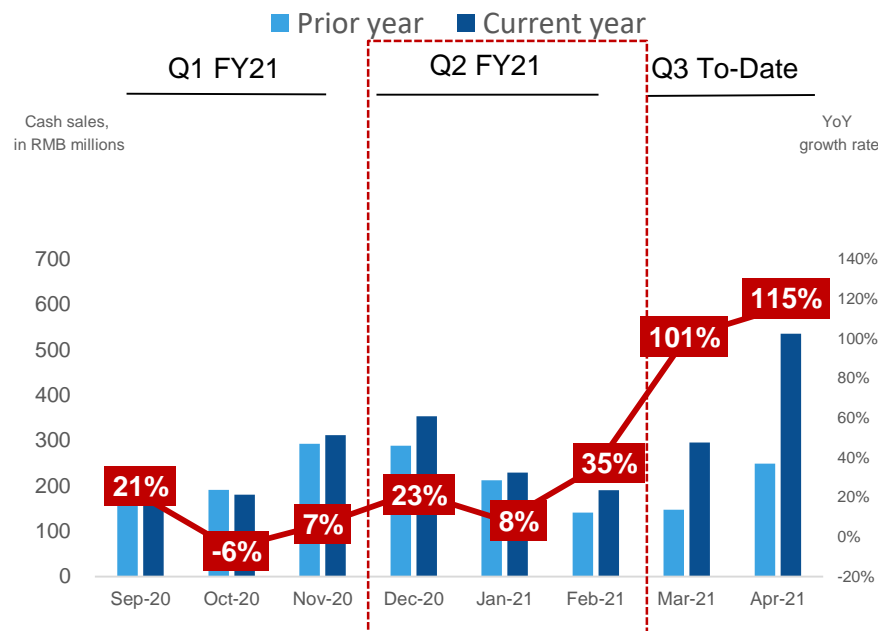
(2) Growth momentum uptrend on track



Company-wide Cash sales yoy growth trending up



OneSmart VIP Segment (excl. 1on3⁽¹⁾) Cash sales yoy growth trending up



- **Despite the COVID resurgence impact in certain cities around the Chinese New Year in January and February, Q2 (Dec-Feb) cash sales achieved double-digit year over year growth, mainly due to:**
 1. Students back to normal study schedules to boost post-pandemic recovery for offline centers
 2. “Go-premium” strategy is building up customer satisfaction and premium brand perception
 3. Successful launch of VIP products
- **Q3-to-date cash sales have grown more than 100% year over year, mainly attributable to a strong demand to our 1on1 services and the success of our Go Premium Strategy. We are optimistic about the continuous growth trend in the future**

Note:

1. Company has strategically discontinued the selling of 1on3 tutoring product since Q2FY20 to focus on the more premium 1on1 products including the launch of Elite VIP product

Overview of the three core businesses



1 OneSmart VIP



FY21 Business Focus

- Brand revitalization
- Elite VIP to optimize revenue mix and margin
- Scale up top 20 cities
- ~10% annual expansion rate

2 Young Children Education



- Launch premium products with enhanced curriculums and services:
 - HappyMath: Practical Math Program
 - FasTrack English: MBA Kids English
- Focus on improving profitability

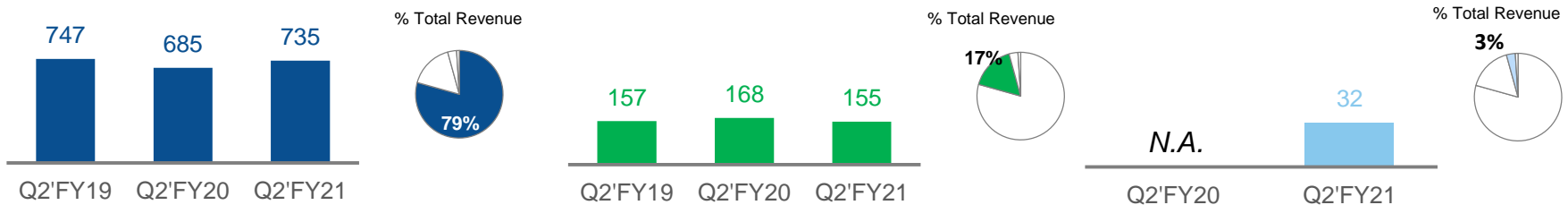
3 OneSmart Online



- Complementary to offline businesses with same price in form of OMO “take-out service”
- Improved functionalities to enhance customer experience

Quarterly Revenue

(in RMB millions)



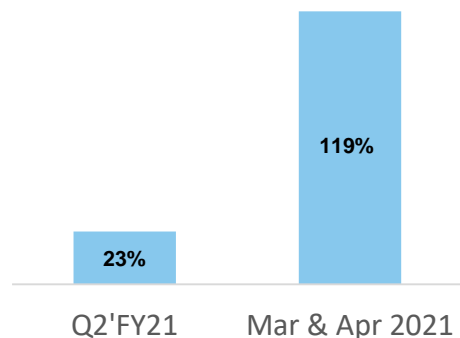
Note: Including net revenues for 1on3 programs, which were RMB122 m (Q2'FY19), RMB95 m (Q2'FY20), and RMB17 m (in Q2'FY21).

As of 2/28/2021, OneSmart had 457 learning centers, including 286 OneSmart VIP centers, 110 HappyMath centers, 53 FasTrack English centers, and 8 centers under Online business.

OneSmart VIP 1on1 business: Cash sales growth accelerated and net revenues increase yoy

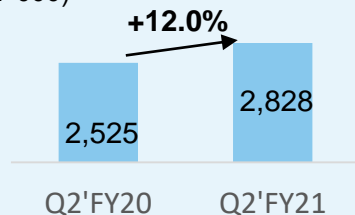


Cash Sales YoY growth accelerated in Q3

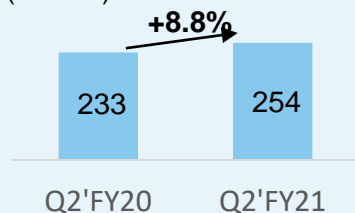


- FQ2 Cash sales for 1on1 product grew by 23% yoy due to strong demand for 1on1 tutoring. In March and April 2021, Cash sales boosted to triple-digit yoy growth due to
 - Resumed demand for highly effective 1on1 tutoring as exam schedules have normalized
 - Higher customer satisfaction due to premium initiatives on products, centers and services
 - Proactive local marketing activities for its effectiveness to attract new customers
 - Lower comparison base due to COVID outbreak

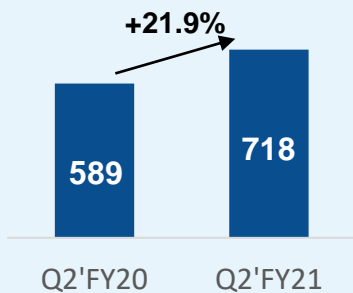
Class units consumed for 1on1 product (in '000)



ASP consumed for 1on1 product (in RMB)



Net Revenues for 1on1 product (in RMB millions)



- FQ2 Net revenues for 1on1 product increased 21.9% yoy, driven by:
 - 12% yoy growth in class units consumed
 - 8.8% yoy growth in ASP per class unit consumed

Note:

1. Company has strategically discontinued the selling of 1on3 tutoring product since Q2FY20 to focus on the more premium 1on1 products including the launch of Elite VIP product

On top of the score-improving tutoring, our value-added premium services are highly appreciated by customers



Comprehensive Quality-Oriented Evaluation

College Application



强基计划

Strengthening Basic Disciplines Plan



综合素质评价



自主招生

Independent Enrollment



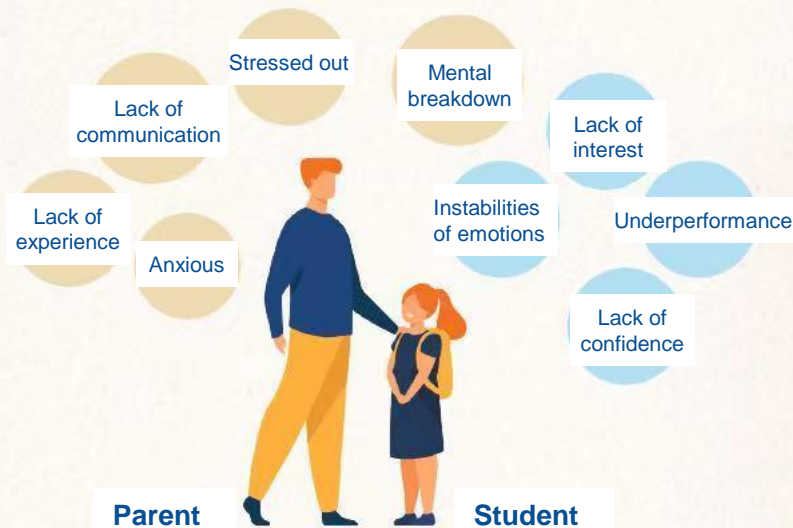
志愿填报

Personalized school admission planning

1. Timely and in-depth analysis on school admission policy
2. Assistance in setting reasonable academic goals
3. Standardized quality control process: Continuously tracking the progress, providing feedback reports and making proper adjustments to achieve the goals

In-person caring to bring out Power Learning of each student

1. Power Learning includes Learning Motivation, Learning Aptitude and Learning Perseverance
2. Inspire students to realize full potentials
3. Smooth the communications between students and parents



Revamped and built a digitalized operating platform to support operational efficiency and customer satisfaction enhancement



Go Premium Strategy



Three major focuses

Front-end

Digitalization

Refined operations

Back-end

Premium experience

Good reputation

Operational efficiency

Mobile office

Highly motivated



Front-end

Customer acquisition portal

Online & offline channels

CRM

Back-end

Teaching systems

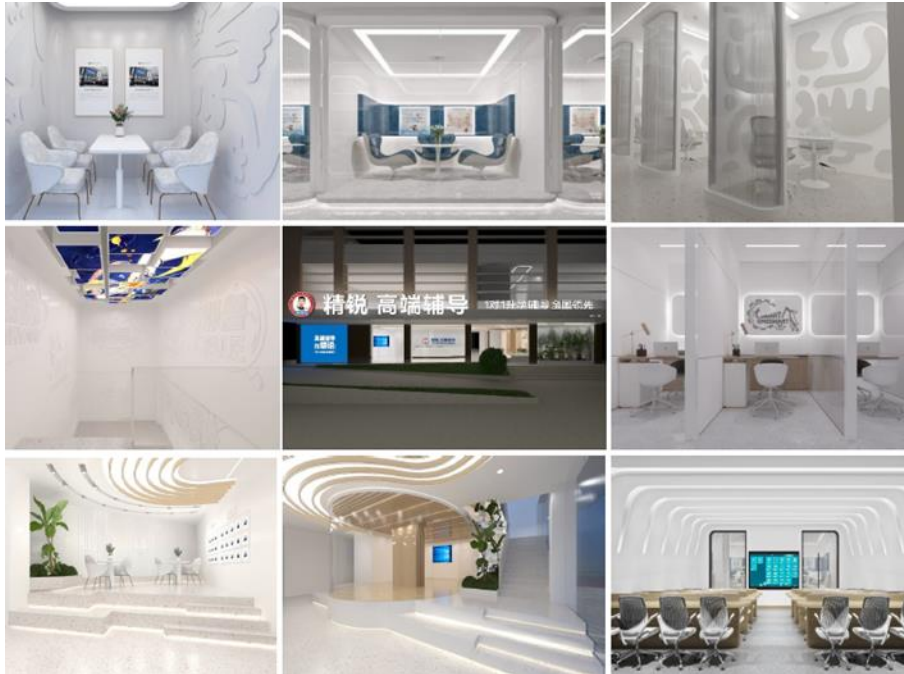
R&D systems

Class scheduling systems

Continued investments in technology for a strong digital operating platform to deliver:

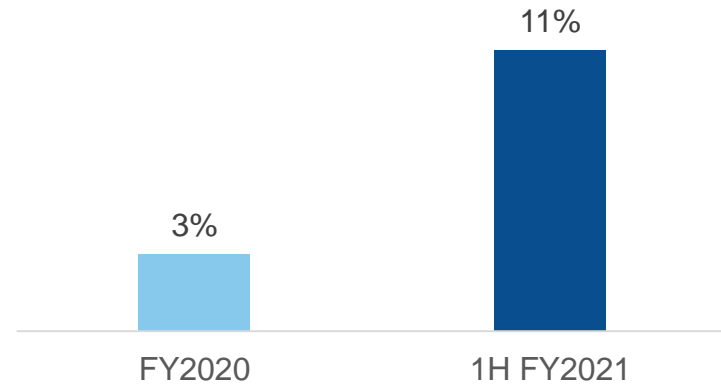
- High efficiency in customer acquisition and full cycle management;
- Professional premium tutoring and other value-added services with high touch rate to enhance customer satisfaction;
- Simplified class scheduling management to generate synergy across learning centers and improve transparency

14 Flagship Learning Centers Opened in Top Cities



- 14 flagship centers opened in top cities by the end of April 2021 (including 7 upgrades and 7 new openings)
- In 1H FY2021, Elite VIP program contributed 11% in total OneSmart VIP segment cash sales

Increasing % from Elite VIP in cash sales for OneSmart VIP Segment



Strategically enhanced local marketing approach to strengthen our competitive advantage in customer acquisition



Local Marketing

School-Admission Planning Seminar



Community Activities

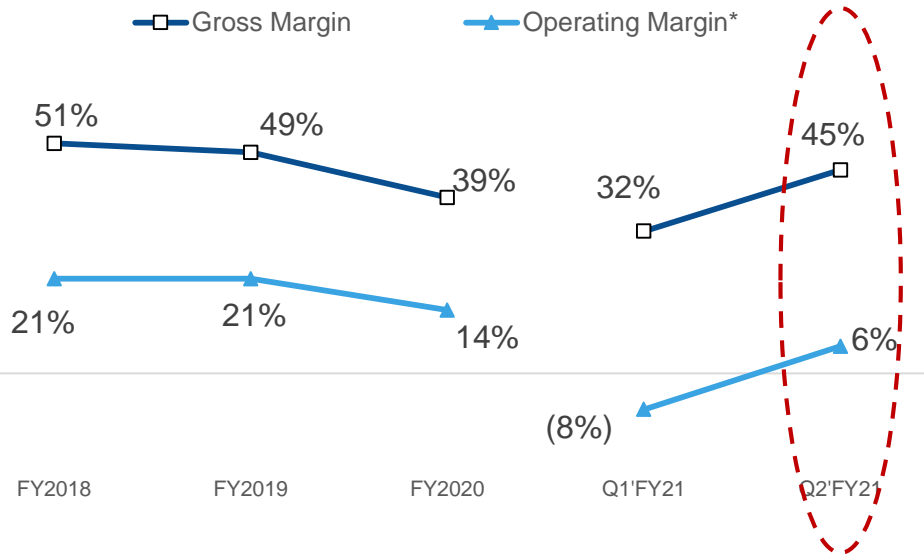


- To more effectively acquire new customers through local marketing activities:
 1. Enhance **professional brand influence** through public seminars
 2. **Increase brand awareness** and **extend customer reach** around learning centers
- In FQ2, new signings from local marketing channel **increased by 19%** from the prior quarter
- During FQ2, **cash sales from new customers and referrals contributed 55% of total cash sales**, up from 47% FQ2 last year, primarily due to the effective customer acquisition approach from local marketing channels, and enhanced customer satisfaction.

Profitability Snapshot of OneSmart VIP Business Unit



Resumed Profitability Improvement Trend post COVID



* Refers to center and regional level operating margin, which excludes headquarters' overhead and share based compensation expenses

- FY2020 revenues and profit margins were negatively impacted by COVID-19 outbreak.
- Q2'FY21 revenues and profit margins improved significantly due to:
 1. Strong market demand
 2. ASP increase as a result of Go Premium Strategy

- OneSmart VIP business delivers remarkable topline growth and profitability, due to:
 1. Strong demand for premium 1on1 tutoring to support business model
 2. Strong localized teaching R&D capabilities to adapt to evolving operational environments
 3. Strategic expansion plan to focus on the scale-up of top 20 cities to drive profitable growth



OneSmart Education

Section 3

Financial Highlights



Key highlights for the second fiscal quarter of FY2021



Key Highlights

1. Revenue

- Healthy recovery from COVID continued and turned yoy positive growth in Q2FY21
- School exams turning back to normal schedules recently, driving the demand for highly effective personalized tutoring and unique value-added services of OneSmart
- Recent strong cash sales growth is the results of resumed market demand and our premium strategy, which will be fully translated into our revenue growth in the next 1-2 quarters

2. Margin

- FQ2 showed yoy gross margin expansion, attributable to the resumed growth momentum in our core business of OneSmart VIP 1on1.
- Operating margin recovery is yet to come due to our upfront spending in marketing and branding activities, as well as other initiatives, to support our Go Premium strategies

3. Outlook

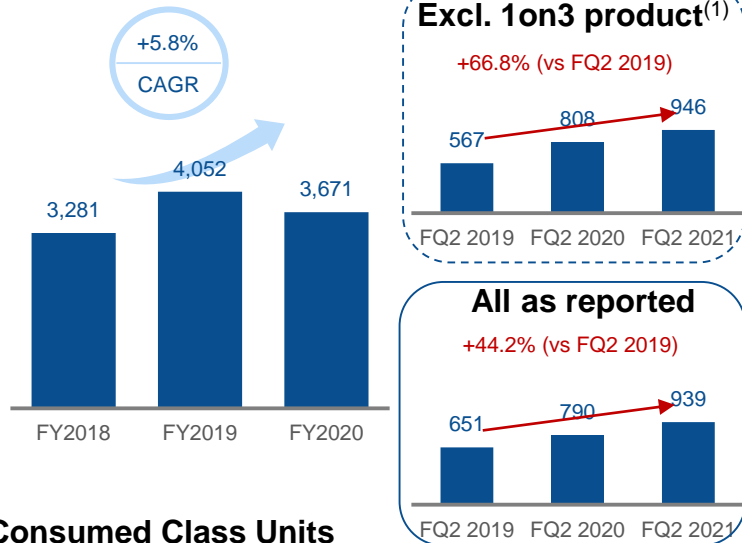
- Expect Net Revenues to achieve RMB950 million to 1 billion for FQ3 subject to further adjustments; full year Net Revenues to reach above FY19 level
- Expect strong H2 FY21 growth driven by solid demand, product/ASP upgrade and improved customer satisfaction thanks to Go Premium strategies, evidenced by recent strong cash sales growth achieved so far
- Margin is expected to resume expansion in H2 FY21

Improving operating metrics



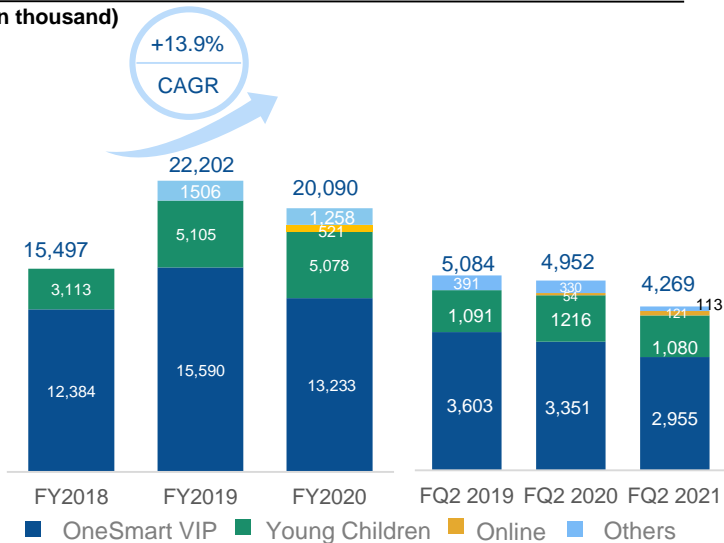
Cash Sales

(in millions)

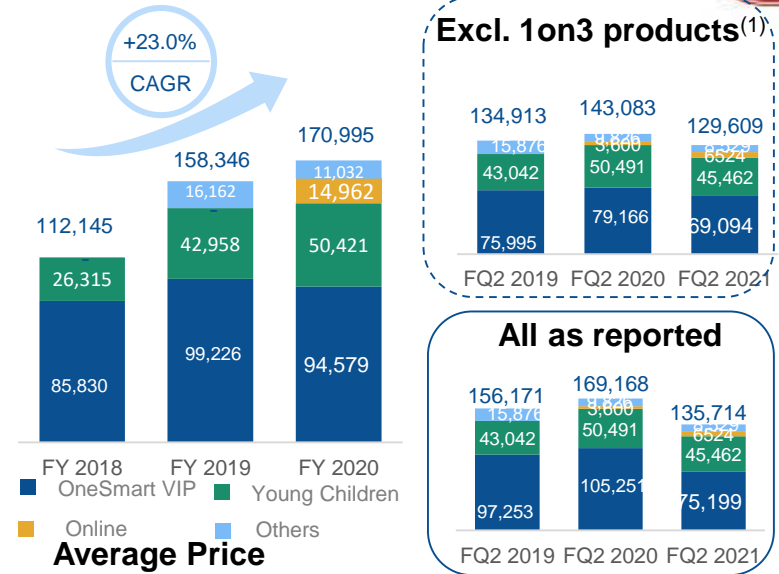


Consumed Class Units

(in thousand)

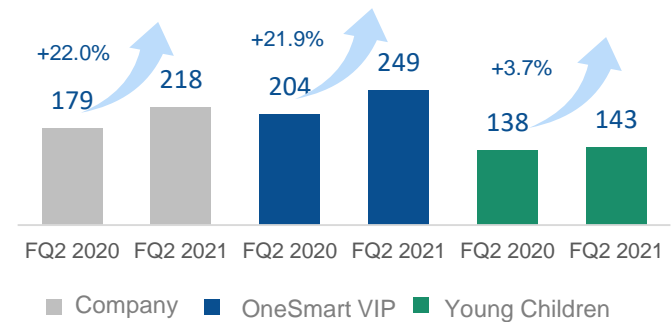


Average Monthly Enrollments



Average Price

(For class units consumed)



- The increase in average price of OneSmart VIP and young children programs is mainly due to strong demand and Go Premium Strategy.
- Average price of online education is in line with offline business

Note:

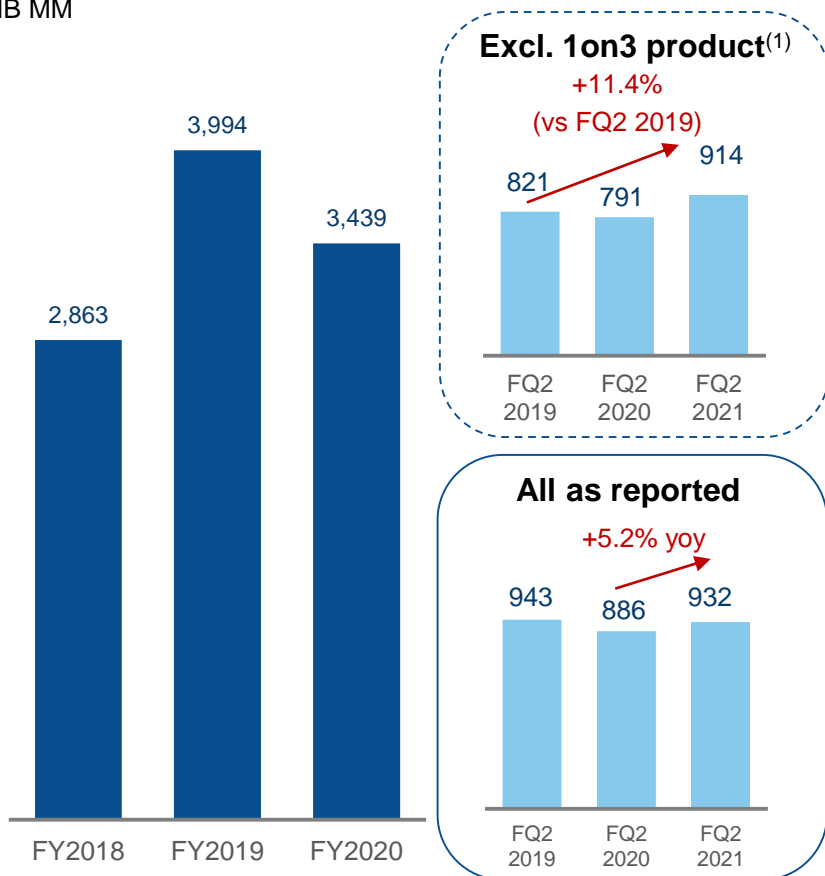
1. Company has strategically discontinued the selling of 1on3 tutoring product since Q2FY20 to focus on the more premium 1on1 products including the launch of Elite VIP product

FQ2 Net Revenues turned positive YoY growth excluding 1on3 product, showing 11.4% increase from Q2'FY19



Net Revenues

Fiscal years ended August 31 and second quarters ended February 28
RMB MM



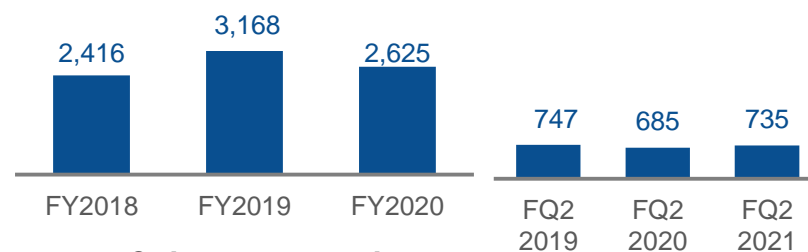
- Net revenues in Q2FY21 turned to positive yoy growth. Excluding the impact of 1on3 product, the net revenues showed 11.4% increase from Q2'FY19 level. With the strong growth momentum in cash sales in Q3-to-date, we are positive for the revenue growth in the following quarters.

Note:

1. Company has strategically discontinued the selling of 1on3 tutoring product since Q2FY20 to focus on the more premium 1on1 products including the launch of Elite VIP product

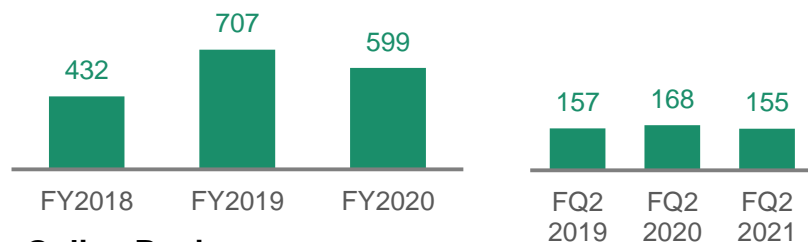
OneSmart VIP

RMB MM

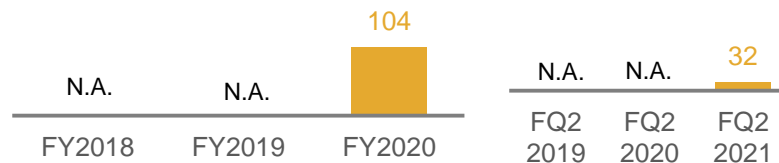


Young Children Education

RMB MM



Online Business



Gross margin is recovering year over year



Gross Profit and Gross Margin

RMB MM

50.6%

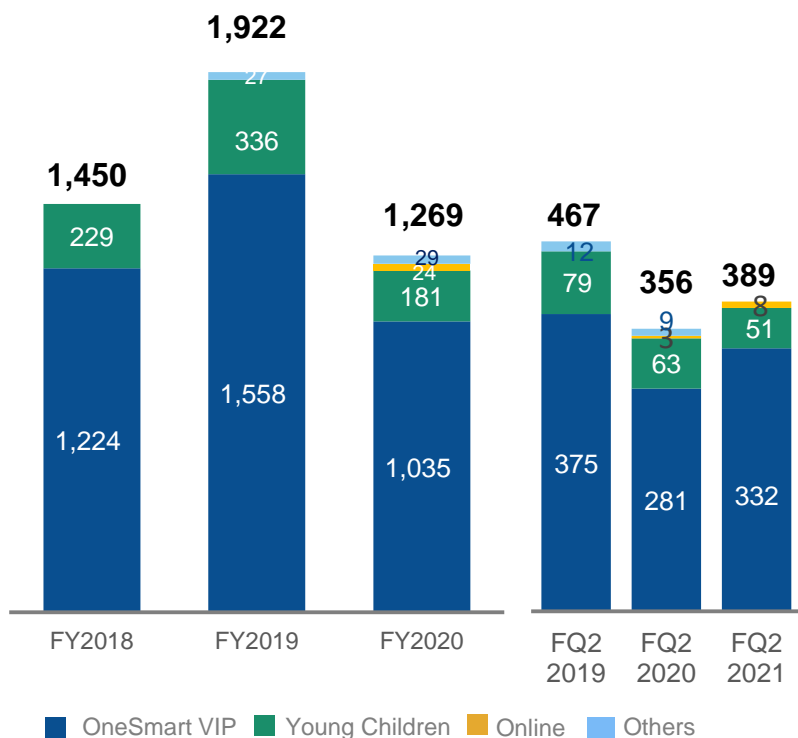
48.1%

36.9%

49.5%

40.2%

41.8%



Gross Margin by Segments

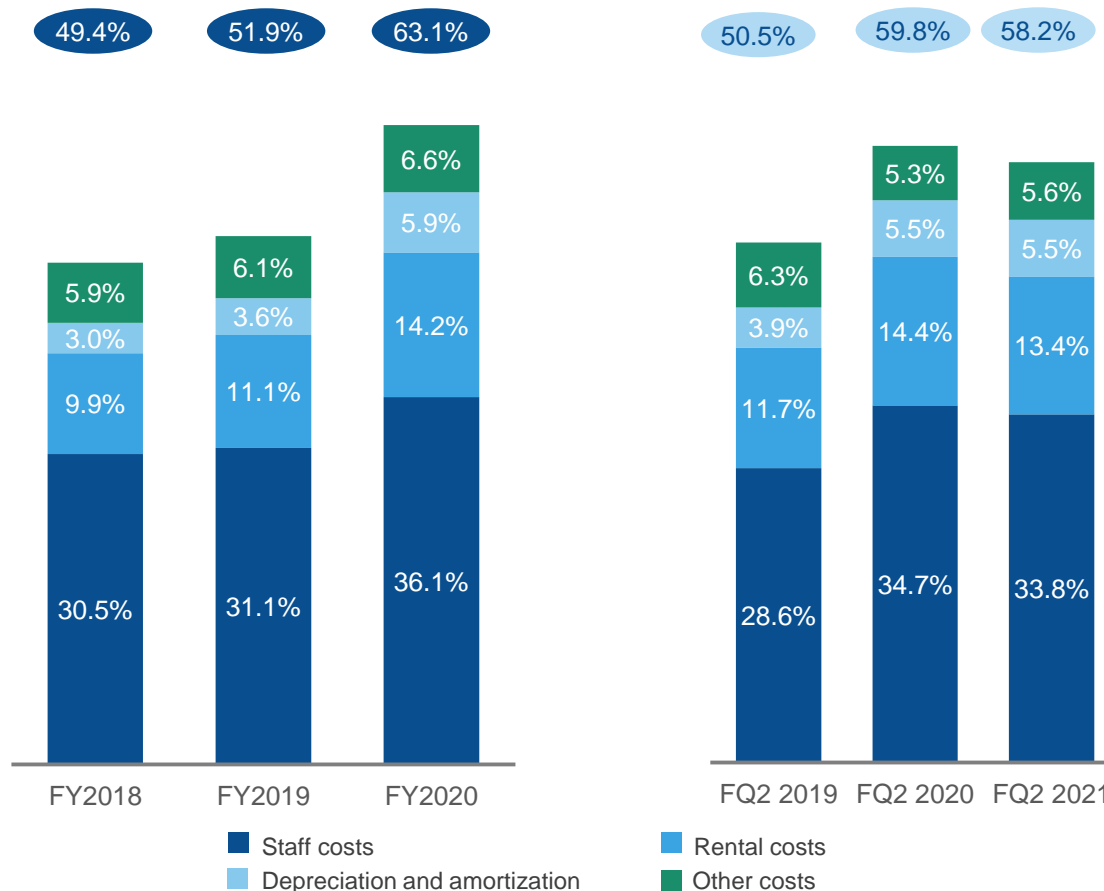
	FY 2018	FY 2019	FY 2020	FQ2 2019	FQ2 2020	FQ2 2021
OneSmart VIP	50.6%	49.2%	39.4%	50.2%	41.0%	45.1%
Young Children Education	53.0%	47.6%	30.0%	50.6%	37.6%	32.8%
Online	N/A	N/A	26.4%	N/A	58.2%	25.5%
Overall Gross Margin	50.6%	48.1%	36.9%	49.5%	40.2%	41.8%

- FQ2 saw the start of gross margin recovery driven by strong topline growth;
- FQ2 gross margin for Young Children business remained soft, mainly due to the decline in its revenues in Shanghai and Beijing where were impacted by COVID resurgence around Chinese New Year
- Management expects revenue to generate solid growth and gross margin to continue to expand in H2 FY21 driven by: 1) solid cash sales booked since July 2020; 2) resumed class consumptions during peak season; 3) significantly increased prices in all product lines

Cost structure



Total Cost % of Net Revenue:

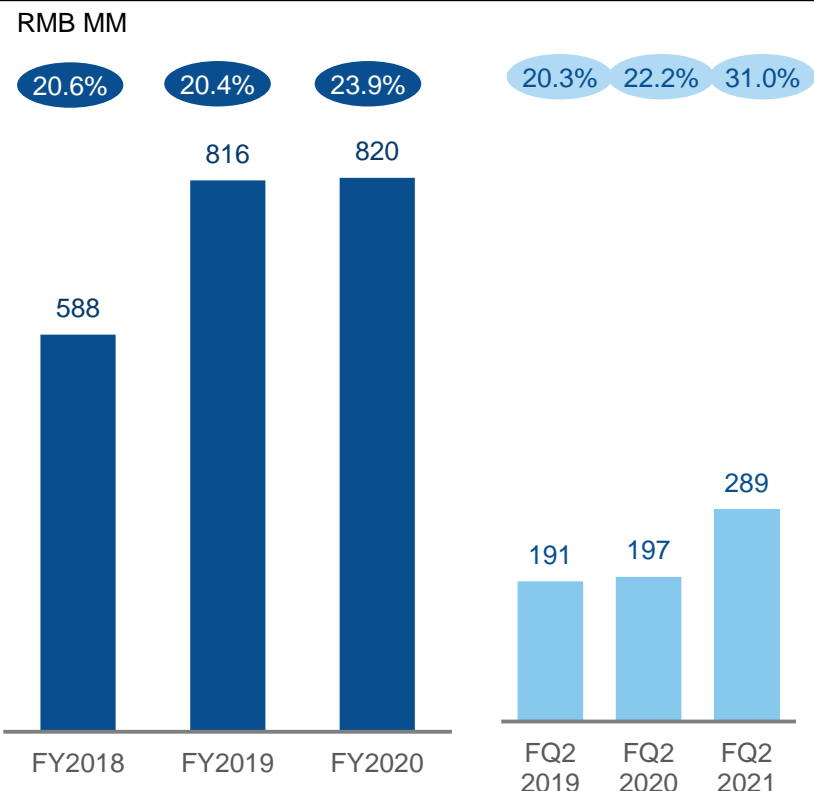


- We expect the cost structure to gradually return to pre-COVID-19 level as: 1) revenues return to normal growth; 2) price increases due to product and services upgrades; and 3) initial investments in teachers and learning centers will gradually be covered by incremental revenue

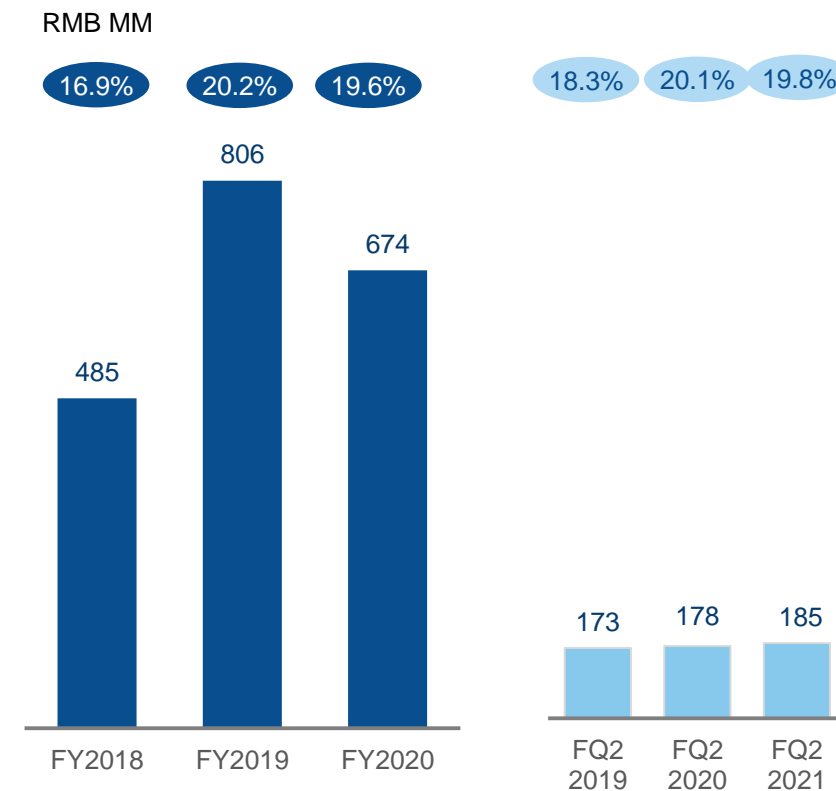
Selling & marketing expenses, and G&A expenses



Non-GAAP Selling & Marketing Expenses as % of Revenues⁽¹⁾



Non-GAAP General & Administrative Expenses as % of Revenues⁽¹⁾



- The year-over-year increase of Selling & Marketing ratio was primarily due to: 1) strategic branding and offline marketing activities to reach target families in the execution of Go Premium strategy; 2) the requirements of running major marketing campaigns in a timeline ahead of the Q3 and Q4 business tutoring seasons
- Management expects the Selling & Marketing expenses % of Cash Sales to stay at relatively reasonable level on FY21 full year basis

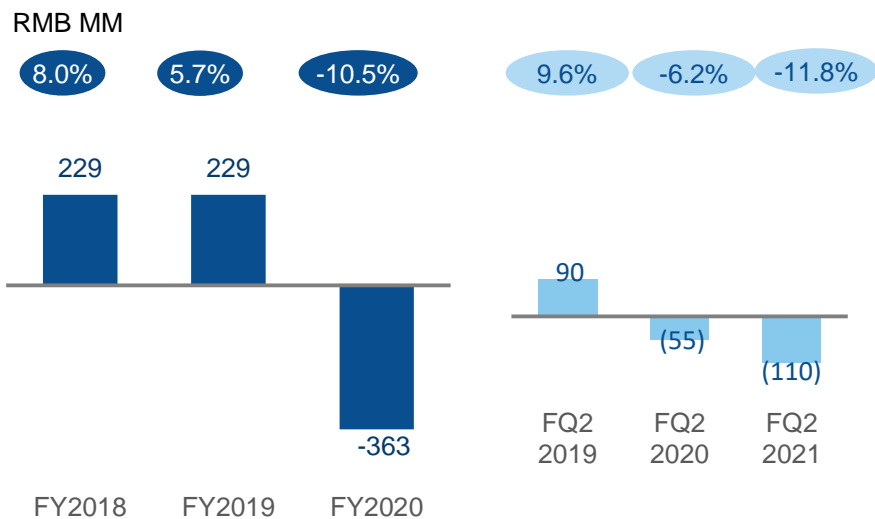
Notes

1.Excluding share-based compensation expenses

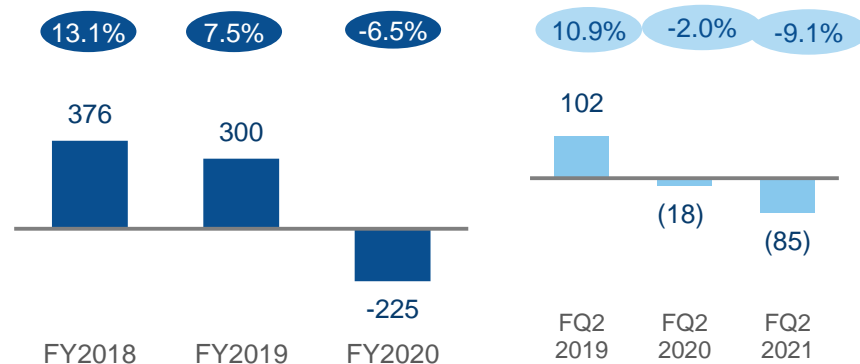
Operating income and net income



Operating Income (Loss) and Operating Margin

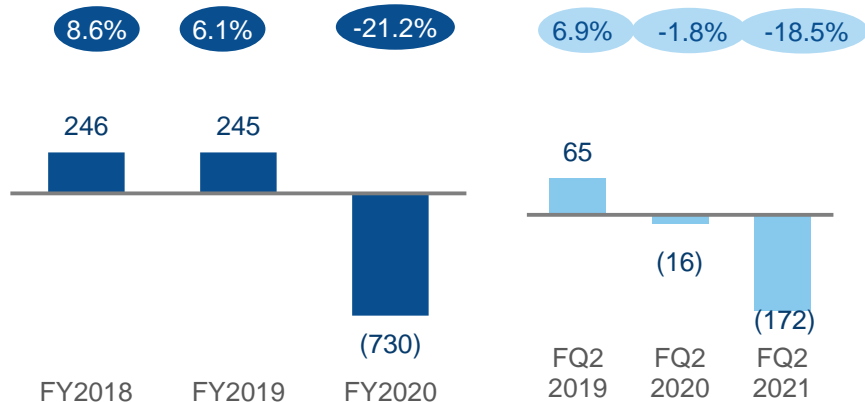


Non-GAAP Operating Income (Loss) and Operating Margin (2)

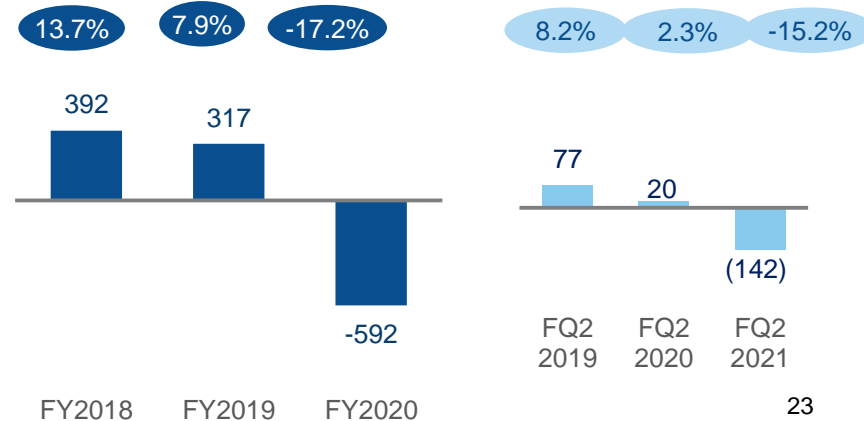


- The decrease of operating margin was mainly due to 1) the increased expenses related to initiatives to support Go Premium Strategy 2) offset by the recovery in the gross margin. Management expects OP margin to improve during the H2 of FY21

Net Income (Loss) and Net Income (Loss) Margin (1)



Non-GAAP Net Income (Loss) and Net Income (Loss) Margin (1) (2)



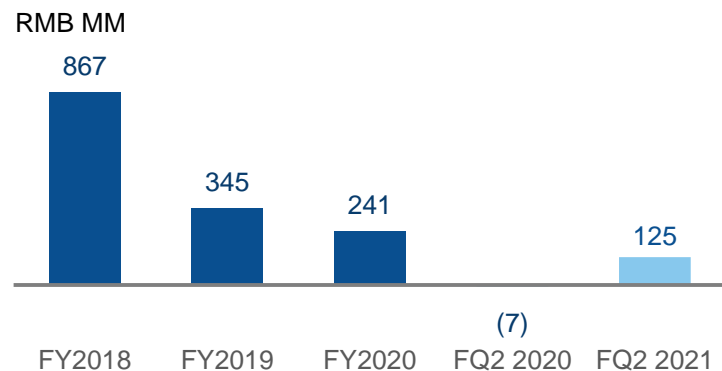
Notes

1. Net income attributable to OneSmart; 2. Excluding share-based compensation expenses

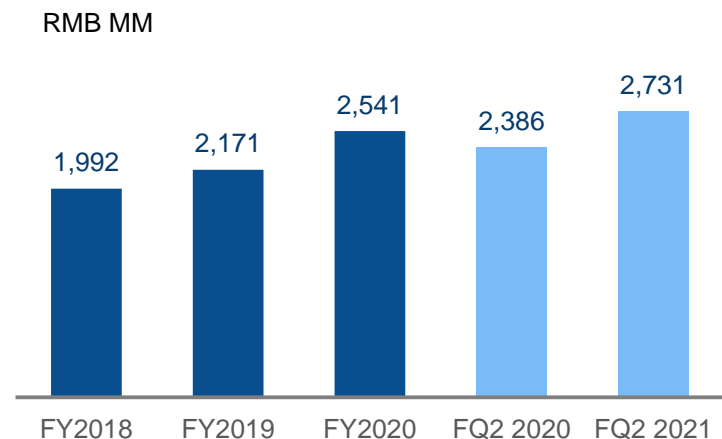
Operating cash, Capex and cash balance



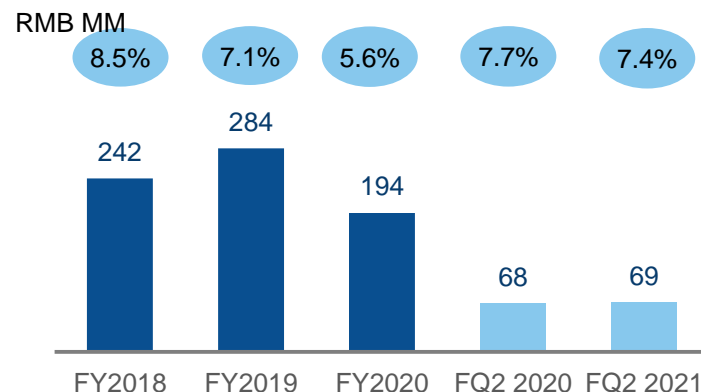
Operating Cash Flows



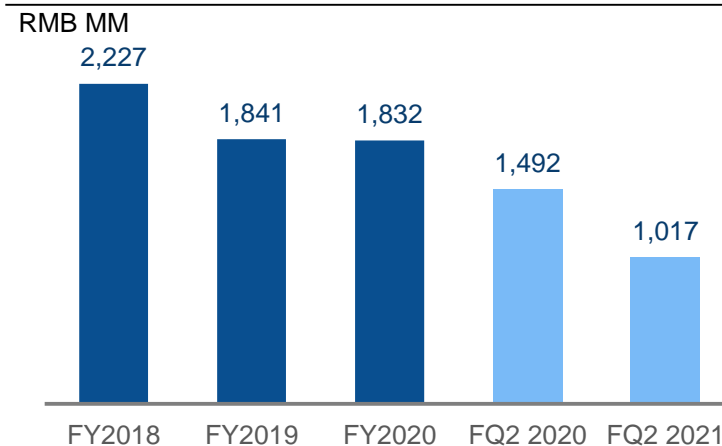
Prepayments from Customers



Capex and Capex as a % of net revenues



Cash and Cash Equivalents, Restricted Cash and Short-term Investments



- The decrease of Cash and Cash Equivalents, Restricted Cash and Short-term Investments was mainly due to management's decision to prepay some of company debt, which was strategically built up during the pandemic period. The continuous strong cash sales helped further reduce the requirements of large cash balances. The total balance of debt decreased by RMB419mm during FQ2.



OneSmart Education

Thank You

