

Rise Education – Third Quarter 2018 Results



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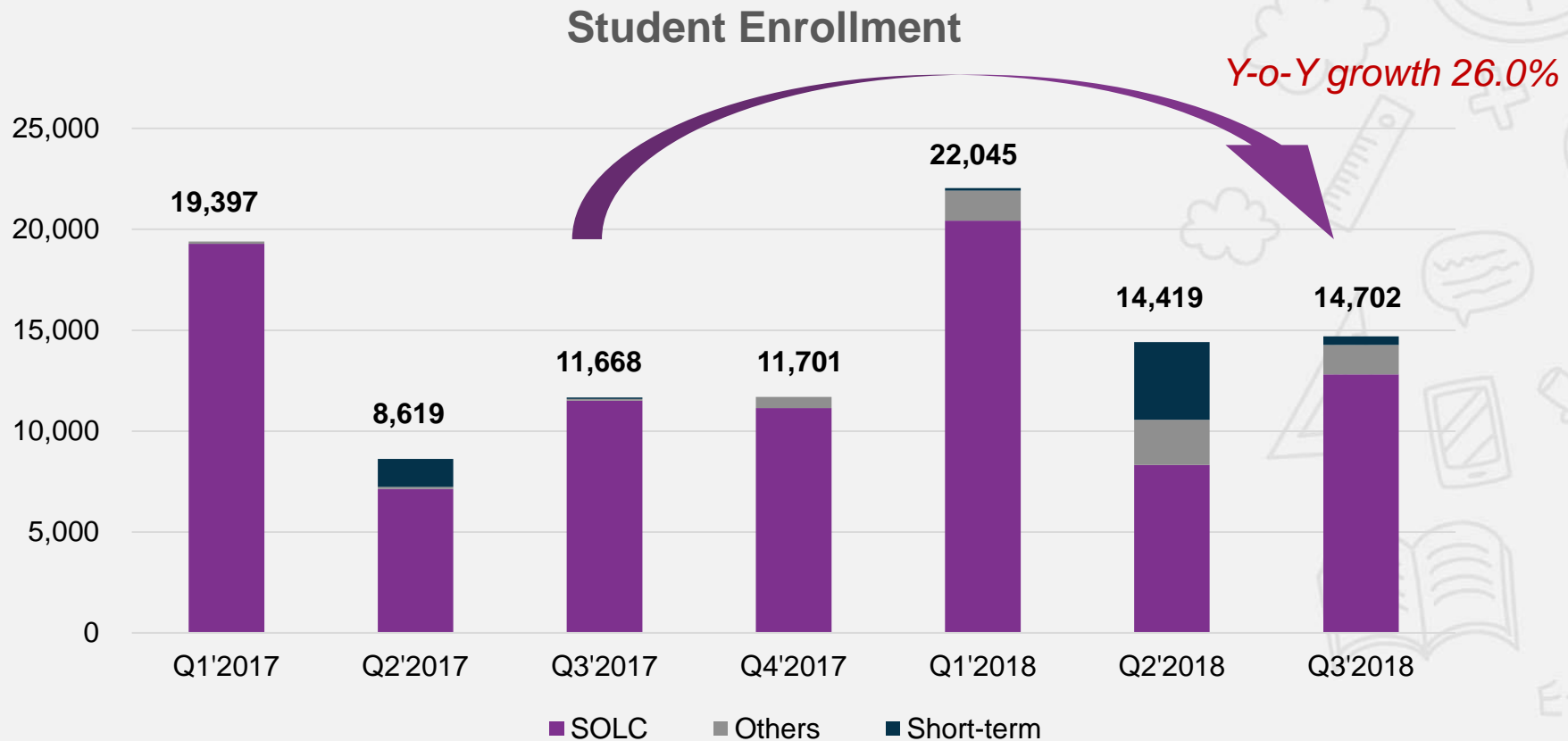


Business and Strategy Update

Steady Growth in Student Enrollments

■ In Q3 2018, total number of student enrollments reached 14,702

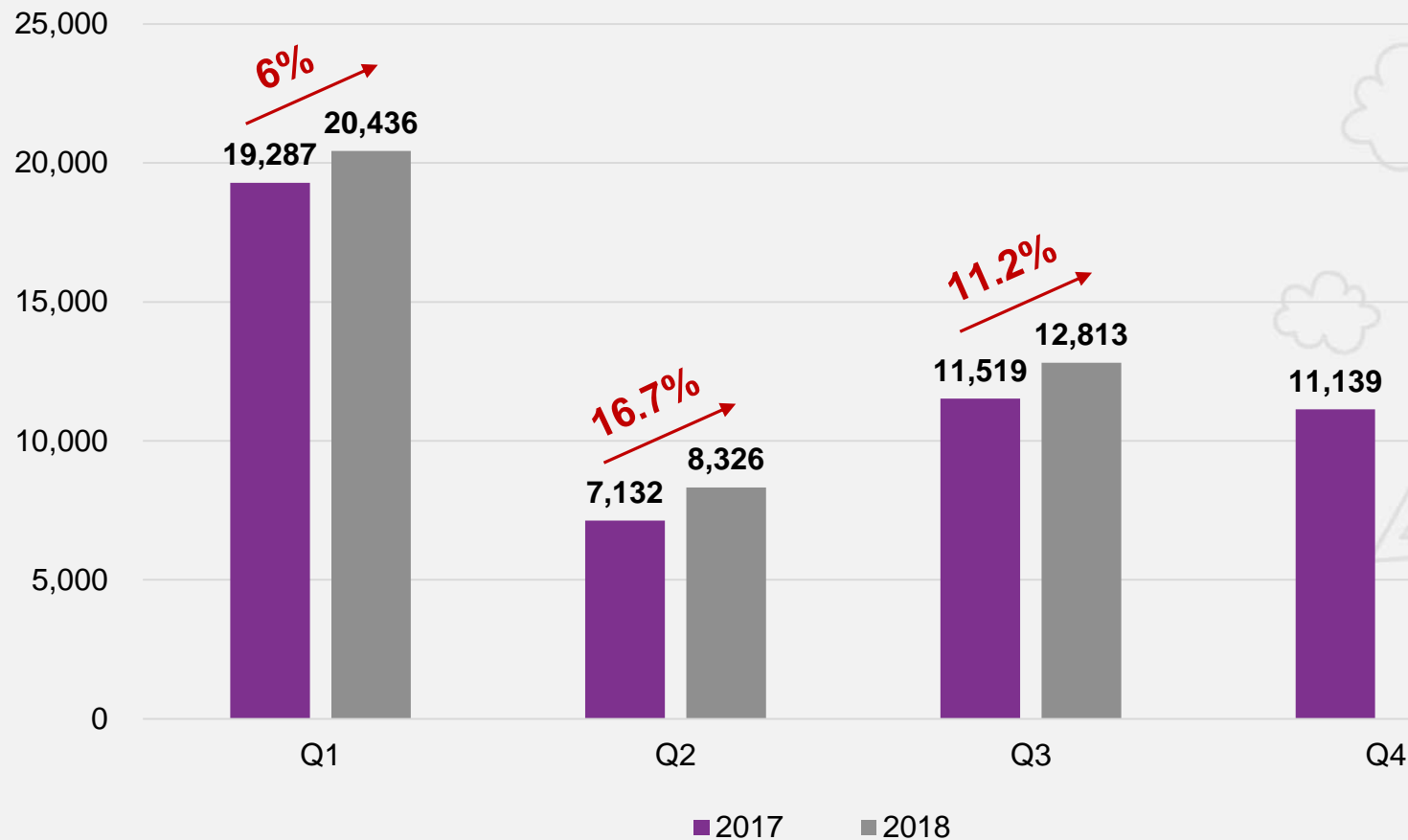
- Self-own learning centers (SOLC): 12,813
- Other programs including Riseup, cantalk, SSAT and the Edge: 1,459
- Short-term courses: 430



Steady Growth in Student Enrollments (cont'd)

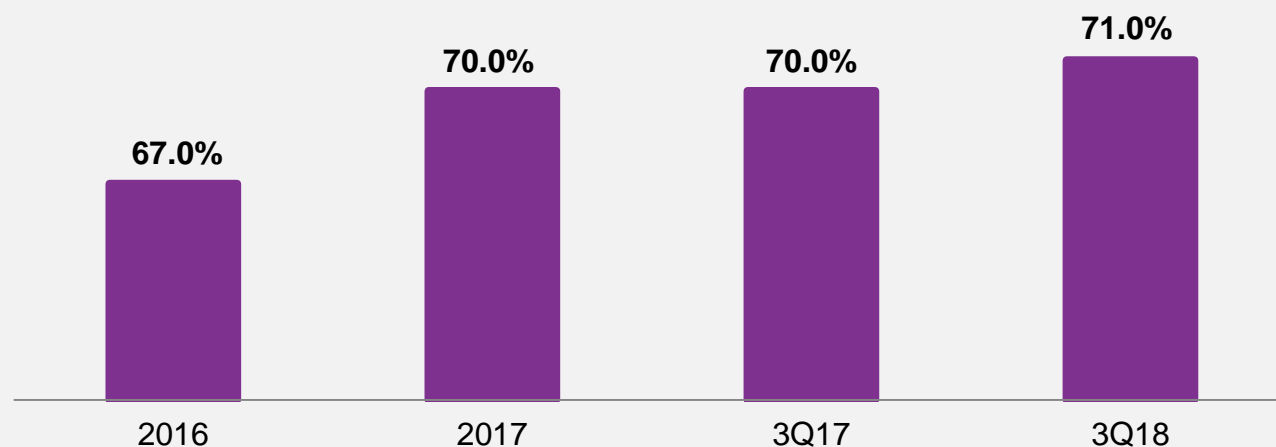
- Student enrollments in our SOLCs on average account for about 90% of our total student population.

SOLC Student Enrollment

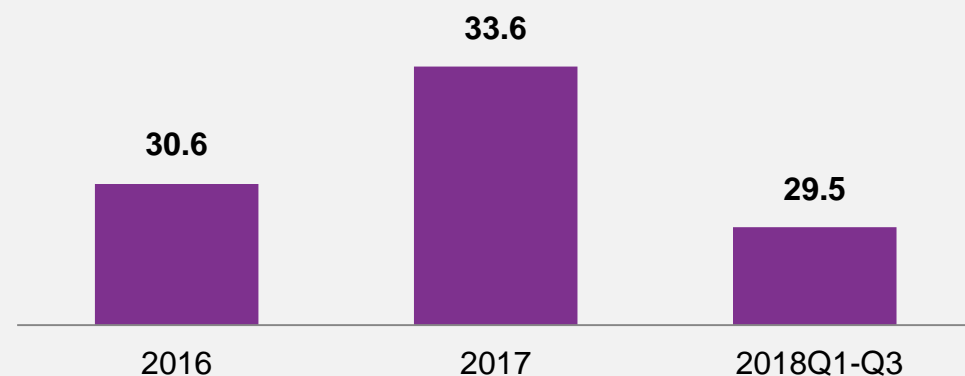


Student Retention Rate Reached Another High

- Our student retention rate at SOLCs increased to 71% in Q3 2018.



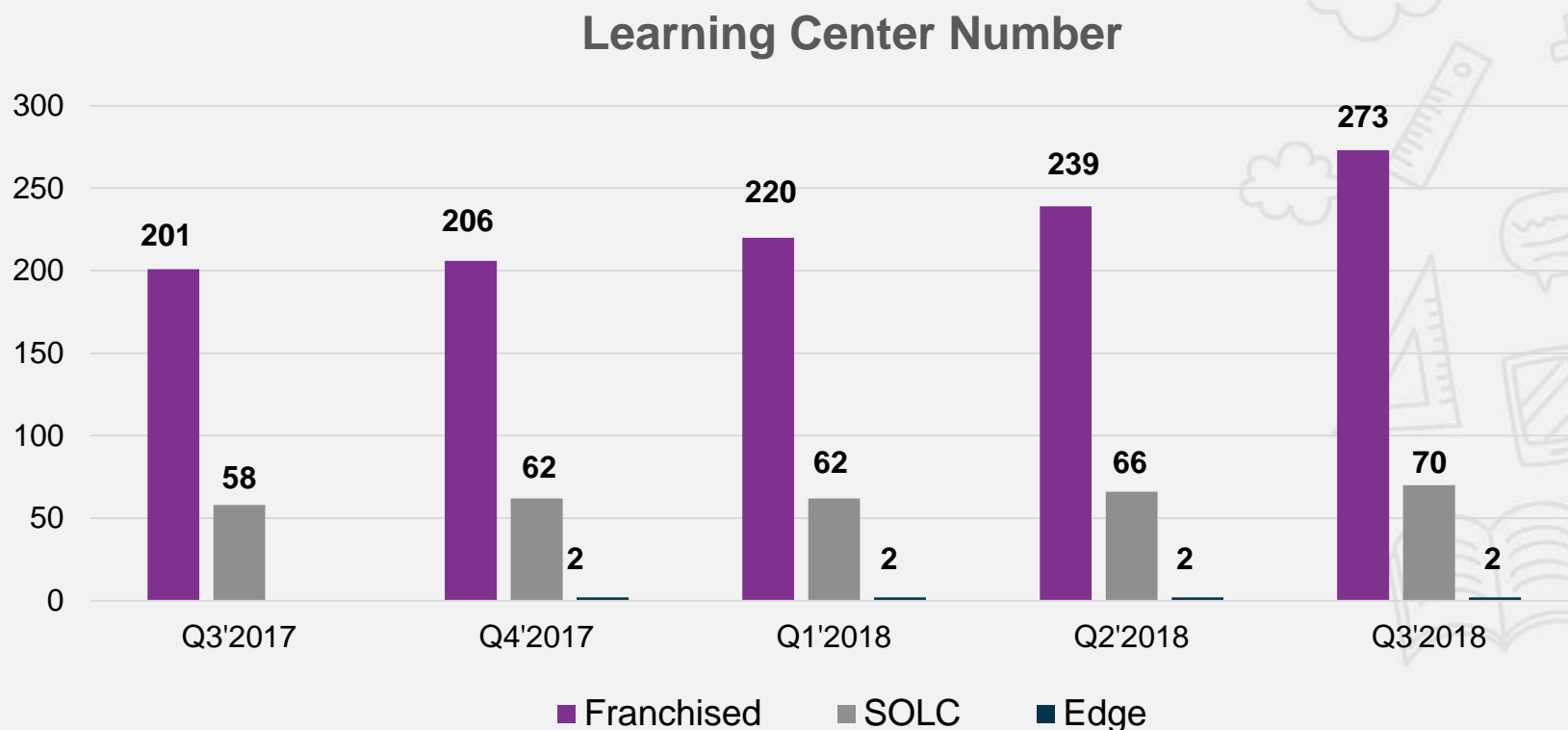
- However, our average new enrollments at our SOLCs dropped to 29.5 for the nine months ended in September 30, 2018 due to the increased competition.



Note: “Average new enrollment equals total new student enrolments for a given period divided by the average number of SOLCs and the number of months in operation

Further Expansion of Our Learning Center Network

- We manage our business through a network of self-owned learning centers (SOLC) and franchised learning centers. Our SOLCs are located in Beijing, Shanghai, Shenzhen, Guangzhou, Wuxi , Foshan and Hong Kong.
- As of the end of September, 2018, we have a total of 345 learning centers, including 70 self-owned learning centers in mainland China, 2 in Hong Kong which are operated by our wholly-owned subsidiary The Edge and 273 franchised learning centers.



Rise Footprint Reached More than 100 Cities in China

- ★ Self-owned Learning Centers
- Franchised Learning Centers



Notes: All numbers are as of September, 30, 2018 unless specified otherwise

Business Strategy Update

- Staying Focus and Balancing Growth and Value

1

Focus on growth by opening more learning centers in a managed way

- Open new self-owned centers prudently in response to the tighter fire safety coeds.
- Increase our efforts in acquiring our franchised centers.
- Further expand franchised learning centers to cover more cities.

2

Focus on junior ELT market, less affected by current policies

- Increase marketing expenses to further increase Rise penetration rate in the junior ELT market.
- Further raise the student retention rate by improving our customers' experiences so as to extend their study life with Rise.
- Develop new products to enrich product offerings for the junior ELT market both online and offline.

3

Focus on services

- Increase customer satisfaction by digitalizing our learning platform to monitor our students' learning outcome and to further improve communication with parents.
- Optimize teachers' compensation structure and reinforce training to raise teachers' satisfaction, reduce turnover rate and improve compliance.
- Increase management efficiency and effectiveness by further improving operating, accounting and control systems.



Financial Highlights

Q3 2018 Financial Highlights

- Total revenue grew by 33.6% y-o-y to Rmb347.4 million (US\$50.6 million).
- Net income attributable to Rise increased by 9.9% y-o-y to Rmb32.9 million (US\$4.8 million).
- Adjusted EBITDA remained stable at Rmb64.8 million (US\$9.4 million).
- Total number of student enrollments for all our educational programs increased by 26.0% y-o-y to 14,702.
- Student retention rate at SOLCs increased to approximately 71%.
- Total number of Rise learning centers increased to 345, consisting of 70 SOLCs in mainland China, 2 in Hong Kong operated by the Edge and 273 franchised learning centers.
- Signed an acquisition agreement with our existing franchise partner in Shijiazhuang, pursuant to which we will purchase from the owner 51% of equity interest in all her five learning centers in Shijiazhuang.
- Rise initiates a share repurchase program for a total consideration of up to US\$30.0 million within one year.

Revenue

Educational Programs

- Increase in the number of student enrollments at SOLCs resulted from high retention rate and an increase in SOLCs
- SOLCs increased from 58 to 70 (excluding the Edge) y-o-y, and 42 new classrooms were added from the last quarter

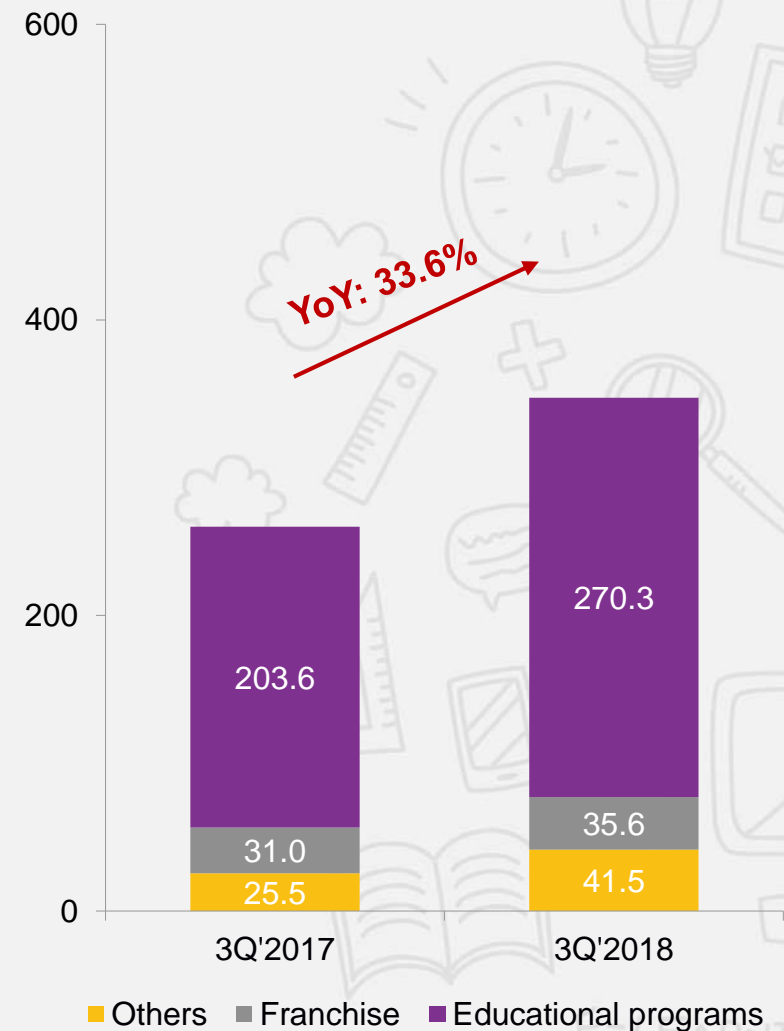
Franchise Revenues

- Fixed franchise fees amortized over the period of the agreement
- Pre-agreed share of tuition and fees on ongoing basis
- Course material fees

Others

- Revenue from Rise study tours and revenue from the Edge which was acquired in Q4 of 2017

(Rmb, mm)

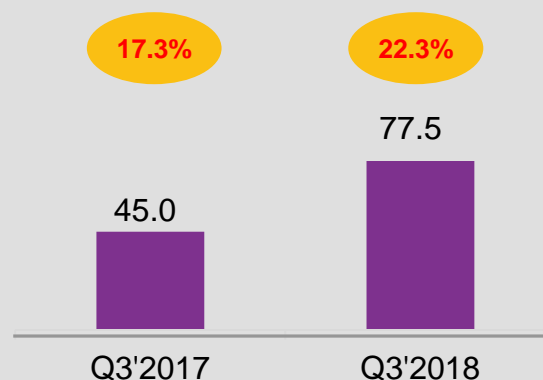


Cost of Revenue

- Cost of revenue increased primarily due to the increases in rental costs and personnel costs as a result of expansion of SOLCs and increase in teachers and teaching hours
- Selling & marketing expenses increased primarily due to the rise in channel cost and the use of new and more expensive marketing channels, in response to the increasing competition

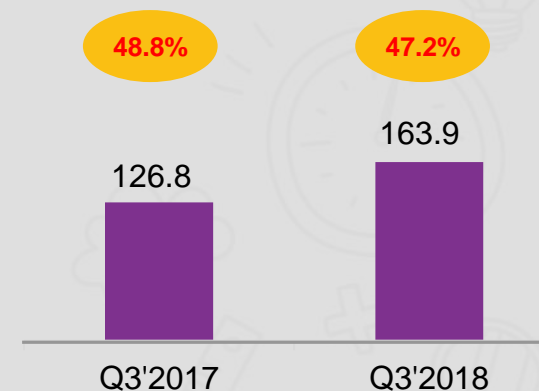
■ Selling & marketing expenses (Rmb, mm)

% of revenue



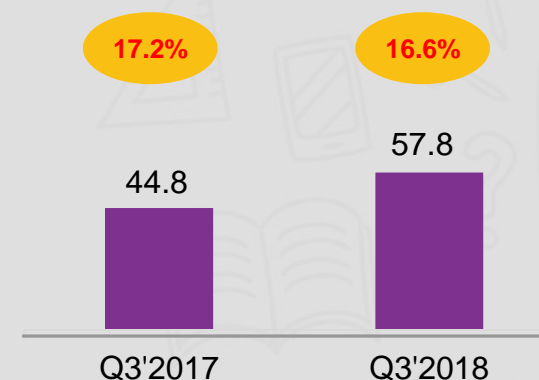
■ Cost of revenue (Rmb, mm)

% of revenue



■ General & administrative expenses

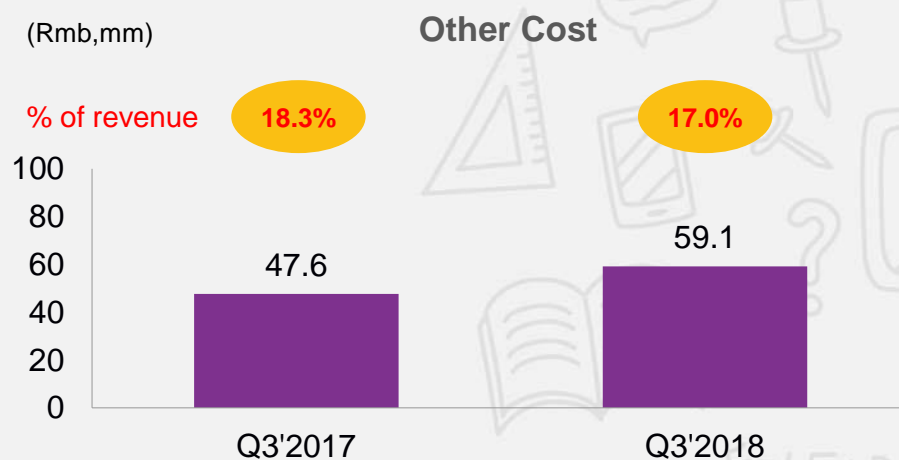
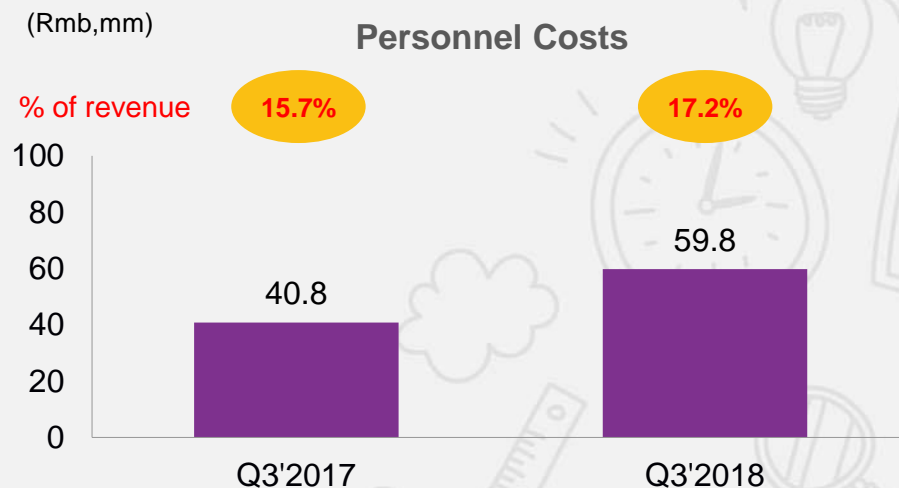
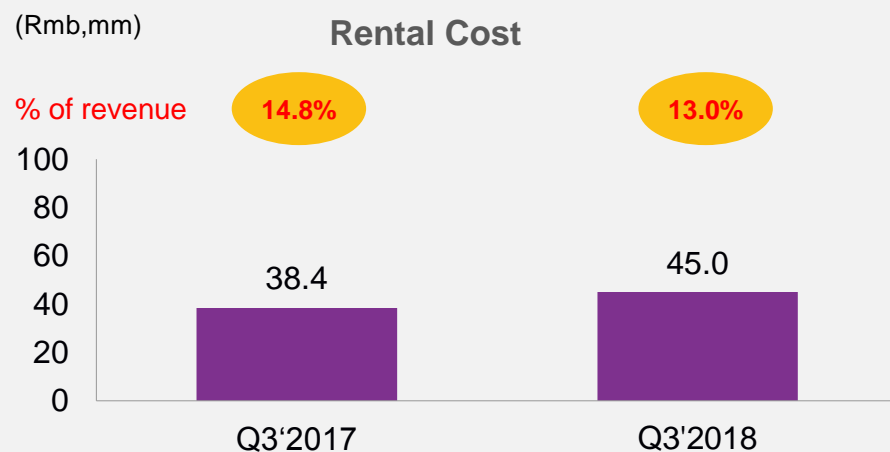
% of revenue



Cost of Revenue Breakdown

■ Cost of revenue breakdown

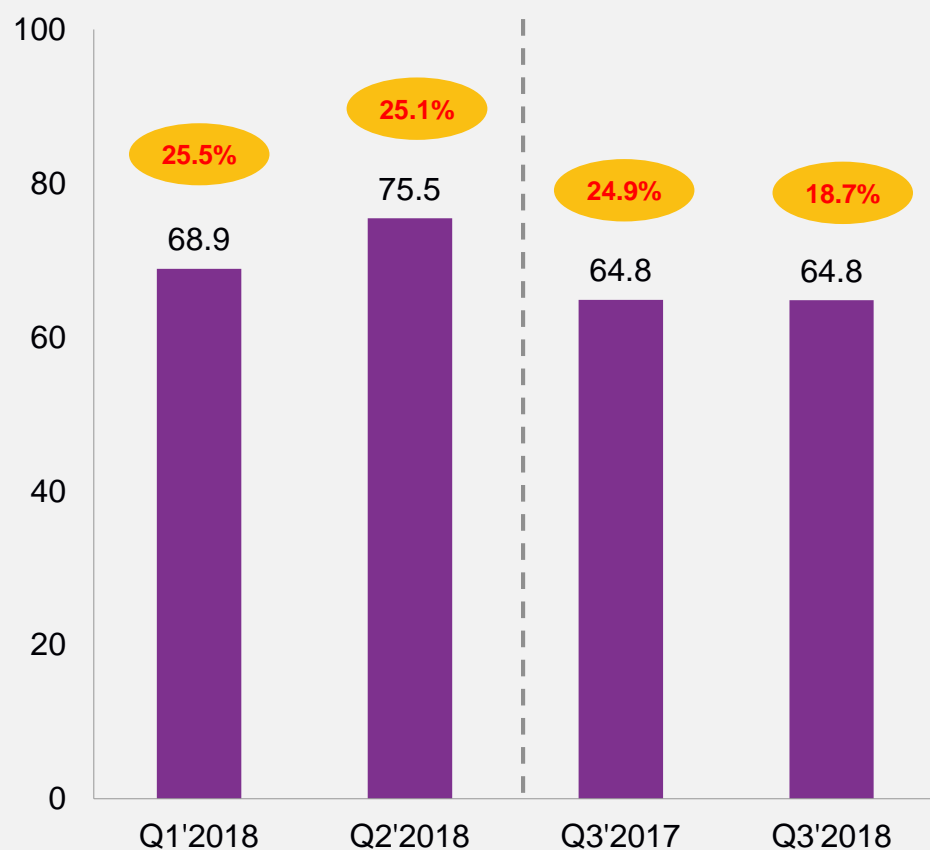
- Personnel costs
- Rental costs
- Others costs include study tour costs and online business costs



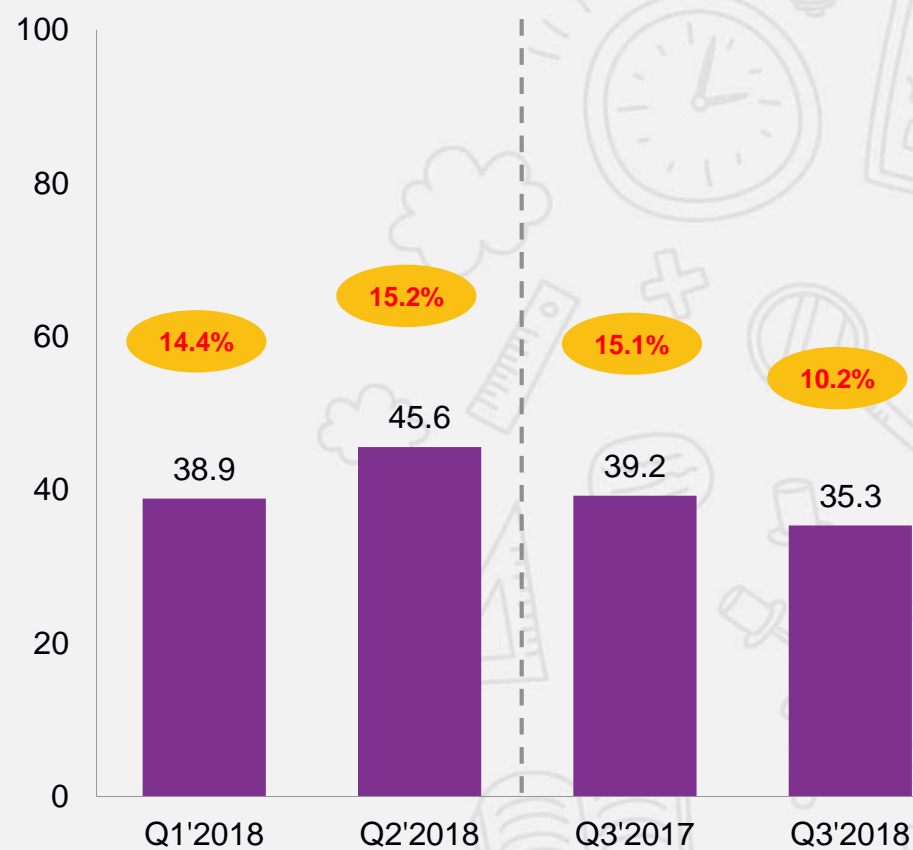
Note : Rental Costs include property management fee.

Profitability

- Adjusted EBITDA (Rmb, mm) and EBITDA margin (%)



- Non-GAAP net income attributable to Rise (Rmb, mm) and NON-GAAP NI margin (%)



GAAP to Adjusted/Non-GAAP Measure Reconciliation

(Rmb, mm)	Three Months Ended September 30,			Nine Months Ended September30,		
	2017 RMB	2018 RMB	2018 USD	2017 RMB	2018 RMB	2018 USD
Net income attributable to RISE Education Cayman Ltd	29.9	32.9	4.7	90.0	111.5	16.2
Share-based compensation ("SBC")	-	2.4	0.4	-	8.3	1.2
IPO and one-off professional expenses	9.3	-	-	9.3	-	-
Non-GAAP net income attributable to RISE Education Cayman Ltd	39.2	35.3	5.1	99.3	119.8	17.4
EBITDA	55.5	62.4	9.0	165.1	200.9	29.3
SBC	-	2.4	0.4	-	8.3	1.2
IPO and one-off professional expenses	9.3	-	-	9.3	-	-
Adjusted EBITDA	64.8	64.8	9.4	174.4	209.2	30.5

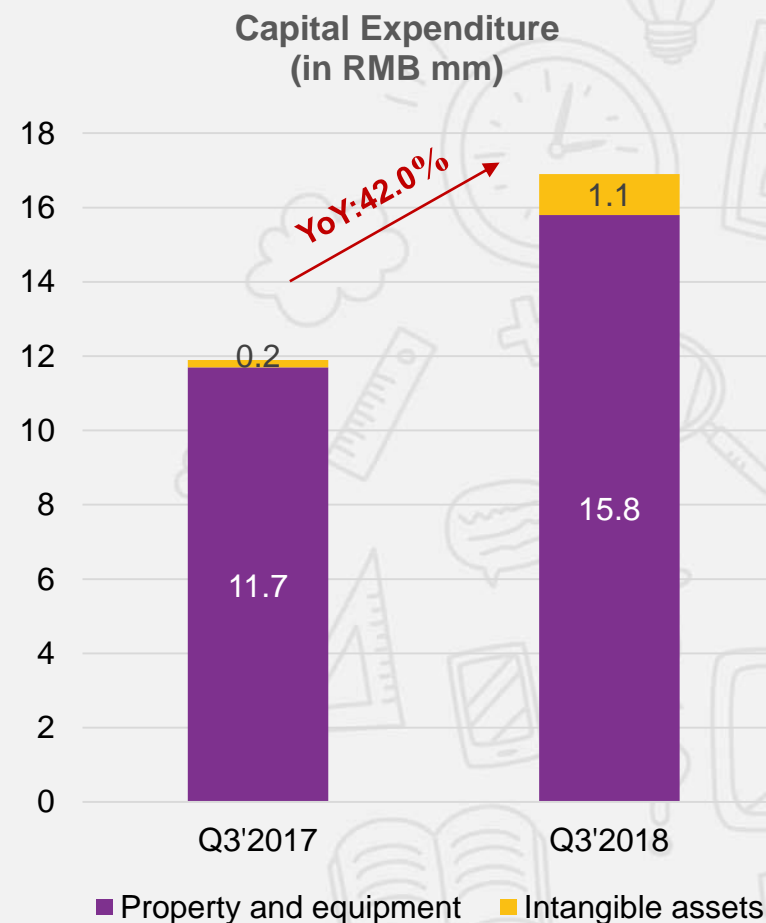
Capital Expenditure

Property and equipment

- Property and equipment mainly consist of leasehold improvements, electronic equipment, furniture and vehicles
- 4 new SOLCs opened during the third quarter, 2018, compared with 2 new SOLCs opened in the same period of prior year

Intangible assets

- The Company invested Rmb1.1m in e-learning system and online video shooting system during the third quarter, 2018.





Appendix

Our Journey

2007

Founding

- Pioneered in Subject English learning to create US school experience
- Started with franchise model and gradually migrated to self-owned model in Tier-1 cities, predominately in Beijing

2013

New Management Team

- Bain Capital buy-out
- Focus on profitability and improving box economics
- Entry and/or further expansion into Shanghai, Shenzhen and Guangzhou

2014 - 2016

Enrichment

- New products launched, e.g. online products
- Expansion into older age group, e. RISE UP
- Established strong brand and is recognized as an industry leader

2017

10-year Anniversary

- Listed on Nasdaq
- National leader in junior ELT
- Dominant player in Beijing and key player Shanghai, Shenzhen and Guangzhou
- Nationwide footprint with franchise network
- Acquisition of The Edge

2018

- SSAT's exclusive on-site institute in China
- Follow-on public offering of 8,050,000 ADSs by selling shareholders

Overview of China's Junior ELT ⁽¹⁾ Market

Attractive and supportive factor

Rising wealth and disposable income

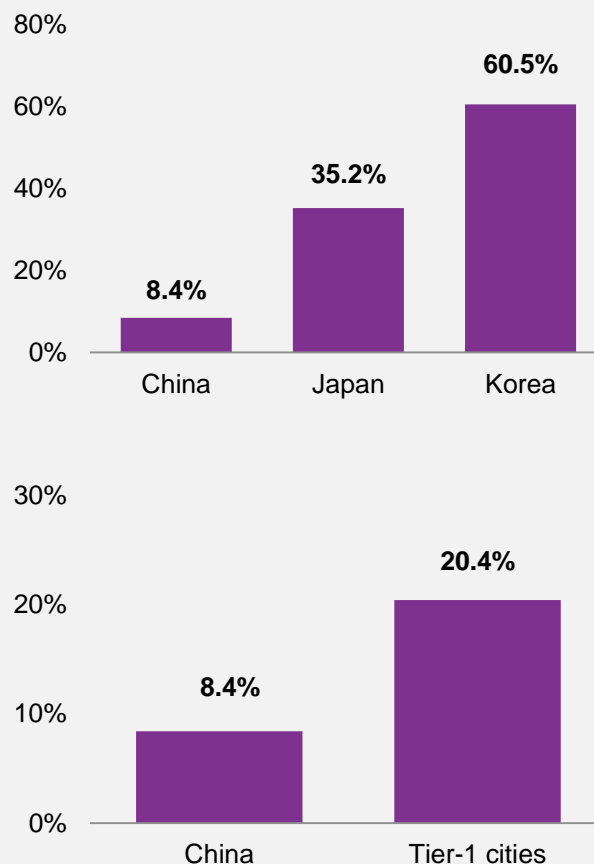
Amended Law on the Promotion of Private Education

Two-child policy

Increasing importance of English

Kids starting language training earlier

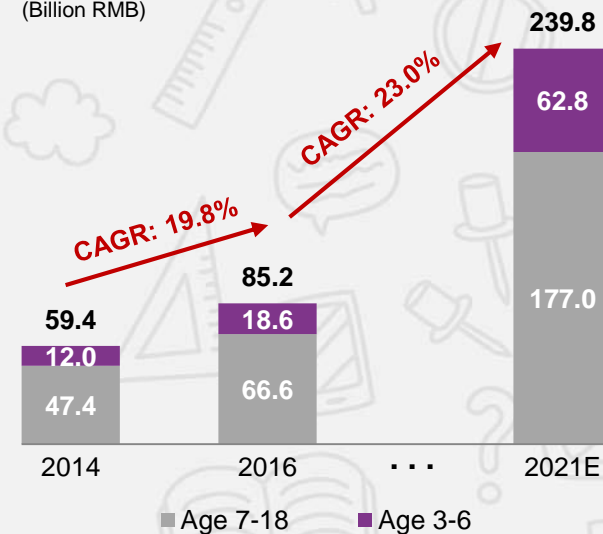
Low penetration⁽²⁾



... driving growth in China's Junior ELT Market⁽³⁾

CAGR	Age 3-6	Age 7-18
2014-2016	24.5%	18.5%
2016-2021	27.6%	21.6%

(Billion RMB)



Source: Frost & Sullivan.

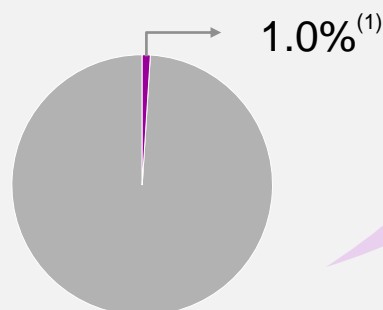
Note: (1) Junior ELT = Junior English Language Training, i.e. after-school English teaching and tutoring services provided by training institutions to students aged three to 18; the market size includes online and offline junior ELT Market.

(2) Penetration rate is calculated as the ratio of junior ELT enrollment to enrollments in school in 2016

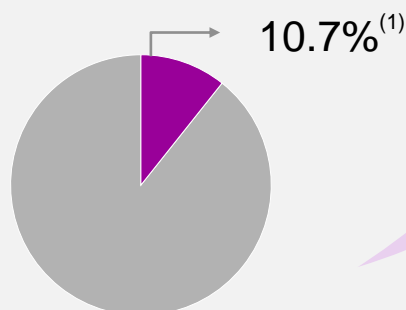
(3) In terms of gross billing.

Rise Leadership in China's Junior ETL Market

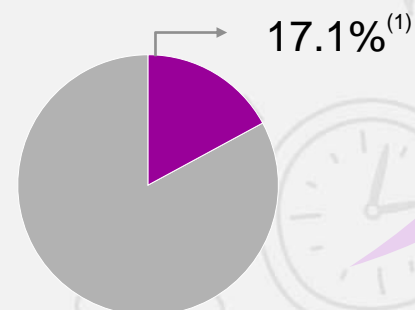
Junior ELT market



Premium junior ELT market



Premium junior ELT market in Tier 1 cities



- #1 In Beijing
- #2 In Shanghai
- #4 In Guangzhou
- #2 In Shenzhen

Strategically focused on fastest growing age-group (3-6 year olds)

Unique teaching philosophy focusing on both the English language as well as subject knowledge to cater to unique demands

Technology and proprietary content lowers reliance on teachers for content delivery

Source: Frost & Sullivan.

Note: (1) Represent Rise's market share in terms of gross billings in 2016

Unique and Innovative Teaching Philosophy



TRADITIONAL ELT



Language of Instruction

- English

- Chinese and English



Teaching Philosophy

- Subject-based and immersive

- Text-based instruction



Methodologies

- Interactive, cooperative and project-based

- Lecture-based and instructional



Curriculum and Course Content

- Technology-enabled, proprietary curriculum comprising rich, standardized and multimedia content

- Traditional textbooks focusing on standardized tests as well as grammar and vocabulary



Role of Teacher

- Facilitate an interactive and immersive environment

- Lecture and deliver content in textbooks



Results

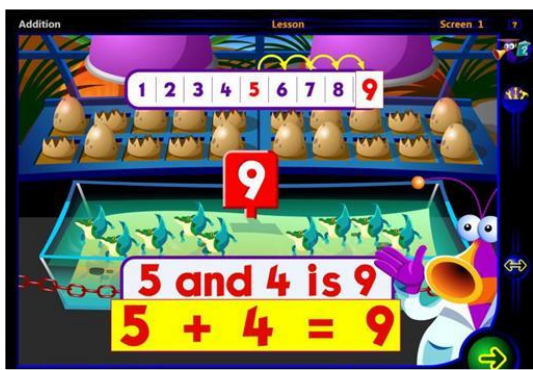
- Holistic student development and contextualized understanding of language

- Rigid, test-oriented

We Develop Our Curricula with Technology in Mind

HMH-Based Courseware

- Courseware and selected content based on an exclusive and royalty-free right to use certain Houghton Mifflin Harcourt (HMH) courseware developed before October 2011 in China permanently for after-school tutoring services
- Mainly for Rise Start and Rise On



Self-Developed Courseware

- Developed by dedicated curriculum development team
- Over ~5,000 course hours of content
- Used across all core programs, especially Rise Up



Subject-based Course Materials

- Refers to over 430 study tools fully developed by Rise to complement courseware
- Used in and out of classrooms in all learning centers across Rise network



Technology Powers Our Curricula



Interactive
White Boards



Multimedia
Content



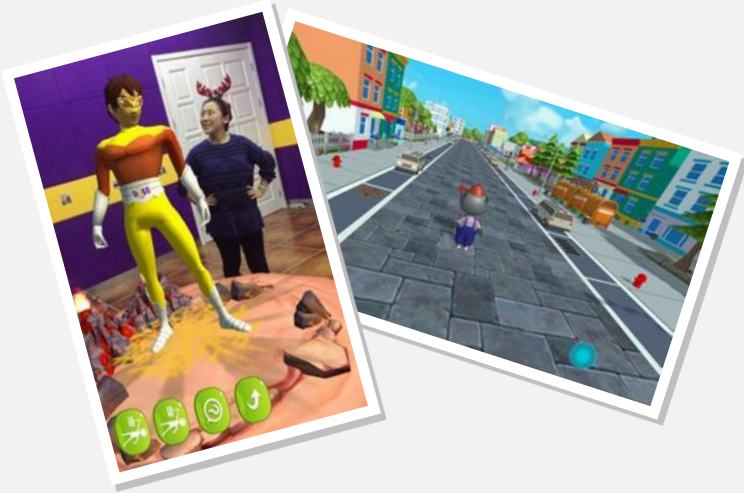
Online Instruction and
Access to Content



AR/VR

Our Class Experience

Technology-Based



Immersive and Interactive



Our Products Cover the Entire 3-18 Age Range

Rise Start

Age 3-6 Stage

- Offline subject-based courses
- Goal is to help students develop good learning habits through play, interactions with others, discovery and experience
- Approximately 200 course hours

Rise On

Age 7-12 Stage

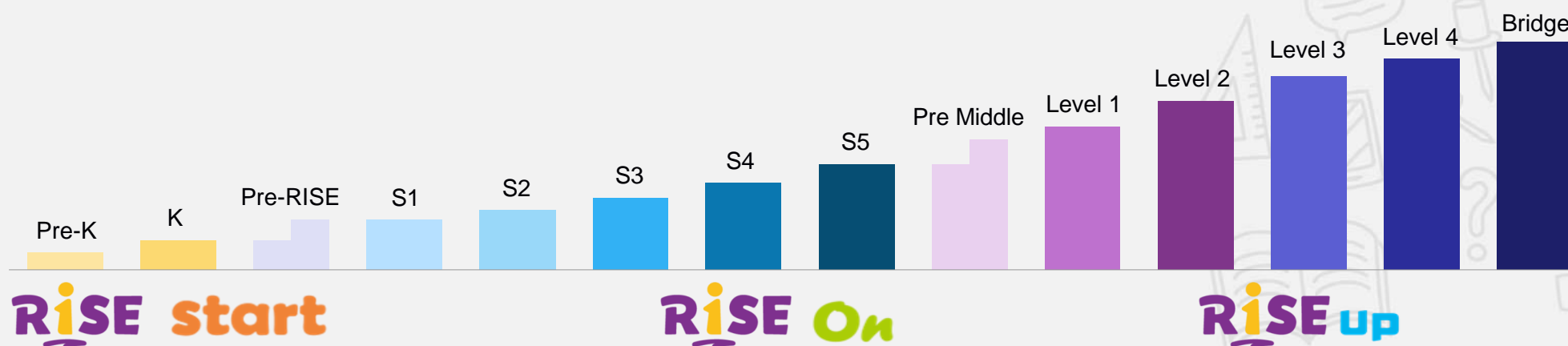
- Offline subject-based courses, supplemented by online course offerings
- Goal is to strengthen student abilities across variety of subject areas while emphasizing self-reliance and problem solving
- Approximately 180 course hours

Rise Up

Age 13-18 Stage

- Online, subject-based courses
- Geared towards standardized test prep for American institutions, as well as honing students' independent learning, leadership, critical thinking, decision-making and communication skills
- Approximately 170 online course hours and 40 online tutorial sessions

Rise Curricula - Each Stage is Customized for Both the Subject Matter as Well as English Language



Online is Embedded in Our Product Offerings



 Online Platform

 Other Complementary Products

Note

1. Logo of Rise Overseas Study Tour