



Rise Education – Investor Presentation

March 2018

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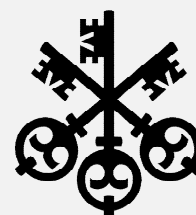
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IPO offering summary

Issuer	■ RISE Education Cayman Ltd
Base offering	■ 11MM ADSs (45.5% primary, 54.5% secondary), each ADS represents 2 ordinary shares
Over-allotment option	■ 1.65MM ADSs (15% of the Base Offering)
Offering price	■ US\$14.5 per ADS
Listing / Ticker	■ NASDAQ / “REDU”
Use of proceeds	■ Repayment of bank loan, business development, product development, working capital and other general corporate purpose
Lock-up period	■ 180 days

Joint book runners

CREDIT SUISSE
Morgan Stanley



UBS

*Rise is a Leading
National Provider of
Premium, After-school,
English Language Training
for Children Aged 3-18*

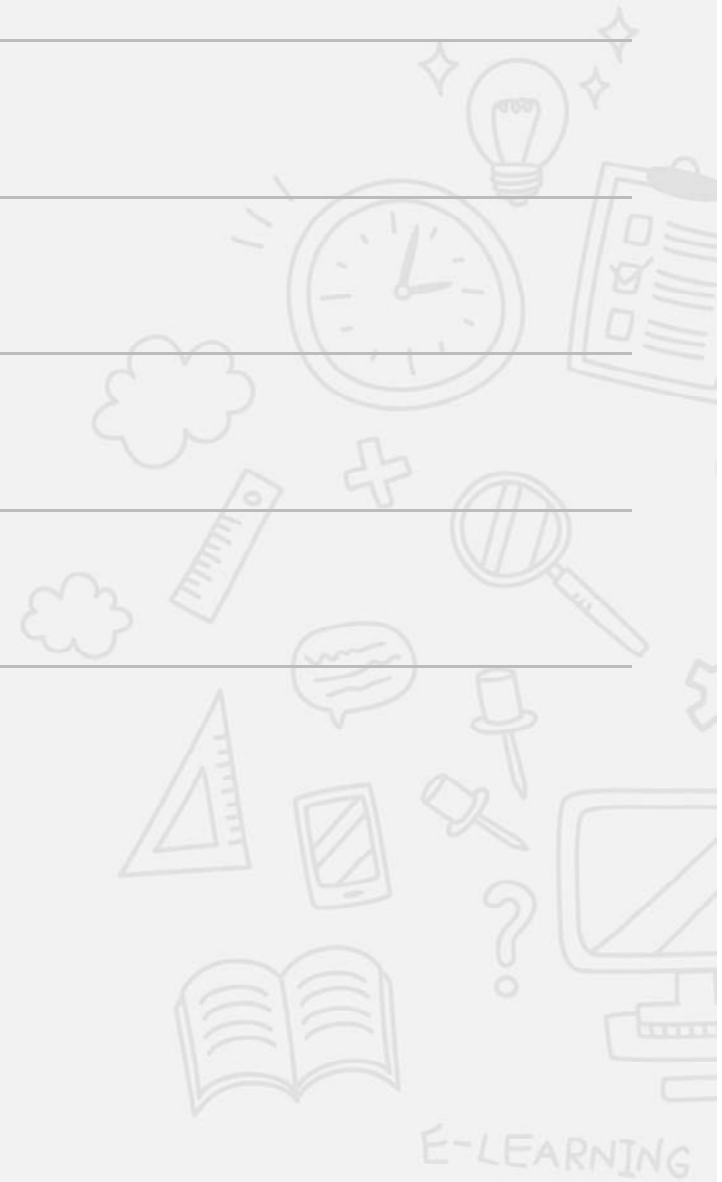
Agenda

1 COMPANY OVERVIEW

2 BUSINESS HIGHLIGHTS

3 FINANCIAL HIGHLIGHTS

4 GROWTH STRATEGIES





Section 1

Company Overview

Rise At a Glance

Updated

No. 3 In Junior ELT ⁽¹⁾

No. 2 In Premium Segment ⁽¹⁾



Learning Centers and Student Enrollments⁽²⁾

64 Self-owned Learning Centers + **206** Franchised Learning Centers

Student Enrollments in Self-owned Centers

2015	2016	2017
26,951	36,173	49,894



Revenues

2014 RMB 407MM → 2017 RMB 969MM
34% CAGR
 (86% from Self-owned)

2016 RMB 711MM → 2017 RMB 969MM
+36% YoY
 (86% from Self-owned)



Adjusted EBITDA

2014 RMB 15MM → 2017 RMB 243MM
~16x

4% Margin → **25% Margin**
~6x Expansion

2017 RMB 242.5MM → 2017 RMB 243MM
+70% YoY
25% Margin

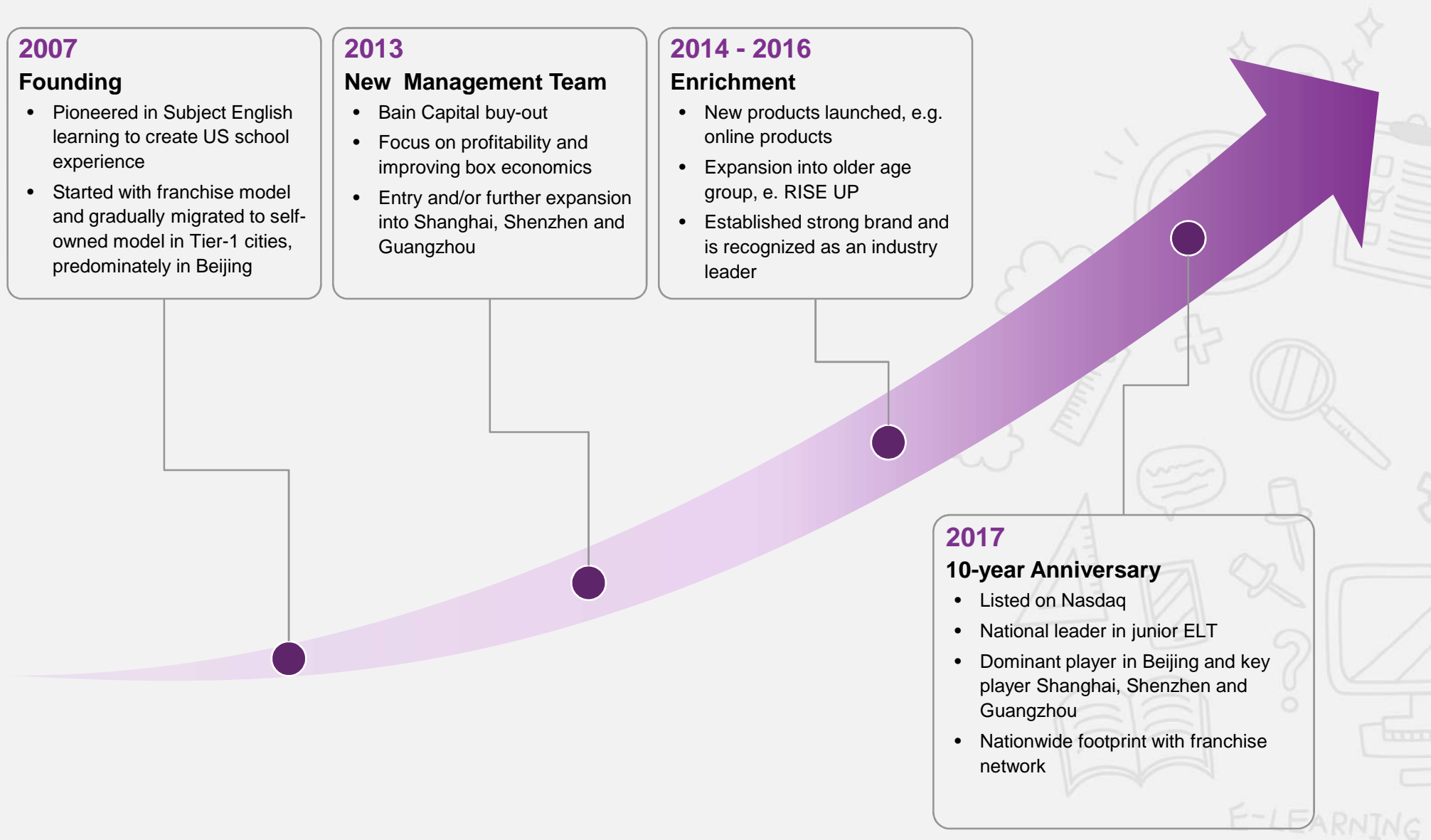
Source: Frost & Sullivan

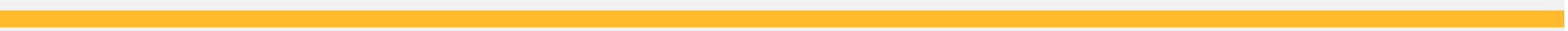
Notes

1. Ranking based on 2016 gross billings

2. "Student enrollments" refers to the cumulative total number of courses enrolled in by students during a given period of time

Our Journey





Section 2

Business Highlights

Key Strengths

- 1 Leadership in Attractive and Rapidly Growing Market
- 2 Innovative and Unique Teaching Philosophy and Methodologies
- 3 Comprehensive and Customized Product Offerings
- 4 Highly Profitable and Optimized Self-Owned Learning Center Model
- 5 Franchise Model Enables Greater Scalability
- 6 Premium and Trusted Brand
- 7 Experienced Management Team with Proven Track Record

1 Attractive and Rapidly Growing Junior ELT⁽¹⁾ Market

Attractive and supportive factor

Rising wealth and disposable income

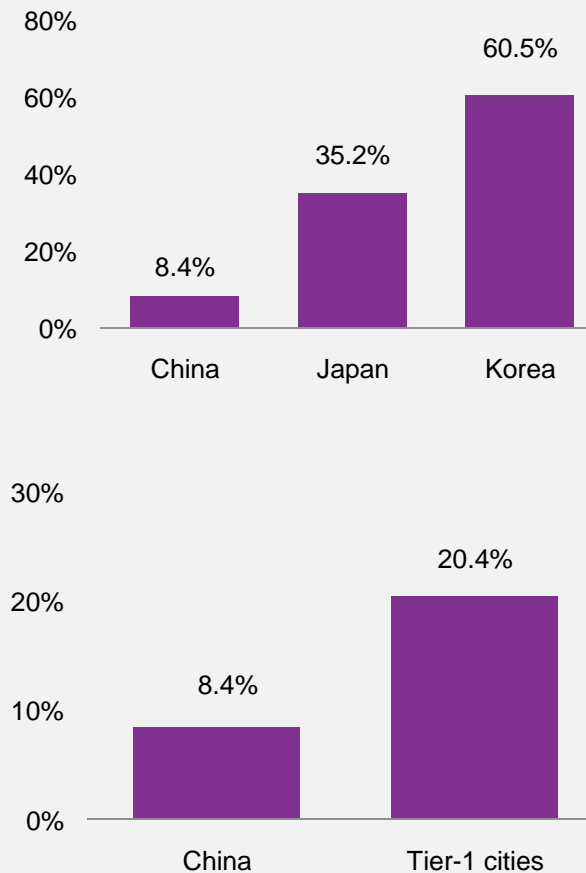
Amended Law on the Promotion of Private Education

Two-child policy

Increasing importance of English

Kids starting language training earlier

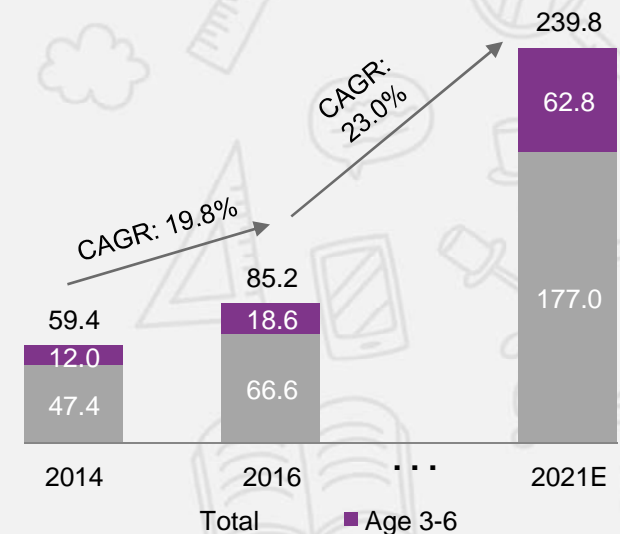
Low penetration⁽²⁾



... 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.

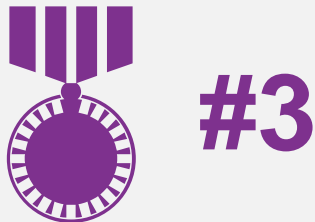
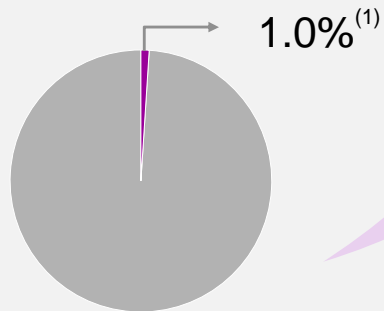
Note: (1) Junior ELT = Junior English Language Training, i.e. after-school English teaching and tutoring services provided by training institutions to students aged three to 18; the market size include online and offline junior ELT Market.

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

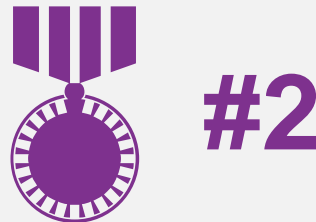
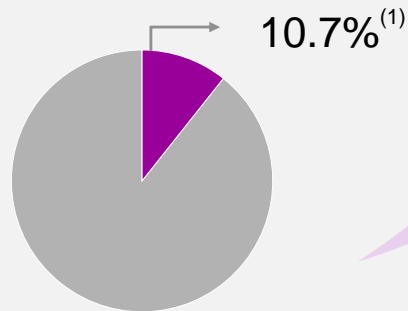
(3) In term of gross billing.

1 Leadership in Attractive and Rapidly Growing Market

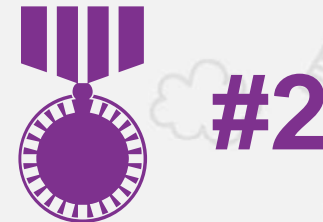
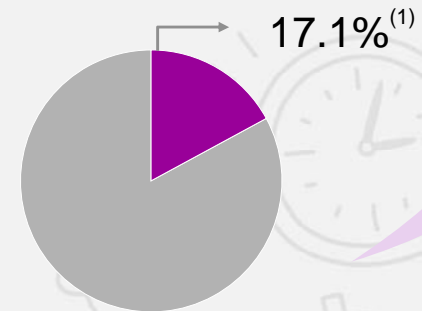
Junior ELT market



Premium junior ELT market



Premium junior ELT market in Tier 1 cities



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

What We Have Accomplished...

Strong brand and cost-effective marketing channels lowers overall costs

Unique teaching philosophy focusing on both English language as well as subject matter knowledge cater to unique demand

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

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

2 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

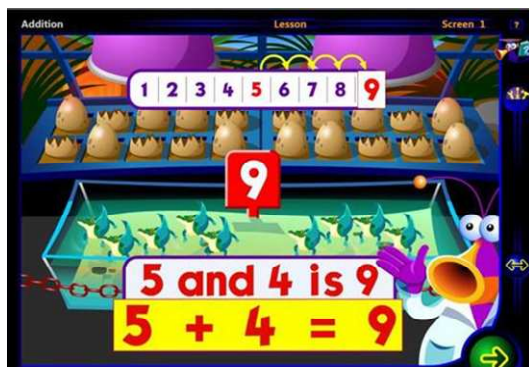
- Holistic student development and contextualized understanding of language

- Rigid, test-oriented

2 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



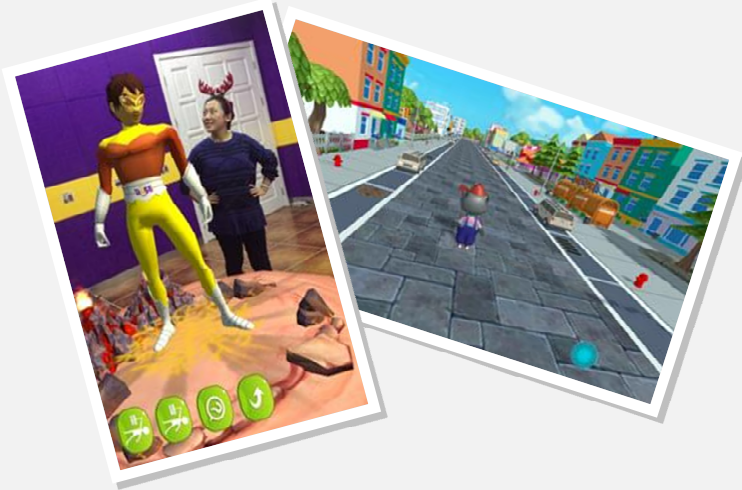
Online Instruction and
Access to Content



AR/VR

2 Our Classroom Experience

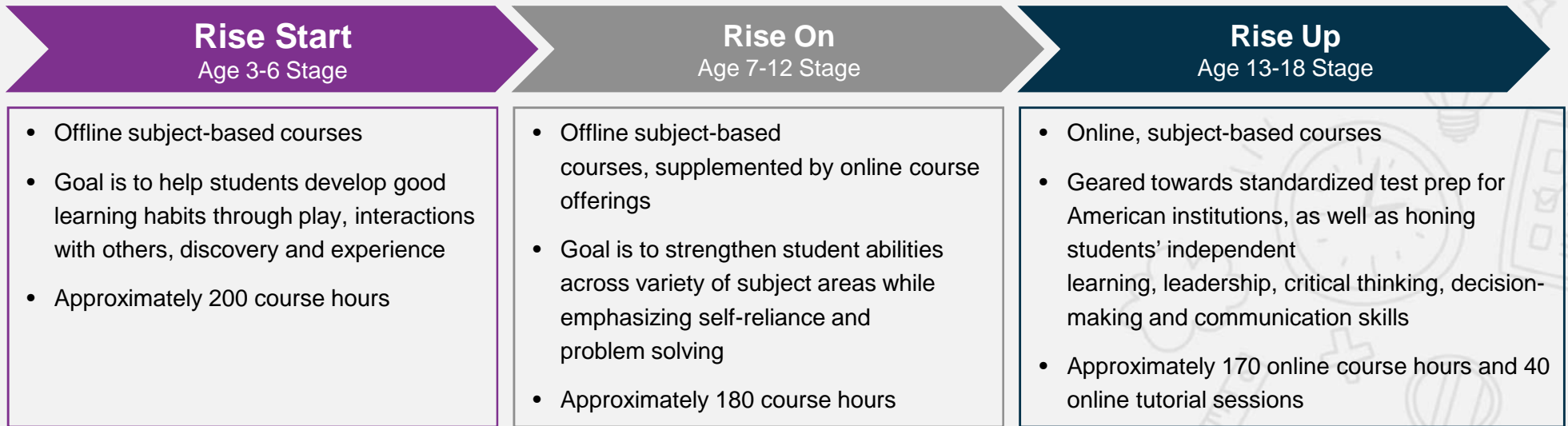
Technology-Based



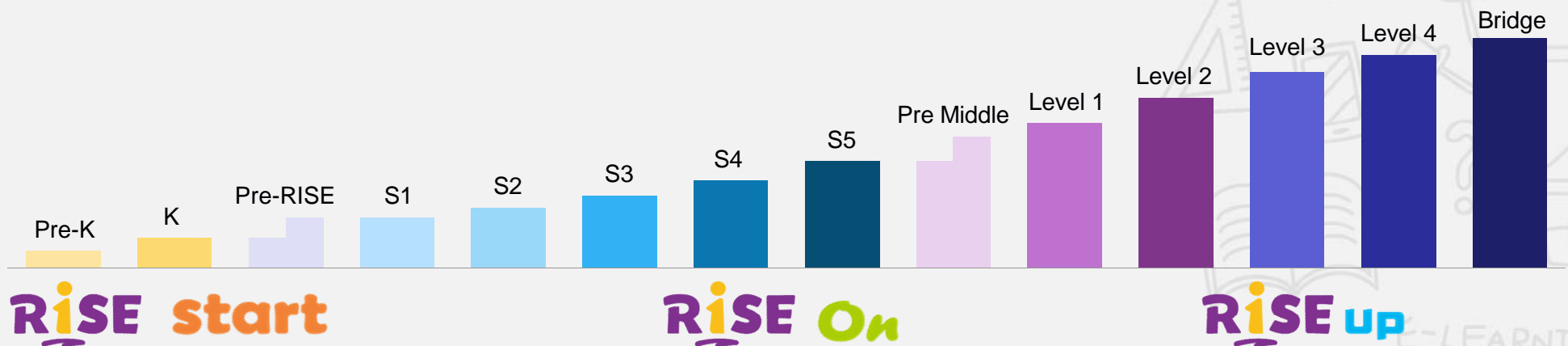
Immersive and Interactive



3 Our Core Products Cover The Entire 3-18 Age Range



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



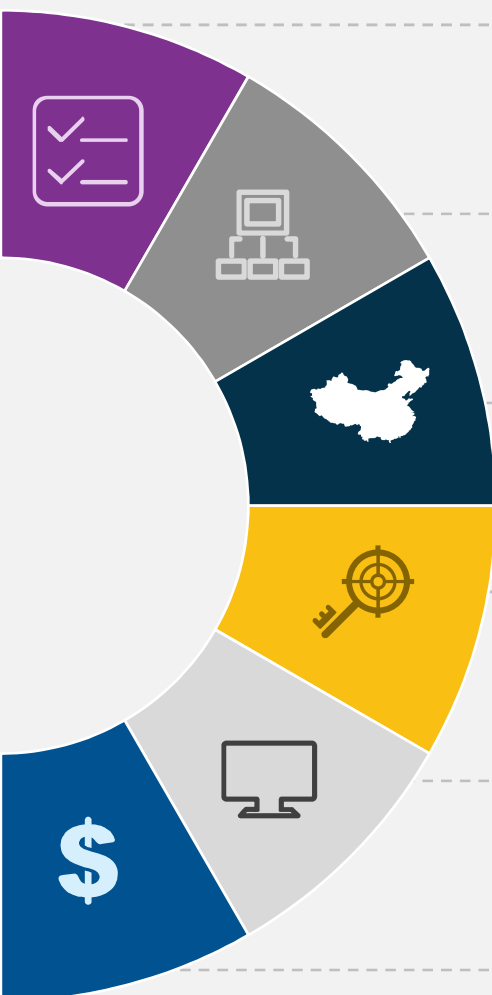
3 Online is Embedded In Our Product Offerings



Note

1. Logo of Rise Overseas Study Tour

4 Overview of Our Self-owned Learning Centers



Overview

- Comprises most of our revenues and profit
- Near-term strategic focus

Scale

- 64 learning centers across 7 cities ⁽¹⁾

Location

- Most attractive cities, typically Tier-1 ⁽²⁾
- Identified and secured by a dedicated internal team

Sales and Marketing

- Overall branding and marketing campaigns
- Sales and marketing through offline and online channels with meaningful word of mouth referral (~29%)

Operations

- Self-operated and managed
- Leased space

Financial

- Initial investment in renovations, equipment, and ongoing refurbishments
- Rise collects all revenue and profits

Notes

1. Beijing, Shanghai, Guangzhou, Shenzhen; Wuxi, Foshan and Hong Kong, as of December 31, 2017

4 Our Self-owned Learning Center Operation and Management

Opening

Site Election

- Foot traffic
- Competition
- Density
- Environment
- Building class



Center Opening

- Financial evaluation
- Standard decoration
- Dedicated team

Operation and Management

Weekly Monitoring

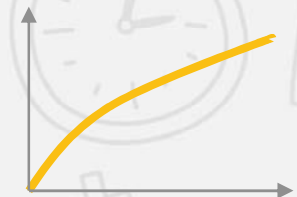
- Student recruitment and retention
- Marketing channel and conversion
- Staffing and teacher training

Monthly Center by Center Review

School	Revenue Drivers				Rental Cost			Staff cost			
	New	Refund	Renew	In-class	TTL Sqm	Cost/sqm	Sqm/s	S to T	Avg. Sal	Admin	Mkt
BJ-大恒	●	●	●	●	●	●	●	●	●	●	●
BJ-双井	●	●	●	●	●	●	●	●	●	●	●
BJ-优盛	●	●	●	●	●	●	●	●	●	●	●
BJ-十里河	●	●	●	●	●	●	●	●	●	●	●
BJ-金源	●	●	●	●	●	●	●	●	●	●	●
BJ-北店	●	●	●	●	●	●	●	●	●	●	●
BJ-奥亚	●	●	●	●	●	●	●	●	●	●	●
BJ-军博	●	●	●	●	●	●	●	●	●	●	●
BJ-亦庄	●	●	●	●	●	●	●	●	●	●	●

Illustrative

Ramping



Satellite Centers

Satellite

Main Center

Satellite

Best Practice Sharing; Corrective Actions; Follow-ups

What We Have Accomplished

Task

Status

Expand and establish leadership in major Tier-1 cities



Define and refine core product set



Turn around unprofitable learning centers



Formulate replicable single store business model



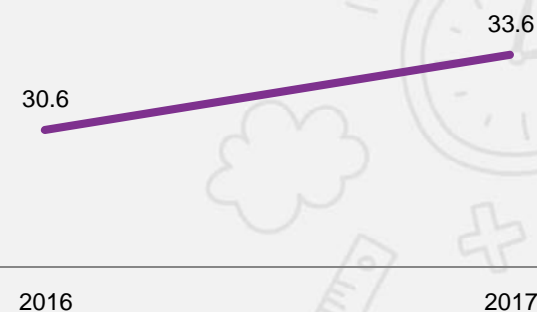
Establish efficient central management system



Define expansion strategy

Increasing Average New Enrollments⁽¹⁾

Per Center Per Month



Rising Retention Rate

%



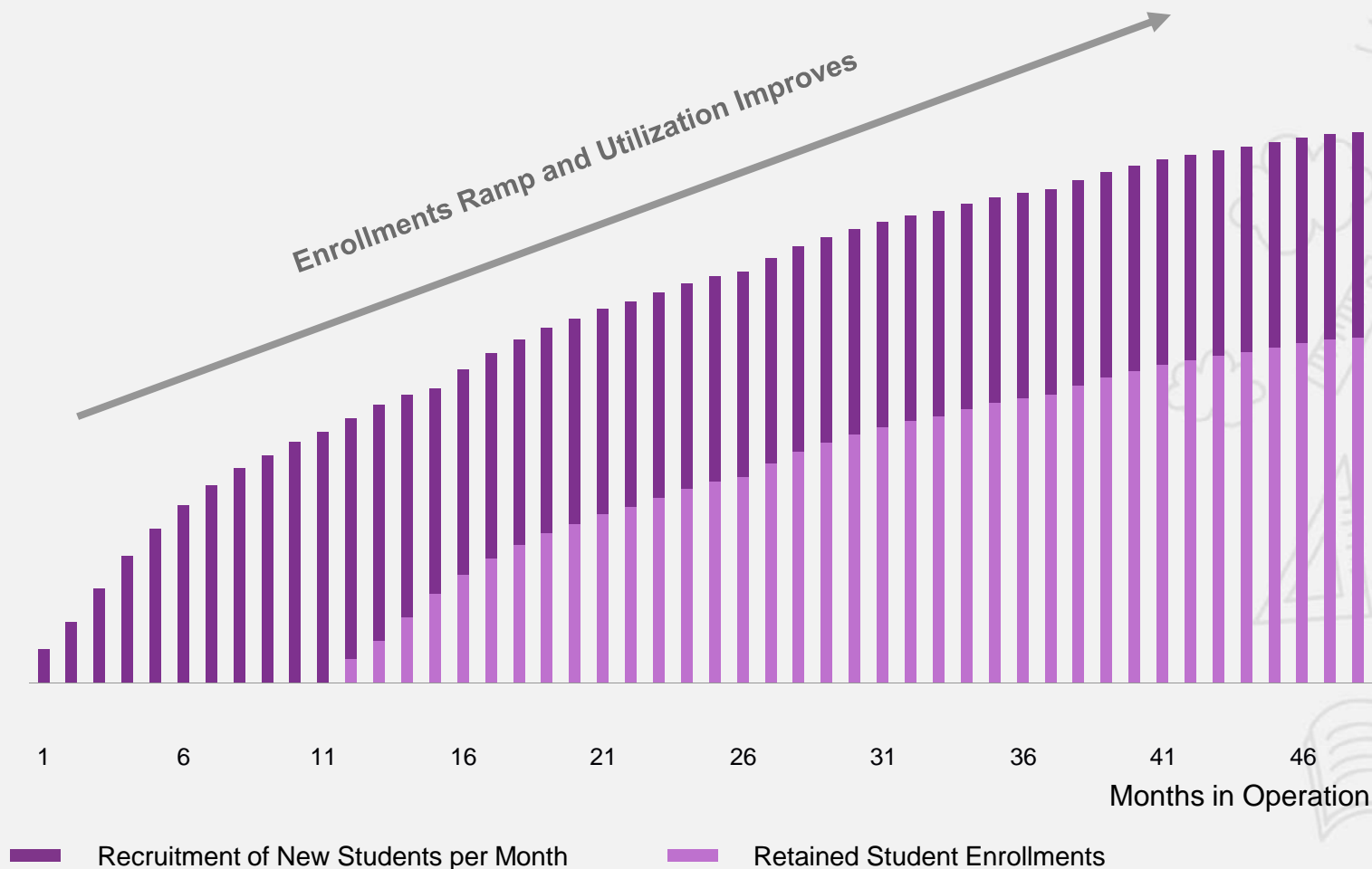
Note

1. "Average new enrollments" = New student enrolments for a given period / average number of self-owned learning centers / months in operation

4 Ability to Ramp Centers Core to Our Success

Illustrative Enrollment Ramping In New Centers

#



Rolling New Enrollments in Each Center (33.6⁽¹⁾⁽²⁾ per month)












Highly Visible Renewals from Existing Students (70%⁽¹⁾ retention rate)

Notes

1. As of December 31, 2017
2. Average new enrollments per center per month in 2017 is calculated as new student enrollments in 2017 divided by average number of self-owned learning centers and actual operating months of all centers

4 Ability to Achieve High Single-center Profitability

We believe that a learning center can achieve EBITDA margin like...

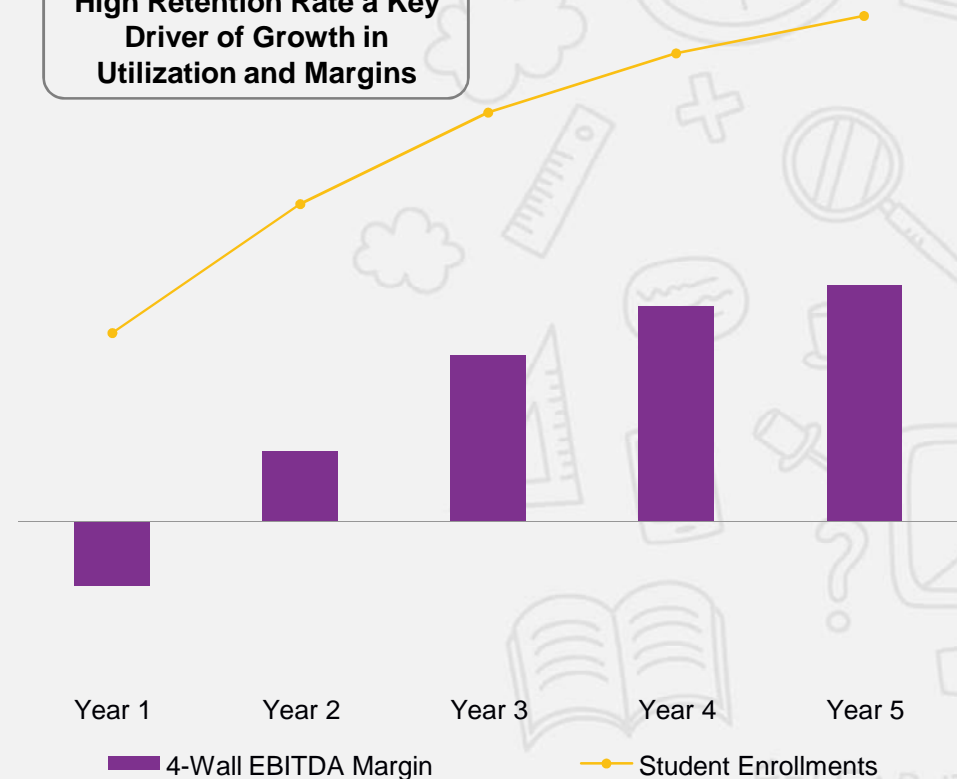
	Revenue	Driven By	Variable
	Teachers ~20%	Student to teacher ratio	
	Marketing ~10%	Number of new enrollments Cost per student	
	Rent ~15%	Size of center	
	G&A ~8%	Largely Fixed	
	EBITDA 45 – 50%		

EBITDA Margin Increases With Ramping

SOLC Unit Economics

%

High Retention Rate a Key Driver of Growth in Utilization and Margins



Our Franchise Model Has Enabled the Establishment of a Nationwide Footprint

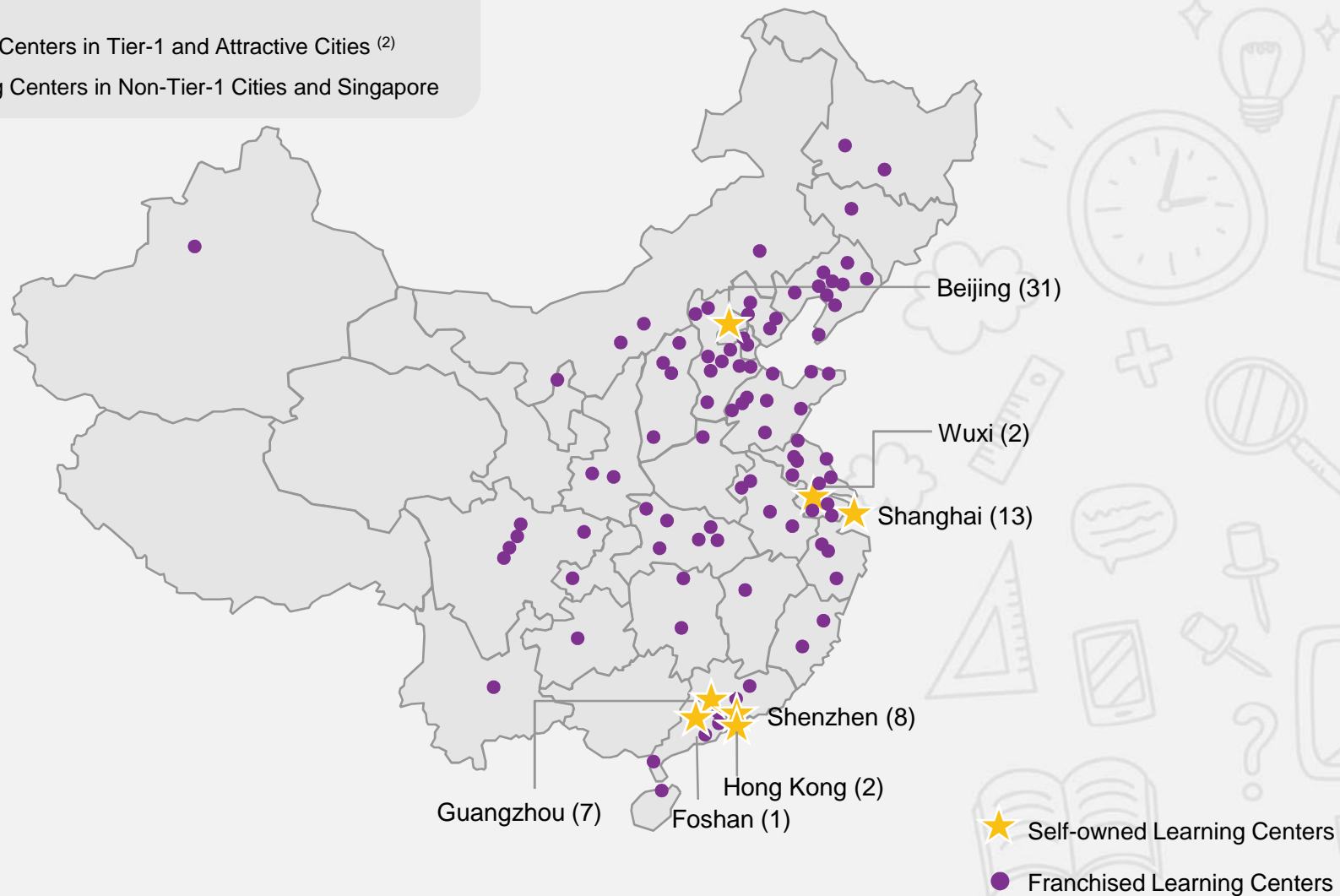
Updated

269 Learning Centers across China and 1 in Singapore

86 Cities in China

64 Self-owned Learning Centers in Tier-1 and Attractive Cities ⁽²⁾

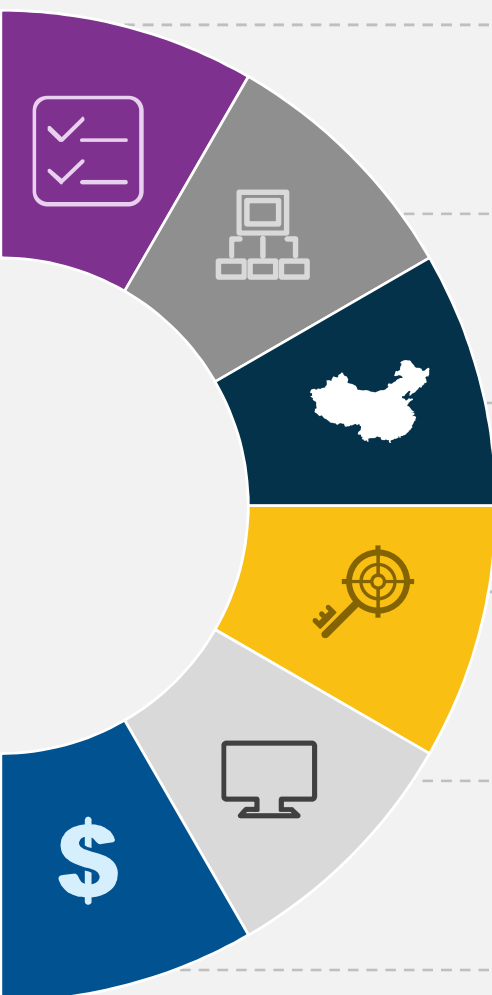
206 Franchised Learning Centers in Non-Tier-1 Cities and Singapore



Notes

1. All numbers are as of September 30, 2017 unless otherwise specified
2. Tier-1 cities include Beijing, Shanghai, Guangzhou, Shenzhen; we have self-owned learning centers in Wuxi as well

5 Overview of Our Franchised Model



Overview

- Allows us to strategically expand the network and secure consumer mind share by raising brand awareness
- Test the market in Tier-2 and Tier-3 cities
- Maintain quality of brand and operations through standards defined by us

Scale

- 206 learning centers ⁽¹⁾

Location

- Typically non-Tier-1 ⁽²⁾ cities
- Exact location is partner selected but approved by Rise

Operations

- Partner operated and financed (monitored by Rise)
- Leased space that is renovated by the partner
- Local staff (including teachers) hired by partners
- Limited oversight on a day-to-day basis by Rise

Sales and Marketing

- Benefits from overall branding and marketing undertaken by Rise
- Franchise partner responsible for entry-level sales and marketing including student enrollment

Financial

- No initial investment by Rise
- 5-year franchise agreement, renewable at Rise's option
- Rise collects franchise fee (fixed amount at every contract signing / renewal as well as recurring share of tuition and fees)
- Product pricing is reviewed and approved by Rise

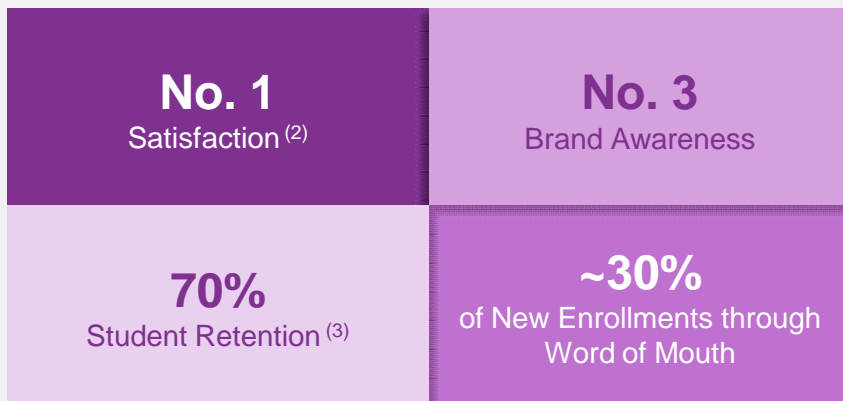
Note

1. All numbers are as of September 30, 2017 unless otherwise specified

2. Tier-1 cities include Beijing, Shanghai, Guangzhou, Shenzhen

6 Premium Trusted Brand

Our Brand is Powerful ⁽¹⁾



We Have Received Many Awards

- 1 Most Popular Junior English Education Organization
- 2 Most Reputable Junior English Education Organization
- 3 Most Creative Brand of the Year 
- 4 One of the 13 Reputable Education Organizations

Notes

1. In China's Junior ELT market
2. In China's age 3-6 ELT
3. For 2017YTD

How Others Describe Us



Recognized by Industry Regulators and Public Schools



Experienced Management Team with Strong Execution Capability



Yiding Sun
CEO

- Obtained his EMBA from the China Europe International Business School
- Previously, executive director and vice president of operation at GOME, CEO of Gymboree
- Joined Rise in 2013



Chelsea Wang
CFO

- Obtained a Bachelor of Arts degree from Jiangxi University of Finance and Economics, FCMA / CGMA
- Previously, COO and CFO of IBM China's Research Division, CFO of Wolters Kluwer Great China and CFO of GEDU
- Joined Rise in 2016



Sally Yuan
Senior Vice President of Academic

- Obtained a Master's Degree from Hofstra University
- Secretary-general of the English Education Research Branch of the Beijing Education Institute; Responsible for various program in China's 12th 5-year plan; Experienced Childhood English Education Expert
- Joined Rise in 2007



Karen Zhu
Senior Vice President of Operation

- Obtained Bachelor and Master of Management from Wuhan University of Technology
- Previous experience in marketing, sales, project execution division in domestic corporate software company and CEO of subsidiaries
- Joined Rise in 2008



James Yang
Senior Vice President

- Graduated from the Nanjing University of Aeronautics and Astronautics
- Previously, President of Huabei Coverage of Xiamen Overseas Chinese Electronic Co. Vice General Manager of Gymboree China
- Joined Rise in 2013



Kevin Zhao
Vice President of Human Resources

- Obtained an MBA from Guanghua School of Management
- Previously, President of Huabei Sales & Marketing of Walmart China, President of Training Center of GOME, and Vice President of Wanda College
- Joined Rise in 2016



Section 3

Financial Highlights

Rapid Top Line Growth

Updated

Three Distinct Revenue Streams

Educational Programs

- Tuition & fees from Rise Start, Rise On, and Rise Up
- Course material fees

Franchise Revenues

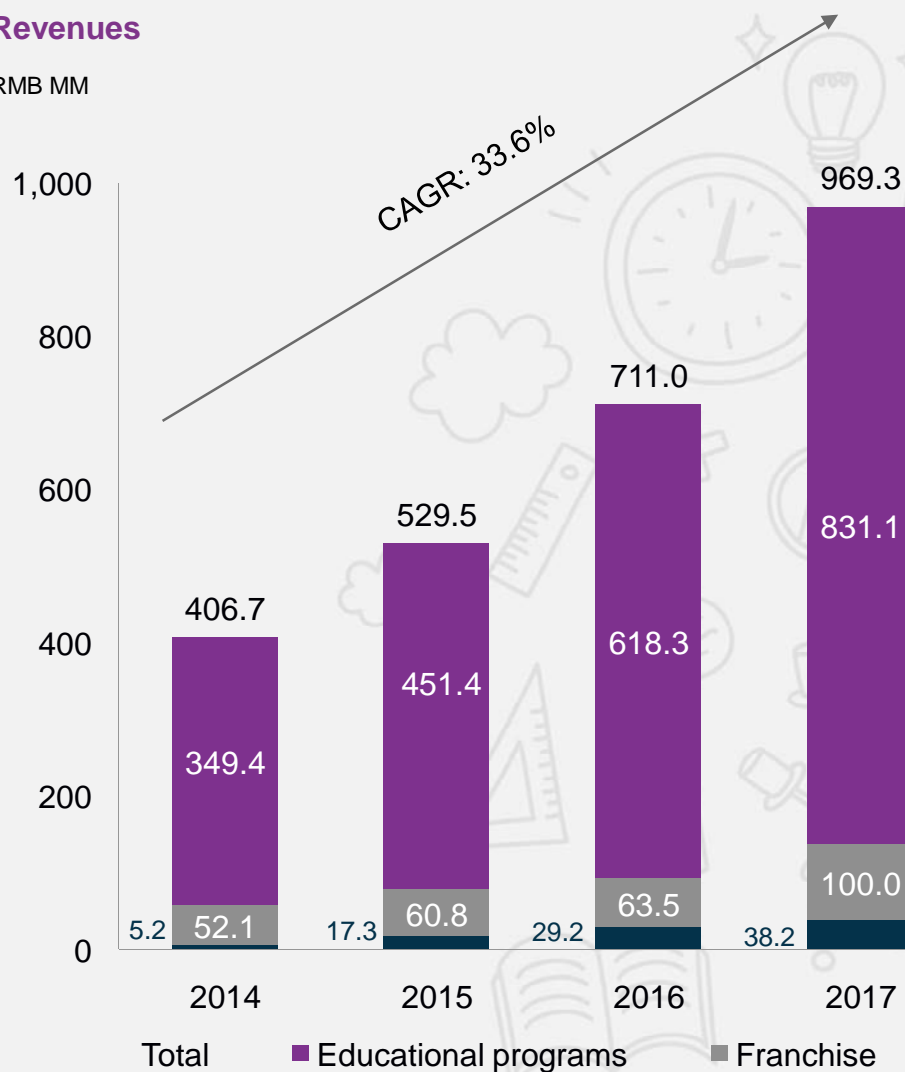
- Fixed upfront fees / fixed renewal fees
- Pre-agreed share of tuition and fees on ongoing basis
- Course material fees

Others

- Tuition and fees from overseas study tours and other complementary products

Revenues

RMB MM

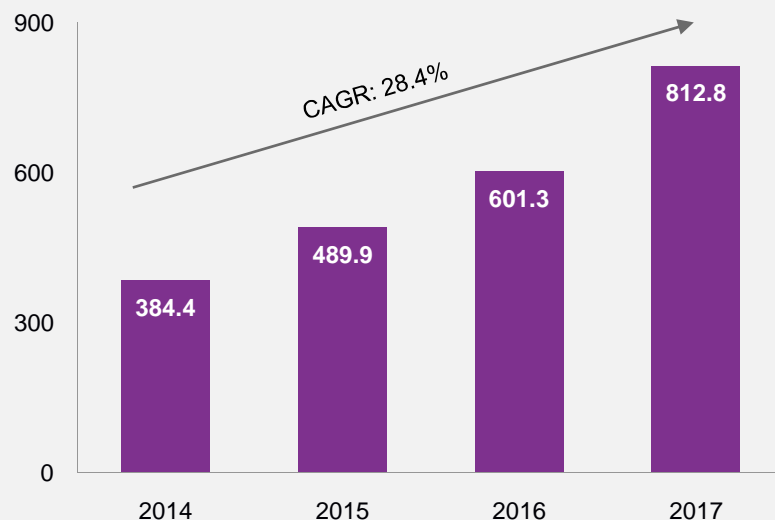


Highly Visible Future Revenues

Updated

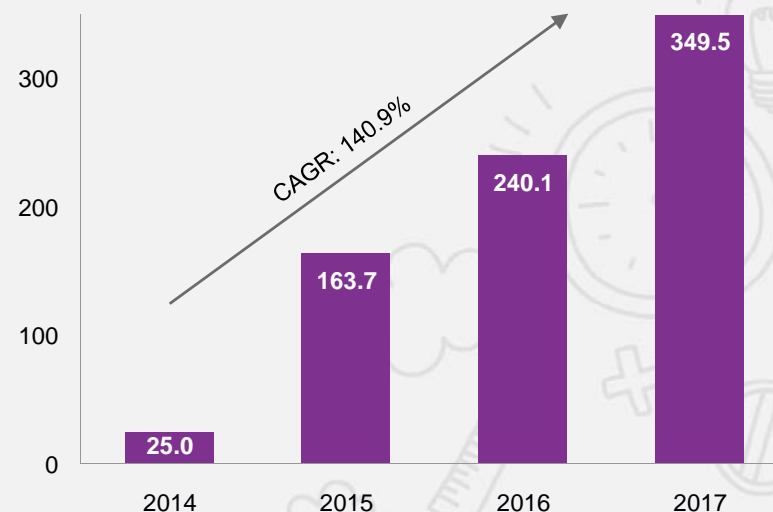
Deferred Revenue and Customer Advances

RMB MM



Operating Cash Flow

RMB MM



Illustrative Revenue Recognition



Last Year Deferred Revenue and Customer Advances

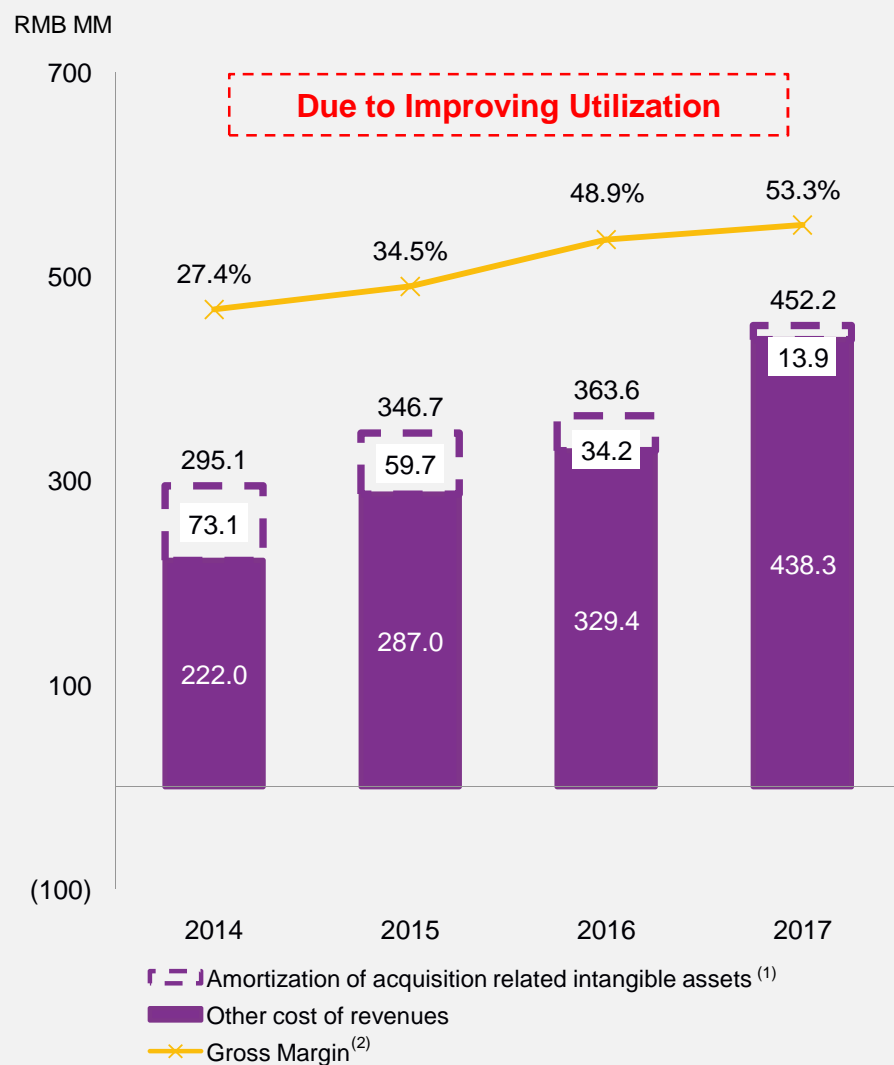
This Year GAAP Revenues

This Year Gross Billings

Cost of Revenues Breakdown

Updated

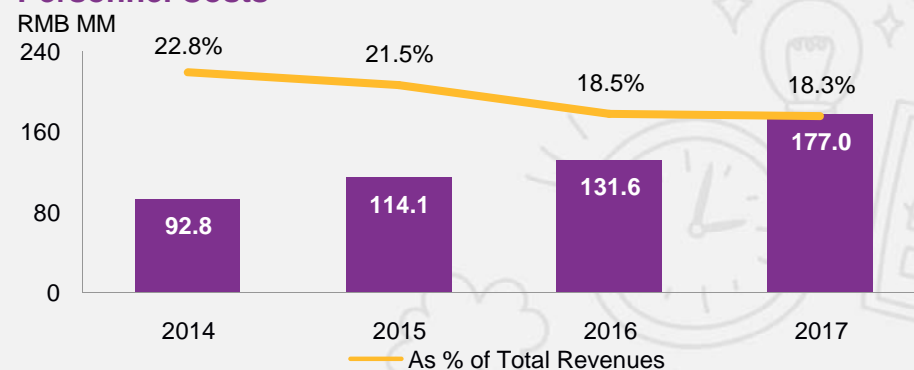
Cost of Revenues Breakdown



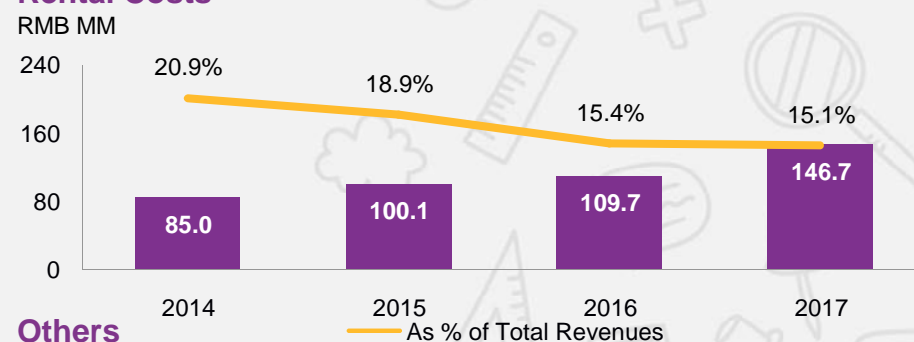
Notes

1. Amortization of intangible assets includes amortization of courseware license, student base and franchise agreements that were acquired as part of the acquisition of our business by RISE Education in 2013
2. Rental Costs include property management fee

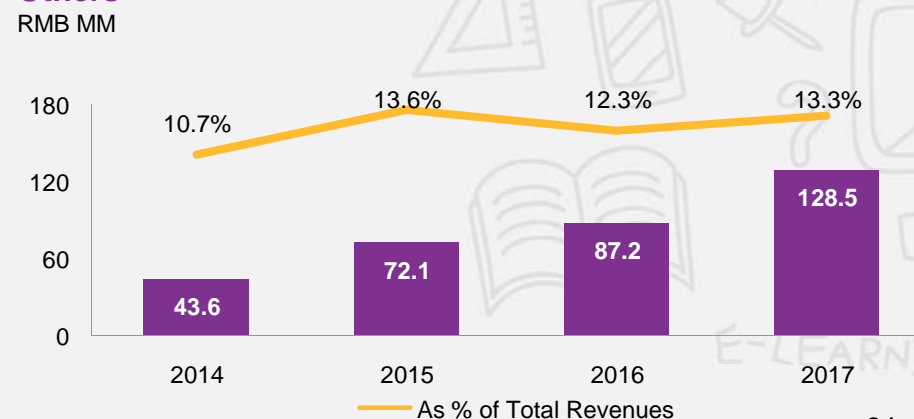
Personnel Costs



Rental Costs



Others



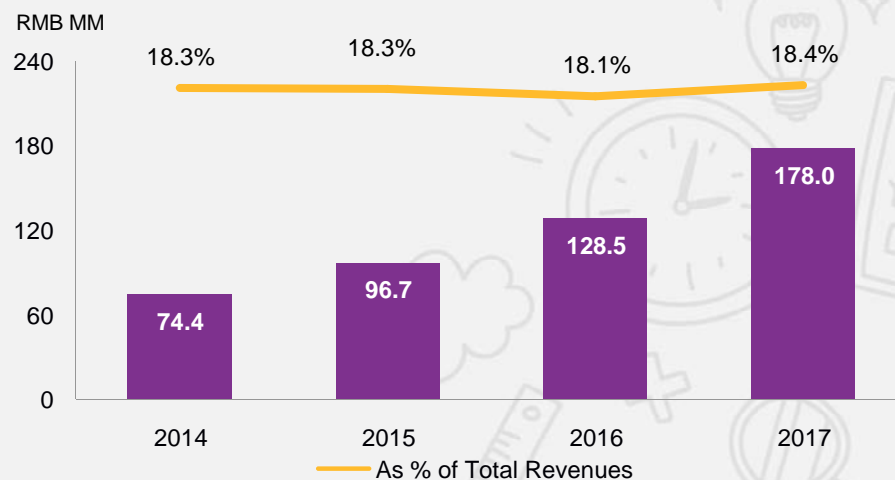
Other Expenses Breakdown

Updated

Selling and Marketing Expenses

- General marketing channel
- Related personnel expenses
- Branding and promotional expenses, including expenses related to our events such as **Rise Cup** and **Rise Star**

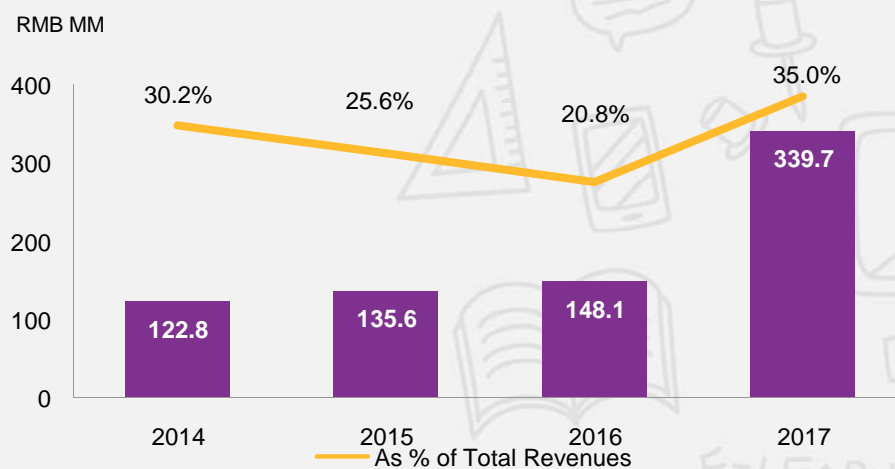
Selling and Marketing Expenses



General and Administrative Expenses

- Personnel expenses related to management and other employees
- Fees paid to professional parties
- Rental expenses for administrative facilities

General and Administrative Expenses

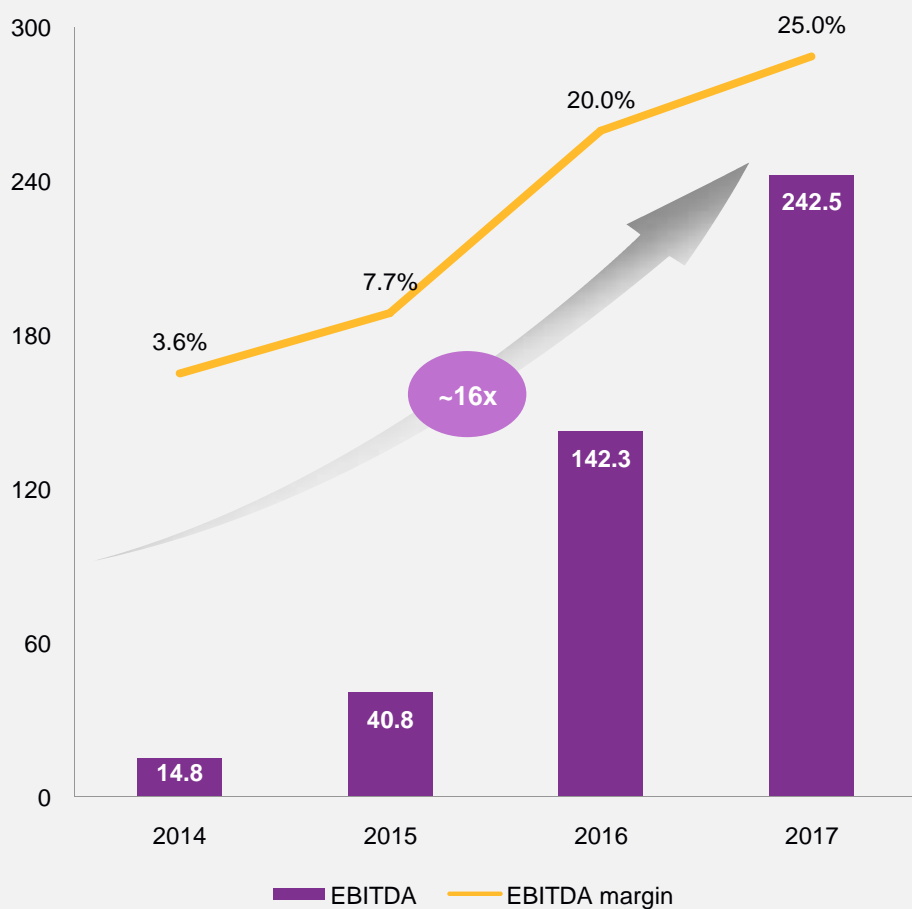


Profitability

Updated

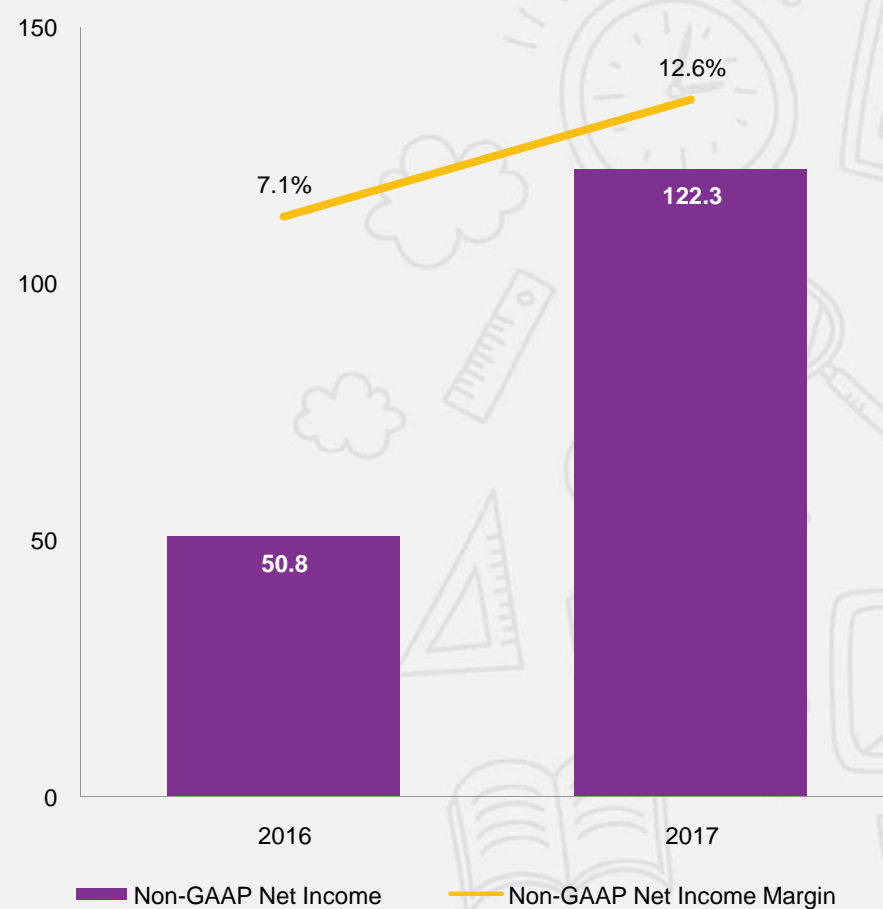
Adjusted EBITDA ⁽¹⁾

RMB MM



Non-GAAP Net Income ⁽²⁾

RMB MM



Notes

1. Adjusted EBITDA is defined as net income or loss before interest, taxes, depreciation, amortization and adjusted for IPO related expense as RMB8.2MM and Edge related expense as RMB1.1MM for the nine month ended September 30, 2017.
2. Adjusted Net Income is adjusted for IPO related expense as RMB8.2MM and Edge related expense as RMB1.1MM for the nine month ended September 30, 2017.



Section 4

Growth Strategies

Near Term Specific Focus Areas

- 1 Continue expanding our learning center network**
 - New self-owned centers in existing and new cities
 - Expanding franchise footprint
 - Potential for co-owned / co-invested centers with existing franchise partners in attractive locations

- 2 Student enrollment in self-owned learning centers**
 - Stronger enrollment and ramp in newer centers
 - Renewals from retention of existing students

- 3 Enhance and expand our products**
 - Develop more products to cater to students of various age groups
 - Continue development of online content that can be consumed more flexibly

- 4 Improve operating and organizational efficiency**
 - Implementation of IT systems
 - Economies of scale relative to fixed costs

- 5 Pursue additional international partnerships and alliances**
 - Study abroad and exchange programs
 - Academic enrichment opportunities

Mid to Long Term Growth Strategic Roadmap

