

The background features a stylized illustration of a university campus. In the center is a large, classical-style building with a triangular pediment and columns. In the foreground, several students are depicted in various activities: some are sitting on the grass using laptops, others are standing and talking, and a group of graduates in dark blue gowns and caps are celebrating. Various educational icons are scattered throughout, including a globe, a document with a graduation cap, a laptop, a microscope, a graduation cap, a beaker, a chemical structure, and a graduation cap. A large, curved blue shape on the right side of the image frames the text.

China Kepei Education Group Limited
中国科培教育集团有限公司
2020 Annual Results Presentation

Disclaimer

This presentation is for reference purposes only. This presentation is prepared by China Kepei Education Group Limited ("China Kepei " or "the Group") for business communications and general reference of the Group and shall not constitute in whole or in part any offer to purchase or subscription for shares in China Kepei or any of its subsidiaries. The presentation shall not form any basis for any offer or commitment of any person(s) receiving it. Please consult a professional advisor prior to use or reliance on any relevant data. The presentation is an introduction only and shall not form a full description of the business, and current or past performance of the Group.

No representation or warranty, expressed or implied, is made on this presentation. The Group accepts no liability arising from the use of or reliance on any information (whether financial or other data) presented or contained in this presentation.

No one shall in any way modify, copy, publicly display, publish or distribute such materials or otherwise use the materials for any public or commercial purposes without the prior written consent of the Group.

目录

01



Business Overview

02



Financial Highlights

03



Future Development

04



Appendix

PART 01

Business Overview



Revenue

RMB867 million | up by **21.4%** YOY ↑

Gross Profit

RMB606 million | up by **25.8%** YOY ↑

Gross Profit Margin increased 240BP to 69.9%

Adjusted EBITDA¹

RMB694 million | up by **31.8%** YOY ↑

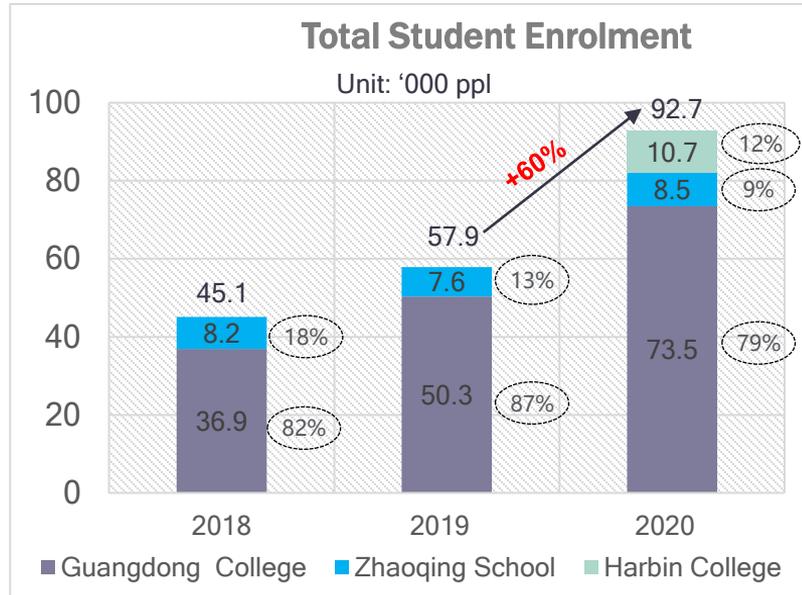
Adjusted Net Profit¹

RMB608 million | up by **35.3%** YOY ↑

Adjusted net profit over 30% CARG increase in past 5 years

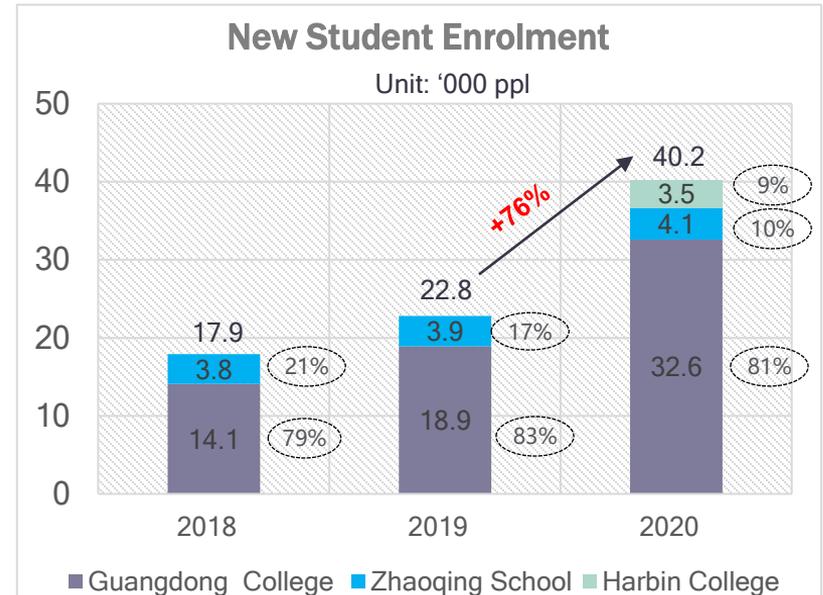
Note: The adjusted items are: 1) share base payment expense of RMB19 million; and 2) exchange loss of RMB24 million

Total Student Enrolment and New Student Enrolment Increased Significantly



For FY2020, student enrolment up by 60%, among which, Harbin College contributed 18% growth, Guangdong College and Zhaoqing School contributed 42% growth;

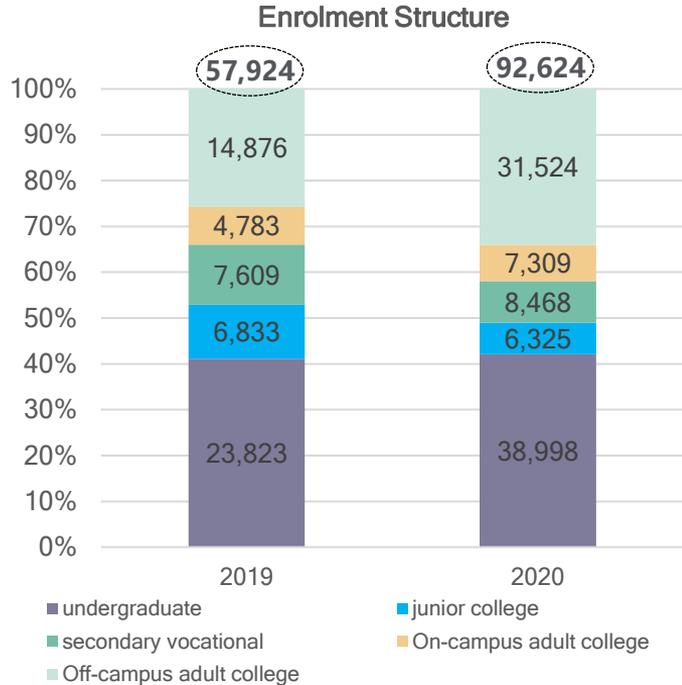
FY2020 Student enrolment increased by 106% compared with the number in early 2019 (Since IPO)



For FY2020, new student enrolment up by 76%, among which, Harbin College contributed 15% growth, Guangdong College and Zhaoqing School contributed 61% growth;

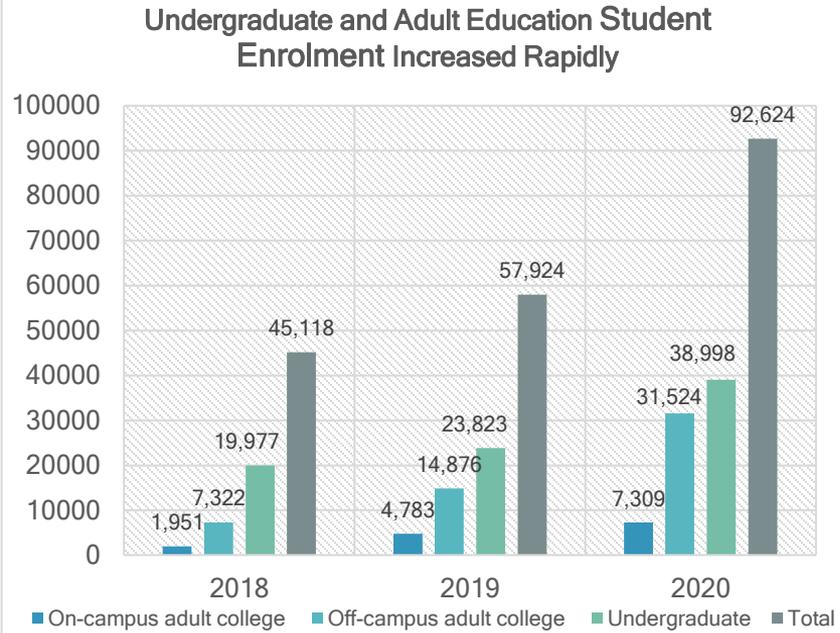
New student enrolment for undergraduate reached 10,600 students, up by 51% YOY, ranked the 1st in Guangdong Province

Robust Growth of Student Enrolment



Student enrolment of undergraduate and junior college reached 45,323, of which 86% is undergraduate student, ranked 1st in industry;

Adult college programs enrolment reached 38,833, 42% of total student enrolment, ranked 1st in industry



Undergraduate enrolment up by 64%, 2018-2020 CAGR 40%

On-campus adult college enrolment up by 53%, 2018-2020 CAGR 94%

Off-campus adult college enrolment up by 112% 2018-2020 CAGR 108%

Total student enrollment up by 60% YOY, 2018-2020 CAGR 43%

Completed first M&A

- ✓ Announced the M&A of a high-quality private undergraduate college, Harbin College in January 2020
- ✓ Excellent post-acquisition operation and financial performance
- ✓ The first M&A completed by the Group after listing. In the future, the Group will continue to develop new high-quality M&A projects
- ✓ Financial statement will be fully consolidated starting from Q2 2021

Share Incentive Scheme

- ✓ Granted restricted shares to 21 directors and senior management in August 2020
- ✓ Restricted shares amounted approximately 14 million shares, accounting for 0.7% of the issued share capital
- ✓ To incentivize the Company's core management to create greater value and returns to shareholders
- ✓ Restricted shares will be granted to the management of newly acquired schools in the future

Included in MSCI & FTSE Index

- ✓ Newly included as a constituent stock of the MSCI China All Share Small Cap Indexes on 29 May 2020
- ✓ Newly included as a constituent stock of the FTSE Russell (FTSE) China Small Cap Indexes on 18 September 2020
- ✓ being included in the above indexes will increase the Company's visibility and liquidity

Our Schools Achieved Remarkable Achievements in 2020

Enrolment expanded

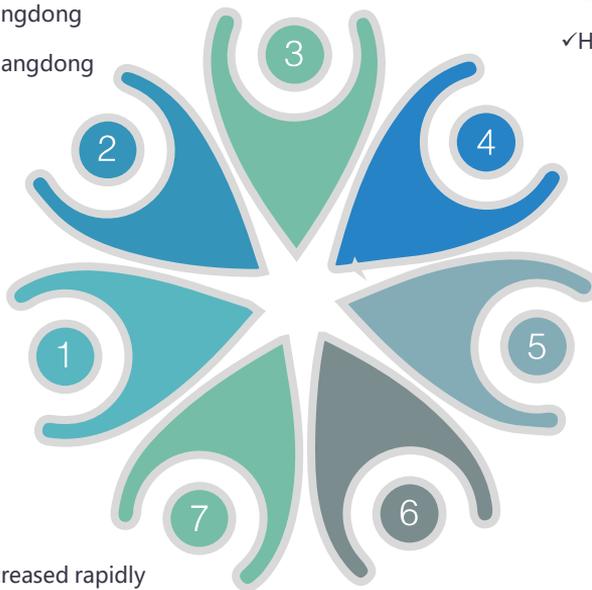
- ✓The enrollment of undergraduate ranked 1st in Guangdong
- ✓The enrollment of Zhaoqing School ranked 1st in Guangdong
- ✓Adult education programs enrolment ranked 1st in Guangdong

STHEE licensed university

- ✓Guangdong College is the first private college in Guangdong to obtain the STHEE qualification license
- ✓New initiative, broaden the student base and revenue

New campus completed

- ✓With 2,800 new dormitory beds, utilization rate increased rapidly
- ✓New experimental training building to improve the quality of teaching and training



Enrollment rate improved significantly

- ✓Guangdong College enrollment rate up by 5% to reached 95%
- ✓Harbin College enrolment rate reached 97.4%, 1st in province

Excellent employment rate

- ✓The employment rate reached 96% in Guangdong College
- ✓The employment rate reached 91% in Harbin College

Improving the Faculty

- ✓Recruit 300 new full-time teachers at Guangdong College and Harbin College, up by 20% YOY.
- ✓Recruit 100 part-time professors and associate professors, optimize the quality of the faculty

Teaching management

- ✓ Improving faculty quality, hired 20% new full-time teacher
- ✓ Develop an online/offline teaching quality assessment system, develop teacher reward mechanism
- ✓ Share the recruitment resources of excellent enterprises within the group
- ✓ Strengthen the enrollment team, broaden enrolment channel and ads through Internet platform or social media

- Successfully completed the quality evaluation by MOE
- Teacher Satisfaction Survey hits new high after acquisition
- Registration rate reached 97.4%, historical highest and ranked 1st in province

Logistics service

- ✓ The stores and canteens will be integrated into the unified logistics management of the Group to provide diversified consumption services for students
- ✓ Campus construction and maintenance were managed by the Group to improve teaching and living conditions
- ✓ Suppliers are integrated into group' s management system to improve procurement efficiency and quality

- The rental income from new shops and canteen reached RMB7million
- Saved RMB7 million maintenance cost
- Saved RMB5m procurement cost

Financial Management

- ✓ Broaden revenue sources through adult college education, qualification training and rental income
- ✓ Optimize tuition fees and boarding fee
- ✓ Strict budget control to reduce operation costs and increase efficiency
- ✓ Group' s Large-scale procurement to reduce procurement costs

- 10% increase in tuition fees
- Adult education programs, rental, and training income up by 500%
- Net profit increased by 33% YOY

Informationization

- ✓ Finance, HR, Procurement, and Student management System were integrated by the Group
- ✓ Launched Tencent e-school system, online payment and dorm allocation service
- ✓ Promote school digitalization , intelligence school management, and mobile payment
- ✓ Improved efficiency through cutting queue time

- Students satisfactory rate reached historic high
- Attendance of online courses reached 99.3%
- On-line graduation ceremony

Harbin College

	FY2020 (RMB Million)	FY2019 (RMB Million)	(%)
Revenue	172	155	+11%
Net profit	91	68	+33%
Net profit margin	53%	44%	+900 BPS
EBITDA	109	85	+28%
Cash	147	74	+100%
Enrolment	10,674	9,366	+14%

- ✓ Net profit increased by 33% YOY and is expected to grow by 25% in FY2021
- ✓ Post-acquisition financial performance are remarkable, FY2020 net profit margin increased to 53%, and expected to reached 58% in FY2021
- ✓ Broaden revenue sources through off-campus adult college programs, training program and rental income
- ✓ Successfully accomplished the quality evaluation by the Ministry of Education. Enrolment quota expected to increase in FY2022
- ✓ The student registration rate reached 97.4%, historical highest and ranking 1st in Heilongjiang Province
- ✓ Abundant land resource(1,000 mu) , maximum capacity 20,000 students, huge organic growth potential

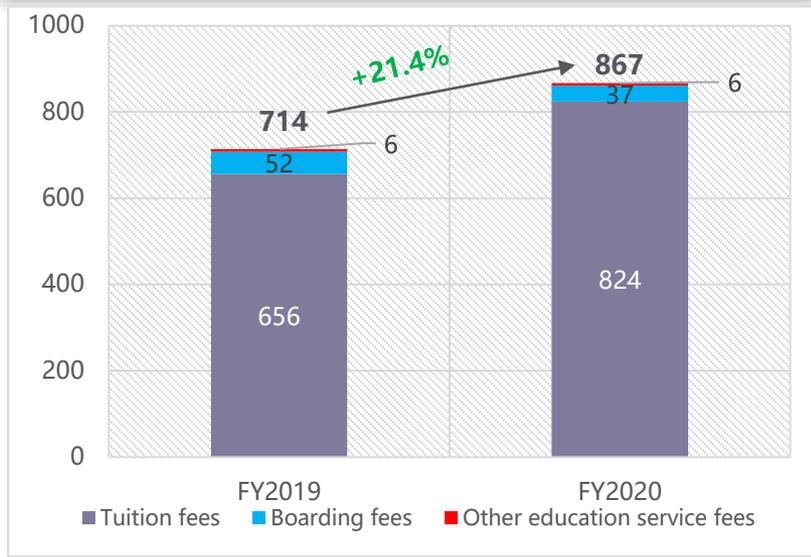
PART 02

Financial Highlights

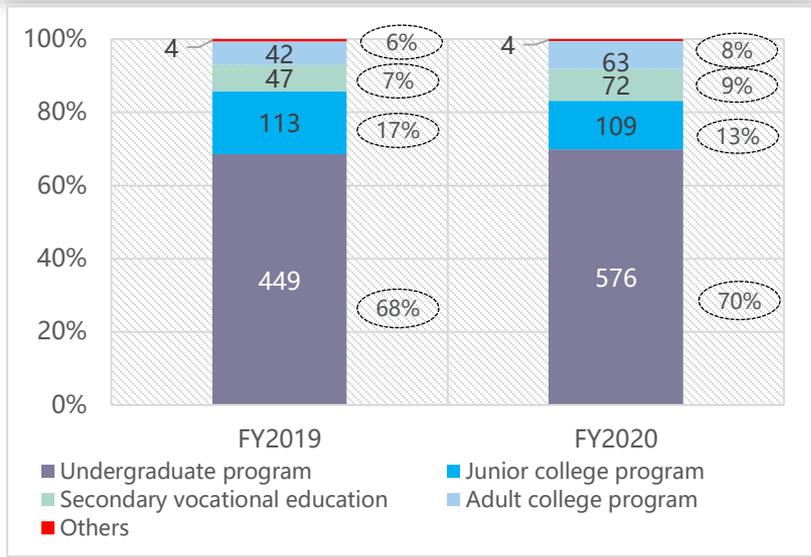


Financial Highlights

Revenue Breakdown



Tuition Fees Breakdown

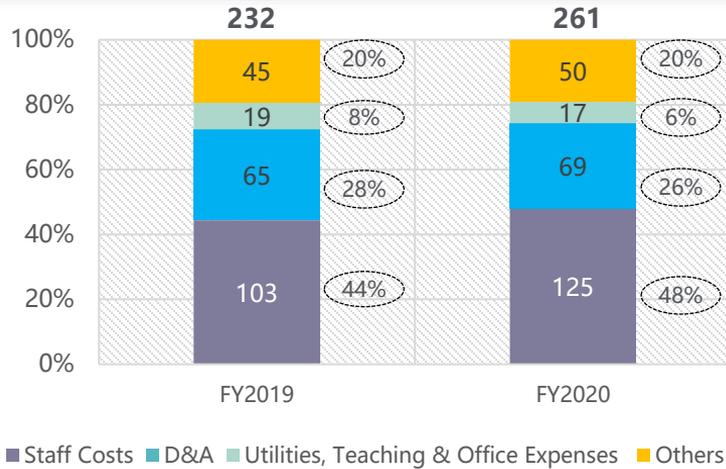


Commentary

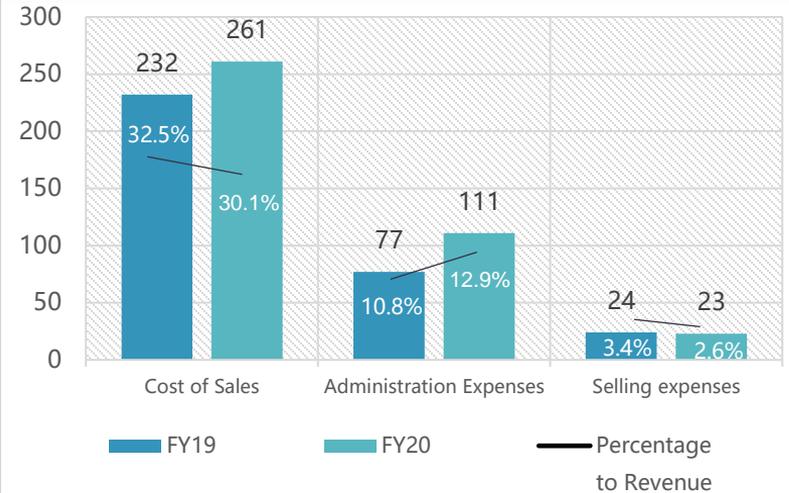
- ✓ Tuition fees increased 26% YOY, accounted for 95% of total revenue, mainly due to the rapid increases of the student enrollment of undergraduate and adult college program, and the increase in average tuition fees.
- ✓ Boarding fees decreased 29% YOY, accounted for 4% of total revenue. The boarding fees decreased significantly mainly because the schools refunded boarding fees of RMB25 million to students due to the impact of COVID-19.
- ✓ 70% of the tuition fees generated from undergraduate program and 8% from adult college program. The proportion of undergraduate program and adult college program will continue to increase in the future.

Financial Highlights

Cost of Sales



Operating costs



Optimizing the cost structure

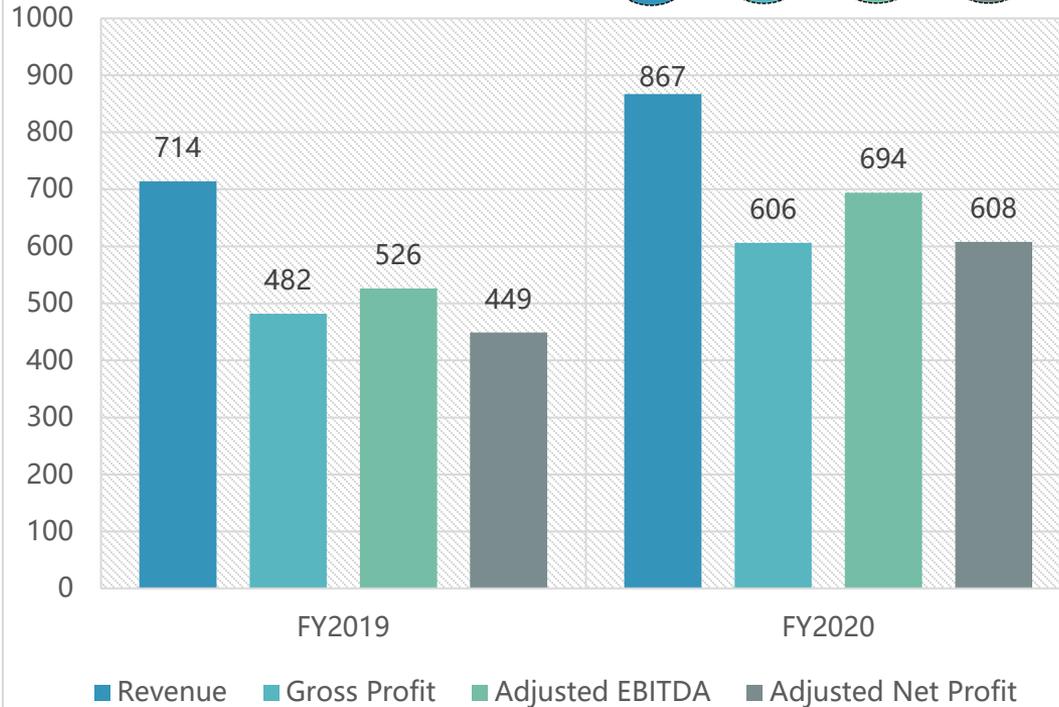
- ✓ Staff costs increased 24% due to the increased number of teacher and average salary. We will continue to increase the teacher' s average salary and benefits in the future
- ✓ Achieving scale effect due to strong enrolment, the proportion of D&A, utilities and other expenses decreased

Optimizing the operating costs

- ✓ Cost of sales as a percentage of revenue decreased by 2 ppt due to operation efficiency improved and scale effect
- ✓ Adjusted administration expenses (excluding the share-based payment expenses) as a percentage of revenue almost same as last year
- ✓ Selling expenses as a percentage of revenue decreased due to the improvement of school brands and less ads expense needed

Financial Highlights

Margin(%)



- ✓ Gross Profit up by 25.7% YOY to RMB606 million. Gross Profit Margin increased from 67.5% to 69.9%, mainly due to the rapid increases in the student enrolment of undergraduate and adult college program, and the increases of the average tuition fees.
- ✓ Adjusted EBITDA up by 31.8% YOY. EBITDA margin increased from 73.6% to 80.0% YOY. If excluding the RMB91 million of other income from Harbin College, the adjusted EBITDA rate was 69.5%, which was lower than that of 2019, mainly due to the decrease in interest income and the rental income due to the impact from COVID-19
- ✓ Adjusted net profit up by 35.4% YOY. Net profit margin increased from 62.9% to 70.1% YOY. If excluding the RMB91 million of other income from Harbin College, the adjusted NPM was 59.6%, which was lower than that of 2019, mainly due to the decrease in interest income and the rental income due to the impact from COVID-19.

Pro-forma consolidated financial statements - Consolidating Harbin College

	The Group ⁽¹⁾	Harbin College ⁽²⁾	Pro-forma financial results	Change
	FY2020 (RMB Million)	FY2020 (RMB Million)	FY2020 (RMB Million)	(%)
Revenue⁽²⁾	867	172	1,039	+45.5%
Gross Profit	606	117	723	+50.0%
Core Net Profit⁽¹⁾	517	91	608	+35.4%
Adjusted EBITDA	605	109	714	+35.3%
Gross Profit Margin	69.9%	68.0%	69.6%	+210 BPS
Net Profit Margin	59.6%	52.9%	58.5%	-440 BPS
Adjusted EBITDA Margin	69.8%	63.4%	68.7%	-470 BPS

Note(1):

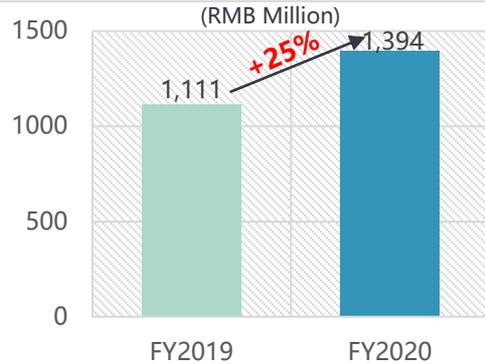
For the purpose of the pro-forma P/L, the core net profit of the group of RMB517 million is the adjusted net profit of the group (RMB608 million) minus the net profit of Harbin College (RMB 91million), which was recognized in other income.

Note(2):

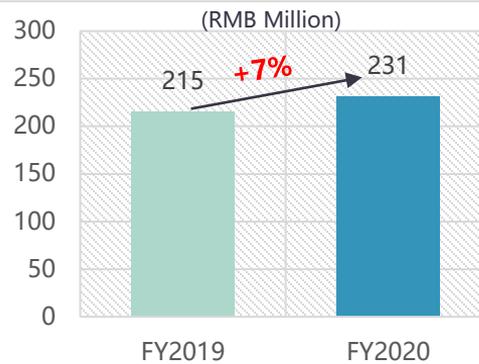
For the purpose of pro-forma P/L, the revenue, gross profit and net profit used by Harbin College are the unaudited number for the year end 31 December 2020.

Financial Highlights

Cash & Cash Equivalents



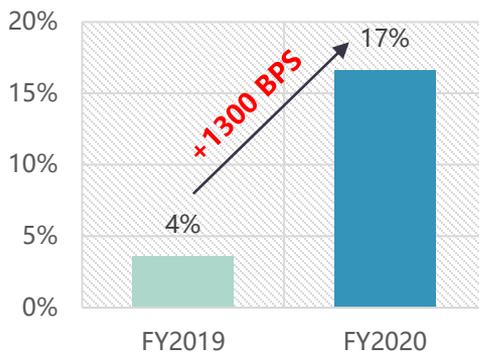
CapEx



Adjusted Debt to Asset Ratio



Gearing Ratio



- ✓ In FY2020, cash and cash equivalents was RMB1,394M (RMB1,541 million assuming Harbin College was consolidated)
- ✓ In FY2020, CapEx was mainly for the expansion of 7,000 student capacity in Guangdong College, as well as the expansion of the practical training building.
- ✓ Adjusted Debt to Asset ratio (excluding the contract liabilities) increased mainly due to the addition of new loan of RMB427 million mainly for Capex.
- ✓ Gearing ratio increased due to an increase of RMB427 million in the bank loans.

PART 03

Development Strategy



Earnings Guidance-Organic Growth



Student Enrolments

- ✓ Strong enrolment growth of undergraduate and adult education program in Guangdong College
- ✓ Enrolment quota expect to increase in Harbin College
- ✓ Ramp up the Huaibei College in a fast pace



Revenue

- ✓ Average tuition fees CARG increase by 5%-8%
- ✓ Increase Qualification training income
- ✓ Further expand campus site and increase rental income



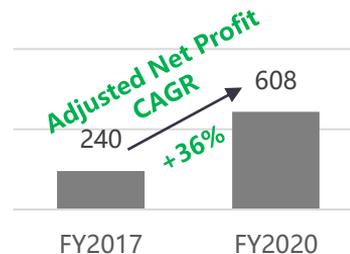
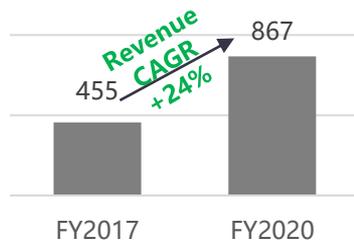
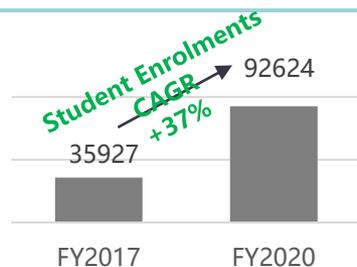
Net profit

- ✓ Increase school utilization rate
- ✓ Centralized management, reducing cost and increase benefit
- ✓ Decrease in unit fixed cost under the scale effect

Organic Growth

FY2020-FY2023

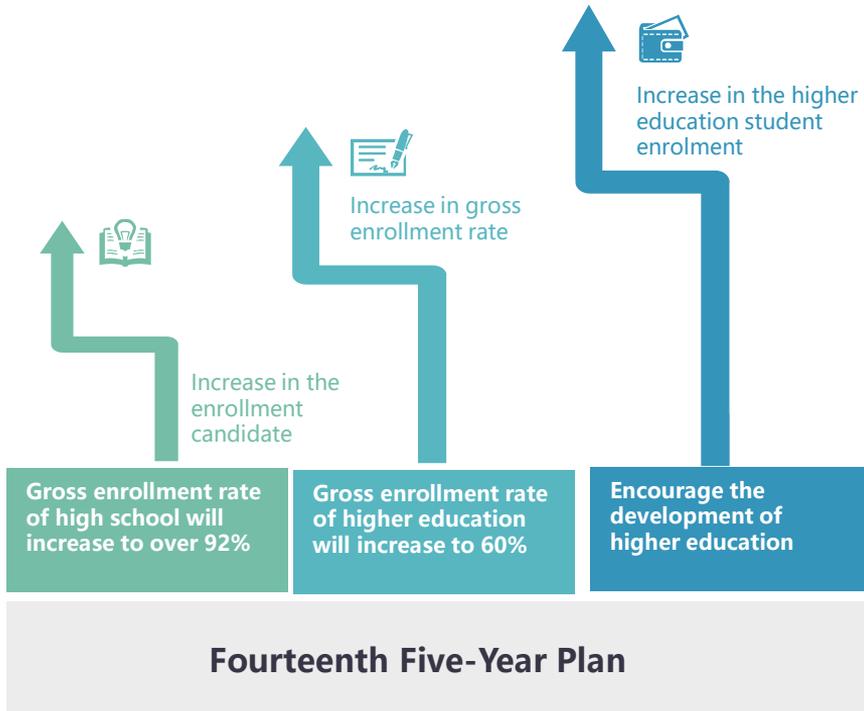
Next three years
Organic CAGR



FY2017-FY2020

Historical Organic Growth

Favourable Policies, ample room for organic growth



■ National adult education enrollment growth rate
■ Kepei adult education enrollment growth rate

The adult education market grows strongly, Kepei has obvious first-mover advantages

Organic Growth-Sustainable and strong pricing capabilities

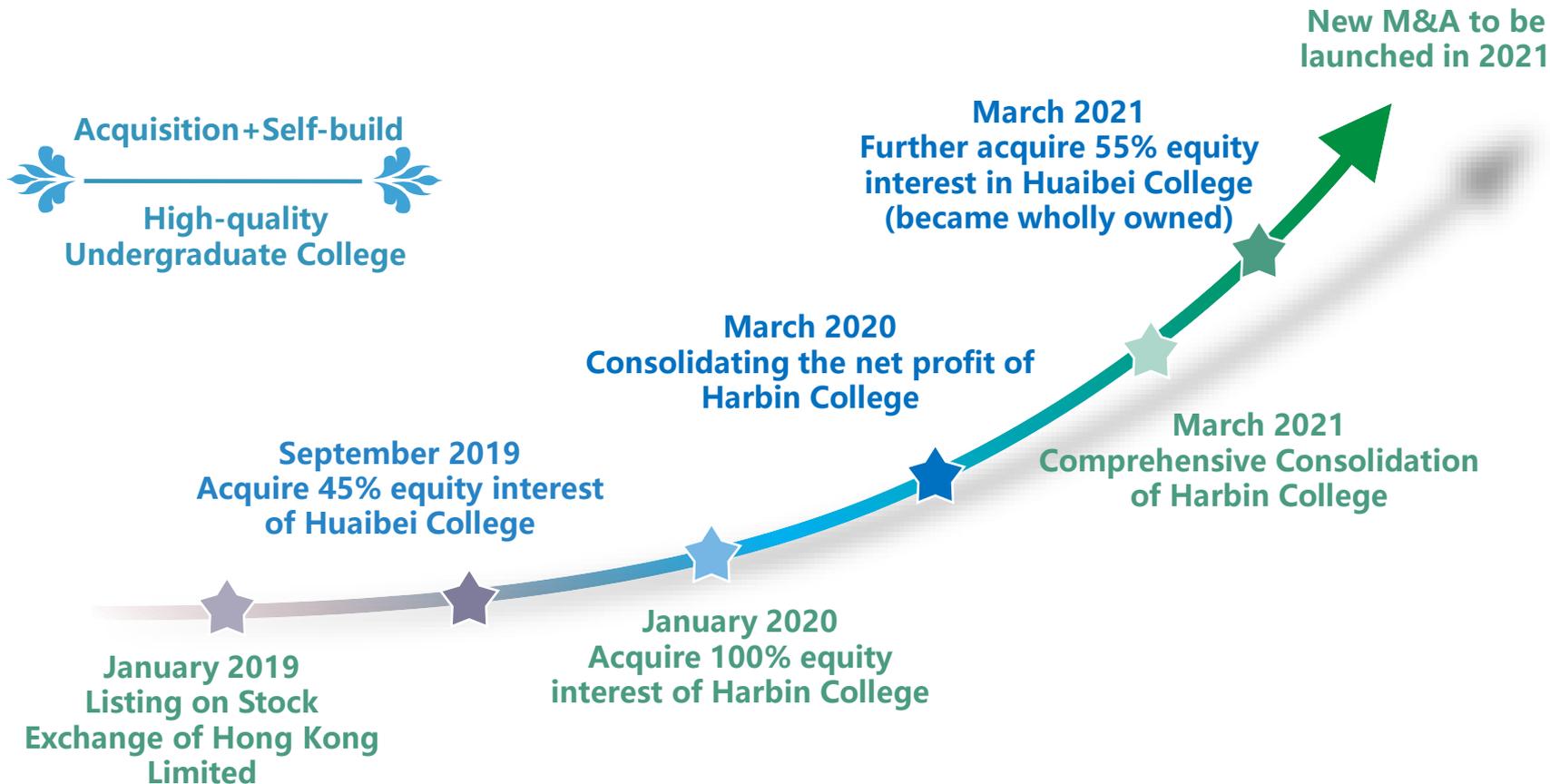
Tuition Fee	2018/2019 School Year	2019/2020 School Year	2020/2021 New School Year
Guangdong Polytechnic College	(RMB)	(RMB)	(RMB)
—Undergraduate program	21,800—22,800	23,800	26,800
—Junior college program	15,800—18,800	17,800	18,800
—On-campus adult education	5,900—10,700	5,900—13,300	7,400—16,800
—Off-campus adult education	680—980	680—980	680—980
Zhaoqing School			
—Secondary vocational education	6,100—9,300	7,200—11,100	8,000—12,400
Harbin College			
—Undergraduate program	16,500—18,000	18,000—19,800	19,800—21,800
Boarding Fees	2018/2019 School Year	2019/2020 School Year	2020/2021 New School Year
Guangdong Polytechnic College	1,600	1,800-2,000	1,800—6,000
Zhaoqing School	1,170—1,570	1,170—1,570	1,380
Harbin College	1,500	1,500	1,500

- ✓ Undergraduate tuition fees for the 2020 school year up by 10%-12%
- ✓ 2021 Guangdong Polytechnic College and Harbin College undergraduate tuition fees expect to increase by around 8%
- ✓ 2021 Zhaoqing School tuition fees expect to increase by around 10%
- ✓ Current tuition fee standard is only at the provincial average level of peers in the same province, and there is ample room to further increase

Notes(1): Tuition fees and boarding fees shown above only apply to newly enrolled students in the relevant school years.

Notes(2): The tuition and boarding fees of in Guangdong and Heilongjiang provinces are self-priced, and there is no need to obtain filing or approval from government departments

External expansion - M&A



Acquisition of Huaibei Polytechnic College

Kepei held 45% equity interest in Huaibei Kepei (associate);

Huaibei Kepei acquired 100% equity interest of HNU Information College

MOE announced that Huaibei Kepei was entitled to 100% sponsor interest in HNU Information College

Conversion to be completed, rename as Huaibei Polytechnic College and will enroll the new students in September 2021



Huaibei Kepai started construction of a new campus for Huaibei Polytechnic College (to be converted from HNU Information College)

New campus construction completed, total capacity 10,000 students

The MOE officials has finished the assessment of conversion;

Acquire 55% equity interest to reach 100% holding in Huaibei Kepei;

Huaibei Normal University Information College (to be converted as Huaibei Polytechnic College)



1

School History

- ✓ Approved by the MOE to be established as an independent college in 2004;
- ✓ Sponsored by Huaibei Normal University, with no school campus ;
- ✓ In March 2021, Huaibei Kepei was approved by MOE as the sponsor of the school

3

Majors and Programs

- ✓ A total of 30 undergraduate majors, covering 7 faculties, such as arts, science, engineering, economics, management, education and art
- ✓ 3 provincial characteristic course

2

Students & Teachers

- ✓ 5,693 undergraduate students enrolled in the 2020/2021 school year
- ✓ 301 full-time teachers; 57 professors;
- ✓ 152 associate professors,
- ✓ Teacher-student ratio around 19:1;

4

Quality

- ✓ 98.2% student registration rate in 2020, highest in province
- ✓ 92% employment rate in 2020, leading in province;
- ✓ Postgraduate admission rate is over 10%, leading in province

Huaibei Polytechnic College Total investment RMB900 million

- ✓ RMB250m to purchase 100% equity of HNU Information College and license
- ✓ RMB130m to purchase land
- ✓ RMB490m for school campus construction
- ✓ RMB30m to purchase teaching equipment

Initial investment

RMB140M capital injection to hold 45% equity in Huaibei Kepei in Sept 2019

Further investment

Further acquired 55% equity interest in Huaibei Kepei for a consideration of RMB 197M in March 2021 (RMB100m has been paid as deposit as of 31 December 2020)

Internal financing

Kepei provided RMB150M cash to fund the school Capex as of 31 December 2020

Bank loans

Huaibei Kepei used RMB400M loans to fund the school Capex

Entered into the Yangtze River Delta Market with High Growth Potential

Strategic M&A entering into the Yangtze River Delta region

- ✓ The population in the Yangtze River Delta accounts for 1/6 of the country, with about 230 million population
- ✓ The GDP of the Yangtze River Delta accounts for a quarter of the country, about 25 trillion RMB
- ✓ The economy development of the Yangtze River Delta is a national strategy, which demands large amount talents
- ✓ Owned schools in Pearl Delta and Yangtze River Delta, China's most important economic region

Huge room for student enrollment Growth

- ✓ In 2021 school year, 1,500 enrolment quota for upgrade from junior college to undergraduate student has been granted, most in province
- ✓ The enrolment quota increased in recently years for private undergraduate college
- ✓ Favorable policies for Huaibei College to enrol junior college student next year
- ✓ Enrolment rate expect to raise in the future



M&A Highlights



Scarce private higher education Resource in Anhui Province

- ✓ In 2020, 530K student candidates in Anhui Province (790K in Guangdong Province), ranked 7th in China
- ✓ Only 15 private undergraduate institutions in Anhui Province (27 in Guangdong Province),
- ✓ The market share of private higher education in Anhui Province was 16.4%, national average was 23.4%
- ✓ Anhui Province has a net population inflow of 420K in 2020, second only to Guangdong and Zhejiang Province

Flexible pricing strategy leading to strong profitability

- ✓ Starting from 2021, private higher education college can determine its own tuition fee and boarding fee standard
- ✓ Residents in the Yangtze River Delta region have high disposable incomes, strong ability to continuously increase tuition fees
- ✓ Achieved profitable in the first year, and the earnings increase significantly in the 4 years ramp-up period

High Visibility and Profitability in Huaibei Polytechnic College

Financial forecast	FY2021	FY2022	FY2023	FY2024	FY2025
Student Enrolment	2,300	6,200	10,000	13,000	16,000
Revenue (RMB'000)	21,000	84,000	160,000	240,000	320,000
EBITDA (RMB'000)	11,000	45,000	90,000	145,000	200,000
Net profit (RMB'000)	1,000	15,000	64,000	120,000	175,000
Net profit margin	5%	18%	40%	50%	55%

- ✓ Huaibei Polytechnic College can enrol undergraduate, junior college and adult college students. It is expected to enroll junior college students starting from 2022;
- ✓ Private schools in Anhui province can determine its own tuition fees standard. Expected to increase the average tuition fees by 5%-8% per year;
- ✓ Currently, Anhui Province has not issued a tax policy for for-profit private schools, and the financial forecast does not consider the impact of income tax expense.

M&A Targets

Private regular undergraduate institutions
Independent colleges

Selection criteria-Business

Enrolment and tuition fee growth potential,
school registration rate, school utilization,
capacity, liabilities, location, population

Business Synergy

Complementary advantages of professional fields,
Integration of production & education
Extensive school-enterprise relations sharing career
information & resources
Centralized management (teachers, finance, procurement)



Region

Provinces with scarce resources in higher education
Provinces with sufficient enrolment candidate

Selection criteria-Financials

PE ratio
EV/EBITDA
Investment payback period

M&A delivery expectation and funding for M&A

Deliver 1-2 M&A projects each year
RMB2.3 billion credit facility granted by Bank for M&A

Tuition Fees & Boarding Fees

- Leading position and well-established reputation enable the Group to further increase tuition fees
- Improvement of learning and living conditions enable the Group to further increase the boarding fees

Variety of Educational Programs

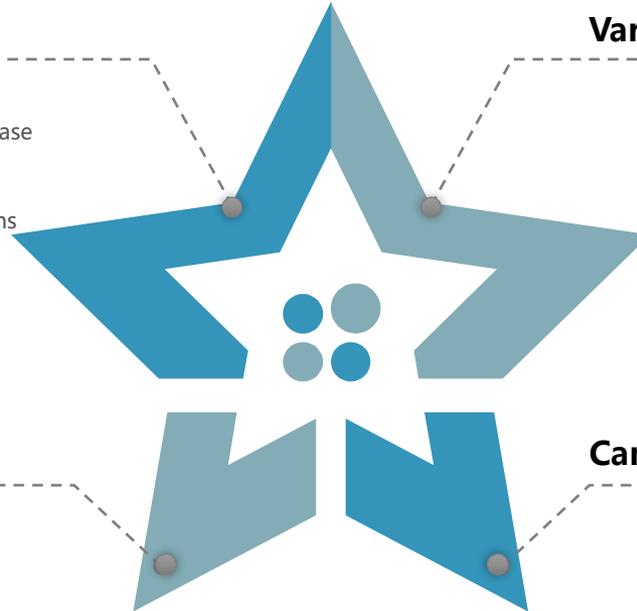
- Newly added top-up degree program and self-taught undergraduate degree program
- Expanding on-campus undergraduate and junior college education programs
- Expanding off-campus adult college programs

Qualification Training Income

- Further expanding the course offering of the Qualification Training Center to improve students' market competitiveness and to diversify the income sources
- The qualification training income will further increase with the increasing student enrollment

Campus Rental Income

- Provide comprehensive services such as catering, entertainment, fitness through upgrading the campus and introducing high-quality tenants
- Further increase property rental income after the completion of the 3rd phase of Dinghu campus and renovation of existing campus

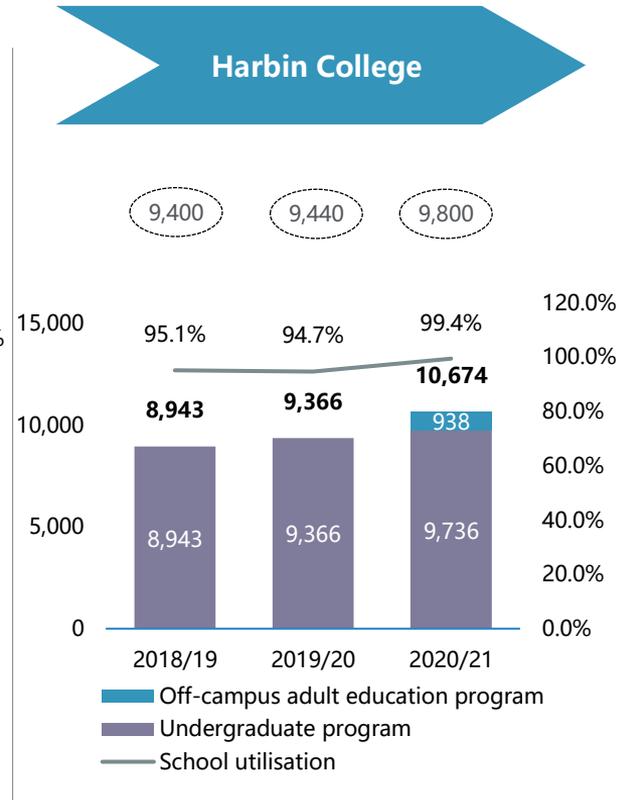
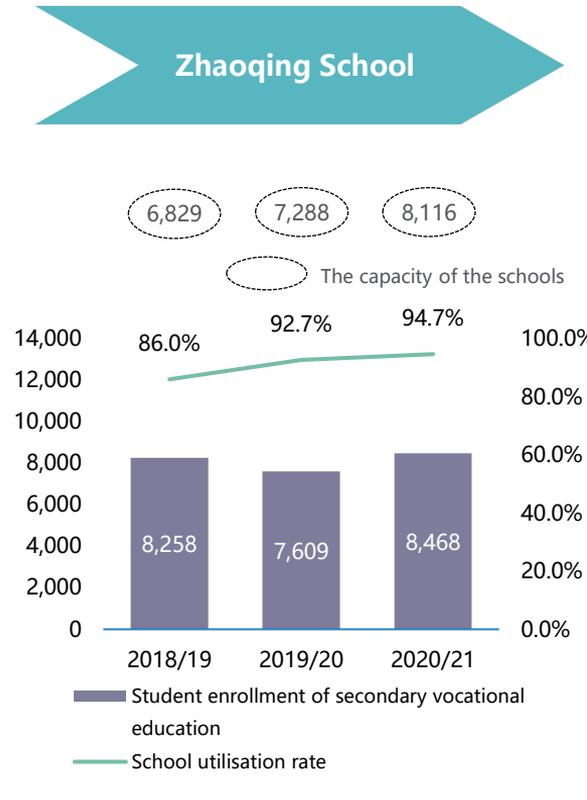
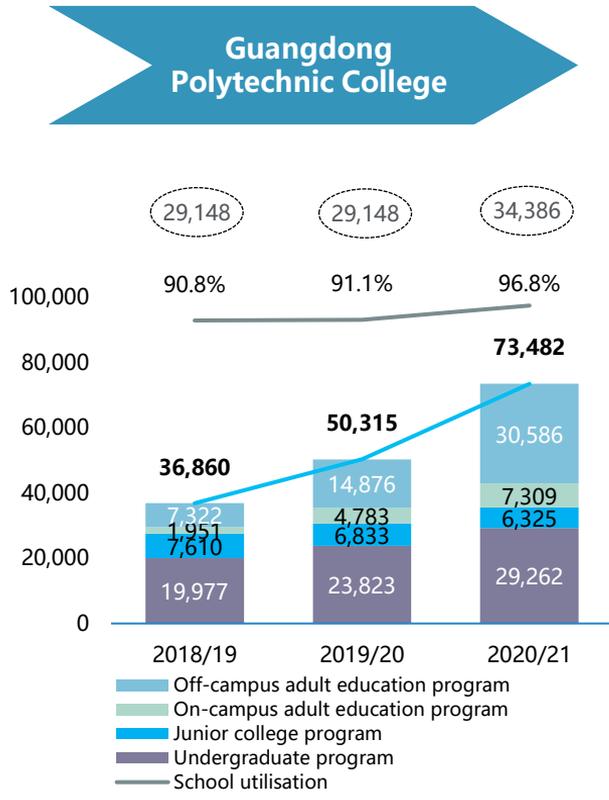


Appendix

Corporate Information



Enrolment Structure, Capacity and Utilization Rate of Each School



<i>(RMB' 000)</i>	For the year ended 31 December 2020	For the year ended 31 December 2019
Revenue	867,251	714,215
Cost of sales	(261,194)	(232,424)
Gross profit	606,057	481,791
Other income and gains	128,928	81,026
Selling and distribution expenses	(22,892)	(24,344)
Administration expenses	(111,486)	(77,297)
Finance costs	(8,875)	(1,894)
Other expenses	(24,316)	(789)
Share of profits and losses of:		
A joint venture	(118)	222
An associate	(5,452)	(505)
Profit before tax	561,846	458,210
Income tax expense	2,944	(1,936)
Profit for the year	564,790	456,274

Financial Information

<i>(RMB' 000)</i>	As at 31 December 2020	As at 31 December 2019
<u>Non-current assets</u>		
Property, plant and equipment	1,712,392	1,422,592
Right-of-use assets	201,483	207,973
Investment in a joint venture	2,052	2,170
Investment in an associate	136,243	141,695
Financial assets at fair value through profit or loss	—	50,136
Equity investments designated at fair value through other comprehensive income	45,870	62,653
Prepayments for non-current assets	454,885	93,045
Deferred tax assets	4,762	—
Total non-current assets	2,557,687	1,980,264
<u>Current assets</u>		
Prepayments, other receivables and other assets	212,221	29,481
Trade receivables	34,128	29,658
Financial assets at fair value through profit or loss	59,833	271,966
Amounts due from an associate	158,329	—
Cash and cash equivalents	1,294,204	1,111,749
Time deposits	100,000	—
Total current assets	1,858,715	1,442,854

Financial Information

<i>(RMB' 000)</i>	As at 31 December 2020	As at 31 December 2019
<u>Current liabilities</u>		
Contract liabilities	524,366	411,870
Other payables and accruals	170,406	105,931
Interest-bearing bank and other borrowings	265,015	—
Lease liabilities	1,609	1,526
Tax payable	2,850	870
Deferred income	996	808
Total current liabilities	965,242	521,005
Net current assets/(liabilities)	893,473	921,849
Total assets less current liabilities	3,451,160	2,902,113
<u>Non-current liabilities</u>		
Interest-bearing bank and other borrowings	262,258	100,000
Deferred income	7,741	3,161
Lease liabilities	7,434	9,039
Total non-current liabilities	277,433	112,200
Net assets	3,173,727	2,789,913

QA Session



Thanks!

