



Meten Holding Group Ltd. Announces Financial Results for the Third Quarter and the Nine Months Ended September 30, 2021

November 22, 2021

SHENZHEN, China, Nov. 22, 2021 /PRNewswire/ -- Meten Holding Group Ltd. ("Meten Holding Group" or the "Company") (NASDAQ: METX), one of the leading omnichannel English language training ("ELT") service providers in China, today announced its unaudited financial results for the third quarter and the nine months ended September 30, 2021.

	Q3 2021		9M 2021	
	RMB (m)	YoY (%)	RMB (m)	YoY (%)
Gross billings	133.1	(41.8%)	481.1	(6.4%)
Revenues	187.9	(36.9%)	599.2	(10.4%)
General adult ELT	40.7	(64.3%)	187.0	(17.7%)
Online ELT	76.4	0.3%	208.6	(10.3%)
Overseas training services	42.7	(6.0%)	119.6	38.4%
Junior ELT	24.8	(58.7%)	73.1	(36.5%)
Gross Profit	64.0	(49.1%)	201.0	(7.0%)
Gross Profit Margin	34.1%	-8.2 ppts	33.5%	1.2 ppts
Adjusted net loss ^[1]	(170.8)	(364.8%)	(299.6)	(31.9%)

[1] Non-GAAP measure. For more information about non-GAAP financial measures, please see the section captioned "About Non-GAAP Financial Measures" at the end of this press release.

Highlights

- 3Q 2021 revenue decreased 36.9% year-on-year to RMB187.9 million (US\$29.2 million), 9M 2021 revenue decreased 10.4% year-on-year to RMB599.2 million (US\$93.0 million), primarily as a result of the resurgence of COVID-19 and a reduction in the number of offline learning centers.
- 3Q 2021 gross profit decreased 49.1% year-on-year to RMB64.0 million (US\$9.9 million), primarily as a result of the decline in gross billings. Gross profit margin decreased 8.2 percentage points year-on-year to 34.1%. 9M 2021 gross profit decreased 7.0% year-on-year to RMB201.0 million (US\$31.2 million). Gross profit margin increased 1.2 percentage points year-on-year to 33.5%.
- As of September 30, 2021, Meten Holding Group had 64 learning centers in operation. To optimize the layout of offline centers, the Company closed another 38 offline learning centers by the end of the third quarter of 2021.
- 3Q 2021 adjusted net loss increased 364.8% year-on-year to RMB170.8 million (US\$26.5 million). 9M 2021 adjusted net loss increased 31.9% year-on-year to RMB299.6 million (US\$46.5 million).

Alan Peng, Chief Executive Officer of Meten Holding Group commented:

"In the third quarter of 2021, we have significantly reduced the number of our offline learning centers to effectively reduce the impact of the resurgence of the Covid-19 pandemic on our offline business operations, improve resource utilization, and prepare for the Company's business transformation. As a result, the number of learning centers is reduced to one to two in each city. With the initiation of its business adjustment, the Company's performance has been impacted in the third quarter of 2021. From a long term perspective, these measures are expected to greatly reduce the Company's fixed cost, increase profit margins, and reduce operational risks. Following an effective resource reallocation, the Company expects that the operating conditions and profitability of its offline learning centers will be significantly improved once the Covid-19 pandemic situation is under control.

In addition to adjusting the existing businesses, we are planning to launch new business strategies to explore opportunities related to Metaverse. We plan to use our offline centers to launch a new line of business for career planning and professional skills training related to Metaverse. We also plan to build Metaverse communities and experience centers within our offline centers in the future. We aim to provide an enhanced interactive experience to our customers by combining the experience of virtual and real world, which will increase the attractiveness of our offline centers and raise awareness of our brand. The Company will actively explore oversea opportunities in the emerging industry of blockchain and cryptocurrency. During the past month, we have established a strategic partnership with AGM Group Holdings. We are actively seeking opportunities in mine construction, mining, and the manufacturing and sales of mining machines. We are planning to join a cryptocurrency fund as a limited partner to further expand our vision and seek opportunities to invest in companies with tremendous potentials.

The new business opportunities are an inflection of the Company moving to a new strategic direction for the future business development. The Company will generate additional revenue once new businesses is put into operation. Looking forward, we expect that with the commitment from the management and strategic transformation taking in place, we will gradually grow and become a Metaverse technology company in the next one to two

years."

Operational developments

	3Q 2021		9M 2021	
Student enrollments	20,547	12.2%	56,953	27.9%
Course withdrawal rate ⁽¹⁾ (%)	17%	5.4 pts	14.52%	3.2 pts

(1) Refers to the amount of refunds issued in a specific period of time as a percentage of the sum of the amount of gross billings and the amount of refunds for such period.

	June 30, 2021		September 30, 2021	
Number of self-operated learning centers	92	(5.2%)*	56	(39.1%)*
Number of franchised learning centers	10	(23.1%)*	8	(20.0%)*

(* Change compared to the previous quarter end)

Continued product innovation

The Company continued to invest in product development during the third quarter of 2021, leveraging the several recently launched new products across both its offline and online platforms, which include three new language (Japanese, Spanish, Korean and German) products. For the first nine months of 2021, the Company's gross billings derived from Japanese, Spanish and Korean language training services was RMB8.84 million (US\$1.372 million).

Financial results

Revenues

In the third quarter of 2021, revenue amounted to RMB187.9 million (US\$29.2 million), a decrease of 36.9% year-on-year from RMB297.7 million in the third quarter of 2020. In the first nine months of 2021, revenue amounted to RMB599.2 million (US\$93.0 million), a decrease of 10.4% year-on-year from RMB668.6 million in the nine months of 2020, primarily as a result of the resurgence of COVID-19 and a reduction in the number of offline learning centers.

For general adult ELT, revenues decreased 64.3% year-on-year, to RMB40.7 million (US\$6.3 million) in the third quarter of 2021 from RMB114.1 million in the third quarter of 2020, primarily due to the resurgence of COVID-19 and the closure of offline learning centers. For overseas training services, revenues decreased 6.0% year-on-year, to RMB42.7 million (US\$6.6 million) in the third quarter of 2021 from RMB45.4 million in the third quarter of 2020. For general adult ELT, revenues decreased 17.7% year-on-year, to RMB187.0 million (US\$29.0 million) in the nine months of 2021 from RMB227.2 million in the nine months of 2020. For overseas training services, revenues increased 38.4% year-on-year, to RMB119.6 million (US\$18.6 million) in the nine months of 2021 from RMB86.4 million in the nine months of 2020.

For Junior ELT, revenues decreased to RMB24.8 million (US\$3.8 million) in the third quarter of 2021 from RMB60.0 million in the third quarter of 2020, primarily due to the resurgence of COVID-19 and the impact of the Double Reduction Policy. For Junior ELT, revenues decreased to RMB73.1 million (US\$11.4 million) in the nine months of 2021 from RMB115.2 million in the nine months of 2020.

For online ELT, revenues increased 0.3% year-on-year, to RMB76.4 million (US\$11.9 million) in the third quarter of 2021 from RMB76.1 million in the third quarter of 2020. Revenues decreased 10.3% year-on-year, to RMB208.6 million (US\$32.4 million) in the nine months of 2021 from RMB232.4 million in the nine months of 2020. This slight decrease was mainly due to the fact that the Company's online ELT business reached a peak as a result of the COVID-19 in the same period last year.

Cost of revenues

The Company's cost of revenues consists primarily of staff costs, property expenses, depreciation and amortization, and teaching material costs.

In the third quarter of 2021, cost of revenues decreased by 27.9% to RMB123.8 million (US\$19.2 million), from RMB171.8 million in the third quarter of 2020. In the nine months of 2021, cost of revenues decreased by 12.0% to RMB398.2 million (US\$61.8 million), from RMB452.6 million in the nine months of 2020.

Gross profit

In the third quarter of 2021, gross profit decreased by 49.1% to RMB64.0 million (US\$9.9 million), from RMB125.9 million in the third quarter of 2020. In the nine months of 2021, gross profit decreased by 7.0% to RMB201.0 million (US\$31.2 million), from RMB216.0 million in the nine months of 2020, due to the decline in gross billings.

For the third quarter of 2021, gross profit margin decreased by 8.2 percentage points to 34.1% from 42.3% for the third quarter of 2020. For the nine months of 2021, gross profit margin increased by 1.2 percentage points to 33.5% from 32.3% for the nine months of 2020.

Operating expenses

In the third quarter of 2021, selling and marketing expenses amounted to RMB61.7 million (US\$9.6 million), a decrease of 27.7% from RMB85.4 million in the third quarter of 2020. In the first nine months of 2021, selling and marketing expenses amounted to RMB209.3 million (US\$32.5 million), a decrease of 6.9% from RMB224.8 million in the first nine months of 2020.

In the third quarter of 2021, research and development expenses decreased by 49.0% year-on-year to RMB3.2 million (US\$0.5 million), from RMB6.3 million in the third quarter of 2020. In the first nine months of 2021, research and development expenses decreased by 50.0% year-on-year to RMB10.7 million (US\$1.7 million), from RMB21.5 million in the first nine months of 2020.

In the third quarter of 2021, general and administrative expenses increased by 76.4% year-on-year to RMB165.8 million (US\$25.7 million), from

RMB94.0 million in the third quarter of 2020. In the first nine months of 2021, general and administrative expenses increased by 38.3% year-on-year to RMB310.3 million (US\$48.2 million), from RMB224.4 million in the first nine months of 2020. This increase was primarily due to the increase in the impairment loss of goodwill and share-based compensation expenses.

Loss from operations

For the third quarter of 2021, loss from operations was RMB166.8 million (US\$25.9 million), compared to loss from operations of RMB59.8 million in the third quarter of 2020. For the nine months of 2021, loss from operations was RMB329.4 million (US\$51.1 million), compared to a loss from operations of RMB254.7 million in the nine months of 2020.

Net loss

For the third quarter of 2021, net loss was RMB175.3 million (US\$27.2 million), compared to a net loss of RMB39.7 million in the third quarter of 2020. For the nine months of 2021, net loss was RMB345.0 million (US\$53.5 million), compared to a net loss of RMB234.8 million in the nine months of 2020.

Cash and cash equivalents

As of September 30, 2021, Meten Holding Group had RMB279.9 million (US\$43.4 million) of cash and cash equivalents, compared to RMB90.1 million as of December 31, 2020.

Outlook

Meten Holding Group is actively exploring emerging business opportunities in the field of Metaverse, blockchain, and cryptocurrency. The Company expects to develop and become a Metaverse technology company in the next one to two years. The Company aims to take advantages of new technologies to further explore the various possibilities in the Metaverse, while maintaining its competitiveness in the ELT service industry.

Exchange Rate

The Company's business is primarily conducted in China and all of the revenues are denominated in Renminbi ("RMB"). This announcement contains translations of certain RMB amounts into U.S. dollars ("USD" or "US\$") at specified rates solely for the convenience of the readers. Unless otherwise noted, all translations from RMB to USD for the third quarter of 2021 are made at the rate of RMB6.4434 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on September 30, 2021, respectively. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on September 30 2021, as the case may be, or at any other rate.

About Non-GAAP Financial Measures

Meten Holding Group's consolidated financial results are presented in accordance with GAAP. However, to provide meaningful supplemental information regarding its performance, Meten Holding Group adopts the following measures which are defined as non-GAAP financial measures by the SEC:

- *EBITDA*: calculated by subtracting net interest income/loss and adding back income tax expense and non-cash expense of depreciation and amortization to a firm's net income/(loss).
- *Adjusted EBITDA*: calculated by removing certain one-off, irregular and/or non-recurring items from EBITDA such as offering expenses and share-based compensation expenses.
- *Adjusted net (loss)/income*: calculated by adding back certain one-off, irregular and/or non-recurring items to net income/loss such as offering expenses and share-based compensation expenses.

The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.

Results Presentation

The Company's management team will host a conference call at 8:00 am U.S. Eastern (5:00 am Pacific Time/9:00 pm Beijing Time) on Monday, November 22, 2021, to discuss the financial results.

Dial-in details for the conference call are as follows:

Mainland China: 400 810 8228

Hong Kong: +852 3005 1355

USA: +1 646 254 3594

UK: +44 20 7660 0166

Other countries: +86 10 5808 4166

Participant PIN: 437174

Please dial in at least 15 minutes before the commencement of the call to ensure timely participation.

About Meten Holding Group Ltd.

Meten Holding Group Ltd., formerly known as Meten EdtechX Education Group Ltd., is an omnichannel English language training ("ELT") service

provider in China, delivering English language and skills training for Chinese students and professionals. Through a sophisticated digital platform and a nationwide network of learning centers, the Company provides its services under three industry-leading brands: Meten (adult and junior ELT services), ABC (primarily junior ELT services) and Likeshuo (online ELT). The Company offers superior teaching quality and student satisfaction, served by cutting edge technology deployed across its business, including AI-driven centralized teaching and management systems that record and analyze learning processes in real time. The Company is committed to improving the overall English language competence of the Chinese population to keep abreast of the rapid development of globalization. Its experienced management is focused on further developing its digital platform and expanding its network of learning centers to deliver a continually evolving service offerings to a growing number of students across China.

For more information, please visit: <https://investor.metenedu-edtechx.com>.

Safe Harbor Statement

This announcement contains forward-looking statements that involve risks and uncertainties. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: the continuing impact of the COVID-19 pandemic and the emergence of new variants, our ability to attract students without a significant decrease in course fees; our ability to continue to hire, train and retain qualified teachers; our ability to maintain and enhance our brands; our ability to effectively and efficiently manage the expansion of our school network and successfully execute our growth strategy; the outcome of ongoing, or any future, litigation or arbitration, including those relating to copyright and other intellectual property rights; competition in the English language training sector in China; changes in our revenues and certain cost or expense items as a percentage of our revenues; the expected growth of the Chinese English language training and private education market; Chinese governmental policies relating to private educational services and providers of such services; health epidemics and other outbreaks in China; and general economic conditions in China. Further information regarding these and other risks is included in our annual report on Form 20-F and other documents filed with the Securities and Exchange Commission. The Company does not undertake any obligation to update any forward-looking statement, except as required under applicable law. All information provided in this press release and in the attachments is as of the date of this press release, and the Company undertakes no duty to update such information, except as required under applicable law.

For investor and media inquiries, please contact:

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (The following financial data has not been reviewed by the auditor)

	2020		2021			
	Q3	9M	Q3		9M	
	RMB'000	RMB'000	RMB'000	US\$'000	RMB'000	US\$'000
Revenues	297,735	668,644	187,866	29,156	599,185	92,992
Cost of revenues	(171,835)	(452,610)	(123,840)	(19,220)	(398,197)	(61,799)
Gross profit	125,900	216,034	64,026	9,936	200,988	31,193
Operating expenses:						
Selling and marketing expenses	(85,365)	(224,831)	(61,732)	(9,581)	(209,275)	(32,479)
General and administrative expenses	(93,998)	(224,413)	(165,837)	(25,737)	(310,348)	(48,165)
Research and development expenses	(6,305)	(21,487)	(3,214)	(499)	(10,740)	(1,667)
(Loss)/income from operations	(59,768)	(254,697)	(166,757)	(25,881)	(329,375)	(51,118)
Other income (expenses):						
Interest income	74	356	60	9	233	36
Interest expenses	(1,814)	(4,098)	(388)	(60)	(3,863)	(600)
Foreign currency exchange gain/(loss), net	(257)	1	(1,460)	(227)	(2,514)	(390)
Gains/(losses) on disposal and closure of subsidiaries and branches	(10,101)	(20,264)	(9,183)	(1,425)	(14,678)	(2,278)
Gains on from fair value change of Short-term investments	38,850	38,850	-	-	-	-
Government grants	6,825	19,704	1,453	226	7,822	1,214
Equity in income/(loss) on equity method investments	3,335	3,442	4,631	719	6,080	944
Others, net	(5,630)	(6,562)	(3,751)	(582)	(5,486)	(851)

(Loss)/income before income tax	(28,486)	(223,268)	(175,395)	(27,221)	(341,781)	(53,043)
Income tax expense	<u>(11,218)</u>	<u>(11,526)</u>	<u>49</u>	<u>8</u>	<u>(3,218)</u>	<u>(499)</u>
Net (loss)/income	(39,704)	(234,794)	(175,346)	(27,213)	(344,999)	(53,542)
Less: Net (loss)/income attributable to non-controlling interests	5,298	8,735	(3,464)	(538)	(8,273)	(1,284)
Net (loss)/income attributable to owners of the Company	(45,002)	(243,529)	(171,882)	(26,675)	(336,726)	(52,258)
Add:						
Share-based compensation expenses	2,964	7,541	4,594	713	42,952	6,666
Warrant financing	-	-	-	-	2,404	373
Adjusted Net (loss)/income	(36,740)	(227,253)	(170,752)	(26,500)	(299,643)	(46,503)

View original content: <https://www.prnewswire.com/news-releases/meten-holding-group-ltd--announces-financial-results-for-the-third-quarter-and-the-nine-months-ended-september-30-2021-301429716.html>

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