

**BEDU - Bright Scholar's Fourth Quarter and Fiscal Year
Earnings Conference Call**

Thursday, November 9, 2017

Presentation

Operator: Ladies and gentlemen, good morning and thank you for standing by for Bright Scholar's Fourth Quarter and Fiscal Year 2017 Earnings Conference Call. After management's prepared remarks, there will be a question-and-answer session. Today's conference is being recorded.

I would now like to turn the meeting over to your host for today's conference, Ms. Ruby Yim, Investor Relations Counsel. Thank you, and over to you.

Ruby Yim: Thank you, operator. Good morning and good evening. Welcome to Bright Scholar's fourth quarter and fiscal year ended August 31, 2017 earnings call. I'm Ruby Yim, and with me today on the call is Mr. Jerry He, our Chief Executive Officer, and Ms. Dora Li, our Chief Financial Officer.

As a reminder, today's conference call is being broadcast live via webcast. In addition, a replay of the call will be available on our website following the call. By now you should have received a copy of our press release that was distributed on November 8, 2017 after market close Eastern Time. If you haven't, it is available on our IR website.

Before we get started, let me review the forward-looking statements regarding this conference call. That is, statements related to future, not past, events, often address expected future business and financial performance and financial condition, and often contain words such as "will," "estimate," "project," "predict," "believe," "expect," "anticipate," "intend," "potential," "plan," or "goal."

Bright Scholar may also make written or oral forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases.

In addition, Bright Scholar's representatives may make oral forward-looking statements. Forward-looking statements by their nature address matters that are, to different degrees, uncertain, such as statements about the Company's goals and strategies; its future business development, financial condition and results of operations; its ability to retain and grow its customer base and network of schools; the growth of, and trends in, the markets for its services in China; the demand for and market acceptance of its brand and services; competition

in its industry in China; relevant government policies and regulations relating to the corporate structure, business and industry; fluctuations in general economic and business conditions in China.

Further information regarding these and other risks is included in Bright Scholar's filing with the Securities and Exchange Commission. Bright Scholar undertakes no duty to update any forward-looking statement, except as required under applicable law.

During this call, we'll be referring to GAAP and non-GAAP financial measures. We use certain non-GAAP measures as supplemental measures to review and assess our operating performance. These non-GAAP financial measures have limitations as analytical tools and investors should not consider them in isolation or as a substitute for net income attributable related to Company or other consolidated statement of comprehensive income data prepared in accordance with U.S. GAAP.

Please note that all numbers are in RMB and all comparisons refer to year-over-year comparisons unless otherwise stated.

With that, I'll turn the call over to our CEO, Jerry.

Jerry He: Thank you. Good morning and good evening to our investors calling in for our fourth quarter and fiscal year 2017 earnings call. I will start today's call with the highlights of our performance for fiscal 2017 and then share some of our key initiatives and developments before turning over the call to Dora to provide a more detailed review. I will close with a recap of our future priorities and then we will take your questions.

For those who are new to our company, we have included in our earnings presentation a brief corporate introduction from Slide 3 to 6 which you can download from our IR webpage. Again, all our numbers are in RMB and all our comparisons refer to year-over-year, unless otherwise stated.

The fourth quarter of fiscal 2017 capped off an exceptional 2017 fiscal year for Bright Scholar Education with robust operating and financial results. Our record revenue and earnings performance in fiscal 2017 demonstrated the strength of our focused business strategies, our continued efforts to enhance market leadership and our strong execution, which have laid a solid foundation for our continued growth into fiscal 2018.

As the largest operator of international and bilingual schools in China, Bright Scholar had 30,474 students as of August 31, 2017, representing enrollment growth of 16% over fiscal 2016. We provide our students with premier educational services that have resulted in outstanding academic outcomes with 87% of students in the 2017 graduating class of our international

schools having received offers from global top 50 institutions such as University of Chicago, Cambridge and Oxford, of which over 20 institutions from the United States.

During fiscal 2017, our students also obtained over 600 competition awards in various subjects such as math, English, writing, piano and swimming, along with 119 international awards and 283 are national level awards.

Over the course of fiscal 2017, we continued to expand our portfolio of schools, and increased our network from 49 to 52 schools, further committing to 12 new schools by fiscal 2018. As we build and scale new business, partnerships and ecosystems play a pivotal role.

Out of the 12 new schools, 8 schools are through continuous alliance with Country Garden Group, while 4 schools via fostering new third-party business partnerships.

We have also continued to advance our global partnerships with top institutions such as Columbia, Berkeley on scholarships, and Fettes, a renowned UK school to operate international schools in China; and pursued equity partnership with Can-achieve to diversify investment across sub-segments to supplement our core K-12 businesses.

Now for our financial performance, let's refer to Slide 8 for highlights. Amid the seasonality in fiscal fourth quarter, I'm very pleased to report that we recorded an exceptional fiscal 2017 across all core financial metrics with revenue up 27.7%, while operating income grew over 1,000%; adjusted EBITDA increased by 64.6%, adjusted net income was up 95.7% and margins expanded significantly, supported by better utilization rate, student/teacher ratio and disciplined cost management across the board.

Our robust performance has underlined the successful execution of our business strategies and yielded strong growth trajectory across both our core and new business segments.

Let's look at the detailed breakdowns for the respective segments on Slide 9. The top line growth of our respective business segments continued to expand for fiscal 2017, as international schools, bilingual schools and kindergartens grew over 16.9%, 21%, 24.6% respectively. Complementary education services also grew rapidly at 96.8% as we continue to broaden our offerings and enrich the learning experience of our students.

Slide 10 shows more details of our schools' expansion and enrollment increase. We now have over 30,474 students and over 3,231 teachers in 52 schools as of August 31, 2017, with total capacity increased by about 9% to over 48,403. The average student enrollment for fiscal year 2017 was 29,747, an increase of 15.0% as compared to the same period of the last fiscal year. Average utilization improved to 61.5% as compared to 58.2% for year ago period.

In Slide 11, in fiscal 2017, we continued to optimize our pricing across all our business segments to further drive our top line growth. Going into fiscal 2018, we will maintain a competitive pricing to accelerate the enhancement of utilization across our network of schools

Our business continues to perform very well, and demand for our service is very strong. Based on the guidance for fiscal 2018, we expect to deliver another record year with net revenue from organic growth of at least 23% over fiscal 2017.

The positive industry environment across multiple end-market segments continues to fuel strong demand for K-12 education services as we move into fiscal 2018.

While Dora will review our current performance and outlook for the coming fiscal year, I would like to provide some commentary on the strategic priorities and plans for the year ahead in Slide 12 and 13.

Firstly and foremost, we will also continue to pursue domestic and international acquisitive growth opportunities, to further expand our school network, or to target at areas that will broaden and deepen our complementary education service offerings, especially in areas of test prep, college counseling and extra-curriculum activities

We remain committed to our operational priorities to drive organic growth, which underpin our growth strategies. I am pleased to report that we have set ongoing plans in motion on multiple fronts.

We have reinforced our marketing strategy to drive student recruitment, building up our marketing/recruitment teams at both headquarters and regional levels to assist our schools in recruiting students, while allocating more marketing and promotional budgets for schools in the ramp-up stage. We have standardized our curriculum to optimize academic outcomes.

For our international schools, in high school stage, we offer A-level or AP programs as our core programs, plus IBDP as key curriculum, also IFD as fundamental curriculum, and IGCSE for convergence courses.

In our bilingual schools, we will use the national curriculum as the base, with supplementary support from the CIE program.

In our kindergartens, health, social activities, science, language and arts will make up the five chief curricular activities, while the curriculum also references IBPYP for programs implementation to strengthen English, with sports as a specialty program.

Concurrently, we have set up a team led by our VP of school operations. This team will develop a high standard process for school services to further boost educational quality, targeting excellent academic outcomes with more students admitted to leading national and global universities. The team will work diligently to further enhance operational efficiency across all areas, and build a national and global brand to further improving utilization, and manage the rollout of new schools and kindergartens.

We are also looking to further improve the quality of our teaching through a planned series of teacher training programs provided by overseas institutions. These include training for headmasters and heads of departments, in cooperation with University College London, and training for teachers, in cooperation with other leading universities from the United States and in China.

Meanwhile, we will also review our internal talent pool, to identify, select, train and prepare key internal talents for future development.

With that, I'll turn it over to Dora.

Dora Li: Thank you, Jerry. Please be reminded that all numbers are in RMB, and all comparisons refer to year-over-year comparisons, unless otherwise stated. Please also refer to our earnings press release for detailed information of our comparative financial performance on a year-over-year basis

Please turn to Slide 15. Our revenue for the quarter was RMB275.5million, up 25.7%. On a fiscal year basis, revenue was RMB1,328.4 million, up 27.7%.

Revenue from international schools for the quarter was RMB95.5 million, up 16.9%, as compared to RMB81.7 million in the same period last fiscal year. On a fiscal year basis, revenue was RMB505.7 million, up 19.5%, as compared to RMB423.1 million in last fiscal year.

Revenue from bilingual schools for the quarter was RMB83.1 million, up 21%, as compared to RMB68.7 million in the same period last fiscal year. On a fiscal year basis, revenue was RMB413.4 million, up 25.8%, as compared to RMB328.7 million of last fiscal year.

Revenue from kindergartens for the quarter was RMB66.4 million, up 24.6%, as compared to RMB53.3 million in the same quarter of last fiscal year. On a fiscal year basis, revenue was RMB312 million, up 23.8%, as compared to RMB252 million for last fiscal year.

Revenue from our complementary education services for the quarter was RMB30.5million, up 96.8%, as compared to RMB15.5 million in the same quarter of last fiscal year. On a year-over-year basis, revenue was RMB97.3 million, up 166.6%, as compared to RMB36.5 million in same period of last year.

Please turn to Slide 16. Cost of revenue for the quarter accounted for 75.2% of total revenue, as compared to 78.8% in the same period last fiscal year. On a fiscal year basis, cost of revenue accounted for 64.8% of total revenue as compared to 70.8% of last fiscal year.

Teaching staff cost, the primary cost contributor, was 55.3% of total revenue for the quarter as

compared to 60% in the same period last fiscal year. On a whole year basis, staff costs were at 46.5% of total revenue as compared to 50.2% for last fiscal year.

Average student-teacher ratio was 9.4 for August 31, 2017 as compared to 9.1 at the same period of last year.

On Slide 17, gross profit for the quarter was RMB68.3million, up 47.2%; gross margin at 24.8% as compared to 21.2% in the same quarter of last fiscal year. On a fiscal year basis, gross profit was RMB468 million, up 53.9%; gross margin was 35.2% as compared to 29.2% for the last fiscal year primarily due to the scale growth of our existing schools, increased average tuitions and fees, and also improved operating efficiency.

For international schools, gross profit down 31.9% to RMB3.2million for the quarter, with gross margin decreased 2.4% to 3.4%. On a fiscal year basis, gross profit up 31.6% to RMB145.6 million, with margin improved by 2.7% to 28.8%.

For bilingual schools, gross profit up 9.8% to RMB26.8 million for the quarter, with gross margin decreased by 3.2% to 32.3%. For t: whole year basis, gross profit for bilingual schools, up 51.4% to RMB151.1 million, with gross margin improved by 6.2% to 36.6%.

For our kindergartens, gross profit up 70.3% to RMB24.7 million for the quarter, with gross margin improved by 10.0% to 37.2%. On a fiscal year basis, gross profit up 58.9% to RMB133.2 million, with gross margin also improved by 9.4% to 42.7%.

For complementary education services, gross profit up 382.1% to RMB13.5 million for the quarter, with gross margin improved by 26.2% to 44.3%. On a fiscal year basis, gross profit up 284.8% to RMB38.1 million, with gross margin improved by 12.1% to 39.2%.

On Slide 18, adjusted SG&A expenses for the quarter accounted for 32.3% of total revenue as compared to 25.9% in the same quarter last fiscal year. On a fiscal year basis, adjusted SG&A expenses accounted for 19.7% of total revenue as compared to 18.7% in the same period last year.

On a whole year basis, our total IPO-related expenses was RMB16.9 million.

Continuing on Slide 19, adjusted EBITDA for the quarter was RMB9.4million, down 30.9%; adjusted EBITDA margin was 3.4% as compared to 6.2% in the same period of last year. On the whole year basis, adjusted EBITDA was RMB305.9 million, up 64.6%; adjusted EBITDA margin was 23% as compared to 17.9% for the last fiscal year.

Adjusted net loss for the quarter was RMB3.7 million, down 5.1%; adjusted net margin was -1.3% as compared to -1.8% in the same period of last fiscal year.

On the whole year basis, adjusted net income was RMB191.8million, up 95.7%; adjusted net

margin was 14.4% as compared to 9.4% in the same period last fiscal year.

Please refer to the table in Slide 20 for the condensed income statement and Slide 21 for the reconciliation for SG&A, EBITDA and net income on a GAAP to non-GAAP basis.

A quick note on our cash and bank balances in Slide 22. As of August 31, 2017, the Company's cash and cash equivalents and restricted cash totalled RMB1,896.7 million or USD287.9 million, as compared to RMB1,455.5 million or USD213.7 million as of May 31, 2017.

For our guidance for fiscal 2018, please turn to Slide 25. For the fiscal year 2018 ending August 31, 2018, we expect our total revenue to be between RMB1,630 million and RMB1,660 million, representing a year-over-year organic growth between 23% and 25%.

We expect average student enrollment to be between approximately 34,300 and 34,000 (sic), representing a year-over-year increase between 15% and 18%. The Company also expects 12 new schools openings for fiscal year 2018.

This guidance is based on the current market conditions and reflects the Company's current and preliminary estimates of market and operating conditions and customer demand, which are all subject to change.

This concludes my financial update. Now, I will turn that back to Jerry for closing remarks.

Jerry He: Thank you, Dora. As we strengthen our market-leading position, we believe we are well placed to continue delivering our strategy to build a sustainable long-term business with a strong conviction to deliver world-class education to students in China and globally. We are proud of the phenomenal progress we have achieved this year and look forward to continuing our diligent approach to support the success of our students, teachers and employees as well as continue to drive long-term value for our shareholders in the coming years

This ends our presentation. We would now like to open the call to your questions. Operator, please?

Jerry He: Great, great. Thank you very much for joining this conference call and please feel free to contact us if you have any further questions. We wish everyone a great day.

Operator: Thank you, sir. The conference call has now concluded. Thank you all for attending

today's presentation. You may now disconnect your lines. Thank you.