

51Talk Online Education Group: In-Depth Analysis and 2025 Earnings Outlook

Financial Highlights

Surging Revenues: 51Talk Online Education Group (NYSE: COE), known in China as “Wuyou English,” delivered robust financial results in its latest report for the fourth quarter of 2024, with guidance for early 2025. **Net revenues** for full-year 2024 reached **US\$50.7 million**, up an impressive 87.0% from 2023. Q4 2024 alone contributed US\$16.2 million in net revenue, soaring 117.3% year-on-year. The company’s *gross billings* (a measure of cash sales) hit **US\$69.6 million** in 2024, a 74.4% jump over the prior year. In Q4, gross billings were US\$21.4 million, up 93.4% YoY. This explosive growth reflects 51Talk’s successful strategic pivot and expansion (details below).

Strong User Growth: The surge in revenue was fueled by a rapidly expanding user base. The number of **active students** taking paid lessons in 2024 was about **95,000**, nearly double the ~50,800 in 2023. In Q4 2024, active students reached **74,200**, up 83.2% from 40,500 a year earlier. This indicates both strong new customer acquisition and retention of existing learners as 51Talk scaled internationally.

Improving Profit Margins: Profitability metrics showed marked improvement, albeit the company is not yet in the black. **Gross profit margin** expanded to 77.5% in Q4 2024 from 75.0% in Q4 2023, thanks to economies of scale and efficiency gains (full-year 2024 gross margin was ~78%). Meanwhile, operating expenses grew much more slowly than revenue. Q4 operating expenses were **US\$13.4 million**, up only

35.6% YoY despite revenue more than doubling. Notably, **sales and marketing** spend grew 40.9% to \$10.1M as the company invested in acquiring new international users, but this was far outpaced by revenue growth, indicating improving sales efficiency. R&D and G&A expenses saw moderate increases (8% and 28% respectively). As a result, **losses narrowed dramatically**: Q4 2024 operating loss was just **US\$0.9 million**, a sharp improvement from the \$4.3 million operating loss in Q4 2023. Net loss attributable to shareholders in Q4 was **US\$1.4 million**, significantly smaller than the \$5.7 million net loss a year ago. For the full year 2024, net loss was cut to **US\$7.2 million**, roughly half the \$15.0 million loss in 2023. On a non-GAAP basis (ex-stock comp), 2024 net loss was \$6.3M. These figures demonstrate a clear trajectory toward break-even.

Cash Flow and Balance Sheet: Importantly, 51Talk managed to generate **positive operating cash flow** in 2024 – about **US\$5.8 million** for the full year. This is a significant milestone, indicating that the core business is beginning to fund its own growth. The company’s cash position improved accordingly: as of Dec 31, 2024, total **cash and equivalents (including time deposits)** stood at **US\$29.2 million**, up from \$23.4 million a year prior. The CEO, Jack Jiajia Huang, noted that 51Talk achieved its rapid growth *while strengthening its cash reserves*. With ample cash on hand and no significant debt reported, 51Talk has a solid liquidity buffer to support expansion plans and innovation investments in 2025.

Business Development and Strategic Shift

Pivot to Global Markets: In response to China’s mid-2021 “Double Reduction” policy that effectively banned for-profit K-12 tutoring domestically, 51Talk embarked on an overseas expansion strategy. The company re-positioned itself as a *global*

online education platform, relocating its operational base to Singapore and targeting students in Southeast Asia, Hong Kong, Taiwan, and other regions. This international push is central to 51Talk’s growth story. Management emphasizes **localization** as a key strategy – building local teams and tailoring course content to each market’s culture and needs. This approach has paid off: the company’s gross billings growth of 74% YoY in 2024 reflects successful penetration into new regions. For example, 51Talk has rapidly grown its presence in the Philippines (leveraging it also as a teacher base) and entered other Southeast Asian markets. The momentum is expected to continue: for Q1 2025, 51Talk guided gross billings of **\$21.5–22.0 million**, which would be **~71–75%** higher year-on-year. Such strong guidance underscores management’s confidence that global expansion will sustain high growth.

Beyond Chinese K-12: Historically, 51Talk’s core business was 1-on-1 English lessons for Chinese schoolchildren. Post-crackdown, the company shifted focus to **children and teens worldwide (ages 3–15)** as well as adult learners. It continued its 1-on-1 online tutoring model but diversified its customer geography. All classes are conducted online, primarily by foreign tutors (especially Filipino tutors, a cost-effective model). This pivot opened up large new addressable markets while reducing regulatory risk. The platform now caters to English learners across Asia and beyond, essentially exporting its proven online ESL teaching model globally.

AI-Powered Innovation: A major pillar of 51Talk’s current strategy is integrating **artificial intelligence** across its operations to drive growth and efficiency. In early 2024 the company launched an AI Research Institute, and by Q4 management highlighted tangible results. AI tools are used to *personalize course plans*, track student progress, and even assist in teacher recruitment. For instance, 51Talk announced a comprehensive “Smart Learning System 2.0” initiative to be fully rolled

out by Q2 2025, which will embed AI into teaching, customer acquisition, marketing, and management processes. **Operational benefits** are already evident: the company projects significantly reduced customer acquisition costs through higher conversion rates, and has achieved an 80% improvement in recruitment efficiency by replacing manual teacher interviews with AI screening. In fact, during pilot programs, 51Talk achieved fully AI-driven sales closures (from lead generation to paid enrollment with minimal human intervention). This positions 51Talk to scale globally without commensurate human resource increases. CEO Jack Huang has noted that AI integration is cutting operating costs and improving student retention by enhancing the learning experience. In sum, **AI is both a cost optimizer and a product differentiator**: personalized AI-generated lesson plans and real-time feedback (e.g. on pronunciation) improve user satisfaction, while automation in sales and recruiting boosts margins.

Broader Offerings & Localization: Alongside core one-on-one English classes, 51Talk is exploring adjacencies to drive growth. Management hinted at offering supplementary products for existing students, such as AI-driven practice tools, small group classes, or other languages. Indeed, the company has begun **testing new markets and languages** – CEO Huang mentioned exploring opportunities in Vietnamese and Spanish-speaking markets. This indicates a willingness to replicate the 51Talk model in other subject areas or languages if viable. Furthermore, deep localization (marketing and content tailored to local cultures) is viewed as critical for outcompeting local players in each region. By hiring local staff and adjusting course content (for example, incorporating local topics or bilingual support), 51Talk aims to build a strong brand in target markets. Overall, the strategic direction is clear: **focus on its strength in online language instruction, expand it globally, leverage AI to scale efficiently, and adapt to each market’s needs.**

User Growth and Operating Metrics

Explosive User Growth: 51Talk's user metrics mirror its financial growth. Active paying students nearly doubled in one year (95k in 2024 vs ~51k in 2023). On a quarterly basis, Q4 2024 saw ~74.2k active students, up 83% year-on-year. Such growth indicates that the company is attracting large numbers of new learners in its new markets. The expansion into countries like the Philippines, Malaysia, Thailand and others has broadened the user base beyond China. It's notable that even in Q4 (which is not a traditional peak season globally), 51Talk added tens of thousands of users versus the prior year. This suggests a strong underlying demand for online English education across its markets. The company's strategy of offering affordable 1:1 lessons with qualified foreign tutors appeals to price-sensitive consumers in emerging markets, fueling rapid customer acquisition.

Conversion and Retention: While exact conversion rates and retention figures aren't publicly disclosed, management has indicated improvements in these areas thanks to technology and refined operations. The integration of AI is specifically aimed at boosting **conversion rates** of trial users to paid users and improving **student retention**. For example, the new AI-driven onboarding process creates personalized course recommendations for each new student, which has led to higher trial conversion according to the company. Indeed, 51Talk reports that its AI-assisted sales funnel has increased conversion rates and enabled a fully automated sales closing process in pilot programs. This implies more prospects are turning into paying customers with less human sales effort. On the retention side, personalized learning plans and progress tracking help keep students engaged. CEO Huang noted that AI-improved user experience is already reflecting in better retention of students. Moreover, **active students per quarter** have grown strongly, suggesting both new additions and existing students continuing to take lessons. The growth in gross

billings (cash sales) outpaced active student growth, which hints at a rising average revenue per student – possibly due to students buying larger packages or staying enrolled longer. This is a positive sign for lifetime value and retention. Another metric, *deferred revenue* (cash collected for undelivered lessons), is presumably high given the gross billings vs. recognized revenue gap, meaning many students have prepaid for future classes. This demonstrates confidence in 51Talk’s service, though it also represents liabilities the company must fulfill via ongoing quality instruction.

Operating Efficiency: As the business scales, key efficiency metrics are trending favorably. **Sales & marketing efficiency** has improved – in Q4, sales/marketing spend grew ~41% while revenue jumped 117%, indicating a much lower customer acquisition cost per dollar of revenue. The company’s heavy upfront investment in marketing new markets is yielding disproportionately large revenue gains, which is encouraging. On the **cost of instruction** side, 51Talk benefits from a cost-arbitrage model: many of its tutors are based in the Philippines, where teacher wages are lower than in North America or Europe. This kept gross margins high (~78%). However, rapid expansion requires scaling the tutor pool, and the company did experience an increase in teacher payments – cost of revenues rose 95% YoY in Q4, largely due to more lessons delivered. This roughly aligns with the 83% growth in active students, so teacher cost per student likely remained stable. The risk of teacher supply constraints exists, but so far 51Talk appears able to recruit enough tutors (aided by AI screening). Additionally, administrative overhead remains low relative to revenue (G&A was just \$2.4M in Q4), showing good operational leverage. **Productivity metrics** such as revenue per employee or per sales rep likely improved given the outsized revenue gain versus modest headcount cost increases. The company’s ability to keep operating loss in Q4 to under \$1M suggests that each additional dollar of revenue is contributing significantly to covering fixed costs. In summary, 51Talk’s operations are becoming more efficient as it grows: customer acquisition costs are

dropping due to higher conversion, and each cohort of new users is adding to gross profit at a healthy margin. These trends, if sustained, pave the way for eventual profitability.

Management Commentary and Outlook

On the Q4 2024 earnings call (and in press statements), 51Talk’s management struck an optimistic tone about the future, while acknowledging challenges. **CEO Jack Huang** reiterated the company’s commitment to “**quality growth**” – prioritizing sustainable expansion with an eye toward profitability and cash flow. He noted that growth remains the top priority, but importantly, he expressed confidence that **the company can maintain positive cash flow in 2025**. This aligns with the achievement of positive operating cash flow in 2024 and signals that 51Talk aims to fund its growth internally going forward.

Guidance: For the **first quarter of 2025**, 51Talk forecasted net *gross billings* of **US\$21.5–22.0 million**, which represents a slight sequential increase (0.5%–2.9% QoQ from Q4’s \$21.4M) and a hefty year-over-year jump of ~71%–75%. This guidance indicates that the high growth trend is expected to continue into 2025, albeit Q1 is seasonally a bit softer than Q4. No explicit net revenue or profit guidance was given, but if billings are on track, revenue recognition will follow accordingly (some revenue from prior bookings). Analysts infer that if 51Talk sustains growth above ~50% and keeps costs in check, it could **break even or turn a profit by late 2025**. Management did not commit to a specific timeline for GAAP profitability, but the tone suggested optimism that the inflection point is nearing. They will continue to invest in expansion, but with discipline.

Strategic Focus: Huang highlighted 2025 as a “**pivotal year**” for **AI adoption and further efficiency improvements** across the company. The goal is to leverage technology to personalize education at scale, which should enhance student outcomes and reduce churn. For example, more sophisticated AI-driven exercises and progress tracking are planned to roll out, improving the value proposition for students. Management also underscored expansion into **new markets** as a key growth driver. They specifically mentioned ongoing initiatives in Vietnam and Spanish-speaking countries in Latin America. These markets are seen as high-potential, given large populations with growing demand for English learning. By entering early and localizing content, 51Talk aims to capture market share before strong domestic competitors emerge. Additionally, Huang noted the company is considering **adjacent opportunities** that complement its core business – hinting at possibly offering other languages or value-added services to existing students to increase lifetime value. However, the core strategy remains centered on one-on-one online instruction, where 51Talk has deep expertise.

Management’s Long-Term Vision: The executive commentary repeatedly came back to achieving scale and profitability hand-in-hand. Management stressed that 51Talk’s priority is growth with **positive cash flow** rather than growth-at-all-costs. In the Q&A, analysts probed about margin outlook and cash usage. Huang responded that the company is confident it can stay cash-flow positive for full-year 2025 while continuing to expand. This implies a careful balancing of marketing investments and operational spending. He also expressed that the company’s AI and globalization strategies give them confidence in sustaining momentum. Importantly, 51Talk’s leadership is aware of external risks (discussed below) and signaled they are monitoring regulatory changes closely, especially any shifts in China’s stance or other markets’ policies.

Market Conditions and Policy Outlook: Interestingly, while 51Talk has focused abroad, there are signs of a slightly improving policy environment in China’s tutoring sector (e.g., authorities easing some restrictions). Should China re-open some avenues in online education, 51Talk could potentially re-engage in its home market (perhaps in adult English or non-curricular tutoring, which are allowed). However, management has not indicated any major re-entry into China’s K-12 segment and remains cautious. Instead, they see **global diversification** as a way to reduce dependency on any single market’s regulations. As for the broader economic context, many of 51Talk’s target countries are emerging markets – management is mindful that macroeconomic pressures or currency fluctuations could impact consumers’ ability to spend on lessons. They are pricing services appropriately for each locale to balance growth and affordability.

Risks and Challenges (Management Perspective): The leadership identified a few challenges on the horizon. First is **competition** – the online education space globally is crowded. Huang acknowledged that competitors, both global (like Preply or other tutor marketplaces) and local, will continue to push pricing and marketing aggressively. 51Talk’s strategy to mitigate this is differentiation via quality (trained teachers, AI-enhanced learning experience) rather than engaging in a price war. Second, **regulatory and geopolitical risks** were noted. For instance, payments from Chinese customers for overseas lessons have regulatory hurdles, and data privacy laws in different jurisdictions must be complied with, which could raise costs. Additionally, geopolitical tensions (e.g. US-China relations) could hypothetically affect 51Talk’s reliance on a Philippine teacher base or cross-border operations. Third, **operational risks** such as foreign exchange and teacher supply were mentioned. With ~60% of cash held in USD, a strong depreciation of USD could impact reported financials. Also, fast growth means continually recruiting and retaining enough qualified teachers; a spike in teacher costs (which rose ~83% YoY in Q4 in line with

lesson volume) could squeeze margins if not balanced by revenue. Management believes AI will help alleviate some of these issues (e.g., by automating teacher vetting and improving retention, reducing the need for constant re-hiring). In conclusion, 51Talk's leadership remains **bullish yet vigilant** – they project confidence in achieving their growth and cash flow goals, while keeping an eye on external risks and internal execution to ensure the company's trajectory remains upward.

Investment Value Analysis

Valuation and Stock Performance: 51Talk's stock has been on a tear over the past year as investors recognized the success of its turnaround. As of late May 2025, the stock trades around **\$19-20 per share**, which is about 25% below its 52-week high of \$25.70 (hit in February 2025). Even after the pullback, shares are up roughly 176% from a year ago – a huge outperformance relative to the broader market. At ~\$19/share, 51Talk's market capitalization is around **\$115 million**. In valuation terms, that's roughly **2.2 times trailing revenue** (P/S). Given the company's 87% revenue growth and rapidly shrinking losses, a Price/Sales of ~2.2x is reasonably modest – it suggests the market does expect continued growth, but not an excessively frothy valuation. By comparison, many edtech stocks were trading at higher multiples during peak hype, though most Chinese education ADRs now also trade in the low single-digit P/S due to more tempered growth. 51Talk currently has no meaningful P/E ratio since earnings are still negative. However, the sharp stock rally (the stock at one point quadrupled from ~\$6 to over \$25) indicates investors are pricing in future profitability and the potential for 51Talk to dominate a niche in the global online ESL market. It's worth noting the stock's low float (only ~5.86 million ADS outstanding) can lead to high volatility.

Growth vs. Profitability Prospects: From an investor's perspective, 51Talk represents a **high-growth turnaround story** in the post-China-crackdown education space. The key question is how soon and how strongly this growth can translate into profits. In 2024, net profit margin was about -14%, a significant improvement from -55% in 2021 (during the China business shutdown) – clearly the trend is toward breakeven. If the company can maintain strong revenue expansion (e.g. 50%+ annually) for the next 1-2 years, it could achieve **scale economies** where fixed costs are covered and each incremental revenue dollar adds to profit. Already, Q4 2024 results show that nearly all gross profit was absorbed by sales/marketing expense; as user acquisition costs per user drop, those gross profits should begin contributing to the bottom line. **Analysts predict** that 51Talk could turn profitable on a quarterly basis by late 2025 or early 2026, provided it meets growth targets and continues efficiency improvements. In fact, one analysis noted that if the company delivers on its \$22M Q1 2025 billings target and AI-driven retention improves monetization, **51Talk might tip into profitability sooner than expected**. Additionally, 51Talk's **cash position (\$29M)** and positive cash flow mean it likely won't need dilutive capital raises in the near term. This financial stability gives it runway to execute its plans.

On the flip side, achieving profitability will require disciplined cost management. Sales and marketing is by far the largest expense; while currently each dollar spent is bringing in many more in revenue (due to new markets), there is a risk that as markets mature, **marketing ROI declines**. The company will eventually need to taper spending or find cheaper channels (which is where word-of-mouth and brand reputation can help). The **long-term margin profile** of 51Talk could potentially be attractive: with gross margins ~78%, there is room for a healthy operating margin if/when admin and marketing costs are spread over a larger revenue base. For context, before the crackdown, some Chinese online tutoring firms had operating margins in

the 10-15% range at scale. 51Talk's model might reach similar or better, since it uses lower-cost tutors.

Risks to Investment: Investors should weigh several risks in evaluating 51Talk:

Competitive Risk: The global online language learning market is fragmented and competitive. 51Talk faces competition from other platforms (e.g. **VIPKid Global, iTutorGroup/TutorABC, Preply, Novakid, etc.**). Some competitors might undercut pricing or spend heavily on marketing, which could make user acquisition more expensive for 51Talk. Additionally, if bigger players (like Duolingo in English learning, or established education companies) target the same segments, 51Talk will need to continuously innovate to retain an edge.

Regulatory Risk: While 51Talk has sidestepped China's K-12 ban by going overseas, it still navigates various countries' regulations. Restrictions on online education, cross-border payments, or data privacy laws (GDPR, etc.) could increase operational complexity. For instance, if China were to impose new rules on Chinese nationals taking lessons from foreign tutors (or restrict forex outflows for education), it could hurt part of 51Talk's customer base. Geopolitical tensions are another factor – reliance on Filipino tutors is great for cost, but any political fallout between countries or global instability could pose challenges.

Execution Risk: The success of 51Talk's expansion rests on execution – effectively localizing content, hiring and retaining quality teachers, and managing a multilingual operation. Scaling to new markets is not guaranteed to succeed; consumer preferences differ, and some markets might prefer local providers. Also,

rapid growth can strain infrastructure and support services. Any slippage in service quality (e.g., not enough good tutors to meet demand, or technical platform issues) could hamper the company's reputation.

Financial Risk: Although 51Talk is now cash-flow positive, it still carries accumulated losses and is a small-cap company. If growth slows unexpectedly (for example due to macroeconomic downturn in key markets or saturation), the path to profitability would be delayed and the stock could be hit hard. Moreover, the company's accounting includes large deferred revenues (from prepaid packages), which means reported revenue will depend on delivering lessons; if students drop out or seek refunds, revenue recognition could be impacted. Currency exchange fluctuations (holding funds in USD while earning some local currencies) also add a bit of uncertainty.

Stock Volatility: With a market cap near \$100M and relatively low float, **COE shares can be volatile**. The stock's 52-week range from \$6.33 to \$25.70 demonstrates high volatility. Positive news (like earnings beats) could spike the stock, while any sign of trouble or broader market sell-offs could see outsized declines. This volatility means investors in 51Talk should have a higher risk tolerance and a long-term horizon, in case of short-term swings.

Investment Upside: If 51Talk continues to execute well, the upside could be significant. As one of the few U.S.-listed Chinese education companies that not only survived the crackdown but is now thriving in a new arena, it is somewhat unique. The stock's strong rally (200%+ in the last year) shows that the market is starting to appreciate this uniqueness. Yet, with a price/sales of ~2 and the prospect of moving

into profitability, there may be room for further appreciation if the company delivers results. In essence, 51Talk offers a play on the **global demand for English learning**, coupled with an efficient delivery model. The long-term trend of language learning and globalization supports its business case. Should 51Talk achieve, say, \$100M+ in revenue in a couple of years with positive earnings, the current market cap could prove low. Some investors might compare it to *Duolingo* (a much larger market cap, though different model) or other edtech firms to gauge potential valuation.

In summary, **51Talk presents a high-growth, high-risk/reward profile**. The company has shown agility and resilience, transforming its model and achieving growth that few peers can match at the moment. For investors bullish on edtech innovation and the expansion of Chinese companies into global markets, 51Talk is an intriguing case. However, caution is warranted given the risks outlined – continued operational excellence and external stability will be needed for the company to fully realize its promise.

Peer Comparison: 51Talk vs VIPKid, Zhangmen, and New Oriental Online

The post-2021 landscape of Chinese edtech has seen companies diverge drastically in strategy and fortunes. Here we compare 51Talk with some notable peers in terms of **business model, growth trajectory, and financial performance**:

VIPKid: Once the unrivaled leader in China’s online children’s English tutoring, VIPKid was hit hard by the regulatory ban. VIPKid’s classic model connected Chinese kids with North American native English-speaking tutors in one-on-one

video classes. The crackdown forced VIPKid to **halt its core China business** – it “will no longer serve as a platform connecting English-speaking tutors (many American) and Chinese children,” effectively ending its flagship service. VIPKid has since pivoted to serving children in other countries and to tutoring Chinese adults (which is allowed). It even rebranded its international service as “VIPTeacher” in some markets. However, VIPKid’s transition has been challenging. While VIPKid was once valued over \$3 billion and held ~68% market share in China’s online kid English sector at its peak, today it operates at a much smaller scale as a private company with no public financials. Its premium approach (higher prices for North American teachers) may be less competitive in emerging markets compared to 51Talk’s more affordable model using Filipino tutors. In essence, **VIPKid and 51Talk have flipped positions**: historically VIPKid was larger, but now 51Talk, through nimble pivoting, is capturing growth VIPKid lost. VIPKid’s future depends on global expansion success, but it faces entrenched competition abroad and lacks the home advantage it had in China. By contrast, 51Talk has aggressively localized in target markets and kept costs low, which appears to be yielding better results in the current environment.

Zhangmen Education (NYSE: ZME): Zhangmen was a leading one-on-one online tutor for K-12 academic subjects (math, etc.) in China, and was actually a direct competitor to offline giants like TAL in personalized tutoring. It IPO’d in June 2021, right before the crackdown – and then disaster struck. The regulations essentially **destroyed Zhangmen’s core business** (K-12 after-school tutoring for a fee). Zhangmen’s stock plummeted ~70% within months of going public, and the company had to execute massive layoffs (reportedly cutting 70% of its product development staff, ~1000 employees, in mid-2021). In the aftermath, Zhangmen has struggled to find a viable pivot. It attempted to shift towards offering educational tech solutions and tutoring in non-core or adult segments, but its scale

and financials have drastically contracted. For example, Zhangmen’s revenue in recent reports is just a fraction of its pre-crackdown levels, and it continues to incur losses (in 2022 it still had a net loss of over RMB 460 million). Essentially, Zhangmen is a cautionary tale – an edtech that hasn’t yet recovered from the policy shock. **Comparatively, 51Talk navigated the policy change far more effectively**, by moving outward rather than trying to survive in a diminished domestic market. While Zhangmen’s stock languishes (it’s now a micro-cap), 51Talk’s stock has rebounded with growth. It’s worth noting the business models differ: Zhangmen was tutoring on core school subjects one-on-one, which is heavily regulated, whereas 51Talk’s English training (especially for non-Chinese customers) falls outside those rules. In summary, 51Talk has a clearer runway and growth story than Zhangmen, which is still trying to reinvent itself with little success so far.

New Oriental Online (HKEX: 1797, now rebranded as East Buy): New Oriental Online – a subsidiary of New Oriental Education – provides a stark contrast as it chose an entirely different path. Faced with the tutoring ban, New Oriental Online executed a radical pivot from education to e-commerce, leveraging livestreaming. Through the “Dongfang Zhenxuan (Oriental Selection)” channel, it started selling agricultural and consumer products via live streams, achieving viral popularity in 2022. This non-education pivot led to remarkable financial results: in the six months ending Nov 30, 2022, Koolearn (New Oriental Online) revenues skyrocketed 590% year-on-year to RMB 2.08 billion (~US\$294 million), mainly from the livestream e-commerce business. The company even proposed a name change to **East Buy** to reflect its new identity. Its stock price soared as it found success as a streaming-commerce company, far surpassing its former education business value. However, as a peer comparison, New Oriental Online is no longer an online tutoring company per se – it’s an outlier that exited

the education sector to survive. 51Talk, on the other hand, **stayed within education** and pursued globalization. Financially, East Buy is now much larger (hundreds of millions in revenue, and reportedly profitable after the pivot) versus 51Talk's ~\$50M revenue. But this success is outside the education sector. In terms of online education *business model*: New Oriental Online's prior focus was large-class livestream courses (and some K-12 tutoring) – all of which were shut down. It did not focus on one-on-one like 51Talk. So, after pivoting, it's not directly competing with 51Talk. One could argue New Oriental Online's experience shows that Chinese edtech firms either had to dramatically transform or perish. **51Talk's approach was to transform by going global and tech-driven (AI), whereas New Oriental transformed by changing industry.** Both strategies yielded stock rebounds, but only 51Talk remains an actual online education provider among the two.

Business Model & Growth Trend Summary: 51Talk and VIPKid share a similar original model (1-on-1 online English classes), but 51Talk's low-cost model and quick pivot abroad have given it an edge in the post-crackdown era. VIPKid's growth has stalled since losing China, while 51Talk is attaining high growth internationally. Zhangmen's one-on-one academic tutoring model was rendered non-viable by policy – it has not recovered, highlighting how fortunate 51Talk was to be in a segment that could be exported (language training) rather than completely banned. New Oriental Online's pivot exemplifies an extreme adaptation – abandoning education for commerce – which isn't directly comparable to 51Talk's model, but it underscores how difficult the operating environment in China became for education companies.

Financial Performance Contrast: 51Talk is growing revenue ~80% YoY (with ~\$50M revenue), narrowing losses, and approaching break-even. VIPKid's financials

aren't public, but it reportedly lost the majority of its revenue after 2021 and has yet to demonstrate a new growth trajectory – it likely operates at a smaller scale relative to 51Talk now. Zhangmen's revenues plummeted and it remains deeply in the red, essentially a fraction of its former size. New Oriental Online/East Buy saw revenue triple and turned profitable by moving to e-commerce, now generating many times 51Talk's revenue, but that's from selling food and products, not education services. In stock terms, 51Talk (COE) is up strongly in the past year, Zhangmen (ZME) trades very low as a near-penny stock, and New Oriental Online (1797.HK) had a dramatic rally in 2022 but has since stabilized as an e-commerce play. VIPKid remains private; however, its prior valuation and presumably significantly reduced current scale suggest it's not a direct threat to 51Talk at the moment, more so a competitor in the global market along with others.

Overall, 51Talk stands out among its peers for successfully retaining its core focus (online English instruction) while reinventing its market and user base. Many other Chinese edtech companies either collapsed, shrank, or reinvented into something entirely different. 51Talk's journey from being a China-focused ESL platform to a burgeoning global edtech company sets it apart. Going forward, its competition will be more global (e.g., tutor marketplaces, app-based learning platforms) rather than the likes of New Oriental or TAL (which have moved to other domains or offline). Its peer set is evolving: one could compare it to global players like **Preply, italki, or even Duolingo (for English)** in terms of targeting English learners worldwide. In that context, 51Talk's strength is the combination of live human instruction at scale with tech enhancements – something many purely app-based competitors lack. The key for 51Talk will be to continue what it's doing right – aggressive expansion with localized strategy and tech-powered efficiency – while watching out for nimble global competitors and staying adaptable in the dynamic edtech landscape.