Beijing-based online learning provider debuts on NYSE

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Sunlands Online Education, a Beijing-based online learning provider, debuted on the New York Stock Exchange on Friday.  
The stock was priced at $11.50 and closed at $11.  
“We know the market wasn’t really good today — very volatile. . .It was kind of bad timing for us,” said CFO Yipeng Li. “But we firmly believe we’re a clear market leader in China’s education markets and are very confident that we can deliver results as promised to public investors and overall (over the long term).”  
The IPO came on a day when stocks around the world plunged as investors feared that a trade conflict between the US and China would escalate. A second day of big losses pushed US stocks to their worst week in two years.  
Sunlands, which trades with the symbol STG, intended to sell 13 million American Depository Shares representing Class A shares for proceeds of approximately $201 million. The expected price was between $11.50 and $13.50. Sunlands raised a total 189.5 million.  
The company originally intended to raise $300 million but lowered that due to market conditions, the company said.  
Two private investors — New Oriental and Orchid Asia — have promised to purchase a total $40 million of Class A shares at the IPO price. This is a positive signal and is uncommon for non-life science IPOs, according to Seeking Alpha, a crowd-sourced content service for financial markets.  
“With the private placement ($40 million) and the potential of the greenshoe getting exercised, they (Sunlands) were well over $200 million in terms of money raised,” according to Tip Fleming, a PR representative.  
The company’s post-IPO market capitalization is about $2 billion.  
Sunlands is headed by CEO Tongbo Liu, who has been with the firm since 2009 and was appointed to the CEO position in 2015.  
Founded in 2003, the company offers Self-taught Higher Education Examination (STE) programs covering 18 majors, MBA-related programs, and professional certification and skills programs for adults in China.  
Sunlands transitioned from a traditional to online education provider in 2014.  
From its IPO proceeds, the company plans to use 40 percent for research and development for its IT systems.  
“Enhancing our IT systems is the most important,” said Li. “We want to the have the best student experience. We want students to learn more efficiently and effectively. We want our marketing effectiveness to improve and productivity of sales team to improve. IT systems can help a lot.”  
Sunlands will also use 20 percent for education and content development.  
The company has seen a jump in its top line revenue in 2017, since transitioning from a traditional to online learning model in 2014. Li said the growth rate increased by 220 percent between 2016 and 2017.  
“The first couple of years. . .we were testing the online model,” Li said. “Starting from the second half of 2016, we’ve been seeing the results. That’s why we had a huge jump of the top line for 2017.”  
Sunlands claims to be China’s largest online post-secondary and professional education service in terms of gross billings in 2017, citing iResearch, and has 660,000 students enrolled.  
As one of its long-term strategies, Li said the company is thinking of doing a strategic alliance or investment with one of the top universities in the US or other developed country.  
“We are in a business with huge potential, but it will take some time, especially for US investors to truly understand our business,” Li said.

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