

# LingoAce

Outlook for a blended language  
learning business

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LingoAce

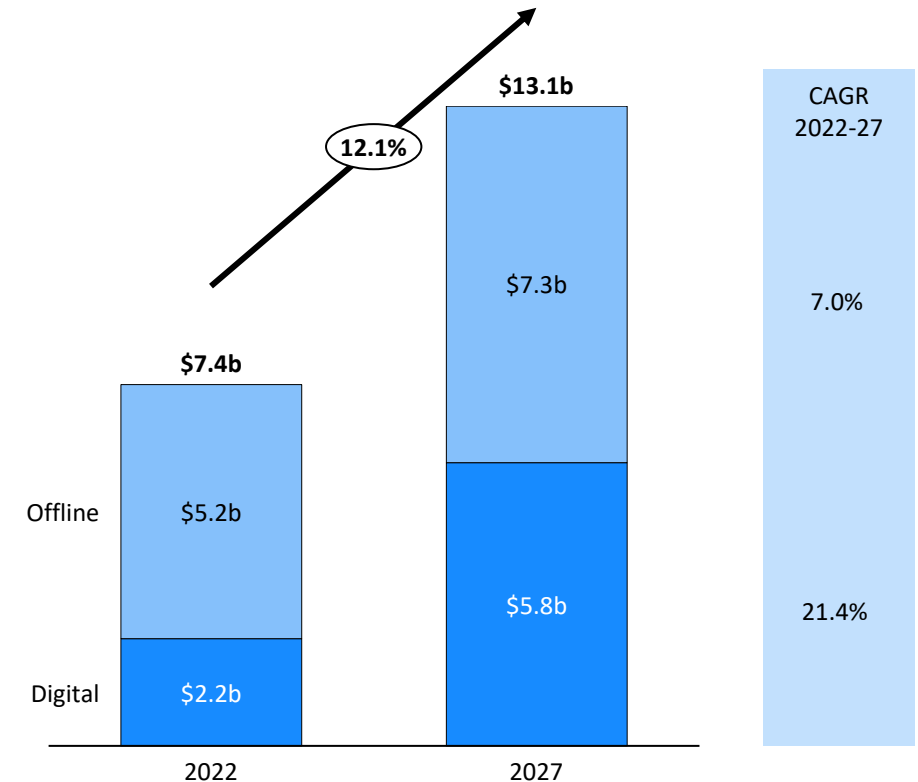
# Globalisation, evolution of platform businesses and tech. advancements are the key drivers in language learning market with Chinese language learning holding the greatest potential due to its size and growth

## Trends and drivers in the language learning market

- Globalisation:** Demand for learning widely spoken languages has increased due to globalisation. English is the most widely spoken language with 1.4b speakers, however Chinese (Mandarin) a close second with 1.1b speakers. The two broad categories of Chinese language learners – non-native Chinese language enthusiasts and Chinese diaspora
- Focus on practical communication:** Courses and materials that focus on real-life conversations, cultural nuances, and workplace communication are gaining popularity. This has led to rise of market place led language learning businesses such as Babbel and iTalki that focus on conversations with native speakers
- Emergence of gamified language learning apps and platforms:** Gamification is a powerful teaching tool. Studies reveal that gamification can increase performance and skill development by 20%. Duolingo, a leading language learning app, gamifies the learning experience with rewards and challenges
- Adoption of AI-powered language learning platforms:** AI is being utilized for speech recognition, language assessment, and personalized feedback. Chatbots and virtual language tutors powered by AI are becoming more sophisticated. Duolingo introduced the Duolingo Max with two features with AI capabilities – Explain my Answer and Roleplay

## Chinese language learning market size

There are more than 6 million K-12 students within the Chinese diaspora, more than half of them actively engaged in Chinese language learning



# There are three common language learning business models each with their strengths and limitations

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### Bite-sized gamified model

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**Summary:** Bite-sized lessons delivered online and aimed at large scale participation

**Pricing:** Freemium

**Delivery medium:** Online

**Strengths of the model:**

- Scalable
- Gamification of content
- Retention of vocabulary

**Limitations:**

- Limited speaking and listening practice
- Lack of immersion



### Blended delivery model

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**Summary:** Blending online passive course to supplement in person language learning material

**Pricing:** Subscription (Based on sessions)

**Delivery medium:**

- Online and offline
- Small group and 1-1 learning

**Strengths of the model:**

- Offers flexibility of online along with human interaction in physical settings
- Real time personalised feedback

**Limitations:**

- Additional real estate costs
- Quality depends on the instructor



### Marketplace model

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**Summary:** Matching of learner to a native speaking instructor. The student takes lead in the education while the teacher plays a support or facilitator role

**Pricing:** Subscription (Based on sessions)

**Delivery medium:**

- Live synchronous
- 1-1 learning

**Strengths of the model:**

- Focus on real-life conversations
- Easy to add additional languages on the platform

**Limitations:**

- High customer acquisition costs
- Quality of education dependent on instructor



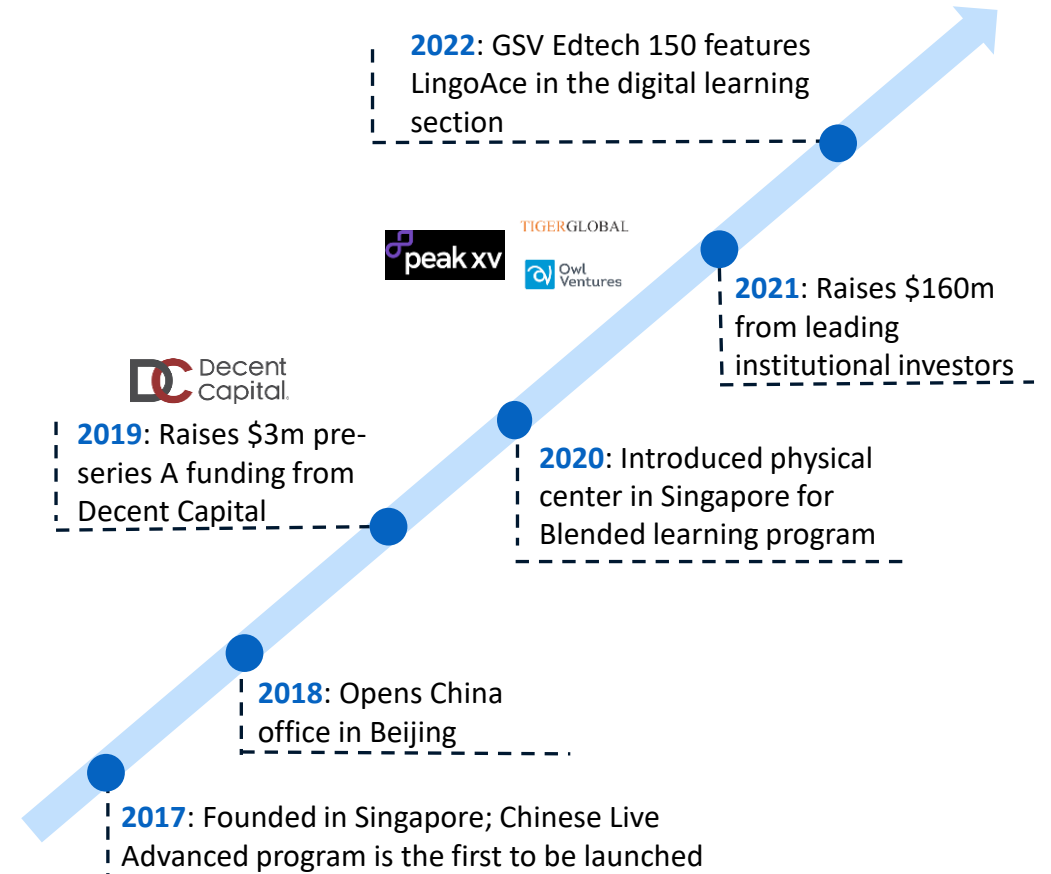
# LingoAce is a Chinese language learning business for PreK-12 students which has seen significant growth in the last six years through institutional investments

## Business Overview

- **Business Summary:** LingoAce connects learners with professionally accredited teachers to learn Mandarin Chinese
- **Target Audience:** PreK-12 Chinese descent students (age 3 to 15)
  - Expanded beyond traditional customer base in 2022 by launching the Foundation Program, which offers specialized curriculums for non-Chinese students aged 5 to 15
  - The company adapted its learning app to English in partnership with the Utah State Board of Education, resulting in nearly 20% of elementary school students using LingoAce to learn Chinese

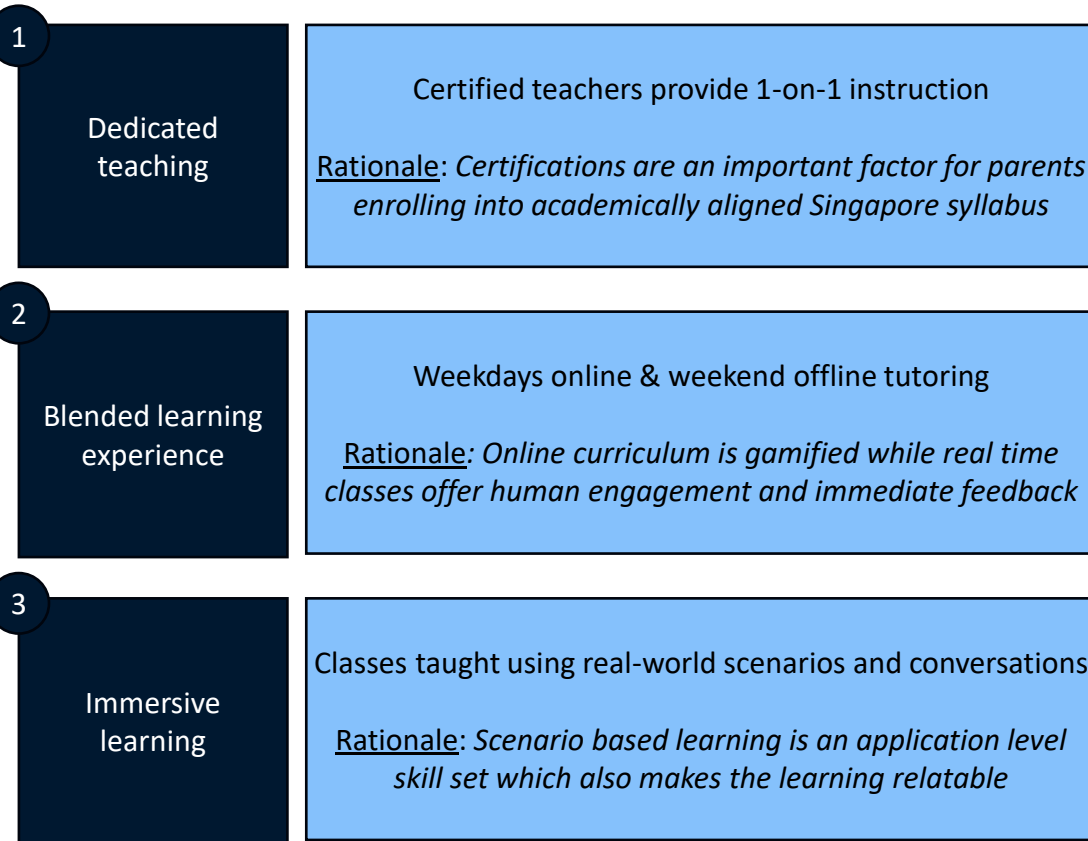


## Timeline of LingoAce milestones

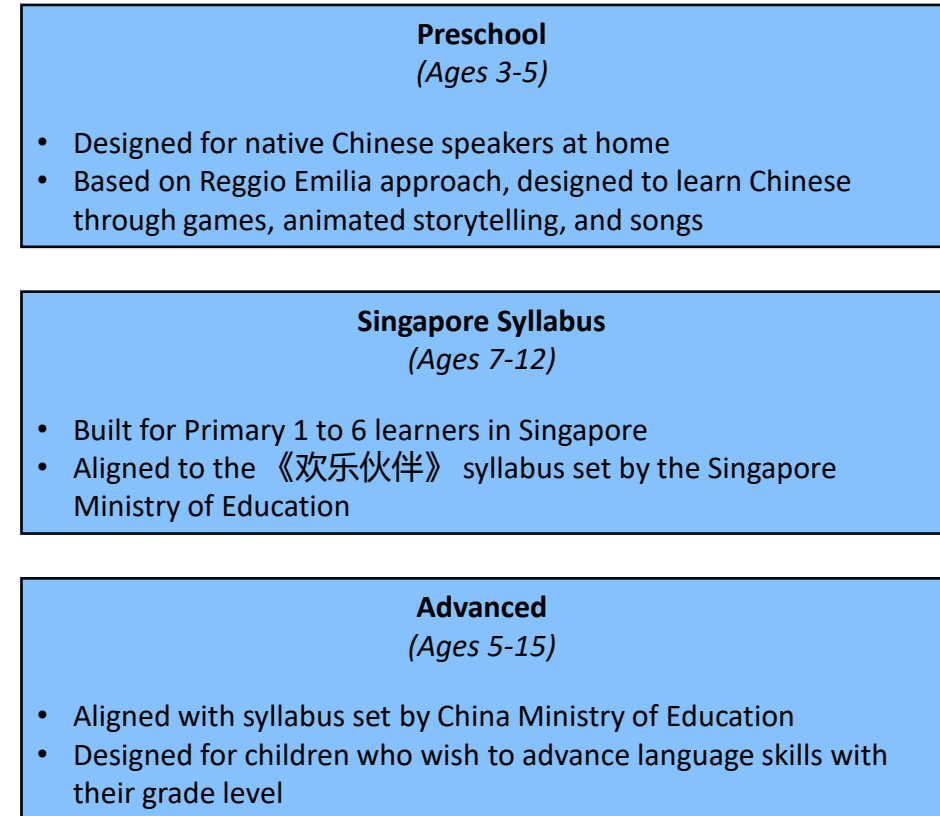


# LingoAce’s value proposition is centred around trained teachers, blended learning and immersive learning environment; the core products cater to varying demands of the consumer

## LingoAce value proposition for parents and students

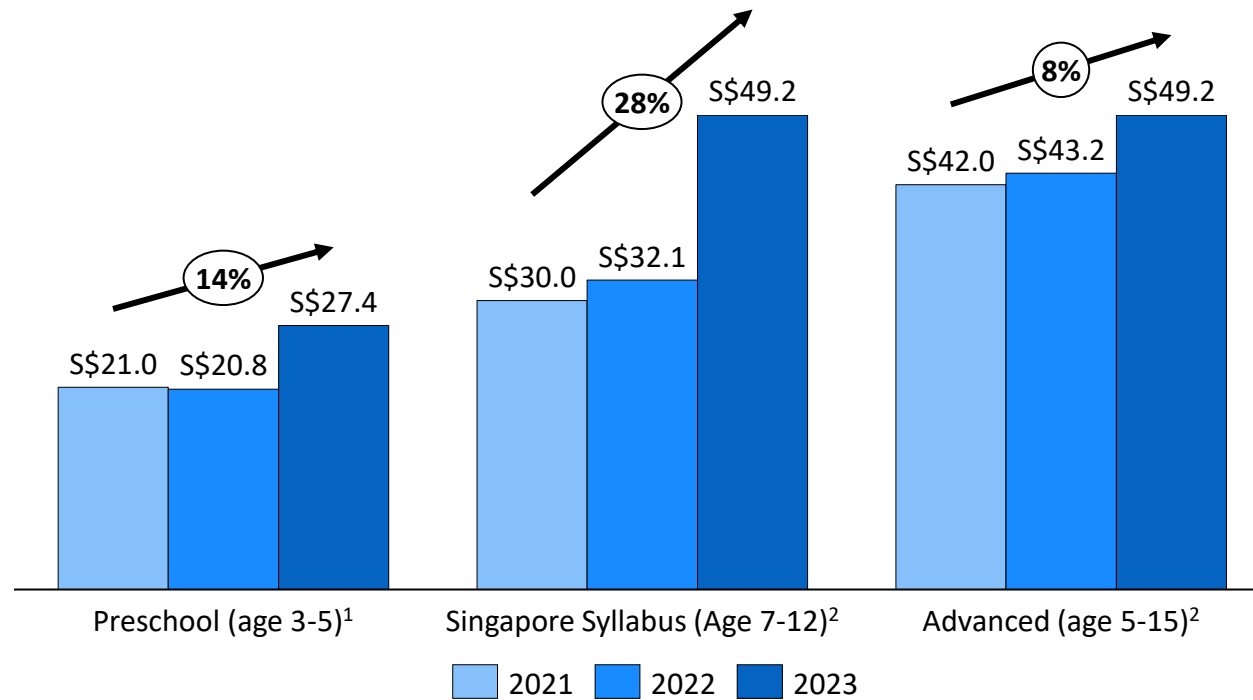


## LingoAce Chinese learning products



# The Singapore syllabus product has increased price most aggressively indicating willingness of parents to pay for academic oriented products

## LingoAce price per session for Preschool, SG syllabus, and Advanced products



## Commentary

- The three core products of LingoAce are priced into different packages based on the number of sessions
- The difference in price/session between the annual and semi-annual package is similar. However, the difference in price/session of the 12 sessions and semi-annual package varies between 12% and 20%
  - The price differential arrangement between the three packages is designed to anchor the customer towards the semi-annual package
- Pricing for the Singapore Syllabus has increased the fastest over the last three years
  - The price rise relative to the other products reflects the willingness of parents to pay for the academically oriented product

<b>Semi-annual</b>	S\$21.8	S\$43.2	S\$42.5
<b>Annual</b>	S\$21.6	S\$42.5	S\$43.2
<b>% difference<sup>3</sup></b>	-20%	-12%	-20%

The annual package for the Advanced product is offered at the same price/session in two versions - 24 and 144 sessions - providing flexibility to the customer

1. Cost per 25 min session for 12 classes subscription package 2. Cost per 55 min session for 12 classes subscription package 3. Price/session of semi-annual subscription compared to 12 class package Source: LingoAce, Perspective research & analysis

LingoAce differentiates itself by focussing entirely on Chinese language learning; they achieved strong traction in a relatively short timespan by optimally utilizing institutional investments

Competitive landscape of language learning scale operators

	LingoAce	Duolingo	Babbel (Live)	iTalki	PandaTree
Year founded	2017	2011	2007	2007	2014
Country incorporated	Singapore	United States	Germany	China	United States
Languages offered	Chinese	40 languages	14 languages	75 languages	Spanish and Chinese
Content Delivery	Blended	MOOC	Market place	Market place	Market Place
Customer segment	3-15 year old	Universal	Universal	Chinese students	2-15 year old
Total users	10mn	5.2mn <sup>1</sup>	10mn	100mn	-
Number of tutors	4,700	NA	-	3,000	-
Pricing	\$31/55min session	Freemium (\$6.99/mo)	\$99/mo	\$10-15/hour	\$35/50min session
Funding	\$180mn	\$183mn	\$34.2mn	\$157mn	\$2mn
Investors	Pek XV, Tiger Global and Owl Ventures	Capital IG, General Atlantic	NGP Capital, Scottish Equity Partners	Hujiang, Baidu	Precursor Ventures, Nanjing Sunflower

1. Paid subscribers

Source: Baidu, Tracxn, Crunchbase, Perspective research & analysis

The outlook for the language learning market and LingoAce remains positive. The primary challenge to the business is their dependency on recruiting and retaining teachers for growth

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### Language learning market

- **Growing market:** The language learning market is expected to grow due to tailwinds such as globalisation and increased use of technology to create an efficient and effective learning environment
- **Slow down in the funding environment:** The ed-tech funding environment saw a decline of 72% in 2023 compared to the previous year and the economic outlook continues to remain volatile

### LingoAce outlook

- **Marketing positioning:** LingoAce is uniquely positioned as a Chinese language learning ed-tech for PreK-12 age group. They have sensibly started expanding into tutoring adjacencies (English, Music, and Maths)
- **Teacher quality :** The recruitment of teachers and delivering quality training will remain the greatest bottleneck in growing the business.
  - According to the website, LingoAce currently has 4,700 accredited teachers and they have delivered over 10mn lessons
  - For the business to grow, say 10X, c.50k teachers would be required
  - While sourcing teachers may not be an issue due to large availability of native Chinese speaking population, the business processes would need to be designed to sustain the large tutor base
- **Updating curriculum**
  - As the company continues focussing on the more profitable academic enrichment segments, they would have to ensure regular updating of curriculum. For instance, a new curriculum for mother tongue languages was recently proposed for Primary 1 pupils from 2024