

**Here Group Limited (HERE)  
Q3 FY2026 Earnings Call  
June 5, 2026, 7:00 am ET.**

**Executives**

Tina Tang, Manager, Investor Relations  
Peng Li, Founder, Chairman, and CEO  
Tim Xie, CFO

**Analysts**

Jing Yuan, CICC  
Yikun Zheng, CITIC Securities  
Di Shi, Huatai Securities

**Presentation**

Operator: Good morning and good evening, ladies and gentlemen. Thank you for standing by, and welcome to Here's Earnings Conference Call. (Operator Instructions). We will be hosting a question-and-answer session after management's prepared remarks. Please note that today's event is being recorded.

I will now turn the conference over to Ms. Tina Tang, the company's Manager of Investor Relations. Please go ahead, ma'am.

Tina Tang: Thank you. Hello, everyone, and welcome to Here's earnings call for the third quarter of fiscal year 2026. With us today are Mr. Peng Li, our Founder, Chairman, and CEO, and Mr. Tim Xie, our CFO. Mr. Li will provide a business overview for the quarter; then Tim will discuss the financials in more detail. Following their prepared remarks, Mr. Li and Tim will be available for the Q&A session. I will translate for Mr. Li.

You can refer to our quarterly financial results on our IR website at [ir.heregroup.com](http://ir.heregroup.com). You can also access a replay of this call on our IR website when it becomes available a few hours after its conclusion.

Before we continue, I would like to refer you to our safe harbor statement in our earnings press release, which also applies to this call, as we will be making forward-looking statements. Please note that all numbers stated in the following management's prepared remarks are in RMB terms, and we will discuss non-GAAP measures today, which are more thoroughly explained and reconciled to the most comparable measures reported in our earnings release and filings with the SEC.

I will now turn the call over to the CEO and Founder of Here, Mr. Li.

Peng Li: Okay. Thank you. Good morning, everyone. Thank you for joining us today. I am very pleased to announce that we achieved about RMB 165 million in revenue this quarter. This exceeded the high end of our guidance. More importantly, we keep improving our IP and pop-toy business. We are consistently optimizing our operations and cost structure to build a stronger foundation for long-term growth.

As we all know, the first half of the year, especially the first 3 months, is typically a slow season for the pop-toy industry. Beyond working with our channel partners and selling through our own direct channels, we stayed focused on our core strategy. That means building internal capabilities, developing IP-related products and content, and optimizing our channels. The market environment remains challenging, but consumers' demand for emotional and experience-based spending persists. We build our IP products and services around what consumers actually need.

Let me start with our IP performance. WAKUKU remains our flagship IP. It contributed RMB 102 million in revenue in Q3, or around 62.2% of total revenue. SIINONO's revenue grew 73.1% quarter-over-quarter, accounting for 20.2% of total revenue.

SIINONO launched in the second half of 2025. In less than a year, it has reached a meaningful scale. This is an early validation of our ability to incubate new IPs. More importantly, we are seeing growing cross-IP engagement. WAKUKU users are connecting with SIINONO and other IPs, while new users are always discovering our increasingly rich IP portfolio.

As we move forward, we keep coming back to one key insight. Short-term sales are not the real measure of success. The real question is whether an IP can win users and earn a lasting place in their hearts and lives. IP development and ongoing operations take time. They require long-term interaction between the IP and its users, often in physical spaces. Offline DTC stores are a key part of making that happen.

Based on our deeper knowledge of the IP industry, we have refined our strategy. In 2025, our growth was mainly driven by our strong product capabilities and the strength of our IP portfolio. At the same time, we benefited from favorable market cycles, channel tailwinds, and celebrity partnerships. These collaborations gave us additional momentum and valuable experience. We will continue to benefit from our partnerships. At the same time, we know that building lasting IPs requires brand-building and solid operational capabilities. That means building our own systems to reach users directly and engage with them deeply.

Therefore, long-term IP momentum will always be our top priority. Revenue should follow from strong IPs, not be the target. To achieve this, we have set the following key priorities.

First, keep building IPs and brand operations. Create ongoing interaction between IPs and users through different formats. Deliver great emotional experiences. We will stick to our strategy, focusing on our core IPs while creating and growing new ones. Around our core IPs, we are speeding up the development of innovative products. This will take about 3 to 6 months. We expect to launch new products from our core IPs very soon.

Second, keep expanding our offline DTC stores and Roboshops. This extends our brand reach and user touchpoints. We treat our offline DTC stores as an extension of our IP products. The

store itself is a product. It unifies IP expression within our self-operated brand system. As of today, we have opened seven DTC brand stores. Each store serves as a space for brand-user interaction.

Our membership system has also been upgraded. We now have a full-chain membership management system in place. This lays the foundation for constant user engagement. Our Roboshop rollout has also recently begun. To date, we have deployed around 15 Roboshops in 3 cities.

Third, keep building strong online operations. Online activities will serve as one of the tools for IP and product operations. This helps us deliver a great consumer experience.

Fourth, keep a measured and steady pace on global expansion. In the near term, we plan to open a pop-up store in South Korea, and participate in a trade show in the US as initial market tests.

Fifth, keep optimizing our business cooperation with channel partners. We pursue mutual benefits and win-win outcomes. We work with them to promote our IPs and products, and to deliver great experiences to users.

Building IP value and enhancing user experience is a long journey, but with efficient execution, we can move more steadily, better and faster. Our progress comes down to two things.

First, IP Ecosystem. We are moving from one-off hits to a repeatable engine. As of March 31, 2026, our IP portfolio includes 20 total IPs. That includes 12 proprietary IPs and 8 exclusive licensed IPs. This quarter, we focused on diversifying our IP matrix. We introduced new IPs with unique styles and different target audiences. We also accelerated our new product launch pace for both flagship and emerging IPs.

Recently, we launched a new co-branded IP, XIAO AO. Its core spirit is defined by four words: cool, stubborn, brave, and free. This message resonates well with young consumers. To drive the launch, we ran an integrated campaign across celebrity, social, and fan channels.

Leveraging our strengths in IP design, supply chain, and omnichannel sales, we completed pre-launch prep, including character development and mass production. XIAO AO gained strong market attention and pre-launch buzz. The strong market response has validated and strengthened our portfolio. It proves that our IP incubation model is scalable and competitive.

Beyond XIAO AO, we have a strong product pipeline in preparation. We will launch them steadily according to our planned cadence.

For WAKUKU, we launched a new series, "The Handicraft World of WAKUKU - Series Vinyl Plush Doll" on March 28. As of March 31, the initial launch period, the series achieved strong results. Total omnichannel sales exceeded RMB 20 million, peak concurrent online viewers reached 28,000, and total new product exposure topped 100 million. The series focuses on handcrafted feel, friendship, and warm, healing vibes. This deepens our emotional connection with users. In May, we also released the 520 gift box, "WAKUKU Heartbeat Devil" as a hanging card set.

Recently, we have also launched new products for other IPs. These include new plush toys, vinyl figures, hanging cards, and themed collections for IPs like ZIYULI, SIINONO, PIDOL, KILIKILI, and AWHY. Each of these IPs speaks to a different audience, with unique styles and labels. That's how we build a richer IP matrix.

For SIINONO, the new generation product, "Mood On" series vinyl Plush Doll, had its offline launch on May 30 and online launch on June 2.

Second, Omnichannel Reach. We are boosting IP-user interaction with a clear focus: offline first, online empowering.

Offline, we operate through three channels: our DTC stores, Roboshop network, and partner channels.

First, our self-operated brand stores and Roboshops. As of today, we have opened 7 DTC stores in 4 cities. We recently opened two new DTC stores, one at Shenzhen Uniwalk Qianhai on April 25, and another at Xi'an SAGA on May 1. Both stores are in prime high-traffic business areas that rank among the busiest in their respective cities. We are closely tracking store performance and scouting locations for new stores.

We are also expanding into automated retail. As of June 4, we have rolled out about 15 Roboshops across key cities nationwide. These unmanned vending machines are placed in high-traffic locations. They extend our offline reach without the higher costs of full-scale stores. They serve as both sales channels and brand touchpoints. They make our IPs more accessible while collecting valuable data on product preferences and purchasing habits.

Second, partner channels. We continue to work with our channel customers. These partnerships help us reach more consumers through established retail networks. They expose our IPs and brand elements at more offline touchpoints and help us interact with users.

On the online side, our social media presence continues to grow. As of June 4, our cumulative followers across major platforms is approaching 800,000. We use online channels to build content and community. Doing so empowers our IP and brand operations.

We have also run several brand marketing events to build brand awareness and drive user engagement. We partnered with Apollo Go, Baidu's autonomous driving platform, to integrate our IPs with AI technology and smart mobility. This partnership spans co-branding, in-vehicle exposure, and youth-focused content campaigns.

In May, we participated in the first China New Cultural & Creative Market & Trendy Toy Carnival in Beijing. This is a national-level event co-hosted by three central ministries. Here Group was the only non-state-owned enterprise featured in media coverage, including BRTV. Our flagship IP WAKUKU was showcased alongside traditional cultural exhibits at the "New Oriental Aesthetics" section.

Going forward, we will accelerate the creation of more offline scenarios to give IPs and users more spaces to interact. At Beijing Airport, we plan to set up a store to enhance brand visibility,

and we are actively exploring more similar scenarios. In Hong Kong, we plan to create a dedicated ride experience on a boat at Central Pier using our IPs, building a unique brand scene.

Operational discipline is reflected in our capital allocation. We continue to align resource support and cost structure with our strategic adjustments. Whether investing in a new IP, opening a store, or launching a content initiative, we evaluate each potential investment against a clear ROI framework. We don't make guesses. We allocate capital based on information and data from IP momentum, our offline network, membership system, and sales channels.

Thank you for your continued support. I will now turn it over to Tim for a detailed review of our financial results. Thank you, everyone.

Tim Xie: Thank you. Before I go into the details of our financial results, please note that all amounts are in RMB terms, that the reporting period is the third quarter of fiscal year 2026 ending on March 31, 2026, and that in addition to GAAP measures, we will also be discussing non-GAAP measures to provide greater clarity on the trends in our actual operations.

We are pleased to report on our third quarter results, which exceeded expectations on both revenue and gross margin, despite navigating a softer demand environment in the broader industry. Total revenue was 164.7 million with gross profit of 56.9 million, representing a gross margin of 34.5%. While revenue decreased from the previous quarter's 177.3 million, gross margin improved by 350 basis points from 31%. These results reflect our ability to maintain operational resilience and financial discipline in a challenging market environment, while positioning the company for sustainable long-term growth through strategic cost management and continued focus on our core IP portfolio.

Revenues for the quarter were 164.7 million, primarily generated from sales of our three flagship IPs – WAKUKU, SIINONO, and ZIYULI, compared to 177.3 million in the previous quarter. This change was driven by the cadence of our new product launches and the impact of the Chinese New Year holidays during the quarter, which materially reduced effective working days, and temporarily constrained our supply chain and delivery capabilities.

Gross profit for the quarter was 56.9 million, compared to 55 million in the previous quarter. Our gross margin increased to 34.5% this quarter from 31% in the previous quarter. This margin improvement reflects the early benefits of our strategic cost structure refinements implemented during this quarter, positioning us for enhanced margin performance going forward.

On the operational front, total operating expenses were 100.8 million for this quarter.

To break this down, sales and marketing expenses were 57.7 million. These expenses mainly included advertising and promotion expenses and staff compensation to support brand building and customer acquisition efforts across multiple platforms. As a percentage of total revenue, non-GAAP sales and marketing expenses, which exclude share-based compensation, changed to 35% this quarter from 29.6% in the previous quarter.

Research and development expenses were 9.5 million. These expenses mainly consisted of IP design and product development expenses. As a percentage of total revenue, non-GAAP research

and development expenses, which exclude share-based compensation, changed to 5.7% this quarter, compared to 5.1% in the previous quarter.

General and administrative expenses were 33.6 million. These expenses reflected our core operational functions, including employee compensation, professional service fees, and other operational expenditures. As a percentage of total revenue, non-GAAP general and administrative expenses, which exclude share-based compensation, changed to 13.8% this quarter from 12.7% in the previous quarter.

Our net loss was 34.1 million, compared to 25.4 million in the previous quarter. Our adjusted net loss was 22.9 million, compared to 16.1 million in the previous quarter.

Basic and diluted net loss per share were 0.21 during this quarter. Basic and diluted adjusted net loss per share were 0.14 during this quarter.

Looking ahead, we remain excited about the growth prospects for our pop-toy business. Based on current available information, including our pipeline for upcoming IP releases and seasonal demand, we expect revenues from our pop-toy business to be in the range of RMB 130 million to RMB 140 million for the fourth quarter of fiscal year 2026.

We are revising our fiscal year 2026 revenue guidance to a range of RMB 600 million to RMB 610 million. This revision reflects near-term market realities, and demonstrates our commitment to providing transparent guidance aligned with current industry conditions.

That concludes my prepared remarks. Operator, let's open up the call for questions.

## **Questions and Answers**

Operator: Thank you. We will now begin the question-and-answer session. (Operator Instructions). Today's first question comes from Jing Yuan at CICC.

Jing Yuan: (Speaking Foreign Language). Could management elaborate what changed in the consumer demand within the pop-toy market, how we've seen in the past year? And how has the competition shift? Thanks.

Tim Xie: Okay. Thank you. I'll take this question. First, we see that emotional consumption is really all about companionship. Consumer motivation is driven by a mix of emotional value and collectible value, and their expectations for IP products keep rising. So only products with real character and solid operations can truly connect with consumers.

For young buyers, they are buying for immediate emotional satisfaction. Our "Handicraft World of WAKUKU" series focuses on handcrafted feel, companionship and warm feeling. This response directly to what consumers are looking for. This is a recent example for our new product launch for the IP WAKUKU. At the same time, good IP products have real artistic value.

Some collectors do want to collect complete sets, or even buy on the secondary market because they love the IP.

Companionship and portability have become very important product dimensions. The plush and bag charms saw strong growth in 2025, and became the fastest-growing category in the pop-toy industry. However, starting in the first half of this year, we've seen the market cool down. The main reason is that supply chain grew too quickly, which reduced the early scarcity. This is actually a normal market correction. The industry is moving back to the core of emotional consumption from chasing scarcity to buying what you like or the both.

And for us, the underlying logic of this category has not changed. Consumers still want IP products that fit into their daily lives. We stick to our strategy, creating excellent IPs and products. For example, our recently launched SIINONO "Mood On" series - the new product - has been very popular based on recent consumer response.

And for the competitive condition, the competitive landscape is shifting from grabbing territory to competing on ecosystem capabilities. Firstly, more players have entered this market, but only a few can operate IPs, especially the self-owned IPs consistently over time. It is still a large market with many small players.

And secondly, the core of competition is moving from product capability to full-chain IP operation. Long-term IP value must be built from within. Pop-toys are not fast-moving consumer goods. You cannot drive growth simply by adding more SKUs. You should need IP design, supply chain, brand, and sales all working together as one system. And honestly, very few companies can actually pull it all together.

Thirdly, the industry is taking a fresh look at owned IPs. For most pop-toy companies, licensed IPs account for the majority of their revenue, and these licenses typically last only 1 to 3 years and have a high cost. So if a license doesn't get renewed, you are looking at a major hit to your revenue. We've taken a different approach. We have built a systematic capability to create and sell our own IPs. Our IP portfolio is much more balanced. More than half of our IPs are self-owned, and even with our licensed IPs, we focus on long-term partnerships. For company-branded IPs like XIAO AO, which was just recently launched, we use a deep cooperation co-creation model, rather than relying on a simple licensing deal. That's all. Thank you.

Jing Yuan: Thanks, that's very helpful.

Operator: Yikun Zheng with CITIC Securities.

Yikun Zheng: (Speaking Foreign Language). I will translate myself. My question is about the momentum of IPs. So far, we have several very successful IPs, such as WAKUKU, SIINONO, XIAO AO. So my question is in the future, how to keep strengthening the momentum of these popular IPs.

Peng Li: Okay. Thank you very much for your question. I will answer in Chinese, and my colleague will translate for me. (Speaking Foreign Language). Okay.

(Translated). IP momentum depends on two factors, the IP's characteristics and ongoing successful operations. To maintain this momentum, the key is to consistently deliver events, contacts, products and experiences that align with the IP's characteristics, and connect with our target audience.

Specifically, here is what we are doing, and will continue to refine in our IP operations strategy. First, we remain focused on our core IPs. We concentrate resources on our core IPs and build our IP portfolio around them. We need steady resources to keep our core IPs running smoothly. At the same time, we closely monitor performance across multiple dimensions to improve resource efficiency.

Second, we strengthened the user awareness and engagement through the high-quality products and experiences. This helps maintain and build IP momentum. We arrange product plans at a steady pace and keep innovating around IP. This year, we are planning next-generation products for our core IPs, along with offerings of new materials and new play styles. We will expand into new categories at the right time. And beyond physical products, we're developing IP-driven experiences through a light-asset model. For example, we recently signed a ferry at Hong Kong Center Pier and will turn it into IP Theme Park on the water.

Third, we actively manage our IP brands through partnerships. This includes the placement in variety shows, celebrity partnerships, and brand collaborations to grow our IP influence over time. Fourth, we're strengthening offline touchpoints through our DTC stores, Roboshops and dedicated branded sections in partner retail locations.

Peng Li: So overall, we believe strong fundamentals help us manage and extend an IP's lifecycle. But this does not come from a single hit product. It comes from consistent, stable, and systematic operations. Okay. That's all. Thank you.

Yikun Zheng: Thank you, Mr. Li. It's very clear.

Operator: Di Shi with Huatai Securities.

Di Shi: (Speaking Foreign Language). My question is about our company's plan for the category expansion in the future.

Peng Li: (Speaking Foreign Language).

(Translated). Yes, we do. We are continuously exploring the category expansion opportunities. Our principle is to extend for our IPs, not to launch new categories for their own sake. At this stage, we mainly consider where each IP is in its lifecycle. Then we carefully expand into merchandise around our core IP.

Our strategy focuses on three key areas. First, merchandise is a key focus for us. We are gradually expanding into IP-related merchandise, particularly lifestyle products. The idea is to transform our IPs from "collectibles on a shelf" into "everyday companions" in people's lives.

Second, we're expanding at a disciplined pace. There is a common trend in industry right now – "many SKUs, very broad coverage". But that is not our approach. We believe category expansion must align with the IP's content and user needs, not to just add more SKUs. We prefer to go deep with our core IPs, not broad.

Third, we are watching for opportunities like "smart companionship" and the "tech + IP" development. The combination of AI and pop-toys is becoming a new direction. We're actively researching it, but we're still exploring, and don't have any specific plans yet.

So to sum up: stay focused on IP. We go deep in our core categories, then gradually expand into merchandise. We are not trying to cover everything. Instead, our goal is to make sure every new category truly supports the emotional connection between our IPs and our users. Thank you.

Peng Li: Yes, that's all. Thank you.

Di Shi: That's helpful. Thank you.

Operator: Thank you. As there are no further questions, I'd like to hand the conference back to management for closing remarks.

Tina Tang: Please feel free to contact us or submit a request through our IR website. We look forward to speaking with everyone in our next call. Have a nice day.

Operator: Thank you. That concludes today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines, and have a wonderful day.