

QuantaSing Group
Q4 & FY2025 Earnings Conference Call
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Executives

Leah Guo, Associate Director of Investor Relations

Peng Li, Founder, Chairman and CEO

Tim Xie, CFO

Analysts

Alice Cai, Citi

Brenda Zhao, CICC

Presentation

Operator: Good morning and good evening, ladies and gentlemen. Thank you for standing by, and welcome to the QuantaSing 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. Leah Guo, Investor Relations Associate Director of the company. Please go ahead, ma'am.

Leah Guo: Thank you. Hello, everyone, and welcome to QuantaSing's earnings call for the fourth quarter and fiscal year 2025. 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 details. 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.quantasing.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 CEO and Founder of QuantaSing, Mr. Li.

Peng Li: Okay. Good morning, everyone. Thank you for joining us today for our Q4 and full fiscal year 2025 earnings call. I'm excited to share some really encouraging results with you today, along with a significant strategic announcement that marks a new chapter for our company.

As many of you know, we've been transforming from a traffic-driven to a product-driven business, and furthermore, we have consolidated a controlling stake in Letsvan since March 31, and have reached an agreement to acquire the remaining equity for a full 100% merger.

Before diving into our quarterly results, I want to share important news about our strategic direction. We are announcing our potential business restructuring to divest all our non-pop toy business to focus exclusively on our high-growth pop toy business. This represents a decisive step forward in our transformation. We have been in negotiation with buyers who are interested and acquiring this established business.

The restructuring will allow us to concentrate all our resources, talent, and capital on the tremendous opportunities we see in the pop toy market, while ensuring that our all established non-pop toy business finds the right home with the buyer who can continue maintaining the operation of this business and achieve potential further development. We will share further details on timing and transaction terms once they are finalized, subject to final negotiations and customary closing conditions.

This quarter marked our first full period with Letsvan's consolidation, from April through June. The quarter was defined by both challenge and accomplishment. Yet, I am incredibly proud of what we have achieved with our strategic transitions. Let's look at the numbers. Our revenue reached RMB 617.8 million. Most importantly, our pop toy business contributed RMB 65.8 million, representing our core growth engine moving forward.

Beyond that, as of June 30, 2025, we held over RMB 1 billion in cash and cash equivalents, restricted cash and short-term investments for the company. This cash reserve establishes a strong foundation for our transition into pop toy business.

Let me highlight what's driving this growth opportunity with our pop toy business. We're seeing rapid cultural transformation, driven by young, digitally-savvy consumers who want emotional connection and unique collectible experiences. This is one of the most dynamic segments globally.

The brands that win are those that blend creative IP, emotional storytelling, and real fan engagement. These trends have transformed Pop Toys from niche items into lifestyle essentials for adults and millennials.

As a pop toy company, we will be uniquely positioned to capitalize on this massive market opportunity. Each of our pop toy series features unique designs and distinct personalities that resonate on a psychological level.

For example, WAKUKU, our flagship IP, is now one of the most recognized trend toys in China—a skilled hunter, full of courage and wisdom; ZIYULI, the Chinese Princess that grows

by your [side]; and SIINONO, a new IP launched in July 2025, an alien creature from the warm and carefree planet Hacci.

Following the strategy we outlined in Q3, we have been operating the pop toy business systematically and have achieved significant results to date. We're seeing strong market validation across our IP portfolio. Next, I will provide further details on our core strategy using the Q3 framework.

First, IP, brand development and product. We have built a diverse portfolio of unique IP designs that resonate deeply with consumers. Let me give you some recent examples. Our WAKUKU Fox and Bunny series achieved over 1 million units sales since its launch on May 17.

During the initial launch of our new IP SIINONO, the "Want to Tell You a Secret" blind box sold out 10,000 units in 10 minutes at our Douyin flagship store, and achieved approximately 300,000 units sales to date.

Today, we're operating over 40 blind box product lines and over 30 plush pendant card products across our IP portfolio. This includes 11 self-owned IPs, including WAKUKU and ZIYULI, two exclusive licensed IPs and two non-exclusive licensed IPs.

We are strengthening our IP matrix through three key approaches. First, we're investing in our own original IP development. We will continue to gather artistic and designer resources in various locations, establishing design centers in different cities, such as Beijing, Hangzhou and Shenzhen. We have a diverse and collaborative team that enables us to continuously innovate, blending artistic vision with cultural insight to create IPs that truly resonate with our fans.

Second, we're strategically pursuing IP licensing partnerships by proactively exploring and securing exclusive collaborations across design styles, product categories, audiences, and international markets. We've begun to collaborating with artists and illustrators through in-depth product co-creation and development to help launch their first-generation blind box collectibles and limited-edition products, fostering mutually rewarding opportunities.

Third, we're building strategic partnerships beyond traditional toy collaborations, linking our products with healthy, optimistic lifestyle brands. For example, we are partnered with the China Open tennis tournament, Beijing Fashion Week, Universal Studios, Genki Forest, a leading health beverage brand, and FU SHAN HAI, a hit TV series. These partnerships expand our reach across entertainment, wellness, and lifestyle markets.

What truly sets us apart is how we leverage everything from our strategic partnerships to our product design around emotional connection. We're not just making toys; we're creating meaningful products that foster companionship and speak to real emotional needs. By weaving rich growth stories into our classic IPs, we transform them into emotional companions that resonate on a personal level.

The second pillar of our strategy focuses on marketing and channel expansion, which is driving growth both domestically and internationally. In our home market, our momentum is impressive.

On the online front, we've built a community of over 250,000 followers on the two largest local social platforms, while our content has achieved remarkable viral reach with over 550 million views on Douyin and 140 million views on Xiaohongshu.

Regarding GMV, since officially launching online operations in April, our GMV had already exceeded RMB 18 million in August, which is over 9x that of April.

Offline, our multi-channel presence is equally robust. We've established a widespread wholesale network of over 10,000 retail stores through our distributor partners and actively participate in pop toy exhibitions in top-tier cities such as Beijing, Shanghai and Shenzhen, significantly enhancing brand visibility.

At our partnership retail stores, the launch of SIINONO achieved more than 10,000 units sold in just 10 seconds. This underscores our strong capability to generate marketing impact and rapid sell-through in physical locations.

Our self-operated retail strategy is a key driver of our offline expansion, with a focus on innovative pop-up stores and high-impact launch events. As we mentioned before, we are actively developing our flagship retail stores. And meanwhile, we have already demonstrated strong offline capabilities through large-scale pop-up installations and exclusive product launches.

For example, on August 30, we launched a pop-up store at Beijing Chaoyang Hopson One. In addition to a selection of our best-selling products, these limited-time activations allow us to create immersive, IP-driven environment that generate significant social buzz and translate excitement into direct sales.

We are currently in negotiations with top-tier shopping malls in several first-tier cities to open flagship stores, with at least three to five locations expected to open by the end of December. These events boost brand visibility. They act as community touchpoints, featuring interactive content and limited-edition releases. This deepens emotional connections with fans and builds lasting brand loyalty. While still in the early stages of our international expansion, we are encouraged by the strong growth momentum we are seeing overseas.

On the online front, we have established a North American independent e-commerce site, launched flagship stores on TikTok for both North America and Southeast Asia, as well as an official online store on Shopee in Southeast Asia. We have achieved significant breakthroughs in these markets.

For offline channels, we have established a wholesale network in over 20 countries through our distribution partners, such as Japan, major Southeast Asian countries, the United States, Canada, Australia, the United Kingdom, France, Germany, Italy and Saudi Arabia.

Self-operated stores are a key part of our long-term global strategy, though we are still in the planning phase for our physical store rollout. We intend to take a data-informed, test-and-learn approach once we enter new markets, using real-world insights, including sales performance, customer engagement, and market feedback, to strategically guide our expansion and deepen brand engagement.

In July, we opened an approximately 30-square-meter pop-up store at Central Park Mall in Jakarta, Indonesia, to test the local market, which successfully validated both market demand and our team's operational capabilities.

Regarding our non-pop toy business restructuring, we are making strong progress. This move will ensure the established business continues to operate smoothly and provides better development opportunities for the team, while the proceeds from the sale will strengthen the company's owner equity.

More importantly, the transaction allows us to concentrate all resources on operating our pop toy business with maximum focus, transforming the company into a global trendsetter and creating sustained long-term value for the shareholders.

We are confident this move delivers clear value to our shareholders and sharpens our strategic focus. As we transition into pop toy business, our strategy will be built around three core priorities. First, we're strengthening IP creation and incubation. By refreshing content, expanding product lines, and collaborating across sectors, we're building an emotion-driven ecosystem that boosts user loyalty and brand value.

Second, we're driving agile execution by refining supply chain operations, optimizing inventory and logistics, and building the flexible production partnerships. Speed and efficiency are key to our market responsiveness and cost control. We have made significant progress in the production capacity. In August, the output of our mainstream plush products had already increased more than 20-fold since the beginning of the year in January, exceeding 1 million units.

Third, we're dedicated to delivering sustainable returns to our shareholders. Our focus remains on cultivating high-values IP, expanding global channels, and maintaining disciplined profitability and cash flow management.

In summary, Q4 FY2025 represents a defining moment in our transformation journey. Our potential business restructuring reflects our confidence in the exceptional growth potential of this market. This sharper focus means we can really build on our early wins in Pop Toys, speed up our growth in a sustainable way, and deliver even more value to our shareholders.

We have shown we know how to execute in this business. And now, with total focus, dedicated resources, and a stronger financial position, we are ready to become a true leader in this dynamic, high-growth industry. Thank you for your continued trust and support. Our performance to date gives us strong confidence in our future transition.

I'll 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 fourth quarter of fiscal year 2025 ended on June 30, 2025, 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 solid financial performance this quarter, marking our first full reporting period since completing the Letsvan acquisition in March 2025.

Total revenue reached 617.8 million with net income of 108 million, achieving a strong net profit margin of 17.5%. These results reflect our intentional strategic transformation from traffic-driven growth to a more sustainable, product-focused business model. This transition is already showing clear results, with sales and marketing expenses improving significantly to 47.6% of revenue from 69.2% in the previous quarter.

Our pop toy business now accounts for 10.6% of total revenue and is becoming a significant part of our revenue base.

Breaking down our revenue composition, revenues from the pop toy business totaled 65.8 million. With the continued momentum in this business, we expect it to drive meaningful growth in future quarters.

Individual online learning services generated revenues of 456.9 million, compared to 906.7 million in the fourth quarter of 2024. This change was primarily due to decreases in skills upgrading courses, financial literacy courses and recreation and leisure courses.

Revenues from enterprise services were 35.7 million, compared to 56.6 million a year ago. The change was primarily due to a deliberate reduction in the marketing services provided to a customer.

Revenues from our consumer business was 50.5 million, compared to 33.3 million a year ago. The change was primarily driven by the increase in revenue from wellness products sales.

And finally, revenues from others were 8.9 million, compared to 3.5 million a year ago.

Gross profit for the quarter was 467.6 million, with a gross margin of 75.7% compared to 85.9% in the same period last year. This margin change reflects our strategic shift towards more product-focused offerings, which naturally carry a different cost structure.

On the operational front, we continued to prioritize effective cost management while focusing our resources on the pop toy business. Total operating expenses were 344.2 million, a decrease of 44.7% from 622.9 million in the same period last year.

To break this down, sales and marketing expenses decreased by 49.3% to 294.1 million, mainly due to lower marketing and promotion costs, reduced labor outsourcing, and lower staff expenses. This decrease was partially offset by new sales and marketing costs for the pop toy business following the Letsvan acquisition.

As a percentage of total revenue, non-GAAP sales and marketing expenses, which exclude share-based compensation, decreased to 47.6% from 57.4% a year ago.

Research and development expenses slightly declined by 0.1% to 21.2 million, mainly due to lower staff costs excluding share-based compensation expenses of the established business. This decline was partially offset by the new research and development expenses for the pop toy business following the Letsvan acquisition, and by an increase in share-based compensation expenses of the established business.

As a percentage of total revenue, non-GAAP R&D expenses, which exclude share-based compensation, is 3.4% compared to 3% a year ago.

General and administrative expenses were 29 million, compared to 11.6 million a year ago. The change was mainly due to the newly-added general and administrative expenses for the pop toy business resulting from the acquisition of Letsvan, and an increase in share-based compensation expenses of the established business.

As a percentage of total revenue, non-GAAP G&A expenses, which exclude share-based compensation, is 4.3% compared to 2.5% a year ago.

We achieved a net income of 108 million, representing a net margin of 17.5%. Our adjusted net income, which excludes share-based compensation, was 111.2 million, representing an adjusted net margin of 18%.

Basic and diluted net income per share were 0.67 and 0.65 during the quarter. Adjusted basic and diluted net income per share were 0.69 and 0.67 during the quarter.

Regarding our balance sheet position, as of June 30, 2025, we held 1,040.9 million in cash and cash equivalents, restricted cash, and short-term investments, representing an increase of 14.6 million from 1,026.3 million as of June 30, 2024.

Both our established business and the pop toy business are cash self-sustaining, and don't require significant additional capital. This allows us to focus our available cash reserves on strategically expanding the pop toy business to accelerate its growth and market presence.

Looking ahead, we are excited about the growth prospects for our pop toy business. Based on currently available information, we expect revenues from our pop toy business to be in the range of 100 million to 110 million for the first quarter of fiscal year 2026, and in the range of 750 million to 800 million for the full fiscal year 2026.

These forecasts reflect our confidence in the pop toy market opportunity and our ability to scale our IP portfolio and expand internationally.

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). Alice Cai of Citi.

Alice Cai: I have several topics to cover, and let me begin with what I think most investors care most about, which is the toy revenue trajectory recently. Given that WAKUKU contribute RMB

43 million in Q4 and SIINONO, that's launched in July, and you now have 15 IPs in total. Could you please share the recent revenue run rate for July to September?

And management mentioned that the demand is so far outpacing supply with orders booked through Q1 next year. And so could you please quantify the confirmed order backlog in dollar terms?

Dong Xie: Thank you, Alice. I'll answer this question. Regarding the growth curve, WAKUKU began operations last December, and we saw sustained volume expansion starting in March right after the Spring festival of China. Its growth rate can be described as explosive out of the gate, gaining momentum very rapidly. By August, its monthly production capacity had reached approximately 20x the level at the beginning of the year. Strong demand from channels, our distributor partners and also the online and high-user repurchase behavior, provide strong visibility for our performance over the next several quarters.

Also regarding the new IP, SIINONO, launched in July, SIINONO demonstrated our accelerating growth momentum. As a completely new IP that has been on the market for only a few months, its initial sales were explosive. As of recently, the sales of SIINONO have exceeded 300,000 boxes. This reflects our continuous evolution in product design, marketing and channel execution.

When viewed together, the combined effect of these two engines, explosive new releases and sustained classic performance, is accelerating our overall revenue growth rapidly. This powerful momentum is the core reason for our confidence in future performance, and we look forward to sharing more detailed figures in the next earnings report.

Regarding confirmed order value, our front-end sales team schedules production based on market feedback. For products already ordered by sales, the current delivery rate is less than 50%. That means a huge pipeline in process. Production and planning for future quarters is proceeding in an orderly manner. Yes, I think that will help to answer your question.

Alice Cai: Thank you, it's helpful. And my next question is on the valuation of Letsvan because some investors are calculating Letsvan's valuation at RMB 1.7 billion based on the 8x 18 million common shares divided by 20%. But these 18 million shares are granted in 3 tranches with a vesting period over several years, right?

So could you please walk us through the specific arrangements for these 3 tranches? And are they tied to performance milestones? And if performance targets cannot be met, will later tranches be adjusted or canceled?

Dong Xie: Okay. The acquisition of the remaining equity is currently still in the settlement process, and further details will be disclosed in due course. I think I can give you some key points to help everyone to understand the transaction.

First, Mr. Zhan, Huiyu, the Founder and CEO of Letsvan, he represents the product strength of our pop toy business, and he, himself, is a seasoned entrepreneur with years of experience in this sector. He is highly optimistic about the future of the pop toy market and believes in the long-

term value of fully committing to this field together with us. For this transaction, Mr. Zhan opted to receive shares as consideration for his remaining equity with no cash involved.

The second point is that approximately 60% of the consideration was paid in newly-issued shares in exchange for Mr. Zhan's remaining equity, while the remaining 40% was granted as long-term incentives, which will vest gradually over a period of about 8 years, so it's a very long time. And it means the commitment with us, and we can do that in a long time.

I think the third one is this structure reflects is our shared commitment to long-term collaboration and value creation. And also for the remaining one, except Mr. Zhan's shares, the remaining equity held by other shareholders was acquired for cash, for pure cash, at a valuation not exceeding RMB 1 billion. This portion of the transaction has been completed as of today.

Yes, I think that's the information I can give to the market. Maybe we can give details when we fully complete the transaction. Thank you.

Alice Cai: I have another question. Looking at the timeline going forward, because you are guiding for RMB 100 million to RMB 110 million in Q1, and RMB 750 million for the full year guidance, right? So given that Q4 already hit RMB 66 million with just 3 months of contribution, are these targets conservative?

And when does the management expect the toy revenue, to surpass the education business?

Dong Xie: Okay. I think first, our guidance for FY25 and FY26 were made based on the prudent assessment of the market environment, and the piece of product and channel development when we formulated our strategy earlier this year. As you can see from the performance figures just released, growth across several key metrics has already outpaced our earlier expectations.

Based on the recent business process and our updated market outlook, we are issuing our first formal earnings guidance for the pop toy business. And this guidance is supported by the following factors. The first is better-than-expected performance of hit products and mature IP matrix.

Our established IPs, such as WAKUKU and ZIYULI have demonstrated strong longevity. And new generations of these IPs are already in the pipeline. In addition, the successful launch of our new IP SIINONO in July has been very well received with robust ongoing sales momentum.

The next generation of products is already scheduled. This success validates our exclusive artist IP partnership model, and sets a solid foundation for continuously introducing new artist IPs. In addition to the 15 IPs we had as of June 30, we recently signed 2 additional new exclusive licensed IPs.

We have initially established a healthy product vision and pace, combining new explosive releases and sustained classic performance, driven jointly by product strength and brand power. This indicates our IP operation capabilities and user loyalty are reaching a new level.

The second is continuous expansion of online and offline sales channels. Our online GMV reached over RMB 18 million in August. We continue to deepen partnerships with offline

distributors and self-operated pop-up stores, as well as permanent flagship stores, either under negotiation, all in the process of opening. We expect to open 3 to 5 flagship stores by end of year, laying a solid foundation for the expansion of self-operated stores next year.

And also accelerated global expansion, we have established the initial channel and marketing presence in Southeast Asia and North America. Although still in the early stages of expansion, the growth rate in these regions has exceeded our initial expectations, and the market potential appears more promising than originally anticipated. This confirms our strategic direction is correct, and has positioned the company to capture future growth opportunities.

I think based on these three areas of our outperformance and current business momentum, strongly supports a more optimistic outlook for future growth. As disclosed in our earnings release, given the rapid growth and market potential of the pop toy business, that concentrating all of our resources on this segment.

We are currently in discussions with potential buyers regarding a growth restructuring plan, which may include divesting non-pop toy businesses. Details will be announced promptly upon the completion of any relevant transactions.

So all of the actions and plans will be conducted in accordance with the principles of business focus, enhancement of shareholder value and sustainable development of each business unit. We believe that upon completion of the restructuring, we will achieve greater strategic focus, utilize resources more efficiently, see exceptional growth opportunities in the IP and the pop toy sectors, and create greater long-term value for shareholders.

So in summary, I think the forecast all reflect our focus on this business sector, and also our methodology to do the business, and also our principle to do everything very seriously. So that figure reflects our very -- our confidence to deliver that, so that I think we will adjust the annual forecast based on new information.

Maybe in the next quarter, we will adjust and based on the ongoing development of the business, so that we can give the market very serious and confident figures, yes.

Alice Cai: Thank you. And I have a follow-up question on the restructuring. It seems that you are considering a sale on the education segment, right? And if so, what's the pipeline looking like?

Dong Xie: Yes, the pipeline is very strong. So as I just mentioned, in several situations to the market, we will consider the different development direction of our existing business based on the performance of the pop toy business and other performances of the existing business.

As we announced, since we have started the process of this restructuring, that means we are very confident that of the existing pop toy business's performance and also the development of this performance, so that we can deliver a long-term value based on the solid foundation we have set up during the past months, since the acquisition and controlling of the pop toy business.

Alice Cai: Thank you. That's very helpful. That's all of my questions.

Operator: Brenda Zhao with CICC.

Brenda Zhao: I got two questions here. So first relates to the Pop Toys business because we've recently seen that Pop Mart launched its Mini Labubu. So could management introduce your product strategy, and whether we will introduce more product categories in the future? And what's our next pipeline for new categories?

And my second question is related to the collaboration with Yuehua. I'm wondering whether there will be new business model and innovations. If so, could you elaborate more on that side?

Peng Li: Okay. Thank you for your question. I will answer in Chinese. (Speaking Foreign Language). Okay.

(Translated)

We have a clear and structured road map for IP launches. Our IP pipeline is already scheduled through the end of next year. Both our fundamental art library and product design reserves ensure a consistent and well-placed rollout of our new products.

In terms of the category innovation, we're also actively exploring and developing new directions. In addition to our core blind box series, upcoming categories will include smaller-sized vinyl figures and plush products, which will also include mini versions featuring more adorable designs and accessible price. This will cater to diverse user preferences for collecting and consumption, further expanding our market presence. Products in these new categories are set to debut in next fourth quarter. We can't wait to share them with you soon.

Okay. That's the answer for the question one. And about the question two, (Speaking Foreign Language), okay.

(Translated).

First in terms of the cooperation with Yuehua Entertainment, as you can see that our partnership with them is strategic initiatives build on the complementary strengths. We have established a joint venture with Yuehua Entertainment.

In terms of the business model, we primarily provide joint venture with IP design, supply chain support and sales operation capabilities, while Yuehua Entertainment will leverage its extensive cross-industry resources in the film, television and celebrities field to drive promotion and strengthen IP breakout and enlarge the user engagement.

In the future, we are planning to develop more IPs exclusively for the joint venture. These IPs will also incorporate Yuehua Entertainment's strength and also their capabilities. We will also continue to utilize these IPs and to promote them and operate using both companies' resources, we'll focus on IP design and product development while jointly building a close-loop ecosystem, covering the IP incubation, promotion and commercialization.

Operator: That is all the time we have for Q&A. I'd like to hand the conference back over to management for any closing remarks.

Leah Guo: Thank you, everyone, for joining our call today. If you have any further questions, please feel free to contact us. Also, make a request through our IR website. We look forward to speaking with everyone in our next call. Have a good day.

Operator: The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.