

Sunlands Technology Group
Fourth Quarter and Full Year 2025 Earnings Conference Call Script
March 19, 2026, 6:30 PM BJT

Operator: *Ladies and gentlemen, thank you for standing by, and welcome to Sunlands' Fourth Quarter and Full Year 2025 Earnings Conference Call. At this time, all participants are in listen-only mode. Today's conference call is being recorded. I will now turn the call over to your host today, Yuhua, Sunlands' IR representative. Please go ahead.*

Yuhua Ye

Hello, everyone, and thank you for joining Sunlands' Fourth Quarter and Full Year 2025 Earnings Conference Call.

The company's financial and operating results were issued in our press release via newswire services earlier today and are posted online. You can download the earnings press release and sign up for our distribution list by visiting our IR website. Participants on today's call will be our CEO, Mr. Tongbo Liu, and our Finance Director, Mr. Hangyu Li. Management will begin with prepared remarks and the call will conclude with a Q&A session.

Before I hand it over to the management, I'd like to remind you of Sunlands' safe harbor statement in relation to today's call. Except for the historical information contained herein, certain of the matters discussed in this conference call are forward-looking statements. These statements are based on current trends, estimates and projections, and therefore, you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. For more information about the potential risks and uncertainties, please refer to the company's filings with the Securities and Exchange Commission.

With that, I will now turn the call over to our CEO, Tongbo Liu.

Tongbo Liu

Thank you, Yuhua.

Hello, everyone. Welcome to Sunlands' Fourth Quarter and full year 2025 Earnings Conference Call. Prior to commencing, I would like to kindly remind all attendees that the financial information referenced in this release is presented on a continuing operations basis, and all figures are denominated in RMB, unless explicitly specified otherwise.

We closed the fourth quarter with net revenues of 470.2 million and net income of 38.4 million, representing our 19th consecutive quarter of profitability. For the full year, net revenues reached 2.02 billion, up 1.5% year-over-year, while net income increased 6.9% to 365.6 million, and the gross margin expanded by 2.9 percentage points to 86.9%.

These results reflect the operating priority we set at the beginning of the year: precision over scale. We made deliberate choices throughout 2025—tightening customer acquisition, strengthening delivery consistency, and improving organizational efficiency. The margin and income outcomes you see are a direct product of those choices.

Let me now turn to the performance of our major course categories.

In 2025, degree- and diploma-oriented post-secondary programs contributed 13.5% of full-year net revenues and 18.2% in the fourth quarter. The shift in mix was an intentional strategic choice. Demand in this segment remains stable, but we have been intentionally moderating investment and reallocating resources toward areas with greater long-term potential. We will continue to stay close to learner demand and adjust with discipline as market conditions evolve.

Interest, professional skills, and certification preparation programs together contributed 73.9% of full-year net revenues and 66.8% in the fourth quarter. Over the past several years, we have invested steadily in product breadth, instructional design, and community infrastructure across these offerings. Within this segment, as adult learning needs continue to evolve, our view remains clear: based on our assessment of the market, interest-based learning continues to be a primary strategic direction for us going forward.

As we have built out this strategy, senior learners have remained at the core of that opportunity. Our focus here is long-term and deliberate, and the progress we are seeing today is a continuation of the work we started in 2020—when the category was still in its early stages and largely overlooked. Five years later, the structural tailwinds are more visible. China’s senior population continues to expand, and the market for senior interest education remains in the early stages of development, which in our view points to a long runway for growth. According to Frost & Sullivan, the user base for senior interest education in China is projected to reach approximately 86 million in 2025 and exceed 100 million by 2027.

In the fourth quarter, in addition to continuing to enrich our portfolio of online courses for senior learners, we also placed greater emphasis on offline activities, further extending the learning experience beyond the classroom. During this quarter, we organized multiple calligraphy and painting exhibitions for our learners, including one in collaboration with Rongbaozhai, one of China’s most established cultural institutions. Our singing students also participated in the recording of a Spring Festival Gala program broadcast by China Education Television in January. These activities are an important part of the learning journey for senior learners, creating opportunities for expression, social connection, and a stronger sense of participation.

Looking ahead, we will continue to scale this business with patience, discipline, and a clear respect for delivery capacity. For this cohort, we look beyond a single repurchase cycle and focus more on brand loyalty and lifetime participation—how long learners stay active with us, and how consistently they return over time. Interest-based learning is a

strong entry point for us. It allows us to build a closer relationship with learners through repeated participation and community engagement, and it opens up more opportunities over time to serve them across additional learning needs and life stages.

The past year also marked a meaningful step forward in the practical application of AI in adult education. The emergence of large language models has expanded what is operationally possible, particularly in personalized instruction and adaptive content delivery at scale. As the technology matures, AI is becoming a new productivity driver across the online education value chain—from curriculum design and delivery models to the student experience—and we intend to advance in a deliberate and disciplined way. Reflecting that commitment, fourth quarter R&D expenses increased 71.3% year-over-year, moving intentionally in the opposite direction of selling expenses as we invest in the next layer of capability.

As we enter 2026, the question is no longer whether we can sustain profitability. The more important question is whether we can continue to grow while preserving the operating foundation that made that profitability possible. Looking ahead, we remain focused on capturing the AI opportunity by embedding it across more parts of the business and turning it into a meaningful source of growth and operating momentum, while staying highly responsive to market change and translating emerging user needs into tangible business results with speed and discipline. As always, we will let the results speak for themselves.

That concludes Tongbo's prepared remarks. With that, I will turn the call over to our Finance Director, Hangyu, to run through our financials.

Hangyu Li

Thank you, Tongbo. Hello everyone.

I'm pleased to share our fourth-quarter and full-year results—numbers that reflect both the discipline of our execution and the durability of our business model.

For the full year, we delivered net revenues of 2.02 billion, up 1.5% year-over-year, with net income of 365.6 million. Gross margin expanded 2.9 percentage points to 86.9%, and net margin reached 18.1%. These are not just strong numbers; they are the product of deliberate choices made over several years about where to invest, where to pull back, and how to build a business that improves with time.

Our operating cash flow remained healthy, with positive net inflow totaling 147 million in 2025. Cash generation at this level gives us the flexibility to invest with conviction, manage through uncertainty, and stay focused on the long term rather than the quarter in front of us. The year was defined by a shift in focus—from doing more to doing things better. We tightened our approach to customer acquisition, strengthened delivery consistency, and accelerated product development cycles. Each of these improvements compounded into the margin and cash flow performance you see today.

Looking ahead, we enter 2026 with a clear sense of where the opportunities are and a proven operational foundation to pursue them. Our work is never finished—but the progress we've made gives us every reason to be confident in what comes next.

Now let me walk you through some of our key financial results for the fourth quarter of 2025. All comparisons are year-over-year and all figures are in RMB unless otherwise noted.

In the fourth quarter of 2025, net revenues decreased by 2.7% to 470.2 million from 483.5 million in the fourth quarter of 2024.

Cost of revenues decreased by 23.9% to 62.1 million in the fourth quarter of 2025 from 81.7 million in the fourth quarter of 2024. The decrease was mainly due to declined cost of revenues from sales of goods such as learning materials and books.

Gross profit increased by 1.6% to 408.1 million in the fourth quarter of 2025 from 401.8 million in the fourth quarter of 2024.

In the fourth quarter of 2025, operating expenses were 302.9 million, representing a 13.8% decrease from 351.3 million in the fourth quarter of 2024.

Sales and marketing expenses decreased by 19.0% to 254.9 million in the fourth quarter of 2025 from 314.8 million in the fourth quarter of 2024. The decrease was mainly due to the decrease of compensation for sales personnel and the spending on branding and marketing activities focused on interest courses offerings.

General and administrative expenses increased by 25.9% to 40.2 million in the fourth quarter of 2025 from 32.0 million in the fourth quarter of 2024. The increase was mainly due to increased compensation expenses related to the Company's general and administrative personnel.

Product development expenses increased by 71.3% to 7.7 million in the fourth quarter of 2025 from 4.5 million in the fourth quarter of 2024. The increase was mainly due to increased outsourcing service fee for the Company's technology development.

Net income for the fourth quarter of 2025 was 38.4 million, as compared to 57.8 million in the fourth quarter of 2024.

Basic and diluted net income per share was 5.72 in the fourth quarter of 2025.

As of December 31, 2025, the Company had 576.8 million of cash, cash equivalents and restricted cash and 235.9 million of short-term investments, as compared to 507.2 million of cash and cash equivalents and 276.0 million of short-term investments as of December 31, 2024.

As of December 31, 2025, the Company had a deferred revenue balance of 585.3 million, as compared to 916.5 million as of December 31, 2024.

Now for our outlook, for the first quarter of 2026, Sunlands currently expects net revenues to be between 420 million to 440 million, which would represent a decrease of 9.8% to 13.9% year-over-year. The above outlook is based on the current market conditions and reflects the Company's current and preliminary estimates of market and operating conditions and customer demand, which are all subject to substantial uncertainty.

With that, I'd like to open up the call to the questions. Operator?

[Operator provides instructions and hosts Q&A]

For the benefit of all participants on today's call, if you wish to ask your question to management in Chinese, please immediately repeat your question in English.

[After Q&A...]

Operator: At this time, we are showing no further questions, so this will conclude our question-and-answer session. At this time, I would like to turn the conference back over to Yuhua for any closing remarks.

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Yuhua: Once again, thank you, everyone, for joining today's call. We look forward to speaking with you again soon. Good day and good night.

Operator: This concludes this conference call. You may now disconnect your line. Thank you.