

**Sunlands Technology Group**  
**Third Quarter 2024 Earnings Conference Call Script**  
**November 22, 2024, 6:30 PM BJT**

***Operator:** Ladies and gentlemen, thank you for standing by, and welcome to Sunlands' Third Quarter 2024 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' Third Quarter 2024 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' Third Quarter 2024 Conference Call. Prior to commencing, I would like to kindly remind all attendees that the financial information referenced in this release are presented on a continuing operations basis, and all figures are denominated in RMB, unless explicitly specified otherwise.

As we reflect on our performance for the third quarter of 2024, we are pleased to report that our business has remained resilient amidst a challenging market environment. Our total revenues for the quarter stood at 491.3 million, representing a modest sequential decline of 0.2%. However, our net profit reached 89.3 million, an 8.6% increase from the previous quarter, driven by our strategic realignment towards high-return areas.

These results not only highlight our ability to maintain steady growth despite external pressures but also reinforce the effectiveness and sustainability of our business model. Our ability to consistently maintain stable profitability across various periods further substantiates our strategic focus on long-term value generation and operational excellence. This approach, we believe, is foundational to our ongoing success and positions us well for future growth.

While the industry remains in a period of structural change, we have proactively adapted, realigning our business model to better cater to evolving customer needs. We are continuing to invest strategically in innovation, and are confident that our efforts to optimize our portfolio will drive long-term growth. As market conditions stabilize, we are well-positioned to seize new opportunities and build on our current momentum.

Looking ahead, the company will continue to strengthen its brand presence, enhance the user experience, and delve deeper into the learning needs of users across different age groups. Through continuous innovation, we aim to provide learners with more diverse and high-quality educational products and services. At the same time, the company will

further optimize its cost structure, focusing resources on the most promising opportunities. We believe these actions will drive sustainable profitability growth and position the company to lead the adult online education sector in the long term.

**Now, let's turn to the performance of each of our major course programs.**

The interest, professional skills and professional certification preparation courses sector, including professional certifications, skill development, and interest-based programs, has been instrumental in driving our growth, contributing to 73.6% of our total revenues. Notably, our early investments in interest-based education for older adults have yielded significant returns. As this sector aligns with broader economic and demographic shifts, we remain highly optimistic about its growth potential and are well-positioned to capitalize on the unique opportunities it presents.

To continually innovate and cater to the evolving interests of our senior learners, we've enriched our curriculum with specialized courses, particularly focusing on the arts, including themes like oil painting, vocal music, and traditional Chinese painting. These courses are specifically designed to be engaging and accessible, fostering both creativity and a sense of accomplishment among our elderly students.

Alongside these educational advancements, we've also enhanced our educational travel offerings. Recognizing the value of experiential learning, we've expanded our study tours to include a wider array of destinations, from the cultural richness of domestic cities to the diverse landscapes of international locales. Each itinerary is carefully researched and customized to meet the diverse needs of seniors, combining socialization, learning, and entertainment.

Through these deliberate efforts in course development and the iterative improvement of our educational travel programs, we have the ability to support our senior learners in their pursuit of lifelong learning, enabling them to explore new interests and passions in an

engaging and supportive environment, ultimately realizing commercial value for our offerings in this growing market.

In addition, our traditional degree-or diploma-oriented post-secondary programs contributed 9.2% to our total revenues, reflecting our ongoing efforts to optimize our structure and align with our strategic goals. There has always been strong demand for accessible, high-quality education that meets the needs of today' s job market. For many young professionals, earning an additional degree or diploma not only enhances their skills but also boosts their confidence, giving them a competitive edge in their careers. We remain committed to supporting this demand, ensuring our programs continue to be relevant and impactful for our learners' professional growth.

Moving forward, we will continue to maintain our drive for innovation and our commitment to high-quality education. We will refine our services to better meet the evolving market demands and provide learners with an even more exceptional learning experience. We deeply appreciate your attention, trust, and continued support as we embark on this exciting journey together.

***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 would like to present our third quarter results , which are consistent with our expectations.

While net revenues decreased slightly year-over-year due to changes in our product mix, we continued to maintain a steady level of profitability in the quarter. Our business is full of opportunities and challenges, and our team continuous to improve operational capabilities with each challenge to ensure that we are fully prepared to capitalize on every opportunity and overcome any obstacle.

In addition to profitability, we have maintained strong cash flow from operating activities. This has allowed us to be more flexible in making strategic adjustments and managing risk, while improving the company's ability to navigate market volatility and uncertainty.

Going forward, we are committed to enhancing our core strengths through a number of strategic initiatives to ensure the continued growth and success of our business, while continuing to create value for our stakeholders and finding new avenues for expansion.

Now let me walk you through some of our key financial results for the third quarter of 2024. All comparisons are year-over-year and all figures are in RMB unless otherwise noted.

For the third quarter of 2024, net revenues decreased by 6.4% to 491.3 million from 524.6 million in the third quarter of 2023. The decrease was primarily driven by the decline in gross billings from post-secondary courses over the recent quarters, partially offset by the growth in revenues from interest courses offerings and sales of goods such as books and learning materials.

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Cost of revenues increased by 28.0% to 82.1 million in the third quarter of 2024 from 64.1 million in the third quarter of 2023. The increase was primarily due to an increase in the cost of revenues from sales of goods such as books and learning materials.

Gross profit decreased by 11.1% to 409.2 million in the third quarter of 2024 from 460.5 million in the third quarter of 2023. The decrease was due to the lower gross profit from sales of goods.

In the third quarter of 2024, operating expenses were 343.4 million, representing a 1.4% increase from 338.5 million in the third quarter of 2023.

Sales and marketing expenses increased by 2.7% to 303.0 million in the third quarter of 2024 from 295.0 million in the third quarter of 2023. The increase was mainly due to a growth in the headcount of our sales and marketing personnel.

General and administrative expenses decreased by 1.8% to 34.5 million in the third quarter of 2024 from 35.1 million in the third quarter of 2023.

Product development expenses decreased by 30.5% to 5.8 million in the third quarter of 2024 from 8.4 million in the third quarter of 2023. The decrease was mainly due to declined compensation expenses related to headcount reduction of our product development personnel.

Net income for the third quarter of 2024 was 89.3 million, as compared to 131.6 million in the third quarter of 2023.

Basic and diluted net income per share was 13.08 in the third quarter of 2024.

As of September 30, 2024, the Company had 535.9 million of cash, cash equivalents and restricted cash and 257.9 million of short-term investments, as compared to 766.4 million

of cash, cash equivalents and restricted cash and 142.1 million of short-term investments as of December 31, 2023.

As of September 30, 2024, the Company had a deferred revenue balance of 920.6 million, as compared to 1,113.9 million as of December 31, 2023.

Now for our outlook. For the fourth quarter of 2024, Sunlands currently expects net revenues to be between 450 million to 470 million, a decrease of 13.2% to 16.9% year-over-year. This outlook is based on the current market conditions and reflects the company's management's current and preliminary estimate of market, operating conditions and customer demand, which are all subject to change.

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.

**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.