

**Sunlands Technology Group**  
**Second Quarter 2025 Earnings Conference Call Script**  
**August 14, 2025, 6:00 PM BJT**

**Operator:** *Ladies and gentlemen, thank you for standing by, and welcome to Sunlands' Second Quarter 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' Second Quarter 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 Financial representative, 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' Second Quarter 2025 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.

In the second quarter of 2025, we achieved solid momentum across key performance metrics. Net revenues reached RMB539.0 million, up 9.5% year-over-year, supported by resilient learner demand and the continued expansion of our course offerings. Notably, net income in this quarter surged to RMB126.6 million, with net margin expanding to 23.5%—representing a 54.0% increase from the same period last year and a 68.5% sequential jump.

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

Our degree- and diploma-oriented post-secondary offerings—once the cornerstone of our legacy business modules—now contribute approximately 11% of total revenue. By intentionally resizing this business line, we have redirected resources to faster-growing, higher-margin areas that better align with evolving learner needs.

The adult education landscape in China is undergoing a structural transformation. Learners are shifting from pursuing formal credentials to seeking practical skills, emotional enrichment, and lifelong growth. According to third-party research, the market is expected to exceed RMB 1 trillion by 2027, with a five-year CAGR of 12.6%. Online education, in particular, is projected to grow at 17.3%, reflecting strong momentum behind digital-first, learner-centric models.

We identified this shift early. Since 2021, we have executed a deliberate transition from a degree-centric approach to a three-pillar model: degree programs, professional skills, and interest-based learning. This evolution was not a product expansion—it redefined our value proposition, grounded in deep user insight and long-term market vision.

Today, non-degree programs—including professional certifications, practical skills, and interest-based courses—contribute approximately 77.6% of our total revenue. Among them, interest-based learning has demonstrated exceptional growth, achieving over 15% year-over-year revenue growth. In 2024 and the first half of 2025, this sector recorded enrollments of over 570,000 and 300,000 respectively. Based on current momentum and visibility, we believe Sunlands has established a leading position in China’s adult interest-based education sector.

A core driver of this growth is our focus on the silver demographic—learners aged 50 to 75—which have emerged as a high-potential audience. By the end of this quarter, we have built a private user ecosystem of tens of millions senior users, with over 1 million paying for full-priced courses. Based on internal estimates, this segment achieves course completion rates of around 80%, repurchase rates of over 60%, and satisfaction levels for certain courses generally above 95%.

Beyond metrics, our platform has become a meaningful social hub for retirees. Many users, once facing solitude or social disconnection, are now finding new peer networks, sharing passions, and building lasting connections through online forums and offline meetups. What emerges is a high-impact social graph born from the learning experience itself—where courses spark conversations, and conversations evolve into communities. This is the multiplier effect of intelligent, purpose-driven education. We are designing learning experiences that simultaneously address cognitive, emotional, and social needs. In doing so, we are redefining what it means to age—and to grow—in the digital era.

Complementing this demographic focus is our second growth engine: intelligent personalization powered by AI. If demographics define who we teach, intelligent,

adaptive technology defines how. Our proprietary SaaS platform — trained on two decades of adult education data and billions of interactions — delivers personalized content, real-time feedback, and dynamically assembled courses at scale. Besides, we also introduced a Mandarin voice-activated AI Assistant that understands slow or accented speech for older learners. Embodied as expressive meta humans, these assistants make learning intuitive, human, and emotionally resonant. Guided by our ACSS framework—Answer, Comment, Supervisor, Study—we ensure consistent support and measurable outcomes.

The silver economy is emerging as one of China’ s most transformative growth frontiers this decade. With our first-mover advantage, proven execution capabilities, and a technology infrastructure refined over two decades, Sunlands is uniquely positioned to lead in senior education.

We extend our gratitude for your presence today and the continued support you provide. Thank you, and we look forward to your valuable engagement.

***With that, I will turn the call over to our Financial Director, Hangyu, to run through our financials.***

**Hangyu Li**

Thank you, Tongbo. Hello everyone.

I'd like to share our second-quarter results, which came in strong and right in line with our expectations—another quarter of disciplined execution and durable growth.

Net revenues for the quarter grew 9.5% year-over-year to RMB 539.0 million, a direct result of our strategic shift toward the silver economy market. Interest-based courses were the primary growth driver for our revenue, contributing 78% of total revenue this quarter. For the first half of 2025, new student enrollments in interest-based courses exceeded 300,000, with cumulative enrollments surpassing 2.1 million since 2020. This aligns with our focus on the silver demographic: our private user ecosystem, which numbers in the tens of millions, has converted into over 1 million paying users, boasting 80% course completion rates and 60% repurchase rates—metrics that fuel revenue stability.

Our net income for the quarter reached RMB 126.6 million, with a net margin of 23.5%, a 6.8-percentage-point increase from the same period last year. We have now achieved 17 consecutive quarters of profitability, demonstrating the resilience of our strategy and disciplined operational execution across cycles. Net cash from operating activities remained positive for the eighth consecutive quarter, reinforcing both the consistency of our execution and the strength of our underlying cash engine. This robust financial foundation gives us the agility to navigate uncertainty—and the conviction to double down on high-return growth areas when opportunities arise.

Looking ahead, we remain laser-focused on generating high-quality earnings, scaling operational efficiency, and channeling resources into innovation. Our long-term playbook is clear: broaden our course portfolio, sharpen our cost structure, and elevate the learning experience for every student we serve. These strategic levers are positioning us to lead decisively as the future of online education continues to unfold.

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

In the second quarter of 2025, net revenues increased by 9.5% to 539.0 million from 492.2 million in the second quarter of 2024. The increase was primarily driven by the growth in gross billings from interest courses.

Cost of revenues decreased by 9.1% to 69.6 million in the second quarter of 2025 from 76.6 million in the second quarter of 2024. The decrease was mainly due to the declined compensation expenses related to headcount reduction of our teachers and mentors for degree- or diploma-oriented post-secondary courses.

Gross profit increased by 12.9% to 469.4 million in the second quarter of 2025 from 415.6 million in the second quarter of 2024.

In the second quarter of 2025, operating expenses were 342.6 million, representing a 1.1% increase from 338.9 million in the second quarter of 2024.

Sales and marketing expenses increased by 1.7% to 302.5 million in the second quarter of 2025 from 297.4 million in the second quarter of 2024.

General and administrative expenses decreased by 2.0% to 33.2 million in the second quarter of 2025 from 33.8 million in the second quarter of 2024.

Product development expenses decreased by 9.3% to 6.9 million in the second quarter of 2025 from 7.6 million in the second quarter of 2024. The decrease was mainly due to declined compensation expenses related to headcount reduction of our product development personnel.

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Net income for the second quarter of 2025 was 126.6 million, as compared to RMB82.3 million in the second quarter of 2024.

Basic and diluted net income per share was 18.75 in the second quarter of 2025.

As of June 30, 2025, the Company had 586.7 million of cash and cash equivalents and restricted cash and 166.6 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 June 30, 2025, the Company had a deferred revenue balance of 814.3 million , as compared to 916.5 million as of December 31, 2024.

And now for our outlook. For the third quarter of 2025, Sunlands currently expects net revenues to be between 500 million to 520 million, which would represent an increase of 1.8% to 5.8% 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.

**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.