

YXT.COM Group Holding Limited
First Six Months of 2025 Earnings Conference Call
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Executives

Xiaoyan Lu, Peter, CEO, Director, Founder, and Chairman

Shen Cao, CFO

Alan Wang, Chief Growth Officer

Presentation

Operator: Good morning and good evening. Ladies and gentlemen, thank you for standing by, and welcome to YXT.com earnings conference call. At this time, all participants are in a listening mode. Please note that today's event is being recorded.

Joining us today are yxt's CEO, director, founder, and chairman, Mr. Xiaoyan Lu, also called Peter. CFO, Mr. Shen Cao, and Chief Growth Officer, Alan Wang. Peter will begin with a brief greeting, and then Mr. Cao will present the CEO's prepared remarks on his behalf. Following that, Mr. Cao will provide a detailed overview of the financial performance for the year. You can refer to YXT.com and the financial results on the IR website at <https://ir.YXT.com/>.

You can also access the replay of this call on the 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 statements in our earnings press release, which also apply 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 be discussing non-GAAP measures today, which are more thoroughly explained and reconciled to the most comparable measures reported in our earnings release and filed with the SEC. I will now turn the call over to the CEO, director, founder, and chairman of YXT.com, Peter.

Peter: Hello, everyone. This is Peter Lu, CEO of YXT.com. Thank you for joining us today.

Mr. Cao: Hello, everyone. This is Shen Cao, CFO of YXT.com, speaking on behalf of our Founder and CEO, Peter. Welcome to YXT.com 2025 H1 Earnings Conference Call. Thank you all for joining us today. Firstly, let's take a moment to look at what's happening across our industry.

The corporate learning industry is undergoing its most significant transformation in decades, driven by the rapid adoption of artificial intelligence (AI). Intelligent, adaptive, and data-driven learning ecosystems are replacing traditional training methods. AI is not just enhancing existing processes. It is fundamentally changing the way organizations develop talent, keep critical knowledge in-house, and stay ahead in a disrupted world.

The shift driven by AI even goes beyond the training industry – it presents a first-ever opportunity in which workforce enablement has more means than just learning and development. Traditionally, training that focuses on teaching know-what, was often considered as a cost center with difficulties

evaluating ROI, AI-powered development activities can provide know-how in a copilot manner and are now recognized as a strategic lever for driving innovation, agility, and growth. Organizations that embrace this transformation are building more resilient workforces capable of adapting to rapidly changing market conditions and technological advancements.

Then let me walk you through our financial results.

Over the first half of 2025, we've made deliberate decisions to reposition YXT.com for sustainable and high-quality growth. This has involved shifting our focus toward large enterprise clients, prioritising scalable and higher-margin solutions, particularly in AI, and optimising our cost structure. While these changes have impacted specific short-term metrics, they are already driving measurable improvements in profitability and operational efficiency.

Let me walk you through the details.

Before we go through the financial results, let me note that all amounts are in RMB terms for the first six months ended June 30, 2025, and all comparisons are on a year-over-year basis unless otherwise noted.

Our total revenues declined by 7.8% year-over-year to RMB152.9 million compared to the same period of last year, but this figure masks essential nuances. The decrease was primarily driven by two factors:

The first one is our strategic shift. We intentionally reduced our exposure to small and medium-sized businesses, which had a higher churn and lower lifetime value. This resulted in a net reduction of 123 subscription customers (down to 2,358), but the remaining clients are larger enterprises with more stable demand. This shift is also reflected in our net revenue retention rate, which moderated to 100.3% from 102.8% in the same period of last year—still demonstrating strong retention, albeit without the temporary boost from smaller customers.

In terms of our business model, we further streamlined our revenue mix, with subscription-based corporate learning solutions now accounting for 94.6% of total revenue (RMB144.7 million). The decline in non-subscription revenue (down 39% YoY to RMB7.7 million), in line with our strategic focus on reducing lower-margin offline services and building recurring, scalable revenue streams.

Notably, our AI-related product MRR (monthly recurring revenue) more than doubled to RMB0.5 million, up from RMB0.2 million last year—a clear sign that our investments in AI are yielding measurable impact and will play a larger role in future growth.

Despite the decline in revenue, we achieved a 4.0 percentage-point improvement in gross margin, reaching 65.1%. This expansion was fueled by our enhanced operational efficiency and optimised product mix.

Our cost of revenues fell by 17.1%, mainly driven by lower staff expenses, optimised third-party infrastructure, and reduced reliance on costly offline solutions.

Higher-margin subscription and AI products now represent a growing share of our revenue, driving improved profitability.

We achieved meaningful cost reductions across key operating areas, with sales and marketing expenses declining 13.5% year over year through disciplined headcount optimisation and process improvements. Similarly, our R&D expenditure decreased 19.2% as we enhanced development productivity and focused resources on higher-priority initiatives.

The G&A line item increased 20.5%, primarily due to the increase of professional service fees and the share-based compensation expenses from our January 2025 long-term incentive plan. While the share-based incentive plan creates short-term cost pressure, we view these equity grants as a critical investment in retaining and motivating our leadership team to execute our multi-year growth strategy.

On a GAAP basis, we reported a net loss of RMB73.9 million, compared to net income of RMB21.4 million in the same period of last year. However, last year's profit included a one-off RMB78.8 million gain from the deconsolidation of CEIBS PG.

Our adjusted net loss improved by 15.0% YoY to RMB64.0 million, demonstrating tangible progress in core operations.

We ended the period with RMB235.7 million in cash and short-term investments, down from RMB418.2 million at year-end 2024. This reduction reflects planned investments in AI R&D and working capital needs, but we remain well-capitalised with a disciplined approach to debt management.

Moving forward, our strategy remains centered on three pillars. First, we will deepen enterprise relationships by delivering more value to our large clients to improve retention and revenue. Second, we continue to scale our AI Solutions, with early results confirming their potential as a powerful driver of both growth and profitability. Third, we remain committed to cost management and strike the right balance between optimising our existing expense structure and making targeted investments in areas that deliver the highest returns.

We're seeing clear progress in executing our strategy, and we're confident these efforts will drive sustainable, profitable growth moving forward. Thank you for joining us today. We'd now be happy to answer your questions.

Operator: Thank you for your question. Please press star 11 on your telephone keypad and wait for your name to be announced. To withdraw your question, press star 1 again. Please stand by while we compile the Q&A roster.

Our first question comes from William Lau, an individual investor

William: Hello, everyone. This is William. I want to ask a question for CFO, Mr. Cao. You mentioned that in this presentation that the gross margin of YXT.com has increased by 4 percentage points to 65 in the first half. Your gross margin has improved by 4 percentage points to 65.1%. What specific operational improvements or product mix changes contributed to this margin expansion, and do you expect this trend to continue in the second half of the year?

Mr. Cao: The improvement in gross margin is a direct outcome of our efforts to boost operational efficiencies, including optimizing our product mix and reducing reliance on costly offline solutions. By focusing on higher-margin subscription and AI products, we've been able to improve profitability without sacrificing product quality. We are confident that as we continue to scale these higher-margin offerings and streamline our operations, we will maintain or even improve our margin performance going forward.

In addition to the shift towards higher-margin solutions, we have made significant cost reductions in our cost of revenues, including optimizing third-party infrastructure and reducing staff expenses. These actions have allowed us to expand our margins despite a revenue decline. We anticipate that the trends driving margin expansion, such as the growing share of AI and subscription-based products, will continue into the second half of the year.

Operator: Our next question comes from the line of Duncan Ye, a Five Arrow.

Duncan Ye: Thank you. I think I have two questions. The first one is about your strategic shift towards the larger enterprise, as you mentioned, which is the reason for your revenue to decline year on year. I understand it. The company's new strategy is shifting toward larger enterprises. Could you please elaborate for us? How is this transition going to impact the company in the long run, especially in terms of revenue growth and customer retention in the near future.

Alan: Thank you. Let me take that question first. This is the Chief Growth Officer of YXT.com. To make sure I understand correctly, you're asking about our strategic shift from serving small- and medium-sized enterprises to targeting larger enterprises, and how this transition could affect our company's performance in both the near term and the long term.

As you may appreciate, the Chinese market operates quite differently from the U.S. market. In the U.S., there is a robust base of small- and medium-sized enterprises. By contrast, in China the market is predominantly driven by large, mega-enterprises. These companies tend to be more resilient in their operations, more profitable, and more willing to invest in learning and development initiatives.

Over the past two years, we have made a strategic decision to move away from small- and medium-sized enterprises toward large and even mega-enterprises. We've seen that these larger organizations demonstrate stronger engagement with us, show greater long-term commitment, and offer higher potential for reselling and upselling opportunities. As we continue this shift, we believe our performance metrics will continue to improve across key dimensions, including gross margin rates, customer retention, and overall customer lifetime value. This is the rationale behind our strategy, and we have seen our performance improved in these metrics. Looking ahead, we will continue to emphasize larger enterprise clients as our priority.

That said, we will not deliberately let go of the small-enterprise segment. If smaller clients are willing to stay with us, we will continue to keep them with us. However, we will avoid investing heavily or allocating significant resources to them, as we believe they are not a strategic fit for us. So by focusing on large enterprises and delivering innovative products that address their needs, we believe we can build a healthier and more resilient business model. Duncan, does that answer your question?

Duncan Ye: Yes, I think that was very comprehensive, thank you. I do have a follow-up question for both Alan and Mr. Cao. I noticed that AI-related products achieved over 200% year-over-year growth in monthly recurring revenue, which is very impressive. Could you provide more insight into the specific AI solutions driving this growth? In addition, how does the company plan to scale these offerings going forward? And finally, do you have any expectations for the growth rate in the next quarter or over the next few years?

Alan: Thank you, Duncan. That has been one of the key highlights of our operations over the past three months. Compared with our peer companies, we have been more successful—and perhaps the most successful—in commercializing AI products.

Some of the key AI-driven products we currently offer to clients focus on course generation. Traditionally, we relied on instructors, professors, and teachers to create training content and learning programs. Now, by leveraging our know-how in course design together with large language models, we are able to generate high-quality courses at a much lower cost.

We provide these capabilities to our clients through a product called AI Speaker, which essentially transfers our course-making expertise directly to them. This has been one of our leading AI products in terms of sales. We also provide AI products focusing on generating standardized tests, a challenge

for most companies. This AI product devises a set of questions and quizzes to test the participants' mastery of knowledge.

Beyond course and test-making, we also provide AI simulations and role plays, where AI will generate scenarios where participants can practice their communication and problem-solving skills. And we also offer AI capability assessment tools based on behavioral event interview methodology. We also provide AI candidate screening and AI interview tools. Essentially, these tools will leverage the reasoning power of large language models. And we do post-training on these large language models based on years of experience and usage data from these scenarios. These are the products we use.

We see a fast-growing penetration and coverage of AI products through our accounts, as indicated by the numbers that Duncan just has mentioned. We anticipate that to continue to grow, and we have rolled out a series of marketing campaigns to drive AI products through our accounts.

The Chinese market, objectively speaking, is more willing to spend on AI, particularly following the momentum triggered by the DeepSeek earlier this year. So the companies are more willing to adopt AI solutions, and we have a whole suite of products ready to meet that demand. We have the marketing campaigns set in place. We have put in place policies, including discount policies and volume rebate policies, and we are confident in our ability to drive growth in AI product penetration and coverage.

Operator: Thank you. I would now like to turn the call back over to Mr. Cao for closing remarks.

Mr. Cao: Thank you again for joining our call today. If you have any further questions, please feel free to contact us to submit a request through our IR website. Have a good day, and thank you very much.

Operator: This concludes today's conference. Thank you for your participation. You may now disconnect.