

YXT.COM Group Holding Limited
FY2024 Earnings Conference Call
March 28, 2025, 9:00pmET.

Executives

Xiaoyan Lu, Peter, CEO, director, founder and chairman

Pun Leung Liu, Anthony, CFO

Presentation

Operator: Good morning and good evening, ladies and gentlemen. Thank you for standing by, and welcome to YXT.com's earnings conference call. At this time, all participants are in a listen-only 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 and CFO, Mr. Pun Leung Liu, who also called Anthony. Peter will begin with a brief greeting, and then Anthony will present the CEO's prepared remarks on his behalf. Following that, Anthony will provide a detailed overview of our financial performance for the year.

You can refer to YXT.com's quarterly financial results on IR website at ir.yxt.com. You can also access a 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 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 be discussing 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 the CEO, director, founder, and chairman of YXT.com, Peter.

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

Anthony Liu: Hello, everyone. This is Anthony Liu, CFO of YXT.com, speaking on behalf of our Founder and CEO, Peter. Welcome to YXT's full year 2024 earnings call. This is our first annual earnings conference since our listing on the NASDAQ in August last year. I want to thank you all for your continued interest and support.

Today, I would like to walk you through an overview of our industry, our execution, and our future plans.

Let me begin with an overview of our industry.

The rapid advancement of AI, particularly breakthroughs in large language models, is creating significant opportunities for the corporate training industry. AI technology is effectively

addressing key challenges in corporate learning, enhancing both customer and user value. As a result, our corporate learning solutions are gaining wider recognition. This development is beneficial for us as it facilitates the acquisition of new customers, improves retention rates among existing customers, and increasing cross-sell opportunities, offering them a broader range of modules and products. These advancements position us to strengthen our market presence and expand our service offerings in the evolving landscape of corporate training.

AI is revolutionizing corporate learning in several ways. First, it enables personalized learning experiences. AI can serve as an "invisible coach" for employees, providing round-the-clock learning support. For instance, before client meetings, AI can help employees practice through simulated conversations. While drafting proposals, it can automatically recommend exemplary cases. When someone is panicking and forgets their talking points, AI can instantly remind them of crucial information. This intelligent coaching, deeply integrated into work processes, ensures learning occurs within real work scenarios, significantly enhancing talent development efficiency.

Secondly, AI helps companies more effectively share knowledge. Using AI technology, tacit knowledge from experts and meeting records can be automatically extracted and transformed into intelligent courses. This not only reduces knowledge loss but also efficiently promotes the accumulation and reuse of corporate knowledge assets, turning information into productivity.

These advancements place us at the forefront of industry transformation. We're actively embracing change and contributing to the industry's shift towards intelligent upgrading.

Now, let's turn to our AI business strategy, which we initiated in late 2022. Over the past two years, we've dedicated ourselves to technological and product development, as well as customer validation. Now, we're excited to unveil our new AI business strategy, focusing on three key areas.

First, we're leveraging AI to reduce costs and enhance efficiency. By integrating AI into our internal operations, we've optimized processes and empowered key roles. This has led to significant improvements across critical departments. For example, our sales intelligent assistant has increased sales leads efficiency by 25%, and improved overall sales performance significantly. Our intelligent customer service system now covers all users, with a remarkable 94.8% self-resolution rate for user inquiries.

From a financial perspective, these AI capabilities have delivered tangible results in efficiency, notably narrowing our losses over the past two years. As we continue to apply AI more deeply, we expect our operational efficiency to further improve.

Second, AI is driving innovation in our existing business. We've achieved two major product upgrades using AI.

Firstly, we've transitioned from digital to intelligent learning, creating a more personalized and interactive learning platform. This enhancement has improved intelligent capabilities across various business scenarios, delivering greater product value to our customers and users. This positions us to maintain our competitive edge in the AI-driven corporate learning sector.

Secondly, our platform has evolved from a learning tool to an intelligent talent management system. The introduction of AI-driven talent management features helps businesses comprehensively improve human resource efficiency. This expansion not only strengthens our core competence but also increases the potential for higher customer spending through additional module purchases.

Meanwhile, we are leveraging AI to expand into new business areas. Beyond transforming corporate learning and introducing intelligent talent management, we've ventured into enterprise intelligence services. Over the past two years, we've developed three key new services.

First, we've launched an Intelligent Agent Platform, which serves as infrastructure for corporate intelligence building. This enables customers to rapidly deploy intelligent agent applications at a cost-effective way.

Second, we're also providing Private Domain Knowledge Base services, assisting corporate customers in building, training, and implementing scenario-based private domain knowledge base. This helps transform knowledge into productivity.

Lastly, our Intelligent Sales Assistant analyzes conversation data, identifies business opportunities, recognizes customer risks, evaluates sales performance, and distills best practices to enhance team efficiency and performance.

Our new business initiatives—the Intelligent Agent Platform, Private Domain Knowledge Base services, and Intelligent Sales Assistant—are now in the customer validation phase and are set for rapid market launch in 2025, driving further expansion of our business portfolio.

In addition to deepening our presence in the domestic market, we are actively advancing our global strategy. This year, we will implement a series of important initiatives in overseas markets, accelerating our international business expansion. This not only opens up new growth opportunities for us but also marks a significant step towards a global enterprise.

I'm pleased to share some important news regarding our commitment to delivering shareholder value. Our board of directors has authorized a share repurchase program of up to US\$10 million of our ordinary shares in the form of American depositary shares over the next two years. This decision reflects our confidence in the company's long-term growth prospects and our strong financial position. We plan to fund these repurchases from our existing cash reserves, which underscores our effective capital management while maintaining the flexibility to continue investing in our strategic growth initiatives.

To conclude, we are at the forefront of an AI-driven industrial transformation. With our strong AI capabilities, commitment to product innovation, and clear global strategy, we are well-positioned to create sustained value, provide greater support to our customers, and deliver returns to our investors.

Before we go through the financial results, let me note that all amounts are in RMB terms for the full year ended December 31, 2024, and all comparisons are on a year-over-year basis unless otherwise noted. Along with GAAP measures, we'll also discuss non-GAAP measures to give better insight into our operational performance.

For the full year 2024, our total revenues were 331.2 million. Looking at our financial performance on a pro forma basis, assuming the deconsolidation of CEIBS Publishing Group Limited, or CPG, had occurred at the start of 2022, we see positive year-over-year growth. Our pro forma revenues for the full year 2024 reached 327.9 million, representing a 1% increase compared to the pro forma revenues of 324.6 million for the full year 2023.

Looking at our revenue mix, corporate learning solutions were 325.6 million, or 98.3% of our total revenues. Within this, subscription-based solutions generated 301.8 million, compared with 347.8 million in 2023. The change comes from two main factors. First, the deconsolidation of CPG reduced revenues by 64.9 million. Second, the strategic suspension of certain non-core online teaching tools. These impacts were partially offset by an increase of 18.9 million in subscription-based revenues generated under our new strategy focusing on large enterprise customers. Subscription-based revenues accounted for 91.1% of our total revenues in 2024, up from 82% in 2023.

We continued to drive margin improvements in 2024, with gross margin reach 61.8% compared to 54.1% in 2023. Our ongoing efforts to optimize costs, combined with the increasing emphasis on our higher-margin subscription-based products, contributed to the improvement.

Sales and marketing expenses were 144.2 million, a 41.0% decrease from 2023. This was mainly due to the CPG deconsolidation impact of 62.7 million, along with better resource management and cost optimization.

Research and development expenses were 116.1 million, or a decrease of 34.2%. This reflects the impact of 22.5 million from CPG, as well as enhancements in our research and development efficiency and associated decreases in compensation.

General and administrative expenses were 138.4 million, or a decrease of 3.1%. The CPG separation reduced expenses by 17.3 million, with further decreases coming from reductions in share-based compensation as certain incentives became amortized. These decreases were partially offset by one-time IPO-related professional fees and litigation costs.

Thanks to these cost savings and our enhanced strategic approach, we drove a 59.9% reduction in net loss, reducing it to 92.1 million from 229.8 million in the prior year. As we continue to drive efficiency improvements by leveraging AI and further refine our customer portfolio, we are confident that we will drive further enhancements to our bottom-line. Our adjusted net loss, which leaves out certain non-GAAP items, was 199.3 million in 2024.

Finally, turning to our balance sheet. As of December 31, 2024, we held cash and cash equivalents and restricted cash, short-term investments and long-term bank deposits of 418.2 million, which gives us adequate flexibility to invest in our long-term growth.

That wraps up my prepared remarks.

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

Operator: This concludes today's conference call. Thank you for participating, you may now disconnect.