Gaotu Techedu Inc.

Gaotu Techedu Inc.
Fourth Quarter and Fiscal Year 2025 Earnings Conference Call
Thursday, March 5, 2026, 8:00 AM ET.

Company Participants
Catherine Chen, Head of Investor Relations
Larry Chen, Founder, Chairman, Chief Executive Officer
Shannon Shen, Chief Financial Officer

Analysts
Crystal Li, CMS

Operator

Hello, ladies and gentlemen. Thank you for standing by, and welcome to the Gaotu Techedu Inc. Fourth Quarter and Fiscal Year 2025 Earnings Conference Call. (Operator Instructions). After management's remarks, there will be a question-and-answer session. Today's conference call is being recorded.

I would now like to turn the conference over to your first speaker today, Ms. Catherine Chen, Head of Investor Relations. Please go ahead, Catherine.

Catherine Chen

Thank you, operator. Good evening, everyone. Thank you for joining Gaotu's fourth quarter and fiscal year 2025 earnings conference call. My name is Catherine, and I will help host the earnings call today.

Gaotu's earnings release for the quarter was distributed earlier, and is available on the company's IR website at ir.gaotu.cn, as well as through PR newswire services.

Joining the call with me tonight from Gaotu's senior management is Mr. Larry Chen, Gaotu's Founder, Chairman and Chief Executive Officer, and Ms. Shannon Shen, Gaotu's Chief Financial Officer. Larry will first provide the business highlights for the quarter, and then afterwards, Shannon will discuss our financial performance in more detail. Following their prepared remarks, we will open the floor to questions from analysts.

Before we begin, I'd like to remind you that this conference call will contain forward-looking statements made under the safe harbor provision of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are based upon management's current beliefs and expectations, as well as the current market and operating conditions. And they involve known or unknown risks, uncertainties and other factors, all of which are difficult to predict, and many of which are beyond the company's control, and may cause the company's actual results, performance or achievements to differ materially from those contained in any forward-looking statements.

Further information regarding this and other risks is included in the company's public filings with the U.S. SEC. The company does not undertake any obligation to update any forward-looking statement except as required under applicable law.

During today's call, management will also discuss certain non-GAAP measures for comparison purpose only. For a definition of non-GAAP financial measures and reconciliations of GAAP to non-GAAP financial results, please refer to our fourth quarter and fiscal year 2025 earnings release published earlier today.

As a reminder, this conference is being recorded. In addition, a live and archived webcast of this conference call will be available on Gaotu's IR website.

It is now my pleasure to introduce our Founder, Chairman and Chief Executive Officer, Larry. Larry, please.

Larry Chen

Good evening and good morning, everyone. Thank you for joining us on Gaotu's fourth quarter and fiscal year 2025 earnings conference call. I would like to take this opportunity to express my gratitude to each of you for your interest in and support for Gaotu.

Before I start, I would like to remind everyone that all financial figures discussed today are in RMB, unless stated otherwise.

2025 marked a year of exceptional resilience for Gaotu. We delivered a high-quality operating performance amid a rapidly-evolving environment. If I were to summarize the year's achievements in one word, it would be "refinement," representing not just a sharpening of our teaching quality, but a systematic elevation of our operational granularity.

Throughout the year, we not only exceeded our growth targets, but more importantly, reinforced our organizational foundation, strengthening our core capabilities while continuing to scale rapidly.

As we enter 2026, our approach to growth continues to evolve and mature. We are intentionally refining the way we grow, prioritizing profitable growth, with the advancement of AI capabilities at the core of our operations, all with AI, always AI.

This is how we are driving improvements in business health, operational efficiency, and long-term viability. Our fourth quarter performance represents an early validation of this strategic focus at the operational level.

In the fourth quarter, we maintained steady top-line expansion while realizing meaningful operating leverage. Revenue increased by 21.4% year-over-year to 1.7 billion and bottom line improved by 38.0%, driven by continued efficiency gains. For the full year of 2025, revenue grew by 35.0% to 6.1 billion, exceeding our initial expectations at the beginning of 2025.

Net operating cash inflow reached 416 million, a net increase of 158 million year-over-year, reflecting continued improvement in operational quality and efficiency.

After excluding the impact of share repurchases, our cash position increased by 221 million year-over-year, providing strong support for our ongoing investments in products, technology, and talent, underpinning sustainable long-term growth.

We remain firmly committed to enhancing long-term shareholder value. Under our aggregated share repurchase authorization, we have repurchased a total of RMB 670 million of shares, representing 12.8% of our total outstanding shares, including RMB 343 million in buybacks in 2025.

As our business fundamentals continue to strengthen, we are well-positioned to balance long-term strategic investments with a stable, predictable shareholder return framework. Through consistent and prudent capital allocation, we seek to build durable value, enabling investors who grow alongside Gaotu to benefit from both our capital returns and the intrinsic value we generate.

Most encouragingly, our operational gains are increasingly translating into tangible financial performance. We are shaping a more resilient, sustainable, and profitable business model, a virtuous growth flywheel anchored in healthy unit economics, driven by strong operational excellence, and steered by our unwavering commitment to long-term user value.

Guided by this framework, in 2026, we will focus on advancing strategic priorities across five fronts. First, in calibrating growth pace, profitability will remain a core strategic priority. Over the past year, we have comprehensively optimized our cost structure, resource allocation, and operating processes to fortify our business model and reinforce its economic foundation.

Throughout 2025, our core business delivered stable profitability, validating the strategic direction we set in the prior period.

Meanwhile, our strategic initiatives have progressed well and are steadily emerging as new growth engines. While near-term revenue trends may not fully capture our underlying momentum, we assess performance based on the quality, structure, and sustainability of our growth, which are the pillars of a lasting value creation.

Second, in product development, we remain relentlessly user-centric, driving continuous innovation in educational products and learning services. The essence of education lies in helping learners make real progress, rather than merely completing course delivery.

We will continue deepening our understanding of users' real learning needs and pathways, systematically embedding these insights into curriculum design, teaching methods, and service experiences. We firmly believe that truly valuable growth stems from superior learning outcomes, higher user satisfaction, and stronger brand trust.

Third, with respect to technology, we are integrating innovation across our business, operations, and organization, making it a structural driver for enhancing operational efficiency and user experience. Technology must enable teaching effectiveness, service excellence, and operational precision.

In teaching scenarios, we are proactively combining high-quality instructor resources with AI-powered tools to make learning more engaging and effective.

On the operations side, we are leveraging technology and data analytics to optimize resource allocation and enable more informed, data-driven decision-making.

At the organizational level, we are fostering more seamless collaboration through technology, empowering our teams to focus on high-impact initiatives that drive meaningful value creation.

Fourth, in terms of talent strategy, we continue to reinforce our competitive moat built around “high-caliber educators”. Educators are our most valuable assets and central to sustaining our long-term competitive advantage. We will keep refining our talent selection, development, and incentive mechanisms, building a robust pipeline of educators and fostering an environment that supports educators’ professional growth and long-term careers. A stable, high-caliber teaching team is the cornerstone for successfully scaling product innovation and technology upgrades.

Fifth, to enhance our business portfolio, we are architecting a comprehensive lifelong learning service platform. Personal development is an ongoing journey, and learning needs at different stages are inherently connected, rather than isolated. Through systematic integration of product formats and delivery models, we ensure learners have access to tailored solutions within Gaotu’s ecosystem during every critical development stage.

By cultivating deep connections with users, we further strengthen our cross-business synergies and extend the user lifecycle, significantly enhancing our operating model’s resilience and long-term return potential.

After nearly a decade of development and achievement, Gaotu will celebrate its 12th anniversary in 2026. Standing at this important milestone, we feel immense pride and a strong sense of responsibility.

Through an ever-deepening understanding of our users, we have cultivated a core leadership team with a strong sense of ownership and long-term vision, assembled an outstanding, well-trained talent pool, distilled a set of cultural principles that shape our direction, and, most importantly, earned the invaluable trust of tens of millions of students and parents.

Since day one, Gaotu's original aspiration has remained unchanged: to build a truly exceptional technology education enterprise, one where every team member can achieve both material and spiritual prosperity, where every student enjoys an exceptional learning experience and accelerated personal growth, and where we accompany learners on a lifelong journey of progress, while contributing enduring value to the development of education in society.

Looking ahead, we will remain committed to disciplined, prudent management, strictly control risk, and continuously strengthen our organizational and cultural foundation through unwavering strategic focus and powerful execution.

I firmly believe that as long as we uphold long-termism, insist on value creation, and remain true to the essence of education, Gaotu will advance steadily, generating lasting value for our shareholders, employees, users, and society at large.

Thank you very much, everyone. This concludes my prepared remarks. I will now pass the call over to our CFO, Shannon, to walk you through the quarter's financial and operational details.

Shannon Shen

Thank you, Larry, and thank you, everyone, for joining our call today. I will now walk you through our operating and financial performance for the fourth quarter and fiscal year 2025.

Please note that all financial data are in RMB terms unless otherwise stated.

In 2025, we systematically optimized our product portfolio and channel mix, fueling constant improvements in our revenue quality. We remained firmly committed to advancing our deep integration strategy of "AI + Education," substantially enhancing both our educational products and end-to-end operational efficiency through the systematic optimization of our product portfolio and channel structure, leveraging AI as our foundation, learning solutions as our core value, and AI-powered digitalization as our operational support.

From a structural perspective, after years of focused investments and refinements, we have established a staged growth roadmap that provides great visibility into future development. Our core businesses delivered solid growth with higher enrollments, optimized unit economics and ongoing profitability improvement, serving as the fundamental pillar supporting the Company's profit expansion.

At the same time, our strategic initiatives are gaining traction and demonstrating upward momentum, serving as new engines for our scale expansion and profitable growth. In 2026, we will sharpen our focus on user experience and learning outcomes, advancing from scale-oriented growth toward a more efficiency-led model.

Driven by both revenue scale expansion and operating efficiency gains, we have realized operating leverage for 5 consecutive quarters, continuously elevating our bottom line. In particular, on the user acquisition front, we leveraged AI-driven capabilities and a dynamic resource allocation mechanism to boost user acquisition efficiency.

Measured as gross billings divided by selling expenses, user acquisition efficiency improved by 10.8% year-over-year in 2025.

Turning to our fourth quarter performance, revenue grew by 21.4% year-over-year to 1.7 billion.

Operating expenses as a percentage of revenue declined by 4.1 percentage points year-over-year, contributing to a 20.9% reduction in our operating loss.

As of December 31, 2025, our deferred revenue balance rose by 23.0% year-over-year to 2.6 billion, providing solid visibility for our future revenue growth.

Meanwhile, our cash, cash equivalents, restricted cash, short-term and long-term investments totaled 4.0 billion. With these robust cash reserves, we are well-funded to deepen our organizational capabilities and improve shareholders' interests throughout 2026.

Next, an overview of this quarter's progress by business segment. Learning services contributed over 95% of net revenues. Non-academic tutoring services and traditional learning services, as our core segments, contributed over 80% of our total revenues.

Our new initiatives, focused on online and offline non-academic tutoring services, sustained strong growth momentum. In the fourth quarter, gross billings increased by over 30% year-over-year, while revenue grew by 45%. On a full-year basis, revenue rose by 90% year-over-year.

Within this segment, as our online business benefited from expanding enrollments and enhanced product competitiveness, it demonstrated constant margin expansion, attaining a middle-single-digit margin for the full year.

Through ongoing educational content innovation and refined operations, we elevated both product value and the learning experience, driving steady improvement in the retention rate of existing students, which exceeded 75% this quarter.

Meanwhile, we continued to step up investment in content development centered on cultivating learners' comprehensive capabilities and core competencies. Our latest offerings, including AI-related courses, have further enriched and refined our product and content portfolio, enabling us to more effectively address the evolving demands for holistic, long-term development.

In the fourth quarter, our traditional business maintained stable growth in enrollments, while continuing to enhance service quality and efficiency to boost ongoing operational gains. We comprehensively upgraded tutors' service standards, deepening our focus on learning process management and learner engagement through clearly defined key procedures and measurable performance indicators, which further reinforced our systematic service delivery capabilities.

On the product front, we focused on optimizing our courses to better align with students' learning progress and proficiency levels, while strengthening our modular, needs-based content to enable more targeted and effective instruction. The parallel strengthening of our teaching services and educational products contributed to continued improvement in the overall learning experience at Gaotu.

The retention rate for new students also rose meaningfully year-over-year this quarter, reflecting stronger user stickiness. For the full year 2025, revenue from our traditional business grew nearly 15% year-over-year.

Driven by operational efficiency gains and enhanced organizational capabilities, profitability for both online large classes and one-on-one tutoring improved year-over-year. Our ongoing refinement of product competitiveness and optimization of operational quality has laid a strong foundation supporting our traditional business's sustainable growth.

Another key component of our learning services is educational services for college students and adults, where gross billings grew over 15% year-over-year in the fourth quarter, contributing over 15% of total revenues.

By prioritizing user needs, optimizing the product mix, and sharpening our refined management capabilities, this segment has entered a consecutive growth trajectory and achieved full-year profitability across its online offerings in 2025.

In our educational services for college students, by leveraging deeper insights into students' lifecycle, we have pivoted from selling stand-alone products to developing innovative, stage-aligned solutions. These offerings are integrated with adaptive learning pathways that can adjust based on real-time feedback and performance, effectively extending the user learning cycle.

Meanwhile, we continued deepening the integration of online courses and AI technologies, bolstering personalized learning support and planning capabilities, simultaneously improving both learning experience and outcomes.

For the full year, our educational services for college students delivered mid-double-digit growth in both gross billings and revenue, while reaching profitability at the business line level.

Lastly, I will walk you through our financial data. Our cost of revenue this quarter was 540.9 million.

Gross profit increased 20.7% year-over-year to over 1.1 billion, with a gross margin of 67.9%.

Total operating expenses during the quarter increased 15.0% year-over-year to nearly 1.3 billion.

Breaking it down, selling expenses increased 20.3% year-over-year this quarter to 885.3 million, accounting for 52.5% of net revenues.

Research and development expenses increased 14.0% year-over-year to 165.4 million, accounting for 9.8% of net revenues.

General and administrative expenses decreased 2.1% year-over-year to 211.8 million, accounting for 12.6% of net revenues.

Loss from operations was 118.0 million, and operating loss margin was 7.0%. Non-GAAP loss from operations was 110.7 million, and non-GAAP operating loss margin was 6.6%.

Net loss was 84.2 million, and net loss margin was 5.0%. Non-GAAP net loss was 76.8 million, and non-GAAP net loss margin was 4.6%.

Our net operating cash inflow increased 23.1% year-over-year to 964.8 million.

Now turning to our balance sheet. As of December 31, 2025, we held 712.0 million in cash, cash equivalents, and restricted cash, along with 2.7 billion in short-term investments and 551.6 million in long-term investments. This comes to a total of nearly 4.0 billion.

As of December 31, 2025, our deferred revenue balance was around 2.6 billion, primarily consisting of tuition received in advance.

As of March 4, 2026, we had repurchased an aggregate of around 30.6 million ADSs on the open market for nearly RMB 670 million.

Before I provide our business outlook for the next quarter, please allow me to remind everyone that this contains forward-looking statements, which include risks and uncertainties that are beyond our control, and could cause the actual results to differ materially from our predictions.

Based on our current estimates, total net revenues for the first quarter of 2026 are expected to be between 1,578 million and 1,598 million, representing an increase of 5.7% to 7.0% on a year-over-year basis. This single-digit increase rate is due to seasonality. We expect the increase rate to return to double digits in the second quarter in 2026.

This concludes my prepared remarks. Operator, we are now ready for the Q&A session. Thank you, everyone, for listening.

Questions and Answers

Operator

Thank you. We will now begin the question-and-answer session. (Operator Instructions). The first question comes from Crystal Li with CMS.

Crystal Li

Thank you. Congratulations on the strong results. Thank you for the opportunity to ask questions. So I just wanted to ask if you could maybe add more color on the development of your offline business, and maybe elaborate more on your future plan on this offline business. Thank you.

Shannon Shen

Thanks, Crystal, for your question. We launched the expansion of our offline learning centers back in 2023. First, from a strategic perspective, our offline business represents a clear second growth curve for us, and one of the top strategic priorities at the group level.

The integration of online and offline is a highly effective approach to enhancing learning efficiency and the overall learning experience, and also makes our product metrics more holistic, and it is also a critical step in building our long-term competitive advantages. This initiative is led directly by our Founder, with prioritization in resource allocation, decision-making efficiency and cross-sector collaboration.

By capturing a favorable window of strong user demand in 2023, we have moved quickly to scale our footprint over the past 3 years. We have attracted outstanding industry professionals with deep expertise in local operations, educational product design and teacher sourcing and cultivation, etc.

Building a professional team is truly important for offline operations, and also can execute effectively and also support scalable growth. This has already laid a very solid foundation for our offline businesses.

In terms of the current progress and results, our offline business has achieved clear economies of scale. Since 2023, with continuous investment and operational refinement, our offline learning center network and revenue scale has grown steadily and rapidly. Based on our current expansion pace and operating plan, we expect the overall scale, I mean, the top line, the revenue of our offline business to surpass that of several independently-listed peers in the coming year.

This is not just a single increase in the number of learning centers; it also represents healthy growth driven by proven unit economics, strong brand reputation and a well-developed supply chain for high-quality teachers.

After nearly 3 years of market penetration, our brand has established solid credibility and influence among students in regional markets. User satisfaction and retention rates continue to improve, and our brand moat is gradually taking shape.

Put simply, we have evolved from a pure online service provider to a fully integrated platform. And this is the fundamental and the most definitive outcome of our transformation. That being said, the offline business has relatively high barriers to entry, including those related to management effectiveness, organizational alignment and also system processes and most importantly, the supply of top-tier teachers.

We still have some areas that we need to further optimize and integrate. We are systematically reviewing and refining and continually building up a system to support the growth of this segment. Our upfront investments are focused on strengthening our network footprint, brand reputation and operational capabilities. And we are committed to capturing greater long-term market space and value, and progressing steadily towards sustainable profitability.

So we foresee at the school level, we can achieve a profitability at this year. And also in the next year, we will foresee our offline business to be profitable, including the headquarter overhead. I hope that addressed your question, Crystal.

Crystal Li

Thanks, Shannon, that’s very helpful.

Operator

As there are no further questions now, I'd like to turn the call back over to the company for closing remarks.

Catherine Chen

Thank you, operator, and thank you, everyone, for joining the call today. If you have any further questions, please don't hesitate to contact our Investor Relations Department or via email at ir@gaotu.cn directly. You are also welcome to subscribe to our news alert on the company's IR website. Thank you very much again for your time. Have a great night.

Operator

This concludes today's conference call. You may disconnect your line. Thank you.