



Gaotu Techedu Inc.

Gaotu Techedu Inc.
Second Quarter 2026 Earnings Conference Call
Thursday, August 27, 2026, 8:00 AM ET.

Company Participants:

Catherine Chen, Head of Investor Relations
Larry Chen, Founder, Chairman, Chief Executive Officer
Robin Luo, Chief Operating Officer
Willa Yao, Senior Finance Director
Mike Xu, Head of Strategy

Analyst

Daisy Chen, Haitong International

Operator

Hello, ladies and gentlemen. Thank you for standing by, and welcome to the Gaotu Techedu Inc. Second Quarter 2026 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, and good evening, everyone. Thank you for joining Gaotu's second quarter 2026 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; Mr. Robin Luo, Gaotu's Chief Operating Officer; Mr. Mike Xu, Gaotu's Head of Strategy; and Ms. Willa Yao, Gaotu's Senior Finance Director. Larry will begin with the quarter's business highlights and strategy, followed by Robin's overview of our operational performance. And we will finish with a detailed discussion of our financial performance by Willa.

Following their prepared remarks, we'll open the floor to questions from analysts. Robin and Mike will address analyst questions during the Q&A session.

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. 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 second quarter 2026 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 Chen

Good evening and good morning, everyone. Thank you for joining us on Gaotu's second quarter 2026 earnings conference call. I would like to take this opportunity to thank each of you for your interest in and support for Gaotu. Before I start, please be reminded that all financial figures discussed today are in RMB, unless stated otherwise.

This quarter, our sustained, user-focused investments in educational products, learning services, and organizational capabilities are steadily translating into healthier unit economics and a more efficient operating system. Meanwhile, the AI capabilities we have been building are becoming more deeply embedded across business processes, driving tangible improvements in product experience, service efficiency, and organizational productivity. For Gaotu, high-quality growth means more than scale alone. It is about establishing a solid foundation for sustainable growth: building user trust through superior products and services, improving the quality of growth through stronger retention and word-of-mouth, enhancing profitability through more disciplined resource allocation, and leveraging technology to extend the reach of high-caliber educational services.

Today, I'd like to share our thinking on three fronts: our strategic priorities around user value and brand building, resource allocation, and AI capability development.

First, we have always placed user value at the heart of our sustainable, long-term development. Over the past 12 years, Gaotu has built a comprehensive learning service ecosystem that supports learners at different stages of growth and integrates both online and offline offerings. We strive to provide premium products and services that fit every user's needs throughout their life and



learning journey. The value of this system lies not only in the breadth of educational products it offers, but also, in the deep insights it continuously provides us into users' evolving needs, insights that enable us to deliver high-quality services on an ongoing basis. As a digital-native learning service provider, we capture data on learning behaviors, service touchpoints and interactive feedback across multiple scenarios, and convert this data into dynamic user insights that directly refine our product design, teaching services, and operational system. As products and services become more closely aligned with real needs, the learning experience naturally improves, which in turn, strengthens user recognition, retention, word-of-mouth, and overall brand awareness. This organic momentum gives rise to three self-reinforcing flywheels, data, experience, and brand, that continuously compound and fuel each other over time.

We are beginning to see this virtuous cycle take hold. Many students who studied with Gaotu in their early years have now returned to Gaotu, either as students or as employees. Their return reflects the lasting trust built through genuine learning experiences, and informs the ongoing iteration of our teaching and service systems. It also reinforces our conviction that educational service is inherently a long-term endeavor built on being chosen, trusted, and proven over time.

Second, we remain committed to driving profitable growth, concentrating our resources on businesses with stronger user value propositions and clearer operational returns. Our innovation and exploration over the past few years have deepened our understanding of the needs of different user groups, and how products mature and scale, while sharpening our criteria for business prioritization. For businesses that have demonstrated strong user satisfaction, solid market fit, and sound operating efficiency, we seek to unlock greater operating leverage by strengthening their products, allocating greater channel resources, and providing stronger organizational support to drive higher-quality growth. For businesses still in their early stages, we prudently and dynamically optimize resource allocation, concentrating our investments on areas featuring the strongest return potential.

Our operating performance in the first half of the year demonstrates that this strategy is beginning to deliver results. In our online business, higher retention rates and improved operating efficiency contributed to ongoing improvements in unit economics. Meanwhile, our offline business, spanning diverse scenarios including Dream Center, boot camps, and offline learning centers, delivered high-double-digit year-over-year revenue growth in the first half of this year, with steady gains in its operating quality and business fundamentals. More importantly, the synergies between our online and offline businesses continue to strengthen. The brand equity and user trust we've cultivated online support offline expansion. In turn, our differentiated offline service experience reinforces brand awareness and user engagement.

Measurable learning outcomes remain the clearest proof of the value we deliver as we expand our business footprint and build operational resilience. They also underscore the effectiveness of our teaching and service capabilities across diverse scenarios. Since the beginning of 2026, our traditional online business has helped over 200 students gain admission to the top 2 domestic universities. Building on years of accumulated service expertise, our offline overseas study business has assisted nearly 700 students to secure offers from the world's top 50 universities. These tangible achievements stem from our relentless pursuit of quality and long-term



commitment to our mission. Our high-quality course and service delivery have always been central to earning user trust and brand reputation, and they remain the cornerstone of our business's sustainable, healthy development.

Third, moving on to long-term capability development, AI is emerging as a critical productivity driver for Gaotu's future. As a digital-native education company, we are already seeing AI generate tangible value across several key areas of our business. In curriculum development, AI is helping us restructure the content development workflow, improving efficiency by 5 to 8 times in certain scenarios, while significantly lowering the cost of producing personalized content.

In course delivery and tutoring services, AI-powered assistance and quality control now cover dozens of key checkpoints across the service workflow. For instance, automated assignment grading has substantially reduced repetitive work, enabling our tutors to devote more time and energy to high-quality guidance and personalized services. AI is also sharpening our user insights. By analyzing learning behaviors and interactive data, we can identify user profiles and shifts in demand more promptly, and deliver more precise learning support at critical milestones, enhancing students' learning experience, boosting engagement and improving user retention. On the user-facing side, we continue to refine our "Tri-Teacher Model," forging more efficient synergies among instructors, tutors, and AI capabilities to provide users with more seamless and personalized learning support, which drives product stickiness and depth of use. As we embed AI more deeply across our business, it is poised to be a key driver in elevating Gaotu's product quality and operating efficiency.

We remain committed to balancing sustainable growth, disciplined capital allocation, and our long-term mission of creating value for both shareholders and society. Guided by this principle, as of August 26, 2026, we had repurchased a total of nearly 36.5 million ADSs for 741.8 million RMB. Going forward, we will continue to advance our share repurchase program, while preserving the financial strength and flexibility needed to support long-term growth. We will also continue to fulfill our responsibilities as a corporate citizen by making quality educational resources more widely accessible.

Looking ahead, we will remain deeply focused on users' long-term growth, leveraging advanced technology to elevate our service capabilities and operating efficiency, while navigating market cycles through disciplined operations. At Gaotu, we believe the value of education compounds over time through every meaningful and effective service we deliver. As we continue to integrate AI capabilities across teaching, service delivery and operations, Gaotu will forge a more resilient business foundation, and drive stronger operational performance, creating superior learning experiences for our long-standing users and generating sustainable value for shareholders who have placed their trust in Gaotu.

Thank you very much, everyone. This concludes my prepared remarks. I will now pass the call over to our COO, Robin, to walk you through the quarter's operational performance.



Robin Luo

Thank you, Larry, and thank you, everyone, for joining our call today. Let me take you through our operating performance and business update for the second quarter of 2026. Please note that all financial data are in RMB terms unless otherwise stated.

Guided by a focus on profitable growth, we continued to upgrade our educational products and services, and strengthen our teacher development system, expanding user base and delivering long-term user value.

Net revenues for the quarter increased by 20.2% year-over-year to nearly 1.7 billion, while gross billings grew by 19.4% to approximately 2.7 billion, reflecting our ability to effectively capture user demand.

As enrollment grew and operating efficiency improved, we unlocked greater operating leverage: adjusted operating loss and adjusted net loss narrowed significantly by 38.5% and 37.6% year-over-year, respectively, and operating expenses as a percentage of net revenues declined by 7.9 percentage points. The improvement in our operating expense ratio was primarily driven by continued optimization throughout the end-to-end user acquisition funnel, and the efficiency gains across our middle and back-office operations.

In user acquisition, we remain focused on enhancing unit economics, dynamically optimizing our channel mix and resource allocation, while leveraging AI capabilities to sharpen operational execution and improve conversion efficiency. During the quarter, selling expenses grew at a slower pace than gross billings. At the same time, the integration of AI and other digital tools into our business processes continued to improve middle and back-office operating efficiency, driving ongoing improvements in our cost structure.

Specifically, R&D and G&A expenses, as a percentage of net revenues declined by 3.5 percentage points year-over-year. The enhancement in operational quality is also reflected in our cash flow performance and balance sheet strength.

During the quarter, net operating cash inflow increased by 46.3% year-over-year to 861.2 million. As of June 30, 2026, our cash reserves, including cash and cash equivalents, restricted cash, short-term and long-term investments, totaled nearly 4.0 billion. Excluding the impact of share buybacks, our cash reserves increased by 354.6 million year-over-year.

Deferred revenue reached 2.6 billion, representing 18.9% year-over-year growth. These operational achievements are not the result of any single initiative, but rather, the compounding effect of our ongoing focus on organizational capabilities and operational excellence.

Next, let me turn to our business progress by segment. Learning services contributed over 95% of net revenues. Our two core segments, non-academic tutoring services and traditional learning services, generated over 85% of our total revenues.



Our new initiatives focus on online and offline non-academic tutoring services. During the quarter, this segment's revenue increased by over 30% year-over-year, accounting for over 40% of total revenues, while gross billings grew by over 20% year-over-year, contributing over 45% of total gross billings. Within this segment, our K9 online business remained profitable this quarter, with continued improvements in growth quality as well as operating stability.

On the service front, we integrated AI-powered tools and further refined service granularity, significantly enhancing the responsiveness, personalization, and depth of our tutor support services. This contributed to a meaningful year-over-year increase of over 5 percentage points in the retention rate for the online business's new enrollments in the Spring season, further reinforcing user trust and brand loyalty.

On the product side, we focused on curriculum innovation tailored to the developmental needs and learning patterns of younger learners, while broadening our product offerings. These efforts have helped create a healthier and more balanced user mix, while establishing a firm foundation for sustainable long-term growth.

Our traditional business continued to deliver solid growth during the quarter, with gross billings increasing by over 15% year-over-year, accounting for over 40% of total gross billings, while revenue contribution exceeded 40%. During summer enrollment, we placed greater emphasis on acquisition quality and conversion efficiency by refining our marketing content, dynamically optimizing our acquisition channels and reallocating resources toward higher-ROI channels.

Meanwhile, we leveraged AI capabilities to enhance lead allocation and conversion management throughout the user acquisition process. This quarter, the contribution from private traffic and word-of-mouth referrals further increased year-over-year, driving steady improvements in channel mix and overall acquisition efficiency.

To better meet the concentrated demand during the summer enrollment period, we also enhanced our comprehensive "recruit-train-mentor" talent development system for promotional course tutors, shortening ramp-up for new hires and improving new tutor productivity by more than 20% year-over-year.

In addition, since 2025, we have continued to enrich the talent pipeline and service delivery system for our online one-on-one tutoring business. These accumulated investments have increasingly translated into tangible operating outcomes this quarter, driving year-over-year growth of more than 55% in gross billings from new enrollments for this business.

Stronger talent reserves and service capabilities enable us to capture larger-scale user demand while maintaining consistently high standards of teaching and service delivery. Another key component of our learning services is educational services for college students and adults, where revenue grew by more than 15% year-over-year, accounting for over 10% of total revenues.

Demand from college students is both strong and varied; as such, we continue to explore service scenarios spanning the full development arc from academic study to career development and



strengthen the cross-business synergy between our college learning programs and our civil service exam preparation offerings. On the user front, we've updated our service framework to better address students' needs across different stages of development, elevating user lifetime value.

Operationally, we have connected lead management and resource sharing across the two businesses, improving the utilization of offline classrooms and other operational resources. This has enhanced both organizational agility and profitability. As synergies like these gradually materialize, our service capabilities around college students are strengthening, driving stronger growth momentum.

This quarter, for the college learning programs and civil service exam preparation businesses combined, both revenue and gross billings grew by over 40% year-over-year, while operating cash flow improved substantially. In our offline operations, our two Dream Centers in Zhengzhou and Wuhan reached full capacity as of the second quarter, proving our centralized learning center model can be replicated and scaled. Supported by strong existing market demand and our accumulated operational experience, we see further room to expand this model's service capacity and geographic reach.

Going forward, we will take a prudent approach to expansion, setting its pace based on actual demand and operational efficiency. Looking ahead, we will remain focused on advancing our core strategic priorities with a disciplined approach to resource allocation. While maintaining a premium user experience and high-quality services, we will pursue healthier and more efficient growth across all business segments to drive sustained profitability.

With that, I will now turn the call over to our Senior Finance Director, Willa, who will walk you through our financial data.

Willa Yao

Thank you, Robin. I will now walk you through our financial data. Please note that all financial data are in RMB terms unless otherwise stated.

Our cost of revenues this quarter was 559.2 million.

Gross profit increased 21.2% year-over-year to over 1.1 billion, with a gross margin of 66.5%.

Total operating expenses during the quarter increased 8.8% year-over-year to nearly 1.3 billion. Breaking it down, selling expenses increased 11.2% year-over-year this quarter to 913.2 million, accounting for 54.7% of net revenues.

Research and development expenses increased 4.5% year-over-year to 154.8 million, accounting for 9.3% of net revenues.

General and administrative expenses increased 1.8% year-over-year to 192.6 million, accounting for 11.5% of net revenues.



Loss from operations was 149.8 million, and the operating loss margin was 9.0%. Non-GAAP loss from operations was 143.0 million, and non-GAAP operating loss margin was 8.6%.

Net loss was one 135.8 million, and net loss margin was 8.1%. Non-GAAP net loss was 129.1 million, and non-GAAP net loss margin was 7.7%.

Our net operating cash inflow increased 46.3% year-over-year to 861.2 million.

Now turning to our balance sheet. As of June 30, 2026, we held 929.6 million in cash, cash equivalents, and restricted cash, along with 2.4 billion in short-term investments and 642.9 million in long-term investments. This comes to a total of nearly 4.0 billion.

As of June 30, 2026, our deferred revenue balance was 2.6 billion, primarily consisting of tuition received in advance.

As of August 26, 2026, we had repurchased an aggregate of nearly 36.5 million ADSs on the open market for 741.8 million RMB.

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 third quarter of 2026 are expected to be between 1,838 million and 1,858 million, representing an increase of 16.4% to 17.7% on a year-over-year basis.

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). Our first question comes from Daisy Chen with Haitong International.

Daisy Chen

(Speaking Foreign Language). I'll translate myself. Congratulations on the solid results. My question is about the offline business. Could management share the latest operational progress of the offline segment? Can you explain more details about your offline expansion strategy for the next 2 or 3 years, such as the capacity expansion pace and your margin improvement roadmap?

Mike Xu

I will take this question. I am Mike and thank you Daisy, for your question. Offline is becoming an important growth area for Gaotu, and we are managing it with a very clear principle. That is the profitable growth comes before blind expansion. In Q2 and during the summer season, offline continued to show encouraging momentum. We are seeing active cities, and some earlier entry locations are beginning to benefit from stronger local brand recognition and word-of-mouth. That matters because offline education is very local. Once trust is built in city, acquisition gradually become healthier. The current growth is mainly coming from aggressive footprint expansion. A large part of the improvement is coming from the operating quality, which is the better renewal rate and better classroom utilization, better staff productivity, etc.

We are working to fill existing capacity more effectively, improve course scheduling, and strengthen teacher supply, which will lead to a higher retention rate. These are the levers that matter for profitability. And at the same time, we are realistic about the offline model. In the early stage, investment is front-loaded, so we need local team, teaching space, and local curriculum adoption. It takes time for a city to mature.

So for expansion, our approach is selective. We will still consider new capacity where demand is clear, and the local model is healthy, but footprint growth itself is not the main KPI. In some cities, the best use of resource is to fill existing classroom better. In some products, the priority is to strengthen teacher supply, or improve conversion. And after some cycle, we will review performance carefully city by city, project by project.

While demand is improving, we will continue to allocate resource. Where a project or city do not meet our profitability standard, we will optimize resource allocation, or even eliminate projects and sites that we do not see potential to generate right economic returns. The goal is to concentrate resource on profitable and promising sites and projects, so offline can move towards meaningful profit contribution over time.

So that concludes my answer. Hope that can address your question, Daisy.



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Operator

Thank you. Daisy, did you have a follow-up question?

Daisy Chen

No, thank you. That is perfect. Thank you.

Operator

Thank you. (Operator Instructions). As there are no further questions now, I'd like to turn the call back over to Catherine Chen for closing remarks.

Catherine Chen

Thank you, everyone, for joining our call tonight. And if you have any further questions, please do not hesitate to contact our investor relations department, or our management 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 now disconnect your line. Thank you.