

Initiation Report

QUANTASING GROUP LIMITED



QuantaSing Group Limited – Elevating China’s Adult Learning Ecosystem Through Scalable Technology Targeting Large Market

QuantaSing Group Ltd. (NASDAQ: QSG)

Share Price: \$2.26

Valuation: \$10.75



Key Statistics

52 Week Range	\$1.96 - \$28.99
Avg. Volume (3 months)	23.91K
Shares Outstanding	55.21M
Market Capitalization	\$124.77M
EV/Revenue	0.2x
Cash Balance*	\$105.39M
Analyst Coverage	3

*Cash balance as of June 2023

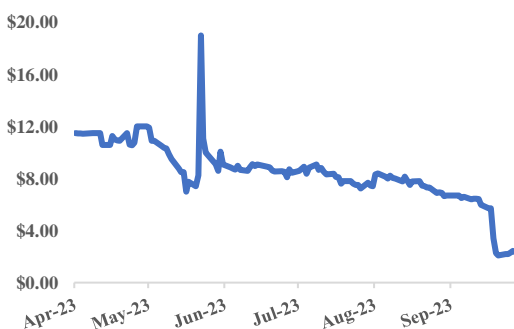
Revenue (in RMB millions)

June - FY	2023A	2024E	2025E
1Q	659.36	784.64	972.95
2Q	786.42	924.04	1,145.81
3Q	807.24	948.51	1,176.15
4Q	828.35	984.03	1,222.61
FY	3,081.38	3,641.22	4,517.52

EPS (in RMB)

June - FY	2023A	2024E	2025E
1Q	(1.96)	0.08	0.12
2Q	(0.89)	0.09	0.14
3Q	(0.19)	0.09	0.16
4Q	0.31	0.10	0.20
FY	(1.26)	0.36	0.62

Stock Price Chart (in \$)



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Investment Highlights

- Diversified Scalable Technology Platform Infrastructure Enabling Diversified Course Offerings** - QuantaSing started its journey in July 2019 by launching its flagship online financial learning service, QiNiu. The company gained significant traction early on, making it the largest online financial literacy platform for adults in China. It then introduced enterprise-focused services in February 2020, followed by the launch of JiangZhen and QianChi as a part of the company’s other personal interest courses in August 2021 and June 2022, respectively. Building on its initial success in financial literacy and broadening the scope of its technology platform for adult learners, the company built “truly” diversified offerings, enabling it to scale, increase its revenue sources, and reduce its dependency on a single segment.
- Robust KPIs, Signifying Effective Strategy Implementation** - QuantaSing has laid out a multifaceted growth strategy that leverages its core strengths in technology and educational content. The strategy focuses on increasing learners’ engagement and retention by continually enriching course offerings based on proven customer demand along with quality human capital and expanding the user base by using data-driven marketing approaches. Additionally, the company invests heavily in building proprietary technology and data analytics to optimize learner experience and operational efficiency. These efforts are being reflected in the company’s operating metrics and financial numbers. The total registered users grew from 17.0 million as of June 2021 to 94.3 million as of June 2023, while the total paying learners saw a healthy increase from 0.8 million for 2021 to 1.1 million for 2022. Moreover, the company has also extended its successful business model to other platforms and diversified by providing enterprise services. The enterprise services revenue has registered robust growth from RMB 144.31 million in 2021 to RMB 340.9 million in 2023. Finally, the company is eyeing overseas expansion and considering strategic collaborations, potentially through investments or acquisitions, to expand its market share. Recently, the company announced the acquisition of Kelly’s Education, an online language education platform, and forayed into the live e-commerce sector to further drive long-term growth.
- The Need for Lifelong and Adult Learning** - The rapid economic and technological growth in China has spurred an increasing demand for lifelong and adult learning as an economic imperative. Driven by advancements in automation and digitization and an aging workforce, the need for continuous upskilling and reskilling has never been greater. This urgency is further amplified by the deeply ingrained Chinese perspective that sees education as a holistic, lifelong endeavor, a view supported by overwhelming public opinion in recent surveys. In a society that highly values education for personal growth, workplace competence, and staying abreast with current times, adult learning programs and personal development are essential for sustained career paths and the overall economic vitality of the nation.
- Leader in a Fragmented, Rapidly Growing Market** - QuantaSing has secured a dominant role in China’s fragmented but rapidly expanding adult personal interest learning market. In a market characterized by the presence of many players, QuantaSing has held a leading position for two consecutive years. The adult personal interest learning market generated a revenue of RMB 153.5 billion in 2022 and is expected to grow at a CAGR of 14.1% from 2022 to 2027. While QuantaSing primarily focuses on the individual segments, there’s also burgeoning potential in the enterprise services segment, where businesses are increasingly investing in professional development programs for employees. QuantaSing’s growing brand recognition and customer loyalty allows it to leverage cross-selling and upselling opportunities, acting as a potential barrier to entry in a competitive market.
- Valuation** - A blended discounted cash flow analysis and comparable company analysis approach, assuming a 13.0% discount rate, 1.5% terminal growth, and 1.95x EV/Sales multiple, yielded a valuation of \$10.75 per share, contingent on successful execution by the company.

Company Description

QuantaSing Group Limited, founded in 2019 and based in Beijing, offers a variety of online courses for adult learners and enterprises services in China. Their educational brands include QiNiu, JiangZhen and, QianChi.

Company Overview

QuantaSing Group Limited is a dominant player in China's adult online learning sector, with a particular emphasis on personal interest courses. According to a 2023 report by Frost & Sullivan, the company ranks as China's largest online individual adult learning service provider and adult personal interest learning provider in terms of overall revenue in 2022.¹ The company's portfolio is diversified, catering to both individual learners and enterprises. For individual adult learners, QuantaSing offers a plethora of online courses under multiple brands, including QiNiu, JiangZhen, and QianChi. These courses encompass a wide array of subjects, ranging from financial literacy to lifestyle and hobbies. Additionally, the company extends marketing services to financial intermediary enterprises and offers enterprise talent management services, which include online talent assessment, training, and learning solutions for internal employee management. Recently, the company announced the acquisition of Kelly's Education, an online language education platform, and forayed into the live e-commerce sector to further drive long-term growth.

QuantaSing is the largest learning service provider in China's online adult learning market and China's adult personal interest learning market in terms of revenue

As of June 2023, QuantaSing had amassed approximately 94.3 million registered users, a major increase from 17.0 million as of June 30, 2021. This growth is reflected in the company's financials, with total revenues for the fiscal years ending in June 2021 and 2023 standing at RMB 1,759.9 million and RMB 3,081.4 million, respectively. The company has seen a 37.5% increase in paying learners, reaching 1.1 million for the fiscal year ending June 30, 2022. A cornerstone of QuantaSing's success lies in its technology capability, which is deeply integrated into all aspects of business operations. From content development and live streaming to intelligent study toolkits and customer engagement, the company continually invests in its proprietary technology. This focus enables QuantaSing to gather real-time business intelligence, thereby enhancing course quality, learner experiences, and sales conversions.

QuantaSing attributes its market success to several competitive advantages, including its scalable business model, robust technology infrastructure, and a management team with a blend of visionary and entrepreneurial attributes. Looking forward, QuantaSing aims to capitalize on the growing trend of online learning in China's adult education market, which is expected to reach a CAGR of 12.6% from 2022 to 2027, according to Frost & Sullivan. The company has outlined strategies such as expanding its user base, enriching course offerings, developing enterprise services, and investing in technology and talent to drive future growth. Through a combination of innovative course offerings, advanced technology, and strategic business initiatives, the company is well-positioned to capitalize on future market opportunities, both within China and potentially on a global scale.

Corporate Structure

QuantaSing Group Limited is incorporated in the Cayman Islands as an exempted company with limited liability. Despite being a Cayman Islands-based entity, the company conducts its primary business activities in China through its wholly foreign-owned enterprise, Beijing Liangzizhige. The company navigates China's regulatory landscape by utilizing a Variable Interest Entity (VIE)

¹ <https://www.frostchina.com/content/insight/detail?id=64f7de68f1a64bed3e12e3dc>

structure. This involves contractual agreements with Beijing Feierlai, a Chinese-based entity, and its nominee shareholder.

Originally part of a broader conglomerate known as Witty Network Limited, QuantaSing was spun off and restructured in May 2022 to narrow its focus on online learning services. This strategic move also laid the groundwork for an anticipated initial public offering (IPO). The newly established VIE structure under QuantaSing Group Limited was formalized through a series of contractual agreements. These contracts enable QuantaSing to be considered the primary beneficiary for accounting purposes, thus allowing the consolidation of the VIE's financial results. They also permit the company to capture a substantial portion of the economic benefits generated by the VIE and provide an exclusive option to purchase all or part of the VIE's equity interests when permissible under People's Republic of China (PRC) law. Below is a diagram detailing the simplified corporate structure, including principal subsidiaries and affiliated entities.

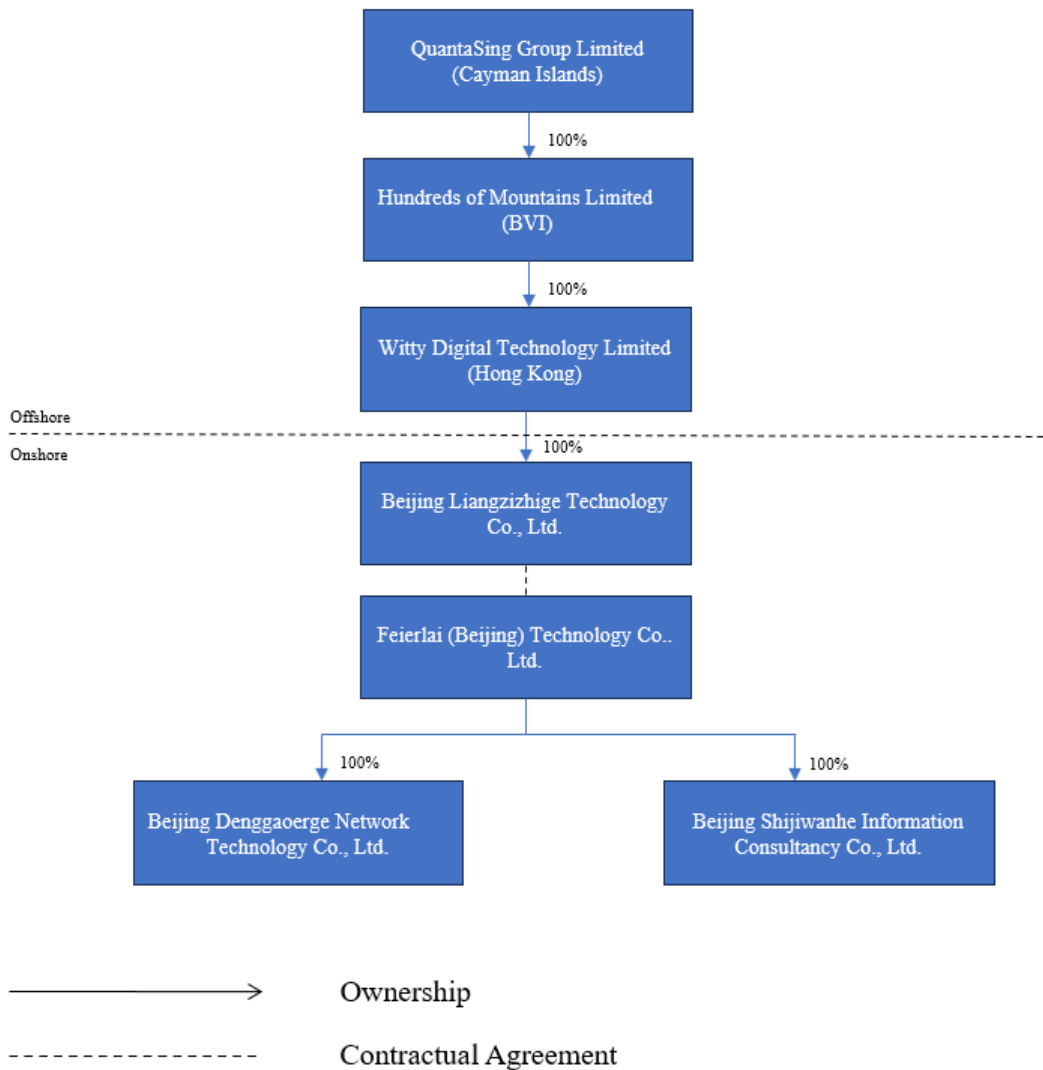


Exhibit 1: QuantaSing Corporate Structure. Source: Company Filings

Broad Presence on The Back of Diversified Course Offerings

In the online education space, the company's ability to serve a wide array of learners through a diversified portfolio stands out as a competitive differentiator.

The infographic is set against a dark blue background with white and light blue text and icons. It is divided into three main columns for the brands, a central section for individual courses, and a bottom section for enterprise services.

Brand	Launched	Description
QiNiu	July 2019	Largest online financial learning service provider for adults in China ¹
JiangZhen	August 2021	A comprehensive upskilling platform for personal growth
QianChi	June 2022	An interest-based learning platform for silver learners

Our Signature Courses for Individual Customers

- Financial Literacy
- Short Video Production
- Memory Training
- Personal Well-being

Our Enterprise Services

- Marketing Services (Launched in February 2020)
- Enterprise Talent Management Services (Launched in June 2022)

Note 1: Based on Frost & Sullivan report, in terms of revenue in 2021.

The company operates on a dual-faceted business model, offering both online courses to individual adult learners, and enterprise services

Exhibit 2: QuantaSing's Brands. Source: Investor Presentation

Introduction to Offerings: A Dual-Focus Approach

The company operates on a dual-faceted business model, offering both online courses to individual adult learners and enterprise services, including marketing and talent management solutions. This vibrant ecosystem has evolved around the learning platforms, enabling the company to become a two-sided service provider.

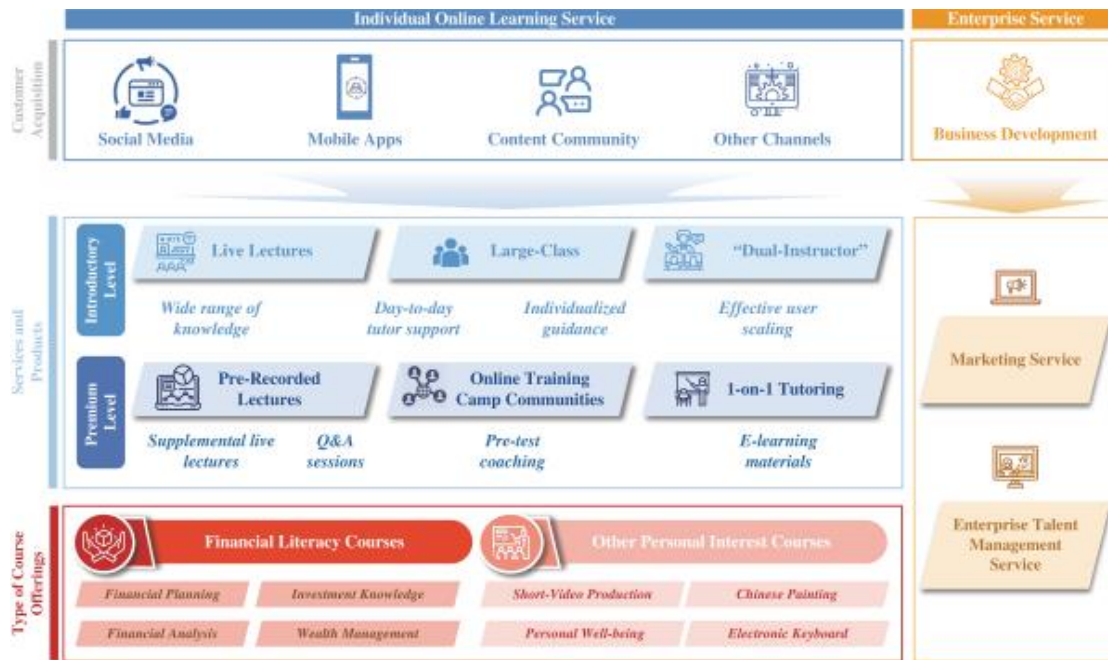


Exhibit 3: QuantaSing's Product Offerings. Source: Company Filings

QiNiu: The Flagship for Financial Literacy

QiNiu's primary focus is to bridge the glaring financial literacy gap in China. As of 2021, the financial literacy rate in China was a mere 28%, according to the F&S report. This pales in comparison to more mature economies like the United States (57%) and the United Kingdom (67%). QiNiu has been agile in capturing this latent demand, offering a spectrum of financial literacy courses that range from introductory to advanced levels.

- **User Metrics as a Testament to QiNiu's Value Proposition**

From June 2021 to November 2022, the brand saw its registered user base expand from 17 million to approximately 59.7 million. The brand's paying learners also grew from 0.8 million to 1 million over the same period. This data is a compelling testament to QiNiu's robust value proposition and its resonance with the target demographic.

QiNiu, the company's largest brand had approximately 59.7 million registered users as of November, 2022 compared with 17.0 million as of June 2021

- **Course Offerings: A Progressive Learning Pathway**

QiNiu's courses are meticulously designed to offer a progressive learning pathway. Introductory courses provide a foundational understanding of financial planning and common financial products like stocks, bonds, and mutual funds. Intermediate courses extend the topics covered in introductory courses but offer detailed explanations and application scenarios. Advanced courses dive deeper into complex areas like technical analysis and household asset allocation.

JiangZhen and QianChi: Catering to an Evolving Lifestyle

JiangZhen and QianChi were introduced in August 2021 and June 2022, respectively, as part of the company's diversification strategy. These brands offer courses that align with evolving lifestyle needs, ranging from short video production to health and well-being.

- **Quick User Accumulation: A Sign of Market Receptivity**

The numbers speak volumes; in a short span from their introduction until November 2022, these brands collectively gathered approximately 15.4 million registered users and 0.1 million paying learners. These metrics indicate not just a successful launch but also a high level of market receptivity to these new educational categories.

- **Course Catalog: A Glimpse into Diversity**

JiangZhen and QianChi have a broad course catalog that caters to diverse personal interests. These include:

1. **Short-video Production Courses:** Aimed at freelancers and amateurs, these courses cover all aspects of video content creation and editing.
2. **Personal Well-being:** Focuses on wellness and health management, providing practical tips for daily life.
3. **Hobbies like Electronic Keyboard and Chinese Painting:** These courses offer systematic learning paths from beginner to advanced levels.

JiangZhen and QianChi were introduced as part of the company's diversification strategy. These brands offer courses that align with evolving lifestyle needs



Exhibit 4: JiangZhen and QianChi Course Catalogue. Source: Company Filings

The robust growth and diverse course offerings across QiNiu, JiangZhen, and QianChi showcase the company's ability to understand market needs and adapt its offerings accordingly. The three brands collectively form a powerful triad that serves a wide range of educational needs while also driving significant business value.

Enterprise Services: Synergy and Scalability

The enterprise facet of the business model serves as a strategic extension, capitalizing on the robust user base and technological infrastructure. Here, the company diverges into three primary avenues: Marketing Services, Enterprise Talent Management Services, and Enterprise Technical and Operational Support Services.

- Marketing Services: A Win-Win for Financial Intermediaries and Learners -** Launched in February 2020, the marketing services aim to create a meaningful relationship between financial intermediary enterprises and the vast learner base. The enterprises in question predominantly include premium securities brokerage firms, insurance intermediaries, and fund intermediaries. By matching these organizations with learners, the company not only diversifies its revenue streams but also adds an invaluable layer of practicality to its educational offerings. It's an ecosystem where education meets application.

Revenue Model - The revenue model here is predominantly based on lead referral fees, which are charged to the financial intermediary enterprises. The fees are tailored to the quality and quantity of the leads generated, offering a scalable revenue channel that aligns with business performance.

- Enterprise Talent Management Services: The Digital Transformation of HR -** In June 2022, a significant addition to the service portfolio was the Enterprise Talent Management Services. Leveraging its existing technology infrastructure, the company delivers customized online courses and assessment mechanisms aimed at meeting the talent management needs of its corporate clientele. This service is an amalgamation of talent assessment, training, and internal employee management, all facilitated through an intelligent online platform.

Customization and Analytics - What sets this service apart is its high level of customization. Enterprises can receive automatically generated reports detailing the learning progress and assessment performance of their employees. This granular level of analytics serves as an invaluable tool for HR departments to fine-tune talent strategies dynamically.

- Enterprise Technical and Operational Support Services -** In the pipeline is a service aimed at enterprises seeking to build or optimize their proprietary online learning platforms. This venture, currently in a pilot program with a reputable media group in China, is a testament to the company's confidence in its operational and technological excellence. The scalability potential here is immense. Each new enterprise brought on board essentially serves as a 'plug-and-play' model, given the already established robust technological infrastructure.

In conclusion, the Enterprise Services segment is strategically aligned with the company's core focus on individual learning. It extends the revenue model by introducing services that appeal to

QuantaSing extends the revenue model by introducing services that appeal to enterprise clients

corporate clients while also leveraging the educational content to provide a more holistic offering. This dual approach helps the company diversify its revenue streams and increase the overall utility of its educational courses, thereby adding to the group's value proposition.

Innovative Learning Journey: Technology Meets Pedagogy

- **The "Dual-Instructor" Paradigm**

The "dual-instructor" mode is a disruptive innovation in the ed-tech space. It allows a lead instructor to lecture a large class through live streaming while off-class tutors manage smaller groups to provide personalized attention. This model has proven to be extremely efficient in enhancing user stickiness, connecting over 100,000 learners simultaneously.



Exhibit 5: QuantaSing's Dual-Instructor Mode. Source: Company Filings

The dual-instructor model has proven to be extremely efficient in enhancing user stickiness, connecting over 100,000 learners simultaneously

- **Community-Based Training Camps: Premium Course Delivery**

For premium courses, the company employs a community-based training camp model. This includes a triad of components: training camp communities, pre-recorded lectures, and illustrative slideshows. This approach not only standardizes the course content but also allows learners to customize their learning pace, thus enhancing learning outcomes.

- **Live Lecture, One-on-One Tutoring Mode: A Customized Learning Approach**

In a move to offer more personalized learning experiences, the company delivers specific premium courses through a live lecture, one-on-one tutoring mode. This pedagogical approach is particularly evident in specialized subjects that necessitate focused attention, such as their electronic keyboard courses. The mode allows for real-time adjustments to the instructional pace and content, effectively tailoring the learning journey to the individual progress of each student.

The company also offers customised learning approach for premium courses that require focused attention

Scalable “Human and Data” Driven Platform Maximizes User Engagement and Expands Learning Opportunities

In the competitive landscape of online education, one of the most critical differentiators is the quality of human capital employed. QuantaSing places an uncompromising emphasis on recruiting and training its teaching staff, a strategy that has significantly contributed to its success and industry standing.

Instructors: Industry Veterans and Subject Matter Experts

The company's instructors are not mere academics; they are seasoned professionals with substantial industry experience and relevant certifications. The recruitment process is both stringent and methodical, ensuring that only those who can add real-world applicability to theoretical knowledge are selected. This is not merely a best practice but a strategic imperative, as it elevates the learning experience and equips students with actionable insights. The company has successfully turned its instructors into a competitive advantage, a factor that should not be underestimated in future growth projections.

Off-Class Tutors: Critical to Learner Engagement and Course Completion

Equally pivotal to the educational matrix are the off-class tutors, who are rigorously trained to maintain high levels of learner engagement—a key performance indicator that is directly proportional to learner satisfaction and, by extension, revenue retention. These tutors undergo stringent training and their performance is continually assessed based on multiple key performance indicators such as course completion rate, learner satisfaction, and retention metrics. The investment in this layer of educational support not only enhances the learner experience but also adds additional avenues for revenue optimization through upselling and cross-selling.

QuantaSing places an uncompromising emphasis on recruiting and training its teaching staff, a strategy that has significantly contributed to its success and industry standing

In summary, the company's human capital strategy is an integral part of its value proposition, acting as a significant differentiator in a crowded market. The dual focus on both instructors and tutors creates a robust educational environment that not only serves to attract new learners but also fosters higher retention rates. This multi-faceted approach to human capital is a compelling aspect of the company's long-term viability and should be closely monitored by potential investors.

Content Development and Monitoring - An In-House Approach with Selective External Collaboration

The company primarily engages in in-house content development, translating complex theories into pragmatic, actionable skills. With an evolving proprietary database of standardized educational resources, the company continually refines its course material based on learner feedback and insights gleaned from internal analytics tools. Although there's limited collaboration with third-party learning service providers for market testing of new courses, the focus clearly remains on internal expertise.

The company employs the ADDIE (Analyze, Design, Develop, Implement, Evaluate) model to structure its content development efforts strategically:

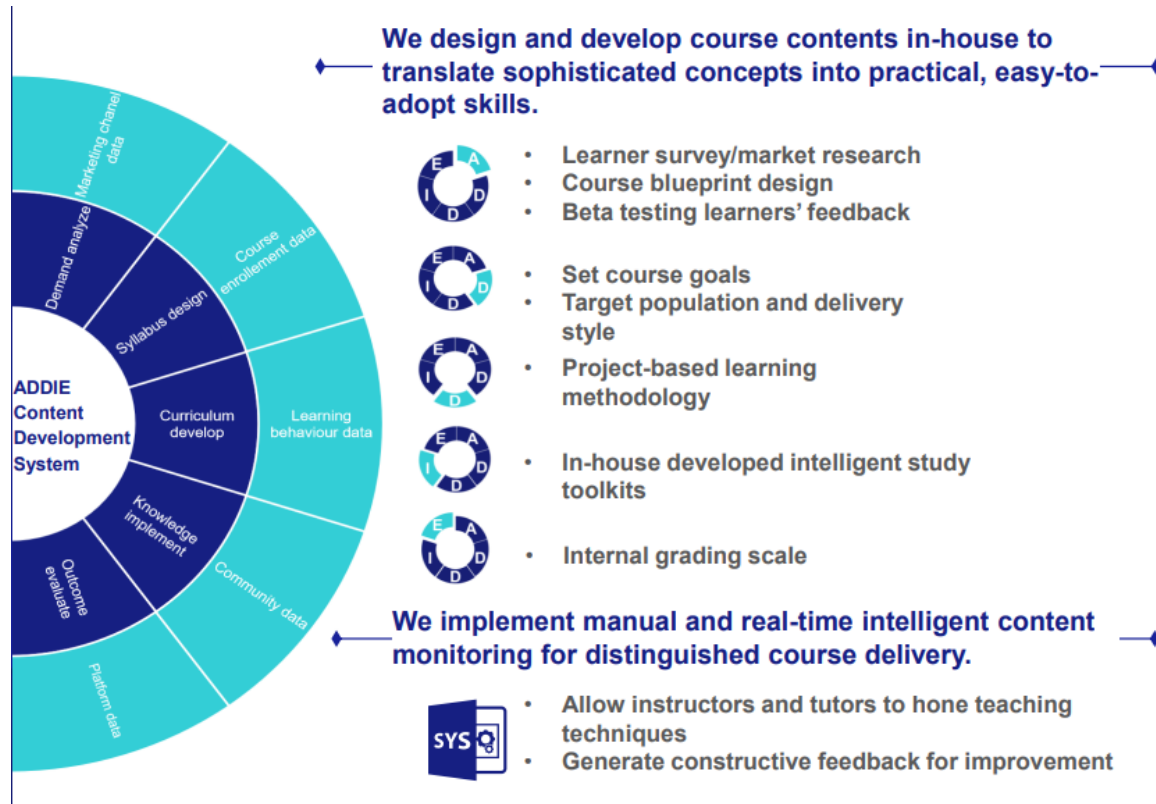


Exhibit 6: QuantaSing's Content Development System. Source: Investor Presentation

- **Analyze:** Utilizing data from learner surveys and market research, demand for potential courses is assessed, with findings consolidated into a comprehensive course blueprint for beta testing.
- **Design:** The curriculum is standardized, with each course offering a well-defined syllabus aimed at achieving specific educational outcomes aligned with the target demographic.
- **Develop:** The courses are designed to be experiential, leveraging project-based learning methodologies to foster critical thinking. Each lesson typically features multiple case studies to enhance learner engagement.
- **Implement:** The company employs relatable examples and intuitive metaphors to facilitate the comprehension of complex topics, further enriched by their in-house intelligent study toolkits.
- **Evaluate:** Continuous refinement of course materials is undertaken, guided by an internal grading system that considers various metrics such as course positioning and content quality.

The company continually refines its course material based on learner feedback and insights gleaned from internal analytics tools

Technological Leverage and Talent Pool in Content Development

The company has been a pioneer in adopting AI-driven content development processes since March 2020, positioning it as a leader in the online adult learning sector, as per the F&S report. The skill sets of the content development team are complementary and diversified, ranging from professionals with backgrounds in finance and investment to those with significant experience in online training and curriculum development. The tutors for JiangZhen and QianChi also bring their expertise in developing personal interest courses. They are not just instructors but also skilled practitioners in their respective fields. With deep-rooted expertise, they go beyond textbook knowledge to offer a nuanced, real-world perspective, elevating the courses from mere academic pursuits to hands-on learning experiences.

The content development team boasts a diverse and synergistic skill set, spanning finance expertise to online educational proficiency

Content Monitoring: Ensuring Quality and Integrity

The quality of the educational environment is deemed critical for the company's reputation and long-term viability. The course offerings are specifically tailored to meet mass-market demand and practical applications. Post-course feedback from learners is actively solicited and integrated into future content revisions. Additionally, the company conducts ongoing competitive analysis to ensure its course offerings remain current and comprehensive. To that end, the company has deployed multiple layers of content monitoring:

- **Manual Monitoring:** Teaching assistants are actively involved in live sessions to monitor content and ensure compliance with established guidelines, thereby preserving the integrity and quality of the learning experience.
- **Real-Time Intelligent Monitoring:** The company employs data analytics tools for automated real-time monitoring to detect and mitigate any irregular learner behavior or inappropriate comments during live sessions.

Technology and Security Infrastructure: A Scalable and Secure Foundation for Online Education

The company operates its multiple online learning platforms—QiNiu, JiangZhen, and QianChi—each with unique value propositions and content focus. These platforms are accessible via mobile apps and are integrated with Weixin, a vital component for user management and engagement. QiNiu, for instance, incorporates a specialized feature, "QiNiu Circle," designed to facilitate continuous learning and interaction between experts and learners.

The organization employs a robust combination of legal instruments to secure its intellectual property (IP) assets. This includes leveraging copyright laws and audio-visual recording rights to protect the intellectual content of its premium courses, as well as utilizing software copyright mechanisms to safeguard its technology platforms. All employment contracts are structured such that intellectual property generated by employees in the course of their professional duties is unequivocally owned by the company. This clause serves as an additional layer of protection against potential misappropriation. The company has a notable portfolio of intellectual property

The firm holds a significant IP portfolio in China, encompassing 5 patents, 82 domains, 170 copyrights and 245 trademarks

rights registered in China. This includes five patents, 82 domain names, 170 copyrights—of which 31 are specifically for software—and 245 trademarks. Notably, the trademarks include those related to its core brands, namely “QiNiu,” “JiangZhen,” and “QianChi.”.

Proprietary tech-sys	Strength	Key features
Livestreaming System	Steady and reliable Streaming service	<ul style="list-style-type: none"> • Flexible Microservice Architecture • Diversified Content Delivery Network • Https Secure Transmission Protocol • Gateway Dynamic Routing
Intelligent Study Toolkits	Strong learner engagement	<ul style="list-style-type: none"> • More than 50 hands-on intelligent tools • Toolkits allow learners to apply knowledge
Business Intelligent System	Monitor and evaluate key performance indicators	<ul style="list-style-type: none"> • Intelligent marketing system • Intelligent interactive system • Intelligent content development system • Intelligent content monitoring system
Business Operation	Strengthen understanding of users and optimize operations	<ul style="list-style-type: none"> • Customer Acquisition • Customer Retention • Course Content • Cost Control

Exhibit 7: QuantaSing’s Content Development System. Source: Investor Presentation

Core Technology Infrastructure: The Backbone of Operational Excellence

Technology serves as the cornerstone of the company's scalable business model. The company's robust technological capabilities not only augment the user experience but also optimize course delivery and operational efficiency. As of the end of November 2022, the company employed 309 R&D personnel, reflecting its commitment to technological innovation.

Data analytics are at the core of the group's operations. It employs automated tools to gather and analyze data across various user touchpoints, from acquisition to engagement. This data-driven approach yields actionable insights that are rapidly integrated into business operations, enabling operational refinements and efficiency gains.

- **Intelligent Marketing System:** Advanced analytics tools optimize user acquisition and engagement, streamlining conversion paths and enhancing cross-channel conversion efficiency.
- **Intelligent Interactive System:** The group's proprietary broadcasting technology enhances live session participation and engagement by integrating text-based and audio-visual components.
- **Intelligent Content Development System:** Real-time analytics during live sessions help fine-tune content delivery, providing immediate feedback on user engagement

- **Intelligent Content Monitoring System:** Deep learning and NLP technologies empower the company's real-time content monitoring capabilities, mitigating risks associated with inappropriate user-generated content.

Live Streaming: High Capacity and Secure Delivery

The company's live streaming technology is built upon a flexible microservices architecture, offering scalability and high-quality video streaming for up to 100,000 simultaneous users. Advanced security protocols, including HTTPS and real-time authentication, fortify the system against potential threats. The company engages third-party cloud services based in China for hosting its network infrastructure. With a focus on reliability, the IT department conducts 24/7 monitoring to ensure optimal performance and rapid response to any issues.

User Acquisition, Pricing and Revenue Channels

The company primarily targets individual learners through a well-executed marketing strategy that leverages mobile and other digital channels in China, with a specific focus on major social media platforms. Moreover, the company recognizes the invaluable contribution of word-of-mouth referrals to its customer acquisition, attributing this to its high-quality courses and favorable learner experiences.

The company has meticulously crafted a sales process, characterized by a series of interconnected steps designed to broaden its revenue-generating learner base. It strategically aligns its marketing collateral with the latent demand for personal financial skills and subsequently engages potential customers through introductory live sessions. The design and content of these marketing materials are tailored to suit the specific characteristics of the social media platforms they are deployed on, enhancing marketing efficiency. Potential customers are funneled into the sales process through direct enrollment options prominently displayed on various marketing channels. These introductory courses typically consist of preliminary lectures that aim to acquaint learners with the subject matter while providing a simulated formal learning experience. This approach serves to set learner expectations about the quality and nature of the company's broader course offerings.

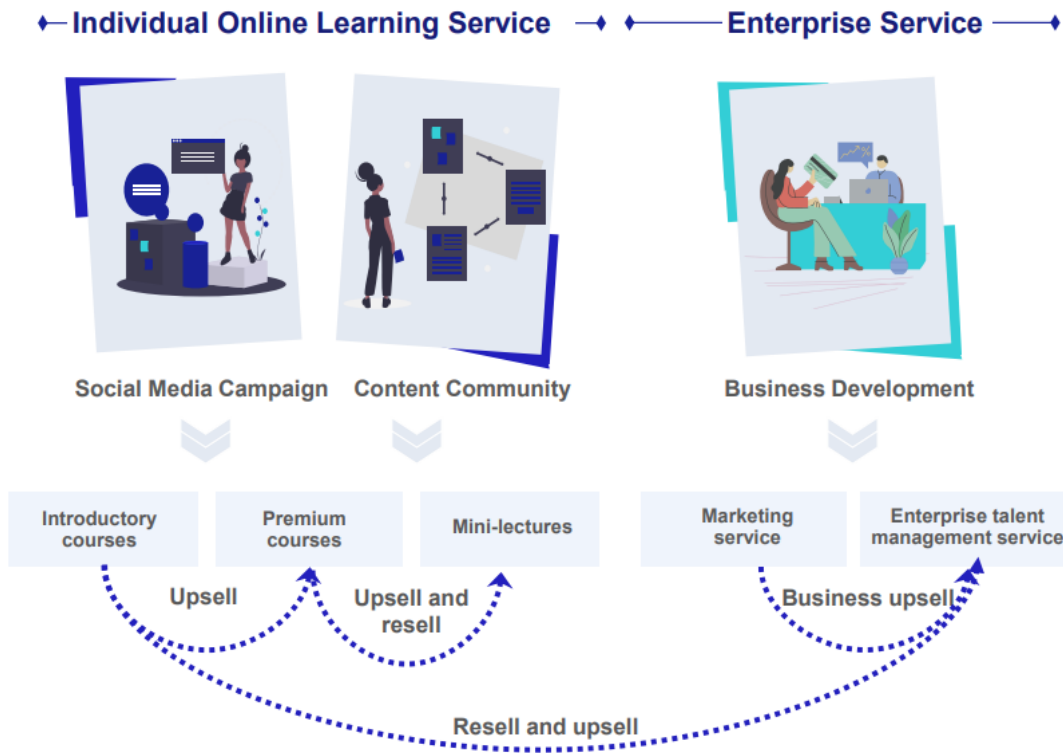
The company efficiently engages learners through targeted digital and social media campaigns, further amplified by high-quality courses that drive word-of-mouth referrals

Pricing and Revenue Strategy

The company employs a tiered pricing strategy that warrants investor attention due to its straightforward yet effective approach. Introductory courses are typically offered at no charge or at a nominal fee, generally not exceeding RMB 9.9 as of November 30, 2022. This low initial cost serves as a user acquisition tool, channeling a large audience into the company's educational ecosystem.

Once users are engaged, the opportunity for upselling to premium courses becomes a viable pathway for revenue growth. These premium courses are priced between RMB 1,980 and RMB 3,699, offering a range of more specialized content and learning experiences. The pricing model aims to balance market accessibility with revenue generation. By offering low-cost introductory

courses, the company effectively captures a broad user base, including those who are initially unwilling or unable to commit to higher-priced courses.



QuantaSing uses a tiered pricing strategy, offering low-cost introductory courses as a user acquisition tool and upselling to premium courses

Exhibit 8: QuantaSing's Customer Acquisition Funnel. Source: Investor Presentation

From an investment standpoint, this pricing model is designed to optimize both customer acquisition and lifetime value. The company leverages the quality of its content and the expertise of its teaching staff to convert a notable percentage of initial users into customers for its premium offerings.

In summary, the company's pricing strategy seems to be a well-calculated approach to target steady revenue growth while maintaining market reach. It effectively mitigates the initial cost of customer acquisition and seeks to maximize revenue over the longer term. This is a key aspect for investors to consider when evaluating the company's financial sustainability and potential for growth.

Growth Strategy: Orchestrating a Future-Ready Blueprint

As the company goes through an increasingly competitive landscape, a well-articulated growth strategy becomes indispensable for sustainable long-term success. QuantaSing aims to position itself at the confluence of technological prowess, educational quality, and market responsiveness. Below, we delve into the multi-faceted growth initiatives that the company has put forth to achieve its ambitious objectives. These strategies collectively form a comprehensive blueprint designed to scale operations, diversify revenue streams, and enhance stakeholder value.

- **User Base and Learner Engagement: Data-Driven Personalization**

The core of QuantaSing Group's growth strategy centers on the expansion of its user base coupled with heightened learner engagement. The company aims to tap into the burgeoning mass market, targeting individuals who exhibit a strong need for foundational financial literacy and other specialized skills. Advanced, data-driven marketing initiatives across both digital and physical channels will be crucial in acquiring and retaining users. Moreover, the company is committed to elevating course quality, thereby enhancing engagement through interactive and customized learning experiences.

- **Curriculum Development: Market-Aligned Offerings**

The organization has a proactive approach toward curriculum expansion, focused on areas of proven market demand. By leveraging extensive market research methods such as surveys, customer interviews, and competitive analysis, QuantaSing aims to identify high-impact subject matters. With a "go-big" philosophy, new courses are strategically designed to captivate a broad audience and drive operational efficiency. Furthermore, a multi-brand online platform strategy will be employed to achieve organic growth by building distinct brand equities.

- **Enterprise Services: Cross-Selling and SaaS Initiatives**

QuantaSing Group is keen on developing its enterprise services to create synergistic value. Building on the success of its QiNiu platform, the company plans to replicate its business model across other platforms, including JiangZhen and QianChi. In addition, the organization is venturing into the Software as a Service (SaaS) space, offering enterprise talent management solutions. As of 2023, a pilot program with a leading media group in China is underway, testing the efficacy of these SaaS initiatives.

- **Technological Investment: Leveraging Data Analytics**

The company places a premium on technological advancements, particularly in data analytics. The proprietary technology stack allows for nuanced tracking of the learner's journey, which in turn informs product development. Investments in live-streaming technologies and interactive classroom features are also on the horizon. A focus on system security will ensure platform reliability, a crucial element as the company scales.

- **Human Capital: Nurturing Specialized Talent**

The organization is committed to attracting qualified instructors, particularly those with specialized industry credentials. This will be achieved through both lateral hiring of experienced instructors and systematic in-house training programs. For example, instructors for financial literacy courses will generally possess relevant industry certifications, such as securities and fund practice certificates.

QuantaSing's growth strategy targets user expansion, market-aligned curriculum, enterprise services, data analytics, specialized talent, and global reach to ensure sustainable growth

- **Global Expansion and Strategic Partnerships**

QuantaSing Group aims to extend its reach globally, seeking overseas business opportunities. This includes the potential exportation of its platform technology to foreign enterprises. The company is also open to strategic partnerships, investments, and acquisitions that align with its long-term growth objectives.

The company's robust financial position, characterized by significant cash and short-term investment reserves of RMB 930 million and minimal debt balance, supports the inorganic growth pathway. Taking a strategic leap, the company has recently announced the acquisition of Kelly's Education, a Hong Kong-based online language learning platform for children aged 3-15. This acquisition not only marks QuantaSing's entry into the global online education market but also into the language learning sector. Post-acquisition, Kelly's Education will operate as a wholly-owned subsidiary of QuantaSing. The company also plans to expand the reach of Hong Kong Online Education (HKOE), a brand initially developed by Kelly's Education, to offer affordable, high-quality English courses for children.

This acquisition is a strategic play for QuantaSing, broadening its educational portfolio. It complements their existing platforms focused on financial literacy and lifelong learning, suggesting an integrated ecosystem that could drive cross-selling opportunities. Furthermore, QuantaSing also plans to introduce new courses, such as Chinese language learning, and aims to attract a broader age demographic. Overall, this acquisition appears to offer QuantaSing a strong foundation for global expansion, revenue diversification, and educational offering enhancement.

In summary, QuantaSing Group's growth strategy is comprehensive, targeting multiple facets of the business, from user acquisition to global expansion. This well-rounded approach is designed to capitalize on existing strengths while positioning the company for sustainable, long-term growth.

QuantaSing aims to expand through strategic collaborations, potentially through investments or acquisitions, to expand its market share

Staying Ahead and Continuing Dominance in a Niche Market

In China, a country known for its rapid technological advancement and social change, there's a quieter revolution happening: the rise of lifelong learning. Fueled by a blend of ancient traditions and modern imperatives, education is viewed not as a phase that ends with a degree or diploma but as a holistic approach that recognizes learning as an ongoing, lifelong endeavor. According to a late 2020 survey by China Youth Daily, 97% of respondents endorsed the concept of lifelong learning, and 97.6% emphasized its importance for personal growth.² They cited benefits such as self-improvement, workplace competence, and staying updated with current developments.

With a strong urge for life-long learning, there is also an increasing need for constant and continuous learning in China. The world's second-largest economy has seen a meteoric rise in the past few decades, with a multi-fold increase in GDP, per-capita income, and labor productivity. This had been made possible by mass migration from agriculture to urban employment, a significant proportion of the young population, and a wave of industrialization. With significant innovations in technology, automation, and digitization and an aging working-age population, the Chinese economy is undergoing rapid change; there's an urgent need for workforce reskilling and upskilling. As a result, adult learning programs that offer career-specific training and personal development courses are not merely beneficial but essential for individual career trajectories and the continued vitality of the Chinese economy. This confluence of factors has resulted in a burgeoning demand for adult learning programs that significantly differ from traditional frameworks.

Adult learning goes beyond the standard courses offered to prepare for degrees or diplomas granted by any education regulatory body; rather, it encompasses the acquisition of knowledge or skills, professional training specific to any job profile, and personal development courses aimed at enhancing individual capabilities and well-being. Whether it's learning a new programming language, mastering project management techniques, or exploring topics enrichment like art history or mindfulness, adult learning serves a multi-faceted role in contributing to both professional advancement and personal growth. This niche segment of the broad education market, in terms of revenue, has historically sustained healthy growth rates. The online segment of the adult learning market in China grew from RMB 58.6 billion in 2018 to RMB 143.5 billion in 2022, at a CAGR of 25.1%, while the offline adult learning market increased from RMB 374.3 billion in 2017 to RMB 432.7 billion in 2022 attaining a CAGR of 3.7%. Both the online and offline segments have been forecasted to expand, reaching annual revenue of RMB 325.0 billion and RMB 718.2 billion by 2027, respectively.

Catering to the Needs of Both Individuals and Enterprises

The primary users of adult learning services in China consist of both private individuals and corporate entities. Individuals usually seek courses for personal development, vocational training, and language proficiency, while corporations primarily invest in professional training programs to upskill the workforce.

Rising lifelong learning needs in China are driven by rapid economic growth, technological innovation, and an aging workforce, necessitating urgent reskilling and upskilling

² CHINA'S LIFELONG LEARNING POLICIES, LIM Tai Wei, EAI Background Brief No. 1584

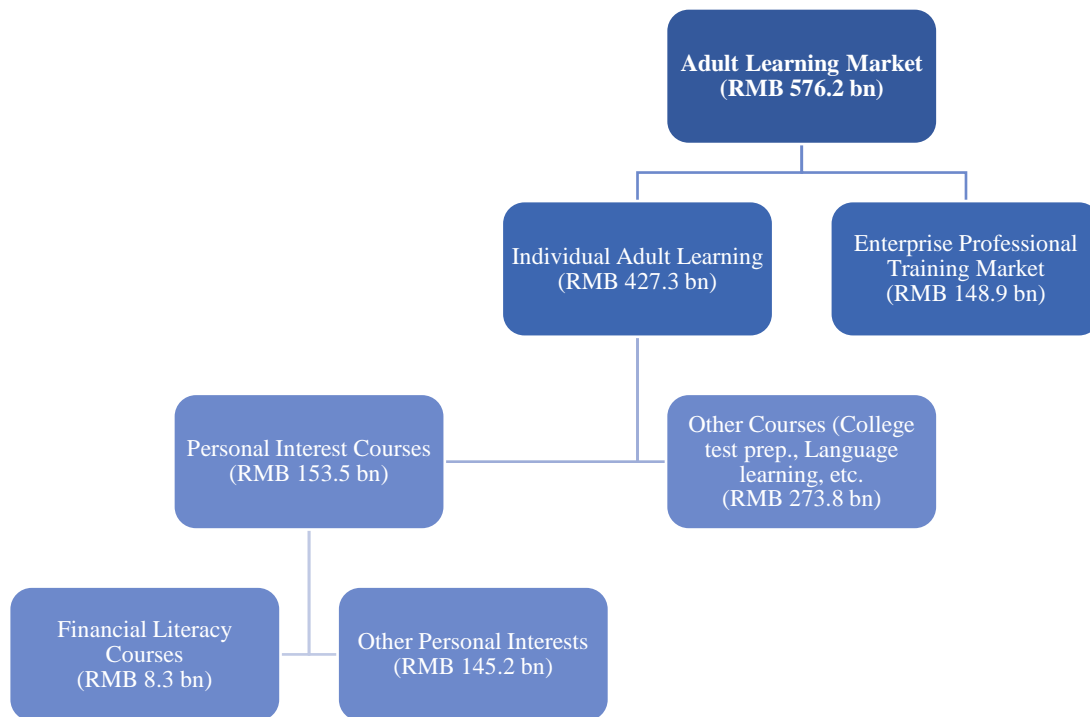
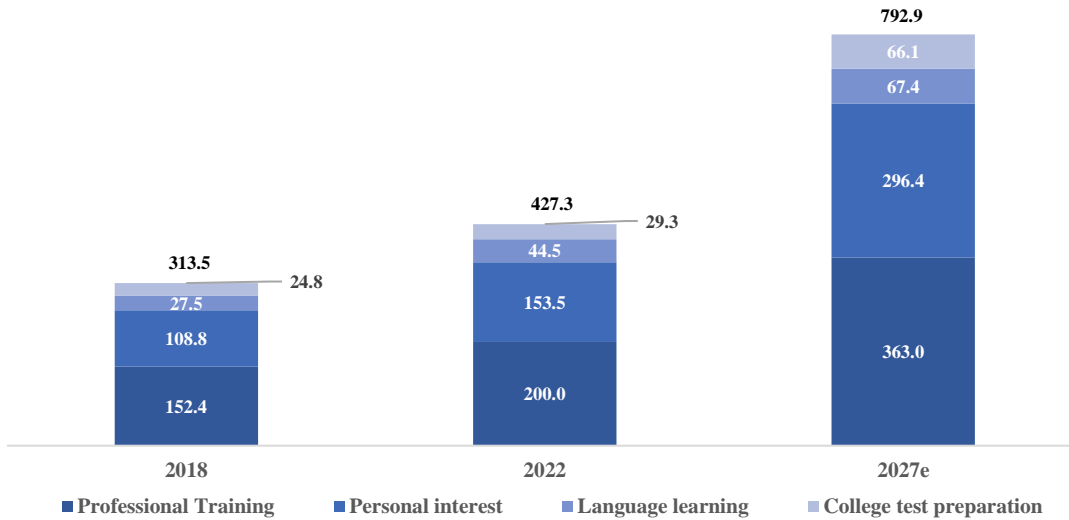


Exhibit 9: Segmentation of Adult Learning Market by Course Type and 2022 Market Size. Source: Company Filings, Frost & Sullivan, Diamond Equity Research

China’s individual adult learning market can be broadly segmented into personal interest courses, professional training, college test preparation, and language learning. The combined revenue generated by these segments amounted to RMB 313.5 billion in 2018, which grew at a CAGR of 8.0%, reaching RMB 427.3 billion in 2022. This is further estimated to expand at a CAGR of 13.2% to reach RMB 792.9 billion by 2027. Moreover, QuantaSing was the largest individual adult learning service provider in terms of revenue in 2022. The adult personal interest learning segment, which is the company’s primary target market, comprises a variety of life interests ranging from financial literacy and well-being to arts and music. The market revenue from this segment increased from RMB 108.8 billion in 2018 to RMB 153.5 billion in 2022, growing at a CAGR of 9.0%. Additionally, it remains the second fastest-growing individual adult learning segment and is estimated to grow at a CAGR of 14.1%, reaching RMB 296.4 billion in annual revenue by 2027. The online market for personal interest learning formed approximately 17.8% of the overall personal interest learning market, and this is estimated to increase to 23.2% by 2027, implying a faster growth rate of 20.4% over the underlying period.



China's adult learning market is projected to reach RMB 792.9B by 2027, with the company's focus area, personal interest courses, expected to grow at a 14.1% CAGR to RMB 296.4B by 2027

Exhibit 10: Individual Adult Learning Market Size by Course Type – in RMB billions. Source: Frost & Sullivan, Diamond Equity Research

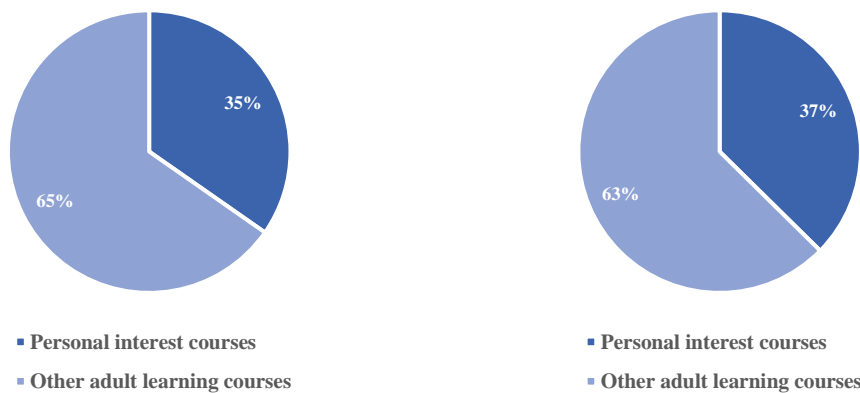


Exhibit 11: 2018 (left) vs. 2027e (right) - Personal Interest Courses Market Share. Source: Frost & Sullivan, Diamond Equity Research

The company’s adult personal interest learning courses can be further segmented into two focus areas: financial literacy and diverse personal interests. The financial literacy courses cover a broad spectrum of topics, from investment in stock, mutual funds, and real estate to various insurance products, targeting a range of financial goals like capital gains, wealth investment, and risk management. The booming household wealth management market in China has fueled interest in these courses. The assets under management (AUM) have grown from RMB 40.0 trillion in 2017 to RMB 77.6 trillion in 2021, with projections reaching up to RMB 159.1 trillion by 2026. While financial literacy remains a significant part of the adult personal interest learning segment, it only accounts for approximately 5.4% of the total adult personal interest learning market. The remaining 94.6%, valued at RMB 145.2 billion in terms of revenue, is accounted for by other personal interest courses, which are estimated to grow at 13.6% from 2022 to 2027.

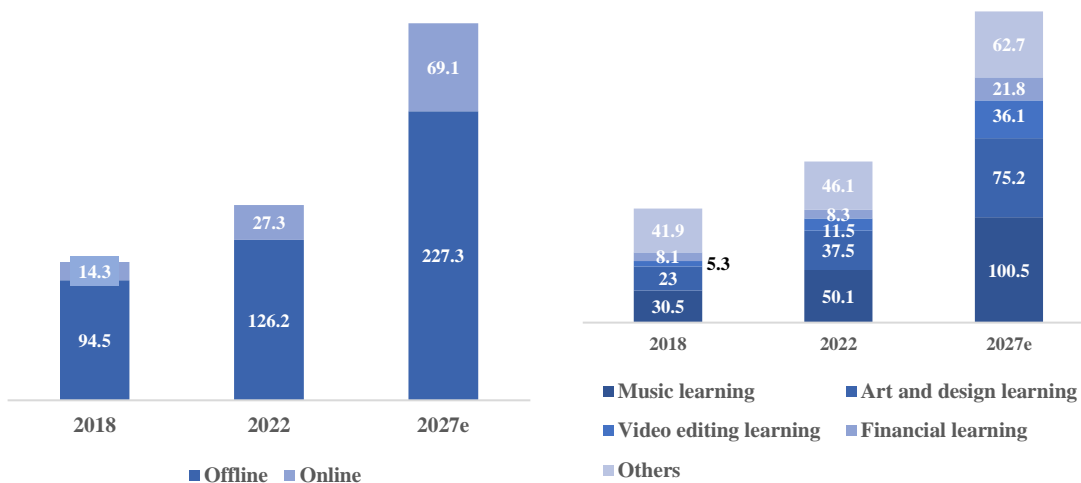


Exhibit 12: Personal Interest Courses Market Size by Mode (Left) and Type of Course (Right) – in RMB billions.
Source: Frost & Sullivan, Diamond Equity Research

China’s adult learning market, particularly in the area of personal interest courses, is on a strong growth trajectory. Fueled by increased disposable income, digital transformation of educational platforms, and a diverse array of course offerings, this market is expected to expand significantly, particularly the online segment. The focus is not just on professional upskilling but also on fulfilling diverse personal interests, marking a shift in how education is consumed throughout one’s life in China. This expanding market speaks to the broader trends of personal development and lifelong learning that are gaining traction across the country. The significant high-growth opportunity has garnered the interest of a large number of market participants, thus leading to a fragmented industry structure. In 2021, the top five players collectively held only a 3.5% market share of the adult personal interest learning market in terms of revenue. In this mix, QuantaSing dominates, holding a 1.7% market share as of 2021. The company successfully held its leading position in terms of revenue in 2022 as well. The fierce and intensifying competition is clearly visible, with no single player having a significant market share. Despite these challenges, QuantaSing has carved out a dominant position in a short span of time, potentially creating brand recognition and customer loyalty, allowing the company to capitalize on cross-selling and upselling opportunities. Customer trust and loyalty might even act as deterrents against the price wars that often characterize fragmented industries.

Besides individual adult learning, the enterprise segment has also shown significant potential and strong growth. Businesses are increasingly willing to invest in high-quality, structured professional training for their employees. Between 2018 and 2022, the revenue for China’s enterprise professional training market grew from RMB 119.4 billion to RMB 148.9 billion, with an annual growth rate of 5.7%. This market is expected to expand further, reaching an estimated RMB 250.3 billion by 2027 at an annual growth rate of 10.9%. Even though the company has primarily focused on the individual personal interest segment, the enterprise sector presents a lucrative opportunity for expansion. This could not only amplify its revenue streams but also strengthen its market presence by becoming a holistic provider of adult learning solutions.

China’s enterprise training market is set to grow at a 10.9% CAGR to RMB 250.3B by 2027, presenting a lucrative expansion opportunity for the company

Expanding Horizons with the Launch of E-Commerce Platform

QuantaSing Group Limited, originally a leading provider of online learning services in China, has made a strategically lucrative entry into the live e-commerce sector, reporting Gross Merchandise Value (GMV) of RMB 13.3 million for August 2023, just two months after its launch in June 2023. The company has showcased impressive market penetration and operational execution. Focused initially on Chinese liquor, this new venture not only adds a robust secondary revenue stream but also serves as a diversification strategy, mitigating risk by lessening reliance on their core adult learning market.



Exhibit 13: QSG’s live e-commerce platform Source: Investor Presentation.

The strong initial GMV is an encouraging indicator of the platform’s growth potential and market acceptance. Coupled with positive public reception – garnering millions of viewers since its launch – the live e-commerce business appears poised for sustained growth. This entrance into a new business venture indicates a balanced approach to solidifying its traditional market while actively exploring new avenues, which could bode well for shareholder value creation.

Management Overview

The management team at QuantaSing Group Limited consists of executives with a range of experience spanning from technology development to financial oversight. With backgrounds in different facets of business, including technology, finance, and operations — their collective experience serves to steer the company's strategic and operational goals, positioning it for sustainable growth.

Peng Li - Chief Executive Officer and Chairman of the Board

Peng Li serves as the Chief Executive Officer and Chairman of the Board at QuantaSing Group Limited, a role he has occupied since the company's inception. Prior to founding QuantaSing, he was the CEO of Beijing Renjuren Network Technology from October 2013 to September 2015. He was the co-founder and served as Vice President of Qianpin Online Network Technology from 2011 to 2013. His earlier roles include heading the commercial operation center at Beijing UCWEB Internet Technology and serving as a strategic cooperation manager at Baidu.com, Inc (Nasdaq: BIDU). He began his career as a marketing manager at Beijing Jingyeda Technology. Mr. Li holds a Bachelor's degree in Computer Science and Technology from Hebei Agricultural University.

Jinshan Li - Chief Technology Officer and Director

Jinshan Li has been with QuantaSing Group Limited since April 2018 as its Chief Technology Officer and ascended to the role of Director in May 2022. Before joining QuantaSing, he held the CTO position at Ailv Network Technology for a brief period in 2016. He also managed the carpooling division at Beijing Five Car World Technology between 2014 and 2016. Earlier in his career, Mr. Li was affiliated with Renren Inc., where he served as senior manager and technology officer from 2011 to 2014. He also served at Youdao Inc. as a Product Manager in the advertising department, a role he held from 2007 to 2011. Mr. Li earned a Bachelor's degree in Computer Science and Technology from Beijing Information Technology Institute in 2004, followed by a Master's degree in Computer Application from the Institute of Computing Technology at the Chinese Academy of Sciences in 2007.

Dong Xie - Chief Financial Officer and Director

Dong Xie joined QuantaSing Group Limited as Chief Financial Officer in January 2021 and was appointed as a Director in June 2022. Previously, he was a partner at PGadvisory and held CFO roles at Renmai Technology Group and Finup Financial Technology Group. Mr. Xie also has experience in M&A services at Deloitte China and was a Vice President at CCB International. Mr. Xie is a Chinese Certified Public Accountant, Certified Internal Auditor, Certified Tax Agent and holds the China Legal Professional Qualification. He holds a Bachelor's in Economics and a Master's in Global Economics from Nankai University and has pursued an EMBA degree jointly offered by Guanghua School of Management and Kellogg School of Management. He also serves as an independent director and audit committee chair for China BlueChemical Ltd.

Xihao Liu - Vice President and Director

Xihao Liu has been serving as the Vice President of QuantaSing Group Limited since April 2020 and assumed the role of Director in September 2022. Before joining QuantaSing, she was the Vice President of Operations at Beijing Qimeng Education Technology from November 2018 to December 2019. Ms. Liu also led community operations at Beijing Guoganshidai for a brief period in 2018 and was a Senior Operations Specialist at Hangzhou Beigou Technology from 2015 to 2018. Earlier in her career, she held various product operations roles at Alibaba Group and its affiliates from 2011 to 2015. Academically, she possesses a Bachelor's degree in Management from Shaanxi University of Science & Technology and a Master's degree in Economics from Xiamen University.

Chun Wang - Vice President

Chun Wang has been with QuantaSing Group Limited as Vice President since March 2020. Before his current role, he was Vice President of Operations at Xiaochuanchuhai Education Technology from August 2018 to November 2019. Prior to that, Mr. Wang was a partner at Beijing Guogan Technology from 2014 to 2018, where he was responsible for product development, growth initiatives, and business innovations. Earlier in his career, he served as a Mobile Product Manager at Jumei International Holding and held positions in product management and marketing at Wuxi Mmb.cn Information Technology from 2010 to 2014.

Guangfei Zhao - Vice President

Guangfei Zhao has been fulfilling the role of Vice President at QuantaSing Group Limited since March 2019. Before joining QuantaSing, he co-founded and served as Vice President at Aiwei Zhizhu Network Technology between May 2018 and February 2019. Prior to this, he held the Vice President role at 369 Global Network from March 2017 to March 2018. Mr. Zhao also has experience as a Regional Director at Beijing Xiaodu Information Technology from 2014 to 2017 and as Sales Director at Beijing Wangluo Tianxia Life Technology from 2011 to 2012. Earlier, he was Business Director at Yusys Technologies from 2008 to 2011. He holds a Bachelor's degree in Management from Shandong Technology and Business University.

Bo Bai - Vice President

Bo Bai has been serving as the Vice President of QuantaSing Group Limited since August 2020. His previous experience includes a tenure as Vice President and Chief Public Affairs Officer at Finup Group Co., Ltd., as well as the roles of Deputy Director of Government Affairs at Baidu.com, Inc. and policy research at Beijing Qihoo Technology Co., Ltd. He has also worked in policy development at Tencent Holdings Ltd. and business planning at Wanda Group. Early in his career, he was a Government Project Manager at CITIC Guoan Mengguli Co., Ltd. Bai holds a Bachelor's degree in Process Equipment and Control Engineering from Inner Mongolia University of Technology and a Master's degree in Civil and Commercial Law from Renmin University.

Financial Performance Overview

Expanding Customer Base, Steady Growth, and Evolving Revenue Mix: In the past two financial years, QuantaSing Group has reported robust revenue numbers aided by strong registered user growth, significant improvement in repeat purchase rate, and expansion beyond financial literacy, creating a “truly” diversified course offering. The company generated a revenue of RMB 1.76 billion and RMB 2.87 billion for the years 2021 and 2022, respectively, implying a year-on-year growth of 63.07%. In the recent financial year, the top line figure amounted to RMB 3.08 billion. The registered users have grown from 17.0 million as of June 2021 to 94.3 million as of June 2023, while the total paying learners were 0.8 million and 1.1 million for the financial years ended June 2021 and 2022, respectively. Furthermore, the company has reported consistent sequential growth in registered users in the past six quarters, from 37.2 million as of December 2021 to 94.3 million as of June 2023. This steady growth in registered users is further enhanced by improving the repeat purchase rate of financial literacy courses from 29.3% for 2021 to 54.7% for 2022.

In the previous financial year, the market’s reception of the company’s financial literacy courses had been negatively affected by challenging macroeconomic conditions and increasing competitive pressure, leading to a de-growth in the company’s financial literacy revenue for the year ended June 2023. This has been completely offset by robust year-on-year growth in revenue from other personal interest courses as well as enterprise services. The negative impact on the company’s financial literacy revenue may see signs of recovery as the broader economic landscape stabilizes. With strong performance in personal interest courses and enterprise services, we remain optimistic that the diversified nature of the company’s offerings will continue to cushion against market volatility and intensifying competition.

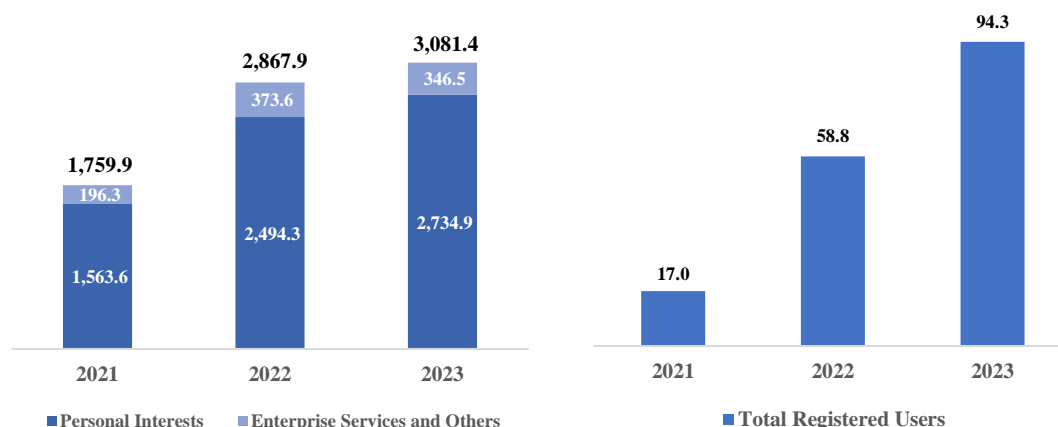


Exhibit 14: Revenue (Left) (in RMB millions) and Registered Users (Right) (in millions). Source: Diamond Equity Research

Improving Margins and Profitability: The company’s gross margins for the past two financial years were 85.7% and 87.3%, respectively. The COGS mainly comprises salaries and benefits paid to instructors and content development staff for devising premium courses for the company’s diversified offering. In the past two years, the company’s revenue composition has drastically evolved from a significant concentration of financial literacy revenue to a marked contribution by

other personal interest courses and enterprise services today. This evolving revenue mix has likely resulted in the minimal volatility observed in gross margins. Operating expenses as a percentage of total revenue saw a marked decrease from 108.6% in 2021 to 94.9% in 2022. In the recent financial year, this further reduced to 91.0%, implying an increasing realization of operating leverage and the company's efforts to achieve sustainable profitability. Additionally, for Q4 2023, the selling and marketing expenses as a % of revenue was 69.2% compared to 84.4% for the same period in the previous year. Concurrently, the company's operating margins improved from (18.8)% in 2021 and (8.2)% in 2022 to (3.7)% in 2023.

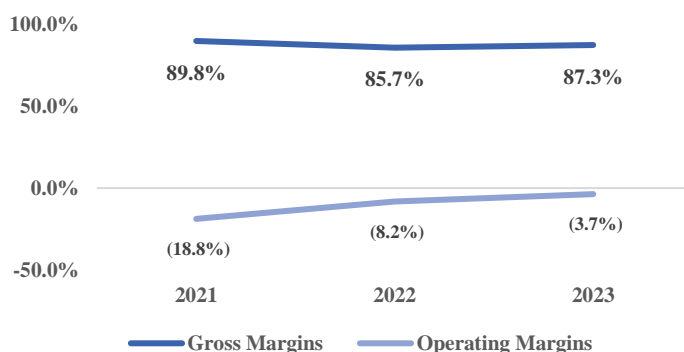


Exhibit 15: Margin Profile. Source: Diamond Equity Research

Strong Financial Position: As of June 2023, the company had cash and cash equivalents and short-term investments amounting to RMB 930.58 million. In comparison, the total debt balance was reported at RMB 93.93 million. The company recently concluded Q4 2023 on a profitable note, reporting its first GAAP profit in the past five quarters. Moreover, the company has been operating cash flow positive in 2021 and 2022. The substantial cash reserves, minimal debt profile, and operating cash flow positivity indicate the company's healthy financial standing while providing with a strong financial cushion and allowing for greater flexibility in operational and strategic decisions.

(Data in millions)	As of June 30,		As of November 30,
	2021	2022	2022
Registered Users			
Financial literacy	17.0	50.4	59.7
Other personal interests	-	8.4	15.4
Total registered users	17.0	58.8	75.1
Introductory course learners			
Financial literacy	11.9	24.0	28.3
Other personal interests	-	3.5	7.1
Total Introductory course learners	11.9	27.5	35.4
	For the fiscal year ended June 30,		For the five months ended November 30,
	2021	2022	2023
Paying learners			
Financial literacy	0.8	1.0	0.4
Other personal interests	-	0.1	0.1
Total paying learners	0.8	1.1	0.5

Exhibit 16: Key Performance Metrics. Source: Company Filings

Year-end June. (in RMB mm)	2022A	2023A	2024E	2025E	2026E
INCOME STATEMENT					
Revenue	2,867.97	3,081.38	3,641.22	4,517.52	5,234.35
Cost of Sales	(408.76)	(391.50)	(455.15)	(564.69)	(654.29)
Gross Profit	2,459.22	2,689.88	3,186.06	3,952.83	4,580.06
Operating Expenses	(2,694.59)	(2,803.49)	(3,135.09)	(3,844.41)	(4,428.26)
EBIT	(235.38)	(113.61)	50.98	108.42	151.80
Interest Income/Expense	20.30	26.64	31.15	35.09	40.22
Profit Before Tax (PBT)	(215.08)	(86.97)	82.13	143.51	192.01
Profit After Tax (PAT)	(233.43)	(108.65)	61.60	107.64	144.01
Basic Shares Outstanding (M)	49.27	103.95	171.51	174.95	178.44
EPS - basic	(5.26)	(1.26)	0.36	0.62	0.81
BALANCE SHEET					
Cash and cash equivalents	266.43	764.28	1,103.91	1,560.05	2,083.20
Other current assets	297.52	344.35	327.14	357.04	381.64
Total current assets	563.95	1,108.63	1,431.05	1,917.09	2,464.84
Non-current assets	39.52	114.80	120.45	127.05	134.10
Total Assets	603.47	1,223.43	1,551.51	2,044.14	2,598.93
Short-term borrowing	16.33	41.09	41.09	41.09	41.09
Other current liabilities	696.89	903.66	935.64	1,033.32	1,113.30
Total current liabilities	713.22	944.75	976.74	1,074.42	1,154.39
Long-term borrowing	6.57	52.84	52.84	52.84	52.84
Other non-current liabilities	8.87	0.01	0.01	0.01	0.01
Total liabilities	728.65	997.60	1,029.58	1,127.26	1,207.24
Total Equity	(125.19)	225.83	521.92	916.87	1,391.69
Total Liabilities & Equity	603.47	1,223.43	1,551.51	2,044.14	2,598.93

Exhibit 17: Income Statement Snapshot. Source: Diamond Equity Research

Valuation

QuantaSing Group, with its dominant position in a competitive yet rapidly expanding adult learning niche, represents a promising investment opportunity with reasonable valuations. With diversified revenue streams, a healthy financial standing, and a validated growth strategy, the company can capitalize on emerging trends in the adult and lifelong learning market. This unique blend of stability and growth potential makes it an appealing prospect for investors looking for long-term value. As such, we expect the company's growth to surpass the personal interest learning market growth over the next five years, enabled by upselling and cross-selling opportunities and its ability to build on its dominant market positioning. The company's selling costs, which formed 78.2% of the total revenue, account for a significant portion of the company's operating expenses. We have estimated the long-term selling and marketing expenses at 70.0% of the company's total revenue, while general and administrative expenses and research and development expenses are estimated at 5.5% and 6.5% of the company's total revenue, respectively, over the long-term. Moreover, we estimate COGS at 11.5% of the company's total revenue.

As our standard valuation approach, we have used a blend of DCF and comparable company analysis to value QuantaSing Group. We have assumed a discount rate or weighted average cost of capital (WACC) at 13.0% and a terminal growth rate of 1.5%, estimating the present value of cash flows. Based on the blended approach and the stated assumption resulted in a valuation of \$10.75 per share, contingent on successful execution by the company.

		Approaches (in \$ mm)	Value (USD)	Weight	Wtd. Value
Calculated Equity Value (\$ mm)		DCF	\$554.48	90%	\$499.04
Enterprise Value	439.10	GPCM	\$944.02	10%	\$94.40
- Debt	12.95	GTM	-	0%	\$0.00
+ Cash and Short-term Investments	128.33	Wtd. Avg. Equity Value (USD)		\$593.44	
Net Debt	115.38	No of Shares Outstanding		55.21	
Equity Value	554.48	Intrinsic Value Per Share		\$10.75	

Company Name	Ticker	Price	Currency	Country	Mkt Cap.	EV/S*
Coursera Inc.	COUR	18.39	USD	US	2,752	3.50x
China Education Group Holding Ltd.	839	6.37	HKD	HK	16,253	3.80x
Strategic Education Inc.	STRA	75.48	USD	US	1,827	1.70x
China East Education Holdings Ltd.	667	3.22	HKD	CN	7,015	1.20x
China Kepei Education Group Ltd.	1890	2.10	HKD	CN	4,229	3.00x
Hope Education Group Co. Ltd.	1765	0.50	HKD	CN	4,071	2.20x
Youdao Inc.	DAO	4.08	HKD	CN	506	0.90x
Shanghai Xinnanyang Only Edu. & Tech. Co.Ltd	600661	8.56	CNY	CN	2,341	2.50x
Universal Technical Institute Inc.	UTI	8.38	USD	US	285	1.10x
Sunlands Technology Group	STG	5.22	USD	CN	72	0.01x
Median						1.95x
Mean						1.99x

Exhibit 18: Valuation Snapshot. Source: Diamond Equity Research
(Valuation multiples are based on LTM figures) *

Risks Profile

- **Regulatory Risks and Governmental Influence in China's Market:** QuantaSing Group's considerable presence in China subjects it to certain legal and operational risks. The Chinese government's ability to significantly influence businesses, coupled with potential changes in the country's economic, political, or social conditions, could adversely affect the company's performance. Further, the company is domiciled in Cayman Islands; the perception of the Cayman Islands as a tax haven may lead to reputational risk, scrutiny from international regulators, and potential changes in tax treatment.
- **Dependency on Attracting and Retaining Paying Learners:** The company's financial health is largely dependent on its ability to attract and retain learners who are willing to pay for courses. This is influenced by factors such as course quality, learner engagement, and market competition. Risks include learner dissatisfaction, competition, and regulatory changes. Failure to maintain a robust paying learner base could lead to increased costs and reduced revenue, thereby affecting the company's overall financial stability.
- **Regulatory Compliance and Licensing Risks in China:** QuantaSing Group operates in a highly regulated online learning and live streaming sector in China, where specific licenses and permits are mandated by the government. Although the company currently holds requisite licenses, it lacks an Audio-Visual License, which is required for offering certain live-streaming courses. This poses a risk as only state-owned or state-controlled entities are eligible for this license. Regulatory landscapes can change, and non-compliance could lead to penalties, legal sanctions, or suspension of operations. These uncertainties could materially and adversely affect the company's business performance and financial condition.
- **Intense Competition Could Impact Market Share and Profitability:** QuantaSing faces stiff competition in China's online adult learning market from well-established and resource-rich competitors. This competition spans course quality, instructor expertise, and technological capabilities. Failure to outperform competitors could force the company to reduce course fees or increase spending, leading to a loss in market share and reduced profitability. Additionally, an inability to adapt quickly to market trends and learner preferences may further exacerbate these challenges.
- **Vulnerability to Cybersecurity and Regulatory Compliance:** QuantaSing's business continuity and financial stability are inherently tied to its ability to safeguard against cybersecurity breaches and adapt to evolving regulatory frameworks, particularly in China. Despite robust security measures, the risk of cyber-attacks persists, with potential legal and reputational ramifications. Simultaneously, failure to comply with changing laws could result in financial and operational penalties.

This list of risk factors is not comprehensive. For a full list, please refer to QuantaSing Group's latest prospectus and/or annual filings.

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