

NIU Earnings Call Transcript

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Quarter: 3

Operator: Good day, ladies and gentlemen. Thank you for standing by, and welcome to the Niu Technologies Third Quarter 2025 Earnings Conference Call. [Operator Instructions] As a reminder, we are recording today's call. If you have any objections, you may disconnect at this time. Now I will turn the call over to Ms. Kristal Li, Investor Relations Manager of Niu Technologies. Ms. Li, please go ahead.

Kristal Li: Thank you, operator. Hello, everyone. Welcome to today's conference call to discuss Niu Technologies results for the third quarter 2025. The earnings press release, corporate presentation and financial spreadsheets have been posted on our Investor Relations website. This call is being webcast from company's IR site as well, and a replay of the call will be available soon. Please note, today's discussion will contain forward-looking statements made under the safe harbor provision of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks, uncertainties, assumptions and other factors. The company's actual results may be materially different from those expressed today. Further information regarding the risk factors is included in company's public filings with the Securities and Exchange Commission. The company does not assume any obligation and update any forward-looking statements, except as required by law. Our earnings press release and this call included discussion of certain non-GAAP financial measures. The press release contains a definition of non-GAAP financial measures and the reconciliation of GAAP to non-GAAP financial results. On the call with me today are our CEO, Dr. Yan Li; and CFO, Ms. Wenjuan Zhou. Now let me turn the call over to CEO, Yan.

Yan Li: Thank you, Kristal. Hello, everyone. Thank you for joining us today. In Q3, we delivered solid and sustained progress across all key strategic priorities, supported by disciplined execution in product innovation, channel expansion and brand elevation. Our results reflect the continued growth of our core China business and early signs of transition in our overseas operations, laying a strong foundation for the next phase of growth. For the third quarter of 2025, the total sales volume reached 465,000 units, representing a strong 49.1% year-over-year increase. This growth was driven primarily by exceptional performance in China, where sales rose to 451,000 units, up 74% year-over-year, supported by our strengthened product portfolio and effective channel expansion. Overseas volume reached 14,000 units, declining year-over-year, mainly due to weakness in the micromobility sector. Our total revenue grew 65% year-over-year to RMB 1.69 billion, accompanied by gross margin expansion to 21.8%, up 8.0 percentage points from the prior year or 1.7 percentage points sequentially. This improvement was driven by a favorable shift in the China product mix with increased contribution from higher-value models. Notably, sales of models priced above RMB 8,000 accounted for over 10% of China sales. Net profit for the quarter was RMB 81.69 million, extending the profitability momentum established in Q2. This improvement reflects daily efficiencies from higher volume and our continued focus on operational excellence. Those results underscore our ability to execute with discipline and resilience amid evolving market dynamics. We remain confident in our long-term strategy and the progress achieved this quarter provides a strong foundation for sustainable growth. China remained our primary growth engine in Q3 with unit sales rising 74% year-over-year to 451,000 units. A key driver was the channel inventory buildup ahead of implementation of the new national standard for electric bicycles, which provided a substantial short-term boost. This performance was also supported by successful product launches,

strong brand-driven demand and steady channel expansion. The momentum built through 2024 and into 2025 reflects our refined strategy, enhanced competitiveness and growing consumer preference for Niu. In Q3, the China electric bicycle market entered a critical transition phase under the new national standard. While production of noncompliant models ceased after August 31, retail sales of existing inventories are permitted until November 30, 2025. This prompted distributors and retailers to build inventories in July and August, effectively pulling forward demand from October and November and created a temporary sales boost in Q3. Now to prepare for this regulatory shift, we emphasized on 3 actions: upgrading the existing high-end electric bicycle models to capture the short-term demand, rolling out the new electric motorcycles unaffected by this regulation to target lower-tier cities and redesigning and retuning our entire electric bicycle lineup to fully comply with the new standard for the rollout in Q4 2025 and Q1 2026. First, to capture is premium electric bicycle demand surge under the old standard, we launched the upgraded flagship models, the NXT Ultra 2025 and FXT Ultra 2025 version, each priced at RMB 11,999. The NXT Ultra 2025 introduced 10 major upgrades with 77% of core components redesigned to elevate the benchmark standards across safety, power intelligence. The FXT Ultra 2025 featured a futuristic performance-driven design on the same technology platform as the NXT Ultra equipped with automotive-graded millimeter-wave radar and dual-channel ABS setting a new safety benchmark for the segment. Together, those Ultra models contribute 8% of total Q3 sales, effectively serving high-end demand during this regulatory transition. Electric motorcycles are more prevalent in the lower-tier cities, Tier 3 and below due to a more relaxed regulations. This segment has historically been underserved in our portfolio and the channel footprint, making it a key growth priority for us. As highlighted in the previous earnings calls, expanding presence in lower-tier cities is a core strategy reflected in our store expansion and strengthened product line. In Q2, we completed a full N-Series motorcycle portfolio covering mainstream price points from entry-level NS at RMB 3,000 above and NL at RMB 4,000 and NXL at RMB 6,000 to the performance oriented NX just under RMB 10,000. Starting Q3, we extended the strategy to the F-Series, broadened the price band and enhanced the performance to value offerings. Now despite Q3 being a channel stocking period focused on electric bicycles, our enhanced motorcycle portfolio supported a healthy 14% revenue contribution from motorcycle sales. We expect this share to increase in the coming quarters. A key milestone in Q3 was the successful launch of FX Windstorm version on September 28. Known for its sharp distinctive styling that resonates strongly with Gen Z riders, the FX Windstorm reinforced F-Series' positioning as a performance powerhouse. Priced at RMB 4,799, it targets the RMB 4,000 segments at its first high-speed motorcycle for the young riders, equipped with 3,000 mass motor reinforced frame and a full-size TFT display and 4% disc brakes. It delivered performance comparable to model price above RMB 10,000, including mile 80-kilometer power top speed and 0 to 50 kilometer power in 4.7 seconds. The FX Windstorm was instant success with 14,000 units sold in the first 5 hours and generated RMB 68 million in GMV and ranked #1 on Douyin, Tmall, JD.com and Kuaishou in GMV and popularity. This success validates our strategic expansion into the electric motorcycles and create strong momentum for upcoming launches such as FS targeting the entry-level users. Now alongside the high-end electric bicycle motorcycles, we dedicated significant R&D; resources to the new standard compliant electric bicycles. The updated regulation requires substantial redesigns from the limit usage of plastics to form factors. We now plan a full rollout of compliant products beginning in late November and extending through Q1 2026. The portfolio will include the renewed and new series offerings and also introduce new series designed to reach product consumer segments, including products optimized for female riders. Beyond the new product development, we continue to invest in core technologies, including the smart riding system, powertrain innovation and R&D; platformization to enhance efficiency and capabilities. Our smart riding under AI efforts focus on 3 areas: expanding the foundational safety technologies such as ABS and millimeter-wave radar, developing assisted riding features for premium models such as the 2-way throttle and [indiscernible] Assist and building intelligent ecosystem to broader third-party integrations. Through partnership with Apple and Oracle with other industry leaders, we expand the cross-device connectivity, including the off-bike safety alert and Apple Wallet T access, enhancing overall user experience. In the powertrain system, we advanced several next-generation initiatives through a deeper motor controller R&D; and the close collaboration with our battery partners. Our efforts focus on 2 key objectives: delivering higher peak current output for stronger acceleration

and a fine-tune overall system efficiency to extend lower riding range under the diverse conditions. The NXT FX Ultra and FX Windstorm are the strong example of this R&D; achievement. The enhanced powertrain architecture enables 0 to 25 kilometer power acceleration in just 1.92 seconds, setting a new benchmark for urban performance. For the FX Windstorm, the upgraded 3 kilowatts high-efficiency motor and optimized controller delivered top speed of 80 kilometer per hour while maintaining stable power delivery, improved thermal performance and consistent power output even during the extended high-speed riding. Those advancements not only elevate writings performance, but also form a foundation for the new generation of new powertrain platform that will scale across future product lines. Now lastly, our product-based R&D; strategy continues to deliver a meaningful operational benefit. In Q3, it accelerated product iteration, strengthened manufacturing consistency and increased economy of scale. The improvement supported smooth delivery of 450,000 units, surpassing our previous peak by roughly about 20%, while enhancing margins through shared components and module design cross product lines. Now in Q3, we continued elevating the new brand and deepen engagement with our core audiences, particularly in premium consumers and Gen Z riders, our approach integrated lifestyle campaign, product launches and target digital engagement to strengthen brand equity and drive conversion. We acted on a series of youth-focused lifestyle campaigns, the Summer Ride and Splash campaign embedded new into the outdoor leisure experience such as lake diving and quick hiking across major cities generated 130 million impressions across online and offline channels. Following the FX Windstorm launch, we hosted large-scale test ride events in Chengdu and Chongqing engaged riders in real mountain environment. This created authentic word of mouth within the key user segment to provide valuable feedback. Our launch event continued to highlight news technology leadership. The June 17, Du Ultra flagship launch generated about 20,000 units sold in 5 hours with GMV exceeding RMB 228 million. The FX Windstorm launch delivered 14,000 units sold in 5 hours and 93% positive ratings, resonating strong with the Gen Z and delivery riders. Now strength in both offline and online channels as of Q3 Niu surpassed 4,500 stores nationwide with 238 net new stores added in Q3 and 800 year-to-date. Nearly half of new stores were in the lower-tier cities, supporting deeper market penetration. Our digital ecosystem also scaled rapidly. Niu now managed 9 official flagship accounts supported by 1,062 dealers operated accounts. In Q3, the network generated 30,000-plus live streams, 69,000 content pieces and [indiscernible] million impressions. The online sales representing close to 70% of our total work. We also expanded on to a new e-commerce platform Meituan, piloted with 10% stores generating RMB 40 million to RMB 50 million in monthly sales. We plan to expand store coverage and motorcycles next. On Kuaishou local services, over 2,200 stores have joined and FX Windstorm ABS launched ranked #2 nationally, reinforce our brand resonance among Gen Z riders in the lower-tier market. Now turning to our overseas market. Q3 unfolded as expected transitional quarter as we continue to optimize operation and preparing for our next growth cycle. The overseas sales volume reached 14,000 units with decline in micromobility, offset by encouraging progress in electric motorcycle. Despite Q3 being a seasonal low for European 2-wheeler demand, our electric motorcycle sales reached approximately 2,500 units, up 160% year-over-year. The self-operated sales accounted for 76% of total. We further accelerate our self-operated dealer network expansion. Dealers in those direct distributor regions grow from 120 at the start of the year to 289 in Q3, exceeding our initial target of 250. This reflects the strong brand recognition, product competitiveness and the growing retailer confidence in direct distribution model. With channel foundations now established, we will shift from capability building towards product rollout and deeper channel market penetration. The product lineup unveiled at EICMA position us strongly for multiyear growth. At EICMA, the largest 2-wheeler show in Milan, we showcased our international product road map, expanding from smart e-scooters to broader electric mobility portfolios. Highlights included 2026 NQi X-series with Google Map integration, featuring 125-kilometer per hour NQiX 1000 launching Q3 2026, the all-new FQiX Series for working commuters in L1e and L3e version for Q3 2026, the expanded XQi Series, including the 110-kilometer per hour XQi 500 Street version for second half of 2026. And lastly, the Concept 06, forward-looking 155-kilometer per hour platform featuring AI assisted intelligence, advanced safety. The new NQi 500 was awarded Top Award 2025 by German leading motorcycle media outlet 1000 PS, a strong validation of our product excellence. Our micromobility volume reached to 11,900 units, down 77% year-over-year, reflecting market headwinds in the U.S., Europe and Asia. Europe saw intensified price competition,

while the U.S. shifted towards a lower price model due to tariff dynamics. In Q3, we intentionally reduced promotion and shipment to avoid overstocking and protect margin during a period of pricing pressure and supply chain transition. Given the current inventory levels in Europe and the U.S., we expect the structural adjustment to continue for the next couple of quarters. Now look ahead, we'll continue executing our strategy of driving fast growth in the China market and scaling our international electric 2-wheeler business while strategically adjusting the micromobility operation. We expect China to remain our primary growth driver of strong execution across the first 3 quarters. We break out product each quarter, demonstrating our capability in product definition, channel activation and brand influence. However, we expect some uncertainty and softening in Q4 this year due to the timing of the new standard implementation. The retailers are preloading inventory in Q3, shifting some demand from Q4. And a new standard compliant product will ramp up from late November through Q1 2026, shifting part of the Q4 demand into Q1 2026. Combined, those factors will likely result in a relative flat year-over-year volume in Q4. We expect growth to reaccelerate in Q1 2026 as the regulatory transition completed and the market stabilized. The fourth new standard electric bicycle lineup, along with 300 to 400 new stores additions in Q4 will support a strong momentum into 2026. Now turning into the overseas market. For electric 2-wheelers, we expect strong year-over-year growth in Q4, supported by ongoing expansion of direct distribution network. The new product introduced at EICMA will fuel the multiyear growth starting in 2026. In micromobility, we will continue prioritizing profitability or skills in Q4, reducing promotions that focus on clearing existing inventories. This will lead to a lower Q4 volume. We expect the adjustment to conclude in first half of 2026 with margin return to the normal level second half of 2026. Now with that, let me turn the call to Fion.

Wenjuan Zhou: Thank you, Yan, and hello, everyone. Please note that our press release contains all the figures and comparisons you need, and we have also uploaded cell format figures to our IR website for your easy reference. As I review our financial results, I'm referring to the third quarter figures unless I say otherwise. And all mandatory figures are in RMB if not specified. As Yan just mentioned, our total sales volume for the third quarter was 466,000 units, up 49% compared to the same period of last year. Among this, 451,000 units sold in China and the remaining 14,000 units overseas. Nearly 50% of our sales volume in China came from our top 3 models this quarter and the number of franchise stores in China was 4,542 at the end of third quarter. Total revenue for the third quarter amounted to RMB 1.69 billion, an increase of RMB 670 million or 65% compared to the same period of last year, and the result came in slightly ahead of our guidance, primarily due to the robust sales volume growth in China during the peak season in third quarter. China revenues were RMB 1.62 billion, increased at 84% year-over-year and accounting for 95% of total revenues. Of this, the scooter revenue were RMB 1.48 billion, and this growth was primarily driven by a 74% increase in sales volume and coupled with a higher ASP. China scooter ASP was RMB 3,283, representing a nearly 7% year-over-year growth and remaining largely stable compared to the previous quarter. And this growth was primarily driven by a favorable shift in our product mix. In Q3, our top seller NT with a retail price range from RMB 3,699 to RMB 4,599 continue to perform well. In the meantime, complemented by a strong contribution from the new products like the [NLT] and NXT range from RMB 3,899 to RMB 6,299. Collectively, these 3 top sellers accounted for nearly 50% of our total sales volume this quarter. Overseas revenue was RMB 77 million, representing 5% of total revenue. Scooter revenues, including electric motorcycles and mopeds, kick scooters and e-bikes amounted to RMB 67 million, down from RMB 130 million in the same period of last year, and this decline was driven by decreases in sales volume and ASP of kick scooters. Overseas scooter ASP increased 90% year-over-year and 41% quarter-over-quarter to RMB 4,648 and driven by a greater proportion of revenue coming from the higher-priced electronic motorcycles and mopads. Revenue from accessories, spare parts and services were RMB 145 million, representing 8.6% of total revenue and a 51% increase compared to the same period of last year due to the increase in spare parts sales in China. Gross margin this quarter -- gross profit this quarter exceeded RMB 370 million, marking a significant improvement compared to RMB 142 million during the same period of last year and RMB 252 million last quarter. The gross margin was 21.8%, 8 ppt higher than the same period of last year and 1.7 ppt higher than the previous quarter, marking our best quarterly gross margin performance this year. And this improvement was driven by the ongoing cost reduction initiatives and the economy of scale from higher sales volume in China market. Operating

expenses for the third quarter were RMB 297 million, increase of 48% compared to the same period of last year and the OpEx ratio down to 17.5% dropped from 19.6% in the same period of last year and 21.1% in the previous quarter. Selling and marketing expenses rose by RMB 87 million year-over-year to RMB 215 million, primarily driven by higher spending on marketing and online promotion campaigns in China. Selling and marketing expenses representing 12.7% of revenue compared to 12.5% in the same period of last year and down from 16.1% last quarter. R&D; expenses increased by RMB 13 million year-over-year to RMB 43 million, primarily due to the higher staff costs and share-based compensation. R&D; expenses representing 2.6% of revenue compared to 3% in the same period of last year and down from 3.5% last quarter. G&A; expenses decreased by RMB 4 million year-over-year to RMB 39 million, mainly due to the improved cash collection from account receivable, which resulted in the reversal of bad debt provisions and G&A; expenses representing 2.3% of revenue, down significantly from 4.2% in the same period of last year, while up from 1.5% last quarter as the company benefited largely from foreign currency exchange gains in the previous quarter. The net income was RMB 82 million with a net margin of 4.8% on the GAAP accounting compared to a net loss of RMB 41 million for the same period of last year and net income of RMB 5.9 million for last quarter. The non-GAAP net income was RMB 88 million. And turning to our balance sheet and cash flow. We ended the quarter with RMB 1.8 billion versus RMB 1.1 billion last year-end in cash, restricted cash, term deposits and short-term investments. And our operating cash inflow amounted to RMB 433 million. The CapEx amounted to RMB 73 million, reflecting an increase of RMB 32 million compared to the same period of last year. And this can be attributed primarily to an increase in the opening of new stores and modules cost in China. And now let's turn to guidance. We expect the fourth quarter revenue to be in the range of RMB 737 million to RMB 901 million, representing a year-over-year change of minus 10% to plus 10%. And please be aware that this outlook is based on the information available as of the date and reflects the company's current and preliminary expectations, which is subject to change due to uncertainties relating to various factors. And with that, we'll now open the call for any questions that you may have for us. Operator, please go ahead.

Operator: [Operator Instructions] Seeing no more questions in the queue, let me turn the call back to Mr. Li for closing remarks.

Yan Li: Thank you, operator, and thank you all for participating on today's call and for your support. We appreciate your interest and look forward to reporting to you again next quarter on our progress. Thank you.

Operator: This concludes today's conference call. Thank you for participating. You may now disconnect. Speakers, please stand by.