

TME Earnings Call Transcript

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Quarter: 3

Millicent T.: Good evening and good morning, and welcome to Tencent Music Entertainment Group's Third Quarter 2025 Earnings Conference Call. I'm Millicent T., Head of IR. We announced our quarterly financial results earlier today before the U.S. market open. The earnings release is now available on our IR website and via Newswire services. During today's call, you'll hear from Mr. Cussion Pang, our Executive Chairman; and Mr. Ross Liang, our CEO, who will share an overview of our company's strategies and business updates. Then Ms. Shirley Hu, our CFO, will discuss our financial results before we open the call for questions. Before we continue, I refer you to the safe harbor statement in our earnings release, which applies to this call as we make forward-looking statements. Please note that we will discuss non-IFRS measures today, which are more thoroughly explained and reconciled to the most comparable measures reported under IFRS and our earnings release and filings with the SEC. [Operator Instructions] And please be advised that today's call is being recorded. With that, I'm very pleased to turn the call over to Cussion, Executive Chairman of TME. Cussion, please.

Kar Shun Pang: Thank you, Millicent. Hello, everyone, and thank you for joining our call today. In the third quarter, we delivered another set of strong financial results, underpinned by the well-rounded performance of our online music business. Our ongoing innovations across content, services and live experience continue to fuel steady growth in our subscription business, while pushing momentum in non-subscription revenue, particularly in concerts and artist merchandise. Backed by our strong financial position and operational excellence, we are posted to further broaden our music service, unlock new growth opportunities and create greater value for artists, partners and users across the entire music industry. Now let me share some highlights from this quarter. First, we further enriched our content coverage to include more offerings in different music genres and languages. For example, in Pop music, we renewed the contract with dramas, a leading Korean novel and partnerships with [indiscernible] studio strengthening our collection of top hits. To better serve users' passions for game-related music, we partnered with Tencent Games to coproduce Atlas of Tomorrow, [indiscernible] the 10th anniversary theme song performed by JJ Lin for Honor of Kings performed as the final at the Honor of Kings' 10th anniversary co-creation night, the song quickly garnered over 600 million social media mentions within 2 weeks of its release, engaged 280 cultural and tourism authorities nationwide, standing out as one of the year's most impactful game soundtracks. We also collaborated with Blizzard Entertainment for the first time and introduced 50 original soundtracks from iconic game titles, including World of Warcraft, [indiscernible] and Hearthstone. To further Enrich Anime and K-pop music categories, we established strategic partnerships with renowned Japanese ACG label, King Records and Korean Label Serial, offering popular Anime songs and OSTs from his dramas such as Boys Over Flowers, [Heirs] Second, during the quarter, we successfully staged several large-scale international concerts and events, extending our reach beyond borders to tap into the international market opportunities. A prime example is the concert tour that we hosted for leading Korean artist, G-Dragon. G-Dragon 2025 World Tour, Ubermensch, building on our success in the second quarter. This time, we put on 14 additional show of shows for him across 6 cities, including Sydney, Melbourne and Kuala Lumpur, drawing over 150,000 attendees. The popularity of the tour lead to acceleration of live concert revenue growth, demonstrating our strength in delivering world-class entertainment experiences. Our annual flagship TMEA concert was another success and highlight for the quarter. The event featured 35

different artists and groups and drew more than 10,000 attendees, underscoring its strategic importance as a well-anticipated premier gathering within the music industry. Building on the momentum from TMEA, this year, we broke new ground and introduced another flagship concert IP, TME Live International Music Awards, TIMA, to celebrate the achievements of international artists and showcase their talents. The inaugural TIMA featured 22 global renowned artists and groups from China and a number of Asian countries, including famous [indiscernible] SMTR25, the 2-day events immersed over 20,000 attendees in a vibrant atmosphere. We also organized and delivered several major concert tools for well-known artists like [indiscernible] The success of these shows illustrates TME's strength and impact in [bottling] artist fan bases, especially through interactions with younger audience. For instance, in Guy's most recent shows in Chongqing, through integrated online and offline promotional resources, we helped him attract more than 40,000 attendees, up from 10,000 in a single event in the third quarter. This marked a successful upgrade in concert scale, moving from arena level to stadium level. Together, these remarkable events have laid a solid foundation for TME to continue to grow at scale as we further build out our performance pipeline, we are confident that there will be more exciting opportunities home and abroad to deliver large-scale and immersive live music experiences for users. Third, we continue to break new ground with artist partnerships, providing them with holistic support and leveraging our increasing promotional capability to enrich artist-centric offerings. For instance, during the quarter, we partnered with Tencent's hit title, Crossfire to produce new song COPDD by seamlessly integrating this song into the game ecosystem and allowing users to earn in-game items through listening task. We amplified its impact. The track sold to #2 on the QQ Music New Song chart within 2 days of its release. As another example, in this quarter, we premiered Lejiang's new digital album Rock the Heavenly Palace together with collectible cart packages. This innovative approach not only boosted participations, but also lead the album to rank among the top of the 2025 bestseller charts. The production and release of Bai Lu's first physical album, My Odyssey, featuring 2 distinct version designs marked another success. The album earned strong acclaim from fans and achieved outstanding sales performance. All of the above examples illustrate the power and flywheel of our content and platform dual engine, supported by our massive user base, fueled by expanding content ecosystem and constant innovation, we have reinforced the virtuous cycle, allowing us to design diverse services to address users' needs with user interactions deepening and community engagement strengthening, it boost the reach of quality content on our platform, and attracts more attention from artists and labels, both home and abroad, fueling the sustainable growth of our ecosystem. Last but not least, on ESG, for 7 consecutive years, we have proudly won the Music Garden Space Public Welfare Program, partnering with singers and teachers to support music education in rural areas. This year, we invited WeSing users to redeem their points accumulated through incentive [ads] to directly support the program, sparking greater users' interest. Over 380,000 participants took apart. Looking ahead, we will continue to leverage our dual engine strategy, explore new opportunities and expand our reach. Building a seamless [ribbon] all-in-one music service platform for music lovers. Now I would like to hand it over to Ross for a deeper dive into our overall platform development. Ross, please go ahead. Thank you.

Liang Zhu: Thank you, Cussion. Hello, everyone. Our music ecosystem continued to strive in the third quarter, benefiting from our profound user insights and operational excellence. As we focus on enhancing the value proposition for user, this quarter, we achieved a steady growth in [indiscernible] penetration and ARPPU. We are also building a diversified product portfolio catering to different user cohorts to effectively expand our platform's reach to a broader audience. To this end, our commitment to harnessing AI to elevate users' experiences continue to import us to remain at the forefront of delighting music users. First, on system integration, we were among the first to support Apple's Liquid Glass mode in iOS '26 and introduced Liquid Glass themes and players on Android for optimized visual effects and better interactions. We also fully adapted our app for HarmonyOS with core music features now largely aligned with what we offer on Android. Second, we upgraded player interactive features and AI-powered functionalities. For example, we embedded more enlightening designs and tokens on the playback page, creating delightful thread across new touch points, which also proved effective in new song promotions. We also pioneered multimode sound transition feature, Automix, offering seamless remix and a more immersive streaming experience. To effectively deepen engagement, we expanded

our AI-powered [lyrics] card feature, newly covering over 200 leading artists. The card collecting process is full of [thrills] and fun, driving sharing among users and increased user activeness. Our upgraded AI assistant allows users to generate a personalized playlist with just one type or easily create their own original music. This has significantly lowered the barrier to creative expression and helped increase content consumption through recommendation. We are here to serve and delight. As a result, users can unlock additional tools and perks from our multipoint membership offerings, whether a freemium user, a deeper value add member or a standard subscriber. We provide different services to cater to the distinct needs of users. In fact, recently, we started to see an increasing values of freemium users upgrading to add members, which also led to increased time spent. For those looking to experience the [IRT] made service, our SIP offers an unparalleled range of freemium features, which have been crucial in driving SIP adoption rate and average spend. Its penetration and ARPPU expanded both year-over-year and quarter-over-quarter as we introduced new privileges and innovative services that strengthened its value proposition and inspire the music appreciation in new ways. A new highlights to share. First, Premium Sound qualities remain our key draw for [indiscernible] as we accelerated its results. QQ Music newly introduced DTS Booming External Speaker became the top convention driver among audio qualities. Viper Ultra Sound 2.0 Kugou Music with its improved sound quality, sound [clarity] and reduced data usage also proved to be highly effective in retaining [SVIP] loyalty. Second, our insight into content and user propelled us to provide creative offerings, which in turn helped boost [SVIP] uptake. For example, the digital album, an integral part of our content ecosystem remains effective at [SVIP] commission. Members highly appreciate their privileges access to digital albums alongside limited edition, collectible [NFC] cards. Notable collaborations this quarter include [indiscernible] self-titled Japanese EP, which significantly boosted [SVIP] commissions. Another example is Starlight cards. In the third quarter, we rolled out new Starlight cards featuring popular artists such as Fiona Sit, Asper, Idol, and Things in Times [Shinei Nouzen] which instantly became a big draw. We have also expanded artist partnerships to include more international musicians, including [indiscernible] Japan's [indiscernible] Western artist [Jake] replicating our success domestically. We recently expanded our Starlight card offerings to the Hong Kong and Thailand market through our music platform [indiscernible]. Third, we rolled out several target initiatives to reinforce the artist fan connection and strengthen user loyalty through [bubble]. We expanded our artist rotors by onboarding over a dozen musicians from domestic labels such as Huxia, [NexT1DE] and [Ride] giving more fans the chance to interact directly with their favorite artists online. This in turn attracted broad, broader user base. We leveraged AI to further localize the bubble features and functionalities, leading to improved user retention. The new and upgraded features include in-app translation and speak to text capabilities empowered by large AI models as well as desktop [short cars] for quickly and spontaneous access. We also launched limited edition budgets to celebrate key artist moments such as new sound release, birthdays and debut anniversaries. This compliment by [indiscernible] perks helped strengthen emotion ties between artists and fans, resulting in improved retention and engagement. In summary, we are pleased with the progress we have made in enhancing the value of an increasingly diverse user base. Moving forward, we remain committed to further enhancing our core strength and platform efficiency. We are well positioned to continue to shape the industry from music creation to enjoyment. With that, I would like to turn the call over to Shirley, our CFO, for a deep dive into our financials.

Min Hu: Thank you, Ross, and greetings, everyone. Let me now turn to our financial results. In Q3 2025, our total revenues grew 21% year-on-year to RMB 8.5 billion, marking the highest revenue growth since Q1 2021. This was resulted from continued growth momentum in music subscriptions, together with robust growth in offline performances, advertising services and artist-related merchandise sales. Online music revenues grew over 27% year-on-year to RMB 7 billion. Music subscription revenues grew 70% year-on-year to RMB 4.5 billion in Q3 2025 driven by continued growth in monthly ARPPU and subscriber base. Monthly ARPPU reached RMB 11.9 this quarter compared to RMB 10.8 in the same period of last year, primarily driven by expansion in SVIP membership program. This quarter, we continue to broaden and strengthen the SVIP benefits. For example, QQ Music newly introduced the DTS Booming External Speaker and we expanded Starlight cards with more popular artists, both are features to drive SVIP adoption. Additionally, our multiprolonged membership offerings across ADS membership, standard memberships and SVIP membership also contributed to improved

user engagement and conversation. All of these efforts have laid down the foundation for the health growth of our subscription business. Advertising revenue continued its strong growth trajectory on a year-on-year basis, primarily driven by more diversified product portfolio and innovative [ad] formats such as ad-supported model. Offline performances and artist-related merchandise sales delivered triple-digit year-on-year revenue growth this quarter in Q3. We successfully hold multiple concerts, both domestically and internationally. In overseas market, we hosted 14 shows for G-Dragon across 6 cities, achieving robust ticket sales. In domestic market, we successfully hosted concerts for high-profile artists such as [indiscernible]. In addition, we provided a concert-related merchandise sales during the concert, which opened more artist connection opportunities and in turn, contributed to the revenue growth in artist-related merchandise sales. Social entertainment service and other revenues were RMB 1.5 billion, down by 3% year-on-year. Our gross margin in Q3 2025 was 43.5%, up 0.9 percentage points year-on-year. The increase was mainly attributable to strong growth in music subscription and advertising revenues alongside a lower revenue sharing ratio in social entertainment services. At the same time, new growth areas such as off-line performances and artist-related merchandise sales have lower gross margin. The revenue mix shift may cause gross margin fluctuations in different periods. Diversification in revenues offers the possibility for further growth in our revenue and gross profit and help us cultivate a more comprehensive one-stop music services ecosystem. Moving on to operating expenses. They amounted to RMB 1.3 billion, representing 15.5% of our total revenues in Q3 2025 compared with 70.4% in the same period of last year. Selling and marketing expenses were RMB 216 million, up by 18% year-on-year, primarily due to higher content promotion expenses and channel spending. We keep monitoring market conditions and increase spending as needed with financial discipline. General and administrative expenses were RMB 1.05 billion, up by 5% year-on-year, primarily due to growth in employee-related expenses. Our effective tax rate for Q3 2025 was 70.7% and remained relatively stable compared with ET in the same period of 2024. We accrued withholding income tax of RMB 118 million this quarter. For Q3, our net profit increased by 29% to RMB 2.2 billion and net profit attributable to equity holders of the company increased by 36% to RMB 2.2 billion. Non-IFRS net profit increased by 28% to RMB 2.5 billion and non-IFRS net profit attributable to equity holders of the company increased by 33% to RMB 2.4 billion. Our diluted earnings per ADS this quarter was RMB [1.38] up by 37% year-on-year. And the non-IFRS diluted earnings per ADS was RMB 1.44, up by 33% year-on-year. As of September 30, 2025, our combined balances of cash, cash equivalents, term deposits and short-term investments were RMB 36.1 billion as compared to RMB 34.9 billion as of June 30, 2025. This combined balance was impacted by the repayment of USD 300 million for the same year unsecured lots in Q3 2025 and it was also affected by changes in the exchange rate of RMB to USD at different balance sheet dates. Looking forward, we will put more efforts in IP cultivation and self-product content while keeping product innovation to foster a vibrant and comprehensive music ecosystem. With solid growth in our core business and increased product diversification such as offline performance and artist-related merchandise, we are well positioned and are confident in the high-quality growth of our business. This concludes our prepared remarks. Operator, we are ready to open the call for questions.

Millicent T.: [Operator Instructions] And the first question comes from the line from Morgan Stanley, Liu Yang.

Yang Liu: I would like to ask about the fourth quarter this year and the 2026 outlook for the business.

Unknown Executive: [Interpreted] Thank you so much for your questions. And with our holistic high-quality growth strategy, we delivered another quarter of strong results on both of the top and the bottom line. We continue to lead the industry in music consumption and creation, and we are confident to deliver good results. On the music subscription side, our multipronged membership offerings lead to better caters to users' diverse needs. Number of paying users and ARPPU grew steadily, while user retention and time spent remained healthy. SVIP penetration and ARPPU increased year-over-year and quarter-over-quarter. In addition, I would like to point out that the newly launched ad memberships also gained momentum, which will help us to unlock greater value from the freemium users as well. On the non-subscription side, our One Stop music entertainment service platform will continue to drive users demand and business growth. First, on the advertising side, our diversified and innovative ad formats continue to create value for advertisers and users. So it will continue to drive steady business

growth in quarter 4. Second, on the fast-growing live concerts business, we have already achieved a significant breakthroughs [found] and aboard, which will contribute to a triple-digit year-to-year revenue growth. Last, on the fan-based economy, we have explored a variety of new product combinations and service formats, which will effectively helping artists and music labels to further unlock commercial value. So in short, for the year 2025, we remain hopeful to deliver strong performance of our online music services to further driving good revenue and profit growth of the company. Looking ahead to 2026, we are committed to implement our platform and content ecosystem dual engine strategy. With the strong foundation that we have built together with the new initiatives, we expect sustained healthy growth in our music subscription business, although at a slightly slower rate given its high base. Non-subscription businesses contribution to the group performance will continue to increase and is expected to grow faster than the subscription business.

Millicent T.: And then the next question comes from Goldman Sachs, Lincoln.

Lincoln Kong: A very solid quarter in the third quarter. So I just want to quickly touch on the industry landscape here, especially for the music streaming business. I think recently, there is a bit of a market concern [indiscernible] over some music app competition in terms of the faster MAU ramp-up or potential high budgets for purchase of music content. So I just want to wonder management thoughts, do you see anything changed in terms of the competition landscape at all? And also our strategy to further enhance our leadership in terms of the content differentiation, our user mindset and overall service offering to consumers.

Unknown Executive: [Interpreted] well, thank you very much. Thanks for your question. Regarding the competition, I think we still have the same competitors in the music industry and including Soda Music as well as NetEase music and also Soda Music and the [indiscernible] music. For sure, we also noticed the growth from Soda music. [Interpreted] Well, for TME, we always believe the competition is normal, and this is also what we see from the past to now. And this year also marks the 20th anniversary of QQ Music. And along the way for our development, we have already encountered many competitions. Regarding the competition, I'd like to touch upon platform and content, the 2 perspective. Regarding the platform, I think for music application is still a traditional business. And the business is based on the streaming business, where traditionally, we do have the recommendation, where our asset management maintains that same and most important and critical user experience for us regarding the streaming business. I think our competitive edge still rests with our music library, along with the user asset management that has been accumulated for so many years. But at the same time, you can also see that TME still lead the industry regarding the sound quality and sound effect, where we also continue to provide the sound quality, the lossless sound quality to the market. We also continue to engage with the high sound-quality equipment for music fixtures, including the HiFi and continue to engage the earpiece and the loud speaker high-quality sound effects, fixtures and equipment to further extend our content coverage. Where you can see, besides those basic products within TME, we have already further extended our business to provide a more enriched and diversified music experience to our users. Especially from our recent performance on the Starlight Card, along with our user badge as well as Bubble, we do have the e-app audience and the fans interaction, which will yield very positive results, which are not exist for any other competing products. Where at the same time, regarding the social entertainment business and our leasing product still show great potential and advantage regarding commercialization and rather have the Earth-Like or a okay events, which also yield very positive results. This can also help to consolidate our transitional business advantage. Well, I think a majority of people just pay attention to the changes on our mobile applications, where for any music product, you have to still keep an eye on the user rate as well as content coverage on multiterminal and multi-devices. You can say that at our PC end, and we still have a huge subscriber base. And also for the in-car service, we have a very high penetration ratio especially recently, we're actually leading the music publications by working with Harmony OS. You can see based upon our product innovation, optimize user experience and continued innovation and we'll still be able to pioneer and lead the market development. Regarding the patent or the copyright for TME, we always provide the most complete and high-quality application content in the whole industry. Besides releasing different genre of the songs, the most important thing we did for the past few years is continue to engage and cocreate many different musical content with music creators in our industry. Besides working for different genres of the

songs, and recently, we also started to follow and work with Tencent Games and Tencent Video to create their top-notch IP for the co-creation of the OST songs. So you can see that our cooperation with Tencent Games and Tencent Video, and actually delighted the user and also be quite popular among the user, where more importantly, we continue to afford the comprehensive partnership with our partners, not only for the traditional song cooperation, but also for the co-creation of the content, including the Earth-Like concert as well as the fan-based economy, and we also made multiple extensions of collaboration with the partners. What we do is to provide the most comprehensive and high-quality content to our users. So you can say that now we do have the well-established platform with very robust content creation. We are adopting the 1 body with 2 wing strategy. That is indeed our largest competitive edge and the differentiation compared with other competitors, and we're also going to continue to integrate the platform and content for further development. That is also good for our IP protection and also continue to drive the subscription business development, which will be ultimately positive for our future business growth. So indeed, the industry is facing furious competition, but we're still very confident for our future development.

Millicent T.: And the next question comes from Alicia Yap from Citigroup.

Alicia a Yap: Congrats on the solid results. I have a question regarding the music concert. So can management share with us what would be your 2026 pipeline for the music concert. So how should we be thinking about modeling the revenue growth from music concert merchandising and also the digital album sales because -- so what are the challenges and opportunities on pursuing music concerts business and also to ensure the sustainable steady long-term growth?

Unknown Executive: [Interpreted] And you see that for the Earth-Like performance or concert, this is actually a commitment for TME to go for, and we also have a long-term investment for that, especially for the past few years, I will just share with you what we did from a few perspectives. First of all, regarding the artist tour and we still organize the top artist tour for the most popular artist in our industry, where at the same time, we also invite the top artists to come and to stage the Earth-Like concert, where internally, we also have our own proprietary IT, including TMEA as well as TIMA. So for TME, we did a comprehensive resources investment and substantial resources allocation to make sure we continue to advance the Earth-like performance. Actually the Earth-Like performance not only help us to build our experience, but also continue to further debate with our partners. For example, in the prepared remarks, I have already mentioned what we do for G-Dragon, the South Korean artist. We have stage, he's on an Asia Pacific region tour. And that this can actually help us to further accumulate experience, but at the same time, it also hit a great success in Asia Pacific region. And such experience from the tour events can also be replicated and introduced into other large-scale Earth-Like concert and performance. So we are very happy and satisfied with what we have been achieved. Can say that besides organizing more top artists for tours and performance and we're also going to leverage our own proprietary IP, including TMEA and TIMA to continue to improve our performance in organizing the Earth-Like performance and concert. This also showcases our unique advantage because TME will be able to integrate our online and offline music resources and continue to further deepen our collaboration with the musical ecosystem. In that way, we can also make sure that our audience will enjoy a high-quality music experience and that can also become our competition advantage and differentiation. So by organizing such top artists performance, we also hope that we will provide more performance privilege as well as privilege to the fan-based economy to our user. This can also help to promote the SVIP subscription business development, where at the same time, we will be able to provide our users a more comprehensive and immersive experience by staying with TME. Well regarding the fan-based economy, and we also continue to further improve our service to the fan groups and community by providing the primary privilege to them, which has proven to be very popular among our fans. For example, I have already shared with you the G-Dragon Asia Pacific tour. The merchandise sales from that tour proved to be quite successful. This is also what we continue to do by providing the primary privilege to our users.

Millicent T.: And the next question comes from Jefferies and Thomas Chong.

Thomas Chong: My question is about our subscription services. Given that we have been strengthening our ARPPU growth, while we are maintaining our steady net adds. I just want to get some color with regard to how we should think about our 2026 growth driver for the subscription

services. How should we think about the growth momentum for ARPPU and net adds? I'm just wondering if we are seeing the competitive dynamic environment in terms of the competition. Would there be any changes in terms of the growth driver, ie., we launched more lower-priced packages to drive the subscriber growth and the ARPPU may not be as fast as what we previously expected. And on the other hand, when we look into our SVIP subscribers and the penetration, can management talk about the goal in 2026?

Unknown Executive: [Interpreted] Regarding our overall target for 2026, I think we're still going to register a very steady growth for the subscriber base. And it may -- regarding the growth driver, it may come in from the following aspects. First of all, still leveraging the high-quality content for business groups. We're still going to provide the high-quality content by working with our IP partners to continue to provide the high quality and unique content to our users. Well, the second growth driver may come from the content privilege because starting from 2026, we're going to export the new boundaries besides the traditional music content, we're also going to pursue the boundary for the Starlight Cards, the Earth-Like concert as well as the merchandise, because my colleague used to mention with regarding the content, we not only do the music content, but also continue to develop all the peripherals for merchandise to continue to pursue a sustainable business growth. Another key growth driver for the subscription business will be raised with the functional privileges, including the sound quality, sound effect, the ringtone editing as well as the AI-empowered sound writing. This can actually be the differentiated function we offer to the market. So generally speaking, we're still going to continue to consolidate and innovate on both content and the functionalities. In that way, we will be able to further grow the size of our subscription business and also achieving ARPPU growth. You can say that regarding the second part of your question, the low-priced package, and this is not something new to us, and we have already seen such thing for many years. And especially, we have already been prepared for that especially, you can see the freemium model, and that is a model we have started from 3 years ago. So you can see that from the fundamental business logic and regarding how we consider the growth of the user, we, first of all, have the free-to-use service user and then they go for ad-supported mode and then we do have the regular user, and then they will be upgraded to SVIP. It's a multi-prolonged membership in order to help to further grow our user size. You can say that, especially for ad-supported mode, even if it is also being provided by other competing products in the market. But if you take a look at the commercial data, especially the monetization efficacy of a single DUA actually makes the TME triumph other competitors. So in other words, we already have a very good experience in balancing between commercialization efficiency and user retention. We're responding to the final part of your question that is regarding to SVIP, and I think I have already said that in the prepared remarks, SVIP continues to be a critical part of our business. And for the penetration ratio and ARPPU for SVIP, they're still growing or even commented a good growth as what we expected. Well, regarding the year of 2026, I think the key driver for SVIP, besides providing the subscription and high-quality content, we're also going to have and forge comprehensive partnership with our IP partners to continue to drive SVIP risks.

Millicent T.: And the next question coming from Maggie Ye from CLSA.

Yifan Ye: This is regarding the gross profit and gross margin. So in light of the potential revenue mix change, thanks to very robust growth in off-line performance as well as artist-related merchandise. How should we think about the profitability of these initiatives and their impact to our overall trend in gross profit as more as margins?

Unknown Executive: [Interpreted] From what we see now regarding our online music business, and we still maintain a continued growth for subscription business and advertisement business. But from the content cost structure and efficiency side, we continue to do the optimization. And I truly believe our subscription and advertisement business growth will continue to benefit the GP margin. But for sure, as you may notice, advertisement business, we're in kind of seasonalities and first seasonalities were indeed bring the fluctuations to the GP margin. You can say that we continue to drive the development of applied performance as well as to grow the merchandise for audit, and we will need to make further investment on the audit-related IP, then in the initial stage of the business development, it will indeed have some negative impact on the GP margin. Well, as you can see that for those businesses, it can actually help to take care of the users' diversified musical needs and the consumption values from a

single user will surely be more elevated. While at the same time, we also provide comprehensive music service, along with the copyright and the Artist IP in order to further improve the efficiency of the cost. Well, for the long run, we hope our investment will help to drive the effective growth in both revenue and gross profit as a whole. At least from what we see now in Q4 of this year, there will still be continued growth for the monthly revenues for both the advertisement business and the subscription business. Where we are approaching to the end of this year, the contribution from the sales of the Earth-Like events as well as the artist related merchandise will contribute that to the overall revenue. So in that reason, the Q4 GP margin would be elevated compared with Q3. We look into the year of 2026. And as we continue to build our confidence over the subscription business and advertisement business, along with investments in the Earth-Like events, along with the artist, the merchandise, our revenue or the revenue may differ or fluctuate due to the seasonality reason. But overall speaking, we're still very confident for our 2026 revenue growth and Q3 margin growth. Profit margin growth.

Millicent T.: So thank you, everyone, for joining us today. If you have any further questions, please feel free to contact our IR team. And this concludes today's call. Thank you very much again, and look forward to seeing you on next quarter. Goodbye.

Unknown Executive: Thank you. Goodbye. [Portions of this transcript that are marked [Interpreted] were spoken by an interpreter present on the live call.]