QuantaSing Group Limited – Strong First Quarter Growth with Strategic Market Expansion and Financial Turnaround

QuantaSing Group Ltd. (NASDAQ: QSG)

Share Price: $1.67 | Valuation: $11.42

Key Statistics

52 Week Range	$1.59 - $28.99
Avg. Volume (3 months)	54.92K
Shares Outstanding	56.48M
Market Capitalization	$94.33M
EV/Revenue	0.02x
Cash Balance*	$120.6M
Analyst Coverage	5

***Cash balance as of September 2023**

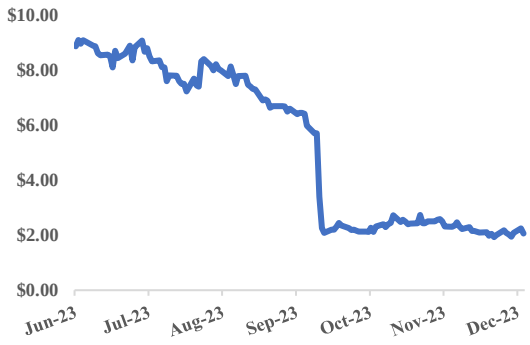
Revenue (in RMB millions)

June - FY	2023A	2024E	2025E
1Q	659.36	869.14	1,062.75
2Q	786.42	927.05	1,131.83
3Q	807.24	950.48	1,199.74
4Q	828.35	985.03	1,270.38
FY	3,081.38	3,731.70	4,664.70

EPS (in RMB)

June - FY	2023A	2024E	2025E
1Q	(1.96)	0.39	0.30
2Q	(0.89)	0.20	0.32
3Q	(0.19)	0.23	0.33
4Q	0.31	0.28	0.37
FY	(1.26)	1.10	1.32

Stock Price Chart (in $)



Investment Highlights

- **Q1 FY2024 Financial Results Update:** QuantaSing Group unveiled its unaudited financial results for the first quarter of fiscal year 2024, marking a period of significant growth and strategic expansion. The company's revenue for this quarter soared to RMB869.1 million (US$119.1 million), a robust 31.8% increase from the same period last year. This growth was primarily fueled by a increase in revenues from other personal interest courses, which offset a decline in revenues from financial literacy courses. The company also saw a rise in revenues from live e-commerce, a new business endeavor, contributing to its diversified revenue streams. During this quarter, QuantaSing reported a net income of RMB66.7 million (US$9.1 million), a remarkable recovery from the net loss of RMB97.3 million in the first quarter of the previous fiscal year. This financial turnaround is further reflected in the adjusted net income of RMB94.0 million (US$12.9 million), compared to an adjusted net loss in the same quarter of the previous year. The company's cash and cash equivalents and short-term investments totaled RMB879.9 million (US$120.6 million) as of September 30, 2023. QuantaSing has provided guidance for revenues in the range of RMB920.0 million to RMB950.0 million for the second quarter of FY 2024, projecting a year-over-year increase of 17.0% to 20.8%.

- **Q1 FY2024 Operational Highlights:** The company's user base experienced substantial growth, with total registered users increasing by 51.9% to approximately 103.3 million and paying learners rising by 18.2% to about 0.3 million. This growth can be attributed to QuantaSing refining its courses, expanding its learner base, and hosting impactful offline events, all while maintaining a high customer satisfaction rate. QuantaSing's operational efficiency received a boost through the integration of AI into its feedback monitoring system. QuantaSing maintained strong top-line growth momentum and expanded its adjusted net margin to 10.8%, highlighting its optimized efficiency and cost structures. Strategically, QuantaSing is expanding its global footprint. The company announced the acquisition of Kelly's Education, an online language education platform based in Hong Kong. This move signifies QuantaSing's entry into the global online education market and the language learning sector. Additionally, the company initiated a new share repurchase program, buying back approximately 1.2 million ADSs for about US$6.9 million, reflecting confidence in its financial stability and future prospects.

- **Valuation:** QuantaSing has reported encouraging financial results for Q1 FY2024, surpassing our estimates. Strong results are primarily attributed to substantial growth in revenues from personal interest courses. We model this robust growth momentum to persist throughout the remaining financial year. Consequently, we have revised our revenue and earnings forecasts accordingly. Our financial model has been updated, reflecting adjustments in the cash balance and share count to mirror the current values. Additionally, we have re-evaluated the comparable company analysis, leading to a valuation of $11.42 per share. This valuation is contingent on QuantaSing's successful execution of its business strategies.

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.

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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 September 2023, QuantaSing had amassed approximately 103.3 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. 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.

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

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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.



Exhibit 1: QuantaSing's Brands. Source: Investor Presentation

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

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.

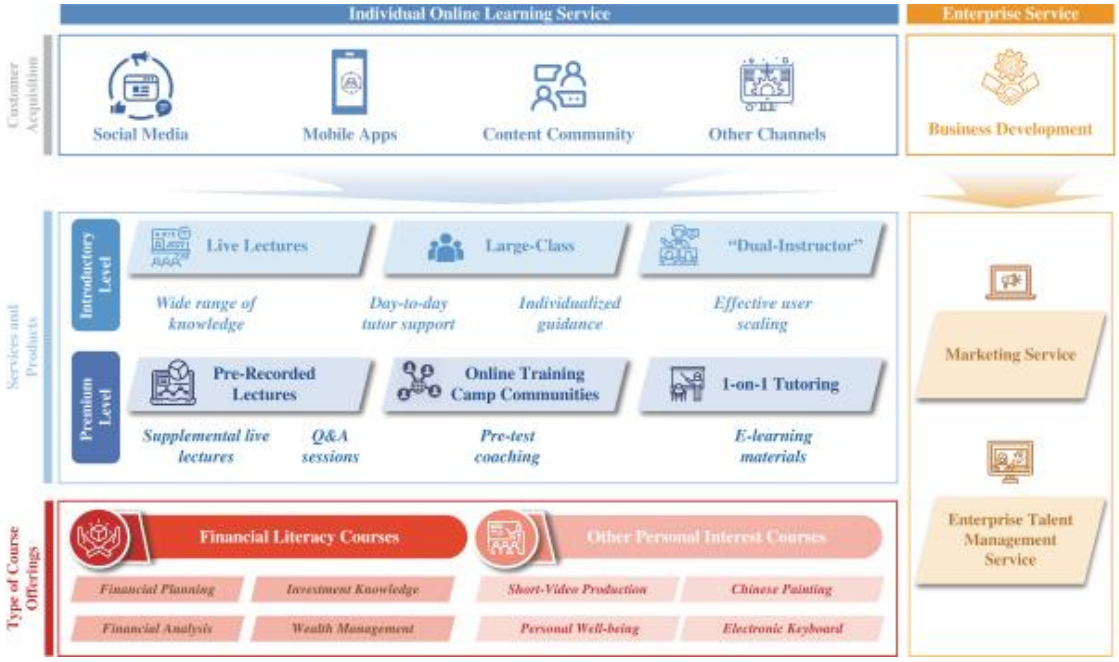


Exhibit 2: QuantaSing's Product Offerings. Source: Company Filings

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.

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

- **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.

- **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.

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- **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.



Exhibit 3: 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.

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

- **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

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

- **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 4: QuantaSing's Dual-Instructor Mode. Source: Company Filings

- **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.

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

- **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.

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

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 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	• Flexible Microservice Architecture • Diversified Content Delivery Network • Https Secure Transmission Protocol • Gateway Dynamic Routing
Intelligent Study Toolkits	Strong learner engagement	• More than 50 hands-on intelligent tools • Toolkits allow learners to apply knowledge
Business Intelligent System	Monitor and evaluate key performance indicators	• Intelligent marketing system • Intelligent interactive system • Intelligent content development system • Intelligent content monitoring system
Business Operation	Strengthen understanding of users and optimize operations	• Customer Acquisition • Customer Retention • Course Content • Cost Control

Exhibit 5: QuantaSing’s Content Development System. Source: Investor Presentation

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.

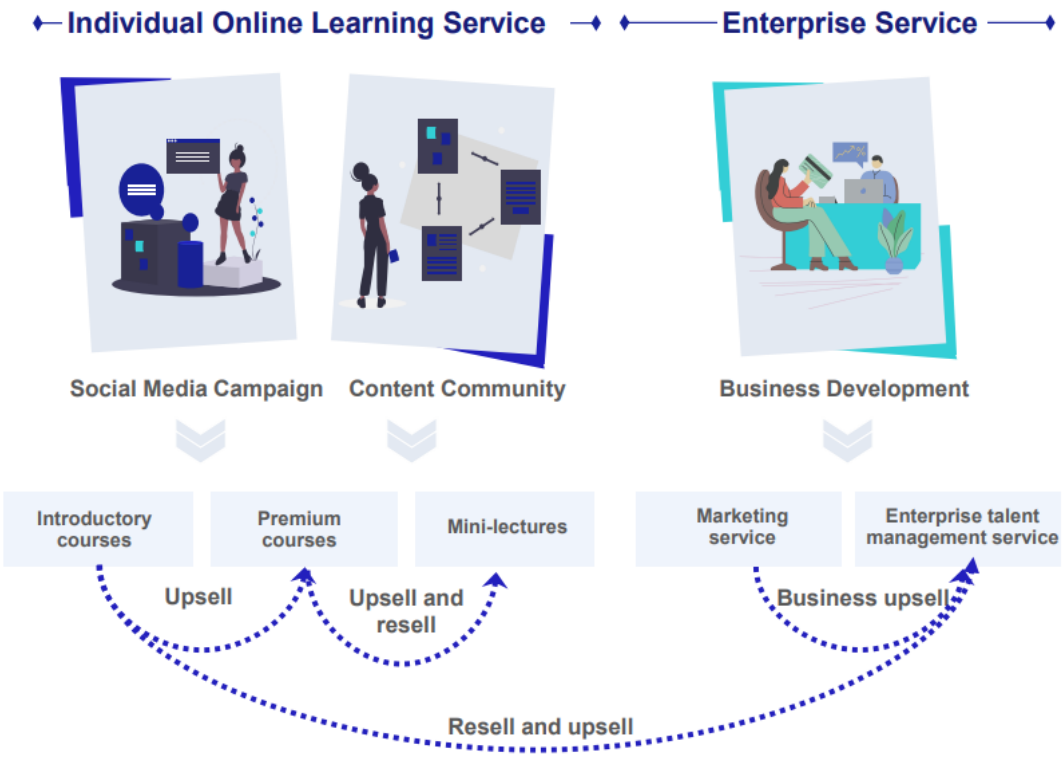


Exhibit 6: QuantaSing's Customer Acquisition Funnel. Source: Investor Presentation

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

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.

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

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- **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.

- **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.

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

  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.

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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 7: 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.

Appendix

Income Statement	FY2022 A	FY2023 A	FY2024 E	FY2025 E	FY2026 E
Net sales	2,867,974.0	3,081,381.0	3,731,703.8	4,664,701.0	5,363,814.1
Cost of sales	(408,757.0)	(391,498.0)	(485,121.5)	(583,087.6)	(670,476.8)
Gross profit	**2,459,217.0**	**2,689,883.0**	**3,246,582.3**	**4,081,613.4**	**4,693,337.3**
Operating expenses					
General and Administrative Expenses	(166,650.0)	(175,246.0)	(186,585.2)	(233,235.1)	(268,190.7)
Selling expense	(2,254,459.0)	(2,408,464.0)	(2,649,509.7)	(3,311,937.7)	(3,808,308.0)
Research & development expense	(273,484.0)	(219,781.0)	(205,243.7)	(256,558.6)	(295,009.8)
Income from Operations	**(235,376.0)**	**(113,608.0)**	**205,243.7**	**279,882.1**	**321,828.8**
Interest income	387.0	5,328.0	9,305.8	13,915.1	19,756.0
Interest expense	-	-	-	-	-
Income from short-term investments	-	-	-	-	-
Other income	19,913.0	21,313.0	21,845.8	22,392.0	22,951.8
Profit before exceptional items, extraordinary items and tax	**(215,076.0)**	**(86,967.0)**	**236,395.4**	**316,189.2**	**364,536.6**
Exchange loss (net)	-	-	-	-	-
Employee seperation cost	-	-	-	-	-
Profit before tax from continuing operations	**(215,076.0)**	**(86,967.0)**	**236,395.4**	**316,189.2**	**364,536.6**
Income tax (expense) benefit	(18,350.0)	(21,685.0)	(42,551.2)	(79,047.3)	(91,134.1)
Net earnings including noncontrolling interests	**(233,426.0)**	**(108,652.0)**	**193,844.2**	**237,141.9**	**273,402.4**

Exhibit 8: Income Statement Snapshot (in RMB thousands). Source: Diamond Equity Research

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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