

**Here Group Limited (HERE)  
Q1 FY2026 Earnings Call  
December 2, 2025, 7:00amET.**

Executives

Leah Guo, Associate Director of Investor Relations  
Peng Li, Founder, Chairman, and CEO  
Tim Xie, CFO

Analysts

Alice Cai, Citi  
Liping Zhao, CICC  
Yikun Zheng, CITICS  
Di Shi, Huatai Securities

**Presentation**

Operator: Good morning and good evening, ladies and gentlemen. Thank you for standing by, and welcome to Here's Earnings Conference Call. At this time, all participants are in a listen-only mode. We will be hosting a question-and-answer session after management's prepared remarks. Please note that today's event is being recorded.

I would now like to turn the conference over to Ms. Leah Guo, Investor Relations Associate Director of the company. Please go ahead, ma'am.

Leah Guo: Thank you. Hello, everyone, and welcome to Here's earnings call for the first quarter of fiscal year 2026. With us today are Mr. Peng Li, our founder, chairman and CEO, and Mr. Tim Xie, our CFO. Mr. Li will provide a business overview for the quarter; then Tim will discuss the financials in more details. Following their prepared remarks, Mr. Li and Tim will be available for the Q&A session. I will translate for Mr. Li.

You can refer to our quarterly financial results on our IR website at [ir.heregroup.com](http://ir.heregroup.com). You can also access a replay of this call on our IR website when it becomes available a few hours after its conclusion.

Before we continue, I would like to refer you to our safe harbor statement in our earnings press release, which also applies to this call, as we will be making forward-looking statements. Please note that all numbers stated in the following management's prepared remarks are in RMB terms, and we will discuss non-GAAP measures today, which are more thoroughly explained and reconciled to the most comparable measures reported in our earnings release and filings with the SEC.

I will now turn the call over to the CEO and Founder of Here, Mr. Li.

Peng Li: Okay. Good morning, everyone. Thank you for joining us today for our first quarter of fiscal year 2026 earnings call. This is a historic moment—our first earnings call as Here Group following our business restructuring, which positions us as a pure-play player in the global pop toy market.

Today, I am proud to report that our first quarter as a fully focused organization has been one of strong execution and accelerating momentum. We have completed the disposal of our non-pop toy businesses by September 30, 2025, allowing us to concentrate all our talent and resources on the immense global pop toy opportunity ahead.

In Q1, we delivered total revenue of RMB127.1 million, with our pop toy business growing 93.3% quarter-over-quarter from RMB65.8 million, exceeding the higher end of our previous guidance, RMB110 million.

Let me highlight our most impressive operational metric, which demonstrates the power of our focused strategy: Our total GMV across direct-to-customer (DTC) online stores reached RMB44.6 million this quarter. FY26 Q1 has validated our capability to develop DTC operations, and our future DTC development strategy will align with our sales planning, new product launch schedules, and other operational activities.

This operational momentum, along with contributions from our diversified sales channels, translates directly to strong financial performance. Our sharpened focus is also driving improved profitability, with gross margins expanding to 41.2%, up from 34.7% in the previous quarter. We ended the quarter with a solid balance sheet and strong asset base, reflecting our financial stability and operational strength.

Now, let me walk you through how we're executing our two-pillar growth strategy and the tangible results we're seeing across our business.

Our first pillar focuses on strengthening our IP ecosystem with a balanced portfolio. This strategy is delivering results across original proprietary IP creation, strategic partnerships of licensed IP, and cross-industry co-branding.

A key element of this approach is concentrating resources on our flagship IP properties to maximize their market impact and cultural resonance. For WAKUKU - we launched WAKUKU on a Roll Series on November 29th. This new series brings collectibles into real-life scenarios, building emotional connections with young consumers who view these pieces as daily companions and personal symbols rather than just toys. By integrating "lucky numbers" into lifestyle contexts and offering versatile sizing, we transform youth interaction with collectibles into spontaneous social sharing moments. Every design element, from trending colors to premium accessories like interchangeable silky cat head hats, makes "luck" a tangible daily experience. The launch was further enhanced by an original song and music video, creating a multimedia experience that extends the IP's cultural reach beyond physical products.

Our operational excellence demonstrates this strategy in action. "WAKUKU-themed Street" became one of Shanghai's most popular photography destinations in November, attracting young people and social media creators who generate diverse content through street photography and

collection showcases. This capability—turning IP launches into cultural phenomena that drive organic community engagement—proves our ability to create compelling characters that naturally embed into young people's lives, becoming authentic expressions of personality and catalysts for cultural moments that extend beyond traditional product boundaries.

Our flagship IPs continue to be powerful growth engines, with recent launches achieving record-breaking performance, particularly in international markets. These launches show our systematic IP development capability and our ability to create emotionally resonant characters with compelling narratives. Looking ahead, we remain committed to adding value to our flagship IPs and newly-launched IPs.

Let me share our strategic partnerships that are expanding our cultural influence. We've formally established a strategic partnership with Beijing Radio and Television Station. The partnership covers content and cultural project cooperation mechanisms, including program co-creation, IP integration, and co-branded content production. This deep integration with mainstream media enhances our brand credibility and lays the foundation for our nationwide media partnerships.

Our pop toy IP participated in the official Golden Rooster Awards activities, including the Starry Sea gift sets, red carpet visual elements, and on-site interactive creativity, becoming one of the symbols of youth culture at this year's film festival. This collaboration achieved deep connections with China's mainstream entertainment industry.

Our cross-industry co-branding strategy is elevating our brand into new consumer segments through diverse partnerships across entertainment, media, sports, and urban development.

In the sports sector, we achieved a landmark milestone as the first official pop toy brand partner in China Open history, creating value across three key areas. From a media perspective, we generated over 200 million exposures and became a core tournament topic. In terms of athlete engagement, we secured authentic interactions and organic endorsements from global top players, including the world's number one ranked athlete, who drove strong "celebrity same style" demand. On the commercial side, our themed pop-up store generated millions in sales revenue, with multiple limited-edition items selling out immediately upon release. This success demonstrates the effectiveness of our "pop toy + premium sports events" model, creating a seamless connection from brand awareness to actual sales conversion.

In the entertainment sector, we've secured high-profile collaborations that expand our reach into mainstream pop culture. WAKUKU collaborated with the variety show "披荆斩棘的哥哥" (Call Me By Fire), integrating our brand into China's popular entertainment landscape. This partnership demonstrates our ability to seamlessly blend pop toy culture with mainstream television programming, reaching diverse demographic segments.

We also partnered with the local tourism government office to create an IP-themed street featuring installations, interactive scenarios, and immersive photo opportunities in a core Beijing landmark commercial district. This project increased foot traffic and helped revitalize the area for younger audiences, providing a successful pilot for our "urban renewal plus pop toy scenario operation" strategy.

These collaborations showcase our versatility in cross-industry partnerships, from premium sports tournaments to domestic variety shows and urban commercial districts, each designed to introduce our IP to new audiences while strengthening brand recognition across different consumer touchpoints.

These IP successes create the foundation for our second pillar, our omnichannel approach, which amplifies these compelling brands across multiple touchpoints to drive efficient growth both domestically and internationally.

In China, our social media matrix is delivering exceptional results. Our combined follower base across key platforms has reached 26.5 thousand. We have generated 679 million views on Douyin and 171 million views on RedNote, demonstrating massive organic reach. This is converting directly to sales, with our Douyin flagship store GMV increasing 97.2% quarter-over-quarter.

Offline, we are continuing to develop our offline DTC stores, which serve primarily as brand flagship experiences to showcase our products and strengthen our presence in key markets. Our pop-up stores have generated over RMB3 million in cumulative sales, and we have secured prime locations, which are all high-traffic locations in top-tier shopping districts, including Shanghai, Beijing, and Shenzhen, for more direct-to-customer channels. Our first Beijing DTC store and our first Chongqing DTC store will open in December 2025. Two additional DTC stores in Beijing are set to open in early 2026. In addition, we have also launched Christmas and New Year-themed pop-up stores to capture the holiday shopping momentum in Shanghai and Shenzhen.

We participated in high-profile events including the 2025 China International Fair for Trade in Services, significantly boosting brand visibility and generating qualified leads for our wholesale channel.

Internationally, our momentum is accelerating across key markets. Our performance on TikTok Shop in North America has positioned us as a top player in the collectibles category. A standout success was our WAKUKU Panda series. The "Panda Combination" charm series broke our single-day sales record through a TikTok livestream. By integrating Chinese cultural elements like traditional makeup and dance, we created an "Eastern aesthetic wave" that resonated deeply with North American audiences, demonstrating our ability to fuse trendy culture with Chinese aesthetics for global success.

Our overseas distribution network now covers around 20 countries including North America, Europe, Southeast Asia, and the Middle East. With this established infrastructure in place, we are now beginning to focus on enhancing sales performance in these markets as our supply chain capabilities continue to improve and our partnerships with overseas distributors deepen. This foundation allows us to rapidly scale our geographic footprint while minimizing fixed infrastructure investments and leverage our partners' established retail relationships and local market expertise to achieve efficient market penetration.

Underpinning our creative and commercial success is our integrated operational system, which represents a true competitive advantage.

Our model, which leverages specialized third-party production, is built for speed and scale. Our October plush product production reached 35 times our January levels. This scalable system allows us to meet unprecedented demand for hit series without compromising quality or timelines.

Our robust quality management system ensures that every product that reaches our fans meets the highest standards of quality and safety. As we scale our operations, we continuously optimize all aspects of our supply chain management, identifying and addressing operational challenges as they arise. This operational backbone gives us the confidence to innovate aggressively and launch new products knowing we can deliver consistently.

This operational excellence, combined with our strong financial performance, enables disciplined capital allocation. Our capital allocation strategy is clear and focused. We will continue to reinvest our strong cash flow back into high-return opportunities: First, re-investing in high-ROI IP development; Second, funding accelerated global retail expansion; and third, exploring strategic M&A in the IP and pop toy ecosystem.

We are no longer in a transition; we are in acceleration mode.

With a pure-play pop toy strategy, a formalized two-pillar execution plan, agile supply chain capability, and a strengthened balance sheet, we are well positioned to capture the massive global pop toy opportunity and deliver sustainable, long-term value to our shareholders.

The results this quarter validate our strategic choices. Our brands are resonating with consumers, our channels are scaling efficiently, and our operations are executing flawlessly. We have the momentum, the capabilities, and the resources to become a defining global player in the pop toy industry.

I'll now turn it over to Tim for a detailed review of our financial results. Thank you, everyone.

Tim Xie: Thank you. Before I go into the details of our financial results, please note that all amounts are in RMB terms, that the reporting period is the first quarter of our fiscal year 2026 ending on September 30, 2025; and that in addition to GAAP measures, we will also be discussing non-GAAP measures to provide greater clarity on the trends in our actual operations.

We are pleased to report on solid financial performance this quarter, which demonstrates the successful execution of our strategic transformation into a product-driven pop toy company.

Total revenue reached RMB127.1 million with a gross margin of 41.2%, compared with total revenue of RMB65.8 million with a gross margin of 34.7% in the previous quarter.

Adjusted net loss from continuing operations narrowed to RMB17.1 million, down from RMB19.3 million in the previous quarter. These results reflect the success of our strategic business restructuring and the disposal of our non-pop toy businesses, allowing us to focus entirely on our high-growth Pop Toy segment.

Revenues for the quarter were RMB127.1 million, entirely generated from the sales of pop toys and the related activities, compared to RMB65.8 million in the previous quarter. Gross profit for the quarter was RMB52.4 million, compared to RMB22.8 million in the previous quarter.

Our gross margin increased to 41.2% this quarter from 34.7% in the previous quarter, reflecting the strength of our pop toy business model.

On the operational front, total operating expenses were RMB81.6 million for this quarter. To break this down, sales and marketing expenses were RMB27.6 million. These expenses mainly included advertising and promotion costs aimed at enhancing product and brand visibility to accelerate growth and expand market share.

As a percentage of total revenue, non-GAAP sales and marketing expenses, which exclude share-based compensation, decreased to 21.7% this quarter from 29.0% in the previous quarter.

Research and development expenses were RMB15.8 million. These expenses were mainly focused on advancing our pop toy portfolio through new product design innovation and establishing our integrated sales platform and data center infrastructure. These investments create a solid operational foundation to support future business expansion.

As a percentage of total revenue, non-GAAP research and development expenses, which exclude share-based compensation, decreased to 12.5% this quarter from 13.5% in the previous quarter.

General and administrative expenses were RMB38.1 million. These costs reflected our operational functions including employee compensation, professional service fees, and other operational expenditures.

As a percentage of total revenue, non-GAAP general and administrative expenses, which exclude share-based compensation, decreased to 23.2% this quarter from 26.3% in the previous quarter.

Our net loss from continuing operations was RMB25.8 million, compared with RMB21.8 million in the previous quarter. Our adjusted net loss from continuing operations was RMB17.1 million, compared with RMB19.3 million in the previous quarter.

Basic and diluted net loss from continuing operations per share were RMB0.16 during this quarter. Basic and diluted adjusted net loss from continuing operations per share were RMB0.11 during this quarter.

Regarding our balance sheet position, as of September 30, 2025, we held RMB789.4 million in cash and cash equivalents, restricted cash, and short-term investments.

Looking ahead, we are excited about the growth prospects for our pop toy business. Based on currently available information, we expect revenues from our pop toy business to be in the range of RMB150 million to RMB160 million for the second quarter of fiscal year 2026, and in the range of RMB750 million to RMB800 million for the full fiscal year 2026. These forecasts reflect our confidence in the pop toy market opportunity and our ability to scale our IP portfolio and expand internationally.

That concludes my prepared remarks. Operator, let's open up the call for questions. Thank you.

## Questions and Answers

Operator: Thank you. We will now begin the Question-and-Answer session. (Operator Instructions). Alice Cai with Citi.

Alice Cai: I have two questions, and the first one, based on the second quarter guidance, implying that the first half revenue is around RMB280 million, right? So to hit the full year target of 800 million, second half revenue is to reach at least 500 million, which is nearly double first half. What is the specific breakdown of this confidence? And is this cost driven by capacity, secure orders from retailers, or is it based on projected sell-through of new launches, new IP launches, I mean? And do we expect to turn profitable in the second half, given the strong revenue guidance?

And my second question is about the implication on the Labubu momentum. Do we expect -- is there any impact from our Labubu revenue momentum?

Tim Xie: Okay. Thank you for your question, Alice. For the first one, regarding the guidance, the revenue forecast is primarily based on the following points: the timeline and pace of the product launches for different IPs, and corresponding production capacity arrangements, as well as the current production capacity and the inventory situation. It also takes into account the order from our customers' allocation and arrangements for the channel partners and self-operated online platform and DTC channels. Currently, our production capacity is expected to reach approximately 400,000 sets per month, equivalent to 2.4 million units in the near future -- I think maybe by end of this year -- which will help avoid severe supply chain shortages, such as first half-year, from recurring.

At the same time, based on the order situation for new products in the latest months, the subsequent product launch plans and the order placements from various channel partners, our projections can generally support the overall revenue guidance range for the fiscal year ending June 2026. I think the core of our business lies in balancing IP operations and sales scale, with a focus and priority on continuously extending and enriching the emotional value that the IP products bring to our users while achieving sales growth. We are striving to continuously realize and optimize this objective.

Regarding the bottom line, I think the losses, especially the adjusted losses excluding the share-based payment expenses, is narrowing. And also, the losses incurred in the fourth quarter were primarily due to the short-term business adjustment for the business restructuring. Because the existing fixed cost structure and cost and expenses structure, including the fixed cost, remained relatively high compared to our current revenue scale of which many items are inappropriate with the legacy business, such as fixed expenses related to maintaining the listed company status, the audit fees and the leased office spaces based on the previous business model, all of which are currently being optimized.

We are actively refining our cost and expense structure in accordance with the needs of the new business development. In the upcoming quarters, the proportion of similar fixed costs and expenses are expected to continue decreasing.

Regarding sales expenses, I think one of the major expenses, we anticipate that the adjusted ratio will fluctuate around 20% of the revenue. The specific amount and proportion will depend on market conditions and the schedule of new product launches. During this rapid growth phase, we plan to allocate slightly more resources to branding and marketing to enhance the IP operation activities. However, consistent with our long-standing business strategy, we will not pursue growth through excessive spending. In the early stages, we aim to strike a balance between profitability and growth, and we are confident that this profitable growth will be achieved in the coming quarters.

I think the other question related to the product, especially for the IP. I think our peers, for example, the Labubu IP operations have achieved outstanding business performance and rapid growth. And we believe the market is closely following the latest developments of the pioneer companies and other IPs. But as a pop toy company, we believe there is plenty of room for the growth in our industry.

According to a recent research report, the data from a research firm, the market of this IP pop toys is still growing very fast at a CAGR of over 18% in the next 5 years. So moving forward, we will continue to prioritize our IP operations, new product launches and brand building.

The market has validated WAKUKU's unique appeal to the users. Let me share some sales numbers. The first generation of WAKUKU was launched at the end of last year, and second generation was launched in the first half of this year in this May, all of the previous versions of WAKUKU products, the cumulative sales up to now have now exceeded 6 million individual units, and we launched our new generation mini-version just now on November 29th. The offline debut received very positive feedback and the online launch is scheduled for December 4th.

So the pop toy market has moved beyond its niche origins and now reaches a much broader audience. Going forward, we will continue to build our IP portfolio, creating distinctive and resonant IPs for different consumer segments.

In product development, we will continue exploring the unique characteristics of each IP to develop new products that align with market demand. For marketing and promotions, we will integrate our operations with strategic marketing campaigns to continuously strengthen our IPs and maintain their long-term vitality, yes.

Alice Cai: Thank you, very helpful.

Operator: Liping Zhao with CICC.

Liping Zhao: Congrats on your strong quarter. As Mr. Li just said that you guys are going to launch the DTC stores offline. Could you please share the latest updates on these stores, and your future opening pipeline in 2026? And how should we expect the sales value of these DTC stores?

Tim Xie: Thank you, I will answer it. Our key progress with offline DTC stores centers on building strategy of "Brand Experience Centers". The first batch of stores is expected to open between late December this year and early 2026 in very early of January. Current preparations focus on decoration and operational systems, and I think we are getting ready. Our goal is to transform our DTC stores into immersive and interactive offline narrative spaces. They will serve as physical hubs for our brand culture and core basis for offline community engagement.

In terms of channel synergy, our DTC stores represent a strategic investment in brand building and deepening user relationships. The goal is not only direct sales competition; instead, we enhance overall brand momentum by providing unique immersive experiences. The approach reinforces and empowers the online DTC and KA channels.

We are creating a positive cycle of offline experience, online engagement and omnichannel conversion. This ultimately strengthens our brand's omnichannel competitiveness. I think future expansion will strictly follow a prudent, phases strategy. We begin by validating the profitability of a single store and brand impact model using operational data from our initial stores. Once we successfully validate the business model, we will consider to speed the process of replication. This way ensures every new store becomes a valuable brand asset that keeps generating value over time. That's my answer, thank you.

Operator: Yikun Zheng with CITICS.

Yikun Zheng: My question is regarding our overseas market, because we know that Pop Mart's overseas business almost contributed half of its revenue, but for now, our current overseas revenue proportion is relatively low. So will the overseas market be our focus for the next year? And what is our strategy on the overseas market?

Tim Xie: Thank you for your question. Regarding the overseas market, I think that definitely is one of our focuses, especially starting from recently, in this quarter. I think because of the supply chain shortage in the first half-year, our major resources are put into the domestic market because we are still at early stage. And also, we should supply all of the demand, order demand, from the existing clients in the domestic market, especially the KAs first.

But at the same time, we are increasing our capacity, the production capacity, especially recently. As I just mentioned, we have increased the monthly capacity almost 40 times recently compared to that early this year. So we started to make our efforts in terms of the overseas channel and sales. So starting from this quarter, we will adopt such a strategy that first, we will cooperate closely with our KAs, our distribution partners, especially with those who has very solid overseas chain stores and distribution network.

And then at the same time, we are building our overseas online platforms, such as TikTok, in North America and Southeast Asia at the same time. So I think combining both of these efforts, we will make progress in terms of the overseas sales in the coming quarters. But I think even though we definitely think that the overseas market is growing very fast compared in terms of the speed, the growth rate with the domestic market, but as this -- overall, we are still at the early stage. And our absolute sales volume is still growing very fast. I think the majority of our sales will still come from the domestic market in the short term.

Definitely, we will replicate the strength and experiences built in the domestic market to the overseas market. So everything is at the beginning and on a trajectory trend, so that we can make big progress in the coming quarters, yes.

Yikun Zheng: Thank you.

Operator: Di Shi with Huatai Securities.

Di Shi: My question is about our IP structure. So I wonder what is the revenue structure breakdown by IP this year? And how do we foresee the drivers from new IPs in the next year?

Tim Xie: Thank you. Based on this quarter's data, our total business shows a healthy and well-structured IP portfolio. We ranked our IPs according to the popularity and also the IP strength. First, in this quarter, the total revenue for the quarter was RMB127 million. Our super-hit product and IP, WAKUKU, alone accounted for 71% of our total revenue, and this makes it the key driver for our growth.

Our classic IP, ZIYULI, as a stable pillar, contributed 16% of the total revenue approximately. And the new IP, which we launched in July, and it is the third-party licensed, exclusively-licensed, IP called SIINONO, made a solid debut, accounting for approximately 10% of our revenue this quarter, demonstrating a remarkable performance. And the remaining came from other IPs because we currently have 17 IPs.

So, for this result, I will give you some basic principles. First is that we will focus our efforts, all of our efforts, the majority of our efforts, and resources on our S-class IPs, that are WAKUKU, ZIYULI, and SIINONO, currently. I think in the short term, maybe in the coming quarters and maybe around 3 years, we will focus on the top IPs because we think we should put efforts to make the top IPs to last their popularity.

Looking ahead to the next year, our new IP strategy will be driven by a dual approach: "Deepening the Core" and "Systematic Incubation". So our core engine, WAKUKU, will transition from that explosive launch momentum to deeper operations and extending its product lifecycle. We will consolidate our market-leading position through strategic product line expansion and enhanced user experience. And also, we will systematically replicate SIINONO's proven incubation model to cultivate one to two additional flagship IPs, creating a more balanced and diversified growth portfolio.

So overall, our company will drive future growth through an IP matrix operating model. This breaks down into two main areas, and first, we will refresh our established IPs to keep them fresh and engaging for our audiences. Second, we will set up a flexible incubation mechanism that allows us to continually test new concepts and strategically allocate resources to the most promising emerging IPs. Over time, this approach will help us create a healthy IP ecosystem, one that appeals to diverse audiences, protects us from single product risk, and also delivers long-term growth potential. But quarter-by-quarter, I think the IP revenue fluctuation will be based on the product launches and the pace of each IP.

So I think in sum, we will focus on three to five key IPs such as WAKUKU, SIINONO, ZIYULI, and other IPs, maybe in the future. And also, we will incubate some new IPs, so that we can not

only diversify the revenue concentration risks, but also to grow the whole IP portfolio. Thank you.

Operator: As there are no further questions, I'd like to hand the conference back over to management for closing remarks. Please go ahead.

Leah Guo: Thank you again for joining our call today. If you have any further questions, please feel free to contact us or submit a request through our IR website. We look forward to speaking with everyone in our next call. Have a good day.

Operator: The conference has now concluded. Thank you for your participation. You may now have a good day.