Meitu 2026 Interim Results Announcement Transcript

Host:

Good afternoon everyone, and welcome to Meitu's 2026 Interim Results Presentation. Simultaneous English interpretation will be provided throughout the meeting via Zoom.

The management team present today is:

- Mr. Wu Xinhong, Founder, Chairman and Chief Executive Officer of the Company
- Mr. Gary Ngan, Chief Financial Officer and Company Secretary
- Mr. Chen Jianyi, Chief Product Officer and President of the Imaging Products Group

A warm reminder, today's speech may include some predictive statements. Many risky factors we cannot control may lead to discrepancies between actual results and our statements. For online participants, please click rename button with your real name and affiliation name. After the Q&A session, please state your name and affiliation before raising your question. For online participants, you can ask questions via audio or text.

Now, let's welcome the management to share updates on the Company. Thank you.

Mr. Wu Xinhong:

Thank you. Good afternoon. Thank you for joining us today for our 2026 interim results presentation.

In the first half of 2026, our continued focus on vertical use cases translated into tangible results, driving growth in our core businesses and further improving profitability.

To date, the goals of 2026 Meitu Multimedia Festival have been delivered on schedule. Applications for Productivity such as Designkit and Kaipai continue to unlock commercial value, while new products including Picchi and MVLAND have also brought growth opportunities.

We are very optimistic about the opportunities on the AI application layer. For Meitu, this is an important window.

Based on this, in the first half of the year, we continue to upgrade our existing products, including accelerating the deployment of Agent Teams across our Applications for Productivity, enabling agents to move beyond individual tasks and collaborate across end-to-end workflows around users' objectives.

- We are already seeing the early results. In both the first and second quarters of this year, total AI credits consumed by users increased by more than 46% sequentially. This indicates continued improvement in both user engagement and willingness to pay.

At the same time, user needs and product formats continue to evolve. To capture this window, we need not only to accelerate iteration of existing products, but also to identify and validate new opportunities more efficiently.

- Last year, we started our internal AI Innovation Studio. Two months ago, we also launched the “Meitu Hatch Catch” product hackathon to discover high-potential AI imaging products. To date, we have received 109 submissions, and we are currently screening them to select those suitable for strategic investment or in-depth collaboration.
- In overseas markets, we encourage our product teams to get closer to local users and use cases. In markets such as Brazil and Mexico, we are deepening our understanding of local content creation habits, the relationship between content and potential customer, and unmet user needs.

These new product explorations and market research have also revealed an increasingly clear trend: more users are building and managing their personal image, IP and brands through social media to acquire customers and monetise their content.

- What these users need is no longer one-time creation. They need to continuously create content and operate their IP, to expand their social influence, and accumulate reusable assets.

This showed us that, beyond content creation itself, there may be opportunities to extend further along the user journey, based on their actual needs, into what comes after creation.

I would also like to share some of our thinking on this. In summary, we hope to gradually connect the three stages around content: creation, distribution and asset accumulation.

First, AI content creation:

- This is the starting point of content and the area we know best. Our products already cover multiple content formats, including marketing videos, MV (“music videos”), talking videos and AI short-form dramas.

- We hope that while focusing on creation where we're strongest, we can expand our user base and content scale.

Second, AI content distribution:

- This is where content reaches audiences and ultimately creates commercial value. Once creative work is completed, the next question is how to reach more audiences and unlock its commercial potential.
- On distribution channels, we have our own channels, including the Meitu app portfolio and ZCOOL, while also connecting to external channels such as social media, video platforms, music streaming platforms and offline retail stores.
- While we accumulated many users, we're also finding high potential content at an earlier stage.

Third, the AI asset library:

- This provides the foundation for content accumulation. We want content to remain usable after creation and distribution and thus generate long-term value.
- These assets can take many forms, including reusable creative materials, long-term IP and virtual characters, as well as copyrights of music, scripts, and visuals.

This is not a new initiative. Relevant capabilities have already begun to emerge across our product portfolio in different formats.

- Take Kaipai for example:
    - A talking video creator uses Kaipai to produce a video — that is creation. Once the video is completed, the creator wants more people to see it — that is distribution. Going forward, we can also support journeys from creation to promotion within the product. Overtime, the persona, voice and script templates of the creator can all be accumulated as reusable assets, making the next video faster and more consistent to produce.
- Another example is MVLAND, which we launched at this year's Meitu Multimedia Festival.
    - A music studio uses MVLAND for creation. The content goes into streaming platforms and social media for distribution. The copyrights and virtual identities accumulated through each creation become assets.
    - These assets can subsequently be licensed and reused, while virtual artists can continue to build their audiences and commercial value, thus creating a positive cycle.
    - We will continue to expand and optimise MVLAND's capabilities in this direction.

In the future, we will continue to connect the capabilities more systematically, starting with where we have already seen clear demand and positive signals. Building on our strength in AI creation applications, Meitu will further extend into areas such as AI content distribution and AI asset libraries, enabling content to be created, circulated and accumulated within our ecosystem and building a more complete content value chain for the AI era.

Of course, we will pursue this direction step by step. On one hand, we will continue to deepen our existing products and explore vertical use cases. On the other, through more efficient innovation mechanisms, we will proactively identify and rapidly validate new growth opportunities.

- Whether through internal development or strategic investment, we will consider both business synergies and return rates and focus resources on areas with the strongest value and potential.

Going forward, we will continue to capture the opportunity window for AI applications, while balancing growth quality and operating efficiency, driving sustainable growth and creating long-term value for shareholders.

Next, I will hand over to Xiaobai, our Chief Product Officer, who will share some of our latest product thinking and progress with specific cases.

Mr. Chen Jianyi:

Thank you, Xinhong. Next, with a few specific products, I'll share some of our recent new insights.

Let me first share the two fastest-growing new products launched after the Meitu Multimedia Festival — Picchi and MVLAND. As of now, both products' ARR has exceeded US$500,000, making them the well-performed products just one to two months after launch.

Picchi

- Picchi has grown fast since its launch and has the potential to reach US$1 million in ARR this year. But what is even more worthy sharing than the numbers - is its user base.
    - At present, most Picchi users are cosers—that is, cosplay enthusiasts. Unlike general consumer users, they have very high photo-retouching volumes, often processing dozens or even hundreds of photos from a single shoot. At the same time, when using AI photo editing, they are not concerned solely with whether the final image looks exactly like them.
    - Many AI models still have limitations in preserving facial features, which users are generally sensitive to. However, cosplay is inherently about portraying a character. For cosers, they are more concerned if the final AI-edited image has sufficient quality and visual appeal, and whether it has the potential to gain traction after being shared on social media.
    - For many professional cosers, image quality directly affects their follower growth, advertisement taking and commercial photoshoots. Many of them treat cosplay as a profession, not only a hobby.
- This has given us an important insight: when a person's image itself becomes a means of production, users' demand for imaging products and their willingness to pay can change significantly.
- The Meitu app and BeautyCam primarily serve everyday use cases, where the core value remains "help me look better." Picchi, by contrast, is not designed for mass-market consumer users; it serves livestreamers, influencers, models, cosers and others who monetise their personal image. For these users, attractive images do not merely create consumption value; more importantly, they are a means of production. Their willingness to pay is therefore naturally higher than that of general consumer users. These are some of the observations Picchi has given us two months after launch.

Next, MVLAND.

MVLAND currently has the second-highest ARR among our new products, after Picchi. One of our new observations is that: the MV market might be niche, but now it seems to be different. It could take two forms: creative MV and marketing MV. Thus, MV could be both creations work and marketing materials.

- Let me start with creative MVs, which are primarily targeted at musicians. For musicians, traditional MVs are expensive and time-consuming to produce. As a result, most songs never had an MV and could easily get buried on traditional music platforms.
    - Today, the key place for music discovery has shifted to social media and short-form drama platforms from traditional music platforms. And MV is exactly the ticket for a song to be seen. MVLAND lowers the production cost, which is like giving more songs a chance to be distributed. This is the format we have tried for the past several months.

- We also believe that marketing MVs will become a highly popular content format in the future. Internally, we often say that “everything can become an MV.” When it comes to marketing, brands and merchants can communicate their messages either by “speaking” or by “singing.”
    - For example, Kaipai helps advertise or sell products via talking videos. We can speak it out and we can talk about it.
    - For product launches, promotions and similar marketing scenarios, sellers can also use AI to create a very short song and turn it into a 10- to 20-second MV for distribution on social media. For example, a milk tea shop launching a new drink, or the founder of a fashion brand introducing a new item, can use a marketing MV to communicate new-product or promotional messages in a more engaging way.
    - In the past, productivity tools were used primarily to create static posters. Looking ahead, we believe more brand owners will use marketing MVs to showcase promotional campaigns. We hope to turn MV from a professional content format in the music industry into a marketing format that everyone can use with MVLAND.
- This also links to what Xinhong just said on distribution. Creation and distribution are both essential. Without good content, distribution has no ammunition, but without effective distribution, good works are also hard to see. So, what MVLAND wants to do is connect creation and distribution and build relevant asset accumulation — for example, virtual persona and music copyrights — so that every song can have the ability to be seen, spread, and marketed.

Kaipai

The third product is Kaipai. One of our more recent insights is to evaluate market opportunities through the lens of “creator density.”

- After the Meitu Multimedia Festival, we conducted market research in São Paulo. My initial impression was that engagement seemed highly concentrated and content diversity was relatively limited, which made me wonder whether Brazil had relatively few creators. However, after returning to China, we conducted a series of research., we found that the opposite was true: many people create and publish content, while what is relatively scarce is professional creators who can monetise that content.
- We therefore now distinguish between two metrics: leisure creator density and professional creator density.
    - Leisure creator density refers to users who post everyday-life and other content on platforms such as Instagram and TikTok, but do not rely on content creation for income. Professional creator density, by contrast, refers to people who earn income and monetise through the content they create.
    - Therefore, if a market has many people creating contents but most of them are simply documenting their daily lives, they have significant potential to become professional creators through Meitu’s products. Our internal view is that when a region has high leisure creator density but low professional creator density, the gap between the two represents an opportunity for Meitu’s products.
- This explains Kaipai's growth in China.
    - In China, professionals in sectors such as healthcare, insurance, real estate, and food and beverage may understand their businesses very well, but many are transitioning from leisure creators to professional creators and may not know how to choose social-media topics, develop scripts, or produce videos.
    - Kaipai aims to enable them to produce content of near-professional quality without having to become professional creators themselves or use highly professional editing tools.

Going forward, when assessing opportunities in emerging markets around the world, our leading indicator will not be population size, but rather the structure of the local creator base. Markets with a large base of leisure creators and a significant number of users seeking to become professional creators and monetise through content represent opportunity areas for Meitu's imaging productivity tools.

Designkit

Finally, Designkit. One important change we are seeing is a shift in consumers' purchasing-decision habits on e-commerce platforms. Across the e-commerce industry, over the past two to three years, e-commerce content has moved from shelf-based e-commerce to social-media-driven content commerce.

- In the past, consumers typically discovered a product on social media, then visited an e-commerce platform to review the product detail page and further information, before ultimately making their purchase decision on a shelf-based e-commerce platform such as Amazon.
  - However, the consumer decision-making journey is now reversing. After seeing a product on social media, consumers will often continue to watch livestream selling content, as well as KOL introductions and reviews of the product, on the same platform. As a result, the purchase-decision journey that previously took place on e-commerce platforms has now, in large part, become a closed loop on social media.
  - Consumers ultimately visit e-commerce platforms mainly to collect coupons or complete the final purchase transaction. Increasingly, purchase decisions are being made directly within social-media content feeds.
- This is directly impacting on our Designkit product.
  - Historically, the largest user group served by Designkit has been cross-border e-commerce merchants, whose primary operating channels have been shelf-based e-commerce platforms. Accordingly, over the past two years, our capabilities—including agents, Agent Teams, background removal, product-image generation and e-commerce image-set creation—have been developed around the content-material needs of shelf-based e-commerce, such as product hero images and product-detail pages. Today, however, in addition to these needs, merchants also require substantial volumes of social-media content designed to drive product discovery and consideration. They also need to operate their own matrix of social-media accounts and produce large volumes of product-promotion videos.
  - In the past, an e-commerce merchant might have devoted 80% of its effort to producing materials for e-commerce platforms and 20% to creating social-media content. Today, that ratio is reversing, merchants may allocate 80% to 90% of their resources to social-media materials, with only around 20% going to materials for shelf-based e-commerce.
  - This represents an entirely new category of content-design demand for us.
- Designkit will take two steps.
  - First, we will further strengthen our capabilities in traditional e-commerce design and accumulate reusable products, brand and model assets. This is the foundational work we have completed in the first phase over the past two years.
  - Second, we will extend into social-media-driven content commerce, focusing on two types of content: products and services. Using products and services as the starting point for content creation, we will help merchants bring their businesses into social-media content feeds. This is the future direction for Designkit.

Put these products back into the framework Xinghong just described — in fact, creation, distribution, and accumulation. These three stages have all started to appear in our products.

- On the creation side, the Meitu app and BeautyCam are the most popular creation points, further solidifying our user scale. Picchi, MVLAND, Kaipai, and RoboNeo extend creation capability into personal images, persona, MVs, talking videos, and short dramas. These daily updated content forms are the growth driver for productivity scenarios in the coming years.
- On the distribution side, Kaipai is extending from creation into promotion, MVLAND connects MV creation with distribution, the Meitu app continues to help brands and IP gain exposure, while ZCOOL enables design content to be discovered and transacted within its creator community.
- In terms of AI asset accumulation, every act of creation and distribution contributes to the accumulation of user assets. Picchi accumulates users' visual identities and styles; MVLAND accumulates music copyrights and virtual-singer assets; Designkit accumulates e-commerce brand and product assets; and ZCOOL has accumulated design works over many years. These assets are entering an asset library, where they can be repeatedly called upon and continuously feed back into the next round of creation and distribution. Through these capabilities, we aim to build a relatively complete content ecosystem for Meitu in the AI era in the next phase. This will also further strengthen our moat: moving from tool products to content distribution and then to content accumulation, thereby creating a deeper and more durable competitive advantage.

Now, let's welcome Gary to share the operating and financial performance of the first half.

Mr. Gary Ngan:

Thank you, Xinhong and Xiaobai. I will now share our operating and financial performance for the first half of the year.

Let me start with a few key metrics.

- As of June 2026, our overall MAU was approximately 282 million.
    - Among which, Applications for Productivity reached 33 million, a record high;
    - Applications for Leisure remained stable.
- Paying subscribers exceeded 18.44 million.
    - Among which, Applications for Productivity reached 2.35 million, up nearly 30% YoY;
    - Applications for Leisure reached 16.09 million, up 18.8% YoY.
- Our overall user base remained stable, while for Applications for Productivity, both the user scale and paying subscriber base continued to grow.

Next, I would like to share a few ARPPU highlights.

- ARPPU for Productivity Applications is currently 150% higher than that of Leisure Applications, but we believe there is still more headroom in the future.
- The current ARPPU gap partly reflects a limitation of the traditional subscription model: subscription tiers effectively impose a cap on user spending. Even when users are willing to pay more, the product lacks a mechanism to capture that. In the first half of 2026, the integration of agent capabilities across

our products began to lift this limitation. As users complete more complex tasks at a higher rate, they will consume more AI credits related to the actual workload.

- This trend is already visible among high-value users of selected products.
    - For example, Designkit already has several thousand high-ARPPU users whose annualised spending is approximately 10 times our overall ARPPU, while the number of such users has increased by approximately 6 times compared with December last year.
    - Another example is MVLAND. Within only a few months, its average monthly ARPPU has already reached approximately RMB220, comparable with pricing levels for professional creative applications, demonstrating that we can build products that monetise at a much higher level.

Now let me turn to the financial results. First, I would like to clarify the basis of our year-on-year comparison.

- As the “Cosmetics Supply Chain Management Services” business under “Solutions for Beauty Industry” was classified as a discontinued operation in our 2025 annual report, the following year-on-year comparisons are presented on a continuing operations basis.

In the first half of 2026, the Group recorded total revenue of RMB2.21 billion, representing an increase of 22.1% YoY.

- Within this, our core business, “Photo, Video and Design Products,” grew by 30.9% YoY to approximately RMB1.8 billion.
    - By product category:
        - Revenue from Applications for Productivity accounted for more than 18% of Photo, Video and Design Products revenue and increased by 40.1% YoY. This growth rate excludes the stock photo business that we exited at the end of 2025, which contributed approximately RMB27 million of revenue in the first half of 2025.
        - Revenue from Applications for Leisure accounted for approximately 82% and increased by 32.3% YoY.
    - By market:
        - Revenue from markets outside of Mainland China increased by 41.7% YoY, significantly faster than Mainland China.
        - Markets outside of Mainland China accounted for 48% of total revenue, an increase of nearly 4 percentage points from the same period last year.
- For our Advertising business:
    - Revenue in the first half was RMB410 million, down 4.4% YoY, primarily due to lower revenue from brand advertising and other traditional advertising formats, while programmatic advertising continued to grow.
    - As we have mentioned in previous results presentations, we remain cautiously optimistic about the Advertising business. Going forward, we will continue exploring opportunities to combine AI capabilities with brand marketing use cases.
- Finally, revenue from Others was approximately RMB29.1 million, representing an increase of 3.9% YoY.

For Cost of Sales, total cost of sales for the first half was RMB630 million, up 41.0% YoY.

- Our largest cost item, revenue sharing fee to payment channels, was approximately RMB380 million. This cost increases alongside subscription and in-app purchase revenue, while remaining broadly stable as a percentage of Photo, Video and Design Products revenue.
- Second, computing and cloud-related costs amounted to RMB130 million, over half of which was inference-related computing power costs directly linked to user usage.

- In addition, supported by our self-developed models and our capability to fine-tune open-source models, we kept third-party API costs at a mid-single-digit percentage of Photo, Video and Design Products revenue. During the first half, more than 96% of generated outputs were powered by our self-developed model layer.

Turning to gross profit,

- Gross profit for the first half was RMB1.58 billion, up 15.9% YoY.
- Gross margin was 71.5%, compared with 75.3% in the same period last year. The modest decline in gross margin was mainly attributable to changes in revenue mix:
    - First, within Photo, Video and Design Products, AI-native Applications for Productivity grew faster, and these products currently have relatively higher API costs as a percentage of revenue. By contrast, mature applications such as the Meitu app and BeautyCam maintained broadly stable gross margin levels.
        - For these early-stage AI-native products, our current priorities are product validation and user growth. As user scale expands and usage patterns become more mature, we will continue to optimise their gross margin profiles.
    - Second, Advertising, which carries a relatively higher gross margin, accounted for a lower proportion of total revenue, which also had some impact on overall gross margin.

For operating expenses:

- Selling and marketing expenses were RMB330 million, up 12.7% YoY, representing 15% of the combined revenue from Photo, Video and Design Products and Advertising.
    - By region, spending in Mainland China was primarily directed towards driving growth in Applications for Productivity, while spending in international markets was mainly focused on Applications for Leisure.
    - For products where we have validated the demand and observed clear growth opportunities, we will invest progressively while closely monitoring customer acquisition efficiency.
- Research and development expenses were RMB470 million, up 4.8% YoY.
    - The reported growth rate was affected by the comparison base in the first half of 2025, which included certain general-purpose foundational model training expenses. Excluding these expenses, R&D expenses would have increased by approximately 11.1% YoY, mainly reflecting our continued investment in vertical-specific AI capabilities.
    - Going forward, we will continue to concentrate resources on R&D talent, vertical model training and application-level optimisation, to better meet users' aesthetic preferences and improve overall product experience.
- Administrative expenses were RMB220 million, largely in line with RMB217 million in the same period last year.

On profitability, as revenue continued to grow, gross profit once again grew faster than operating expenses in the first half, further improving operating leverage and overall profitability.

- Adjusted net profit attributable to Owners of the Company was RMB650 million, up 39.5% YoY. For better comparability with the same period last year, adjusted net profit includes results from discontinued operations.

- IFRS Net profit attributable to owners of the Company was approximately RMB620 million, representing an increase of 40.0% YoY.

I would also like to supplement our approach to investment in new products and resource allocation:

- You may have noticed that we have launched a few new products recently. Some, such as Picchi and MVLAND, are growing rapidly, while some have been discontinued. This reflects the speed at which the AI industry is evolving — and therefore the speed at which new products need to be validated.
- For early-stage opportunities, we aim to use small teams and relatively limited initial investment to bring products to market quickly and validate user demand and business models.
- Once we see clear signals in user growth and monetisation, we will scale up R&D, marketing and other resources in a timely manner and dynamically adjust our level of investment.
- Through this approach, we aim to maintain a rapid pace of iteration while controlling the cost of early-stage exploration and improving overall resource efficiency.
- Going forward, we will continue to advance product innovation and globalisation, capturing long-term growth opportunities while maintaining disciplined resource allocation and return on investment, leading to healthy financial performance.

Finally, I would like to share an update on shareholder return.

- First, in line with our past dividend practices, the Board has approved an interim dividend of HK$0.067 per share, representing approximately 40% of adjusted net profit attributable to owners of the Company.
- Second, regarding the HK$300 million share repurchase programme announced in March this year, we have repurchased approximately HK$230 million to date, with HK$70 million remaining. Going forward, we will continue to assess and execute the remaining repurchases as appropriate, considering market conditions, business development needs and regulatory requirements.

I would also like to take this opportunity to clarify our principles regarding results disclosure.

- Recently, we have noticed that some investors have interpreted whether the Company issues a positive profit alert or profit warning as an indication of management's view on whether the results are good or bad. This is a misconception, as there is no direct relationship between the two.
- Under the relevant disclosure requirements related to inside information based on Part 14A of the Securities and Futures Ordinance and Rule 13.09 of the Listing Rules, whether the Company is required to issue a positive profit alert or profit warning in advance does not depend on whether the results themselves are positive or negative. Rather, the relevant consideration is whether the financial results constitute inside information — in other words, whether the annual or interim results represent a material deviation from prevailing market expectations.
- Since we began publishing quarterly disclosure this year, the market has been able to learn about our latest operating performance in a timely manner. As a result, the likelihood of actual results deviating materially from market expectations has also decreased, and accordingly there may naturally be fewer circumstances requiring a positive profit alert or profit warning.
- Therefore, whether the Company issues such an announcement should not be interpreted simply as an indication of whether the results are good or bad. We will continue to fulfil our disclosure obligations prudently and in accordance with applicable rules.

That concludes our presentation today. We will now move on to the Q&A session. Thank you.

Host:

Thanks, Gary, for his sharing. Now we are moving into the Q&A session.

If you're on the floor, please raise your hand — Our staff will give you the microphone. If you log in via mobile app or personal computer, please click the raise-hand button. After you're unmuted, you can ask your questions. You can also text your question in the chat box; we will read it aloud. For investors on Zoom, you can also click the button or text your question. For those who dial in, please press asterisk plus one.

Now, let's first take a question from the lady in blue in the second row. Hello.

Investor Q&A

Q1: Thank you for the opportunity to ask a question. I am Sara, an analyst at UBS. Congratulations on the Company's very strong results. I have two questions on the same topic:

- First, in the first half of the year, we saw the Company launch a number of new products, including Picchi and MVLAND. In particular, MVLAND appears to expand the Company's scope into new areas and extend its product capabilities beyond those of its previous offerings. Could management share how the Company identified these user needs so quickly? We have also seen rapid growth in both ARPPU and ARR. How was this achieved, and what are the key underlying drivers?
- Second, Gary mentioned that new products are subject to rapid validation and may be discontinued if they do not meet expectations. Which KPIs does the Company use to determine whether a project should be continued or discontinued? With respect to internal talent development and the approach to new-product exploration, has the Company established clear business boundaries?

Mr. Chen Jianyi:

I will first address the question of how we identified the demand for MVLAND and Picchi. The demand logic behind MVLAND had already begun to take shape 12 years ago with Meipai, a Meitu product. At the time, Meipai enabled users to create MVs from their real-life footage using MV effects. Within just two months of its launch in May 2014, its daily active users reached five to six million, validating the strong, inherent demand among users to turn everyday visual content into MVs and share them on social media.

MVLAND can be understood as an AI-native version of Meipai for the AI era. The difference is that, during its cold-start phase, MVLAND chose to focus first on professional musicians. We aim to first address their needs for professional-standard MV production and for distributing songs through social media, before moving from the top down into the mass market.

When a product can meet the aesthetic standards of professionals, it can naturally serve general consumer users more effectively. MVLAND is therefore not creating an entirely new use case from scratch. Rather, as we define vertical content formats, we are seeking to bring MVs, as an artistic form, from a niche audience to a broader market. Compared with content formats such as short films, which are already widely covered by large platforms and general-purpose foundation models, MVs continue to present a clear opportunity as a vertical content format.

Mr. Wu Xinhong:

I would like to add to the discussion on demand discovery and business boundaries. The needs behind our new products are largely identified through user segmentation and trend insights from our existing, mature product portfolio. For example, Picchi originated from emerging needs among younger users and social-media KOLs of the Meitu app and BeautyCam in portrait editing, as well as our exploration of the pain points that AI can address — including remembering users' preferences and characteristics, enabling batch processing, and enhancing content's appeal for social media. Kaipai emerged from our observation of pain points in talking-video production through the teleprompter feature in BeautyCam.

At present, we are focused on validating and exploring use cases across different vertical content formats, such as talking videos and MVs. Each vertical content format offers significant room for further exploration.

For projects that do not perform as expected, we conduct dynamic assessments based on key quantitative indicators, including user growth and ARR. We will promptly consolidate teams or reallocate resources, as appropriate, to ensure our limited resources are efficiently focused on high-value opportunities.

Going forward, the Company will not blindly expand into unrelated business areas. Instead, we will continue to extend naturally from AI content-creation tools into content distribution and asset accumulation. All content needs to be promoted, while much content can also be accumulated into IP assets and copyrights. We aim to build a closed-loop content flywheel of "creation, distribution, asset accumulation and renewed creation," continually validating the value of content and IP assets.

Compared with the previous pure-application model, this approach can better meet users' needs. Having their content seen by more people, building a larger following, and achieving stronger income growth are common needs shared by content creators. Likewise, accumulating content into assets with long-term value is also a common need. This is the Company's core content strategy for the future.

Mr. Gary Ngan:

The logic behind higher ARPPU lies primarily in precisely addressing use cases where users have higher requirements for the quality of the final output. Users in these cases also tend to use the product more frequently.

Selecting the right vertical is equally important. Taking MVs as an example, before the AI era, producing a single MV typically cost between RMB50,000 and RMB200,000, making it a high-value vertical. By entering such high-barrier use cases, a product naturally has greater pricing headroom and a higher ARPPU than mass-market, everyday photo-editing applications.

Host:

Thank you to the management team for your response. Let's move on to the next question. We will now take a question from the lady in grey in the first row. Hello—please hold on for a moment while we bring the microphone to you.

Q2: Hello, management. I'm Lydia from Morgan Stanley. The framework the Company has just outlined, spanning content creation, distribution and asset accumulation—offers a new perspective on Meitu.

- If the Company further expands into content distribution and issuance in the future, would this mean that the Company will move towards an operating model?
- Could management elaborate on the potential impact of this strategy on the Company's future business model, management model and financials? Thank you.

Mr. Wu Xinhong:

I will respond briefly first and then invite Gary and Xiaobai to add.

First, content distribution is a common need across the industries in which we operate. Industries including software applications, games, film and television, and music all regard distribution as a core capability.

Meitu has long carried out distribution-related work. Previously, this work was focused more on the distribution of our apps themselves. Now, in response to the needs of users and creators, we are extending further into content distribution. From a team-building perspective, this represents an expansion of functions based on our existing distribution team, rather than the establishment of an entirely new team.

Mr. Chen Jianyi:

To add, the extension of our distribution strategy is essentially about strengthening the downstream services in the creator journey. After using Kaipai or MVLAND to create content, creators' natural next need is to promote and distribute that content. Previously, creators often needed to set up accounts themselves or rely on third-party tools for paid traffic acquisition, social-media product selection, e-commerce selling and livestreaming.

The distribution support we provide is a downstream service that naturally extends from our existing creation tools. It is not a new, standalone business segment, but rather a complement to our existing product capabilities. At the same time, through repeated cycles of creation and distribution, creators' personal images, content copyrights and other assets can be accumulated on the Meitu platform or within their own brands, forming a positive closed loop of "creation, distribution, asset accumulation and renewed creation."

Mr. Gary Ngan:

By building end-to-end services across the creator journey, we expect that users' switching costs and strengthen product stickiness will increase.

Host:

Thank you, management. We will now take the next question from the lady in black in the first row.

Q3: Thank you, management. I'm Vicky, an internet analyst at Citi. I would like to follow up on the discussion of content distribution and asset accumulation.

- First, what are the Company's core advantages and principal challenges as it advances this business exploration?
- Second, we have observed that MAU growth in overseas markets has slowed somewhat. Could management share its latest views on product trends in overseas markets? Thank you.

Mr. Wu Xinhong:

I will first address the advantages and challenges.

In terms of distribution, Meitu's core advantage lies in its extensive proprietary channel matrix, including the Meitu app, BeautyCam and ZCOOL, our designer community. These channels can provide strong support for our distribution efforts. For example, several IPs have previously collaborated with Meitu's products on distribution and achieved encouraging results. Products such as the Meitu app can also serve as validation channels for IP assets and IP content, helping us assess whether content resonates with users and whether it can continue to gain traction on social media. Having proprietary channels is an advantage that Meitu has relative to certain other companies.

The principal challenge in exploring this business lies in building external channels. Social-media platforms, online-video platforms, music-streaming platforms and e-commerce platforms can all serve as broader distribution channels. Another challenge is integrating paid traffic acquisition capabilities and further enabling creators to access and use these capabilities. We are currently working to build a more mature distribution services platform.

Mr. Chen Jianyi:

Regarding overseas-market trends, our team has recently focused on Higgsfield AI, a product in the United States. Its ARR has increased from approximately US$500 million to approximately US$700 million. It can be understood as a Midjourney for marketing videos. Its customers are primarily business users, studios and advertising creative agencies, which use content templates to create marketing videos for social media.

As Higgsfield AI entered the market at an earlier stage, it is unlikely that its model can be replicated in its entirety. The key takeaway for us is its mechanism of “creators as distribution channels.” Meitu is also building similar centralised platform capabilities to support more effective distribution across different products.

The operating logic is as follows. Under the traditional model, companies allocate budgets to agencies or MCNs, which engage KOLs to create content, but the likelihood of generating viral content is difficult to predict. For example, after engaging 100 KOLs to produce content, perhaps only 10 pieces of content may become viral.

The new approach is more akin to a performance-marketing mechanism. A product’s existing user base already includes many creators, whose content made using the product is published on social media. If creators add the product tag when publishing and indicate that the content was created using our product, they can submit the link to our “Creator Program” platform once the content gains traction. We then assess the content based on real engagement data, including likes, shares, comments and saves—and provide incentive payments to creators accordingly.

Compared with the traditional approach, under which a company might spend RMB1 million on social-media promotion without knowing whether it would generate a viral hit, this model can directly leverage the influence of creators whose content has already gained traction, while reducing intermediary layers such as agencies and MCNs.

However, this mechanism is not suitable for every product. Its prerequisite is that the content created by users must be inherently suited to social-media distribution and have the potential to generate organic reach. Only then can the full mechanism—including product tagging, automated settlement and incentive payments—be put into operation. Products such as MVLAND, Kaipai and RoboNeo short dramas are naturally suited to social-media distribution. We are drawing on this mechanism to turn creators into efficient distribution channels, leveraging their influence to strengthen product marketing and promotion on social-media platforms.