

Jianzhi Education Technology Group Company Limited Reports Fiscal Year 2023 Financial Results

April 9, 2024

BEIJING, April 09, 2024 (GLOBE NEWSWIRE) -- Jianzhi Education Technology Group Company Limited (the "Company" or "Jianzhi") (NASDAQ: JZ), a leading provider of digital educational content in China, today announced its financial results for fiscal year ended December 31, 2023.

- Net revenues were 440.5 million (US\$62.0 million) for fiscal year 2023, compared to RMB505.7 million during the same period in 2022.
- Gross profit was RMB16.2 million (US\$2.3 million) for fiscal year 2023, and a gross loss of RMB5.5 million for the same period in 2022.
- Net loss for 2023 was RMB382.8 million (US\$53.9 million), compared to net loss of RMB196.6 million during the same period in 2022.

The following table sets forth a summary of the consolidated results of operations for the years indicated:

| | For the Years Ended December 31, | | | % Change |
|----------------------|--------------------------------------|---------|--------|-------------|
| | 2022 | 2023 | | |
| | RMB | RMB | US\$ | |
| | (in million, except for percentages) | | | |
| Net revenues | 505.7 | 440.5 | 62.0 | (12.9%) |
| Gross (loss) profit | (5.5) | 16.2 | 2.3 | 394.5% |
| Loss from operations | (207.4) | (382.8) | (53.9) | 84.6% |
| Net loss | (196.6) | (382.8) | (53.9) | 94.7% |

Mr. Yong Hu, CEO of the Company, commented: "In 2023, the Company faced a challenging year marked by policy headwinds and the evolving landscape of the vocational education industry following the Covid pandemic. To effectively respond to these changes, the Company proactively adjusted its strategy. It pursued a two-pronged approach by reducing investment in the educational content services segment while cementing efforts to expand its highly profitable customized IT system design and development services."

"As a result of these strategic actions, the Company recorded a top line of RMB440.5 million, with a gross profit of RMB16.2 million for the fiscal year 2023. This represents a significant improvement compared to the previous year's corresponding period, which recorded a gross loss of RMB5.5 million. It is important to note that the Company's overall profitability was temporarily affected by the impairment of assets resulting from the reduced procurement of courses and subscriptions to course content in the educational content services division. However, it is our firm belief that this impairment of customized courseware assets is non-recurring and we anticipate this will not have a sustained impact on the Company's future profitability."

"Looking ahead to 2024, the Company has undertaken a comprehensive reassessment of its business strategy with the primary objective of restoring and enhancing its profitability. To achieve this, the Company will vigorously expand its operations in critical business areas that align with national policies, such as 5G messaging, digital workforce solutions, and the education industry. Furthermore, the Company will establish strategic partnerships with telecom operators in China, across multiple provinces to facilitate the successful implementation of these strategic plans."

"In addition to these initiatives, the Company remains dedicated to collaborating with vocational institutions to design and develop cutting-edge courses. Through comprehensive teaching and training, our ultimate goal is to provide students with a distinguished 1+X certification. Here, the '1' signifies specialized proficiency in a specific field or industry, while 'X' represents a series of certificates within the same professional domain."

Fiscal Year 2023 Financial Results:

Net revenues

For the year ended December 31, 2023, our revenue decreased by 12.9% from RMB505.7 million for the year ended December 31, 2022 to RMB440.5 million (US\$62 million). This decrease was primarily driven by the net effects of a decrease of RMB133.2 million (US\$18.8 million) in revenue generated from educational content services and other services, partially offset by an increase of RMB68.0 million in net revenues from the provision of IT related solution services.

- *Educational content service and other services.* Net revenue from the educational content service and other services decreased by RMB133.2 million (US\$18.8 million) to RMB71.7 million (US\$10.1 million) for the year ended December 31, 2023, from RMB204.9 million for the year ended December 31, 2022.
 - The decrease was primarily due to: (i) a decrease of RMB112.3 million (US\$15.8 million), or 100% in revenue from offering selected mobile video package to end mobile users under a B2C model through our cooperation with a subsidiary of China Telecom, primarily because the Company terminated corporation with China Telecom, and (ii) a

decrease of revenues by RMB23.3 million (US\$3.3 million) in “Fish Learning” platform. Such decrease in revenues were primarily because we did not provide new and attractive contents on the platform leading to decreased subscriptions from end customers.

- *IT related solution services.* Net revenue from IT related solution services increased by RMB68.0 million (US\$9.6 million), or 22.6% to RMB368.8 million (US\$51.9 million) for the year ended December 31, 2023 from RMB300.8 million for the year ended December 31, 2022. The increase was primarily attributable to acquisition of new cloud-based customers in the year of 2023 in design and development of customized IT system.

The following table sets forth a breakdown of the revenue by business segments for the years indicated:

| | 2022 RMB | 2023 RMB (in million) | US\$ |
|--|--------------|-----------------------------|-------------|
| Educational content service and other services | | | |
| – Educational content service | | | |
| – B2B2C | 51.5 | 28.6 | 4.0 |
| – B2C | 149.7 | 4.5 | 0.6 |
| – Other services | 3.7 | 38.7 | 5.4 |
| Subtotal | 204.9 | 71.7 | 10.1 |
| IT related solution services | | | |
| – Design and development of customized IT system | 71.4 | 243.3 | 34.3 |
| – Procurement and assembling of equipment | 228.4 | 125.4 | 17.7 |
| – Technological support and maintenance | 1.0 | - | - |
| Subtotal | 300.8 | 368.8 | 51.9 |
| Total revenues | 505.7 | 440.5 | 62.0 |

Cost of revenues

Cost of revenues decreased by 17.0% to RMB424.3 million (US\$59.8 million) for the year ended December 31, 2023, from RMB511.3 million for the year ended December 31, 2022. The decrease of cost of revenues was primarily attributable to the decrease of RMB32.0 million (US\$4.5 million) in amortization of educational contents as we impaired educational contents in the year of 2023 and 2022, and decrease of RMB132.9 million (US\$18.7 million) in material costs used for educational content service and other services with decreased subscriptions from end customers and decreased orders from high schools, partially offset by an increase of RMB65.4 million (US\$9.2 million) in purchase of IT equipment for IT related solution services.

Compared with the decrease in revenues growth, the higher percentage of decrease in cost of revenues was mainly attributable to the higher gross profit we earned from IT solution services in the year of 2023 as compared with that in the year of 2022.

Gross profit

As a result of the foregoing, the Company reported a gross profit of RMB16.2 million (US\$2.3 million) for the year ended December 31, 2023, and a gross loss of RMB5.5 million for the year ended December 31, 2022. The Company’s gross profit margin improved to 3.7% for the year ended December 31, 2023 from negative 1.1% for the year ended December 31, 2022. The improvement was mainly due to an increase in the gross profits margin for IT related solution services for the year ended December 31, 2023, because we were primarily engaged in IT design and development services for customers in the year of 2023, as compared with procurement and assembling equipment projects in the year of 2022. The profit margin was higher in IT design and development services than procurement and assembling equipment projects.

Operating expenses

The total operating expenses increased to RMB399.0 million (US\$56.2 million) for the year ended December 31, 2023, from RMB202.6 million for the year ended December 31, 2022.

- *Sales and Marketing Expenses:* The sales and marketing expenses was RMB7.6 million (US\$1.1 million) and RMB7.1 million for the fiscal years 2023 and 2022, respectively. This increase was mainly driven by an increase of RMB0.3 million in salary and welfare expenses because we incurred compensation expense, and an increase of \$0.3 million in travel and entertainment expenses.
- *General and Administrative Expenses:* The general and administrative expenses decreased to RMB22.2 million (US\$3.1 million) for the fiscal year 2023 from RMB53.2 million for the fiscal year 2022. This decrease was primarily due to a decrease of RMB34.5 million in allowance of doubtful accounts from a provision of doubtful allowance of RMB36.0 million for the year of 2022 to a provision of RMB1.5 million for the same period of 2023, partially offset by an increase of RMB2.1 million in professional expenses associated with our IPO in August 2022.
- *Research and Development Expenses:* The research and development expenses decreased to RMB11.8 million (US\$1.7 million) for 2023 from RMB15.6 million for 2022. This decrease was mainly driven by a decrease of RMB3.2 million in outsourced labor costs, because the Company further reduced its expenditures on development of new educational contents.

- *Impairment of goodwill*: The Company did not provide impairment of goodwill for the year ended December 31, 2023. It provided full impairment of RMB7.7 million against goodwill for the year ended December 31, 2022, which was caused by termination of business partnership with a major customer and it was assessed that the fair value of the reporting unit would exceed its carrying amount.
- *Impairment of other non-current assets*: For the year ended December 31, 2023 and 2022, the Company provided impairment of non-current assets, including long-term prepayment, educational contents and intangible assets. The details were as the following:
 - Impairment of long-term prepayments: As of December 31, 2023, the Company reviewed the long-term prepayments for educational content. It expected that these educational contents would be outdated when they are delivered to the Company. The cash flows generated from subscription for these educational contents may not cover the purchase price. Accordingly, the Company charged impairment of RMB155.3 million (US\$21.9 million) against long-term prepayments for the year ended December 31, 2023.
 - Impairment of intangible assets: For the year ended December 31, 2023 and 2022, the Company assessed that its current software and technology would not support newly purchased educational contents. The Company charged impairment of RMB4.6 million (US\$0.6 million) and RMB12.1 million against software and technology, respectively.
 - Impairment of educational contents: For the year ended December 31, 2023 and 2022, because certain contents were obsolete, the Company assessed that it is not likely that end customers would subscribe for related educational contents. The Company charged impairment of RMB197.5 million (US\$27.8 million) and RMB106.1 million against purchased educational contents, respectively.

Income Tax benefit (expenses)

The Company reported income tax expenses of RMB0.2 million for the year ended December 31, 2023, compared with income tax benefits of RMB11.0 million for the year ended December 31, 2022, this was because the Company utilized net operating loss carried forwards in the year of 2023.

Net loss

As a result of the foregoing, the Company reported net loss of RMB382.8 million (US\$53.9 million), compared with RMB196.6 million for the years ended December 31, 2023 and 2022, respectively.

Recent Event:

On February 20, 2024, the Company changed the ratio of its American Depositary Shares (“ADSs”) from current one (1) ADS representing two (2) ordinary shares to one (1) ADS representing six (6) ordinary shares (the “ADS Ratio Change”). For Jianzhi’s ADS holders, the ADS Ratio Change had the same effect as a one-for-three reverse ADS split. Each ADS holder of record at the close of business on February 20, 2024 was to surrender and exchange every three (3) existing ADSs then held for one (1) new ADS.

About Jianzhi Education Technology Group Company Limited

Headquartered in Beijing and established in 2011, Jianzhi is a leading provider of digital educational content in China and has been committed to developing educational content to fulfill the massive demand for high-quality, professional development training resources in China. Jianzhi started operations by providing educational content products and IT services to higher education institutions. Jianzhi also provides products to individual customers. Leveraging its strong capabilities in developing proprietary professional development training content and success in consolidating educational content resources within the industry, Jianzhi has successfully built up a comprehensive, multi-dimensional digital educational content database which offers a wide range of professional development products. Jianzhi embeds proprietary digital education content into the self-developed online learning platforms, which are provided to a wide range of customers through its omni-channel sales system. Jianzhi is also fully committed to the digitalization and informatization of the education sector in China. For more information, please visit: www.jianzhi-jiaoyu.com.

Safe Harbor Statement

This press release contains statements that may constitute “forward-looking” statements pursuant to the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “aims,” “future,” “intends,” “plans,” “believes,” “estimates,” “likely to,” and similar statements. Statements that are not historical facts, including statements about the Company’s beliefs, plans, and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. Further information regarding these and other risks is included in the Company’s filings with the SEC. All information provided in this press release is as of the date of this press release, and the Company does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

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