Bairong Inc. 2024 Annual Results Presentation Transcript

Date and time: 17:30-19:00 pm HKT, March 26, 2025

Venue: Online webcast

【Management】

Mr. Zhang Shaofeng, Founder, Chairman of the Board and CEO of Bairong

Mr. Zheng Wei, Executive Director, Senior Vice President, Chief Financial Officer, and Head of BaaS Insurance Scenario, Bairong

Mr. Duan Ying, Senior Vice President of Bairong and Head of MaaS and BaaS Financial Scenario

Ms. Qin Xuan (Sandy), Investor Relations Director

【Transcript】

Ms. Qin Xuan (Sandy), Investor Relations Director

Dear investors, analysts and media friends, hello. I'm Sandy Qin, Director of Investor Relations at Bairong. I would like to thank all the investors online for their attention to Bairong.

The company has released its 2024 annual results today, March 26, and we will report and share the company's 2024 annual operating results as well as outlook for 2025 and answer your concerns.

The presentation will be divided into three parts, our CEO will introduce the business progress and outlook followed by our CFO who will interpret the financial performance, and finally the Q&A session. Online participants can enter their questions into the question bar of the live broadcast interface, or call the following phone numbers to ask questions: 023-63623333/4008-063-263 in mainland China, +852-30183602/+800-961505 in Hong Kong, and +86-23-62737100 [internationally]; the Chinese password is 297236054 and the English password is 290534058. Management will be happy to answer your questions after the results presentation.

These results announcement contains forward-looking statements that reflect the Company's current beliefs and expectations regarding the future. These statements contain words such as "anticipate," "believe," "intend," "estimate," "expect," and words of similar meaning. All statements other than statements of historical fact contained in this meeting are forward-looking statements. These forward-looking statements reflect the views of the Company's management as of the date hereof and are not guarantees of future performance. Neither the Company, any member of the Group nor any of its relevant affiliates, nor any of their respective directors, officers, employees, consultants or representatives undertakes any obligation and expressly disclaims any obligation or undertaking to disseminate any forward-looking statements that are updated or revised.

Next, I would like to introduce the company’s management team present at this results announcement meeting. They include:

Mr. Zhang Shaofeng, Founder, Chairman of the Board and CEO of Bairong

Mr. Zheng Wei, Executive Director, Senior Vice President, Chief Financial Officer, and Head of BaaS Insurance Scenario, Bairong

Mr. Duan Ying, Senior Vice President of Bairong and Head of MaaS and BaaS Financial Scenario

Now, I would like to invite Mr. Zhang Shaofeng to report on the business progress in the year of 2024.

Mr. Zhang Shaofeng, Founder, Chairman of the Board and CEO of Bairong

Distinguished shareholders, investors, analysts, and media friends, hello everyone!

Welcome to the 2024 Annual Performance Announcement of Bairong. It is a great honor to report to you on Bairong's performance progress and new progress, and to share with you our views on long-term development.

Let me briefly introduce Bairong. Our business primarily utilizes AI technology to assist thousands of B-end institutions in two main areas: First, to help them manage risks, whether it be loan risks or insurance fraud and claims risks. Second, to help them increase revenue through marketing and customer management, making customers more willing to purchase more products. By leveraging AI modeling to aid intelligent decision-making, known as Model as a Service (MaaS), we currently have a daily average of over 300 million calls. Additionally, through generative AI and VoiceGPT to support intelligent marketing and operations, known as Business as a Service (BaaS), we have made significant progress in both technology and applications, establishing a first-class infrastructure. Moreover, based on AI VoiceGPT technology, we have also developed AI products such as the digital human all-in-one machine, AvartarGPT, and the CybotStar AI agent platform to help B-end institutions solve practical business problems. To date, we have accumulated more than 7,000 institutional clients. Familiar names include Alibaba, Baidu, ByteDance, Meituan, Xiaomi, JD.com, ICBC, Bank of Communications, Ping An, SPDB, China Life, China Taiping, and Taikang. Some of them are even major clients contributing tens of millions in revenue to Bairong.

The macro environment in 2024 was indeed very challenging. The economic situation was complex, market interest rates fluctuated, and banks were not having an easy time either. Particularly in terms of net interest margin, the pressure has been persistent. According to data from the National Financial Supervision Administration, the net interest margin of commercial banks has declined from 1.69% in the fourth quarter of 2023 to 1.52% in the fourth quarter of 2024. This is mainly due to factors such as the reduction in loan interest rates, fierce competition for deposits, and adjustments to existing mortgage interest rates. Meanwhile, after a period of increase, the non-performing loan (NPL) ratio has gradually improved. By the fourth quarter of 2024, the NPL ratio had dropped to 1.50%, down by 0.06 percentage points from the 1.56% in the second and third quarters of 2024. Overall, 2024 was a year of weak consumption and low credit confidence.

Despite the complex external environment with many companies facing challenges, Bairong not only held its ground but also achieved revenue growth and sustained profitability in an industry that was generally weak. Our MaaS business resumed its double-digit growth in the second half of the year and continued to contribute profits. This was no easy feat, as both last year and this year, our clients' budgets were being cut, and competitors were engaging in price wars. Our BaaS business also maintained stable growth, especially the BaaS Financial Scenario revenue driven by generative AI, which increased by 19% year-over-year. Additionally, our gross profit margin has consistently remained above 70%, indicating that our investment in AI has not only brought us a first-mover advantage but also created economies of scale. In 2024, our net profit reached 266 million, with a profit margin of 9%, a decline compared to 2023; the adjusted net profit reached 376 million, with an adjusted net profit margin of 13%. In this challenging environment, we still achieved a certain level of business stability and sustainability, which is inseparable from the long-term support, trust, and loyalty of our shareholders, investors, and analysts. On behalf of Bairong, I sincerely thank everyone!

I believe our opportunity lies in artificial intelligence. AI is one of the most revolutionary and disruptive technologies in history. Now, the era of generative AI has arrived, and almost every industry will be transformed by it. Fortunately, we are at the core of this technological revolution. The AI industry is actually a five-layer structural system. The bottom layer is the general-purpose computing power and general-purpose model layer, which is like the infrastructure of the AI industry, equivalent to the "water, electricity, and gas plants" in traditional industries. It provides basic computing power and general AI models, and it is the cornerstone of the entire AI industry. The second layer up is the industry/field/scene-specific computing power and model layer, which we call the "model factory." This layer provides computing power and models tailored to specific industries, fields, or scenarios, with products and services that are more specialized and optimized for specific needs. The third layer is the workflow and intelligent agent construction layer, also known as the "intelligent agent factory." This layer is responsible for building and optimizing workflows, as well as creating Agents that can perform specific tasks or services, which are important components of AI applications. The fourth layer is the industry/field/scene-specific intelligent agent layer, also known as the "intelligent agent market." This layer provides intelligent agents tailored to specific industries, fields, or scenarios, which are more specialized and capable of meeting the needs of specific environments. The top layer is the AI Native application layer based on, but not limited to, Agents, also known as the "AI Native application layer." This layer includes AI Native applications based on intelligent agents but not limited to them. These applications use AI technology to provide innovative solutions and services, and they represent the cutting-edge field of the AI industry. Our focus at Bairong is currently on the second, third, and fourth layers, and in the future, we may also venture into the top layer.

In terms of business advancement, over the past period, we have been fully committed to the research and development of AI technology. We have established an AI technology infrastructure centered on VoiceGPT, which is competitive globally in terms of both infrastructure and product capabilities. Our VoiceGPT technology is fully self-developed, meaning that from the underlying layer to the application layer, it is all developed in-house. Similarly, our LLM+NLP model is also fully self-developed, including the full-stack training capabilities such as pre-training, post-training, SFT (Supervised Fine-Tuning), DPO (Direct Preference Optimization), and the construction of the data system, including data collection, cleaning, and labeling. We have completed the training and deployment of multi-scenario and multi-model applications, such as financial models, marketing models, and collection models. We have also achieved productization of AI, such as our CybotStar AI agent platform and digital human all-in-one machine AvatarGPT. In 2024, our VoiceGPT made significant progress in both technology and application. We have established a first-class infrastructure. Moreover, all the technologies are self-developed, with costs only 20% to 30% of that of third parties. In terms of voice synthesis, we support more than 20 dialects and have achieved emotional expression of voice robots in different scenarios, while also being able to recognize users' emotions. Our company's long-term accumulated industry data and strategic experience give us a unique advantage in the development of reinforcement learning reward models. These models are highly correlated with specific business scenarios and can effectively enhance the precision and efficiency of AI applications.

In terms of product layout, this year we have introduced a brand-new product - the CybotStar Enterprise-level Intelligent Agent Platform. This platform is specifically designed for enterprise clients, and its mission is to help our clients apply large models to their various business scenarios, truly bringing high-tech to life and making it effective. CybotStar is a software platform that is very flexible and can handle voice and text, and communicate with customers through enterprise WeChat and other means. Our target customer base is very broad and not limited to the financial industry, but covering all walks of life, achieving comprehensive coverage. As for our fees, we provide several options for customers to choose from according to their actual situation. They can choose to pay based on subscription volume, pay by project, or pay based on the amount of labor cost we help them save. In this way, each customer can find the most suitable payment method for themselves. Overall, CybotStar is a very powerful and flexible platform that can meet the needs of different industries and companies of different sizes. We are very much looking forward to cooperating with more customers and jointly promoting the application and development of AI technology in the enterprise market.

Bairong's large models and generative AI application capabilities have been widely recognized by all sectors of society. In the first half of the year, Bairong's large models won several prestigious awards. For example, our intelligent voice interaction large model BR-LLM, with its outstanding performance, was selected together with other large model products such as Pangu, Ernie , and Qwen into the "2023 Annual Large Model Vitality List" jointly released by the

Chinese Academy of Social Sciences and Internet Weekly. BR-LLM was also awarded the "2023 Annual Product" award by the Chinese Academy of Social Sciences and eNet Research Institute for successfully breaking through the application ceiling of a single industry and emerging with general "intelligence." In the second half of the year, we received more honors. In the "2024 New Technology Top 100" jointly selected by the Chinese Academy of Sciences' Internet Weekly and the Informationization Research Center of the Chinese Academy of Social Sciences, Bairong was awarded the "2024 Large Model Innovation Application Award" and the "2024 Artificial Intelligence Industry Outstanding Contribution Enterprise Award." In addition, Bairong also passed the CMMI Level 5 certification, the highest level of certification in the global software engineering field, which is highly valuable. This emphasizes that we have reached the world's advanced level in software development, project management, and continuous optimization. CMMI, which stands for "Software Capability Maturity Model Integration," is an authoritative international standard for measuring the maturity of software development capabilities and project management levels of software enterprises. The CMMI maturity level is divided into five grades, with Grade 5 being the highest level of assessment, representing the highest management maturity requirements, the greatest application difficulty, and the highest level of assessment in the international software industry. By the end of 2024, our company had obtained 319 patents and software copyrights, covering fields such as artificial intelligence, machine learning, privacy computing, human-computer collaboration, and multi-modality.

As the leader of data element enterprises, we bear corporate social responsibility.

Today, I would like to share with you a particularly meaningful project that Bairong has recently participated in, which is also a project that Bairong has successfully crossed into an industry outside of finance - the "AI Heart Protection Cabin." This project is jointly built with Hua Kai You Shi, and our goal is to protect the mental health of adolescents through AI technology. We have donated "AI Heart Protection Cabin" to 300 schools in 100 counties (districts) across the country. This is an emotional companionship center combined with AI technology, equipped with a digital human all-in-one machine that we developed at the image of the Great Sage, for daily communication with children. This digital human not only has a lifelike appearance but also can display very natural movements and expressions through high-precision 3D modeling and real-time rendering technology. It can listen to children's concerns and have heartwarming exchanges with them. Behind this digital human is the technical support of the first domestic large model for adolescent emotional companionship. We have not only trained the large model with a large amount of knowledge related to adolescent psychological companionship but also integrated rich general knowledge. This makes our digital human all-knowing, able to answer any imaginative questions from children. Moreover, the large model can also analyze voice intonation to identify children's emotional needs, making the synthesized voice emotionally toned and more empathetic. In addition to emotional companionship, we have also endowed the "AI Heart Protection Cabin" with more functions. We are building a powerful intelligent ecosystem, integrating various intelligent devices through the Heart Protection Cabin to extend the reach of protecting the health of adolescents. For example, our smart watches have real-time positioning functions and can monitor heart rate fluctuations to detect campus bullying in a timely manner and automatically notify relevant school personnel to intervene. This project has caused a strong social response, and similar projects have also been implemented in universities in Shenzhen. Bairong will continue to deepen cooperation with public welfare organizations, educational institutions, and psychological experts to work together to let the "AI Heart Protection Cabin" accompany more adolescents and create a brighter and smarter future for them.

In addition, this year we have also officially launched an integrated AI green finance business solution. This solution is the result of our close following of the national "dual carbon" strategy and the deep integration of AI technology with green finance. It can help financial institutions innovate in the identification of green finance, benefit estimation, and ESG risk monitoring, and improve productivity. Our solution is highly consistent with the "Action Plan for Promoting the High-Quality Development of Digital Finance" jointly issued by the Financial Supervision Administration and the central bank and seven other departments. This plan encourages financial institutions to explore innovative financial products and service models based on carbon accounts, carbon emission data, and ESG scores, and improve the intelligent identification ability of green enterprises and projects. Our solution has several highlights: 1. Integration: It covers the underlying information system, business processes, and upper-level design, meeting a variety of practical needs of green finance. 2. Two major AI capabilities support: We have embedded the underlying large model BR-LLM and the large model intelligent agent application platform CybotStar Agent Builder, bringing a new look to multiple scenarios and processes. 3. "Three-in-one" management system: Based on our solution, financial institutions can effectively build a management system for customers, portfolios, and institutions. 4. Construction in four aspects: Our solution helps financial institutions improve in four aspects: informatization, digitalization, technological innovation, and data construction. This solution has been implemented in a joint-stock bank and has achieved breakthroughs in both environmental and corporate benefits. This year, it was also commended by the Ministry of Industry and Information Technology. Green finance is not only beneficial for the present but also for the long term. As a one-stop AI technology leader, Bairong will continue to use AI to help financial institutions explore new paths and models for the development of green finance.

Here, I would also like to share with you our company's plan and outlook for 2025. We will increase our in-depth exploration of vertical industries while expanding our investments in cross-industry fields to achieve a business framework supported by AGI, both vertically and horizontally. Our plan is divided into four main parts: IT infrastructure, AI infrastructure, AI internal empowerment, and AI capability products. First, let's look at the IT infrastructure part. We plan to make the Internet system more flexible by containerization and pooling to enhance system scalability. We also intend to unify the management of multi-cloud and hybrid cloud to improve our business efficiency. We will optimize IT resources according to the needs of each business unit, aiming to achieve a system reliability of 99.999% while continuing to reduce the cost per unit of business. We will also continue to develop multi-modal large models for text and voice, with the goal of building a world-class AI voice infrastructure. Then there is AI internal empowerment. We plan to use AI to assist us in coding, generating images and reports, and also apply AI in customer service and corporate services. We will also use AI to automate our internal processes, aiming to increase internal efficiency by 20%. Finally, there are AI capability products. We will launch the CybotStar AI product to the market, as well as digital human products and Voice Agent products. We will also create AI Native products, with the goal of successfully developing H2(growth)/H3(emerging) AI products. In summary, our plan for 2025 is to achieve business growth and technological innovation through strengthening infrastructure construction, improving internal efficiency, and developing and promoting AI products. We are very much looking forward to this plan and believe that we can achieve these goals.

To better seize market opportunities, this year Bairong has carried out a comprehensive strategic upgrade. We will greatly enhance our investments in research and development and business to capture market share, especially in the fields of pan-financial AI and pan-industry AI. Let's first talk about pan-financial AI. In terms of customer scenarios, AI applications can bring great value. For example, our institutional clients can increase service supply without limit, no longer restricted by labor costs as before, and user experience is greatly improved. In terms of internal scenarios, AI applications can also help us reduce costs, increase efficiency, and enhance the overall capabilities of our team. The most impressive thing is that the cost of AI voice intelligent agents is only 1/8 to 1/10 of that of human labor. This means that AI can not only create the same value but also save more costs. Now let's look at pan-industry AI. Bairong's VoiceGPT customer service Agent is about to go online. This not only improves efficiency but also reduces labor costs. We are present/active in industries such as retail, fast-moving consumer goods, and education. We are gradually expanding our business boundaries and empowering more industries with AI. Large-scale investments may bring pressure on Bairong's profits this year and next year, but I believe that these efforts will bring long-term value for us.

That is a brief summary of my views on Bairong's performance in 2024 and the outlook for the future. Thank you again for taking the time to attend Bairong's 2024 Annual Performance Exchange Meeting. Thank you!

Ms. Qin Xuan (Sandy), Investor Relations Director

Thank you, Chairman Zhang Shaofeng, for your rich and extensive explanation, and now I would like to invite Mr. Zheng Wei, Partner, CFO and Senior Vice President of BaaS Insurance Scenario, to introduce the 2024 annual results and financial highlights.

Mr. Zheng Wei, Executive Director, Senior Vice President, Chief Financial Officer, and Head of BaaS Insurance Scenario, Bairong

Thank you to all our shareholders, investors, analysts, and media friends.

In 2024, our revenue reached RMB 2.929 billion, a 9% increase from last year's RMB 2.681 billion. Despite a challenging year, Bairong successfully achieved stable revenue growth and maintained continuous profitability. Gross profit increased by 10% to RMB 2.142 billion from last year's RMB 1.955 billion, with a stable gross margin of 73%, primarily benefiting from the scalable AI cloud business model that further realized economies of scale. Operating profit reached RMB 285 million, with an operating profit margin of 10%. Net profit was RMB 266 million, with a net profit margin of 9%. Non-IFRS net profit reached RMB 376 million, with a non-IFRS net profit margin of 13%. Non-IFRS EBITDA was RMB 486 million, with a non-IFRS EBITDA profit margin of 17%.

In 2024, our revenue achieved robust growth, mainly driven by the BaaS (Business as a Service), which increased by 12% year-over-year to RMB 1.997 billion, accounting for 68% of total revenue. Within the BaaS business, BaaS Financial Scenario revenue grew by 19% to RMB 1.411 billion, representing 71% of BaaS revenue and 48% of total revenue. The BaaS insurance business actively responded to regulatory changes, with revenue slightly decreasing by 3% to RMB 586 million, accounting for 29% of BaaS revenue and 20% of total revenue. Our other business, MaaS (Model as a Service), saw its revenue increase by 5% to RMB 932 million, accounting for 32% of total revenue.

Our MaaS business aims to assist institutional clients in decision-making by providing models and assessment results, with diversified application scenarios. In 2024, key clients (those contributing more than RMB 300,000 in annual revenue) accounted for 76% of the MaaS revenue of RMB 932 million. The number of key clients reached 211, with an average revenue contribution of RMB 3.37 million per key client.

Our BaaS business aims to enhance the efficiency of vertical industry asset operations through generative AI technology combined with large models, while also achieving scalable reuse in different sub-sectors, such as banking, insurance, wealth management, and inclusive finance.

The BaaS Financial Scenario primarily assists institutions in more efficient intelligent marketing and operations, covering specific business scenarios such as retail lending, micro and small enterprise lending, wealth management, and leasing e-commerce. The BaaS Financial Scenario charges technical service fees based on the scale of asset transactions facilitated.

In 2024, as a leader in the application of AIGC, our BaaS Financial Scenario revenue increased by 19% to RMB 1.411 billion.

Our BaaS Insurance Scenario operates nationwide through Liming Insurance Brokerage. Our Discriminant AI provides comprehensive customer insights and precise insurance product recommendations, and through Generative AI and the offline insurance broker team, it manages high-value policies for user operations. We charge commissions based on the premiums of successful transactions.

In 2024, our BaaS Insurance Scenario revenue was RMB 586 million. In terms of revenue structure, revenue from new policies contributed RMB 487 million, a slight decrease of 4% from last year's RMB 508 million; the renewal rate of life insurance premiums continued to exceed 90%, remaining at the forefront of the industry. Revenue from renewal policies contributed RMB 99 million, an increase of 2% from last year's RMB 97 million. The total premium facilitated reached RMB 5.442 billion, a 63% increase from last year's RMB 3.331 billion, far exceeding the industry premium growth rate of 5.7% as reported by the National Financial Supervision Administration.

In 2024, our gross margin remained stable at 73%, primarily benefiting from the scalable AI cloud business model that further realized economies of scale.

Research and development expenses reached RMB 509 million, a 34% increase from last year's RMB 379 million, accounting for 17% of total revenue. The company continued to increase its investments in AIGC and large models to support product supply and the development of various technologies. During the reporting period, our intelligent voice product VoiceGPT made significant progress in both technology and application, establishing a first-class infrastructure. All technologies were self-developed, effectively reducing costs. Additionally, we successfully launched the CybotStar enterprise-level intelligent agent platform, which has integrated large models such as DeepSeek, dedicated to solving the application problems of large models in customer business scenarios.

Sales and marketing expenses amounted to RMB 1.119 billion, accounting for 38% of total revenue, a decrease of 2 percentage points from last year.

General and administrative expenses were RMB 328 million, accounting for 11% of total revenue, remaining stable.

Net profit reached RMB 266 million, compared to RMB 335 million last year, with a net profit margin of 9%. Non-IFRS net profit reached RMB 376 million, with a non-IFRS net profit margin of 13%.

At the end of 2024, our cash, cash equivalents, and similar financial assets amounted to RMB 3.657 billion, a 9% decrease from last year-end's RMB 4.032 billion, mainly due to Bairong's increased efficiency in capital utilization and enhanced strategic investments and share repurchase program. The RMB 3.657 billion includes cash and cash equivalents of RMB 739 million, time deposits of RMB 2.437 billion, and current financial assets measured at fair value through profit or loss of RMB 480 million.

With confidence in the long-term future and a focus on shareholder returns, the company repurchased a total of 25.49 million Class B shares from the public market in 2024, at a total cost of HKD 238 million.

As one of the few domestic AI companies that have found true application scenarios for generative AI and achieved profitability, Bairong maintained stable revenue growth and continuous profitability in 2024. Looking ahead, Bairong will increase investments in research and development and marketing, and continue to empower thousands of industries with AI. Thank you, everyone!

Ms. Qin Xuan (Sandy), Investor Relations Director

Thank you management for the wonderful presentation. Now it's time for the Q&A session. We welcome everyone to ask questions. Investors and analysts who are participating via telephone, if you wish to ask a question, please press the star key followed by the number 1 on your phone. First press the star key, then press the number 1. Investors and analysts who are participating online, if you wish to ask a question, you can type it in the 'Q&A section' on the online platform. I will read it for everyone later. Please mention your company's name and yours before asking a question.

Morgan Stanley Richard: How does Bairong view the emergence of DeepSeek? Compared with DeepSeek, Kouzi, Yuanbao, etc., what are the core advantages of CybotStar? How does Bairong differentiate from giants in the AI field?

Mr. Zhang Shaofeng, Founder, Chairman of the Board and CEO of Bairong: The emergence of Deep Seek Rl is a landmark event with a significant impact on the industry. For us at Bairong, it has both positive and negative effects. On the positive side it has advanced the whole society' s, whether the government or enterprises, understanding of artificial intelligence very quickly, leading to a consensus that the era of artificial intelligence has really arrived. On the negative side, because it is open source and freely available, some large customers and organizations might consider downloading Deep Seek themselves, experiment with it, hire their own team to explore development, or having their internal staff work on it first. This may cause previously planned projects to either be postponed or take different form. For example, we know that by the end of last year quite a few financial institutions had budgeted for AI projects based on larges model this year, but later either cancelled or postponed these projects due to the emergence of DeepSeek as they decided to by themselves first. We believe that in the medium to long term, professional companies should do professional tasks. Large models alone are not enough; intelligent agents are needed to perform specific tasks. A large model functions more like a brain, but true intelligence requires action, which only intelligent agents can provide. Without the ability to act, a brain alone cannot generate real value. The vast majority of enterprises do not understand this concept. Many think that the big model is everything. Some think AI is a major model for everything. Others think that Deep Seek represents AI. Neither of these is true. Between large models and intelligent agents there is another crucial layer of intelligent agent construction platform. Whether it's the Cybotstar of Bairong, or the Bailian of Alibaba or the Kouzi of Bytedance, these are the building platforms of large models, these are the building platforms of intelligent agents. There are all kinds of agents on top of these platforms. For example, Bairong is most famous for our voice agent and then we have digital agent and recruitment agent and so on. Above these agents there is a layer of common enterprise software applications that are deeply integrated with agents. Traditionally enterprise software was all written in code. In the future, it will definitely be transformed by agents though they may not completely replace traditional software. Instead, much of the old software solutions will be by redefined by intelligent agents. So above the big models there are intelligent agent construction platforms, intelligent agents themselves, and ordinary enterprise software embedded with intelligent agents. At present, many enterprises mistakenly believe that the large models alone define AI. This misconception may affect their short-term decisions leading them download Deep Seek and try by themselves first. We believe that in the medium to long term, they will come to realize that they lack professional expertise and that they still need to hire professional enterprises [such as Bairong]. Even with Deep Seek, implementing AI solutions remains very complex. Beyond this general large-purpose model we also need to develop industry specific large models and intelligent agent construction platforms are also needed. To build a platform from an agent we also need to build the agent itself and there maybe scenarios where traditional software need to be integrated. Given this complexity, most enterprises will still need to collaborate with professional AI providers to successfully implement these solutions. However, this process may not happen immediately, especially for some larger enterprises. They may want to experiment with Deep Seek on their own first. As a result, some projects may be delayed. Then projects that were originally planned to be outsourced may be delayed or proceed in a different form. Previously they might have intended to buy a product, but later they might consider hiring people themselves or engage a software company to help develop a solution. But in reality, this does not work well. In the long run, we still believe that professional companies like Bairong are needed to handle such tasks successfully. So this is why I say there are both positive and negative impacts. In the long term, the impact is positive, but in the short to medium term, there are some negative effects, especially for large customers and large enterprises. What is the difference between Bairong's Cybotstar and other intelligent building platforms, such as Buttons? Button is more focused on C-end applications, and the agents made with AI buttons are primarily for individual users. The needs of enterprise users are very complex, such as high requirements for security, for accuracy, for response time, factors that are less critical for personal users. Additionally, our platform is not positioned the same way as Yuanbao. Yuanbao is mainly a to-C application. Cybotstar is a platform for building intelligent agents. So we are different from Button and Yuanbao. Although Button is an agent construction platform, it is mainly used for to C applications.

China Securities Wu Ma Han Xu: What challenges may Bairong encounter in the expansion of pan financial integration and pan-industry scene in the new strategic direction, and how does Bairong deal with it?

Mr. Zhang Shaofeng, Founder, Chairman of the Board and CEO of Bairong: I think first of all that the emergence of Deep Seek is a landmark event with a significant impact on the industry. It has advanced the whole society’s, whether the government or enterprises, understanding of artificial intelligence very quickly, leading to a consensus that the era of artificial intelligence has really arrived. A rising tide lifts all boats. We must significantly increase our AI investments. If we do not invest, if we fail to differentiate ourselves from Deep Seek’s free offerings, or if our customers cannot perceive our unique value, we will not be competitive. So we know that after the launch of Deep Seek, we need to invest more aggressively than last year. That's what will allow us to differentiate our company in the market. The second point is that today's AI industry is still facing an unresolved challenge: identifying the specific fields, scenarios, and AI products that can effectively solve particular business problems, and determining how to price these solutions. Therefore, we still need to strive to do achieve the so-called PMF (Product-Market Fit), ensuring that our technology and products match market demand. Bridging the gap requires financial investment, human resources and time. We need to carefully analyze market demand to understand what kind of enterprise, what kind of scenarios, and which departments are experiencing pain points. We must then determine how AI can help them, and finally how to structure our pricing. For us, it is not just a challenge, it is also an opportunity. If we do not solve it well, it becomes a risk. If we do, it becomes an advantage. We think the solution is very pragmatic: staying grounded and focusing on the fundamentals of business. As Duan Yongping said, honestly exploring, discovering, and engaging with customers and users to understand their pain points in specific fields and details. So how do we solve it? For example, today, due to the economic slowdown, many enterprises that previously did not pay much attention to cost saving are now paying more attention to it than before. Can we help them save costs, or can we help them increase their revenue through AI? These are the areas where we need to spend our energy. It is both our challenge and our opportunity. Of course, it involves the pan-industry, that is beyond finance and insurance. In the past, we have not done as much work in these areas as in the financial and insurance industries. As a result, we need to explore the needs of these industries and this will take more time and cost, but we have the patience. AT the same time, it does make it necessary for us to invest more. Our investments this year may be much larger than last year, and the impact on our financial statements will definitely real. We are prepared to invest regardless of the cost. We fully understand that this will likely have a significant impact on our profitability. Our main goal this year is definitely not to pursue profitability. More importantly we need to lay a solid foundation for AI, especially after the emergence of Deep Seek, reinforcing our differentiation. We are laying a solid foundation for the coming years, for next year, the year after, and beyond.

Changcheng Securities Tang Hong Yi: What kind of target scale does the company hope to achieve in the field of large models over the next five to ten years? Or is there a benchmark company? Does the company plan to shift from vertical domain models to general large models?

Mr. Zhang Shaofeng, Founder, Chairman of the Board and CEO of Bairong: Indeed, we are currently starting directly from vertical domains without benchmarking against any existing models. In fact, there is no exact benchmarking target globally, and this is not an exaggeration. We are committed to pioneering in this field and hope that our achievements will become a benchmark for other institutions in the future. In the field of artificial intelligence, particularly in vertical domain models, we have observed that the current trend, whether it is the large models from France or similar models in our country, is to extend from general models to vertical domains. In other words, their development path is the opposite of ours. We are currently focusing on vertical domains. Although we have achieved good results in specific fields, to expand these achievements to a broader range of Chinese application scenarios, we need to invest research and development resources equivalent to those used in development and formulation, both in terms of model operation and subsequent optimization. We aim to build a transition process from vertical domains to pan-industry applications. It should be clarified that the "pan-industry" we refer to is not the traditional general model, but rather the application of general intelligent agents. We do not pursue the development of a general detonator-type model, but focus on creating general intelligent agents that can be applied across multiple industries, such as customer service and recruitment. Although these intelligent agents span multiple industries, they do not possess universality in specific application scenarios. For example, a recruitment intelligent agent cannot replace a legal review intelligent agent, and vice versa. Therefore, we prefer to define these intelligent agents as cross-industry applications rather than completely universal solutions. Our vertical domain models primarily focus on niche industries and will further expand to more vertical applications in sub-sectors in the future. The concept of vertical domains can be understood from two dimensions: one is the industry dimension, which means delving deeply into a specific industry; the other is the application end dimension, such as different forms of application scenarios like text, voice, or video. Take recruitment as an example. Although recruitment is a process involved in all industries, the professional terminology and application scenarios in the recruitment field are significantly different from those in other areas, such as legal review. Despite this, there are still some common terms in the recruitment field, but in voice recognition and other links, there may be professional terms specific to niche industries, which pose higher requirements for the recognition and understanding capabilities of language models. Looking ahead, we hope that within the next five to ten years, Bairong will gradually expand its vertical domain applications to cover more niche industries. Ultimately, although we will not reach the level of a general model, our models will possess similar functional universality in most application scenarios. For example, if the recruitment intelligent agent we develop can cover 60% to 70% of industries, then within the recruitment field, it can be considered to have a certain degree of universality. However, this does not mean that it can also perform tasks in other fields such as legal review or training. Therefore, when defining "universality," we prefer to call it "semi-industry universality," meaning that it can span multiple different industries in certain specific fields or scenarios. When selecting industries to expand into, we will conduct rigorous assessments. If an industry, despite its strong professionalism, has limited market demand or an unreasonable cost-benefit ratio, we may choose to abandon it. For example, if the recruitment recommendation fee in an industry is high but the number of use cases is small, we may re-evaluate its value. On the contrary, if an industry, although highly professional, has a large market demand and high value, we will actively invest resources in its development. Our goal is to develop models that can span at least 30% of industries and achieve a certain degree of industry reusability in specific scenarios such as recruitment, marketing, and legal affairs. We define this as "cross-industry AI application," which is the core direction of our future development.

Zhongtai Securities Jiang Dan: Bairong mentioned Voice GPT and Cybotstar in the layout of new products. What are the sources of Voice GPT data? What are the new developments and plans of Cybotstar?

Mr. Zhang Shaofeng, Founder, Chairman of the Board and CEO of Bairong: There are several types of data sources: First, because we process a large number of calls every day, providing us with a large number of training data for Voice GPT. Moreover, our corpus is natural conversations between real persons, which is relatively more suitable than written training materials. And we have the spontaneous reactions of users, which are much better, more natural, and more realistic than the data synthesized by artificial intelligence, or the data from written materials, crawled on the Internet, or even text chats. Of course, we also incorporate some externally collected data for training, or we will also hire some outsourcing companies to do annotation to help us label our data and generate labels that can be trained. Cybotstar is one of our flagship products, and it operates on a different level than Voice GPT. Voice GPT can be considered as a special agent, that is, a voice agent. So Cybotstar is the platform for the construction of agents, and it's one layer above Deep Seek, and supports a lot of advanced features, including voice, text, digital humans, and analysing complex documents, tables. In the future, we will use voice commands to control Cybotstar itself. In the past, when interacting with agents, we manually type some commands. Now, we have already begun to use our Voice GPT agent technology on our platform, and in the future, we will be able to use our own voice to talk to Cybotstar to create new intelligent agents. This will greatly increase the productivity of our Cybotstar platform. Cybotstar will strengthen its support for multi modal technology in the first half of this year. Multi modal technology means that Cybotstar will be able to understand ordinary text, documents with complex tables, whether it is Excel, PDF, Power Point, Word formats. Additionally, Cybotstar's ability to understand sound and video will also be significantly improved. Overall, Cybotstar will have a number of practical applications, including support for reading conventional relational databases such as internal databases. Our development strategy for Cybotstar follows two key principles. First, it is designed for enterprise applications, including solving problems such as data security ensuring that enterprise data is not leaked. It also aligns with regulatory and legal requirements in China, ensuring compliance with policies and industry regulations. Additionally, it ensures accuracy, avoiding false or misleading information. Enterprise-level applications definitely have much higher requirements in these parts than C-end oriented platforms. The second is that I want it to be lightweight and easy to use. We have analysed some foreign products, such as Microsoft’s solutions and have found that, although they are very complete, they are very heavy and complex, making them harder to adopt and more costly for most users. We hope that it is not only suitable for enterprises, but also easier to get started and lightweight, so that enterprise users with limited AI expertise can also use it effectively. These are our two principles.

CICC Li Ya Da: What is the full-year 2025 revenue and profit guidance? What are the main directions for increasing R&D budget investment in 2025? What is the impact of new business investment on the company's bottom line?

Mr. Zheng Wei, Executive Director, Senior Vice President, Chief Financial Officer, and Head of BaaS Insurance Scenario, Bairong: 2024 demonstrated the resilience of Bairong's business, with the overall performance of our business in the second half of the year increasing by 22% compared to the first half of the year, especially the MaaS business growing by 21% quarter-on-quarter in the second half of the year, returning to double-digit growth year-on-year. The overall fundamentals were good all year long, with profit and cash flow remaining at high levels. In order to continue to broaden our technology moat, our R&D expenditures in 2024 reached 509 million yuan, a year-on-year increase of 34.45%. We are also pleased to see the continuous lauch of the company's AI application products such as the Cybotstar platform, digital humans, and Voice GPT. The expansion of AI applications across different fields is progressing steadily, and our AI R&D and commercialization capabilities are constantly increasing. Looking ahead to 2025, we expect full-year revenue to keep growing, and we will continue to increase investments in R&D in 2025, make good preparations for technical reserves, and respond to market competition. At the same time, we will further refine our operations management, further improve operational efficiency and quality, and continuously optimize resource allocation to ensure we meet our growth targets. We regard AI as the core strategy for future development, and will continue to invest in new AI businesses, and maintain Bairong's long-term market leading position through continuous technological innovation and resource investment.

China Minsheng Int'l Su Cong: After last year's weakness, what is the trend for MaaS in 2025? Do you have plans to increase your average order value or expand your core customer base?

Mr. Duan Ying, Senior Vice President of Bairong and Head of MaaS and BaaS Financial Scenario: The MaaS business is based on decision-making AI that assists partner customers in making intelligent decisions on various business processes through the output of models and evaluation results. In the past 11 years, Bairong Yunchuang has accumulated rich user profiles, established links and in-depth cooperation with more than 7,000 customers. We have developed a systematic and comprehensive product matrix in fraud prevention, funding needs, marketing intention, qualification evaluation, qualification certification, underwriting and claims processing. In addition, we have created a series of star products including "Rongzhifen", "Rong'an Fen", "Rongzhenfen", "Rongyufen". In recent years, with the intensification of competition in the domestic market, Bairong's MaaS business has faced significant growth pressure, and there have been some business fluctuations in 2024. However, overall, Bairong has built a significant competitive advantage through years of accumulation. We have a team of outstanding professional quality analysts, business and operation delivery experts whose scale is several times the scale of industry peers, creating a deep and wide industry moat. Relying on our professional team, Bairong's MaaS business will continue to increase R&D investments in 2025, rapidly iterate various existing star products, and will also successively launch various new products to adapt to the industry development. Through our strong customer service system we will continue to consolidate and enhance cooperation with existing customers and explore more new core customers. We believe that with the continuous improvement of Bairong's MaaS product strength, our ability to compete in the market will increase, giving a stronger position moving forward. After years of market validation, Bairong's MaaS business has become a leader in its niche industry. From covering more than 7,000 cooperative customers to paying customers, and then to 211 core customers who contributed more than 300,000 yuan in revenue during the reporting period, we have strong potential customer reserves. With improving product strength and the expansion of the customer base, the number of core customers of our MaaS business and the unit price of a single customer will be greatly improved in the future.

Huatai Securities Chen Yu Xuan: How much will the negative policy impact of the insurance industry last? Faced with the challenge of rate reduction, how does Bairong respond?

Mr. Zheng Wei, Executive Director, Senior Vice President, Chief Financial Officer, and Head of BaaS Insurance Scenario, Bairong: The insurance industry faces multiple challenges. On the one hand, the adjustment of product pricing interest rates and the periodic correction of customers' purchasing power and willingness have put pressure on the market. On the other hand, the insurtech and intermediary sectors are undergoing a deep adjustment in their income structure under the policy framework of "Consistency between Reported and Actual Behaviors". Despite the short-term pressures, we are firmly bullish on the long-term value of the sector. The rigid demand driven by demographic changes is being released at an accelerated pace - the old-age security gap caused by the aging process and the security demand driven by the awakening of national health awareness all show the irreplaceability of insurance products in social risk management. It is worth noting that the market is transforming from extensive price competition to professional value creation, and customer demand has shifted from simple revenue comparison to matching functional services, which brings higher requirements for enterprises' professional capabilities, digital level and customer operation quality. We believe this presents opportunities for companies with technological and operational efficiency advantages to capture greater market share. In 2024, we remain committed to a customer-centric approach, deepening the development of our professional service system and enhancing the professional service capacity of our brokers. Our insurance cloud platform deeply integrates artificial intelligence technology to provide intelligent support for thousands of insurance cadvisors across the country, especially collaborative services for customers, create differentiated new quality productivity, and establish a professional service team model that better aligns with customer demand and the the broker team development. At present, the service network covers more than 20 provincial-level administrative regions, relying on nearly 100 localized outlets to build a nationwide operation system. In terms of innovation, we are accelerating the collaborative application of generative AI and decision-making AI, generating systematic solutions in terms of sales chain optimization and customer value enhancement, and continuously promoting the intelligent upgrade of the insurance service ecosystem. Industry policies play a crucial role, but at the same time we are accelerating the establishment of a business management system that aligns with the unification of reporting and operations. Starting from the operation and management model, performance management and digital construction, our expansion is relatively well controlled. For the whole year of 2024, the scale of premiums facilitated by us exceeded 5 billion yuan, a year-on-year increase of 63%, which is much higher than the growth rate of industry premium income reported by the State Administration of Financial Supervision and Administration. Our insurance business has demonstrated strong resilience in a challenging economic and operational environment. Looking ahead, we will continue to uphold the "customer-centric" philosophy, deepen technological innovation, enhance service experience, and further improve operational efficiency. We believe that by continuously improving our professional expertise and digital capabilities, we will be able to take a leading position in the transformation of the industry and create greater value for our shareholders and customers.

Guotai Junan Securities Sun Kun: In recent years, with scientific and technological innovation, "financial security" has also become a hot topic. What does the management think about the negative public opinion about the leakage of personal information and the harassment of marketing calls? From a data security and privacy perspective, what measures have been taken to ensure compliance with relevant laws, regulations, and industry standards?

Mr. Duan Ying, Senior Vice President of Bairong and Head of MaaS and BaaS Financial Scenario: As a technology company focusing on B-end institutional services, we have always view data security and user privacy protection as our core responsibility. The company has passed several certifications, including the national information security level protection level 3 certification (the Ministry of Public Security's level 3 protection), the international software industry CMMI level 5 certification and ISO 27701 privacy information management system certification, the enterprise credit business operation record certificate issued by the central bank, the information technology service management system and business continuity management system certification certificate of China Quality Certification Center; As well as the privacy information management system, information security management system, quality management system certification certificate of Huaxia Certification Center, etc.; It is also a member of the Privacy Computing Alliance of the China Academy of Information and Communications

Technology. We have also the qualification of Beijing Credit AAA Enterprise for 7 consecutive years, and fully meet the high standards of privacy protection requirements at home and abroad from technology to management process. We have continuously invested in privacy-preserving computing, federated learning, and blockchain technologies, and have built the Bairong Privacy Computing Platform Indra, which is a leader in the industry in terms of data security. In order to reduce the risk of customer complaints and improve the accuracy of product matching, we combine decision-making AI and generative AI at the commercial application level. Through its platform's rich profiles and understanding of products, our MaaS business system can greatly reduce the risk of customer complaints and deliver suitable products to people who really need them. From the perspective of data security and privacy protection, we have taken a variety of measures to ensure the security of customer information during voice interactions. First, the conversation content of Voice GPT will be strictly reviewed at the level of Bairong's internal and institutional customers. In addition, in the pre-training stage of large models and in the inference process, Voice GPT will set up a special "safety guardrail" mechanism, checking the data through additional inspection agents. These measures help ensure the security and compliance of your data. Bairong's Cybotstar provides full-process model generation control, making content generation more "secure". We use powerful technologies and strategies to build three lines of defense: pre-interception, generative intervention, and post-disposal, to escort all stages of model generation content from input to output. This not only blocks the generation of bad and sensitive information in real time, but also traces the entire process of content generation, making model content generation more secure, reliable, and credible.

Ms. Qin Xuan (Sandy), Investor Relations Director

Due to time constraints, we have concluded our Q&A session. Thank you all for your questions and the management's responses. I would like to thank everyone again for participating in the Bairong 2024 annual results announcement meeting. If you have more questions, please visit the company's investor relations website at ir.brgroup.com or send an email to ir@brgroup.com for inquiries. Additionally, you are welcome to scan the QR code to follow our digital IR assistant "Bairongrong." Bairongrong can interact directly with you and regularly release the company's business news and updates. We look forward to meeting and conversing with you again at the next performance meeting. Thank you!