Aurora Mobile CFO Shares Views on the Group's Gross Margin and Profits

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SHENZHEN, China, Aug. 08, 2024 (GLOBE NEWSWIRE) -- Aurora Mobile Limited (NASDAQ: JG) (“Aurora Mobile” or the “Company”), a leading provider of customer engagement and marketing technology services in China, today released a summary of an interview of its Chief Financial Officer, Mr. Shan-Nen Bong with an overseas financial magazine.

Interview summary:

Interviewer: In the past four quarterly earnings reports, I noticed that your company's gross margin remained between 65% and 72%. This is a fairly high level. Could you explain the main reasons for this high gross margin?

Mr. Shan-Nen Bong: There are several driving factors behind this. First, we have adjusted our revenue structure in terms of businesses, strategically reducing low-margin businesses and investing more resources in high-margin products & services, thereby improving our overall profitability. In the first quarter of 2024, our gross margin reached its highest level in two years. Second, in terms of expense management, we continued to implement strict budget management systems and cost control measures. While ensuring the quality of our services and the efficiency of our operations, we have been actively controlling various costs and expenses. In the first quarter, our total operating expenses decreased by 18% year-over-year, a historically low level since our IPO. Finally, the overseas market is becoming an important growth driver for our profitability. We started our overseas expansion in 2022. Overseas contract revenues recognized in the first quarter increased more than 10X year-over-year, fully validating our overseas strategy. Going forward, we will continue to pursue opportunities in the overseas market and actively expand our overseas footprint to achieve broader growth and development.

Interviewer: How does the company's gross margin compare to your peers and overseas companies?

Mr. Shan-Nen Bong: We are pleased to note that our gross margins for 2021 and 2022, which were 74.1% and 68.7%, respectively, are higher than the average level of Chinese SaaS listed companies, according to Ernst & Young's report of Financial Performance Review and Future Outlook of Chinese Enterprise SaaS Listed Companies in 2022 (the "Report"). For SaaS companies listed on the A-share market, the average gross margins for 2021 and 2022 were 60.3% and 57.8%, respectively, according to the Report. For SaaS companies listed on the Hong Kong stock market, the average gross margins for 2021 and 2022 were 56.9% and 53.6%, respectively. For SaaS companies listed on U.S. stock exchanges, the average gross margins for 2021 and 2022 were 65.2% and 57.8%, respectively.

Although the report is for the year 2022, I believe that our gross margin level will remain in a leading position when similar reports or analyses are released for the year 2023, based on the trends that we have seen.

Interviewer: How does your gross margin compare to that of global SaaS companies?

Mr. Shan-Nen Bong: This is a good question. Domestic and overseas buy-side and sell-side analysts have repeatedly asked how we compare to other similar SaaS companies around the world. I am proud to say that our team has not only successfully maintained healthy gross margins, but also achieved remarkable business growth.

According to the same Report I mentioned earlier, the average gross margin of global SaaS companies in 2022 was slightly above 70%, while our gross margin in 2022 was 68.7%. We can say that our gross margin is also competitive compared to global SaaS companies.

Interviewer: Is your high gross margin level sustainable? How do you see the gross margin level changing in the future?

Mr. Shan-Nen Bong: The goal we have set for our team is to ensure that our gross margin is above 60%. This is important because as our revenues grow, our goal for our sales team is to sign up more high gross margin contracts that positively impact our financial performance. Contracts with low or below-expectation gross margins will be rejected during the contract approval process. We need high quality revenues and a reasonable gross margin level.

This is the only way our financial performance will continue to grow and improve. With a healthy gross margin level, we can invest more resources in R&D and S&M to continuously develop and expand our domestic and overseas businesses while delivering satisfactory profitability.

Interviewer: Now, I would like to change the subject a bit. Based on the company's past quarterly reports, we noticed another highlight in addition to the high gross margin. Adjusted EBITDA has been positive for three quarters in a row. Could you tell us how this was achieved? What were the factors helping Company to achieve this remarkable results amidst relative slower times?

Mr. Shan-Nen Bong: We are very pleased and proud of the progress we have made in improving profitability, which is the result of the concerted efforts of all our employees. The adjustment of the business structure has definitely improved our profitability, with the gross profit margin reaching a high record in recent years, the strict control of expenses has been rigorously implemented, and our total operating expenses in the first quarter decreased by 18% year-over-year, reaching a new post-IPO low. Our overseas contract revenues increased more than tenfold year-over-year in the first quarter, fully demonstrating the success of our overseas strategy. We will continue to explore opportunities in the overseas market and actively expand our overseas business footprint to achieve broader growth and development.

Interviewer: Undoubtedly, Aurora Mobile's outstanding performance in the SaaS industry has attracted a lot of attention. We would like to know what the future Adjusted EBITDA trend will be.

Mr. Shan-Nen Bong: First, we are positive and optimistic about our Adjusted EBITDA trends going forward. As we continue to expand our business and gain market share, we expect to continue to increase revenue and drive Adjusted EBITDA growth. Second, we will continue to optimize operational efficiency and cost control, reduce unnecessary expenses through refined management and technological innovation, and further improve profitability. In addition, we will continue to strengthen our close cooperation with overseas customers and partners, which will provide us with more growth opportunities. With the combination of revenue growth and cost reduction, we have achieved positive Adjusted EBITDA for the past three quarters in a row. Going forward, we remain committed to continuously improving our profitability and driving steady growth in Adjusted EBITDA.

Interviewer: Thank you again for taking the time to speak with us today. We look forward to our conversation in the near future.

Mr. Shan-Nen Bong: My pleasure. Our second quarter financial report will be officially released in late August. You and other investors are very welcome to take a close look at our Q2 earnings release.

About Aurora Mobile Limited

Founded in 2011, Aurora Mobile (NASDAQ: JG) is a leading provider of customer engagement and marketing technology services in China. Since its inception, Aurora Mobile has focused on providing stable and efficient messaging services to enterprises and has grown to be a leading mobile messaging service provider with its first-mover advantage. With the increasing demand for customer reach and marketing growth, Aurora Mobile has developed forward-looking solutions such as Cloud Messaging and Cloud Marketing to help enterprises achieve omnichannel customer reach and interaction, as well as artificial intelligence and big data-driven marketing technology solutions to help enterprises' digital transformation.

For more information, please visit https://ir.jiguang.cn/.

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This announcement contains forward-looking statements. These statements are made under 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," "future," "intends," "plans," "believes," "estimates," "confident" and similar statements. Among other things, the Business Outlook and quotations from management in this announcement, as well as Aurora Mobile's strategic and operational plans, contain forward-looking statements. Aurora Mobile may also make written or oral forward-looking statements in its reports to the U.S. Securities and Exchange Commission, in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including but not limited to statements about Aurora Mobile's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: Aurora Mobile's strategies; Aurora Mobile's future business development, financial condition and results of operations; Aurora Mobile's ability to attract and retain customers; its ability to develop and effectively market data solutions, and penetrate the existing market for developer services; its ability to transition to the new advertising-driven SAAS business model; its ability to maintain or enhance its brand; the competition with current or future competitors; its ability to continue to gain access to mobile data in the future; the laws and regulations relating to data privacy and protection; general economic and business conditions globally and in China and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks is included in the Company's filings with the Securities and Exchange Commission. All information provided in this press release and in the attachments is as of the date of the press release, and Aurora Mobile undertakes no duty to update such information, except as required under applicable law.

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