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Q3 2019 Luckin Coffee Inc Earnings Call

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## CORPORATE PARTICIPANTS

**Bill Zima** *ICR, LLC - Partner*
**Charles Lu** *Luckin Coffee Inc. - Co-Founder & Chairman*
**Jenny Qian** *Luckin Coffee Inc. - Co-Founder & CEO*
**Reinout Schakel** *Luckin Coffee Inc. - CFO & CSO*

## CONFERENCE CALL PARTICIPANTS

**Tony Wang** *Credit Suisse - Analyst*
**Vincent Yu** *Needham & Company - Analyst*
**Eric Gonzalez** *KeyBanc Capital Markets - Analyst*
**Jimmy Zheng** *Morgan Stanley - Analyst*
**Ruochen Lv** *CICC - Analyst*
**Billy Leung** *Haitong International - Analyst*
**Interpreter**

## PRESENTATION

**Operator**

Ladies and gentlemen, welcome to the Luckin Coffee's Third Quarter 2019 Earnings Conference Call. (Operator Instructions) Today's conference is being recorded.

At this time, I would like to turn the call over to Mr. Bill Zima at ICR for opening remarks and introductions. Please go ahead, sir.

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**Bill Zima** ***ICR, LLC - Partner***

Hello, everyone. Thank you for joining us on today's call. Luckin Coffee announced their third quarter 2019 financial results earlier today. The press release is now available on the company's IR website at investor.luckincoffee.com.

Today, you'll hear from Charles Lu, Co-Founder and Chairman of Luckin Coffee; Jenny Qian, Co-Founder and CEO; and Reinout Schakel, CFO and CSO of the company. We will be referring to a slide presentation on today's call, which can be found at the link in the press release we issued this morning and on the company's IR website, investor.luckincoffee.com.

During this call, the company will be making some forward-looking statements regarding future events and results. These statements are made under the safe harbor provision of the U.S. Private Securities Litigation Reform Act of 1995. Statements that are not historical facts, including but not limited to, statements about the company's beliefs 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.

With respect to any non-GAAP measures discussed during today's call, the company reconciliation information related to those measures can be found in the earnings release issued earlier today.

With that said, I would now like to turn the call over to Charles Lu, Chairman of Luckin Coffee. Charles, please go ahead.

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**Charles Lu** ***Luckin Coffee Inc. - Co-Founder & Chairman***

Thank you, Bill. Good evening and good morning everyone. Thank you for your support for Luckin Coffee.

We are very pleased with our results in the third quarter: We exceed the high end of our guidance range, achieved a strong store level profit margin of 12.5% and outperformed across all other key metrics. These results are not surprising to us. It just follows a clear trend. Reinout will share the detail with you later.

During the quarter, sales from the coffee continued to maintain very strong growth. I believe Luckin Coffee will reach its goal to become the largest coffee player in China by the end of this year. For those who spend time in China, you can see that Luckin Coffee is already part of the daily life in China. Everywhere you go, either large city in Beijing, Shanghai or emerging cities like Chengdu, Tianjin, you will see our eye-catching blue cups in the CBD areas, universities and many other places. China's coffee market is still under-penetrated, and we believe Luckin is helping to drive the rapid growth of the coffee market in China.

At the same time, we continue to offer more products during the quarter. We launched Luckin Tea products, which has been a great success. We also started selling cups and other merchandise products. We also entered into a joint venture agreement with LDC to sell NFC juice. As a result, we experienced strong incremental demand, and increase in revenue and higher customer retention rate.

We also strategically launched Luckin Tea as an independent brand and developed our new retail -- new retailer partnership model. In addition, we are engaged in ongoing discussion with a potential strategic business partners to set up joint ventures in the markets outside of China by leveraging our technology-driven new retailer model and their local resources.

I have been often asked whether we are doing too much and too fast. I would say, no. In fact, this is a natural evolution of our business model. Since our inception, Luckin's growth has always been beyond everyone's expectations. This is because our business model is entirely built on a technology, completely different from a traditional retailer. With our fully technology-driven new retail partnership model, we believe we can rapidly expand with limited capital expenditures, while maintaining high quality and high efficiency, at the same time, enhance our profitability.

Now Jenny will provide a brief, brief of the business. Jenny, please go ahead.

**Jenny Qian** ***Luckin Coffee Inc. - Co-Founder & CEO***

[Interpreted] During this quarter, we outperformed all operational and financial metrics. Among which, product revenue was CNY 1.493 billion, an increase of 558% year-over-year. Store level had a profit margin of [12.5%]. Other metrics all met or exceeded our expectations.

Now turning to Page 4. I would like to remind you that this quarter, the growth of product revenue is greater than the growth of the number of items sold. The growth of items sold is greater than the growth of transacting customers, and the growth of transacting customers is greater than the growth of stores. That shows that we are not just grow quickly, but also be able to improve efficiency and profitability at the same time. It also shows that the growth of the revenue is not only due to the growth of stores.

Please turn to Page 5. Branding is important to our business. Under our strategy, we will continue to significantly invest in branding from the second quarter 2019 to the second quarter 2020. As a result, during this period, sales and marketing fees will be relatively high. But starting the third quarter of 2020, this cost will return to normal. It should be noted that our discounts and subsidies are already reflected in our net revenue, so our marketing expenses are mainly for advertising and marketing campaigns. In addition, marketing fees for this quarter were higher than forecast, mainly due to the launch of Luckin Tea stores and partnership model. Next quarter, marketing costs will be lower than this quarter.

Now please turn to Page 6. Last quarter, we successfully launched Luckin Tea products. The sales of Luckin Tea has increased eight times in the past 5 months. The per cup economics of Luckin Tea is similar to that of coffee. We provide to customers the consistent value proposition of high quality, high affordability and high convenience. Our competitive advantages in tea industry are strong brand, huge customer base, large store network, established supply chain and a fully technology-driven operational system. Luckin Tea has helped us to improve customer retention rate and store throughput.

Turning to Page 7. China's tea market has huge potentials. Last quarter, we separated Luckin Tea as an independent brand. Luckin Coffee store and the Luckin Tea store have the following differences: First, Coffee store has more coffee SKU and a relatively limited tea SKU, while tea store has more tea SKU with fewer coffee choices from only one coffee machine. The second, Coffee store mainly covers the first- and second-tier cities, while Tea store will cover the whole country, including fourth- and fifth-tier cities. The third, Coffee store is mainly self-operated, while Tea store will operate mainly under partnership model.

Despite of above differences, the APP of Luckin Tea and that of Luckin Coffee will connect to each other. The operational systems for 2 brands are based on same technology. The rollout of Luckin Tea stores will help us cover more areas and serve more customers as well as help us educate customers of coffee consumption in lower-tier cities.

Please turning to Page 8. Last quarter, we strategically launched the retail partnership model. Relying on our technology-driven new retail model, we can effectively control the quality of services and operation process. Our partners are responsible for rent, renovation, staff employment and daily operation, and Luckin is responsible for customer acquisition as one free cup for each new customer, technology system, supply chain and products. We use a tiered revenue-sharing model, which means the partners do not need to pay upfront franchise fee and Luckin will only start sharing the revenue when they reach certain level.

We believe that our partnership model will benefit the partners to reduce their investment risk, simplify operation and acquire good operating income through our strong products, branding and customer base. At the same time, the operational partnership model also allows us to develop in asset-light approach, to cover more areas and to serve more customers without heavy CapEx and cash burn as well as to drive revenue and profitability.

It's worth noting that last quarter's revenues did not include any revenue from the retail partnership model since our first Luckin Tea store just opened in October. Furthermore, our fourth quarter guidance will not include any revenue from partnership model. We will add forecast when the model is relatively mature.

On Page 9. In addition to the successful launch of Luckin Tea, we also launched lot of merchandise products such as cups. Besides, we signed a joint venture agreement with Louis Dreyfus to produce Luckin Juice in the future. Recently, we launched another popular snack, Luckin nuts.

The revenue from non-coffee products increased from the 31% of 2018 to 45% in the third quarter this year. We believe that with more and more products offered, we could not only achieve higher customer retention rate, but also improve the store level profitability.

Please turn to the Page 10. Our growth strategy focus on 2 sides: On one hand, with more customers and increasing purchase frequency, lower down our procurement cost. On the other hand, with more stores and diversified products, we can bring more convenience to the customers and drive their consumption frequency.

Luckin is on the way to realize our mission: To become part of everyone's everyday life, starting with coffee.

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**Reinout Schakel** ***Luckin Coffee Inc. - CFO & CSO***

Thank you. Thanks, Jenny. Thanks, Charles. Hi. Good morning, and good evening, everyone on the call. I will briefly discuss our financial performance during the quarter, which we believe was very, very strong.

If we move to Page 12. The graphs on Slide 12 illustrates our strong momentum across all aspects of our business. I'd like to specifically highlight the 24% sequential growth in our store growth versus the higher sequential growth in transacting customers as well as monthly items sold.

We remain on track to open 4,500 stores by year-end. And as Jenny mentioned, growth is not coming just from store openings, but also a significant improvement in store efficiency.

Moving to Slide 12 (sic) [Slide 13], you can see the significant progress we've made on profitability during the quarter. We reached a store level margin of 12.5% and saw a month-over-month improvement in the store level profit during the quarter. We also significantly reduced our non-GAAP net loss margin, despite what we expect to be peak investments in sales and marketing during the quarter. The material improvement in profitability is the result of a very clear trend of strong growth of product revenue, increased store efficiency and further benefits of scale.

On Slide 14. First, I will discuss our product revenue growth. If you look at Slide 14, product revenue was above the high end of our range and grew more than 70% sequentially. Illustrative of the improved store efficiency, you can see that the average product revenue grew even faster during the quarter.

In terms of key underlying drivers. First, a very strong increase in the number of monthly transacting customers to 9.3 million, a 51% quarter-over-quarter increase. This was the result of successfully acquiring close to 8 million new customers during the quarter, a notable increase compared to last quarter, and a further increase in the retention rate of our existing customers, partly driven by the success of Luckin Tea products.

Second, the average monthly items per transacting customer during the quarter increased to 4.7, an increase of 6% quarter-over-quarter, partly driven by introduction of new products.

Third, the net selling price per item, which is calculated by dividing net product revenue by all items transacted, and as such, adjusted for free products as well as promotions and coupons, was CNY 11.2 for the quarter, an increase of 7% quarter-over-quarter. It is worth noting that the net selling price per item increased sequentially despite the buy 10 get 10 free promotion we offered when we announced the nationwide launch of the Luckin Tea products, which we did in July.

Moving to Slide 15 and 16. As a result of our high growth and significant improvement in efficiency, you can see a very clear trend in the improvement of our cost structure. This provides us with a lot of visibility in our profitability trend, and we are, therefore, very confident that we can reach our company-level breakeven point by the third quarter of 2020.

If we look at our per cup costs on Slide 16, you see a very similar trend. You can see that we continue to make significant progress in reducing our per cup costs, and we already reached below CNY 10 in Q3 from CNY 11.1 in the second quarter and CNY 16.4 in the last quarter -- in the third quarter of last year. The reduction in our per cup costs is driven by a decrease of fixed cost per cup as we materially increase store throughput. As you can see on the bottom of the page, the number of items sold per store per day materially increased to 444 during the quarter from 345 in the second quarter and 285 in the third quarter last year.

In terms of delivery, you can see on Slide 17 that the percentage of delivery organically declined to 12.8% during the quarter. As many of you know, the growth in our pickup store development naturally reduces delivery orders as a percentage of our total sales. As a result of lower delivery percentage, net delivery subsidy per item further decreased to CNY 0.5 per item during the quarter compared to CNY 2.3 during the same quarter last year.

If we move to Slide 18. On the left-hand side, you can see that new customer acquisition costs has modestly increased during the quarter compared to last quarter. This is driven by an increase in strategic investments in branding, offset by a material increase in new transacting customers. As discussed earlier, we believe that the company reached its peak level of brand expenses during the quarter and expect to gradually reach normalized levels by Q3 2020.

At the same time, you can see from the chart on the right that the transaction value per customer per month, which is based on listing price, for each cohort continues its upward trajectory as each customer cohort matures. This is a testament to our ability to gradually increase retention rate as well as the number of items purchased per transacting customers as that customer matures. It is worth noting that over the last 2 quarters, these metrics continue to increase despite the fact that we've seen a notable increase in the average selling price per item.

Lastly, on Slide 19, I want to briefly discuss our strong balance sheet. As you can see, we have over CNY 5.5 billion of available cash as of September 30, 2019. I want to highlight an important point. Our negative cash flow from operations has significantly reduced over the quarter to CNY 123 million from CNY 375 million last quarter and CNY 720 million during the third quarter last year. This is mainly driven by a reduction of net loss as we gradually approach our breakeven point as well as a favorable working capital profile. We remain, therefore, very well capitalized to execute our current business plan.

This brings us to the end of our formal presentation. In terms of guidance for the fourth quarter ending December 31, 2019, the company expects net revenue from products to be between CNY 2.1 billion and CNY 2.2 billion. This forecast excludes any revenue generated from stores operated under the new launched retail partnership model. This forecast reflects the company's current and preliminary views, which are subject to change.

And this completes our prepared remarks.

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) We have the first question from the line of Tony Wang from Credit Suisse.

**Tony Wang** ***Credit Suisse - Analyst***

Great, thanks. Good Evening everyone, and congratulations on the great results. So, my first question is about the gross margin. So for this quarter, why the unit cost of raw material for drink products remain flat quarter-over-quarter? Because my understanding is that the cost of the tea products should be higher than coffee, and we have seen a very strong incremental growth from tea products this quarter. So this is my first question.

The second question is, could you talk about the trend of the key operating metrics into the fourth quarter, especially the ASP, as we are seeing increasing promotion intensity by you and other competitors? And also the growth outlook for the Luckin Tea products in Q4 given the seasonality.

The third question is about the new retail partner model for Luckin Tea that you have been testing. So could you talk about the progress so far? And how long will take, you know, for you to give us some more details? And also whether this model will be replicated to the Luckin Coffee store in the future. So that's all my questions, and I will translate myself. (foreign language)

**Reinout Schakel** ***Luckin Coffee Inc. - CFO & CSO***

Tony, thanks a lot for your questions, and I'll try and address maybe the first two, and then Charles and Jenny will supplement and sort of address your third question as well.

I think your first question is in relation to kind of the per cup costs and sort of what we're seeing, particularly also around the raw material costs. So I guess, taking a step back, I think, first of all, per cup costs really has been trending very favorably. We've seen that as a result of increased volumes. We see that sort of particularly, the fixed costs, have been further decreasing as a per item cost, which I think is something that we had anticipated and also expect to see going forward.

When it comes to your raw material costs, I mean, in general, as Jenny mentioned, the sort of cost of material for tea and coffee is not that dissimilar. I think tea, yes, is probably going to be slightly higher than that for coffee. But ultimately, I think we've been able to obviously also increase the efficiency we have in our supply chain. And also, we think that we can ultimately bring down that raw material costs a little bit further. Some of the initiatives that we're doing, including joint ventures with Louis Dreyfus and some others as well, is also partly driven by further reducing the cost of raw materials. The main improvement from the per cup costs historically and going forward is obviously going to be through increased store efficiency and more items per store per day.

Now on your second question in relation to the ASP, we've seen another healthy growth of ASP quarter-over-quarter. On the one hand, that is because in terms of the number of new customers that we attract or the number of free cups that we give as a percentage of total transacting customers, obviously, continues to reduce, because we've been increasing the number of transacting customers. So that has a less dilutive impact on sort of your ASP. At the same time, also, we continue to increase the number of people that are already paying the price that we want them to pay. So it's a trend that we have seen in Q2. We obviously see it in Q3.

In terms of your questions, yes, we do expect that trend to continue, in line with what we have been communicating on before. So over time, the sort of the long-term price that we're looking for is, obviously, that sort of CNY 16 to CNY 17, and we gradually will kind of move towards that price point over time.

**Charles Lu** ***Luckin Coffee Inc. - Co-Founder & Chairman***

[Interpreted] So overall, the feedback on the launch of the new retail model is very positive. We have so far received close to 2,000 deposits already. And we have identified that some of these new joiners have already located a suitable site for their shop opening and also some are under renovation. In October, we actually have seen that quite a few of them has already started to launch the store.

Overall, we actually see that there is very strong desire to join our new partnership model. However, because of the short historical history, we are still trying our best to optimize their operation. So we believe that we can only provide a more insightful guidance next quarter, because as of now, we do not have too much visibility on the results of the model.

So we have already replicated the new partnership model to some of our coffee scenarios. For example, in some hospitals, whereas we are not able to go in, we are actually licensing to our partners to do that. But we will still maintain our own separate self-operating model target store opening target. And we believe that these new replication of the new model on the coffee business will be an incremental upside of the business.

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**Operator**

(Operator Instructions) We have the next question from Vincent Yu from Needham & Company.

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**Vincent Yu** ***Needham & Company - Analyst***

Thank you management and congrats on a great quarter. I have few questions. One is on the marketing expenses. So will there be any incremental marketing expenses to support rollout of Luckin Tea store? Like do we have any local sales and promotion campaign that we need to share the expense?

Second question about the repurchase, customer repurchase rates in higher-tier cities and lower-tier cities. And the third question is trying to understand your views on the lockup period expiration. (foreign language)

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**Reinout Schakel** ***Luckin Coffee Inc. - CFO & CSO***

Thanks, Vincent. I'll address your first and your second question, and then Charles will go through the third question.

So in terms of marketing expenses, just a few things. One is, obviously, in the quarter that we had now, as we mentioned, so the marketing expenses were a bit higher because we also launched tea. I think the benefit that we have obviously, is that there's an awful lot of synergies between sort of Luckin Coffee and Luckin Tea also in terms of branding and branding budget. Yes, there will be some additional expenses for Luckin Tea specifically, but they are already incorporated in sort of the guidance that we've given around to the trend that we expect around marketing expenses.

Your second question around sort of the repurchase rate or the retention rate of kind of the difference between lower and higher tiers. I'll generalize the response here. I think when you look at lower-tier versus higher-tier cities, there's a few things that you can see: One, in terms of retention rate, very, very similar trend. There's no notable difference between retention rate in sort of the lower-tier cities versus higher-tier cities. What we do see is that sort of volumes in higher-tier cities are typically slightly higher than in lower-tier cities. But at the same time, you'll see that the cost of labor, the cost of rent will be lower in lower-tier cities. So if you actually look at your per cup costs or sort of your store level profitability versus lower-tier cities and higher-tier cities, actually very, very similar.

Last question around lockup, I'll give to Charles.

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**Charles Lu** ***Luckin Coffee Inc. - Co-Founder & Chairman***

[Interpreted] I understand that this is a very heavily worried topic, but I would like to give my views here. First of all, the company [during](corrected by company after the call) lockup is still in a very high growth rate of our business as evidenced by our Q3 results. All the metrics are still showing significant growth. We believe that our profitability will continue to improve, and there remains significant upside to our share price. We think most of our pre-IPO shareholders think the same.

Second, management team owns more than 50%. We have very strong belief in long-term potential and have no intention to sell.

Third, our pre-IPO investors are unlike other companies, just invested and relatively new in their cycles, so they don't have any pressure to sell at this point.

If you look at our shareholder base, you can see that we have a very good long-term shareholder base, which is quite unique among the Chinese ADRs, and they are all very positive in our long-term business performance.

**Operator**

We have the next question from the line of Eric Gonzalez from KeyBanc.

**Eric Gonzalez** ***KeyBanc Capital Markets - Analyst***

Thank you and congrats on a great quarter, and thanks for those comments on the lockup.

So I just have a question about your profitability this quarter. 12.5% restaurant margin is arguably better than several publicly traded restaurant companies. So I was just wondering, how does this make you feel about reaching overall profitability in the third quarter of 2020. Does this increase the odds that you can be profitable sooner?

And then maybe secondarily, can you speak to the growth of the core coffee business? Obviously, you have some pretty strong metrics and across items sold and ASP. But maybe if you could just isolate the coffee business and how that performed versus your expectations. Thanks.

**Interpreter**

I will translate the question. (foreign language)

**Reinout Schakel** ***Luckin Coffee Inc. - CFO & CSO***

Eric, thanks for dialing in. Thanks for your question.

So I guess, the first question, just in terms of profitability. And obviously, I think the store level profit that we had in Q3 was very, very positive. As we explained kind of the trend that we're seeing is obviously not just kind of store growth, but you see growth of number of customers, number of items, the ASP, and this is also a trend that we expect to continue to develop going forward. So we certainly think that, obviously, the store level profitability will increase going forward.

We also said in terms of kind of the cost base, and we look at the SG&A, the biggest component is sales and marketing. And I think we've got a very, very clear strategy around sort of our branding strategy and also the costs related to branding and how we're going to bring that down by Q3.

So I think from where we are today, we can say, look, very high confidence that we'll reach that breakeven point by Q3 2020. Certainly, we expect that store level profitability to further increase over time.

Now on your question on coffee, and thanks for that question. I think one of the points that we certainly want to bring across in this call is that coffee is doing very, very well. Whichever way you look at it, we've been in China for now close to 2 years, we're very close to selling the same or more cups per day than our largest competitor. As Charles mentioned, we think we can be the largest coffee player by the end of this year.

And when you look at metrics, and for example, if you look at number of coffee items that we sell per store per day, quarter-over-quarter, 10% to 15% growth, which we think is very, very strong. If you look at it year-over-year, and particularly when you also adjust for the free cups that you give because obviously, last year, we gave a lot more free cups because that was effectively our initial introduction to customers. If you look at the paid cups of coffee, year-over-year, we saw growth very, very close to 50% in terms of the number of items per store per day. So I think coffee has been doing very, very well.

What's been very positive? In addition to that, this quarter is that, obviously, we've had a lot of incremental demand from also tea, coffee and tea, very little cannibalization. We've seen that the tea demand effectively has been almost incremental, which also have been driving the number of items per store per day. And that's also brought us, obviously all the benefits around efficiency, retention rate and ultimately, profitability. Thank you.

**Operator**

We have the next question from the line of Jimmy Zheng from Morgan Stanley.

**Jimmy Zheng *Morgan Stanley - Analyst***

Hello, everyone. Thanks Charles, Jenny, Reinout for the presentation and congratulations for the very good results. I have 2 questions here. The first one is, how do you balance or how do you think about the store productivity versus store openings, especially in the fourth quarter, which is a big quarter for store opening. I can see that store productivity has been growing very good in the third quarter. How do you think about the trend in the fourth quarter? And can it still grow further?

The second question, it's about the product mix. We see non-coffee already account for 45% in the third quarter. I know we had a target of 50-50 by year-end. How do we think about it now? And how do we think about it over the longer term? Do we think non-coffee will continue to rise to 60%, 70% of our mix? Or how do you think about that? Let me translate in Chinese. (foreign language)

**Charles Lu *Luckin Coffee Inc. - Co-Founder & Chairman***

[Interpreted] First of all, I would like to explain our business logic. We are very different from the traditional model, whereas they will open the store first and then they will look for demand. However, we have located demand first by our delivery business, whereas we are able to spot the demand growth by either the increase of frequency and also the customer -- number of customers. Therefore, we are only to open the store to meet the needs.

We have maintained a very good balance of demand and opening. We have already have a very sophisticated analysis of the customer behavior by setting our locations closer to them and also locating higher frequency and also more customer products. We are able to identify the need, and we believe that the number of stores to be opened are needed by these increased customer demand.

So we actually do not have a target on the non-coffee mix. However, we believe that it will continue to grow. But first of all, I would like to clarify that this is not because of our core coffee business, the growth to slow down. Rather, it is because of the non-coffee growth trend is growing at a higher speed. And eventually, we believe that it will increase to exceed 50%, but we currently have no visibility on that. It will overall be based on customer needs and also profitability target.

**Operator**

We have the next question from the line of Ruochen Lv from CICC.

**Ruochen Lv *CICC - Analyst***

Good Evening Everyone. Congratulations, and a good performance of the third quarter. I have 3 questions. And the first is, what is the percentage of Luckin Tea products out of total freshly brewed products. And as the weather gets colder in the fourth quarter, do you expect a decrease of demand for the Luckin Tea products and will it negatively impact the items sold per store per day in the fourth quarter.

And my second question is also about the update of Luckin Tea stores. So I would like to know for a mature Luckin Tea store, what is your expected number of items sold per store per day, and the normalized profit margin for Luckin Tea store compared with Luckin Coffee stores.

And my third question is, can you share with us your cooperation with Americana? And do you have any intention to enter into more areas outside of China.

So I will translate myself. (foreign language)

**Charles Lu** ***Luckin Coffee Inc. - Co-Founder & Chairman***

[Interpreted] So to answer your question, Luckin Tea, the sales is about 20% of the freshly brewed drinks in quarter 3. And we agree with you that in Q3 and Q4(corrected by company after the call), because of the cold weather, the demand for the Luckin Tea products may decrease. However, for our hot coffee drinks, we expect an increase on that. But overall, we have a quite optimistic view on the increase of the tea sales.

So we actually have launched some self-operated Luckin Tea stores. We actually see that the profitability over the overall performance are actually quite similar to our coffee shops. For our partnership model operating the Luckin Tea brand, we actually see some of them have good performance and some less good performance. However, we believe that we should be able to provide you more visibility estimation next quarter as we are still fairly -- we are still observing the results of these new model.

So to answer your question, we are actually not just in the discussion with Americana to expand our business. We are also talking to other business partner in other regions. So the answer is yes, we will expand to other more regions as well. But the overall target is that we have to maintain an asset-light strategy of expansion, which means that we will control or limit our investment and also cash burn rate. We actually want to expand by leveraging our IT technology and also our business know-how. So the 3 items that we will focus on is that we need to ensure that these expansions will protect our service quality, cash flow and also to ensure our profitability.

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**Operator**

We have the next question from the line of Billy Leung from Haitong International...

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**Billy Leung** ***Haitong International - Analyst***

Hi Charles. Hi Jenny. Hi Reinout. Thank you for taking my questions, and congratulations on another strong quarter. I just have 3 questions. My first question is on the product range. We have been very successful in launching new products, such as Luckin Tea. I just wanted to ask if management has any plans to introduce, on large-scale, non-drink products into our core SKU. So that's my first question.

The second question is on store efficiency. Jenny mentioned that revenue growth is not just coming from new stores. I'm just wondering if we could share the same-store sales growth during quarter 3.

My last question is on the customer type, are we seeing any differences in customer types between Luckin Tea and Luckin Coffee? For example, Luckin Tea consumer is younger, more skewed towards female? Is there any difference between income just on the behavior or the customer type?

Let me translate myself. (foreign language)

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**Jenny Qian** ***Luckin Coffee Inc. - Co-Founder & CEO***

[Interpreted] In terms of the non-drink products, of course, other than the coffee and tea products we already launched, so we want to serve and integrate with our customers' daily life. So recently, we launched the nuts. And in the future, we already signed agreement with Louis Dreyfus to produce the Luckin Juice in the future.

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**Reinout Schakel** ***Luckin Coffee Inc. - CFO & CSO***

Billy, the second question on sort of the like-for-like. And I think the reason -- like-for-like for us is not sort of a metric that is maybe the most relevant because we don't like looking at sort of a series of stores. We're looking at sort of the entire platform. Obviously, one, because we don't have that many mature stores as you would define, sort of more than 13 months open. Secondly, also the way we use the sort of the delivery platform and how we allocate sort of products to the various stores, which is based on location, rather than on sort of the sort of the age of the store.

Now what we have included in this quarter in terms of disclosure is the average product revenue per store per quarter, which effectively, again, is looking at it from the entire platform. You can see, obviously, that your per quarter revenues -- your revenue per store in the quarter has increased significantly. If you look at Page 14, it's grown by nearly sort of 80% year-over-year, which obviously indicated that sort of the efficiency of store level is a function of, A), the increase in the number of items per store per day; and secondly, also, an increase in sort of the average price that we see each and every sort of quarter going up. So I think there, you can get an indication on sort of the trend that we're seeing and sort of the strong growth we see in the average revenue per store.

**Jenny Qian** ***Luckin Coffee Inc. - Co-Founder & CEO***

[Interpreted] So for our current stores, we still focus on the CBD areas. So what we observed from the data, our customers for Luckin Tea and Luckin Coffee are similar.

**Charles Lu** ***Luckin Coffee Inc. - Co-Founder & Chairman***

[Interpreted] Thank you all for your support, and welcome to visit any of our stores in the major cities, such as Beijing, et cetera. If you're interested, please feel free to contact our IR. We will take you to the stores that you would like to see and show you our products and our operational process.

(foreign language) Thank you very much.

**Reinout Schakel** ***Luckin Coffee Inc. - CFO & CSO***

Thank you.

**Operator**

Thank you, sir. Ladies and gentlemen, this concludes our -- today's call. You may all disconnect.

[Portions of this transcript that are marked [Interpreted] were spoken by an interpreter present on the live call.]