



Luckin Coffee, Inc.
Q3 2024 Earnings Conference Call
Transcript

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PARTICIPANTS

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PRESENTATION

Operator

Ladies and gentlemen, welcome to Luckin Coffee's third quarter 2024 earnings conference call. All participants will be in listen-only mode during management's prepared remarks, and there will be a question-and-answer session to follow. Today's conference is being recorded.

At this time, I would like to turn the call over to Ms. Carol Liu, the Investor Relations Manager of Luckin Coffee, for prepared remarks and introductions. Please go ahead.

Carol Liu

Investor Relations Manager, Luckin Coffee

Hello, everyone, and thank you for joining us on today's call. Luckin Coffee announced its third quarter 2024 financial results earlier today.

Today, you will hear from Dr. Guo Jinyi, Chairman and CEO of Luckin Coffee and Ms. An Jing, CFO of Luckin Coffee. After the Company's prepared remarks, there will be a question-and-answer session.

We will be referring to a presentation on today's call, which can be found on the Company's IR website, investor.lkcoffee.com.

During today's call, the Company will be making some forward-looking statements regarding future events and results. 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 the call today, the accompanying reconciliation information related to those measures can be found in the earnings press release issued earlier today.

During today's call, Dr. Guo will speak in Chinese, and his comments will be translated into English. Now I would like to turn the call over to Dr. Guo Jinyi, Chairman and CEO of Luckin Coffee. Dr. Guo, please go ahead.

Jinyi Guo

Chairman and CEO, Luckin Coffee

(Translated) Hello everyone, welcome to today's earnings conference call and thank you for your continued interest in and support of Luckin Coffee. I am Guo Jinyi, Chairman and CEO of Luckin Coffee.

大家好，欢迎参加今天的业绩沟通会，感谢各位对瑞幸咖啡的关注与支持。我是瑞幸咖啡的董事长兼 CEO，郭谨一。

Despite facing a complex market environment, I'm pleased to report that the company achieved solid growth in the third quarter of this year, thanks to our unique business model, expanding scale advantage, ongoing product innovations, and leading brand strength. For the first time ever, our single-quarter revenue surpassed RMB10 billion, and both revenue and profit reached new highs. These achievements are the result of the collective efforts of all Luckin Coffee employees and the support and love of our more than 300 million cumulative transacting customers. I would like to take this opportunity to express my heartfelt thanks to them.

今年三季度，尽管面对仍然复杂的市场环境，但凭借独特的商业模式、不断扩大的规模优势、持续的产品创新能力和领先的品牌优势，公司业绩持续稳健增长，首次实现单季度营收突破百亿大关，收入和利润均创历史新高。这些成绩的取得，离不开瑞幸咖啡全体员工伙伴的共同努力和 3 亿多累计消费用户的厚爱支持，在此表示衷心的感谢。

Looking ahead, we will continue to focus on our established strategy, deepen our domestic store layout, continuously expand market share, further consolidate our leading edge, and strive to enable more consumers to enjoy high-quality, cost-effective products. We are committed to promoting the sustainable and healthy development of China's coffee market.

未来，我们将继续围绕既定战略，深化国内门店布局，持续扩大市场份额，进一步巩固领先优势，致力于让更多的消费者享受到高品质高性价比的产品，推动中国咖啡市场的持续健康发展。

Looking into our numbers, in the third quarter of this year, we maintained growth momentum from the second quarter, and the business performance continued to improve. While steadily expanding our store network, we saw both revenue and profit reach new highs. Total net revenue was RMB10.18 billion, marking a 41.4% year-over-year increase. Operating profit was RMB1.56 billion, with an operating margin of 15.3%. Net profit was RMB1.30 billion, reflecting a net margin of 12.8%. Self-operated store operating

profit was RMB1.75 billion, with a self-operated store operating margin of 23.3%. In the third quarter, the total number of net new store openings was 1,382. Our cumulative number of transacting customers exceeded 300 million, and the number of monthly average transacting customers was 79.85 million.

具体来看，今年三季度延续了二季度的增长势能，在门店稳步扩张的同时，收入和利润均创新高，业绩表现持续向好。其中，总净收入 101.81 亿元，同比增长 41.4%；营业利润 15.57 亿元，营业利润率为 15.3%。净利润 13.03 亿元，净利润率为 12.8%。自营门店利润 17.46 亿元，自营门店利润率 23.3%；三季度总净增门店数为 1,382 家；累计用户数突破 3 亿大关，月均交易用户数 7,985 万。

Our CFO AN Jing will share further financial details later on this call.

更详细的财务数据，稍后我们的 CFO 安静会和大家进行分享。

In the domestic market, we continued to deepen our store layout, adding 1,374 net new stores, bringing the total number of stores in Mainland China to 21,298. Among these, there are 13,891 self-operated stores and 7,407 partnership stores, further expanding our leading advantages in store count and market layout.

国内市场方面，我们持续深化门店布局，净增 1,374 家门店，季度末国内总门店数达到 21,298 家，其中自营门店 13,891 家，联营门店 7,407 家，在门店数量和市场布局上进一步扩大领先优势。

China's coffee market is currently experiencing a strategic period of rapid development, with coffee consumption growing in popularity and the market space expanding swiftly. Facing this valuable opportunity, we will continue to prioritize our store layout strategy by increasing density in top-tier cities while maintaining our efforts to expand into lower-tier markets.

当前中国咖啡行业仍处于快速发展的战略机遇期，咖啡消费仍处于加速普及阶段，市场空间仍在加速扩容。面对这一历史性机遇，我们仍将坚持优先门店布局的发展策略，加密高线城市的同时保持下沉市场的拓展力度。

In the international market, we continued to make steady investments in Singapore this quarter, with a net increase of 8 stores, bringing the total number of stores to 45 at the end of this quarter. We have been operating in Singapore for a year and a half now. Although the overall business in Singapore has not yet achieved profitability, the losses have significantly narrowed, and overall operations are moving in a positive direction. Looking ahead, we will steadily expand overseas markets on an ongoing basis, explore and create innovative organizational models for international business, and continuously increase investment, striving to enable consumers worldwide to enjoy Luckin Coffee's high-quality coffee and services.

国际市场方面，本季度在新加坡继续稳步投入，净增 8 家门店，季度末门店总数达 45 家。目前新加坡已经运营了一年半的时间，尽管整体业务尚未实现盈利，但亏损额度已显著收窄，整体运营正向着积极的方向发展。未来，我们会持续稳步拓展海外市场，探索创新国际业务组织模式，持续加大投入力度，努力让全世界的消费者都能享受到瑞幸高品质的咖啡和服务。

In this quarter, Luckin Coffee has launched 28 freshly-brewed beverages along with several light food products, expanding our product boundaries to provide our consumers with a more diverse range of choices. In August, we introduced the Light Milk Tea series, and the Light Jasmine Milk Tea has sold more than 44 million cups in its first month. Centered around the concept of "coffee in the morning, tea in the afternoon," we are committed to meeting consumers' diverse needs during non-coffee hours, achieving all-day and all-scenario coverage of our product offerings.

本季度瑞幸咖啡推出了 28 款现制饮品及多款轻食。我们通过扩宽产品边界，给消费者带来更丰富的多元选择。今年 8 月，公司推出轻乳茶系列，轻轻茉莉轻乳茶推出首月即售出 4,400 多万杯，公司围绕“上午咖啡，下午茶”概念，努力满足消费者在非咖啡时段的多元消费需求，并让产品线实现了全时段、全场景的覆盖。

In addition, the Little Butter series, launched at the end of September, received widespread acclaim, with first-week sales exceeding 13.33 million cups. During this quarter, we also successfully launched several branding collaborations, including 'BLACK MYTH: WUKONG,' 'ZANMANG LOOPY,' and 'BUTTERBEAR,' all of which were well-received and supported by consumers. By the end of the third quarter, the number of cumulative transacting customers surpassed 300 million, with the number of monthly average transacting customers increasing by more than 10 million compared to the previous quarter, reaching 79.85 million, setting a new high.

此外，9 月底上市的“小黄油”系列，广受好评，首周销量突破 1,333 万杯。本季度我们还成功推出了“黑神话：悟空”、“赞萌露比”、“黄油小熊”等多个联名活动，广受消费者的喜爱与支持。截至三季度末，瑞幸咖啡累计交易用户数突破 3 亿，月均交易用户数环比新增超千万，达 7,985 万，创历史新高。

To ensure stable supply for our over 20,000 stores, we are committed to increasing investment in our supply chain. In August, Luckin Coffee broke ground on its new Innovation and Production Center in Qingdao. This center, along with the two major roasting plants in Kunshan, Jiangsu and Pingnan, Fujian, will form a roasting supply network with an annual capacity of 100,000 metric tons. Moving forward, we will continue to enhance supply chain integration to ensure that every cup of coffee our consumers purchase is of consistently high quality.

为保障 2 万多家门店的稳定供应，我们坚持加大供应链投入力度。今年 8 月，瑞幸咖啡创新生产中心在青岛正式动工，这将和福建屏南、江苏昆山两大烘焙基地共同形成年产能达 10 万吨的烘焙供应网络。未来我们还将持续加大供应链整合力度，确保让消费者买到的每一杯咖啡都是品质稳定的高质量咖啡。

In addition, we are intensifying our procurement efforts in premium coffee bean regions worldwide. Luckin Coffee entered into a series of letters of intent to purchase approximately 120,000 metric tons of coffee beans from Brazil over the next two years. Moving forward, we will further accelerate our procurement plans in coffee-producing countries across Southeast Asia, Africa, Central America, and South America, bringing high-quality coffee beans from these regions to Chinese consumers.

此外，我们还加大在全球优质咖啡豆产区的采购力度，瑞幸咖啡已签署了未来两年采购 12 万吨巴西咖啡豆的合作意向书，下一步，我们还将进一步加速在东南亚、非洲、中美洲、南美洲等咖啡产区国的采购布局，将全球各产区优质咖啡豆带回给中国消费者。

Luckin Coffee is deeply committed to the sustainable development of our entire supply chain and continuously enhance our communication and collaboration with places of origin, setting standards, conducting training, and providing support to boost the sustainability of source cultivation. This not only improves the quality and yield of raw materials but also contributes to the protection and enhancement of the ecological environment in these regions, as well as the living standards of coffee farmers.

瑞幸咖啡高度关注产业上下游的可持续发展，不断加深与原产地的交流与合作，通过建立标准、开展培训、提供帮扶，加强源头种植的可持续性，提高原材料的品质和产量，并为改善和保护原产地生态环境、提高种植者的生活水平做出贡献。

In September, we invited experts from relevant fields to our Green Coffee Bean Processing Plant in Baoshan, Yunnan, to provide training for local coffee farmers and business representatives on the coffee industry, regenerative agriculture, and biodiversity conservation. We also organized the factory and local community volunteers to form a volunteer service team to support the sustainable development of Yunnan coffee and the protection of the local environment.

9 月，我们邀请相关领域专家，在云南保山鲜果处理厂向当地咖农和企业代表开展关于咖啡行业、再生农业及生物多样性保护等方面的培训，并组织工厂与当地社区志愿者成立了志愿服务队，以支持云南咖啡的可持续发展及生态环境保护。

In the third quarter, Luckin Coffee completed the Brazil stop of its “Global Coffee Bean Search Plan”. At the groundbreaking ceremony of the Qingdao factory in August, we joined hands with H.E. Marcos Galvão, the Brazilian Ambassador to China, and jointly launched the “Luckin Coffee Brazil Coffee Culture Festival.” Brazil, with its long history of coffee cultivation and the world’s largest coffee production capacity, has extensive practical experience in sustainable development, including regenerative agriculture and

agricultural production technology innovation. We will continue to collaborate with Brazil's coffee origins, establishing offices and support centers for farmers, promoting responsible sourcing, farmer assistance, coffee culture exchange, and regenerative agriculture research. This will foster practice and exchange, learning, and implementation among global coffee-producing regions, contributing to the sustainable development of China's core coffee-producing areas and global coffee origins.

三季度，瑞幸咖啡完成了“全球寻豆之旅”巴西站的探访，在8月份的青岛工厂的开工仪式上，我们携手巴西驻华大使高望先生，共同启动了瑞幸巴西咖啡文化节。巴西拥有悠久的咖啡种植历史和全球最大的咖啡产能，在再生农业种植、农业生产技术创新等可持续发展方面具备丰富的实践经验。我们将继续与巴西咖啡原产地开展合作，开设办公室和种植者扶持中心，推动责任采购、咖农帮扶和咖啡文化交流、再生农业研究等方面的深度合作，以促进全球各产区间的实践与交流、学习与落地，为中国咖啡核心产区和全球咖啡原产地的可持续发展贡献力量。

These are the key highlights of our performance in the third quarter. Next, I will now turn it over to our CFO An Jing to present the financial data and commentary.

以上是三季度业绩的主要情况，下面，请 CFO 安静向大家介绍财务数据。

Jing An

CFO, Luckin Coffee

Thank you Jinyi. Good morning, afternoon, and evening everyone. Thank you for joining today's call. We appreciate your continued interest and support.

I'm Jing An, the CFO of Luckin Coffee, and I am excited to share our financial performance for the third quarter of 2024. Before we go over the results, I want to express my gratitude to our hardworking employees, loyal customers, and trusted investors. Your continued support is crucial to our success, and we are dedicated to providing value and innovation in the coffee industry.

Now, I will take some time to highlight our 2024 third-quarter results in detail.

Please turn to slide 10. Let's start with our financial highlights. I am pleased to share our strong third quarter 2024 results.

Total net revenues for Q3 2024 reached RMB10.2 billion, reflecting a large increase of 41.4% compared to RMB7.2 billion in the same period last year. This growth was mainly driven by an increase in the number of products sold, the expansion of stores in operation, and a notable increase in monthly transacting customers, despite a decrease in the average selling price of our products.

Revenues from product sales were especially strong, totaling RMB7.8 billion, representing a year-over-year increase of 46.3% from RMB5.4 billion in Q3 2023. This reflects our focus on expanding product offerings and enhancing our customer engagement. Net revenues from freshly brewed drinks, our core product category, reached RMB7.2 billion in Q3 2024.

Revenues from self-operated stores totaled RMB7.5 billion, marking a 45.9% increase year-over-year. Same-store sales growth for self-operated stores in the third quarter was negative 13.1%, compared to positive 19.9% in the same quarter of 2023, due to the exceptionally high base from last year. The same store growth is improved quarter by quarter and we are actively working to maintain this trend.

Also, revenues from partnership stores amounted to RMB2.3 billion, a strong 27.2% increase compared to Q3 2023. Meanwhile, our operating income for the quarter was RMB1.6 billion, representing an operating margin of 15.3%.

As we continue to explore and expand our business in international markets, we have successfully opened 45 self-operated stores in Singapore. By the first nine months of 2024, net revenues from the Singapore market amounted to RMB91.4 million, while costs and expenses, primarily including store operations, regional expenses, and support costs incurred at headquarters, totaled around RMB167.7 million.

Slide 11 shows our store operating information. Our store growth remained strong throughout Q3. We saw a net increase of 1,382 stores, resulting in a 6.9% quarter-over-quarter growth from the number of stores at the end of Q2. The total includes eight new stores in Singapore, bringing the total stores in Singapore to 45, which underscores our ongoing efforts to explore and expand in international markets. By the end of the third quarter, our total store count reached 21,343, including 13,936 self-operated stores and 7,407 partnership stores.

Our average monthly transacting customers in the third quarter reached 79.8 million, an impressive 36.5% increase compared to 58.5 million in the same quarter of last year. This strong growth not only highlights the success of our customer engagement and retention strategies but also positions us favorably against competition and changing consumer preferences.

Next, let's move on to the details of our profitability, please turn to slide 12.

On a group level, our reported overall operating margin for the third quarter was 15.3%, up from 13.4% in the same period last year. This rise in profitability is mainly due to changes in our product structure, which boosted the gross profit of our products. Additionally, our enhanced operational efficiency and operating leverage significantly contributed to the improved financial performance this quarter. Meanwhile, we reported a net margin of 12.8% in this quarter, compared to 13.7% in the same period last year.

For our self-operated stores, the profit margin remained stable at 23.3% this quarter, compared to 23.1% in the same period last year.

During this quarter, the company's overall operating expenses increased by 38.2% year-over-year, predominantly due to our business expansion efforts.

Our general and administrative (G&A) expenses remained stable at 6.3% of revenue in Q3 2024, down from 6.7% in Q3 2023. In absolute terms, G&A expenses increased by 32.3% year-over-year, mainly driven by higher payroll costs, greater research and development spending, additional office supplies, and an uptick in share-based compensation.

Relative to the previous year, our sales and marketing expenses, as a percentage of revenue, increased to 5.8% from 5.3% in the same period last year. In absolute terms, these expenses rose around 53.2% year-over-year. This increase is a result of our strategic investments in boosting brand recognition, expanding product education initiatives, and fortifying our market position through multiple channels. Also, the rise in commission fees paid to third-party delivery platforms was needed to handle the increased volume of delivery orders.

Loss and expenses related to the previously reported fabricated transactions and related restructuring were negative RMB102.5 million in this quarter, compared to RMB3.0 million in the same quarter of 2023. This large change is because the Company became entitled to receive excess layers compensation of US\$15.0 million (approximately RMB105.2 million) under its Directors & Officers Liability and Company Reimbursement Insurance (D&O Insurance), following the receipt of a base layer compensation.

Then, let's move on to the balance sheet and cash flow statement on slide 13.

Our disciplined approach and robust cash position allow us to maintain both balance sheet strength and flexibility, positioning us to effectively navigate the current macro environment. During the third quarter, our net operating cash inflow remained consistent at RMB1.3 billion, compared to the same period last year.

As of September 30, 2024, we have about RMB4.8 billion in cash, including cash and cash equivalents, restricted cash, term deposits, and short-term investments. Our strong cash flow generation and healthy cash position continue to support our ongoing requirements, ensuring we can meet all our business needs and provide additional growth potential.

In closing, I want to recognize our team for their dedicated efforts, and tireless work to elevate the Luckin Coffee experience in our stores, at our roasting plants, and in our support centers. Their strong commitment and hard work have been the grounds of our success, and I want to extend my deepest thanks to our employees for their invaluable contributions.

To add, I would also like to express my sincere appreciation to our investors for their unwavering support and confidence in our vision. We strive to continue to deliver strong execution and growth. Moving forward, we remain committed to meeting the ongoing needs of our customers and establishing Luckin Coffee as a leading coffee brand worldwide.

I'll now turn it over to Jinyi for concluding remarks followed by Q&A.

Jinyi Guo

Chairman and CEO, Luckin Coffee

(Translated) Behind the continuous milestones achieved by Luckin Coffee lies the hard work of every Luckin Coffee employee, the love of our consumers, the support and encouragement from our partners, and the trust of our investors. On behalf of Luckin Coffee, I would like to extend my sincerest gratitude to all stakeholders who care for and support us!

在瑞幸咖啡不断书写辉煌里程碑的背后，凝聚着每一位瑞幸伙伴的辛勤付出，离不开广大消费者的热爱，也得益于合作伙伴的支持与鼓励，以及投资者的信任。在此，我谨代表瑞幸咖啡，向所有关心和支持我们的相关方致以最诚挚的感谢！

Looking ahead, Luckin Coffee will continue to deepen its store layout strategies, sustain product innovation, strengthen brand advantages, and increase supply chain investment to further consolidate and expand the market-leading position. While focusing on business growth and market share improvement, we will further optimize our cost structure and enhance operational efficiency to create long-term, sustainable value for customers, shareholders, and all stakeholders. Additionally, Luckin Coffee will place greater emphasis on social responsibility, uphold the concept of sustainable development, and closely align with the company's core values, striving to build Luckin Coffee into a world-class coffee brand and create greater value for society.

展望未来，瑞幸咖啡将继续深化门店布局，持续产品创新，强化品牌优势，加大供应链投入，以进一步巩固并扩大市场领先优势。我们在关注业务增长与市场份额提升的同时，将进一步优化成本结构、提升运营效率，为客户、股东及所有利益相关方创造长期、可持续价值。此外，瑞幸咖啡将更加注重社会责任，秉持可持续发展理念，紧紧围绕企业核心价值观，努力将瑞幸咖啡打造为世界级咖啡品牌，为社会创造更大的价值。谢谢大家！

Thank you all, let's now move on to the Q&A session
接下来我们进入问答环节。

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from Yongjian Yi from Minsheng Securities. Please go ahead.

Yongjian Yi*Minsheng Securities*

(Foreign Language) Thank you very much for taking my question. My question is about the same-store sales growth. How does management view the fluctuations in the SSSG metric and the reasons behind them? Additionally, could you also provide us with more insights into the future outlook for this metric?

Jinyi Guo*Chairman and CEO, Luckin Coffee*

(Translated) Thank you. Same store sales growth is a very important metrics that we always keep attention on that. So I would like to turn this question to Ms. An Jing to further answer. Thank you.

感谢，这是一个非常重要的指标，也是我们持续在关注的。下面请我们的 CFO 安静来具体回答一下这个问题，谢谢。

Jing An*CFO, Luckin Coffee*

Thank you for your question. Same-store sales growth (SSSG) is a vital metric in the large chain restaurant industry, and our company has consistently paid close attention to this indicator. Over the past few quarters, SSSG has experienced significant fluctuations, largely due to our strategic positioning amid the rapid growth of China's coffee market and the heightened industry competition. The fast-paced expansion of our store network and the 9.9 promotion since June 2023 have notably impacted SSSG. Overall, we think the fluctuations in SSSG align with our expectations. And, we believe that last year's rapid expansion will ultimately support our long-term development; we have now surpassed 20,000 stores, providing us with a considerable scale advantage.

In this quarter, the SSSG of self-operated stores is -13.1%, a narrowing compared to previous quarters. This improvement is primarily because the average selling price for this quarter exhibits a smaller deviation from the same quarter last year, compared to the price difference observed between the preceding quarters and their corresponding periods last year. And now we shift to a more measured pace of expansion and the price gap to further reduced, we anticipate further improvement of the SSSG in the upcoming quarters.

Looking ahead, as the company enters a more stable and sustainable growth phase, we will continue to closely monitor same-store sales. This metric will not only serve as a key reference for assessing our market performance but will also provide valuable insights for our strategic decision-making. By leveraging these insights, we aim to refine our store opening strategies to ensure new locations align with market demand. Additionally,

through sales trend analysis, we will actively pursue product innovation and other opportunities to boost our overall competitiveness and ensure steady, sustainable growth.

That's my answer, thank you.

Operator

Our next question comes from Xinyi Chang from CITIC Securities. Please go ahead.

Xinyi Chang

Analyst, CITIC Securities

(Foreign Language) Thanks management, this is Xinyi from CITICS. Congratulations on another strong quarter. My first question is about overseas expansion. Could you share more details or more color about Luckin's plan on going abroad? And also is there any update about the Company's global capital market strategy? Thank you.

Jinyi Guo

Chairman and CEO, Luckin Coffee

(Translated) Thank you for your question. Going abroad is a very important question that we always consider. Today, I would like to share some systematic thinking about this. Overall, Luckin Coffee's vision is to "create a world-class coffee brand and become a part of everyone's daily life." We believe that to achieve this, in addition to financial indicators such as revenue, profit, and market value, it should also reach world-class levels in indicators such as the number of stores, coverage, brand image and international influence. Now, Luckin is still strive to doing that.

感谢。国际化是我们现在关注的问题，我们也有一个相对系统化的思考。借此机会，我对系统化的讲一下我们对国际化业务的一些想法。瑞幸咖啡的愿景是“创造世界级咖啡品牌，让瑞幸成为人们日常生活的一部分”。我们看来，世界级的咖啡品牌，除了收入、利润、市值等财务指标以外，还包括门店数量、覆盖范围以及品牌形象、国际影响力等相关指标方面都应该达到世界级水平，我们会为这个目标持续努力。

Looking at the global market, the Chinese market has a large customer base, strong consumption power and broad market space. Especially with the accelerated development of coffee consumption habits in recent years, the market potential is continuously expanding, and the ceiling for the development of China's coffee industry as a whole is still rising. We firmly believe that China will one day become the world's largest coffee consumption market. Facing this historical opportunity, we will continue to focus on the domestic market, further strengthen our store networks, and continuously

consolidate and expand Luckin's industry-leading advantages to capture the maximum benefits from the industry's rapid development.

从全球市场来看，中国市场客户基数大、消费能力强、市场空间广阔，特别是随着近年来咖啡消费习惯的加速培养，市场潜力不断扩大，中国咖啡行业发展天花板还在持续提高。我们坚信，中国总会有一天会成为世界最大的咖啡消费市场。面对这一历史机遇，我们将持续聚焦国内市场，进一步深化门店网络布局，不断巩固和扩大瑞幸的行业领先优势，从而获得行业高速发展的最大红利。

Compared to the domestic market, overseas customers already have a very mature coffee consumption habits, making the overall overseas market generally mature. Our overseas business is still in the initial stage of exploration and investment. We still need to continue to increase investment in areas such as store network expansion, supply chain enhancement, brand establishment, gradually refine and form core advantages in cost structure and customer experience, striving to win the recognition and favor of local consumers.

与国内市场相比，海外客户咖啡消费习惯已经养成，市场总体成熟。我们的出海业务还处于初期探索和投入阶段，还需要继续加大门店网络、供应链、品牌塑造等方面的投入，打磨形成在成本结构和客户体验两个方面的核心优势，努力获得当地消费者的认可和喜爱。

Although our initial exploration in Singapore has resulted in some financial losses, it has provided us with invaluable experience and insight into the complexities of overseas operations. The international market is full of opportunities, but it also presents significant challenges. It indeed requires patience, time, and continuous investment. We remain both patient and confident in our ability to succeed. Meanwhile, we are actively evaluating opportunities in the United States and other markets. Given the maturity, saturation, and competitiveness of the U.S. coffee market, we intend to approach our expansion strategy there with careful consideration and a disciplined execution plan. Going forward, we will pay close attention to overseas business and communicate progress to the market in a timely manner. Meanwhile, we will also actively explore and create innovative organizational models for international business, expanding our overseas presence through more suitable methods and flexible strategies.

从新加坡前期探索来看，虽然财务上有一定亏损，但给我们出海积累了宝贵的经验，也让我们了解了海外业务的复杂度。海外市场充满机遇、更充满挑战，确实需要耐心、时间和持续投入，我们有耐心、有信心能够做好。与此同时，我们也在积极探索美国及其他市场的机会。考虑到美国有着成熟、饱和且竞争激烈的咖啡市场，我们在执行市场拓展战略时将会审慎决策。下一步，我们会密切关注海外业务并及时与市场沟通进展情况，同时也将积极尝试组织模式和业务模式的探索创新，以更适合的方式、更灵活的策略拓展海外业务。

So regarding to your second question. In terms of overseas capital markets, as communicated before, we will continue to monitor the U.S. capital markets. However, our

primary focus remains on executing the Company's business strategy. Given the complex market and regulatory environment, there is currently no definitive timetable for an up-listing on the main board. For now, we will continue to focus on business development aiming to increase market share by delivering high-quality products and services to our customers, while creating sustainable, long-term value for our shareholders. Thank you.

第二个问题对于国际资本市场方面，如我们此前沟通，公司会持续关注美国资本市场，但我们现阶段的首要任务仍是践行公司的业务战略。在复杂的市场和监管环境下，公司目前对于重返主板，恢复主板上市地位没有确定的时间表。当下，我们将继续聚焦于业务发展，通过向客户提供卓越的产品和服务来争取更高的市场份额，为公司股东提供可持续的长期价值。谢谢。

Operator

Due to time restraints, no further questions will be taken at this time. This concludes about questions and answer session. I would like to turn the call back to the management team for any closing remarks.

Carol Liu

Investor Relations Manager, Luckin Coffee

Thank you, Dr. Guo, Ms. An. That is all the time we have for today's earnings conference call. We thank you for your participation on today's call. We look forward to providing you with regular business updates and look forward to speaking with you again next quarter.

Operator

This concludes our call today. You may now disconnect.

[END OF TRANSCRIPT]