



Luckin Coffee, Inc.
Q3 2023 Earnings Conference Call
Transcript

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PARTICIPANTS

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An Jing *CFO, Luckin Coffee*

Reinout Schakel *CSO, Luckin Coffee*

Alicia Guo *Investor Relations Director, Luckin Coffee*

PRESENTATION

Operator

Ladies and gentlemen, welcome to Luckin Coffee's third quarter 2023 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. Alicia Guo, the head of Investor Relations of Luckin Coffee, for prepared remarks and introductions. Please go ahead, Alicia.

Alicia Guo

Investor Relations Director, Luckin Coffee

Hello, everyone, and thank you for joining us on today's call. Luckin Coffee announced its third quarter 2023 financial results earlier today.

Today, you will hear from Dr. Guo Jinyi, Chairman and CEO of Luckin Coffee, Ms. An Jing, CFO of Luckin Coffee and Mr. Reinout Schakel, CSO of Luckin Coffee. After the Company's prepared remarks, the management team will conduct a question-and-answer session based on questions submitted via the Company's webcast.

We will be referring to a slide presentation on today's call, which can be found via a conference call webcast link as well as on the Company's IR website. The IR website link is 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.

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 continuing to support Luckin Coffee. I am the Chairman and CEO, Guo Jinyi.

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持续关注与支持。我是瑞幸咖啡的董事长兼 CEO，郭谨一。

In the third quarter, despite the industry's intense competitive landscape, we achieved high revenue growth thanks to our distinctive business model, continuous product innovation and scale advantages. Both the number of Luckin Coffee stores and new transacting customers increased rapidly and reached historic highs. At the same time, we continued to reward our customers through the "Ten thousandth store celebration event", which allowed customers to enjoy high-quality coffee at a more favorable price. During the third quarter, we also achieved a remarkable feat of introducing a top-selling product that surpassed our previous single-item sales record. We will continue to make steady progress by executing our established strategy, and continue to expand our market share while giving back to our customers. We are committed to providing consumers with coffee products of high quality, high affordability, and high convenience, driving the development of the Chinese coffee market.

今年三季度，面对激烈的行业竞争环境，瑞幸咖啡凭借独特的商业模式、层出不穷的产品创新及规模优势，实现了收入的高速增长。本季度，瑞幸咖啡的门店数量、新付费用户数迅速攀升，创历史新高。同时，瑞幸持续回馈消费者，通过“万店同庆”优惠活动，让消费者以更优惠的价格享受到了高品质咖啡。本季度，我们也成功打造了现象级爆款产品，刷新了瑞幸单品的记录。未来，我们还将按照既定的战略稳步推进，在回馈客户的同时不断扩大市场份额，持续为消费者带来高品质、高便利性和高性价比的优质咖啡，推动中国咖啡市场持续向前发展。

Taking a granular view, revenue continued to grow rapidly in the third quarter while profit levels saw a slight decline. Total net revenue was RMB7.2 billion, representing an 84.9% year-on-year increase. Operating profit margin was 13.4%. Meanwhile, profit margin for

self-operated stores was 23.1%, with a same-store sales growth rate of 19.9%. Additionally, there were 2,437 net new store openings in the third quarter, bringing the total number of stores to 13,273 as of the end of the quarter. The cumulative number of transacting customers exceeded 200 million, with an average monthly transacting customers exceeding 58 million in the third quarter.

具体来看，三季度收入持续高速增长，利润水平有所回落。其中，总净收入 72 亿元，同比增长 84.9%；营业利润率 13.4%；自营门店利润率 23.1%，同店销售增长率为 19.9%；净增门店数 2,437 家，门店总数达到 13,273 家；累计消费客户数超过 2 亿，三季度月均交易客户数超过 5,800 万。

Our CFO An Jing will provide further details on the financials later.

稍后我们的 CFO 安静会和大家分享更详细的财务数据。

In the third quarter, we had more than 2,400 net new store openings, bringing the total number of stores to 13,255 in China as of the end of the quarter. We continue to lead the market as the largest coffee chain brand in China based on store counts. Among the total number of stores, there were 8,789 self-operated stores and 4,466 partnership stores. As competition in the coffee market in China intensifies, we will continue to expand our presence in high-tier cities and accelerate our penetration in new markets through our partnership model. We expect that by the end of this year, the number of Luckin Coffee stores will exceed 15,000.

门店方面，三季度瑞幸咖啡净增 2,400 多家门店，国内总门店数共计 13,255 家，作为中国市场门店数量最多的咖啡连锁品牌，我们持续领跑市场。其中自营门店 8,789 家，联营门店 4,466 家。随着中国咖啡市场竞争加剧，我们会持续加密高线城市门店数量，同时通过联营模式加速拓展下沉市场，进一步扩大市场份额。预计到今年年底，瑞幸咖啡门店总数将突破 15,000 家。

At the same time, the number of Singapore stores reached 18 as of the end of the quarter with an addition of 11 stores compared to the end of the second quarter. In the future, we will continue to expand into international markets so that more consumers around the world can enjoy our high-quality coffee.

同时，三季度新加坡门店数量已达 18 家，在二季度基础上新增了 11 家。未来我们也将持续布局海外市场，让全世界更多的消费者品尝到瑞幸的高品质咖啡。

In terms of products, in the third quarter, we launched 12 freshly-brewed products and successfully collaborated with Kweichow Moutai to create popular Jiangxiang Flavored Latte, which broke our single-item sales record with an impressive 5.42 million cups sold on launch day and surpassed RMB1 billion in single-item sales. While the new products performed exceptionally well, our Velvet Latte series also reached a milestone in September with sales volume surpassing 200 million cups since its launch. Furthermore, to celebrate one-year anniversary of the launch of our Cheese Flavored Latte, we recently

introduced Mascarpone Latte, which achieved a first-week single-item sales volume of more than 16.24 million cups. Going forward, we will continue to focus on product innovation, aiming to provide customers with a higher quality and fresher experience through innovative items such as Jiangxiang Flavored Latte and Mascarpone Latte.

产品方面，三季度瑞幸咖啡推出了 12 款现制饮品，并与贵州茅台联名，成功打造了爆款酱香拿铁，刷新了瑞幸单品记录，获得首日销量 542 万杯，单品销售额突破 1 亿元的好成绩。新品表现优异的同时，我们的丝绒拿铁系列在今年 9 月份也达成了上市至今销售超过 2 亿杯的里程碑。此外，为庆祝生酪拿铁上市一周年，我们近期推出的马斯卡彭生酪拿铁，首周单品销量也突破了 1,624 万杯。未来，我们将坚持产品创新，希望通过酱香拿铁、马斯卡彭生酪拿铁等创新单品，持续为客户提供更高品质、更有新鲜感的消费体验。

With the combined effect of accelerating store expansion and continuous product innovation, we have gained over 30 million new transacting customers in the third quarter, with an average monthly transacting customers exceeding 58 million, reaching a historic high. As of the end of the third quarter, our cumulative consumer base has exceeded 200 million.

在门店加速布局和产品不断创新的双重作用下，本季度瑞幸新客户数超过 3,000 万，月均交易客户数突破 5,800 万，再创历史新高。截止三季度末，我们的累计消费客户数已超过 2 亿。

We have formulated a sustainable development strategy – “Being a force for a brighter future” to guide our sustainable development efforts. The overall strategy is divided into three parts, “Boosting the sustainable business”, “Co-building a responsible value chain” and “Improving a better planet”, with support of “Digital and Intelligent Empowering”. The strategy represents our vision and practice direction of sustainable development for ourselves, our value chain, and for the broader social environment. As is indicated by the “Digital and Intelligent Empowering” text, the strategy is being bolstered by Luckin’s core advantage of digitalization.

为明确可持续发展方向，瑞幸咖啡发布了可持续发展战略“以赴美好明天”。战略整体分为“凝聚长远发展驱动力”、“共建负责任价值链”、“守护绿色繁荣家园”三大部分，并以“数智赋能”为整体支撑，代表我们将以瑞幸数字化基因赋能，面向自身、面向价值链、面向更广阔的社会环境的可持续发展愿景和实践方向。

As part of this report, we completed a carbon inventory and verification for the whole company for the first time. We also completed the carbon footprint verification of Coconut Milk Latte and Latte for the first time. According to the in-depth understanding of carbon emissions of our operations and products, we can lay the data foundation for our future carbon reduction strategies and to drive research to develop more low-carbon products.

此外，我们今年首次完成面向全公司的碳盘查及碳核查，并首次对生椰拿铁及拿铁两款产品的碳足迹进行了核查，对公司运营及产品的碳排放进行了深入了解，为未来减碳策略及低碳产品的研究奠定了数据基础。

In the future, we will focus on the core issues of sustainable development strategy, further developing our sustainable development goals, accelerating the implementation of sustainable development practices with the company, and collaborating with partners and consumers to create a better future.

未来，我们将围绕可持续发展战略核心议题，进一步制定瑞幸咖啡可持续发展目标，推动有瑞幸特色的可持续发展实践加速落地，协同合作伙伴与消费者，共创更美好的未来。

These are the key highlights of our performance in the third quarter. Next, I would like to invite 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 安静向大家介绍具体财务数据。

An Jing

CFO, Luckin Coffee

Thank you very much, Jinyi

Good morning, afternoon, and evening everyone. Thank you for joining us today. I'm An Jing, the CFO of Luckin Coffee, and today I will provide an overview of our financial performance for the third quarter of 2023. Before we start, I want to convey my thanks to our committed staff, loyal customers, esteemed partners, and cherished investors for their support.

Now, I will take some time to overview our 2023 third quarter results in detail.

Let's start with our financial highlights. Our revenue once again hit a record high of RMB7.2 billion, growing 84.9% year over year in the third quarter, as a result of our efforts to expand our market presence. Growth in net revenues was predominantly driven by expanded sales volume, increased number of operational stores, and the rise in the count of monthly transacting customers; meanwhile, we kept rolling out the promotional campaign during the quarter. At the same time, our product launches during the quarter were very popular with existing and new customers.

During the quarter, both our self-operated and partnership stores performed well. Self-operated revenue reached RMB5.1 billion, with a growth rate of 79.3% driven by the rapid store expansion as well as the increased sales volume. Meanwhile, our partnership stores demonstrated strong growth with an increase of 104.7% year over year, reaching over RMB1.8 billion in revenue.

Turning to profitability, we remain committed to financial discipline and strategic focus as we execute our market share expansion strategy through aggressive store expansion to attract more new customers. In doing this, we had more than 2,400 net new store openings during the quarter and maintained our pricing strategy which have effectively reflected in the increased sales volume and a lower margin profile while increasing the operating profit dollar value. As a result, operating profit margin decreased to 13.4% from 15.0% in the same time last year, while operating profit grew to RMB962 million from RMB585 million. We view this decline in margin as a strategic shift as we aim to acquire more customers and maximize market share in China's competitive coffee market.

Let's now take a closer look at our store network. In the third quarter, the number of stores reached a total of 13,273, which represents a total expansion rate of 69.2% compared to the same period of last year.

During the third quarter, we had 2,437 net new store openings. Of these new store openings, 1,619 were self-operated stores, and 818 were partnership stores. Our dedication to expanding our reach and catering to the diverse needs of our customers is demonstrated in the steady growth of our store network, both self-operated and in partnership.

At the same time, we have made strategic efforts to expand our geographic reach. In the third quarter, we operated self-operated stores in 73 cities across China with one overseas market. Meanwhile, our partnership stores expanded our footprint to 287 cities in China. We remain committed to diversifying our geographic presence and capturing new market opportunities.

During the quarter, we reached 58.5 million average monthly transacting customers, a substantial increase from 25.1 million in the previous year, demonstrating our ability to attract customers. This growth was a result of store expansion to new geographies and new traffic driven by the popularity of our Jiangxiang Flavored Latte.

Next, I would like to spend some time to discuss the details of our margin and bottom-line profile.

On a group level, we reported net income of RMB988 million or a net profit margin of 13.7% for the third quarter. If excluding the deferred tax asset valuation allowance release of RMB252 million, the net profit would be RMB736 million or a net profit margin of 10.2%. During the third quarter, we reevaluated the recognition of deferred tax assets given the largely reduced uncertainty of the Company's business performance after a certain number of the Company's operation entities have turned cumulative profits. As a result, we reversed the recognition of approximately RMB252 million in valuation allowance against our deferred tax assets.

From a store level view, for our self-operated stores, the operating profit margin was 23.1% in the third quarter of 2023, compared to 26.9% in the same period of 2022. The decrease was primarily due to the decrease in average selling price of our products while offset by the benefits of scale from the increased product volume sold.

Meanwhile, overall operating expenses increased as volume increased and operations expanded, offset by enhanced efficiency through cost controls, technology-driven operations as well as scale advantage.

Our general and administrative expenses, on an absolute value basis, increased by 25.5% year over year, while the G&A expense as a percentage of revenue decreased from 9.9% in the third quarter of last year to 6.7% in the third quarter of this year due to scale benefits.

The sales and marketing expense ratio rose to 5.3% this quarter from 4.1% in the same period of last year, as we continued to strategically invest in branding to increase brand awareness and bolster the current positioning through various channels, including collaboration with Kweichow Maotai and the launch of Jiangxiang Flavored Latte. Meanwhile, in this quarter, we spent more on commission fees to third-party delivery platforms due to increased delivery orders, as well as more on subcontract service fees to support the e-commerce business and promotion activities.

In addition, we are glad to share that the expenses related to fabricated transactions and restructuring, which consisted primarily of professional and legal fees for securities litigations and other advisory service fees, were RMB3 million, or nil % of net revenue in the third quarter, compared to 0.2% in the same quarter of last year. At the same time, we have also updated our provision for equity litigants based on developments that occurred in the third quarter, in accordance with the relevant accounting standards.

Let's now turn to balance sheet and cash generation. We ended the third quarter with RMB5.7 billion of cash at bank and on hand and zero interest-bearing debt. Our healthy balance sheet and strong cash on hand has provided us with competitive advantages in this uncertain financial environment as well as providing additional growth potential.

In addition, we achieved positive operating cash flow of RMB1.3 billion in the quarter, which is around USD179.6 million, compared to RMB416.9 million in the same quarter of 2022. Free cash flow year-to-date through the third quarter was about RMB402.3 million.

To conclude, while we expect volatile customer and market dynamics and competition to continue, we remain confident in our strategy and the results it delivers. As we look to the remainder of the year, we are confident in our current pricing strategy, strategic promotional calendar, and planned product offerings.

We are committed to continuing to adhere to our long-term goals, maintaining the current pricing strategy, rapidly expanding our store network, and further increasing our market share, all the while, providing customers with high-quality and affordable products in the long run.

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

Jinyi Guo

Chairman and CEO, Luckin Coffee

(Translated) The rapid growth of Luckin Coffee is the result of the joint efforts of our nearly 70,000 hard-working employees, as well as the love of our customers, the support of our partners and the trust of our investors. We would like to express our heartfelt gratitude to all of you!

瑞幸咖啡的快速成长，是近 7 万名瑞幸伙伴团结奋斗的结果，当然也离不开广大消费者的厚爱、合作伙伴的支持与投资人的信任。在此，我对各位表示由衷的感谢！

At the same time, to enhance the mutual trust and win-win relationships among business partners, at the recent Luckin Coffee Partnership Summit we announced that we will shorten the payment period to 30 days starting from 2024, to jointly build a healthy competitive environment and promote the standardized development of the overall industry.

同时，为增进瑞幸与合作伙伴之间的互信共赢关系，在近期举办的瑞幸咖啡合作伙伴大会上，我们宣布自 2024 年起将账期缩短为 30 天，希望能够共同助力打造良性的竞争环境，促进整体行业的规范化发展。

Going forward, we will continue to reward our customers with long-term returns and further explore the potential of China's coffee market. We will continue to deliver better quality and better prices, and provide customers with coffee that is "delicious and affordable". We will continue to focus on the long-term value of our brand and aim to make Luckin Coffee a world class brand, and we will work towards achieving long-term, healthy, high-speed, and sustainable growth.

未来，我们将持续让利消费者，进一步挖掘中国咖啡市场的潜力，以更优质的产品、更优惠的价格，为大家提供“好喝不贵”的咖啡。我们将脚踏实地，努力把瑞幸打造为一个基业长青的咖啡品牌，努力实现公司业绩的长期、健康、高速、可持续的增长。

As we continue to expand, strong organizational capabilities are the foundation of our business development, and are increasingly essential to the sustainability of our continuous growth. To further align with our strategic goals and business needs, enhance collaboration and boost efficiency, in the third quarter, we promoted and introduced four

senior management professionals who are post-80s generations with outstanding leadership skills, including a Senior Vice President responsible for the Human Resources department and three Vice Presidents overseeing core areas such as Coffee Supply Chain and IT Technology including IT Products, IT operations and IT architecture. We believe that they will be able to tap into the creativity of a young team and use their professional capabilities and passion to help Luckin Coffee, a brand similarly youthful and fashionable, to grow rapidly and continuously meet the diverse needs of our young customers.

随着公司的日益壮大，强大的组织能力是公司业务发展的前提和基础，对公司发展的持续性愈加重要。为了进一步匹配公司战略及业务发展需求，强化协同，提升效能，公司于三季度晋升和引进了四位卓有领导力的 80 后高级管理人员，其中包括一位管理人力资源部的高级副总裁，以及三位副总裁分别分管咖啡供应链、IT 产品和运维架构等核心领域。相信他们一定能够发挥年轻团队的创造力，以自己的专业能力和激情助力瑞幸这样一个同样年轻时尚的品牌快速成长，不断满足年轻客户的多样化需求。

At the same time, for personal reasons, Mr. Reinout Schakel, our Chief Strategy Officer, will depart from his position as Chief Strategy Officer at the end of the year. He will continue to provide strategic support to us in the capacity of an external consultant. Over the past five years, Reinout has worked and stood side by side with us through our most challenging times. We have faced challenges as a team and overcame difficulties together. I would like to express my sincerest gratitude to Reinout for his hard work and tireless efforts over the past five years! We are confident that Reinout will continue to provide support for our development after the change in roles.

同时，公司首席战略官 Reinout 先生由于个人原因将于年底卸任首席战略官的职位，并以顾问身份继续为公司提供战略支持。过去五年，Reinout 先生和我们一起，在至暗时刻始终团结一心、并肩战斗。在此，我要对 Reinout 过去五年的辛勤付出和不懈努力表示最诚挚的感谢！我们也相信在转换身份后，Reinout 将继续为公司的发展提供支持。

Reinout Schakel

CSO, Luckin Coffee

Thank you Jinyi for your kind words and giving me the opportunity to elaborate on the upcoming change in role.

I joined Luckin Coffee in January 2019 as CFO & CSO and have been with the Company for almost 5 years. During that period, the Company has encountered many ups and downs, and our journey has been challenging at times. However, under Jinyi's leadership we have collectively been able to overcome these challenges and today the Company is in its strongest position yet. I feel privileged and very proud that I have been able to contribute to the Company's success and incredible turnaround story by overseeing various private and public financing rounds, leading our successful offshore financial

restructuring, reorganizing our finance team and functions, reverting to normalized financial reporting, and helping to build the foundation for our international expansion. With the Company in a position of strength, it is an appropriate time for me to consider my priorities and have therefore decided to resign from my current position as Chief Strategy Officer by the end of this year.

My journey at Luckin has been truly remarkable. I have gained invaluable experience that has shaped me as a professional and made lifelong friendships. Whilst my achievements at Luckin Coffee are something I'm incredibly proud of, like all of us, I have had to make many sacrifices during this time. Being able to spend more time with my young children and family has been an important factor in my decision to resign.

I am honored that I have been offered a role as an external consultant and that I have the opportunity to continue to support Luckin coffee in various areas including for example growing Luckin Coffee into a world-class brand and supporting our capital markets strategy, albeit in a supporting role. At the same time, I will also have the opportunity to explore personal projects and ambitions in Hong Kong focusing on charitable work for causes close to my heart.

I would like to thank our Board of Directors and our Management Team for their trust, support and guidance, all of our shareholders for their support and sticking with us through very challenging times and all of our outstanding Luckin Employees for their exceptional dedication, perseverance and hard work.

A special thanks to Jinyi, who helped facilitate a shift in our corporate culture towards transparency, accountability, integrity and professionalism, oversaw the implementation and execution of our revised corporate strategy and brought us all together with a single-minded goal of redemption. It has been an absolute pleasure working alongside you and the rest of our highly talented, principled and courageous management team in achieving that objective.

Thank you!

Alicia Guo

Investor Relations Director, Luckin Coffee

Thank you, Dr. Guo, Ms. An and Reinout. Now, we would like to open the floor to questions.

QUESTIONS AND ANSWERS

Operator

Ladies and gentlemen, we will now begin the Q&A session. I will turn the call over to Alicia Guo at Luckin Coffee who will moderate today's Q&A session.

Alicia Guo

Investor Relations Director, Luckin Coffee

Thank you. Now, let's begin with the first question.

Congratulations on the solid third quarter results. We noticed that in this quarter, the Company's margins have declined. While facing the fierce competition in the Chinese coffee market how does the Company perceive the margin outlook?

Jinyi Guo

Chairman and CEO, Luckin Coffee

(Translated) Thank you for your question. Although we saw margin declines this quarter, it was within our strategic expectations. China's coffee industry is experiencing rapid growth with huge growth potential, and the industry is increasingly competitive. Since the market is far from saturation, taking market share has become the priority for future development. In light of this, we will continue to focus on customer value and to reduce our customer's decision-making costs and further expand our customer base while continuously increasing consumption frequency by offering high-quality products with affordable pricing. In the third quarter, our average monthly transacting customers exceeded 58 million, marking a 133% year-on-year growth. Therefore, based on our strategic decisions to consistently reward customers and expand the market, we are satisfied with our quarterly performance. Facing the current intensified competition, as the market leader, we will continue with the current store expansion and pricing strategies, and long-term return to customers, to further enlarge our market share. In the fourth quarter, considering seasonality and changes in the product mix, raw material costs may further increase. As a result, there may be a decline in our profit margins. However, as we further strengthen and executes our core strategic goals, to increase market share and attract new customers, we are confident that we can maintain and solidify our market leading position and strive for long-term value.

感谢您的提问。第三季度的利润虽有所回落，但完全符合公司的战略预期，中国咖啡行业正处在高速增长的战略机遇期，行业竞争也日益激烈，发展格局远未完全成型，因此市场占有率成为公司发展的核心目标。基于以上判断，我们会持续聚焦客户价值，希望通过为消费者提供高品质的产品并采取更友好的定价策略，从而降低用户的决策成本，进一步扩大

用户基数，持续提升消费频次。本季度，瑞幸咖啡月均交易客户数超过 5,800 万，同比增长 133%。因此，基于公司持续回馈客户和拓展市场的战略决策，公司对本季度的业绩成果表示满意。在目前竞争加剧的环境下，瑞幸作为中国咖啡市场的领跑者，将会坚持目前的开店策略和定价策略，长期回馈客户，扩大市场份额。此外，第四季度由于季节性因素，产品组合结构调整，原材料成本会有所提升，利润率可能还会有下降空间，但是我们加快提升市场占有率，吸引新客户的核心战略目标将得到进一步强化，我们有信心持续巩固市场领先地位，努力创造长期价值。

Alicia Guo

Investor Relations Director, Luckin Coffee

Thank you, Dr Guo. Let's move on to the next question.

Can you please provide additional color on net income and the deferred tax asset adjustment in this quarter?

An Jing

CFO, Luckin Coffee

Thank you for your question.

The significant difference in net income, which was reported as RMB988 million instead of RMB736 million can be attributed to key accounting adjustments related to our income tax and deferred tax assets, which results in a significantly reduction in the income tax expense. In the third quarter of 2023, we reported an income tax benefit of RMB82.6 million, compared to the income tax expense of RMB206.3 million in the same period of 2022. This change demonstrates a favorable shift in our income tax dynamics.

As I mentioned earlier, during the third quarter of 2023, we reevaluated the recognition of our deferred tax assets. This reassessment was based on our improved business performance as several of our operational entities transitioned from cumulative losses to cumulative profits, which in turn significantly reduced the uncertainty surrounding the future realization of these assets. In light of the improved financial performance and the brighter outlook, we made the strategic decision to reverse the recognition of about RMB252.1 million of the valuation allowance against our deferred tax assets. This valuation allowance had initially been established to account for uncertainties regarding the realization of these deferred tax assets.

This accounting adjustment reflected our improved business performance and our increased confidence in the realization of deferred tax assets. It is a positive indication of our company's financial health.

Alicia Guo

Investor Relations Director, Luckin Coffee

Thank you, Ms. An. The next question is any updates to the Company's Capital Market Strategy?

Jinyi Guo

Chairman and CEO, Luckin Coffee

(Translated) Thanks for this question. We will continue to monitor the U.S. capital market but our priority is to execute our business strategy by focusing on our business operations. Right now, as we face historic development opportunities, our primary task is to implement our strategy by delivering exceptional products and services to our customers, aiming to capture a larger market share and provide sustainable long-term value to our shareholders. We will continue to monitor the capital market, but there is no specific timeline or schedule for listing on any main board market.

感谢您的提问。我们会持续关注美国资本市场，但是当前我们的首要任务还是践行公司的业务战略、聚焦发展。现阶段瑞幸面对历史性发展机遇，我们的首要任务是通过向客户提供卓越的产品和服务来践行公司战略，争取更高的市场份额，为公司股东提供可持续的长期价值。我们会持续关注资本市场，但对于主板上市计划没有明确时间表。

Alicia Guo

Investor Relations Director, 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. Thank you.

[END OF TRANSCRIPT]