



Luckin Coffee, Inc.
Q4 and FY2023 Earnings Conference
Call Transcript

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PARTICIPANTS

Jinyi Guo *Chairman and CEO, Luckin Coffee*

An Jing *CFO, Luckin Coffee*

Alicia Guo *Investor Relations Director, Luckin Coffee*

PRESENTATION

Operator

Ladies and gentlemen, welcome to Luckin Coffee's fourth quarter and full year 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 fourth quarter and full year 2023 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, 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 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 continuing to support Luckin Coffee. I am Luckin's 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。

2023 was a significant milestone year for Luckin Coffee. In terms of scale, the number of Luckin Coffee stores doubled from the previous year, reaching a new record-high. In terms of performance, despite facing intense industry competition, Luckin Coffee achieved another year of record-breaking revenue thanks to its unique business model, continuous product innovation, and scale advantage. The overall level of profit remained healthy and manageable, aligning with our expectations and the direction of our strategic development.

2023 年对公司是极具里程碑意义的一年。规模上，瑞幸咖啡门店数量在去年的基础上翻倍，再创新高。业绩上，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以及规模优势，收入再创新高。整体利润水平健康可控，符合公司预期及战略发展方向。

In the fourth quarter, Luckin Coffee continued to reward consumers through the "Ten-thousandth store celebration event" promotion, allowing more consumers to enjoy high-quality coffee at preferential prices. Meanwhile, our number of new transacting customers also reached a historic high. We successfully created several blockbuster products, breaking records for single-item sales at Luckin Coffee. Going forward, we will continue to steadily progress according to our established strategy, while expanding market share and consistently providing consumers with high-quality, affordable, and convenient coffee offerings. By doing so, we aim to drive continuous development of the Chinese coffee market while simultaneously rewarding our customers.

本季度，瑞幸持续回馈消费者，通过“万店同庆”优惠活动，让更多的消费者以更优惠的价格享受到了高品质咖啡。我们的新交易用户数再创历史新高。也成功打造了多个爆款产品，刷新了瑞幸单品销售记录。未来，我们还将按照既定战略稳步推进，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、高性价比的优质咖啡，推动中国咖啡市场持续向前发展。

Specifically, Luckin Coffee experienced robust year-over-year revenue growth in the fourth quarter. However, due to factors such as seasonality, promotional events like the "Ten thousandth store celebration event," and intense industry competition, the profit growth rate experienced a decline in line with the Company's expectations. The total net revenue reached RMB7.06 billion, marking a 91.2% year-over-year increase. The operating profit margin stood at 3%, with a self-operated store operating profit margin of 13.5%. Same-store sales growth was 13.5%, with 2,975 net new store openings. In addition, monthly average transacting customers surpassed 62 million.

具体来看，四季度瑞幸收入同比增速强劲。由于季节性、万店同庆优惠活动以及激烈的行业竞争环境等因素影响，利润增速有所回落，但符合公司预期。其中，总净收入 70.6 亿元，同比增长 91.2%；营业利润率 3%；自营门店利润率 13.5%，同店销售增长率 13.5%；净增门店数为 2,975 家；月均交易用户数突破 6,200 万。

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

更详细的财务数据，稍后 CFO 安静会和大家进行分享。

Looking back at 2023, Luckin Coffee made breakthrough progress, achieving several remarkable milestones in the Chinese coffee market. Our revenue surpassed RMB20 billion, with operating profits exceeding RMB3 billion, achieved significant growth compared to 2022. In 2023, we opened over 8,000 new stores, bringing our total store count to over 16,000, reinforcing our position as the coffee chain brand with the largest number of stores in China. Meanwhile, our total cumulative transacting customers reached 230 million, firmly placing us in a leading position in the industry. These achievements would not have been possible without the support of our shareholders, partners, and the dedication of nearly 110,000 Luckin employees who have accompanied us every step of the way, working diligently to drive the Company forward. We express our heartfelt gratitude to all of you!

回顾 2023 全年，瑞幸取得突破性进展，在中国咖啡市场创造了多个令人欣喜的成绩。我们的收入规模突破 200 亿，营业利润超过 30 亿，较 2022 年大幅增长。2023 年，我们新开门店数超过 8,000 家，总门店数超过 16,000 家，持续巩固中国门店数量最多的连锁咖啡品牌地位。同时，我们的累计交易用户数已达 2.3 亿，处于行业绝对领先地位。这些成绩的取得，离不开陪伴着瑞幸一路向前的股东投资人、合作伙伴以及勤勤恳恳、坚守岗位、默默奉献的近 11 万名瑞幸伙伴。在此，我们对各位表示由衷的感谢！

In the fourth quarter, Luckin Coffee added 2,975 new stores, bringing the total domestic store count to 16,218, maintaining our leading position in the market. Among the total number of stores, there were 10,598 self-operated stores and 5,620 partnership stores. As competition intensifies in the Chinese coffee market, we will continue to closely monitor customer demand and store quality. Additionally, we plan to further increase the number of stores in high-tier cities and accelerate expansion into lower-tier city markets through the partnership model to expand our market share. We anticipate that by 2024, the number of Luckin Coffee stores will surpass 20,000.

四季度，瑞幸咖啡净增 2,975 家门店，国内总门店数共计 16,218 家，持续领跑市场。其中自营门店 10,598 家，联营门店 5,620 家。随着中国咖啡市场竞争加剧，我们会在持续关注客户需求和门店质量的同时，继续加密高线城市门店数量，并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 2024 年，瑞幸咖啡门店数将突破 20,000 家。

In terms of the development of our overseas market, in the fourth quarter, Luckin Coffee has reached a total of 30 stores in Singapore, adding 12 new stores from the third quarter. In the future, we will continue to expand our footprint in the Singapore market, optimizing our store model while also eyeing other overseas markets, including but not limited to Southeast Asia. Our goal is to allow more consumers to enjoy our high-quality coffee worldwide.

从海外市场发展看，四季度新加坡门店已达 30 家，在三季度基础上新增 12 家。未来我们也将持续加密新加坡市场，不断优化门店模型，同时关注东南亚等海外市场，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, Luckin Coffee launched 102 new products in 2023. The number of total items sold in 2023 exceeding 2 billion, with the number of freshly made beverages sold surpassed 1.9 billion cups. By the end of 2023, Luckin Coffee had 8 SKUs with sales exceeding 100 million units. In addition, the Jiangxiang Flavored Latte broke our single-item sales record, selling 45.83 million cups throughout the year. This resulted in its single-item sales revenue surpassing RMB900 million and earning numerous industry awards, including the 2023 EDGE AWARDS' Annual High-Quality Product. Moving forward, we will continue to uphold product innovation, consistently providing customers with higher-quality and more satisfying consumption experiences.

产品方面，2023 年，瑞幸咖啡推出 102 款新产品，商品售卖数超过 20 亿件，现制饮品数超过 19 亿杯。截止 2023 年年底，瑞幸咖啡有 8 个 SKU 销量破亿。此外，酱香拿铁刷新瑞幸单品记录，全年售出 4,583 万杯，单品销售额突破 9 亿元并获得 2023 钛媒体年度高品质产品奖等多个行业大奖。未来，我们将坚持产品创新，持续为客户提供更高品质、更有获得感的消费体验。

Thanks to the dual effect of accelerated store expansion and continuous product innovation, Luckin Coffee acquired over 26 million new transacting customers during this

quarter, with our average monthly transacting customers exceeding 62 million. Throughout 2023, we had more than 95 million new transacting customers, marking another historic high. Along with the continuous growth of new customers, we have been consistently promoting our brand and deepening the popularization of coffee culture. This year, Luckin Coffee became the Australian Open's Official Coffee Partner in China and South East Asia.

在门店加速布局和产品不断创新的双重作用下，本季度瑞幸新增交易用户数超过 2,600 万，月均交易客户数突破 6,200 万。2023 全年新增交易用户数超 9,500 万，再创历史新高。我们在新用户不断增长的同时也持续进行品牌推广，不断深化咖啡文化普及，今年，瑞幸咖啡成为澳网中国及东南亚官方独家咖啡合作伙伴。

Along with the continuous improvement of our operational and financial performance, Luckin Coffee is also actively involved in corporate social responsibility measures, driving the development of the Company's public welfare brand and the execution of public interest initiatives.

伴随着业绩持续向好，瑞幸也更加积极地投入到企业社会责任工作当中，推动公司公益品牌建设 with 公益实践的开展。

This past summer, due to the impact of Typhoon "Doksuri", Zhuozhou City in Hebei Province suffered severe flooding. Luckin Coffee donated RMB5 million through the China Foundation for Rural Development to support emergency rescue, community health and epidemic prevention, and transitional resettlement of affected populations, as well as post-disaster reconstruction. On December 19, 2023, following the 6.2-magnitude earthquake in Jishishan County, Linxia City, Gansu Province, Luckin Coffee once again donated RMB5 million through the China Foundation for Rural Development, becoming one of the earliest enterprises in the restaurant chain industry to respond to disaster relief needs. In 2023, our sustainable developments were well recognized and we have received a series of honors and awards. Going forward, leveraging our digital DNA, Luckin Coffee will start from facilitating healthy company development, and collaborate with partners and customers to continuously practice sustainable development, leading the industry's progress. Together with the younger generation of customers, we aim to create sustainable value and unite our strengths towards "Being a force for a brighter future".

2023 年夏天，受台风“杜苏芮”影响，河北省涿州市受洪涝灾害影响严重。瑞幸咖啡通过中国乡村发展基金会捐赠 500 万元，用于涿州地区紧急救援、社区卫生防疫、受灾群众过渡安置以及受灾地区灾后重建等工作。12 月 19 日，甘肃临夏州积石山县 6.2 级地震，瑞幸再次通过中国乡村发展基金会捐赠 500 万元，成为餐饮连锁行业最早响应救灾需求的企业之一。2023 年，我们在可持续领域获得了一系列的荣誉和奖项，未来，瑞幸咖啡将以数字化基因为抓手，以促进公司良性发展为起点，协同合作伙伴与消费者，持续进行可持

续发展实践，引领行业进步，与年轻一代消费者共创可持续价值，凝聚力量“以赴美好明天”。

These are the key highlights of our performance in the fourth quarter. Next, I would like to invite our CFO An Jing to present the financial data and commentary.

以上是四季度业绩的主要情况，下面，请 CFO 安静向大家介绍财务数据。

An Jing

CFO, Luckin Coffee

Thank you Jinyi.

Good morning, afternoon, and evening everyone. Thank you for joining us today. I'm An Jing, the CFO at Luckin Coffee, and today I will be sharing information regarding our fourth quarter and full year 2023 financial performance. Before we start, I would like to extend my heartfelt thanks to our dedicated team, loyal customers, esteemed partners, and investors for their continued support.

Now, I will take some time to highlight our 2023 fourth quarter and full year financial results in detail. Let's start with our financial highlights. Despite the impact from seasonality, we are pleased to see that our fourth quarter 2023 results continue to exhibit strong year-on-year business growth.

In the fourth quarter of 2023, our total net revenues reached nearly RMB7.1 billion, reflecting a remarkable 91.2% increase from the same quarter of 2022. This growth was driven by various factors, including an increase in product sales, rapid expansion of stores in operation, and a surge in monthly transacting customers. Revenue from self-operated stores in the fourth quarter reached RMB5.1 billion, representing an increase of 89.2% from RMB2.7 billion in the same quarter of 2022. Same-store sales growth for self-operated stores in the fourth quarter of 2023 reached 13.5%. Additionally, revenues from partnership stores in the fourth quarter of 2023 amounted to RMB1.8 billion, a substantial 109.1% increase from the same quarter in 2022.

Operating income in the fourth quarter was RMB212.7 million with operating income margin of 3%. While our financial achievements in the fourth quarter of 2023 are in line with our expectations, our primary strategic priority is to remain focused on expanding our market share to serve more customers. This strategic approach aligns with our dedication to providing an enhanced experience for a growing customer base, solidifying our position in the market, and ensuring sustainable, long-term success.

As we reflect on the fiscal year 2023, our journey has been defined by remarkable growth and unwavering commitment. With total net revenues soaring to nearly RMB25 billion, representing an impressive 87.3% increase from fiscal year 2022, our focus on expanding market shares and serving our ever-growing customer base has been the cornerstone of our success. Revenues from self-operated stores in the fiscal year 2023 were RMB17.9 billion, which represents an 82.7% year-over-year increase. Same-store sales growth for self-operated stores in fiscal year 2023 achieved an impressive 21%. Revenues from partnership stores in fiscal year 2023 were RMB6.2 billion, representing a substantial 102.8% increase from fiscal year 2022.

Operating income for fiscal year 2023 reached RMB3 billion, with an operating income margin of 12.1%. By upholding our commitment to providing exceptional service and expanding our reach, we are positioned for continued success in the dynamic landscape of the coffee industry.

We prioritized expanding our market share, resulting in 2,975 net new store openings and a quarter-over-quarter store unit growth rate of 22.4%, concluding the fourth quarter with 16,248 stores. As of the end of the fourth quarter, we and our partners operated our business in more than 300 cities across China and in one overseas market. We believe that our expansion into new cities is a strong reflection of our commitment to diversify our geographic presence and capture new market opportunities.

For the full year of 2023, in the pursuit of excellence, we opened 8,034 new stores, achieving a remarkable year-over-year store unit growth rate of 97.8%. Our dedication to providing exceptional service and enriching the coffee experience has propelled us forward, making fiscal year 2023 a testament to our commitment to market leadership and sustainable growth.

In the fourth quarter of 2023, average monthly transacting customers reached 62.4 million, a substantial 154.2% increase from the fourth quarter of 2022. This notable increase highlights the popularity of our brand and the increasing interest in our products.

Average monthly transacting customers in fiscal year 2023 were 48.4 million, representing an increase of 124.1% from 21.6 million in fiscal year 2022. As we continue to focus on enhancing the customer experience, this remarkable increase in monthly transacting customers reflects the success of our customer-centric approach and the effectiveness of our strategies in reaching and engaging a wider audience. Looking ahead, we are positioned to leverage this momentum, implementing innovative initiatives to further elevate customer satisfaction, foster brand loyalty, and continue our trajectory of impressive growth in the coming quarters.

Next, I would like to spend some time on the details of our margin profiles.

On a group level, our reported overall operating margin in the fourth quarter of 2023 was 3%, compared to 8.5% in the same period last year. The drop in our profitability profile was mainly driven by the decrease in average selling price as we continued our “Ten-thousandth store celebration event” campaign as well as the weak traffic in the winter season, while the decrease was to some extent offset by the benefits of economies of scale.

However, we are pleased to see our reported operating margin for the full year of 2023 reached 12.1%, compared to 8.7% in last year. We believe the full year margin improvements were largely driven by our active approach to introducing new products and attracting new customers, operating efficiency, and scale benefits.

Meanwhile, we reported a net profit margin of 4.2% in this quarter, compared to 1.5% in the same period last year. In the fourth quarter, we reported an income tax benefit of RMB31 million, resulting from the release of valuation allowance against deferred tax assets in the fourth quarter thanks to the largely reduced uncertainty of the Company’s business performance after a certain number of the Company’s operation entities have turned cumulative losses into cumulative profits. For the full year of 2023, our net profit margin increased to 11.4% from 3.7% last year.

From a store level view, our store level operating profit margin of self-operated stores was 13.5% and 22.2% in Q4 and fiscal year 2023, respectively. Meanwhile, overall operating expenses increased as a result of our business expansion. We are pleased to see our expense ratio continue to be more efficient and resilient due to economies of scale and our technology-driven operations during this quarter.

Our general and administrative expenses as a percentage of revenue decreased from 11.1% in the fourth quarter of last year to 8% in the fourth quarter of this year due to scale benefits. On an absolute value basis, our G&A expenses increased by 36.6% year over year, as we spent more on payroll costs, expenditures for office suppliers, R&D expenses, and tax surcharges and stamp duties, as a result of business expansion, while G&A expense increases were offset by a decrease of share-based compensation for restricted share units and options issued to management and employee.

Compared to last year, we spent 1.3 times more on sales and marketing expenses, as we continued to strategically invest in branding to increase brand awareness, enlarge product education coverage and bolster our current positioning through various channels, attracting new customers and retaining current customers. Meanwhile, in this quarter, we spent more on commission fees to third-party delivery platforms which is in line with the increased delivery orders.

We recorded a negative RMB41.5 million (about negative USD5.8 million) of loss and expenses related to the previously reported fabricated transactions and related restructuring, as the Company wrote off approximately USD6.3 million (about RMB44.7 million) in the fourth quarter of 2023 following the final settlement with certain underwriters relating to defense costs, including but not limited to attorney's fees and expenses incurred in investigating and defending the Fabricated Transactions and Restructuring. The Company had successfully completed its provisional liquidation in March 2022.

Last but not least, let's talk about our balance sheet and cash flow statement.

During the fourth quarter, we had a net operating cash outflow of RMB926.7 million, compared to a net operating cash inflow of RMB48.3 million in the same quarter of 2022. This is mainly due to the increased purchase of raw materials to meet our rapid footprint expansion and business growth.

As we have fully redeemed the offshore notes in 2022 following the restructuring and paid the federal class settlement, we now have no interest-bearing debt, and we ended 2023 with about RMB3.8 billion of cash in the bank and on hand, including cash and cash equivalents, restricted cash, term deposits and short-term investments. We will continue to review our liquidity requirements on an ongoing basis to ensure that we can meet all our business needs and providing additional growth potential.

We have confidence that our expanding market presence and solid cash position together with our strategic capital allocation approach can create exceptional shareholder return while maintaining balance sheet flexibility to fund our critical investments and create a competitive advantage.

Finally, I'd like to thank the entire team for their hard work and execution which drove our strong 2023 results. While we expect volatile market dynamics and competition to continue in the China coffee market, we remain confident in the market opportunities and our strategy. As we look to 2024, our current pricing strategy and business expansion plans, combined with our strategic promotional calendars and innovative product offerings, provide us with competitive advantages in the market as well as additional growth potential.

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

Jinyi Guo

Chairman and CEO, Luckin Coffee

(Translated) Luckin Coffee has achieved one milestone after another, a result of the combined efforts of our hard-working employees, love of our customers, support of our partners, and trust of our investors. At present, China's coffee industry has entered a critical stage of high-growth strategic opportunities. Despite fierce industry competition, Luckin Coffee, as a leading brand in the coffee market in China, is committed to accelerating store network expansion, investing in supply chain development, strengthening digital advantages, optimizing costs, and improving efficiency. All these efforts aim to further expand and solidify our competitive advantages, ultimately building an absolute market-leading position, while also achieving long-term, healthy, high-speed, and sustainable growth.

瑞幸咖啡创造了一个又一个的里程碑，是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。目前，中国咖啡市场已进入高速发展的重要战略机遇期，面对激烈的行业竞争，瑞幸作为中国咖啡市场的领导品牌，将通过不断加速门店网络布局、加大供应链布局投入、持续强化数字化优势，优化成本提升效率，进一步扩大和巩固领先优势，形成绝对的市场主导地位，实现高速、健康、可持续的业绩增长。

Going forward, we will continue to focus on business growth and market share, delivering long-term value for our customers, shareholders and other stakeholders. Additionally, we will remain focused on social responsibility and practice sustainable development. We will continue to deliver better quality and better prices, and provide customers with coffee that is "delicious and affordable". Our vision is to "create a world-class coffee brand" and we are delivering as we work toward that goal.

未来，我们将持续关注业务增长和市场份额，为客户、股东及其他利益相关方提供长期价值。也会更加关注社会责任，践行可持续发展实践。我们希望用更优质的产品、更优惠的价格，为大家提供“好喝不贵”的咖啡。我们的愿景是“创造世界级咖啡品牌”，也一直在向着成为一家基业长青的世界级百年品牌而努力。

Lastly, Mr. Wu Gang, our senior vice president currently in charge of public affairs and strategic cooperation, will be departing from the Company for personal reasons. We would like to take this opportunity to thank him for his significant contributions for the past few years and wish him all the best in future endeavors.

最后，公司负责公共事务与战略合作的高级副总裁吴刚先生将因个人原因离职。我们借此机会感谢他在过去几年中做出的重要贡献，并祝愿他在未来的工作中一切顺利。

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.

How does the Company view the significant drop in profit in Q4? And are there plans for pricing adjustment?

Jinyi Guo

Chairman and CEO, Luckin Coffee

(Translated) Thank you for your question.

感谢您的提问。

Based on the Company's strategic decisions to continuously reward customers and expand the market, our fourth-quarter profits experienced a decline due to seasonal factors and adjustments in product portfolio structure. This decline aligns with both the objective industry trends and the Company's strategic expectations. The Company is satisfied with the overall performance and results in this quarter. In the fourth quarter, our average monthly transacting customers exceeded 62 million and new transacting customers exceeded 90 million in 2023. China's coffee industry is experiencing rapid growth with huge growth potential and surging competitiveness, and the market is far from saturated. Based on these assessments, we will closely monitor market changes, continue to focus on customer value, and aim to provide high-quality products while using scientific and user-friendly pricing strategies, to further reduce the decision-making costs for users, expand our user base, and enhance overall consumption frequency.

基于公司持续回馈客户和拓展市场的战略决策，受到季节性因素影响，产品组合结构调整，四季度的利润有所回落，这既是行业的客观规律，也完全符合公司的战略预期，我们对本季度的业绩成果总体满意。本季度瑞幸咖啡月均交易用户数超过 6,200 万，2023 年新增用户数超过 9,000 万。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。基于以上判断，我们会密切关注市场变化，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科学、更友好的定价策略，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。

Facing the current intensified competition, Luckin Coffee, as the market leader, will continue with our current store expansion and pricing strategies, and commitment to

providing long-term returns to our customers, to further enlarge our market share. We are confident that we can maintain and solidify our market-leading position and strive for long-term value.

在目前竞争加剧的环境下，瑞幸作为中国咖啡市场的领导者，将会坚持目前的发展策略和定价策略，长期回馈客户，扩大市场份额。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.

In 2024, is the Company continuing the store-expansion strategy from 2023?

Jinyi Guo

Chairman and CEO, Luckin Coffee

(Translated) Thank you for your question.

感谢您的提问。

The current coffee market in China is still in the early stages of development. As China's urbanization rate continues to rise steadily, the consumer base for freshly brewed coffee is large and steadily growing. Benefiting from coffee market education, consumer habits related to coffee consumption will be further cultivated. As the leading representative in the industry, Luckin Coffee has spearheaded the localization and improvement of coffee products in China, thereby lowering the barriers to coffee acceptance. Although in terms of the overall store counts, Luckin Coffee has already become the top brand in China's coffee industry, there is still significant room for expansion in the sector, both in terms of the current stage of industry development and the cultivation phase of consumer habits.

目前中国咖啡市场仍然处于初步发展阶段。随着中国城镇化率的持续稳定提升，现制咖啡的消费人群规模基数庞大且稳定增长。在咖啡市场教育的作用下，消费者的咖啡饮用习惯将会被进一步培养。瑞幸作为行业头部代表，引领了中国咖啡产品的本地化改良，降低了咖啡的接受门槛。虽然从门店数量来看，瑞幸咖啡已经是中国咖啡赛道的第一品牌，但无论从行业发展的阶段以及用户消费习惯的培育来看，咖啡赛道依然还是有很大的拓展空间。

In 2023, Luckin Coffee had 8,034 net new store openings. Rapid store expansion brings the rapid growth of new customers and scale benefits. Reflecting on data from the past few years, the coffee consumption habits of Chinese customers exhibit cyclical patterns. However, driven by Luckin Coffee's unique advantages including product innovation,

brand experience, and extensive store network coverage, the coffee market in China has shown an accelerated development momentum. It is precisely these potential new growth customers that form the strong customer base that emboldens us to continue expanding our store presence. In 2024, while closely monitoring store profitability, we will continue rapid store expansion, proactively respond to market competition, and better meet customer demands.

2023年，瑞幸净增门店 8,034 家，门店的迅速拓张带来了新用户的迅速增长以及规模效应。回顾过去几年的数据，中国消费者的咖啡消费习惯培养确实存在着周期性特点，但是在瑞幸独特的产品创新能力、品牌价值体验、门店网络覆盖等方面的优势持续推动下，中国咖啡市场已呈现加速发展趋势，也正是这些待成长的客户构成了我们敢于持续拓店的强大客户基础。2024年，我们将在密切关注门店利润表现的同时，持续高速门店拓展，积极应对市场竞争，更好的满足客户需求。

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.

[END OF TRANSCRIPT]