



**Luckin Coffee, Inc.**  
**Q4 and Full Year 2022 Earnings**  
**Conference Call**  
**Transcript**

Thursday, March 2, 2023 / 8:00 AM ET.

## **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 2022 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.

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### **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 2022 financial results earlier today.

Today, you will hear from Dr. Jinyi Guo, Chairman and CEO of Luckin Coffee, and Ms. Jing An, 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](http://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. Jinyi Guo, Chairman and CEO of Luckin Coffee. Dr. Guo, please go ahead.

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## **Jinyi Guo**

*Chairman and CEO, Luckin Coffee*

(Translated) Hello everyone, welcome to today's conference call, and thank you for your continued interest in and support for Luckin Coffee.

My name is Jinyi Guo, Chairman and CEO of Luckin Coffee, and it is my pleasure to meet with you all again.

In the fourth quarter of 2022, COVID-19 brought tremendous pressure to the entire consumer industry in China, and we were materially and negatively affected. However, with our strong brand marketing, supply chain system, digital capabilities, and consumer support, Luckin Coffee's store number, user growth, revenue and profit performance for the full year of 2022 remained strong. This once again proves the effectiveness and resilience of Luckin Coffee's business model. The past year was an important milestone for Luckin Coffee. In terms of resolving historical issues, we have successfully completed our debt restructuring, and the settlements related to overseas investor litigations are near completion, signifying that the overseas related issues have largely been resolved. In terms of servicing our customers, our cumulative transacting customers approached 135 million by the end of 2022. In addition, we provided consumers with 900 million cups of drinks in 2022, and launched a variety of phenomenal products such as Cheese Flavored Latte. 2022 was also the fifth anniversary of Luckin Coffee's founding, and we have entered a new stage of development, with a long-term focus on the coffee market, which exhibits great potential. Advancing our commitment to building a world-class coffee brand, we will continue to invest in our industry's value chain, expand market share and maintain our leading position to achieve long-term, healthy and sustainable business growth.

Specifically, our performance was materially and negatively impacted in the fourth quarter due to the significant restrictions and effects from COVID-19, as the COVID situation became very severe in mainland China. However, our revenue growth remained strong compared to the same period last year. In particular, total revenue was RMB3.7 billion, representing a year-on-year increase of 51.9%. Our operating profit margin was 8.5%.

Self-operated store profit margin was 23.6%, and same-store sales growth was 9.2%. The number of net new store openings was 368.

Ms. An Jing, our CFO, will share more details on our financial results later during the call.

Looking back at 2022, Luckin Coffee accomplished many great achievements in the China coffee market. For the first time, our revenue exceeded RMB10 billion and also for the first time, we achieved full year operating profit. This is a testament to our ability to leverage our operating efficiency and increasing scale to deliver greater improvements in our profitability profile. With more than 8,200 stores, Luckin Coffee has become the largest coffee chain brand in China in terms of store count. I would like to express my gratitude to our shareholders, investors and partners for your continuous support of Luckin Coffee. I would also like to express my gratitude to the nearly 40,000 Luckin Coffee employees for their diligence, persistence and dedications. Most importantly, we would like to express our gratitude to our customers, who already habitually hold the small blue cup, placing their trust and choice with Luckin Coffee, and constantly inspire us. In the future, we will continue to bring enriched product experience and “luck in hand” to our customers with a down-to-earth and hardworking business attitude.

In the fourth quarter of 2022, we continued to leverage our strengths and maintain our leading position around the three pillars of our business model, namely "people, products and places."

From the perspective of “people”: We continuously increase our brand momentum. In 2022, we co-branded with well-known intellectual properties such as Han Meilin, JOJO, which was well received by consumers. Meanwhile, Luckin Coffee also won the Consumer Brand of the Year at the TMT Post 2022 EDGE Awards.

From the perspective of “products”: We launched nearly 140 new SKUs in 2022, including more than 100 new drinks. We continue to strengthen our product strategy of “professionalism” and “good flavor”, and we persistently innovate and continuously launch blockbuster products. This includes not only the popular product Cheese Flavored Latte series, but also professional-level SOE series, such as El Paraiso and Gesha, etc., to meet the multi-level needs of different types of coffee consumers. Among them, Cheese Flavored Latte also won the New Weekly Awards 2022 Better Life · Flavor Innovation Leading Award.

From the perspective of “places”: at the end of the fourth quarter, we retained our leading position within the industry in terms of store count with 8,214 stores in total, and the number of net new store openings was 368 in the fourth quarter of 2022.

In terms of brand marketing and growing Luckin Coffee’s visibility, we built our brand based on the concepts of “professionalism, youth, fashion and wellness”, and have

successfully attracted many new customers. We have sparked numerous widespread online hot discussions through several thematic co-branding activities. Through the end of 2022, cumulative transacting customers reached around 135 million, and the average monthly number of transacting customers reached 24.6 million.

In terms of product, we firmly believe that product power is the greatest brand power. In the fourth quarter of 2022, we launched our Cheese Flavored Latte and sold over 6.59 million cups in the first week. Luckin Coffee once again led the new consumption trend of China's coffee market. At the same time, we continued to invest in the training of coffee experts and the professional caliber of our team leads the industry. At present, we have 48 employees in our R&D department who are Q-Grader certified by the Coffee Quality Institute, which is regarded as the most prestigious professional certification in the global coffee industry. Luckin Coffee's beans have been awarded the IICAC Gold Medal for the fifth consecutive year.

In November 2022, Luckin Coffee published our first Corporate Governance Report - Transformation and Reinvention Luckin Coffee 2020-2022 Corporate Governance Report. At the same time, we completed the formulation of our sustainability governance policies such as the Management Measures for Sustainable Development and the charter for our sustainability committee. In December, we distributed more than 9,000 sustainable development questionnaires to stakeholders, and preliminarily determined the sustainable development strategic direction of Luckin Coffee based on the suggestions of industry experts and identification of key issues. Going forward, Luckin plans to leverage the advantages of the internet and digitalization, starting from the promotion of a sustainable business model, the construction of sustainable value chain and the cultivation of sustainable social ecology, to link a wider range of value chain partners, and strive to create value for the economy, society and environment. Based on this, we aim to develop the sustainable development strategy, goals and commitments of Luckin Coffee within 2023, and promote comprehensive sustainable development practices with a scientific and prudent attitude.

Luckin Coffee's persistence in professionalism is also reflected in our continuous investment in the industry's value chain. By deepening penetration into the upstream of the supply chain, scientifically designing recipes, and controlling the coffee bean roasting and other processes, we not only can guarantee product quality but also improve efficiency and continue to expand the leading edge of the supply chain in terms of scale. At the end of 2022, Luckin Coffee Jiangsu Coffee Roasting Facility started construction in Kunshan. This is the second fully automatic intelligent coffee roasting facility built by Luckin Coffee after the Fujian facility. The new facility is designed for a capacity of 30,000 tons of coffee beans, and expected to be completed and put into operation in 2024. The new Kunshan facility will fully implement a "zero emission" model, and implement green and low-carbon operations throughout the entire production process, to further reduce the

impact of product processing on the environment and contribute to sustainable development.

In addition to practicing a sustainable development strategy during the production process, we are also committed to promoting the healthy development of the entire industry's value chain. On the raw material side, we worked with coffee bean farmers to cultivate excellent coffee varieties, and at the same time, we promote the scale, modernization, and branding of the coffee industry in Yunnan province and other places in China, through targeted procurement and other methods. For collaborative enterprises in the upstream and downstream of the supply chain, we jointly research and develop and exchange technologies, to further promote the healthy development of the domestic coffee industry. On the consumer side, while providing high-quality consumer products, we also actively advocate green and environmentally-friendly consumption practices. At Luckin Coffee, we hope that while achieving success in financial and operational performance, we also want to become a Company that leads in corporate social responsibility, actively spreads positive energy, and is responsible, accountable and caring.

Based on publicly available industry information, as of the end of 2022, Luckin Coffee remained one of the largest coffee chain brands in China in terms of the number of stores and we expect to continue to expand at a rapid pace. Our store number had reached 8,214 covering nearly 240 cities at the end of 2022. In December 2022, we started a new round of partnership store recruitments. Given the development potential of China's coffee market as well as Luckin Coffee's model advantages, we anticipate that our store number growth will continue to maintain a sustained and rapid rate, to further consolidate and expand our leading position in the industry.

At this time, I would like to turn the call over to our CFO, Ms. Jing An, to discuss our financial performance during this quarter.

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## **An Jing**

*CFO, Luckin Coffee*

Thank you very much, Jinyi

Good morning and good evening, everyone. I'd like to start off by thanking everyone here for joining us today. I would also like to thank our customers, partners and all our hardworking teammates for helping us to deliver solid performance despite a very challenging environment.

We have certainly witnessed some challenges in the last year in China from the pandemic restrictions to the COVID-19 surge at the end of the year, and I'm pleased to share the results of our past year and fourth quarter today, which will once again demonstrate the strength and resilience of our business.

Now, please allow me to share more colors on our 2022 fourth quarter and full year financial performance.

The economic situation during the last quarter of 2022 was mixed for the China consumer market. As you all know, China began to open up, lifting restrictions, encouraging consumer activities, and at the end of the year, we experienced a large wave of COVID-19, which led to large numbers of consumers and employees being homebound. The severity of recent outbreaks, is reflected in the number of temporary store closures and the weak overall consumer demand. This resulted in the weaker sequential Q4 performance. Nevertheless, business performance has improved year-on-year, and we are now seeing a positive trajectory as COVID-19 restrictions are lifted and we see high levels of consumer activity in the first months of 2023. For example, we recorded an all-time high daily sales performance this past Valentine's Day. From what we can see now, as the country continues to "open up", China's consumer market is recovering, and our temporary store closures due to COVID-19 have dropped drastically to the single-digit since early January this year. Since lifting of COVID related restrictions, we are pleased to see consumption trends bounce back to a normalized level, and our store operations have mostly returned to normalized levels.

We are pleased to report that our fourth quarter 2022 financial performance exhibited year-on-year business growth and year-on-year improvement to our profit structure.

We were pleased to report quarterly revenue results of RMB3.7 billion, an increase of 51.9% compared to the same period last year. If we take a closer look, the net revenue of our self-operated stores reported over 40% year-on-year growth with same store sales growth for self-operated stores of more than 9%. Our partnership revenue grew by 88% in the fourth quarter and currently amounts to about 23% of our total net revenues.

These notable growth points were a direct result of our team's continued push for customer engagement, our efforts to continue store expansion and the tangible rollout of our innovative product strategy, demonstrated by our latest popular product Cheese Flavored Latte.

In terms of our customer engagement, in spite of the large COVID-19 wave experienced at the end of the year, we saw year-on-year growth in average monthly transacting customers increase from 16.2 million in Q4 2021 to close to 24.6 million in Q4 2022, a significant increase of over 50% year-on-year.

On a full year basis, we achieved strong full year results in 2022, as our top-line climbed to over RMB13 billion and we achieved full year operating profit for the first time.

As the end of 2022, we further expanded our position as the largest coffee chain in China in terms of store count, as our total number of stores reached 8,214.

To highlight our full year financial results of 2022, we reported RMB13.3 billion of net revenue, an increase of 66.9% from fiscal year 2021, representing a historical high. And our net income was profitable at RMB488.2 million. Average monthly transacting customers is 21.6 million, representing a year-on-year increase of 66.2%. Store level operating profit was RMB2,482.0 million with store level operating profit margin of 26.4%, and the SSSG in 2022 was 20.6%

Looking at our business growth on a granular level, both our self-operated and partnership stores reported solid results in 2022. The net revenue of our self-operated stores reported over 50% year-on-year growth. Meanwhile, our partnership revenue grew substantially by around 135% in 2022. Our same-store sales for self-operated stores increased by over 20% year-on-year with the store level profit margin reaching 26.4%. Our number of average monthly transacting customers was over 21 million, and our operating profit margin reached 8.7%. We are very pleased with our results as they clearly demonstrate our solid execution and overall progress towards achieving our key strategic objectives.

We have confidence in our products, our momentum and our business strategy. We have demonstrated the resilience of our business model through several market cycles now. However, given the current uncertain macroeconomic and geopolitical environment, we are not in a position to provide guidance for 2023.

While we remain cautious, we believe that lifting of pandemic-related restrictions will ultimately have a positive effect on consumer confidence. And with our professional team, our leading partners and store network, we remain optimistic for the continued growth performance in 2023. To illustrate this, our net new store opening in January 2023 was close to 500 stores following the re-opening of our partnership recruitment program last December.

We continue to strategically expand our footprint across China, which enables us to not only augment our presence, but also increase brand awareness, revenue, and efficiencies of scale.

Our strategy is to increase store density in tier 1 and 2 cities while rapidly penetrating lower tier cities, to further improve store coverage and better meet customer needs.



To meet the ongoing demand for our products, in the fourth quarter, we had 368 net new store openings, decreased compared with last quarter mainly due to the COVID impact where the massive outbreak restrained both supply and demand. However, we expect our business to normalize going forward as we already saw the recovering consumer demand and opened around 500 new stores in January 2023 as mentioned earlier.

We now have a nationwide footprint of more than 8,200 stores at the end of 2022 which provides us with significant benefits of scale. This is tangibly reflected in our improving profitability structure and expanded operating margin.

In terms of the store mix, we opened 279 net new self-operated stores in the fourth quarter. For our partnership stores, we opened 89 net new stores. As the end of 2022 we have more than 5,650 self-operated stores and over 2,560 partnership stores. We are pleased to see the steady execution of our expansion strategy unfolding as it continues to contribute to the building of value for all our stakeholders.

We are pleased to see that although our profitability profile took a hit on a quarterly sequential basis due to the COVID-19, it has demonstrated material improvement on a year-over-year and annual basis, so I'd like to spend some time today highlighting the nuances.

Our reported overall operating margin in Q4 was positive 8.5%, a historical fourth quarter high, mainly driven by the strong business and improved efficiency from cost controls, technology-driven operations as well as the benefits of scale. The drop in profitability compared with last quarter was mostly contributed by the negative operating profit achieved in December due to the impact of COVID, as we described earlier in the call.

For the full year of 2022, our reported operating margin turned positive, reaching 8.7%. Store level profit margin of self-operated stores also grew on a year-over-year basis at almost 24% in the quarter compared to 21% in the same period last year. We believe these store level margin improvements were largely due to our active approach to introducing new products, our operating efficiency and expanding the number of products sold.

In addition, we were glad to see the overhead expense ratio continue to be more efficient and resilient during the quarter. Our general and administrative expenses, on an absolute value basis, increased by 5.8% year-over-year, which was mainly a result of increased allowance for current expected credit loss after an assessment of our existing financial assets and the continued investment in R&D to further strengthen our IT initiatives, while partially being offset by the decrease of professional service fees. The G&A expense as a percentage of revenue decreased from 16% in Q4 last year to 11% this quarter thanks to the benefit of scale. The sales and marketing expense ratio was up from 4.1% last year

to 4.7% during the quarter. Compared to last year, we spent more on advertising expenses as the Company continued strategic investments in our branding through various channels, and more on subcontract service fees to support our e-commerce business, as well as more on commission fees to third-party delivery platforms which is in line with the increase in the number of delivery orders.

Expenses related to the previously reported fabricated transactions and related restructuring amounted to 0.2% of net revenue in the fourth quarter of 2022, compared to 4.5% of net revenue in Q4 of the prior year. This is largely due to the Company successfully completing its provisional liquidation in March of 2022 and overseas investor litigation settlements are near completion. We believe the expenses related to the previously reported fabricated transactions will continue to diminish.

During the fourth quarter, we achieved positive operating cash inflow of RMB48.3 million, which is around USD7 million, compared to operating cash outflow of RMB14.4 million in the same quarter of 2021. If we exclude the payment to equity litigants of RMB121.5 million, net cash provided by operating activities was RMB169.8 million in the fourth quarter of 2022.

In terms of our balance sheet, in 2022, we have fully redeemed the offshore notes in Q3 following the restructuring and paid the federal class settlement. So, we now have no interest-bearing debt and our cash position remains very strong with around RMB3.6 billion of cash and cash equivalents and restricted cash, which is around USD519 million at the end of this year. We have a healthy balance sheet and will continue to review our liquidity requirements on an ongoing basis to ensure that we can meet all of our business needs and continue to further optimize our capital structure.

In closing, we're very pleased to see our business still thriving during the challenging times, which again demonstrates the resilience of our business model. And our store operations have largely returned to normalized levels following the lifting of the COVID related restrictions. Our team has executed and achieved multiple milestones and we continue to work tirelessly to serve our customers and develop even better products and services while continuing to sharpen our focus, invest in people and technology, and strengthen our competitive advantages. We look forward to delivering sustainable long-term revenue and profit growth, creating value for our shareholders along the journey.

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

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**Jinyi Guo**

*Chairman and CEO, Luckin Coffee*

(Translated) Thank you. The past few years have certainly been difficult for the consumer industry and enterprises, given the uncertainty resulting from the COVID-19 pandemic. Over the past three years, through various business strategies including cultural reshaping, governance improvement, strategic focus, and business model adjustment, Luckin Coffee has achieved impressive results together with the support of all shareholders, employees, and consumers. The encouraging achievement of our milestones have proven the value our business model and demonstrated that we have achieved a rebound from the bottom. On behalf of the Company, I would like to thank our investors for their trust and support over the past few years and hope that everyone continues to provide valuable advice and interest in our developments.

As we begin a new stage, facing the huge growth potential of China's coffee market, we are more confident than ever in Luckin Coffee's future. We remain committed to building Luckin into a well-established, world-class Chinese coffee brand and strive to achieve long-term, healthy, high-speed, and sustainable growth for the Company. Thank you.

Thank you. Now, we would like to open the floor to questions.

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## QUESTIONS AND ANSWERS

### Operator

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

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### Alicia Guo

*Investor Relations Director, Luckin Coffee*

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

Congratulations on your Q4 and full year 2022 results. However, we have seen signs of slowing down in same-store sales growth as the Company continues to expand. How does the Company view future same-store sales growth trends? Thank you.

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### Jinyi Guo

*Chairman and CEO, Luckin Coffee*

(Translated) Thank you for your questions.

First of all, if we only look at the same-store sales growth in the fourth quarter, it indeed slowed down compared to the past few quarters, mainly due to the impact of COVID-19. In the fourth quarter, we experienced single-day peak of close to 1,500 temporary store closures. If we exclude results from Beijing and Shanghai which were relatively more impacted from COVID-19, our same-store sales growth maintained a double-digit growth rate.

Secondly, we are currently in a stage of rapid growth. As of the end of 2022, our store number had reached 8,214, an increase of more than 2,100 stores from the end of last year. Facing huge growth potential of the current coffee market in China, on the premise of appropriate profitability, we would like to sharpen our focus on market expansion, from covering to increasing frequency. The action also matched with the trends of coffee consumption habit cultivation.

Last but not least, leveraging technology empowerment and efficiency improvement, Luckin Coffee's unique business model allows us to achieve sustainable growth and profitability at a competitive price level. In the future, we will maintain a competitive pricing strategy, and earn profits through efficiency improvement and cost control. We believe, coffee consumption habit cultivation and the frequency of consumption is expected to further increase, which will further support our sustainable same-store sales growth achievements.

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### **Alicia Guo**

*Investor Relations Director, Luckin Coffee*

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

In Q4, the outbreak reemerged in China. Can you please share more color on the impact of the pandemic on Luckin Coffee's 4Q results? Does the Company think this impact will continue in the future?

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### **An Jing**

*CFO, Luckin Coffee*

Thank you for your question.

In the fourth quarter, the whole food and beverage industry witnessed the challenges due to COVID-19 in China. From the perspective of store operation, the number of our

temporary store closures had experienced two severe spikes, with a single-day peak of about 1,500. As the situation gradually became clear and the resumption of work and production proceeded in an orderly manner, the number of temporary store closures decreased from the end of December, and consumption trends for our consumers rapidly returned to its pre-COVID patterns. Presently, store operations and consumption trends have returned to normalized levels.

During November and December, our customer volume was also affected, especially in first-tier cities with a high density of self-operated stores such as Beijing and Shanghai. In the fourth quarter, our same-store growth was 9.2%, and if we exclude Beijing and Shanghai, which were more affected by the COVID-19 waves at the end of last year, our same-store growth reached double digits. This negative impact on sales has also been indirectly transmitted to store profit margins. Despite those impacts, our self-operated stores had a 23.6% profit margin. In addition, the launch of our Cheese Flavored Latte in October received enthusiastic responses, which helped to somewhat offset the negative impact of the COVID-19 waves on sales. With the lifting of restrictions and the gradual recovery of the economy, we believe that the impact of COVID-19 on store operations will continue to lessen, and consumption trends and sales will return to normal levels. I am also very happy to share with you that during this Valentine's Day, our daily sales performance reached an all-time high.

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**Alicia Guo**

*Investor Relations Director, Luckin Coffee*

Thank you, Ms. An. The next question is:

We noticed that the Company announced new partnership application opportunities at the end of 2022. Can you provide us with any guidance on your store expansion plans and targets for the next few years? Thank you.

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**An Jing**

*CFO, Luckin Coffee*

Thank you for your question.

In the fourth quarter, the whole food and beverage industry witnessed challenges due to COVID-19 in China. From the perspective of store operation, the number of our temporary store closures had experienced two severe spikes, with a single-day peak of about 1,500. As the situation gradually became clear and the resumption of work and production proceeded in an orderly manner, the number of temporary store closures decreased from

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**Alicia Guo**

*Investor Relations Director, Luckin Coffee*

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**Jinyi Guo**

*Chairman and CEO, Luckin Coffee*

(Translate) Thank you for your question.

As I have mentioned before, China's coffee market still has huge growth potential and the entire market is still in the cultivation stage. We have also noticed very strong coffee demand in lower tier cities during the past period of time. As a result, we re-launched the recruitment of partnership stores at the end of 2022 and expanded city coverage. Meanwhile, this is also a significant action for us to further enlarge store coverage and better meet consumer needs. At the end of 2022, we re-started the first round of recruitment, covering 41 cities in 9 provinces; At end of January 2023, we expanded the

scope of recruitment to 80 cities in 15 provinces. We received enthusiastic feedback and applications from a large number of partners.

Our self-operated store model and partnership store model are highly complementary. Most of our self-operated stores are located in tier-1 and tier-2 cities and our partnership stores are mainly located in lower-tier cities. Currently, Luckin Coffee has become one of the largest coffee networks in China in terms of the number of stores. Along with a reasonable pace of store openings and consistent store opening standards, we will focus on both new store numbers and quality of stores. At the current stage, we take the growth of store volume as our main growth engine and we will continue to increase the density of our stores in tier-1 and tier-2 cities while rapidly penetrating lower-tier cities. As a result, Luckin Coffee stores will enter the daily lives of more people and continuously provide products and services with "high quality, high affordability and high convenience" to more customers. We have confidence in achieving our first 10,000 stores during 2023.

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**Alicia Guo**

*Investor Relations Director, Luckin Coffee*

Thank you, Dr. Guo and 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.

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**Operator**

This concludes our call today. You may now disconnect.

*[END OF TRANSCRIPT]*