

[RERE] – ATRenew Inc.
Q1 2023 Earnings Conference Call Transcript (Corrected)
Tuesday, May 23, 2023, 08:00 AM Eastern Time

Company Participants:

Kerry Chen, Founder, Chairman, CEO
Rex Chen, CFO
Jeremy Ji, Director of Corporate Development, Investor Relations

Other Participants:

Joyce Ju, BofA Securities
Weiting Tang, Goldman Sachs
Jiajing Chen, CICC

Presentation

Operator:

Good morning and good evening, ladies and gentlemen. Thank you for standing by and welcome to ATRenew Inc. first quarter 2023 Earnings Conference Call. At this time, all participants are in a listen-only mode. We will be hosting a question-and-answer session after managements' prepared remarks. Please note today's event is being recorded.

I will now turn the call over to the first speaker today, Mr. Jeremy Ji, Director of Corporate Development and Investor Relations of the company. Please go ahead, sir.

Jeremy Ji, IRD:

Thank you. Hello, everyone, and welcome to ATRenew's first quarter 2023 earnings conference call. Speaking first today is Kerry Chen, our Founder, Chairman, and CEO, and he'll be followed by Rex Chen, our CFO. After that, we'll open the call to questions from analysts.

The financial results were released earlier today. The earnings release and investor slides accompanying this call are available at our IR website: ir.atrenew.com. There will also be a transcript following this call for your convenience in English and Chinese.

For today's agenda, Kerry will share his thoughts of our quarterly performance and business strategy, followed by Rex, who will address the financial highlights. Both Kerry and Rex will join the Q&A session.

Let me cover the Safe Harbor statements. Some of the information you will hear during our discussion today will consist of forward-looking statements, and I refer you to our Safe Harbor statements in the earnings press release. Any forward-looking statements that management makes on this call are based on assumptions as of today, and that ATRenew does not take any obligations to upgrade our assumptions on these statements.

Also, this call includes discussions of certain non-GAAP financial measures. Please refer to our earnings release which contains a reconciliation of non-GAAP measures to GAAP measures. Finally, please note that unless otherwise stated, all figures mentioned during this conference call are in RMB and all comparisons are on a year-over-year basis.

I'd now like to turn the call over to Kerry for business and strategy updates.

Kerry Chen, CEO:

(Speaking Mandarin) 各位投资者和分析师，大家好，欢迎各位参加万物新生集团 2023 年第一季度业绩电话会。

(Translated) Hello everyone, and welcome to ATRenew's first quarter 2023 earnings conference call.

一季度线下商业和物流快速恢复，消费者的回收和消费需求释放，集团季度业绩同比增速反弹至 30.2%，实现 28.72 亿元总收入，超出上季度指引区间高端。同时，我们再次取得利润突破，实现 non-GAAP 经营利润超过 4400 万元，经调整经营利润率 1.5%。在本财年的第一个季度，公司的业绩超越了二手行业传统的淡季预期，实现收入和利润的超目标达成。

During the first quarter, the rapid recovery of offline retail and logistics led to a resurgence in consumer recycling and consumption demand. As a result, our year-over-year revenue growth rebounded to 30.2%, and we achieved total revenues of RMB2,872 million, exceeding the high end of our guidance. Meanwhile, our non-GAAP operating income reached a new record of over RMB44 million, representing an adjusted operating margin of 1.5%. Our first quarter revenue and profit both exceeded expectations in what is usually an off-season for the second-hand industry.

今天，我将围绕三个方面解读集团业绩超目标达成的原因。

第一点是主营业务的增长动力恢复：一季度的收入增速反弹主要得益于面对面门店回收履约的恢复、爱回收品牌心智的进一步加强，以及合规翻新带来的 toC 销售额的增长。

I'd like to share with you three main drivers which contributed to our topline growth rebound.

The first is the growth momentum of 1P business which geared up again. The recovery of face-to-face recycling fulfillment at our stores, the strengthened brand awareness of the AHS Recycle brand, and an increase in compliant refurbished product sales to consumers — all contributed to the growth of product revenues.

具体来看，在回收端，我们收获了来自消费反弹的外部利好：以京东为代表的电商合作伙伴增加补贴，以苹果为代表的品牌厂商也对一些型号进行了降价促销，受到消费者欢迎。这里要特别强调一点，虽然消费电子产品市场低迷，但是以苹果为代表的高端产品销售依然稳定强劲，由于苹果品牌产品在我们整体业务中的占比达到 45%，在 1P 业务中的占比高达 60%，因此，我们的手机 3C 回收业务的基本盘稳定，受到新机市场波动的影响不大。

If we zoom in a bit, we encountered a tailwind on the sourcing end which was generated by the rebound of consumer activity after the reopening. Our e-commerce partners, such as JD.com, have increased their consumer subsidies, while brand manufacturers, including Apple, have offered discounts and promotions on specific models. To add more color, Apple products account for 45% of our total businesses, and 60% of our 1P business. Out of the popularity and resilience that Apple products have, our core recycling business remains stable and has been relatively less prone to the headwind of decreasing new device shipments.

对于内部，我们聚焦大前端的能力建设，通过分布全国 269 个城市的 1935 间爱回收门店，夯实我们的面对面回收方式的竞争壁垒，加强爱回收主品牌的用户心智，锁定更多的优质 C 端回收货源。近期的用户满意度核心指标调研结果显示，爱回收门店回收服务的净推荐值稳步上升。我们保持科学选址、开店，以自营门店在高线城市打造服务标杆；通过联营门店赋能合作伙伴，提升市场覆盖和交付范围。综合内外部的有利环境，我们在一季度看到 1P 回收的活跃度有显著提升，

单量环比增加 13%，同比增长 42%。1P 收入整体提升 34.9%至 25.75 亿元，持续为增长贡献主要动力。

While capitalizing on these recent favorable developments, we also consolidated our own operational capabilities, especially on the sourcing front. We strengthen our competitive moat in offline recycling via 1,935 physical stores across 269 cities nationwide, enhance the brand awareness of AHS Recycle, and lock in more high-quality supplies from consumers. According to a recent survey, the net promoter score of our offline store recycling services has steadily increased. We continue to identify suitable locations for new stores, and we aim to make our directly operated stores the benchmark for customer service in top-tier cities. Meanwhile, we have further expanded fulfillment coverage by empowering more franchisees. As a result, we have seen a rapid increase in 1P recycling transactions in the first quarter of 2023 - the order volume increased by 13% sequentially and 42% year-on-year. Overall, 1P product revenue increased by 34.9% to RMB2,575 million, and continues to be our core main organic growth driver.

在产业链增值和销售端，我们加强在 1P 货源中挑选适合维修增值的产品。通过标准化的整备，让更多产品满足 toC 零售的标准，巩固自有品牌“焕新机”的业务能力。一季度，“焕新机”销售额提升至 1.45 亿元，毛利率达到 25%，其中 toC 销售额增长至 1.4 亿元。在翻新能力方面，除了已形成规模化产能的华南运营中心，近期我们还将合规翻新能力在华东运营中心复制，并进行了合规翻新的品类拓展，包括笔记本的屏幕和电池维修更换，逐步实现全国各大区域用户需求的覆盖，更多去满足 C 端用户对高品质的二手商品的需求。

In terms of adding value to the supply chain, we continued to leverage our 1P sources to select products that are suitable for refurbishment. Through standardized, compliant refurbishment practices, we brought more products into alignment with consumer standards and further consolidated the service capabilities of our "RERE Refurbed" business. In the first quarter, overall sales of refurbished devices increased to RMB145 million, of which to-consumer sales increased to RMB140 million. Notably, the overall gross margin of refurbished devices was 25%. In addition, we duplicated such capabilities in our East China operation center to supplement our capacity in South China. This upgrade was undertaken in tandem with an expansion of our refurbished product categories. We expect that this increase in total production capacity will allow us to satisfy the majority of user demand for high-quality pre-owned products nationwide.

在平台业务方面，一季度服务收入近 3 亿元，与 2022 年同期基本持平；收费率从去年同期的 4.15%提升至 5.46%。我们对平台业务采取有保有压的策略，一方面保障核心业务成色机的质检、物流仓储的收费能力，另一方面着力服务优质、高粘性的商家用户，促成高质量的交易，适当降低备件库等货币化率低的业务比例，降低商家返利。本季度 B2B 拍机堂注册用户突破 44.7 万家，核心业务收费率同比提升 1.8%，得益于增值服务和商家粘性，以及平台的货币化能力进一步提升。

Turning to our platform business. Service revenue in the first quarter was nearly RMB300 million, which was basically flat compared to the same period last year. However, take rate increased from 4.15% to 5.46%. We have adopted a mixed approach to the platform businesses based on each service's monetization rate. On the one hand, we have increased take rates for key services like quality inspection, logistics, and warehousing. On the other hand, we have reduced both our investments into the spare stock business and merchant rebates for businesses with low monetization rates. Our primary focus is serving high-quality, high-stickiness merchant users while facilitating high-quality transactions. The number of registered users of PJT marketplace, our B2B business, now exceeds 447,000, while our core business take rate has increased by 1.8% on a yearly basis.

对于拍拍 B2C 零售业务，我们加强了平台治理，提升对 POP 商品的质量管控，与国内知名检测机构合作，每周对平台商品进行抽检，3C 品类平台抽检商品覆盖率提升一倍，并且对时效等服务标准提出了更高的要求，发货效率提升，比如 Q1 的延迟发货率环比降低 7%，保证 POP 业务规模与健康度的共同发展。由于合规翻新带来更多 1P 优质货源，我们以更充足的优品二手货源保障 C 端用户的购买与售后体验。1P 主营回收业务中，toC 销售的占比较去年同期提升 91 个基点，达到 22.2%。

For Paipai, the B2C business offering, we have further strengthened our platform governance. This is seen in improved product quality control for POP products and the timeliness of services. We collaborate with well-known inspection institutions for weekly spot checks - spot check coverage of consumer products doubled. Ship-out efficiency was improved, for example, the late ship-out rate in the first quarter has decreased by 7% sequentially. This will ensure stable growth in both the quantity and quality of our POP business. Furthermore, since we have built up capacity for compliant refurbishment. We provide consumers with highly satisfying shopping and after-sales service experiences. As a result, retail distribution as a percentage of core 1P businesses increased by 91 bps year-over-year to 22.2%.

第二点是多品类回收量与质的提升。截至一季度末，在不增加额外成本的前提下，复用爱回收门店的能力，我们在超过 100 家爱回收主力店门店实现了多品类回收的业务，主要分布在上海、北京、广州、杭州、重庆等城市，从奢侈品、黄金、名酒等品类多方位服务用户的回收变现需求。随着多品类交付门店数量的增加、品类的扩大，我们预计进一步导入京东回收的优势流量，线上线下结合。我们的多品类回收价格透明、安全便捷，能巩固爱回收在用户中的服务心智。多个细分品类在一季度也实现了较好的增长，除手机 3C 以外的其他新品类的单月 GMV 突破了 7000 万水平。

The second growth contributor is the escalating new category recycling business. As of March 31st, we leveraged over 100 core AHS stores to successfully fulfill new category recycling orders without extra investments. These stores are mainly located in Shanghai, Beijing, Guangzhou, Hangzhou and Chongqing. And we continued to improve our product mix, covering luxury goods, gold, prestige liquor, etc. when meeting consumers' demand for cashback. As our fulfillment network expands, we expect to further leverage the high-quality and accurate traffic from JD.com, thus amplifying our online-offline capabilities. We also amplify AHS Recycle's brand influence with safe, fairly priced and hassle-free offerings. As a result, multiple new categories made delightful progress. For example, monthly GMV for non-electronics new categories recycling has surpassed RMB70 million.

第三点，运营效率再度提升，这得益于我们对自动化质检技术能力的持续投入。一季度，non-GAAP 履约费用率同比下降 3.7 个百分点至 9.1%。我们对万物新生的运营中心引以为豪，它代表了行业内一流的运营效率，为数十万商家提供了标准化运营和交易平台支持。当前，我们在华南和华东两个运营中心，配备了行业领先的自动化无人检测流水线，通过 AI 大数据算法进行检测模块的训练，实现外观划痕、凹陷、拆修、零部件更换等问题的精确检测和标注，反映到产品等级和对应的竞拍竞价流程中。自动化无人作业的流水线，避免了传统人工质检所存在的大量误差、减少了人员培训成本，以及拆机检测对产品质量造成的损失，从处置端提升非标产品的标准化处理效率，最终在销售端降低了因为质量标准与检测结果不一致所造成的争议和退货损失。我们相信，自动化技术的能力、AI、大数据的应用和持续升级，能够不断优化我们的成本效率。

The third driver is continued improvements in operational efficiency, mainly attributable to automated quality inspection technology upgrades. Non-GAAP fulfillment expenses as a percentage of total net revenues decreased by 3.7 percentage points year on year to 9.1% in the first quarter. We are proud of our operation centers. They deliver best-in-class operational efficiency and empower hundreds of thousands of merchants with standardized operational and transactional capabilities. The automated

operation centers in South China and East China are equipped with our industry-leading system. Its automated inspection lines incorporate AI and big data algorithms for inspection training, which achieves precise detection and labeling of scratches and dents, as well as identifying dismantlement and part replacements. All of these are factored into product grading and pricing results. Our unmanned production lines avoid the majority of errors associated with manual operation, helping us reduce personnel training costs and losses related to manual inspection and disassembly. Technology has improved our efficiency in processing non-standard products, and ultimately reduces transaction disputes and losses from returns. Going forward, we believe that the application and continued development of automation technology, AI, and big data will further optimize our cost structure.

此外，我们还优化了销售费用的投入产出比，一季度 non-GAAP 销售费用率同比下降 1.9 个百分点至 7.5%，稍后我们的 CFO Rex 将对销售费用进行补充说明。

Beyond these improvements, we have also made steady progress in reducing our selling and marketing costs. During the quarter, our non-GAAP selling and marketing expenses as a percentage of total net revenues decreased by 1.9 percentage points to 7.5%. Our CFO Rex will provide more color on this.

综上所述，万物新生在 2023 年第一个季度实现了良好的开端，这与业务基本面的坚实稳定、供应链端的进一步夯实，以及后端控费的努力息息相关。除此之外，循环经济的大趋势也依然向好。在二季度，我们期待电商 618 大促再次激发用户提升回收和以旧换新的心智。这里再特别提一点，下半年，对于爱回收主营业务有一个比较大的增量机会，是我们和全球头部的手机厂商在以旧换新业务上的深度合作，我们正在为此项目的上线抓紧筹备。

We have had a good start to 2023, in large part thanks to our stable foundations of electronics recycling and re-commercialization business, middle office operations, and back-end cost controls. The continued development of the circular economy has also served as a tailwind for our business. During the second quarter, we anticipate June 18th promotions once again stimulating consumers' demand for recycling and trade-in services. In particular, we are working diligently in preparation for a project kick-off in the second half, providing unique trade-in solutions through in-depth collaboration with a leading international brand, and this will potentially become a key growth driver in the second half.

最后，在循环经济发展的过程中，我们持续做消费者教育，推动标准体系，提升行业影响力。在 4 月 22 日的世界地球日，爱回收推出“宇宙回收”联盟倡议，携手多个领先的消费品牌，共同呼吁绿色环保回收和消费品的循环利用。我们倡议回收闲置不用的生活用品、箱包、腕表等仍具有一定价值的消费品，巩固爱回收的品牌力和产品力。在 4 月 26 日世界知识产权日，我们联合深圳电子行业协会，共同总结探讨合规翻新指引发布一周年以来的行业发展动态。我们作为企业代表参与到与多项标准的制订与实践，对知识产权和用户权益的保护视为己任，助力电子产品合规翻新产业的规范发展，让更广范围的二手产品可以物尽其用。

As the circular economy evolves, we continue to amplify our industry influence by educating consumers and nudging industry standards. During World Earth Day on April 22nd, we launched the "Cosmic Recycling" alliance initiative, partnering with several leading consumer brands to promote green recycling and the circular use of consumer products. The initiative strengthens our brand asset and expands our product offerings by advocating for the recycling of idle daily necessities, bags, watches, among others that still retain some value. On World Intellectual Property Day on April 26th, we joined forces with the Shenzhen Electronics Industry Association to explore industry developments and to celebrate the anniversary of the compliant refurbishment guidelines' publication. As a corporate representative, we participated in the formulation and implementation of multiple standards.

Furthermore, we regard the protection of both intellectual property and user rights as our responsibility. We are committed to working towards the standardized development of compliant refurbishment in the

electronics industry. At the same time, we strive to enable the utilization of a wider range of pre-owned electronics.

下面请公司 CFO Rex 介绍一下财务情况。

With that, I will hand the call over to Rex, our CFO, to go over the financials.

Rex Chen, CFO:

Hello, everyone. We are pleased to report another profitable quarter, as the total net revenues beat the top end of our guidance and the non-GAAP operating income reached a new record.

I will start by sharing some of our financial highlights before we go into a more detailed look at the numbers. Please note that all amounts are in RMB and all comparisons are on a year-over-year basis unless otherwise stated.

In the first quarter, total revenues increased by 30.2% to 2,871.8 million. This was primarily due to the continued growth contribution of our 1P product revenues, which increased by 34.9% to 2,575.2 million.

In terms of profitability, we had another profit-making quarter, with a non-GAAP operating income of 44.4 million. This was primarily attributable to scale effects powered by automation inspection upgrades and improved cost efficiencies in sales and marketing.

Now let's take a detailed look at the financials.

In the first quarter, total revenues increased by 30.2% to 2,871.8 million. Net product revenues increased by 34.9% to 2,575.2 million, while net service revenues were 296.6 million, slightly decreased by 0.3%.

Growth in net product revenues was primarily driven by an increase in the sales of pre-owned consumer electronics both through our online and offline channels.

In terms of service revenue, the PJT Marketplace generated more compared with the same period last year. This was primarily due to the lessened consignment business of Paipai Marketplace as we pivoted its strategic focus, which was partially offset by an increase in the service revenue generated from PJT Marketplace.

Next, turning to our operating expenses. To provide greater clarity on the trends in our operating-based actual expenditures, we will also discuss our non-GAAP operating expenses, which better reflect how the management views our results of operations. The reconciliations of GAAP and non-GAAP results are available in our earnings release and the corresponding Form 6-K furnished with the SEC.

Merchandise costs were 2,252.1 million, representing an increase of 37.3%. This was in line with the growth in product sales. The gross margin at the group level was 21.6% in the first quarter. Gross margin for our 1P business was 12.5%.

Fulfillment expenses decreased by 10.1% to 266.4 million. Excluding share-based compensation expenses, which we will refer to as "SBC" from here on, non-GAAP fulfillment expenses decreased by 7.3% to 260.9 million. Under the non-GAAP measures, the decrease was primarily due to (i) a decrease in operation center-related expenses as we optimized our store and operation station networks, and (ii)

a decrease in logistics expenses. As Kerry presented earlier, our quality inspection process has integrated industry-leading AI and big data algorithms, minimizing inspection errors and losses from returns. Our non-GAAP fulfillment expenses as a percentage of revenues was 9.1%, compared with 12.8% in the same period last year.

Selling and marketing expenses decreased by 2.9% to 299.0 million. Excluding SBC expenses, and amortization of intangible assets and deferred cost resulting from acquisitions, non-GAAP selling and marketing expenses were 216.7 million, which grew at a slower pace at 4.9% year over year. The increase was primarily due to the increase in marketing expenses and office-related expenses mainly composed of traveling expenses in relation to business development as the COVID pandemic faded. However, non-GAAP selling and marketing expenses as a percentage of total revenues decreased to 7.5% from 9.4% in the same period last year.

General and administrative expenses were 76.4 million, compared to 45.0 million in the same period last year. Excluding SBC expenses, non-GAAP G&A expenses were 57.4 million, compared with 28.4 million. This increase in non-GAAP G&A expenses was primarily due to an increase in professional services and consulting fees. Non-GAAP G&A expenses as a percentage of total revenues were 2.0%, compared with 1.3% in the same period last year.

Technology and content expenses decreased by 25.4% to 47.4 million. Excluding SBC expenses, and amortization of intangible assets and deferred cost resulting from acquisitions, non-GAAP technology and content expenses decreased by 26.3% to 42.3 million. The decrease was primarily due to the changes in technological personnel costs related to platforms as our platforms matured. Non-GAAP technology and content expenses as a percentage of total revenues decreased to 1.5% from 2.6% compared with the same period last year.

As a result, our non-GAAP operating income was 44.4 million in the first quarter of 2023. The non-GAAP operating margin was 1.5%, compared with 0.2% in the same period last year.

As of March 31, 2023, cash and cash equivalents, short-term investments and funds receivable from third-party payment service providers totaled 2.5 billion. Our sufficient cash on hand safeguards a sustainable growth outlook.

As a recap, on December 9, 2022, we announced an extension of our existing 100-million US dollar share repurchase program for another twelve-month period starting from December 28, 2022, based on management's strong confidence in our solid fundamentals and growth momentum.

During the first quarter of 2023, we repurchased over 1.4 million ADSs in the open market for a total cash consideration of 4.1 million US dollars. As of March 31, 2023, we had repurchased a total of 10 million ADSs for approximately 38 million US dollars under our share repurchase program.

Now turning to outlook. For the second quarter of 2023, we currently expect the total revenues to be between RMB2,850 million and RMB2,950 million due to the seasonality of our business.

As China's economy continues to normalize and the impact of COVID-19 fades, we expect that our sourcing and fulfillment functions will recover in tandem. We will continue to improve our cost efficiency, leverage our automated inspection facilities to further realize scale effects, and accurately

capture recycling and shopping scenarios. We expect to further improve our non-GAAP operating margins in the coming years.

This forecast only reflects our current and preliminary views on the market and operational conditions, which are subject to change.

This concludes our prepared remarks for today. Operator, we are now ready to take questions.

Questions and Answers

Operator: We will now begin the question-and-answer session. (Operator Instructions). Joyce Ju from Bank of America.

Joyce Ju: (Speaking Mandarin). 您好管理层，感谢细致的分享。我有两个问题，第一个是我们看到一季度取得了比较显著的同比增长，相对四季度是有增速的，想请问管理层对于今年经济复苏和电子产品消费恢复的预期如何？第二个是在多品类回收方面的进展，可否提供更多分享，特别是目前来看，具体哪些品类出现可以规模化发展的迹象、可以更好地为公司收入和利润创造价值？
I'll translate myself. My first question is that during the first quarter, we have seen very promising growth in the business that is accelerating from the previous quarter. So, can you share a little bit more about the outlook for this year in terms of the economy currently in China as well as consumption of the electronics products? And my second question is on the progress of the multicategory recycling services. Do you see any categories that are showing potential for scaling up or contributing to the revenue and profitability in the future? Thank you.

Kerry Chen: (Speaking Mandarin) 谢谢 Joyce，我来回答这个问题。第一个问题，我们看到从今年春节以后，线下接触式消费快速复苏，包括商超、餐饮、生活服务等，我们看到遍布全国的自营爱回收门店客流量和成交台数快速起量，1P 回收单量同比增长 42%。虽然耐用品的消费还在恢复路径上，但我们期待通过电商在二季度延续的大促等活动，重点回馈参与以旧换新的消费者，让广大用户能过够体验到具有性价比、有参与感的换新方式，持续提升用户的循环消费意识。在更充足的回收货源供给基础上，我们继续打磨自动化运营能力，结合合规翻新的开展，形成更强的优品二手电子产品储备供应链，让购买端用户有充足的购买选择。我们认为，消费者仍然向往美好生活和优质的商品，因此，回收和消费二手电子的需求仍然巨大，我们也和厂商一起携手努力，为消费者打造无缝换机体验，以及完整的供应链支持能力。我们期待在二季度整体实现 32.8%-37.5%的收入端同比增长，并保持全年 non-GAAP 运营利润的目标不变。

(Translated) Thank you for the questions. I'll take the first question. Since the reopening and Chinese New Year, we have seen a rapid recovery offline, including in-person consumption at shopping malls, restaurants, and other local services. In line with this trend, our AHS stores have experienced a significant surge in business volume, while the number of 1P-sourced products has grown by 42% year-on-year. While durable goods consumption recovery is still on its way, we expect to see sustained trade-in service demand driven by the major promotions held by our e-commerce partners during the second quarter. By offering the option to upgrade devices in a cost-effective and eco-friendly way, our trade-in service provides value to consumers who purchase new devices. It also serves to raise consumer awareness of circular consumption.

In addition to higher sourcing volumes, we are refining our automation capabilities and integrating compliant refurbishment services to expand our inventory of high-quality pre-owned electronics. These improvements will provide consumers with a wider array of premium choices. We believe that consumers will always strive for a better life and better products. Therefore, the demand for recycling

and reusing pre-owned electronics is always there, and we are committed to working with phone brands for the betterment of trade-in experience and supply chain capabilities.

In the second quarter, we expect to achieve year-over-year revenue growth of 32.8% to 37.5%, while maintaining our annual target for non-GAAP operating profit.

再回答 Joyce 提的第二个问题，关于多品类业务。自去年第二季度，我们从高值的箱包腕表开始切入，开展多品类回收。目前奢侈品、黄金两个大品类已经已经跑通业务模式，初步形成交易规模——这两个大的品类与我们爱回收品牌所积累的用户信赖与心智息息相关。截至一季度末，多品类能力覆盖门店数已经超过 100 间，TOP 30 主力店月均多品类回收交易额超过 50 万元，能力与规模逐步提升。近期，除手机 3C 以外的新品类单月 GMV 突破 7000 万，不含我们已经规模化开展的摄影摄像业务。

I will answer your second question regarding the new category. We kicked off the recycling category expansion in the second quarter of 2022, starting with high-value bags and watches. Currently, these categories have already established scale, in terms of trading volume. Gold is another category that has achieved this level of development. The development of these two categories is highly correlated with user trust in AHS Recycle accumulated over the years. As of the end of March, over 100 AHS stores have fulfilled such recycling orders. Among them, the top 30 stores have an additional average monthly GMV of RMB500,000. Recently, the monthly GMV of multi-category recycling has exceeded RMB70 million, excluding camera equipment recycling, which is already on a scale.

从能力上，我们复用的是门店资产的前端交付能力，中间的质检与供应链合作伙伴共建，后端开放平台销售给行业商家。目前比较清晰的是，包含箱包腕表在内的二手奢侈品品类有较充分的货币化发展空间，该品类充足的利润空间也是我们和合作伙伴实现互惠共赢的基础。我们会持续提升服务流程、服务体验、结构化数据等综合能力，从而进一步实现规模和利润的突破。

In terms of operations, we have been leveraging our own storefront fulfillment capabilities, while collaborating with merchant partners on quality inspections and distribution at the back end. It's clear that the transaction of used luxury goods, including bags and watches, has considerable potential for monetization. The wide margin space has laid the foundations for mutually beneficial collaboration with our partners. We will strive to achieve further breakthroughs in scale and profitability by continuing to enhance our comprehensive capabilities in areas including service processes, user experience, and structured data.

多品类的回收业务是基于用户对我们、对爱回收的信赖所开展的服务，我们期待的是用户对回收的长期习惯与复购，这是集团基于手机 3C 大盘业务基石的能力延申，也是集团创造长期价值的路径之一。

Our multi-category recycling business is built on the foundation of user trust in us and the AHS Recycle brand. We expect more users to become familiar with recycling and repeatedly return to our stores. Multi-category recycling is an extension of the capabilities we have built in our consumer electronics sector, and it represents one of our paths for creating long-term value.

谢谢。

Thank you for the questions.

Operator: (Operator Instructions). Weiting Tang from Goldman Sachs.

Weiting Tang: (Speaking Mandarin). 谢谢管理层接受我的提问，我代替我们互联网分析师 Ronald Keung 提问。管理层对维修翻新业务今年有怎样的展业目标？开展维修翻新业务会预计会对利润带来怎样的影响？Thank you, management. I will translate myself. What kind of strategic targets do we

have for our repairs businesses and what impacts should we expect to our net profit from expanding our repair businesses? Thank you.

Kerry Chen: (Speaking Mandarin) 谢谢提问。一季度，我们的合规翻新 toC 业务占比连续四个季度实现环比增长，toC 销售客单价保持在 2600 元。我们预期合规翻新 toC 业务的毛利保持稳定，在规模和 1P 业务的占比逐步提升，让我们更好地闭环产业链，基于 1P 现有货源获取更加完整的利润，加强综合的竞争优势。在 2023 年，我们目标形成华南为基础、华东为延展的区域能力覆盖，并将能力进一步复制到其他的运营中心。在品类上，以手机为主，并逐步形成平板电脑、智能手表、笔记本电脑数码等品类的翻新能力，保持有节奏的能力优化和品牌聚焦的品类提升。一季度，我们保持 7 万台的合规翻新规模，随着品类的增加和维修供应链能力的进一步升级，我们预计今年上半年会完成 16 万台以上机器的翻新增值。

(Translated) Thank you for the question. In the first quarter, compliant refurbished devices retailing increased for a fourth consecutive quarter and the corresponding ASP stabilized at RMB2,600. We anticipate that the gross margin of the refurbished device retail business will remain stable, while its scale and its contribution to our 1P business will gradually increase. We believe that this will allow us to further close the value chain of the industry, obtain more profits based on existing 1P sources and strengthen competitive edges. By 2023, we aim to expand the coverage of our refurbishment operations to more regions, replicating the capabilities we have already established in East China and South China operation centers. In terms of product categories, we are going beyond mobile phones, while establishing refurbishment capabilities for tablets, smartwatches, and laptops, etc. At the same time, we will steadily improve our operations and enhance our brand-focused categories. During the first quarter, the scale of our refurbished production remained at around 70,000 units. As we accumulate our refurbishment and supply chain capabilities for more product categories, we expect to add value to at least 160,000 units in the first half of 2023.

谢谢。

Thank you.

Operator: (Operator Instructions). Jiajing Chen from CICC.

Jiajing Chen: 管理层好，谢谢接受我的提问，我想请教一下利润这方面。这个季度集团经营利润率提升主要有哪些原因？公司之后多品类发展，是否会在销售费用上增加一些投入？今年整体经营利润率的发展趋势是怎样的？ Thank you, management. I will translate myself. What are the reasons for an improved adjusted OP margin? And do you have any plan to increase sales and marketing expense for new category recycling business? And what's the outlook for the adjusted OP margin for the whole year?

Rex Chen: Under the non-GAAP measures, we reported a new breakthrough in operating profit. Non-GAAP operating margin increased to 1.5% from 0.2% in the same quarter last year. This was mainly due to the optimization of cost efficiency of fulfillment expenses brought by improved automation capabilities and selling expenses as we further implement cost control measures.

【Translation in Chinese】 non-GAAP 口径下我们取得了新的经营利润突破，从去年一季度的 0.2% 到今年一季度的 1.5%，主要得益于我们自动化技术效率提升带来的履约费用率优化，和更精益的销售成本管理带来的费用率优化。

In the first quarter, non-GAAP fulfillment expenses were RMB261 million, accounting for 9.1% of total revenue. The non-GAAP fulfillment expense decreased by RMB20.6 million year-on-year. The most evident reason is the scale effect of our automated facilities mentioned by Kerry. The two operation centers in Dongguan and Changzhou handled over 40% of the total orders processed nationwide in the first quarter. Therefore, automation has a significant impact on the reduction of overall fulfillment costs. At the same time, automation technology also brings about improvement in the accuracy of quality inspection and reduces the return rate of goods and associated losses. In addition, we have optimized the deployment and operational efficiency of city-level operation stations. We started to take full control over operation stations in the third quarter of 2022 and optimized the network. Therefore, saving packaging and logistics fees due to distributed shipments.

一季度 non-GAAP 履约费用 2.61 亿，占收入比例 9.1%，同比下降 2060 万元。最重要的，就是 Kerry 此前提到的自动化效能东莞、常州的充分释放，这两个运营中心占全国货量的占比显著，一季度占比超 40%，因此自动化对整体履约费用降低的效用明显；与此同时，运营中心自动化也带来的质检精准度提升，平台业务退货减少，因此由退货造成的损失也减少；除此之外，我们还优化了城市小仓的部署和运营效率，我们在 22 年 Q3 起将小仓收归到集团进行自营管理，将小仓体系进一步优化，节省了原本由于分散发货的包装、物流费。

The non-GAAP selling and marketing expenses were RMB217 million. Non-GAAP selling and marketing expenses as a percentage of total revenues was 7.5%, down 1.9 percentage points year-on-year. This was primarily due to a decrease of RMB33.7 million in marketing expenses for Paipai Marketplace since we strategically downsized the consignment business. As we are developing multi-category recycling, there was a corresponding fee increase of RMB10 million in this quarter. We will maintain appropriate investment in new categories and brand building.

non-GAAP 销售费用为 2.17 亿，non-GAAP 销售费用率 7.5%，同比下降 1.9 个百分点。主要是拍拍代卖业务减少了营销推广的投放，对应同比减少 3370 万元。由于集团开展多品类业务，本季度相应新增了品类运营影响费用 1000 万元，我们会适当保持对新品类和品牌建设的投入。

Looking into full year 2023, we expect to continue improvements in cost efficiencies. At the same time, we will further amplify the positive impacts of automation as we plan to automate one operation center every year. As for sales and marketing, we keep our prudent spending pattern for mature businesses and selectively invest in new strategic initiatives.

展望 2023 年，我们预计在履约费用、销售费用上能看到持续的优化趋势。同时进一步释放自动化效能，随着每年 1 个自动化运营中心的升级，全国的履约费用有进一步下降空间；对于销售费用，我们会在成熟的主营业务上更加审慎地投入，但在战略机会上我们会进行一定的投入。

We expect our non-GAAP operating margin to be increased at a healthy pace.

我们预期 non-GAAP 经营利润率健康提升。

Operator: As there are no further questions at this time, I'd like to hand the conference back to our management team for closing remarks.

Jeremy Ji: Thank you all again for joining us. A replay of today's call will be available on our IR website shortly, followed by a transcript when ready. If you have any additional questions, please feel free to email us at ir@atrenow.com. Have a nice day.

Operator: This conference is now concluded. Thank you for attending today's presentation. You may now disconnect.