

[RERE] – ATRenew Inc.
Q4 & Full Year 2023 Earnings Conference Call Transcript (Corrected)
Tuesday, March 12, 2024, 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
Jiajing Chen, CICC

Presentation

Operator:

Good morning and good evening, ladies and gentlemen. Thank you for standing by and welcome to ATRenew Inc.'s fourth quarter and full year 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 management's 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 fourth quarter and full year 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 fourth quarter and full year 2023 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.

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 press 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 年第四季度及全年业绩电话会。

(Translated) Hello everyone, and welcome to ATRenew's fourth quarter and full-year 2023 earnings conference call.

2023 是万物新生集团收入和利润再创新高、二手供应链能力不断夯实、品牌心智持续提升的一年。收入方面，全年集团达成近 130 亿元的总收入，同比增长 31.4%，显著超过二手行业和消费大盘的增速。在此，感谢一线同事和各部门的拼搏付出。

In 2023, ATRenew achieved record-breaking revenues and profits, with a continuously strengthened pre-owned supply chain capability and an ongoing increase in brand recognition. Our total revenues reached RMB 13 billion, representing a year-over-year increase of 31.4%, significantly outpacing the growth rates of the second-hand industry and consumer sector as a whole. I would like to express my gratitude to our colleagues on the frontline and in all departments for their hard work.

从交易量上看，2023 年集团整体交易 3,230 万台二手产品。我们坚持自营战略，将业务重心倾向到服务和用户体验更好的自营业务上。因此，全年 1P 业务交易量同比增长 50%。平台业务方面，我们积极调整发展策略，更好地发展商家生态和服务能力，全年 3P 平台收费率显著提升 92 个基点至 5.39%，拍机堂注册商家数达到 59.6 万家，相较前一年增长 46.2%，为未来发展打下坚实基础。

Our total transaction volume in 2023 was 32.3 million units. We adhere to the strategy of prioritizing self-operated business that provides better services and user experience. This focus has yielded significant results, with our 1P transaction volume increasing 50% year-over-year in 2023. Regarding 3P platform businesses, we actively adjusted our development strategy and made efforts to develop merchant ecosystem and service capabilities. The overall platform take rate increased by 92 basis points to 5.39% in 2023. The number of registered merchants on PJT Marketplace reached 596,000, a strong growth of 46.2% compared to the previous year which laid solid foundations for future development.

在保持高速增长的同时，2023 年也是效率之年。万物新生扎根二手供应链能力，提供更有价值的平台服务，在扩张节奏和创新业务上更有纪律性。在利润层面，取得了 2.52 亿元的 non-GAAP 经营利润，1.9% 的 non-GAAP 经营利润率，显著超出去年年初的内部预期。

2023 was also a year of consolidation and efficiency. We further solidified our second-hand supply chain capabilities, providing more valuable services on our platforms. At the same time, we were also more disciplined at the pace of our expansion and investments in new initiatives. At the profit level, we achieved a solid non-GAAP operating profit of RMB 252 million, with a non-GAAP operating profit margin of 1.9%, exceeding our target for the year.

这些成绩的基础，是我们的战略定力，即，一）坚持精准的回收获客场景，二）坚持以供应链能力为根基，三）坚持以科技驱动效率提升，四）保持对新流量新机会的关注和消费者需求的捕捉。

Those achievements are firmly grounded in our strategic focus. Firstly, we adhere to effective customer acquisition scenarios on the recycling front. Secondly, strengthening robust supply chain capabilities as the foundation. Thirdly, driving efficiency improvement through technology. And fourthly, being agile in seizing new traffic opportunities and capturing new customer demands.

第一点，在回收端-场景覆盖方面，2023 年底，我们通过 1,819 间爱回收门店覆盖 268 座城市，持续加强优质商圈和社区的回收服务覆盖，通过线下门店和线上平台结合的方式，加强了用户渗透。过去一年，爱回收品牌在消费者中的知名度和信任度不断提升，特别是在一二线城市的回收渗透率取得进一步提升。通过爱回收门店以及我们服务的优质品牌和零售场景，我们精准锁定了用户的主流回收场景，以具有竞争力的价格和更高的效率，获得了优质的一手货源，巩固了集团大盘二手手机 3C 业务的供应链能力。

Now, I'll walk you through these four strategic perspectives.

First, on the recycling front, we continue to successfully execute our customer acquisition strategy by leveraging our precise recycling scenarios. By the end of 2023, we have presence in 268 cities in China, reaching consumers through 1,819 AHS stores offline. We have constantly enhanced our service accessibility in high-quality business districts and communities. We further penetrated the market by combining offline stores with online platforms. Over the past year, consumer awareness and trust in our AHS Recycle brand have steadily increased, especially in big cities where recycling rates are improving. By leveraging our physical stores, premium service reputation, and retail partners' scenes, we precisely target users' mainstream recycling scenarios. With competitive prices and higher efficiency, we obtain high-quality sources of pre-owned goods, further fortifying the group's supply chain capability in the main business lines.

2023 年 6 月，我们欣然宣布，与苹果达成了中国区的回收和以旧换新 (Apple Trade-in) 官方合作，这项战略合作旨在满足用户对于便捷回收和更低成本地更换新款苹果产品的需求。现在，这项服务现已经覆盖了苹果官网和旗下旗舰店。在销售相对平缓的第四季度中，苹果官方回收为爱回收贡献了超 3 亿元收入。另外，在电商合作方面，我们巩固了与京东手机 3C 零售部门的能力协作，提供一站式以旧换新、多件折抵换新等服务，以满足广大京东用户对更省钱的购买换新方式和更好的回收服务品质的需求。全年来看，京东以旧换新业务同比增长超 100% 以上。

In June 2023, we were pleased to announce the official collaboration with Apple for its recycling and trade-in services in mainland China. Our partnership is designed to meet user demand for convenient recycling and low-cost upgrades to brand-new iPhone products. The service is now available at the brand's official website and offline flagship stores. Notably, during the fourth quarter, despite flat iPhone sales, this collaboration contributed RMB 300 million to our revenue.

Additionally, in terms of e-commerce [partnerships], we have solidified our collaboration with JD's Mobile & Electronics Retail Departments, offering one-stop single-device and multi-device trade-in services. This caters to JD's vast user base who seek more cost-effective shopping options and better recycling experiences when upgrading their gadgets. Overall, the gross recycling [value] of trade-in business on JD channels doubled in 2023.

通过发力多品类回收业务，我们进一步夯实回收场景的用户吸引力。我们将爱回收的 slogan 升级为“爱回收，为你回收更多”，不仅专注手机 3C 的回收，还拓展到奢侈品、黄金、老酒等高价值商品的回收服务，以满足用户多样化的回收和变现需求。未来，我们还将拓展低价值商品的回收服务，促进更多闲置商品的二次流通。

我们主要通过门店体验和 IT 系统升级，由平台与专业服务商共建履约能力，构建多品类回收能力。根据商品价值采用差异化的到店或到家的履约路径，让用户喜爱的更多品类和品牌的商品可以实现回收。

By expanding our multi-category recycling efforts, we have further strengthened the appeal of our recycling scenarios for users. The updated slogan, "Aihuishou, Recycling More for You," reflects our commitment to expanding into additional categories beyond our core focus on consumer electronics. We are dedicated to fulfilling the growing demand for recycling and [cashback] for high-value categories

such as luxury goods, gold, and vintage wines. Looking ahead, we aim to expand to lower-value item recycling while promoting the recycle-and-reuse of more idle goods. Building multi-category recycling capabilities primarily involves upgrading store experiences and IT systems while co-establishing fulfillment capabilities with professional service providers. Our fulfillment strategies vary with the residual value of goods. With in-store drop-off and doorstep pickup options, users could circulate more used products with ease.

截止 2023 年末，共有 252 家爱回收门店开通了多品类回收服务，2023 全年的多品类回收 GMV 超 10 亿元。同时，我们将爱回收品牌走进社区，更贴近用户日常生活，交叉覆盖到社区和商圈。伴随具有多品类能力的门店密度提升，我们促进用户在不同品类间进行交叉回收的“复购”。

By the end of 2023, we have introduced multi-category recycling services into 252 AHS stores. During the year, the GMV for non-electronic products at the recycling front exceeded RMB 1 billion. At the same time, we bring AHS Recycle brand closer to communities and users' daily lives. Our extended presence in communities and commercial areas, coupled with an increasing density of multi-category recycling stores, encourages customers to re-use our services more often.

第二点，在供应链的处置端，我们通过高效率的供应链管理，确保已回收货源以更低成本进行质检，并实现更精准的定级和定价，从而持续稳定地向需求端提供产品。全国大仓的收发能力与空间利用效率进一步提升，各主要仓内还增加了合规翻新的运营能力。全年自营翻新业务收入达 8.1 亿元，占主营回收收入 9.4% 的业务贡献占比。其中，在 2023 年第四季度，合规的维修翻新业绩环比提升 41.5%，毛利率环比提升 1.6%。主要得益于智慧供应链系统，它更准确地筛选出适合翻新的机器。

Moving on to our supply chain processing capabilities - our highly efficient supply chain management ensures recycled goods are inspected at a lower cost, while achieving accurate grading and pricing results. This allows a consistent and stable supply of goods. We have also improved our operation centers' shipping and receiving capacity, and enhanced their space utilization efficiency. Furthermore, our main operation centers are equipped with compliant refurbishment capabilities. The annual revenue from our self-operated compliant refurbishment business reached RMB [810] million, accounting for 9.4% of the core 1P recycling business segment revenue. Notably, in the fourth quarter of 2023, revenue from the refurbishment business increased by 41.5% compared with the previous [quarter], while the gross profit margin went 1.6 percentage points higher. This is mainly attributable to our intelligent supply chain system, which enables more accurate identification of devices suitable for refurbishment, resulting in a higher number of devices in various conditions being selected for the process.

我们依托供应链优势的积累，积极参与标准的开发与制定，促进产业的繁荣。2023 年，在深圳电子行业协会发起的电子产品翻新产业专业委员会中，万物新生作为主要的起草单位，参与了电子产品翻新通用要求、标识及信息披露、质量管理、技术规范等多个方面的团体标准的制定。为品牌厂商提供知识产权保护、产品信息安全质量、用户权利保护方面的行业参考。

We actively participate in the formulation of industry standards, while leveraging our supply chain advantages to drive industry prosperity. In 2023, as a major drafting party, ATRenew played a key role in establishing the Electronic Product Refurbishment Industry Committee initiated by the Shenzhen Electronics Industry Association. We contributed to various group standards including general requirements for refurbishment, labeling and information disclosure, quality management, and technical specifications. These standards serve as industry references for intellectual property protection, product data security quality, and user rights protection.

在供应链的销售端，万物新生 B2C 与 B2B 相结合的优势进一步扩大。全年集团主营 toC 零售 GMV 达到 28.8 亿。依托供应链优势，拍拍进一步加强了 1PtoC 零售能力，满足了 C 端用户对高品质二手商品的需求。全年 1PtoC 合规翻新产品创造了 5.6 亿元的收入，并为消费者提供售后质保服务。

On distribution, our advantages of an integrated B2C plus B2B platform were further magnified. In 2023, GMV of the core self-operated retail business totaled RMB 2.88 billion. Leveraging our supply chain strengths, Paipai has strengthened its 1P-to-consumer retail capabilities, meeting consumer demand for high-quality pre-owned products. To highlight, 1P-to-consumer compliant refurbished product sales contributed RMB 560 million in revenue.

2023 年内，我们针对二手行业商家分散、toC 电商店铺运营难度大、小商家经营困难的问题，推出了新一代的寄卖模式。通过拍机堂平台打通行业中小商家供货到拍拍店铺，商家只需要发布货品和确认价格；店铺运营、销售、客服、售后等服务环节由拍拍 B2C 平台处理。这一举措可以大幅降低 B2C 商家的参与门槛，丰富了 B2C 平台的货源供给，并保障用户的购买体验。全年 B2C 平台寄卖业务 GMV 达 7,000 万元。

In 2023, we introduced a new consignment model to address the challenges faced by second-hand industry merchants, difficulties in operating to-consumer e-commerce stores, and the struggles of small businesses. Through PJT Marketplace, we effectively connect Paipai stores with small and medium-sized merchants, thus removing barriers that previously hindered small merchants from integrating their supply into our platform. Merchants now only need to list their products and confirm pricing, while the platform takes care of store operations, sales, customer services, and after-sales support. This initiative significantly lowers the entry barriers for B2C merchants, enriches the platform's supply sources, and ensures a seamless purchasing experience for users. GMV for the consignment business summed up RMB 70 million in 2023.

2023 年四季度，拍机堂平台业务整体出现反弹，主要来自交易活动回暖，交易商家数量同比增长 35.3%。此外，我们还对历史上收费率较低的备件库业务进行了调整，进一步降低成本，改善了 B2B 平台的综合收费率。因此，拍机堂 B2B 四季度平台收入同比增长达 14.9%，整体收费率同比提升了 69 个基点至 6.02%。全年整体收费率达到 6.17%，较 22 年水平显著提升了 189 个基点。因此我们可以自豪地说：拍机堂的商业模式已经得到完全验证，它是二手行业不可或缺的基础设施。

In the fourth quarter of 2023, the overall business of PJT Marketplace rebounded, primarily due to a recovery in trading activities and a 35.3% year-over-year increase in the number of active merchant users. Additionally, we took the strategic decision to restructure the low commission rate spare-stock business, and this reduced our costs and optimized the overall take rate of B2B platform. As a result, in the fourth quarter of 2023, service revenues from PJT Marketplace increased by 14.9% year-over-year, and the overall take rate rose by 69 basis points to 6.02%. On an annual basis, its overall take rate reached 6.17%, a significant improvement of 189 basis points compared to the 2022 level. We are proud of the proven business model of PJT Marketplace as it's an indispensable infrastructure of the industry.

未来，我们将进一步开放供应链优势能力，成为行业的优质二手货源供应方。同时，我们会提供适合 toC 零售的型号，并稳定地供给线上的货架电商、直播间、线下的手机零售店以及服务店渠道。在消费增速放缓、消费者支出更加谨慎的大环境下，万物新生将通过有价格竞争力和质量保证的二手产品供给，与合作伙伴共同成功。

Looking ahead, we will further open up our supply chain advantages and become a high-quality supplier for pre-owned products in the industry. At the same time, we will provide models suitable for B2C retail and steady supply through online e-commerce platforms, live-streaming channels, as well as offline

mobile phone retail networks, and service stations. In an environment where consumers are more cautious with their expenses, ATRenew aims to leverage its competitive pricing and quality assurance of pre-owned products to foster mutual success with our partners.

第三点、在技术和效率方面，我们持续推动自动化技术的应用。首先，我们持续提升质检准确率，以 Matrix 3.0 为代表的自动化质检系统，将全年由于质检失误导致的损失降低了 19%。其次，提高集中自营能力，华南和华东两个自动化大仓的产能利用率得到进一步提升。第三，通过供应链全局优化管理各地的收发货，降低了分散化导致的物流成本。上述的优化带来的结果是：2023 年内，non-GAAP 履约费用率持续下降至 8.5%，相较于 2022 年全年 10.9% 的水平实现了显著优化，进一步凸显了万物新生集团的规模化效率。

Thirdly, in terms of technology and efficiency, we continue to promote the application of automation technologies. Firstly, we have enhanced the accuracy of quality inspection. The automated quality inspection system represented by Matrix 3.0 has reduced losses caused by quality inspection errors by 19% throughout the year. Secondly, with our focus on 1P business, we improved capacity utilization in our automated operation centers in South and East China. Thirdly, through optimizing supply chain management for receiving and delivering goods in different locations, we reduced logistics costs. As a result of these initiatives, our non-GAAP fulfillment expense as a percentage of total revenue has continued its downward trend, reaching 8.5% for the full year 2023, significantly down from 10.9% in 2022, and this underscores our dedication to achieving further cost reduction at scale.

此外，我们非常高兴地看到，海外市场对于二手手机 3C 的自动化技术表现出了浓厚的兴趣。除了内地市场，香港和日本也开始应用我们自主研发的质检技术。在 2023 年 10 月，我们进一步探索海外，与欧洲伙伴达成合作，在瑞典市场推广了我们的自助回收机。这个方案满足了国际伙伴们在 C2B 二手电子产品回收业务上需求。未来，我们将继续保持探索节奏，致力于全球范围内的二手电子产品的价值流转。

In the overseas market, we are delighted to see strong interest in our automated technology for pre-owned consumer electronics. Beyond the mainland China market, our quality inspection technology has been successfully deployed in Hong Kong and Japan. In [October] 2023, we expanded our global footprint by collaborating with a European partner to bring our one-stop recycling kiosk solution to Sweden. Our one-stop solution effectively addresses the international demand for C2B recycling services. Moving forward, we remain committed to our growth trajectory and will continue to explore the global circulation of pre-owned products.

展望 2024 年一季度及全年，我们认为万物新生所处的循环经济行业，将随时间推移而稳定增长且持续，它不太受经济波动和技术变化的影响。我们看到，在回收端，居民对于方便、高价、信任的回收的需求是确定的；在购买端，用户更多考虑支出预算，对物超所值的商品的需求是在加强的；在交易履约端，二手商家对省心做生意、高效达成交易的需求是不变的。

今年 2 月下旬，中央财经委第四次会议上，总书记强调推动新一轮大规模的设备更新和消费品以旧换新。作为该领域的领先企业，万物新生有机会从这一趋势中受益，更好地服务京东和品牌的以旧换新项目；并且再一次证明了回收换新受到国家政策鼓励，是一个长期稳健、确定性高、政策风险低的赛道。我们将基于长期的核心战略打造坚实的业务大盘，提升爱回收的品牌用户心智，解决用户最本质的痛点，并与行业伙伴共同探索优品二手商品的业务能力提升。我们将长期有耐心，过程当中逐步释放利润和实现增长。

Looking ahead to the first quarter and the full year of 2024, we believe that ATRenew operates in a sustained circular economy that is impervious to economic fluctuations and technological changes. We identify several key trends in the sector. On the recycling front, we see a definite demand for

convenient, high-priced, and trustworthy recycling services. On the purchasing end, we see a stronger demand for value-for-money goods from savvy consumers. On the fulfillment end, we see an unchanging need from second-hand merchants for efficient and hassle-free trading and logistics solutions.

In late February this year, President Xi emphasized the promotion of a new round of large-scale equipment upgrading and consumer goods trade-in. As a leading company in this field, we are strategically positioned to capitalize on this upward trend and better facilitate JD and brand owners' trade-in programs. Once again, it demonstrates that recycling and trade-in are encouraged by national policies as a long-term stable industry with high certainty and low policy risks. Going forward, we will adhere to our long-term core strategy and fortify our business foundations, while enhancing brand awareness for AHS Recycle. We aim to address users' fundamental pain points and collaborate with industry partners to explore the untapped potential of high-quality second-hand products. We will maintain patience in the long run while steadily releasing profits and achieving growth.

最后，补充一项国际荣誉：2023年11月，万物新生荣获路透社2023年“全球商业责任奖”认可，在“循环过渡奖”评选中获得评委会高度赞扬。这是万物新生集团首次在国际舞台上与甲骨文（Oracle）、施耐德电器（Schneider Electric）、百事（PepsiCo）等一众世界知名企业共同入围评选并脱颖而出，也是路透社与专业评委对万物新生在创新、技术发展等方面的重要肯定。我们会继续深耕循环经济赛道，以技术创新驱动产业的可持续发展。

Finally, I am delighted to announce an international accolade. In November 2023, ATRenew was honored as "highly commended" by the judging panel at the Reuters' Global Business Responsibility Awards in the "Circular Transition" category. This marks a milestone for ATRenew, as it is the first time we have stood shoulder-to-shoulder with global multi-national companies such as Oracle, Schneider Electric, and PepsiCo. The recognition from Reuters and the expert panel is a testament to our innovation and our technological achievements. Moving forward, we will continue to deepen our commitment to the circular economy, driving sustainable industry development through technological innovation.

下面请公司 CFO Rex 介绍一下财务情况。

Now I'd like to turn the call over to our CFO Rex for financial updates.

Rex Chen, CFO:

Hello, everyone, I'm pleased to report that 2023 was a year of significant achievements for our company. Both revenue and operating income saw better-than-expected results. Total net revenue increased by 31.4% to RMB 13.0 billion. Adjusted operating income of 2023 totaled RMB 251.7 million, a remarkable 36.5 times the number of 2022. Cash inflow from operating activities was healthy, totaling RMB 236 million. As Kerry said, 2023 was our year of consolidation and efficiency.

Moving on to the fourth quarter 2023, we are pleased to announce another profitable quarter, as we recorded another new record non-GAAP operating income, on revenues that once again exceeded the top end of our guidance.

Now let's take a detailed look at the financials. Please note that all amounts are in RMB and all comparisons are on a year-over-year basis unless otherwise stated.

In the fourth quarter, total revenues increased by 29.9% to 3,873.6 million, driven by the strong growth in net product revenues and a rebound in service revenues. Net product revenues increased by 31.1% to 3,522.5 million, while net service revenues were 351.1 million, representing an increase of 19.7%.

Growth in net product revenues was primarily driven by an increase in the sales of pre-owned consumer electronics through both PJT and Paipai marketplaces, as well as offline channels. Of which, sales of 1P refurbished devices totaled 278.2 million, which increased by 41.5% sequentially.

The increase in service revenues was primarily due to the recovery of Paipai and PJT marketplaces with efficient online and offline customer acquisition and better execution. Overall take rate of our marketplaces went up 56 basis points from the fourth quarter 2022 to 5.36% in the fourth quarter 2023.

Now, let's discuss our operating expenses. To provide greater clarity on the trends in our actual operating-based expenses, we will also discuss our non-GAAP operating expenses, which better reflect how 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 increased by 32.9% to 3,150.0 million. The increase was in line with the growth in product sales. Gross margin at the group level was 18.7% in the fourth quarter. Gross margin for our 1P business was 10.6%. In the fourth quarter, AHS Recycle provided its official trade-in services for Apple. With the release of the iPhone 15 series, we implemented a proactive approach to attract customers with aggressive pricing strategies, causing gross margin compression. We believe that as our market share within these channels grows, the gross profit will gradually return to normal levels.

Fulfillment expenses increased by 9.5% to 301.1 million. Excluding share-based compensation expenses, which we will refer to as "SBC" from here on, non-GAAP fulfillment expenses increased by 14.0% to 295.6 million. Under the non-GAAP measures, the increase was primarily due to an increase in personnel and logistics costs as we conducted more recycling and transaction activities year-on-year. Non-GAAP fulfillment expenses as a percentage of total revenues decreased to 7.6% from 8.7%. The overall decrease in the rate of fulfillment expenses reflects the impact of economies of scale and efficiency improvements through automated operations. Specifically, as the number of 1P orders grew, the average fulfillment cost per order was reduced.

Selling and marketing expenses decreased by 46.6% to 317.0 million. Excluding SBC expenses, and amortization and impairment loss of goodwill and intangible assets, non-GAAP selling and marketing expenses increased by 11.0% to 246.6 million, primarily due to an increase in expenses related to marketing activities. Non-GAAP selling and marketing expenses as a percentage of total revenues decreased to 6.4% from 7.5%.

General and administrative expenses decreased by 18.8% to 62.2 million. Excluding SBC expenses, non-GAAP G&A expenses decreased by 17.4% to 45.2 million, primarily due to a decrease in head-quarter office expenses and fees related to professional services. Non-GAAP G&A expenses as a percentage of total revenues decreased to 1.2% from 1.8%.

Technology and content expenses increased by 17.1% to 63.8 million. Excluding SBC expenses, and amortization and impairment loss of goodwill and intangible assets, non-GAAP technology and content expenses increased by 50.6% to 58.3 million. The increase was primarily due to an increase in personnel

costs in connection with the upgrade of the Company's operation center and systems. Non-GAAP technology and content expenses as a percentage of total revenues increased to 1.5% from 1.3%.

As a result, our non-GAAP operating income was 81.6 million in the fourth quarter of 2023, representing a significant increase of 135.8% year-on-year. Non-GAAP operating profit margin was 2.1%, compared to 1.2% in 4Q 2022.

To provide some context regarding our balance sheet, our inventories amounted to 1 billion as at the end of the fourth quarter of 2023, representing a sequential increase of 344.8 million compared with the end of the third quarter of 2023. This increase was primarily due to a surge in recycling volume generated from Apple's official trade-in program. However, it had a limited impact on our operating cash flow since we have a payment term of 45 days and effectively manage relevant payables through bank guarantees.

As of December 31, 2023, cash and cash equivalents, restricted cash, short-term investments, and funds receivable from third-party payment service providers totaled 2.9 billion. Our strong cash position safeguards a sustainable growth outlook.

During the fourth quarter of 2023, we repurchased 4.5 million ADSs in the open market for a total consideration of USD 8.1 million. By December 31, 2023, we had repurchased a total of 18.4 million ADSs for USD 56.5 million under our share repurchase programs.

Today, we are delighted to announce a new share buyback program that allows us to repurchase up to USD 20 million worth of our shares over the next twelve months based on our confidence in our value creation, business growth momentum and strong cash flow.

Now turning to the business outlook. For the first quarter of 2024, we anticipate total revenues to be between RMB 3,550 million and RMB 3,650 million, representing an increase of 23.6% to 27.1% year-over-year. Please note that 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. 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) 感谢管理层接受我的提问，也恭喜公司取得十分有突破性的业绩。想请教下，管理层如何看待 2024 年的增长指引？多品类业务有怎样的增长目标？

Thank you for taking my question, and congratulations the very solid results this quarter. I would like to ask about your overall growth guidance for 2024. Additionally, some color on what is the growth target for the multi-category recycling business? Thanks a lot.

Kerry Chen: (Speaking Mandarin) 非常感谢提问。我们在 2022 年和 2023 年，看到了用户消费习惯从热衷于品质升级到追求性价比的转变。同时，我们看到用户回收变现的意愿和以旧换新的需求持续增长，这体现在我们 2023 年全年自营收入达到 34.4% 的同比增长，京东渠道以旧换新超过

100%的同比增长。我们将持续推动自营回收的主增长飞轮，通过更大的业务规模，更延伸的产业链条，更高的效率，实现更多的运营利润，并且坚定投入到爱回收主品牌的建设中，从而实现流量增长和规模效应的进一步释放。在平台业务方面，我们将继续加强拍机堂与拍拍的协同，以升级的 B2C 拍拍寄卖服务赋能中小商家，拓展 toC 商品的供给，更大程度上满足消费者的购买需求，让二手优品的购买选项更充足。

(Translated) Thank you for your question. During 2022 and 2023, we saw a shift in consumer behavior. Our users' focus transitioned from consumption upgrades to an emphasis on value for money. During this transformation, we noticed a swift rise in user demand for trade-ins and recycling in exchange for cash. As we mentioned, our 1P revenue grew 34.4% year-over-year in 2023, with trade-ins through JD more than doubling compared to the previous year. We will continue to drive the core growth flywheel of 1P recycling business and to extend our industry value chain through economy of scale. We aim to expand our operating profit margin further by bringing our operational efficiency to the next level. We are steadfast in investing in the brand of AHS Recycle to unleash growth of traffic and economy of scale further. In terms of our platform business, we strengthened the synergies between PJT Marketplace and Paipai marketplace and provided small merchants with upgraded consignment services. This helped us build up a more robust toC supply, and meant we could offer a more diverse selection of high-quality second-hand products to our users.

我们将在 2024 年，进一步狠抓体验，服务好京东回收，加大力度推广以旧换新，服务好苹果官方回收。我们相信，中央对新一轮大规模耐用消费品以旧换新的支持，将有利于与我们合作的京东平台与品牌的发展，我们将与他们一起，共同提升以旧换新的消费者心智，培养以旧换新作为更主流的消费选项。我们有信心在 1P 自营业务方面继续实现 30% 以上的同比增长。

Looking ahead to 2024, we place user experience as our top priority while providing the utmost support to the recycling and trade-in offerings of JD.com and Apple's official trade-in program. We believe that the support from the central government for large-scale trade-in policies on consumer goods will benefit our collaborations with JD and brand partners. Together, we elevate consumer awareness of trade-in and cultivate it as a mainstream consumption choice. Because of this, we are confident in achieving [more than] 30% year-over-year revenue growth for our 1P business.

关于多品类回收，2023 年多品类回收交易规模超 10 亿，处于高速增长阶段。2024 年，通过更多品类的服务、覆盖更多爱回收门店，我们将进一步加强用户对“爱回收”国民第一回收品牌的认知，坚持用户体验提升，提升价格竞争力，促进更多用户使用多品类回收，提升对 1P 手机 3C 回收的转化。

In 2023, GMV for our multi-category recycling business surpassed RMB 1 billion. This business has grown rapidly in scale. In 2024, our focus is enhancing user awareness of AHS Recycle as a leading national recycling brand [by offering expanded multi-category recycling services at more AHS stores]. Our core strategy is still to build an even better user experience. To achieve this, we will improve our pricing capabilities. This will drive more recycling transactions across a wider range of categories [and also boost our 1P business' mobile and other consumer electronics recycling].

谢谢。

Thank you for your question.

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

Jiajing Chen: Thank you for taking my question and congratulations on the good results. I have two questions. First, could you provide more color on the higher-than-expected profitability this year and what's your profitability target for 2024, and for the medium- to long-term? Second, in late 2023 and

early 2024, the iPhone 15 series faced some challenges from Huawei. How does management view the changing competitive landscape among mobile phone manufacturers? How did your Apple trade-in business perform in Q4 2023? What are your scale and profit targets for 2024? Thank you.

(Speaking Mandarin) 感谢管理层接受我的提问，恭喜公司在这个季度又取得了超预期的业绩。我有两个问题。第一个问题是能不能请管理层具体拆解一下 23 年利润超预期的原因，并分享 2024 年和中长期的公司利润率的指引和实现路径？我的第二个问题是关于 iPhone，我们知道 iPhone15 系列国内出货量在 23 年底以及 24 年初都面临华为的竞争压力，请问管理层如何看待品牌厂商之间的格局变化。苹果官方以旧换新的业务在 23 年四季度的表现如何？在 24 年有怎样的规模和利润目标？谢谢。

Rex Chen: Thank you. I will take the first question and Kerry, our CEO, will take the second question. (Translated for Chinese readers' reference) 谢谢。我来回答第一个问题，第二个问题由 Kerry 回答。

In 2023, we once again achieved breakthroughs in terms of cost efficiency. Under non-GAAP measures, fulfillment, selling and marketing, general and administrative, and technology and content expenses as a percentage of revenue were 8.5%, 7.3%, 1.5%, and 1.3%, respectively. These figures correspond to year-over-year decreases of 2.4%, 1.6%, 0.1%, and 0.6%, respectively.

2023 年，我们再次取得费用效率层的突破。在 non-GAAP 口径下，全年履约费用率/销售费用率/管理费用率/研发费用率分别为 8.5%/7.3%/1.5%/1.3%，对应同比下降 2.4%/1.6%/0.1%/0.6%。

In terms of fulfillment, we achieved a remarkable efficiency improvement. Our efficient system of regional operation centers and centralized self-operated operation stations has further improved our inspection quality and cost controls. The scale effect created by the use of automation technology at operation centers has also had a positive impact. We're now seeing lower costs related to sorting, quality inspection, and warehousing, when compared to our previous approach of using decentralized, jointly operated stations. We have also leveraged big data to optimize small-item delivery with low-cost shipping. This has driven down shipping and receiving costs. Overall, our operation center expenses and logistics costs decreased by 9% and 8% respectively during 2023. This resulted in a non-GAAP fulfillment expense of RMB 1.1 billion, a year-over-year increase of only 2.0%.

在履约层面，我们实现了效率的大幅提升。具体来看，发挥区域大仓与集中自营的小仓的体系效率，通过自动化技术进一步释放大仓的规模效应，提升质检质量，降低历史上分散化联营小仓产生的履约费用。基于大数据实现小件物流与经济的物流承运商的最优适配，降低收发货成本。全年的运营中心费用与物流成本，分别同比下降 9%/8%，整体 non-GAAP 履约费用为 11 亿元，仅同比增长 2.0%。

Our total non-GAAP selling and marketing expenses in 2023 were RMB 940 million. This was a year-over-year increase of 7.8%, also a lot lower than our revenue growth over the same period. This was mainly driven by HR efficiency improvements from deploying advanced digital CRM tools of the B2B sales team. The result was a 19% cost reduction compared to the previous year.

销售费用方面，全年 non-GAAP 销售费用 9.4 亿元，同比增长 7.8%，同样远低于收入增速。主要优化来自于技术工具优化带来的 B2B 客户管理团队人效的提升，费用同比节省 19%。

In 2023, non-GAAP general and administrative expenses were RMB 190 million, a year-over-year increase of 21.9%. This was mainly due to office rent and various other administrative costs, including employee travel, training, and benefits.

2023 年的 non-GAAP 管理费用为 1.9 亿元，同比增长 21.9%，增长主要来自办公室租金与集团管理相关的员工差旅/培训/福利等支出。

Our non-GAAP technology and content expenses were RMB 170 million in 2023. Thanks to the gradual maturation of our platform's technology and the official launch of our South China Automated Operation Center, we did not see significant cost growth in this category. In addition, the cloud migration initiative we launched in 2022 was completed in 2023. This contributed to an overall decrease in technology and content expenses as a percentage of revenue, representing an improvement in scale effect.

年度 non-GAAP 研发费用为 1.7 亿元，随着平台技术能力与质检自动化的逐步成熟，我们在 2023 年没有大规模的研发费用增长。此外，2022 年启动的云迁移工作带来的短期加倍资源使用，也在 2023 年完成，故整体研发费用率有所回落。这意味着我们研发投入带来的规模效应进一步提升。

The breakdown above highlights the enhancements that led to the increase in our non-GAAP operating profit in 2023.

以上是我们 non-GAAP 运营利润在 2023 年显著释放的拆解。

For our path to profitability growth, our primary focuses are 1P gross margin and operating efficiency.

Our long-term goal is to improve our non-GAAP operating profit margin by 1% every year.

关于利润增长路径，我们主要关注 1P 业务的运营效率，长期目标每年提升 1% 的 non-GAAP 运营利润率。

In terms of our 1P business, we prioritize the ability to control our first-hand supply, while also enhancing user awareness of our C2B brand, AHS Recycle. We sourced first-hand supplies with competitive recycling prices. Meanwhile, we continue to unleash our self-operated refurbishment business, while we diversify the standard of supply to Paipai. We expect a large proportion of toC sales as we seek a higher profit margin of 1P revenue. I'd also like to add more color on our collaboration with Apple. In the fourth quarter, our Apple business achieved sales of RMB 300 million. However, as this business is relatively new and is still being refined, its gross profit margin is below an ideal level. Going forward, we plan to optimize our pricing mechanism to strike a balance between profitability and growth.

在自营业务方面，以控一手货源的能力为核心，加强 C2B 爱回收品牌的用户心智。一方面，我们通过有竞争力的回收价格，持续获得用户订单；同时发力自营翻新业务，叠加拍拍渠道标准下探，提升 1PtoC 货源的占比，去扩展自营业务的利润空间。这里补充一些苹果业务的 color，四季度我们的苹果官方业务收入达到 3 亿元人民币，不过该业务仍在早期打磨阶段，毛利暂时不算理想。未来，我们将优化该体系的价格机制，平衡盈利能力。

In terms of operating efficiency, we are constantly optimizing our four cost-to-revenue ratios. Our automation capabilities will continue to improve our fulfillment efficiency. The inspection cost per device was diluted due to an increase in ASP. In terms of selling and marketing, we try to maximize the effectiveness of our B2B sales team. At the same time, we plan to strategically leverage social media traffic to attract customers. The algorithms and location-based service capabilities of short-video platforms such as Douyin will help us target potential users with greater accuracy. This approach has the added benefit of further strengthening our sourcing capabilities and market position.

We recognize that the key to building a successful second-hand business also lies in our ability to acquire supply through brand power. As such, our AHS Recycle brand is pivotal for our long-term development

path. At this stage, we believe strategically allocating appropriate resources to social media traffic will solidify our long-term competitive position in this dynamic market.

在运营效率方面，自动化技术能力将持续牵引履约效率的提升；同时，客单价的提升也更好地摊薄了单台产品的质检费用。在营销层面，我们注重 B2B 销售效率的提升；同时会在流量运营层面做战略布局，借用抖音等短视频平台算法与 LBS 位置服务的能力，吸引更多目标用户使用回收服务，巩固爱回收的货源能力与市场地位。

因为回归到二手业务的本质，是以品牌获取货源的能力，我们的爱回收品牌任重而道远。在现阶段，我们认为适当分配资源给流量是具有战略意义的，这能够巩固我们在变化市场环境中的长期竞争力。

Kerry Chen: (Speaking Mandarin) 我来回答关于第二个问题。苹果中国线上官网与线下 47 家官方旗舰店的回收和以旧换新业务已经有序铺开。随着四季度新机的规模化出货以及我们颇受用户喜爱的回收报价，我们在社交媒体上获得了用户自发的大量好评，认为回收报价和客户服务有了质的提升。同时让我们掌握了大量的一手优质货源，该业务在四季度贡献了 3 亿元产品销售收入，环比 Q3 该业务刚上线时增长了 9 倍。事实上，我们的回收量比销售量更大。这证明用户对苹果以旧换新的接受度正在上升，以旧换新的渗透率还有很大的提升空间。

(Translated) I will answer your second question. We have systematically rolled out our recycling and trade-in services on Apple's official website and at 47 flagship stores. The service and pricing were highly commended by users on social media spontaneously.

In terms of scale, we secured a significant amount of first-hand supply by leveraging the substantial volume of new iPhone shipments in the fourth quarter, and by maintaining competitive recycling prices. This business contributed RMB300 million in product sales revenue during the fourth quarter. This was a nine-fold increase compared to the third quarter. Our recycling volume is greater than our sales volume. This proves that users' acceptance of Apple's trade-in for new products is increasing, and there is still much room for improvement in the penetration rate of trade-in products.

利润上，我们会根据市场的反馈，保持价格策略的灵活调整，让我们的毛利率得到优化。值得强调的是，由于我们不需要对苹果官方业务做前端的履约和营销，所以即便这个业务板块的毛利率不高，但它可以贡献较高的经营利润（率）。

We will maintain flexible adjustments to our pricing strategy based on market feedback to optimize our gross profit margin. Importantly, we do not handle front-end fulfillment and marketing for the Apple business. As a result, even though this business segment has a narrow gross profit margin, it has the potential to contribute a relatively higher operating profit margin.

谢谢。

Thank you for the question.

Operator: Due to time limit of today's conference call, I'd like to hand the conference back to our management team for closing comments.

Jeremy Ji: Thank you all again for joining us today. A replay of today's call will be available on our IR website shortly, followed by a transcript. 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.