

LETTER FROM THE FOUNDER

Dear Investors,

Thank you for your interest in us. We operate the largest pre-owned consumer electronics transactions and services platform in China under our brand “ATRenew”, meaning all things renew in English and 万物新生 in Chinese. I am excited to share with you our path, opportunity, vision, value proposition and my view of our future.

Our beginning: focus on creating long-term value despite difficulties

We started our smartphone recycling business a decade ago when mobile internet and smartphones were in their infancy. We set a key principle early on: “dare to be different.” We wanted to do something that would create value in the long run – even if that did not attract much attention and may be difficult to do at the time.

Our opportunity: to redefine an “overlooked” industry

For entrepreneurship, being “overlooked” is not necessarily a bad thing, as there are many examples of success that came from being “overlooked” or misunderstood. For a long time, we were misunderstood by others as a company that simply dismantles smartphones and re-purposes metals. The most common questions we face include: are pre-owned smartphones worth transacting? Who would like to purchase a pre-owned mobile phone?

We see tremendous opportunities for the rising pre-owned consumer electronics transaction industry. According to the CIC Report, the annual new device shipment volume of consumer electronics in China exceeded 530 million in 2020. The average selling price of smartphones has been rising in recent years. For example, a pre-owned device that was originally released seven years ago (such as an iPhone 6) could still easily be sold at a reasonable price today. There were a total of 2.6 billion consumer electronic devices that still have use value in China in 2020, but a large portion of them are idle. In China, there is a large population with relatively low disposable income while having a strong demand for good quality and value-for-money pre-owned consumer electronics. Looking beyond China, we believe that pre-owned devices transaction is naturally a global business. For example, we estimate that an iPhone’s life cycle typically lasts for several years, where each device can be transacted a few times from developed economies and top-tier cities in China to lower-tier cities in China, and to other developing economies in the world.

Driven by the large churn of upgraded devices, and the strong consumer demand in lower-tier cities and from the export market, China’s pre-owned consumer electronics industry is enormous while being complex. Multiple layers of the traditional distribution channel lead to an average markup of 60%-80% for a pre-owned device from its original recycling price. We saw an opportunity to set new industry standards by making transactions and services more user-friendly, efficient, transparent, secure, and environmentally friendly.

Our vision: to transform pre-owned consumer electronics transactions and services globally by leveraging technology

We have built our end-to-end platform to transform the inefficient traditional pre-owned consumer electronics value chain in China. Our goal is to recycle from consumers and sell directly to consumers. Through delivering the best transaction experience, we directly engage with individual sellers to obtain primary source of devices, and skip the traditional multiple layers of transactions. The platform then provides standardized inspection and grading, maintenance and other value-added services, before selling to buyers, with quality guarantee and warranty. In this way, we have created the most direct path of the value chain.

We also seek to grow our international presence. We plan to increase the global circulation of pre-owned devices and to empower the existing value chain overseas by leveraging our technological advances, particularly our automatic testing process. We believe that technology will be a driving force to increase the efficiency of global circulation and extend the lifecycle of pre-owned products, benefitting the world from both economic and sustainability perspectives.

Our value proposition: an open platform driven by supply chain capabilities and technology

We believe that building an open platform driven by supply chain capabilities and technology is the key to success in the pre-owned consumer electronics industry. China's pre-owned consumer electronics market lacks sufficient supply as the recycling channels are fragmented, while many pre-owned devices are idle and not recycled.

We continue to execute on the following three principles to strengthen our core capabilities:

- **Principle #1: supply chain capability as the core competency**
Supply chain is the core competency in the under-supplied industry. We have invested heavily in our supply chain capabilities, including inspection, grading, pricing, quality control, and after-sales services.
- **Principle #2: empowering the industry and its participants**
Consumer electronics recycling has a relatively low frequency. On the supply side, we believe the most efficient conversion scenario is when consumers trade in their old devices for new items. We empower tens of thousands of device retailers by enabling them to offer trade-in solutions to their consumers, which in turn generates a consistent flow of electronic devices for our platform. For our partners, including e-commerce platforms such as JD.com, and well-known smartphone brands, we provide recycle and trade-in services to their consumers.

On the demand side, we open up our core capabilities to empower e-commerce platforms as well as content community and social platforms with supply of quality products. We support their sales process, quality control and after-sales services. In turn, we obtain high-quality traffic and orders. The large and targeted traffic from JD.com and the coverage of target consumers on Kuaishou in lower-tier cities support the rapid growth of our B2C retail business.

- **Principle #3: technology-driven**

We implement an operational strategy based on a “tech and data driven” decision-making process, as demonstrated by our continued investment in technologies, data and automatic inspection. We have an intelligent pricing system based on transaction data, and we continue to improve the operational metrics backed by big data analysis. In addition, we have established a large-scale automated operation center.

Our evolution: from a single offering start-up to an end-to-end platform

We take our entrepreneurial journey as mountain climbing. One has to go through the ups and downs and the mist to reach the peak.

Our journey has been a decade of continuous innovation. We began our business in 2011 under a single brand, AHS Recycle, and have since become the leading innovator in the industry through our unique business model and technology. In late 2017, we launched PJT Marketplace to evolve from a single trade-in service provider to an open platform transaction enabler. In 2019, we completed a “C2B + B2B + B2C” closed-loop value chain by acquiring Paipai Marketplace from JD Group. In 2020, we became fully integrated, combining three originally independent business lines under one brand name – “ATRenew”.

As our three business lines, AHS Recycle, PJT Marketplace and Paipai Marketplace, continue to integrate and synergize, the flywheel of sourcing supply and facilitating demand grows stronger to power our future growth and deepen our moat.

Our outlook: the future of our company

Our corporate culture balances stability and innovation, focusing on both the present and the future.

For the next three to five years, we adhere to two strategic priorities: firstly, we aim to pursue rapid business growth by enhancing our integrated platform capabilities. Secondly, we will continue to innovate and seize new opportunities.

In the long term:

- We aim to strengthen our leadership in the pre-owned consumer electronics industry in China, contributing to the increasing recycling penetration rate and industry upgrades.

- We aim to build a global transaction platform, allowing pre-owned consumer electronics to circulate globally with less friction.
- We aim to make the world a better place by reducing electronic waste and prolonging the lifecycle of consumer electronics.

Partnership with our shareholders: creating long-term value and contributing to the society

What makes a good business? Previously, I thought scale was crucial. However, the past decade has taught me that a healthy and sustainable business is a good business, and a business that does social good beyond generating shareholder return is a good business.

We are committed to promoting and facilitating the circulation of pre-owned consumer electronics globally, giving a second life to all idle goods. We believe that the value of a business lies in solving social problems and creating social value. The greater the social value a business creates, the greater the economic value the business may have. If you share similar values and believe in long-term value creation both economically and socially, join us at ATRenew as we build a better world.

Thank you for reading this letter. We look forward to partnering with you in the exciting journey ahead.

Kerry Xuefeng Chen
Founder and CEO