

[RERE] – ATRenew Inc.
Q3 2024 Earnings Conference Call Transcript (Corrected)
Wednesday, November 20, 2024, 07:00 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
Jiao Wan, CICC
Michael Kim, Zacks

Presentation

Operator:

Good morning and good evening, ladies, and gentlemen. Thank you for standing by and welcome to ATRenew Inc.'s third quarter 2024 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 third quarter 2024 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 third quarter 2024 financial results were released earlier today. The earnings press 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.

Please pay attention to 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 2024 年第三季度业绩电话会，我们很高兴与各位分享集团的业绩、助力消费品以旧换新的最新实践，以及我们对二手行业的战略思考。

(Translated) Hello, everyone, and welcome to ATRenew's third quarter 2024 earnings conference call. We are pleased to share our performance highlights, our latest practices in promoting consumer goods trade-ins, and our strategic insights on the pre-owned industry.

回顾三季度业绩，集团总收入为 40.5 亿元人民币，实现 24.4% 的同比增长，符合我们此前的预估水平。具体看，产品收入同比增长 25.6%，其中内地市场的主营回收业务收入同比增长超过 30%。在中国二手手机 3C 回收与交易的整体市场环境中，我们的主营回收业务大幅领先于行业增速。

Our total revenue for the third quarter reached RMB 4.05 billion, achieving year-over-year growth of 24.4%, which is in line with our forecast. To dive deeper, product revenue grew by 25.6% year-over-year. Breakdown by sources, our core recycling business revenue in Mainland China increased by over 30% year-over-year, significantly outpacing the growth of the overall second-hand consumer electronics recycling and transaction market in China.

在消费节奏放缓时期，用户对闲置物品回收变现的需求持续增长。我们持续加强门店布局，截至 2024 年三季度末，我们在全中国运营 1,637 间爱回收门店。线下门店作为回收端的主要交付场景，是提升用户信任和获取一手回收货源的重要的渠道。为此，我们会不断提升爱回收门店的服务能力和用户体验，锁定爱回收作为第一回收品牌的用户心智，接下来的 2-3 年我们预计会加速开店节奏。

As consumer spending slows down, we keep our pace to open new physical stores to meet the growing demand for the recycling of idle goods. At the end of the third quarter this year, we had a total of 1,637 AHS stores nationwide. Physical stores, as our primary consumer touchpoints to collect pre-owned products, remain the most crucial channel for building user trust and securing first-hand sources of supply. We will continue to enhance our AHS stores' service capabilities and user experience to reinforce the top-of-mind brand awareness of AHS Recycle. As a result, we anticipate accelerating our store opening in the next 2 to 3 years.

在回收端的趋势上，我们在上个季度财报电话会上分享，以旧换新已经成为越来越主流的用户选项。即使是在手机 3C 品类没有得到国家补贴的情况下，在三季度，通过京东渠道的回收和以旧换新业务，带来的总回收额增长超过 40%，其中以旧换新实现了翻倍的增长。

Regarding the trend of our recycling business, we shared interim data during our second-quarter earnings call that highlighted the growing mainstream adoption of trade-in services among users. Although smartphones and other consumer electronics have not yet been provided with direct trade-in subsidies, we observed strong demand for trade-in services. In the third quarter, the value of goods collected through JD.com, via regular recycling and trade-in services, increased by over 40% year-over-year. Of which, trade-in services doubled year-over-year.

值得一提的是，近期的双十一大促，通过联合京东通讯共同投入用户体验和交付，我们创造了近年来最快的增速记录：双十一全周期，京东渠道的回收总业绩同比增长 77%，其中，以旧换新受

到更广泛用户的喜爱，业绩同比增长 246%。严选业务在京东的同比增长达到 71%。这些将反映在我们四季度的业绩表现中。

It is worth mentioning that in the recent Singles Day Grand Promotion, we worked closely with JD Electronics Business Group by co-investing in user experience and order fulfillment capabilities, we have achieved the fastest growth rate in recent years. During the grand promotion, the total value of products recycled via JD.com increased by 77% year-on-year. Trade-in solutions became even more popular, generating a year-on-year increase of 246% in the value of products collected. On the sales front, 1P retail revenue generated from JD.com increased by 71% year-on-year. These highlights will be reflected in our fourth-quarter earnings.

在国家开展大规模消费品以旧换新的消费刺激政策下，我们充分发挥长期储备的供应链能力优势，与京东共同建设"从回收，质检，到销售"的全链条能力，为用户提供行业最佳的以旧换新服务体验。此外，第三季度，我们的苹果官方以旧换新业务也取得了健康增长，毛利率取得了较好的环比改善。

Against the backdrop of China's national consumption stimulus and trade-in subsidies, we fully utilized our established supply chain capabilities, and end-to-end fulfillment capabilities covering recycling, inspection, and distribution co-built with JD.com, relentlessly advancing edge-cutting trade-in user experience. Additionally, in the third quarter, our Apple official trade-in program also achieved healthy growth, with a steady improvement in gross profit margin sequentially.

多品类回收业务依托爱回收门店的场景，模式轻，体验好，业绩增长亮眼。本季度，多品类回收额同比增长超过 270%，带来的服务收入同比增长超过 400%。截至 9 月末，全国 587 间爱回收门店已配备多品类回收能力。我们相信，轻资产、投入可控的品类拓展，可以提升用户服务频次，是帮助我们获取手机 3C 回收用户的重要途径之一，带动用户更频繁地来到爱回收门店使用我们的服务，同时为已有的门店贡献增量利润，加强我们门店的行业竞争力。

In our category expansion efforts, the transaction value of goods under multi-category recycling business increased by 270% year-over-year. This asset-light platform business, providing innovative user experiences, is rooted in our existing stores. In the third quarter, service revenue generated from this segment grew by 400% year-over-year. As of the end of September, 587 AHS stores nationwide offered multi-category recycling services. The asset-light multi-category recycling business also serves as a key driver for obtaining higher service frequency and store visits per user, acquiring cross-selling. It also contributes incremental profit to existing stores and strengthens the competitive position of our stores.

在销售端，用户对二手优品的接受度正在增加。我们的严选 2C 零售，依托自营回收和质检的供应链，在线上京东拍拍的场景、在爱回收官网及线下门店等场景开展销售，以满足更多用户对具有性价比的二手手机电子产品的选购需求。三季度，我们的严选二手商品在京东拍拍渠道、爱回收官网和门店的自营渠道、以及新媒体零售渠道的销售收入分别实现 87.4%、301.3%、114.6% 的同比增长。总收入达 9.7 亿元，延续第二季度的势头，实现了超过 120% 的同比增长

On the selling end, our direct-to-consumer sales have been particularly strong, as consumers are more open to pre-owned products. Leveraging our proprietary supply chain capabilities, our effective consumer engagement channels like Paipai on JD.com, AHS Recycle official websites and physical stores, meet growing user demand for value-driven pre-owned electronic products. In the third quarter, 1PtoC product revenue through Paipai on JD.com, AHS Recycle official websites and stores, as well as new media retail channels grew by 87.4%, 301.3%, and 114.6% year-over-year, respectively. [Total retail product revenue generated from the above-mentioned channels were RMB 970 million, obtaining an increase of over 120% year-over-year.]

在平台服务收入方面，三季度实现了 13.9%的同比增长，占总收入比例为 9.4%，服务的综合收费率为 5.34%，环比稳定。其中：拍机堂主营成色机收费率同比提升 0.5%；拍拍 POP 业务适当调低了收费率，向严选和寄卖模式升级转型。

Regarding service revenue, which accounted for 9.4% of total revenues. It increased by 13.9% year-over-year in the third quarter on an aggregated take rate of 5.34%. Take rate of core PJT Marketplace business had a 0.5% uplift compared to the same period of 2023. Take rate of Paipai POP business adjusted down slightly, while Paipai pivoted for its direct retail functions and upgraded its consignment offering.

利润层面，本季度集团实现 non-GAAP 经营利润 1.04 亿元，non-GAAP 经营利润率达到 2.6%，并首次实现 GAAP 层面经营利润转正，达 2490 万元。这与我们的规模效应相关，稍后由 CFO Rex 展开分享。

On the profitability front, we achieved a non-GAAP operating income of 104 million this quarter, with a non-GAAP operating margin of 2.6%, and are reporting our first GAAP operating income of 24.9 million. This achievement is closely tied to our economies of scale, which our CFO Rex will elaborate on later.

下面，我来分享一些对于二手行业增速和趋势的理解：

行业增速方面，基于 IDC 二手手机行业的报告和平台交易数据分析，国内二手消费电子行业正在以 10%左右的增速发展。

我们的第一个具体判断是，以旧换新的增速超过大盘，是更受国内用户欢迎的回收方式，正在驱动二手行业的发展。第二个判断是，在消费节奏放缓时期，用户对闲置物品回收的需求，以及对于高品质二手手机的购买需求都将持续增长。

We have observed, referencing IDC market insights, that China's second-hand consumer electronics industry is growing by roughly 10% year-over-year. We believe, firstly, trade-in becomes a trendy option among consumers, thus outpacing and driving the growth of the industry. Secondly, as consumer spending slows down, the demand for the disposal of pre-owned products and value-for-money quality-assured pre-owned smartphones continues to grow.

正如大家感受到的一样，二手回收与交易是一个处于成长阶段的市场。其中，二手手机 3C 是集团业务的基本盘，我们需要长期坚持的，是夯实“场景+供应链”的核心优势和用户对爱回收品牌的信赖，高效率地服务用户并获取更多的一手货源。同时，拉通 C 端和 B 端货源，实现一盘货的高效流转；通过自有供应链能力，做好合规的产业链翻新增值，实现更多商品可 toC 零售，从而更大释放规模效应和产业链价值。

As many of you have experienced, the second-hand market is in its growth stage. For our core second-hand consumer electronic business, which is our business foundation, our long-term strategy focuses on strengthening our "scenario + supply chain" advantages and consumer trust in the AHS Recycle brand, efficiently serving users while securing more first-hand sources of supply. By integrating supplies from consumers and businesses, leveraging our supply chain capabilities for compliant refurbishment, and increasing retail sales to consumers, we are achieving effective economies of scale and unleashing the value of the industry.

同时，我们也认为，在二手消费的大市场中，无论是手机 3C 消费电子产品，还是黄金首饰、箱包腕表、名酒潮鞋等商品，都有独特的用户需求和规模化的交易价值。爱回收将不断创新，以体验为核心，服务个人用户对手机数码，以及更多品类商品的回收和二手交易需求。

We believe that within this massive second-hand market, whether consumer electronics or gold and accessories, bags and watches, vintage liquor or trendy footwear, there are unique trading

characteristics and substantial market value. We will relentlessly focus on innovation, keep user experience-centric, and expand our offerings to cover more services and product categories.

品牌上，我们深信用户价值创造，将在抖音快手等新媒体平台上逐步加大投入，对“爱回收第一回收品牌”的品牌心智持续教育和加强。

As we remain steadfast in creating user value, we are committed to building AHS Recycle into a top-of-mind brand in the long run. We continue educating consumers of the AHS Recycle brand via progressive brand exposure on new media platforms, such as Douyin and Kuaishou.

展望长期发展，万物新生的目标是：继续夯实二手回收、交易服务与优品零售的领军地位；持续加强第一回收品牌的心智，为用户提供有价格竞争力的回收和以旧换新体验；并在业绩方面努力实现大幅领先于行业增速的成长。

Looking at long-term development, we are committed to doubling the growth rate of the industry by further acquiring user mindshare, serving their needs for competitive recycling and trade-in experiences and solidifying our industry-leading position in the full spectrum of recycling, transaction, and retailing services.

此外，在 ESG 方面，今年以来，爱回收与多个知名消费品品牌共同发起“返航新生”活动，比如与欧莱雅集团达成战略合作，以新模式的美妆空瓶回收换欧莱雅品牌好礼。通过这些活动，提升品牌对循环经济的参与，鼓励用户积极的环保态度，也提升了爱回收主营业务的认知、转化和复购。

This year, on the front of ESG, AHS Recycle has initiated the "Revive 返航新生" campaign in collaboration with leading consumer brands. We established a groupwide strategic partnership with L'Oréal Groupe, encouraging consumers to responsibly dispose of empty cosmetic containers in exchange for physical gifts of L'Oréal brands. In addition to user attraction and repeated use of our services, this initiative encourages broader consumer brands' participation in eco-friendly recycling while raising awareness about environmental protection.

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:

(Speaking Mandarin) 各位投资者和分析师，大家好。很高兴可以与各位交流万物新生集团的三季度业绩。本季度集团总收入保持有力的增长，再次实现 non-GAAP 经营利润，并在 GAAP 口径下实现首次季度性的经营利润，达成新的里程碑。在解读财务数据之前，请注意，除非另有说明，所有金额均以人民币为单位，所有增速数据均为同比。

(Translated) Hello, everyone. We are pleased to report another profitable quarter under non-GAAP measures, and a first quarterly operating profit milestone under GAAP measures on strong year-on-year growth of total revenues. Before taking 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.

第三季度，集团总收入增长 24.4%至 40.51 亿元，主要得益于产品收入持续稳健增长。产品收入增长 25.6%至 36.72 亿元，主要得益于公司线上和线下渠道二手消费电子产品销售的增长。

In the third quarter, total revenues increased by 24.4% to 4,051 million, primarily driven by ongoing solid growth in net product revenues. Net product revenues increased by 25.6% to 3,672 million, primarily driven by increased sales of pre-owned consumer electronics through our online and offline channels.

服务收入为 3.79 亿元，增长 13.9%，主要得益于拍机堂平台和平台模式的多品类回收业务产生的服务收入的增加。我们的平台服务收入随交易规模的增加而同步增长，第三季度的平台综合收费率为 5.34%。服务收入中，超过 3,000 万元来自于快速发展的多品类回收业务，多品类回收的平均服务费率健康提升。我们的多品类回收业务在第三季度贡献了接近 9% 的服务收入，而 2023 年同期为 1.7%。

Net service revenues were 379 million, representing an increase of 13.9%. The increase was primarily due to an increase in service revenue generated from PJT Marketplace and the multi-category recycling business. The growth in service revenues went along with the upward trend in the overall gross transaction value of our marketplaces, delivering an overall marketplace take rate of 5.34% in the third quarter of 2024. During the quarter, multi-category recycling businesses contributed over 30 million to service revenues, delivering a healthy improvement in take rate. Our multi-category recycling business attributed to close to 9% of service revenues in the third quarter of 2024, compared with 1.7% in the same period of 2023.

在费用端，我们增加 non-GAAP 口径的费用分析，以更清楚地展示实际运营费用的趋势。关于 GAAP 和 non-GAAP 口径之间的调整，请参考我们的季度财务报告与呈交给美国证券交易委员会的 6-K 表格。

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 U.S. SEC.

商品成本增加 24.2% 至 32.43 亿元，与产品销售的增加一致。第三季度集团层面的毛利率为 20.0%，而去年同期为 19.8%。我们 1P 业务的毛利率为 11.7%，而去年同期为 10.7%。

Merchandise costs increased by 24.2% to 3,243 million, in line with the growth in product sales. Gross margin at the group level was 20.0% in the third quarter, compared with 19.8% in the same period last year. Gross profit margin for our 1P business was 11.7%, compared with 10.7% in the same period last year.

履约费用增长 20.7% 至 3.47 亿元。不含股权激励费用的 non-GAAP 履约费用增长 21.9% 至 3.44 亿元。non-GAAP 履约费用增长的主要原因有：1）一方面，回收和交易量的增加，导致人力和物流费用增加；2）另一方面，由于集团在 2024 年第三季度拓展了线下门店网络，与门店相关的履约费用相应增长。non-GAAP 履约费用率从去年同期的 8.7% 下降至 8.5%。

Fulfillment expenses increased by 20.7% to 347 million. Excluding share-based compensation expenses, which we will refer to as "SBC" from here on, non-GAAP fulfillment expenses increased by 21.9% to 344 million. Under the non-GAAP measures, the increase was primarily due to (i) an increase in personnel costs and logistics expenses as we conducted more recycling and transaction activities compared with the same period of 2023, and (ii) an increase in operation facility-related expenses as we expanded our store networks in the third quarter of 2024. Non-GAAP fulfillment expenses as a percentage of total revenues decreased to 8.5% from 8.7%.

销售费用增加 5.3% 至 3.15 亿元。不含 SBC 费用以及因收购产生的无形资产摊销和递延成本，non-GAAP 销售费用增加 12.7% 至 2.57 亿元，主要原因为广告和促销活动相关的费用增加。non-GAAP 销售费用率从去年同期的 7.0% 下降至 6.3%。

Selling and marketing expenses increased by 5.3% to 315 million. Excluding SBC expenses, and amortization of intangible assets and deferred cost resulting from assets and business acquisitions, non-

GAAP selling and marketing expenses increased by 12.7% to 257 million, primarily due to an increase in advertising expenses and promotional campaign-related expenses. Non-GAAP selling and marketing expenses as a percentage of total revenues decreased to 6.3% from 7.0%.

管理费用减少 0.7%至 6,930 万元。不含 SBC 费用的 non-GAAP 管理费用增加 9.5%至 5,540 万元，主要由于人员成本以及办公相关开支增加。non-GAAP 管理费用率从去年同期的 1.6%降至 1.4%。General and administrative expenses decreased by 0.7% to 69.3 million. Excluding SBC expenses, non-GAAP G&A expenses increased by 9.5% to 55.4 million, primarily due to increases in personnel costs and office-related expenses. Non-GAAP G&A expenses as a percentage of total revenues decreased to 1.4% from 1.6%.

研发费用增长 35.5%至 5,340 万元。不含 SBC 费用与无形资产摊销和递延成本，non-GAAP 研发费用增长 47.2%至 4,960 万元，主要由于与集团运营中心和系统持续维护相关的人员成本增加。non-GAAP 研发费用率从去年同期的 1.0%增加至 1.2%。

Technology and content expenses increased by 35.5% to 53.4 million. Excluding SBC expenses and amortization of intangible assets and deferred costs resulting from assets and business acquisitions, non-GAAP technology and content expenses increased by 47.2% to 49.6 million. The increase was primarily due to an increase in personnel costs in connection with the ongoing maintenance of our operation centers and system. Non-GAAP technology and content expenses as a percentage of total revenues increased to 1.2% from 1.0%.

利润层面，2024 年第三季度的 non-GAAP 经营利润为 1.04 亿元，同比大幅增长 40.9%。non-GAAP 经营利润率为 2.6%，2023 年同期为 2.3%。此外，我们本季度首次实现 GAAP 经营利润，为 2,490 万元，这是历史并购摊销进程的重要里程碑。

As a result, our non-GAAP operating income was 104 million in the third quarter of 2024, representing a substantial increase of 40.9% year-on-year. Non-GAAP operating profit margin was 2.6%, compared to 2.3% in the third quarter of 2023. In addition to non-GAAP operating income, we are delighted to report our first quarterly operating income under GAAP measures at 24.9 million. This reflected our milestone of digesting the majority of the impacts from the amortization we have been reporting.

在股东回报方面，我们持续推进回购，现行的回购计划允许我们在 2025 年 6 月 27 日及之前，使用至多 5,000 万美元做回购。在 2024 年第三季度，我们使用 1,210 万美元回购近 490 万股 ADS。截至 2024 年 9 月 30 日，我们已经将 2,010 万美元回馈给股东，共计回购约 820 万股 ADS。

In terms of our ongoing share buyback plan, under which we are authorized to repurchase up to 50 million US dollars of our ADSs through June 27, 2025, we have returned approximately 20.1 million US dollars to our shareholders for a total of 8.2 million ADSs as of September 30, 2024. In the third quarter of 2024, we used 12.1 million US dollars to repurchase approximately 4.9 million ADSs.

截至 2024 年 9 月 30 日，现金及现金等价物、受限资金、短期投资以及第三方支付平台应收账款合计 24 亿元。三季度末的综合现金较二季度末有所减少，主要是我们在应对 9 月和 10 月品牌旗舰机型发新相应的以旧换新、四季度电商大促锁定货源、以及在公开市场进行股票回购消耗了部分现金。我们的综合现金储备仍然充足，可以保障可持续的发展前景。

As of September 30, 2024, cash and cash equivalents, restricted cash, short-term investments, and funds receivable from third-party payment service providers totaled 2.4 billion. As we collected more pre-owned products when flagship smartphone models were released in September and October, and obtained more products in preparation for the grand promotion during the fourth quarter and repurchased our ADSs in the open market, total cash balance dropped compared with the end of the

second quarter. Even though, our cash position remains strong, safeguarding a sustainable growth outlook.

关于四季度指引，我们预计总收入将在 47.4 亿元至 48.4 亿元，对应同比增长 22.4%至 24.9%。以上指引仅反映当前我们对市场和运营状况的初步看法，预期有可能变化。

Now turning to the business outlook. For the fourth quarter of 2024, we anticipate total revenues to be between RMB 4,740.0 million and RMB 4,840.0 million, representing an increase of 22.4% to 24.9% 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.

以上是我们对三季度业绩的重点分享，欢迎各位提问交流。

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) 想请问管理层，可否展开以旧换新补贴对集团业务的影响，具体由以旧换新带来的业务增量如何量化。如何判断四季度和 2025 年以旧换新的业绩预期？

Could management elaborate on how trade-in subsidies are driving your business growth? Specifically, how do you quantify incremental business from trade-ins, and what are your expectations for trade-in business in the fourth quarter of 2024 and the year ahead?

Kerry Chen: (Speaking Mandarin) 感谢提问。首先，我们在国家大规模消费品以旧换新的落地过程中，与京东紧密协作，率先行业在全国范围内支持以旧换新。

(Translated) Thank you for your question. We've been working closely with JD.com as a first mover in supporting the national consumer goods trade-in program.

三季度，通过京东渠道的回收和以旧换新业务，带来的回收额增长超过 40%，其中以旧换新实现了超 100%的同比增长。以旧换新的增势在双十一期间延续，回收额同比增长 246%。京东以旧换新的快速增长，主要得益于：1）京东和爱回收共同为用户提供了流畅的以旧换新核销渠道，并且在双十一期间做了共同投入；2）叠加了手机品牌在双十一前发布新品的影响，以及品牌对以旧换新的重视度提升；3）用户的习惯也从之前在京东下一个普通回收订单，到直接下以旧换新订单的选择迁移。

In the third quarter, our recycling and trade-in business through JD.com increased by over 40%, with the trade-in business doubled. This momentum continued during the Singles Day Grand Promotion, where trade-in recycling value increased by 246% year-over-year. There were three factors. First, convenient trade-in options were offered with joint efforts by JD and AHS Recycle. Second, many phone brands launched new products ahead of the grand promotion coupled with trade-in subsidies. Third, consumers prefer trade-in services over regular recycling services.

虽然到现在手机还没有享受到全国以旧换新直接补贴，但是凭借我们领先的二手供应链能力，以及与京东共同打造的跨品类换新能力，今年用旧手机 3C 小家电，折抵换购新家电的业务得以火热进行。双十一期间，有 10 万单是用户在购买新品家电时，使用旧手机做的以旧换新。

Although smartphones have not yet enjoyed direct subsidies from the current nationwide trade-in stimulation scheme, our partnership with JD on cross-category trade-ins is thriving, thanks to our

industry-leading second-hand supply chain capabilities. Users are actively exchanging their used smartphones and small appliances for discounts on new home appliances. For instance, there were 100,000 orders where users traded in their used phones when purchasing new home appliances during the grand promotion.

我们认为，以旧换新的消费方式仍处于早期阶段，万物新生与平台和品牌都仍需要进行持续的用户教育，让更广泛的消费者体验到具有性价比的消费方式。举个例子，我们预计京东通讯一年自营销售超过 6000 万台的手机，随着平台合作能级的提升，我们在京东场景继续提升以旧换新渗透率的空间依然巨大。随着国家经济发展目标与财政政策的逐步明晰，我们期待接下来在“加大力度支持大规模设备更新，扩大消费品以旧换新的品种和规模”领域有更多进展和延续的支持政策。我们相信，在用户的消费行为变迁中，以旧换新具有成为主流消费方式的必然性。我们坚定做好二手供应链能力，为行业提供高效的基础设施的支撑，支持用户消费情绪的改善。接下来，我们还会持续优化以旧换新的询价、下单、质检和交付的服务体验，进一步提升面对面成交的比例，更好地服务全国用户的以旧换新与购买需求。

We believe that the adoption of trade-ins is still in its early stages. Alongside platforms and brands, we need to continue educating users to help more consumers experience this cost-effective purchasing approach. For instance, we expect that through JD Electronics, there is nearly 60 million units of smartphones distributed through the channel annually, and with the advancement of our collaboration, we expect the penetration rate of this scenario has substantial growth potential. As the Ministry of Finance advances its social and economic development objectives and fiscal policies, we look forward to progress on their goal to enhance the support for large-scale equipment upgrades and to expand the variety and scale of consumer goods trade-ins program. We believe that in the evolution of consumer behavior, trade-ins are destined to become mainstream. We remain committed to strengthening our second-hand supply chain capabilities, providing efficient infrastructure support for the industry, and fostering improvements in consumer sentiment. As the next steps, we continue optimizing price inquiry services, order placement, quality inspection and fulfillment experience, uplifting the proportion of face-to-face fulfillment orders, ultimately bringing our services to the next level.

Operator: (Operator Instructions). Jiao Wan with CICC.

Jiao Wan: (Speaking Mandarin) 感谢管理层接受我的提问。想了解更多下三季度多品类业务的进展，因为今年多品类回收业绩增长势头很强劲，想请教下这个业务的利润贡献如何，以及公司接下来如何规划多品类回收业务的增长路径？

Thanks, management, for taking my question. Could you provide more color on the progress of your multi-category recycling business? This business segment has shown strength this year – what's the profit contribution, and how do you plan to further grow this emerging segment?

Kerry Chen: (Speaking Mandarin) 谢谢提问。多品类回收业务是基于爱回收长期积累的品牌和现有的爱回收门店快速发展的，这是一个轻资产的平台服务业务。我们面对快速增长的用户需求，开展奢侈品、黄金、珠宝、名酒等有交易价值的商品回收服务。三季度多品类回收额同比增长超过 270%，创造了超过 3000 万元的服务收入，即毛利。扣除门店费用和履约费用后，46%转化为门店的贡献利润，这进一步提升了门店的竞争力。

(Translated) Thanks for the question. Our multi-category recycling business is built on the AHS Recycle brand and rapidly developed by leveraging the existing AHS stores. It operates as an asset-light platform business model. To meet users' growing demand, we offer recycling services for luxury goods, gold, jewelry, premium liquor, and other high-value items. In the third quarter, the recycling value of multi-category recycling business increased by 270% year-over-year, generating over 30 million in service

revenue, which was recognized as gross profit. After deducting store-end and fulfillment costs, 46% was converted to store-level operating profit. This has further enhanced the competitive strength of our stores.

按品类拆分，黄金和二奢是多品类的核心品类，规模占比分别为 77%和 18%，但在服务收入贡献层面，两个品类基本相当。由于回收服务便捷、体验好，价格具有竞争力，报价透明，爱回收的多品类服务收到用户青睐。国内二奢存量市场巨大，黄金回收也具有千亿规模，我们在这样巨大的市场中具有服务能力和价格机制优势，相应地，多品类回收业务的长期市场空间值得期待。 Breaking down by category, gold and luxury goods remain core segments, accounting for 77% and 18% of the multiple-category business, respectively. In terms of revenue contribution, the two categories had similar levels. Users have embraced our multi-category recycling services due to the convenient and premium service, competitive pricing, and transparent service take rate. With the huge existing domestic pre-owned luxury market size and gold recycling market size reaching hundreds of billions, we possess the service capabilities and pricing advantages needed to thrive in this massive market, making the long-term potential for our multi-category recycling business promising.

我们在爱回收门店叠加多品类回收服务，目前的 769 间爱回收自营店中已有 587 间实现了初步的多品类回收服务覆盖，未来还会增加更多品类的到店覆盖，充分覆盖一二线城市的优质用户群体。在广大的中低线城市，我们有机会探索黄金等品类在加盟店的复制。随着爱回收门店体系的进一步扩张，我们有信心服务好更多用户的回收需求。

Of our 769 self-operated AHS stores, 587 now offer multi-category recycling services with more services to add on down the road, gradually covering mainstream users in first and second-tier cities. In extended lower-tier cities, we are exploring opportunities to integrate the services with joint-operated stores. As we continue to expand the AHS store network, we are confident in our ability to meet the recycling needs of more users.

Operator: (Operator Instructions). Michael Kim from Zacks.

Michael Kim: I'm curious to get your thoughts on what you're seeing in the market for pre-owned smartphones in terms of transaction volumes. It would seem like there are tailwinds on both the supply side, with the ongoing growth in shipments of new smartphones in China, as well as on the demand side, with rising demand for used phones just given the somewhat challenging macroeconomic backdrop.

(Chinese translation for clarity) 您如何看待二手智能手机市场的交易量？因为看起来供应方面似乎有顺风，中国新智能手机的出货量持续增长，而需求方面，在宏观经济背景有些挑战的情况下，二手手机的需求也在增加？

Kerry Chen: (Speaking Mandarin) 回答近期二手手机交易量这个问题。首先从供给端来看，在国家大规模推进以旧换新的背景下，虽然我们的主品类手机尚未直接受益于补贴政策，但跨品类换新能力支持了我们在供给侧更好地把握 C 端回收货源。

(Translated) First, on the supply side. Under the national trade-in initiative, although our main category of mobile phones has not yet directly benefited from the subsidy policies, our cross-category trade-in capabilities have enabled us to better capture consumer-end recycling sources.

如以往在财报电话会上所交流，我们拥有行业领先的供应链能力，包括我们自建的合规翻新整备能力，帮助我们实现商品的成色提升和销售。今年以来，我们的主营回收货源的合规翻新覆盖率从个位数初步提升到有意义的双位数，更有效地锁定适合翻新整备的商品，合规翻新商品收入保

持积极的环比与同比增长。一方面，通过拍机堂靓机场，满足更多具备零售能力的商家的供货需求，另一方面，发挥自营严选多渠道销售的能力，直接满足 C 端用户对具有性价比的高品质二手手机的购买需求。

As mentioned in previous earnings calls, we have industry-leading supply chain capabilities, including our self-developed compliant refurbishment processes that enhance pre-owned product quality and boost sales. This year, the coverage rate of compliant refurbishment in our 1P business has grown from single digits to meaningful double digits preliminarily. We are more effective at identifying products suitable for reconditioning, which has resulted in sustained revenue growth from refurbished products on both a quarterly and annual basis. On one hand, through our PJT marketplace, we are meeting the needs of more retailers. On the other hand, we leverage our self-operated AHS Select retail channels to directly serve consumers seeking quality-assured pre-owned smartphones.

从自营严选渠道来看，本季度，严选零售收入实现 120% 的同比增长。其中，爱回收门店及官网的零售收入同比增长 3 倍以上。我们认为，消费缓行的趋势下，尤其是在下沉人群市场，具有性价比的二手手机产品将有非常大的增长空间，我们也将严选 2C 销售的品牌、渠道和能力上继续加大投入。

On retail distribution, our 1P-to-consumer revenue grew by 120% year-over-year. Within this segment, revenue from AHS offline stores and official websites increased by over 300% year-on-year. We believe that cost-effective purchasing options are gaining increasing acceptance, especially from prudent consumers in the mass market. We continue our efforts to advance our retail brands, channels, and capabilities.

Operator: That concludes the question and answer session. 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.