

Atour Lifestyle Holdings
Third Quarter 2025 Earnings Conference Call

Opening Remarks

Operator introduction

Ladies and Gentlemen, thank you for standing by, and welcome to the Atour Lifestyle Holdings Third Quarter 2025 Earnings Conference Call. At this time, all participants are in listen-only mode. After the speakers' presentation, there will be a Q&A session. Today's conference is being recorded. I would now like to turn the conference over to Mr. Luke Hu, Senior IR manager. Please go ahead, sir.

Luke Hu:

Thank you, operator. Good morning and good evening, everyone. Welcome to our Third Quarter 2025 Earnings Conference Call. Today, you will hear from our Founder, Chairman and CEO, Mr. Wang Haijun, and our EVP, Co-CFO, Mr. Wu Jianfeng.

Before we continue, please be aware that today's discussion will include forward-looking statements under federal securities laws. These statements are subject to various risks and uncertainties, and actual results may differ significantly from what is stated or implied in our comments today. The Company is not obligated to update any forward-looking statements except as required by applicable laws.

Additionally, during this call, our management will discuss certain non-GAAP financial measures solely for comparison purposes. For a clear understanding of these measures and a reconciliation of GAAP to non-GAAP financial results, please refer to the earnings release issued earlier today.

Furthermore, a webcast replay of this conference call will be accessible on our website at ir.yaduo.com, where a copy of the results presentation is also available. Now, I will turn the call over to Mr. Wang, our CEO.

Haijun Wang:

Thank you, Luke. Hello everyone, thank you for joining Atour's third quarter 2025 earnings call today.

Amid the ongoing volatility in the macro-environment, consumers have shown a clear shift toward prioritizing value and making more rational purchasing decisions. Innovative experiences emerging from new scenarios and business models have become a key force driving the release of consumption potential. For the hotel sector, the overall market has shown a moderate recovery since the third quarter. While travel and leisure demand continues to be robust, the industry is also characterized by rapidly shifting hotspots and uneven recovery across regions. In the retail market, consumption is increasingly centered around experiential offerings and quality-of-life upgrades. Evolving consumer habits coupled with technological advancements are jointly fueling development across various segments. As a leading lifestyle group, Atour keenly observes the evolution of user needs and captures consumption trends with precision. Through continuous innovation and enhanced experience in both our hotel and retail businesses, we consistently respond to and lead contemporary consumers' pursuit of quality living.

Now, I would like to provide more details on our performance for the third quarter of 2025.

Let's begin with our hotel business: Please turn to slide 4 of our 3Q25 results presentation. In the third quarter, our RevPAR was RMB371.3, representing 97.8% of its level in the same period of 2024. Specifically, OCC nearly recovered to the prior-year level at 99.9% of the same period in 2024, and ADR reached 98.1% of its level in the same period of 2024.

Please turn to slide 5. In the third quarter, RevPAR for our mature hotels in operation for more than 18 months was 95% of the level in the same period of 2024, while OCC and ADR stood at 98.5% and 96.6% of their levels in the same period of 2024, respectively.

Please turn to slide 6. Driven by our brand power and product excellence, Atour's hotel network steadily expanded, with the successful launch of various high-quality projects. In the third quarter, we opened 152 new hotels, a record high for a single quarter. By the end of the third quarter, we had a total of 1,948 hotels in operation, representing a 27.1% year-over-year increase. We have full confidence in achieving our strategic target of the "2,000 Premier Hotels" by year-end, laying a solid foundation for the next phase of our journey.

As of the end of the third quarter, our pipeline of hotels under development remained steady at 754. Amid our rapid expansion, we remain steadfast in our "quality-first" principle. By applying rigorous project selection criteria and strict quality standards, we are driving healthy and sustainable high-quality growth.

Next, I would like to share the latest developments for our hotel brands.

Please turn to slide 7. Within our upper midscale product portfolio, Atour 3.6 represents a new benchmark for Atour Series 3 hotels. To date, we have opened 19 Atour 3.6 hotels, which continue to gain market recognition and acclaim. Through meticulous attention to detail and optimized scenario design, Atour 3.6 seamlessly integrates functional amenities, premium service, and humane ambiance. It effectively addresses the core needs of guests for efficiency and comfort, offering a new, more refined choice for travel experiences.

Please turn to slide 8. Grounded in a forward-looking understanding of consumers' long-term needs, Atour Series 4 has received strong market recognition, reaffirming its precise product positioning. In the third quarter, the RevPAR of Atour 4.0 hotels in operation for more than 3 months surpassed RMB 500. While delivering both functional utility and emotional value, Atour 4.0 hotels place greater emphasis on fostering a deep resonance with guests, creating a healing experience that promotes holistic well-being.

The upper midscale segment has long been our core focus and strategic foundation. By leveraging the synergistic deployment of Atour Series 3 and Series 4, we effectively serve the diverse needs of different customer groups. As Atour products continue to penetrate core business districts across cities, we will further solidify our competitive moat and leading position in the upper midscale market.

Please turn to slide 9. SAVHE Hotel represents a significant breakthrough for us in the upscale lifestyle segment. In the third quarter, the two operating hotels demonstrated robust performance, with RevPAR exceeding RMB900. On November 18, our third SAVHE hotel began its soft opening in Guangzhou and has already received positive market feedback. With its unique design style and exceptional accommodation experience, SAVHE Hotel continues to attract a diverse clientele, demonstrating its substantial growth potential.

SAVHE Hotel is dedicated to creating rejuvenating journeys for the discerning clientele, masterfully fusing Eastern cultural heritage with modern aesthetics. We are now collaborating with a professional institution to integrate scientific wellness concepts across the guest experience, from customized healthy diet to carefully curated in-room amenities, building a comprehensive deep experience for guests, and showcase our thoughts and practice of the "Chinese Experience" concept in the upscale segment. For our expansion strategy, we will continue to adhere to precise site selection, striving to make every SAVHE hotel a model of local upscale lifestyle.

Please turn to slide 10. For our midscale brand, we consolidated our differentiated advantages by continuously refining our products, improving operational efficiency and enhancing brand building. Atour Light continued its strong performance in the third quarter, with the RevPAR of Atour Light Series 3 hotels in operation surpassing year-ago levels. As the latest upgraded version, Atour Light 3.3 has seen its first batch of hotels successively open. Atour Light 3.3 features a more mature model with that incorporates targeted optimizations in practicality and spatial aesthetics, earning strong acclaim from both users and franchisees.

At the current stage, Atour Light will continue to concentrate its presence in higher-tier cities, advancing steadily while building brand recognition through benchmark projects. Simultaneously, we're systematically enhancing our operational framework by refining service touchpoints, optimizing operational standards, and strengthening talent development. These efforts ensure premium experiences while consistently driving operational efficiency, solidifying our competitive edge in the midscale segment and laying a solid foundation for long-term development of Atour Light brand.

Moving now to our retail business. Please turn to slide 11.

During the third quarter, our retail business sustained strong growth, with GMV reaching RMB994 million, representing a 75.5% year-over-year increase. Online channels continued to contribute over 90% of total GMV. During the recently concluded Double Eleven Shopping Festival, Atour Planet has not only delivered its excellent sales momentum, but has also further strengthened the "Deep Sleep" brand image in the minds of users. Meanwhile, across both the third quarter and Double Eleven period, Atour Planet also ranked among the top brands in the bedding category on major third-party platforms.

Please turn to slide 12. The outstanding performance of Atour Planet keeps validating our ability to provide comprehensive sleep solutions in the market. In our core categories, we pursue breakthrough innovation through initiatives like collaborative R&D with academic institutions, consolidating our competitive advantages while gradually expanding market reach. Meanwhile, based on in-depth insights into user needs, we are also developing new categories such as Deep Sleep Fitted Sheet and Deep Sleep Loungewear, refining and enriching the sleep ecosystem of Atour Planet. Next, I will now walk you through the latest updates on Atour Planet's core categories.

Please turn to slide 13. In the third quarter, Atour Planet continued to lead the market in the pillow category across major third-party platforms. Deep Sleep Memory Foam Pillow Pro 3.0 has received glowing reviews for its excellent support and comfort. Since its launch, it has shown strong sales performance: exceeding RMB100 million GMV in just 25 days, reducing 19 days compared to the previous generation. Up till now, the cumulative sales volume of the Deep Sleep Pillow Series has exceeded 8 million units since its release. In addition, we've expanded the pillow portfolio with products like Deep Sleep Travel Pillow (Travel) and Deep Sleep Pillow (Children), gradually building a product portfolio that covers different scenarios and serves various user groups. This expansion demonstrates our execution capabilities in enhancing sleep experiences while reinforcing our category leadership position.

Please turn to slide 14. Atour Planet is leading the transformation of the comforter category driven by the exceptional performance of our Deep Sleep Thermo-Regulating Comforter Series. As the seasons change, we launched two upgraded products in the third quarter: Deep Sleep Thermo-Regulating Comforter Pro 2.0 (All-Season and Winter Season). Both feature an upgraded dual-layer temperature control system that dynamically adjusts the sleep micro-environment for more stable rest. To date, the cumulative sales volume of the Deep Sleep Thermo-Regulating Comforter Series has exceeded 2 million units since its launch.

Please turn to slide 15. With the launch of new products, targeting users' core sensory needs during sleep, we officially released the "Atour Planet Deep Sleep Standard," covering the "Dynamic Pressure Stabilization Factor" for the pillow category and the "Dynamic Temperature Management Factor" for the comforter category. In the future, this standard will serve as the core criterion for product iteration, ensuring high quality and consistency of products. The establishment of this standard has also driven us to continuously enhance our supply chain capabilities, further strengthening our competitive advantages and technical barriers in the sleep field. Our goal with this is to elevate industry standards and make natural deep sleep an experience that every user can truly perceive and achieve.

In the current market where imitators and followers are emerging, Atour Planet remains committed to its founding aspiration, dedicated to listening to users' genuine needs and refining product details. Our deep understanding and agile responsiveness to user needs have become a solid moat supporting long-term brand development. In the meantime, we'll keep strengthening our foundational capabilities. We'll pursue excellence in product development, supply chain management, and quality control to solidify a strong foundation for healthy growth. Looking to the future, we're ready to work with our industry partners to move forward together and guide China's sleep industry to a new stage of higher-quality development.

Please turn to slide 16. Last but not least, I would like to share our progress across our membership business and channel development.

With our growing brand influence and the continuous enrichment of our membership benefits system, our membership base maintained robust growth. By the end of the third quarter, the number of registered individual members exceeded 108 million, representing a year-over-year growth of over 30%. In terms of channel development, our core CRS channel remained stable, accounting for 62.4% of the total room nights sold in the third quarter. The contribution of room nights sold to corporate members was 20% during the quarter.

Please turn to slide 17. The evolution of the ACARD system and the upgrade of membership benefits stem from our deep understanding of members' genuine needs. By integrating online and offline resources, we've created multi-scenario, end-to-end service experiences that continuously explore innovative possibilities in quality living. Looking ahead, we will sharpen ACARD's brand positioning. With a focus on the complete customer lifecycle, we'll analyze consumption patterns across accommodation and retail scenarios among different user groups, expanding lifestyle experiences and introducing compelling benefits and activities to deepen emotional connection with our members.

Please turn to slide 18. Moving forward, we will continue to deepen our focus across three key areas of user, employee, and fundamental capabilities. As for our users, we will always adhere to the "User-First" philosophy, embedding it across all touchpoints of our hotel and retail businesses. We will continuously enhance users' experiences and deepen our emotional connection with them. For our employees, we pay close attention to their growth trajectories and accumulated experience. Through diversified mechanisms, we redefine traditional industry promotion and development paths, driving continuous organizational evolution. To strengthen

our foundational capabilities, we have been leveraging digital solutions alongside granular operations management, thus driving a comprehensive upgrade in both efficiency and the customer experience, providing a solid foundation the group's long-term, sustainable, high-quality growth.

I will now turn the call over to our Co-CFO, Mr. Wu Jianfeng, who will discuss our financial results.

Wu Jianfeng:

Thank you, Haijun. I'd like to present the Company's financial performance for the third quarter of 2025.

Please turn to slide 20 of the results presentation. Our net revenues for the third quarter of 2025 grew by 38.4% year-over-year and 6.5% quarter-over-quarter to RMB2,628 million.

Revenues from our manachised hotels for the third quarter of 2025 were RMB1,560 million, up 32.3% year-over-year and 20.1% quarter-over-quarter. The year-over-year increase was primarily fueled by the ongoing expansion of our hotel network. The total number of our manachised hotels increased from 1,504 as of September 30, 2024 to 1,924 as of September 30, 2025. The quarter-over-quarter increase was mainly due to growth in RevPAR and our supply chain business.

Revenues contributed by our leased hotels for the third quarter of 2025 were RMB164 million, representing a decrease of 13.4% year-over-year and an increase of 9.7% quarter-over-quarter. The year-over-year decline was primarily driven by a decrease in the number of leased hotels as a result of our product mix optimization. The quarter-over-quarter increase was mainly due to an increase in RevPAR.

Revenues from our retail business for the third quarter of 2025 were RMB846 million, reflecting a 76.4% year-over-year increase but a 12.3% quarter-over-quarter decline. The year-over-year growth was driven by increasing brand recognition, successful product innovation, and a broadened range of product offerings. The quarter-over-quarter decline was primarily due to the seasonality of our retail business.

Now, let's move to costs and expenses. Please turn to slide 21

Hotel operating costs for the third quarter of 2025 increased by 23.5% year-over-year and 21.1% quarter-over-quarter to RMB1,082 million. These increases were primarily due to higher variable costs, such as supply chain costs and hotel manager costs, associated with our ongoing hotel network expansion. Gross margin of our hotel businesses expanded to 37.3% in the third quarter of 2025 from 36.0% during the same period of 2024, primarily due to a lower proportion of leased hotels as a result of our product mix optimization.

Retail costs for the third quarter of 2025 went up by 76.3% year-over-year and down by 11.2% quarter-over-quarter to RMB400 million. The year-over-year increase was associated with the rapid growth of our retail business. Gross margin of our retail business remained stable compared to the same period of 2024.

Now please turn to slide 22.

Selling and marketing expenses for the third quarter of 2025 were RMB355 million, compared with RMB218 million for the same period of 2024. Selling and marketing expenses accounted for 13.5% of net revenues for the third quarter of 2025, compared with 11.5% for the same period of 2024. The increase was mainly due to investment in brand recognition and the effective development of online channels, in line with the growth of our retail business.

General and administrative expenses for the third quarter of 2025 were RMB100 million and included RMB10 million in share-based compensation expenses, compared with RMB82 million for the same period of 2024 which included RMB3 million in share-based compensation expenses. General and administrative expenses, excluding share-based compensation expenses, accounted for 3.4% of net revenues for the third quarter of 2025, compared with 4.2% for the same period of 2024. The decrease was primarily due to improved management efficiency and economies of scale.

Technology and development expenses for the third quarter of 2025 were RMB44 million, compared with RMB30 million for the same period of 2024. Technology and development expenses accounted for 1.7% of net revenues for the third quarter of 2025, compared with 1.6% for the same period of 2024.

Please turn to slide 23. Adjusted net income for the third quarter of 2025 was RMB488 million, representing a 27.0% increase year-over-year. Adjusted net profit margin for the third quarter of 2025 was 18.6%. Adjusted EBITDA for the third quarter of 2025 was RMB685 million, up by 28.7% year-over-year. Adjusted EBITDA margin for the third quarter of 2025 was 26.1%.

Please turn to slide 24. We also maintained a healthy cash position. As of September 30, 2025, our cash and cash equivalents totaled RMB2,670 million, with net cash of RMB2,603 million.

Please turn to slide 25. In line with our commitment to enhancing shareholder value, and our Annual Dividend Policy adopted in August 2024, today we declared our second cash dividend for 2025, totaling approximately US\$50 million. Through a comprehensive shareholder return initiative encompassing dividends and share repurchases, we are taking concrete actions to reward shareholders' trust and support, enabling all shareholders to share in the company's growth achievements.

Please turn to slide 26. For full-year 2025, given ongoing network expansion and rapid growth of our retail business, we currently expect total net revenues to increase by 35% compared with full-year 2024.

That concludes our financial highlights for the third quarter of 2025.

Now, let's open the floor for Q&A.

Luke Hu:

Thank you for joining us today. If you have any further questions, please feel free to contact our IR team. We look forward to speaking with you again next quarter. Thank you, and goodbye.