

Atour Lifestyle Holdings
Second Quarter 2025 Earnings Conference Call

Opening Remarks

Operator introduction

Ladies and Gentlemen, thank you for standing by, and welcome to the Atour Lifestyle Holdings Second 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 Second 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, and thank you for joining Atour's second quarter 2025 earnings call today.

In the first half of the year, China's travel market went through a period of volatility and adjustment. While overall demand steadily recovered, the industry still faced numerous challenges amidst this high-growth cycle. Against this backdrop, we believe that a true industry leader must not only validate its business model through scale, but also build a strong brand moat grounded in customer reputation. Therefore, Atour has always stayed true to our founding aspiration, refocus on customers, placing their needs at the forefront and adhering to our business philosophy of "serving people." We continue to drive product innovation and iteration across both our hotel and retail businesses, leveraging differentiated experiential strengths to build defensible competitive advantages. This allows us to stay resilient through industry cycles and pursue sustainable long-term growth.

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

Let's begin with our hotel business: Please turn to slide 4 of our 2Q25 results presentation. Our RevPAR was RMB343 in the second quarter, representing 95.7% of its level in the same period of 2024. Specifically, OCC reached 97.4% and ADR stood at 98.2% of their levels in the same period in 2024.

Please turn to slide 5. In the second quarter, RevPAR for our mature hotels in operation for more than 18 months was 94.4% of the level in the same period of 2024, while OCC and ADR stood at 96.5% and 97.8% of 2024's levels for the same period, respectively.

Please turn to slide 6. In the process of expanding our scale, we have always adhered to a long-term growth principle, with hotel quality as our top priority. This ensures each new hotel carries forward our brand DNA and delivers consistent experiences, thereby supporting sustainable growth through quality. In the second quarter, we maintained a steady pace of expansion with 118 hotels opened. By the end of the second quarter, we had a total of 1,824 hotels in operation, representing a 29.2% year-over-year increase.

Meanwhile, leveraging our solid brand momentum and continuously enhanced product strength, we have been gradually building differentiated competitive edges. With multiple brands and product lines that precisely target various market segments, we offer franchisees a rich and diverse range of investment options. By the end of the second quarter, the number of hotels under development reached 816. The growth of high-quality pipeline projects is fueling strong momentum toward our strategic goal of "2,000 Premier Hotels."

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

Please turn to slide 7. In the upper midscale market, the parallel development of Atour Series 3 and Series 4 enables us to gain deeper insights into demand across segmented scenarios, driving our further penetration in the upper midscale segment. Among them, Atour Series 3 consolidates our core brand position in mainstream business travel scenarios. The latest Atour 3.6 version is built on the product philosophy of “Timeless and Humane” and focuses on customer needs for both functional space and ambience, further enhancing the convenience and comfort of the stay experience. The first batch of Atour 3.6 hotels have gradually opened and received strong market recognition for their outstanding product strength, which is driving robust signing momentum.

Please turn to slide 8. As a next-generation benchmark product for the upper midscale market, Atour Series 4 focuses on prime locations in high-tier cities, precisely catering to the blended needs of business trips and urban vacations. On June 28, we celebrated the one-year anniversary of our first Atour 4.0 hotel. By seamlessly integrating spatial aesthetics with local culture, it has established a moat of differentiated experiences, marking a critical transition from product innovation to quality validation. To date, more than 30 Atour 4.0 hotels have opened, with over 60 hotels under development in our pipeline.

Please turn to slide 9. Today, consumers increasingly prioritize experiential consumption that fulfills their inner needs. However, traditional upscale hotels have struggled to keep pace, as their facilities and service offerings exhibit a significant mismatch of evolving guest expectations. The introduction of SAVHE hotel represents a successful effort to redefine the standards of upscale hotel experiences. Guided by the brand ethos of “Oriental Serenity,” SAVHE creates deeply immersive experiences across sleep, healing, and wellness, revolutionizing the traditional hotel’s approach to guest care. On May 28, our first SAVHE flagship hotel officially opened in Shenzhen and has received widespread acclaim for its distinctive Oriental lifestyle experience.

As a newly developed upscale brand, SAVHE hotel addresses present needs while anticipating emerging consumption trends. Looking ahead, SAVHE will focus on rigorous site selection in core business districts of first-tier and new first-tier cities, while continuously optimizing its product model based on customer feedback and operating performance. We expect each thoughtfully crafted SAVHE hotel to become a lifestyle landmark in every city it enters, demonstrating to both customers and franchisees an innovative model in China’s new generation of upscale hotels.

Please turn to slide 10. Atour Light 3.3, as an extension and upgrade of Atour Light 3.0, has comprehensively improved its design style, functional modules, and operational model to precisely cater to the needs of young business travelers and franchisees, further enhancing our product competitiveness in the midscale hotel segment. From an operational standpoint, we continued to improve efficiency and enhance the customer experience. These efforts have produced strong operating performance in the brand’s metrics and flagship hotels in key cities, while offering franchisees a sustainable return on investment.

We believe the current market environment presents a great opportunity for Atour Light's growth. As a strategic priority for the Group, we will continue to allocate core resources to it. In terms of scale, we are taking a long-term, quality-first approach, making steady progress through a rigorous selection process. In brand building, we maintain a youth-focused positioning and continue to strengthen its presence and influence, further widening our differentiated advantage in the midscale hotel segment.

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

Atour Retail's differentiated advantages stem from a profound understanding of customer needs and steadfast commitment to our "Natural Deep Sleep" concept. Rather than accelerating product launches, we prioritize excellence in addressing core customer needs and carefully capturing the experiential nuances of different scenarios. Through meticulous refinement, we translate these insights into implementable product functionality, gradually enhancing core competitiveness in a way that cannot be replicated.

Fueled by ongoing strong sales of new products and the momentum from promotional campaigns, our retail business maintained robust growth this quarter, with GMV rising 84.6% year-over-year to RMB1,144 million. Online channels continued to account for over 90% of total GMV.

Our retail GMV set a new sales record during the 618 Shopping Festival, reaching RMB578 million, up more than 86% from the same period last year. During this promotional campaign, Atour Planet ranked first in terms of sales in the bedding category for the first time on major third-party platforms. This breakthrough signifies that Atour Planet's "deep sleep solutions" brand positioning has further consolidated consumer mindshare.

Please turn to slide 12. In the pillow category, Atour planet has maintained its leading position on major third-party platforms this quarter, further cementing our leadership position. Based on customer feedback and after several rounds of fine-tuning in material selection, support structure adjustments, and real sleep tests, we officially launched an upgraded version of the Deep Sleep Memory Foam Pillow series this month, the Deep Sleep Memory Foam Pillow Pro 3.0. This product delivers multiple breakthrough upgrades including an innovative curve-fitting design and a partitioned support structure that better cradles the head and naturally fits the curvature of the neck and shoulders. The accompanying pillowcase uses a new weaving technique, which enhances breathability and moisture-wicking while keeping the pillow surface at a stable temperature.

Please turn to slide 13. Meanwhile, after multiple quarters of dedicated research and functional refinement, the momentum of our comforter category has gradually gained market recognition for its product strength. The Deep Sleep Thermo-Regulating Comforter Pro 2.0 (Summer Season) continued its strong sales momentum during the second quarter, driving significant

growth in category sales. Atour Planet also surged to the top of the comforter category rankings on Douyin platform in May.

Please turn to slide 14. This quarter, to address common daily use pain points, we also launched a new product category—the Deep Sleep Fitted Sheet. Atour Planet’s continuously expanding deep sleep product portfolio comprehensively covers the diverse needs of customer home sleep micro-environment and demonstrates our capabilities to provide systematic solutions in the sleep segment.

Looking ahead to the second half, we will further deepen our presence in the sleep market by driving more product iterations and category innovations based on customer needs. We will enhance our R&D capabilities, strictly adhere to production standards, and optimize supply chain management to advance the upgrading of industry craftsmanship and quality standards. We will remain at the forefront of innovations in consumers’ sleep experience and drive high-quality growth in the retail business.

Please turn to slide 15. Last but not least, I would like to share the progress across our membership business and channel development.

With the ongoing refinement of the ACARD membership system and the steady expansion of member benefits, our registered individual members surpassed 102 million by the end of the second quarter, representing a 34.7% year-over-year increase. This marks a new phase for our membership program. In terms of channel development, our CRS channel remained at a healthy level, accounting for 61.5% of total room nights sold in the second quarter. The contribution of room nights sold to corporate members was 20%.

Please turn to slide 16. We believe the core value of our membership business is not on “traffic operations” but on building an “emotional connection” with our customers. Refocusing on customers and responding to their genuine needs is the core value of the continuous evolution of the ACARD system. For example, in June this year, we launched the new Gold Member Growth System to improve Gold members’ perception and satisfaction with membership benefits. This system adopts a “tier-based” benefits release mechanism and extends certain Platinum member benefits to them, better aligning with the pace of members’ progression and their usage needs, while allowing more high-frequency active customers to enjoy premium benefits earlier.

Looking ahead to the second half of the year, we remain committed to our “Chinese Experience” strategy and will continuously strengthen our fundamental capabilities and reinforce execution standards. Amid a complex and volatile external environment, we will uphold our core values of humanistic care and customer focus. Through refined service and high-quality products, we aim to set the benchmark for experiences in the industry and, as always, deliver our warmth and attentiveness to every customer.

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 second quarter of 2025.

Please turn to slide 18 of the results presentation. Our net revenues for the second quarter of 2025 grew by 37.4% year-over-year and 29.5% quarter-over-quarter to RMB2,469 million.

Revenues from our manachised hotels for the second quarter of 2025 were RMB1,299 million, up 26.5% year-over-year and 25.9% quarter-over-quarter. The year-over-year increase was primarily fueled by our ongoing hotel network expansion. The total number of our manachised hotels increased from 1,382 as of June 30, 2024 to 1,800 as of June 30, 2025. The quarter-over-quarter increase was mainly due to an increase in RevPAR. RevPAR for our manachised hotels was RMB340 for the second quarter of 2025, compared with RMB302 for the previous quarter.

Revenues contributed by our leased hotels for the second quarter of 2025 were RMB150 million, a decrease of 17% year-over-year and an increase of 16.4% quarter-over-quarter. The year-over-year decline was primarily due to 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. RevPAR for our leased hotels was RMB513 for the second quarter of 2025, compared with RMB453 for the previous quarter.

Revenues from our retail business for the second quarter of 2025 were RMB965 million, up 79.8% year-over-year and 39.1% quarter-over-quarter. These increases were driven by growing recognition of our retail brands and effective product innovation and development as we successfully broadened our range of product offerings.

Now, let's move to costs and expenses. Please turn to slide 19.

Hotel operating costs for the second quarter of 2025 increased by 15.1% year-over-year and 21.3% quarter-over-quarter to RMB893 million. These increases were primarily due to the increases in 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 38.3% in the second quarter of 2025 from 35.7% during the same period of 2024, primarily attributable to a lower proportion of leased hotels as a result of our product mix optimization.

Retail costs for the second quarter of 2025 rose by 70.0% year-over-year and 33.5% quarter-over-quarter to RMB451 million. These increases were associated with the rapid growth of our retail business. Gross margin of our retail business expanded to 53.3% in the second quarter of 2025 from 50.6% during the same period of 2024, primarily attributable to the increasing contribution from higher-margin products.

Now please turn to slide 20.

Selling and marketing expenses for the second quarter of 2025 were RMB393 million, compared with RMB225 million for the same period of 2024. Selling and marketing expenses accounted for 15.9% of net revenues for the second quarter of 2025, compared with 12.5% 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 second quarter of 2025 were RMB90 million and included RMB2 million in share-based compensation expenses, compared with RMB91 million for the same period of 2024 which included RMB15 million in share-based compensation expenses. General and administrative expenses, excluding share-based compensation expenses, accounted for 3.6% of net revenues for the second 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 second quarter of 2025 were RMB43 million, compared with RMB33 million for the same period of 2024. Technology and development expenses accounted for 1.7% of net revenues for the second quarter of 2025, compared with 1.8% for the same period of 2024.

Please turn to slide 21. Adjusted net income for the second quarter of 2025 was RMB427 million, representing a 30.2% increase year-over-year. Adjusted EBITDA for the second quarter of 2025 was RMB610 million, up by 37.7% year-over-year. Adjusted net profit margin for the second quarter of 2025 was 17.3%, representing a decrease of 0.9 percentage points year-over-year. The decrease was due to a rise in the overall effective tax rate resulting from withholding tax. Adjusted EBITDA margin for the second quarter of 2025 was 24.7%, remaining stable compared to the same period of 2024.

Please turn to slides 22. We also maintained a healthy cash position. As of June 30, 2025, our cash and cash equivalents totaled RMB2,716 million, with net cash of RMB2,649 million.

Please turn to slide 23. For full-year 2025, given ongoing network expansion and rapid growth of our retail business, we currently expect total net revenues to increase by 30% compared with full-year 2024.

That concludes our financial highlights for the second 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.