

**Atour Lifestyle Holdings**  
**Third Quarter 2023 Earnings Conference Call**

**Opening Remarks**

**Operator introduction**

Ladies and Gentlemen, thank you for standing by, and welcome to the Atour Lifestyle Holdings Third Quarter 2023 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. At this time, I would like to turn the conference over to Ms. Alison Zhang, Director of Investor Relations. Please go ahead, ma'am.

**Alison Zhang:**

Thank you, operator. Good morning and good evening, everyone. Welcome to our Third Quarter 2023 Earnings Call. Joining us today are our Founder, Chairman and CEO, Mr. Wang Haijun, and our Co-CFOs, Mr. Wang Shoudong and 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 available on our website at [ir.yaduo.com](http://ir.yaduo.com).

Now, I will turn the call over to Mr. Wang, our CEO.

## Haijun Wang:

Thank you, Alison. Hello, everyone, and thank you for joining Atour's third quarter 2023 earnings call today. We are delighted to report another robust quarter. Our unremitting pursuit of growing to 2,000 premier hotels nationwide by 2025 while establishing the "Chinese experience" as the industry benchmark, along with the continuous expansion of our brand influence, enabled us to capture the growth opportunities arising from both business travel and the peak leisure travel season. As such, we achieved tremendous breakthroughs across each of our business lines.

Now, I would like to discuss our performance in detail.

**Let's begin with our hotel business.** Travel and accommodation demand maintained solid growth momentum in the third quarter, highlighted by a notable uptick during the summer season. Accordingly, our third quarter's RevPAR increased to a record high of RMB 424, and recovery rate rose to 118% of 2019's level, with July, August and September reaching 122%, 116% and 115%, respectively. Moreover, our ADR and OCC maintained their robust growth momentum during the Mid-Autumn Festival and the National Day Holiday period, increasing by 14.6% and 7.2%, respectively, compared with the same period in 2019. Together, they boosted our RevPAR's recovery rate for the period to 123% of 2019's level.

Meanwhile, our mature hotels in operation for more than 18 months sustained their excellent performance. Their same-hotel RevPAR recovery rate reached 118% of 2019's level in the third quarter, in line with the overall performance of our hotel business, highlighting the market's recognition of Atour's brand as well as outstanding efficiency across our business management and operations.

We continued to accelerate our hotel network expansion with 81 new openings in the third quarter, driving our hotel network to reach 1,112 hotels as of the end of September. Meanwhile, propelled by our mounting competitiveness across products and brand, our third quarter's new signings grew rapidly and our pipeline continued to flourish. As of the end of September, our pipeline had soared to 577 hotels, up by more than 60% year-over-year.

Atour Light 3.0, our midscale offering, has continued to gain favor among franchisees since its launch in February. A total of 25 Atour Light 3.0 projects were signed over the quarter,

constituting more than 15% of the quarter's total signings. By the end of September, we had opened 13 Atour Light 3.0 hotels, primarily located in core business districts in higher-tier cities. As a new hotel offering in the midscale market, Atour 3.0 has won broad market recognition for its stylish design as well as Atour's premier experience, resulting in a strong initial showing. In fact, these hotels have performed exceptionally well across key operating metrics since their openings. In their fourth week of operation, average OCC reached 78.8%, while RevPAR surpassed RMB340. We believe Atour Light 3.0 is well-positioned to meet young business travelers' demands for high-quality accommodation experiences while capturing the opportunities arising from property upgrades in core business districts. Moving forward, we anticipate it will rapidly grow to scale.

Moreover, we remain dedicated to product innovation to better meet our customers' evolving demands. On November 11, we officially launched our brand-new upper midscale flagship product, Atour 4.0 "With Nature." Inspired by Yaduo Village, this product revolves around the idea of "natural tranquility," providing customers with immersive experiences infused with contentment and relaxation.

Elegantly outfitted with images of the brand's distinctive hallmark, Yaduo Village's tea tree, Atour 4.0's lobby is specially designed to reintroduce nature and serenity into urban settings. Its new "chatting room" offers a practical, functional open area to work and socialize beyond accommodations.

Additionally, we have fully upgraded Atour 4.0's service standards, amenities and facilities. In our Atour 4.0 hotels, we added a special breakfast area providing more diverse options for an exceptionally nutritious and healthy breakfast, with carefully selected, high-quality ingredients such as non-GMO soybeans from Northeast China, millet from Mizhi County on the Loess Plateau, and many other fresh components. Furthermore, we will cooperate with two niche, luxury bathing brands to create a comforting experience through their bath products' luxurious textures and scents. We also outfitted our gym with equipment from Precor, one of the world's top exercise facility brands, to provide our customers a safer and more effective exercise experience in our well-appointed fitness facilities.

Beyond the enhanced public area design and service standards, we added an innovative, exclusive "Deep Sleep" floor to our Atour 4.0 hotels. This debut concept features stylishly designed corridors lit with a special lighting-guidance system, as well as our Savhe-branded

fragrance permeating the entire floor to create a serene atmosphere. Each room on the floor is equipped with a stepless dimming system, “one-click-to-sleep” smart light controls, and enhanced sound insulation, delivering the ultimate in serenity for optimal sleep. Meanwhile, we provide signature products from Atour Planet’s deep sleep series in each room to create a perfect balance among support, envelopment and pleasant temperature control, further ensuring users’ relaxing sleep experience.

In short, the product innovation we have integrated throughout Atour 4.0 is a testament to our relentless pursuit of providing the ultimate accommodation experience. We are confident that Atour 4.0 will set a new industry benchmark for customer experience in the upper midscale market, propelling industry development and further solidifying Atour’s market-leading competitiveness.

**Moving now to our prime memberships.** Through our persistent efforts to upgrade our membership services and exclusive privileges, our A-Card membership program continues to provide outstanding value for our customers. We have progressively expanded our membership network to include hospitality, retail, dining, culture, art, sports, and various other premium benefits. Consequently, our A-Card membership has gained significant recognition and popularity, resulting in substantial growth of our member base. As of the end of September, the total number of individuals who have enrolled in our A-Card membership program exceeded 54 million.

We are continuously exploring opportunities for cross-industry collaboration to enhance A-Card’s value perception among our members. In October, as an official partner of the Beijing Marathon, Atour extended a series of proprietary rights and benefits to our members, including direct participant access to the Beijing Marathon and an array of value-added services such as special breakfasts and energy supply packs. Moving forward, we will continue to broaden our membership benefits and cover more diverse vertical interests through cross-industry exploration, developing more opportunities while building up our membership ecosystem.

In addition, we also continued to advance our APLUS service offerings to better meet our A-card customers’ ever-growing and diversifying demands and ensure a unique, memorable experience during their stays at Atour. Our signature deep sleep experience is top-of-mind for many A-card members, and our service offerings for achieving deep sleep, such as Pillow Selection and Good Night Milk, have witnessed high levels of demand. Our wide selection of

high-quality offerings effectively enhanced users' recognition and stickiness, significantly boosting the overall usage rate of our APLUS services since the beginning of the year.

At the same time, our direct sales channels remained effective and strong. Even during the peak summer season for leisure travel, room nights sold through our CRS remained stable, reaching 62.5% in the third quarter. Resilience in both individual and corporate membership channels continued to propel the sustainable growth of our occupancy rate.

**Now I'd like to move on to our scenario-based retail business.** We achieved another strong quarter with total GMV reaching a record high of RMB302 million, increasing significantly by 292% year-over-year. Online sales in particular soared, contributing approximately 80% of our total GMV. Our retail business also delivered a remarkable performance during the recently concluded Double Eleven Shopping Festival, as we topped the pillow sales chart across various third-party ecommerce platforms. Double Eleven's GMV across third-party online platforms exceeded RMB250 million, with an increase of over 600% compared with the same period last year, and an increase of more than 140% from this year's 618 Shopping Festival. This impressive performance clearly reflects Atour Planet's continuously strengthening brand awareness and robust growth potential.

We have been consistently promoting innovation across our scenario-based retail business by identifying and exploring our users' evolving demands through their real feedback. Recently, we successfully established an efficient product development mechanism, which has enabled us to roll out numerous blockbuster products. Our Deep Sleep Pillow PRO has enjoyed great success since its launch in March this year, with total sales volume exceeding 800,000 units as of November 11. Moreover, our Deep Sleep Temperature Control Quilt, which is designed to envelop users in a snug and tranquil environment with its advanced temperature-controlled features, recorded an outstanding GMV of over RMB10 million in September. This remarkable achievement serves as a compelling validation of our outstanding product development capabilities.

Beyond our products themselves, exceptional customer experience is the cornerstone of Atour as a leading lifestyle brand. Our retail business' development and success are not only driven by our innovative deep sleep series products, but also by the high-quality shopping experience we provide to our customers. Our Atour Planet flagship stores have garnered five-star ratings in terms of customer experience on both Douyin and Tmall, significantly outperforming our

industry peers. From accommodation to our retail business, we have been proactively implementing our “Chinese Experience” strategy to great effect, further solidifying our brand recognition and propelling our sustainable and quality growth.

Last but not least, we embarked upon a journey to rediscover Atour’s original aspirations in October and returned to Yunnan province to revisit Yaduo Village. Yaduo Village’s spirit has always been our guiding light, inspiring our commitment to creating an intimate ambiance where people can warmly connect. In 2018, we helped the village to form a specialized tea cooperative, adopting an innovative model to encourage full cooperation among enterprises, the cooperative and tea farmers. This initiative has provided a stable income channel for local villagers ever since and empowered Yaduo Village to eradicate poverty village-wide as of the end of 2019. As of September this year, we have increased the planting area of our three tea farms in NuJiang Prefecture to nearly 10,000 mu, a Chinese unit of land measurement. We believe the promotion of tea farms in Yaduo Village will not only help reclaim wasteland for agriculture, but can also contribute positively to Yunnan’s ecological development and environmental conservation.

Now, I’ll turn the call over to our Co-CFO, Mr. Wu Jianfeng, to discuss our financial results.

## Wu Jianfeng:

Thank you, Haijun. Now I would like to present the Company's financial performance for the third quarter of 2023.

Our net revenues for the third quarter of 2023 grew by 93.1% year over year and 18.4% quarter over quarter to RMB1,294 million. The strong increase in the third quarter was driven by the robust growth in both our hotel and scenario-based retail businesses.

Revenues from our managed hotels for the third quarter of 2023 were RMB781 million, up by 82.9% year over year and 24.7% quarter over quarter. These increases were primarily driven by the ongoing expansion of our hotel network and the increase in RevPAR. The total number of managed hotels increased to 1,080 as of September 30, 2023, up by 27.5% year over year and 7.9% quarter over quarter, while RevPAR surpassed 2019's level and recovered to RMB418 for the third quarter of 2023, from RMB317 for the same period of 2022.

Revenues contributed by our leased hotels for the third quarter of 2023 were RMB238 million, representing an increase of 49.3% year over year and 8.5% quarter over quarter. These increases were primarily due to the growth of RevPAR. RevPAR of our leased hotels surpassed 2019's level and recovered to RMB571 for the third quarter of 2023, from RMB384 for the same period of 2022.

Revenues from retail and others for the third quarter of 2023 increased by 229.1% year over year and 11.4% quarter over quarter to RMB275 million, with scenario-based retail revenues growing by 291.7% year over year and 11.1% quarter over quarter to RMB235 million. These increases were attributable to our ongoing efforts to address evolving customer needs as well as our efficient product development mechanism, which enabled us to consistently launch sleep products that are well-received by consumers. In addition, we continued to expand our customer base and enhance our brand recognition through a combination of various online and offline distribution channels.

Now, let's move to costs and expenses.

Our hotel operating costs for the third quarter of 2023 increased by 58.4% year over year to RMB617 million, mainly due to the increase in variable costs, such as supply chain costs associated with the ongoing expansion of our hotel network. Hotel operating costs accounted for 60.5% of total hotel revenues for the third quarter of 2023, compared with 66.3% for the same period of 2022. The decrease was due to the robust growth of RevPAR and the economies of scale brought by our rapid network expansion.

Other operating costs for the third quarter of 2023 were RMB131 million, representing an increase of 190.8% year over year, driven by increased costs associated with the rapid growth of our scenario-based retail business. Other operating costs accounted for 47.6% of retail

revenues and others for the third quarter of 2023, compared with 53.8% for the same period of 2022. The decrease was attributable to improved retail business profitability as a result of the increasing contribution from higher-margin online distribution channels.

Selling and marketing expenses for the third quarter of 2023 increased by 269.3% year over year to RMB112 million. Selling and marketing expenses accounted for 8.7% of net revenues for the third quarter of 2023, compared with 4.5% for the same period of 2022. The year-over-year increase was primarily attributable to the rapid growth of the scenario-based retail business, which was particularly driven by online channels.

General and administrative expenses for the third quarter of 2023 were RMB79 million. Excluding share-based compensation expenses of RMB9 million, adjusted general and administrative expenses increased by 53.3% year over year to RMB70 million for the third quarter of 2023. Adjusted general and administrative expenses accounted for 5.4% of net revenues for the third quarter of 2023, compared with 6.8% for the same period of 2022. The decrease was due to the improvement of our management efficiency and operating leverage.

Our technology and development expenses for the third quarter of 2023 were RMB20 million, compared with RMB16 million for the same period of 2022. Technology and development expenses accounted for 1.6% of net revenues for the third quarter of 2023, compared with 2.5% for the same period of 2022. We will continue to improve our technology and development capabilities and invest in comprehensive digital infrastructure to facilitate our long-term sustainable growth.

Adjusted EBITDA for the third quarter of 2023 was RMB380 million, up by 122.4% year over year. Adjusted EBITDA margin for the third quarter of 2023 was 29.4%, with an increase of 4 percentage points year over year. Adjusted net income for the third quarter increased by 144.7% year over year to RMB272 million. Adjusted net profit margin for the third quarter of 2023 was 21.0%, with an increase of 4 percentage points year over year. The improved Group's overall net margin was primarily driven by the increase in gross profit margin in both our hotel and scenario-based retail businesses, along with our improved operating leverage.

Operating cash inflow for the third quarter of 2023 was RMB543 million. Investing cash outflow and financing cash outflow for the third quarter of 2023 were RMB779 million and RMB98 million, respectively.

Notably, we have maintained a healthy cash position with stable growth momentum. As of September 30, 2023, our cash and cash equivalents totaled RMB2.2 billion. Together with bank structured deposits, we have cash and short-term investments totaling RMB 3.0 billion.