

**Atour Lifestyle Holdings**  
**First Quarter 2024 Earnings Conference Call**

**Opening Remarks**

**Operator introduction**

Ladies and Gentlemen, thank you for standing by, and welcome to the Atour Lifestyle Holdings First Quarter 2024 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 First Quarter 2024 Earnings Call. Today you will hear from our Founder, Chairman and CEO, Mr. Wang Haijun, and our 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](http://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, Alison. Hello, everyone, and thank you for joining Atour's first quarter 2024 earnings call today.

During the first quarter of 2024, the travel market witnessed contrasting demand patterns. While the recovery of business travel was relatively subdued due to macro uncertainties, experience-driven leisure tourism during holidays and weekends maintained its growth momentum from 2023. As a leading upper midscale hotel brand, Atour remained dedicated to advancing the comprehensive upgrade of its experience strategy amid the ever-evolving external environment. By delivering exceptional accommodation experiences, we unleashed greater value across our unique "deep sleep" scenarios. We also continued to enhance and upgrade our products and services, solidifying Atour's leading position in the industry.

Now, I would like to provide more details on our performance for the first quarter of 2024.

**Let's begin with our hotel business.** Please turn to slide 4 of our 1Q24 results presentation. Our RevPAR reached RMB328 in the first quarter, representing 97.4% of its level in the same period of 2023. Notably, we achieved sustainable OCC growth, reaching 101.1% of 2023's level for the same period, demonstrating Atour's resilient demand and leading competitiveness. However, due to a high comparison base resulting from the explosive demand for both business and leisure travel in the same period of 2023, our ADR faced some pressure in the first quarter and decreased by 2.9% year over year.

Please turn to slide 5. Excluding structural impacts such as the ramp-up of new hotels, our mature hotels in operation for more than 18 months performed well during the quarter. Their same-hotel RevPAR was 99.7% of 2023's level for the same period, while OCC reached 102.0% and ADR stood at 98.4%, both compared to the same period in 2023.

Please turn to slide 6. Supported by Atour's increasing brand influence, our hotel network continued to expand and achieved high-quality growth in the first quarter. We maintained our rapid pace in network expansion with 97 new hotel openings. By the end of the first quarter, we had a total of 1,302 hotels in operation, representing a 34.5% increase year-over-year. Notably, our flagship "Atour" brand reached the 1,000-hotel milestone last month, underscoring our leading position in the upper midscale hotel market.

Please turn to slide 7. Moreover, franchisees' confidence remained robust in the first quarter, with a continuous increase in new signings and steady pipeline growth. As of March 31<sup>st</sup>, the number of hotels under development reached 674.

Please turn to slide 8. Thanks to its unique positioning and immense growth potential, Atour Light 3.0 continued to gain favor among franchisees. A total of 30 new Atour Light 3.0 hotels were signed in the first quarter, accounting for more than 15% of our total new signings for the period. As of March 31<sup>st</sup>, we had a total of 36 Atour Light 3.0 hotels in operation, with mature hotels' performances thriving. Despite the traditional off-season, the RevPAR of Atour Light 3.0 hotels in operation for more than 3 months exceeded RMB290 in the first quarter and surged to over RMB300 in April, highlighting Atour Light's strong competitive edge in the midscale segment. We anticipate that the operational performance of Atour Light 3.0 will continue to excel during the upcoming summer holiday season.

Please turn to slide 9. Building upon our ethos of "Life at Ease," we are consistently introducing and refining distinctive services at Atour Light 3.0 hotels, striving to transform each hotel into an intimate oasis within its city. In the first quarter, we launched the new "City Guide" feature, which helps customers explore nearby dining, entertainment, and other attractions, immersing them in the captivating lifestyle and "beautiful, enjoyable, and comfortable" experiences that are unique to Atour Light 3.0 hotels. Furthermore, we unveiled special "Platinum Privileges" in our Atour Light 3.0 hotels, offering our members exclusive benefits. Presently, Atour Light 3.0's comprehensive range of superior services sets the brand apart in the midscale market.

Furthermore, we expanded Atour Light 3.0's co-branded collaborations. For the post-Chinese New Year return-to-work period and the peak interview season, we partnered with a fashion clothing brand to introduce the "Suit Up Station" event. This initiative, offering convenient suit rental services to Atour Light's customers, garnered widespread praise. It not only boosted Atour Light's brand visibility, but also addressed the needs of young business travelers during their trips, conveying a distinctive lifestyle and further strengthening the quintessential "Atour-signature" experience.

**Moving now to our retail business.** Please turn to slide 10. Retail sustained its strong performance in the first quarter, with quarterly GMV up by 277% year over year to RMB 495

million. Sales from online channels continued to flourish, accounting for over 90% of the total GMV in the first quarter.

Atour's deep sleep products continued to attract high market recognition. We are devoted to understanding sleep scenarios, identifying customers' sleep pain points, and continuously developing and launching new products. Through the expansion of our product categories, we aim to provide customers with enhanced solutions for an optimal deep sleep experience. Please turn to slide 11.

Following the success of our popular products like Deep Sleep Pillow PRO and Deep Sleep Temperature Control Quilt, we leveraged our proprietary product development process to delve deeper into customers' fundamental needs for lightweight bedding during the summer season. On March 10<sup>th</sup> of this year, we proudly introduced another standout addition to our deep sleep series: the Deep Sleep Lightweight Comforter. Crafted from imported breathable and moisture-wicking fibers, the core of our lightweight comforter enables efficient heat dissipation, fostering a natural sense of coolness for customers. Moreover, to elevate the deep sleep experience with superior comfort and "touchability," we departed from the conventional design of a comforter with a removable cover. Instead, our one-piece comforter is reversible, with A/B sides made from distinct materials. The A side features natural cooling fabrics, while the B side is fashioned from a cozy fabric with moisture content akin to human skin, allowing customers to quickly switch from cooling to warmth. Because the integrated cover design imposes heightened cleaning and maintenance requirements, our Deep Sleep Lightweight Comforter is machine washable and can be air- or machine-dried at low temperatures, bringing customers an easy-care, minimalist deep sleep experience.

Since its debut, the Atour Deep Sleep Lightweight Comforter has garnered widespread acclaim. Its GMV soared past RMB 10 million just 21 days after its release and continues to maintain robust growth momentum. In April, the Deep Sleep Lightweight Comforter topped the sales charts for comforters on both Douyin and JD.com and ranked among the top 10 in sales on Tmall.

The surging sales of our Deep Sleep Lightweight Comforter are yet another testament to Atour's profound insights and exceptional understanding of "deep sleep," as well as our efficient product research and development capabilities. We are passionate about enhancing customers' sleep experience and remain dedicated to crafting innovative, upgraded solutions to amplify customers' recognition of the Atour Planet Deep Sleep series.

**Transitioning to our membership business.** Please turn to slide 12. Our thriving brand recognition, coupled with our top-tier products and services, has inspired a growing number of customers to join the ACARD membership program, leading to a rapid expansion of our membership base. As of March 31<sup>st</sup>, our registered individual members increased by 86% year over year, surpassing 71 million. Additionally, our CRS channel experienced steady growth in the first quarter, with a 65.1% contribution to the total room-nights sold in the first quarter, increasing by 2.6 percentage points from the same period of last year.

In addition, we have continued to promote the integration of both accommodation and retail members, further solidifying the foundation of our comprehensive and unified ACARD membership ecosystem. Please turn to slide 13. We plan to offer multi-scenario membership points and benefits, thus funneling customers from different scenarios into the unified ACARD membership system. We will also identify and push the boundaries of product and service innovation. Together, these initiatives will create an integrated membership experience for our customers while enhancing ACARD's brand recognition, ultimately empowering us to create a virtuous cycle and achieve greater synergies between the accommodation and retail businesses. Meanwhile, we will leverage our growing customer insights to provide our customers with more tailored product recommendations and personalized offline accommodation experiences, thereby strengthening Atour's experiential advantages.

Last but not least, I am delighted to announce that Atour has published its inaugural ESG report. Please turn to slide 14. As a leader in providing a quality lifestyle and an advocate for the "Chinese Experience," Atour consistently pursues win-win outcomes for the environment, our industry and society as a whole by integrating ESG best practices across our business operations. In 2023, we further enhanced our ESG governance to help build warm connections between people, as well as between people and nature. We strove to establish an efficient, orderly, and responsible management mechanism and foster mutual growth among Atour, our employees, franchisees and partners. Through a broad array of charitable projects, eco-friendly operational upgrades, diversity and inclusion initiatives, and green development efforts, we upheld our original aspirations while assuming our corporate social responsibility. Moving forward, we will holistically deepen our commitment to ESG, augmenting our contributions to society and the industry's sustainable development.

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

**Wu Jianfeng:**

Thank you, Haijun. I'd like to present the Company's financial performance for the first quarter of 2024.

Please turn to slide 16 of the results presentation. Our net revenues for the first quarter of 2024 grew by 89.7% year-over-year and decreased by 2.5% quarter-over-quarter to RMB1,468 million. The year-over-year increase was driven by robust growth in both the hotel and retail businesses. The quarter-over-quarter decrease was caused by the decrease in RevPAR, which was RMB328 for the first quarter of 2024, compared with RMB358 for the previous quarter, and also due to the renovation of one leased hotel.

Revenues from our manachised hotels for the first quarter of 2024 were RMB836 million, up by 87.1% year-over-year while decreasing 1.8% quarter-over-quarter. The year-over-year increase was primarily fueled by the ongoing expansion of our hotel network and rapid growth of the supply chain business. The total number of manachised hotels increased to 1,271 as of March 31st, 2024, up by 35.9% year-over-year. The quarter-over-quarter change was due to the decrease in RevPAR. RevPAR of our manachised hotels was RMB324 for the first quarter of 2024, compared with RMB353 for the previous quarter.

Revenues contributed by our leased hotels for the first quarter of 2024 were RMB168 million, representing a decrease of 10.3% year-over-year and 13.8% quarter-over-quarter. These declines were mostly driven by the renovation of one of our leased hotels into our first Atour 4.0 hotel, as well as the decrease in RevPAR. RevPAR of our leased hotels was RMB455 for the first quarter of 2024, compared with RMB464 for the same period of 2023 and RMB495 for the previous quarter.

Revenues from our retail business for the first quarter of 2024 were RMB417 million, up by 268.9% year-over-year and 1.1% quarter-over-quarter. The increases were attributable to widespread recognition of our retail brands and compelling product offerings, as well as improved product development and distribution capabilities.

Revenues from others for the first quarter of 2024 were RMB 48 million, up by 76.8% year-over-year and 1.7% quarter-over-quarter. The increases were driven by the fast-growing membership business.

Now, let's move to costs and expenses. Please turn to slide 17.

Operating costs and expenses for the first quarter of 2024 were RMB1,154 million, including RMB3 million share-based compensation expenses, compared with RMB719 million, including RMB142 million share-based compensation expenses for the same period of 2023.

Hotel operating costs for the first quarter of 2024 increased by 73.5% year-over-year and decreased by 9.7% quarter-over-quarter to RMB662 million. The year-over-year increase was mainly due to the increase in variable costs, such as supply chain costs, associated with the ongoing expansion of our hotel network. The gross margin of our hotel business was 34.1% for the first quarter of 2024, compared with 39.8% for the same period of 2023. The decrease was attributable to a decreased RevPAR and an increased share of revenue generated by the lower-margin supply chain business.

Retail costs for the first quarter of 2024 increased by 235.0% year-over-year and decreased by 11.2% quarter-over-quarter to RMB206 million. The year-over-year increase was associated with the rapid growth of our retail business. The gross margin of our retail business was 50.5% for the first quarter of 2024, compared with 45.5% for the same period of 2023. The increase in gross margin of retail business was attributable to an increasing contribution from higher-margin online sales.

Now please turn to slide 18.

Selling and marketing expenses for the first quarter of 2024 were RMB175 million, compared with RMB56 million for the same period of 2023. The increase was mainly due to our increased investment in brand awareness and effective online channel development along with the growth of retail business. Selling and marketing expenses accounted for 11.9% of net revenues for the first quarter of 2024, compared with 7.2% for the same period of 2023.

General and administrative expenses for the first quarter of 2024 were RMB77 million, including RMB3 million share-based compensation expenses, compared with RMB193 million, including RMB141 million share-based compensation expenses for the same period of 2023. Excluding the share-based compensation expenses, the increase was primarily due to the increase in labor costs. General and administrative expenses, excluding the share-based compensation expenses, accounted for 5.0% of net revenues for the first quarter of 2024, compared with 6.7% for the same period of 2023.

Technology and development expenses for the first quarter of 2024 were RMB24 million, compared with RMB17 million for the same period of 2023. The increase was mainly due to

increased investments in technology systems and infrastructure to support our expanding hotel network and retail business, as well as improve the customer experience. Technology and development expenses accounted for 1.6% of net revenues for the first quarter of 2024, compared with 2.2% for the same period of 2023.

Please turn to slide 19.

Adjusted net income for the first quarter of 2024 was RMB261 million, up by 63.4% year-over-year. Adjusted net profit margin for the first quarter of 2024 was 17.8%, a decrease of 2.9 percentage points year-over-year. Adjusted EBITDA for the first quarter of 2024 was RMB354 million, up by 53.1% year-over-year. Adjusted EBITDA margin for the first quarter of 2024 was 24.1%, a decrease of 5.8 percentage points year-over-year. The decreases in both margins were primarily due to the decrease in RevPAR and increased revenue contribution from lower-margin supply chain business, as well as organic growth of selling and marketing expenses amid the retail business development.

Please turn to slides 20 and 21. Notably, we have maintained a healthy cash position with stable growth momentum. As of March 31st, 2024, our cash and cash equivalents totaled RMB3,048 million. Among them, net cash was approximately RMB2,956 million.

That concludes our financial highlights for the first quarter of 2024. With that, let's open for Q&A.

**Alison Zhang:**

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