LK 3Q2019 Earnings Highlights

November 13, 2019
This presentation contains certain financial measures that are not recognized under generally accepted accounting principles in the United States ("GAAP"), including non-GAAP operating loss, non-GAAP net loss, non-GAAP basic and diluted net loss per ADS. For a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures, please see the table captioned “Reconciliation of Non-GAAP Measures to the Most Directly Comparable GAAP Measures” in the earnings release.

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Business Overview
Q3 earnings highlights: strong performance across all key metrics

Financial Metrics

Total net revenues from products \(^{(1)}\)
RMB1,493.2mn
+557.6% YoY increase

Store level operating profit \(^{(2)}\)
+12.5% store level profit margin \(^{(3)}\)
RMB186.3mn

Operational Metrics

Store footprint
3,680 stores \(^{(4)}\)
+717 net new stores QoQ

Cumulative transacting customers \(^{(5)}\)
~30.7mn
+7.9mn new customers QoQ

Average monthly total items sold \(^{(6)}\)
~44.2mn items
+470.1% YoY increase

Average monthly transacting customers \(^{(7)}\)
~9.3mn
+397.5% YoY increase

Notes:

1. Calculated as the sum of net revenues from freshly brewed drinks and net revenues from other products
2. Calculated by deducting cost of materials, store rental & other operating costs and depreciation expenses from net revenues from freshly brewed drinks and from other products
3. Calculated by dividing store level operating profit by total net revenues from products
4. Number of stores as of September 30th, 2019
5. Number of cumulative transacting customers refers to the total number of transacting customers since our inception
6. Calculated by dividing the total number of items sold during the quarter by three
7. The number of average monthly transacting customers in the three months during the quarter
High growth with significant improvement in efficiency

Notes:
(1) The number of average monthly transacting customers in the three months during the quarter
(2) Calculated by dividing the total number of items sold during the quarter by three
(3) Calculated as the sum of net revenues from freshly brewed drinks and net revenues from other products

- **Total net revenues from products** (3):
  - +557.6% YoY

- **Average monthly total items sold** (2):
  - +470.1% YoY

- **Average monthly transacting customers** (1):
  - +397.5% YoY

- **Number of stores**:
  - +209.5% YoY

Higher net effective selling price per item

More items per customer

More customers per store

More customers per store
Continued strategic investments in branding

**Continued investments in Luckin Coffee**

- New spokesperson for Luckin Coffee
- Brand advertising
- China Open

**Branding initiatives for Luckin Tea**

- New spokesperson for Luckin Tea
- For Luckin Tea products
- For Luckin Tea stores and partnership model

- NASA store
Luckin Tea has seen strong growth since launch

**Luckin’s Advantages**
- Customer base
- Store footprint
- Supply chain

**Benefits to Luckin**
- Customer retention
- Store throughput
- Profitability

Tested in **April 2019** in 2 cities
Launched in **July 2019 nationwide**
**28 products 5 categories** (1)

- Milk & milk tea series
- BoBo tea series
- Fruit tea series
- Calpis fruit tea series
- Tea macchiato series

No. of cups sold grew
~8.8x in the past 5 months (2)

Notes:
(1) As of September 30, 2019
(2) From May to September 2019

- ✔ High quality
- ✔ High affordability
- ✔ High convenience
Introducing Luckin Tea stores

First store opened in **Oct 2019**

- Expand coverage and deepen penetration in lower-tier cities
- Offer more products to serve more consumption scenarios
- Cultivate consumption habit for coffee in lower-tier cities

**Product focus**

- **Tea focused** (fewer coffee SKUs)
- **Coffee focused** (fewer tea SKUs)

**Geographic focus**

- Nationwide (incl. lower-tier cities)
- More economically vibrant regions

**Store operation**

- Mainly via partnership model
- Mainly self-operated stores

**Supported by the same technology & supply chain network**

**User accounts linked across apps**

We aim to become China's largest freshly made tea player
Introducing our New Retail Partnership model

Responsibilities
- Customers
- Technology
- Supply chain
- Products

Benefits
- Lower capex & opex
- Faster expansion
- More customers, more coverage
- Revenue & profitability

How revenue sharing works
- To new retail partner
- To Luckin

Faster expansion
More customers
Asset-light approach

New retail partner
- Site rental
- Renovation
- Store staff
- Daily operation

Benefits
- Lower risks
- Tech-empowered easy store management
- Branding support
- Customers traffic

No initial fee to Luckin
Tiered revenue sharing
Continue to enrich product offerings

Selected non-coffee product categories

- Juices
- Nuts
- Cups

Juice bottling plant joint venture with LDC

High quality spill proof straw tumblers

Percentage of non-coffee items sold

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>30.9%</td>
</tr>
<tr>
<td>1H2019</td>
<td>34.8%</td>
</tr>
<tr>
<td>3Q2019</td>
<td>44.9%</td>
</tr>
</tbody>
</table>
Sustainable advantages creates a virtuous cycle

High entry barriers
- Operations
- Technology
- Capital

First-mover advantages
- Cost structure
- Customer experience
- Store network

Sustainable advantages
- Lower costs
- Lower prices
- More data and SKUs
- More customers
- More stores
- More products
- Higher frequency
- Higher convenience
Financial Results Overview
Strong momentum across all key metrics

**Number of stores**

- As of 1Q2018: 290
- As of 2Q2018: 624
- As of 3Q2018: 1,189
- As of 1Q2019: 2,073
- As of 2Q2019: 2,370
- As of 3Q2019: 2,963

**Cumulative number of transacting customers (1)**

- As of 1Q2018: 485
- As of 2Q2018: 2,918
- As of 3Q2018: 5,984
- As of 1Q2019: 12,530
- As of 2Q2019: 16,872
- As of 3Q2019: 22,777

**Average monthly items sold (2)**

- As of 1Q2018: 488
- As of 2Q2018: 4,001
- As of 3Q2018: 7,760
- As of 4Q2018: 17,645
- As of 1Q2019: 16,276
- As of 2Q2019: 27,593
- As of 3Q2019: 44,245

Notes:

1. Number of cumulative transacting customers refers to the total number of transacting customers since our inception.
2. Calculated by dividing the total number of items sold during the quarter by three.
Notes:

(1) Calculated as (net revenues from products - cost of materials - store rental and other operating costs - depreciation expenses) / net revenues from products

(2) Calculated as non-GAAP net loss (by adjusting net loss for non-cash share-based compensation and change in the fair value of warrant liability) divided by net revenues (including other revenue)
Product revenue beat our Q3 guidance as a result of strong business fundamentals

### Net revenues breakdown and growth

#### Product revenue growth

<table>
<thead>
<tr>
<th></th>
<th>QoQ</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>893%</td>
<td>108%</td>
</tr>
<tr>
<td></td>
<td>93%</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>95%</td>
<td>95%</td>
</tr>
<tr>
<td></td>
<td>72%</td>
<td>72%</td>
</tr>
</tbody>
</table>

#### Breakdown of total revenue

- Net revenues from freshly brewed drinks
- Net revenues from other products
- Others (1)

(RMB millions)

<table>
<thead>
<tr>
<th></th>
<th>1Q2018</th>
<th>2Q2018</th>
<th>3Q2018</th>
<th>4Q2018</th>
<th>1Q2019</th>
<th>2Q2019</th>
<th>3Q2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>QoQ</td>
<td>893%</td>
<td>108%</td>
<td>93%</td>
<td>2%</td>
<td>95%</td>
<td>72%</td>
<td></td>
</tr>
<tr>
<td>YoY</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3955%</td>
<td>698%</td>
<td>558%</td>
</tr>
</tbody>
</table>

### Key drivers

1. **Average monthly transacting customers (3)**
   - 9.3mn
   - QoQ Increase ~ 51%
   - YoY Increase ~ 397%

2. **Average monthly items per transacting customer (4)**
   - 4.7 items
   - QoQ Increase ~ 6%
   - YoY Increase ~ 15%

3. **Net selling price per item (5)**
   - 11.2 RMB
   - QoQ Increase ~ 7%
   - YoY Increase ~ 15%

### Notes:

1. Mainly include delivery fees paid by customers
2. The number of average monthly transacting customers in the three months during the quarter
3. Calculated by dividing net revenues from products during the period by the average number of stores during the period
4. Calculated as total items sold over the period divided by total transacting customers over the period
5. Calculated as total net revenues from products over the period divided by total items sold over the period
Material improvement in cost structure

Operating expenses as a percentage of net revenues from products

**Cost of materials**

- 85.8%
- 69.5%
- 66.8%
- 67.4%
- 62.0%
- 53.5%
- 48.3%

- 1Q18
- 2Q18
- 3Q18
- 4Q18
- 1Q19
- 2Q19
- 3Q19

**Store rental & other operating costs**

- 184.2%
- 91.7%
- 91.7%
- 76.0%
- 64.7%
- 63.4%
- 42.7%
- 32.0%

- 1Q18
- 2Q18
- 3Q18
- 4Q18
- 1Q19
- 2Q19
- 3Q19

**Depreciation expenses**

- 36.1%
- 13.7%
- 12.7%
- 13.4%
- 18.9%
- 10.2%
- 7.3%

- 1Q18
- 2Q18
- 3Q18
- 4Q18
- 1Q19
- 2Q19
- 3Q19

Operating expenses as a percentage of total net revenues

**Sales and marketing expenses**

- 420.0%
- 146.5%
- 146.5%
- 93.5%
- 61.9%
- 35.1%
- 42.9%
- 36.2%

- 1Q18
- 2Q18
- 3Q18
- 4Q18
- 1Q19
- 2Q19
- 3Q19

**General and administrative expenses**

- 301.2%
- 61.7%
- 61.7%
- 61.7%
- 31.7%
- 36.1%
- 29.2%
- 16.0%

- 1Q18
- 2Q18
- 3Q18
- 4Q18
- 1Q19
- 2Q19
- 3Q19

**Store preopening and other expenses**

- 85.6%
- 17.5%
- 12.4%
- 7.7%
- 4.7%
- 1.9%
- 1.4%

- 1Q18
- 2Q18
- 3Q18
- 4Q18
- 1Q19
- 2Q19
- 3Q19

Notes:

(1) As a percentage of net revenues from products
(2) As a percentage of total net revenues
Further reduction in unit costs driven by material increase in # of items sold per store
One cup costs – freshly brewed drinks

Notes:
(1) Calculated as (cost of raw materials of freshly brewed drinks + free product promotion expenses) / number of freshly brewed drinks sold + (low value consumables + logistic fees + store rental + payroll + utilities and other store operating expenses + depreciation expenses) / number of total items sold
(2) Calculated as the total number of items sold during the period / the average number of stores (beginning of period and end of period) / number of days during the period (assuming 30 days per month)
(3) Calculated as (cost of raw materials of freshly brewed drinks + free product promotion expenses) / number of freshly brewed drinks sold
(4) Calculated as (cost of store rental expenses + payroll + utilities and other store operating expenses) / number of total items sold
(5) Calculated as (total depreciation expenses, including depreciation of equipment and depreciation of leasehold improvement and others) / number of total items sold
(6) Calculated as (low value consumables + logistic expenses + storage fees) / number of total items sold

Cost breakdown per cup

Number of items per store per day (2)
Decreasing importance of delivery orders

**Percentage of delivery orders**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q2018</th>
<th>2Q2018</th>
<th>3Q2018</th>
<th>4Q2018</th>
<th>1Q2019</th>
<th>2Q2019</th>
<th>3Q2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery</td>
<td>61.7%</td>
<td>62.2%</td>
<td>51.4%</td>
<td>40.8%</td>
<td>27.7%</td>
<td>19.8%</td>
<td>12.8%</td>
</tr>
</tbody>
</table>

**Delivery subsidy per item (1)**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q2018</th>
<th>2Q2018</th>
<th>3Q2018</th>
<th>4Q2018</th>
<th>1Q2019</th>
<th>2Q2019</th>
<th>3Q2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery</td>
<td>2.3</td>
<td>2.7</td>
<td>2.3</td>
<td>1.8</td>
<td>1.3</td>
<td>0.8</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Note:
(1) Calculated as delivery expenses subtracted by delivery revenues. Delivery subsidy per item during each quarter is calculated as (delivery expenses – other revenues) / (average monthly items sold during the period * 3)
Strategic investment in branding resulting in increase in new transacting customers and higher repeat spending

New customer acquisition costs

- Free product promotion expenses (1)
- Other new customer acquisition costs (2)

New transacting customers (in millions)

<table>
<thead>
<tr>
<th></th>
<th>1Q2018</th>
<th>2Q2018</th>
<th>3Q2018</th>
<th>4Q2018</th>
<th>1Q2019</th>
<th>2Q2019</th>
<th>3Q2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free product promotion expenses</td>
<td>15.8</td>
<td>11.8</td>
<td>9.3</td>
<td>10.1</td>
<td>16.9</td>
<td>6.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Other new customer acquisition costs</td>
<td>87.7</td>
<td>54.7</td>
<td>51.6</td>
<td>25.0</td>
<td>14.9</td>
<td>10.1</td>
<td>41.6</td>
</tr>
</tbody>
</table>

Transaction value per customer (based on listed price) (3)

<table>
<thead>
<tr>
<th></th>
<th>1Q2018</th>
<th>2Q2018</th>
<th>3Q2018</th>
<th>4Q2018</th>
<th>1Q2019</th>
<th>2Q2019</th>
<th>3Q2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>New customer acquisition costs</td>
<td>0.5</td>
<td>2.4</td>
<td>3.1</td>
<td>6.5</td>
<td>4.3</td>
<td>5.9</td>
<td>7.9</td>
</tr>
</tbody>
</table>

Notes:
(1) Calculated as free product promotion expenses / number of new transacting customers during the period
(2) Calculated as (advertising expenses + other sales and marketing expenses excluding delivery) / number of new transacting customers during the period
(3) Calculated as total value of items sold to customer in a cohort (defined as the new transacting customers during a specific month as a cohort) during the month based on listed price divided by the total number of customers from the cohort
Continued reduction in net cash used in operations and strong liquidity position

**Net cash used in operating activities**

(RMB millions)

<table>
<thead>
<tr>
<th></th>
<th>3Q2018</th>
<th>2Q2019</th>
<th>3Q2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>(720)</td>
<td>(375)</td>
<td>(123)</td>
<td></td>
</tr>
</tbody>
</table>

**Capex**

(RMB millions)

<table>
<thead>
<tr>
<th></th>
<th>3Q2018</th>
<th>2Q2019</th>
<th>3Q2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>(326)</td>
<td>(212)</td>
<td>(352)</td>
<td></td>
</tr>
</tbody>
</table>

**Total liquidity**

(RMB millions)

<table>
<thead>
<tr>
<th></th>
<th>As of 3Q2018</th>
<th>As of 2Q2019</th>
<th>As of 3Q2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,119</td>
<td>6,051</td>
<td>5,544</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
(1) Capex is composed of renovation investment, investment in coffee machine and other equipment
(2) Liquidity is defined as the sum of cash and cash equivalents and short-term investments
Q&A