May 20, 2024

# Zacks Small-Cap Research

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**Michael Kim**
312-265-9372
mkim@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

## ATRenew Inc. (RERE-NYSE)

### RERE: 1Q24 Earnings Shortfall, But Increasingly Tapping into Complementary Products and Sales Channels

ATRenew reported a net loss of $12.9 million for 1Q24, or ($0.05) per ADS. Adjusted EPS came in at $0.01, shy of our $0.05 estimate reflecting higher expenses and less favorable non-operating trends. Edging down our 2024 and 2025 adjusted EPS estimates from $0.23/$0.38 to $0.18/$0.35, though no change to our $4.00 price target.

| | |
|---|---|
| Current Price (05/20/24) | $2.71 |
| **Valuation** | **$4.00** |

## OUTLOOK

Key 1Q24 takeaways include: 1) management remains focused on enhancing recycling penetration rates by increasingly tapping into complementary products and sales channels; 2) ongoing margin expansion reflecting rising operating leverage, further operating efficiencies, and building sales of higher-margin refurbished devices; and 3) accelerating capital management, with ample liquidity to reinvest in the business for growth, repurchase shares, possibly start paying dividends, and capitalize on potential M&A opportunities.

While RERE has meaningfully outperformed recently, we believe current levels for the stock still provide investors with an attractive entry point, as awareness and appreciation of the company's business model, growth prospects, competitive positioning, and valuation disconnect increasingly take hold.

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$3.30** |
| **52-Week Low** | **$1.01** |
| **One-Year Return (%)** | **-7.99** |
| **Beta** | **N/A** |
| **Average Daily Volume (sh)** | **1,200,709** |
| **Shares Outstanding (mil)** | **242** |
| **Market Capitalization ($mil)** | **$655** |
| **Short Interest Ratio (days)** | **N/A** |
| **Institutional Ownership (%)** | **21** |
| **Insider Ownership (%)** | **3** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **N/A** |
| **Earnings Per Share (%)** | **N/A** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **24.6** |
| **P/E using 2024 Estimate** | **15.0** |
| **P/E using 2025 Estimate** | **7.7** |

| | |
|---|---|
| **Risk Level** | **Average** |
| **Type of Stock** | **Small-Growth** |
| **Industry** | **Technology Services** |

## ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2022 | 348 A | 320 A | 357 A | 432 A | 1,431 A |
| 2023 | 418 A | 409 A | 446 A | 546 A | 1,826 A |
| 2024 | 506 A | 514 E | 563 E | 651 E | 2,233 E |
| 2025 | | | | | 2,840 E |

**Adjusted Net Income/American Depositary Shares[1]**

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2022 | -$0.02 A | -$0.01 A | $0.04 A | $0.01 A | $0.03 A |
| 2023 | $0.03 A | $0.02 A | $0.03 A | $0.05 A | $0.13 A |
| 2024 | $0.01 A | $0.05 E | $0.05 E | $0.07 E | $0.18 E |
| 2025 | | | | | $0.35 E |

Quarterly revenues may not equal annual revenues due to FX rates.
[1]Excludes share-based compensation expenses and amortization of intangible assets, as well as related tax impacts.

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## 1Q24 EARNINGS: HIGHER EXPENSES/NON-OPERATING LOSS DRIVE EPS MISS

Pre-market open on 5/20/24, ATRenew reported 1Q24 earnings results. On a GAAP basis, RERE reported a net loss of $12.9 million for 1Q24, or ($0.05) per ADS (Exhibit 1). That said, excluding non-cash share-based compensation and intangible assets amortization expenses, adjusted EPS came in at $0.01, shy of our $0.05 estimate (Exhibit 2). Relative to our model, while both product and services revenue came in above expectations (+$0.04 per share), the EPS miss was mostly a function of higher expenses (-$0.06) and less favorable non-operating trends (-$0.03). The quarter included a non-recurring $5.7 million unrealized loss related to holdings of a strategic ecosystem enterprise that went public during the quarter.

Focusing on the top line, total revenue of RMB 3,651 million ($505.7 million) came in at the high end of management's prior guidance range and meaningfully above our RMB 3,562 million ($493.3 million) estimate on a more favorable 1P gross margin and a higher marketplace take rate for the quarter.

Total expenses of RMB 3,695 million ($511.7 million) were materially ahead of RMB 3,575 million ($495.1 million) forecast, with actuals coming in above our estimates across-the-board. That said, RERE's adjusted operating income margin of 2.2% for 1Q24 was in line with our forecast.

**Exhibit 1: 1Q24 GAAP Actual vs. Estimates**
**($ millions)**

| | 1Q24 | | Change | |
|---|---|---|---|---|
| | Actual | Estimate | $ | % |
| Revenues | | | | |
| Net product revenues | 458.4 | 448.8 | 9.6 | 2.1% |
| Net service revenues | 47.3 | 44.5 | 2.8 | 6.3% |
| **Total Net Revenues** | **505.7** | **493.3** | **12.4** | 2.5% |
| | | | | |
| Expenses | | | | |
| Merchandise costs | (408.3) | (401.3) | (7.0) | 1.7% |
| Fulfillment expenses | (42.9) | (38.3) | (4.6) | 11.9% |
| Selling and marketing expenses | (44.5) | (41.9) | (2.6) | 6.1% |
| General and administrative expenses | (10.2) | (7.9) | (2.3) | 29.1% |
| Technology and content expenses | (7.0) | (7.4) | 0.4 | -6.1% |
| Goodwill impairment loss | 0.0 | 0.0 | 0.0 | NM |
| Other operating income, net | 1.2 | 1.7 | (0.6) | -32.8% |
| **Total Expenses** | **(511.7)** | **(495.1)** | **(16.6)** | 3.3% |
| | | | | |
| **Operating Income/(Loss)** | **(6.0)** | **(1.8)** | **(4.2)** | 231.3% |
| Interest expense | (0.6) | (0.3) | (0.3) | 100.6% |
| Interest income | 0.9 | 2.1 | (1.2) | -57.2% |
| Other income/(loss), net | (5.7) | 0.0 | (5.7) | NM |
| **Pre-Tax Income/(Loss)** | **(11.4)** | **0.0** | **(11.4)** | NM |
| Income tax benefits | 1.4 | (0.0) | 1.4 | NM |
| Share of loss in equity method investments | (2.9) | 0.0 | (2.9) | NM |
| **Net Income/(Loss)** | **(12.9)** | **0.0** | **(12.9)** | NM |
| | | | | |
| **Earnings per share, basic and diluted** | **($0.05)** | **$0.00** | **($0.05)** | **NM** |
| Weighted avg shares out, basic and diluted | 242.2 | 239.3 | 2.9 | 1.2% |

Source: Company Reports and Zacks Small Cap Research estimates and calculations.

**Exhibit 2: 1Q24 Non-GAAP Actual vs. Estimates**
**($ millions)**

| | 1Q24 | | Change | |
|---|---|---|---|---|
| | Actual | Estimate | $ | % |
| Non-GAAP Reconciliations | | | | |
| Operating Income/(Loss) | (6.0) | (1.8) | (4.2) | 231.3% |
| Share-Based Compensation Expenses | (7.9) | (4.3) | (3.5) | 80.6% |
| Amortization of Intangible Assets | (9.3) | (8.3) | (0.9) | 11.0% |
| **Adjusted Operating Income** | **11.1** | **10.9** | **0.2** | 2.1% |
| | | | | |
| Net Income/(Loss) | (12.9) | 0.0 | (12.9) | NM |
| Share-Based Compensation Expenses | (7.9) | (4.3) | (3.5) | 80.6% |
| Amortization of Intangible Assets | (9.3) | (8.3) | (0.9) | 11.0% |
| Tax Impact | 1.4 | 1.3 | 0.1 | 7.2% |
| **Adjusted Net Income** | **2.9** | **11.4** | **(8.6)** | -74.9% |
| **Adjusted Earnings per share, diluted** | **$0.01** | **$0.05** | **($0.04)** | **-75.2%** |
| Weighted avg shares out, diluted | 242.2 | 239.3 | 2.9 | 1.2% |

Source: Company Reports and Zacks Small Cap Research estimates and calculations.

## KEY TAKEAWAYS

Following our review of 1Q24 results, we highlight the following key takeaways:

1. **Revenue opportunity – casting a wider net:** Despite flattening demand for new consumer electronics devices more broadly in China, management remains focused on enhancing recycling penetration rates by increasingly tapping into complementary products and sales channels in order to promote revenue growth sustainability. Indeed, senior officials anticipate total revenues for 2Q24 to be in the range of RMB 3,670 million and RMB 3,770 million, implying year-over-year growth of 24% to 27%.

   From a product perspective, ATRenew continues to expand product recycling categories beyond consumer electronics, with a focus on luxury goods (bags, watches, jewelry) given accelerating demand trends. In 1Q24, the transaction value for non-electronics products reached RMB 600 million, up 4x compared to the year-ago quarter. Stepping back, broader product offerings enhance store sales and profitability, all else equal.

   Next, ATRenew continues to further monetize partnerships with e-commerce sites by integrating trade-in services at the point-of-sale for new products. ATRenew serves as the exclusive partner of JD.com for consumer electronics trade-in transactions, with the gross market value of trade-in products sourced from JD.com rising by 43% on a year-over-year basis in 1Q24.

   Finally, the regulatory backdrop remains favorable, with state and local governments continuing to introduce initiatives to stimulate recycling activity. In March of this year, China's State Council published an action plan to further promote trade-in activity including subsidies to e-commerce sites and cell phone manufacturers.

2. **Ongoing margin expansion:** Our model assumes RERE's adjusted operating income margin continues to trend higher reflecting several key drivers:

   - First, management remains focused on expense management and improving profitability, and we look for rising economies of scale as transaction volumes and revenues continue to build.

   - Second, ongoing enhancements of automated inspection and grading capabilities at the company's operations centers and flexible capacity utilization continue to drive operating efficiencies.

   - Third, sales of higher-margin (20%+) refurbished devices continue to rise. For 1Q24, related sales totaled RMB 282.4 million, up 95% year-over-year, and representing 8.5% of total net product revenues for the quarter.

   - Fourth, we expect growth in promotional expenses to lag revenue growth, as sales from Apple's trade-in program (which require limited marketing efforts) continue to accelerate, thereby driving higher margins, all else equal. Moreover, management remains focused on optimizing sourcing costs from Apple to further improve profitability, with related product revenue expected to increase by approximately RMB 1 billion in 2024.

3. **Accelerating capital management story:** While management took a pause on share repurchases during the first quarter of 2024, ATRenew remains ample liquidity to reinvest in the business for growth and return excess capital to shareholders. The company maintains an asset-light business model, with limited capital expenditure needs. Indeed, new offline store openings generally require RMB 100,000 (<$14,000) on average. In addition to share repurchases, management is considering paying a dividend to shareholders later this year. Furthermore, the company's strong balance sheet enables management to capitalize on potential M&A opportunities to further accelerate growth.

## REFINING EPS ESTIMATES

After updating our model for 1Q24 actuals, we are edging down our 2024 and 2025 adjusted EPS estimates from $0.23/$0.38 to $0.18/$0.35. Our revisions primarily reflect: 1) the 1Q24 EPS miss; 2) a modestly steeper expense growth trajectory; and 3) less favorable non-operating trends in light of recent balance sheet moves. That said, we raised our 2025 revenue forecast driven by a more constructive outlook for RERE's gross margins and take rates.

Despite our slightly lower earnings outlook, we are leaving our price target unchanged at $4.00 reflecting what we believe to be a lower risk profile for RERE. More specifically, management remains focused on further expanding and diversifying the business model translating into more sustainable top-line growth, realizing ongoing efficiencies to drive improving profitability, and maintaining a strong balance sheet, with incremental capital management levers to pull to enhance shareholder value.

## VALUATION

Given ATRenew's unique end-to-end business model and long-term growth potential, the current stage in the company's lifecycle, and the lack of truly comparable stocks, we rely on our DCF model to value RERE shares. At a high level, despite what we believe to be conservative inputs/assumptions, our valuation work suggests a wide disconnect between ATRenew's fundamentals and the stock's current price.

As a crosscheck, we analyze peer valuation multiples to corroborate our DCF-based price target. At <8x our 2025 adjusted EPS estimate, RERE continues to trade at a meaningful P/E discount to most peer stocks. While we recognize comparable companies are generally larger and more mature, with considerable infrastructure, resource, and financial advantages, RERE maintains a sizeable advantage in terms of projected growth.

Despite the stock's recent outperformance, we believe current levels still provide investors with an attractive entry point for RERE, as awareness and appreciation of the company's business model, growth prospects, competitive positioning, and valuation disconnect increasingly take hold.

## INVESTMENT THESIS

ATRenew is the largest pre-owned consumer electronics transactions and services platform in China, with a focus on mobile phones, laptops, and tablets, as well as luxury goods and household products. Our investment thesis revolves around ATRenew's:

1. **Differentiated Business Model:** ATRenew's unique business model revolves around three key complementary elements: a) efficiently sourcing pre-owned products for resale through AHS Recycle's online platform and offline stores referred to as the company's Consumer-to-Business (C2B) supply chain; b) integrated marketplace platforms focused on facilitating transactions across Business-to-Business (B2B) and Business-to-Consumer (B2C) channels; and c) proprietary inspection, grading, and pricing technologies. ATRenew's holistic platform model drives financial and operational efficiencies compared to traditional pre-owned transactions that typically involve various intermediaries, thereby compromising timelines and related economics.

2. **Multi-Pronged Growth Story**: Focusing on the supply side, steady growth in the number of new consumer electronics devices entering the market paves the way for accelerating recycling/trade-in opportunities. We look for ATRenew to increasingly leverage the company's differentiated store network and state-of-the-art trade-in solutions with JD.com and Apple to continue to gain market share. Turning to demand, we see several powerful enablers driving higher pre-owned transaction activity including a softer than expected economic recovery in China. Moreover, average selling prices for new phones continue to trend higher, thereby disincentivizing increasingly price-sensitive customers, and stimulating demand for pre-owned devices.

3. **Accelerating Financial Performance:** Our 2024 and 2025 adjusted EPS estimates of $0.18 and $0.35, respectively, imply 37% year-over-year growth this year followed by 90%+ growth in 2025. Focusing on the top line, we forecast revenue growth to hold steady in the 20%-30% range through 2025. Furthermore, we look for operating income margins to trend higher over time driven by higher take rates and rising operating leverage.

4. **Strong Capital Base to Fund Growth + Capital Return:** With RMB 2.6 billion ($360 million) of liquid assets as of March 31, 2024, combined with strong cash flow generation, ATRenew maintains ample liquidity to continue to fund growth and return capital to shareholders. Targeted capital expenditures include: 1) ongoing R&D initiatives, with a focus on technology; 2) upgrading operations centers with automated inspection facilities; 3) wider educational efforts focused on the circular economy and recycle-and-reuse lifestyles; and 4) further expanding and enhancing ATRenew's offline store footprint via new store openings and existing location upgrades. That said, the company's asset-light business model and high inventory turnover reduce the need for hefty/extended capital outlays, and in turn provide flexibility to enhance shareholder returns via buybacks and/or dividends.

5. **Attractive Valuation, with Plenty of Upside:** Given ATRenew's unique end-to-end business model and long-term growth potential, the current stage in the company's lifecycle, and the lack of truly comparable stocks, we value RERE shares based on our DCF model, which points to a fair value of $4.00. Furthermore, our analysis of peer valuation multiples supports our DCF-based price target. At a high level, despite what we believe to be conservative inputs/assumptions, our valuation work suggests a wide disconnect between ATRenew's fundamentals and the stock's current price. The current discrepancy seemingly offers investors an attractive entry point as awareness and appreciation of the company's business model, competitive positioning, and growth prospects increasingly emerges.

## INVESTMENT RISKS

1. **Macroeconomic headwinds in China:** A prolonged economic downturn in China led by weaker consumer demand/confidence would likely pressure the supply and sales of new consumer electronics devices, as well as pre-owned transaction volumes, average selling prices, and gross merchandise values across the industry, with knock-on effects to ATRenew's revenues and earnings.

2. **Circular economy uptake:** A slower shift in consumer behavior/acceptance would likely drive a slower-than-expected ramp up of pre-owned transactions, thereby weighing on ATRenew's product supply, sales, and transaction volumes.

3. **Rising competition:** While ATRenew's end-to-end, omnichannel model remains unique in the industry, ceding market share to competitors would result in incremental pressure on the company's take rates, markups, transaction volumes, and customer acquisition costs, in all likelihood.

4. **Strategic partnerships:** ATRenew is dependent on select strategic relationships to drive a meaningful portion of the company's supply. Indeed, JD.com accounts for ~40% of AHS Recycle-sourced products. Moreover, the company maintains trade-in partnerships with major cell phone manufacturers in China including Apple and Huawei.

5. **Regulatory environment:** ATRenew remains subject to regulatory uncertainties and/or changes in China. In particular, government scrutiny on consumer protection, data security, competitive dynamics, and labor relations remains heightened.

## PROJECTED INCOME STATEMENT (RMB)

**ATRenew Inc.**
**(RMB in millions)**

| | Quarterly | | | | | | | | Annual | | | | Y/Y Growth | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24E | 3Q24E | 4Q24E | 2022 | 2023 | 2024E | 2025E | 2023 | 2024E | 2025E |
| | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Dec-22 | Dec-23 | Dec-24 | Dec-25 | Dec-23 | Dec-24 | Dec-25 |
| Revenues | | | | | | | | | | | | | | | |
| Net product revenues | 2,575.2 | 2,636.7 | 2,924.0 | 3,522.5 | 3,309.8 | 3,376.0 | 3,695.8 | 4,270.2 | 8,676.7 | 11,658.3 | 14,651.8 | 18,683.8 | 34% | 26% | 28% |
| Net service revenues | 296.6 | 327.0 | 332.8 | 351.1 | 341.3 | 343.0 | 373.5 | 432.8 | 1,192.8 | 1,307.5 | 1,490.6 | 1,848.6 | 10% | 14% | 24% |
| **Total Net Revenues** | **2,871.8** | **2,963.7** | **3,256.8** | **3,873.6** | **3,651.1** | **3,719.0** | **4,069.3** | **4,703.0** | **9,869.4** | **12,965.8** | **16,142.4** | **20,532.4** | **31%** | **25%** | **27%** |
| | | | | | 27% | 25% | 25% | 21% | | | | | | | |
| Expenses | | | | | | | | | | | | | | | |
| Merchandise costs | (2,252.1) | (2,325.8) | (2,611.0) | (3,150.0) | (2,947.8) | (3,008.0) | (3,285.6) | (3,783.4) | (7,596.6) | (10,338.9) | (13,024.8) | (16,516.5) | 36% | 26% | 27% |
| Fulfillment expenses | (266.4) | (268.8) | (287.7) | (301.1) | (309.8) | (308.1) | (324.9) | (367.3) | (1,123.5) | (1,124.0) | (1,310.0) | (1,541.8) | 0% | 17% | 18% |
| Selling and marketing expenses | (299.0) | (335.3) | (299.5) | (317.0) | (321.3) | (323.6) | (350.0) | (392.7) | (1,536.1) | (1,250.9) | (1,387.7) | (1,612.0) | -19% | 11% | 16% |
| General and administrative expenses | (76.4) | (57.5) | (69.8) | (62.2) | (73.8) | (75.2) | (82.3) | (95.1) | (230.4) | (266.0) | (326.4) | (415.2) | 15% | 23% | 27% |
| Technology and content expenses | (47.4) | (45.0) | (39.4) | (63.8) | (50.2) | (55.8) | (61.0) | (70.5) | (227.8) | (195.7) | (237.6) | (308.0) | -14% | 21% | 30% |
| Goodwill impairment loss | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (1,819.9) | 0.0 | 0.0 | 0.0 | -100% | NM | NM |
| Other operating income, net | 2.0 | 7.8 | 22.6 | 3.8 | 8.4 | 12.5 | 12.5 | 12.5 | 41.2 | 36.3 | 45.9 | 60.0 | -12% | 27% | 31% |
| **Total Expenses** | **(2,939.4)** | **(3,024.6)** | **(3,284.8)** | **(3,890.3)** | **(3,694.5)** | **(3,758.2)** | **(4,091.3)** | **(4,696.5)** | **(12,493.1)** | **(13,139.1)** | **(16,240.5)** | **(20,333.4)** | **5%** | **24%** | **25%** |
| **Operating Income/(Loss)** | **(67.6)** | **(61.0)** | **(28.1)** | **(16.7)** | **(43.4)** | **(39.2)** | **(22.0)** | **6.5** | **(2,623.7)** | **(173.3)** | **(98.1)** | **198.9** | **-93%** | **-43%** | **-303%** |
| Interest expense | (0.8) | (2.5) | (2.2) | (1.6) | (4.0) | (4.9) | (4.9) | (4.9) | (6.2) | (7.1) | (18.7) | (19.6) | 14% | 165% | 5% |
| Interest income | 8.0 | 5.6 | 11.1 | 13.2 | 6.6 | 5.9 | 6.0 | 6.1 | 17.8 | 37.9 | 24.6 | 24.9 | 113% | -35% | 1% |
| Other income/(loss), net | (0.6) | (1.7) | (4.4) | 0.8 | (41.4) | 0.0 | 0.0 | 0.0 | 38.8 | (5.9) | (41.4) | 0.0 | -115% | 604% | -100% |
| **Pre-Tax Income/(Loss)** | **(61.0)** | **(59.6)** | **(23.6)** | **(4.2)** | **(82.2)** | **(38.1)** | **(20.9)** | **7.6** | **(2,573.2)** | **(148.4)** | **(133.6)** | **204.2** | **-94%** | **-10%** | **-253%** |
| Income tax benefits | 11.9 | 11.7 | 10.0 | 8.9 | 10.0 | 7.6 | 4.2 | (1.5) | 111.8 | 42.5 | 20.3 | (40.8) | -62% | -52% | -301% |
| Share of loss in equity method investments | (0.8) | (17.0) | (30.6) | (1.9) | (20.7) | 0.0 | 0.0 | 0.0 | (6.5) | (50.4) | (20.7) | 0.0 | 678% | -59% | -100% |
| **Net Income/(Loss)** | **(50.0)** | **(64.8)** | **(44.2)** | **2.8** | **(92.9)** | **(30.5)** | **(16.7)** | **6.1** | **(2,467.9)** | **(156.3)** | **(134.0)** | **163.4** | **-94%** | **-14%** | **-222%** |
| Foreign currency translation adjustment | (10.5) | 32.1 | (5.7) | (7.0) | 0.2 | 0.2 | 0.2 | 0.2 | (30.0) | 8.9 | 1.0 | 1.0 | -130% | -89% | 0% |
| Net comprehensive loss | (60.5) | (32.7) | (49.9) | (4.2) | (92.6) | (30.2) | (16.5) | 6.3 | (2,498.0) | (147.4) | (133.0) | 164.3 | -94% | -10% | -224% |
| **Earnings per share, basic and diluted** | **(0.31)** | **(0.40)** | **(0.27)** | **0.02** | **(0.58)** | **(0.19)** | **(0.10)** | **0.04** | **(15.16)** | **(0.96)** | **(0.83)** | **1.03** | **-94%** | **-13%** | **-223%** |
| Weighted average shares outstanding, basic an | 163.8 | 162.9 | 161.3 | 160.8 | 161.5 | 160.9 | 160.4 | 159.8 | 162.8 | 162.2 | 160.6 | 158.9 | 0% | -1% | -1% |
| Non-GAAP Reconciliations | | | | | | | | | | | | | | | |
| Operating Income/(Loss) | (67.6) | (61.0) | (28.1) | (16.7) | (43.4) | (39.2) | (22.0) | 6.5 | (2,623.7) | (173.3) | (98.1) | 198.9 | -93% | -43% | -303% |
| Share-Based Compensation Expenses | (33.0) | (35.0) | (35.0) | (31.4) | (56.6) | (56.6) | (56.6) | (56.6) | (174.2) | (134.4) | (226.6) | (226.6) | -23% | 69% | 0% |
| Amortization of Intangible Assets | (79.0) | (77.9) | (66.9) | (66.9) | (66.9) | (66.9) | (66.9) | (66.9) | (2,456.3) | (290.7) | (267.6) | (267.6) | -88% | -8% | 0% |
| **Adjusted Operating Income** | **44.4** | **52.0** | **73.8** | **81.6** | **80.2** | **84.4** | **101.5** | **130.0** | **6.9** | **251.7** | **396.1** | **693.1** | **3546%** | **57%** | **75%** |
| Net Income/(Loss) | (50.0) | (64.8) | (44.2) | 2.8 | (92.9) | (30.5) | (16.7) | 6.1 | (2,467.9) | (156.3) | (134.0) | 163.4 | -94% | -14% | -222% |
| Share-Based Compensation Expenses | (33.0) | (35.0) | (35.0) | (31.4) | (56.6) | (56.6) | (56.6) | (56.6) | (174.2) | (134.4) | (226.6) | (226.6) | -23% | 69% | 0% |
| Amortization of Intangible Assets | (79.0) | (77.9) | (66.9) | (66.9) | (66.9) | (66.9) | (66.9) | (66.9) | (2,456.3) | (290.7) | (267.6) | (267.6) | -88% | -8% | 0% |
| Tax Impact | 11.9 | 11.7 | 10.0 | 10.0 | 10.0 | 12.7 | 12.7 | 12.7 | 111.8 | 43.7 | 48.1 | 50.7 | -61% | 10% | 5% |
| **Adjusted Net Income** | **50.1** | **36.4** | **47.6** | **91.0** | **20.6** | **80.4** | **94.1** | **117.0** | **50.8** | **225.2** | **312.1** | **606.8** | **343%** | **39%** | **94%** |
| **Adjusted Earnings per share, diluted** | **0.30** | **0.22** | **0.29** | **0.57** | **0.13** | **0.50** | **0.59** | **0.73** | **0.30** | **1.39** | **1.94** | **3.82** | **364%** | **40%** | **97%** |
| Weighted average shares outstanding, diluted | 169.2 | 168.0 | 166.1 | 160.8 | 161.5 | 160.9 | 160.4 | 159.8 | 169.9 | 162.2 | 160.6 | 158.9 | -5% | -1% | -1% |

Source: Company reports and Zacks SCR estimates and calculations.

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## PROJECTED INCOME STATEMENT (USD)

**ATRenew Inc.**
**($ millions)**

| | Quarterly | | | | | | | | Annual | | | | Y/Y Growth | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24E | 3Q24E | 4Q24E | 2022 | 2023 | 2024E | 2025E | 2023 | 2024E | 2025E |
| | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Dec-22 | Dec-23 | Dec-24 | Dec-25 | Dec-23 | Dec-24 | Dec-25 |
| Revenues | | | | | | | | | | | | | | | |
| Net product revenues | 375.0 | 363.6 | 400.8 | 496.1 | 458.4 | 466.9 | 511.2 | 590.6 | 1,258.0 | 1,642.0 | 2,027.1 | 2,584.2 | 31% | 23% | 27% |
| Net service revenues | 43.2 | 45.1 | 45.6 | 49.5 | 47.3 | 47.4 | 51.7 | 59.9 | 172.9 | 184.2 | 206.2 | 255.7 | 6% | 12% | 24% |
| **Total Net Revenues** | **418.2** | **408.7** | **446.4** | **545.6** | **505.7** | **514.4** | **562.8** | **650.5** | **1,430.9** | **1,826.2** | **2,233.4** | **2,839.9** | **28%** | **22%** | **27%** |
| Expenses | | | | | | | | | | | | | | | |
| Merchandise costs | (327.9) | (320.7) | (357.9) | (443.7) | (408.3) | (416.0) | (454.4) | (523.3) | (1,101.4) | (1,456.2) | (1,802.0) | (2,284.4) | 32% | 24% | 27% |
| Fulfillment expenses | (38.8) | (37.1) | (39.4) | (42.4) | (42.9) | (42.6) | (44.9) | (50.8) | (162.9) | (158.3) | (181.2) | (213.3) | -3% | 14% | 18% |
| Selling and marketing expenses | (43.5) | (46.2) | (41.0) | (44.7) | (44.5) | (44.8) | (48.4) | (54.3) | (222.7) | (176.2) | (192.0) | (223.0) | -21% | 9% | 16% |
| General and administrative expenses | (11.1) | (7.9) | (9.6) | (8.8) | (10.2) | (10.4) | (11.4) | (13.2) | (33.4) | (37.5) | (45.2) | (57.4) | 12% | 21% | 27% |
| Technology and content expenses | (6.9) | (6.2) | (5.4) | (9.0) | (7.0) | (7.7) | (8.4) | (9.8) | (33.0) | (27.6) | (32.9) | (42.6) | -17% | 19% | 30% |
| Goodwill impairment loss | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (263.9) | 0.0 | 0.0 | 0.0 | -100% | NM | NM |
| Other operating income, net | 0.3 | 1.1 | 3.1 | 0.5 | 1.2 | 1.7 | 1.7 | 1.7 | 6.0 | 5.1 | 6.4 | 8.3 | -15% | 24% | 31% |
| **Total Expenses** | **(428.0)** | **(417.1)** | **(450.2)** | **(547.9)** | **(511.7)** | **(519.8)** | **(565.9)** | **(649.6)** | **(1,811.3)** | **(1,850.6)** | **(2,247.0)** | **(2,812.4)** | **2%** | **21%** | **25%** |
| **Operating Income/(Loss)** | **(9.8)** | **(8.4)** | **(3.8)** | **(2.4)** | **(6.0)** | **(5.4)** | **(3.0)** | **0.9** | **(380.4)** | **(24.4)** | **(13.6)** | **27.5** | **-94%** | **-44%** | **-303%** |
| Interest expense | (0.1) | (0.3) | (0.3) | (0.2) | (0.6) | (0.7) | (0.7) | (0.7) | (0.9) | (1.0) | (2.6) | (2.7) | 11% | 160% | 5% |
| Interest income | 1.2 | 0.8 | 1.5 | 1.9 | 0.9 | 0.8 | 0.8 | 0.8 | 2.6 | 5.3 | 3.4 | 3.4 | 107% | -36% | 1% |
| Other income/(loss), net | (0.1) | (0.2) | (0.6) | 0.1 | (5.7) | 0.0 | 0.0 | 0.0 | 5.6 | (0.8) | (5.7) | 0.0 | -115% | 592% | -100% |
| **Pre-Tax Income/(Loss)** | **(8.9)** | **(8.2)** | **(3.2)** | **(0.6)** | **(11.4)** | **(5.3)** | **(2.9)** | **1.1** | **(373.1)** | **(20.9)** | **(18.5)** | **28.2** | **-94%** | **-12%** | **-253%** |
| Income tax benefits | 1.7 | 1.6 | 1.4 | 1.3 | 1.4 | 1.1 | 0.6 | (0.2) | 16.2 | 6.0 | 2.8 | (5.6) | -63% | -53% | -301% |
| Share of loss in equity method investments | (0.1) | (2.3) | (4.2) | (0.3) | (2.9) | 0.0 | 0.0 | 0.0 | (0.9) | (7.1) | (2.9) | 0.0 | 656% | -60% | -100% |
| **Net Income/(Loss)** | **(7.3)** | **(8.9)** | **(6.1)** | **0.4** | **(12.9)** | **(4.2)** | **(2.3)** | **0.8** | **(357.8)** | **(22.0)** | **(18.5)** | **22.6** | **-94%** | **-16%** | **-222%** |
| Foreign currency translation adjustment | (1.5) | 4.4 | (0.8) | (1.0) | 0.0 | 0.0 | 0.0 | 0.0 | (4.4) | 1.3 | 0.1 | 0.1 | -129% | -89% | 0% |
| Net comprehensive loss | (8.8) | (4.5) | (6.8) | (0.6) | (12.8) | (4.2) | (2.3) | 0.9 | (362.2) | (20.8) | (18.4) | 22.7 | -94% | -11% | -223% |
| **Earnings per share, basic and diluted** | **($0.03)** | **($0.04)** | **($0.03)** | **$0.00** | **($0.05)** | **($0.02)** | **($0.01)** | **$0.00** | **($1.47)** | **($0.09)** | **($0.08)** | **$0.09** | **-94%** | **-15%** | **-223%** |
| Weighted average shares outstanding, basic an | 245.7 | 244.4 | 242.0 | 241.1 | 242.2 | 241.3 | 240.5 | 239.8 | 244.2 | 243.2 | 241.0 | 238.4 | 0% | -1% | -1% |
| Non-GAAP Reconciliations | | | | | | | | | | | | | | | |
| Operating Income/(Loss) | (9.8) | (8.4) | (3.8) | (2.4) | (6.0) | (5.4) | (3.0) | 0.9 | (380.4) | (24.4) | (13.6) | 27.5 | -94% | -44% | -303% |
| Share-Based Compensation Expenses | (4.8) | (4.8) | (4.8) | (4.4) | (7.9) | (7.8) | (7.8) | (7.8) | (25.3) | (18.9) | (31.4) | (31.3) | -25% | 66% | 0% |
| Amortization of Intangible Assets | (11.5) | (10.7) | (9.2) | (9.4) | (9.3) | (9.3) | (9.3) | (9.3) | (356.1) | (40.9) | (37.0) | (37.0) | -89% | -10% | 0% |
| **Adjusted Operating Income** | **6.5** | **7.2** | **10.1** | **11.5** | **11.1** | **11.7** | **14.0** | **18.0** | **1.0** | **35.5** | **54.8** | **95.9** | **3442%** | **55%** | **75%** |
| Net Income/(Loss) | (7.3) | (8.9) | (6.1) | 0.4 | (12.9) | (4.2) | (2.3) | 0.8 | (357.8) | (22.0) | (18.5) | 22.6 | -94% | -16% | -222% |
| Share-Based Compensation Expenses | (4.8) | (4.8) | (4.8) | (4.4) | (7.9) | (7.8) | (7.8) | (7.8) | (25.3) | (18.9) | (31.4) | (31.3) | -25% | 66% | 0% |
| Amortization of Intangible Assets | (11.5) | (10.7) | (9.2) | (9.4) | (9.3) | (9.3) | (9.3) | (9.3) | (356.1) | (40.9) | (37.0) | (37.0) | -89% | -10% | 0% |
| Tax Impact | 1.7 | 1.6 | 1.4 | 1.4 | 1.4 | 1.8 | 1.8 | 1.8 | 16.2 | 6.0 | 6.7 | 7.0 | -63% | 11% | 5% |
| **Adjusted Net Income** | **7.3** | **5.0** | **6.5** | **12.8** | **2.9** | **11.1** | **13.0** | **16.2** | **7.4** | **31.9** | **43.2** | **83.9** | **332%** | **35%** | **94%** |
| **Adjusted Earnings per share, diluted** | **$0.03** | **$0.02** | **$0.03** | **$0.05** | **$0.01** | **$0.05** | **$0.05** | **$0.07** | **$0.03** | **$0.13** | **$0.18** | **$0.35** | **353%** | **37%** | **96%** |
| Weighted average shares outstanding, diluted | 253.7 | 252.1 | 249.2 | 241.1 | 242.2 | 241.3 | 240.5 | 239.8 | 254.9 | 243.2 | 241.0 | 238.4 | -5% | -1% | -1% |

Source: Company reports and Zacks SCR estimates and calculations.

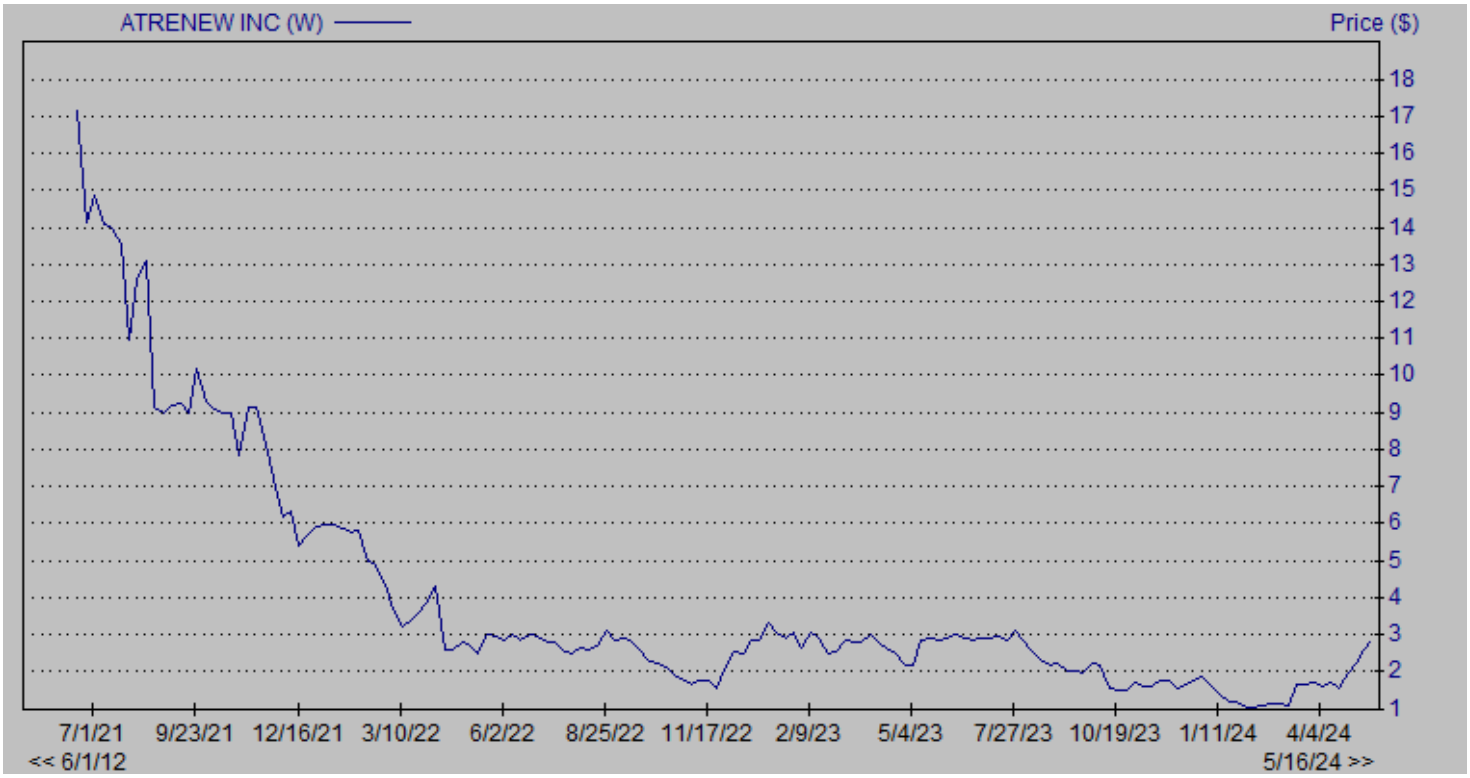
## PROJECTED BALANCE SHEET (RMB)

**ATRenew Inc.**
**(RMB in millions)**

| | Quarterly | | | | | | | | Annual | | | | Y/Y Growth | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | 2Q24E | 3Q24E | 4Q24E | 2022 | 2023 | 2024E | 2025E | 2023 | 2024E | 2025E |
| | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Dec-22 | Dec-23 | Dec-24 | Dec-25 | Dec-23 | Dec-24 | Dec-25 |
| Assets | | | | | | | | | | | | | | | |
| Current Assets: | | | | | | | | | | | | | | | |
| Cash and cash equivalents | 1,565.7 | 1,492.9 | 1,432.2 | 1,978.7 | 1,609.9 | 1,626.0 | 1,642.3 | 1,658.7 | 1,703.6 | 1,978.7 | 1,658.7 | 1,725.1 | 16% | -16% | 4% |
| Restricted cash | 0.0 | 210.0 | 212.0 | 210.0 | 232.0 | 234.3 | 236.7 | 239.0 | 0.0 | 210.0 | 239.0 | 248.6 | NM | 14% | 4% |
| Short-term investments | 644.3 | 599.0 | 348.1 | 410.5 | 472.7 | 477.4 | 482.2 | 487.0 | 782.2 | 410.5 | 487.0 | 506.5 | -48% | 19% | 4% |
| Amount due from related parties, net | 102.6 | 168.0 | 233.8 | 89.6 | 139.6 | 141.0 | 142.4 | 143.9 | 115.5 | 89.6 | 143.9 | 149.6 | -22% | 61% | 4% |
| Inventories | 583.4 | 735.4 | 672.4 | 1,017.2 | 847.7 | 864.7 | 882.0 | 899.6 | 433.5 | 1,017.2 | 899.6 | 971.6 | 135% | -12% | 8% |
| Funds receivable from third party payment se | 292.8 | 241.2 | 321.5 | 253.1 | 285.3 | 288.2 | 291.0 | 293.9 | 316.3 | 253.1 | 293.9 | 305.7 | -20% | 16% | 4% |
| Prepayments and other receivables, net | 608.2 | 468.0 | 601.8 | 567.6 | 633.8 | 640.1 | 646.5 | 653.0 | 539.1 | 567.6 | 653.0 | 679.1 | 5% | 15% | 4% |
| Total Current Assets | 3,796.9 | 3,914.6 | 3,821.7 | 4,526.7 | 4,221.1 | 4,271.8 | 4,323.1 | 4,375.2 | 3,890.2 | 4,526.7 | 4,375.2 | 4,586.2 | 16% | -3% | 5% |
| Non-Current Assets: | | | | | | | | | | | | | | | |
| Amount due from related parties, net, non-cu | 0.0 | 0.0 | 0.0 | 0.0 | 40.0 | 0.0 | 0.0 | 0.0 | 180.0 | 0.0 | 0.0 | 0.0 | -100% | NM | NM |
| Long-term investments | 493.3 | 485.4 | 469.2 | 467.1 | 482.0 | 491.6 | 501.5 | 511.5 | 219.6 | 467.1 | 511.5 | 552.4 | 113% | 10% | 8% |
| Property and equipment, net | 111.8 | 121.0 | 131.0 | 148.2 | 150.1 | 153.1 | 156.2 | 159.3 | 118.6 | 148.2 | 159.3 | 172.0 | 25% | 7% | 8% |
| Intangible assets, net | 474.5 | 404.4 | 337.5 | 270.6 | 203.7 | 199.7 | 195.7 | 191.8 | 544.7 | 270.6 | 191.8 | 176.4 | -50% | -29% | -8% |
| Other non-current assets | 87.6 | 82.5 | 77.2 | 80.4 | 74.4 | 75.9 | 77.4 | 79.0 | 95.7 | 80.4 | 79.0 | 85.3 | -16% | -2% | 8% |
| Total Non-Current Assets | 1,167.3 | 1,093.3 | 1,015.0 | 966.4 | 950.3 | 920.3 | 930.7 | 941.5 | 1,158.6 | 966.4 | 941.5 | 986.2 | -17% | -3% | 5% |
| **Total Assets** | **4,964.2** | **5,007.9** | **4,836.7** | **5,493.1** | **5,171.3** | **5,192.1** | **5,253.9** | **5,316.7** | **5,048.8** | **5,493.1** | **5,316.7** | **5,572.3** | **9%** | **-3%** | **5%** |
| Liabilities | | | | | | | | | | | | | | | |
| Current Liabilities: | | | | | | | | | | | | | | | |
| Short-term borrowings | 319.0 | 279.0 | 200.0 | 349.9 | 560.4 | 560.4 | 560.4 | 560.4 | 124.0 | 349.9 | 560.4 | 560.4 | 182% | 60% | 0% |
| Accounts payable | 84.6 | 70.4 | 116.5 | 532.3 | 133.8 | 135.1 | 136.5 | 137.8 | 73.3 | 532.3 | 137.8 | 143.4 | 626% | -74% | 4% |
| Contract liabilities | 89.6 | 257.7 | 158.1 | 119.7 | 87.0 | 88.7 | 90.5 | 92.3 | 195.4 | 119.7 | 92.3 | 99.7 | -39% | -23% | 8% |
| Accrued expenses and other current liabilitie | 390.0 | 320.9 | 343.8 | 465.1 | 448.1 | 452.6 | 457.1 | 461.7 | 449.5 | 465.1 | 461.7 | 480.2 | 3% | -1% | 4% |
| Accrued payroll and welfare | 93.8 | 119.2 | 142.6 | 146.4 | 105.6 | 107.7 | 109.9 | 112.1 | 132.5 | 146.4 | 112.1 | 121.1 | 10% | -23% | 8% |
| Amount due to related parties | 38.0 | 73.6 | 36.1 | 78.0 | 85.3 | 87.0 | 88.8 | 90.5 | 47.6 | 78.0 | 90.5 | 97.8 | 64% | 16% | 8% |
| Total Current Liabilities | 1,015.0 | 1,120.8 | 997.1 | 1,691.5 | 1,420.3 | 1,431.6 | 1,443.2 | 1,454.9 | 1,022.2 | 1,691.5 | 1,454.9 | 1,502.5 | 65% | -14% | 3% |
| Non-Current Liabilities: | | | | | | | | | | | | | | | |
| Operating lease liabilities, non-current | 23.7 | 17.9 | 19.9 | 22.5 | 17.8 | 18.1 | 18.5 | 18.9 | 33.5 | 22.5 | 18.9 | 20.4 | -33% | -16% | 8% |
| Deferred tax liabilities | 99.5 | 87.8 | 77.7 | 67.7 | 57.6 | 54.7 | 52.0 | 49.4 | 111.3 | 67.7 | 49.4 | 39.5 | -39% | -27% | -20% |
| Total Non-Current Liabilities | 123.1 | 105.6 | 97.6 | 90.2 | 75.4 | 72.9 | 70.5 | 68.3 | 144.8 | 90.2 | 68.3 | 59.9 | -38% | -24% | -12% |
| **Total Liabilities** | **1,138.1** | **1,226.4** | **1,094.7** | **1,781.6** | **1,495.7** | **1,504.5** | **1,513.7** | **1,523.2** | **1,167.1** | **1,781.6** | **1,523.2** | **1,562.4** | **53%** | **-15%** | **3%** |
| **Total Shareholders' Equity** | **3,826.1** | **3,781.5** | **3,742.0** | **3,711.5** | **3,675.7** | **3,687.6** | **3,740.2** | **3,793.5** | **3,881.7** | **3,711.5** | **3,793.5** | **4,009.9** | **-4%** | **2%** | **6%** |
| **Total Liabilities & Shareholders' Equity** | **4,964.2** | **5,007.9** | **4,836.7** | **5,493.1** | **5,171.3** | **5,192.1** | **5,253.9** | **5,316.7** | **5,048.8** | **5,493.1** | **5,316.7** | **5,572.3** | **9%** | **-3%** | **5%** |

Source: Company reports and Zacks SCR estimates and calculations.

## HISTORICAL STOCK PRICE




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