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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)

2Q24 Earnings: Adjusted Operating Income Beat on Higher Revenues; Growth Outlook Remains Bright

ATRenew reported a net loss of $1.5 million for 2Q24, or ($0.01) per ADS. Adjusted EPS came in at $0.04, a penny shy of our $0.05 estimate, as more favorable revenues were offset by and higher shares outstanding. Trimming our 2024 and 2025 adjusted EPS estimates from $0.18/$0.35 to $0.16/$0.32. No change to our $4.00 price target.

Current Price (08/20/24)	$2.46
Valuation	**$4.00**

OUTLOOK

Key 2Q24 takeaways include: 1) revenues likely to step function higher in the near term (4Q24 launch of Apple's iPhone 16) and beyond reflecting building recycling volumes and rising demand for pre-owned products, particularly in light of ongoing government support; 2) management remains focused on increasingly tapping into recycling activity beyond consumer electronics (luxury goods, gold, jewelry, premium liquor), as well as further expanding the company's store footprint and upgrading existing locations to better showcase multi-category products; and 3) we look for further margin expansion looking out to 2H24 and 2025 given a more favorable product/distribution mix.

From a stock perspective, we see further upside for RERE, 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	**$3.03**
52-Week Low	**$1.01**
One-Year Return (%)	**2.93**
Beta	**N/A**
Average Daily Volume (sh)	**1,151,603**
Shares Outstanding (mil)	**254**
Market Capitalization ($mil)	**$624**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**26**
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	**18.9**
P/E using 2024 Estimate	**15.4**
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	520 A	563 E	642 E	2,230 E
2025					2,818 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	$0.04 A	$0.05 E	$0.06 E	$0.16 E
2025					$0.32 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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2Q24 EARNINGS: ADJUSTED OPERATING INCOME BEAT ON HIGHER REVENUES

Pre-market open on 8/20/24, ATRenew reported 2Q24 earnings results. On a GAAP basis, RERE reported a net loss of $1.5 million for 2Q24, or ($0.01) per ADS (Exhibit 1). That said, excluding non-cash share-based compensation and intangible assets amortization expenses, adjusted EPS came in at $0.04, or a penny shy of our $0.05 estimate (Exhibit 2). Relative to our model, while both product and services revenue came in above expectations, the EPS miss was mostly a function of higher weighted-average shares outstanding for the quarter primarily reflecting the vesting/issuance of prior stock option awards.

Focusing on the top line, total revenue of RMB 3,777 million ($519.7 million) came in slightly above the high end of management's prior guidance range and ahead our RMB 3,719 million ($514.4 million) estimate on a more favorable 1P gross margin and higher sales activity.

Total expenses of RMB 3,782 million ($520.5 million) essentially matched our RMB 3,758 million ($519.8 million) estimate. While fulfillment and selling/marketing expenses came in above forecast, the variances were mostly offset by lower merchandise, G&A, and technology costs. Notably, RERE's adjusted operating income margin of 2.5% for 2Q24 (versus our 2.3% estimate) was up 70 bps compared to 2Q23 and 30 bps on a sequential-quarter basis.

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

	2Q24		Change	
	Actual	Estimate	$	%
Revenues				
Net product revenues	468.1	466.9	1.2	0.2%
Net service revenues	51.6	47.4	4.2	8.7%
Total Net Revenues	**519.7**	**514.4**	**5.3**	1.0%
Expenses				
Merchandise costs	(411.5)	(416.0)	4.5	-1.1%
Fulfillment expenses	(45.2)	(42.6)	(2.6)	6.0%
Selling and marketing expenses	(48.7)	(44.8)	(4.0)	8.8%
General and administrative expenses	(10.0)	(10.4)	0.4	-4.0%
Technology and content expenses	(6.9)	(7.7)	0.9	-11.2%
Goodwill impairment loss	0.0	0.0	0.0	NM
Other operating income, net	1.8	1.7	0.1	2.9%
Total Expenses	**(520.5)**	**(519.8)**	**(0.7)**	0.1%
Operating Income/(Loss)	**(0.8)**	**(5.4)**	**4.6**	-85.7%
Interest expense	(0.7)	(0.7)	0.0	-3.8%
Interest income	0.7	0.8	(0.1)	-10.7%
Other income/(loss), net	0.0	0.0	0.0	NM
Pre-Tax Income/(Loss)	**(0.7)**	**(5.3)**	**4.6**	NM
Income tax benefits	1.2	1.1	0.1	NM
Share of loss in equity method investments	(2.0)	0.0	(2.0)	NM
Net Income/(Loss)	**(1.5)**	**(4.2)**	**2.8**	NM
Earnings per share, basic and diluted	**($0.01)**	**($0.02)**	**$0.01**	**NM**
Weighted avg shares out, basic and diluted	249.9	241.3	8.6	3.6%

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

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

	2Q24		Change	
	Actual	Estimate	$	%
Non-GAAP Reconciliations				
Operating Income/(Loss)	(0.8)	(5.4)	4.6	-85.7%
Share-Based Compensation Expenses	(5.9)	(7.8)	1.9	-24.7%
Amortization of Intangible Assets	(7.8)	(9.3)	1.4	-15.4%
Adjusted Operating Income	**12.9**	**11.7**	**1.3**	10.9%
Net Income/(Loss)	(1.5)	(4.2)	2.8	NM
Share-Based Compensation Expenses	(5.9)	(7.8)	1.9	-24.7%
Amortization of Intangible Assets	(7.8)	(9.3)	1.4	-15.4%
Tax Impact	1.2	1.8	(0.6)	-33.0%
Adjusted Net Income	**11.1**	**11.1**	**(0.0)**	-0.3%
Adjusted Earnings per share, diluted	**$0.04**	**$0.05**	**($0.00)**	**-5.2%**
Weighted avg shares out, diluted	253.6	241.3	12.3	5.1%

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

KEY TAKEAWAYS

Following our review of 2Q24 results, we highlight the following key takeaways:

1. **Revenues set to step function higher:** As mentioned earlier, revenues for 2Q24 exceeded expectations led by accelerating volumes (consumer product transactions up 9% year-over-year to 8.4 million in 2Q24 and 33.5 million over the last 12 months) and higher gross margins. Looking ahead, senior officials anticipate total revenues for 3Q24 to be in the range of RMB 3,970 million and RMB 4,070 million ($556 million to $570 million), implying year-over-year growth of 22% to 25%, with a further step up in growth in 4Q24 around the launch of Apple's iPhone 16, we believe.

   Stepping back, our model calls for revenue growth in the mid-20% range in 2025 reflecting two powerful macro trends. First, GDP growth in China remains sluggish, thereby driving building recycling volumes and rising demand for pre-owned products. Second, the Chinese government remains active in promoting trade-in activity (via subsidies) to boost the supply of pre-owned products. Ongoing introductions of governmental policies designed to advance the circular economy also serve to raise awareness and acceptance of recycling, thereby driving more sustainable growth for RERE.

2. **Evolving business model:** As reinforced by commentary on the earnings conference call, management remains focused on increasingly leveraging RERE's differentiated recycling, supply chain, and distribution capabilities to drive higher and more sustainable growth, particularly in light of shifting consumer behavior around spending and trade-in activity. From a product standpoint, recycling activity continues to expand beyond consumer electronics, with higher-growth multi-category GMV up from RMB 1 billion ($138 million) in 2023 to RMB 1.5 billion ($206 million) in 1H24 led by luxury goods, gold, jewelry, and premium liquor. Furthermore, senior officials remain committed to building out corporate services with Apple (recovering pre-owned iPhones and MacBooks from corporate clients), thereby leveraging an incremental source of growth, while repair/refurbishment sales continue to accelerate (RMB 850 million, or $117 million in 1H24).

   Turning to distribution, the company operated1,516 AHS offline stores located in 260 cities across China as of the end of 2Q24. Management remains focused on further expanding the footprint (opened 19 self-operated and 69 jointly-operated stores last quarter), as well as upgrading existing locations to better showcase multi-category products, as well as strengthen the brand. Importantly, the Chinese market lacks a nationwide network of retail stores focused on offering high-quality pre-owned products – a gap RERE management intends to fill. Indeed, product revenue from AHS Select offline stores and the company's official website surged 31% quarter-over-quarter and 8x year-over-year to RMB 210 million ($29 million) in 2Q24. As of the end of 2Q24, the company operated 450 AHS stores equipped with new category recycling capabilities.

   Importantly, RERE recently announced the renewal of the company's business cooperation agreement with JD.com through the end of 2027. The goal of the strategic partnership is to optimize consumer electronics recycling, trade-ins, and sales of pre-owned products across platforms. Notably, the recycling value of products traded in through JD.com surged by over 50% year-over-year in 1H24, with June's trade-in activity surpassing traditional recycling transactions on the platform. Looking ahead, management remains focused on driving higher traffic from JD.com to further boost transaction volumes.

   A key initiative in driving growth remains enhancing awareness of the company's recycling capabilities and strengthening the AHS Recycle brand. More recently, management stepped up marketing efforts via strategic brand marketing, collaborations with leading consumer brands, and reengineered stores. While still early days, incremental market penetration can drive considerable growth in revenue and profits.

3. **Margin expansion story:** RERE's adjusted operating margin rose 70 bps year-over-year to 2.5% for 2Q24, and we look for further margin expansion looking out to 2H24 and 2025. At a high level, management remains focused on balancing investing for growth (rising headcount, infrastructure, and advertising costs) while managing expenses to optimize profitability (non-GAAP fulfillment and selling and marketing expenses as percentages of revenue both down year-over-year). From a mix perspective, multi-category transactions accounted for 8% of service revenues in 2Q24, up from 1% in the prior-year quarter. As the underlying mix continues to shift in favor of higher-growth multi-category recycling services, we would expect further dilution in the firmwide take rate given lower commission/fee rates (~3% compared to 5.3% overall in 2Q24). That said, related volumes carry higher operating margins given limited costs, thereby

driving further growth in profits and operating margin expansion, as the business continues to scale. Similarly, iPhone trade-in activity as part of RERE's recycling partnership with Apple carries lower gross margins (low-single digits vs. 12.1% overall in 2Q24). However, related operating profit contributions remain steady reflecting limited incremental expense, with management setting a long-term margin target of 3% to 4% (ahead of the company's overall adjusted operating margin of 2.5% in 2Q24).

REFINING EPS ESTIMATES

After updating our model for 2Q24 actuals, we are trimming our 2024 and 2025 adjusted EPS estimates from $0.18/$0.35 to $0.16/$0.32. Our revisions primarily reflect: 1) the 2Q24 EPS miss; 2) slightly more conservative revenue growth assumptions reflecting mix shift dynamics; 3) a tick down in margin expectations given management's proactive approach to building ATRenew's brand; and 4) higher shares outstanding in light of 2Q24 options vesting/issuance.

No change to our $4.00 price target implying considerable upside potential from current levels. From a risk profile standpoint, 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.

We continue to 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 rises.

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 incremental 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 over time. 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 $0.16 and $0.32, respectively, imply 24% year-over-year growth this year followed by 95% 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 2.77 billion ($381 million) of liquid assets as of June 30, 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.

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	2Q24	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	3,401.8	3,635.7	4,181.0	8,676.7	11,658.3	14,528.2	18,396.4	34%	25%	27%
Net service revenues	296.6	327.0	332.8	351.1	341.3	374.9	382.4	399.4	1,192.8	1,307.5	1,498.1	1,725.1	10%	15%	15%
Total Net Revenues	**2,871.8**	**2,963.7**	**3,256.8**	**3,873.6**	**3,651.1**	**3,776.7**	**4,018.1**	**4,580.4**	**9,869.4**	**12,965.8**	**16,026.4**	**20,121.5**	**31%**	**24%**	**26%**
					27%	27%	23%	18%							
Expenses															
Merchandise costs	(2,252.1)	(2,325.8)	(2,611.0)	(3,150.0)	(2,947.8)	(2,990.6)	(3,192.1)	(3,670.9)	(7,596.6)	(10,338.9)	(12,801.5)	(16,152.1)	36%	24%	26%
Fulfillment expenses	(266.4)	(268.8)	(287.7)	(301.1)	(309.8)	(328.3)	(339.2)	(368.4)	(1,123.5)	(1,124.0)	(1,345.7)	(1,497.5)	0%	20%	11%
Selling and marketing expenses	(299.0)	(335.3)	(299.5)	(317.0)	(321.3)	(354.0)	(368.6)	(411.0)	(1,536.1)	(1,250.9)	(1,454.9)	(1,765.2)	-19%	16%	21%
General and administrative expenses	(76.4)	(57.5)	(69.8)	(62.2)	(73.8)	(72.5)	(73.2)	(78.8)	(230.4)	(266.0)	(298.4)	(326.1)	15%	12%	9%
Technology and content expenses	(47.4)	(45.0)	(39.4)	(63.8)	(50.2)	(49.8)	(49.0)	(51.3)	(227.8)	(195.7)	(200.2)	(205.0)	-14%	2%	2%
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	12.9	12.9	12.9	41.2	36.3	47.2	60.0	-12%	30%	27%
Total Expenses	**(2,939.4)**	**(3,024.6)**	**(3,284.8)**	**(3,890.3)**	**(3,694.5)**	**(3,782.3)**	**(4,009.1)**	**(4,567.4)**	**(12,493.1)**	**(13,139.1)**	**(16,053.4)**	**(19,886.0)**	**5%**	**22%**	**24%**
Operating Income/(Loss)	**(67.6)**	**(61.0)**	**(28.1)**	**(16.7)**	**(43.4)**	**(5.6)**	**9.0**	**13.0**	**(2,623.7)**	**(173.3)**	**(27.0)**	**235.6**	**-93%**	**-84%**	**-972%**
Interest expense	(0.8)	(2.5)	(2.2)	(1.6)	(4.0)	(4.7)	(4.3)	(4.3)	(6.2)	(7.1)	(17.3)	(17.2)	14%	145%	-1%
Interest income	8.0	5.6	11.1	13.2	6.6	5.3	5.4	5.5	17.8	37.9	22.8	22.4	113%	-40%	-2%
Other income/(loss), net	(0.6)	(1.7)	(4.4)	0.8	(41.4)	0.1	0.0	0.0	38.8	(5.9)	(41.4)	0.0	-115%	602%	-100%
Pre-Tax Income/(Loss)	**(61.0)**	**(59.6)**	**(23.6)**	**(4.2)**	**(82.2)**	**(5.0)**	**10.1**	**14.2**	**(2,573.2)**	**(148.4)**	**(62.9)**	**240.8**	**-94%**	**-58%**	**-483%**
Income tax benefits	11.9	11.7	10.0	8.9	10.0	8.5	(2.0)	(2.8)	111.8	42.5	13.7	(48.2)	-62%	-68%	-451%
Share of loss in equity method investments	(0.8)	(17.0)	(30.6)	(1.9)	(20.7)	(14.3)	(7.0)	(3.5)	(6.5)	(50.4)	(45.5)	0.0	678%	-10%	-100%
Net Income/(Loss)	**(50.0)**	**(64.8)**	**(44.2)**	**2.8**	**(92.9)**	**(10.7)**	**1.1**	**7.8**	**(2,467.9)**	**(156.3)**	**(94.6)**	**192.6**	**-94%**	**-39%**	**-304%**
Foreign currency translation adjustment	(10.5)	32.1	(5.7)	(7.0)	0.2	(0.3)	(0.3)	(0.3)	(30.0)	8.9	(0.8)	(0.8)	-130%	-108%	0%
Net comprehensive loss	(60.5)	(32.7)	(49.9)	(4.2)	(92.6)	(11.0)	0.8	7.5	(2,498.0)	(147.4)	(95.4)	191.9	-94%	-35%	-301%
Earnings per share, basic and diluted	**(0.31)**	**(0.40)**	**(0.27)**	**0.02**	**(0.58)**	**(0.06)**	**0.01**	**0.05**	**(15.16)**	**(0.96)**	**(0.57)**	**1.19**	**-94%**	**-40%**	**-307%**
Weighted average shares outstanding, basic an	163.8	162.9	161.3	160.8	161.5	166.6	165.8	165.0	162.8	162.2	164.7	161.9	0%	2%	-2%
Non-GAAP Reconciliations															
Operating Income/(Loss)	(67.6)	(61.0)	(28.1)	(16.7)	(43.4)	(5.6)	9.0	13.0	(2,623.7)	(173.3)	(27.0)	235.6	-93%	-84%	-972%
Share-Based Compensation Expenses	(33.0)	(35.0)	(35.0)	(31.4)	(56.6)	(42.9)	(42.9)	(42.9)	(174.2)	(134.4)	(185.2)	(171.4)	-23%	38%	-7%
Amortization of Intangible Assets	(79.0)	(77.9)	(66.9)	(66.9)	(66.9)	(56.8)	(56.8)	(56.8)	(2,456.3)	(290.7)	(237.4)	(227.4)	-88%	-18%	-4%
Adjusted Operating Income	**44.4**	**52.0**	**73.8**	**81.6**	**80.2**	**94.1**	**108.7**	**112.7**	**6.9**	**251.7**	**395.6**	**634.4**	**3546%**	**57%**	**60%**
Net Income/(Loss)	(50.0)	(64.8)	(44.2)	2.8	(92.9)	(10.7)	1.1	7.8	(2,467.9)	(156.3)	(94.6)	192.6	-94%	-39%	-304%
Share-Based Compensation Expenses	(33.0)	(35.0)	(35.0)	(31.4)	(56.6)	(42.9)	(42.9)	(42.9)	(174.2)	(134.4)	(185.2)	(171.4)	-23%	38%	-7%
Amortization of Intangible Assets	(79.0)	(77.9)	(66.9)	(66.9)	(66.9)	(56.8)	(56.8)	(56.8)	(2,456.3)	(290.7)	(237.4)	(227.4)	-88%	-18%	-4%
Tax Impact	11.9	11.7	10.0	10.0	10.0	8.5	8.5	8.5	111.8	43.7	35.7	34.2	-61%	-18%	-4%
Adjusted Net Income	**50.1**	**36.4**	**47.6**	**91.0**	**20.6**	**80.5**	**92.2**	**99.0**	**50.8**	**225.2**	**292.4**	**557.3**	**343%**	**30%**	**91%**
Adjusted Earnings per share, diluted	**0.30**	**0.22**	**0.29**	**0.57**	**0.13**	**0.48**	**0.55**	**0.59**	**0.30**	**1.39**	**1.76**	**3.40**	**364%**	**26%**	**94%**
Weighted average shares outstanding, diluted	169.2	168.0	166.1	160.8	161.5	169.1	168.2	167.4	169.9	162.2	166.5	163.8	-5%	3%	-2%

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	2Q24	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	468.1	509.2	585.6	1,258.0	1,642.0	2,021.4	2,576.7	31%	23%	27%
Net service revenues	43.2	45.1	45.6	49.5	47.3	51.6	53.6	55.9	172.9	184.2	208.4	241.6	6%	13%	16%
Total Net Revenues	**418.2**	**408.7**	**446.4**	**545.6**	**505.7**	**519.7**	**562.8**	**641.6**	**1,430.9**	**1,826.2**	**2,229.7**	**2,818.3**	**28%**	**22%**	**26%**
Expenses															
Merchandise costs	(327.9)	(320.7)	(357.9)	(443.7)	(408.3)	(411.5)	(447.1)	(514.2)	(1,101.4)	(1,456.2)	(1,781.1)	(2,262.4)	32%	22%	27%
Fulfillment expenses	(38.8)	(37.1)	(39.4)	(42.4)	(42.9)	(45.2)	(47.5)	(51.6)	(162.9)	(158.3)	(187.2)	(209.8)	-3%	18%	12%
Selling and marketing expenses	(43.5)	(46.2)	(41.0)	(44.7)	(44.5)	(48.7)	(51.6)	(57.6)	(222.7)	(176.2)	(202.4)	(247.2)	-21%	15%	22%
General and administrative expenses	(11.1)	(7.9)	(9.6)	(8.8)	(10.2)	(10.0)	(10.2)	(11.0)	(33.4)	(37.5)	(41.5)	(45.7)	12%	11%	10%
Technology and content expenses	(6.9)	(6.2)	(5.4)	(9.0)	(7.0)	(6.9)	(6.9)	(7.2)	(33.0)	(27.6)	(27.8)	(28.7)	-17%	1%	3%
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	1.8	1.8	1.8	6.0	5.1	6.6	8.4	-15%	28%	28%
Total Expenses	**(428.0)**	**(417.1)**	**(450.2)**	**(547.9)**	**(511.7)**	**(520.5)**	**(561.5)**	**(639.7)**	**(1,811.3)**	**(1,850.6)**	**(2,233.4)**	**(2,785.3)**	**2%**	**21%**	**25%**
Operating Income/(Loss)	**(9.8)**	**(8.4)**	**(3.8)**	**(2.4)**	**(6.0)**	**(0.8)**	**1.3**	**1.8**	**(380.4)**	**(24.4)**	**(3.7)**	**33.0**	**-94%**	**-85%**	**-991%**
Interest expense	(0.1)	(0.3)	(0.3)	(0.2)	(0.6)	(0.7)	(0.6)	(0.6)	(0.9)	(1.0)	(2.4)	(2.4)	11%	142%	0%
Interest income	1.2	0.8	1.5	1.9	0.9	0.7	0.8	0.8	2.6	5.3	3.2	3.1	107%	-41%	-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%	591%	-100%
Pre-Tax Income/(Loss)	**(8.9)**	**(8.2)**	**(3.2)**	**(0.6)**	**(11.4)**	**(0.7)**	**1.4**	**2.0**	**(373.1)**	**(20.9)**	**(8.7)**	**33.7**	**-94%**	**-59%**	**-489%**
Income tax benefits	1.7	1.6	1.4	1.3	1.4	1.2	(0.3)	(0.4)	16.2	6.0	1.9	(6.7)	-63%	-69%	-458%
Share of loss in equity method investments	(0.1)	(2.3)	(4.2)	(0.3)	(2.9)	(2.0)	(1.0)	(0.5)	(0.9)	(7.1)	(6.3)	0.0	656%	-11%	-100%
Net Income/(Loss)	**(7.3)**	**(8.9)**	**(6.1)**	**0.4**	**(12.9)**	**(1.5)**	**0.2**	**1.1**	**(357.8)**	**(22.0)**	**(13.1)**	**27.0**	**-94%**	**-41%**	**-306%**
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%	-108%	1%
Net comprehensive loss	(8.8)	(4.5)	(6.8)	(0.6)	(12.8)	(1.5)	0.1	1.1	(362.2)	(20.8)	(13.2)	26.9	-94%	-36%	-304%
Earnings per share, basic and diluted	**($0.03)**	**($0.04)**	**($0.03)**	**$0.00**	**($0.05)**	**($0.01)**	**$0.00**	**$0.00**	**($1.47)**	**($0.09)**	**($0.05)**	**$0.11**	**-94%**	**-41%**	**-310%**
Weighted average shares outstanding, basic an	245.7	244.4	242.0	241.1	242.2	249.9	248.6	247.4	244.2	243.2	247.1	242.9	0%	2%	-2%
Non-GAAP Reconciliations															
Operating Income/(Loss)	(9.8)	(8.4)	(3.8)	(2.4)	(6.0)	(0.8)	1.3	1.8	(380.4)	(24.4)	(3.7)	33.0	-94%	-85%	-991%
Share-Based Compensation Expenses	(4.8)	(4.8)	(4.8)	(4.4)	(7.9)	(5.9)	(6.0)	(6.0)	(25.3)	(18.9)	(25.8)	(24.0)	-25%	36%	-7%
Amortization of Intangible Assets	(11.5)	(10.7)	(9.2)	(9.4)	(9.3)	(7.8)	(8.0)	(8.0)	(356.1)	(40.9)	(33.0)	(31.8)	-89%	-19%	-4%
Adjusted Operating Income	**6.5**	**7.2**	**10.1**	**11.5**	**11.1**	**12.9**	**15.2**	**15.8**	**1.0**	**35.5**	**55.1**	**88.9**	**3442%**	**55%**	**61%**
Net Income/(Loss)	(7.3)	(8.9)	(6.1)	0.4	(12.9)	(1.5)	0.2	1.1	(357.8)	(22.0)	(13.1)	27.0	-94%	-41%	-306%
Share-Based Compensation Expenses	(4.8)	(4.8)	(4.8)	(4.4)	(7.9)	(5.9)	(6.0)	(6.0)	(25.3)	(18.9)	(25.8)	(24.0)	-25%	36%	-7%
Amortization of Intangible Assets	(11.5)	(10.7)	(9.2)	(9.4)	(9.3)	(7.8)	(8.0)	(8.0)	(356.1)	(40.9)	(33.0)	(31.8)	-89%	-19%	-4%
Tax Impact	1.7	1.6	1.4	1.4	1.4	1.2	1.2	1.2	16.2	6.0	5.0	4.8	-63%	-17%	-4%
Adjusted Net Income	**7.3**	**5.0**	**6.5**	**12.8**	**2.9**	**11.1**	**12.9**	**13.9**	**7.4**	**31.9**	**40.7**	**78.1**	**332%**	**28%**	**92%**
Adjusted Earnings per share, diluted	**$0.03**	**$0.02**	**$0.03**	**$0.05**	**$0.01**	**$0.04**	**$0.05**	**$0.06**	**$0.03**	**$0.13**	**$0.16**	**$0.32**	**353%**	**24%**	**95%**
Weighted average shares outstanding, diluted	253.7	252.1	249.2	241.1	242.2	253.6	252.3	251.1	254.9	243.2	249.8	245.6	-5%	3%	-2%

Source: Company reports and Zacks SCR estimates and calculations.

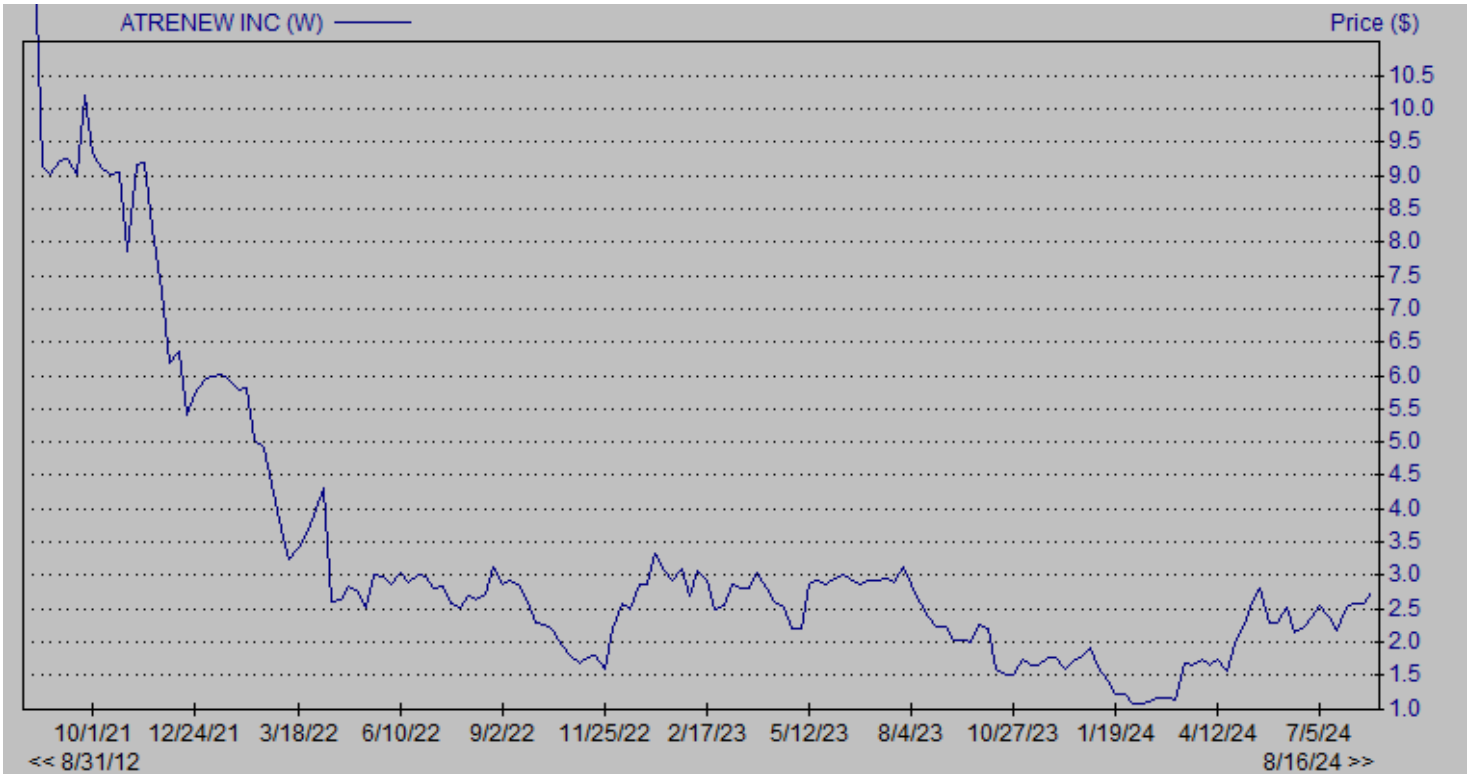
PROJECTED BALANCE SHEET (RMB)

ATRenew Inc.
(RMB in millions)

	Quarterly								Annual				Y/Y Growth		
	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	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	1,643.0	1,659.4	1,676.0	1,703.6	1,978.7	1,676.0	1,743.1	16%	-15%	4%
Restricted cash	0.0	210.0	212.0	210.0	232.0	232.0	234.3	236.7	0.0	210.0	236.7	246.1	NM	13%	4%
Short-term investments	644.3	599.0	348.1	410.5	472.7	637.7	644.1	650.5	782.2	410.5	650.5	676.6	-48%	58%	4%
Amount due from related parties, net	102.6	168.0	233.8	89.6	139.6	179.7	181.5	183.3	115.5	89.6	183.3	190.7	-22%	105%	4%
Inventories	583.4	735.4	672.4	1,017.2	847.7	660.0	673.2	686.7	433.5	1,017.2	686.7	741.6	135%	-32%	8%
Funds receivable from third party payment se	292.8	241.2	321.5	253.1	285.3	256.0	258.5	261.1	316.3	253.1	261.1	271.6	-20%	3%	4%
Prepayments and other receivables, net	608.2	468.0	601.8	567.6	633.8	600.5	606.5	612.6	539.1	567.6	612.6	637.1	5%	8%	4%
Total Current Assets	3,796.9	3,914.6	3,821.7	4,526.7	4,221.1	4,208.9	4,257.6	4,306.9	3,890.2	4,526.7	4,306.9	4,506.7	16%	-5%	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	554.5	565.6	576.9	219.6	467.1	576.9	623.0	113%	24%	8%
Property and equipment, net	111.8	121.0	131.0	148.2	150.1	145.7	148.6	151.5	118.6	148.2	151.5	163.7	25%	2%	8%
Intangible assets, net	474.5	404.4	337.5	270.6	203.7	146.9	132.2	119.0	544.7	270.6	119.0	71.4	-50%	-56%	-40%
Other non-current assets	87.6	82.5	77.2	80.4	74.4	67.1	68.4	69.8	95.7	80.4	69.8	75.4	-16%	-13%	8%
Total Non-Current Assets	1,167.3	1,093.3	1,015.0	966.4	950.3	914.1	914.7	917.2	1,158.6	966.4	917.2	933.4	-17%	-5%	2%
Total Assets	**4,964.2**	**5,007.9**	**4,836.7**	**5,493.1**	**5,171.3**	**5,123.0**	**5,172.4**	**5,224.1**	**5,048.8**	**5,493.1**	**5,224.1**	**5,440.1**	**9%**	**-5%**	**4%**
Liabilities															
Current Liabilities:															
Short-term borrowings	319.0	279.0	200.0	349.9	560.4	465.4	465.4	465.4	124.0	349.9	465.4	465.4	182%	33%	0%
Accounts payable	84.6	70.4	116.5	532.3	133.8	73.2	74.6	76.1	73.3	532.3	76.1	82.2	626%	-86%	8%
Contract liabilities	89.6	257.7	158.1	119.7	87.0	176.5	178.2	180.0	195.4	119.7	180.0	187.2	-39%	50%	4%
Accrued expenses and other current liabilitie	390.0	320.9	343.8	465.1	448.1	435.5	439.9	444.3	449.5	465.1	444.3	462.1	3%	-4%	4%
Accrued payroll and welfare	93.8	119.2	142.6	146.4	105.6	125.3	127.8	130.4	132.5	146.4	130.4	140.8	10%	-11%	8%
Amount due to related parties	38.0	73.6	36.1	78.0	85.3	132.8	134.2	135.5	47.6	78.0	135.5	140.9	64%	74%	4%
Total Current Liabilities	1,015.0	1,120.8	997.1	1,691.5	1,420.3	1,408.7	1,420.1	1,431.7	1,022.2	1,691.5	1,431.7	1,478.6	65%	-15%	3%
Non-Current Liabilities:															
Operating lease liabilities, non-current	23.7	17.9	19.9	22.5	17.8	14.9	15.2	15.5	33.5	22.5	15.5	16.8	-33%	-31%	8%
Deferred tax liabilities	99.5	87.8	77.7	67.7	57.6	49.1	44.2	39.7	111.3	67.7	39.7	23.8	-39%	-41%	-40%
Total Non-Current Liabilities	123.1	105.6	97.6	90.2	75.4	64.0	59.4	55.3	144.8	90.2	55.3	40.6	-38%	-39%	-27%
Total Liabilities	**1,138.1**	**1,226.4**	**1,094.7**	**1,781.6**	**1,495.7**	**1,472.7**	**1,479.5**	**1,487.0**	**1,167.1**	**1,781.6**	**1,487.0**	**1,519.3**	**53%**	**-17%**	**2%**
Total Shareholders' Equity	**3,826.1**	**3,781.5**	**3,742.0**	**3,711.5**	**3,675.7**	**3,650.3**	**3,692.8**	**3,737.1**	**3,881.7**	**3,711.5**	**3,737.1**	**3,920.9**	**-4%**	**1%**	**5%**
Total Liabilities & Shareholders' Equity	**4,964.2**	**5,007.9**	**4,836.7**	**5,493.1**	**5,171.3**	**5,123.0**	**5,172.4**	**5,224.1**	**5,048.8**	**5,493.1**	**5,224.1**	**5,440.1**	**9%**	**-5%**	**4%**

Source: Company reports and Zacks SCR estimates and calculations.

HISTORICAL STOCK PRICE



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