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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)

RERE: 3Q24 Earnings – Adjusted Operating Income Beat on Higher Revenues/Margins; Investing for Growth

ATRenew reported net income of $1.5 million for 3Q24, or $0.01 per ADS. Adjusted EPS came in at $0.05, in line with our estimate, as more favorable revenues/operating income were offset by lower non-GAAP addbacks. Edging up our 2024 and 2025 adjusted EPS estimates from $0.16/$0.32 to $0.18/$0.33. No change to our $4.00 price target.

Current Price (11/19/24)	$2.46
Valuation	**$4.00**

OUTLOOK

Key 3Q24 takeaways include: 1) steady revenue growth reflecting government initiatives to promote consumer spending and trade-in activity, increasingly leveraging the company's strategic partnership with JD.com, and rising brand awareness/visibility; 2) we expect multi-category contribution to continue to build, as management leverages the company's pricing and customer service competitive advantages to increasingly tap into massive/growing gold and luxury goods recycling markets; 3) management remains focused on growing the number of new store openings over the next several years to meet rising demand trends and further expand the footprint; and 4) senior officials seem intent on increasingly reinvesting in the business to accelerate customer acquisition growth, while remaining focused on managing expenses to support profitability.

SUMMARY DATA

52-Week High	**$3.19**
52-Week Low	**$1.01**
One-Year Return (%)	**48.19**
Beta	**N/A**
Average Daily Volume (sh)	**1,015,955**
Shares Outstanding (mil)c	**246**
Market Capitalization ($mil)	**$606**
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	**16.4**
P/E using 2024 Estimate	**13.7**
P/E using 2025 Estimate	**7.5**

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	577 A	662 E	2,265 E
2025					2,808 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 A	$0.07 E	$0.18 E
2025					$0.33 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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3Q24 EARNINGS: ADJUSTED OPERATING INCOME BEAT ON HIGHER REVENUES AND OPERATING INCOME

Pre-market open on 11/20/24, ATRenew reported 3Q24 earnings results. On a GAAP basis, RERE reported net income of $1.5 million for 3Q24, 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 $0.05, or in line with our estimate (Exhibit 2). Relative to our model, more favorable revenue and operating income were offset by lower non-GAAP addbacks (share-based compensation and intangible amortization).

Focusing on the top line, total revenue of RMB 4,051 million ($577.3 million) came in slightly above the midpoint of management's prior guidance range and 2.6% above our RMB 4,018 million ($562.8 million) estimate on accelerating sales activity.

Total expenses of RMB 4,026 million ($573.8 million) were 2.2% ahead of our RMB 4,009 million ($561.5 million) estimate. Higher merchandise, fulfillment, and technology costs were more than offset by lower selling/marketing and general & administrative expenses.

Exhibit 1: 3Q24 GAAP Actual vs. Estimates
($ millions)

	3Q24		Change	
	Actual	Estimate	$	%
Revenues				
Net product revenues	523.3	509.2	14.1	2.8%
Net service revenues	54.0	53.6	0.4	0.8%
Total Net Revenues	**577.3**	**562.8**	**14.5**	2.6%
Expenses				
Merchandise costs	(462.1)	(447.1)	(15.0)	3.4%
Fulfillment expenses	(49.5)	(47.5)	(2.0)	4.2%
Selling and marketing expenses	(44.9)	(51.6)	6.7	-13.0%
General and administrative expenses	(9.9)	(10.2)	0.4	-3.6%
Technology and content expenses	(7.6)	(6.9)	(0.7)	10.9%
Goodwill impairment loss	0.0	0.0	0.0	NM
Other operating income, net	0.3	1.8	(1.6)	-86.2%
Total Expenses	**(573.8)**	**(561.5)**	**(12.2)**	2.2%
Operating Income/(Loss)	**3.5**	**1.3**	**2.3**	181.7%
Interest expense	(0.5)	(0.6)	0.1	-14.5%
Interest income	1.2	0.8	0.5	63.3%
Other income/(loss), net	0.0	0.0	0.0	NM
Pre-Tax Income/(Loss)	**4.3**	**1.4**	**2.9**	NM
Income tax benefits	0.8	(0.3)	1.1	NM
Share of loss in equity method investments	(2.6)	(1.0)	(1.6)	162.6%
Net Income/(Loss)	**2.5**	**0.2**	**2.4**	NM
Earnings per share, basic and diluted	**$0.01**	**$0.00**	**$0.01**	**NM**
Weighted avg shares out, basic and diluted	246.4	248.6	(2.2)	-0.9%

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

Exhibit 2: 3Q24 Non-GAAP Actual vs. Estimates
($ millions)

	3Q24		Change	
	Actual	Estimate	$	%
Non-GAAP Reconciliations				
Operating Income/(Loss)	3.5	1.3	2.3	181.7%
Share-Based Compensation Expenses	(4.7)	(6.0)	1.3	-22.3%
Amortization of Intangible Assets	(6.6)	(8.0)	1.4	-17.0%
Adjusted Operating Income	**14.8**	**15.2**	**(0.4)**	-2.6%
Net Income/(Loss)	2.5	0.2	2.4	NM
Share-Based Compensation Expenses	(4.7)	(6.0)	1.3	-22.3%
Amortization of Intangible Assets	(6.6)	(8.0)	1.4	-17.0%
Tax Impact	1.0	1.2	(0.2)	-16.9%
Adjusted Net Income	**12.8**	**12.9**	**(0.1)**	-0.7%
Adjusted Earnings per share, diluted	**$0.05**	**$0.05**	**$0.00**	**1.7%**
Weighted avg shares out, diluted	246.4	252.3	(5.9)	-2.3%

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

KEY TAKEAWAYS

Following our review of 3Q24 results, we highlight the following key takeaways:

1. **Steady top line growth:** Focusing on 4Q24, senior officials anticipate total revenues to be in the range of RMB 4,740 million and RMB 4,840 million ($654 million to $668 million at current FX rates), implying year-over-year growth of 22% to 25%. Looking ahead, our model calls for revenue growth to hold steady in the mid-20% range in 2025 reflecting several key catalysts:

    - First, the government remains proactive in promoting consumer spending, more specifically trade-in activity (via subsidies) to boost the supply of pre-owned products. Furthermore, demand for pre-owned products and adoption rates for trade-in transactions continue to rise.

    - Second, management remains focused on leveraging the company's strategic partnership with JD.com to increasingly capitalize on government-sponsored trade-in programs. Indeed, recycling/trade-in GMV via JD.com was up 40% in 3Q24 on a year-over year basis, with trade-in business up 2x. Much of the step up can be linked to cross-category transactions (i.e., consumers trading-in pre-owned smartphones for discounts on new home appliances), with ~100,000 related orders during the most recent grand promotion period.

    - Finally, a key initiative in driving growth remains enhancing awareness of the company's recycling capabilities and strengthening the AHS Recycle brand. More specific initiatives include brand building efforts across social media platforms (Douyin and Kuaishou) that likely enhance customer acquisition, market share, and revenue growth over time.

2. **Broader footprint:** A key strategic initiative remains further building out RERE's recycling capabilities beyond consumer electronics, with a focus on multi-category products (luxury goods, gold, jewelry, premium liquor, etc.). As evidence, multi-category recycling transaction GMV was up 270% compared to 3Q23, with related service revenues up 400% year-over-year – accounting for ~9% of service revenues (at higher operating margins) in 3Q24, up from <2% in the prior-year quarter. Moreover, the company operated 587 AHS stores equipped with new category recycling capabilities as of September 30, 2024, up from 450 as of the end of 2Q24, with plans to further expand the footprint. Looking ahead, we expect multi-category contribution to continue to build, as management leverages the company's pricing and customer service competitive advantages to increasingly tap into massive/growing gold and luxury goods recycling markets.

    Turning to distribution, the company operated 1,637 AHS offline stores located across China as of the end of 3Q24 (up 8% on a sequential-quarter basis from 1,516 as of June 30, 2024), with management focused on growing the number of new store openings over the next several years to meet rising demand trends and further expand the footprint. Importantly, RERE's offline stores serve as a key source of supply, as well as the primary point of contact to build customer relationships and brand awareness.

3. **Striking while the iron is hot:** RERE's adjusted operating income margin expanded by 30 basis points year-over-year to 2.6% for 3Q24. Going forward, we (conservatively) assume margins hold steady looking out to 2025. At a high level, senior officials seem intent on increasingly reinvesting in the business to accelerate customer acquisition growth, with a particular focus on individuals accessing trade-in services for the first-time. More specifically, our model calls for rising fulfillment and marketing expenses looking out to 2025 reflecting a step up in new store openings and incremental advertising initiatives to increase brand awareness. That said, management remains focused on managing expenses to support profitability, and economies of scale continue to build, which in turn likely drive further margin expansion over time.

REFINING EPS ESTIMATES

After updating our model for 3Q24 actuals, we are edging up our 2024 and 2025 adjusted EPS estimates from $0.16/$0.32 to $0.18/$0.33. Crosscurrents include: 1) steady revenue growth assumptions looking out to 2025 (and beyond) reflecting government initiatives, broadening services/capabilities, and rising brand awareness; 2) more conservative margin assumptions, with senior officials focused on leveraging stepped up marketing initiatives and opening new stores to accelerate customer growth; and 3) lower shares outstanding, as management remains focused on returning excess capital to shareholders via share repurchases.

No change to our $4.00 price target implying considerable upside potential from current levels. 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 (senior officials repurchased 4.9 million ADSs at an average price of ~$2.47 during the third quarter of 2024).

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 $0.18 and $0.33, respectively, imply 37% year-over-year growth this year followed by 80%+ 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 2.35 billion ($335 million) of liquid assets as of September 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	3Q24	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	3,672.2	4,406.7	8,676.7	11,658.3	14,790.5	18,651.2	34%	27%	26%
Net service revenues	296.6	327.0	332.8	351.1	341.3	374.9	379.0	395.7	1,192.8	1,307.5	1,491.0	1,708.8	10%	14%	15%
Total Net Revenues	**2,871.8**	**2,963.7**	**3,256.8**	**3,873.6**	**3,651.1**	**3,776.7**	**4,051.2**	**4,802.4**	**9,869.4**	**12,965.8**	**16,281.5**	**20,360.0**	**31%**	**26%**	**25%**
					27%	27%	24%	24%							
Expenses															
Merchandise costs	(2,252.1)	(2,325.8)	(2,611.0)	(3,150.0)	(2,947.8)	(2,990.6)	(3,242.8)	(3,891.1)	(7,596.6)	(10,338.9)	(13,072.4)	(16,469.0)	36%	26%	26%
Fulfillment expenses	(266.4)	(268.8)	(287.7)	(301.1)	(309.8)	(328.3)	(347.3)	(382.8)	(1,123.5)	(1,124.0)	(1,368.2)	(1,588.7)	0%	22%	16%
Selling and marketing expenses	(299.0)	(335.3)	(299.5)	(317.0)	(321.3)	(354.0)	(315.3)	(344.9)	(1,536.1)	(1,250.9)	(1,335.5)	(1,588.7)	-19%	7%	19%
General and administrative expenses	(76.4)	(57.5)	(69.8)	(62.2)	(73.8)	(72.5)	(69.3)	(77.3)	(230.4)	(266.0)	(293.0)	(307.6)	15%	10%	5%
Technology and content expenses	(47.4)	(45.0)	(39.4)	(63.8)	(50.2)	(49.8)	(53.4)	(63.3)	(227.8)	(195.7)	(216.7)	(248.0)	-14%	11%	14%
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	1.8	1.8	41.2	36.3	24.8	60.0	-12%	-32%	142%
Total Expenses	**(2,939.4)**	**(3,024.6)**	**(3,284.8)**	**(3,890.3)**	**(3,694.5)**	**(3,782.3)**	**(4,026.4)**	**(4,757.8)**	**(12,493.1)**	**(13,139.1)**	**(16,261.0)**	**(20,142.0)**	**5%**	**24%**	**24%**
Operating Income/(Loss)	**(67.6)**	**(61.0)**	**(28.1)**	**(16.7)**	**(43.4)**	**(5.6)**	**24.9**	**44.6**	**(2,623.7)**	**(173.3)**	**20.5**	**218.1**	**-93%**	**-112%**	**963%**
Interest expense	(0.8)	(2.5)	(2.2)	(1.6)	(4.0)	(4.7)	(3.6)	(2.9)	(6.2)	(7.1)	(15.2)	(11.5)	14%	116%	-24%
Interest income	8.0	5.6	11.1	13.2	6.6	5.3	8.7	7.9	17.8	37.9	28.5	32.3	113%	-25%	13%
Other income/(loss), net	(0.6)	(1.7)	(4.4)	0.8	(41.4)	0.1	0.0	0.0	38.8	(5.9)	(41.3)	0.0	-115%	602%	-100%
Pre-Tax Income/(Loss)	**(61.0)**	**(59.6)**	**(23.6)**	**(4.2)**	**(82.2)**	**(5.0)**	**30.0**	**49.6**	**(2,573.2)**	**(148.4)**	**(7.5)**	**238.8**	**-94%**	**-95%**	**-3274%**
Income tax benefits	11.9	11.7	10.0	8.9	10.0	8.5	5.9	9.8	111.8	42.5	34.4	47.4	-62%	-19%	38%
Share of loss in equity method investments	(0.8)	(17.0)	(30.6)	(1.9)	(20.7)	(14.3)	(18.1)	(3.5)	(6.5)	(50.4)	(56.5)	0.0	678%	12%	-100%
Net Income/(Loss)	**(50.0)**	**(64.8)**	**(44.2)**	**2.8**	**(92.9)**	**(10.7)**	**17.9**	**56.0**	**(2,467.9)**	**(156.3)**	**(29.7)**	**286.2**	**-94%**	**-81%**	**-1064%**
Foreign currency translation adjustment	(10.5)	32.1	(5.7)	(7.0)	0.2	(0.3)	(7.1)	0.0	(30.0)	8.9	(7.2)	0.0	-130%	-181%	-100%
Net comprehensive loss	(60.5)	(32.7)	(49.9)	(4.2)	(92.6)	(11.0)	10.8	56.0	(2,498.0)	(147.4)	(36.9)	286.2	-94%	-75%	-876%
Earnings per share, basic and diluted	**(0.31)**	**(0.40)**	**(0.27)**	**0.02**	**(0.58)**	**(0.06)**	**0.11**	**0.34**	**(15.16)**	**(0.96)**	**(0.18)**	**1.78**	**-94%**	**-81%**	**-1084%**
Weighted average shares outstanding, basic an	163.8	162.9	161.3	160.8	161.5	166.6	164.3	163.3	162.8	162.2	163.9	160.6	0%	1%	-2%
Non-GAAP Reconciliations															
Operating Income/(Loss)	(67.6)	(61.0)	(28.1)	(16.7)	(43.4)	(5.6)	24.9	44.6	(2,623.7)	(173.3)	20.5	218.1	-93%	-112%	963%
Share-Based Compensation Expenses	(33.0)	(35.0)	(35.0)	(31.4)	(56.6)	(42.9)	(32.8)	(32.8)	(174.2)	(134.4)	(165.0)	(131.0)	-23%	23%	-21%
Amortization of Intangible Assets	(79.0)	(77.9)	(66.9)	(66.9)	(66.9)	(56.8)	(46.4)	(46.4)	(2,456.3)	(290.7)	(216.5)	(185.6)	-88%	-26%	-14%
Adjusted Operating Income	**44.4**	**52.0**	**73.8**	**81.6**	**80.2**	**94.1**	**104.0**	**123.8**	**6.9**	**251.7**	**402.0**	**534.6**	**3546%**	**60%**	**33%**
Net Income/(Loss)	(50.0)	(64.8)	(44.2)	2.8	(92.9)	(10.7)	17.9	56.0	(2,467.9)	(156.3)	(29.7)	286.2	-94%	-81%	-1064%
Share-Based Compensation Expenses	(33.0)	(35.0)	(35.0)	(31.4)	(56.6)	(42.9)	(32.8)	(32.8)	(174.2)	(134.4)	(165.0)	(131.0)	-23%	23%	-21%
Amortization of Intangible Assets	(79.0)	(77.9)	(66.9)	(66.9)	(66.9)	(56.8)	(46.4)	(46.4)	(2,456.3)	(290.7)	(216.5)	(185.6)	-88%	-26%	-14%
Tax Impact	11.9	11.7	10.0	10.0	10.0	8.5	7.0	7.0	111.8	43.7	32.5	27.9	-61%	-25%	-14%
Adjusted Net Income	**50.1**	**36.4**	**47.6**	**91.0**	**20.6**	**80.5**	**90.1**	**128.2**	**50.8**	**225.2**	**319.3**	**574.9**	**343%**	**42%**	**80%**
Adjusted Earnings per share, diluted	**0.30**	**0.22**	**0.29**	**0.57**	**0.13**	**0.48**	**0.55**	**0.78**	**0.30**	**1.39**	**1.94**	**3.57**	**364%**	**40%**	**84%**
Weighted average shares outstanding, diluted	169.2	168.0	166.1	160.8	161.5	169.1	164.3	163.3	169.9	162.2	164.5	161.2	-5%	1%	-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	3Q24	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	523.3	607.8	1,258.0	1,642.0	2,057.6	2,572.6	31%	25%	25%
Net service revenues	43.2	45.1	45.6	49.5	47.3	51.6	54.0	54.6	172.9	184.2	207.5	235.7	6%	13%	14%
Total Net Revenues	**418.2**	**408.7**	**446.4**	**545.6**	**505.7**	**519.7**	**577.3**	**662.4**	**1,430.9**	**1,826.2**	**2,265.1**	**2,808.3**	**28%**	**24%**	**24%**
Expenses															
Merchandise costs	(327.9)	(320.7)	(357.9)	(443.7)	(408.3)	(411.5)	(462.1)	(536.7)	(1,101.4)	(1,456.2)	(1,818.6)	(2,271.6)	32%	25%	25%
Fulfillment expenses	(38.8)	(37.1)	(39.4)	(42.4)	(42.9)	(45.2)	(49.5)	(52.8)	(162.9)	(158.3)	(190.4)	(219.1)	-3%	20%	15%
Selling and marketing expenses	(43.5)	(46.2)	(41.0)	(44.7)	(44.5)	(48.7)	(44.9)	(47.6)	(222.7)	(176.2)	(185.7)	(219.1)	-21%	5%	18%
General and administrative expenses	(11.1)	(7.9)	(9.6)	(8.8)	(10.2)	(10.0)	(9.9)	(10.7)	(33.4)	(37.5)	(40.8)	(42.4)	12%	9%	4%
Technology and content expenses	(6.9)	(6.2)	(5.4)	(9.0)	(7.0)	(6.9)	(7.6)	(8.7)	(33.0)	(27.6)	(30.1)	(34.2)	-17%	9%	13%
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	0.3	0.2	6.0	5.1	3.4	8.3	-15%	-33%	141%
Total Expenses	**(428.0)**	**(417.1)**	**(450.2)**	**(547.9)**	**(511.7)**	**(520.5)**	**(573.8)**	**(656.2)**	**(1,811.3)**	**(1,850.6)**	**(2,262.1)**	**(2,778.2)**	**2%**	**22%**	**23%**
Operating Income/(Loss)	**(9.8)**	**(8.4)**	**(3.8)**	**(2.4)**	**(6.0)**	**(0.8)**	**3.5**	**6.2**	**(380.4)**	**(24.4)**	**2.9**	**30.1**	**-94%**	**-112%**	**929%**
Interest expense	(0.1)	(0.3)	(0.3)	(0.2)	(0.6)	(0.7)	(0.5)	(0.4)	(0.9)	(1.0)	(2.1)	(1.6)	11%	113%	-25%
Interest income	1.2	0.8	1.5	1.9	0.9	0.7	1.2	1.1	2.6	5.3	4.0	4.4	107%	-26%	12%
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%	590%	-100%
Pre-Tax Income/(Loss)	**(8.9)**	**(8.2)**	**(3.2)**	**(0.6)**	**(11.4)**	**(0.7)**	**4.3**	**6.8**	**(373.1)**	**(20.9)**	**(0.9)**	**32.9**	**-94%**	**-95%**	**-3595%**
Income tax benefits	1.7	1.6	1.4	1.3	1.4	1.2	0.8	1.4	16.2	6.0	4.8	6.5	-63%	-20%	37%
Share of loss in equity method investments	(0.1)	(2.3)	(4.2)	(0.3)	(2.9)	(2.0)	(2.6)	(0.5)	(0.9)	(7.1)	(7.9)	0.0	656%	11%	-100%
Net Income/(Loss)	**(7.3)**	**(8.9)**	**(6.1)**	**0.4**	**(12.9)**	**(1.5)**	**2.5**	**7.7**	**(357.8)**	**(22.0)**	**(4.1)**	**39.5**	**-94%**	**-82%**	**-1073%**
Foreign currency translation adjustment	(1.5)	4.4	(0.8)	(1.0)	0.0	(0.0)	(1.0)	0.0	(4.4)	1.3	(1.0)	0.0	-129%	-182%	-100%
Net comprehensive loss	(8.8)	(4.5)	(6.8)	(0.6)	(12.8)	(1.5)	1.5	7.7	(362.2)	(20.8)	(5.1)	39.5	-94%	-76%	-877%
Earnings per share, basic and diluted	**($0.03)**	**($0.04)**	**($0.03)**	**$0.00**	**($0.05)**	**($0.01)**	**$0.01**	**$0.03**	**($1.47)**	**($0.09)**	**($0.02)**	**$0.16**	**-94%**	**-82%**	**-1093%**
Weighted average shares outstanding, basic an	245.7	244.4	242.0	241.1	242.2	249.9	246.4	244.9	244.2	243.2	245.9	240.9	0%	1%	-2%
Non-GAAP Reconciliations															
Operating Income/(Loss)	(9.8)	(8.4)	(3.8)	(2.4)	(6.0)	(0.8)	3.5	6.2	(380.4)	(24.4)	2.9	30.1	-94%	-112%	929%
Share-Based Compensation Expenses	(4.8)	(4.8)	(4.8)	(4.4)	(7.9)	(5.9)	(4.7)	(4.5)	(25.3)	(18.9)	(22.9)	(18.1)	-25%	21%	-21%
Amortization of Intangible Assets	(11.5)	(10.7)	(9.2)	(9.4)	(9.3)	(7.8)	(6.6)	(6.4)	(356.1)	(40.9)	(30.1)	(25.6)	-89%	-26%	-15%
Adjusted Operating Income	**6.5**	**7.2**	**10.1**	**11.5**	**11.1**	**12.9**	**14.8**	**17.1**	**1.0**	**35.5**	**56.0**	**73.7**	**3442%**	**58%**	**32%**
Net Income/(Loss)	(7.3)	(8.9)	(6.1)	0.4	(12.9)	(1.5)	2.5	7.7	(357.8)	(22.0)	(4.1)	39.5	-94%	-82%	-1073%
Share-Based Compensation Expenses	(4.8)	(4.8)	(4.8)	(4.4)	(7.9)	(5.9)	(4.7)	(4.5)	(25.3)	(18.9)	(22.9)	(18.1)	-25%	21%	-21%
Amortization of Intangible Assets	(11.5)	(10.7)	(9.2)	(9.4)	(9.3)	(7.8)	(6.6)	(6.4)	(356.1)	(40.9)	(30.1)	(25.6)	-89%	-26%	-15%
Tax Impact	1.7	1.6	1.4	1.4	1.4	1.2	1.0	1.0	16.2	6.0	4.5	3.8	-63%	-25%	-15%
Adjusted Net Income	**7.3**	**5.0**	**6.5**	**12.8**	**2.9**	**11.1**	**12.8**	**17.7**	**7.4**	**31.9**	**44.5**	**79.3**	**332%**	**39%**	**78%**
Adjusted Earnings per share, diluted	**$0.03**	**$0.02**	**$0.03**	**$0.05**	**$0.01**	**$0.04**	**$0.05**	**$0.07**	**$0.03**	**$0.13**	**$0.18**	**$0.33**	**353%**	**37%**	**82%**
Weighted average shares outstanding, diluted	253.7	252.1	249.2	241.1	242.2	253.6	246.4	244.9	254.9	243.2	246.8	241.8	-5%	1%	-2%

Source: Company reports and Zacks SCR estimates and calculations.

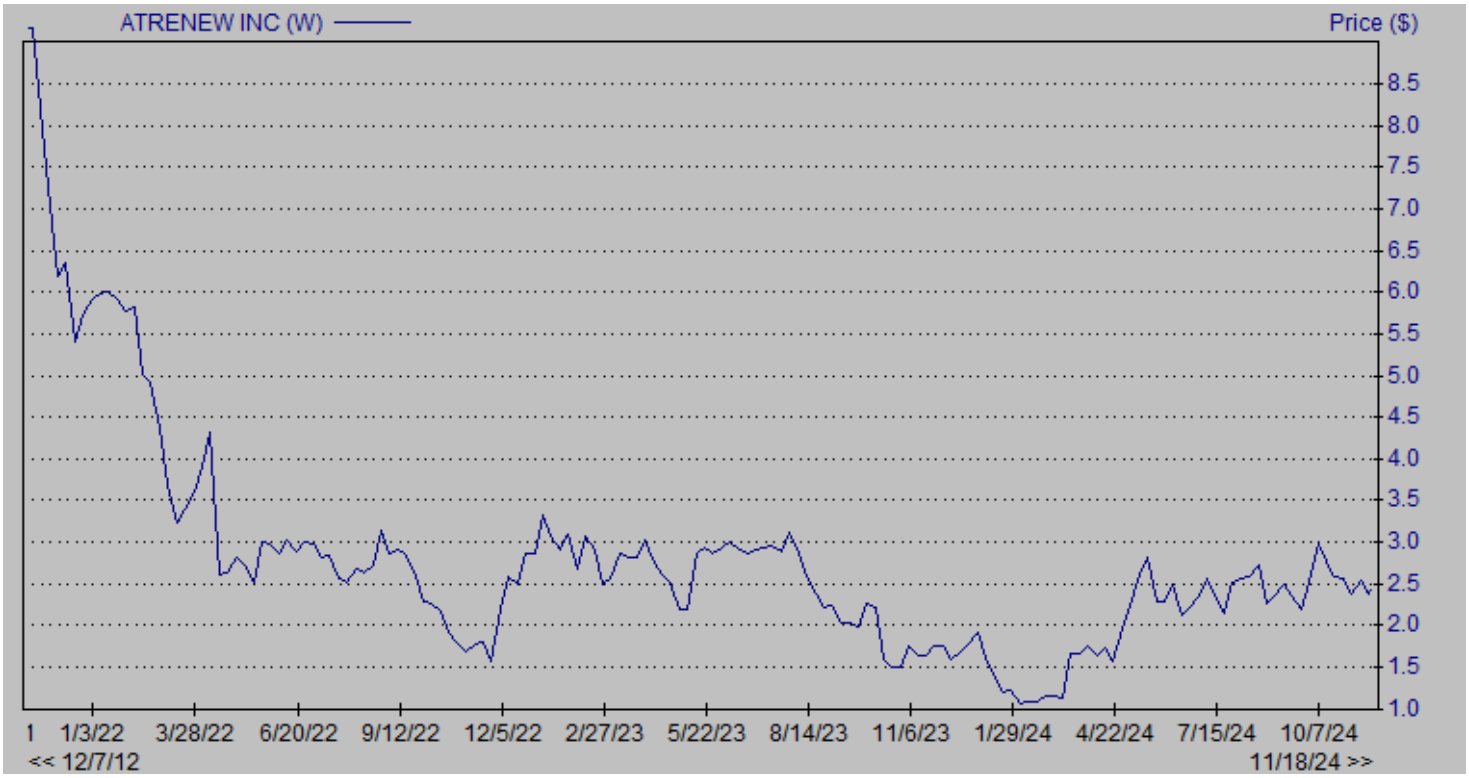
PROJECTED BALANCE SHEET (RMB)

ATRenew Inc.
(RMB in millions)

	Quarterly								Annual				Y/Y Growth		
	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	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	1,347.3	1,360.8	1,703.6	1,978.7	1,360.8	1,415.2	16%	-31%	4%
Restricted cash	0.0	210.0	212.0	210.0	232.0	232.0	132.0	133.3	0.0	210.0	133.3	138.7	NM	-37%	4%
Short-term investments	644.3	599.0	348.1	410.5	472.7	637.7	630.1	636.4	782.2	410.5	636.4	661.9	-48%	55%	4%
Amount due from related parties, net	102.6	168.0	233.8	89.6	139.6	179.7	218.8	221.0	115.5	89.6	221.0	229.8	-22%	147%	4%
Inventories	583.4	735.4	672.4	1,017.2	847.7	660.0	678.0	691.6	433.5	1,017.2	691.6	746.9	135%	-32%	8%
Funds receivable from third party payment se	292.8	241.2	321.5	253.1	285.3	256.0	241.0	243.5	316.3	253.1	243.5	253.2	-20%	-4%	4%
Prepayments and other receivables, net	608.2	468.0	601.8	567.6	633.8	600.5	754.6	762.2	539.1	567.6	762.2	792.6	5%	34%	4%
Total Current Assets	3,796.9	3,914.6	3,821.7	4,526.7	4,221.1	4,208.9	4,001.9	4,048.7	3,890.2	4,526.7	4,048.7	4,238.3	16%	-11%	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	558.2	569.4	219.6	467.1	569.4	614.9	113%	22%	8%
Property and equipment, net	111.8	121.0	131.0	148.2	150.1	145.7	159.2	162.4	118.6	148.2	162.4	175.4	25%	10%	8%
Intangible assets, net	474.5	404.4	337.5	270.6	203.7	146.9	100.5	90.4	544.7	270.6	90.4	54.3	-50%	-67%	-40%
Other non-current assets	87.6	82.5	77.2	80.4	74.4	67.1	149.1	152.1	95.7	80.4	152.1	164.3	-16%	89%	8%
Total Non-Current Assets	1,167.3	1,093.3	1,015.0	966.4	950.3	914.1	967.1	974.3	1,158.6	966.4	974.3	1,008.9	-17%	1%	4%
Total Assets	**4,964.2**	**5,007.9**	**4,836.7**	**5,493.1**	**5,171.3**	**5,123.0**	**4,969.0**	**5,023.1**	**5,048.8**	**5,493.1**	**5,023.1**	**5,247.2**	**9%**	**-9%**	**4%**
Liabilities															
Current Liabilities:															
Short-term borrowings	319.0	279.0	200.0	349.9	560.4	465.4	307.3	307.3	124.0	349.9	307.3	307.3	182%	-12%	0%
Accounts payable	84.6	70.4	116.5	532.3	133.8	73.2	105.3	107.4	73.3	532.3	107.4	116.0	626%	-80%	8%
Contract liabilities	89.6	257.7	158.1	119.7	87.0	176.5	81.6	82.4	195.4	119.7	82.4	85.7	-39%	-31%	4%
Accrued expenses and other current liabilitie	390.0	320.9	343.8	465.1	448.1	435.5	478.1	482.9	449.5	465.1	482.9	502.2	3%	4%	4%
Accrued payroll and welfare	93.8	119.2	142.6	146.4	105.6	125.3	148.9	151.9	132.5	146.4	151.9	164.1	10%	4%	8%
Amount due to related parties	38.0	73.6	36.1	78.0	85.3	132.8	116.3	117.4	47.6	78.0	117.4	122.1	64%	50%	4%
Total Current Liabilities	1,015.0	1,120.8	997.1	1,691.5	1,420.3	1,408.7	1,237.5	1,249.4	1,022.2	1,691.5	1,249.4	1,297.4	65%	-26%	4%
Non-Current Liabilities:															
Operating lease liabilities, non-current	23.7	17.9	19.9	22.5	17.8	14.9	80.4	82.0	33.5	22.5	82.0	88.5	-33%	264%	8%
Deferred tax liabilities	99.5	87.8	77.7	67.7	57.6	49.1	42.1	37.9	111.3	67.7	37.9	22.7	-39%	-44%	-40%
Total Non-Current Liabilities	123.1	105.6	97.6	90.2	75.4	64.0	122.5	119.9	144.8	90.2	119.9	111.3	-38%	33%	-7%
Total Liabilities	**1,138.1**	**1,226.4**	**1,094.7**	**1,781.6**	**1,495.7**	**1,472.7**	**1,360.0**	**1,369.2**	**1,167.1**	**1,781.6**	**1,369.2**	**1,408.7**	**53%**	**-23%**	**3%**
Total Shareholders' Equity	**3,826.1**	**3,781.5**	**3,742.0**	**3,711.5**	**3,675.7**	**3,650.3**	**3,609.0**	**3,653.8**	**3,881.7**	**3,711.5**	**3,653.8**	**3,838.5**	**-4%**	**-2%**	**5%**
Total Liabilities & Shareholders' Equity	**4,964.2**	**5,007.9**	**4,836.7**	**5,493.1**	**5,171.3**	**5,123.0**	**4,969.0**	**5,023.1**	**5,048.8**	**5,493.1**	**5,023.1**	**5,247.2**	**9%**	**-9%**	**4%**

Source: Company reports and Zacks SCR estimates and calculations.

HISTORICAL STOCK PRICE



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