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Zacks Small-Cap Research

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ATRenew Inc. (RERE-NYSE)

RERE: Trimming 2024 EPS Estimate Ahead of 1Q24 Earnings

Ahead of 1Q24 earnings (to be released on 5/20/24), we are updating our model to reflect 1Q seasonality and ongoing macroeconomic weakness in China. While our 1Q24 adjusted EPS estimate holds steady at $0.05, our 2024 estimate edges down by $0.02 to $0.23 given flatter revenue/margin trajectories. That said, our 2025 adjusted EPS estimate holds steady at $0.38, as does our $4.00 price target.

Current Price (05/06/24)	$2.34
Valuation	**$4.00**

OUTLOOK

Despite a slightly flatter revenue/margin trajectory outlook, we remain optimistic that ATRenew's differentiated pre-owned consumer electronics transactions and services platform in China will continue to drive outsized growth in transaction volumes, sales, fees, and profits over the long run.

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.

Despite what we believe to be conservative inputs/assumptions, our DCF model suggests a wide disconnect between ATRenew's fundamentals and the stock's current price. Furthermore, at ~6x our 2025 adjusted EPS estimate, RERE continues to trade at a meaningful P/E discount to most peer stocks.

SUMMARY DATA

52-Week High	**$3.30**
52-Week Low	**$1.01**
One-Year Return (%)	**6.36**
Beta	**N/A**
Average Daily Volume (sh)	**827,608**
Shares Outstanding (mil)	**241**
Market Capitalization ($mil)	**$564**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**20**
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	**18.0**
P/E using 2024 Estimate	**10.2**
P/E using 2025 Estimate	**6.2**

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	493 E	521 E	569 E	658 E	2,241 E
2025					2,794 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	$0.05 E	$0.05 E	$0.05 E	$0.08 E	$0.23 E
2025					$0.38 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 PREVIEW

Earnings Report Date

ATRenew is set to report 1Q24 earnings results pre-market open on Monday, May 20, 2024. The company will host a conference call at 8:00 AM ET:

- United States Toll Free: 1-888-317-6003
- International: 1-412-317-6061
- Access Code: 3927893

A replay of the call will be available until May 27, 2024:

- United States Toll Free: 1-877-344-7529
- International: 1-412-317-0088
- Replay Access Code: 7389602

EPS Estimate Revisions

Ahead of earnings, we are updating our model to reflect first quarter seasonality and the challenging macroeconomic backdrop in China. More specifically, our 1Q24 adjusted EPS estimate remains unchanged at $0.05, as slightly lower revenue assumptions for the quarter were not meaningful enough to move the EPS needle. That said, our full year estimate edges down by a couple of pennies from $0.25 to $0.23 reflecting flatter revenue and margin trajectories for the remainder of the year. Looking out to 2025, our adjusted EPS estimate remains unchanged at $0.38, as does our $4.00 DCF-derived price target.

Revenue Forecasts

For the quarter, we now forecast total net revenue to come in at RMB 3,562 (still within management's prior guidance range of RMB 3,550 to RMB 3,650) or $493 million. Our modestly lower forecast reflects three key drivers:

- First, ATRenew's revenues are typically lowest in the first quarter of the year given the Lunar New Year holiday in China.

- Second, macroeconomic conditions remained somewhat mixed in China during the quarter. While GDP data from select provinces ticked higher, the forward outlook remains uncertain in light of lingering concerns around consumer demand/confidence and deflationary risks.

- Third, 4Q23 volumes and revenues were somewhat skewed by cell phone upgrades from both Apple and Huawei during the quarter, which drove a step-up in trade-in volumes.

Looking ahead, we still expect quarterly and annual revenue growth of ~25% through 2025 reflecting rising transaction volumes and GMVs for AHS Recycle, as well as higher take rates on average across the B2B and B2C platforms, as integration of ATRenew's value-added services continues to ramp up.

Margin Estimates

Turning to margins, we modestly dialed back our 1Q24 assumptions primarily reflecting lower revenues and stepped-up advertising expenses around the Lunar New Year. For the full year, we now forecast ATRenew's adjusted operating margin to come in at 2.5%, then trend higher to 3.5% in 2025.

Key margin expansion drivers include: 1) rising operating leverage reflecting further operation center upgrades; 2) an ongoing focus on driving a more efficient cost structure; 3) increasingly monetizing value-added and advanced logistics services; and 4) a step up in higher-margin refurbishing activity.

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.

Key DCF model inputs include: 1) explicit EBIT forecasts through 2025; 2) EBIT growth slowing to 15% by the end of the forecast period; 3) a 15% discount rate – on the high end to account for RERE's risk profile; 4) a perpetual growth rate of 3% despite sustainably higher growth rates for the foreseeable future; and 5) an exit EV/EBITDA multiple of 7x.

As a crosscheck, we analyze peer valuation multiples to corroborate our DCF-based price target. At ~6x 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 consumer electronics devices 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 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:** Despite dialing back our revenue/margin assumptions for this year, our 2024 and 2025 adjusted EPS estimates of $0.23 and $0.38, respectively, imply 76% year-over-year growth this year followed by 60%+ growth in 2025. Focusing on the top line, we forecast revenue growth to hold steady in the 20%-25% 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 2.9 billion ($402 million) of liquid assets as of December 31, 2023, 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. The Board of Directors recently reupped the company's $20 million share repurchase authorization, with management remaining active on the buyback front.

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	1Q24E	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	3,240.7	3,434.8	3,761.4	4,348.1	8,676.7	11,658.3	14,785.0	18,425.0	34%	27%	25%
Net service revenues	296.6	327.0	332.8	351.1	321.1	337.2	360.9	412.1	1,192.8	1,307.5	1,431.2	1,804.3	10%	9%	26%
Total Net Revenues	**2,871.8**	**2,963.7**	**3,256.8**	**3,873.6**	**3,561.8**	**3,772.0**	**4,122.3**	**4,760.1**	**9,869.4**	**12,965.8**	**16,216.2**	**20,229.3**	**31%**	**25%**	**25%**
					24%	27%	27%	23%							
Expenses															
Merchandise costs	(2,252.1)	(2,325.8)	(2,611.0)	(3,150.0)	(2,897.2)	(3,067.3)	(3,351.4)	(3,861.1)	(7,596.6)	(10,338.9)	(13,177.0)	(16,343.0)	36%	27%	24%
Fulfillment expenses	(266.4)	(268.8)	(287.7)	(301.1)	(276.8)	(285.6)	(303.9)	(327.1)	(1,123.5)	(1,124.0)	(1,193.6)	(1,370.1)	0%	6%	15%
Selling and marketing expenses	(299.0)	(335.3)	(299.5)	(317.0)	(302.8)	(316.8)	(338.0)	(366.5)	(1,536.1)	(1,250.9)	(1,324.2)	(1,537.4)	-19%	6%	16%
General and administrative expenses	(76.4)	(57.5)	(69.8)	(62.2)	(57.2)	(60.6)	(66.2)	(76.4)	(230.4)	(266.0)	(260.3)	(324.8)	15%	-2%	25%
Technology and content expenses	(47.4)	(45.0)	(39.4)	(63.8)	(53.4)	(56.6)	(61.8)	(71.4)	(227.8)	(195.7)	(243.2)	(303.4)	-14%	24%	25%
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	12.5	12.5	12.5	12.5	41.2	36.3	50.0	60.0	-12%	38%	20%
Total Expenses	**(2,939.4)**	**(3,024.6)**	**(3,284.8)**	**(3,890.3)**	**(3,574.9)**	**(3,774.4)**	**(4,108.9)**	**(4,690.1)**	**(12,493.1)**	**(13,139.1)**	**(16,148.3)**	**(19,818.7)**	**5%**	**23%**	**23%**
Operating Income/(Loss)	**(67.6)**	**(61.0)**	**(28.1)**	**(16.7)**	**(13.1)**	**(2.4)**	**13.4**	**70.0**	**(2,623.7)**	**(173.3)**	**67.9**	**410.6**	**-93%**	**-139%**	**505%**
Interest expense	(0.8)	(2.5)	(2.2)	(1.6)	(2.0)	(2.0)	(2.0)	(2.0)	(6.2)	(7.1)	(7.9)	(7.9)	14%	12%	0%
Interest income	8.0	5.6	11.1	13.2	15.4	15.6	15.7	15.9	17.8	37.9	62.6	65.1	113%	65%	4%
Other income/(loss), net	(0.6)	(1.7)	(4.4)	0.8	0.0	0.0	0.0	0.0	38.8	(5.9)	0.0	0.0	-115%	-100%	NM
Pre-Tax Income/(Loss)	**(61.0)**	**(59.6)**	**(23.6)**	**(4.2)**	**0.3**	**11.1**	**27.1**	**83.9**	**(2,573.2)**	**(148.4)**	**122.5**	**467.8**	**-94%**	**-183%**	**282%**
Income tax benefits	11.9	11.7	10.0	8.9	(0.1)	(2.2)	(5.4)	(16.8)	111.8	42.5	(24.5)	(93.6)	-62%	-158%	282%
Share of loss in equity method investments	(0.8)	(17.0)	(30.6)	(1.9)	0.0	0.0	0.0	0.0	(6.5)	(50.4)	0.0	0.0	678%	-100%	NM
Net Income/(Loss)	**(50.0)**	**(64.8)**	**(44.2)**	**2.8**	**0.3**	**8.9**	**21.7**	**67.1**	**(2,467.9)**	**(156.3)**	**98.0**	**374.2**	**-94%**	**-163%**	**282%**
Foreign currency translation adjustment	(10.5)	32.1	(5.7)	(7.0)	(7.0)	(7.0)	(7.0)	(7.0)	(30.0)	8.9	(28.1)	(28.1)	-130%	-416%	0%
Net comprehensive loss	(60.5)	(32.7)	(49.9)	(4.2)	(6.7)	1.9	14.7	60.1	(2,498.0)	(147.4)	70.0	346.2	-94%	-147%	395%
Earnings per share, basic and diluted	**(0.31)**	**(0.40)**	**(0.27)**	**0.02**	**0.00**	**0.06**	**0.14**	**0.43**	**(15.16)**	**(0.96)**	**0.62**	**2.40**	**-94%**	**-164%**	**288%**
Weighted average shares outstanding, basic an	163.8	162.9	161.3	160.8	159.5	158.7	157.9	157.2	162.8	162.2	158.3	155.7	0%	-2%	-2%
Non-GAAP Reconciliations															
Operating Income/(Loss)	(67.6)	(61.0)	(28.1)	(16.7)	(13.1)	(2.4)	13.4	70.0	(2,623.7)	(173.3)	67.9	410.6	-93%	-139%	505%
Share-Based Compensation Expenses	(33.0)	(35.0)	(35.0)	(31.4)	(31.4)	(31.4)	(31.4)	(31.4)	(174.2)	(134.4)	(125.6)	(125.6)	-23%	-7%	0%
Amortization of Intangible Assets	(79.0)	(77.9)	(66.9)	(66.9)	(60.3)	(54.3)	(48.9)	(44.1)	(2,456.3)	(290.7)	(207.5)	(167.5)	-88%	-29%	-19%
Adjusted Operating Income	**44.4**	**52.0**	**73.8**	**81.6**	**78.6**	**83.2**	**93.7**	**145.5**	**6.9**	**251.7**	**401.0**	**703.7**	**3546%**	**59%**	**76%**
Net Income/(Loss)	(50.0)	(64.8)	(44.2)	2.8	0.3	8.9	21.7	67.1	(2,467.9)	(156.3)	98.0	374.2	-94%	-163%	282%
Share-Based Compensation Expenses	(33.0)	(35.0)	(35.0)	(31.4)	(31.4)	(31.4)	(31.4)	(31.4)	(174.2)	(134.4)	(125.6)	(125.6)	-23%	-7%	0%
Amortization of Intangible Assets	(79.0)	(77.9)	(66.9)	(66.9)	(60.3)	(54.3)	(48.9)	(44.1)	(2,456.3)	(290.7)	(207.5)	(167.5)	-88%	-29%	-19%
Tax Impact	11.9	11.7	10.0	10.0	9.4	8.8	8.2	7.7	111.8	43.7	34.0	30.0	-61%	-22%	-12%
Adjusted Net Income	**50.1**	**36.4**	**47.6**	**91.0**	**82.5**	**85.8**	**93.8**	**134.9**	**50.8**	**225.2**	**397.0**	**637.3**	**343%**	**76%**	**61%**
Adjusted Earnings per share, diluted	**0.30**	**0.22**	**0.29**	**0.57**	**0.52**	**0.54**	**0.59**	**0.86**	**0.30**	**1.39**	**2.51**	**4.09**	**364%**	**81%**	**63%**
Weighted average shares outstanding, diluted	169.2	168.0	166.1	160.8	159.5	158.7	157.9	157.2	169.9	162.2	158.3	155.7	-5%	-2%	-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	1Q24E	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	448.8	474.4	519.5	600.6	1,258.0	1,642.0	2,043.4	2,544.9	31%	24%	25%
Net service revenues	43.2	45.1	45.6	49.5	44.5	46.6	49.8	56.9	172.9	184.2	197.8	249.2	6%	7%	26%
Total Net Revenues	**418.2**	**408.7**	**446.4**	**545.6**	**493.3**	**521.0**	**569.4**	**657.5**	**1,430.9**	**1,826.2**	**2,241.2**	**2,794.1**	**28%**	**23%**	**25%**
Expenses															
Merchandise costs	(327.9)	(320.7)	(357.9)	(443.7)	(401.3)	(423.7)	(462.9)	(533.3)	(1,101.4)	(1,456.2)	(1,821.1)	(2,257.3)	32%	25%	24%
Fulfillment expenses	(38.8)	(37.1)	(39.4)	(42.4)	(38.3)	(39.5)	(42.0)	(45.2)	(162.9)	(158.3)	(165.0)	(189.2)	-3%	4%	15%
Selling and marketing expenses	(43.5)	(46.2)	(41.0)	(44.7)	(41.9)	(43.8)	(46.7)	(50.6)	(222.7)	(176.2)	(183.0)	(212.4)	-21%	4%	16%
General and administrative expenses	(11.1)	(7.9)	(9.6)	(8.8)	(7.9)	(8.4)	(9.1)	(10.6)	(33.4)	(37.5)	(36.0)	(44.9)	12%	-4%	25%
Technology and content expenses	(6.9)	(6.2)	(5.4)	(9.0)	(7.4)	(7.8)	(8.5)	(9.9)	(33.0)	(27.6)	(33.6)	(41.9)	-17%	22%	25%
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	1.7	1.7	1.7	1.7	6.0	5.1	6.9	8.3	-15%	35%	20%
Total Expenses	**(428.0)**	**(417.1)**	**(450.2)**	**(547.9)**	**(495.1)**	**(521.3)**	**(567.5)**	**(647.8)**	**(1,811.3)**	**(1,850.6)**	**(2,231.8)**	**(2,737.4)**	**2%**	**21%**	**23%**
Operating Income/(Loss)	**(9.8)**	**(8.4)**	**(3.8)**	**(2.4)**	**(1.8)**	**(0.3)**	**1.9**	**9.7**	**(380.4)**	**(24.4)**	**9.4**	**56.7**	**-94%**	**-138%**	**505%**
Interest expense	(0.1)	(0.3)	(0.3)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.9)	(1.0)	(1.1)	(1.1)	11%	10%	0%
Interest income	1.2	0.8	1.5	1.9	2.1	2.1	2.2	2.2	2.6	5.3	8.6	9.0	107%	62%	4%
Other income/(loss), net	(0.1)	(0.2)	(0.6)	0.1	0.0	0.0	0.0	0.0	5.6	(0.8)	0.0	0.0	-115%	-100%	NM
Pre-Tax Income/(Loss)	**(8.9)**	**(8.2)**	**(3.2)**	**(0.6)**	**0.0**	**1.5**	**3.7**	**11.6**	**(373.1)**	**(20.9)**	**16.9**	**64.6**	**-94%**	**-181%**	**282%**
Income tax benefits	1.7	1.6	1.4	1.3	(0.0)	(0.3)	(0.7)	(2.3)	16.2	6.0	(3.4)	(12.9)	-63%	-157%	282%
Share of loss in equity method investments	(0.1)	(2.3)	(4.2)	(0.3)	0.0	0.0	0.0	0.0	(0.9)	(7.1)	0.0	0.0	656%	-100%	NM
Net Income/(Loss)	**(7.3)**	**(8.9)**	**(6.1)**	**0.4**	**0.0**	**1.2**	**3.0**	**9.3**	**(357.8)**	**(22.0)**	**13.5**	**51.7**	**-94%**	**-162%**	**282%**
Foreign currency translation adjustment	(1.5)	4.4	(0.8)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(4.4)	1.3	(3.9)	(3.9)	-129%	-410%	0%
Net comprehensive loss	(8.8)	(4.5)	(6.8)	(0.6)	(0.9)	0.3	2.0	8.3	(362.2)	(20.8)	9.7	47.8	-94%	-147%	395%
Earnings per share, basic and diluted	**($0.03)**	**($0.04)**	**($0.03)**	**$0.00**	**$0.00**	**$0.01**	**$0.01**	**$0.04**	**($1.47)**	**($0.09)**	**$0.06**	**$0.22**	**-94%**	**-163%**	**288%**
Weighted average shares outstanding, basic an	245.7	244.4	242.0	241.1	239.3	238.0	236.9	235.7	244.2	243.2	237.5	233.5	0%	-2%	-2%
Non-GAAP Reconciliations															
Operating Income/(Loss)	(9.8)	(8.4)	(3.8)	(2.4)	(1.8)	(0.3)	1.9	9.7	(380.4)	(24.4)	9.4	56.7	-94%	-138%	505%
Share-Based Compensation Expenses	(4.8)	(4.8)	(4.8)	(4.4)	(4.3)	(4.3)	(4.3)	(4.3)	(25.3)	(18.9)	(17.4)	(17.3)	-25%	-8%	0%
Amortization of Intangible Assets	(11.5)	(10.7)	(9.2)	(9.4)	(8.3)	(7.5)	(6.8)	(6.1)	(356.1)	(40.9)	(28.7)	(23.1)	-89%	-30%	-19%
Adjusted Operating Income	**6.5**	**7.2**	**10.1**	**11.5**	**10.9**	**11.5**	**12.9**	**20.1**	**1.0**	**35.5**	**55.4**	**97.2**	**3442%**	**56%**	**75%**
Net Income/(Loss)	(7.3)	(8.9)	(6.1)	0.4	0.0	1.2	3.0	9.3	(357.8)	(22.0)	13.5	51.7	-94%	-162%	282%
Share-Based Compensation Expenses	(4.8)	(4.8)	(4.8)	(4.4)	(4.3)	(4.3)	(4.3)	(4.3)	(25.3)	(18.9)	(17.4)	(17.3)	-25%	-8%	0%
Amortization of Intangible Assets	(11.5)	(10.7)	(9.2)	(9.4)	(8.3)	(7.5)	(6.8)	(6.1)	(356.1)	(40.9)	(28.7)	(23.1)	-89%	-30%	-19%
Tax Impact	1.7	1.6	1.4	1.4	1.3	1.2	1.1	1.1	16.2	6.0	4.7	4.1	-63%	-21%	-12%
Adjusted Net Income	**7.3**	**5.0**	**6.5**	**12.8**	**11.4**	**11.9**	**13.0**	**18.6**	**7.4**	**31.9**	**54.9**	**88.0**	**332%**	**72%**	**60%**
Adjusted Earnings per share, diluted	**$0.03**	**$0.02**	**$0.03**	**$0.05**	**$0.05**	**$0.05**	**$0.05**	**$0.08**	**$0.03**	**$0.13**	**$0.23**	**$0.38**	**353%**	**76%**	**63%**
Weighted average shares outstanding, diluted	253.7	252.1	249.2	241.1	239.3	238.0	236.9	235.7	254.9	243.2	237.5	233.5	-5%	-2%	-2%

Source: Company reports and Zacks SCR estimates and calculations.

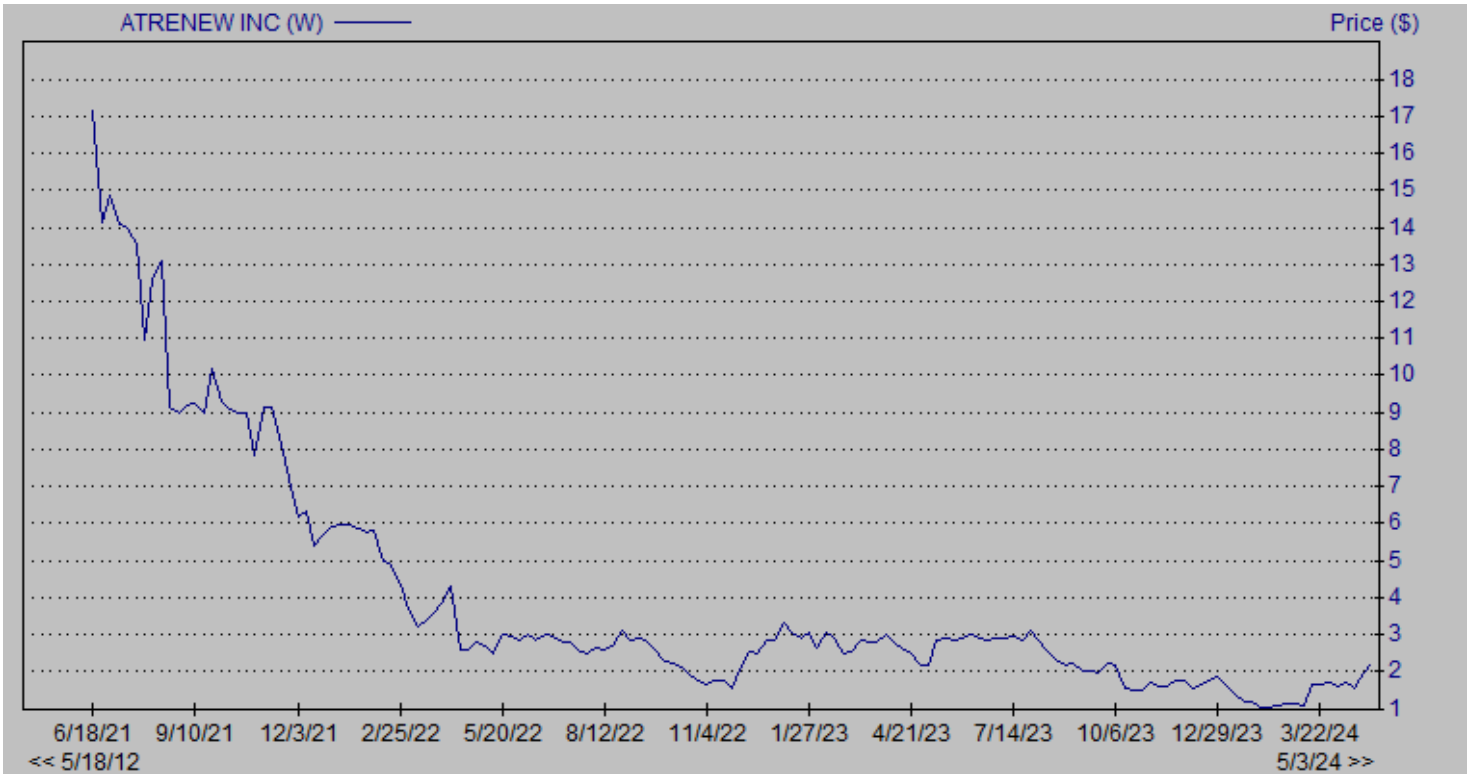
PROJECTED BALANCE SHEET (RMB)

ATRenew Inc.
(RMB in millions)

	Quarterly								Annual				Y/Y Growth		
	1Q23	2Q23	3Q23	4Q23	1Q24E	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	1,998.5	2,018.5	2,038.7	2,059.0	1,703.6	1,978.7	2,059.0	2,141.4	16%	4%	4%
Restricted cash	0.0	210.0	212.0	210.0	212.1	214.2	216.4	218.5	0.0	210.0	218.5	227.3	NM	4%	4%
Short-term investments	644.3	599.0	348.1	410.5	414.7	418.8	423.0	427.2	782.2	410.5	427.2	444.3	-48%	4%	4%
Amount due from related parties, net	102.6	168.0	233.8	89.6	90.5	91.4	92.3	93.2	115.5	89.6	93.2	97.0	-22%	4%	4%
Inventories	583.4	735.4	672.4	1,017.2	1,037.5	1,058.2	1,079.4	1,101.0	433.5	1,017.2	1,101.0	1,189.1	135%	8%	8%
Funds receivable from third party payment se	292.8	241.2	321.5	253.1	258.2	263.3	268.6	274.0	316.3	253.1	274.0	295.9	-20%	8%	8%
Prepayments and other receivables, net	608.2	468.0	601.8	567.6	579.0	590.6	602.4	614.4	539.1	567.6	614.4	663.6	5%	8%	8%
Total Current Assets	3,796.9	3,914.6	3,821.7	4,526.7	4,590.4	4,655.0	4,720.7	4,787.4	3,890.2	4,526.7	4,787.4	5,058.5	16%	6%	6%
Non-Current Assets:															
Amount due from related parties, net, non-cu	0.0	0.0	0.0	0.0	0.0	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	476.4	486.0	495.7	505.6	219.6	467.1	505.6	546.0	113%	8%	8%
Property and equipment, net	111.8	121.0	131.0	148.2	151.2	154.2	157.3	160.4	118.6	148.2	160.4	173.3	25%	8%	8%
Intangible assets, net	474.5	404.4	337.5	270.6	265.2	259.9	254.7	249.6	544.7	270.6	249.6	229.7	-50%	-8%	-8%
Other non-current assets	87.6	82.5	77.2	80.4	82.0	83.7	85.3	87.0	95.7	80.4	87.0	94.0	-16%	8%	8%
Total Non-Current Assets	1,167.3	1,093.3	1,015.0	966.4	974.9	983.8	993.0	1,002.7	1,158.6	966.4	1,002.7	1,043.0	-17%	4%	4%
Total Assets	**4,964.2**	**5,007.9**	**4,836.7**	**5,493.1**	**5,565.2**	**5,638.8**	**5,713.7**	**5,790.1**	**5,048.8**	**5,493.1**	**5,790.1**	**6,101.4**	**9%**	**5%**	**5%**
Liabilities															
Current Liabilities:															
Short-term borrowings	319.0	279.0	200.0	349.9	349.9	349.9	349.9	349.9	124.0	349.9	349.9	349.9	182%	0%	0%
Accounts payable	84.6	70.4	116.5	532.3	537.6	543.0	548.4	553.9	73.3	532.3	553.9	576.1	626%	4%	4%
Contract liabilities	89.6	257.7	158.1	119.7	122.1	124.6	127.0	129.6	195.4	119.7	129.6	140.0	-39%	8%	8%
Accrued expenses and other current liabilities	390.0	320.9	343.8	465.1	469.8	474.5	479.2	484.0	449.5	465.1	484.0	503.4	3%	4%	4%
Accrued payroll and welfare	93.8	119.2	142.6	146.4	149.3	152.3	155.3	158.4	132.5	146.4	158.4	171.1	10%	8%	8%
Amount due to related parties	38.0	73.6	36.1	78.0	79.6	81.2	82.8	84.5	47.6	78.0	84.5	91.2	64%	8%	8%
Total Current Liabilities	1,015.0	1,120.8	997.1	1,691.5	1,708.3	1,725.4	1,742.8	1,760.3	1,022.2	1,691.5	1,760.3	1,831.6	65%	4%	4%
Non-Current Liabilities:															
Operating lease liabilities, non-current	23.7	17.9	19.9	22.5	22.9	23.4	23.9	24.3	33.5	22.5	24.3	26.3	-33%	8%	8%
Deferred tax liabilities	99.5	87.8	77.7	67.7	64.3	61.1	58.0	55.1	111.3	67.7	55.1	44.1	-39%	-19%	-20%
Total Non-Current Liabilities	123.1	105.6	97.6	90.2	87.2	84.5	81.9	79.5	144.8	90.2	79.5	70.4	-38%	-12%	-11%
Total Liabilities	**1,138.1**	**1,226.4**	**1,094.7**	**1,781.6**	**1,795.5**	**1,809.9**	**1,824.6**	**1,839.8**	**1,167.1**	**1,781.6**	**1,839.8**	**1,902.0**	**53%**	**3%**	**3%**
Total Shareholders' Equity	**3,826.1**	**3,781.5**	**3,742.0**	**3,711.5**	**3,769.7**	**3,828.9**	**3,889.1**	**3,950.3**	**3,881.7**	**3,711.5**	**3,950.3**	**4,199.4**	**-4%**	**6%**	**6%**
Total Liabilities & Shareholders' Equity	**4,964.2**	**5,007.9**	**4,836.7**	**5,493.1**	**5,565.2**	**5,638.8**	**5,713.7**	**5,790.1**	**5,048.8**	**5,493.1**	**5,790.1**	**6,101.4**	**9%**	**5%**	**5%**

Source: Company reports and Zacks SCR estimates and calculations.

HISTORICAL STOCK PRICE



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