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Luckin Coffee Inc. (LKNCY) Q1 2026 Earnings Call Transcript

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Q1: 2026-04-29 Earnings Summary



EPS of \$0.30 **beats by \$0.14** | Revenue of \$1.75B (43.85% Y/Y) **beats by \$65.15M**

Luckin Coffee Inc. ([LKNCY](#)) Q1 2026 Earnings Call April 29, 2026 8:00 AM EDT

Company Participants

Nancy Song

Jinyi Guo - Co-founder, CEO & Director

Jing An - Chief Financial Officer

Conference Call Participants

Jessie Xu - JPMorgan Chase & Co, Research Division

Linda Huang - Macquarie Research

Presentation

Operator

Ladies and gentlemen, welcome to Luckin Coffee's First Quarter 2026 Earnings Conference Call. [Operator Instructions] Please be advised that today's call is being recorded.

Now I would like to turn the call over to Ms. Nancy Song, Head of Investor Relations at Luckin Coffee. Nancy, please go ahead.

Nancy Song

Thank you, and hello, everyone. Welcome to Luckin Coffee's First Quarter 2026 Earnings Conference Call. We announced our financial results earlier today before the U.S. market opened. The earnings release is now available on our IR website and via Newswire services. Today, you will hear from Dr. Guo Jinyi, Co-Founder and CEO of Luckin Coffee, who will share a strategic overview of our business. Following that, Ms. An Jing, our CFO, will discuss our financial results in greater detail. Afterwards, we will open up the call for questions.

During today's call, we will be making some forward-looking statements regarding future events and expectations. Any statements that are not historical facts, including, but not limited to, statements about our beliefs and expectations, are forward-looking statements. These statements involve inherent risks and uncertainties. Further information regarding these and other risks is included in our filings with the SEC. In addition, for non-GAAP measures discussed today, the reconciliation information related to those measures can be found in our earnings press release. During today's call, Dr. Guo will speak in Chinese, and his comments will be translated into English.

Now I'd like to turn the call over to Dr. Guo Jinyi, Co-Founder and CEO of Luckin Coffee. Dr. Guo, please go ahead.

Jinyi Guo

Co-founder, CEO & Director

[Interpreted] Good day, everyone, and welcome to today's earnings conference call. Thank you for your continued interest in and support for Luckin Coffee. We began 2026 with robust momentum. In the first quarter, we remained focused on executing our core strategy of high-quality scaled growth and delivered solid results. Amid an increasingly diverse and dynamic competitive landscape, we leveraged our end-to-end digital capabilities to expand our store network, grow our customer base, increase consumption and strengthen our supply chain. Together, these multidimensional scaling efforts create a system-wide competitive advantage across our 4 pillars of people, products and places.

In the first quarter, total net revenues grew 35% year-over-year to approximately RMB 12 billion. We continue to expand our store network at an industry-leading pace while remaining disciplined on store quality and operational efficiency. Same-store sales for our self-operated stores remained broadly stable and the store level operating expense ratios improved compared to last year. From a sales channel perspective, the delivery volume mix declined sequentially, but remained well above last year's level, reflecting a temporary mix-driven impact.

As a result, operating income reached around RMB 710 million, representing an operating margin of around 6%. Looking ahead, we expect our scale advantages and operating capabilities to become increasingly evident, supporting improvements in same-store performance, efficiency and profitability over time. Grounded in our solid fundamentals and strong confidence in our strategy and long-term prospects, we launched our first share repurchase program of up to \$300 million over a 1-year period. This marks an important step in our efforts to enhance shareholder returns and reaffirms our commitment to long-term value creation.

Next, I will walk you through our quarterly progress across the 3 core dimensions of our scaled growth strategy, people, products and places. Following that, our CFO, An Jing, will provide more detailed review of our financial performance. Starting with stores, we continue to expand at a competitive pace while maintaining a clear focus on healthy store level performance. We further deepened our network coverage across both high-tier and low-tier cities, enhancing convenience, strengthening brand accessibility and improving our ability to capture demand, which ultimately reinforces our long-term market leadership. By the end of the first quarter, our total store count reached 33,596, representing 39% year-over-year growth. Our expanding store network will continue to support customer acquisition, higher purchase frequency and improved scale efficiencies over time.

In China, we added 2,531 net new stores during the quarter, bringing our total store count to 33,419. This included 21,713 self-operated stores and 11,706 partnership stores, forming a well-balanced footprint across all city tiers nationwide. Our deeply penetrated national store network strengthens the structural resilience of our business, allowing us to better absorb seasonal and holiday demand volatility while sustaining stable overall performance. For example, during this year's Chinese New Year holiday, as consumers in higher-tier cities return to their hometowns and coffee consumption habits continue to gain traction. Demand in lower-tier markets was fully activated with our partnership stores performing particularly well. This performance underscores the significant long-term potential of China's coffee market and highlights the strength of our brand momentum, scale advantages and a well-rounded product portfolio in driving growth.

Internationally, we continue to expand in a disciplined and measured manner. During the quarter, we added 17 net new stores, bringing our total overseas store count to 177. This includes 82 self-operated stores in Singapore, 12 self-operated stores in the U.S., and 83 franchise stores in Malaysia. During the quarter, we also completed the integration of our international centralized mid-office functions, further enhancing our global operating and management capabilities. Looking ahead, we will continue to deepen our presence in existing markets through flexible localized operating models, optimize store level performance and build further overseas operating experience and customer insights while prudently exploring overseas expansion.

On the product front, we continue to drive higher engagement, purchase frequency and overall consumption through ongoing innovation and increasingly diversified product portfolio, supporting long-term same-store performance. In the first quarter, we launched 26 new freshly brewed beverages and more than 10 snack items. Since the beginning of the year, we have focused on strengthening Luckin Coffee's positioning as a professional coffee brand by continuously upgrading our bean flavor profiles and overall coffee experience. We introduced a range of classic offerings, including Light Roast Americano, Ethiopian Blend Americano, and Ethiopian Blend Latte. Our customization options now cover multiple roast profiles, including espresso blend, dark roast, and Ethiopian blonde, allowing us to meet increasingly sophisticated consumer preferences.

In addition, we continue to refresh our coffee lineup with new products such as the Belgium dark chocolate flavored latte, Raspberry Americano, and [indiscernible] Long Jing latte, keeping our menu innovative and engaging. In non-coffee categories, we continue to enrich our product matrix and enhancing quality, including the launch of our cheese covered series and the full upgrade of our matcha lineup supported by origin-based sourcing. These innovations further extended our coverage of all-day multi-occasion consumption demand, which strongly supports new customer acquisition and repeat purchases from existing customers.

On the customer front, we remain committed to a customer-first approach, delivering a compelling value proposition across quality, affordability, convenience and emotional engagement. This enables us to translate our store network advantages into sustainable growth in both customer scale and consumption. During the first quarter, we further upgraded our customization offerings. In addition to the expanded coffee bean selection, we also rolled out larger cup sizes across a broader range of hot and iced SKUs. These larger-sized offerings have been well received by customers with encouraging early adoption rates and a positive contribution to overall average selling price during the quarter.

We continue to deepen emotional connections with younger consumers through collaborations with well-known artists and pop culture IP as well as our creative Coconut Latte fifth anniversary campaign. Supported by these initiatives, we added more than 21 million new transacting customers during the quarter, and average monthly transacting customers increased 25% year-over-year to over 93 million. Benefiting from product innovation, brand engagement and network convenience, average cups purchased per customer increased year-over-year across both new and existing customers, validating the positive flywheel between scale expansion and demand growth.

In addition, on the sustainable supply chain front, we continue to strengthen our proprietary supply chain centered around coffee beans, deepening our presence in origin regions and translating our scale into greater system-wide resilience. Recently, our Qingdao Innovation Production Center commenced operations, becoming our third roasting facility to come online. With facilities in Qingdao, Pingnan, and Kunshan fully operational and Xiamen under construction, we are building a coordinated roasting network with total annual capacity reaching 155,000 tons. This further enhances the flexibility and reliability of our core supply chain, providing strong support for our continued scale expansion.

At the same time, we continue to leverage our scale to deepen collaboration across the value chain and support the development of coffee origin regions. During the current harvest season, we increased our domestic sourcing, procuring over 30,000 tons of coffee beans from Yunnan. This not only strengthens the diversity and resilience of our sourcing network across both domestic and international origins, but also provides stable income and long-term confidence for local growers. In addition, through partnerships with research institutions and support for professional coffee competition, we're integrating our supply chain capabilities into our ESG initiatives, contributing to the sustainable and high-quality development of China's coffee industry.

In summary, China's coffee market remains in a rapid growth phase with consumer demand continuing to extend and a significant long-term potential ahead. At this stage, we remain firmly focused on high-quality scaled growth, maintaining a dynamic balance among expansion pace, store quality and operational efficiency. Our digitally driven business model built on high efficiency and convenience positions us well to capture structural growth opportunities and deliver sustainable long-term growth. Amid a dynamic and evolving competitive landscape as well as a high comparison base created by last year's delivery subsidies. We believe our industry-leading scale will enable us to navigate near-term volatility while unlocking long-term growth and profitability.

Looking ahead, we will continue to drive innovation across product development, brand engagement and customer experience to further our consumption potential, support sustained business growth and strengthen our leadership position in the market. Finally, we would like to thank our customers, partners and investors for your continued trust and support as well as our 190,000 Luckin team members for your dedication and hard work. We remain committed to supporting the healthy development of China's coffee industry, building a world-class coffee brand and creating sustainable long-term value for our customers, partners and shareholders.

Jing An

Chief Financial Officer

Thank you. Good day, everyone. Thank you for joining today's call. We delivered solid top line growth while maintaining financial discipline in the first quarter despite the impact of a higher delivery mix, underlying operating efficiency improved both at store and group levels. As we continue to scale our business and strengthen our market leadership, we believe we are well-positioned to drive operational leverage and profitability over time, supported by our sustained quality growth.

Let's now look at our financial performance in detail. In the first quarter, total net revenues increased by 35% year-over-year to around RMB 12 billion, primarily driven by a 35.8% year-over-year increase in GMV to RMB 14.1 billion. This growth was supported by higher volumes across our self-operated and partnership stores, a result of our expanding store network and a growing base of active transacting customers. Revenues from product sales increased by 32% year-over-year to RMB around 9 billion, mainly reflecting the solid performance of our self-operated stores, breaking down our product sales into 3 bands. Net revenues from freshly brewed drinks were RMB 8.3 billion, representing about 69% of total net revenues. Net revenues from other products were RMB 566 million or about 5% of total net revenues. Net revenues from others were RMB 157 million or roughly 1% of total net revenues.

Looking at product sales from the perspective of company-owned stores, revenues from self-operated stores increased by 33% year-over-year to RMB 8.6 billion. Same-store sales growth was largely stable for this quarter amid the rapid expansion of our store network. Store level operating profit increased by 6% year-over-year at RMB 1.2 billion, with self-operated store level operating margin of 13.6%. Revenues from partnership stores increased by 45% year-over-year to about RMB 3 billion, accounting for 25% of the total net revenues. This strong growth was mainly supported by increased sales of materials and improved contributions from profitable partnership stores, particularly reflecting the outperformance of partnership stores in the lower-tier cities during the Chinese New Year holiday season.

Cost of materials as a percentage of total net revenues remained stable year-over-year at around 40%. In absolute terms, cost of materials increased by 36% year-over-year to RMB 4.9 billion, in line with our business expansion. Store rental and other operating costs as a percentage of total net revenues decreased to 25.5% from 26.3% in the same period of 2025. In absolute terms, these expenses increased by 31% year-over-year to RMB 3.1 billion, driven by higher payroll costs from volume growth and rising rental expenses due to continued store expansion.

Delivery expenses increased by 9% year-over-year to RMB 1.3 billion, driven by a significant increase in delivery orders through food delivery platforms. As a result, delivery expenses as a percentage of total net revenues increased to around 11% from around 8% in the same period of 2025. However, our delivery cost per order declined year-over-year, reflecting better efficiency as we scale our operation. Sales and marketing expenses as a percentage of total net revenues were 6.1% compared to 5.6% in the same period of 2025. In absolute terms, sales and marketing expenses rose 48% year-over-year to RMB 732 million, mainly driven by increased advertising and promotion expenses as well as higher commission fees paid to food delivery platforms as delivery volumes increased.

General and administrative expenses as a percentage of total net revenues decreased to around 7% from around 8% in the same quarter of 2025. In absolute terms, G&A expenses rose 25% year-over-year to RMB 861 million, mainly driven by higher payroll costs and share-based compensation as well as increased investment in research and development. Our GAAP operating profit was RMB 760 million with an operating margin of around 6% compared to RMB 735 million, around 8.3% in the prior year period, mainly reflecting higher delivery-related expenses as delivery volume increased. On a non-GAAP basis, operating profit was RMB 898 million with a margin of 7.5%. Net profit was at RMB 506 million with a net margin of 4.2% compared to RMB 524 million and 5.9% in the prior year period. On a non-GAAP basis, net profit was RMB 686 million with net margin of 5.7%.

Finally, looking at our balance sheet and cash flow, we generated around RMB 791 million in net operating cash during the first quarter of 2026. As of March 31, 2026, our total cash position, which includes cash and cash equivalents, restricted cash, term deposits and short-term investments was about RMB 9.1 billion compared to around RMB 9 billion as of December 31, 2025. Our healthy cash position provides flexibility to support continued business expansion while allowing us to enhance shareholder returns. In closing, this quarter's continued momentum validates our long-term growth strategy. We remain dedicated to quality expansion while optimizing operational efficiency at every step, ultimately delivering sustainable value to our shareholders.

With that, we will open the call for questions. Operator, please go ahead.

Question-and-Answer Session

Operator

[Operator Instructions] The first question comes from Jessie Xu of JPMorgan.

Jessie Xu*JPMorgan Chase & Co, Research Division*

[Interpreted] This is Jessie Xu from JPMorgan. Congrats on a very strong set of results in a very dynamic and competitive quarter, especially on margin side. Share repurchase is also a positive surprise. I'm sure shareholders are very happy today. My question is on growth and quality. So first quarter seems to be another fast quarter as we recorded another 2,500 net opening, a similar pace to the past few quarters. At the same time, same-store sales stayed relatively stable, which is not bad. So if we look into the rest of the year, how should we think about the expansion pace? And what's your strategy in balancing scale market share and average store performance?

Jinyi Guo*Co-founder, CEO & Director*

[Interpreted] Thank you for your question. I will answer your question. So first, on the store expansion and same-store sales, we remain focused on our core strategy of high-quality scale growth. So as we continue to expand, we focus on maintaining a dynamic balance across these important metrics between the pace of expansion, store quality, operating efficiency and same-store performance.

So in the first quarter, we continue to execute our established strategy and maintain a relatively fast pace of expansion. And fundamentally, our store expansion is a strategic investment based on our long-term view of China's coffee consumption demand. So while maintaining a healthy unit economics, we are building our store network at a competitive pace to strengthen Luckin Coffee's scale advantage and long-term marketing position.

So recently, the delivery war has created very strong growth opportunities in China's coffee consumption. So accordingly, we've been in the phase of a relatively rapid expansion, and this momentum continued into the first quarter. So in this backdrop, some level of fluctuation in our same-store performance is normal. And also, this is well in line with our business expectations. Having said that, same-store sales for our self-operated stores remained broadly stable in the first quarter. We believe it also reflects the resilience of our overall operations.

And from a demand perspective, as mentioned earlier, the strong performance in lower-tier markets during the Chinese New Year further validated the ability of our nationwide well-balanced store network as we capture and convert demand. At the same time, we don't view demand as static in addition to a natural increase in the consumers' purchase frequency as coffee consumption habits develop. Our ongoing supply side investment, including our store network expansion and our product innovation also helps with stimulation and creation of new demand. This underpins our confidence in our long-term same-store performance as well.

In the following quarters, as we move into the comparison period impacted by last year's elevated delivery subsidies, our same-store sales may face some short-term volatility. But at the same time, we are actively managing this through product innovation, continued enhancement of our professional coffee offerings, expansion of our non-coffee portfolio as well as further improved customization. So with all these efforts, we think we will help with broaden the consumption scenarios, improve conversion and increased frequency.

So in conclusion, while same-store performance may fluctuate in the short term with our rapid growth, but we believe the long-term trend will be -- will remain healthy and upward. We remain confident in our same-store performance in the long run. This is my response to your first question. Yes.

Operator

Our next question comes from Linda Huang with Macquarie.

Linda Huang

Macquarie Research

[Interpreted] This is Linda Huang from Macquarie. So we are very pleased to see the company's launch of the share repurchase scheme. So I would like to know that about the key considerations and the strategic motivation behind initiating this repurchase program. And additionally, I also want to know that whether the company will consider adopting other shareholder reward initiatives such as the cash dividend distribution going forward.

Jinyi Guo

Co-founder, CEO & Director

[Interpreted] Thank you for your question. So fundamentally, our decision to launch the 300 million share buyback program at this stage reflects our strong confidence in the long-term potential of China's coffee market, also in our own growth prospects and our ability to create long-term value. So over the past 6 years, we've built a very solid fundamentals with improving operating performance and increasingly healthy cash flows, which supports our ability to return capital to shareholders.

As we enter a more mature stage of development, we are placing greater emphasis on capital allocation discipline and the efficient use of our capital, while continuing to support our strategic investments and steady business growth, we aim to enhance long-term shareholder value in a more proactive and sustainable way. So our buyback program is a key step in optimizing our capital structure and strengthening shareholder returns.

Looking ahead, we remain open to various shareholder return options. Due to historical reasons, we are not able to pay dividends in the short term, but we will continue to evaluate all the alternatives, including buybacks and further dividends in the context of our operating performance, cash flows and long-term development needs. Our goal is to continue delivering sustainable and long-term value to our shareholders while maintaining an appropriate balance between our business growth and shareholder returns. Thank you.

Operator

Due to time constraints, no further questions will be taken at this time. This concludes the question-and-answer session. I'd like to turn the call back to the management team for any closing remarks.

Nancy Song

Thank you, everyone, for joining our call today. If you have any further questions, please feel free to contact our IR team. This concludes today's call. We look forward to speaking with you again next quarter. Thank you.

Operator

Once again, the conference has now concluded. You may disconnect your line. Thank you.

[Portions of this transcript that are marked [Interpreted] were spoken by an interpreter present on the live call.]

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