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Luckin Coffee Inc. (LKNCY) Q2 2026 Earnings Call Transcript

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Q2: 2026-08-03 Earnings Summary

EPS of $0.81 beats by $0.23 | Revenue of $2.35B (36.56% Y/Y) beats by $79.56M

Luckin Coffee Inc. (LKNCY) Q2 2026 Earnings Call August 3, 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
Xinyu Ruan - Goldman Sachs Group, Inc., Research Division

Presentation

Operator

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

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

Nancy Song

Thank you, and hello, everyone. Welcome to Luckin Coffee's Second Quarter 2026 Earnings Conference Call. We announced our financial results earlier today before the U.S. market opens. 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. Then Ms. An Jing, our CFO, will discuss our financial results in greater detail. Afterwards, we'll 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, reconciliation information related to those matters 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 delivered solid second quarter results as we remain focused on executing our core strategy of high-quality scale growth. Amid a dynamic market environment, we continue to strengthen our store network and product innovation capabilities while growing our customer base and deepening [brand mind share]. These efforts further enhanced our long-term competitive advantages, helping us expand market share and reinforce industry leadership.

Supported by continued growth in China's coffee consumption demand, we maintained an industry-leading pace of store expansion with more than 5,000 net new stores opened in the first half of the year. By the end of the second quarter, our global store count has surpassed 36,000 while cumulative transacting customers approached 500 million. Total net revenues for the quarter reached around RMB 15.9 billion, up 29% year-on-year.

Same-store sales for our self-operated stores declined 5.3% year-over-year in the second quarter, primarily due to the temporary high comparison base created by elevated food delivery subsidies in the prior year period. This performance was fully consistent with our previous expectations for the trajectory of business operations. Meanwhile, as food delivery competition gradually returned to more rational levels, our operating income resumed year-over-year growth in the quarter, growing 22% to RMB 2.1 billion with an operating margin of 13.4%. This further reinforced the recovery in our profitability. Our second quarter results once again validate the strength of our high-quality scale growth strategy and further strengthen our confidence in capturing long-term market opportunities.

Next, I will walk you through the quarterly progress across our 3 core business pillars: people, products and places, focusing on store coverage, product innovation and customer experience. Following that, our CFO, An Jing, will share more detailed financial update.

Starting with our store network. We continue to expand our nationwide footprint based on our long-term view of customer demand. We further strengthened our presence across cities of all tiers, enhancing consumer accessibility and service capabilities to continuously unlock the long-term growth potential of China's coffee market. By the end of the second quarter, our global store count reached 36,310, up 39% year-over-year. We continue to lead the industry in both scale and expansion pace.

In China, we added 2,668 net new stores during the quarter, bringing our total store count to 36,087. This includes 23,625 self-operated stores and 12,462 partnership stores. China's coffee market remains in high growth, supported by rising penetration and increasing consumption frequency. Expanding our reach across all city tiers and consumption scenarios remains fundamental to building long-term market leadership. Leveraging Luckin's strong digital capabilities and strategic execution, we are able to precisely identify consumer demand and efficiently expand our store network based on these insights. Through data-driven site selection, digitally-enabled store construction and intelligent store operations, we continue to enhance expansion efficiency and operational consistency while maintaining store quality. This enables us to deepen consumer engagement and consistently translate market opportunities into sustained market share gains.

Internationally, we continue to expand our overseas presence in a disciplined manner, leveraging the proven digital operating capabilities we have developed in China, we tailored our approach to local consumer preferences and market dynamics to further improve our localized operations.

In the second quarter, we added 46 net new stores, bringing our total international store count to 223. This includes 89 self-operated stores in Singapore, 20 self-operated stores in the U.S. and 114 franchise stores in Malaysia. Building on our presence in these markets, we will continue to refine our product offerings and enhance our operational and organizational capabilities. We will also continue to optimize store level economics and develop standardized, replicable operating practices, laying the groundwork for our continued international expansion.

On the product front, we continue to strengthen Luckin's positioning and [indiscernible] share as a professional coffee brand. While leading innovative and health-conscious beverage trends through deeper insights into evolving consumer needs. In the second quarter, we launched 28 new freshly brewed beverages and over a dozen snack items.

In the coffee category, we continue to develop signature products that embody Luckin's unique brand identity, reinforcing the competitive moat built around our [brand mind share]. During the quarter, our Little Butter Americano once again gained significant traction as consumers discovered creative ways of enjoying the product. This success demonstrates our ability to identify emerging trends, respond quickly to evolving preferences and continuously innovate the product experience, further strengthening the distinctive brand equity we have built over time.

This product ranked among our top 2 best selling products by volume in the second quarter. And cumulative sales of the Little Butter series surpassed 500 million cups by quarter end. We're also continuing to strengthen our wellness-oriented product strategy and R&D focus, expanding our selection of light and refreshing beverage options to better align with the evolving taste preferences of our increasingly sophisticated customer base.

During the quarter, we launched our new flagship product, [Lemon Fizzy] Americano, further deepening consumer recognition of Luckin's signature Fruity Americano offerings, while meeting growing demand for high-quality health-conscious beverages. With sales surpassing 10 million cups within its first week of launch, this product delivered encouraging repeat purchase and customer retention performance, reflecting its strong consumer demand. Beyond coffee, we introduced new product lines during the quarter, including yogurt, smoothies and ice milk beverages, further broadening our omni-category product portfolio providing consumers with a one-stop beverage destination across various dayparts and the consumption scenarios.

By the end of the second quarter, 5 of Luckin's 25 products that have each surpassed 100 million cups in cumulative sales were non-coffee products, further demonstrating Luckin's strong brand appeal and product execution capabilities.

On the customer front, we continue to enhance the customer experience through our accessible store network, high-quality product offerings and data-driven consumer insights. These trends further reinforce our [brand mind share] and connections with consumers, helping us expand our customer base and increase purchase frequency.

As mentioned earlier, the strong market response through Little Butter Americano reflects our efforts to deepen consumer engagement and co-create lasting brand memories. It also further drove positive word of mouth and increased consumption. In addition, we continue to engage consumers through diversified brand initiatives including [IP] collaborations, delivering emotional value beyond the products themselves and fostering deeper brand relevance with our customers.

Driven by product innovation and brand building, we added more than 25 million new transacting customers in the second quarter, bringing average monthly transacting customers to a new record high of over 110 million, up 23% year-over-year. By the end of the second quarter, our cumulative transacting customers approached 500 million. At the same time, our average monthly cups per customer also reached an all-time high. These achievements reflect consumers' continued recognition of the Luckin brand and the products, while reaffirming that coffee consumption habits in China are continuing to deepen.

In addition, as part of our commitment to corporate responsibility, we remain attentive to consumers' growing health needs and incorporate our product philosophy of great taste and wellness into beverage development and the consumer experience. In recent years, we have continued to optimize our product strategy by enhancing supply chain quality and raising product evaluation standards, making health-conscious innovation, an important focus of our product development.

Through cleaner formulations and higher quality ingredients, we aim to deliver beverage experiences the balance taste, quality and wellness. Meanwhile, we have continued to deepen collaboration with leading research institutions to advance coffee health research and consumer education. Since establishing the Peking University Health Science Center -- Luckin Coffee Health Innovation Base in partnership with Peking University Health Science Center in 2024, we have completed multiple innovative research projects and continue to apply academic findings to product development.

In June this year, together with [indiscernible], Peking University Health Science Center and other partners, we jointly launched the coffee health education initiatives along with the release of the health and wellness trend in China's freshly prepared beverage market 2026. Looking ahead, we will continue to integrate research insights with product innovation and contribute to the sustainable and health-conscious evolution of the freshly brewed beverage industry.

In summary, the second quarter marked another significant quarter in which we continue to validate and deliver on our long-term growth strategy. High-quality scale growth is not simply about increasing store count. It reflects our ability to continuously identify, respond to and even create demand and ultimately translate market demand into sustainable market share gains.

Leveraging Luckin's digitally driven, replicable and scalable operating model together with the brand equity we have built over time, we continue to amplify the synergies across our store network, product innovation and the customer base. This creates sustainable growth momentum and positions us well to fully capture the historic opportunities presented by China's coffee market.

Looking ahead, we remain committed to executing our high-quality scale growth strategy as we consistently enhance our capabilities across store network coverage, product innovation and customer experience. We aim to further expand our market share while creating long-term value for our customers, partners and shareholders.

Finally, we are deeply grateful to our consumers, partners and investors for their ongoing support and to our 220,000 Luckin team members for their valuable contributions to the company's growth. We will continue to work together towards building a world-class coffee brand and making Luckin Coffee a part of everyone's daily life.

Now I will turn the call over to An Jing to go through our financial results in detail.

Jing An

Chief Financial Officer

Thank you, Jinyi. Good day, everyone. Thank you for joining today's call. In the second quarter, we delivered solid top line growth and the continued profitability recovery, reflecting our operational resilience and the strong execution of our growth strategy.

Let me now walk you through the financial details. In the second quarter, total net revenues increased by 29% year-over-year to RMB 15.9 billion, mainly driven by a 30% year-over-year increase in GMV to RMB 18.4 billion. This growth was supported by higher total cup volumes across both self-operated and partnership stores as we continue to expand our store network and grow our customer base.

Revenues from product sales increased by 29% year-over-year to RMB 12.2 billion, reflecting the solid performance of our self-operated stores. Breaking down our product sales into 3 streams. Net revenues from freshly brewed drinks were RMB 11.2 billion, representing about 70% of the total net revenues. Net revenues from other products were RMB 892 million or about 6% of the total net revenues. Net revenues from others were RMB 171 million or roughly 1% of the total net revenues.

Looking at our company-owned stores, revenues from self-operated stores increased by 27% year-over-year to RMB 11.6 billion. Same-store sales growth was negative 5.3% for this quarter, mainly reflecting the high comparison base created by the elevated food delivery subsidies in the prior year period. Store level operating profit increased by 26% year-over-year to RMB 2.5 billion with self-operated store level operating margin of 21.3%.

Revenues from partnership stores increased by 28% year-over-year to RMB 3.7 billion, accounting for 26% of total net revenues. This growth was largely driven by a continued expansion of our partnership store network. [Cost of materials] remained the largest contributor followed by the delivery service fees and profit sharing and loyalty fees. Cost of materials as a percentage of the total net revenues were 39% compared to 37% in the same period of 2025, mainly due to fluctuations in average selling price and in certain raw material prices. In absolute terms, cost of materials increased by 34% year-over-year to RMB 6.1 billion, largely due to increases in cup volumes in self-operated stores and material sales to partnership stores.

Store level -- store rental and other operating costs as a percentage of the total net revenues was 27% compared to 22% in the same period of 2025. In absolute terms, these expenses increased by 36% year-over-year to RMB 3.6 billion, mainly driven by higher payroll costs from cup volume growth and rising rental expenses due to continued store expansion. Delivery expenses as a percentage of the total net revenues decreased to 10% from 14% in the same period of 2025.

This improvement was mainly driven by a lower proportion of delivery orders as well as lower average delivery cost per order as we enhance fulfillment efficiency. In absolute terms, delivery expenses decreased by 3% year-over-year to RMB 1.6 billion. Sales and marketing expenses as a percentage of total net revenues was 6% compared to 5% in the same period of 2025. In absolute terms, sales and marketing expenses increased by 56% year-over-year to RMB 925 million, mainly due to higher spending on advertising and the promotion as well as higher commission fees paid to the food delivery and live streaming platforms.

General and administrative expenses as a percentage of the total net revenue was 6%, largely flat compared to the same quarter of 2025. In absolute terms, general expenses increased by 34% year-over-year to RMB 985 million, mainly driven by higher share-based compensation and payroll costs as well as increased investment in research and development.

Our GAAP operating profit increased by 22% year-over-year to RMB 2.1 billion with an operating margin of 13.4% compared to 14.1% in the prior year period. On a non-GAAP basis, operating profit increased by 26% year-over-year to RMB 2.4 billion with a non-GAAP operating margin of 15.1% compared to 15.3% in the prior year period.

Net profit increased by 16% year-over-year to RMB 1.5 billion with a net margin of 9.4% compared to 10.4% in the prior year period. On a non-GAAP basis, net profit increased by 23% to RMB 1.8 billion, with a non-GAAP net margin of 11% compared to 11.6% in the prior year period.

Finally, looking at our balance sheet and cash flow. We generated RMB 2.6 billion in net operating cash during the second quarter of 2026. As of June 30, 2026, our total cash position, which includes cash and cash equivalents, restricted cash, term deposits and short-term investments was RMB 10.9 billion compared to RMB 9 billion at end of December 31, 2025. During the quarter, we utilized short-term borrowings as part of our capital allocation strategy to support the ongoing shareholder return initiative.

We continued to maintain a strong net cash position of RMB 9 billion and a healthy leverage profile, supported by our robust cash generation capabilities and disciplined financial management. This provides us with flexibility to continue invest in future growth opportunities while returning capital to shareholders.

During the second quarter, we repurchased 49 million Class A ordinary shares or 6 million ADS for a total consideration of $195 million under over $300 million share repurchase program.

In closing, our second quarter marked another step forward in turning our long-term strategy into tangible results. Our expanded store network and growing customer base has positioned us well for long-term growth. Looking ahead, we will remain focused on disciplined execution, continuous improvement in operational efficiency and sustainable value creation for 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 today comes from Jessie Xu with JPMorgan.

Jessie Xu

JPMorgan Chase & Co, Research Division

[Interpreted] This is Jessie Xu from JPMorgan. Congrats on a very strong 2Q, very encouraging in a weak macro environment, especially against some challenges for the whole industry year-to-date. And second quarter turned out to be a beat in both same-store sales and also margins, clearly diverging from and outperforming the whole industry. So my question is mainly on second half outlook, considering a tough base during July to August, how should we think about same-store sales trends for the second half? And as the delivery mix continues to normalize, how should we think about the margin and earnings outlook from here?

Jinyi Guo

Co-founder, CEO & Director

[Interpreted] Great. So thank you for the question. Since the beginning of the year, delivery platform competition has gradually returned to a more reasonable level. We believe the freshly brewed beverage industry is also moving towards a healthier and more sustainable development stage. And the market competition is increasingly shifting back to product innovation, operational excellence and consumer value creation. So all the areas where Luckin has consistently invested and built our long-term strategy around.

So from an external perspective, food delivery subsidies have been scaled back more quickly than we initially expect at the beginning of the year. So the highest pressure created by last year's elevated subsidies has also become more apparent, and it's already reflected in our second quarter same-store sales performance.

As for the third quarter, as platform subsidies were particularly intense during July and August of last year, we expect the resulting high base effect to persist. At the same time, we are seeing improving trends in our profitability and margins supported by the continued decline in delivery mix from peak levels since the third quarter of last year as well as the improvement in our fulfillment efficiency.

And from an internal perspective, we've also continued to optimize various products and operational initiatives this year with very encouraging results. For example, our cup size upgrade initiative and product innovation around Little Butter Americano, I just mentioned, these efforts not only enhance customer experience, but also supported the overall average selling price and our cup volumes.

Yes, overall, we remain cautiously optimistic about our operating performance in the second half of the year. We'll continue to adapt our strategies based on evolving market conditions and consumer needs and balancing the long-term growth opportunity with profitability improvement and driving higher quality and more sustainable growth for our business. Thank you.

Operator

The next question comes from Xinyu Ruan with Goldman Sachs.

Xinyu Ruan
Goldman Sachs Group, Inc., Research Division

[Interpreted] Let me translate my question into English. So the company had a very fast store opening pace in the first half. But in the meanwhile, we see industry-wide same-store sales growth pressure under the delivery subsidy normalization and the most players actually slowed down store opening this year. On this backdrop, what supported Luckin's fast store expansion? And what is the company's plan and strategy on store opening in the second half? And how is the opening outlook and how do we balance store opening and same-store sales growth? And in the longer term, how do we think about the room for the store expansion in China?

Jinyi Guo
Co-founder, CEO & Director

Thank you for the question. First, I'd like to reiterate that we remain very confident in the long-term growth potential of China's coffee market. So compared with more mature coffee markets globally, coffee consumption in China remains in its early stages of habit formation with significant room for future penetration and frequency growth.

This long-term market opportunity is the foundation for our high-quality scale growth strategy. It's also the key driver for our continued expansion, leaving us plenty of headroom to continue opening more stores while maintaining store quality.

As coffee consumption increasingly becomes part of China's consumers' daily routines, Luckin has built a nationwide store network covering all city tiers and diverse consumption scenarios. So from Tier 1 cities to country-level markets and townships and across different consumption scenarios, for example, office buildings, commercial districts, [street-level] locations, residential communities, campuses and transportation hubs, we continue to expand consumer accessibility and strengthen Luckin's brand [indiscernible] share as a nationwide professional coffee brand.

So for Luckin, store expansion is not simply about adding more stores, it's actually more about leveraging our nationwide store network, strong brand equity and product capabilities to better identify and serve the growing customer demand. And supporting this is a highly scalable and replicable operating model covering the full value chain across people, products and places from demand insights and site selection to our store construction, operations and the ongoing optimization, which leverage our digital capabilities and AI technologies to improve our decision-making efficiency. Our mature organizational capabilities and strong execution actually ensure that we can open stores quickly while maintaining store quality and continuously enhance our store performance.

At the same time, our expanding store network further strengthens our brand influence, enhances our ability to scale product innovation and creates a virtuous cycle among stores, products and customers. And so store expansion is not an end in itself, but a crucial foundation for sustainably gaining market share.

So to conclude, we believe there remains substantial headroom for store growth in China's coffee market. As coffee penetration and consumption frequency continue to increase, the overall market capacity will continue to expand. We are confident in our ability to maintain a competitive pace of store expansion, capture the long-term growth opportunities in China's coffee market and continue to grow Luckin Coffee's market share. 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. Thanks.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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

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