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Luckin Coffee Inc. (LKNCY) Q3 2026 Earnings Call Transcript

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Q3: 2026-11-03 Earnings Summary

EPS of $1.02 beats by $0.20 | Revenue of $2.69B (24.92% Y/Y) misses by $11.21M

Luckin Coffee Inc. (LKNCY) Q3 2026 Earnings Call November 3, 2026 8:00 AM EST

Company Participants

Nancy Song
Jinyi Guo - Co-founder, CEO & Director
Jing An - Chief Financial Officer

Conference Call Participants

Michelle Cheng - Goldman Sachs Group, Inc., Research Division
Jessie Xu - JPMorgan Chase & Co, Research Division

Presentation

Operator

Ladies and gentlemen, welcome to Luckin Coffee's Third 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 of Luckin Coffee. Nancy, please go ahead.

Nancy Song

Thank you, and hello, everyone. Welcome to Luckin Coffee's Third 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

[Foreign Language]

Nancy Song

[Interpreted] Good day, everyone, and welcome to today's earnings conference call. Thank you for your continued interest in and support for Luckin Coffee.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] In the third quarter, our execution of high-quality scale growth strategy continued to yield positive results. We delivered solid business growth and further improved profitability. Non-GAAP net profit exceeded RMB 2.1 billion, setting a new quarterly record.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] This quarter, total net revenues grew 17% year-over-year to RMB 17.9 billion. Customer demand for coffee continued to grow with both average monthly transacting customers and average cups per transacting customer reaching new highs. To meet this growing demand, we maintained an industry-leading pace of store expansion, adding nearly 2,600 net new stores during the quarter. This further expanded our store network and improved our ability to serve customers across all city tiers. As the delivery mix continued to normalize, profitability further improved. Operating profit exceeded RMB 2.7 billion, up 55% year-over-year, while operating margin reached 15.4%, up nearly 4 percentage points year-over-year.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] Looking at store performance, last year's food delivery subsidies boosted both delivery volume and overall average selling price per cup, creating a high comparison base for the third quarter. As platform subsidies fell sharply this year, third quarter same-store sales for self-operated stores were significantly impacted, declining 11.1% year-over-year. However, we have also seen the decline narrow month by month since July with the pace of improvement continuing to pick up. This was fully in line with the trend we had previously communicated.

More importantly, as delivery subsidies and delivery costs declined significantly, profitability at our self-operated stores continued to improve. Store level operating margin was not only notably higher than a year ago, but also largely back to pre-subsidy levels. To put this into perspective, compared with the third quarter of 2024, our delivery mix remains much higher, while our store network has nearly doubled in size, yet store level operating margin at our self-operated stores has broadly returned to the same level as in last quarter. These results further validate our scale growth model and give us greater confidence in our long-term growth prospects.

Taking into account our financial position and the business outlook and to better reward shareholders, our Board has approved a new 1-year share repurchase program with a total authorization of USD 500 million. This also reflects our firm belief in Luckin's long-term value.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] Next, I will walk you through our key operating highlights for the quarter across customers, products and stores. Later, our CFO, An Jing, will share more details on our financial performance.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] Starting with our store network. We maintained a competitive pace of store expansion, far ahead of the industry. By the end of the third quarter, we had 38,909 stores globally, up 33% year-over-year, further strengthening and extending our industry leadership.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] In China, we added 2,543 net new stores during the quarter, bringing our total store count to 38,630, including 25,277 self-operated stores and 13,353 partnership stores.

Customer demand remains the key driver of our store expansion. Leveraging our digital capabilities, we continue to identify diverse needs across different markets and expand our network across cities of all tiers as well as counties and towns. Our goal is simple: to make Luckin more accessible to customers, whether they are at work, shopping, relaxing or on the go. This convenience effectively helps drive customer retention and repeat purchases.

Importantly, even as our store base continues to grow, stores opened this year have maintained healthy operating performance. This gives us a strong foundation for the further network expansion and the long-term market share gains.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] In international markets, we added 56 net new stores in the third quarter, bringing our total overseas store count to 279. This includes 103 self-operated stores in Singapore, 22 in the U.S. and 154 partnership stores in Malaysia. In Singapore, we have now passed the 100 store mark, making Luckin the second largest coffee chain in the country by store count.

Building on our proven digital operating capabilities in China and adapting to local customer needs and market conditions, we have continued to optimize our local operations. Our store level economics in Singapore have largely proven out and the store performance continues to improve. We are also seeing growing recognition of our brand, products and service among local customers.

Our progress in Singapore demonstrates the potential to replicate our business model in overseas markets. It also gives us valuable experience as we continue to expand internationally at a varying pace.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] On the product front, coffee remains at the core of our business. We continue to strengthen our coffee expertise while bringing more innovation and variety to our product lineup. Our goal is to give customers more reasons to come back and buy more often. In the third quarter, we launched 41 freshly made beverages and more than 20 snack items.

In the coffee category, we focused on reinforcing Luckin's coffee brand identity. We introduced our Ethiopian Gesha Cold Brew, followed by several new cold brew-based products, giving customers more high-quality coffee choices. We also rolled out 2 specialty drinks that received positive feedback in our lab stores, making them available nationwide for a limited time and offering customers a more distinctive coffee experience.

Beyond coffee, we continue to expand our product range to meet different customer needs across different day parts and occasions. Our new Thai Milk Tea series launched in August was particularly well received. It sold over 13 million cups in its first week, setting a new sales record for new products launched this year. This highlights the potential of our non-coffee offerings to reach more customers and meet a broader range of consumption needs.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] On the customer front, we continue to find new ways to connect with consumers and make Luckin brand more appealing. With a more convenience store network and a wider range of products, we aim to turn customers love for Luckin into more frequent purchases, driving growth in both our customer base and purchase frequency.

During the quarter, we continued to engage with customers through sports events and IP collaborations, strengthening our brand image around wellness, youthfulness and style. During the World Cup in July, as a sponsor of the Spanish and the Portuguese national teams, we launched a series of brand campaigns to celebrate Luckin moments with football fans.

In terms of IP, we launched a collaboration featuring Disney's classic villains, showcasing our creative insights. The combination of IP-inspired designs with new product launches made the customer experience more fun and engaging and was well received by customers.

Looking at our customer metrics, we added over 28 million new transacting customers in the third quarter, bringing our cumulative transacting customer base to over 520 million. Average monthly transacting customers exceeded 120 million, reaching another record high. What's even more encouraging is that average cups per transacting customer has continued to increase this year, reaching a new high in the third quarter as well.

These positive customer trends suggest that a virtuous cycle between better coffee offerings and more frequent consumption is starting to take shape. This reinforces our view of long-term coffee demand and gives us a strong foundation to continue growing our business at scale.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] Turning to sustainability. We have always seen social responsibility as an important part of our business. This quarter, we focused on charitable initiatives that support the health, well-being and personal development of different groups. In Singapore, we are not only committed to serving local customers, but also to giving back to the community. We have worked closely with the Institute of Mental Health and its affiliated charity, the Woodbridge Hospital Charity Fund to promote mental health awareness and community care.

Our efforts have included fundraising through co-branded merchandise, charitable art displays in our stores and other community initiatives. This quarter, as we marked the opening of our 100th store in Singapore, we took our partnerships a step further by establishing long-term collaborations with both organizations. Together, we aim to raise public awareness of mental health and help more people in need feel understood, supported and empowered to express themselves.

In China, we launched the Starlight program, a 3-year initiative in Pu'an, Guizhou to support youth football. Through providing nutritional support, training equipment and organizing exchange activities, we hope to give more children in rural communities the chance to play the sport they love, stay healthy, build confidence and grow. In addition, following the landslide disaster at Gyirong Port in Tibet, we worked with the China Foundation for Rural Development to promptly make a donation in support of emergency relief and post-disaster reconstruction.

Looking ahead, as Luckin continues to grow, we want to do more than bring great products to more customers. We also want to stay close to the communities we serve, respond to the needs of different groups, give back to people across our value chain and create greater social value through inclusive, locally focused sustainability initiatives.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] To conclude, our third quarter results were driven by the continued growth in coffee demand and reflect Luckin's ability to capture market opportunities, scale our business and maintain healthy profitability. Looking ahead, we will stay focused on our high-quality scale growth strategy. We will continue to expand our store network at an industry-leading pace and capitalize on the long-term growth opportunities in China's coffee market.

At the same time, we will keep strengthening our brand, bringing new products to customers, making our stores more convenient and offering great value for money. Leveraging our digital capabilities, we will continue to improve operating efficiency, better meet customer needs, gain market share and create long-term value for our shareholders.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] Finally, I want to thank our customers for their trust and love for the Luckin brand, our partners and investors for their continued support and especially our more than 220,000 Luckin team members for their hard work. We will keep working to bring great coffee and a convenient experience to more customers and make Luckin Coffee a part of more people's daily lives.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] 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 third quarter, we delivered solid revenue growth against a high comparison base from last year's subsidy war. More importantly, we saw a further improvement in profitability. The store level operating margin at our self-operated store largely returned to pre-subsidy war level, where we achieved record high profit across the board at the group level. These results further show that our high-quality scaled growth strategy continue to bear fruit.

Let's now look at our financial performance in detail. In the third quarter, total net revenues increased by 17% year-over-year to RMB 17.9 billion, supported by a 20% year-over-year increase in GMV to RMB 20.7 billion. This growth was driven by higher cup volumes across both self-operated stores and partnership stores, supported by a large store network and growth in monthly transacting customers.

Revenues from product sales increased by 19% year-over-year to RMB 13.6 billion, mainly reflecting solid performance of our self-operated stores. Breaking down our product sales into 3 streams: Net revenues from freshly-brewed drinks were...

[Technical Difficulty]

Operator

Pardon me, everyone. This is the conference operator. It does appear that we lost the speaker line audio. [Operator Instructions]

And everyone, we thank you for holding. We have reconnected the speaker line. Please proceed with your presentation.

Jing An
Chief Financial Officer

Net revenues from freshly-brewed drinks were RMB 12.4 billion or about 69% of total net revenues. Net revenues from other products were RMB 1.1 billion or about 6% of total net revenues. Net revenues from others were RMB 158 million or roughly 1% of total net revenues.

For our self-operated stores, revenues increased by 17% year-over-year to RMB 12.9 billion. Same-store sales growth was negative 11.1% for this quarter, mainly reflecting the high comparison base from last year's heavy subsidies. Store level operating profit increased by 56% year-over-year to RMB 3 billion, with a store level operating margin of 23.3%, up 5.8 percentage points from the prior year period.

Revenues from partnership stores increased by 12% year-over-year to RMB 4.2 billion or 24% of total net revenues. This growth was mainly driven by higher cup volumes at partnership stores, partially offset by reduced delivery service fees due to a lower delivery mix. Sales of materials remained the largest contributor, followed by delivery service fees and profit sharing and royalty fees.

Cost of materials as a percentage of total net revenue was 38% compared to 36% in the same period of last year, mainly due to changes in average selling prices resulting from the shift in delivery mix. In absolute terms, cost of materials increased by 24% year-over-year to RMB 6.9 billion, mainly due to higher cup volumes at self-operated stores and the higher sales of materials to partnership stores.

Store rental and other operating costs as a percentage of total net revenue was 22% compared to 20% in the same period of 2025. The difference mainly reflects the greater economies of scale in the prior year period when overall volumes were boosted by the subsidy. In absolute terms, these expenses increased by 27% year-over-year to RMB 3.9 billion, mainly reflecting higher payroll and rental expenses associated with continued store expansion and increased cup volumes.

Delivery expenses as a percentage of total net revenues decreased to 10% from 19% in the same period of 2025, reflecting a significant shift from delivery towards pickup orders. In absolute terms, delivery expenses decreased by 38% year-over-year to RMB 1.8 billion.

Sales and marketing expenses as a percentage of total net revenue was 5.5% compared to 4.9% in the same period of 2025. In absolute terms, sales and marketing expenses increased by 30% year-over-year to RMB 976 million, mainly due to higher traffic-related investment following the subsidy war.

General and administrative expenses as a percentage of total net revenues were 6% compared to around 5% in the same quarter of 2025. The difference was mainly due to higher share-based compensation expenses as a percentage of revenue. In absolute terms, G&A expenses rose 36% year-over-year to RMB 1.1 billion, mainly due to higher share-based compensation and payroll costs, together with increased R&D investments.

Our GAAP operating profit increased by 55% year-over-year to RMB 2.8 billion, with operating margin expanding by 3.8 percentage points to 15.4%. On a non-GAAP basis, operating profit increased by 58% year-over-year to RMB 3 billion, with non-GAAP operating margin expanding by 4.4 percentage points to 11% (sic) [17%].

Net profit increased by 45% year-over-year to RMB 1.9 billion with net margin expanded by 2 percentage points to 10.4%. On a non-GAAP basis, net profit increased by 51% to RMB 2.1 billion, setting a new record -- new quarterly record with non-GAAP net margin expanded by 2.7 percentage points to 12%.

Finally, looking at our balance sheet and cash flow, we generated RMB 4.1 billion in net cash from operating activities during the third quarter of 2026. As of September 30, 2026, our total cash position, which includes cash and cash equivalents, restricted cash, term deposits and short-term investments was RMB 14.3 billion compared to RMB 9 billion at December 31, 2025.

Our net cash position remained strong at RMB 11.1 billion. This leaves us well placed to invest in our business expansion and continue to deliver shareholder returns. As of September 30, 2026, we have repurchased about 96 million Class A ordinary shares or 12 million ADS, for a total consideration of $391 million under the $500 million authorization then in place. As Jinyi mentioned earlier, we have announced a new 1-year share repurchase program of $500 million to reinforce our commitment to long-term value creation. The new program will take effect once our existing $500 million program has been fully utilized.

In closing, we are pleased with our resilient third quarter results, but even more encouraged by our healthy customer trends, which position us well to gain market share in the years ahead. We will stay focused on executing our core strategy, maintaining cost discipline and delivering high-quality growth at scale.

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

Question-and-Answer Session

Operator

[Operator Instructions] Our first question today comes from Michelle Cheng at Goldman Sachs.

Michelle Cheng
Goldman Sachs Group, Inc., Research Division

[Foreign Language]

Congrats for the good results. My question is about the store opening upside. How should we think about the -- in the domestic market, the long-term store opening upside? And given our current already very large scale, how should we think about the pace of the store opening?

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] Yes. Thank you for your questions. The way we look at it, Luckin's long-term potential for store expansion is really driven by China's coffee demand growth instead of a fixed number of stores. As I mentioned before, coffee consumption habits are still developing in China. If you look at more mature coffee markets, there is still significant room for growth in China, both in terms of how many people drink coffee and how often they drink it. And as more people form the habit of drinking coffee and overall demand continues to grow, there will be more room for us to open new stores with healthy unit economics.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] So looking at Luckin's own business, our customer base continues to grow and average monthly transacting customers have been reaching new highs. What's more encouraging is that even as we continue to bring in a large number of new customers, average cups per customer continue to increase steadily. These trends further support our view of the long-term growth in coffee demand and give us greater confidence in our ability to keep expanding our store network.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] Our confidence comes not only from the long-term growth potential of the market, but also from our own ability to identify and capture store expansion opportunities. Over the years, Luckin has built a very strong coffee brand. We've always focused on customer needs, bringing them innovative products, convenience store network and great value for money. This has helped us attract and serve more customers.

At the same time, we continue to expand our product range to meet customer needs across more occasions, at different times of the day, supporting further store expansion. With our predominantly self-operated model and well-established store development and operating systems, we can expand our store network based on overall customer demand, identify suitable locations where demand exists and open new stores efficiently.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] So looking ahead, we continue to believe that there is still significant room for more coffee stores in China, and this opportunity will keep growing as consumer demand increases. So we are confident that we can maintain a competitive pace of store expansion. We'll continue to let customers demand guide where we open stores while making sure store economics remain healthy. This will allow us to keep expanding our store network and gaining market share over the long term. Thank you.

Operator

And our next question today comes from Jessie Xu at JPMorgan.

Jessie Xu
JPMorgan Chase & Co, Research Division

[Foreign Language]

Jessie Xu from JPMorgan. Congratulations on a very strong set of third quarter results. Given the high base for year-on-year comparison, the decline in same-store sales was kind of expected. Within all the incoming questions from investors, I think the first question would always be same-store sales trend. With third quarter performance broadly in line with expectations, can we understand more about the driver or any color that you can share? More importantly, how should we think about the trend from here as the impact of the delivery subsidy gradually fades? And how should we think about the same-store sales trend into 4Q and beyond?

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] Thank you for your question. First, July and August of last year marked the peak of the food delivery subsidy war. So the high comparison base had a greater impact on our third quarter same-store sales this year. As platform subsidies came off sharply this year, delivery volume, which typically carries a higher average selling price per cup, also dropped significantly. While pickup volume recovered, the overall impact continued to weigh on the same-store sales in terms of both cup volume and per cup average selling prices.

But as we mentioned earlier, same-store sales trends improved throughout the quarter with the decline narrowing month by month from July to September. As we move into the fourth quarter, the pace of improvement has picked up further. More importantly, as customers gradually shift back to pickup, our overall cup mix is becoming healthier, allowing us to better leverage our strength in store network coverage and operational efficiency.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] So this is a very important topic. So I want to take this opportunity to share how we think about same-store sales growth. So this is an important metric in the restaurant industry, but we believe its significance varies depending on the company's stage of development.

For more mature restaurant business, same-store sales growth is a key driver of revenue and profit growth. But for a coffee market like China, where consumption is still in early stages of development and for a company like Luckin, which is still scaling rapidly, growth comes actually not only from the existing stores, but also from new store openings and improvements in overall operating efficiency. So we don't look at same-store sales growth in isolation or as a static measure. We take a longer view and focus on the pace and quality of growth across the business as a whole.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] Looking at our own performance over the past few years, we believe Luckin's same-store sales performance may follow a wave-like pattern as we continue to grow rapidly. When competition is intense and we are opening stores at a fast pace, same-store sales may come under some short-term pressure. But as the pace of store openings moderates and consumer demand continues to grow, we would expect same-store sales growth to quickly improve.

We have seen this before. For example, from the second half of 2023 to the first half of 2024, we accelerated store openings, which put some pressure on the same-store sales performance. Then in the second half of 2024, as the pace of store expansion moderated, same-store sales growth quickly improved and turned positive by year-end. This healthy trend continued into 2025 before the subsidy war started.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] So coming back to the third quarter, while same-store sales growth was affected by the high comparison base and reduced platform subsidies, overall consumer demand remained healthy. Both average monthly transacting customers and average cups per customer reached new highs, while same-store sales performance is improving. At the same time, store level profitability continued to improve.

As I mentioned earlier, operating margin at our self-operated stores improved significantly year-over-year and largely returned to where it was before the subsidy war. This shows why we shouldn't judge the quality of our growth based on short-term same-store sales movement alone. Instead, we need to take a longer-term view of China's coffee market and understand how Luckin's business model works while looking at customer metrics, business scale and profitability to get a more complete picture.

Jinyi Guo
Co-founder, CEO & Director

[Foreign Language]

Nancy Song

[Interpreted] So for Luckin, to conclude, we see same-store sales performance as an important management metric that helps us dynamically adjust the pace of our store expansion based on market opportunities, competition and customer demand. We take this metric seriously and are confident that we can continue to improve it.

In the meantime, our top priority remains growing market share over the long term while maintaining healthy store economics. This is how we aim to achieve healthy, sustainable growth across the business. Thank you.

Operator

Thank you. 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 management -- 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

Thank you. That does conclude today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines, and have a wonderful day.

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