Atour Lifestyle Holdings

Third Quarter 2026 Earnings Conference Call

Opening Remarks

Operator introduction

Ladies and Gentlemen, thank you for standing by, and welcome to the Atour Lifestyle Holdings Third Quarter 2026 Earnings Conference Call. At this time, all participants are in listen-only mode. After the speakers' presentation, there will be a Q&A session. Today's conference is being recorded. I would now like to turn the conference over to Mr. Luke Hu, IR Director. Please go ahead, sir.

Luke Hu:

Thank you, operator. Good morning and good evening, everyone. Welcome to our Third Quarter 2026 Earnings Conference Call. Today, you will hear from our Founder, Chairman and CEO, Mr. Wang Haijun, and our EVP, Co-CFO, Mr. Wu Jianfeng.

Before we continue, please be aware that today's discussion will include forward-looking statements under federal securities laws. These statements are subject to various risks and uncertainties, and actual results may differ significantly from what is stated or implied in our comments today. The Company is not obligated to update any forward-looking statements except as required by applicable laws.

Additionally, during this call, our management will discuss certain non-GAAP financial measures solely for comparison purposes. For a clear understanding of these measures and a reconciliation of GAAP to non-GAAP financial results, please refer to the earnings release issued earlier today.

Furthermore, a webcast replay of this conference call will be accessible on our website at ir.yaduo.com, where a copy of the results presentation is also available. Now, I will turn the call over to Mr. Wang, our CEO.

Haijun Wang:

Thank you, Luke. Hello everyone, and thank you for joining Atour's third quarter 2026 earnings call today.

So far this year, we have continued to see structural diverging trends in China's consumer market. It's not just about how consumers allocate their budgets. It reflects a change in how they judge value. With more options than ever, consumers are making decisions more carefully. They rely more on real experiences and brand reputation. They also increasingly seek an emotional connection, choices that reflect who they are, and a sense of being understood and valued. With both reason and emotion shaping consumer choices, experiential value and brand trust are becoming the industry's key differentiators. Even as the external environment and competitive landscape evolve, we remain guided by our strategy of "Chinese Experience, Brand-Led Excellence." We continue to strengthen our experience advantage and connect with users through our brands. Even in a diverging market, we continue to win users' choice and trust.

Now, I would like to provide more details on our business performance for the third quarter of 2026.

Let's begin with our hotel business. The third quarter coincided with the peak summer travel season. Despite temporary weather disruptions in some regions, leisure travel demand remained resilient overall, with travel activity concentrated in the peak season. As demand patterns shifted across regions and customer segments, we continued to draw on our differentiated products and experiences to support steady growth in our hotel business. In the third quarter, our RevPAR was 100.5% of the level in the same period of 2025, reflecting steady operating performance. ADR was particularly resilient, further demonstrating the brand value we have built over the years.

As for our hotel network, we continue to take a "quality-first" approach to expansion and grow at a steady pace. When choosing sites, we carefully consider their long-term growth potential and location advantages, as we continue to open high-quality hotels. This targeted approach has allowed us to meet a wider range of accommodation needs. In the third quarter, we opened 128 new hotels, bringing our total to 2,288 hotels in operation as of the end of the third quarter. We also maintained a healthy pipeline of 778 hotels at the same quarter-end, providing a solid foundation for the continued growth of our hotel network.

Turning to our booking channels, in the third quarter, our CRS channel continued to perform

steadily, accounting for 61.5% of total room nights sold. Bookings under corporate agreements also made a stable contribution, accounting for 20.7% of total room nights sold. We will continue to improve member engagement and our services for corporate clients to make our own channels more competitive and provide our hotels with a more stable, diverse customer base.

Now, let me walk you through the latest developments across our hotel brands.

Atour 3.6, the latest generation of Atour Hotel, now has more than 200 hotels in operation, just over a year after the first one opened. Its product model has gradually been validated by the market, helping Atour 3.6 build a solid reputation and enter a phase of steady expansion. With construction and operating costs that remain competitive over the long term, Atour 3.6 offers franchisees an investment option in the upper midscale hotel segment that balances returns and quality. These advantages also enable more high-quality projects to generate sustainable commercial value. At the same time, its design combines practicality with contemporary aesthetics, helping it stand the test of time and giving the product a longer lifespan. In the third quarter, Atour 3.6 continued to deliver outstanding performance, with RevPAR of hotels in operation exceeding RMB410, demonstrating its strong competitive position.

Atour Origin has shown remarkable growth potential since it began operating as an independent brand. In the third quarter, RevPAR of Atour Origin hotels in operation exceeded RMB520. We continue to refine Atour Origin's signature experience touchpoints. We also recently partnered with an outdoor lifestyle brand to extend the "natural tranquility" of Atour Origin from hotel spaces into urban outdoor experiences. This allows guests to slow down and unwind, whether at the hotel or out exploring the city. Atour Origin's distinctive brand identity has attracted new customer groups. Its strong pricing power is also supporting steady expansion, opening up greater opportunities for us in the upper midscale segment.

The upper midscale segment has long been Atour's core focus. It is also where we capture demand for quality accommodation. With distinct positioning and product offerings, Atour Hotel and Atour Origin have rounded out our upper midscale brand portfolio. Together, they strengthen our core business and create new opportunities for growth. They also allow us to serve more diverse accommodation needs and offer franchisees more flexible investment options. We will continue to refine each brand's distinct operating approach, further strengthening our dominant position in the upper midscale market.

In the midscale market, hotel investors are placing greater emphasis on predictability. Atour Light 3.3, the latest version of Atour Light, balances investment efficiency with quality, and

through its experiential advantages opens up greater potential for a price premium. Its adaptability to different projects also provides more options for upgrading existing urban properties. For customers, Atour Light 3.3 remains focused on its "Stay Chill" brand proposition and the aspects of their stay that matter most. With its unique positioning and relaxed atmosphere, Atour Light 3.3 has gradually built its distinct customer base, continuously bringing new customers to the Group. In the third quarter, Atour Light 3.3 continued to make breakthroughs in operating performance, with RevPAR of hotels in operation exceeding RMB360.

In the third quarter, Atour Light Series 3 also reached a milestone of 200 hotels in operation. As the network expands, an increasing number of guests are coming to appreciate Atour Light's distinctive positioning and product touchpoints through firsthand stays. Its brand strength has also grown steadily. The rollout of more benchmark projects has further validated Atour Light's operating model, which delivers stable returns and can be replicated at scale. This highlights the brand's long-term potential in the midscale market. As Atour Light enters its next stage of development, we will remain committed to the "premier hotels" principle, keep strengthening our products and experiences, expand steadily in prime locations, and firmly advance toward the goal of becoming a 1,000-hotel brand.

In the upscale segment, SAVHE continued to deliver outstanding performance, taking our brand portfolio further into higher-value markets and opening up more opportunities for upscale expansion. For a long time, China's upscale hotel market was dominated by international brands. However, their globally standardized operating models made it difficult for them to localize operations and respond promptly to personalized customer needs. Today, Chinese consumers are at the forefront of global demand trends, with increasingly high standards for product aesthetics, cultural expression, and distinctive experiences. We believe local brands still have significant room to grow in China's upscale hotel market. Our experience in this market over the past few years has enabled us to more accurately capture and assess what customers in this segment need. I'm also pleased to share that we will soon unveil a new upscale hotel brand to complement our existing portfolio. With distinct brand positioning, product designs, and experience features, we aim to serve a wider range of consumer scenarios and price points, helping bring Chinese upscale hotel brands to the world stage.

Moving on to our retail business.

In the third quarter, Atour Planet sustained its strong growth momentum, with retail revenue reaching RMB1.36 billion, up 61% year over year. This performance reinforces our belief that brands with quality products and experiences can continue to win consumers over. They can

also create new consumer demand and market opportunities, and find their own path to growth.

Reinforcing our strengths in core categories and making continued breakthroughs in strategic categories reflect more than an expanded product portfolio. These advances reflect our ongoing focus on creating value for users, supported by the systematic capabilities we have built across product development, supply chain management, content creation and brand building. These capabilities support one another and work together. First, in product development, we start with how people actually sleep. We identify the problem before looking for a technical solution. Our systematic approach to improving our blockbuster products has proven effective in the market. We also have a clearer sense of how to take each product category forward. Second, in supply chain management, we continue to expand our network of capable, high-quality suppliers who can work with us over the long term. We rely on industry-leading manufacturing standards to ensure a high-quality product experience. Alongside new product feature upgrades and continued quality improvements, we have also made significant progress this year in addressing the stockout issues we faced in the past. Third, in content creation, we don't overwhelm users with technical specifications or rely on gimmicks. Instead, we explain what our products do and how they work in simple, everyday terms that people can relate to. This helps us build emotional connections with users and reinforces their impression that Atour Planet truly understands them. Fourth, in brand building, Atour Planet increasingly comes to mind when consumers think of "Natural Deep Sleep." Our consistent pricing discipline and product experience have also helped us gradually build one of our strongest assets: the trust of our users.

In the third quarter, we focused on the finer details of users' sleep experience and the problems they encounter. Drawing on those insights, we rolled out a range of upgraded products in the sleep category, all of which showed strong sales momentum. In our core categories, to date, cumulative sales of the Deep Sleep Memory Foam Pillow Pro series have exceeded 13 million units. Our latest-generation Deep Sleep Memory Foam Pillow Pro 4.0 surpassed RMB100 million in sales just 17 days after launch, demonstrating how well the product resonated with users. Our comforter category also performed strongly, with revenue up more than 70% year over year in the third quarter. The product lineup within the Deep Sleep Thermo-Regulating Comforter Pro 3.0 series has further validated the category's growth momentum. In our strategic categories, Deep Sleep Loungewear 2.0 and Deep Sleep Fitted Sheet 2.0 also posted standout sales, giving Atour Planet's growth a further boost.

We have always believed that the sleep market deserves our sustained focus. It offers stable long-term demand and significant market potential. Trust built on real experiences with a product is more likely to develop over time into lasting brand preference and customer loyalty.

This builds greater brand value and helps the brand endure. That is why we remain confident in the long-term prospects of the sleep market. We also hope that Atour Planet will become a sleep brand that more and more consumers trust and will help drive China's sleep consumption market toward higher-quality development.

Turning to membership, we had more than 124 million registered individual members at the end of the third quarter. Members have long expected more than just a growing list of benefits. Distinctive benefits with tangible value are becoming increasingly important to the member experience. In the third quarter, we partnered with a retail ecosystem for the first time to launch a joint membership program, extending our member experience into more aspects of everyday life, including local shopping. We hope to bring the sense of comfort and peace of mind that users find on their travels into more of their daily lives.

Going forward, we will continue to put users' real needs first. We will uphold our "Best Price, Best Benefits, and Best Room Availability" guarantees while offering differentiated benefits and services. By delivering an experience members can trust, we aim to strengthen member loyalty and attract more high-value new customers. Guided by users' desire for quality living, we will keep exploring more partnership opportunities across different aspects of everyday life. At the same time, with "Deep Sleep" at the center, we will also continue to deepen the synergies between our hotel and retail businesses.

Taking a long-term view ultimately brings us back to people. For our users, as our brand and product portfolio continues to expand, more and more users are choosing Atour. Meeting their ever changing needs and responding to their aspirations for a better life are always our most important long-term responsibility, and the starting point and standard for all our products and services. We will put our founding purpose into practice through sincere service and carefully crafted products, so that users continue to feel at ease and cared for. For our employees, we are also taking steps to energize the organization, help them feel a sense of belonging, and give them more opportunities to grow. As the world around us changes, we will also seize opportunities and embrace change to help our organization evolve. We will fundamentally rethink traditional approaches to organization and reshape how we manage the business, laying a solid foundation for the Group's long-term competitiveness.

I will now turn the call over to our Co-CFO, Mr. Wu Jianfeng, who will discuss our financial results.

Wu Jianfeng:

Thank you, Haijun. Hello everyone, I'll walk you through our financial performance for the third quarter of 2026.

In the third quarter, our net revenues grew by 30.5% year-over-year to RMB3.4 billion, supported by continued growth across our core businesses.

Let me start with our hotel business. Revenues from our manachised hotels grew by 20.4% year-over-year to RMB1.9 billion, mainly driven by the ongoing expansion of our hotel network and development of our supply chain business. Revenues from leased hotels decreased by 18.6% year-over-year to RMB134 million, primarily due to a reduction in the number of leased hotels as a result of our product mix optimization. We had 17 leased hotels at the end of September, compared with 24 a year ago.

Together, our hotel businesses recorded a gross margin of 37.9%, up 0.6 percentage points year-over-year, benefiting from a more favorable mix as leased hotels accounted for a smaller share of our hotel businesses.

Turning to our retail business.

Our retail business continued to grow, with revenues up 61% year-over-year to RMB1.4 billion. This growth reflects the progress we've made in building our brand, expanding our product portfolio, and strengthening our supply chain capabilities.

Retail gross margin was 52.1%, slightly down 0.6 percentage points year-over-year, but up 0.7 percentage points quarter-over-quarter. These fluctuations were primarily driven by differences in product mix across quarters. Overall, our retail gross margin has remained relatively stable.

Turning to overall profitability.

Adjusted net profit increased 26.2% year-over-year to RMB615 million, while the adjusted net profit margin for the quarter was 17.9%, down by 0.7 percentage points year-over-year. This decline was primarily driven by a business-mix shift led by the rapid growth of our retail business, together with continued investment in talent and organizational capabilities to support long-term growth.

Adjusted EBITDA increased 28.8% year-over-year to RMB883 million, with the adjusted EBITDA margin coming in at 25.7%, down 0.4 percentage points year-over-year.

We maintained a healthy cash position. At the end of the quarter, cash and cash equivalents totaled RMB2.7 billion, with net cash of RMB2.5 billion.

In line with our Annual Dividend Policy, we declared a second cash dividend for 2026, amounting to about US$69 million, in recognition of our shareholders' trust and support. Our dividend payments for the full year are expected to reach about US$142 million.

Finally, turning to our full-year outlook. For 2026, we currently expect total net revenues to increase by 33% to 35% compared with the full year of 2025.

That concludes my remarks. Now, let's open the floor for Q&A.

Luke Hu:

Thank you for joining us today. If you have any further questions, please feel free to contact our IR team. We look forward to speaking with you again next quarter. Thank you, and goodbye.