Atour Lifestyle Holdings

Second Quarter 2026 Earnings Conference Call

Opening Remarks

Operator introduction

Ladies and Gentlemen, thank you for standing by, and welcome to the Atour Lifestyle Holdings Second 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 Second 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, thank you for joining Atour's second quarter 2026 earnings call today.

Please turn to our results presentation. In the first half of 2026, China's consumer market continued to show diverging performance. In both the hotel and retail sectors, we saw a clear split: homogeneous products and services remained under pressure, while companies that deliver differentiated experiences and have strong brand equity showed greater resilience. More specifically, the hotel industry is shifting from scale-driven expansion to high-quality growth. Competition is increasingly centered on product innovation, service capabilities, and operational efficiency rather than supply growth.

In retail, consumers are not only pursuing product quality, but are also placing increasing importance on whether products align with their lifestyles, and demand for personalization is also growing. This means that under these new consumer trends, brands that consistently invest in quality and build differentiated experiences are better positioned to earn consumer recognition. In the first half, we firmly advanced our new three-year strategy, "Chinese Experience, Brand-Led Excellence," making continuous breakthroughs across hotel and retail businesses. We also consolidated our experience advantage and enhanced brand momentum, driving long-term healthy and sustainable growth.

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

Let's begin with our hotel business. In the second quarter, our RevPAR was RMB345.4, representing 100.7% of the level in the same period of 2025. ADR maintained steady growth, reaching 101.2% of its level in the same period of 2025, while OCC stood at 99.7%. RevPAR for our mature hotels in operation for more than 18 months was RMB336.8, representing 97.0% of the level in the same period of 2025. ADR and OCC were 98.3% and 99.0% of their respective levels in the same period of 2025.

As for our hotel network, we continued to follow a "quality-first" principle and maintained strict standards for project selection and new hotel openings. In the second quarter, we opened 101 new hotels. Product strengths and prime locations together enhanced the quality of our hotel presence in core markets. By the end of the second quarter, our total number of hotels in operation reached 2,175, and our pipeline of hotels under development remained at a healthy level of 811.

On the hotel channel front, our CRS channel continued its steady performance in the second quarter, accounting for 61.5% of total room nights sold. The contribution of room nights sold to corporate members was 20.4%.

Next, I would like to share the latest developments across our hotel brands.

The upper midscale segment has long been Atour's core focus. Over the years, we have established a clear leadership position. Looking back at our development, Atour Hotel was initially perceived by users as a lifestyle brand catering to the needs of upper midscale business travelers. As consumer trends and user needs evolved, we continued to upgrade our products. With disciplined investment, the latest Atour 3.6 strikes a balance between the experience it delivers and investment returns. It preserves its strengths in business travel while introducing a greater sense of ease. Atour 3.6 again delivered outstanding performance in the second quarter, with RevPAR of hotels in operation exceeding RMB370, further validating market recognition of the product upgrade.

Within our upper midscale brand portfolio, Atour Origin and Atour Hotel are developing in parallel, further expanding our growth potential in the segment. To date, more than 60 Atour Origin hotels are in operation, with over 90 projects in the pipeline. Atour Origin offers a more distinctive experience and commands stronger pricing power. In the second quarter, RevPAR of Atour Origin hotels in operation exceeded RMB450, highlighting its strong differentiated competitive edge.

Atour Origin is designed to reflect Yaduo Village as it truly is: natural, tranquil, warm and authentic. In April, we rolled out a series of distinctive experience touchpoints across Atour Origin hotels nationwide. Upon arrival, guests are welcomed by a wilderness-inspired signature scent; in the afternoon, they can enjoy the tea break in the Chatting Room; at night, they enjoy our Deep Sleep experience; and in the morning, they are served a breakfast featuring local Yunnan flavors. Through this more complete experience, we want guests to feel closer to nature, feel like they're on vacation, and to rediscover their inner peace.

In the midscale market, differentiation ultimately rests on a stay experience that customers can truly feel. This has long been Atour Light's focus. After continued refinement, the Atour Light 3.3 cost model has entered a new phase of systematic optimization and scaled rollout. We are concentrating resources more precisely on the core experience areas that customers care about, including sleep and breakfast. Atour Light 3.3 not only provides customers with a more comfortable and relaxing stay, but also improves franchisees' operating efficiency through a more disciplined investment model. In the second quarter, RevPAR of Atour Light 3.3 hotels in operation exceeded RMB340, demonstrating strong operational resilience.

Atour Light has established more flagship projects in high-tier cities, which have received positive feedback from franchisees, while the brand's foundation continues to strengthen. At this stage, Atour Light will continue to take a quality-first approach. As we strengthen our operating capabilities, we will steadily expand Atour Light's city coverage and continue to drive product and experience innovation in the midscale hotel market. Meanwhile, we are deepening Atour Light's connection with younger customers. In the second quarter, we introduced exclusive benefits for students and launched distinctive brand collaborations over the summer, further raising brand awareness among younger consumers.

Drawing from the vital essence of breath, SAVHE is devoted to creating serene spaces in the city, where guests can breathe freely and feel truly at peace. SAVHE has played a role in driving the upward breakthrough of Atour's brand portfolio since its launch. It has advanced our brand philosophy and continues to broaden the value it delivers, setting a new standard for upscale lifestyle. In the second quarter, SAVHE's operating performance reached a new high, with RevPAR of hotels in operation exceeding RMB1,000.

On the operations side, we continue to enhance SAVHE's refined management capabilities, gradually developing a replicable experience methodology with a global perspective, that covers brand standards, service systems, and talent system. In the second quarter, we also expanded SAVHE's wellness offerings with a broader selection of classes and dining options. Our goal is to provide guests with an even more exceptional experience throughout their stay.

Moving on to our retail business. In the second quarter, Atour Planet sustained its strong growth momentum, with retail revenue reaching RMB1,575 million, up 63% year over year. In terms of category mix, we are gradually shifting from a single blockbuster product model to a broader product portfolio. By product category, Atour Planet further consolidated its dominant position in the pillow category, with cumulative sales of the Deep Sleep Memory Foam Pillow Pro series surpassing 12 million units since launch. The Deep Sleep Thermo-Regulating Comforter Pro 3.0 (Summer Season) continued to see strong sales, driving rapid growth in the comforter category. GMV of the comforter category increased by more than 80% year over year. Fitted sheets and loungewear, two strategic categories we introduced last year, maintained outstanding sales momentum and contributed a larger share of revenue.

Over the long term, the continued breakthroughs in our retail business are backed by systematic capabilities built across our brand, products, supply chain, and content creation. Together, they form a strong competitive moat. First, in brand building, Atour Planet has firmly established

"Natural Deep Sleep" in users' minds over the years, while users' trust in our sleep products continues to grow. Second, in product development, we have always innovated to address users' genuine sleep needs. Through continuous iteration, we have built R&D capabilities that deliver breakthroughs in individual products and support expansion into new categories. This has enabled us to steadily broaden our sleep product portfolio. Third, in supply chain capabilities, we have reshaped the industry's supply chain system and set new industry standards for precision across multiple manufacturing processes. We have also established end-to-end quality control from raw materials to finished products, with industry-leading product consistency and delivery reliability. Fourth, we have strong capabilities in content creation and user engagement. Our strategy has always been to communicate product value with clarity and precision. By creating content around real sleep scenarios and experiences, we make "Deep Sleep" more tangible and deepen the emotional connection between our brand and our users.

Building on these capabilities, we recently launched upgraded products in our core categories, including the Deep Sleep Memory Foam Pillow Pro 4.0 and the Deep Sleep Thermo-Regulating Comforter Pro 3.0 (All-Season). Both new products are built on the Atour Planet Deep Sleep Standard we introduced last year. Through this Standard, we aim to translate users' experience of "sleeping well" into product standards that are more scientific, verifiable, and continuously refinable. Guided by this approach, the Deep Sleep Memory Foam Pillow Pro 4.0 addresses a real pain point of frequent position changes during sleep. With an upgraded dynamic support system, it provides better support across every sleeping position. The Deep Sleep Thermo-Regulating Comforter Pro 3.0 (All-Season) also addresses the need for sleep comfort under changing temperature and humidity conditions. Its temperature and humidity balancing system improves temperature regulation and moisture management. allowing it to flexibly adapt to seasonal temperature swings and changes in how warm or cool users feel throughout the night.

Looking ahead, we will continue developing our retail business with a long-term mindset. Guided by user needs, we will continue to innovate and evolve our product portfolio, further increase our market share in core categories, and consolidate our leadership. We will also continue strengthening Atour Planet's brand value. By translating our strengths in product development and technology into a lasting competitive moat for the brand, we will consolidate Atour Planet's position as the sleep brand that users choose first and consistently trust.

Turning to membership. By the end of the second quarter, Atour had 120 million registered individual members. As our membership base has grown, the strategic role of our membership ecosystem has become clearer: it is not only a solid foundation for our hotel and retail businesses, but also a platform for retaining long-term users and cultivating user value.

At the same time, we are building a more refined system for engaging different user groups. By focusing on their core needs, we deliver more relevant benefits and experiences through segmented engagement and targeted outreach. We aim to deepen our connection with users and build longer-lasting relationships with them throughout the user lifecycle.

Finally, I would like to share a few thoughts. Recently, we introduced "Atour's Six Commitments to Peace of Mind," which further clarify our service standards and safeguards across key touchpoints of the guest journey. We believe peace of mind is not just a slogan. It should be an experience that guests can clearly feel and consistently enjoy during every stay. By delivering these experiences more reliably, we aim to make "peace of mind" an integral part of how people perceive the Atour brand. We also hope to set a new benchmark for service standard across the industry.

Behind every experience that gives guests peace of mind is the dedication of our service staff. We continue to pay close attention to their development and enhance their experience at work, including launching a public welfare program for hotel housekeeping professionals nationwide, improving the work environment for frontline service staff, and expressing respect and gratitude to them through initiatives such as "Service Staff Appreciation Day." We firmly believe that when service staff are seen, respected, and treated with care, their kindness and warmth will reach guests naturally. This creates lasting trust between our brand and our users. With that in mind, we hope to continue advocating for service excellence and leading the industry toward a higher standard of experience.

These actions are grounded in Atour's long-term commitment. Across both our hotel and retail businesses, we have always believed that quality is the foundation of sustainable, long-term growth. By improving product quality, refining the user experience, and strengthening organizational capabilities, we can keep creating value for users and build competitive strength that endures through industry cycles. Looking ahead, we will continue to do the right things with warmth. With user experience at the center and organizational capabilities as the foundation, we will carry that warmth through every experience we deliver. This enduring warmth will define Atour as we navigate industry cycles and build for the long term.

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'd like to present the Company's financial performance for the second quarter of 2026.

Our net revenues for the second quarter of 2026 grew by 41.4% year-over-year to RMB3,490 million.

Revenues from our manachised hotels for the second quarter of 2026 grew by 32.8% year-over-year to RMB1,725 million. The increase was primarily fueled by the ongoing expansion of our hotel network as well as supply chain business development.

Revenues contributed by our leased hotels for the second quarter of 2026 decreased by 11.8% year-over-year to RMB132 million. The decline was primarily due to a decrease in the number of leased hotels as a result of our product mix optimization. The total number of our leased hotels decreased from 24 as of June 30, 2025 to 19 as of June 30, 2026.

Revenues from our retail business for the second quarter of 2026 increased by 63.2% year-over-year to RMB1,575 million. The growth was driven by increasing brand recognition, successful product innovation, and a broadened range of product offerings.

Gross profit of our hotel businesses for the second quarter of 2026 increased by 18.7% year-over-year to RMB659 million. The decline in the gross margin primarily reflected a shift in revenue mix, as our lower-margin supply chain business grew faster and accounted for a larger share of hotel revenue.

Gross profit of our retail business for the second quarter of 2026 increased by 57.4% year-over-year to RMB809 million. The decrease in the gross margin primarily reflected a shift in product mix.

Selling and marketing expenses accounted for 17.4% of net revenues for the second quarter of 2026, compared with 15.9% for the same period of 2025. The increase was mainly due to investment in brand recognition and the effective development of online channels, in line with the growth of our retail business.

General and administrative expenses, excluding share-based compensation expenses, accounted for 3.5% of net revenues for the second quarter of 2026, compared with 3.6% for the same period of 2025.

Technology and development expenses accounted for 1.6% of net revenues for the second quarter of 2026, compared with 1.7% for the same period of 2025.

Adjusted net profit margin for the second quarter of 2026 was 16.0%, representing a decrease of 1.3 percentage points year-over-year. Adjusted EBITDA margin for the second quarter of 2026 was 23.5%, decreased by 1.2 percentage points year-over-year.

We maintained a healthy cash position. As of June 30, 2026, cash and cash equivalents totaled RMB3.9 billion, with net cash of RMB3.7 billion.

That concludes our financial highlights for the second quarter of 2026.

For the full year of 2026, we currently expect total net revenues to increase by 30% compared with the full year of 2025.

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.