



CHAGEE

**Chagee Holdings Limited First Quarter 2026
Earnings Call Transcript**

Thursday, May 28, 2026 / 9:00 PM U.S. Eastern Time

DISCLAIMER

This document is an on-site shorthand transcript prepared by independent third parties other than Chagee Holdings Limited (the "Company") about the respective meeting. There may be errors, omissions, or inaccuracies in this transcript and it may be adjusted for reasons such as ensuring the smoothness of the sentences, so it will not be completely consistent with the original language. This document includes the speeches of independent third parties who have access to this conference, and does not necessarily represent the Company's endorsement of their speeches. The contents contained only in this document are for reference. contents contained in this document are statements of historical facts and should not be regarded as any prediction or guidance of the Company's future results or performance. In addition to statements of historical facts, this document may contain certain forward-looking statements, and all forecast objectives, estimates and business plans (including but not limited to) that the Company forecasts or expects to occur in the future are forward-looking statements.

PARTICIPANTS

Company Speakers:

Junjie Zhang - Chief Executive Officer

Aaron Huang - Chief Financial Officer

Aiden Yin - Chief Operating Officer

Alicia Guo - Investor Relations Director

Analysts:

Lillian Lou - Morgan Stanley

Sijie Lin - CICC

Jessie Xu - JPMorgan

PRESENTATION

Operator

Good morning and good evening, ladies and gentlemen. Thank you for standing by, and welcome to Chagee's first quarter 2026 earnings conference call. At this time, all participants are in a listen-only mode. We will be hosting a question-and-answer session after management's prepared remarks. Please note that today's event is being recorded.

With that, I will now turn the call over to the first speaker today, Ms. Alicia Guo, investor relations director of the Company. Please go ahead, Ma'am.

Alicia Guo (IRD)

Thank you. Hello, everyone, and welcome to Chagee's first quarter 2026 earnings call. With us today are Mr. Junjie Zhang, our CEO, Mr. Aiden Yin, our COO, and Mr. Aaron Huang, our CFO.

The company's financial and operating results were released by the newswire earlier today and are currently available online. Before we continue, I refer you to our safe harbor statements in the earnings press release, which applies to this call. Any forward-looking statements that we make on this call are based on assumptions as of today and Chagee does not undertake any obligations to update these

statements. Also, this call includes discussions of certain non-GAAP financial measure. Please refer to our earnings release, which contains a reconciliation of non-GAAP measure to GAAP measure.

With that, I will turn the call to our CEO, Mr. Junjie Zhang. Please go ahead, sir.

Junjie Zhang (CEO)

Hello everyone. Welcome to Chagee's first quarter 2026 earnings call. As we enter 2026, our strategic direction is clearer than ever, and our execution is more focused. The reflections and adjustments of the past several months have allowed us to develop a way of working that is closer to our consumers and more committed to long-term value creation.

First, on our strategic priorities. In 2026, we are dedicating all our efforts to operations, focusing on executing every detail that truly matters to our consumers well. We believe that the ability of a company to navigate cycles ultimately depends on genuine consumer recognition. Therefore, our goal this year is very clear, to perfect every single consumer touchpoint.

Second, our organizational adjustments are delivering results, and overall efficiency has improved significantly. Over the past few quarters, we have proactively optimized our organization. These changes have delivered tangible results. Resource allocation is more precise, decision-making and execution are more efficient, and our team's cohesion and effectiveness around our core mission have strengthened significantly. This has laid a solid foundation for us to continue achieving high-quality growth.

Third, our product and marketing plans are now clearly defined, and our execution priorities are highly focused. We have completed a comprehensive and actionable roadmap for both products and marketing. Our starting point has always been consumer needs, rather than external trends. Going forward, all of our work will center on five dimensions: products, service, environment, experience, and value proposition. Making every teahouse, every cup of tea, and every interaction consistently well executed is our only true priority.

As our business returned to steady growth and operational efficiency continued to improve in the first quarter, from a capital market perspective, we believe our current share price is significantly undervalued and fails to properly reflect our long-term development prospects. At this point, on behalf of the company and the management team, I would like to make a clear commitment. Our Board has approved a share repurchase program authorizing us to repurchase up to US\$150 million ADS during a twelve-month period, as a concrete way to demonstrate our confidence and reward shareholders' trust.

Finally, I want to reiterate: Our strategic direction is clear, and our team is operating with high efficiency. Chagee is entering a mature, stable, and sustainable phase of high-quality growth. We are confident in every step we take toward the future.

That concludes our strategic direction. Next, I will hand the call over to our COO Aiden, who will walk you through the specific operational progress in the first quarter. Thank you.

Aiden Yin (COO)

Thank you, Junjie, and thank you all for joining our earnings call today.

Let me begin by sharing our overall performance for the first quarter. Total revenue reached RMB3,546 million, representing a 4.5% increase year-over-year and a 19.2% increase quarter-over-quarter. Gross margin came in at 55.6%. Non-GAAP net income was RMB506.7 million, increasing more than fourfold sequentially. Non-GAAP net margin improved to 14.3%. Total GMV reached RMB7,917.8 million, up 8.1% quarter-over-quarter. Greater China GMV grew 7.8% sequentially, while overseas GMV grew 14.6% sequentially and 139% year-over-year. It is clear that overseas markets are becoming an increasingly important growth engine.

More importantly, our operating quality continued to improve. Same-store GMV growth in Greater China improved by 9.4 percentage points sequentially, and overall same-store GMV growth improved by 9.5 percentage points sequentially. These results show that our strategy of focusing on consumer value is working in practice. This quarter, we concentrated our efforts on four key areas to drive performance recovery.

First, our improved organizational efficiency. Through continued optimization in the first quarter, our organizational efficiency achieved a qualitative leap, making execution faster, more precise, and more coordinated while overall expense ratios declined. On one hand, organizational adjustments improved execution efficiency. On the other hand, our goals became clearer and more resolute, with teams from headquarters to teahouses forming a strong consensus on execution priorities, channeling limited resources into the activities that best create consumer value. In the first quarter, our non-GAAP G&A expense ratio declined by 8.1 percentage points sequentially to 11.6%, and our non-GAAP sales and marketing expense ratio declined by 3.6 percentage points sequentially to 8.6%.

Second, our product expansion. In the first quarter, we launched a total of 12 new products. More importantly, our categories are broadening, gradually extending into tea lattes, Special Deals, and others. Our product innovation and consumer recognition continues to improve. The “Da Hong Pao Series”, launched in February, delivered strong performance, with first-week GMV contribution, cup

contribution, repeat purchase rate, and direct new-customer acquisition all exceeding historical averages for new product launches. During the “Qwen” campaign, the product “Da Hong Pao Tea Latte” from this series saw especially strong sequential growth and became an important growth driver. “Caramel Pu'er Tea Latte” with its distinctive caramel flavor and interactive sweetness customization, created a strong impression among consumers and was a clear point of differentiation. The product was well received by our consumers and shows strong potential to become a long-term bestseller.

Third, clearer and more effective marketing execution. On the marketing side, we introduced a morning buy-one-get-one-free campaign and launched a low-caffeine beverage section for the evening, successfully expanding consumption scenarios in both the early morning and late evening. Since the campaign began, the share of cups sold in the mornings has doubled. At the same time, we continued to strengthen our private-domain traffic through in-store promotions. As a result, the share of orders from our mini-program channel and the share of new customers both improved during the campaign period. This demonstrates steady progress in both private-domain traffic conversion and new customer acquisition.

Fourth, growing our teahouse network with quality remains our top priority. We place great importance on customer experience and brand standards, so we have deliberately slowed our pace of teahouse expansion and focused on improving operating quality while comprehensively upgrading our teahouses. At the same time, our new business model has been fully implemented, further aligning the interests of the company and our franchisees. We believe that only when every teahouse delivers a consistent brand value can Chagee truly earn consumers’ long-term trust. At the end of the first quarter, our global teahouse network totaled 7,531 locations, including 7,157 in Greater China and 374 overseas.

Our overseas markets continued to expand steadily. Currently, our teahouse presence includes 36 in Singapore, 221 in Malaysia, 32 in Thailand, 41 in Indonesia, 13 in the Philippines, 22 in Vietnam, and 9 in the United States. Our overseas teahouse network maintained a steady growth pace, with operating performance in line with our expectations.

Finally, let me return to the strategic direction that Junjie laid out earlier. Our strategic core is to perfect every small detail that consumers truly care about. Whether consumers genuinely recognize this is not measured by what we say, but by what they do. At the end of the first quarter, the number of our total registered members reached 248 million, with nearly 50 million active members, an increase of over 11% quarter-over-quarter. What gives us even greater confidence is that the repurchase rate among active members remained stable at 42.3%, and members who made two or more purchases contributed over 76% of total orders. Every repeat purchase is genuine recognition from our Chagee Friends. 248 million Chagee Friends are telling us through their repeated purchases that they trust this brand and are willing to return to our teahouses again and again. This is our most valuable asset and our strongest foundation

for navigating market cycles. Our strategy is clear, our execution is delivering, and consumer trust is our best answer.

Looking ahead, our direction remains unwavering. On product, we will maintain a steady launch cadence while continuing to expand into new categories such as Special Deals. On service, we will continue to optimize our membership system and consumer experience. On environment, we will continue to upgrade teahouse differentiation through design. On experience, we will make the “third space” a place where consumers genuinely want to spend time. On brand value proposition, we will continue to embrace the spirit of “connecting through tea,” creating emotional resonance with our consumers. On teahouse operations, we will continue to prioritize quality in our Greater China market while steadily expanding overseas.

That concludes my remarks. Now, let me turn the call over to our CFO, Aaron, who will walk you through the detailed financials. Thank you.

Aaron Huang (CFO)

Thank you, Aiden, and hello everyone. Thank you for joining our earnings call. Before we begin, please note that all amounts are in RMB and all comparisons are on a year-over-year basis unless otherwise stated.

As Junjie and Aiden just outlined, 2026 was about disciplined execution, a sharper operating focus, and visible progress in restoring growth quality. I’m delighted to see that this strategy is already translating into improved financial performance. For the first quarter of 2026, our total GMV was 7,917.8 million, an 8.1% sequential increase from 7,322.9 million in the fourth quarter of 2025. As of March 31, 2026, our teahouse network totaled 7,531 locations across Greater China and overseas, up 12.7% from 6,681 a year ago. Of these, 6,741 were franchised teahouses and 790 were company-owned teahouses, reflecting the continued conversion of selected locations into company-owned stores as part of our network optimization strategy.

In Greater China, average monthly GMV per teahouse was 356,080 in the first quarter, representing a quarter-over-quarter increase of 5.5% from 337,358 in the fourth quarter of 2025. At the same time, overseas total GMV for the first quarter grew 139% year over year and 14.6% quarter over quarter to 426.4 million.

On the revenue line, our net revenues for the first quarter of 2026 were 3,546 million, compared to 3,392.7 million in the same quarter of 2025, and up 19.2% sequentially. Net revenues from franchised teahouses were 2,743.9 million, representing 77.4% of total net revenues, compared to 3,149.9 million a year ago, and up 12.7% sequentially. Net revenues from company-owned teahouses were 802.1 million,

up 230.4% from 242.8 million a year ago, mainly as a result of our continued development of the company-owned teahouse network across Greater China and overseas markets.

Turning to margins. Our gross profit, calculated by excluding cost of materials, storage and logistics from net revenues, reached 1,971.5 million this quarter, resulting in a gross margin of 55.6%. This marks an improvement from 53.1% a year ago. This improvement was primarily supported by increased revenue contribution from company-owned teahouses, which generated higher gross margin.

Operating expenses remained well controlled relative to the scale of the business. Share-based compensation expenses this quarter were 59 million, reflecting our commitment to long-term employee engagement and aligning their goals with shareholders. To provide greater clarity on underlying operational performance, we will continue to reference non-GAAP operating results, with full reconciliations available in our earnings release and Form 6-K.

Operating income was 547.2 million, representing an operating income margin of 15.4% and marking a sequential turnaround from an operating loss in the previous quarter. Excluding share-based compensation expenses, non-GAAP operating income was 606.2 million, representing a 17.1% margin compared to a 1.0% margin in the previous quarter. This sequential improvement reflects both stronger operating leverage and the benefits of the organizational adjustments and strategic investments we have made to support future growth.

Operating costs for company-owned teahouses were 497.2 million, up 216.6% from 157 million a year ago. As of March 31, 2026, we operated 790 company-owned teahouses, up from 615 in the fourth quarter of 2025, and 191 in the first quarter of 2025.

Other operating costs decreased by 7.8% to 159 million, largely due to lower payroll expenses, driven by organizational restructuring and continued headcount optimization. On a non-GAAP basis, other operating costs accounted for 4.3% of revenues, compared to 5.1% a year ago.

Sales and marketing expenses for the quarter were 306.2 million, up 2.3% from 299.3 million a year ago, mainly due to our investments in strategic branding activities, new product launches and marketing campaigns. On a non-GAAP basis, sales and marketing expenses represented 8.6% of revenues, compared to 8.8% a year ago and 12.2% in the previous quarter.

General and administrative expenses reached 462 million, up 30.9% year over year from 352.8 million. The increase in G&A primarily reflected our continued investment in global corporate infrastructure as we further expanded our international business footprint. On a non-GAAP basis, G&A expenses represented 11.6% of revenues, compared to 10.4% a year ago and 19.7% in the previous quarter.

Income tax expenses represented 21.2% of income before income tax, slightly higher than 19% a year ago. This was primarily driven by the impact of share-based compensation expenses recognized during the quarter.

Notably, we continued to deliver profitability on both a GAAP and non-GAAP basis, extending our track record to 13 consecutive quarters of positive net income. GAAP net income was 447.7 million. Non-GAAP net income, excluding 59 million of share-based compensation expenses, was 506.7 million, with a non-GAAP net margin of 14.3% compared to 20% a year ago and 3.4% in the fourth quarter of 2025.

For the first quarter, basic and diluted net income per ordinary share was RMB2.36 and RMB2.34 respectively. On a non-GAAP basis, basic net income per ordinary share was RMB2.67 and diluted net income per ordinary share was RMB2.65.

Turning to liquidity, we ended the quarter with 7,146.3 million in cash and cash equivalents, restricted cash, and time deposits, compared to 7,892.4 million as of December 31, 2025. We maintained a robust balance sheet, which provides us with the flexibility to fund expansion plans and continue returning value to shareholders.

As we move through 2026, we remain focused on executing our established strategy, strengthening our brand value, and maintaining disciplined investments to support sustainable growth. We are always committed to creating long-term value for our shareholders.

With that, I'll turn the call back to the operator to begin Q&A. Operator, please go ahead.

Operator

Thank you. We will now begin the question-and-answer session. (Operator Instructions). When asking a question in Chinese, please translate your question in English for the convenience of everyone on the call.

Our first question comes from the line of Lillian Lou from Morgan Stanley. Your line is now open. Please go ahead.

Lillian Lou (Morgan Stanley)

Thank you to the management team for the detailed explanation of the first quarter performance. I would like to follow up on the more detailed factors that drove the good sequential improvement in the GMV per unit in China and overall. I am trying to understand what factors have been put in place, in terms of the new products, traffic, pricing, etc., and what can be sustained.

Aaron Huang (CFO)

Thank you, Lillian, for the question. In Q1, our overall same-store GMV growth was down 16%, but that was about 10 percentage points better than Q4 last year, so the trend has clearly improved. The recovery was mainly driven by a few things.

First, we got an incremental lift from the Qwen campaign. During the peak period from February 6 to 10, the Qwen channel contributed about 3 million orders per day on average. Our ability to effectively capture this traffic and convert it into performance results was driven by two factors: first, a more agile response mechanism, and second, the continued improvement in execution efficiency following the earlier adjustments.

Second, our new product launches helped as well. As Aiden mentioned, we launched 12 new products in the first quarter, which helped drive sequential growth in both cup volume and GMV. In addition, recently we continued to expand morning and evening consumption scenarios. Taking "Caramel Pu'er Tea Latte" and "Long Jing Tea Latte" as examples, their combined cup contribution during morning hours reached 45% during the campaign period, representing a relatively significant incremental contribution.

Lastly, in the overseas markets, the decline in same-store GMV growth also narrowed significantly. We launched locally tailored products in different markets. For example, the Camellia Oolong Tea Latte in Singapore captured an 18% cup share during the campaign period. The Hojicha Genmai, launched in multiple markets in March, generated an average of 440 daily cups per teahouse in Singapore during its first week of launch. These initiatives all played a positive role in improving overall same-store performance.

Thank you. Next question please.

Operator

Our next question comes from the line of Sijie Lin of CICC.

Sijie Lin (CICC)

Thank you, management. Congrats on stabilizing earnings results again. My question is, will the new business model, which is take rate based on GMV, affect profitability, and how to evaluate the impact? Thank you.

Aaron Huang (CFO)

Thank you Sijie for the question. As previously disclosed in our annual report, since the beginning of the year, we officially switched to a GMV-based revenue-sharing model for our franchised teahouses in Greater China. Under the new model, the brand takes a higher fee rate based on the franchised teahouse's GMV, but the markup on materials has come down significantly and also lock-up or secure the discount rate for our franchisees. As a result, our revenue mix has changed accordingly. The proportion of revenue from product sales, including raw materials and packaging, teahouse equipment, and other supplies, has declined, while the proportion of revenue from franchising services has increased. However, this change in revenue mix does not affect the company's profitability. Based on our Q1 results, our gross margin remained at 55.6%, with a slight sequential increase.

Let me further explain the reason for the gross margin increase, which resulted from the increase of the self-owned teahouse gross profit margin. If we exclude the self-owned teahouse gross profit margin, the franchised teahouse gross profit margin is flat sequentially compared with Q4 last year, or even slightly decreased from that period.

Lastly, we believe that under the new model, the company and its franchisees truly become a community of shared interests. For franchisees, lower raw material and equipment procurement costs, along with shared risk with the brand, should help improve teahouse profitability and resilience. For the company, revenue is now more closely tied to teahouse performance, so when teahouse sales improve, both our revenue and gross margin can benefit, creating a win-win outcome. Our goal is to build a long-term, sustainable profit model through closer collaboration.

Hope this answers your question. Next question, please.

Operator

Our next question comes from the line of Jessie Xu of JPMorgan.

Jessie Xu (JPMorgan)

Thank you for taking my question. This is Jessie Xu from JPMorgan. I am very happy to see visible improvement in product launches, consumer engagement, and also market impact in the first quarter. The US\$150 million repurchase program is indeed a positive surprise. What are your thoughts behind this decision? Would you prefer repurchase or cash dividend in the future? Anything you can share on shareholder return would be great. Thank you.

Junjie Zhang (CEO)

Thanks for the question. As we just shared, the Board has approved a share repurchase program authorizing the company to repurchase up to US\$150 million of ADSs over the next 12 months. We will adjust the pace of repurchases depending on market conditions and valuation during the authorization period.

Second, our balance sheet structure maintains healthy and our liquidity position is strong. As of the end of March, we had about RMB7.15 billion in cash, restricted cash, and time deposits, or roughly US\$1.04 billion.

Third, we believe the current share price does not fully reflect the continued recovery in our business fundamentals or our long-term growth potential. Through this buyback, we want to show the Board and management's strong confidence in the company's future growth prospects, as well as our commitment to creating value and delivering better long-term returns for shareholders.

Looking ahead, we will continue to optimize our capital allocation strategy while ensuring the healthy development of our core business. We aim to deliver tangible improvements in shareholder returns and ensure that the market fully understands our value.

That is my answer and thank you to all the shareholders and investors for joining our call today.

Operator

Thank you. As there are no further questions, I'd like to hand the conference back to management for closing remarks.

Alicia Guo (IRD)

Thank you again for joining our call today. If you have any further questions, please feel free to contact us or request through our IR website. We look forward to our next call with everyone. Have a great day.

Operator

This concludes today's event. Thank you for participating. You may now disconnect.