

# RLX Technology Inc.

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Earnings Presentation Q1 2023

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This presentation also contains non-GAAP financial measures, the presentation of which is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. In addition, the Company’s calculation of these non-GAAP financial measures may be different from the calculation used by other companies, and therefore comparability may be limited. The reconciliation of those measures to the most comparable U.S. GAAP measures is contained within this presentation or the earnings press release.



A person stands on a rocky mountain peak, arms raised in triumph, overlooking a vast, misty valley. A vibrant rainbow arches across the sky, and a waterfall cascades down the left side of the frame. The scene is bathed in the warm, golden light of a sunrise or sunset, with a large, semi-transparent orange circle on the left side of the image. The overall mood is one of achievement and natural beauty.

# OPERATIONAL HIGHLIGHTS

**RLX TECH**



# Current Product Portfolio

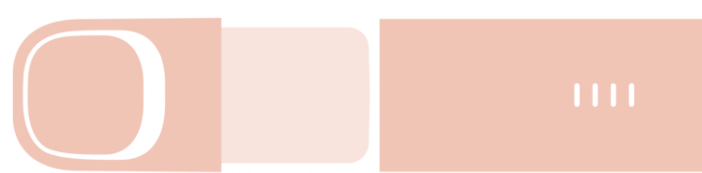
RLX TECH

## QING YU



悦刻青羽	森林复兴(山烤) 53
悦刻青羽	忘江有径(山烤) 25
悦刻青羽	相印彩云(溪烟) 18
悦刻青羽	点点灵犀(溪烟) 33
悦刻青羽	柔情牛仔(瀑烟) 52

## PHANTOM



悦刻幻影	森林复兴(山烤) 53
悦刻幻影	忘江有径(山烤) 25
悦刻幻影	清欢人间(山烤) 17
悦刻幻影	烟云曼妙(山烤) 36
悦刻幻影	相印彩云(溪烟) 18
悦刻幻影	绿扇盈盈(瀑烟) 80

## PHANTOM Pro



悦刻幻影POWER	森林复兴(山烤) 53
悦刻幻影POWER	红运滚滚(岩烤) 30
悦刻幻影POWER	相印彩云(溪烟) 18
悦刻幻影POWER	蓝田暖阳(溪烟) 39
悦刻幻影POWER	点点灵犀(溪烟) 33
悦刻幻影POWER	传家宝藏(溪烟) 59

## ZEUS



悦刻宙斯POWER	绿扇盈盈(瀑烟) 80
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Budget

Price Point

Premium



A scenic landscape featuring a large, bright sun in the upper left corner, creating a strong lens flare effect. The sky is filled with soft, white clouds. In the background, there are dark, silhouetted mountains. A flock of birds is flying in the sky. In the foreground, there are green, rocky slopes and a calm body of water reflecting the sky and mountains.

# FINANCIAL HIGHLIGHTS

**RLX TECH**



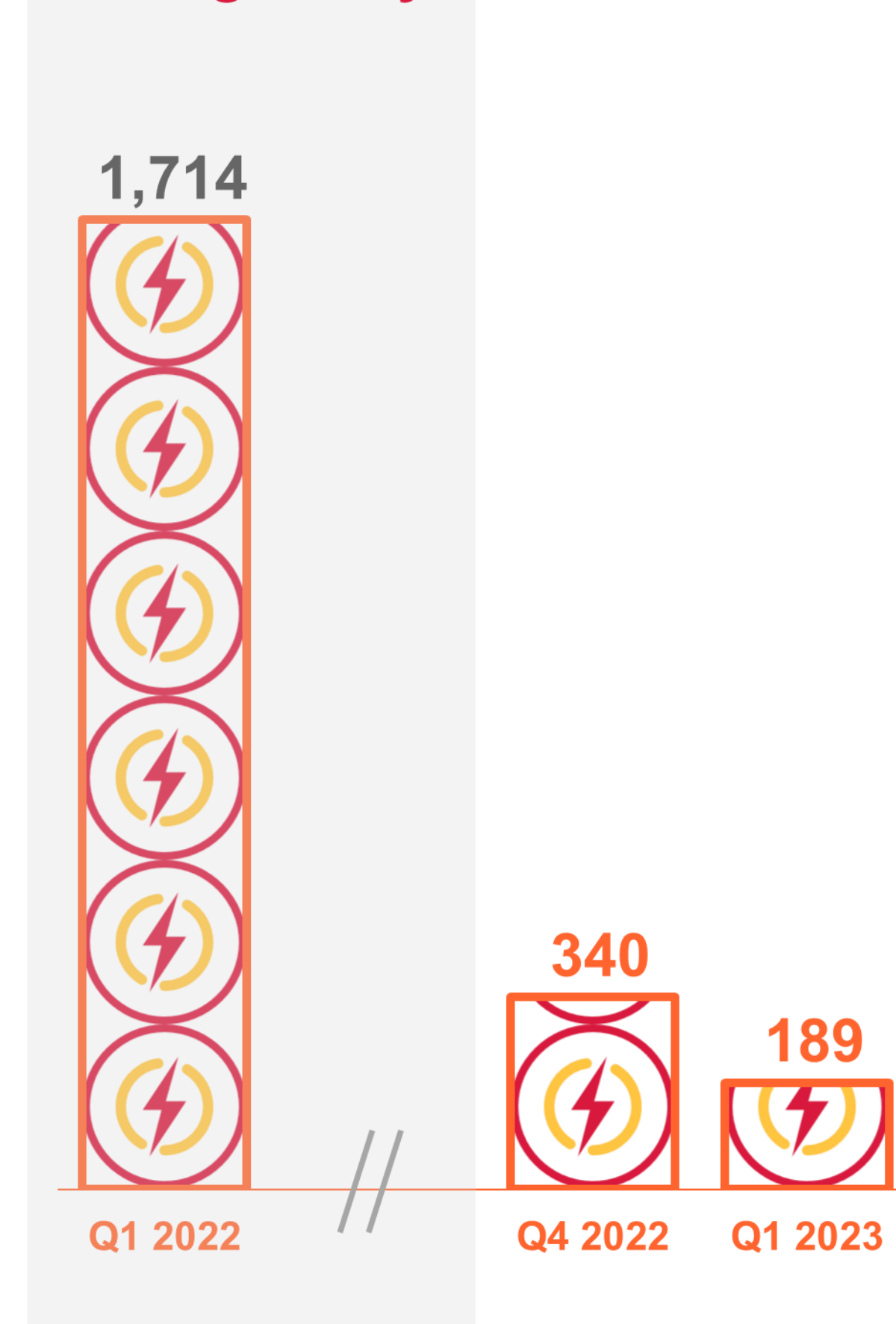
# Q1 2023 Financial Highlights

RLX TECH

## Net Revenues

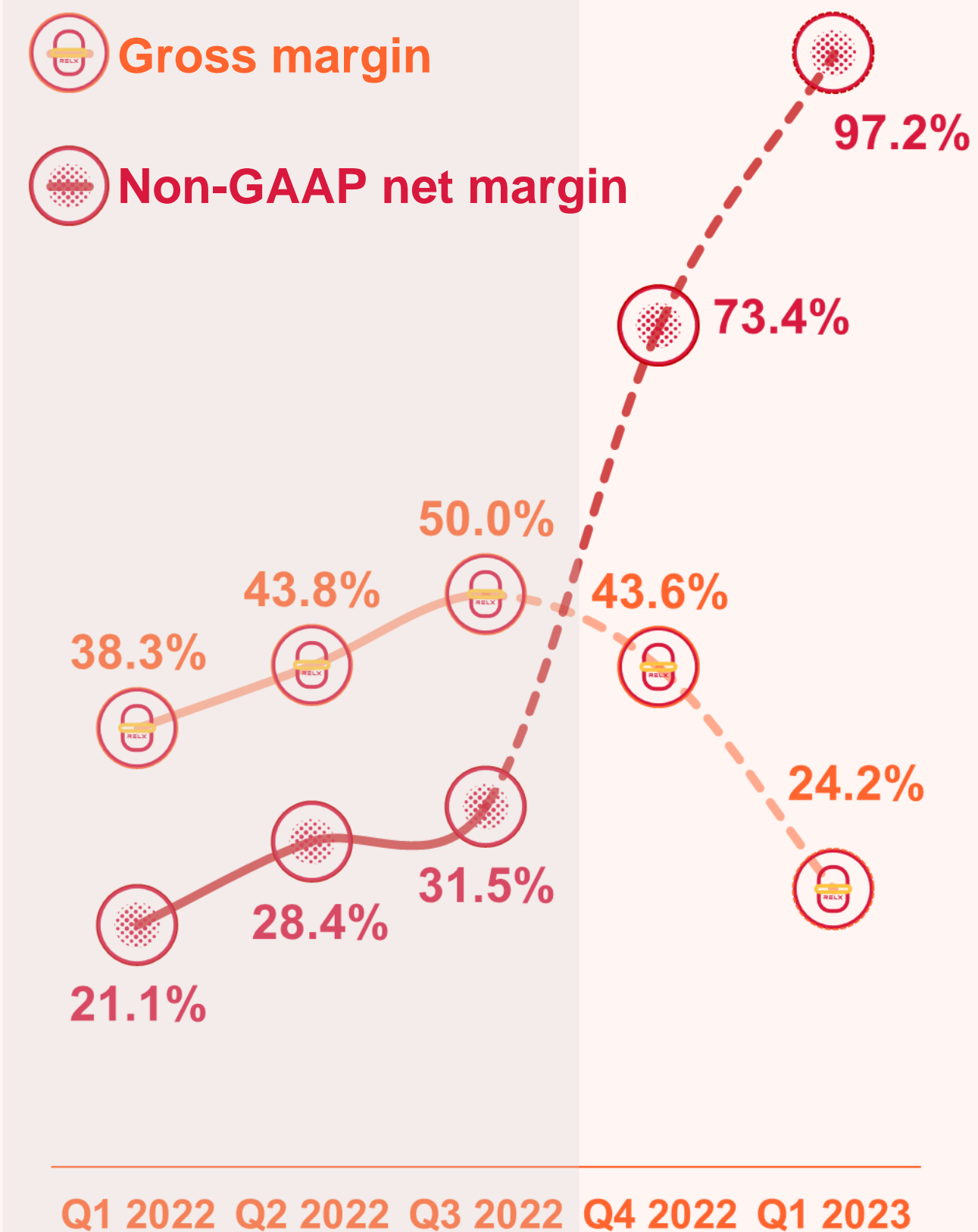
RMB millions

Pre-Regulatory Era



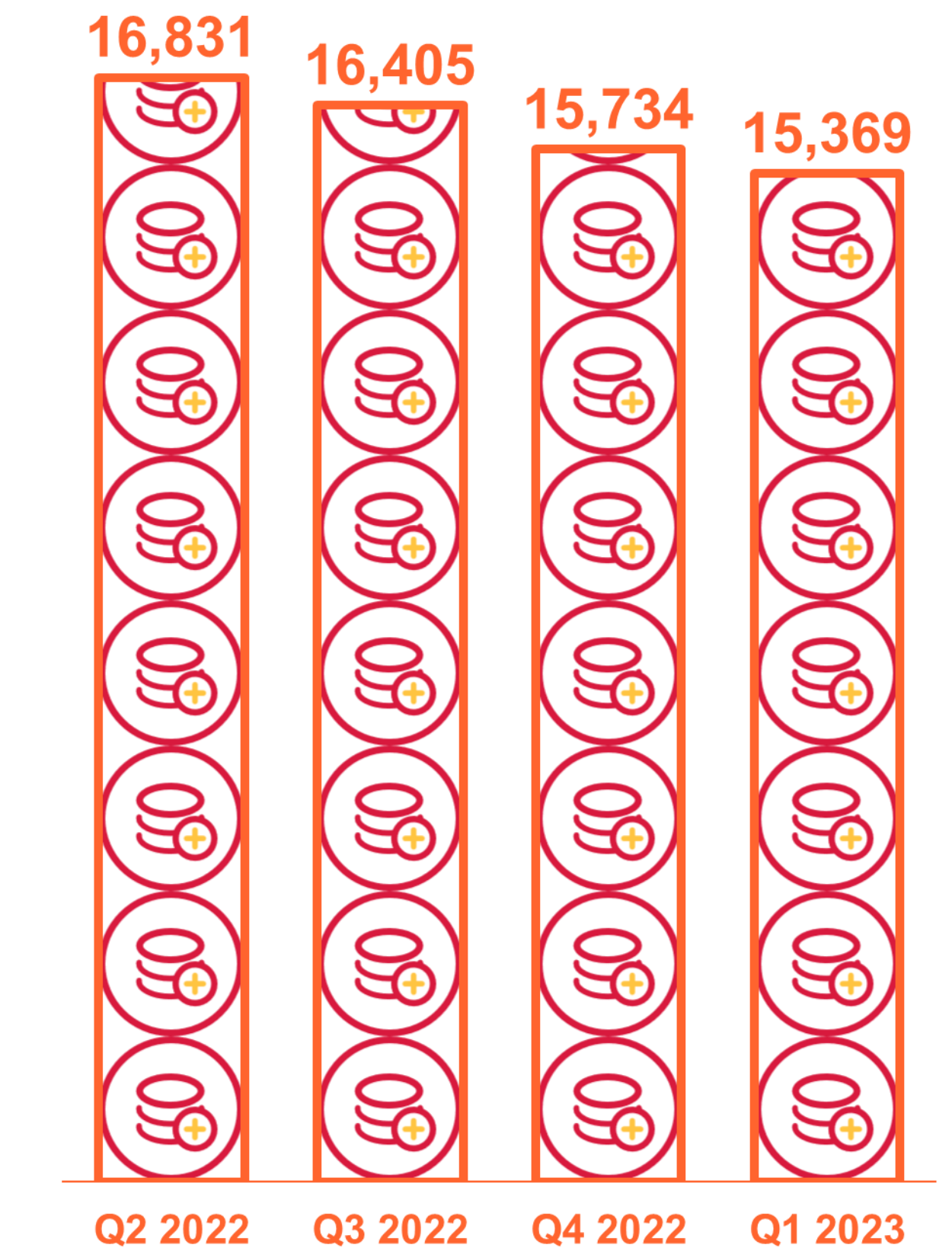
## Profitability

Pre-Regulatory Era



## Capital Resources

RMB millions

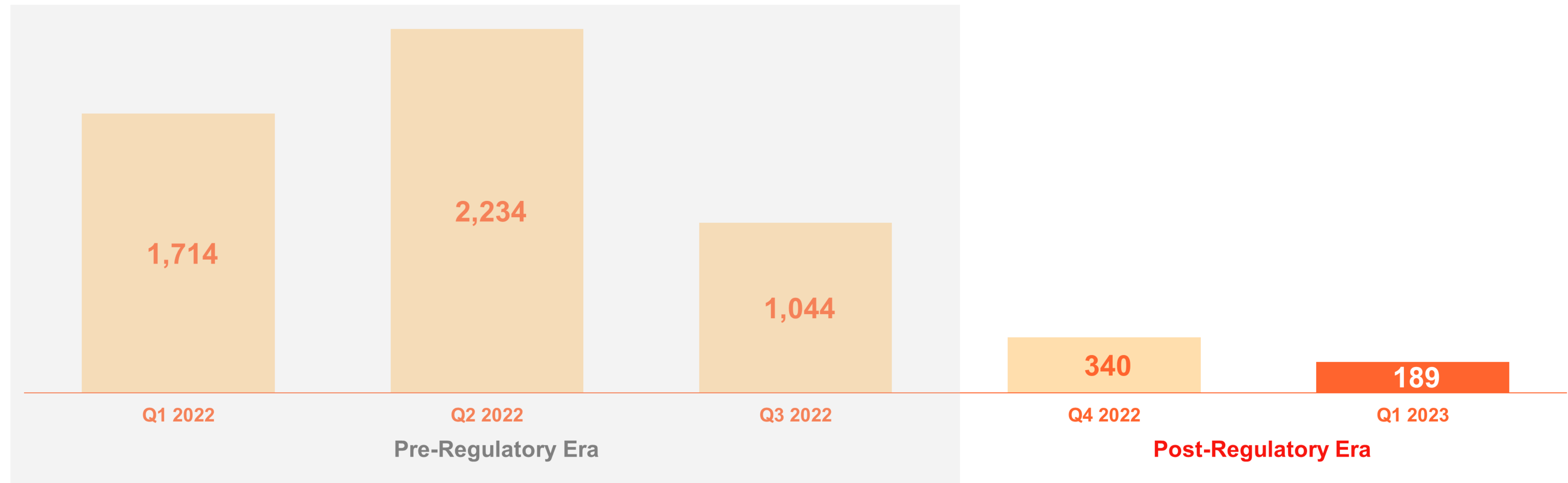


- “Electronic Cigarette” Mandatory National Standards took effect from **October 1, 2022**.
- Excise Tax: E-cigarette manufacturers/importers are subject to ad valorem tax at the rate of 36% on the production or import of e-cigarettes from **November 1, 2022**.

Note: capital resources include cash and cash equivalents, restricted cash, short-term bank deposits, net, short-term investments, long-term bank deposits, net and long-term investment securities

## Net Revenues by Quarter

RMB millions

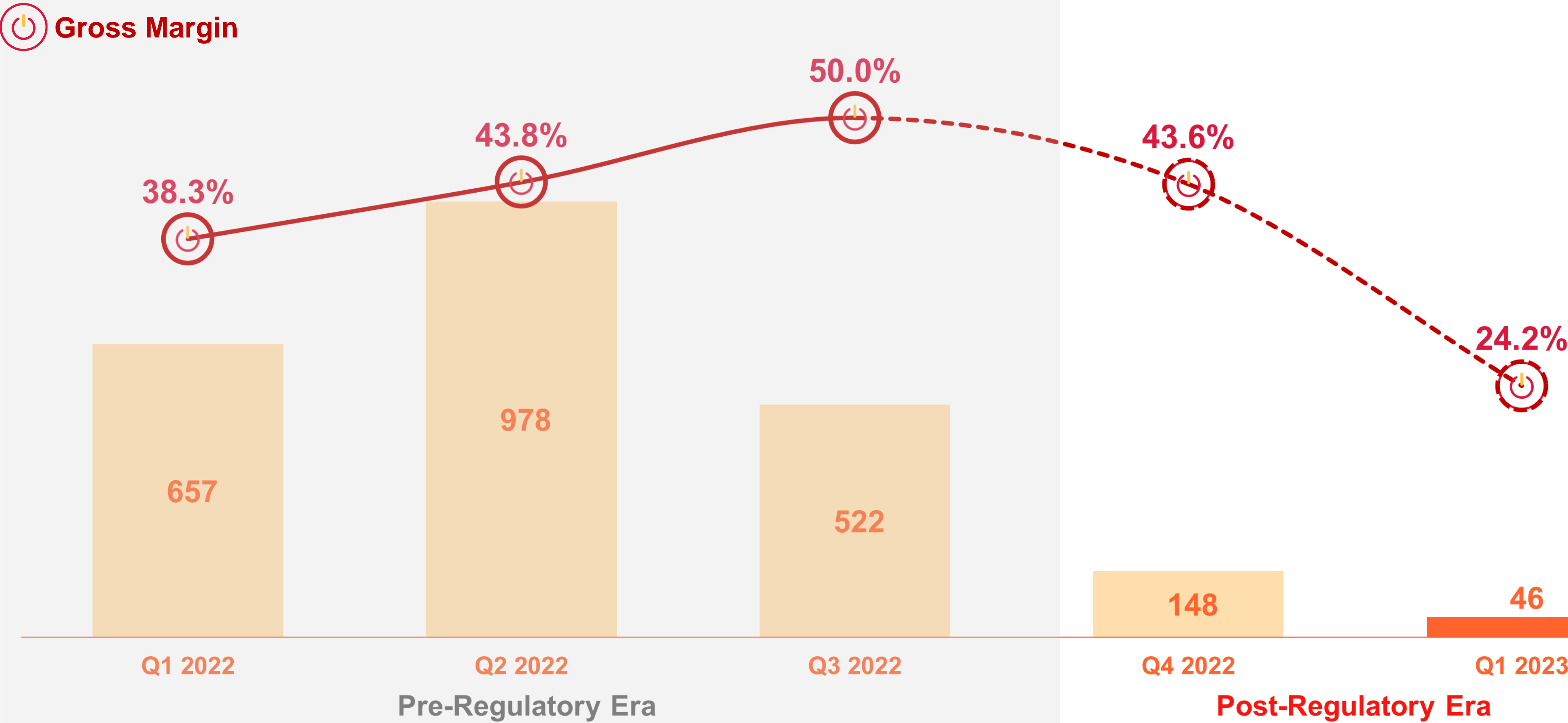


The YoY decrease in quarterly net revenues was primarily due to:

- The discontinuation of our older products
- The negative impact of illegal products in the market, which led to users' slower-than-expected adoption of our new products that comply with national standards.

## Gross Profit and Gross Margin

RMB millions



• Excise Tax: E-cigarette manufacturers/importers are subject to ad valorem tax at the rate of 36% on the production or import of e-cigarettes from November 1, 2022.



# Quarterly Gross Margin Waterfall Analysis



The decrease was primarily due to the imposition of a 36% excise tax which came into effect on November 1, 2022.

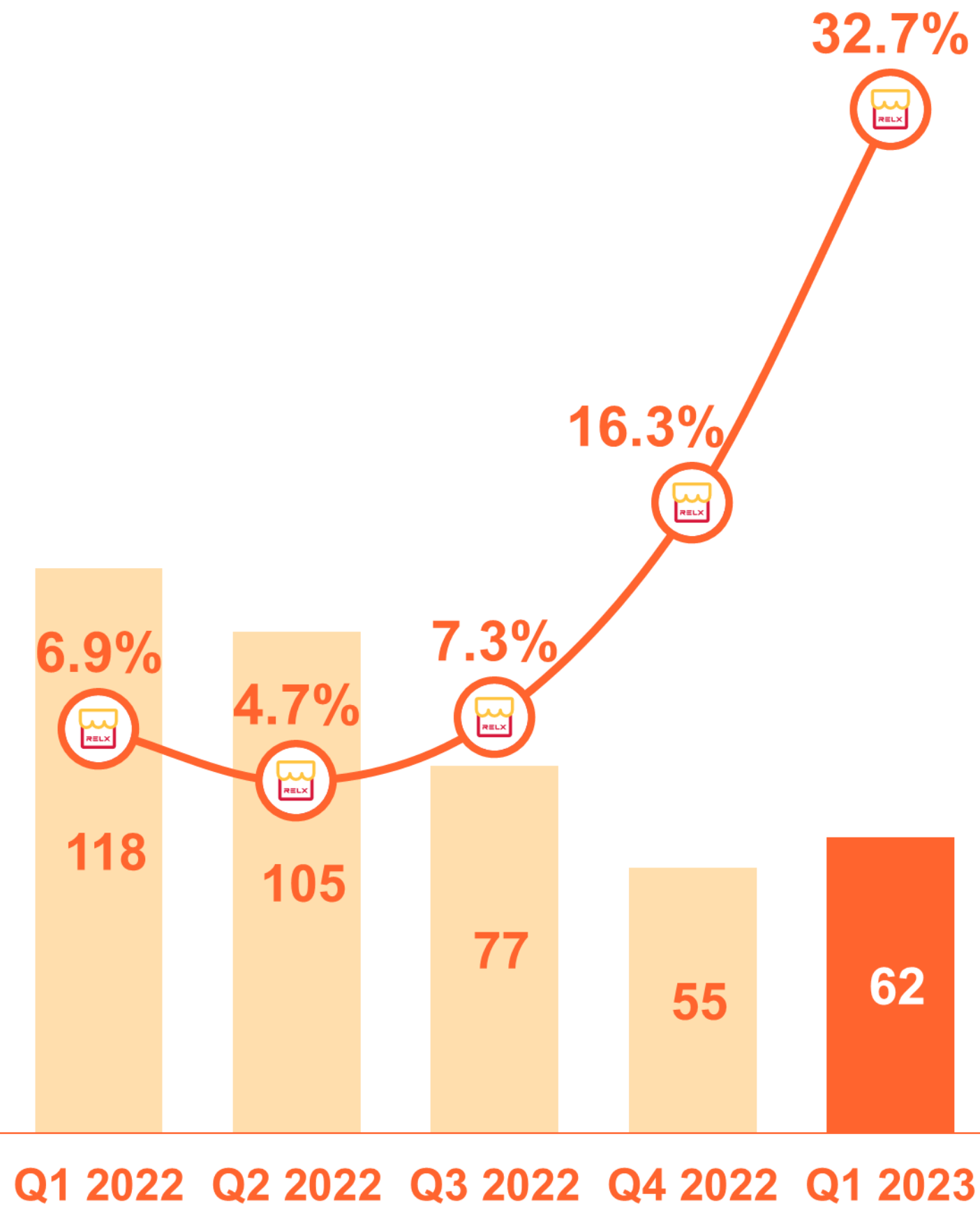


# Non-GAAP Operating Expenses

## Non-GAAP Selling Expenses

RMB millions

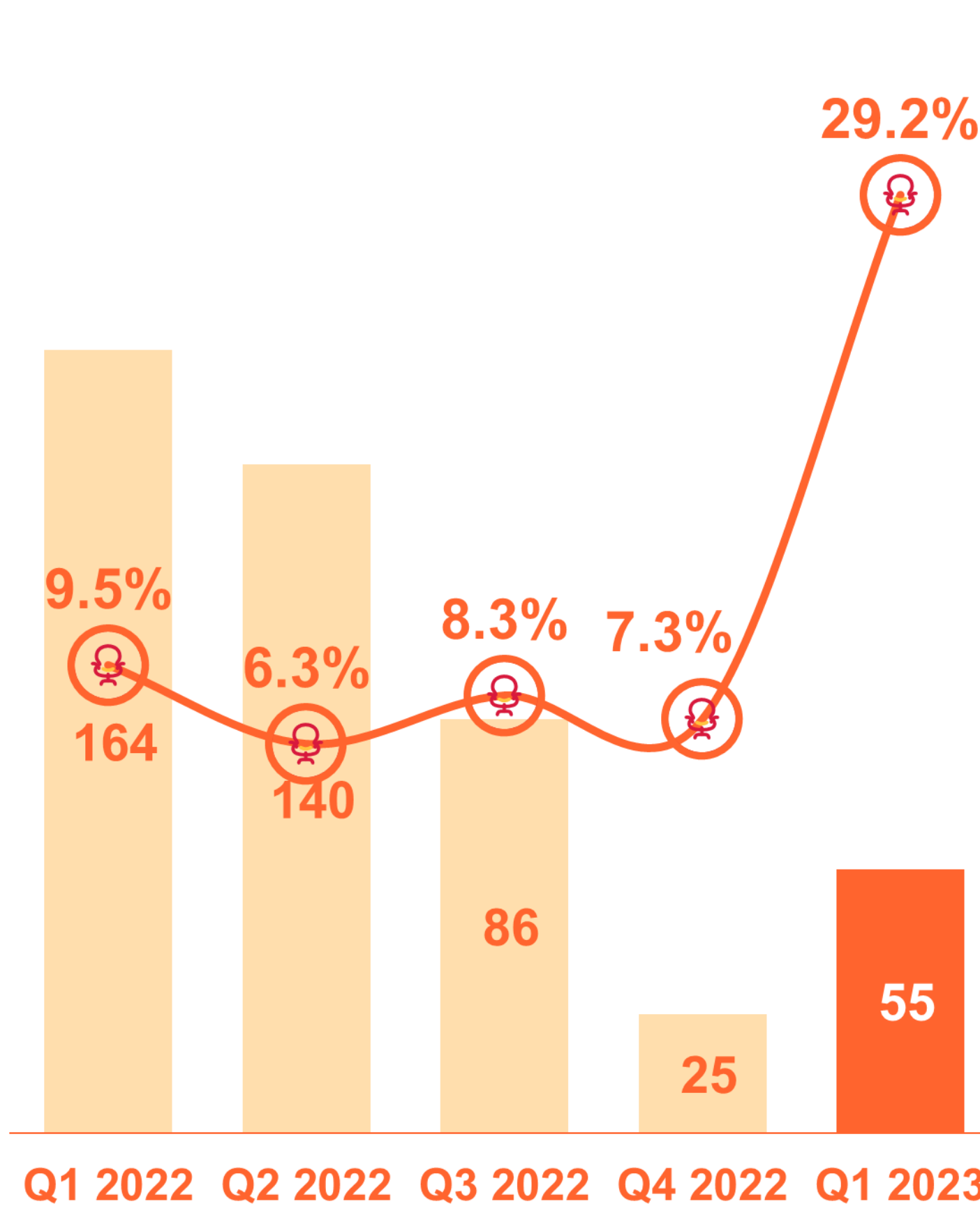
As % of Net Revenues



## Non-GAAP General and Administrative Expenses

RMB millions

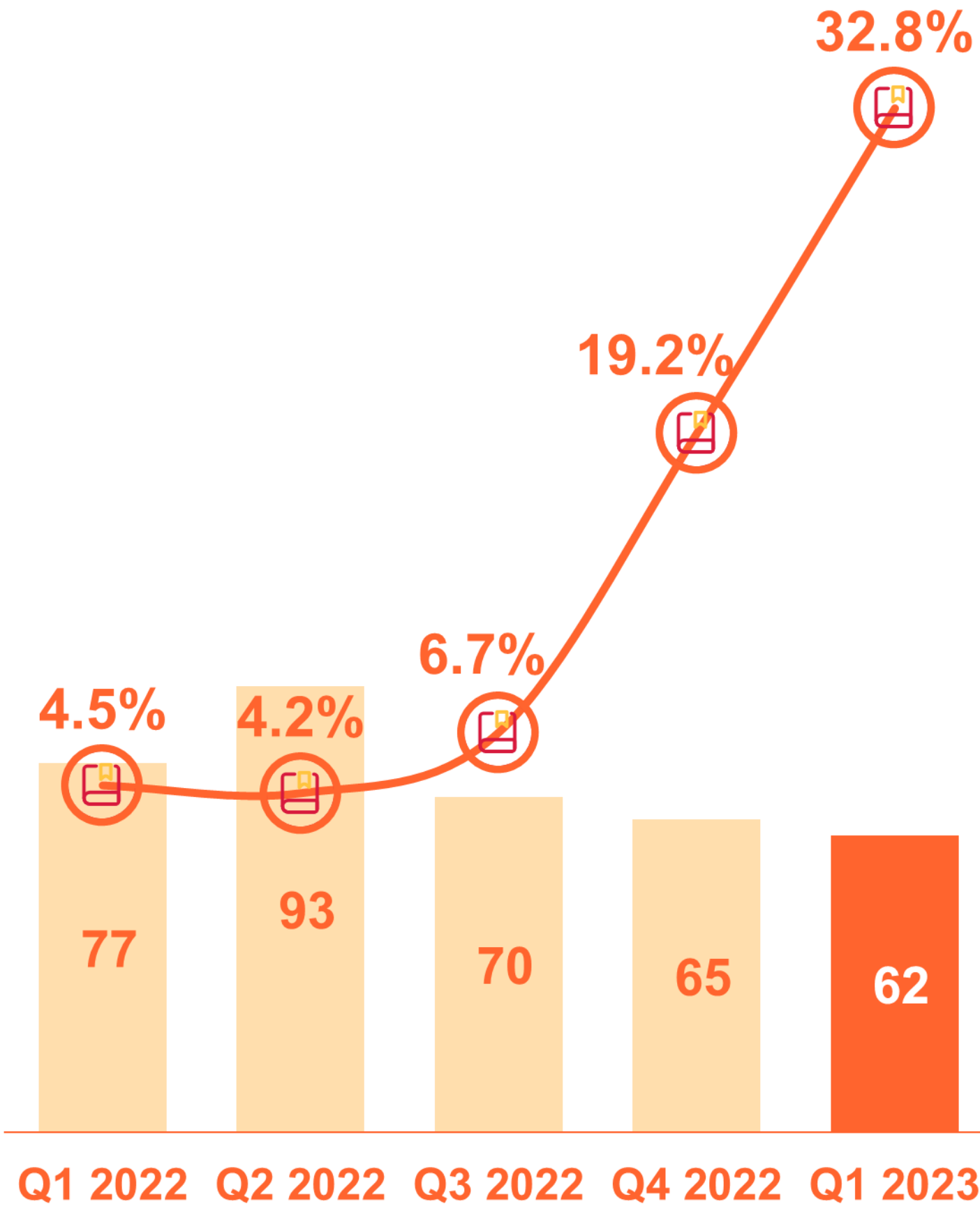
As % of Net Revenues



## Non-GAAP Research and Development Expenses

RMB millions

As % of Net Revenues



Note: excluding share-based compensation expenses

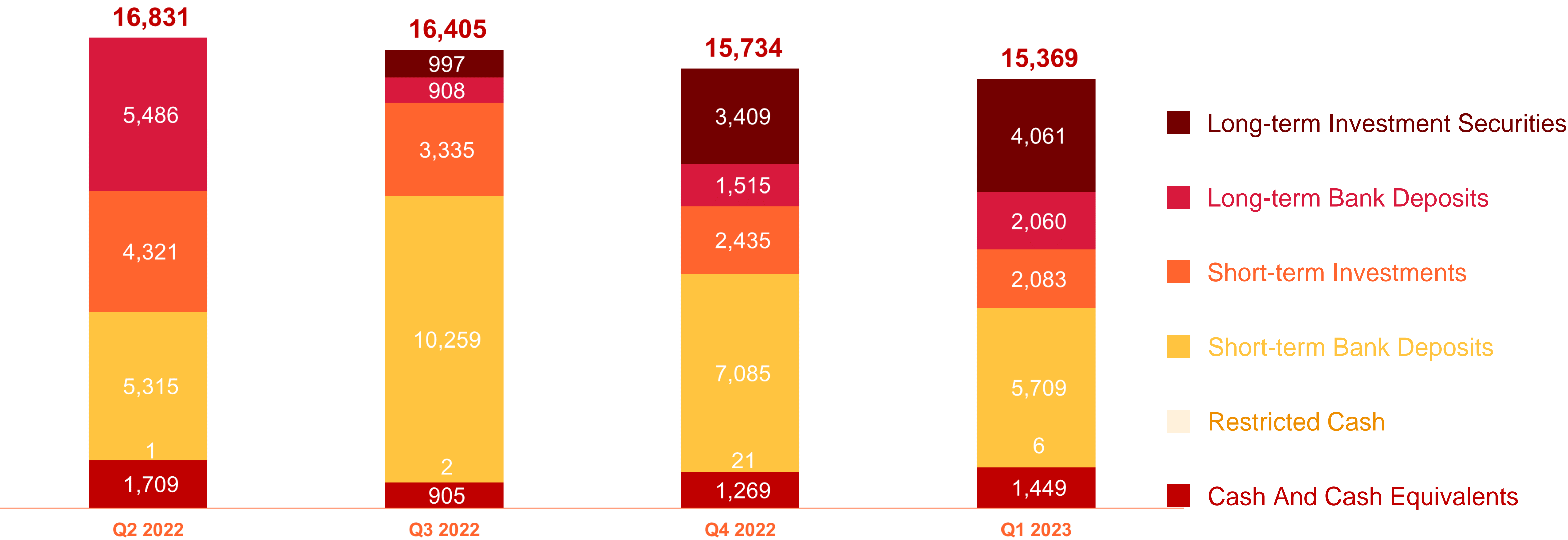


# GAAP to Non-GAAP Net Income Reconciliation **RLX TECH**

(In RMB thousands)	For the Three Months Ended		
	Mar 31, 2022	Dec 31, 2022	Mar 31, 2023
<b>Net Income/(Loss)</b>	<b>687,055</b>	<b>(225,125)</b>	<b>(56,305)</b>
Add: Share-based Compensation Expenses			
Selling Expenses	(41,939)	41,239	23,955
General and Administrative Expenses	(230,087)	369,447	201,343
Research and Development Expenses	(53,211)	64,165	14,654
<b>Non-GAAP Net Income</b>	<b>361,818</b>	<b>249,726</b>	<b>183,647</b>
Non-GAAP NPM (%)	21.1%	73.4%	97.2%
<b>Net Income/(Loss) attributable to RLX Technology Inc.</b>	<b>705,281</b>	<b>(228,480)</b>	<b>(56,966)</b>
Add: Share-based Compensation Expenses	(325,237)	474,851	239,952
<b>Non-GAAP Net Income Attributable to RLX Technology Inc.</b>	<b>380,044</b>	<b>246,371</b>	<b>182,986</b>
<b>Non-GAAP Net Income per Ordinary Share/ADS</b>			
- Basic	0.284	0.188	0.139
- Diluted	0.281	0.186	0.136
<b>Weighted Average Number of Ordinary Shares/ADSs</b>			
- Basic	1,336,118,854	1,310,229,331	1,316,798,713
- Diluted	1,354,294,220	1,324,475,455	1,345,828,279



## Capital Resources





# Income Statements

**RLX TECH**

(In RMB thousands)	For the Three Months Ended		
	Mar 31, 2022	Dec 31, 2022	Mar 31, 2023
<b>Net Revenues</b>	<b>1,714,450</b>	<b>340,012</b>	<b>188,877</b>
Cost of Revenues	(1,057,447)	(139,073)	(78,693)
Exercise Taxes on Products		(52,668)	(64,458)
<b>Gross Profit</b>	<b>657,003</b>	<b>148,271</b>	<b>45,726</b>
<b>Operating Expenses:</b>			
Selling Expenses	(75,947)	(96,673)	(85,761)
General and Administrative Expenses	66,395	(394,207)	(256,504)
Research and Development Expenses	(24,007)	(129,558)	(76,682)
<b>Total Operating Expenses</b>	<b>(33,559)</b>	<b>(620,438)</b>	<b>(418,947)</b>
<b>Income/(Loss) From Operations</b>	<b>623,444</b>	<b>(472,167)</b>	<b>(373,221)</b>
<b>Other Income:</b>			
Interest Income, net	27,151	54,617	148,803
Investment Income	32,239	25,557	21,385
Others, net	116,857	150,625	129,157
<b>Income/(Loss) Before Income Tax</b>	<b>799,691</b>	<b>(241,368)</b>	<b>(73,876)</b>
Income Tax (Expense)/Benefit	(112,636)	16,243	17,571
<b>Net Income/(Loss)</b>	<b>687,055</b>	<b>(225,125)</b>	<b>(56,305)</b>
Less: Net (Loss)/Income Attributable to Noncontrolling Interests	(18,226)	3,355	661
<b>Net Income/(Loss) attributable to RLX Technology Inc.</b>	<b>705,281</b>	<b>(228,480)</b>	<b>(56,966)</b>
<b>Other Comprehensive Income:</b>			
Foreign Currency Translation Adjustments	(45,824)	(215,246)	(148,096)
Unrealized (Loss)/Income on Long-term Investment Securities	-	(5,425)	2,873
<b>Total Other Comprehensive Loss</b>	<b>(45,824)</b>	<b>(220,671)</b>	<b>(145,223)</b>
<b>Total Comprehensive Income/(Loss)</b>	<b>641,231</b>	<b>(445,796)</b>	<b>(201,528)</b>
Less: Total Comprehensive (Loss)/Income Attributable To Noncontrolling Interests	(18,226)	3,355	661
<b>Total Comprehensive Income/(Loss) Attributable To RLX Technology Inc.</b>	<b>659,457</b>	<b>(449,151)</b>	<b>(202,189)</b>



# Balance Sheets

RLX TECH

(In RMB thousands)	As of	
	Dec 31, 2022	Mar 31, 2023
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	1,268,512	1,448,820
Restricted Cash	20,574	6,289
Short-Term Bank Deposits, net	7,084,879	5,709,492
Receivables From Online Payment Platforms	3,000	3,940
Short-Term Investments	2,434,864	2,083,215
Accounts And Notes Receivable, net	51,381	73,735
Inventories, net	130,901	101,981
Amounts Due From Related Parties	5,112	7,087
Prepayments and Other Current Assets, net	198,932	309,398
<b>Total Current Assets</b>	<b>11,198,155</b>	<b>9,743,957</b>
<b>Non-Current Assets</b>		
Property, Equipment and Leasehold Improvement, net	87,871	89,266
Intangible Assets, net	7,552	7,643
Long-Term Investments, net	8,000	8,000
Deferred Tax Assets, net	63,894	63,894
Right-of-Use Assets, net	75,008	61,793
Long-Term Bank Deposits, net	1,515,428	2,060,476
Long-Term Investment Securities, net	3,409,458	4,060,942
Other Non-Current Assets, net	13,458	9,483
<b>Total Non-Current Assets</b>	<b>5,180,669</b>	<b>6,361,497</b>
<b>Total Assets</b>	<b>16,378,824</b>	<b>16,105,454</b>
Cash And Cash Equivalents	1,268,512	1,448,820
Restricted Cash	20,574	6,289
Short-Term Bank Deposits, net	7,084,879	5,709,492
Short-Term Investments	2,434,864	2,083,215
Long-Term Bank Deposits, net	1,515,428	2,060,476
Long-Term Investment Securities, net	3,409,458	4,060,942
<b>Total Cash and Cash Equivalents</b>	<b>15,733,715</b>	<b>15,369,234</b>



# Balance Sheets (Cont'd)

**RLX TECH**

(In RMB thousands)	As of	
	Dec 31, 2022	Mar 31, 2023
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts And Notes Payable	269,346	47,350
Contract Liabilities	75,226	45,699
Salary And Welfare Benefits Payable	127,749	128,491
Taxes Payable	109,676	54,568
Amounts Due To Related Parties	423	1,071
Accrued Expenses And Other Current Liabilities	161,455	167,511
Lease Liabilities - Current Portion	45,955	39,330
<b>Total Current Liabilities</b>	<b>789,830</b>	<b>484,020</b>
<b>Non-Current Liabilities</b>		
Deferred Tax Liabilities	8,653	8,653
Lease Liabilities - Non-Current Portion	39,968	32,056
<b>Total Non-Current Liabilities</b>	<b>48,621</b>	<b>40,709</b>
<b>Total Liabilities</b>	<b>838,451</b>	<b>524,729</b>
<b>Shareholders' Equity:</b>		
Total RLX Technology Inc. shareholders' Equity	15,569,060	15,608,751
Noncontrolling Interests	(28,687)	(28,026)
<b>Total Shareholders' Equity</b>	<b>15,540,373</b>	<b>15,580,725</b>
<b>Total Liabilities And Shareholders' Equity</b>	<b>16,378,824</b>	<b>16,105,454</b>

# Statements of Cash Flows

**RLX TECH**

(In RMB thousands)	For the Three Months Ended		
	Mar 31, 2022	Dec 31, 2022	Mar 31, 2023
<b>Net Cash Generated From / (Used In) Operating Activities</b>	<b>308,169</b>	<b>(248,866)</b>	<b>(230,686)</b>
<b>Net Cash (Used In) / Generated From Investing Activities</b>	<b>(950,764)</b>	<b>752,545</b>	<b>381,954</b>
<b>Net Cash (Used In) / Generated From Financing Activities</b>	<b>(161,612)</b>	<b>(150,647)</b>	<b>4,346</b>
Effect Of Foreign Exchange Rate Changes On Cash, Cash Equivalents And Restricted Cash	(20,556)	29,287	10,409
<b>Net (Decrease) / Increase In Cash And Cash Equivalents And Restricted Cash</b>	<b>(824,763)</b>	<b>382,319</b>	<b>166,023</b>
Cash, Cash Equivalents And Restricted Cash At The Beginning of The Period	5,209,467	906,767	1,289,086
<b>Cash, Cash Equivalents And Restricted Cash At The End of The Period</b>	<b><u>4,384,704</u></b>	<b><u>1,289,086</u></b>	<b><u>1,455,109</u></b>



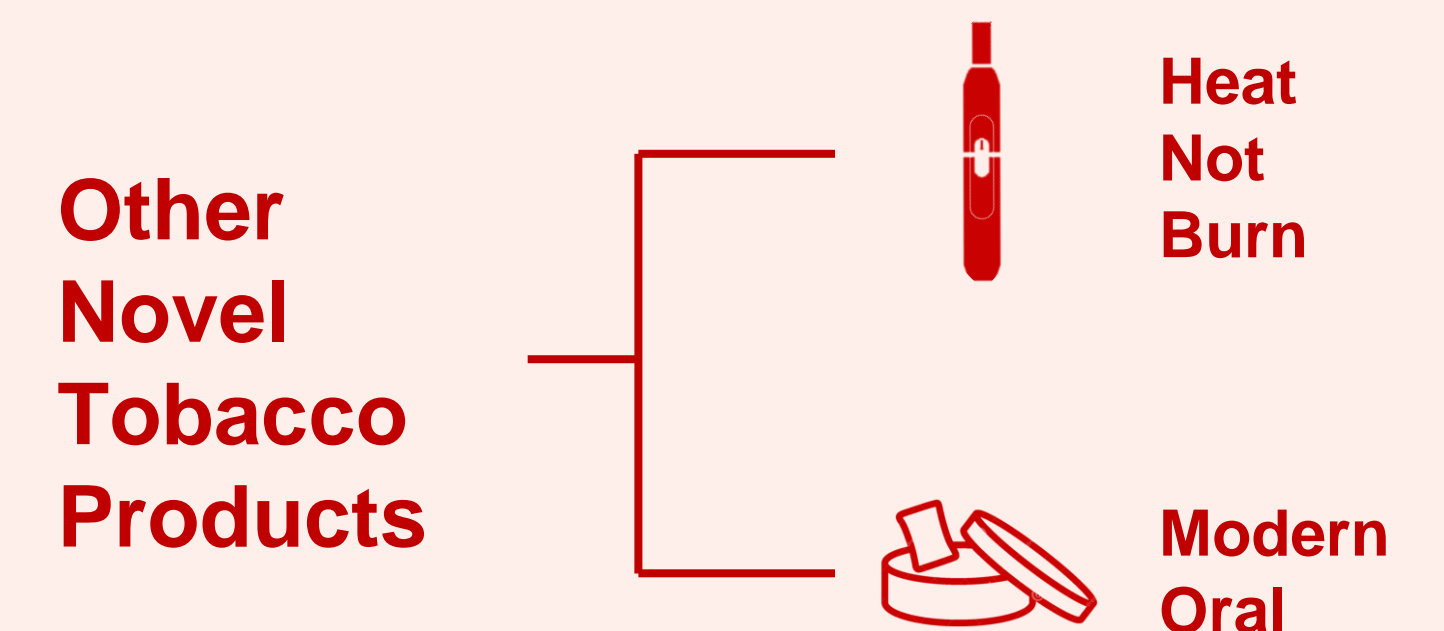
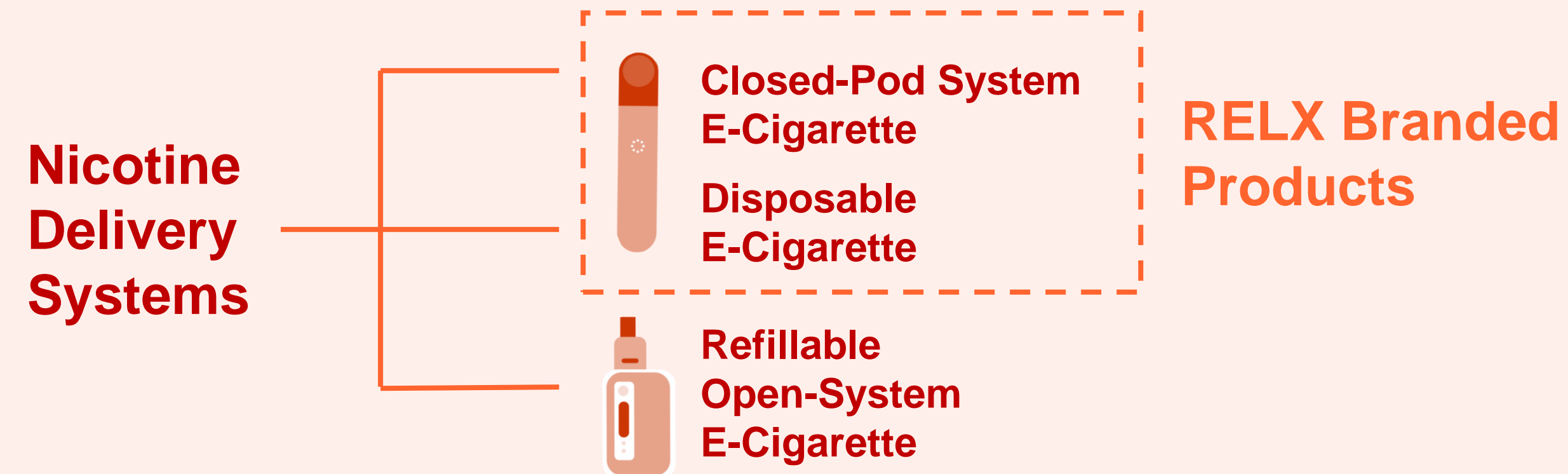


# APPENDIX



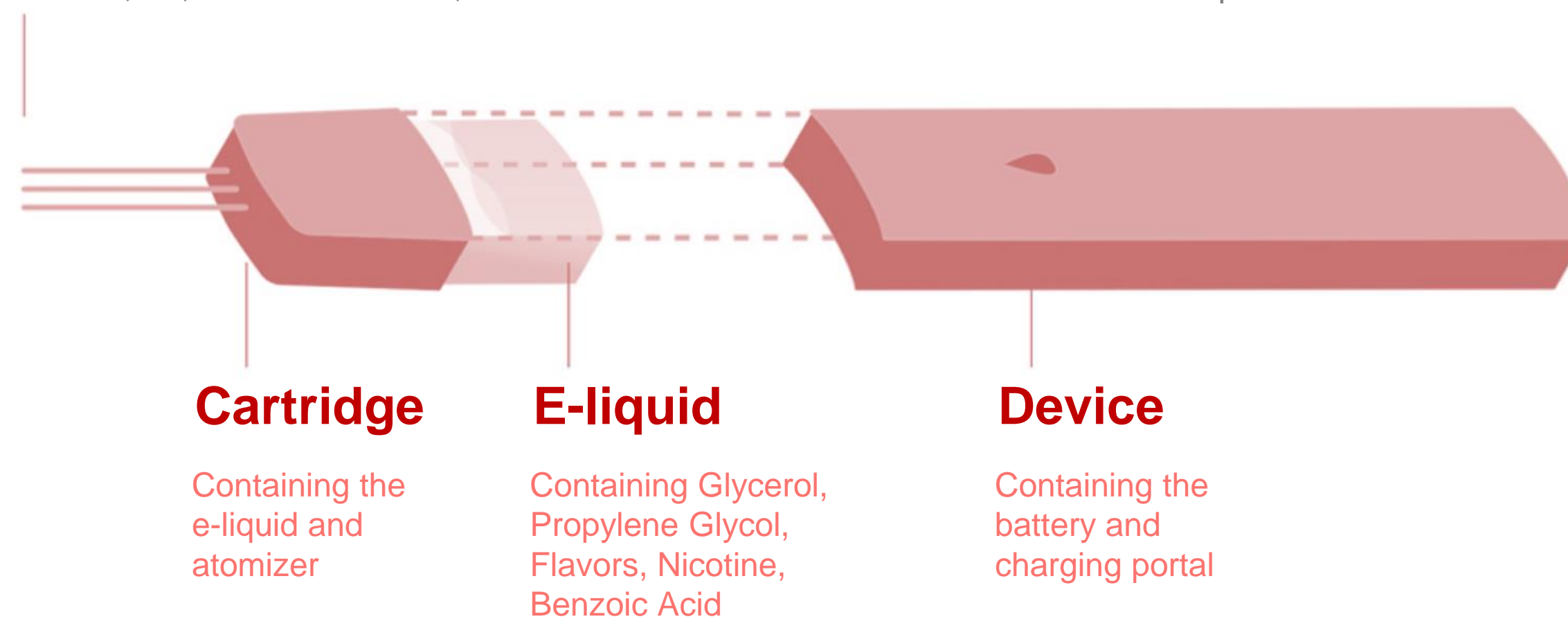
# E-cigarettes Industry Overview

RLX TECH



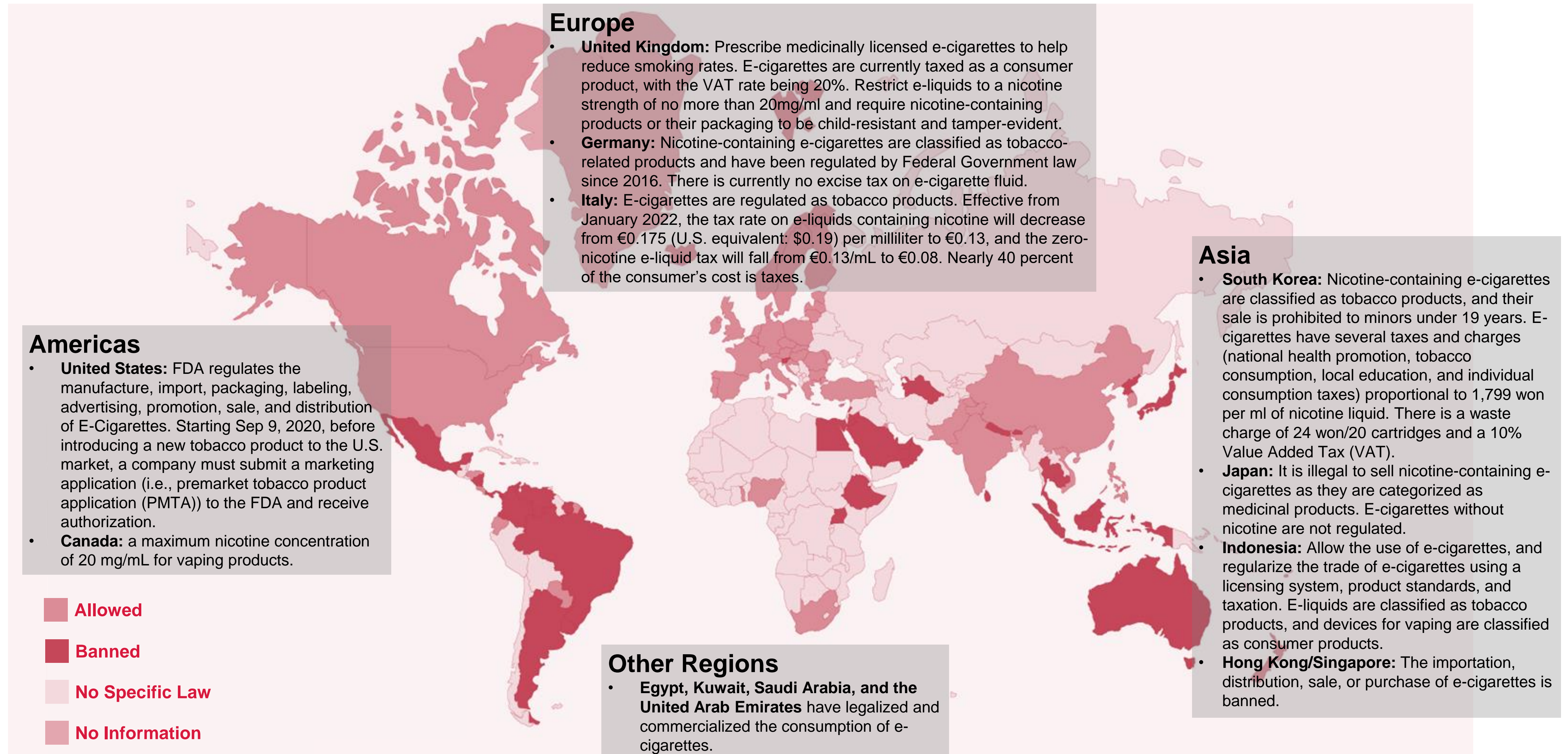
## From E-liquid to Aerosol

Using an atomizer to heat up e-liquid in a cartridge to produce aerosol without fire, flame, tobacco, tar, carbon monoxide, and other chemicals found in combustible tobacco products.





# Global E-cigarettes Regulatory Landscape



Note: GSTHR. Global status shown in the map was as of 2020.



# E-cigarettes Regulations in China

RLX TECH

## Pre-Regulatory Era

On Oct 30, 2019, the State Administration for Market Regulation (SAMR) and the State Tobacco Monopoly Administration (STMA) jointly issued the October 2019

Announcement. Following the October 2019 Announcement, e-commerce platforms were required to **discontinue the online sales of e-vapor.**

On Nov 26, 2021, China's State Council announced it had amended the Regulations for the Implementation of the Tobacco Monopoly Law of China to include e-cigarettes and related products.

On Nov 30, 2021, a draft of "Electronic Cigarette" Mandatory National Standards was released.

On Dec 2, 2021, China's State Tobacco Monopoly Administration (STMA) released a draft of the Administrative Measures for E-Cigarettes.

On Mar 18, 2022, RELX was selected as one of the first three e-vapor brands to test the national transaction platform in Huizhou and Xiamen for three months.

On Oct 1, 2022, the E-Cigarettes Administrative Measures, the National Standards, and the relevant implementing policies and rules became fully effective.

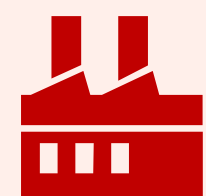
On Mar 22, 2021, the Ministry of Industry and Information Technology issued the Decision to Amend the Implementation Regulations of the Tobacco Monopoly Law of the People's Republic of China (Draft for Comment), which proposes to add "the regulation for next-generation tobacco products including e-cigarettes shall refer to the relevant regulations for cigarettes under the Implementation Regulations." to the Implementation Regulations.

On Mar 11, 2022, STMA issued the Administrative Measures for E-Cigarettes, which came into effect on May 1, 2022; The second draft of "Electronic Cigarette" Mandatory National Standards was released and **banned flavored e-cigarettes other than those with tobacco flavor.**

On Jul 22, 2022, RLX obtained the Tobacco Monopoly License for Manufacturing Enterprise.

On Nov 1, 2022, an excise tax on e-cigarettes came into effect:

- **E-cigarette manufacturers/importers are subject to a 36% excise tax**
- E-cigarette distributors are subject to an 11% excise tax



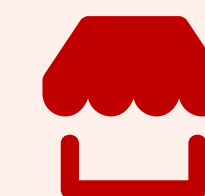
## Manufacturing

E-cigarette manufacturing enterprises, enterprises holding e-cigarette brands and e-cigarette OEM enterprises are required to apply for a **Tobacco Monopoly License for Manufacturing Enterprise**



## Wholesale

E-cigarette wholesale enterprises must apply for a **Tobacco Monopoly License for Wholesale Enterprises**



## Retail

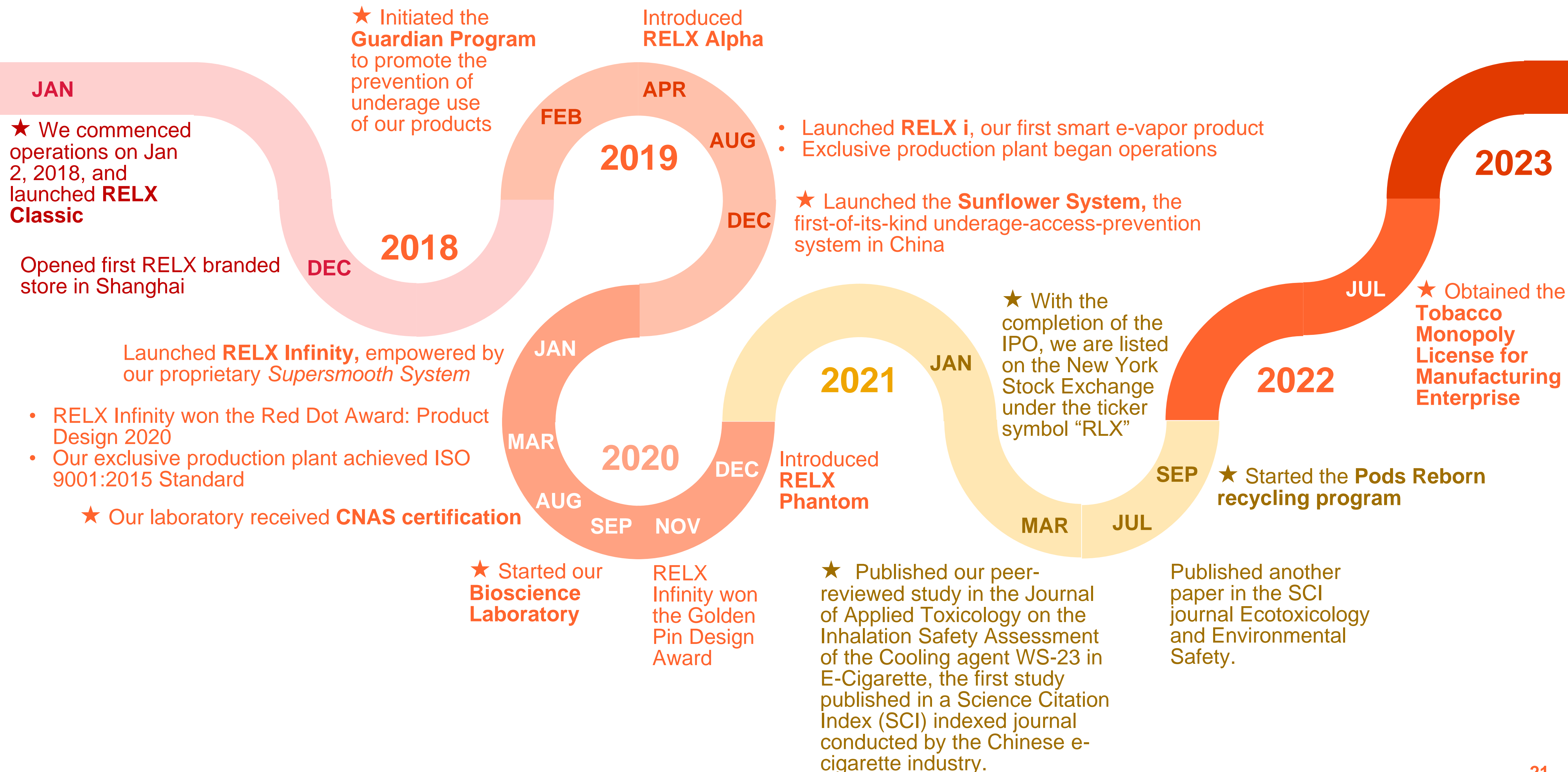
E-cigarette retailers must apply for a **Tobacco Monopoly License for Retail Business**, and they should purchase e-cigarette products from local e-cigarette wholesale enterprises and avoid conducting any exclusive operations regarding any marketed e-cigarette products

E-cigarettes, e-atomization material, and e-cigarette nicotine, among others, can only be transacted via the **National Transaction Platform.**



# Company Milestones

RLX TECH



# Strong R&D Capability


## The Birth of an RLX Tech Product

The Whole R&D Process	User Evaluation	Formula Adjustments	Product Tests
80 days	500+	100+	197 items

## R&D Indicators

By June 2022:	In 2021:
Patents Filed Globally	Cooperative Research Projects
610	13

## “1+4” Science Research Matrix



### Product Quality

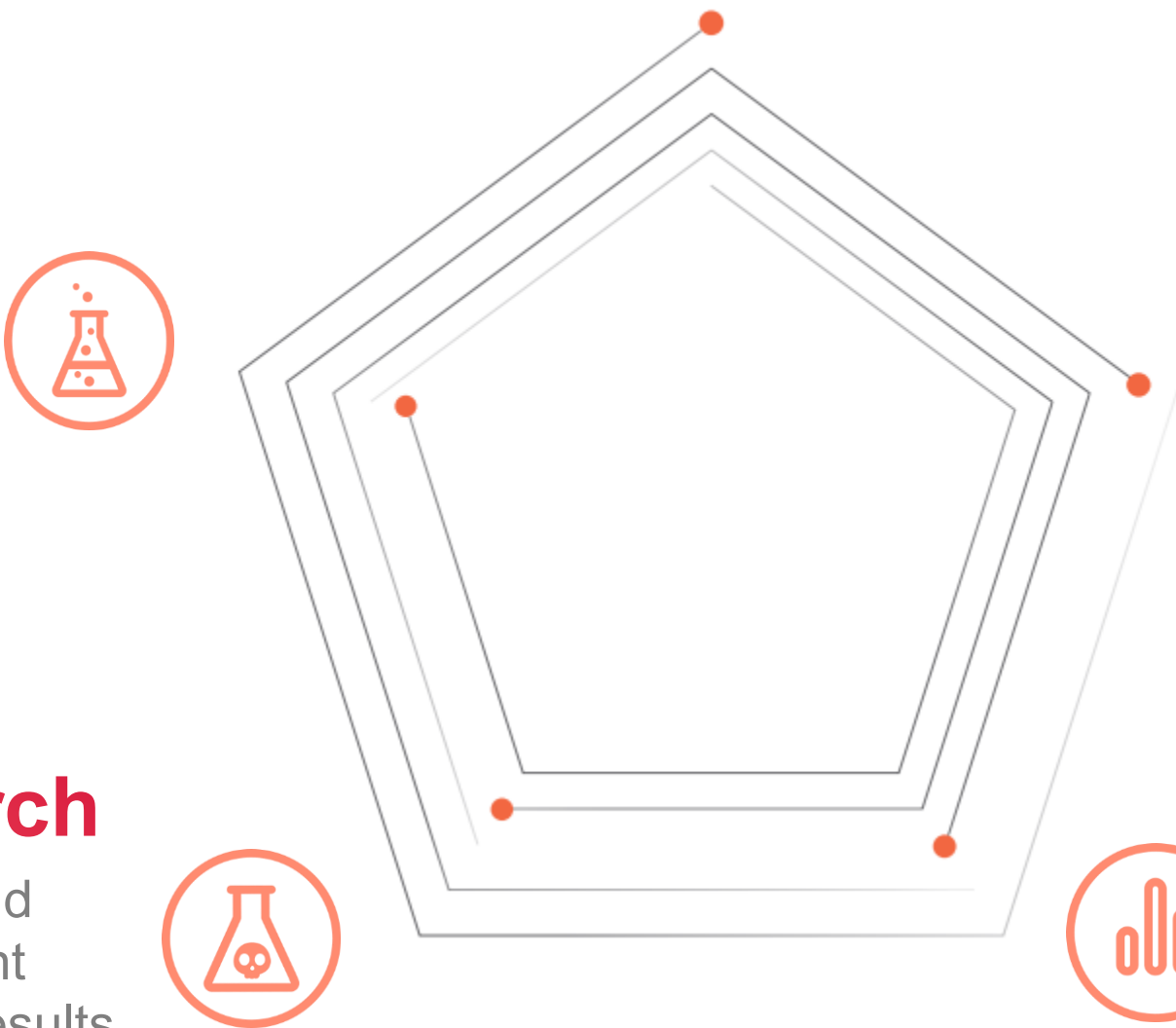
Stable product quality is the cornerstone of scientific research.  
The only way to draw meaningful scientific conclusions is by ensuring stable quality.

### Physiochemical Research

Relying on RLX Tech’s Chemistry Laboratory, we study the content of various chemical components in aerosols. We focus on the potential risk components in the released content and accumulate data for our quantitative risk assessment and clinical experiments.

### Toxicology Research

We systematically evaluate the toxicity of e-liquid and aerosols, exploring their impacts on different body tissues and in different dimensions. The results can also serve as prerequisites for clinical research.



### Long-term Impact Assessment

We study changes in the user group’s characteristics from a public health perspective. We build comprehensive and complex analytical models and predict the public health impacts of our e-vaping products based on our toxicological and clinical findings.

### Clinical Research

We track users regularly to monitor changes in physiological indicators and relevant biomarkers in the body. We carry out research on user vaping behavior and nicotine pharmacokinetics.



# Management Team with Proven Track Record

RLX TECH



**Ms. Ying (Kate) Wang**

Co-founder  
Chief Executive Officer

- Ms. Wang served in several leadership roles, including the head of Didi Youxiang and head of Uber China at Didi Chuxing, and as a regional general manager at Uber China, from December 2014 to April 2018. Before joining Uber China, Ms. Wang was a consultant at Bain & Company from October 2013 to December 2014.
- Ms. Wang received a bachelor's degree in finance and law from Xi'an Jiaotong University, a master's degree in management from Xi'an Jiaotong University, and an MBA from Columbia Business School.



**Mr. Long (David) Jiang**

Co-founder  
Head of China Sales

- Mr. Jiang is responsible for our distribution and retail management in China. Mr. Jiang has 17 years of extensive experience in fast-moving consumer goods and technology industries, including as a regional general manager at Didi Chuxing, national head of customer marketing and channel in China at Bacardi, senior group key accounts manager at L'Oréal, and senior key account manager at Procter & Gamble.
- Mr. Jiang received a bachelor's degree in mechanical engineering from Tsinghua University and a master's degree in scientific policy strategy and management from the Chinese Academy of Sciences.



**Mr. Yilong Wen**

Co-founder  
Head of supply chain, product development and scientific research

- Mr. Wen is responsible for our supply chain, product development, and scientific research. Mr. Wen has nine years of experience in fast-moving consumer goods, technology, and automobile industries, including as regional general manager at Didi Chuxing, a vehicle simulation engineer at Mercedes-Benz.
- Mr. Wen received a bachelor's degree in mechanical engineering from Shanghai Jiao Tong University, a bachelor's degree in mechanical engineering from the University of Michigan, and double master's degrees in mechanical engineering, design, and manufacturing from the University of Michigan.



**Mr. Chao Lu**

Chief Financial Officer

- Before joining the Company, Mr. Lu served as Managing Director and Head of Asia Healthcare Investment Banking at Citigroup, where he was responsible for healthcare client coverage at Citigroup across the Asia Pacific region, education, and other selective consumer client coverage worked in Morgan Stanley Investment Banking, CICC Investment Banking, and the private equity investment industry.
- Mr. Lu received a bachelor's degree in operations research and financial engineering from Princeton University.





# RLX Technology Inc.

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Earnings Presentation Q1 2023