

RLX Technology Inc.

Earnings Presentation Q2 2022

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This presentation contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” and similar statements. Among other things, quotations from management in this announcement, as well as the Company’s strategic and operational plans, contain forward-looking statements. The Company may also make written or oral forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission, in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including but not limited to statements about the Company’s beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: the Company’s growth strategies; its future business development, results of operations and financial condition; trends and competition in China’s e-vapor market; changes in its revenues and certain cost or expense items; PRC governmental policies, laws and regulations relating to the Company’s industry, and general economic and business conditions globally and in China and assumptions underlying or related to any of the foregoing. Further information regarding these risks, uncertainties or factors is included in the Company’s filings with the U.S. Securities and Exchange Commission. All information provided in this press release and in the attachments is current as of the date of this press release, and the Company does not undertake any obligation to update such information, except as required under applicable law.

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 romantic scene of a man and a woman celebrating at sunset. They are silhouetted against a bright, glowing sun that creates a lens flare effect. The woman is on the right, reaching up to touch the man's hand, which is also reaching up towards the sun. They are standing on a grassy hillside. In the background, there are rolling hills and a small tent is visible on the left. A large, semi-transparent red circle is overlaid on the right side of the image, containing the text 'OPERATIONAL HIGHLIGHTS'.

OPERATIONAL HIGHLIGHTS

Obtained License for Manufacturing Enterprise **RLX TECH**

On July 22, 2022, one of RLX's subsidiaries obtained a **License for Manufacturing Enterprise** from the department of tobacco monopoly administration under the State Council of the People's Republic of China. The license permits the subsidiary to own the RELX brand and manufacture RELX-branded e-vapor rechargeable devices, cartridge products, and products sold in combination with e-vapor devices and rechargeable products, in compliance with China's Administrative Measures for E-Cigarettes.

Approved manufacturing capacity per year:

- **15,050,000** units of e-vapor rechargeable devices
- **328,700,000** units of cartridge products
- **6,100,000** units of disposable e-vapor products

The valid term for the License for Manufacturing Enterprise obtained is from July 18, 2022 to July 31, 2023.

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This license represents an important milestone in our strategic roadmap as we strive to comply with the new regulatory requirements in a timely manner. We believe that we are well-positioned to achieve compliance in our operations according to schedule. To adapt to the new market dynamics and ensure business development, we will, and will urge our business partners to, continue making efforts to comply with all applicable regulatory requirements, including, but not limited to, obtaining requisite licenses and regulatory approvals, developing products that meet the mandatory national standards, and processing all transactions via the National E-cigarette Transaction Platform when it is implemented. Looking forward, under regulatory guidance, as a trusted e-vapor brand for adult smokers, we will remain committed to providing high-quality products that deliver superior performance and safety in strict compliance with legal and regulatory requirements, while exploring new growth opportunities in the industry.

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Our ESG Efforts and Progress

Participated in global ESG initiatives for the first time

During the quarter, we responded to assessments by **S&P Global CSA** and **CDP Climate Change** to improve our ESG performance in accordance with global best practices. We will continue to build our internal capabilities for managing ESG risks.

01

S&P Global
Ratings

02



Proud participant of the
2022 Corporate Sustainability
Assessment (CSA)

S&P Global



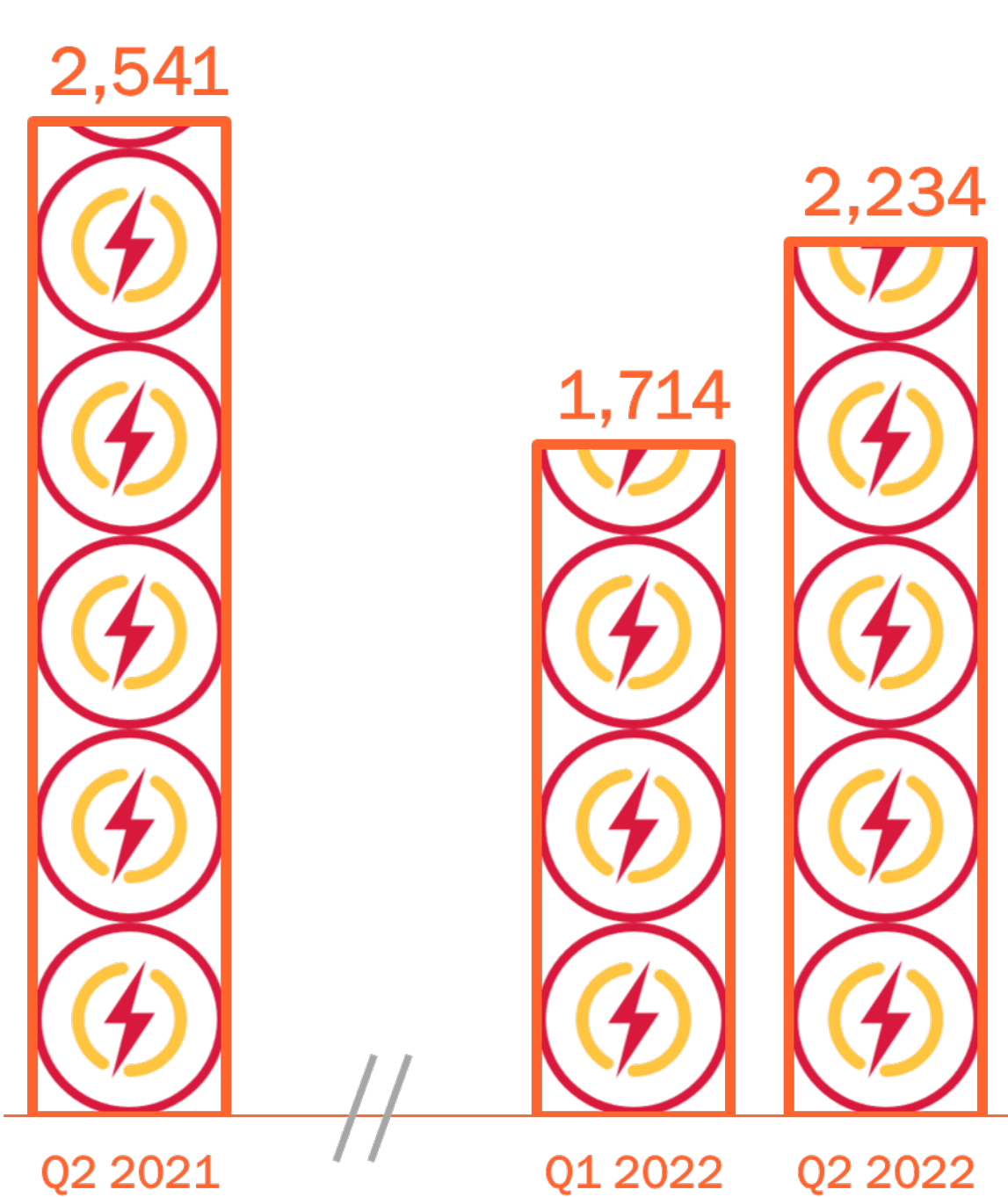
FINANCIAL HIGHLIGHTS



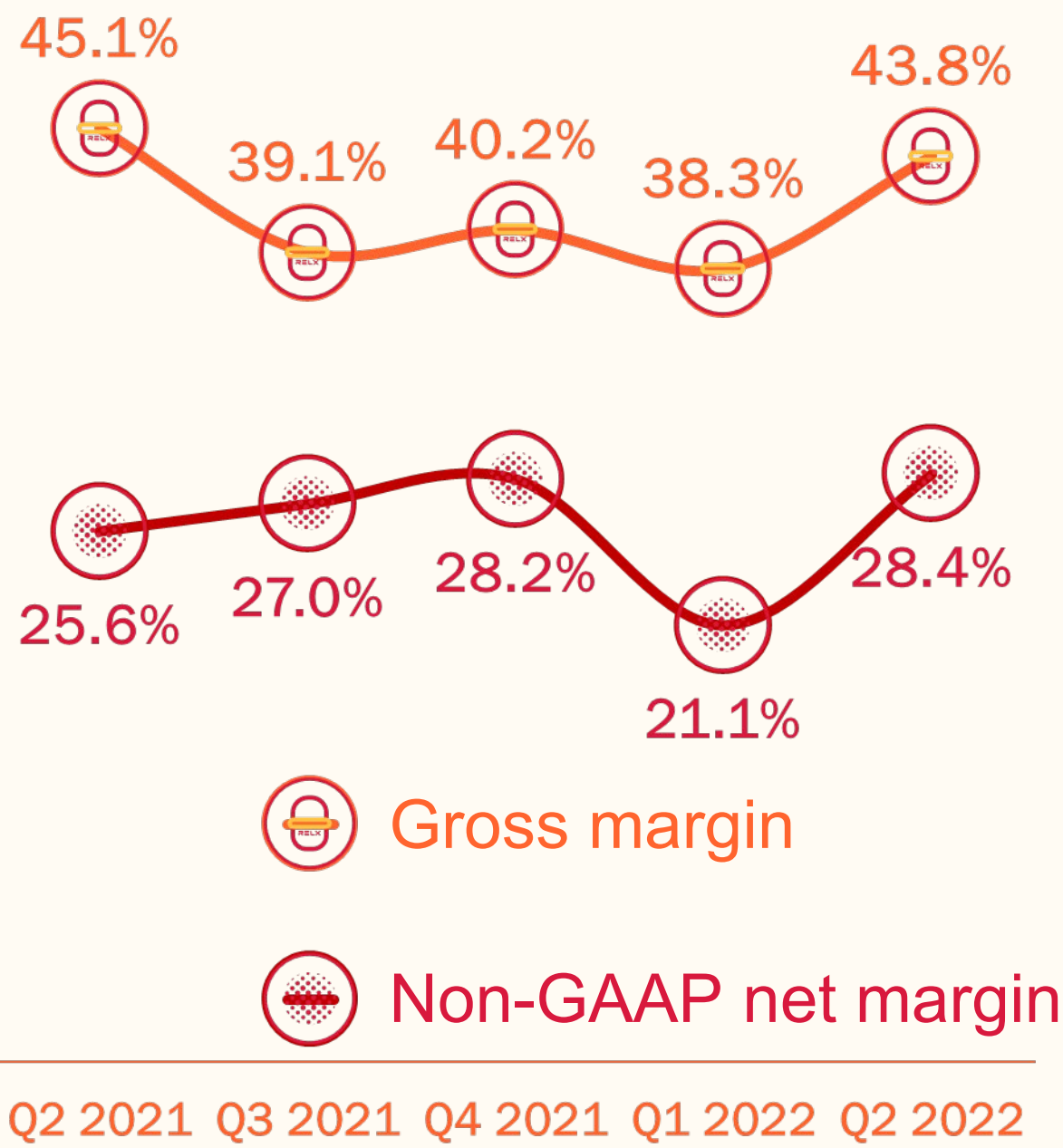
Q2 2022 Financial Highlights

Net Revenues

RMB millions

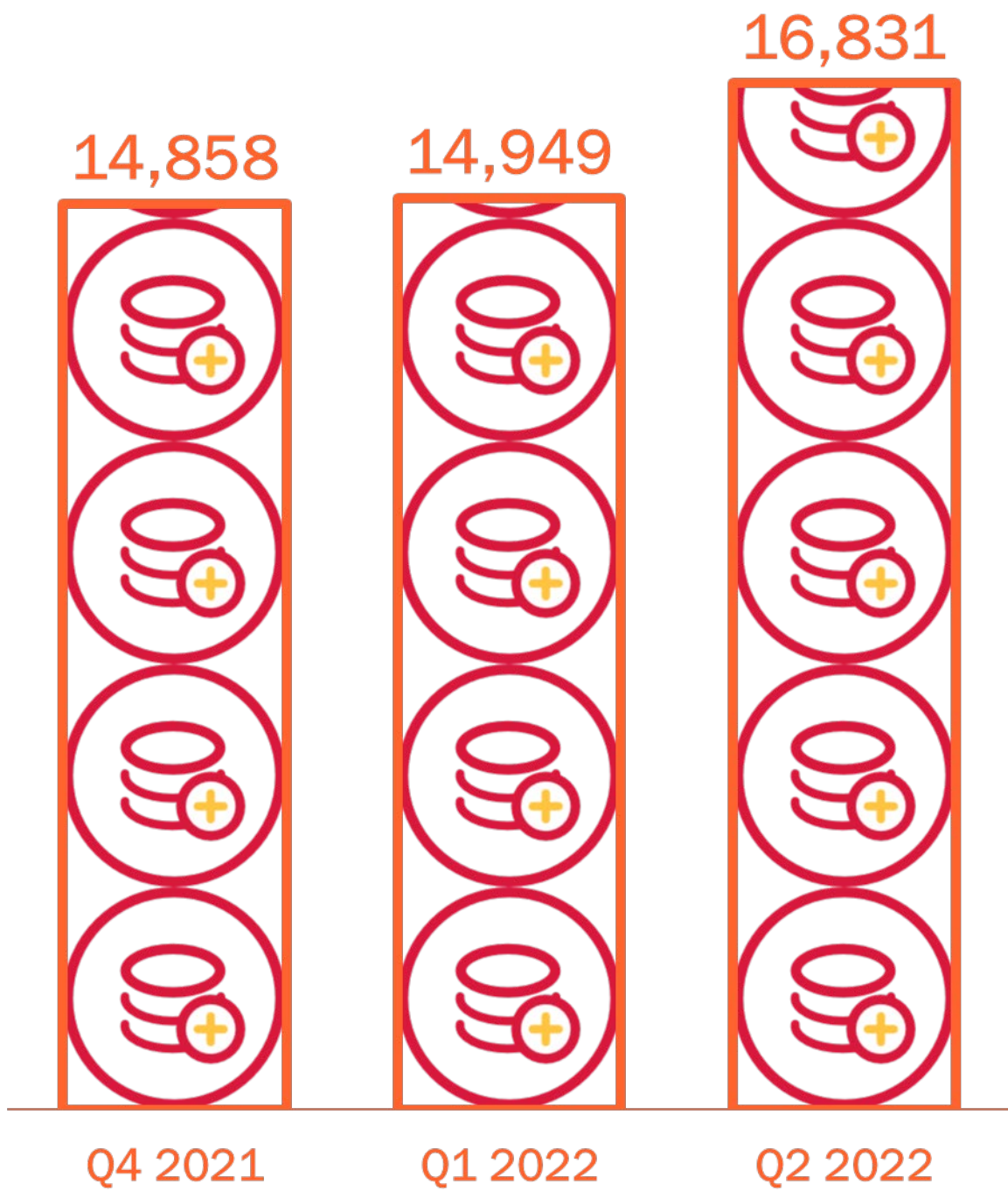


Profitability



Capital Resources

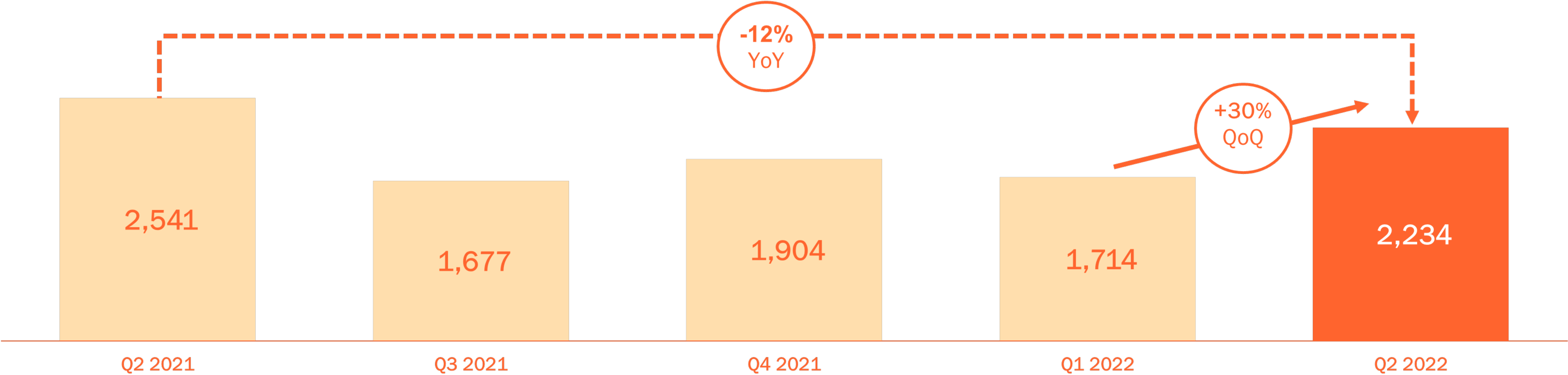
RMB millions



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

Net Revenues by Quarter

RMB millions



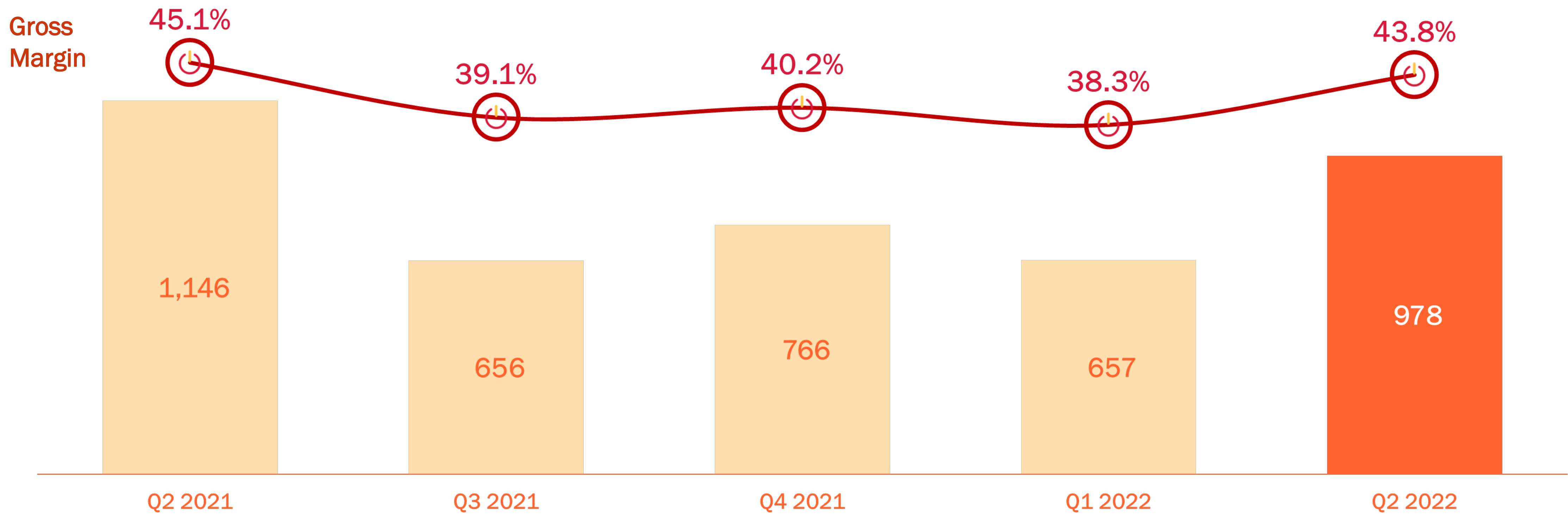
The YoY decrease in quarterly net revenues was primarily due to:

- Suspension of store expansions and new product launches during the transition period to comply with regulatory requirements.

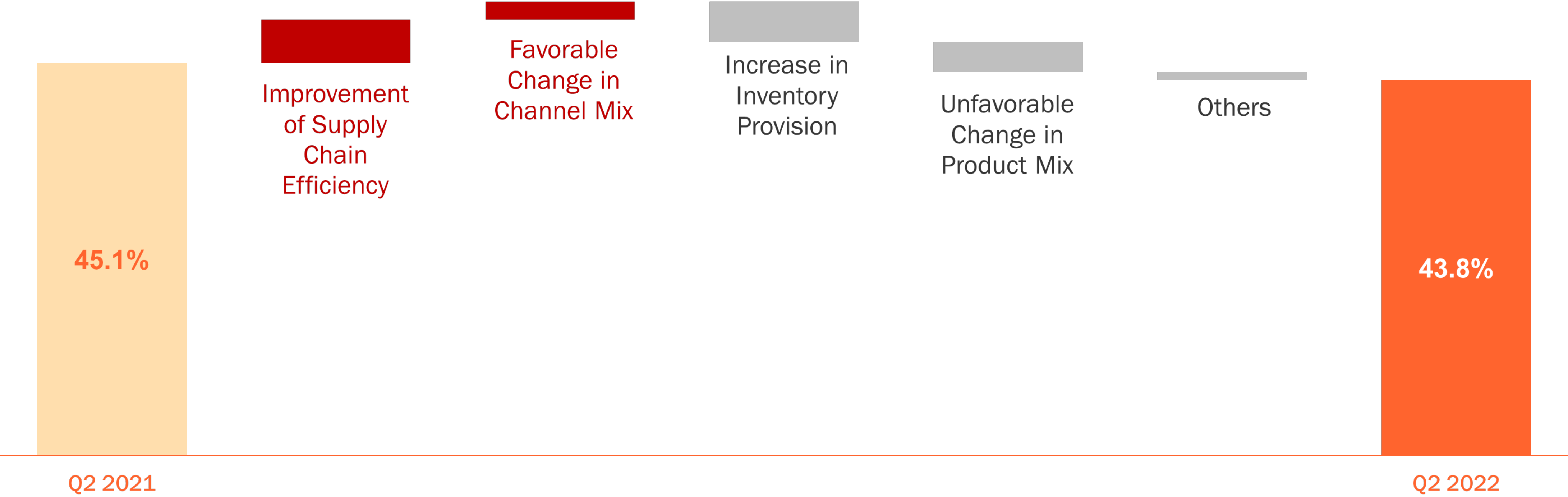
Gross Profit and Gross Margin

Gross Profit and Gross Margin

RMB millions



Gross Margin Waterfall Analysis

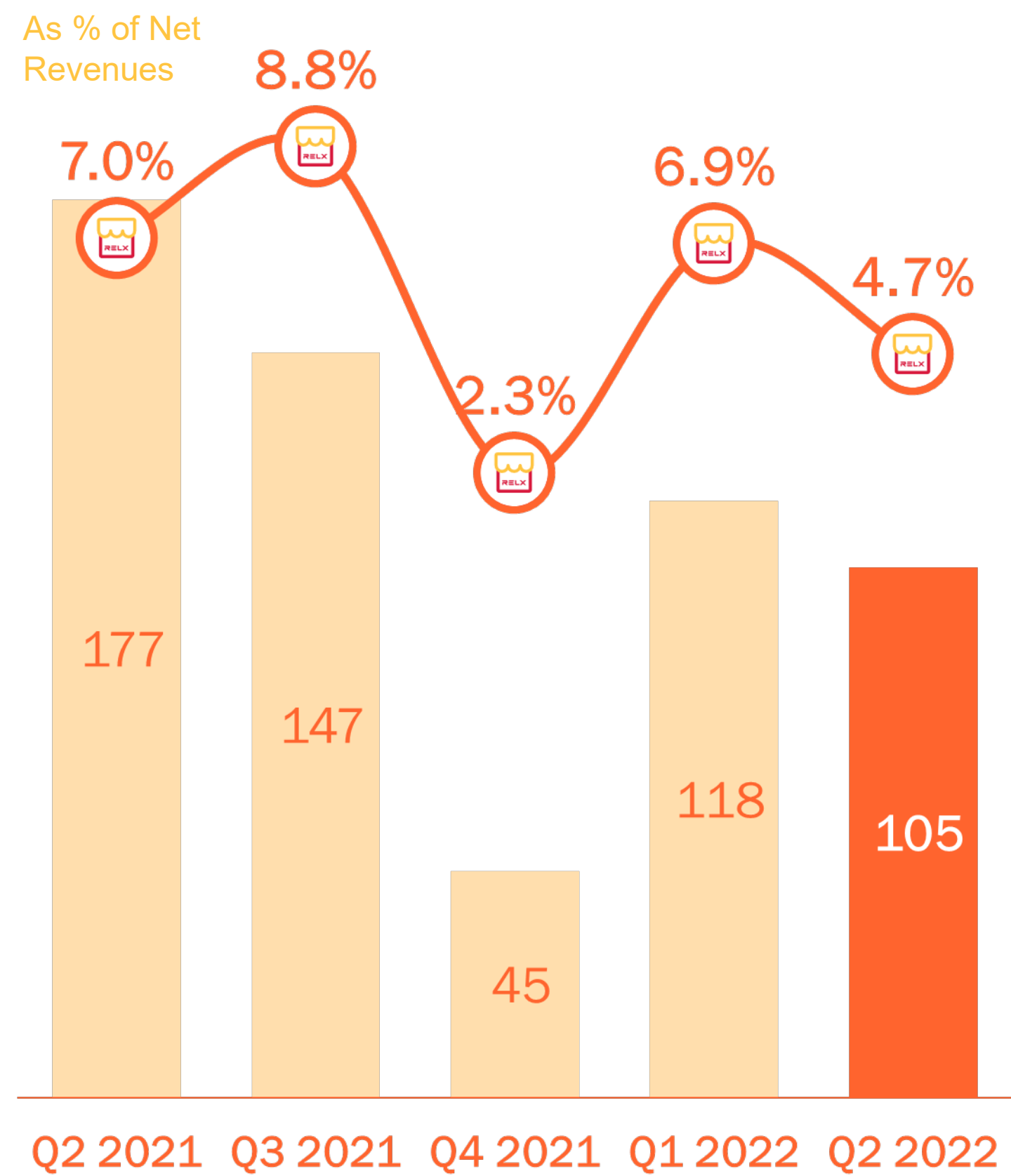


The decrease was primarily due to (i) an unfavorable product mix shift, (ii) an increase in inventory provision, and (iii) an impairment loss recognized for property, plant and equipment to comply with recent regulatory developments.

Operating Expense Trend

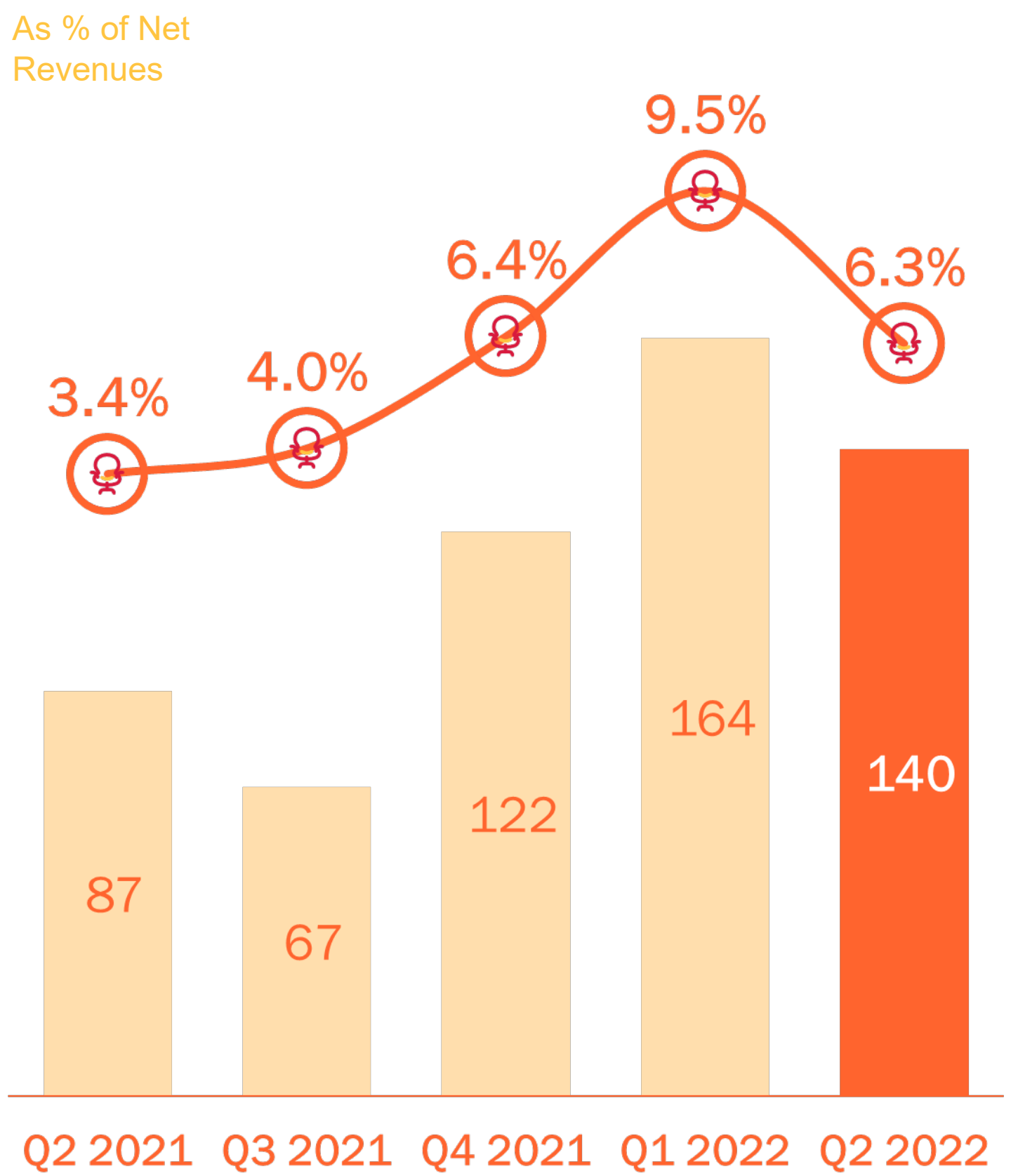
Non-GAAP Selling Expenses

RMB millions



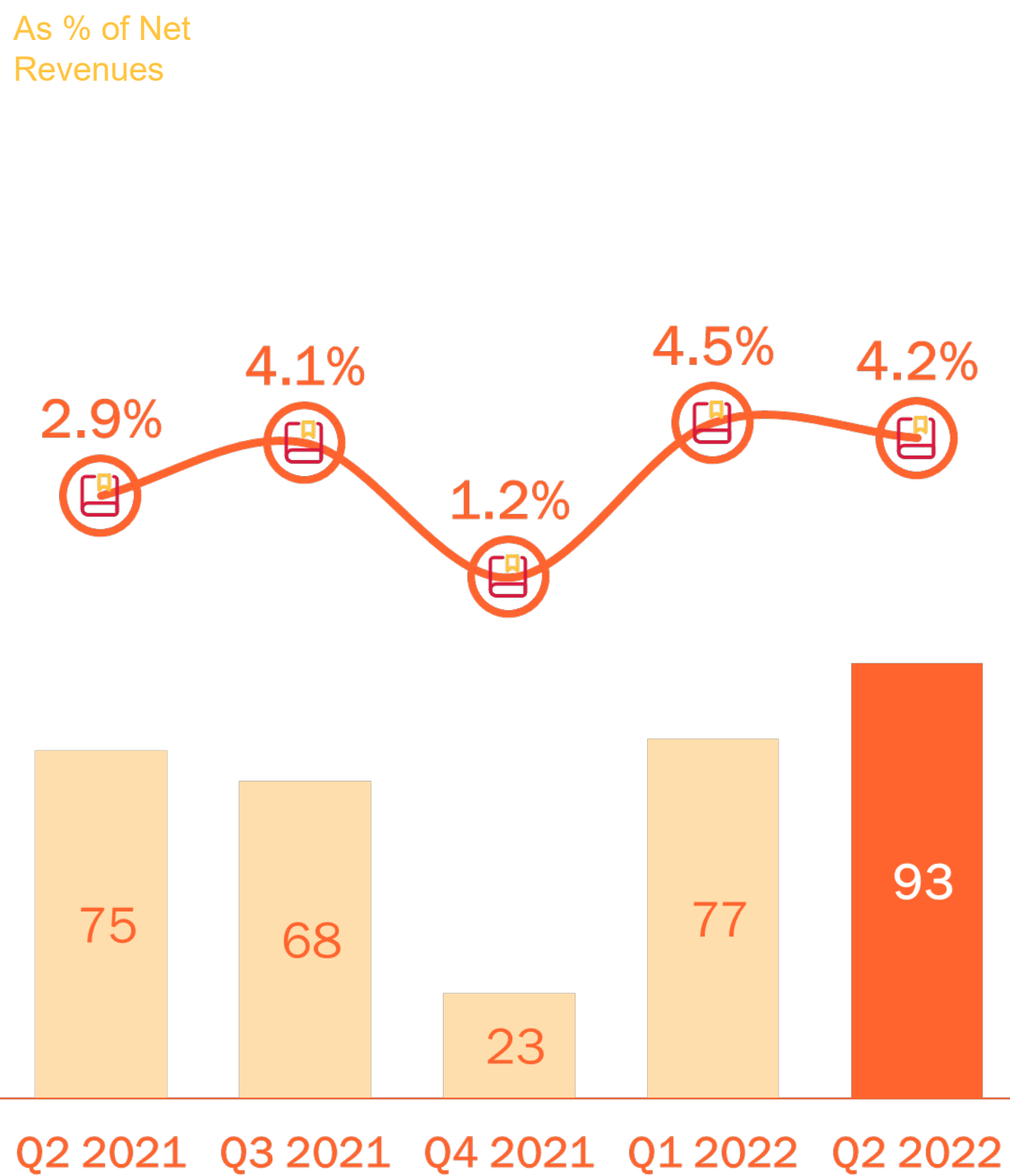
Non-GAAP General and Administrative Expenses

RMB millions



Non-GAAP Research and Development Expenses

RMB millions



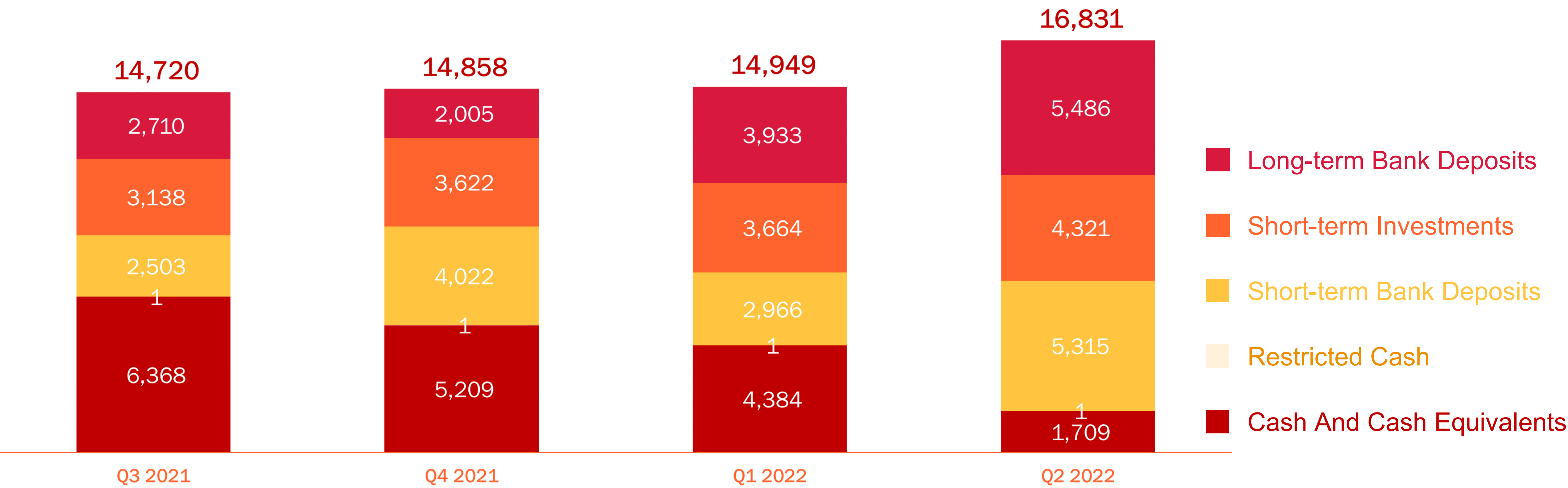
Note: excluding share-based compensation expenses

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

(In RMB thousands)	For the Three Months Ended			For the Six Months Ended	
	Jun 30, 2021	Mar 31, 2022	Jun 30, 2022	Jun 30, 2021	Jun 30, 2022
Net Income	824,304	687,055	441,562	557,275	1,128,617
Add: Share-based Compensation Expenses					
Selling Expenses	(51,473)	(41,939)	17,896	69,230	(24,043)
General and Administrative Expenses	(41,404)	(230,087)	151,069	577,089	(79,018)
Research and Development Expenses	(79,666)	(53,211)	24,213	58,647	(28,998)
Non-GAAP Net Income	651,761	361,818	634,740	1,262,241	996,558
Non-GAAP NPM (%)	25.6%	21.1%	28.4%	25.6%	25.2%
Net Income attributable to RLX Technology Inc.	824,304	705,281	461,061	557,275	1,166,342
Add: Share-based Compensation Expenses	(172,543)	(325,237)	193,178	704,966	(132,059)
Non-GAAP Net Income Attributable to RLX Technology Inc.	651,761	380,044	654,239	1,262,241	1,034,283
Non-GAAP Net Income per Ordinary Share/ADS					
- Basic	0.470	0.284	0.494	0.866	0.778
- Diluted	0.467	0.281	0.492	0.863	0.769
Weighted Average Number of Ordinary Shares/ADSs					
- Basic	1,385,410,036	1,336,118,854	1,323,877,777	1,457,602,981	1,329,964,500
- Diluted	1,394,565,595	1,354,294,220	1,330,060,097	1,462,159,428	1,345,014,312

Capital Resources

RMB millions



Income Statements

RLX TECH

(In RMB thousands)	For the Three Months Ended			For the Six Months Ended	
	Jun 30, 2021	Mar 31, 2022	Jun 30, 2022	Jun 30, 2021	Jun 30, 2022
Net Revenues	2,541,402	1,714,450	2,233,893	4,939,898	3,948,343
Cost of Revenues	(1,394,916)	(1,057,447)	(1,256,010)	(2,689,339)	(2,313,457)
Gross Profit	1,146,486	657,003	977,883	2,250,559	1,634,886
Operating Expenses:					
Selling Expenses	(126,005)	(75,947)	(122,634)	(417,540)	(198,581)
General and Administrative Expenses	(46,056)	66,395	(290,745)	(758,870)	(224,350)
Research and Development Expenses	4,911	(24,007)	(117,567)	(206,723)	(141,574)
Total Operating Expenses	(167,150)	(33,559)	(530,946)	(1,383,133)	(564,505)
Income From Operations	979,336	623,444	446,937	867,426	1,070,381
Other Income:					
Interest Income, net	16,069	27,151	42,724	25,483	69,875
Investment Income	23,868	32,239	40,631	38,795	72,870
Others, net	9,185	116,857	115,586	6,018	232,443
Income Before Income Tax	1,028,458	799,691	645,878	937,722	1,445,569
Income Tax Expense	(204,154)	(112,636)	(204,316)	(380,447)	(316,952)
Net Income	824,304	687,055	441,562	557,275	1,128,617
Less: Net Income Attributable to Noncontrolling Interests	-	(18,226)	(19,499)	-	(37,725)
Net Income attributable to RLX Technology Inc.	824,304	705,281	461,061	557,275	1,166,342
Other Comprehensive (Loss)/Income:					
Foreign Currency Translation Adjustments	(184,772)	(45,824)	580,438	(9,249)	534,614
Total Other Comprehensive (Loss)/Income	(184,772)	(45,824)	580,438	(9,249)	534,614
Total Comprehensive Income	639,532	641,231	1,022,000	548,026	1,663,231
Less: Total Comprehensive Income Attributable To Noncontrolling Interests	-	(18,226)	(19,499)	-	(37,725)
Total Comprehensive Income Attributable To RLX Technology Inc.	639,532	659,457	1,041,499	548,026	1,700,956

(In RMB thousands)	As of	
	Dec 31, 2021	Jun 30, 2022
ASSETS		
Current Assets		
Cash and Cash Equivalents	5,208,967	1,709,115
Restricted Cash	500	500
Short-Term Bank Deposits, net	4,022,119	5,314,994
Receivables From Online Payment Platforms	10,006	2,653
Short-Term Investments	3,621,637	4,320,591
Accounts And Notes Receivable, net	14,024	17,144
Inventories, net	589,088	133,545
Amounts Due From Related Parties	1,936	9,012
Prepayments and Other Current Assets, net	482,659	216,798
Total Current Assets	13,950,936	11,724,352
Non-Current Assets		
Property, Equipment and Leasehold Improvement, net	143,155	116,335
Intangible Assets, net	8,366	8,178
Long-Term Investments, net	12,000	8,000
Deferred Tax Assets, net	20,856	20,856
Right-of-Use Assets, net	176,258	130,449
Long-Term Bank Deposits, net	2,004,593	5,485,867
Other Non-Current Assets	48,961	22,226
Total Non-Current Assets	2,414,189	5,791,911
Total Assets	16,365,125	17,516,263
Cash And Cash Equivalents	5,208,967	1,709,115
Restricted Cash	500	500
Short-Term Bank Deposits, net	4,022,119	5,314,994
Short-Term Investments	3,621,637	4,320,591
Long-Term Bank Deposits, net	2,004,593	5,485,867
Total Cash and Cash Equivalents	14,857,816	16,831,067

Balance Sheets (Cont'd)

RLX TECH

(In RMB thousands)	As of	
	Dec 31, 2021	Jun 30, 2022
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts And Notes Payable	1,288,845	1,385,027
Short-term Loan	-	100,000
Contract Liabilities	286,651	459,051
Salary And Welfare Benefits Payable	170,393	141,937
Taxes Payable	597,761	420,582
Accrued Expenses And Other Current Liabilities	313,396	252,513
Amounts Due To Related Parties	-	-
Lease Liabilities - Current Portion	80,582	56,944
Total Current Liabilities	2,737,628	2,816,054
Non-Current Liabilities		
Deferred Tax Liabilities	4,513	4,513
Lease Liabilities - Non-Current Portion	104,232	87,847
Total Non-Current Liabilities	108,745	92,360
Total Liabilities	2,846,373	2,908,414
Shareholders' Equity:		
Total RLX Technology Inc. shareholders' Equity	13,514,952	14,641,773
Noncontrolling Interests	3,800	(33,924)
Total Shareholders' Equity	13,518,752	14,607,849
Total Liabilities And Shareholders' Equity	16,365,125	17,516,263

Statements of Cash Flows

RLX TECH

(In RMB thousands)	For the Three Months Ended			For the Six Months Ended	
	Jun 30, 2021	Mar 31, 2022	Jun 30, 2022	Jun 30, 2021	Jun 30, 2022
Net Cash Generated From Operating Activities	649,441	308,169	1,444,388	1,477,006	1,752,557
Net Cash Used In Investing Activities	(3,620,360)	(950,764)	(4,145,885)	(6,434,607)	(5,096,649)
Net Cash (Used In)/Generated From Financing Activities	(6,174)	(161,612)	(145,189)	10,031,248	(306,801)
Effect Of Foreign Exchange Rate Changes On Cash, Cash Equivalents And Restricted Cash	(146,515)	(20,556)	171,597	(2,289)	151,041
Net Increase/(Decrease) In Cash And Cash Equivalents And Restricted Cash	(3,123,608)	(824,763)	(2,675,089)	5,071,358	(3,499,852)
Cash, Cash Equivalents And Restricted Cash At The Beginning of The Period	9,649,767	5,209,467	4,384,704	1,454,801	5,209,467
Cash, Cash Equivalents And Restricted Cash At The End of The Period	<u>6,526,159</u>	<u>4,384,704</u>	<u>1,709,615</u>	<u>6,526,159</u>	<u>1,709,615</u>

RLX Technology Inc.

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