

RLX Technology Inc.

Earnings Presentation Q2 2023

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OPERATIONAL HIGHLIGHTS

RLX TECH



Rated/Awarded by



Rated "A" in MSCI ESG Ratings



Scored 45 in S&P Global Corporate Sustainability Assessment



Rated "Medium Risk" in Sustainalytics ESG rating



Muse Design Awards (MUSE)

American Association of Museums (AAM),
International Awards Associate (IAA)

Rated/Awarded by



Architecture Press Release

Global Future Design Award

Southern Metropolis Daily

2022 Innovating Enterprise for Rural Revitalization

Shenzhen Enterprise Confederation, Shenzhen Entrepreneur Association

Top 100 Quality Enterprises in Shenzhen

China Europe International Design Culture Association (CEIDA), China International Interior Design Network (CIID88)

Japan International Design Pioneer Award (IDPA)

Organizing committee of Golden-Creativity Design Award

International Space Design Awards/
Golden-Creativity Design Award

Guangdong Provincial Department of Industry and Information Technology

Guangdong Technologically Advanced Enterprises

Current Product Portfolio

RLX TECH

QING YU



- 悦刻青羽 森林复兴 53
匹配烟具: RELX悦刻青羽烟具
- 悦刻青羽 忘江有径 25
匹配烟具: RELX悦刻青羽烟具
- 悦刻青羽 相印彩云 18
匹配烟具: RELX悦刻青羽烟具
- 悦刻青羽 点点灵犀 33
匹配烟具: RELX悦刻青羽烟具
- 悦刻青羽 柔情牛仔 52
匹配要求: 与RELX悦刻青羽烟具搭配使用

PHANTOM



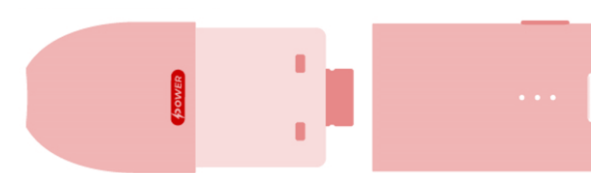
- 悦刻幻影 森林复兴 53
匹配烟具: RELX悦刻幻影烟具
- 悦刻幻影 忘江有径 25
匹配烟具: RELX悦刻幻影烟具
- 悦刻幻影 清欢人间 17
匹配烟具: RELX悦刻幻影烟具
- 悦刻幻影 烟云曼妙 36
匹配烟具: RELX悦刻幻影烟具
- 悦刻幻影 燃情桑巴 72
匹配要求: 与RELX悦刻幻影烟具搭配使用
- 悦刻幻影 竹杖胜马 28
匹配要求: 与RELX悦刻幻影烟具搭配使用
- 悦刻幻影 相印彩云 18
匹配烟具: RELX悦刻幻影烟具
- 悦刻幻影 绕指轻舞 58
匹配要求: 与RELX悦刻幻影烟具搭配使用
- 悦刻幻影 绿扇盈盈 80
匹配烟具: RELX悦刻幻影烟具
- 悦刻幻影 群玉山见 31
匹配要求: 与RELX悦刻幻影烟具搭配使用
- 悦刻幻影 山水任行 23
匹配要求: 与RELX悦刻幻影烟具搭配使用

PHANTOM Pro



- 悦刻幻影 森林复兴 53
匹配烟具: RELX悦刻幻影Pro烟具 (可享大功率体验)
- 悦刻幻影 红运滚滚 30
匹配烟具: RELX悦刻幻影Pro烟具 (可享大功率体验)
- 悦刻幻影 相印彩云 18
匹配烟具: RELX悦刻幻影Pro烟具 (可享大功率体验)
- 悦刻幻影 蓝田暖阳 39
匹配烟具: RELX悦刻幻影Pro烟具 (可享大功率体验)
- 悦刻幻影 点点灵犀 33
匹配要求: 与RELX悦刻幻影Pro烟具搭配使用 (可享大功率体验)
- 悦刻幻影 传家宝藏 59
匹配要求: 与RELX悦刻幻影Pro烟具搭配使用 (可享大功率体验)

ZEUS



- 悦刻宙斯 绿扇盈盈 80
匹配烟具: RELX悦刻宙斯烟具



A person in an orange jacket stands on a rocky cliff, arms outstretched, overlooking a vast mountain range. The foreground features dark, jagged rock formations and evergreen trees. The middle ground is filled with rolling hills covered in dense forests of trees with vibrant autumn foliage in shades of orange, red, and yellow. In the background, majestic mountains with patches of snow rise against a hazy, golden sky, suggesting a sunrise or sunset. The overall scene conveys a sense of achievement and expansive vision.

FINANCIAL HIGHLIGHTS

RLX TECH

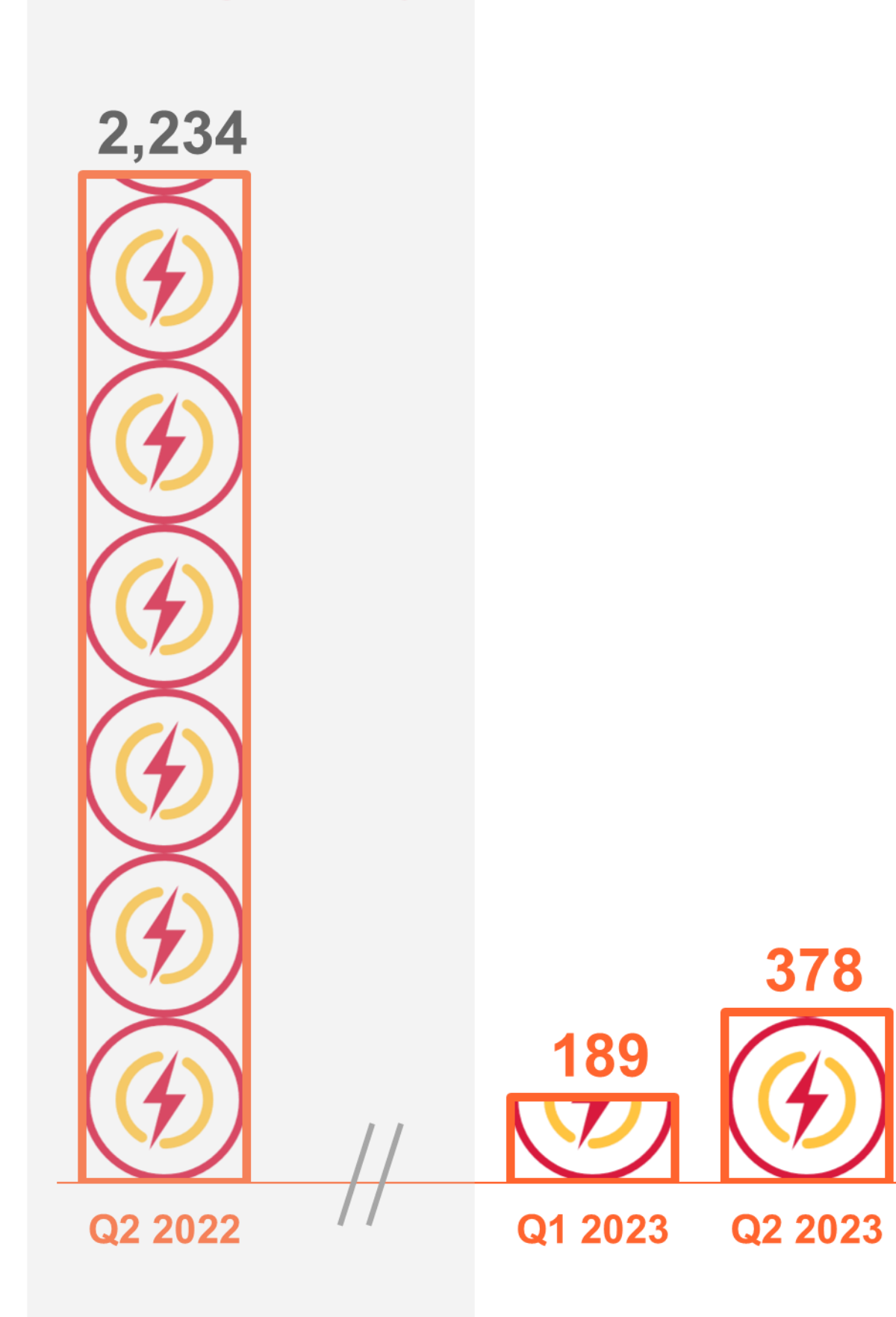
Q2 2023 Financial Highlights

RLX TECH

Net Revenues

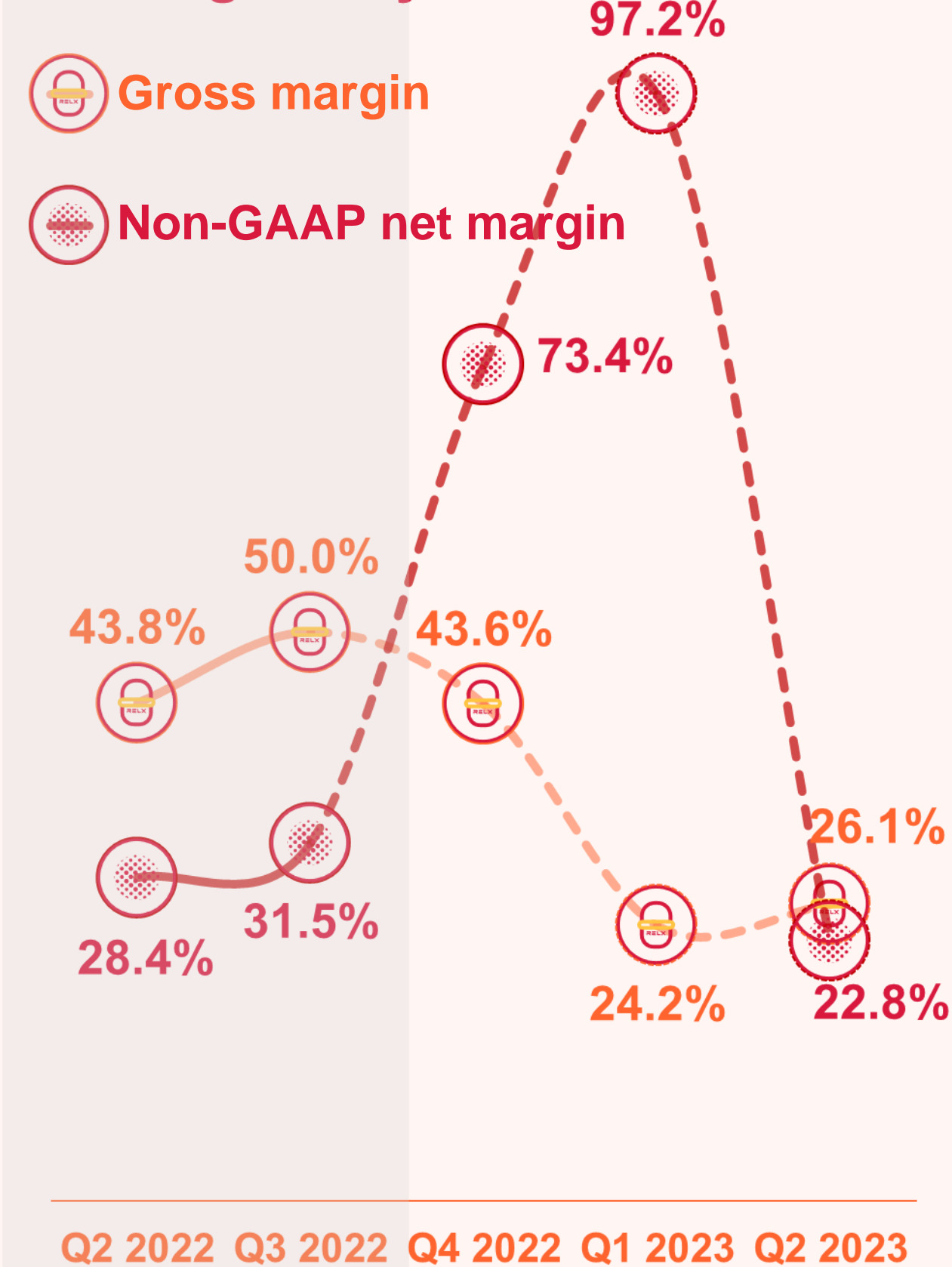
RMB millions

Pre-Regulatory Era



Profitability

Pre-Regulatory Era



Capital Resources

RMB millions

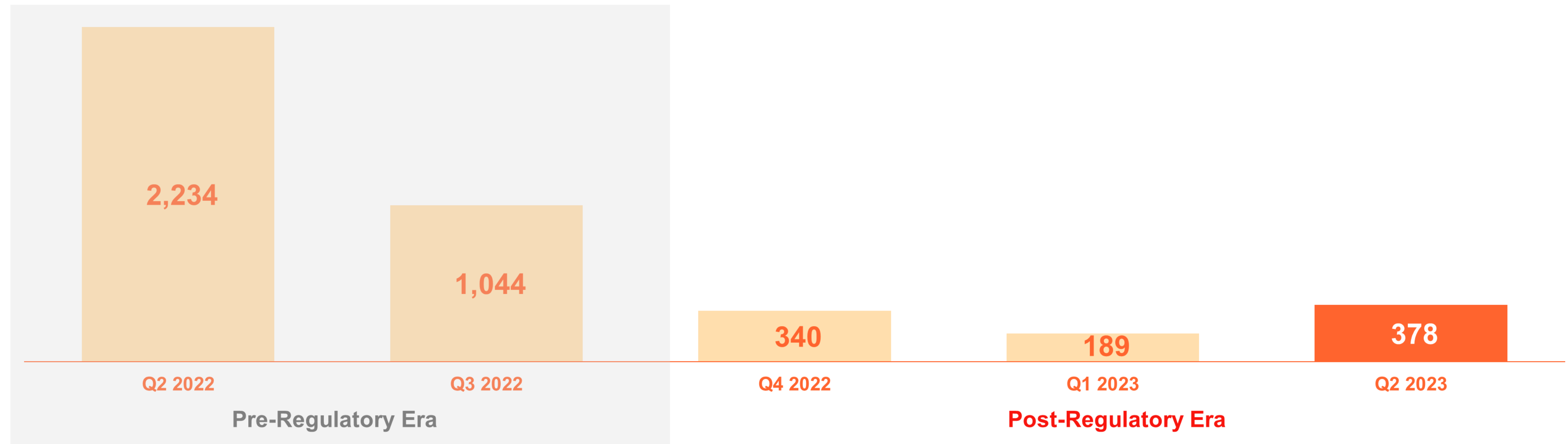


- “Electronic Cigarette” Mandatory National Standards took effect from **October 1, 2022**.
- Excise Tax: E-cigarette manufacturers/importers are subject to ad valorem tax at the rate of 36% on the production or import of e-cigarettes from **November 1, 2022**.

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

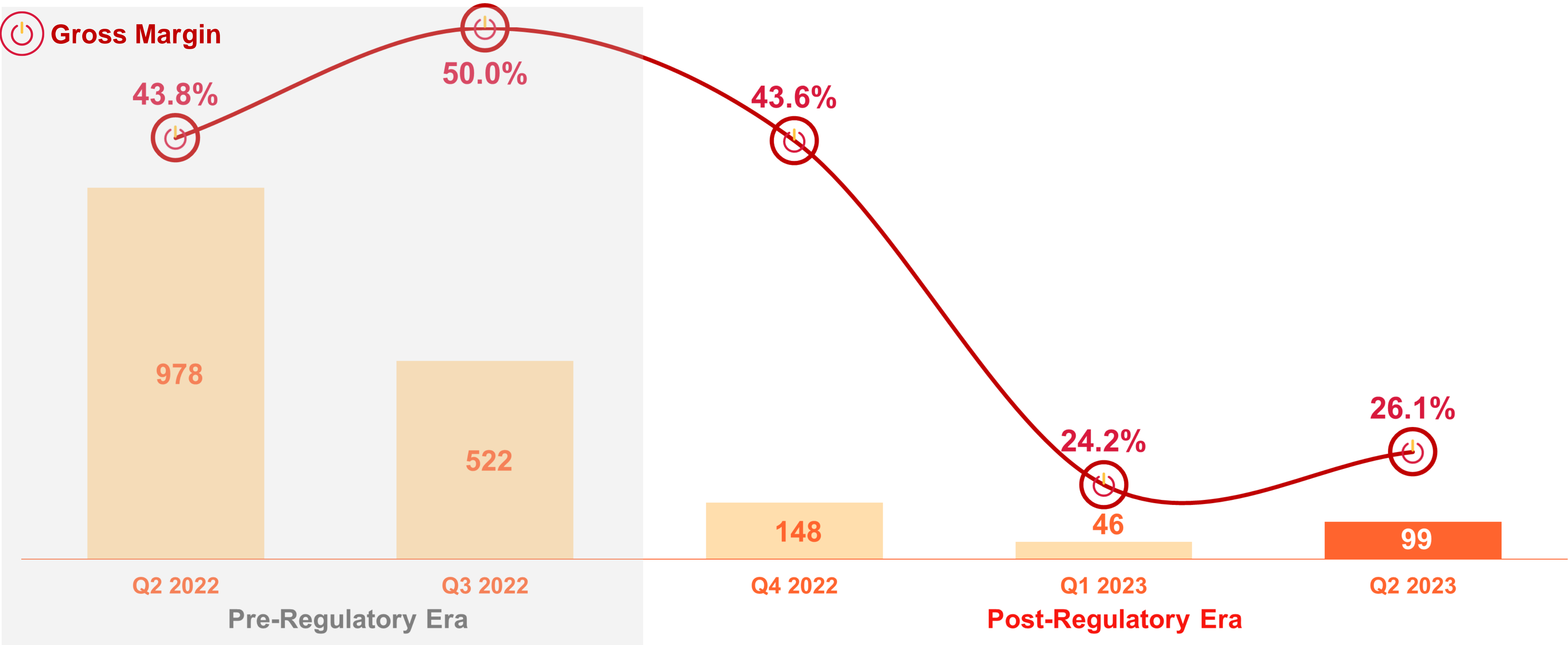


The YoY decrease in quarterly net revenues was primarily due to:

- The discontinuation of our older products
- The negative impact of illegal products in the market after regulators' special action ended in April, which disrupted users' adoption of our new products that comply with national standards.

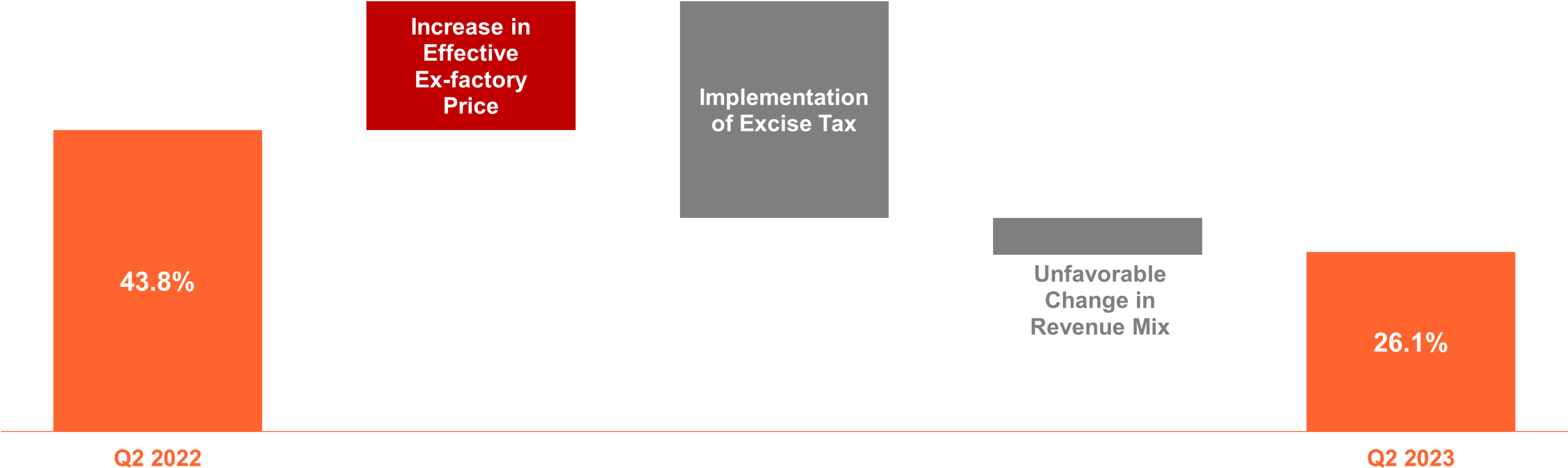
Gross Profit and Gross Margin

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



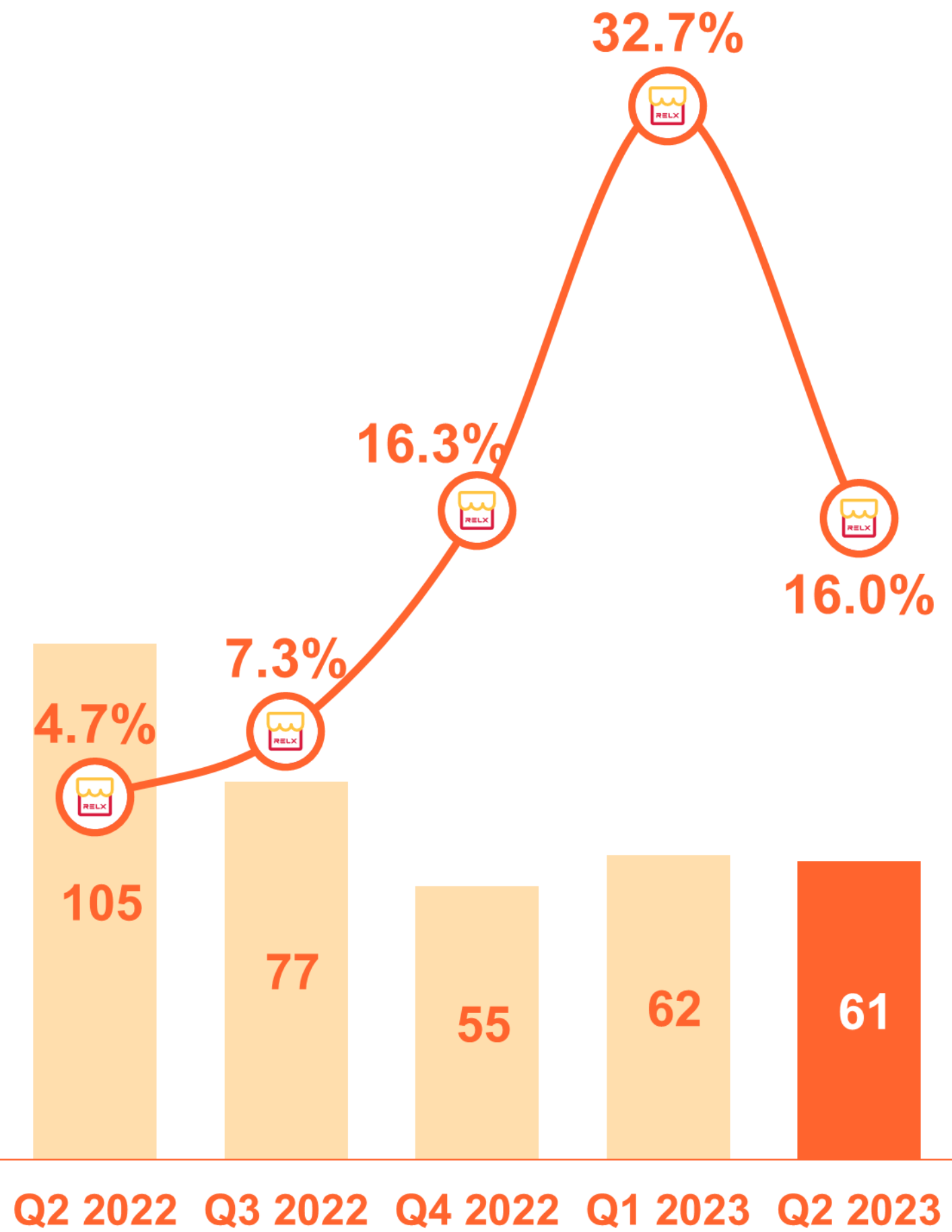
The decrease was primarily due to the imposition of a 36% excise tax which came into effect on November 1, 2022.

Non-GAAP Operating Expenses

Non-GAAP Selling Expenses

RMB millions

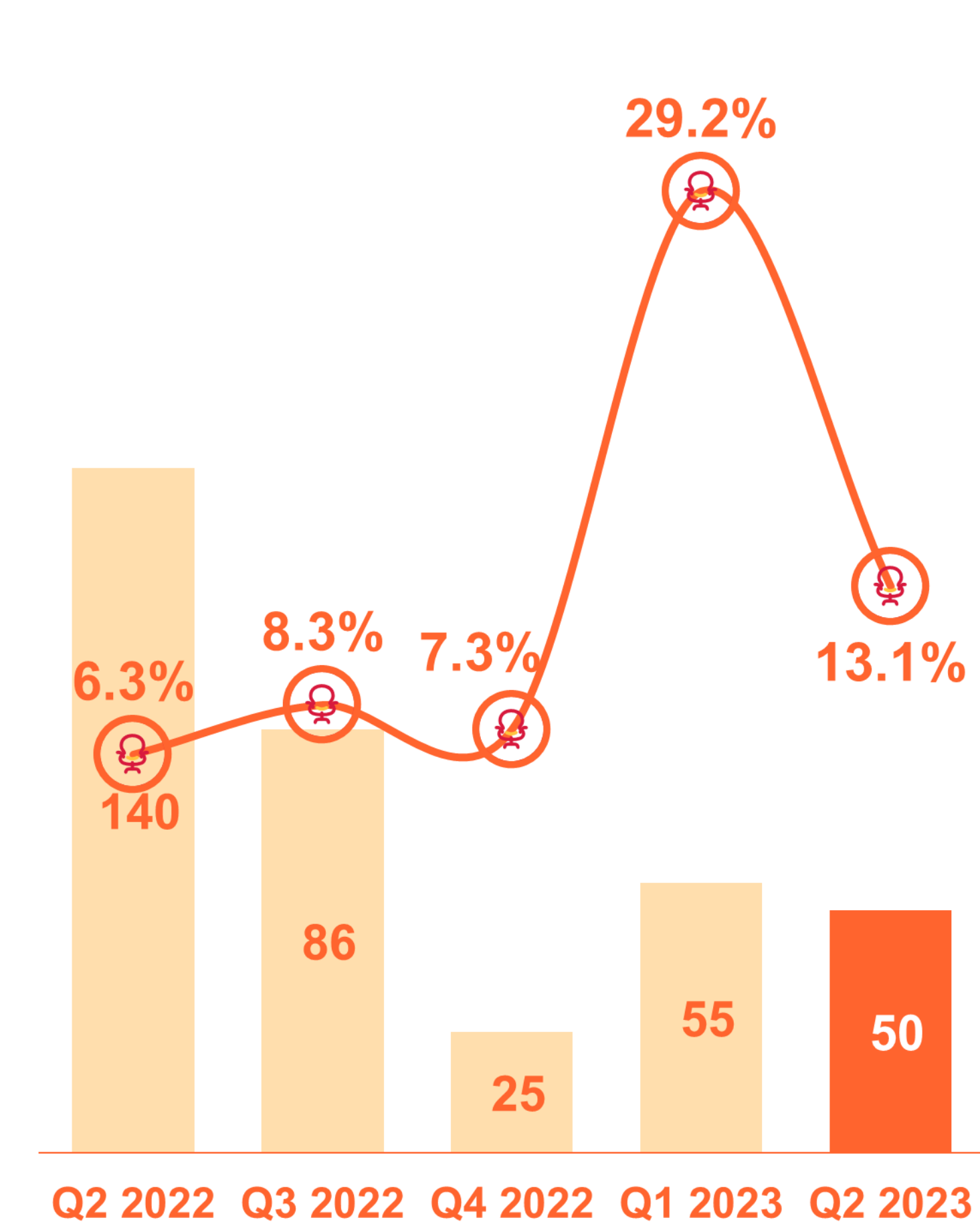
As % of Net Revenues



Non-GAAP General and Administrative Expenses

RMB millions

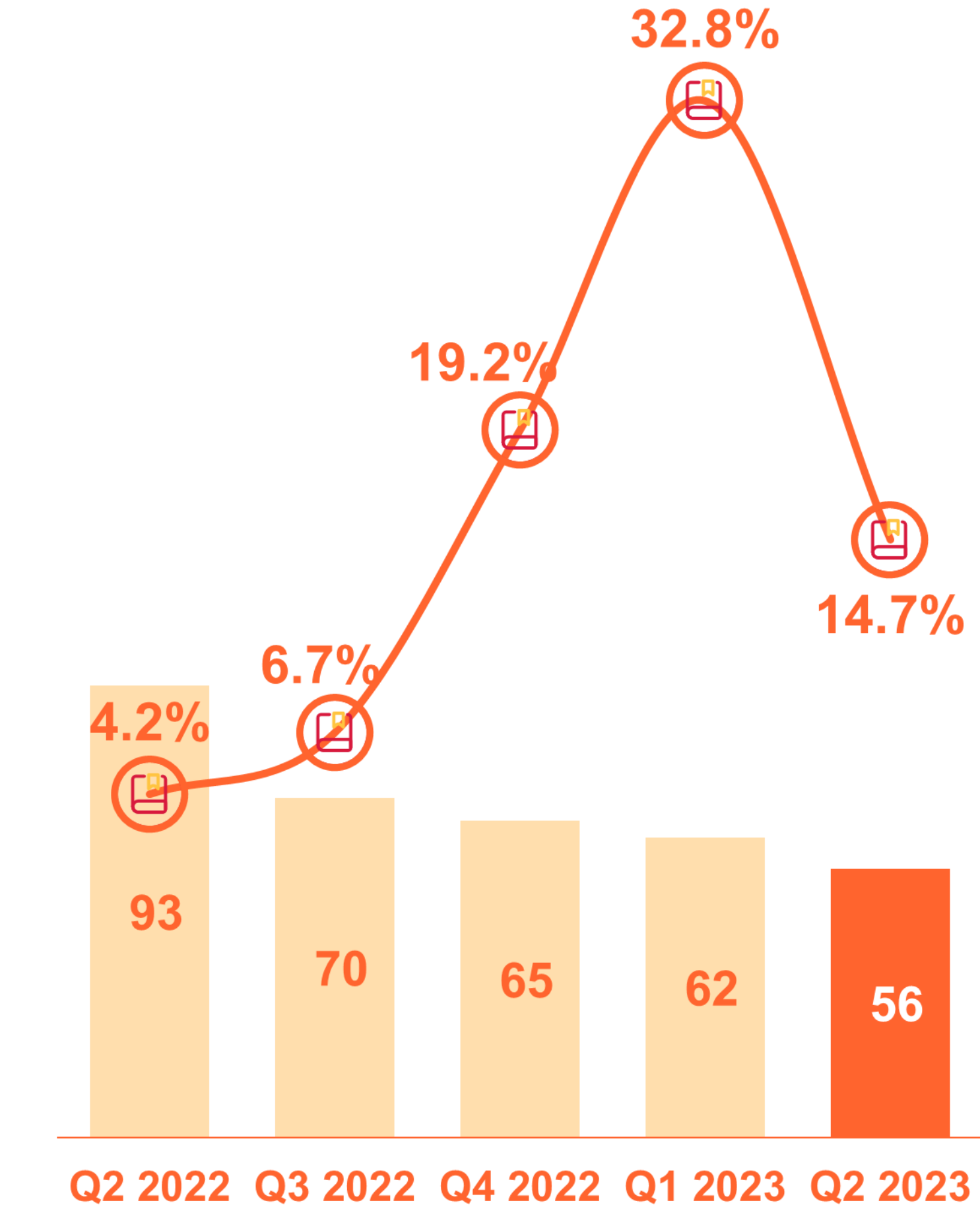
As % of Net Revenues



Non-GAAP Research and Development Expenses

RMB millions

As % of Net Revenues

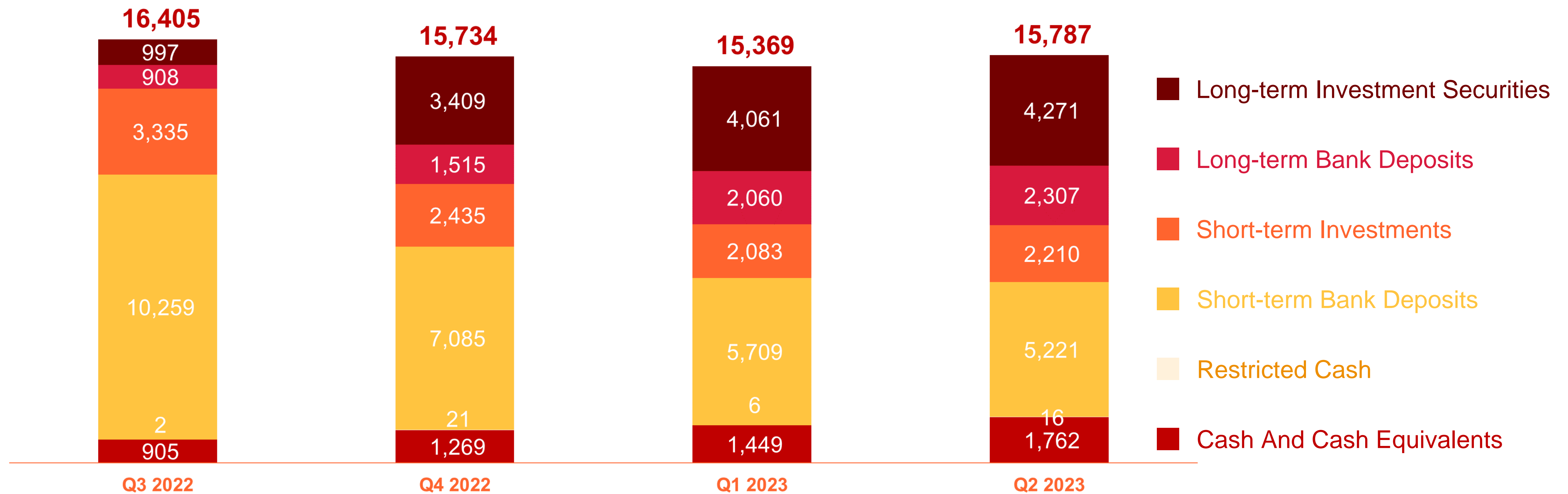


Note: excluding share-based compensation expenses

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

(In RMB thousands)	For the Three Months Ended			For the Six Months Ended	
	Jun 30, 2022	Mar 31, 2023	Jun 30, 2023	Jun 30, 2022	Jun 30, 2023
Net Income/(Loss)	441,562	(56,305)	204,716	1,128,617	148,411
Add: Share-based Compensation Expenses					
Selling Expenses	17,896	23,955	(15,338)	(24,043)	8,617
General and Administrative Expenses	151,069	201,343	(90,923)	(79,018)	110,420
Research and Development Expenses	24,213	14,654	(12,229)	(28,998)	2,425
Non-GAAP Net Income	634,740	183,647	86,226	996,558	269,873
Non-GAAP NPM (%)	28.4%	97.2%	22.8%	25.2%	47.6%
Net Income/(Loss) Attributable to RLX Technology Inc.	461,061	(56,966)	202,787	1,166,342	145,821
Add: Share-based Compensation Expenses	193,178	239,952	(118,490)	(132,059)	121,462
Non-GAAP Net Income Attributable to RLX Technology Inc.	654,239	182,986	84,297	1,034,283	267,283
Non-GAAP Net Income per Ordinary Share/ADS					
- Basic	0.494	0.139	0.064	0.778	0.203
- Diluted	0.492	0.136	0.062	0.769	0.198
Weighted Average Number of Ordinary Shares/ADSs					
- Basic	1,323,877,777	1,316,798,713	1,318,628,588	1,329,964,500	1,317,718,705
- Diluted	1,330,060,097	1,345,828,279	1,353,296,802	1,345,014,312	1,348,021,483

Capital Resources



Income Statements

RLX TECH

(In RMB thousands)	For the Three Months Ended			For the Six Months Ended	
	Jun 30, 2022	Mar 31, 2023	Jun 30, 2023	Jun 30, 2022	Jun 30, 2023
Net Revenues	2,233,893	188,877	378,123	3,948,343	567,000
Cost of Revenues	(1,256,010)	(78,693)	(171,733)	(2,313,457)	(250,426)
Exercise Taxes on Products	-	(64,458)	(107,853)	-	(172,311)
Gross Profit	977,883	45,726	98,537	1,634,886	144,263
Operating Expenses:					
Selling Expenses	(122,634)	(85,761)	(45,226)	(198,581)	(130,987)
General and Administrative Expenses	(290,745)	(256,504)	41,368	(224,350)	(215,136)
Research and Development Expenses	(117,567)	(76,682)	(43,317)	(141,574)	(119,999)
Total Operating Expenses	(530,946)	(418,947)	(47,175)	(564,505)	(466,122)
Income/(Loss) From Operations	446,937	(373,221)	51,362	1,070,381	(321,859)
Other Income:					
Interest Income, net	42,724	148,803	162,888	69,875	311,691
Investment Income	40,631	21,385	20,588	72,870	41,973
Others, net	115,586	129,157	21,380	232,443	150,537
Income/(Loss) Before Income Tax	645,878	(73,876)	256,218	1,445,569	182,342
Income Tax (Expense)/Benefit	(204,316)	17,571	(51,502)	(316,952)	(33,931)
Net Income/(Loss)	441,562	(56,305)	204,716	1,128,617	148,411
Less: Net (Loss)/Income Attributable to Noncontrolling Interests	(19,499)	661	1,929	(37,725)	2,590
Net Income/(Loss) Attributable to RLX Technology Inc.	461,061	(56,966)	202,787	1,166,342	145,821
Other Comprehensive Income:					
Foreign Currency Translation Adjustments	580,438	(148,096)	563,078	534,614	414,982
Unrealized Income on Long-term Investment Securities	-	2,873	5,539	-	8,412
Total Other Comprehensive Income/(Loss)	580,438	(145,223)	568,617	534,614	423,394
Total Comprehensive Income/(Loss)	1,022,000	(201,528)	773,333	1,663,231	571,805
Less: Total Comprehensive (Loss)/Income Attributable to Noncontrolling Interests	(19,499)	661	1,929	(37,725)	2,590
Total Comprehensive Income/(Loss) Attributable to RLX Technology Inc.	1,041,499	(202,189)	771,404	1,700,956	569,215

Balance Sheets

RLX TECH

(In RMB thousands)	As of	
	Dec 31, 2022	Jun 30, 2023
ASSETS		
Current Assets		
Cash and Cash Equivalents	1,268,512	1,761,694
Restricted Cash	20,574	15,750
Short-Term Bank Deposits, net	7,084,879	5,221,295
Receivables From Online Payment Platforms	3,000	4,948
Short-Term Investments	2,434,864	2,210,005
Accounts and Notes Receivable, net	51,381	87,412
Inventories, net	130,901	90,178
Amounts Due From Related Parties	5,112	38,352
Prepayments and Other Current Assets, net	198,932	397,337
Total Current Assets	11,198,155	9,826,971
Non-Current Assets		
Property, Equipment and Leasehold Improvement, net	87,871	78,755
Intangible Assets, net	7,552	6,977
Long-Term Investments, net	8,000	8,000
Deferred Tax Assets, net	63,894	63,894
Right-of-Use Assets, net	75,008	79,710
Long-Term Bank Deposits, net	1,515,428	2,306,679
Long-Term Investment Securities, net	3,409,458	4,271,197
Other Non-Current Assets, net	13,458	8,029
Total Non-Current Assets	5,180,669	6,823,241
Total Assets	16,378,824	16,650,212
Cash and Cash Equivalents	1,268,512	1,761,694
Restricted Cash	20,574	15,750
Short-Term Bank Deposits, net	7,084,879	5,221,295
Short-Term Investments	2,434,864	2,210,005
Long-Term Bank Deposits, net	1,515,428	2,306,679
Long-Term Investment Securities, net	3,409,458	4,271,197
Total Cash and Cash Equivalents	15,733,715	15,786,620

Balance Sheets (Cont'd)

RLX TECH

(In RMB thousands)	As of	
	Dec 31, 2022	Jun 30, 2023
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts and Notes Payable	269,346	132,193
Contract Liabilities	75,226	94,531
Salary and Welfare Benefits Payable	127,749	94,050
Taxes Payable	109,676	82,290
Amounts Due to Related Parties	423	-
Accrued Expenses and Other Current Liabilities	161,455	120,058
Lease Liabilities - Current Portion	45,955	49,286
Total Current Liabilities	789,830	572,408
Non-Current Liabilities		
Deferred Tax Liabilities	8,653	8,653
Lease Liabilities - Non-Current Portion	39,968	38,878
Total Non-Current Liabilities	48,621	47,531
Total Liabilities	838,451	619,939
Shareholders' Equity:		
Total RLX Technology Inc. shareholders' Equity	15,569,060	16,056,370
Noncontrolling Interests	(28,687)	(26,097)
Total Shareholders' Equity	15,540,373	16,030,273
Total Liabilities and Shareholders' Equity	16,378,824	16,650,212

Statements of Cash Flows

RLX TECH

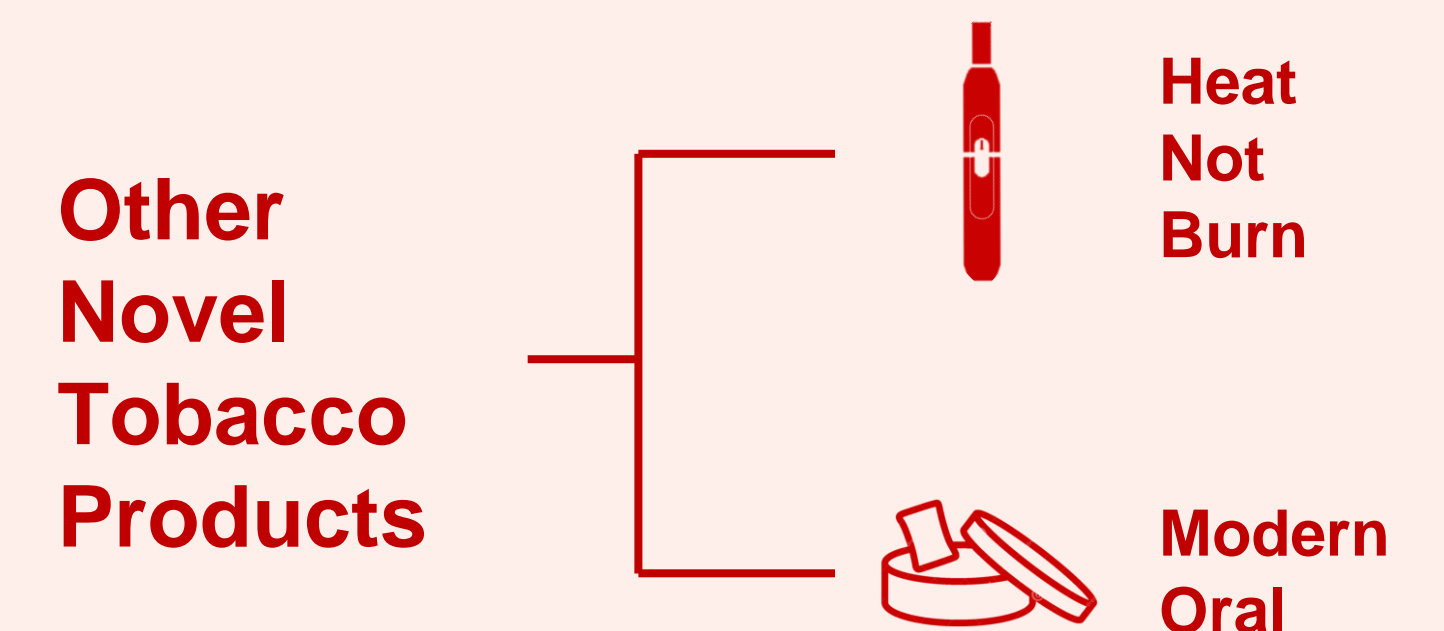
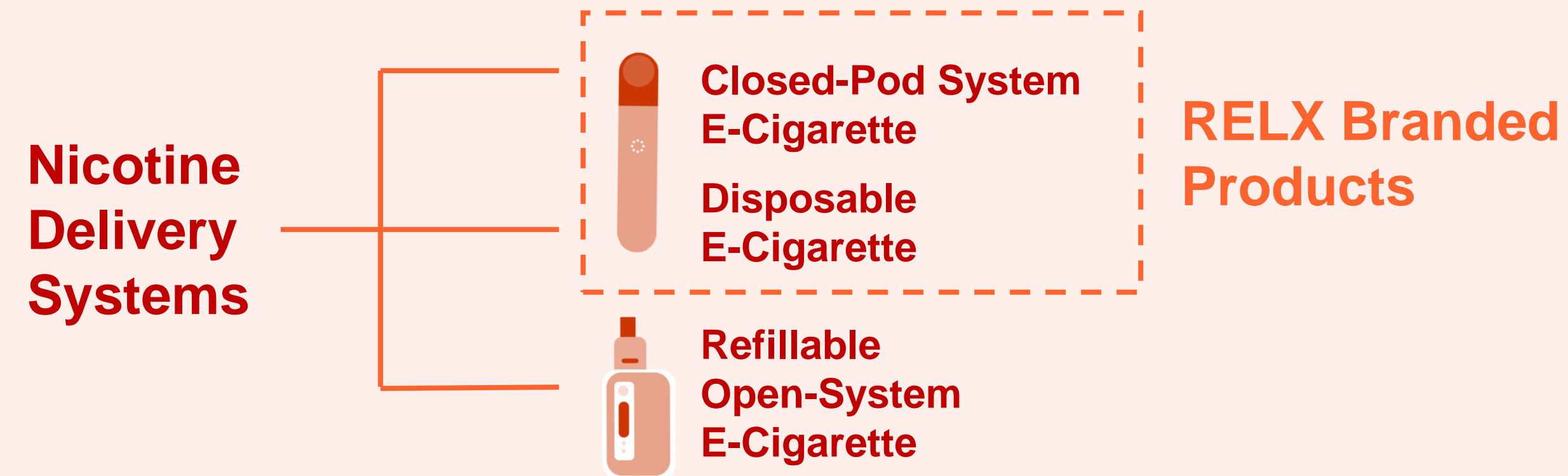
(In RMB thousands)	For the Three Months Ended			For the Six Months Ended	
	Jun 30, 2022	Mar 31, 2023	Jun 30, 2023	Jun 30, 2022	Jun 30, 2023
Net Cash Generated From / (Used In) Operating Activities	1,444,388	(230,686)	41,339	1,752,557	(189,347)
Net Cash (Used In) / Generated From Investing Activities	(4,145,885)	381,954	431,683	(5,096,649)	813,637
Net Cash (Used In) / Generated From Financing Activities	(145,189)	4,346	(199,080)	(306,801)	(194,734)
Effect of Foreign Exchange Rate Changes On Cash, Cash Equivalents And Restricted Cash	171,597	10,409	48,393	151,041	58,802
Net (Decrease) / Increase In Cash and Cash Equivalents and Restricted Cash	(2,675,089)	166,023	322,335	(3,499,852)	488,358
Cash, Cash Equivalents and Restricted Cash at the Beginning of the Period	4,384,704	1,289,086	1,455,109	5,209,467	1,289,086
Cash, Cash Equivalents and Restricted Cash at the End of the Period	<u>1,709,615</u>	<u>1,455,109</u>	<u>1,777,444</u>	<u>1,709,615</u>	<u>1,777,444</u>

A person in a traditional feathered costume is dancing on a rocky shore at sunset. The sun is low on the horizon, casting a warm orange glow over the scene. The person's dress is long and flowing, with a large feathered headdress. The background features a calm body of water and distant mountains. A semi-transparent circular graphic is on the left side of the image.

APPENDIX

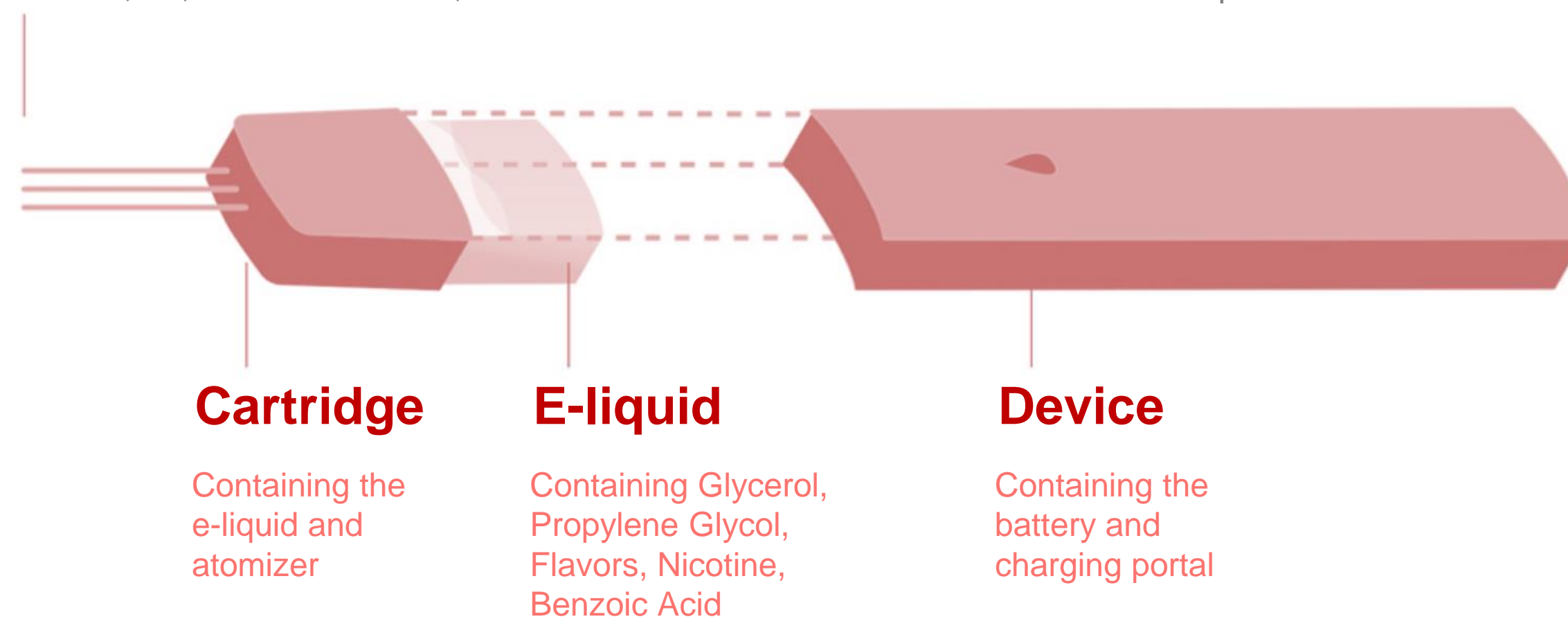
E-cigarettes Industry Overview

RLX TECH

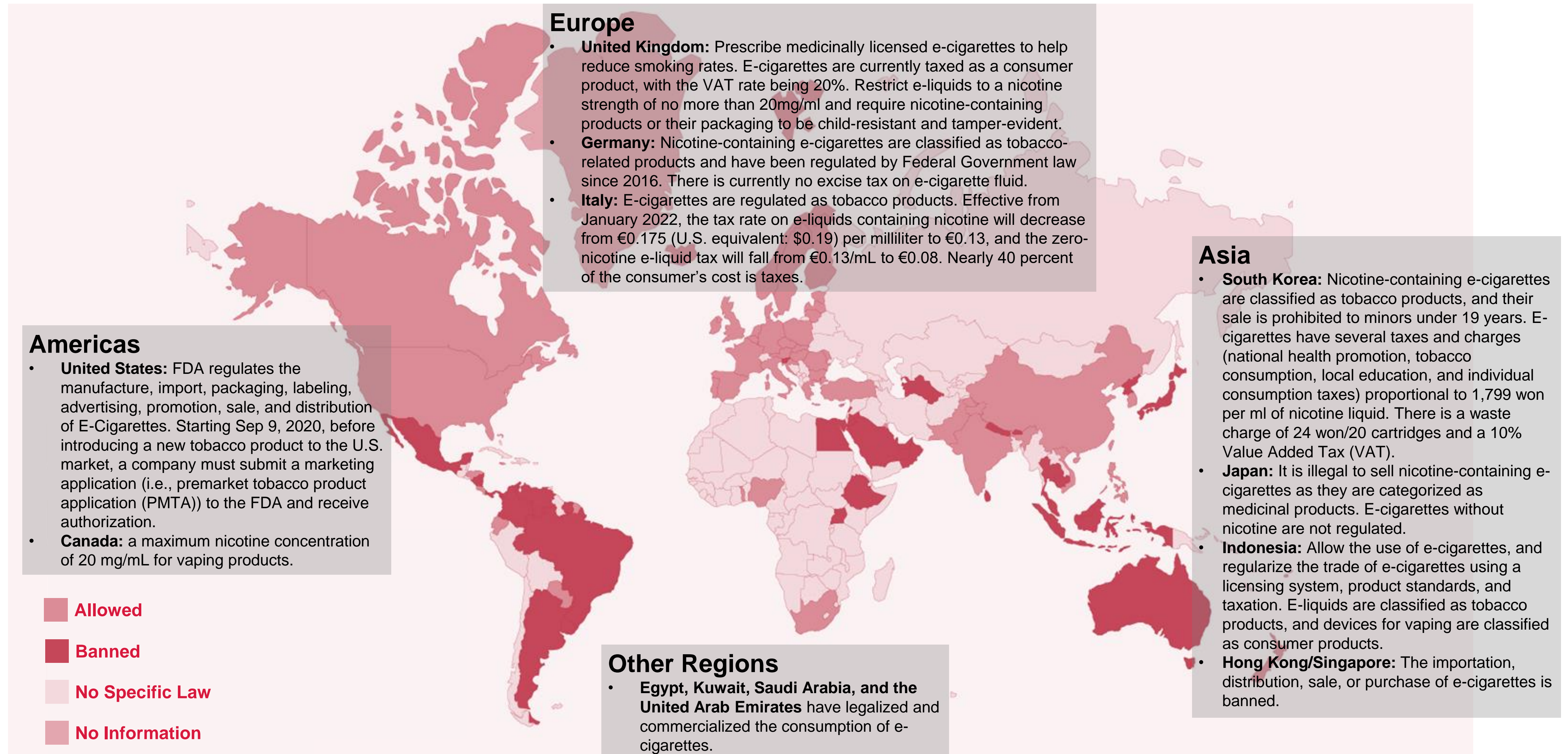


From E-liquid to Aerosol

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.

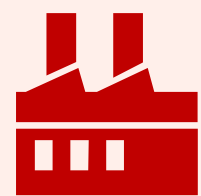
On Mar 22, 2021, the Ministry of Industry and Information Technology issued the Decision to Amend the Implementation Regulations of the Tobacco Monopoly Law of the People's Republic of China (Draft for Comment), which proposes to add "the regulation for next-generation tobacco products including e-cigarettes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

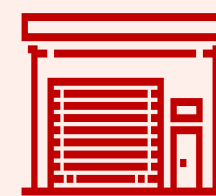
On Nov 1, 2022, an excise tax on e-cigarettes came into effect:

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



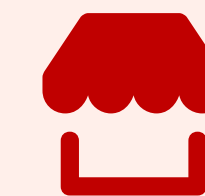
Manufacturing

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**



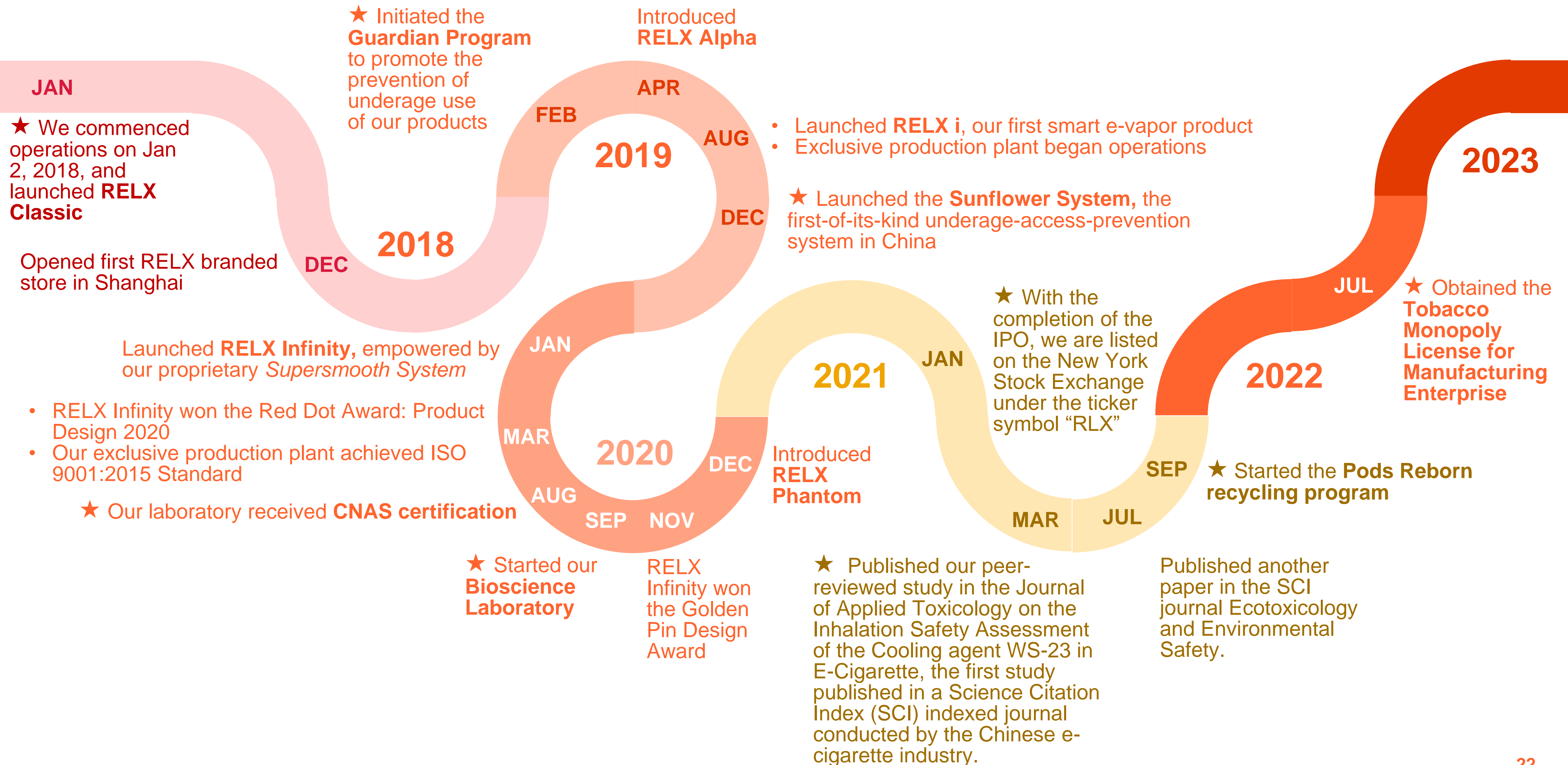
Retail

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.

Earnings Presentation Q2 2023