

RLX Technology Inc.

Earnings Presentation Q4 2022

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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.

OPERATIONAL HIGHLIGHTS



Current Product Portfolio

RLX TECH

QING YU



PHANTOM



PHANTOM Pro



ZEUS






Budget

Price Point

Premium



First among our global e-vapor peers

-  A rating of **A** (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment, a dramatic upward leap from last year's CCC rating.
-  Morningstar Sustainalytics Ratings also lowered our risk level from High Risk to Medium Risk, placing us in the top 15% of the industry and 1st among global e-vapor peers.
-  S&P Global ESG Score: We received impressive scores in business ethics, innovation management, supply chain management, human capital development and customer relationship management.



Higher than the regional average



RLX Technology received a **B-** from CDP, positioning us in their **Management category**, one level below Leadership. We exceeded Asia's regional average and the global average, both C ratings.



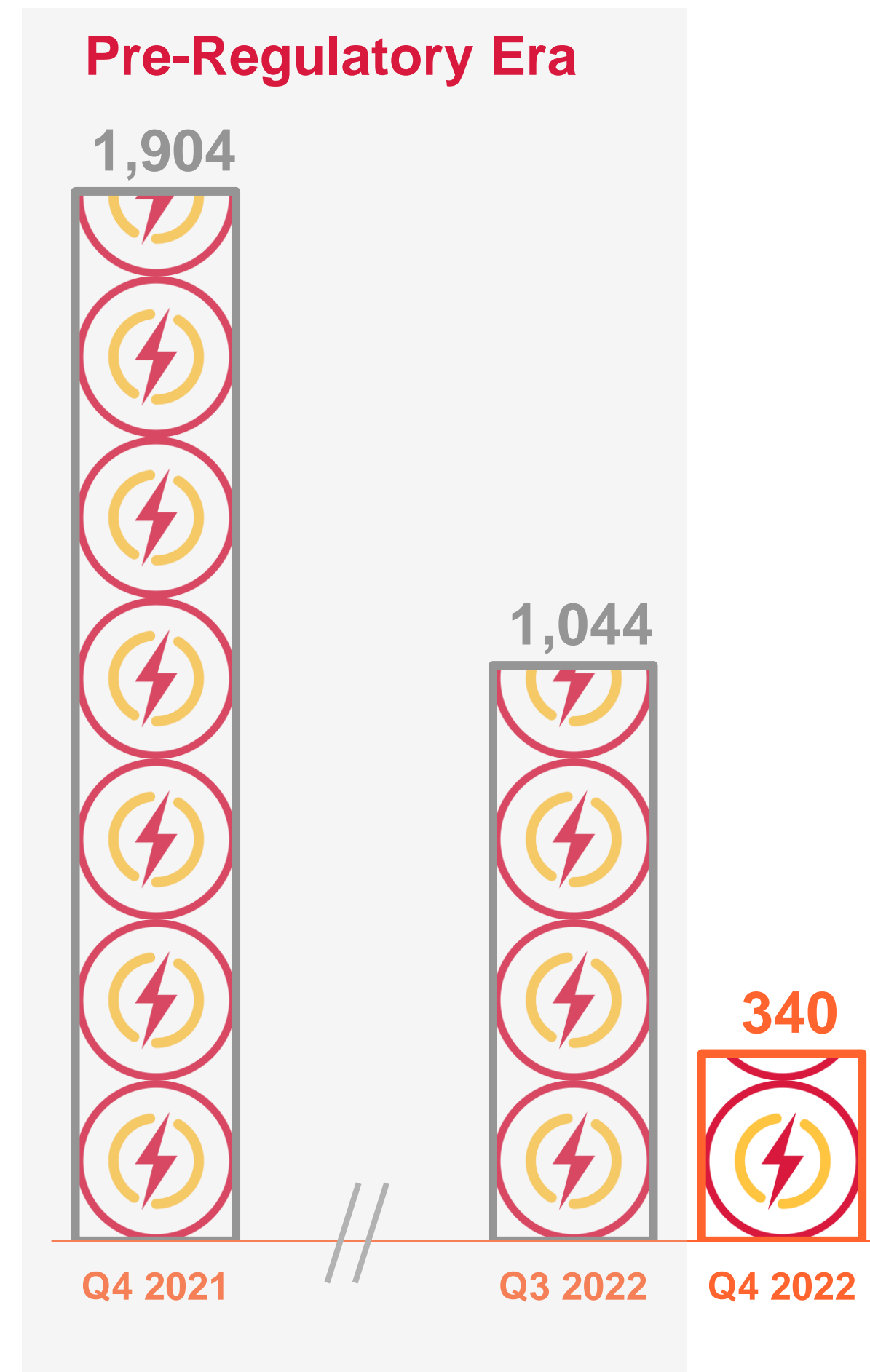
FINANCIAL HIGHLIGHTS

Q4 2022 Financial Highlights

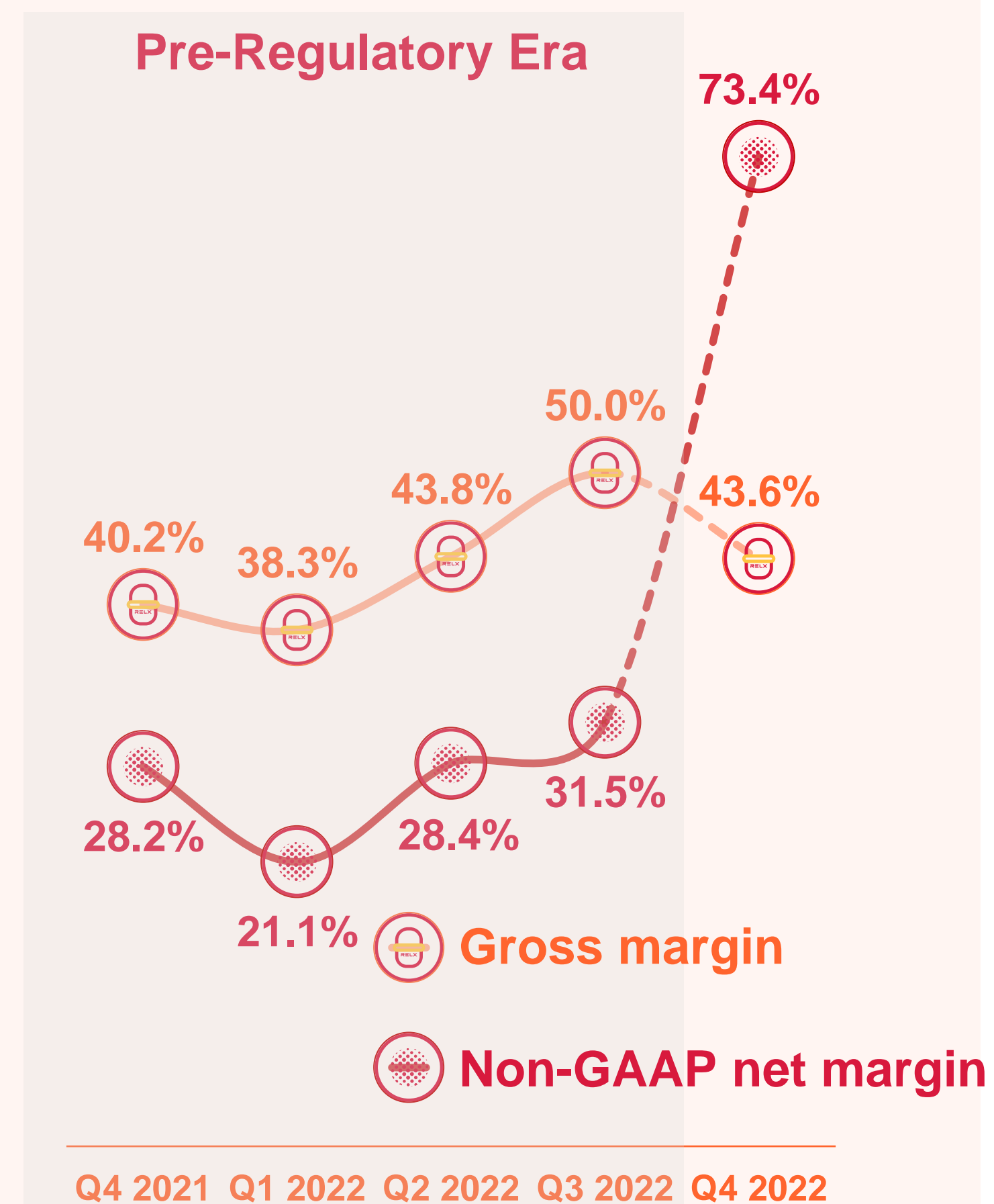
RLX TECH

Net Revenues

RMB millions

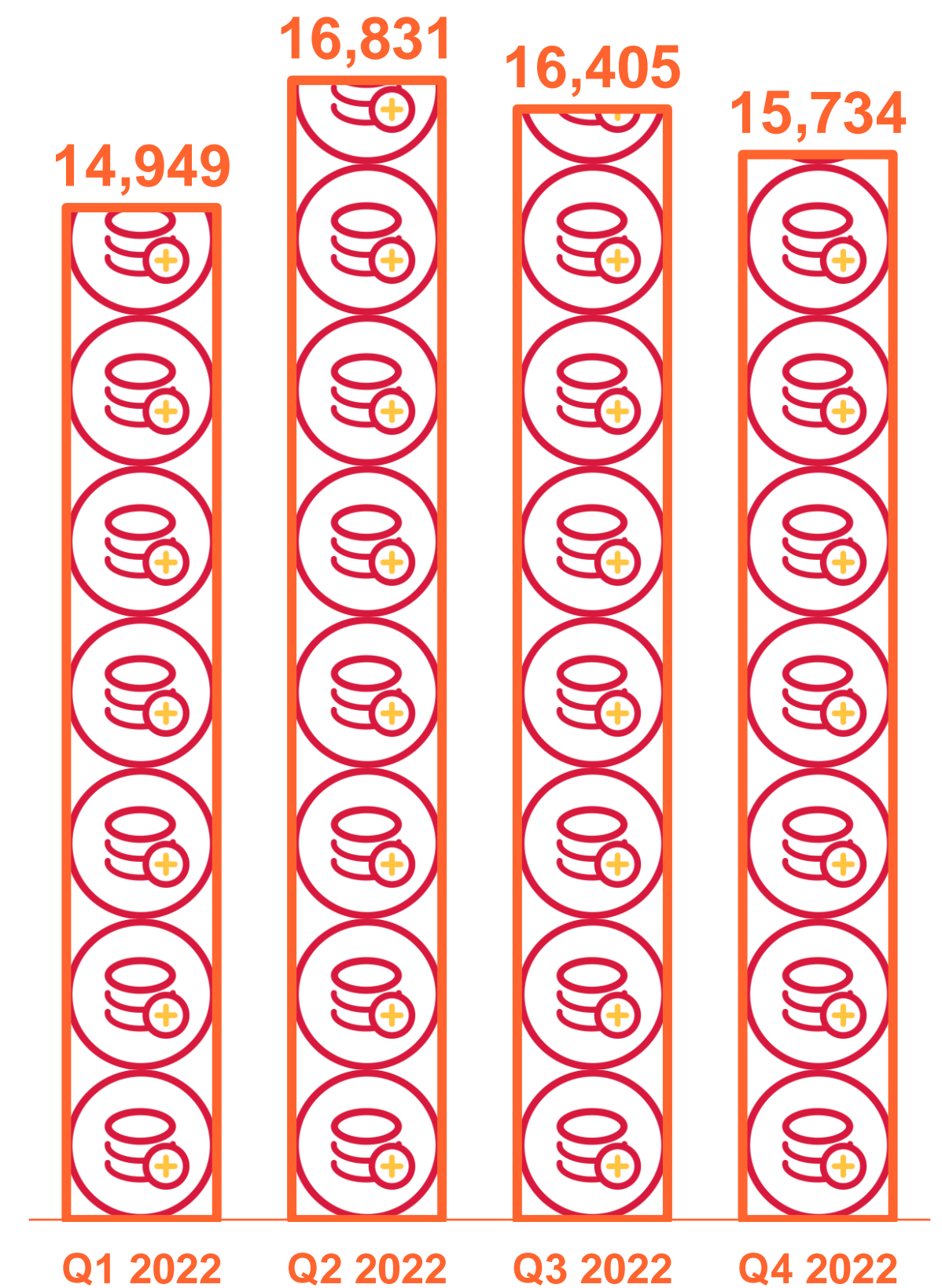


Profitability



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**.

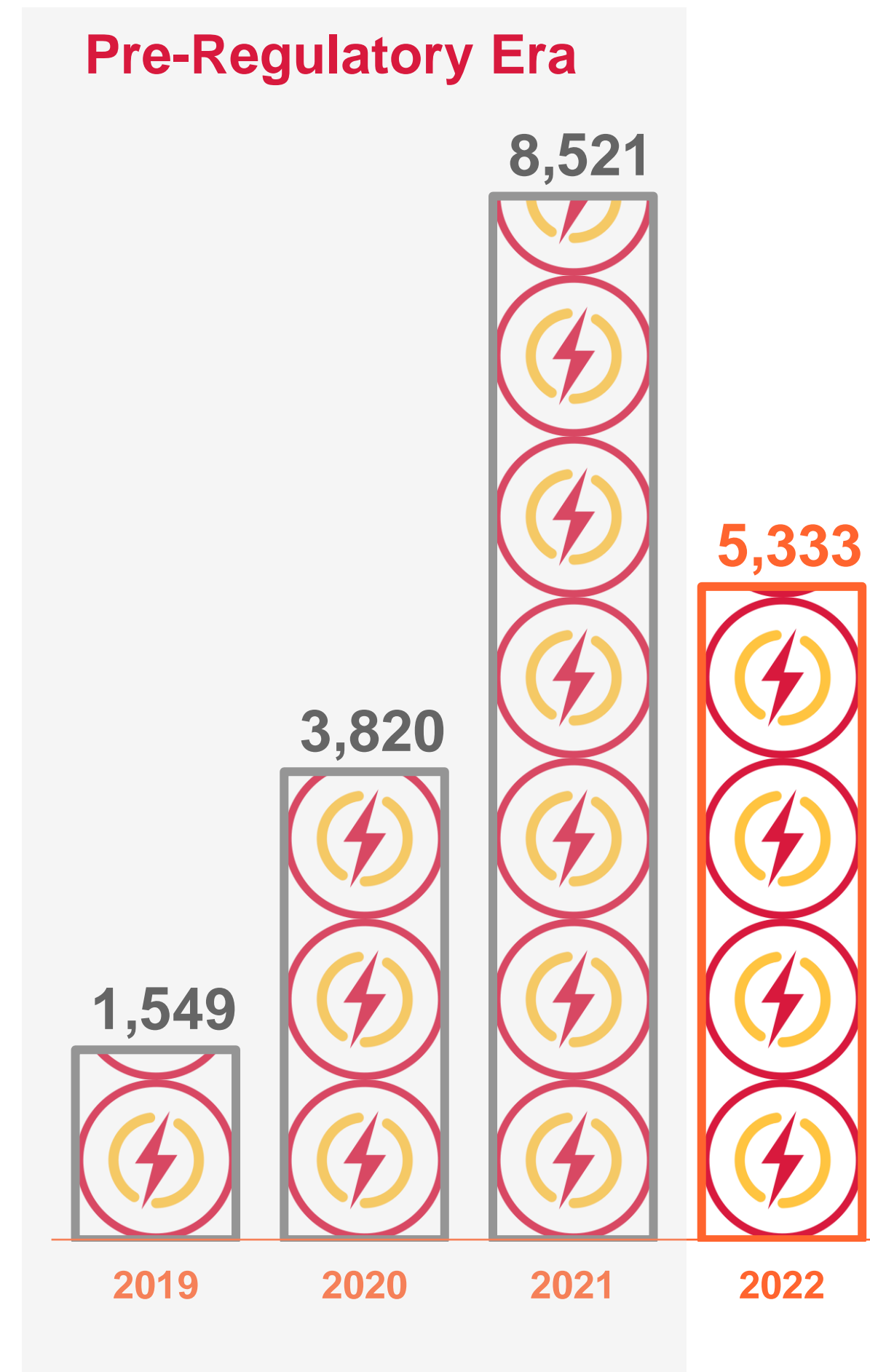
Note: capital resources include cash and cash equivalents, restricted cash, short-term bank deposits, net, short-term investments, long-term bank deposits, net and long-term investment securities

2022 Financial Highlights

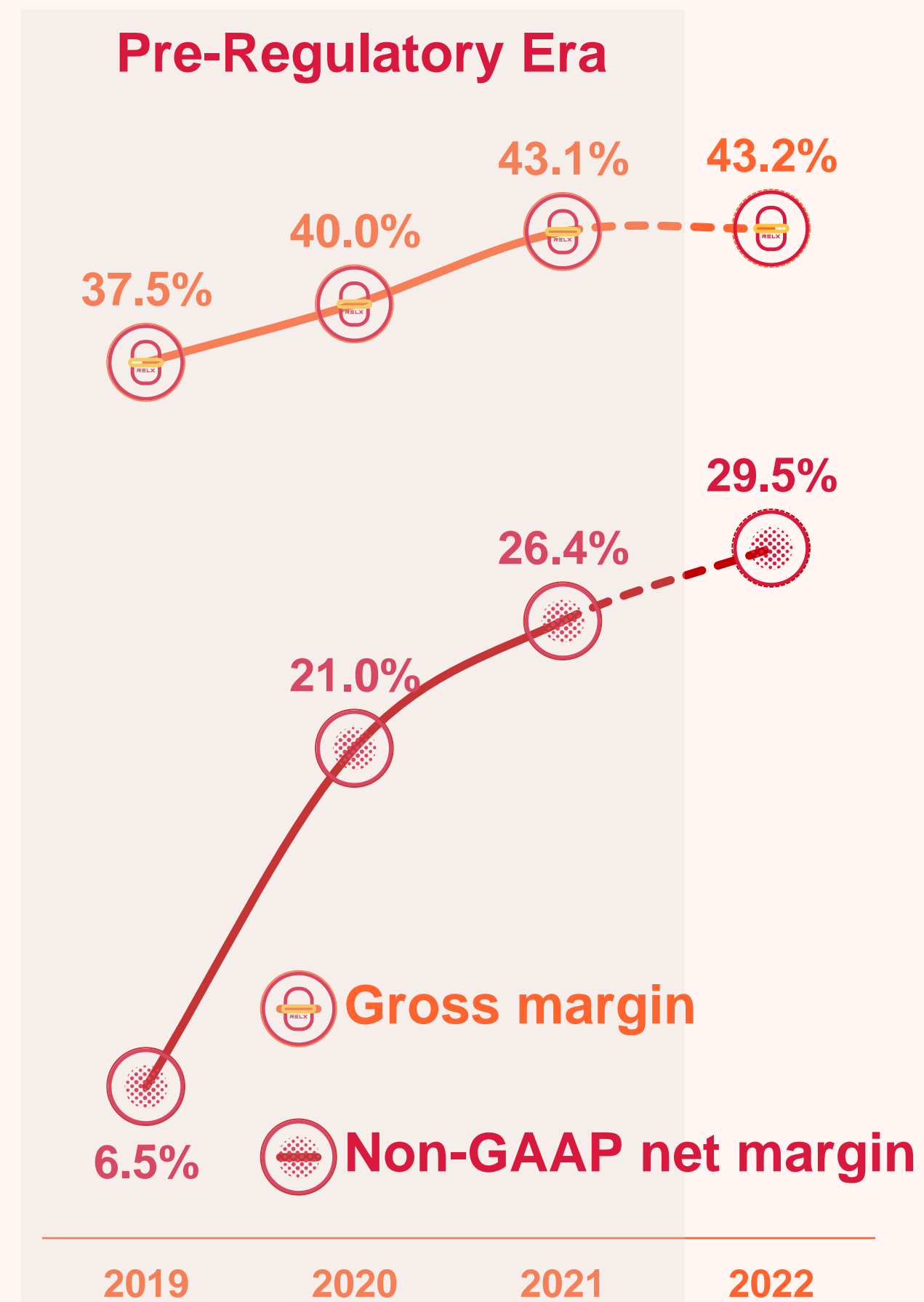
RLX TECH

Net Revenues

RMB millions



Profitability



Capital Resources

RMB millions

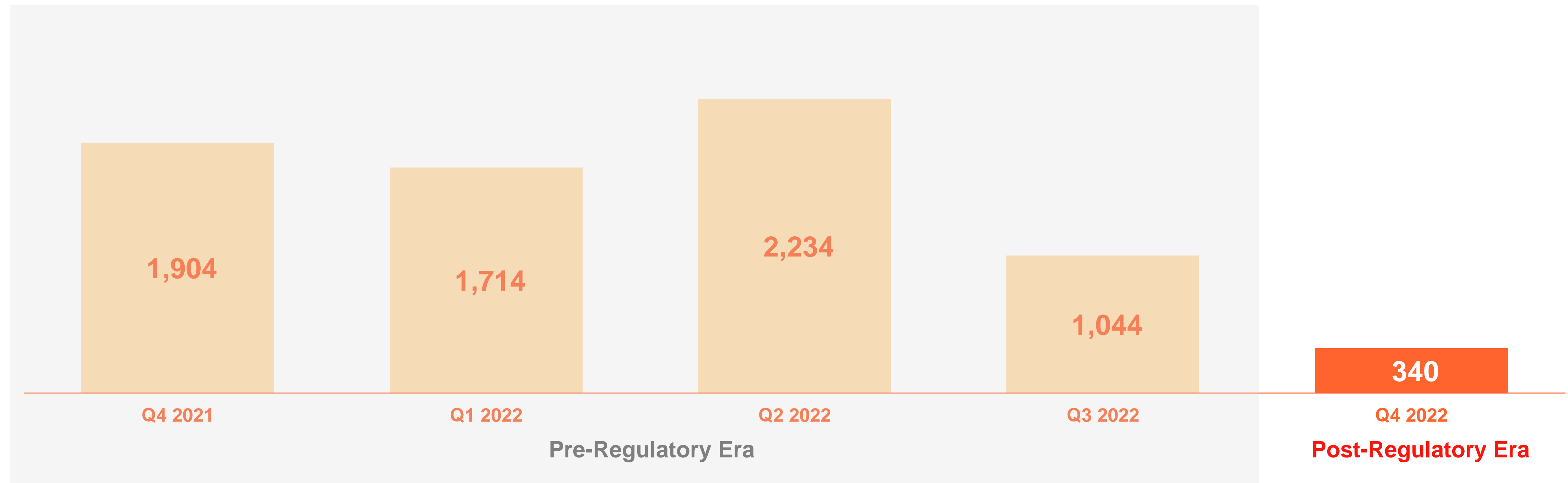


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Net Revenues by Quarter

RMB millions

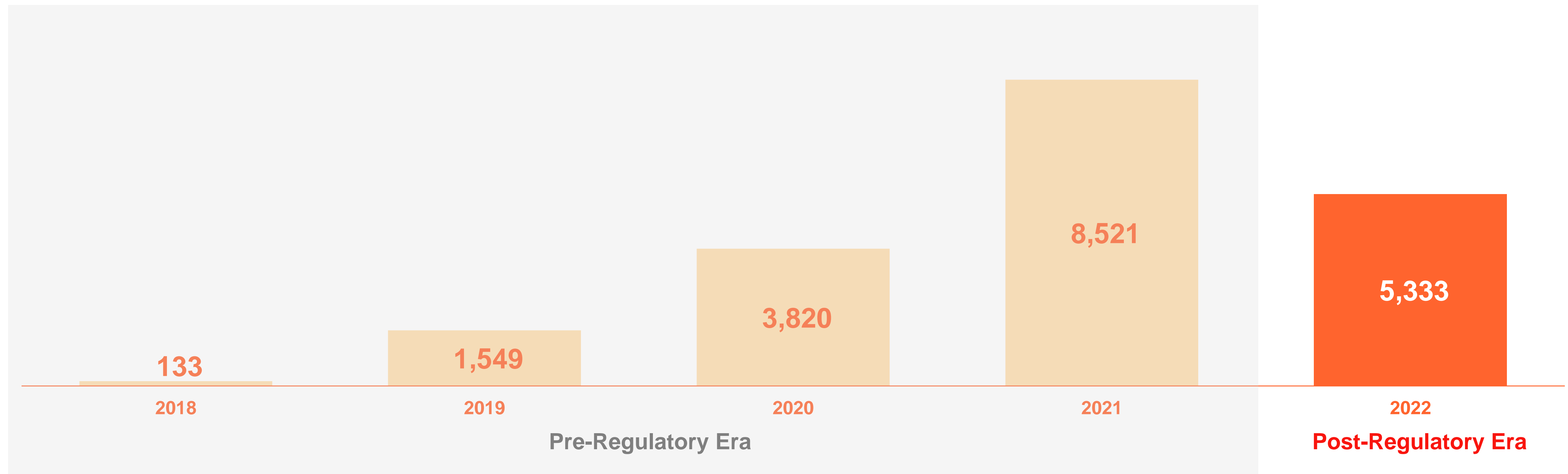


The YoY decrease in quarterly net revenues was primarily due to:

- The impact of regulatory changes, which were fully implemented in this quarter,
- COVID-19, as numerous regions in China were in partial lockdown during the fourth quarter of 2022

Net Revenues by Year

RMB millions



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

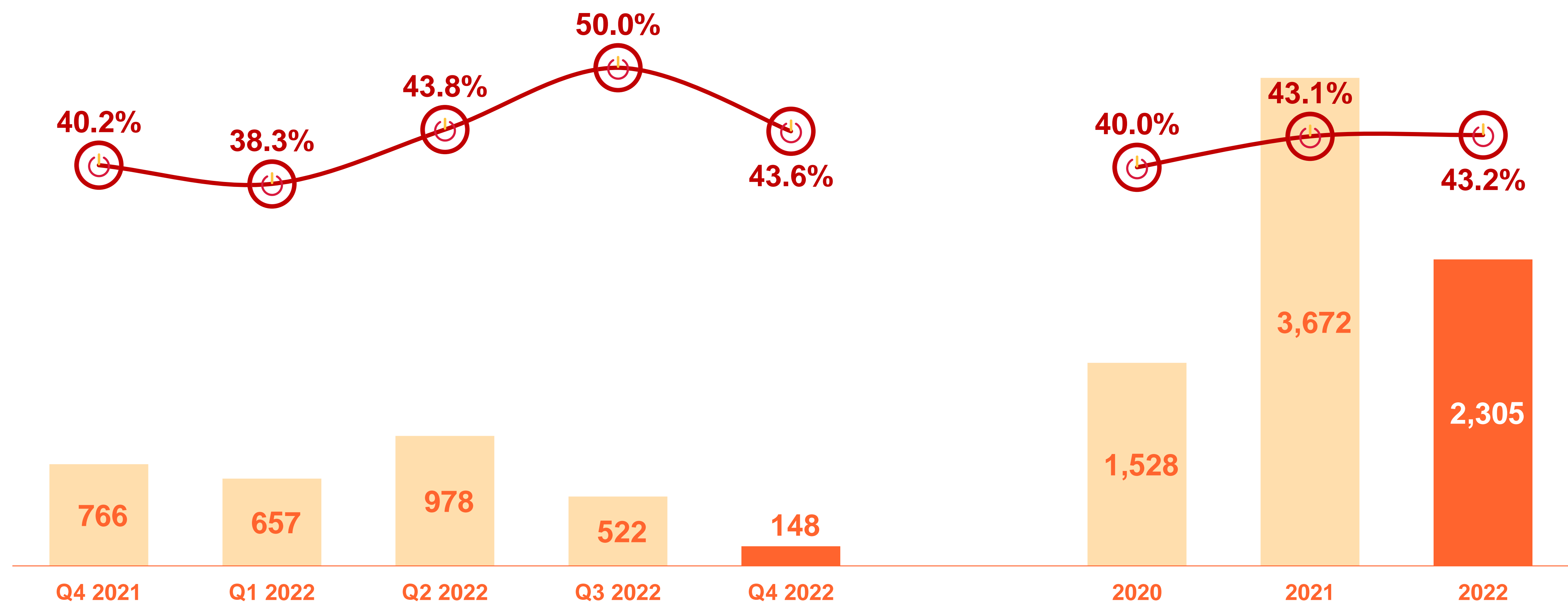
- The suspension of store expansion
- The discontinuation of older products during the transition to the new national standards
- COVID-19

Gross Profit and Gross Margin

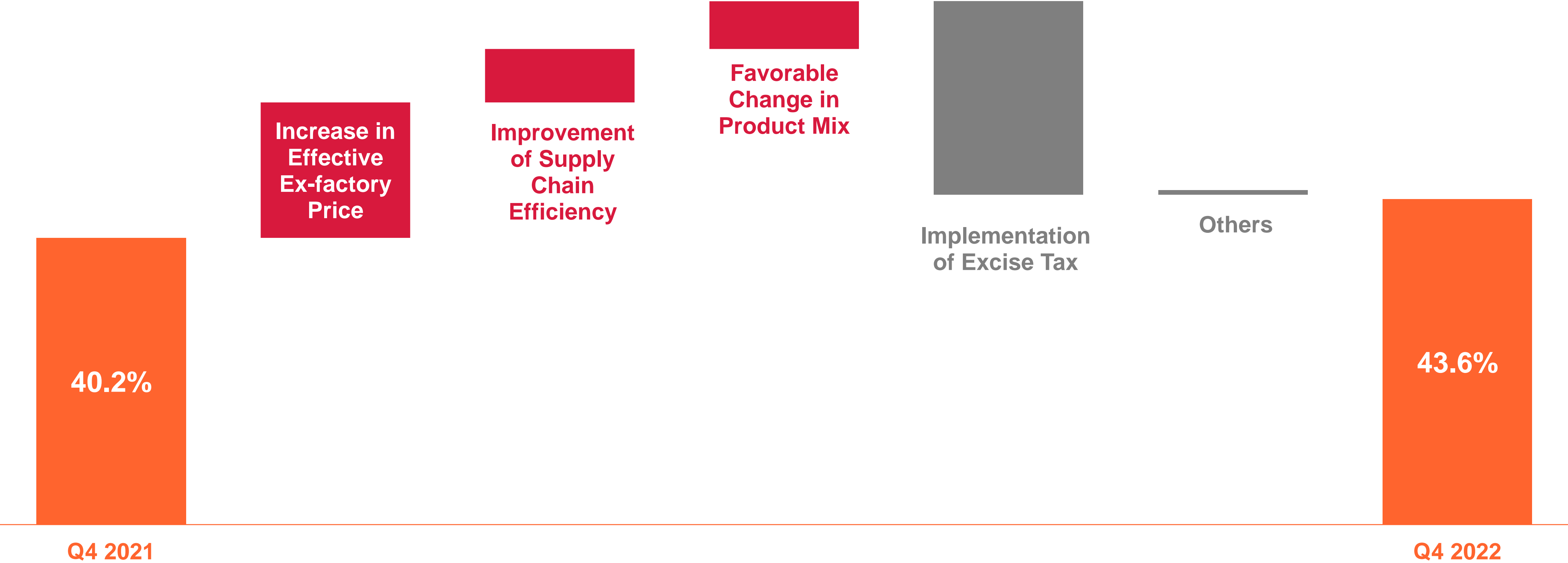
Gross Profit and Gross Margin

RMB millions

 Gross Margin



Quarterly Gross Margin Waterfall Analysis



The increase in gross margin was primarily due to supply chain efficiency improvements, an increase in effective ex-factory price, and a favorable change in product mix, partially offset by the increase in inventory provision and a 36% Excise Tax effective from November 1, 2022.

Annual Gross Margin Waterfall Analysis

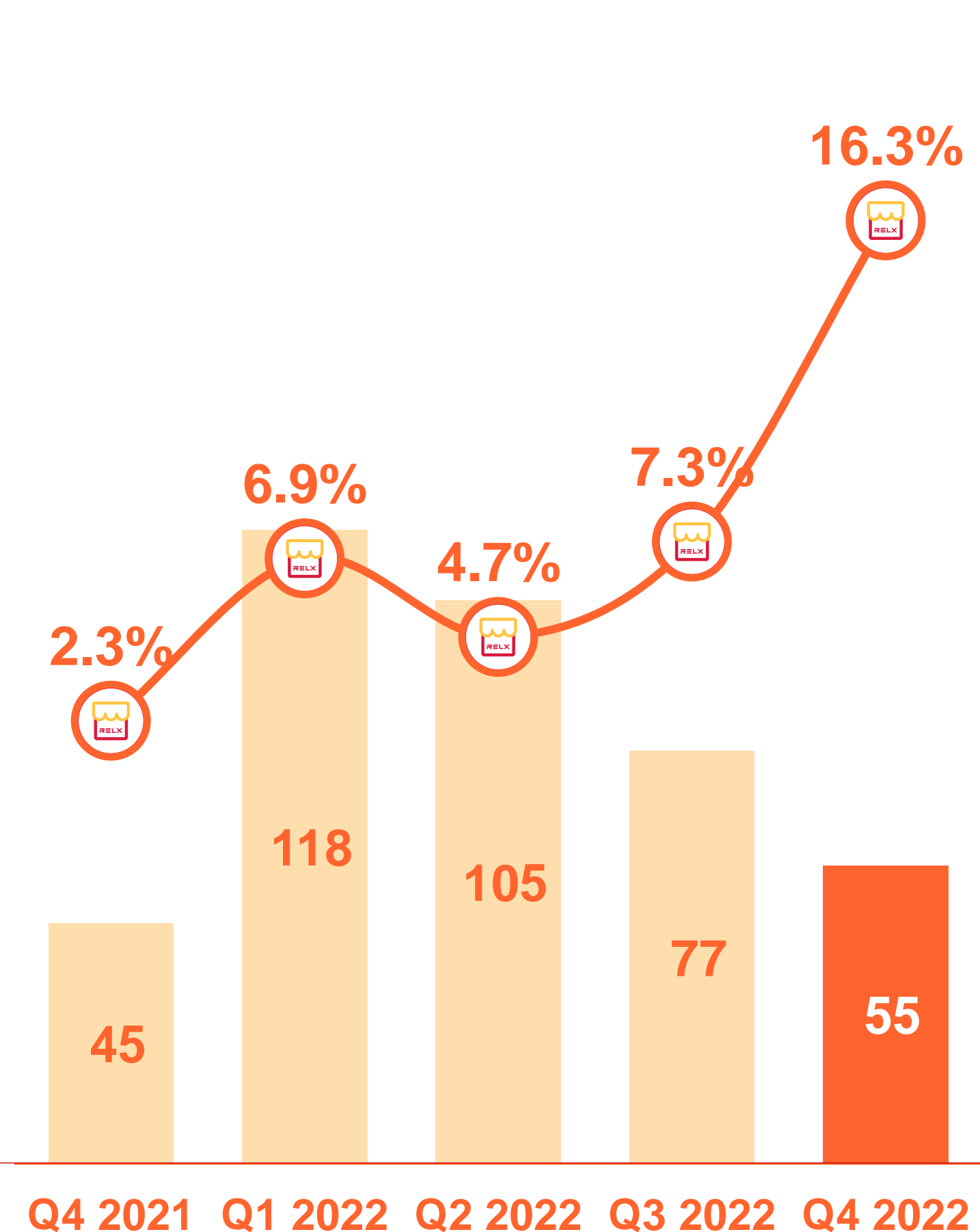


The increase in gross margin was primarily due to supply chain efficiency improvements, an increase in effective ex-factory price, partially offset by the increase in inventory provision, as well as a 36% Excise Tax effective from November 1, 2022.

Non-GAAP Operating Expenses

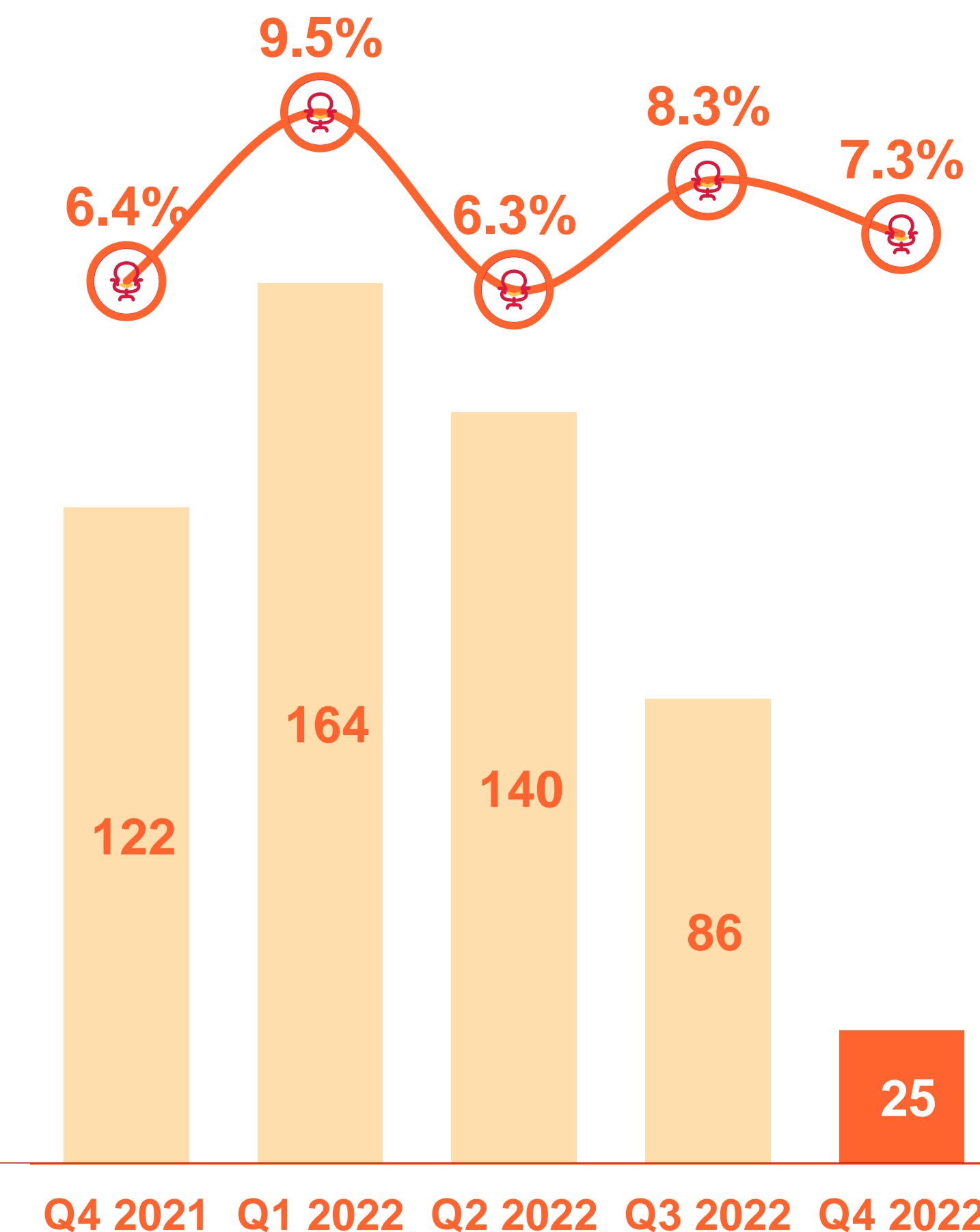
Non-GAAP Selling Expenses

RMB millions
As % of Net Revenues



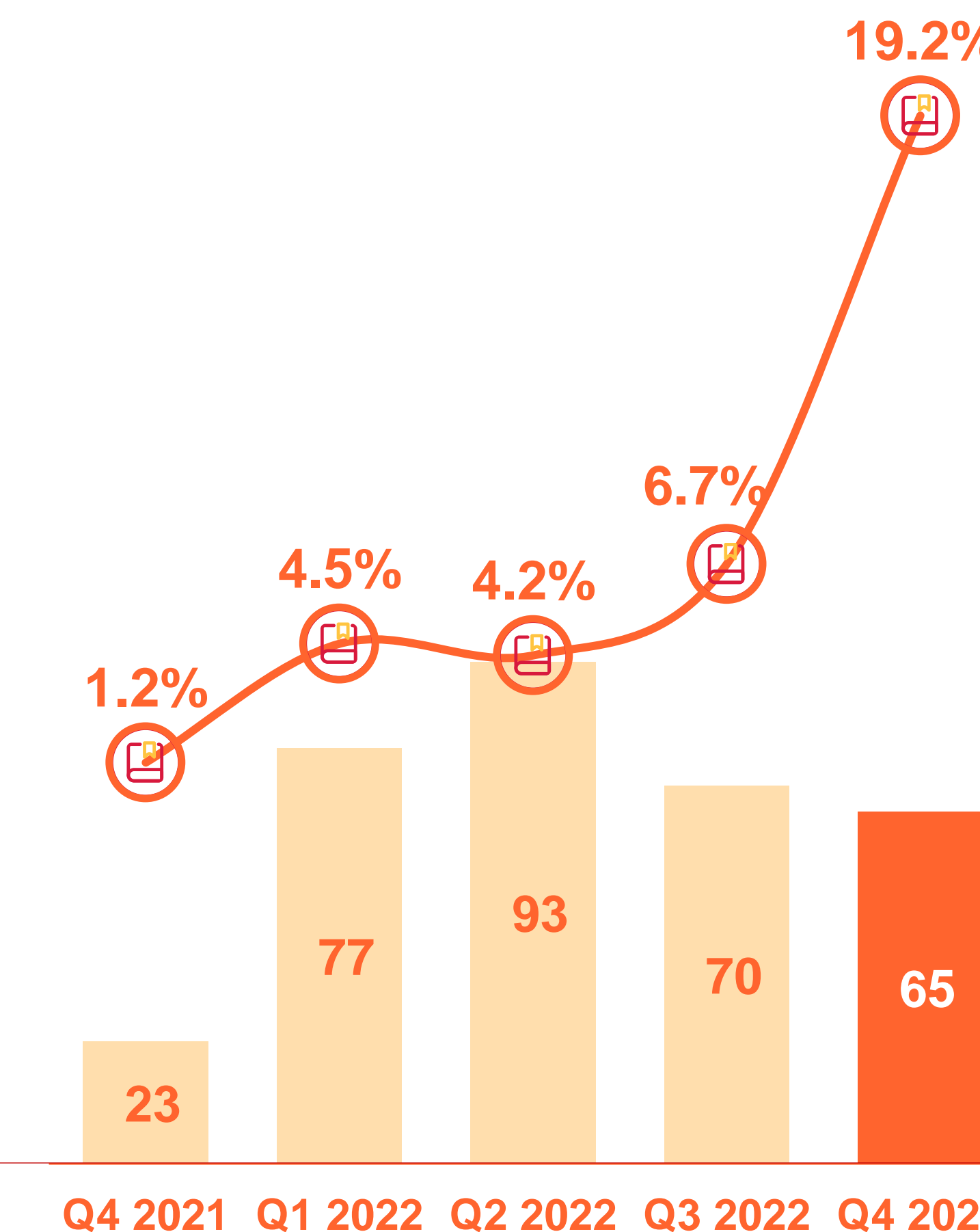
Non-GAAP General and Administrative Expenses

RMB millions
As % of Net Revenues



Non-GAAP Research and Development Expenses

RMB millions
As % of Net Revenues



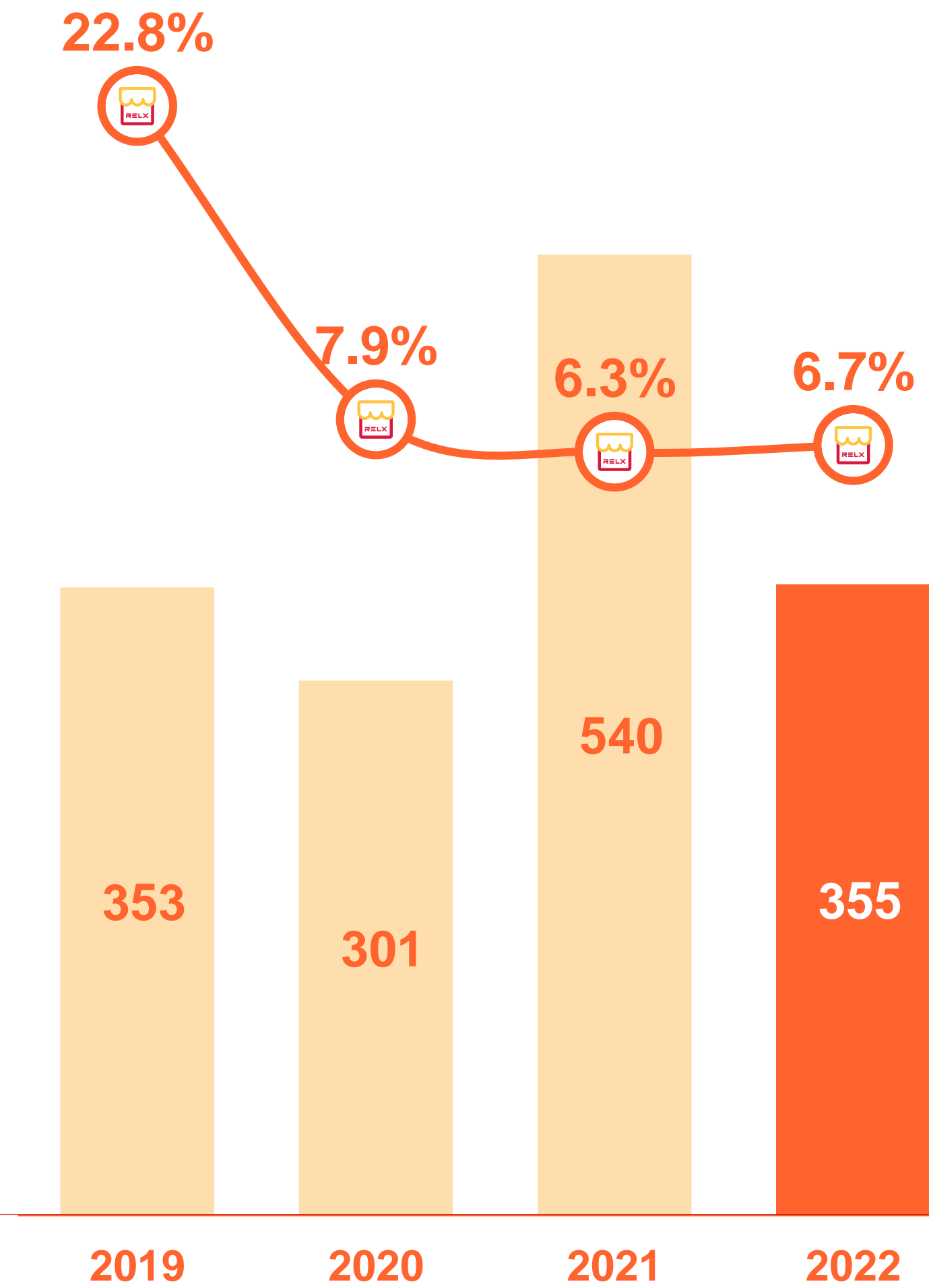
Note: excluding share-based compensation expenses

Non-GAAP Operating Expenses

Non-GAAP Selling Expenses

RMB millions

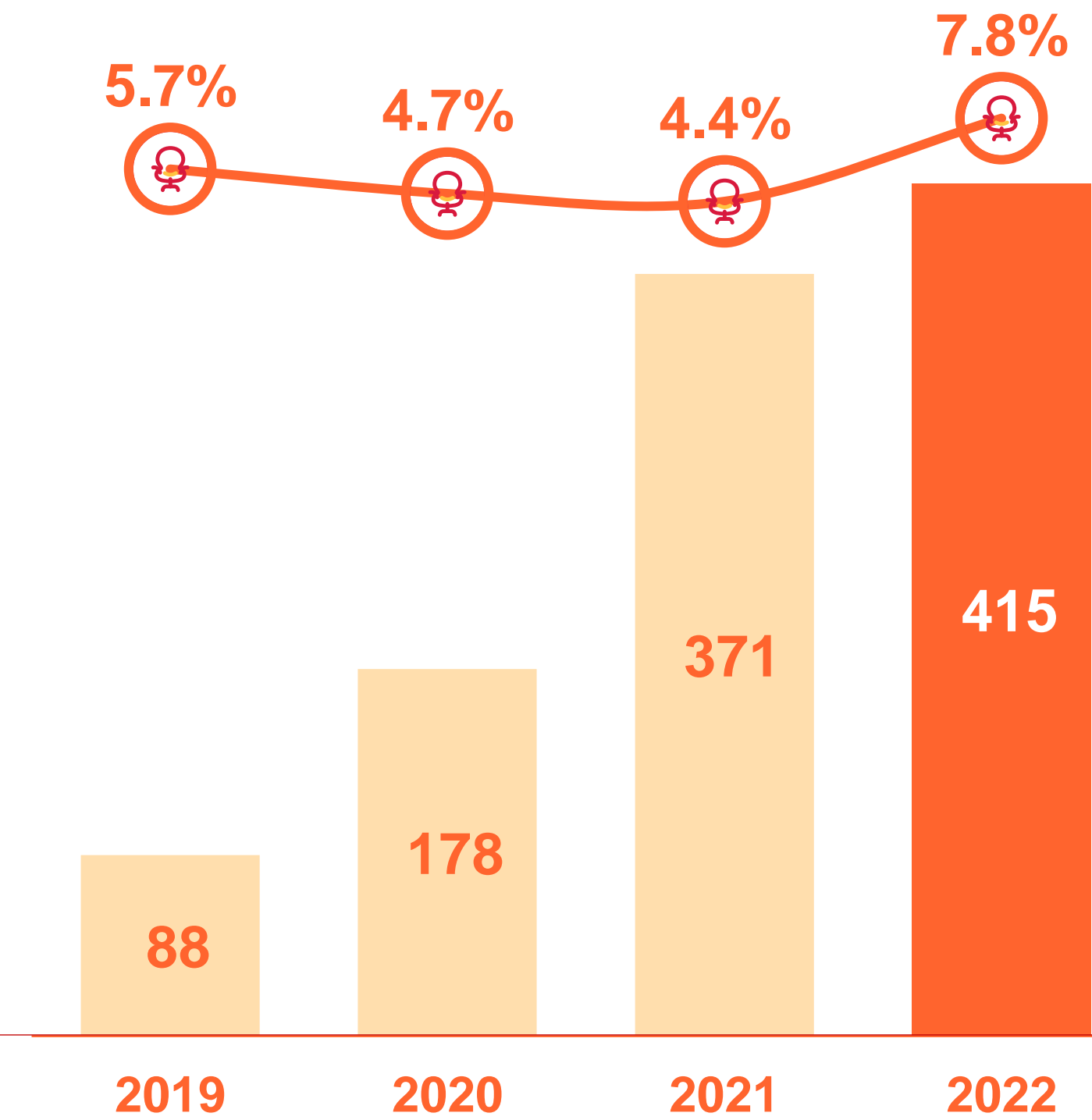
As % of Net Revenues



Non-GAAP General and Administrative Expenses

RMB millions

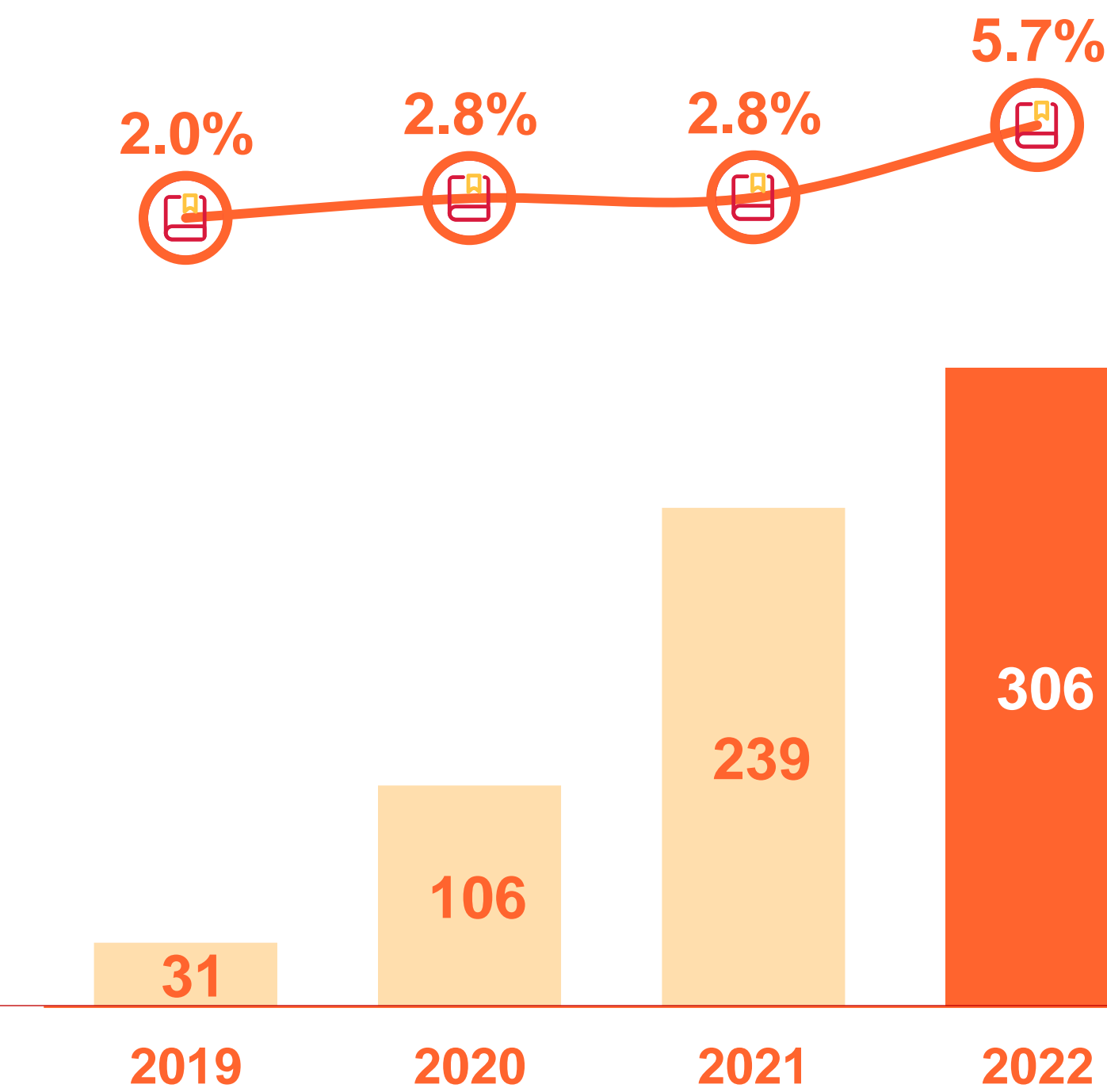
As % of Net Revenues



Non-GAAP Research and Development Expenses

RMB millions

As % of Net Revenues

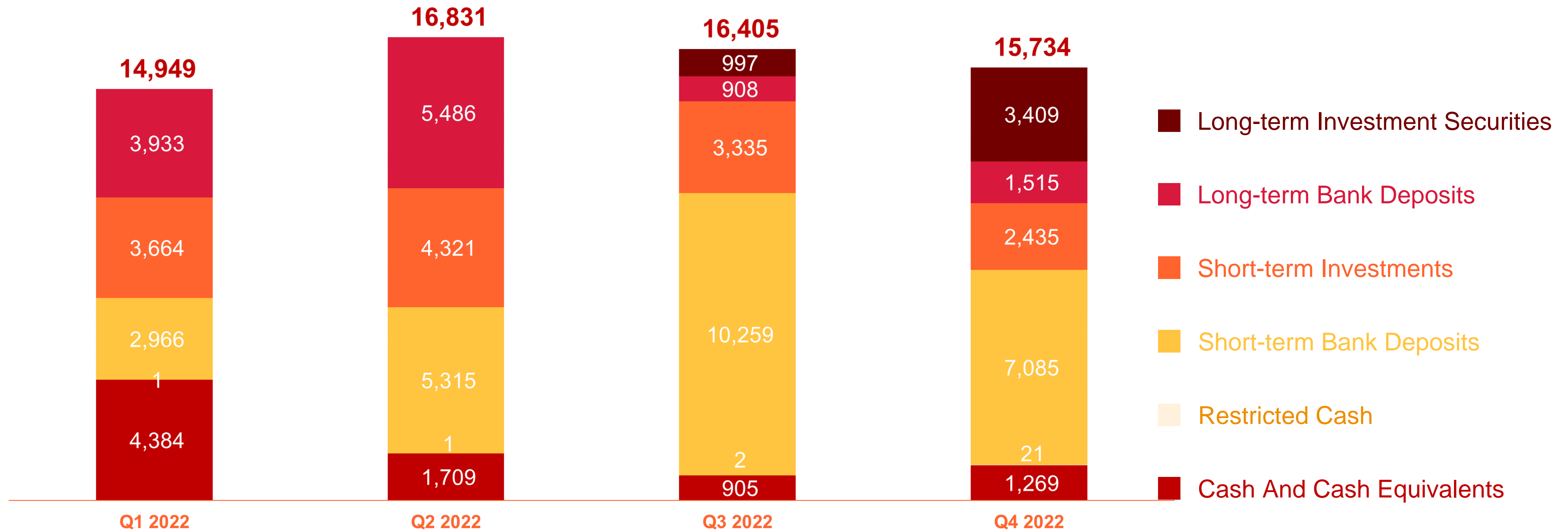


Note: excluding share-based compensation expenses

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

(In RMB thousands)	For the Three Months Ended			For the Year Ended	
	Dec 31, 2021	Sep 30, 2022	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022
Net Income	494,415	505,240	(225,125)	2,028,124	1,408,732
Add: Share-based Compensation Expenses					
Selling Expenses	1,885	(24,189)	41,239	(19,653)	(6,993)
General and Administrative Expenses	45,107	(128,200)	369,447	302,070	162,229
Research and Development Expenses	(4,872)	(24,242)	64,165	(59,072)	10,925
Non-GAAP Net Income	536,535	328,609	249,726	2,251,469	1,574,893
Non-GAAP NPM (%)	28.2%	31.5%	73.4%	26.4%	29.5%
Net Income attributable to RLX Technology Inc.	493,524	503,357	(228,480)	2,024,713	1,441,219
Add: Share-based Compensation Expenses	42,120	(176,631)	474,851	223,345	166,161
Non-GAAP Net Income Attributable to RLX Technology Inc.	535,644	326,726	246,371	2,248,058	1,607,380
Non-GAAP Net Income per Ordinary Share/ADS					
- Basic	0.398	0.247	0.188	1.604	1.218
- Diluted	0.394	0.246	0.186	1.595	1.210
Weighted Average Number of Ordinary Shares/ADSs					
- Basic	1,346,184,770	1,322,824,853	1,310,229,331	1,401,371,494	1,319,732,802
- Diluted	1,358,494,650	1,329,164,753	1,324,475,455	1,409,690,879	1,328,144,092

Capital Resources



Income Statements

RLX TECH

(In RMB thousands)	For the Three Months Ended			For the Year Ended	
	Dec 31, 2021	Sep 30, 2022	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022
Net Revenues	1,904,355	1,044,424	340,012	8,520,978	5,332,779
Cost of Revenues	(1,138,826)	(522,451)	(139,073)	(4,848,918)	(2,974,981)
Exercise Taxes on Products	-	-	(52,668)	-	(52,668)
Gross Profit	765,529	521,973	148,271	3,672,060	2,305,130
Operating Expenses:					
Selling Expenses	(46,628)	(52,544)	(96,673)	(520,694)	(347,798)
General and Administrative Expenses	(167,108)	41,746	(394,207)	(672,748)	(576,811)
Research and Development Expenses	(17,797)	(45,978)	(129,558)	(179,913)	(317,110)
Total Operating Expenses	(231,533)	(56,776)	(620,438)	(1,373,355)	(1,241,719)
Income From Operations	533,996	465,197	(472,167)	2,298,705	1,063,411
Other Income:					
Interest Income, net	24,297	56,237	54,617	72,414	180,729
Investment Income	27,964	38,104	25,557	94,222	136,531
Others, net	37,694	16,573	150,625	194,209	399,641
Income Before Income Tax	623,951	576,111	(241,368)	2,659,550	1,780,312
Income Tax Expense	(129,536)	(70,871)	16,243	(631,426)	(371,580)
Net Income	494,415	505,240	(225,125)	2,028,124	1,408,732
Less: Net Income / (Loss) Attributable to Noncontrolling Interests	891	1,883	3,355	3,411	(32,487)
Net Income attributable to RLX Technology Inc.	493,524	503,357	(228,480)	2,024,713	1,441,219
Other Comprehensive Income:					
Foreign Currency Translation Adjustments	(181,851)	618,060	(215,246)	(149,188)	937,428
Unrealized Loss on Long-term Investment Securities	-	-	(5,425)	-	(5,425)
Total Other Comprehensive Income	(181,851)	618,060	(220,671)	(149,188)	932,003
Total Comprehensive Income	312,564	1,123,300	(445,796)	1,878,936	2,340,735
Less: Total Comprehensive Income / (Loss) Attributable To Noncontrolling Interests	891	1,883	3,355	3,411	(32,487)
Total Comprehensive Income Attributable To RLX Technology Inc.	311,673	1,121,417	(449,151)	1,875,525	2,373,222

Balance Sheets

RLX TECH

(In RMB thousands)	As of	
	Dec 31, 2021	Dec 31, 2022
ASSETS		
Current Assets		
Cash and Cash Equivalents	5,208,967	1,268,512
Restricted Cash	500	20,574
Short-Term Bank Deposits, net	4,022,119	7,084,879
Receivables From Online Payment Platforms	10,006	3,000
Short-Term Investments	3,621,637	2,434,864
Accounts And Notes Receivable, net	14,024	51,381
Inventories, net	589,088	130,901
Amounts Due From Related Parties	1,936	5,112
Prepayments and Other Current Assets, net	482,659	198,932
Total Current Assets	13,950,936	11,198,155
Non-Current Assets		
Property, Equipment and Leasehold Improvement, net	143,155	87,871
Intangible Assets, net	8,366	7,552
Long-Term Investments, net	12,000	8,000
Deferred Tax Assets, net	20,856	63,894
Right-of-Use Assets, net	176,258	75,008
Long-Term Bank Deposits, net	2,004,593	1,515,428
Long-Term Investment Securities	-	3,409,458
Other Non-Current Assets	48,961	13,458
Total Non-Current Assets	2,414,189	5,180,669
Total Assets	16,365,125	16,378,824
Cash And Cash Equivalents	5,208,967	1,268,512
Restricted Cash	500	20,574
Short-Term Bank Deposits, net	4,022,119	7,084,879
Short-Term Investments	3,621,637	2,434,864
Long-Term Bank Deposits, net	2,004,593	1,515,428
Long-Term Investment Securities	-	3,409,458
Total Cash and Cash Equivalents	14,857,816	15,733,715

Balance Sheets (Cont'd)

RLX TECH

(In RMB thousands)	As of	
	Dec 31, 2021	Dec 31, 2022
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts And Notes Payable	1,288,845	269,346
Contract Liabilities	286,651	75,226
Salary And Welfare Benefits Payable	170,393	127,749
Taxes Payable	597,761	109,676
Amounts Due To Related Parties	-	423
Accrued Expenses And Other Current Liabilities	313,396	161,455
Lease Liabilities - Current Portion	80,582	45,955
Total Current Liabilities	2,737,628	789,830
Non-Current Liabilities		
Deferred Tax Liabilities	4,513	8,653
Lease Liabilities - Non-Current Portion	104,232	39,968
Total Non-Current Liabilities	108,745	48,621
Total Liabilities	2,846,373	838,451
Shareholders' Equity:		
Total RLX Technology Inc. shareholders' Equity	13,514,952	15,569,060
Noncontrolling Interests	3,800	(28,687)
Total Shareholders' Equity	13,518,752	15,540,373
Total Liabilities And Shareholders' Equity	16,365,125	16,378,824

Statements of Cash Flows

RLX TECH

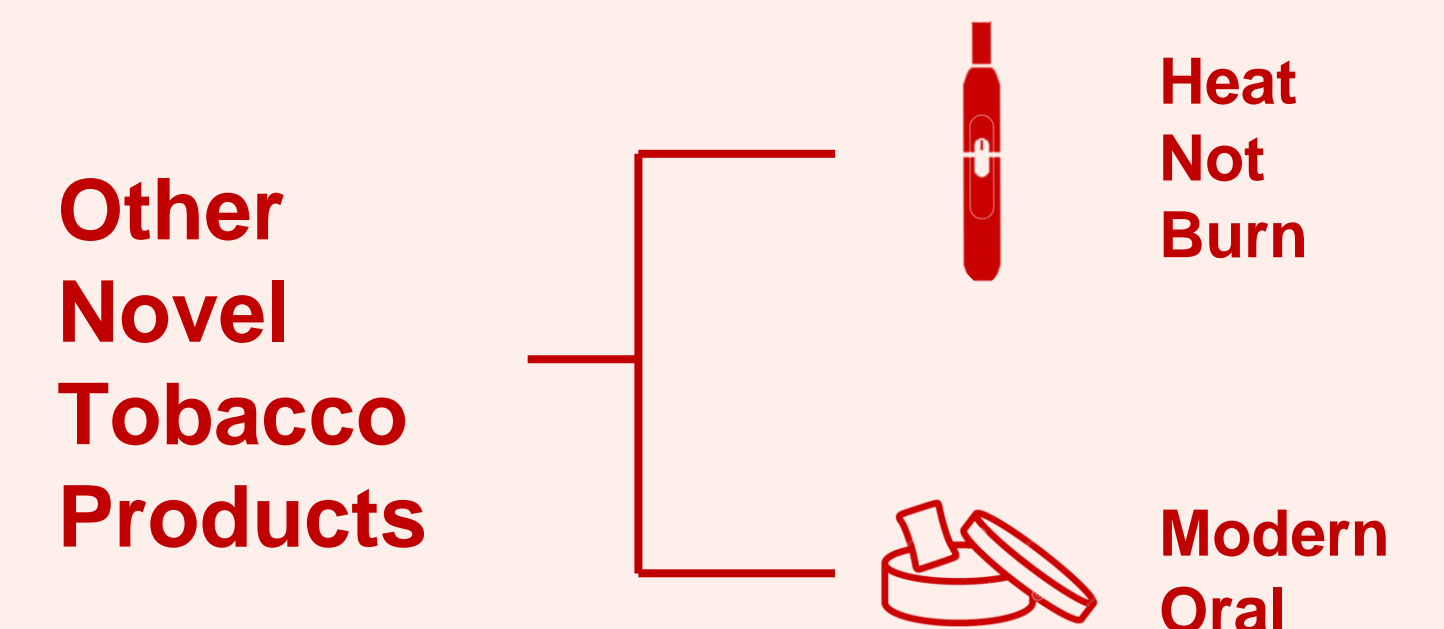
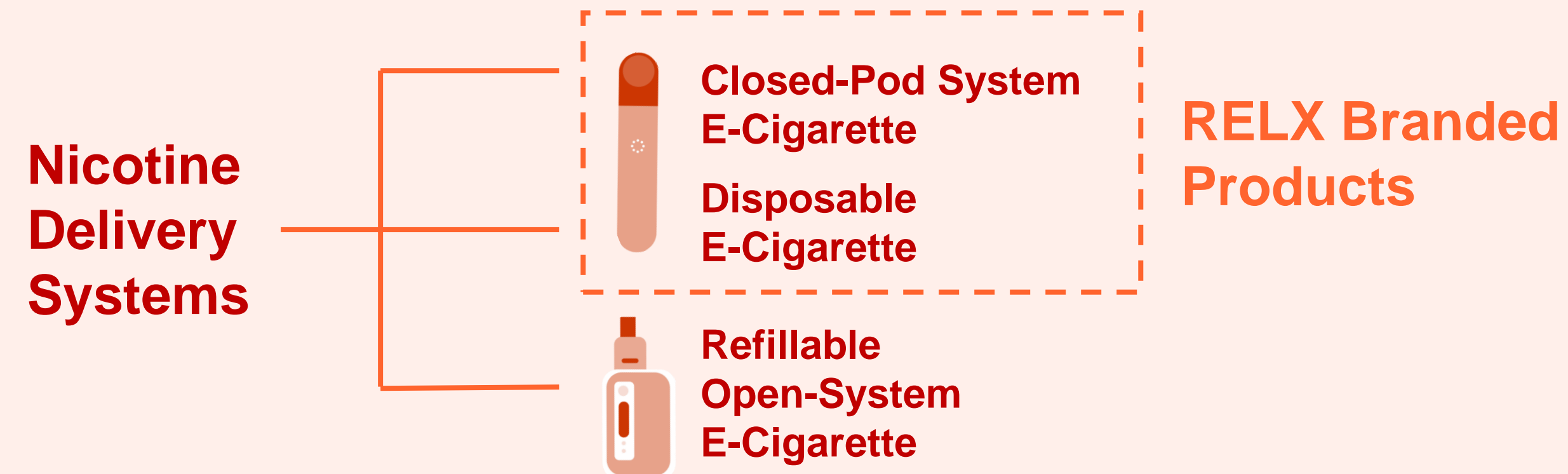
(In RMB thousands)	For the Three Months Ended			For the Year Ended	
	Dec 31, 2021	Sep 30, 2022	Dec 31, 2022	Dec 31, 2021	Dec 31, 2022
Net Cash Generated From / (Used In) Operating Activities	465,738	(1,016,862)	(248,866)	1,799,892	486,829
Net Cash (Used In) / Generated From Investing Activities	(1,397,519)	211,064	752,545	(7,870,660)	(4,133,040)
Net Cash (Used In) / Generated From Financing Activities	(127,516)	(19,822)	(150,647)	9,904,121	(477,270)
Effect Of Foreign Exchange Rate Changes On Cash, Cash Equivalents And Restricted Cash	(99,770)	22,772	29,287	(78,687)	203,100
Net (Decrease) / Increase In Cash And Cash Equivalents And Restricted Cash	(1,159,067)	(802,848)	382,319	3,754,666	(3,920,381)
Cash, Cash Equivalents And Restricted Cash At The Beginning of The Period	6,368,534	1,709,615	906,767	1,454,801	5,209,467
Cash, Cash Equivalents And Restricted Cash At The End of The Period	<u>5,209,467</u>	<u>906,767</u>	<u>1,289,086</u>	<u>5,209,467</u>	<u>1,289,086</u>



APPENDIX

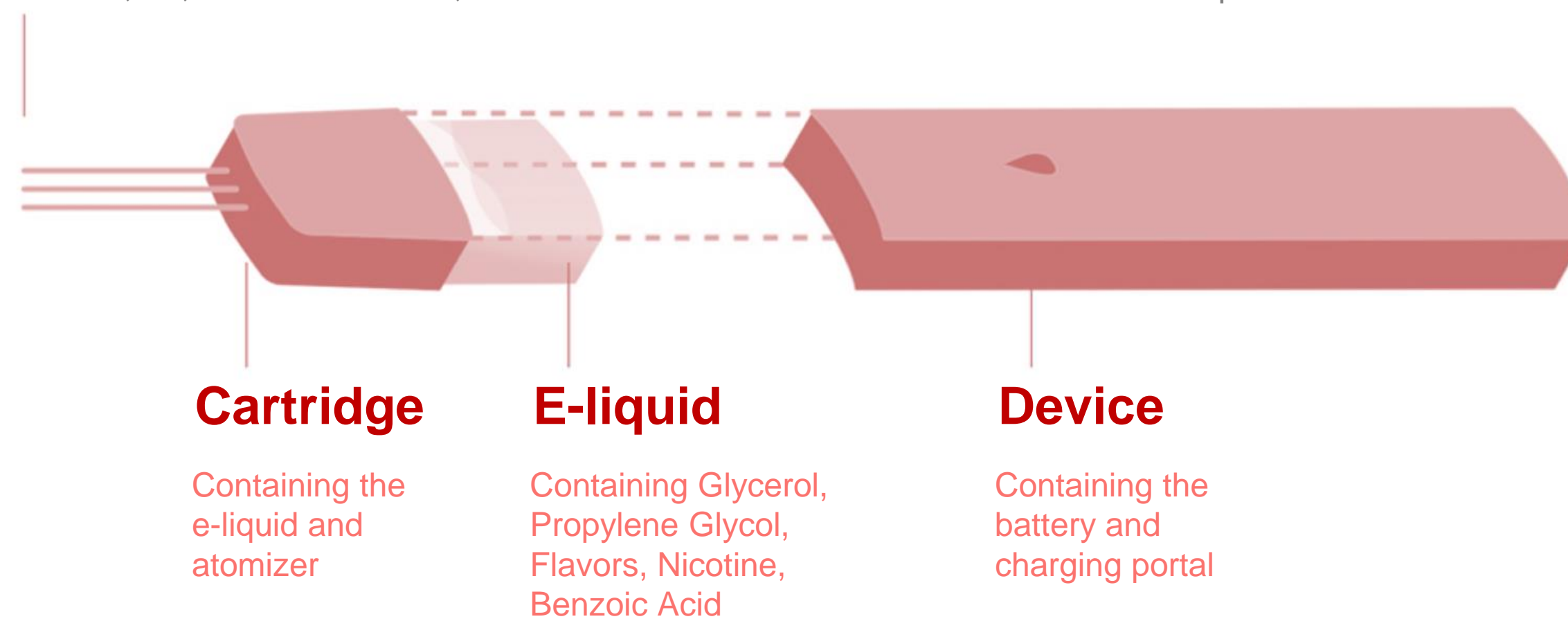
E-cigarettes Industry Overview

RLX TECH

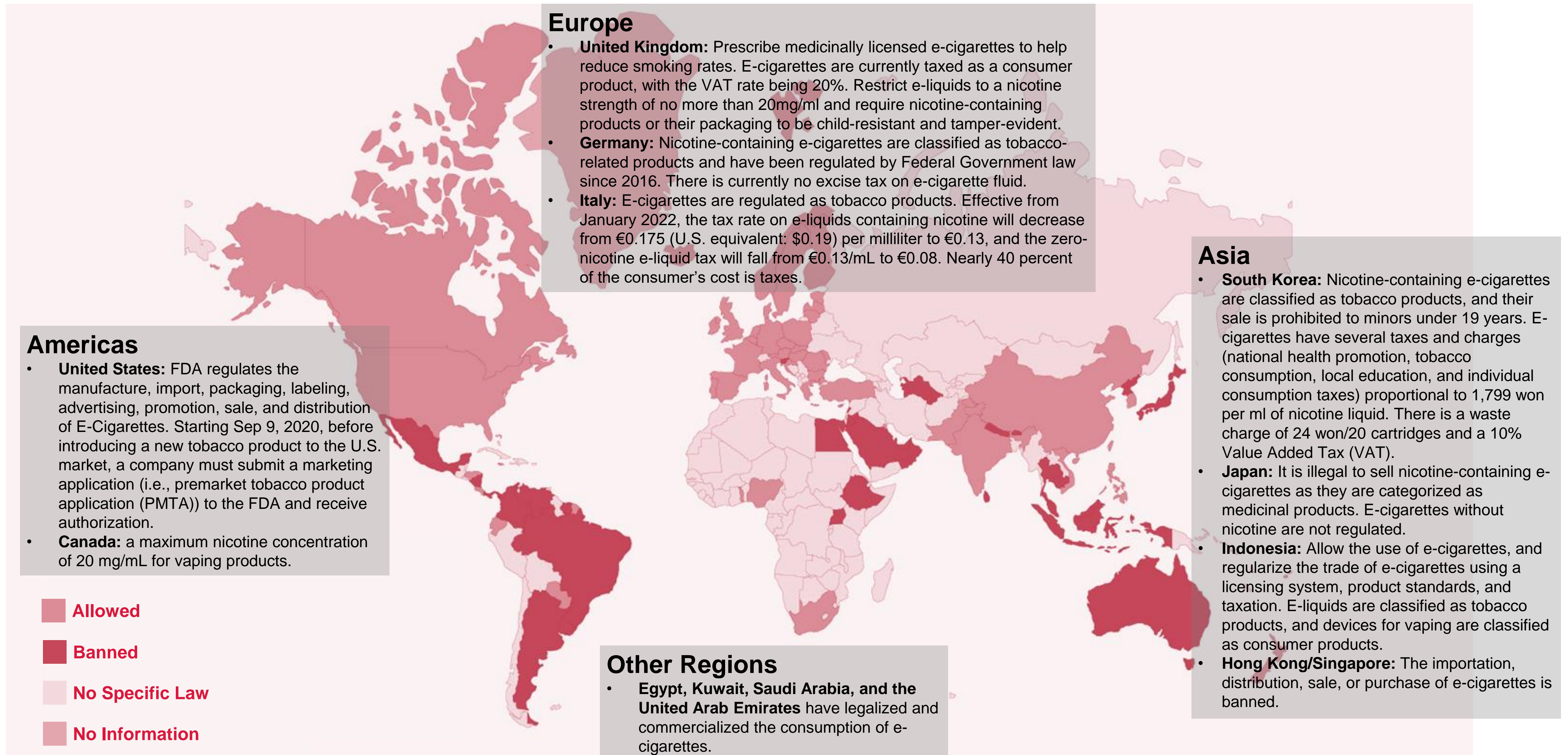


From E-liquid to Aerosol

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.

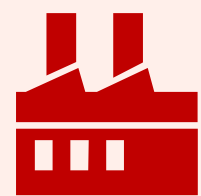
On Mar 22, 2021, the Ministry of Industry and Information Technology issued the Decision to Amend the Implementation Regulations of the Tobacco Monopoly Law of the People's Republic of China (Draft for Comment), which proposes to add "the regulation for next-generation tobacco products including e-cigarettes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

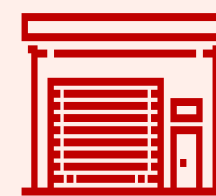
On Nov 1, 2022, an excise tax on e-cigarettes came into effect:

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



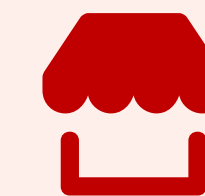
Manufacturing

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**



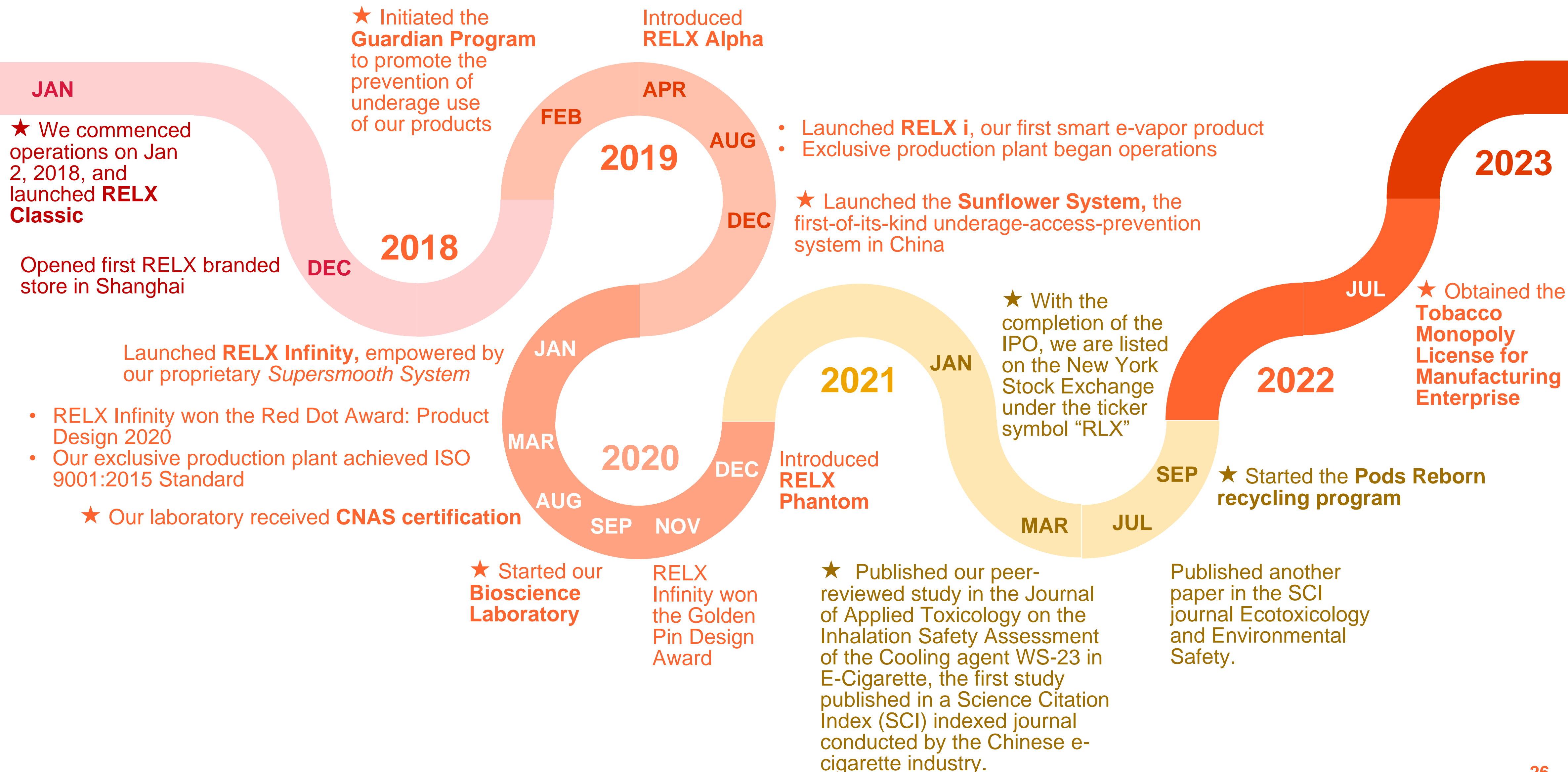
Retail

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

RLX TECH

The Birth of an RLX Tech Product

The Whole R&D Process

80 days

User Evaluation

500+

Formula Adjustments

100+

Product Tests

197 items

R&D Indicators

By June 2022:

Patents Filed Globally

610

In 2021:

Cooperative Research Projects

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.



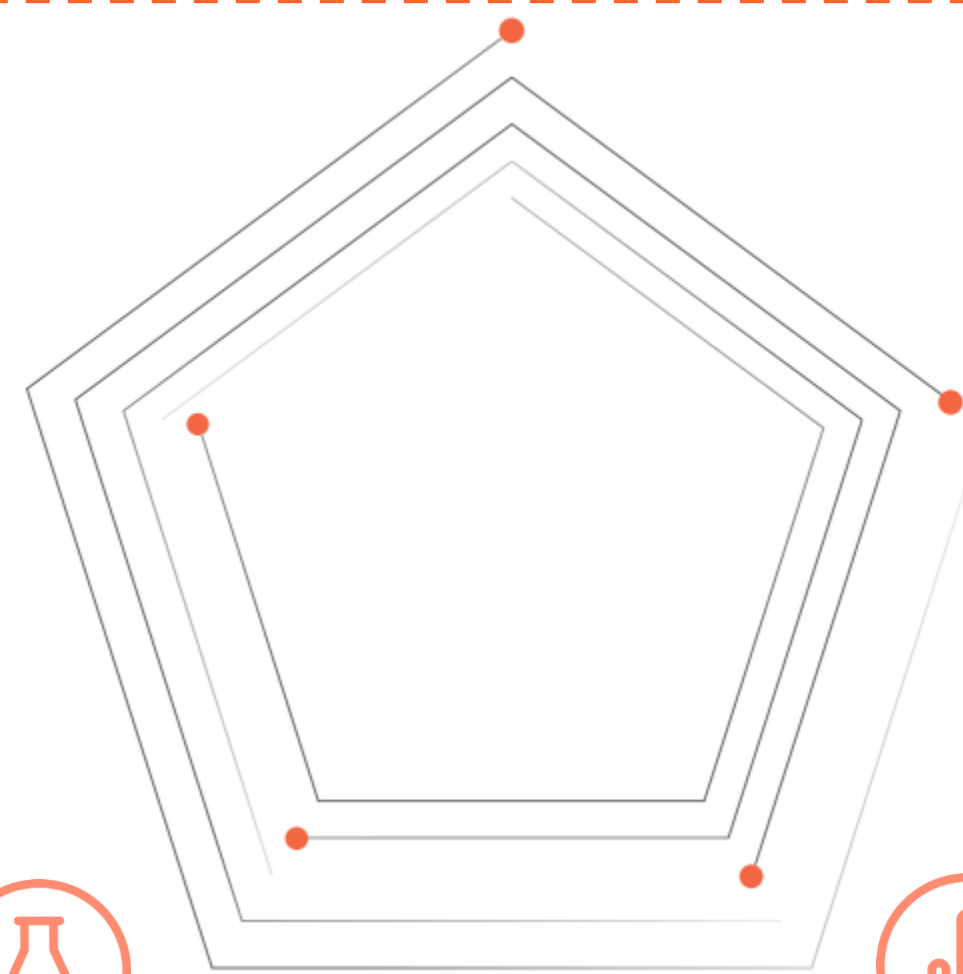
Long-term Impact Assessment

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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