



Luckin Coffee (OTCMKTS: LKNCY): A Fundamentally Reset Growth Compounder

Rating	Buy
Holding Period	3 Years
Price Target	\$147.2 (+390.56%)
Current Price (2025/12/10)	\$37.69

Thesis:

- Luckin Coffee is materially undervalued relative to intrinsic value and global peers, trading at **19.2x P/E vs. 36.1x** despite delivering **56.6% YoY revenue growth**. The valuation discount remains anchored to historical fraud concerns, which we believe are no longer warranted given Luckin's **net cash balance sheet, strong NOPAT generation, and de-risked operating and governance framework**.
- We see a **mispriced relisting catalyst**, with the market underestimating both the **probability and timing** of a relisting that would expand the investor base and drive a **meaningful valuation re-rating**.
- In parallel, we expect the **China food-delivery price war to normalize earlier than consensus (Q4 2025 vs. H1 2026)**, driving operating leverage as **Opex declines from ~53% to ~47%**. Also, as China coffee market competition deescalate, we believe Luckin gross margin could increase 2-5%.
- Finally, current valuations fail to reflect Luckin's **structural technology and COGS advantages**. Its highly digitized, asset-light model enables superior cost control fast expansion and successful SKU innovation, supporting **same-store revenue growth and sustained margin expansion**.

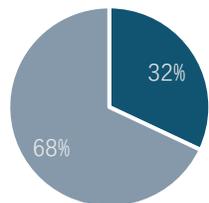


Company Overview: Business Model

Basic Information

Item	Details
Company Name	Luckin Coffee Inc.
Ticker	LKNCY (OTC)
Founded	2017
Headquarters	Xiamen, China
CEO	Guo Jinyi
Market Cap	9.98B
Volume	~ 2.2M

Shareholder Structure



■ Institutional Investor ■ Other

Top Shareholder	Percentage
Centurium Capital Partners.	26.32
Beijing China Capital	5.28
Jinyi Guo	1.17

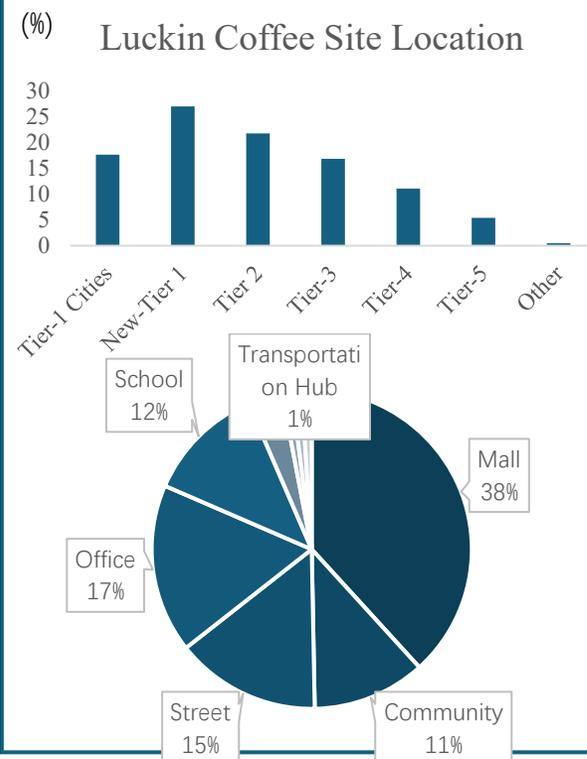
Sources: Luckin, Bloomberg, Jihai

Business Overview

Stores

	Self-Operated	Partnership
Definition	Fully owned and operated by Luckin	Operated by external partners
Sites:	City/office area focused Covering 500m	Low-tiers markets focused/ Covering 2+ km
Number	18,882 (65%)	10,332(35%)
Traffic	Weekday traffic	Holiday, Weekend Traffic
Revenue/Store	620,000/ yr	390,000/yr
Competition	with premium brands: Starbucks, Costa	With subscale player: Cotti, Mixue

Market



Product

	Signature	#SKU	Price
Coffee	Master Coffee	~38	13-22
Coffee + Tea	Coconut Series	10	18-21
Tea Beverages	Cheese, Milk Tea	~22	16-28
Food	Desserts	~24	5.9-11.9

Average price: ¥ 14.69
 Covering coffee, tea, snacks :50+ constant product, 100+ new product per year
 Highest price: ¥ 28, lowest price: ¥ 5.9

Luckin Coffee operates a hybrid store model combining self-operated stores concentrated in high-density office and urban locations with partnership stores that enable capital-light expansion into lower-tier cities and commercial areas. Its digitally native, asset-light operating model emphasizes mobile ordering, rapid SKU innovation, and tight cost control, supporting affordable pricing and high throughput. The company leverages a broad, coffee-led product portfolio that is significantly lower than market average.



Rapid Scale, Improving Cash Flow, and Strengthening Balance Sheet

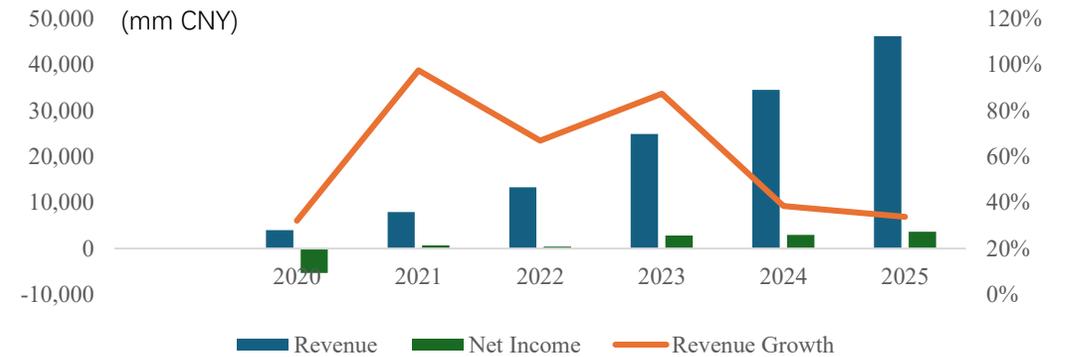
Luckin is scaling rapidly, liquidity is strong, and cash generation has inflected—supporting re-rating:

- 1. Scale-first growth:** Rapid store and revenue expansion continues, with near-term margins intentionally suppressed by investment and delivery subsidies.
- 2. Cash flow inflection:** Since 2023, operating cash flow has turned sustainably positive, driving a growing cash balance and improving earnings quality.
- 3. Valuation disconnect:** With strong liquidity and net cash, current below-peer multiples reflect outdated fraud concerns rather than present fundamentals.

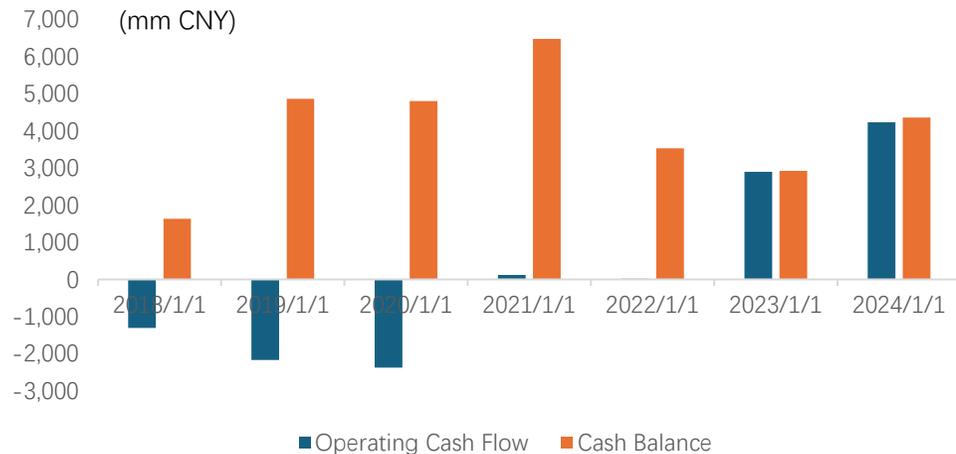
Store Expansion:
Store base +300% since 2020



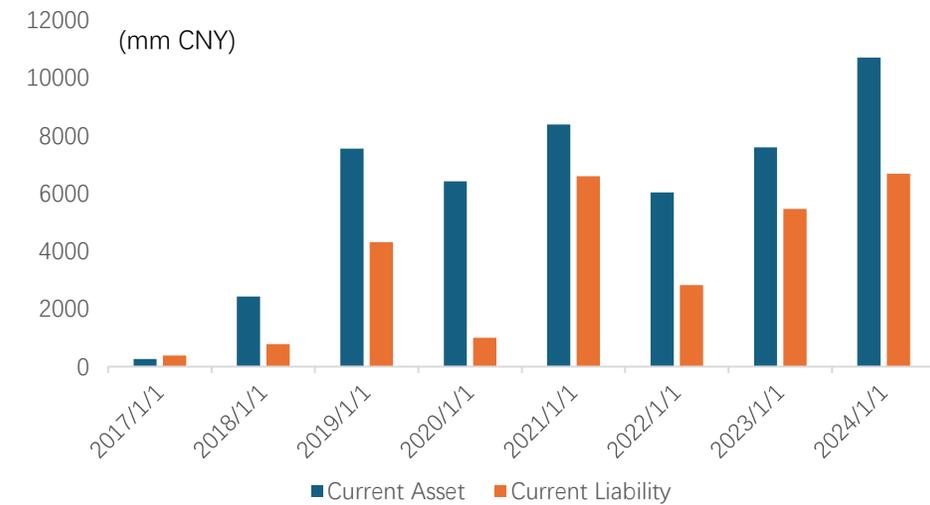
Revenue and Net Income:
Margin suppressed by expansion & delivery subsidies



Operating Cash Flow and Cash Balance:
OCF turns structurally positive post-2023

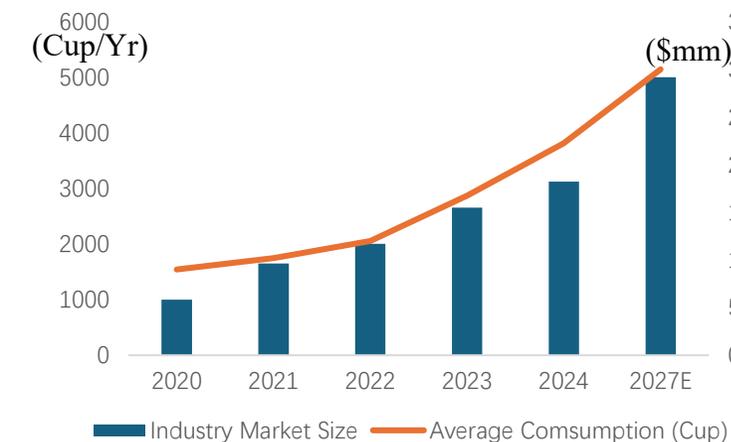


Current Asset and Current Liability:
Consistently strong liquidity; no near-term balance sheet risk

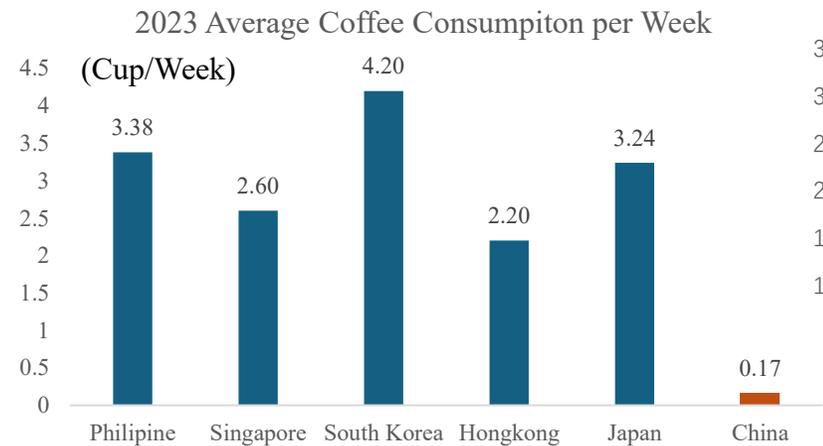


China Coffee Industry Overview

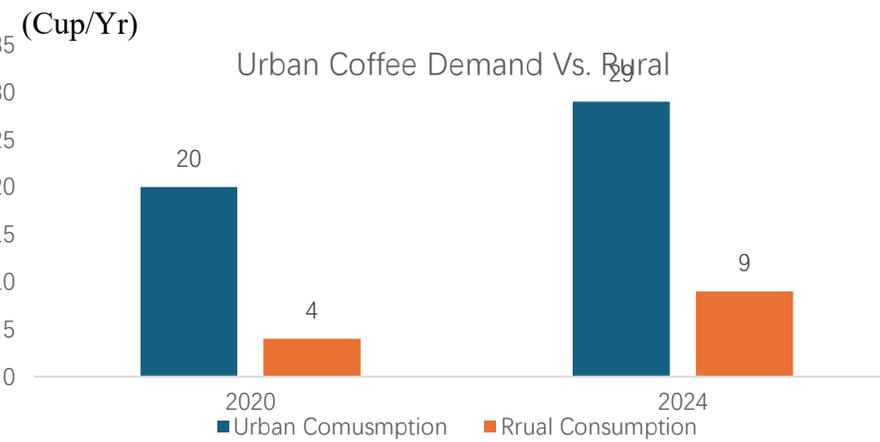
China's coffee market is underpenetrated, structurally growing, and shifting toward high-frequency, convenience-driven consumption. The market is shifting toward **daily, convenience-driven coffee consumption**, favoring **digitized, cost-efficient, scalable models**—where Luckin is structurally advantaged.



Strong industry growth with 20%+ CAGR



China consumption remains <5% of Asia countries pairs



Highest coffee consumption growth happening in rural area: Luckin's sweet spot with its light asset model

China Coffee Market Timeline

1997

1999

2015

2017

1st Generation: Taiwan Style

Example: UBC Coffee
Core Product: Instant Coffee
Store format: small size. Low price, suitable for business meetings
Operating model: Franchise-led
Competitive advantage: first mover
Key issues: weak management

2nd Generation: American Style

Example: Starbucks, Costa Coffee
Core products: Coffee-centric menu
Store format: Larger stores, premium ambiance, “third place” positioning, for office workers
Operating model: Direct ownership
Competitive advantage: Strong operational control and product consistency
Key issues: Higher pricing

3rd Generation: Korean Style

Example: Zoo Coffee, Tom N Toms
Core products: Desserts + coffee
Store format: Large stores, leisure-focused, low table turnover
Operating model: Franchise-led
Competitive advantage: celebrity, marketing
Key issues: Higher pricing, weak SKUs

4th Generation: New Retail

Example: Luckin Coffee
Core products: Coffee led, broad SKUs
Store format: Pickup-focused, minimal seating, High turnover, higher efficiency
Operating model: Hybrid
Competitive advantage: High standardization, low costs
Key issues: low margin

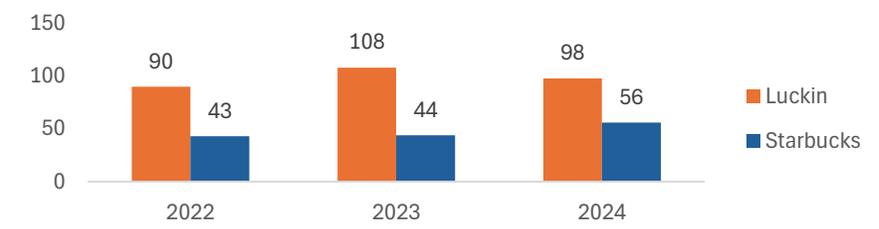


Competitive Landscape & Positioning: Store Level Comparison

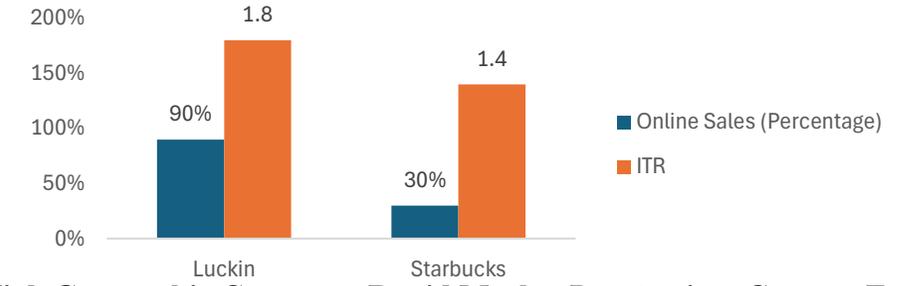
Luckin's asset-light store model enables faster, more scalable expansion than Starbucks and other pairs. Moreover, its fast SKU adaptation, strong online ordering and delivery, and high geographic coverage.

Metric	Luckin Coffee	Starbucks China
Average ticket (RMB)	~14	~36
Daily orders / cups	~350	~250–300
Orders per hour (peak)	High (pickup-led)	Moderate (dine-in)
Monthly revenue / store (RMB '000)	~174	~270–310
Store size (sqm)	~40	120–200
Employees per store/week	~5	7–10
Revenue per sqm	High	Medium
COGS (% revenue)	~33%	~30%
Labor (% revenue)	~17%	~22–25%
Rent (% revenue)	~10%	~15–18%
Store-level OPM	~ 26%	~15–18%
Initial CapEx per store (RMB)	~ 0.4m	~1.5–2.0m
Payback period	~ 8 months	~2.5–4 years

Faster SKU Adaptation: Higher Same Store Sales Growth
of SKUs Launched



Higher Online Sales: Low Labor, Demand Forecast, Higher ITR



High Geographic Coverage: Rapid Market Penetration, Capture Fastest-Growing Rural Market

Brand	Luckin	Starbucks	Mixue	Cotti
# of China Rural County Covered	341	106	366	305

Starbucks maximizes per-store experience; Luckin maximizes capital efficiency. In a market shifting toward daily, convenience-driven coffee consumption, Luckin's model is structurally better positioned to scale and consolidate share.



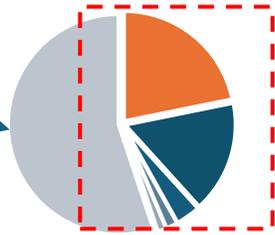
Sources: Luckin, Jihai, Mixue, Starbucks, Meituan

Competitive Landscape & Positioning: China Coffee Market

Luckin is best positioned to consolidate China's fragmented, scale-driven coffee market.

China Coffee Market Shares

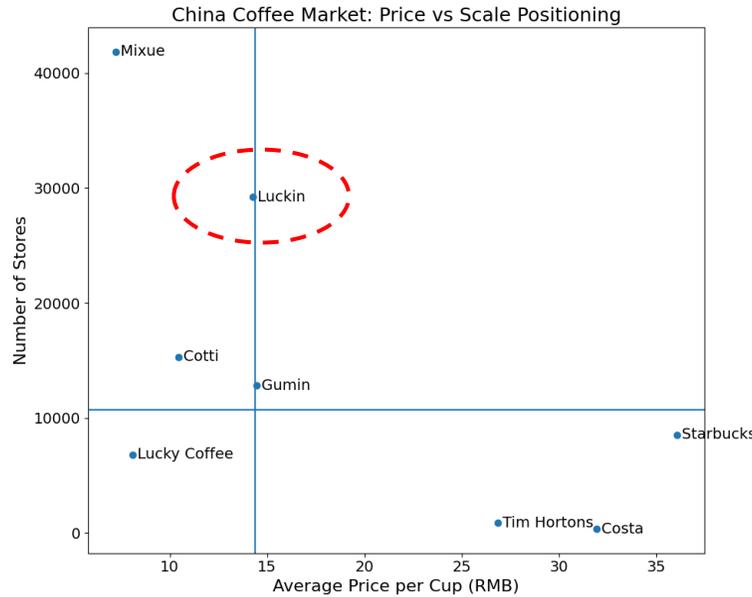
Long tail of regional and sub-scale players



Largest scaled national coffee chain

- Luckin
- Starbucks
- Cotti
- Manner
- Lucky Coffee
- Other

China Coffee market remains highly fragmented, creating room for a scaled operator like Luckin to consolidate share.



Luckin uniquely combines scale with mid-range pricing, unlocking mass-market demand without sacrificing unit economics.

Luckin:

Only player combining national scale with affordable pricing

Starbucks / Costa / Tim Hortons:

Premium pricing limits scale and frequency

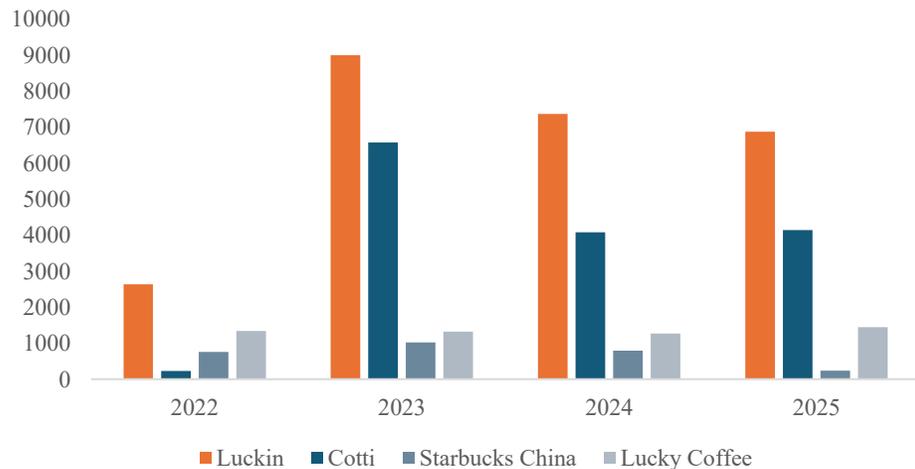
Mixue:

Value beverage model, not coffee

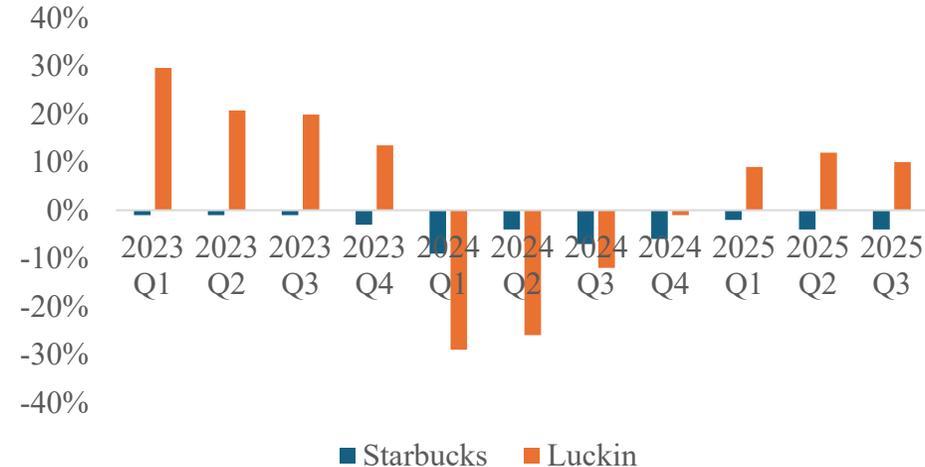
Cotti / Lucky Coffee / Gumin:

Sub-scale coffee challengers

Number of New Stores Open in China



Same Store Sales Growth YoY



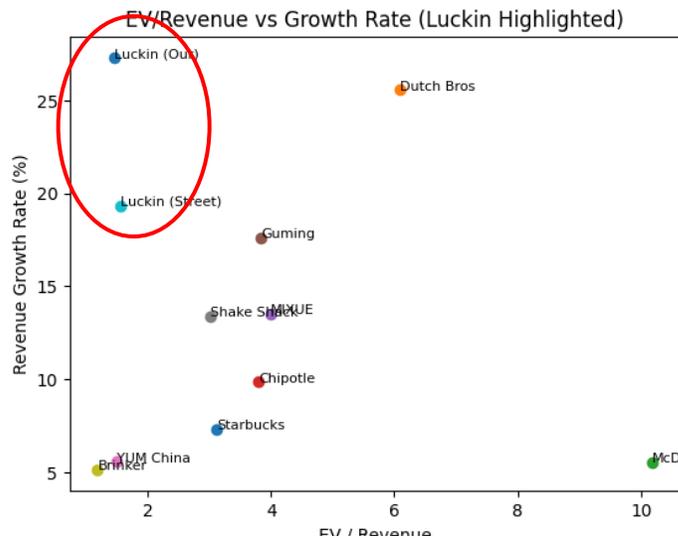
Luckin's business model enable high stores expansion without sacrificing same store sales growth. Although price competition created short-term volatility in same-store sales, Luckin's model rebounds faster, positioning it as the structural consolidator as competition rationalizes.



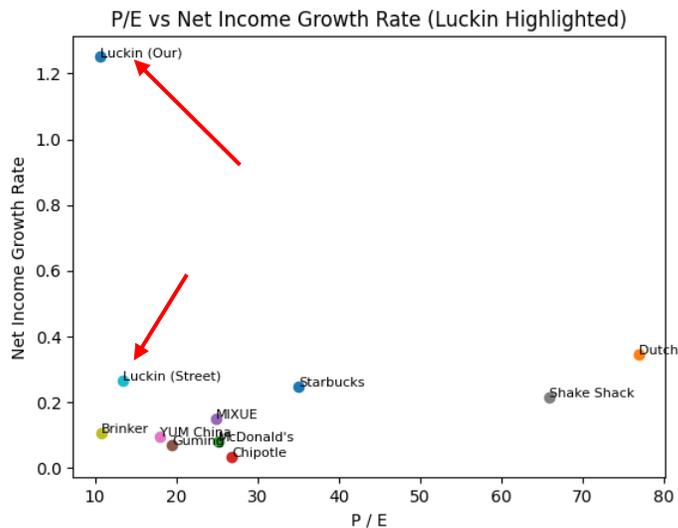
Thesis I. High Discount, Quicker Relisting

Luckin trades at a valuation typically reserved for low-growth QSR peers, despite exhibiting one of the strongest revenue and earnings growth profiles. Closing of valuation gap driven by earnings delivery and relisting progress.

Traded at High Discount Despite High Growth



- Luckin trades at $\sim 1.6\times$ EV/Revenue and $\sim 15\times$ P/E, comparable to mature peers.
- Despite delivering materially higher revenue and earnings growth
- Implies valuation re-rating driven by growth recognition, not multiple expansion



Re-rating to the peer median EV/Revenue of $\sim 3.8\times$ implies $\sim 145\%$ upside from current levels, excluding earnings growth.

Growth rates based on 2025/2026 E forward consensus; “Our” reflects internal base-case assumptions.

Sources: Bloomberg

Faster Relisting than Street View

Market View

Our View

2025.11 “Preparing to Relist, No Definite Timeline”

Late 2026 / 2027: Potential relisting application and review

2027: formal relisting application

2028: Approval & trading resumption

Early–Mid 2026: Formal relisting preparation and regulatory engagement
Incremental institutional re-entry
Mid–Late 2026: Relisting or clear regulatory pathway announced
2027: Approval & trading resumption

Key Catalyst

1. Economic Incentive Alignment Accelerates Relisting Preparation

Luckin’s major shareholders—including **Centurium Capital and Xiamen government-affiliated entities**—are economically incentivized to **unlock liquidity and valuation normalization**. Centurium Capital — Luckin’s controlling shareholder — is exploring a potential bid for Costa Coffee, indicating strategic deployment of capital toward global coffee assets. Yet it recently **scale back fundraising targets** (from an original \$2.5 billion to \$1.5 billion). For Xiamen Government, key officials had announced the support in supporting the relisting of Luckin Coffee during public speaking, partially because Xiamen government debt had raised to $\sim ¥68.4$ billion, highest since 2020.

2. Relisting Risk Is Compressing Through Operating and Governance Proof, Not the Event Itself

Luckin past governance issue is largely resolved and settled and have a proven record of clean statement. As Luckin continues to deliver earnings and disclosure consistency, the market begins to price relisting probability well ahead of the formal relisting date.



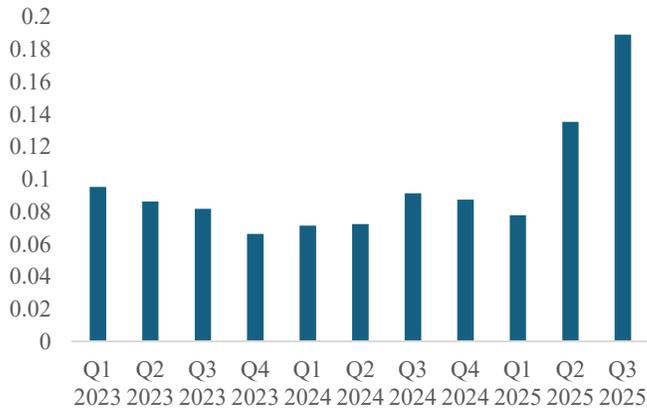
Thesis II. Delivery Price War End Faster than Street Expectation, Market Competition Moderating

Delivery Price War End Faster than Street Expectation



Street View	Our View
Price war expected to persist through H1 2026 Continued use of delivery subsidies to defend share	Subsidy intensity peaks in 2025 and de-escalates by Q4 2025 Management acknowledgment that price war is unsustainable accelerates discipline
Aggressive promotions extend into H1 2026 Pricing remains the primary lever to regain delivery share	Promotional pullback begins in Q4 2025 , ahead of Street expectations Shift toward unit economics and ROI-based spend limits prolonged subsidies

Delivery Expense as % Sales



While the Street expects subsidy normalization in H1 2026, we believe competitive and regulatory forces bring forward de-escalation to Q4 2025. In such case, Luckin's delivery expense will fall from 18% to previous 8%, Opex decrease from 53% to 47%, meaning a **¥ 20 mn+** increase in net income.

Market Competition Moderating

Competitive intensity in China's coffee market is cooling:

1. Luckin has begun to gradually raise prices, signaling improved pricing discipline and reduced need for aggressive subsidies
2. Major competitor Cotti Coffee has shifted strategy: Total store count has stagnated, shifted to stores-in-stores.

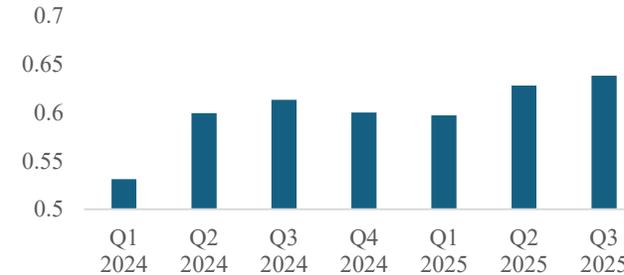
Cotti Coffe Store # by Type



Shop-in-shop formats typically imply:

1. Lower brand investment
2. Reduced customer acquisition ambition

Gross Margin



Key Product Raising Prices



As price competition in China's coffee market cools, Luckin is regaining pricing power, while competitors like Cotti pivot toward lower-intensity expansion via shop-in-shop formats.



Thesis III: Technology-Driven Product Development Enables Consistent Hit Product Execution

Luckin’s proprietary, technology-driven product development system enables rapid, repeatable, and data-validated new product launches, allowing the company to consistently create “hit” SKUs while minimizing innovation risk and inventory waste, yet market still priced Luckin as a traditional coffee retail company.

Data Driven R&D Process in 1 Month

1. Data-First Product Ideation

Luckin leverages:

- App-level consumer behavior data (Luckin coffee app had the highest DAU of 5.5mil vs Sbox 1.1mil , KFC 3.2 mil)
 - Social media trend monitoring
 - SKU-level sales velocity and repeat-purchase tracking
- to **reverse-engineer product demand before R&D begins**, rather than relying on intuition or limited focus groups.

2. Internal Competition + Quantitative Selection

Luckin institutionalizes innovation through:

- Multi-team internal competition on the same product theme
- Weekly blind tastings with **50–60 internal scorers**
- External city-level and pilot-store testing
- Standardized scoring across:

- Taste (acidity, sweetness, bitterness), Mouthfeel (richness, smoothness)

Products advance **only if they outperform peers numerically**, minimizing subjective bias.

3. App-Enabled Real-Time Feedback Loop

Post-launch, Luckin:

- Monitors real-time SKU-level sales data via the app
- Rapidly adjusts:
 - Ingredient formulation
 - Promotion intensity
 - Supply allocation

Weak SKUs are optimized or phased out quickly; strong SKUs receive extended promotion and are retained as core menu items.

Frequent, successful SKU Delivery = Push Up same store sales **5-10%** in one month



Product Name	Launch Date	First Day Sales (Millions)
Sauce-Flavored Latte	Sep 2023	>5.42
Roasted Coconut Latte	Dec 2023	>10.04
Moutai Sauce Latte 2.0	Sep 2023	>1.0
Pistachio Velvet Latte	Jan 2024	>3.5
Maotai Latte	Feb 2024	>50
Osmanthus Oolong Latte	Mar 2024	>5.2
Yunnan Pu'er Latte	Apr 2024	>4.8
Cold Brew Raw Coconut Latte (Upgrade)	May 2024	>6.0
Durian Coconut Latte	Jul 2024	>15
Brown Sugar Bubble Latte	Aug 2024	>5.5
Jasmine Velvet Latte	Sep 2024	>6.8
Roasted Chestnut Latte	Dec 2024	>12
Matcha Raw Coconut Latte	Feb 2025	>6.2
Osmanthus Coconut Latte	Mar 2025	>5.9
Seasonal Fruit Coffee Series	Apr 2025	>8.0

Higher new-product success rate → stronger same-store sales; Faster innovation cycle → better response to consumer trend



Valuation: DCF

		FY23	FY24	FY25	FY26	FY27	FY28	FY29
Revenue								
Company Operated Stores		17,880.10	25,591.80	39,208.50	49,402.71	59,653.78	70,152.84	81,026.53
Other		6,225.80	7,745.30	13,073.55	17,159.04	20,719.54	24,583.73	28,394.21
		797.27	1,137.71	1,634.05	2,080.36	2,411.20	2,842.10	3,282.62
Total Revenue		24,903.17	34,474.81	53,916.11	68,642.11	82,784.51	97,578.67	112,703.36
Cost of Sales								
COGS		10,892.21	14,099.78	20,313.64	25,397.58	29,802.43	34,152.53	39,446.18
Gross Profit		14,010.95	20,375.04	33,602.46	43,244.53	52,982.09	63,426.14	73,257.19
<i>% Gross margin</i>		56%	59%	62%	63%	64%	65%	65%
Operating Expenses								
Store rental and other operating costs		5,167.48	8,540.68	12,041.97	15,787.68	19,040.44	22,443.09	25,921.77
Delivery expenses		2,010.70	2,821.07	8,728.85	6,864.21	6,622.76	7,806.29	9,016.27
Depreciation and Amortization		604.58	1,190.04	1,675.89	2,191.31	2,430.88	2,499.96	2,543.01
Sales and marketing expenses		1,286.52	1,920.31	2,774.36	3,500.75	4,222.01	4,878.93	5,635.17
General and administrative expenses		1,829.65	2,420.46	3,303.32	4,118.53	4,718.72	5,464.41	6,198.69
Store preopening and other expenses		109.69	69.56	88.00	137.28	165.57	195.16	225.41
Others		(23.29)	(140.66)	17.48	22.25	26.83	31.63	36.53
Operating Income		3,025.62	3,553.59	4,972.60	10,622.52	15,754.88	20,106.67	23,680.34
<i>% Operating margin</i>		12.1%	10.3%	9.2%	15.5%	19.0%	20.6%	21.0%
EBITDA		3,630.20	4,743.62	6,648.49	12,813.83	18,185.76	22,606.62	26,223.35
EBIT		3,025.62	3,553.59	4,972.60	10,622.52	15,754.88	20,106.67	23,680.34
Interest and investment income		108.68	89.20	236.34	257.43	331.46	440.96	580.85
Interest and financing expenses		-	(3.92)	(0.13)	(2.02)	(2.02)	(2.02)	(2.02)
Foreign exchange gain/(loss), net		2.97	(13.24)	(16.12)	(17.73)	(19.50)	(21.45)	(23.60)
Other income, net		(29.91)	84.16	69.80	106.23	157.55	201.07	236.80
Net Interest Income (Expense)		81.74	156.19	289.90	343.90	467.48	618.55	792.03
EBT		3,107.36	3,709.78	5,262.50	10,966.42	16,222.36	20,725.21	24,472.37
(-) Tax		259.43	762.55	1,607.86	2,741.61	4,055.59	5,181.30	6,118.09
<i>Effective tax rate</i>		8.3%	20.6%	30.6%	25.0%	25.0%	25.0%	25.0%
Net Income		2,847.93	2,947.23	3,654.64	8,224.82	12,166.77	15,543.91	18,354.28
Total Current Asset (Less Cash)		4,043.75	4,961.15	7,857.09	10,342.34	12,261.18	14,166.73	16,362.57
Total Current Liabilities		5,462.67	6,382.38	11,664.68	10,835.47	12,880.16	14,917.20	17,210.77
NWC		(1,418.92)	(1,421.23)	(3,611.60)	(493.13)	(618.98)	(750.47)	(848.20)
Change in NWC		(605.30)	(2.31)	(2,190.37)	3,118.47	(125.84)	(131.50)	(97.72)
Adj. Cash EBIT		3,265.12	3,771.24	5,344.79	11,307.68	17,046.44	22,586.17	28,508.75
Adj. EBITDA		2,660.54	2,581.21	3,934.27	9,116.37	14,615.56	20,086.21	25,965.74
<i>% Margin</i>		10.7%	7.5%	7.3%	13.3%	17.7%	20.6%	23.0%
UFCF		4,550.61	4,143.20	3,780.50	12,290.43	12,761.00	16,818.45	21,121.19



Valuation: DCF 2

DCF	WACC					7.60%
Perpetuity Growth	Exit Multiple (EV/EBITDA)					17.40
Discounted FCF	3,513.30	10,614.69	10,242.23	12,544.86	313,147.13	
Sum						350,062.20
(-) Debt						6,172.40
(-) Noncontrolling Interest						1,514.70
(+) Cash						7,409.80
EQV						349,784.90
Shares outstanding						275.91
Indicated Price(CNY)						1,267.75
Indicated Price(USD)						178.56

DCF	WACC					7.60%
Perpetuity Growth	Perpetuity Growth					1.0%
Discounted FCF	3,513.30	10,614.69	10,242.23	12,544.86	223,900.77	
Sum						260,815.84
DCF						
Perpetuity Growth						
(-) Debt						6,172.40
(-) Noncontrolling Interest						1,514.70
(+) Cash						7,409.80
EQV						260,538.54
Shares outstanding						275.91
Indicated Price (CNY)						944.29
Indicated Price (USD)						133.00

		WACC				
		6.60%	7.10%	7.60%	8.10%	8.60%
,Multiple	15.4	1,183.58	1,159.26	1,135.62	1,112.63	1,090.27
	16.4	1,251.84	1,225.95	1,200.78	1,176.29	1,152.48
	17.4	1,320.11	1,292.64	1,265.93	1,239.95	1,214.69
	18.4	1,388.37	1,359.32	1,331.08	1,303.61	1,276.89
	19.4	1,456.64	1,426.01	1,396.23	1,367.27	1,339.10

		WACC				
		6.60%	7.10%	7.60%	8.10%	8.60%
Growth	0.0%	976.77	897.65	829.21	769.45	716.85
	0.5%	1,050.24	959.61	882.01	814.89	756.27
	1.0%	1,136.83	1,031.71	942.82	866.72	800.88
	1.5%	1,240.40	1,116.70	1,013.60	926.41	851.77
	2.0%	1,366.49	1,218.35	1,097.02	995.89	910.37



Risks : China Coffee Industry Competition & Liquidity

Risk	Why It Matters	Key Mitigants								
Liquidity & Capital Market Access Risk	LKNCY trades OTC, limiting index inclusion and institutional ownership; valuation multiple remains discounted vs. global peers ($\approx 19x$ P/E vs. Starbucks $\approx 30x+$).	<p>Net cash balance sheet with no external equity funding dependence; operating cash flow and FCF have remained consistently positive post-restructuring, supporting self-funded expansion. Luckin trading at a similar volume with industry pairs:</p> <table border="1"> <thead> <tr> <th>Brand</th> <th>Luckin</th> <th>Yum</th> <th>Yum China</th> </tr> </thead> <tbody> <tr> <td>Avg Volume (mm)</td> <td>2.21</td> <td>2.05</td> <td>1.45</td> </tr> </tbody> </table>	Brand	Luckin	Yum	Yum China	Avg Volume (mm)	2.21	2.05	1.45
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Intensifying Competition in China's Coffee Market	China coffee market CAGR $>20\%$ over past 5 years; aggressive entrants previously drove industry-wide price wars and margin volatility.	Luckin's store-level breakeven materially below peers due to smaller store footprint ($\sim 30\text{--}60$ sqm vs. Starbucks $\sim 150+$ sqm) and high online order penetration ($>90\%$), structurally lowering fixed costs.								
Governance & Trust Overhang	Historical fraud continues to embed a higher implied cost of equity , capping valuation despite strong fundamentals.	Multiple consecutive years of clean Big Four audits , full management overhaul, and normalized financial disclosure; no material restatements since restructuring, reducing tail-risk probability.								
Regulatory & Relisting Risk	NASDAQ relisting timing uncertain; delayed relisting could postpone multiple re-rating and index inclusion benefits.	Even without relisting, Luckin delivers high ROIC store expansion and strong NOPAT growth; valuation supported by fundamentals rather than reliance on a single catalyst.								
Macro & Consumer Down-Trading Risk (China)	Youth unemployment volatility and uneven consumption recovery pressure discretionary spend and ticket size.	Luckin's RMB 10–20 price band positions it as a down-trade beneficiary vs. premium chains; historically shows higher order frequency elasticity than premium peers during consumption slowdowns.								



Investment Conclusion: Variant View

Investment Conclusion – Variant View

- **Market Mispricing:** Luckin continues to trade at a discount due to legacy fraud concerns and China macro pessimism, despite strong growth, profitability, and cash generation.
- **Structural Reset:** Governance, disclosure, and internal controls have been fundamentally rebuilt; the business is no longer a turnaround but a scaled operator.
- **Technology Edge Underappreciated:** Proprietary, data-driven product development enables repeatable hit launches, faster innovation cycles, and lower execution risk than peers.
- **Competition Rationalizing:** Price wars are easing as weaker players slow expansion, allowing Luckin's cost-efficient model to gain share and expand margins.
- **Liquidity Catalyst Mispriced:** The market underestimates the probability and speed of relisting, which would unlock multiple expansion.
- **Asymmetric Upside:** Structural fundamentals + relisting catalyst position Luckin for valuation re-rating toward global peers.

Why Luckin

Fundamentally reset business: Luckin has delivered multiple years of clean financials, rebuilt internal controls, and now operates with a net cash balance sheet and consistent free cash flow generation, materially reducing downside risk.

Structural advantage vs. peers: Smaller-format stores, centralized procurement, and a highly digitized operating model drive lower store-level breakeven and faster payback than premium competitors, supporting scalable, high-ROIC growth. Strong product adaptation give better same store sales performance than peers.

Category winner in mass-market coffee: Positioned squarely in the RMB 10–20 value segment, Luckin captures high-frequency consumption and benefits from consumer down-trading without sacrificing volume growth.

Why Now

Valuation dislocation remains wide: Luckin trades at a material discount to global coffee peers despite superior revenue growth and improving margins, reflecting sentiment rather than fundamentals.

Competition intensity is easing: Delivery subsidies and irrational expansion by key competitors are moderating, allowing pricing discipline to return and margin pressure to stabilize faster than market expectations

Relisting optionality is underappreciated: While not required for value creation, accelerated relisting would unlock liquidity, institutional participation, and index inclusion—providing asymmetric upside.



Appendix: 1. Luckin Store Expansion Calculation

Method:

China cities are segmented by city tiers (Tier 1 → Tier 5 and below) **Convenience store count** is used as a proxy for local commercial density

Apply: A: Coffee shops / convenience stores ratio (market maturity proxy) ;B: Luckin market share assumption by city tier

Luckin's theoretical store count = Convenience stores × A × B

A. Coffee Shops / Convenience Stores Ratio (A)

City Tier	A (Coffee / Convenience Store Ratio)
Tier 1	2.0
New Tier 1	2.1
Tier 2	1.8
Tier 3	1.1
Tier 4	0.9
Tier 5 & below	0.8

B. Luckin Store Market Share Assumptions

City Tier	Luckin Share
Tier 1	15%
New Tier 1	17%
Tier 2	19%
Tier 3	20%
Tier 4	25%
Tier 5 & below	30%

National Store Capacity Estimate

City Tier	Estimated Luckin Stores
Tier 1	3,500
New Tier 1	8,200
Tier 2	10,100
High-Tier Subtotal	21,800

City Tier	Estimated Luckin Stores
Tier 3	13,600
Tier 4	11,200
Tier 5 & below	13,500
Lower-Tier Subtotal	38,300

With ~31k stores today versus a modeled national capacity of ~60k, Luckin is only halfway through its domestic expansion cycle. The current valuation does not fully reflect the duration and visibility of this long-term store rollout.

