



TH International Limited (THCH) Q4 2025 Earnings Call Transcript

April 14, 2026

Company Participants:

Yongchen Lu – CEO & Director

Albert Li – CFO

Patty Yu – Public & Media Relations Manager

Conference Call Participants:

Steve Silver - Argus Research Company

Fuli He – TF Securities

Operator:

Ladies and gentlemen, welcome to Tims China's Fourth Quarter and Full Year 2025 Earnings Conference Call. All participants will be in listen-only mode during management's prepared remarks, and there will be a question-and-answer session to follow. Today's conference is being recorded.

At this time, I would like to turn the call over to Patty Yu, Tims China's Public and Media Relations Manager, for prepared remarks and introductions. Please go ahead, Patty.

Patty Yu, Public and Media Relations Manager of TH International Limited:

Hello, everyone, and thank you for joining us on today's call. TH International Limited announced its fourth quarter and full year 2025 financial results earlier today. A press release as well as an accompanying presentation which contains operational and financial highlights are now available on the Company's IR website at ir.timschina.com.

Today, you will hear from Yongchen Lu, our CEO & Director, and Albert Li, our CFO. After the Company's prepared remarks, the management team will conduct a question-and-answer session. You can find the webcast of today's earnings call on our IR website.

Before we get started, I'd like to remind you that our earnings presentation and investor materials contain forward-looking statements, which are subject to future events and



uncertainties. 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 and our actual results may differ materially from these forward-looking statements. All forward-looking statements should be considered in conjunction with the cautionary statements in our earnings release and risk factors included in our filings with the SEC.

This presentation also includes certain non-GAAP financial measures which we believe can be helpful in evaluating our performance. However, those measures should not be considered substitutes for the comparable GAAP measures. The accompanying reconciliation information related to those non-GAAP and GAAP measures can be found in our earnings press release issued earlier today.

With that said, I would now like to turn it over to Yongchen Lu, our CEO & Director. Please go ahead, Yongchen.

Yongchen Lu, CEO & Director of TH International Limited:

Thank you, Patty. Good morning and good evening, everyone. Thank you for joining us today. As we just celebrated the 62nd Anniversary of the globally renowned Tim Hortons brand and the 7th Anniversary of Tims China, we are excited to continue serving our innovative and locally-relevant offerings to our fast-growing following of loyal guests. As of December 31, 2025, China stood as the largest international market in Tim Horton's global system by number of stores.

We continued our growth trajectory, generating total system sales of RMB1.57 billion in 2025, a 7.6% increase compared with 2024, fueled by 25 net new store openings and expanding our store network to 1,047 across 92 cities in China. Food sales as a percentage of total revenues accounted for 33.4% in Q4, 2025, increased from 24.0% in Q1, 2023. Orders with food items accounted for 51.0% of total orders in Q4, 2025, increased from 45.2% in Q1, 2023.

2025 marked a critical transition year for the Company. We further solidified our differentiated strategic positioning in 'Coffee + Freshly Prepared Food', completed made-to-order renovations of over 74% system-wide stores, while strategically pruned certain underperforming stores.



On same-store sales growth, we managed to achieve overall comparable transactions growth of 2.7% in 2025, but we had to apply higher discounts on delivery business to mitigate intensified competition due to aggregator platform dynamics, which led to a 2.4% decline in same-store sales growth for system-wide stores in 2025.

Despite the headwinds on fierce competitions, especially from low price local brands, our team demonstrated strong resilience and maintained our margins well at both store and corporate level. 2025 full-year company owned and operated store contribution margin was 7.0%, compared to 7.4% in 2024, which was primarily attributable to the temporarily increased delivery related costs due to aggregator platform dynamics. 2025 full-year adjusted corporate EBITDA margin improved by 1.0 percentage points.

With further optimized store capital expenditures and enhanced store unit economics, our 2024 vintage year company owned and operated stores generated store contribution margin of nearly 15% in 2025 and are expected to achieve a payback period within two to three years, our 2025 vintage year stores will have similar unit economics too. In the meantime, our company owned and operated stores in tier 1 cities, including Beijing, Shanghai, Guangzhou and Shenzhen, and in those cities with 10+ stores, generated over 10% and 7% store contribution margin in 2025, respectively, outperforming other tier cities with lower store density. We will continue adding more company owned and operated stores in existing cities to achieve higher economy of scale.

In 2025, we strategically expanded our store footprint while maintaining capital efficiency, delivering absolute convenience for our customers. Leveraging sub-franchisee partnerships, we accelerated market penetration, entering 92 cities by year end, including the debut of our first stores in Mianyang, Sichuan Province, Datong, Shanxi Province, and Xinxiang, Henan Province, during the fourth quarter of 2025. This growth strategy not only further strengthened our brand presence but also ensured sustainable scalability through optimized resource allocation. Since we launched our individual franchise business in December 2023, we have received over 10,000 applications and successfully opened over 300 stores by the end of 2025, showcasing continued market confidence in our franchise model.

We have witnessed reasonable returns for our franchised stores. For instance, our franchised stores at special channels, including railway stations, hospitals and highway rest areas,



generated store contribution margin of high teens in 2025 and are expected to achieve a payback period of approximately two years. We will accelerate opening franchised stores on these special channels.

In the meantime, our sub-franchise businesses contributed steady cash flows and profitability. Profits from other revenues achieved a year-over-year growth of 55.7% in 2025.

Product innovation has always been an important strategic focus for us. In 2025, Tims China accelerated product innovation across both beverages and food, launching a total of 178 new products: 96 new beverages and 82 new food items, which contributed over 25% of our top-line sales. Standout offerings have resonated strongly with customers, seasonal beverage highlights during the fourth quarter included the pomegranate, rose, cheese, and oat latte series, offering a diverse and differentiated flavor portfolio. We also focused on adding non-coffee beverage offerings, complementary to existing product portfolio during the afternoon tea daypart. Total number of non-coffee beverage cups accounted for approximately 18.3% of total beverage cups sold in 2025, compared to 14.0% in 2024.

On the food side, we continued to strengthen breakfast dayparts, and we launched several campaigns to promote lunch daypart. For instance, we introduced a breakfast combo with expansion of our croissants lineup with new offerings such as cheese chicken and roasted coconut cheese croissants, which suits morning routines and offers great value. Building on our classic bagel breakfast sets, the croissant combo includes protein-rich options like meat, catering to higher energy needs in colder months. Meanwhile, the croissant itself is light yet satisfying, perfect for those wanting a hearty but not overly filling breakfast.

In addition, Tims China continued to broaden its bagel sandwich range, introducing new products including the black truffle mushroom bagel and the spicy pickled cabbage beef bagel, further enriching its savory menu. We continued to strengthen our leadership in the bagel platform, selling a total of over 80 million bagel and bagel sandwiches products cumulatively as of the end of 2025.

The fourth quarter, being the holiday season, saw us rolling out a series of marketing campaigns designed for these special occasions. From Halloween to Thanksgiving and Christmas, we joined the festive spirit with creative promotions and themed activities to grab customer



attention. During the fourth quarter, Tims China continued to enhance brand relevance and consumer engagement through a series of marketing and product innovation initiatives. The Company strengthened its cultural positioning through high-profile collaborations, including a limited-edition partnership with the hit TV series *The Vendetta of An*, “长安二十四计”, as well as a co-branded campaign with People’s Daily, “人民日报数字传播”, to celebrate China’s National Day and honor everyday heroes across the country. These initiatives leveraged culturally resonant storytelling to deepen consumer connection and drive social engagement.

In parallel, Tims China advanced its sustainability initiatives by expanding its Bring-Your-Own-Cup program and increasing the incentive to RMB 8 per cup. As of now, the program had attracted over 200,000 participants, reducing carbon emissions by approximately 8 tons – equivalent to planting around 360 trees. The Company also introduced eco-friendly straws in collaboration with Tencent’s CarbonXmade program, using carbon capture technology to convert industrial carbon dioxide (“CO₂”) into sustainable materials. SGS certification confirms that every 100 straws store 3.185 grams of carbon dioxide (“CO₂”), reinforcing Tims China’s commitment to sustainable product innovation.

As of December 31, 2025, our registered loyalty club members exceeded 31.0 million, reflecting a remarkable 29.0% year-over-year growth. The average number of members per store has now surpassed 29,600, serving as a strong catalyst for our growth and clearly demonstrating our customers' ongoing support for Tims China's loyalty programs.

At this time, I would like to turn it over to our CFO, Albert Li, to discuss our fourth quarter and full year 2025 financial performance in more detail.

Albert Li, CFO of TH International Limited:

Thank you, Yongchen. We continue to strive for excellence in delivering high value-for-quality healthy products and thoughtful services to our ever-growing customers. In the fourth quarter, we achieved positive net new store openings and continued our strong momentum in system sales, achieving a 4.0% year-over-year growth. Our overall monthly average transacting customers reached 3.43 million during the fourth quarter of 2025, a 14.3% increase from 3.01 million in the same quarter of 2024. Additionally, digital orders as a percentage of total orders



rose from 86.1% in Q4 2024 to 89.3% in Q4 2025. We continue to enhance our digital capabilities to meet the growing demand for delivery and takeaway services. Total number of delivery orders increased by 33.7% year-over-year during the fourth quarter of 2025.

Amidst macroeconomic volatility and intensive market competition, our team demonstrated strong resilience and achieved profitability improvements through enhanced operational efficiencies, supply chain optimizations, and rigorous cost controls. In Q4 2025, our adjusted corporate EBITDA margin improved by 3.3 percentage point year-over-year.

During the fourth quarter of 2025, our total revenues dropped by 7.3% year-over-year, which was primarily due to the closure of certain underperforming stores. Benefiting from the expansion of our franchised store network, with the number of our franchised stores increased from 446 as of December 31, 2024 to 485 as of December 31, 2025, our system sales increased by 4.0% year-over-year to RMB359.4 million during the fourth quarter of 2025.

We're committed to improving our financial performance by refining store unit economics and boosting operational efficiencies at both store and corporate levels, setting the stage for our long-term sustainable growth:

Specifically, through refinements in our supply chain capabilities and economies of scale, we reduced 2025 full-year food and packaging costs as a percentage of revenues from company-owned and operated stores by 1.4 percentage points year-over-year.

We continued to streamline our operations by pruning underperforming stores, optimizing unit economics, refining staffing arrangements and optimizing store managerial efficiency. These actions led to a reduction in 2025 full-year store labor costs and other operating expenses as a percentage of revenues from company-owned and operated stores by 0.8 percentage points and 0.1 percentage points year-over-year, respectively.

We expanded our branding initiatives and promotional offers to drive traffic, our marketing expenses as a percentage of total revenues increased by 1.2 percentage points year-over-year.

Our adjusted general and administrative expenses as a percentage of total revenues decreased by 7.4 percentage points year-over-year, which was primarily attributable to a RMB9.7 million



(USD1.4 million) decrease in credit loss of account receivables.

Turning to liquidity, as of December 31, 2025, our total cash and cash equivalents, time deposit and restricted cash were RMB129.7 million (USD18.5 million), compared to RMB184.2 million as of December 31, 2024. The change was primarily attributable to cash disbursements on the back of the expansion of our business, partially offset by the draw-down of additional bank facilities. With the issuance of the US\$89.9 million 2025 senior secured convertible notes and the amendments to our existing 2024 unsecured convertible notes in December 2025, we have successfully repurchased all outstanding amount due under our variable rate convertible senior notes due 2026.

Looking ahead to 2026, with profitability being front and center of everything we do, we will continue to enhance our supply chain capabilities and efficiencies, roll out our differentiating made-to-order fresh and healthy food preparation model to drive traffic, optimize overall store unit economics, and accelerate the expansion of our successful sub-franchising.

I will now turn it over to Yongchen for concluding remarks followed by Q&A.

Yongchen Lu, CEO & Director of TH International Limited:

Thank you Albert. Before we turn to Q&A, I would like to take this opportunity to once again express my heartfelt gratitude to our customers, employees, business partners, and investors for your continued support, dedication, and trust. Together, we have created an overwhelming community of over 31 million loyalty club members; a unique “coffee plus freshly prepared healthy food” business model offering the best value-for-quality products as an international coffee brand; differentiated and comprehensive store formats with over 1,000 stores in 92 cities, most of which are made-to-order stores with expected payback period between two to three years; and a unique advantage of offering franchised opportunities as an international coffee brand. With these milestones behind us, we are steadfast in our commitment to sustainable growth and to generating long-term value for our shareholders.

I will now turn the call over to Patty for today's Q&A session. Patty?

Question & Answer Session:



Patty Yu, Public and Media Relations Manager of TH International Limited:

Thank you Yongchen. We will turn it over to Q&A and open it up for our registered questions. Let's begin with the first question. Operator, please go ahead.

Operator [Operator Instructions]:

Our first question comes from the phone line of Steve Silver from Argus Research Company.

Steve Silver, Argus Research Company:

Thanks, Operator, and thanks for taking my questions. So over the past few quarters now, you've highlighted franchise stores in special channels, such as the railway stations, hospitals, and the highway rest areas, and you've cited their strong contribution margins and the two-year payback periods. So while you've mentioned in your prepared remarks that you see openings under this model accelerating, can you quantify at all how much of a part of the future store mix you expect these channels to comprise, and really what impact you expect this to have on future operating results?

Yongchen Lu, CEO & Director of TH International Limited:

I mean the beauty of these stores on special channels - it's purely dining business, so they don't rely on delivery and also no discounts on those stores. So those stores have very high contribution margins and no delivery costs.

The rent might be higher but still those stores are generating high teens store contribution margin and the payback is very attractive around two years, even less than two years. In China there are tens of thousands of stations, airports, rest areas in highways and hospitals. So we have generated the momentum in those channels. As we mentioned we are the only, essentially we are the only international coffee brand that open to individual franchise. So we are attracting a lot of interest from those franchisee partners, this year we'll accelerate our openings on those channels.

Steve Silver, Argus Research Company:

Great. And so company owned and operated store contribution margins have now been negatively impacted by the higher delivery costs over the past few quarters. Is the company doing anything specifically to mitigate these risks in 2026 to improve same store sales growth as well as the store contribution margins?



Albert Li, CFO of TH International Limited:

Thank you for the question. I think I will take this one. So, as you have mentioned, due to those aggregator platform dynamics in 2025, which led to very aggressive subsidize that we have been seeing. I think on one hand, it drives higher delivery orders and also higher percentage of our delivery revenue mix. And in the meantime, we have also suffered from actually increased delivery costs. I think overall it's within our expectations because we want to manage our top-line growth, our same-store sales, our margins, and also our pricing well.

So, actually we are taking every step to maintain or even expand our store contribution margins. As you can see, even though I think the whole year 2025 store contribution margin for company-owned stores was slightly decreased from 7.4 percent to 7 percent, overall we have in the meantime actually increased our gross margin. The food and packaging cost as a percentage of revenue, actually has decreased by 1.4 percentage points. And we are still in the process of pruning some of the underperforming stores and achieving better economies of scale on labor costs. As you can see, the whole year labor cost has also improved, as well as other store operating expenses.

So we will do anything we can to actually mitigate potential delivery costs. And I think in the meantime we are also negotiating with those delivery aggregator platforms to actually to strike a better delivery cost. In terms of the delivery cost per order, we want to improve the cost structure to streamline the delivery cost per order as well. And I think lastly, we are also actually increasing some of the pricing on the delivery products. So, that is one of approaches to mitigate the potential headwinds from higher delivery costs. Overall, I think our goal is to at least maintain and even achieve certain margin improvement on our store contribution margin, despite the aggressive subsidize from those delivery aggregated platforms might still continue in 2026. But we expect that trend might be mitigated or might be slowed down this year. Thank you Steve.

Steve Silver, Argus Research Company:

Yeah, that's helpful. Thank you. And one more, if I may. So, in 2025, net store growth, it was positive, but it was a little more modest than maybe what previous thoughts might have been around store expansion. Yet at the same time, the franchise applications sound like it continues to be very, very strong, and the loyalty membership continues to expand significantly, almost



30% in 2025. So I'd love to hear your thoughts in terms of the underlying demand in terms of what we might think about for system sales growth in 2026.

Yongchen Lu, CEO & Director of TH International Limited:

We are in the process of pruning the underperforming stores for the past two years and we will do so this year as well. As you know, we opened a lot of high-rent stores during 2019 to 2022 and even in 2023. High-rent, large store formats are for the brand building and also the rent back then was very high, much higher than the current situation. So we are in the process of continuing pruning those underperforming stores. That's why you see the revenue for company owned and operated stores has dropped last year and this year.

This year, we will continue to prune some underperforming stores. But as we mentioned, the newer vintage of our stores have higher store contribution margins, the stores we opened in 2024 and in 2025 have store margin around 15%. So now this newer vintage of store format has been proven. So we'll continue to open such format for both company owned and franchise stores. We target to achieve net store openings this year of at least 100, might even more. We'll continue to expand the network and that's the plan for now.

Steve Silver, Argus Research Company:

Thanks for taking the questions and best of luck throughout the year.

Operator:

Our next question comes from the phone line, Fuli He from TF Securities. Please ask your questions.

Feli He, TF Securities:

Hello, thanks for taking my question. I have three questions. The first one is about gross margin. Your gross margin improved by 1.4 percentage points in full year 2025. This is quite impressive. Can you explain more on the factors behind this? And how would you expect your gross margin in 2026?

Albert Li, CFO of TH International Limited:

Thank you, Feli. I think I would take this question related to gross margin. So as you have mentioned, our food and packaging cost as a percentage of revenue from company owned and



operated stores actually decreased from 31.5% in 2024 to 30.1% in 2025, representing an improvement of 1.4 percentage points.

And in the meantime, I also want to highlight that if you take a look on the fourth quarter 2025, the cost percentage was 29.4%. It represents a two percentage points margin improvement from the fourth quarter of 2024. So I think the overall improvement was mostly because of the following factors. The first one is a better economy of scale, as our overall GMV has increased and our overall store network has expanded. And two, we've actually tried many approaches in supply chain optimization projects, especially for existing food and packaging materials. So we have almost renegotiated the unit cost and in terms of the overall pricing, with each of the supply chain vendors. And I think certainly we have optimized our discounts program. Actually, we have improved the average pricing a little bit, especially we have increased the pricing on delivery products, which definitely would help on the margins. And, we have also seen higher margin on our new product launch. As we have mentioned, we have actually launched nearly 180 new products in 2025. And most of this new LTO products have higher margins. And lastly, we have also optimized the recipe of existing core products and some other, like material costs and also in terms of the transportation and the freight costs. This also contributed to our overall margin expansion in 2025.

Going forward, I think we will continue to implement the above measures and plans. And we target to further reduce our food and packaging costs as a percentage of revenues, at least one to two percentage points in 2026. That would be our target for this year. Thank you Feli for your question.

Feli He, TF Securities:

Very clear. You mentioned company owned and operated stores in tier 1 cities, and in those cities with 10+ stores, generated over 10% and 7% store contribution margin in 2025, respectively, outperforming other tier cities with lower store density – can you explain more details about the differences on margin profile of these stores?

Yongchen Lu, CEO & Director of TH International Limited:

I'll take this one. Thank you for your question. It's a great question. The density really matters. The more stores we have in the city, the more brand awareness we have in the city, and the more efficiency on the marketing campaign, and a lower cost on delivery and supply chain,



and more efficiency on the management. The data clearly shows that we have the highest margin on tier one cities. And as we mentioned earlier, for the 2024 and 2025 vintage stores, our store margins are about 15%. And most of the stores are opened in the tier one or high tier cities. So we'll continue to add more company owned and even franchise stores in the existing cities to add density. Thank you.

Feli He, TF Securities:

Okay. What's the store opening and closure package for 2026 and expected mix between company-owned and operated stores and franchisee stores?

Yongchen Lu, CEO & Director of TH International Limited:

We just answered the similar question from Steve, so we target to achieve net new store openings of at least 100, including both company-owned and franchise stores, and we are very happy to see our new openings have very high margins, so we'll continue to open more stores, meanwhile we'll continue to prune some underperforming stores. We should be able to achieve net new store openings at least 100 this year.

Operator:

All right, thank you. I will now hand back to Patty to read any questions coming through via the webcast?

Patty Yu, Public and Media Relations Manager of TH International Limited:

It seems that we have no questions online, is that right?

Operator:

That's correct. So, at this time, there are no further questions. With that, we conclude today's question and answer session. I'd like to hand the call back to Yongchen for his closing comments.

Yongchen Lu, CEO & Director of TH International Limited:

Yeah, thank you all for your time. I know it's been a challenging year, but we have been able to improve our margins and achieve net store openings. And we expect to even improve our margins further this year and achieve the accelerated openings this year. So stay tuned. We'll see you soon. Thank you.



Operator:

Thank you. That does conclude today's conference call. Thank you for your participation. You may now disconnect your lines.