

1 **TH International Limited (THCH) Q4 2024 Earnings Call Transcript**

2 **April 15, 2025**

3

4 **Company Participants:**

5 Yongchen Lu – CEO & Director

6 Albert Li – CFO

7 Gemma Bakx – Head of Investor Relations

8

9 **Operator:**

10 Ladies and gentlemen, welcome to Tims China's Fourth Quarter and Full Year 2024
11 Earnings Conference Call. All participants will be in listen-only mode during
12 management's prepared remarks, and there will be a question-and-answer session to
13 follow. Today's conference is being recorded.

14

15 At this time, I would like to turn the call over to Gemma Bakx, who heads Tims China's
16 Investor Relations efforts, for prepared remarks and introductions. Please go ahead,
17 Gemma.

18

19 **Gemma Bakx, Investor Relations of TH International Limited:**

20 Hello, everyone, and thank you for joining us on today's call. My name is Gemma Bakx,
21 Head of Investor Relations. TH International Limited announced its fourth quarter and
22 full year 2024 financial results earlier today. A press release as well as an accompanying
23 presentation which contains operational and financial highlights are now available on
24 the Company's IR website at ir.timschina.com.

25

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

30

31 Before we get started, I'd like to remind you that our earnings presentation and investor
32 materials contain forward-looking statements, which are subject to future events and
33 uncertainties. Statements that are not historical facts, including, but not limited to,
34 statements about the Company's beliefs and expectations are forward-looking
35 statements. Forward-looking statements involve inherent risks and uncertainties and
36 our actual results may differ materially from these forward-looking statements. All
37 forward-looking statements should be considered in conjunction with the cautionary
38 statements in our earnings release and risk factors included in our filings with the SEC.

39

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

45

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

48

49 **Yongchen Lu, CEO & Director of TH International Limited:**

50 Thank you, Gemma. Good morning and good evening, everyone. 2024 marked a pivotal
51 year for the Company, we solidified our differentiated strategic positioning in “Coffee
52 + Freshly Prepared Food,” completed the made-to-order renovation of almost all
53 company owned and operated stores, surpassed 24 million registered loyalty club
54 members, and received over 6,200 individual sub-franchisee applications by year-end.
55 In Q4 2024, we celebrated the grand opening of the 1,000th Tims China shop in central
56 Shanghai, where the Tims China story began. This achievement is a testament to Tims
57 China’s enduring presence in the region, and to our ambition for further growth.

58

59 Amidst macroeconomic volatility and intense market competition, our team
60 demonstrated great resilience and achieved significant profitability improvements
61 through enhanced operational efficiencies, supply chain optimizations, and rigorous
62 cost controls. 2024 full-year company owned and operated store contribution margin
63 and full-year adjusted corporate EBITDA margin improved by 5.3 percentage points,
64 and 9.9 percentage points year-over-year, respectively.

65
66 Continuous product innovation has always been a strategic focus for us. In 2024, we
67 launched a total of 92 new products: 47 new beverages and 45 new food items, which
68 contributed approximately 25% of our top-line sales. Standout offerings have resonated
69 strongly with customers, such as beverages including Hawthorn Americano (“山楂美
70 式”), Fragrant Coconut Water Cold Brew (“香椰水冷萃”) and Buffalo Milk Latte (“水
71 牛乳拿铁”); and food items including Egg, Beef & Cheese Croissant (“蛋香牛肉芝士
72 可颂”), Pistachio Smile Bagel (“开心果微笑贝果”), “Black Gold Cheese Mammoth
73 Bagel (猛犸贝果黑金芝士)”, and Everything Croissant (“全能可颂”). We continued
74 to strengthen our leadership in the bagel platform, selling a total of approximately 22
75 million bagel and bagel sandwiches products in 2024.

76
77 To boost revenue across breakfast, lunch, and afternoon tea daypart, we've launched an
78 all-day solution tailored to our customers' needs at different times. We've customized
79 our operations for each part of the day, shifting from simple promotions to scenario-
80 based strategies. We've focused on understanding and meeting customers' specific
81 needs during each time period. For instance, we introduced a breakfast combo with
82 croissants, which suits morning routines and offers great value starting from RMB14.9
83 (about \$2 US Dollars.) Building on our classic bagel breakfast sets, the croissant combo
84 includes protein-rich options like meat, catering to higher energy needs in colder
85 months. Meanwhile, the croissant itself is light yet satisfying, perfect for those wanting
86 a hearty but not overly filling breakfast.

87

88 Recently, to boost lunch sales and offer our customers a healthy lunch option, we've
89 introduced the “Light Bagel Sandwich Lunch Box (轻体贝果堡午餐盒)”. This product
90 caters to the needs of health-conscious consumers by providing a nutritious and
91 convenient meal. The lunch box combines a light yet filling bagel sandwich with other
92 healthy yet tasty items, making it a perfect choice for those who want a satisfying lunch
93 without a heavy feeling. This product series, pricing competitively from RMB25.8
94 (about \$3.5 US Dollars), has been warmly welcomed by the market since it launched,
95 contributing meaningful incremental daily transactions per store.

96

97 In 2024, we strategically expanded our store footprint while maintaining capital
98 efficiency, delivering absolute convenience for our customers. A significant milestone
99 was reached in Q4 2024 with the grand opening of Tims China’s 1000th store in
100 Shanghai, marking a pivotal moment in our national expansion journey. Leveraging
101 sub-franchisee partnerships, we accelerated market penetration, entering 82 cities by
102 year end, including the debut of our first stores in Quzhou (“衢州”), Hengshu (“衡水”),
103 Jiangmen (“江门”), Xuancheng (“宣城”) and Chuzhou (“滁州”) during the fourth
104 quarter of 2024. This growth strategy not only strengthened our brand presence but also
105 ensured sustainable scalability through optimized resource allocation. Since we
106 launched our individual franchise business in December 2023, we have received over
107 6,200 applications and successfully opened approximately 100 stores by the end of
108 2024, showcasing market confidence in our franchise model. We have established an
109 attractive store unit economics for our sub-franchisees with a reasonable two to three
110 years’ payback period on average.

111

112 As of December 31, 2024, our registered loyalty club members exceeded 24.0 million,
113 reflecting a remarkable 29.7% year-over-year growth. The average number of members
114 per store has now surpassed 23,000, serving as a strong catalyst for our growth and

115 clearly demonstrating our customers' ongoing support for Tims China's loyalty
116 programs, which inspires our team to continue delivering the best value-for-quality
117 products and services.

118

119 At this time, I would like to turn it over to our CFO, Albert Li, to discuss our fourth
120 quarter and full year 2024 financial performance in more detail.

121

122 **Albert Li, CFO of TH International Limited:**

123 Thank you, Yongchen. We're committed to further improving our financial
124 performance by refining store unit economics and driving efficiencies at both store and
125 corporate levels. Our sub-franchise business also contributed steady cash flows and
126 profitability. During the fourth quarter of 2024, we continued to improve our company
127 owned and operated store contribution margin and adjusted corporate EBITDA margin
128 by 3.9 percentage points and 0.1 percentage points, respectively. Full-year 2024
129 company owned and operated store contribution margin and adjusted corporate
130 EBITDA margin improved by 5.3 percentage points and 9.9 percentage points,
131 respectively.

132

133 We remain focused on delivering high value-for-quality healthy products and
134 thoughtful services to our growing customer base. Our overall monthly average
135 transacting customers reached 3.01 million in Q4 2024, a 1.0% increase from 2.98
136 million in the same quarter of 2023. Additionally, digital orders as a percentage of total
137 orders rose from 83.6% in Q4 2023 to 86.1% in Q4 2024. We continue to enhance our
138 digital capabilities to meet the growing demand for delivery and takeaway services.

139

140 Our 2024 full-year total revenues and system sales dropped by 10.8% and 6.2% year-
141 over-year, respectively, which was primarily due to the closure of certain
142 underperforming stores and a 15.8% decrease in same-store sales growth for system-
143 wide stores, offset by a 105.3% increase in our sub-franchise business revenues as the

144 number of our franchised stores increased from 283 as of December 31, 2023 to 446 as
145 of December 31, 2024.

146

147 In 2024, we made significant progress in boosting operational efficiency, setting the
148 stage for our long-term sustainable growth:

149

150 Through refinements in our supply chain capabilities and economies of scale, we
151 reduced food and packaging costs as a percentage of revenues from company-owned
152 and operated stores by 3.5 percentage points year-over-year.

153

154 As many of you may know, we source most of our coffee beans from the RBI global
155 coffee bean ecosystem, mostly in Malaysia and Yunnan province of China and all our
156 other supply chain are sourced locally. Geopolitical tensions, natural disasters, and
157 unexpected events can disrupt even the most efficient supply chains. With our strong
158 and diversified supply chain, we have well mitigated these risks to ensure a reliable
159 flow of products to our stores, and our customers, while maintaining exacting standards.

160

161 We continued to streamline our operations by pruning underperforming stores,
162 optimizing unit economics, refining staffing arrangements and optimizing store
163 managerial efficiency. These actions led to a year-over-year reduction in rental and
164 property management fees, labor costs, and other operating expenses as a percentage of
165 revenues from company-owned and operated stores by 0.5 percentage points, 2.4
166 percentage points, and 0.5 percentage points year-over-year, respectively.

167

168 Benefiting from our cost optimization measures and increased brand recognition, our
169 marketing expenses as a percentage of total revenues decreased by 1.5 percentage
170 points year-over-year.

171

172 Our adjusted general and administrative expenses as a percentage of total revenues

173 increased by 0.3 percentage points year-over-year. Excluding one-time non-recurring
174 items like credit loss of account receivables and professional fees regarding transactions
175 for the sale of Popeyes and the reverse stock split, our adjusted general and
176 administrative expenses as a percentage of total revenues would have been decreased
177 by 2.3 percentage points year-over-year, from 13.9% in 2023 to 11.6% in 2024.

178

179 Through all these good efforts, we have been able to improve adjusted corporate
180 EBITDA margin by 9.9 percentage points in 2024.

181

182 Turning to liquidity, as of December 31, 2024, our total cash and cash equivalents, time
183 deposit and restricted cash were RMB184.2 million (USD25.2 million), compared to
184 RMB219.5 million as of December 31, 2023. The change was primarily attributable to
185 the financing from our founding shareholders, partially offset by cash disbursements on
186 the back of the expansion of our business and store network nationwide and the
187 repayment of certain bank borrowings.

188

189 Looking ahead, and thanks to our team's resilience and tireless work, Tims China is
190 standing at the turning point to achieve full-year corporate EBITDA breakeven. With
191 profitable growth being front and center of everything we do, we are excited to further
192 enhance our supply chain capabilities and efficiencies, roll out our differentiating made-
193 to-order fresh and healthy food preparation model to drive traffic, finesse optimization
194 of overall store unit economics, and accelerate the expansion of our successful sub-
195 franchising.

196

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

198

199 **Yongchen Lu, CEO & Director of TH International Limited:**

200 Thank you Albert. Before we turn to Q&A, I would like to take this opportunity to once
201 again express my heartfelt gratitude to our customers, employees, business partners,

202 and investors for your continued support, dedication, and trust during the past six years.
203 Despite the challenging time during the three-year covid period and the fierce price
204 competition in the past couple of years, together, we have built the brand from scratch
205 to over 1,000 stores in 82 cities; created a robust community of over 24 million loyalty
206 club members; a unique “coffee plus freshly prepared food” business model offering
207 the best value-for-quality products and a unique advantage of offering franchised
208 opportunities as an international coffee brand. With these milestones behind us and with
209 our demonstrated operational flexibility, we are steadfast in our commitment to
210 sustainable growth and to generating long-term value for our shareholders.

211

212 Moving into the spring of 2025, we look forward to regaining growth on our top-line
213 and to continuing our expansion with plans to open at least 200 stores this year, the
214 majority of which would be through our successful sub-franchising, while maintaining
215 our focus on operational excellence and profitability.

216

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

218

219 **Question & Answer Session:**

220

221 **Gemma:**

222 Thank you Yongchen. We will turn it over to Q&A and open it up for our registered
223 questions. Let’s begin with the first question. Go ahead, operator.

224

225 **Operator:**

226 Your first question comes from Steve Silver from Argus Research Corporation. Please
227 go ahead.

228

229 **Steve Silver:**

230 What is your current thinking on the state of the balance sheet? Especially, with the

231 focus on profitable growth and sub-franchise expansion in 2025, what specific
232 strategies will be employed to manage cash flow while balancing growth initiatives and
233 debt obligations?

234

235 **Albert Li, CFO of TH International Limited:**

236 Thanks. I will take this question. As of December 31, 2024, our total cash and cash
237 equivalents totaled approximately RMB184 million, compared to RMB220 million as
238 of the year end of 2023. In the meantime, we have maintained total drawable bank
239 facilities of approximately RMB400 million in the past couple of years and are in the
240 process of obtaining new bank facilities. Thanks to meaningful improvements in
241 profitability at both the store and corporate levels and the rigorous implementation of
242 cost control initiatives—including supply chain optimizations, store operational
243 streamlining, and overhead reductions, we have effectively slowed the rate of cash
244 outflows over the past year. Also, as mentioned, we've been using sub-franchising to
245 expand the store network since last year and will accelerate from this year on. We
246 believe we have established attractive unit economics for our sub-franchisees with a 2-
247 3 years payback on average. Lastly I want to highlight that our founding shareholders,
248 RBI and Cartesian, have already invested US\$60 million in 2024 to support our
249 sustainable growth strategy. This clearly demonstrated their long-term commitment to
250 our business.

251

252 **Yongchen Lu, CEO & Director of TH International Limited:**

253 Steve, thank you for your question. Let me echo that, first of all, we are at a turning
254 point to corporate EBITDA breakeven this year. Also, we have proven our sub-
255 franchising model with attractive unit economics. We will be using this model to expand
256 our store network from now on, which is capital efficient for us. We do not need a lot
257 of capital to grow the business from here.

258

259 **Steve Silver:**

260 Thanks so much. That's helpful. One more question, the coffee bean price has
261 significantly surged recently. What implications might this have for F&P costs and store
262 contribution margins?

263

264 **Albert Li, CFO of TH International Limited:**

265 Firstly, I want to mention that we rely on the RBI global coffee bean eco system, which
266 has been very reliable and cost-effective. With regards to the coffee bean price increase,
267 part of the measures we have taken is that we have started to source locally from Yunnan
268 coffee bean, which is relatively less expensive. Our cooperation with a local roastery in
269 China is approved by RBI, in addition to what we already have with RBI's Malaysia
270 roastery. Secondly, our coffee bean costs account for less than 14% of the overall F&P
271 costs. The overall coffee bean cost is not material. And Tims menu is diverse, featuring
272 not only coffee but also a variety of healthy food items, such as bagels and croissants.
273 That diverse menu helps us mitigate the impact of the increasing coffee bean costs. It
274 can also be mitigated by the downward pricing of other supply chain materials. Last
275 year our total supply chain gross margin has improved by 3.5 percentage point year
276 over year. Lastly, I want to mention that if the coffee bean cost could stay at current
277 price levels, our expectation is that the negative impact would be below 90 basis points
278 for the full year of 2025. I hope this clarifies your question.

279

280 **Steve Silver:**

281 Thank you so much. I will get back to the queue. Best luck to 2025!

282

283 **Operator:**

284 We have a webcast question from Jonathan Norwood who asks - How is management's
285 current view on same-store sales growth in 2025? And have the coffee price wars
286 recessed at all?

287

288 **Yongchen Lu, CEO & Director of TH International Limited:**

289 Thank you. I will take this question. Same-store sales growth is a very important
290 operating metric that we monitor closely. The fluctuations in same-store sales growth
291 over the past year reflect the short-term uncertainties in China’s economic and
292 consumption sentiment and the intense industry competition. The mid-to-long term,
293 with the increasing customer demand in coffee consumption, from both expanding
294 coffee population penetration rates, and rising frequencies, leaves significant room for
295 growth. What’s more, Tims China is not singly focused on the coffee market and we
296 continue to see strong and growing demand for our freshly prepared healthy food
297 products. For example, our latest launch of the “Light Bagel Sandwich Lunch Box (轻
298 体贝果堡午餐盒)” series products have been warmly welcomed by the market,
299 achieving an average of 20 plus incremental daily transactions per store. We are going
300 to have another two waves to further enrich the lunchbox offerings and drive further
301 growth. Lastly, we have seen an improving trend in same-store-sales growth since
302 October 2024 and our goal is to achieve positive same-store sales growth in 2025.

303

304 **Operator**

305 We have another webcast question from Jonathan Norwood: can you comment on your
306 liquidity position as it stands today?

307

308 **Albert Li, CFO of TH International Limited:**

309 I believe we addressed this above when addressing the state of the balance sheet. As of
310 the end of 2024, we had a total cash and cash equivalent of about RMB 184 million.
311 We also had nearly RMB390 million in our onshore bank borrowings, as well as two
312 convertible notes. One was issued in 2021, and one was issued last year. So based on
313 our current business plan, we believe we can achieve good liquidity in terms of potential,
314 new bank facilities that we will secure, and also potential other financing that we are
315 currently contemplating. Based on our current business plan, we are well capitalized.

316

317 **Operator:**

318 We have a follow-up question from Steve Silver from Argus Research Corporation.
319 Please go ahead.

320

321 **Steve Silver:**

322 Building on your "Coffee Plus Freshly Prepared Food" strategy, how do you plan to
323 drive product innovation in 2025 to align with evolving consumer demands?

324

325 **Yongchen Lu, CEO & Director of TH International Limited:**

326 Thank you. I will take this question. Product innovation remains a core strategic focus
327 for us. In 2024, we introduced a total of 92 new products, including 47 beverages and
328 45 food items. These new products account for approximately 25% of total net revenues.
329 So as a leading coffee brand in China, we commit to providing fresh, healthy and
330 delicious products for our distinguished guests. To achieve this goal, we have renovated
331 more than 600 stores into a made-to-order model and promised "Five Zeros" in all our
332 beverage product offerings. Going forward, our product innovation will continue to
333 work around the topic of freshness and health for our key target customer segments
334 including white-collar, family, and fitness enthusiasts. Our "Coffee + Bagel" combo has
335 become a go-to breakfast choice for guests, offering high-quality, affordable options
336 that balance taste and nutrition. The pairing has become a staple for our loyal clientele,
337 driven by its taste, convenience and value. Building on this momentum, we extended
338 the concept to launch the "Light Bagel Sandwich Lunch Box", a healthy, made-to-order
339 meal solution that has won strong market acceptance since its launch in February. The
340 three-item combo, including one bagel sandwich, one side, and one drink, sells from
341 RMB25.8, merely about US\$3.5. It contributes to about 20 transactions per store per
342 day. So our "Coffee Plus Freshly Prepared Food" strategy serves as a key differentiator,
343 allowing us to avoid price wars and concentrate on delivering long-term value. We are
344 confident that our dedication to providing high-quality and affordable offerings will
345 ultimately enable us to succeed in this competitive market.

346

347 **Steve Silver:**

348 Great. You mentioned your loyal customers in your answer. I am curious – given that
349 we are now in April of 2025, whether there is any color you can provide directionally
350 about the expansion of the loyalty program in terms of the trend there, whether it is
351 continuing from 2024 levels?

352

353 **Yongchen Lu, CEO & Director of TH International Limited:**

354 Yes. The loyalty club members continue to go high day after day. We have several ways
355 to attract new members: first, we continue to open new stores through our franchise
356 model. Many new customers will come to our stores and become loyalty members.
357 Secondly, we have a lot of online channels to attract new members through cooperation
358 with other aggregators or platforms. Thirdly, we usually cross over branding with many
359 good brands, such as Tesla and other good brands in China, which brings us many new
360 club members as well.

361

362 **Steve Silver:**

363 That's very helpful. Thanks again.

364

365 **Operator:**

366 Thank you. There's no further question at this time. I will hand back to the company
367 for any closing remarks.

368

369 **Yongchen Lu, CEO & Director of TH International Limited:**

370 Thank you for your time. Let's look forward to a great year ahead. Thank you!