

**Yunji Inc. (YJ)**  
**Q4 2023 Earnings Conference Call**  
**March 21, 2024 at 07:00 AM ET.**

**Speakers**

Shanglue Xiao, Chairman and Chief Executive Officer  
Yeqing Cui, Senior Financial Director  
Kaye Liu, IR Director

**Analysts**  
Ethan Yu, First Trust China

**Presentation**

Operator: Good morning and good evening, ladies and gentlemen. Thank you for standing by, and welcome to Yunji's Fourth Quarter 2023 Earnings Conference Call.

With us today are Mr. Shanglue Xiao, Chairman and Chief Executive Officer; Mr. Yeqing Cui, Senior Financial Director; and Ms. Kaye Liu, Investor Relations Director of the company.

As a reminder, this conference call is being recorded.

Now I would like to hand the conference over to our first speaker today, Ms. Kaye Liu, IRD of Yunji. Please go ahead, ma'am.

Kaye Liu: Hello, everyone. Welcome to our fourth quarter 2023 earnings call. Before we start, please note that this call will contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are based on our current expectations and current market operating conditions, and relate to events that involve known and unknown risks, uncertainties and other factors of Yunji and its industry. These forward-looking statements can be identified by the terminologies such as "will, expect, anticipate, continue" or other similar expressions. For a detailed discussion of these risks and uncertainties, please refer to our related documents filed with the U.S. SEC.

Any forward-looking statements that we make on this call will be based on assumptions as of today, and are expressly qualified in the entirety by cautionary statements, risk factors and details of the company's filing with the SEC. Yunji does not undertake any obligation to update these statements except as required under applicable law.

With that, I will now turn over to Shanglue Xiao, Chairman and CEO of Yunji.

Shanglue Xiao: (Speaking foreign language).

(Translated). Hello, everyone. Welcome to Yunji's fourth quarter 2023 earnings call. During 2023, and particularly in the fourth quarter's peak e-commerce promotion season, the prevailing trend resonating through the market was intense price competition. Major e-commerce and livestreaming platforms adopted low-price strategies as the norm, fostering a bargain-hunting mindset among consumers.

However, Yunji is not merely an e-commerce platform, we are also a brand builder and sales service provider. We understand the long-term repercussions of relying on low-price strategies, which can erode brand identity over time. The value we deliver to users lies in our cost-effective products with low return rates, as well as in minimizing decision-making and wait times for our users.

Our commitment to a carefully-curated product selection ensures that Yunji maintains a stable average order value, even amidst the market's focus on low prices.

The stability of our average order value is intricately linked to our highly-developed product capabilities. Centered around the theme of “love for food, beauty, and health”, we have developed a range of cost-effective private label products. We have not only expanded existing categories, but also successfully upgraded our lineup of megahit products. Over the span of many years of product development and sales, we have identified key ingredients that resonate strongly with our user base, such as collagen and probiotics.

Building on successful trials and enthusiastic user feedback, we have introduced a variety of new products across multiple categories that innovatively incorporate these popular ingredients, while exploring different ways to harness these ingredients and enhance product functionality. Leveraging the existing popularity of these ingredients, our new offerings have been warmly embraced by our users.

We aim to cultivate loyal users of individual products who appreciate our carefully-selected ingredients. In doing so, we will develop a user base that is loyal to the entire Yunji brand ecosystem, fostering a deeper trust in our brand.

At Yunji, we are committed to transparency in terms of our ingredients, and we actively seek genuine user feedback. We draw upon the rich heritage of over 5,000 years of Chinese history to source high-quality natural ingredients such as dendrobium and sea buckthorn. These renowned Chinese medicinal herbs are carefully processed using advanced technology to produce healthier foods that are easier to digest and absorb.

Over the past year, I've personally journeyed through mountains and grasslands to authenticate the quality of our ingredients and products, ensuring that our users can consume them with confidence and peace of mind.

In terms of marketing, we recognize the powerful link between exceptional service and strong sales performance. To enhance customer service and drive sales, we are committed to the continuous improvement of our service managers' skills through comprehensive professional training and technical support. Furthermore, we have invited a number of our service managers

to explore and trace product origins. This firsthand experience allows them to gather more product-related materials, which they can then share with users in our communities.

During March, we rolled out a range of new products as part of our healthcare brand upgrade. Alongside these products, we also unveiled a novel product-plus-service integrated sales model. Upon purchasing a product, users can gain access to Yunji's 28-day body image management program, which includes personalized one-on-one services and convenient online tracking via a mini-program. Our new healthcare products were a resounding success, with sales surpassing RMB8 million on launch day.

When it comes to basic daily customer services, we focus on third-party merchant management, internal customer service training, and service policy optimization. We also conduct regular customer follow-ups and online surveys to improve and ensure overall customer satisfaction.

AI was a significant trend in 2023, and we have been exploring new ways to apply it in our operations. During the year, our capabilities evolved significantly, and we now integrate AI into a range of functions, from basic customer service chatbots and handling routine call center tasks to more advanced support for service managers. For example, users of our 28-day body image management program can now consult with service managers regarding their daily nutritional needs and calorie intake.

Our AI health consultants seamlessly support service managers by rapidly and accurately calculating personalized recommended calorie intakes in real-time and providing informed and insightful advice.

That concludes our strategic summary and reflections for 2023. Moving forward, we remain committed to our strategy of a curated product selection, ensuring product cost-effectiveness, enhancing brand image, and actively exploring diverse marketing avenues to further elevate the Yunji brand.

With that, I will turn the call over to Mr. Cui, our Senior Financial Director to go through the financial results.

Yeqing Cui: Okay. Thank you, Shanglue. Hello, everyone. Before I go through our financial results, please note that all numbers stated in the following remarks are in RMB terms, and all comparisons and percentage changes are on a year-over-year basis unless otherwise noted.

During the fourth quarter of 2023, our operations remained relatively stable, and we continued to reinforce our core operational processes. Our refinements to inventory management practices allowed us to generate stable gross profit. We maintain a strategic focus on inventory management, actively monitoring various product categories on a weekly or monthly basis to ensure optimal stock levels. This approach not only optimizes our asset utilization, but also effectively manages our cash flow. Meanwhile, we're actively pursuing more efficient cash flow management.

Now, let's take a closer look at our financials. Total revenues were 149 million, compared to 289 million a year ago. Revenues from sales of merchandise were 112 million, and revenues from our marketplace business were 34 million. These changes were primarily driven by ongoing

refinements to our product range across all categories. This, coupled with the optimization of our supplier and merchant network, resulted in a short-term impact on sales.

Despite these challenges, our gross margin remained relatively solid at 46.6%. This was due to sustained customer loyalty towards our private labels and our effective product curation strategy.

Now, let's take a look at our operating expenses. Fulfillment expenses were 25 million, compared to 32 million a year ago. This was primarily driven by a decrease in warehousing and logistics expenses stemming from lower merchandise sales, reduced personnel costs due to staffing structure optimizations, and decreased service fees charged by third-party payment settlement platforms.

Sales and marketing expenses were 29 million, compared to 59 million a year ago. This was primarily a result of a decline in member management fees and decreased business promotion expenses.

Technology and content expenses were 12 million, compared to 17 million [a year ago]. The decrease was mainly due to a reduction in personnel costs resulting from staffing structure optimizations and reduced server cost.

General and administrative expenses were 44.5 million, compared to 44.9 million a year ago. This was mainly due to the reduction in personnel costs as a result of staffing structure refinements and share-based compensation expenses, partially offset by an increase in the allowance for credit losses.

Total operating expenses in the fourth quarter decreased to 110 million from 153 million in the same period of 2022. Loss from operations was 40 million, compared to 33 million a year ago.

Net loss was 66 million, compared with 38 million a year ago, while adjusted net loss was 65 million compared with 31 million a year ago.

Basic and diluted net loss per share attributable to ordinary shareholders were both 0.03, compared with 0.02 in the same period of 2022.

Turning to liquidity. As of December 31, 2023, we had a total of 552 million in cash and cash equivalents, restricted cash, and short-term investments on our balance sheet, compared to 669 million as of December 31, 2022. Our liquid assets were sufficient to cover our payable obligations, and we did not hold any long-term bank loans or debts on our balance sheet. In addition, we're dedicated to making the most of our working capital and smartly managing our assets to better support our operations.

In summary, the fourth quarter saw us taking significant strides towards our long-term strategic objectives. Our ongoing efforts to refine our inventory management systems, coupled with our commitment to sustainable and effective asset management, were key to this progress.

Looking ahead, our focus will remain on continuously enhancing our efficiencies, thereby, ensuring our company's resilience and adaptability. Our strategy equips us to effectively confront future challenges and capitalize on opportunities in the evolving economic environment.

This concludes our prepared remarks for today. Operator, we are now ready to take questions.

## Questions and Answers

Operator: Thank you. We will now begin the question-and-answer session. (Operator Instructions). Ethan Yu with First Trust China.

Ethan Yu: (Speaking foreign language). Let me translate it by myself. I just heard you mention customer service. We have observed that in recent months, major e-commerce platforms have launched a series of policies, such as 7-day no-reason returns, free shipping in remote areas, etc. What do you think of these new policies, which are biased towards consumers? Will the strategy have any impact on your performance?

Shanglue Xiao: (Speaking foreign language).

(Translated).

This issue involves the nature of the product and user consumption habits. First of all, we believe that to be a good platform, the selling point of your products cannot be for RMB9.9 with free shipping, and users' consumption behavior cannot be based on impulse consumption. Yunji, especially Yunji's merchandise sales and privatelabel products has always maintained a loose and a customer-first service policy.

However, our quality refund rate is very low compared to other platforms, which is inseparable from our sufficient user education. We believe that loose terms are important, but what ultimately attract consumers to repurchase is unique products offering and cost-effectiveness. Our average order value is enough to cover our customer maintenance expenses, and we also have many loyal users in remote areas. Thank you for your question.

Ethan Yu: Thank you, I have no more questions.

Operator: (Operator Instructions). As there are no further questions at this time, I'd like to hand the conference back over to management for closing remarks.

Kaye Liu: Thank you for joining us today. Please do not hesitate to contact us if you have any further questions. And we look forward to talking with you next quarter. Bye.

Operator: This conference has now concluded. Thank you for attending. You may now disconnect. Thank you.