



ZKH 震坤行

NYSE: ZKH

3Q2024 Earnings Presentation

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This document contains forward-looking statements. These statements are made pursuant to the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “may,” “will,” “expects,” “anticipates,” “aim,” “estimates,” “intends,” “plans,” “believes,” “is/are likely to,” “potential,” “continue,” and similar statements. Among other things, the quotations from management in the announcement, ZKH’s strategic and operational plans and outlook statements, contain forward-looking statements. ZKH may also make written or oral forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (the “SEC”), in its annual report to shareholders, in press release and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about ZKH’s beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: ZKH’s mission, goals and strategies; ZKH’s future business development, financial condition and results of operations; the expected changes in its revenues, expenses or expenditures; the expected growth of the MRO procurement service industry in China and globally; changes in customer or product mix; ZKH’s expectations regarding the prospects of its business model and the demand for and market acceptance of its products and services; ZKH’s expectations regarding its relationships with customers, suppliers, and service providers on its platform; competition in the Company’s industry; government policies and regulations relating to ZKH’s industry; general economic and business conditions in China and globally; the outcome of any current and future legal or administrative proceedings; and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks is included in ZKH’s filings with the SEC. All information provided herein is as of the date of this document, and ZKH undertakes no obligation to update any forward-looking statement, except as required under applicable law.

This document also contains non-GAAP financial measures, the document of which is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with accounting principles generally accepted in the United States of America. In addition, the Company’s calculation of these non-GAAP financial measures may be different from the calculation used by other companies, and therefore comparability may be limited. The reconciliation of those measures to the most comparable GAAP measures is contained within this document or available at our website <https://ir.zkh.com/>.

ZKH Today

ZKH 震坤行

Leading MRO Procurement Service Platform with One-stop Services and Offerings



Notes:

1. In 2023
2. Approximately 97% of our top 500 customers in terms of GMV in 2022 transacted with us in 2023
3. As of December 31, 2023

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3Q2024 Highlights

3Q2024 Highlights

Strategic Focus and Operational Execution Driving Business Forward

Solid performance with sustained year-over-year profitability improvement:



Advanced strategic focus across the business, improving business quality and structure



Continued investment in and strengthening of core competitiveness, including product capabilities, and digital and AI capabilities

- ❑ GMV contributed by private-label products increased by 32.2% and 23.6% year over year in 3Q2024 and 9M2024, respectively.
- ❑ Launched AI applications for pricing management, material management, and product selection and recommendation.



Superior customer experience continued to enhance customer engagement and growth

- ❑ Served 47,000+ and 75,000+ customers in 3Q2024 and 9M2024, representing a year-over-year increase of 16.9% and 30.3%, respectively.
- ❑ SME customer growth continued, while KA customers remained key for market share gains.



Delivered another quarter of profitability improvement

- ❑ Gross margin increased by 72.1 basis points year over year to 17.0%, driven by improved product sales model (1P) margin (from 13.9% to 16.0%) and marketplace model (3P) take-rate (from 11.2% to 12.6%) on the ZKH platform.
- ❑ Adjusted net loss narrowed by 32.9% year over year to RMB66.2 million, representing an adjusted net loss margin improvement of 145.5 basis points (from -4.4% to -2.9%), marking the tenth consecutive quarter of year-over-year improvement.
- ❑ Net cash generated from operating activities was RMB160.5 million in 3Q2024, compared with net cash used in operating activities of RMB9.0 million in 3Q2023.



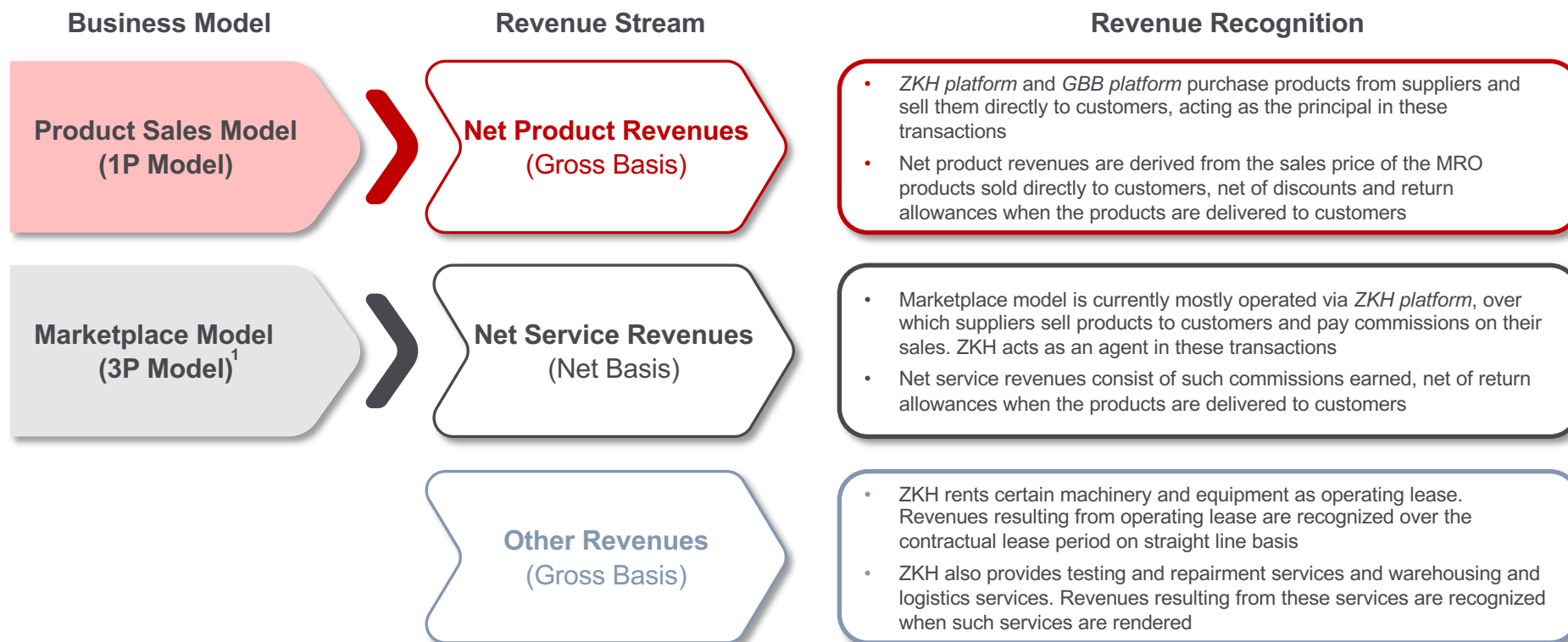
Continued to execute share repurchase program from time to time on the open market at prevailing market prices



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How We Performed?

Sources of Revenues



Note:

Net service revenues in 2020, 2021, 2022 and 2023 are mostly generated via ZKH Platform.

GMV and Revenue Growth

GMV

(RMB mm)

By Platform:

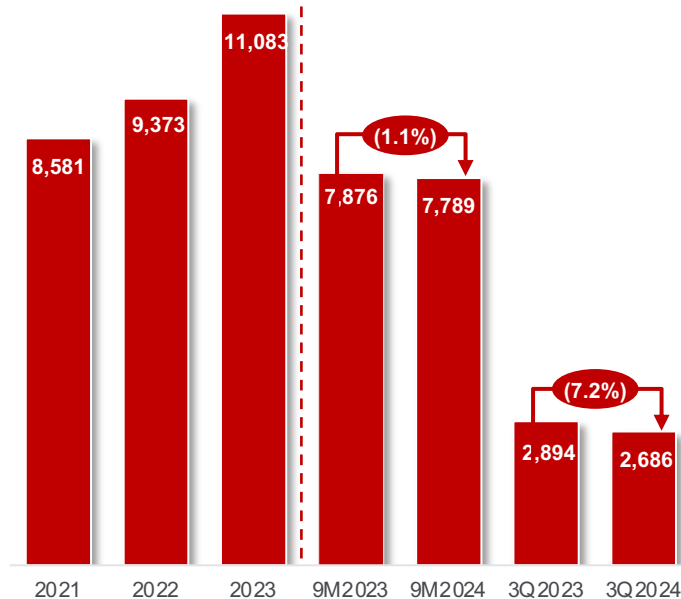
ZKH Platform %¹ 88.6% 91.4% 91.2% 91.5% 90.4% 90.5% 90.2%

GBB Platform %¹ 11.4% 8.6% 8.8% 8.5% 9.6% 9.5% 9.8%

By Business Model:

1P %² 89.3% 84.6% 75.2% 76.4% 79.5% 75.3% 83.0%

3P %² 10.7% 15.4% 24.8% 23.6% 20.5% 24.7% 17.0%



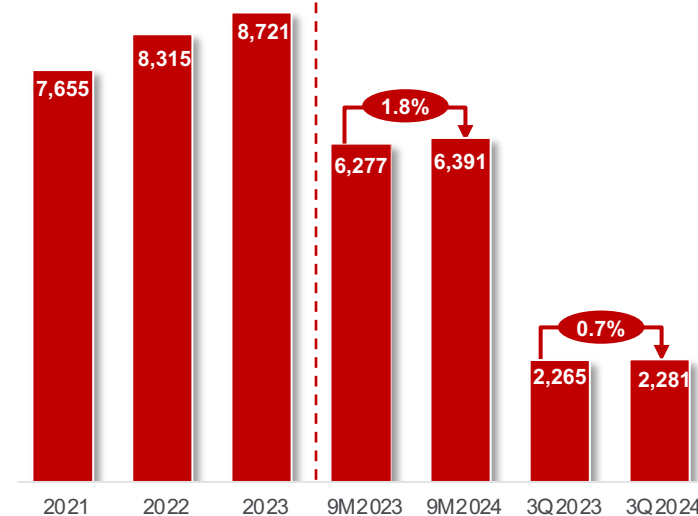
Net Revenues

(RMB mm)

Net Product Revenues %³ 98.0% 97.3% 95.6% 95.8% 96.2% 95.5% 96.8%

Net Service Revenues %^{3,4} 1.5% 2.2% 3.5% 3.3% 3.0% 3.5% 2.5%

Other Revenues %³ 0.5% 0.6% 0.8% 0.8% 0.8% 1.0% 0.7%



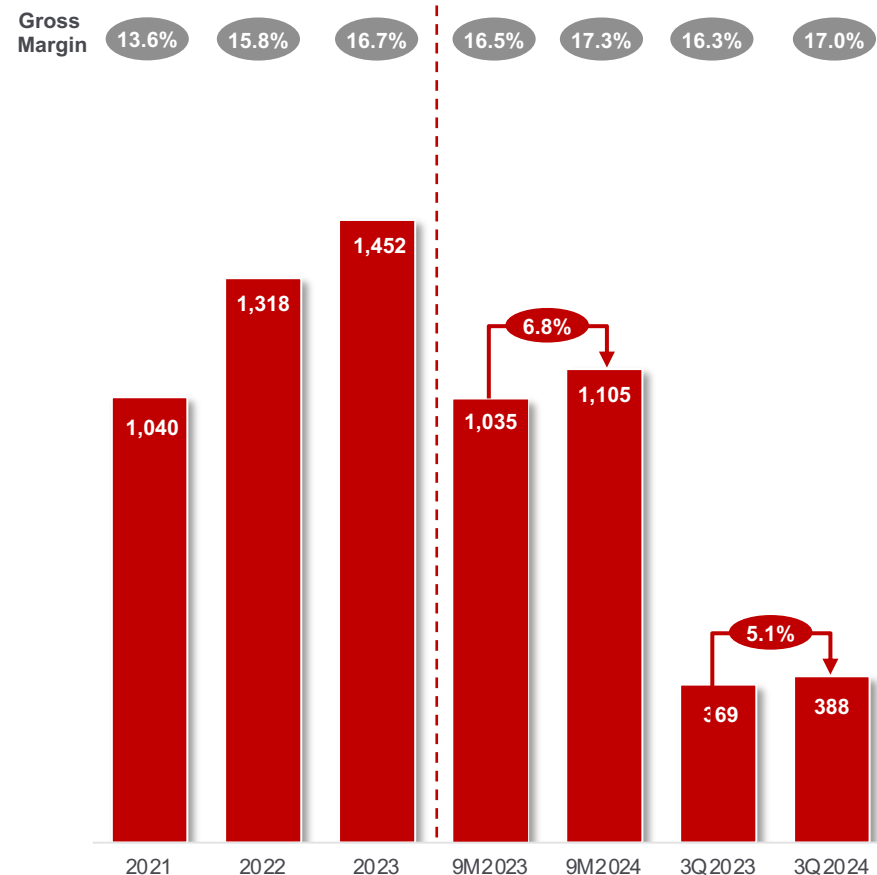
Notes:

1. Denotes the GMV from the ZKH platform as a percentage of total GMV, and the GMV from the GBB platform as a percentage of total GMV, respectively.
2. Denotes the GMV from the product sales model as a percentage of total GMV, and the GMV from the marketplace model as a percentage of total GMV, respectively.
3. Denotes the revenue from net product as a percentage of total revenue, the revenue from net service as a percentage of total revenue, and the revenue from the others as a percentage of total revenue, respectively.
4. Net service revenues under the marketplace model are recognized on a net basis. Therefore, a higher proportion of GMV generated by the marketplace model tends to increase the difference in growth rate between GMV and net revenues.

Gross Profit and Gross Margin

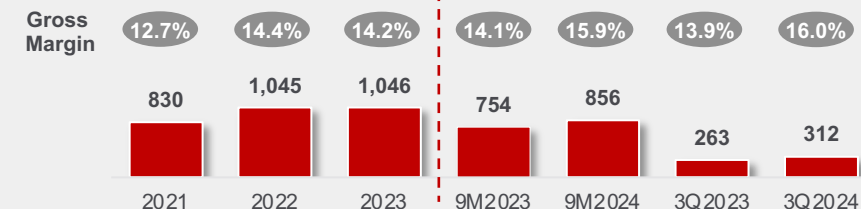
Gross Profit and Gross Margin¹

(RMB mm)



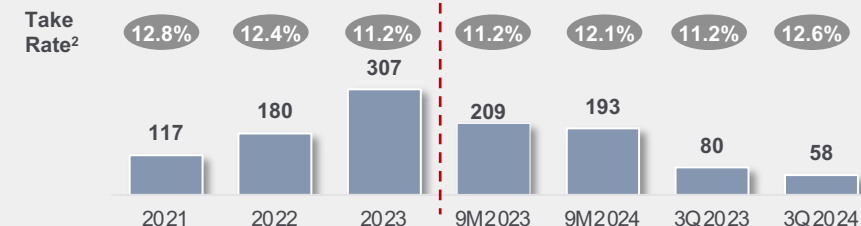
ZKH Platform – Product Sales (1P)

(RMB mm)



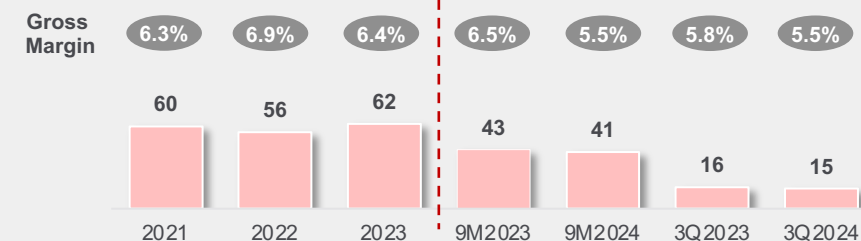
ZKH Platform – Marketplace (3P)

(RMB mm)



GBB Platform

(RMB mm)



Notes:

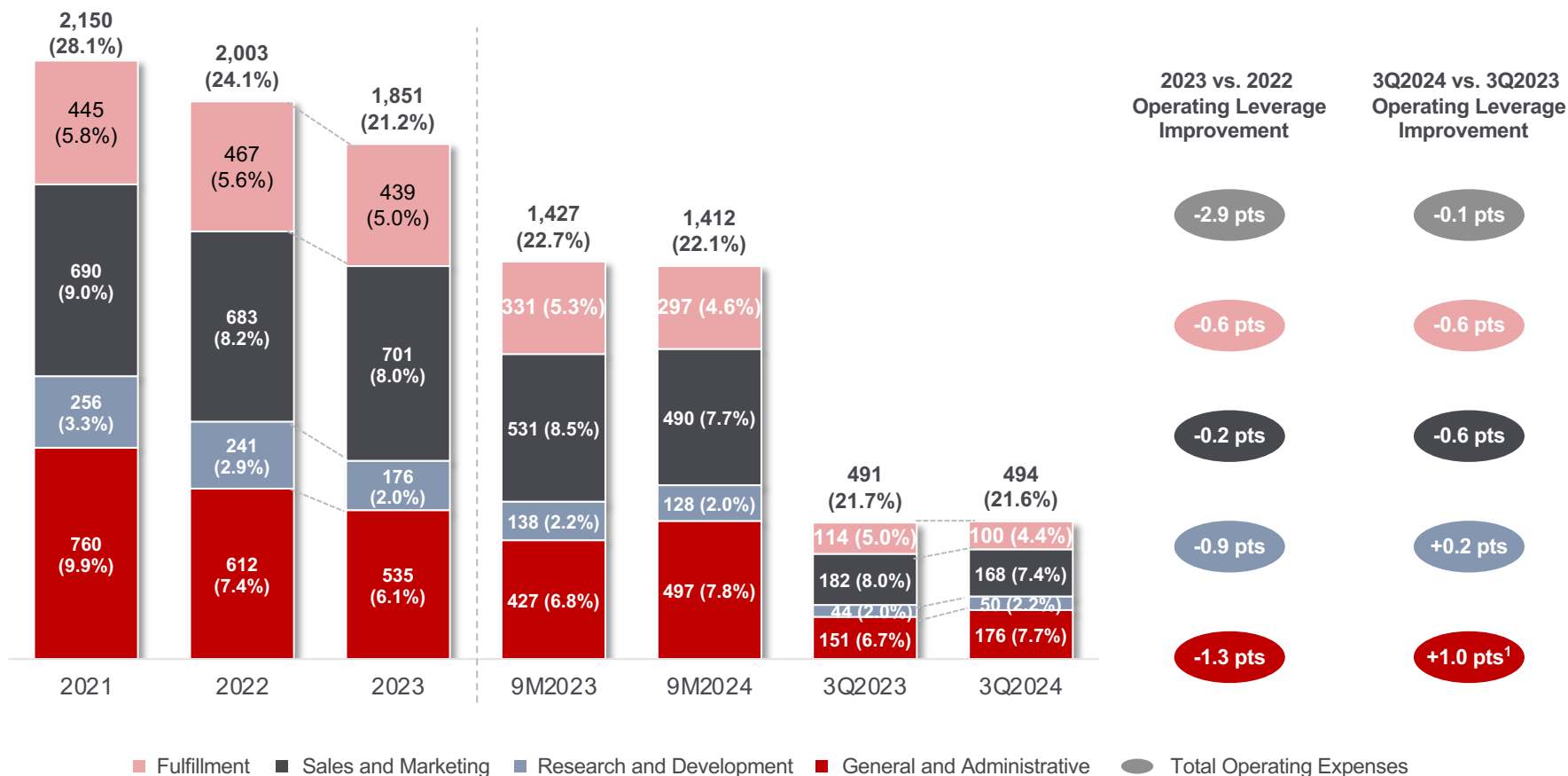
1. Gross profit = total net revenues – cost of revenues; gross margin is defined as gross profit divided by total net revenues.

2. Take rate of the marketplace model = gross profit from the marketplace model divided by GMV from the marketplace model.

Operating Leverage

Operating Expenses

(RMB mm, as % of Total Net Revenues)



Note:

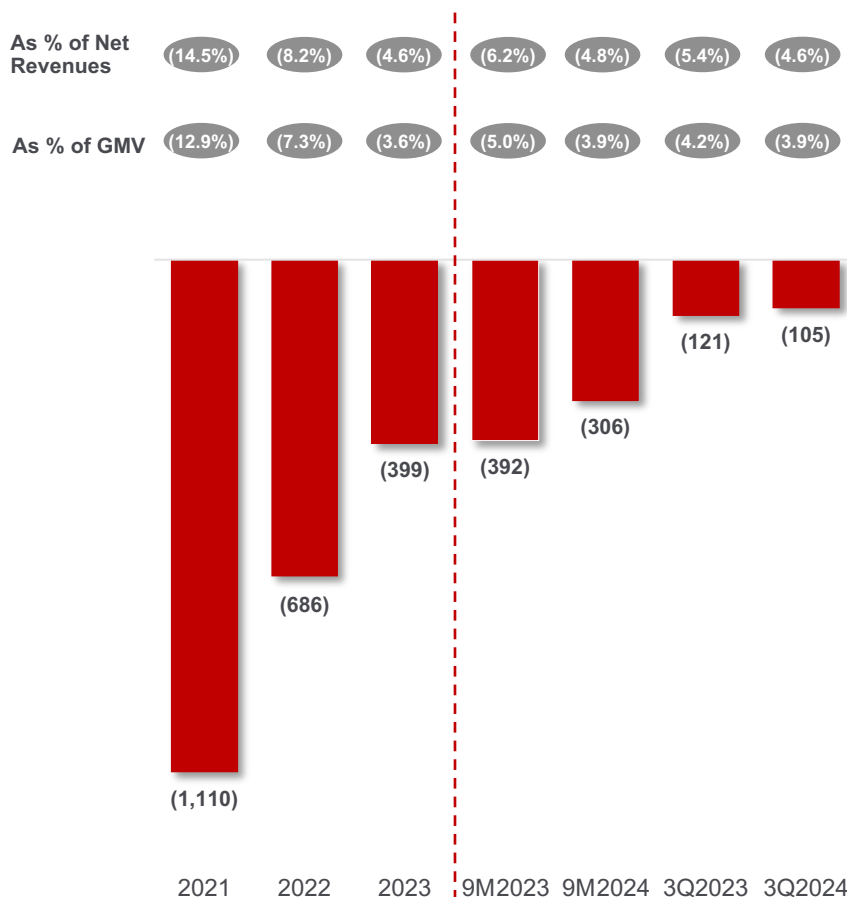
pts denotes percentage points.

1. The increase is mainly due to the increase in share-based compensation expenses and the allowance of credit losses.

Path to Profitability

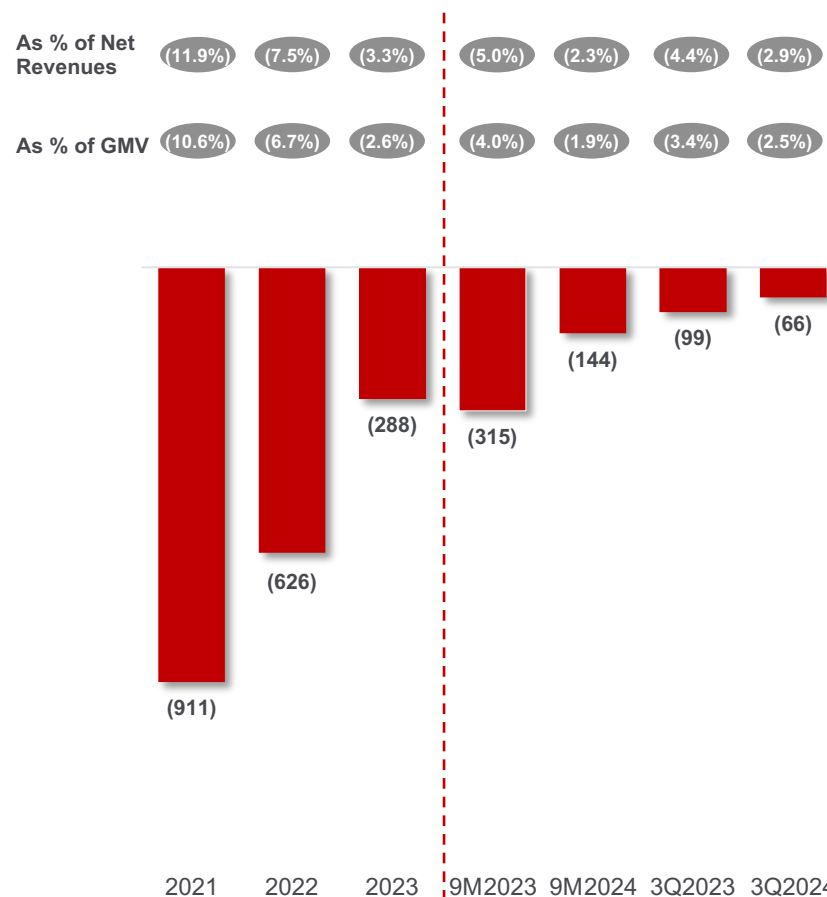
Operating Loss

(RMB mm)



Adjusted Net Loss¹

(RMB mm)

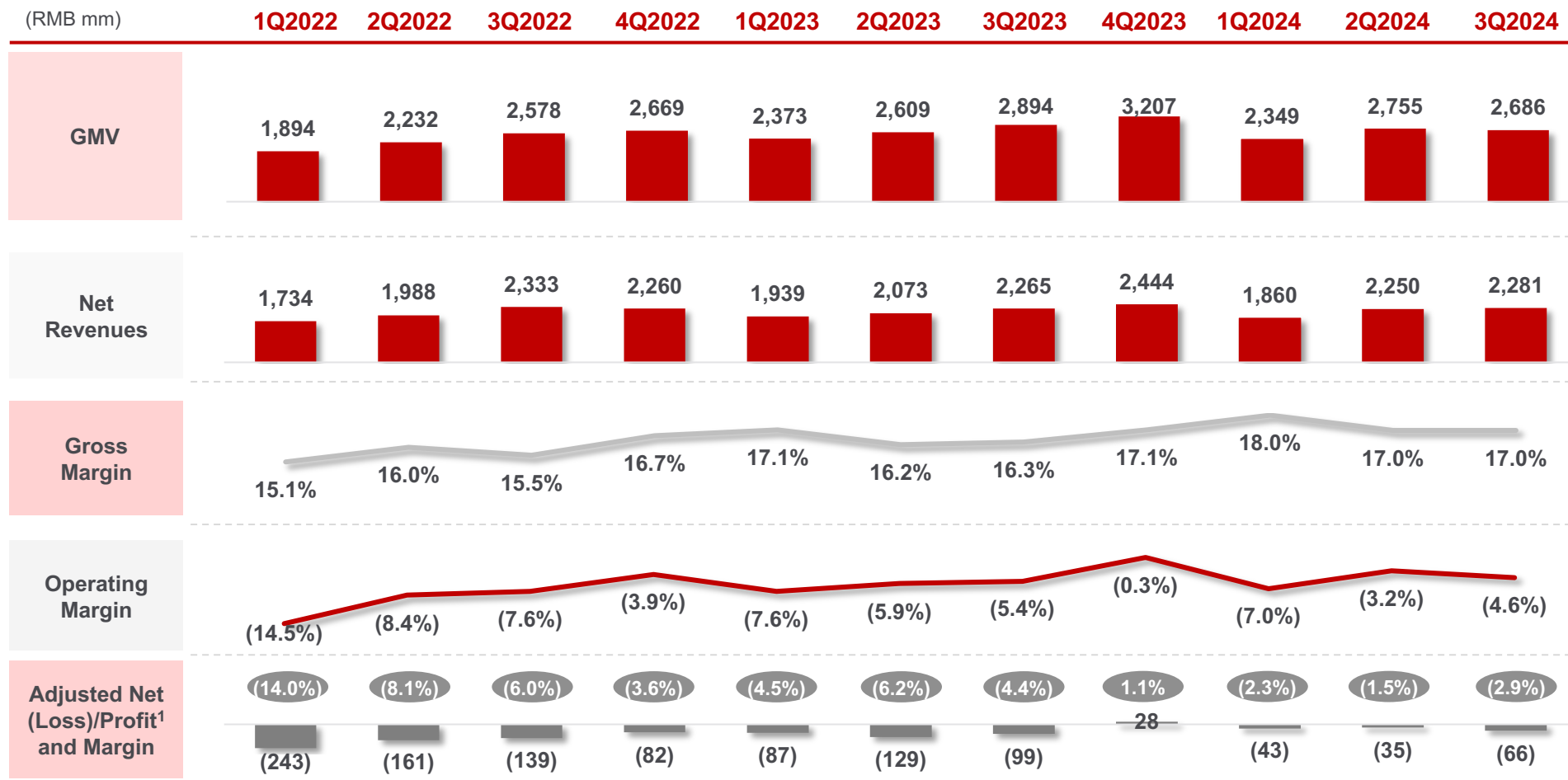


Note:

Adjusted net loss = net loss + share-based compensation expenses + interest expense due to the issuance of Series F Convertible Notes.

Quarterly Performance

(RMB mm)



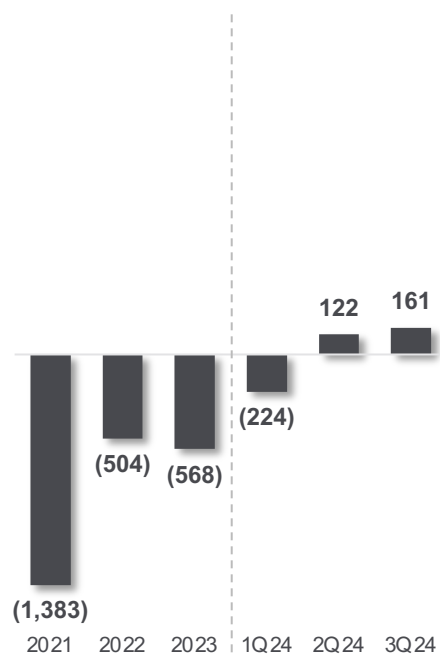
Note:

Adjusted net (loss)/profit = net (loss)/profit + share-based compensation expenses + interest expense due to the issuance of Series F Convertible Notes.

Cashflows

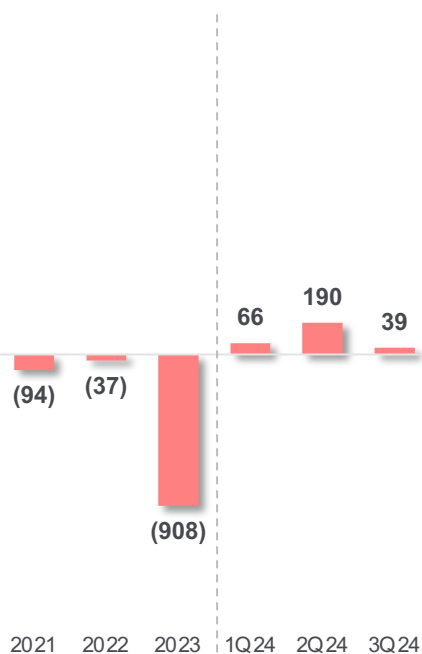
Net Cash (Used in)/Provided by Operating Activities

(RMB mm)



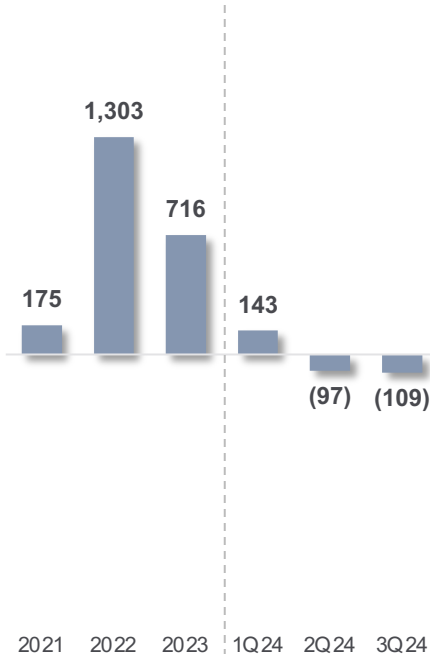
Net Cash (Used in)/Provided by Investing Activities

(RMB mm)



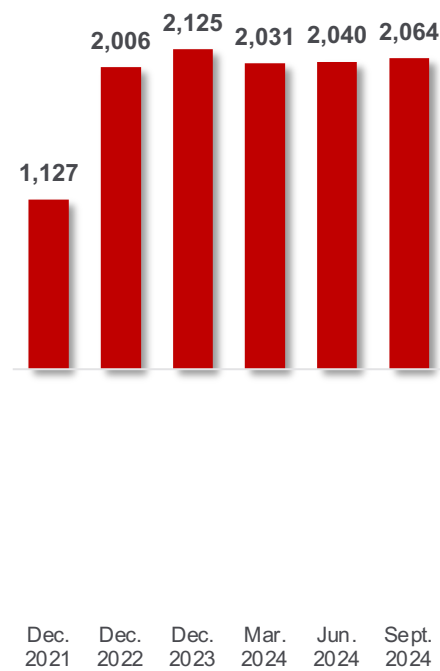
Net Cash Provided by/(Used in) Financing Activities

(RMB mm)



Cash and Cash Equivalents, Restricted Cash and Short-Term Investments

(RMB mm)



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Appendix

Unaudited Condensed Consolidated Statement of Comprehensive Income (Loss)



(All amounts in thousands)

	For the three months ended September 30,			For the nine months ended September 30,		
	2023	2024		2023	2024	
	RMB	RMB	USD	RMB	RMB	USD
Net revenues	2,265,001	2,280,690	324,995	6,277,214	6,391,095	910,724
Net product revenues	2,163,403	2,207,277	314,534	6,016,617	6,146,017	875,800
Net service revenues	79,887	57,666	8,217	208,820	193,481	27,571
Other revenues	21,711	15,747	2,244	51,777	51,597	7,353
Cost of revenues	(1,895,587)	(1,892,284)	(269,648)	(5,241,931)	(5,285,622)	(753,195)
Operating expenses						
Fulfillment expenses	(113,554)	(100,176)	(14,275)	(331,136)	(296,621)	(42,268)
Sales and marketing expenses	(182,269)	(168,161)	(23,963)	(530,765)	(489,963)	(69,819)
Research and development expenses	(44,356)	(49,785)	(7,094)	(138,074)	(128,052)	(18,247)
General and administrative expenses	(150,669)	(175,639)	(25,028)	(427,253)	(497,019)	(70,825)
Loss from operations	(121,434)	(105,355)	(15,013)	(391,945)	(306,182)	(43,630)
Net loss	(97,686)	(81,751)	(11,650)	(325,129)	(238,941)	(34,048)
Net loss attributable to ZKH Group Limited	(97,099)	(81,751)	(11,650)	(324,587)	(238,941)	(34,048)
Net loss attributable to ZKH Group Limited's ordinary shareholders	(201,496)	(81,751)	(11,650)	(904,787)	(238,941)	(34,048)

Reconciliation of GAAP and Non-GAAP Results



(All amounts in thousands)

	For the three months ended September 30,			For the nine months ended September 30,		
	2023	2024		2023	2024	
	RMB	RMB	USD	RMB	RMB	USD
Net loss	(97,686)	(81,751)	(11,650)	(325,129)	(238,941)	(34,048)
Add:						
Income tax expenses	74	591	84	255	745	9
Interest expenses	5,187	4,967	708	12,787	16,184	2,306
Depreciation and amortization expenses	16,333	13,381	1,907	56,919	42,084	5,997
Non-GAAP EBITDA	(76,092)	(62,812)	(8,951)	(255,168)	(179,928)	(25,736)
Net loss	(97,686)	(81,751)	(11,650)	(325,129)	(238,941)	(34,048)
Add:						
Share-based compensation expenses	(988)	15,573	2,219	10,084	94,447	13,459
Non-GAAP adjusted net loss	(98,674)	(66,178)	(9,431)	(315,045)	(144,494)	(20,589)
Basic and diluted net loss per ADS	(5.33)	(0.50)	(0.07)	(23.95)	(1.46)	(0.21)
Non-GAAP adjusted basis and diluted net loss per ADS	(2.61)	(0.40)	(0.06)	(8.34)	(0.88)	(0.13)

Unaudited Condensed Consolidated Balance Sheet



(All amounts in thousands)

	As of Dec 31, 2023	As of September 30, 2024	
	RMB	RMB	USD
Assets			
Cash and cash equivalents	1,090,621	1,460,075	208,059
Restricted cash	159,751	78,964	11,252
Short-term investments	874,210	525,402	74,869
Accounts receivable (net of allowance for credit losses of RMB107,032 and RMB154,088 as of December 31, 2023 and September 30, 2024, respectively)	3,639,794	3,166,588	451,235
Notes receivable	352,997	247,092	35,210
Inventories	668,984	656,906	93,608
Prepayments and other current assets	168,117	182,031	25,941
Total current assets	6,954,474	6,317,058	900,174
Property and equipment, net	145,288	177,170	25,247
Land use right	11,033	10,864	1,548
Operating lease right-of-use assets, net	224,930	189,530	27,008
Intangible assets, net	20,096	16,160	2,303
Goodwill	30,807	30,807	4,390
Total non-current assets	432,154	424,531	60,496
Total assets	7,386,628	6,741,589	960,670

Unaudited Condensed Consolidated Balance Sheet (Continued)



(All amounts in thousands)

	As of Dec 31, 2023	As of September 30, 2024	
	RMB	RMB	USD
Liabilities			
Short-term borrowings	585,000	495,000	70,537
Accounts and notes payable	2,883,370	2,522,559	359,462
Operating lease liabilities	91,230	82,122	11,702
Advance from customers	19,907	32,419	4,620
Accrued expenses and other current liabilities	448,225	360,356	51,350
Total current liabilities	4,027,732	3,492,456	497,671
Long-term borrowings	-	26,046	3,712
Non-current operating lease liabilities	146,970	116,501	16,601
Other non-current liabilities	507	25,947	3,697
Total non-current liabilities	147,477	168,494	24,010
Total liabilities	4,175,209	3,660,950	521,681
Total shareholders' equity	3,211,419	3,080,639	438,989
Total liabilities and shareholders' equity	7,386,628	6,741,589	960,670

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