IPO BOUTIQUE

IPO NAME	Symbol	Filing range	Lead	Due
[AIRO Group Holdings, Inc](#).	AIRO 2 2	$14.00-$16.00 5.0	Underwriters: Cantor, BTIG, Mizuho Cos: Bancroft Capital LLC	Th. 4/17
[Chagee Holdings Limited](#)	CHA 2	$26.00-$28.00 14.7	Underwriters: Citigroup, Morgan Stanley, Deutsche Bank, CICC Cos: Tiger Brokers, Futu, Valuable Capital	Th. 4/17
SECONDARY NAME	**Symbol their rating**	**Last Trade million Sh.**	**Lead Underwriters**	Due
There are no secondaries currently scheduled for this week. If this changes, we will alert you with emailed advisories.				

IPO's

AIRO Group Holdings, Inc. AIRO $14.00-$16.00 5.0 million shares Underwriters: Cantor, BTIG, Mizuho Co-Managers: Bancroft Capital LLC_Proposed trade date of 4/17 They are a technologically differentiated aerospace, autonomy, and air mobility platform targeting 21st century aerospace and defense opportunities.

Not a full write-up because their perceived short term prospects.

AIRO Group Holdings, Inc. AIRO

- 5,000,000 shares to be offered between $14.00-$16.00 per share
- Underwriters: Cantor, BTIG, Mizuho Co-Managers: Bancroft Capital LLC
- Proposed trade date of 4/17
- Rating = 2

Click here to view the prospectus.
https://www.sec.gov/Archives/edgar/data/1927958/000164117225003518/forms-1a.htm

They are a technologically differentiated aerospace, autonomy, and air mobility platform targeting 21st century aerospace and defense opportunities. They leverage decades of industry expertise and connections across the drone, aviation, and avionics markets to provide leading solutions to the aerospace and defense market. They offer connected and diversified solutions providing operational synergies across their segments and are powered by an international footprint as well as supplier and public sector relationships. Supported by complementary and innovative technologies, they believe they bring a unique value proposition to the market and are well-positioned to become a differentiated leader in the industry.

Their business is organized into four operating segments, each of which represents a critical growth vector in the aerospace and defense market: Drones, Avionics, Training, and Electric Air Mobility. These four segments collectively target a combined total addressable market estimated to be over $315.4 billion by 2030.

Drones. The Drones segment develops, manufactures, and sells drones and will provide drone services, such as DaaS, for military and commercial end users. Their military drones are sold through their Sky-Watch brand, which is a key supplier to European NATO countries. A critical point of differentiation lies in their drones' ability to perform in a GPS-denied environment, which is a technology application relevant for both military and commercial end markets.

Avionics. **The Avionics segment develops, manufactures, and sells avionics for military and general aviation aircraft, drones, and eVTOLs.** Their advanced avionics products include flight displays, Connected Panels, and GPS/GNSS sensors, all of which have been installed on legacy military aircraft and general aviation platforms.

Training. **The Training segment currently provides military pilot training and will provide commercial pilot training in the future. They offer professional training and consulting services to the U.S. military, select NATO countries, and other U.S. allies under their CDI brand.** These offerings include adversary air, close air support, ISR aircraft leasing, pilot training ground liaison services, and JTAC, as well as full joint theatre ISR and simulated ground strike training. They work closely with special military forces such as SEAL teams, the U.S. Naval Air Warfare Center, and USAF Air Combat Command, and are a mandated recipient on a $5.7 billion IDIQ contract.

Electric Air Mobility. **The Electric Air Mobility segment is developing a rotorcraft eVTOL for cargo and passenger use through their Jaunt brand for fixed route flights, on-demand trips, and cargo operations.** Their research and development ("R&D") efforts are focused on developing a cargo eVTOL platform, which will be a scaled-down version of their passenger eVTOL platform, and will target the attractive middle mile delivery cargo market. **Meanwhile, their long-term R&D efforts are focused on developing a full-scale multi-role eVTOL platform, which will be able to serve both the cargo and passenger markets.**

They offer differentiated technologies and diversified product offerings across the Drones, Avionics, Training, and Electric Air Mobility segments for both military and commercial end users. They have a history of developing and launching

innovative products, with their product advantage rooted in their exceptional R&D capabilities. From prototyping to certification to commercialization, their ability to launch solutions with strongly differentiated technology and direct product market fit is core to their platform.

According to NATO, 23 NATO countries are expected to meet or exceed the target of investing at least 2% of GDP in defense in 2024, compared to only three NATO countries in 2014. Over the past decade, **European allies of the United States and Canada have steadily increased their collective investment in defense by 41.3%, and are investing a combined total of more than $430 billion in defense spending in 2024. Moreover, NATO has recently signaled it will increase its defense spending benchmark from its current 2% of GDP target.** Global conflicts, particularly the conflict between Russia and Ukraine, have led to an increase in military spending and investment in new technologies solutions such as drones. **According to the Precedence Military Drones Report, the military drone market size is expected to reach approximately $24.75 billion by 2030.** New aircraft production and upgrades to existing aircraft are driving demand for their avionics solutions. They believe the market places a premium on avionics solutions like theirs that have capabilities such as improved flight controls, communications and navigation capabilities, and flight monitoring. Key market drivers include outsourcing of military training, technological advancement, and the ongoing pilot shortage. **Additionally, the DoD has awarded over $13.7 billion in military aviation training contracts since 2015, representing a new public-private sector market norm. In the commercial market, the same shortage of trained pilots serves as the main driver of demand. According to the Fortune U.S. Pilot Training Report, the commercial training market is projected to grow from $1.8 billion in 2023 to over $4.9 billion in 2030, representing a CAGR of 15.4%. According to the Morgan Stanley Report, it is estimated that the global electric air mobility market may grow to approximately $55 billion by 2030 and to approximately $1 trillion by 2040.** They believe that autonomous aerial cargo is one of the largest unaddressed segments within the EAM market, with an additional actionable opportunity in passenger transportation. They expect both of these segments will provide a substantial market opportunity.

They intend to make substantial investments in their sales and marketing, analytics, and communications functions to support their expansion within current markets and into future and specialized markets within each of their segments. They have identified specific opportunities to invest in organic growth, including procuring additional aircraft to expand the capabilities of the Training segment, launching larger screen form factor avionics with increased functionality, and iteratively developing their existing drone technology to enter new commercial end markets. **They intend to launch U.S. production of their military drones and subsequently seek DoD Blue UAS drone certification, which they currently estimate will take approximately six months to achieve and will allow them to sell drones to the DoD. They intend to focus their R&D activities on integrated avionics for their cargo eVTOL platform, the Jaunt Journey, and other eVTOLs as well as training aircraft in current markets. They intend to expand their current training capabilities through the acquisition of a flight school for commercial flight training and the launch of a fixed wing military simulation service offering.** Their training capabilities will be further enhanced by the acquisition of additional training aircraft through their acquisition of a flight school or otherwise. **They intend to develop, certify, and commercialize their eVTOL aircraft. They anticipate certification of their 33% downscaled cargo eVTOL under drone rules as early as 2027 and expect their first passenger production aircraft to be certified by the TCCA under existing CAR 529 Transport Category Rotorcraft airworthiness rules as early as 2031.** They believe their acquisition strategy will enable them to expand their footprint and opportunities in new and existing areas, strengthen their customer base and market share and improve overall brand recognition. They plan on building out their software, AI, and machine learning capabilities to help their customers solve more complex problems and bring additional capabilities to the marketplace. In addition, they intend to offer new product and service lines to ensure their customers are equipped with the proper tools for their evolving needs.

They have a limited operating history in new and evolving markets, which may make it difficult to evaluate their current business and future prospects and increase the risk of your investment. They are an early-stage company with a history of losses, and they expect to incur significant expenses and continuing losses for the foreseeable future. They have incurred significant net losses to date, and they expect that we will continue to incur net losses for the foreseeable future. They have incurred net losses in each period since our inception, including $38.7 million and $32.5 million for the years ended December 31, 2024 and 2023, respectively. As of December 31, 2024, they had an accumulated deficit of $206.5 million.. In order to reach production for their aircraft, they need to develop complex software and technology systems in coordination with their partners and suppliers, and there can be no assurance such systems will be successfully developed. **They rely on a limited number of suppliers in Canada and Europe for critical components and raw materials used to manufacture and develop their products. The market for eVTOL aircraft and electric air mobility has not been clearly defined, is still emerging and may not achieve the growth potential they expect or may grow more slowly than expected**, which may harm their business, financial condition, and results of operations. **They rely to a significant degree on sales to the U.S. government, particularly to agencies of the Department of Defense, and a decline in government budgets, funding, changes in spending or budgetary priorities, or delays in contract awards may materially adversely affect their future revenue, business, financial condition, results of operations, cash flow and equity.**

	Year Ended December 3	
	2024	2
(in thousands, except share and per share amounts)		
Consolidated Statements of Operations Data:		
Revenue	$ 86,935	$
Cost of revenue	28,618	
Gross profit	58,317	
Operating expenses:		
Research and development	13,133	
Sales and marketing	6,422	
General and administrative	18,201	
Goodwill impairment	37,994	

Total operating expenses		75,750		
Loss from operations		(17,433)		
Other income (expense):				
Interest expense, net		(14,225)		
Other income (expense), net		2,173		
Total other expense		(12,052)		
Loss before income tax expense		(29,485)		
Income tax expense		(9,209)		
Net loss	$	(38,694)	$	
Net loss per share, basic and diluted	$	(2.36)	$	
Weighted-average common shares outstanding used in computing net loss per share, basic and diluted		16,387,180		
Pro forma as adjusted net loss per share, basic and diluted (unaudited)	$	(3.21)		
Pro forma as adjusted weighted-average shares of common stock, basic and diluted (unaudited)		24,887,574		

	As of December 31, 2024					
		Actual		Pro Forma[(1)]		Pro F As Ad
(in thousands)						
Consolidated Balance Sheet Data:						
Total current assets	$	42,594	$	21,853	$	
Working capital (deficit)		(54,013)		(40,345)		
Total assets		700,999		680,258		
Total liabilities		152,270		63,860		
Accumulated deficit		(206,453)		(247,685)		
Total stockholders' equity		548,729		616,398		

Rating = 2

(click to return to top)

Chagee Holdings Limited   CHA $26.00-$28.00 14.7 million ADSs Underwriters: Citigroup, Morgan Stanley, Deutsche Bank, CICC   Co-Managers: Tiger Brokers, Futu, Valuable Capital Proposed trade date of 4/17 They are a leading premium tea drinks brand, serving healthy and delicious freshly-made tea drinks.

Chagee Holdings Limited   CHA

- 14,683,991 ADSs to be offered between $26.00 and $28.00 per ADS
- Underwriters: Citigroup, Morgan Stanley, Deutsche Bank, CICC Co-Managers: Tiger Brokers, Futu, Valuable Capital
- Proposed trade date of 4/17
- Rating = 2

Click here to view the prospectus.

https://www.sec.gov/Archives/edgar/data/2013649/000110465925033664/tm246985-29_f1a.htm

Company Overview

CHAGEE is a leading premium tea drinks brand, serving healthy and delicious freshly-made tea drinks. Its creation, in 2017, was inspired by how international coffee chains have made coffee drinking both a worldwide lifestyle and a social concept since the 1970s. This success has made them believe that tea drinking needs to be transformed too — and led them to use the power of technology and brand to make tea drinking a modern-day experience that connects people and cultures around the world.

- Today, nearly eight years after their inception and with their relentless passion for technology and pursuit of innovation, **they stand out as China's largest, fastest-growing, and most popular premium freshly-made tea drinks brand, according to iResearch:**
- **As of December 31, 2024, their network comprised 6,440 teahouses, including 6,284 located in China. This scale represents the largest store network among all premium freshly-made tea drinks brands in China.**
- In 2023 and 2024, their total GMV generated in China and overseas reached RMB10.8 billion and RMB29.5 billion, respectively. **As measured by GMV generated within China, they recorded the fastest growth from 2022 to 2024 among all freshly-made tea drinks brands with over 1,000 stores in China.**
- They have ranked the 1st on China's social influence index among all freshly-made tea drinks brands in China since October 2023, according to the Social Touch Search Engine.

They use advanced extraction technology to accentuate the pure taste of tea and enhance its depth of flavor through meticulous blending. This technique results in a differentiated, delicious taste of freshness and healthiness that has the ability to transcend time and cultures, captivating consumers worldwide. In 2022, 2023 and 2024, approximately 79%, 87% and 91% of CHAGEE's GMV generated within China, respectively, were attributed to their signature tea latte products, with approximately 44%, 57% and 61% of GMV generated within China derived from their top three best-selling tea lattes.

As of December 31, 2024, their CHAGEE brand encompasses a vast, growing network of 6,440 teahouses, including 6,284 teahouses covering 32 out of 34 province-level divisions across China and 156 teahouses overseas. Of their extensive teahouse network, 6,271 are franchised and 169 are company-owned. They directly manage a total of 398 teahouses, including all of their company-owned teahouses and 229 franchised teahouses.

As they rapidly scale their operation, their teahouses continue to deliver strong performance. Their average number of cups sold per teahouse per month in China increased from 8,981 in 2022 to 25,099 in 2024. The average monthly GMV of their teahouses in China increased from RMB177.5 thousand in 2022 to RMB511.7 thousand in 2024.

IPO Detail

This is the initial public offering of Chagee Holdings Limited and no public market currently exists for its ADSs. Chagee Holdings Limited is offering 14,683,991 ADSs as described in the prospectus. The company expects the initial public offering price of its ADSs to be between $26.00 and $28.00 per ADS. The company has applied to list its ADSs on the NASDAQ Global Market under the symbol "CHA."

ADSs offered by the company	14,683,991	ADSs
ADSs to be outstanding immediately after this offering	14,683,991	ADSs (or 16,886,589 ADSs if the underwriters exercise their over-allotment option in full).
Ordinary shares to be outstanding immediately after this offering	118,275,785	Class A ordinary shares, par value US$0.0001 per share (or 120,478,383 Class A ordinary shares if the underwriters exercise their option to purchase additional ADSs in full) and 65,274,107 Class B ordinary shares,

This is an initial public offering of American depositary shares, or ADSs, representing Class A ordinary shares of Chagee Holdings Limited. They are offering a total of ADSs, each representing of their Class A ordinary shares.

Following the completion of this offering, their issued and outstanding share capital will consist of Class A ordinary shares and Class B ordinary shares. Mr. Junjie Zhang, their founder, chairman of the board, and chief executive officer, will beneficially own all of their issued Class B ordinary shares and will be able to exercise % of the total voting power of their issued and outstanding share capital immediately following the completion of this offering, assuming the underwriters do not exercise their option to purchase additional ADSs. Holders of Class A ordinary shares and Class B ordinary shares have the same rights except for voting and conversion rights. Each Class A ordinary share is entitled to one vote and each Class B ordinary share is entitled to ten (10) votes. Each Class B ordinary share is convertible into one Class A ordinary share at any time by the holder thereof, while Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances.

Use of Proceeds

They expect to receive total estimated net proceeds from this offering of approximately US $362.0million, or approximately US $417.3million if the underwriters exercise their option to purchase additional ADSs in full. They intend to use the net proceeds from this offering for the following purposes:

- approximately US$144.8 million for expanding our teahouse network in China and overseas;
- approximately US$72.4 million for brand building and marketing;
- approximately US$54.3 million for investment in technology to support business development and operations;

- approximately US$36.2 million for developing and innovating new products;
- approximately US$18.1 million for building overseas supply chain network; and
- approximately US$36.2 million for general corporate and working capital purposes.

If an unforeseen event occurs or business conditions change, they may use the proceeds of this offering differently than as described in this prospectus.

Competition

Company	Stock Symbol	Exchange.
Cha Panda	Private	
Modern China Tea Shop	Private	
Molly Tea	Private	
Ah Ma Handmade	Private	
Auntea Jenny	Private	
Mixue Group	2097	HK

Market Opportunity

According to iResearch, **China's freshly-made tea drinks market, as measured by GMV, is growing rapidly to enormous scale, at a CAGR of 21.7% from RMB102.2 billion in 2019 to RMB272.7 billion in 2024, and is expected to reach RMB426.0 billion by 2028. In particular, the premium freshly-made tea drinks segment, defined by an average selling price of RMB17.0 (approximately US$2.5) and above per cup, as a proportion of the overall freshly-made tea drinks market increased from 10.9% in 2019 to 25.9% in 2024.** This faster growth is mainly driven by consumer demands for higher-quality products, diversified consumption scenarios, and a rising awareness of health benefits. The total GMV of the premium freshly-made tea drinks segment is expected to reach RMB167.1 billion in 2028, accounting for 31.7% of the total freshly-made tea drinks market.

Globally, the growth momentum is also tremendous. **The global tea drinks market, as the second largest non-alcoholic beverage category worldwide, commanded a GMV of US$467.1 billion in 2024 and is projected to reach US$601.9 billion by 2028, according to iResearch. Freshly-made tea drinks continue to gain popularity across overseas markets. Driven by rising per capita income, an expanding base of tea consumers, and the potential to attract more coffee drinkers by virtue of tea's affordability and health benefits, the global market for freshly-made tea drinks is expected to reach US$122.0 billion by 2028, representing a CAGR of 18.9% from 2024 to 2028.**

	For the Year Ended December 31,						
	2022		2023		2024		
	RMB	%	RMB	%	RMB	US$	%

	(in thousands, except for percentages)						
Net revenues from franchised teahouses	410,261	83.4	4,395,908	94.7	11,632,374	1,593,629	93.8
Net revenues from company-owned teahouses	81,392	16.6	244,263	5.3	773,208	105,929	6.2
Total net revenues	**491,653**	**100.0**	**4,640,171**	**100.0**	**12,405,582**	**1,699,558**	**100.0**
Cost of materials	(291,230)	(59.2)	(2,462,387)	(53.1)	(6,012,922)	(823,767)	(48.4)
Company-owned teahouse operating costs	(54,901)	(11.2)	(106,379)	(2.3)	(467,320)	(64,023)	(3.8)
Storage and logistics costs	(12,453)	(2.5)	(99,867)	(2.2)	(243,822)	(33,403)	(2.0)
Other operating costs	(75,775)	(15.4)	(272,773)	(5.9)	(572,621)	(78,449)	(4.6)
Sales and marketing expenses	(73,605)	(15.0)	(261,563)	(5.6)	(1,108,911)	(151,920)	(8.9)
General and administrative expenses	(99,530)	(20.3)	(363,099)	(7.8)	(1,113,387)	(152,533)	(9.0)
Total operating expenses	**(607,494)**	**(123.6)**	**(3,566,068)**	**(76.9)**	**(9,518,983)**	**(1,304,095)**	**(76.7)**
(Loss)/income from operations	**(115,841)**	**(23.6)**	**1,074,103**	**23.1**	**2,886,599**	**395,463**	**23.3**
ir value change of forward contract related to Series B+ preferred shares	—	—	(105,483)	(2.2)	—	—	—
Financial income, net	1,915	0.4	17,016	0.4	37,306	5,111	0.3
Others, net	1,546	0.3	20,691	0.4	118,193	16,192	1.0
(Loss)/income before income tax	**(112,380)**	**(22.9)**	**1,006,327**	**21.7**	**3,042,098**	**416,766**	**24.6**
Income tax benefit/(expense)	21,664	4.4	(203,761)	(4.4)	(527,507)	(72,268)	(4.3)
Net (loss)/income	**(90,716)**	**(18.5)**	**802,566**	**17.3**	**2,514,591**	**344,498**	**20.3**

The following table presents their summary consolidated balance sheet data as of the dates indicated.

	As of December 31,		
	2023	2024	
	RMB	RMB	US$
		(in thousands)	
Cash and cash equivalents	2,322,680	4,754,783	651,403
Restricted cash	—	13,898	1,904
Time deposits	100,000	100,000	13,700
Accounts receivable, net	92,769	121,967	16,709
Inventories	41,492	132,069	18,093
Prepayments and other current assets	91,286	315,404	43,120
Amounts due from related parties	—	1,547	212
Total current assets	**2,648,227**	**5,439,668**	**745,231**
Total non-current assets	**294,929**	**1,156,438**	**158,431**
Total assets	**2,943,156**	**6,596,106**	**903,662**

Target Markets

Expanding Teahouse Network in China and Overseas **They will continue to expand their teahouse network in China, implementing a tiered management approach based on city tier and operating model. They believe that their effective “managed**

franchise model" with strong oversight will allow them to rapidly scale their business, ensuring both speed and quality in their growth trajectory. In addition to their domestic expansion, they are committed to making CHAGEE a global premium freshly-made tea drinks brand. They will pursue opportunities to expand in selected overseas markets by drawing upon their initial success in Southeast Asia.

Continuing to Elevate Brand Value They are dedicated to establishing a distinguished global brand that champions a healthy lifestyle and fosters connections among people and cultures around the world. To achieve this, **they plan to craft healthier tea drinks, provide an enhanced and modernized tea-drinking experience, extend their teahouse network, cultivate brand cultures, and uphold corporate responsibility and sustainable development.**

Enhancing Global Supply Chain Capabilities They believe that modernizing the upstream supply chain is an indispensable part of their mission to modernize the tea-drinking experience. To this end, **they will continue to strengthen their upstream supply chain capabilities to enhance operational efficiency and profitability. In addition, they intend to refine their global warehouse network to efficiently address all supply scenarios and minimize logistics costs.**

Investing in Technology to Continuously Improve Automation, Standardization and Digitalization Capabilities They will continue to invest in technology to enhance their automation, standardization and digitalization capabilities to empower their business operations across all dimensions. **They are focusing on using automation and smart technologies to enhance store operations, supply chain management and middle- and back-office functions.** For example, they will build upon their existing automated tea-making machines to invest in the technical development and iteration of automation equipment.

Company's Unique Strengths

Fast-Growing, Leading Freshly-Made Tea Drinks Brand with Strong Store Performance **From 2022 to 2024, they recorded the fastest growth as measured by GMV generated within China among all freshly-made tea drinks brands with over 1,000 stores in China**, according to iResearch. Their total GMV generated in China and overseas increased by 734.3% from RMB1,293.7 million in 2022 to RMB10,792.8 million in 2023, and further increased by 172.9% to RMB29,457.7 million in 2024. **As of December 31, 2024, they are the largest premium freshly-made tea drinks brand in China in terms of the number of stores in China, according to iResearch.**

Core Menu Featuring Universally Beloved Healthy Tea Drinks Inspired by the menus of modern coffee chains, they are dedicated to capturing the essence of tea and endeavor to craft a timeless and universally appealing core menu that fosters connections between people and cultures worldwide. **Their simple core menu not only enhances consumer awareness and loyalty but also allows them to ensure product quality, standardization and convenience through more concentrated, streamlined and highly efficient supply chain management and highly-automated**

tea preparation processes, continuously enhancing the operational efficiency of their teahouses.

Compelling Consumer Experience Delivered by Technology-Driven Operations **Following the path of modernization set by the coffee industry, they strive to be a trailblazer in "tea tech" — using digital, automation and software technologies to make tea drinking more accessible and enjoyable and empower every major aspect of their operations.**

Effectively Managed Franchise Model Empowering Franchise Partners **They leverage an extensive, growing franchise network to achieve rapid expansion in China and overseas markets.** As of December 31, 2024, they had 6,440 CHAGEE teahouses. Of this extensive teahouse network, 6,271 are franchised and 169 are company-owned. They directly manage a total of 398 teahouses, including all of their company-owned teahouses and 229 franchised teahouses.

Company's Unique Risks

Their limited operating history may not be indicative of their future growth or financial results and they may not be able to sustain their historical growth rates.

Their operating results and growth strategies are closely tied to the success of their franchise partners and they have limited control with respect to their operations. Additionally, their franchise partners' interests may conflict or diverge with their interests in the future, which could have a negative impact on their business.

They may not be successful in expanding their membership and their ability to take advantage of their membership program may be limited.

They rely on third-party suppliers and service providers to provide products and services to them and to their consumers, and the loss of any of these suppliers or service providers and any significant interruption in the operations of their third-party suppliers and service providers may negatively impact their business.

They rely on third-party warehousing and logistics service providers to transport and store raw materials for them in a timely and cost-efficient manner. Any delay in shipment, or incidents of food spoilage, and increases in warehousing and logistics costs, may have an adverse impact on their results of operations.

Their experience in expansion into overseas markets has been limited and may present increased risks due to lower awareness of their brand, their unfamiliarity with those markets and other factors.

They have historically been a target of unauthorized use and imitation of their brand names, trademarks, copyrights and other intellectual properties.

Most of the lease agreements of their leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose them to potential fines.

They may be subject to liability for placing advertisements with content that is deemed inappropriate or misleading under PRC laws.

Overall tightening of the labor market, increases in labor costs or any possible labor unrest may adversely affect their business and results of operations. They may be subject to additional contributions of social insurance and housing fund and late payments and fines imposed by relevant governmental authorities.

The PRC government exerts substantial influence over the manner in which they conduct their business operations. **Their business is subject to complex and evolving policies, laws and regulations, the application, interpretation and enforcement of which may be changed from time to time.** Failure to comply with these laws and regulations may materially and adversely affect them.

They may rely on dividends and other distributions on equity paid by their PRC subsidiaries to fund any cash and financing requirements they may have, and any limitation on the ability of their PRC subsidiaries to make payments to them could have a material and adverse effect on their ability to conduct their business.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject their PRC resident beneficial owners or their PRC subsidiaries to liability or penalties, limit their ability to inject capital into their PRC subsidiaries, limit their PRC subsidiaries' ability to increase their registered capital or distribute profits to them, or may otherwise adversely affect them.

They may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to them and their non-PRC shareholders and ordinary shareholders and have a material adverse effect on their results of operations and the value of your investment.

Trading in their securities may be prohibited under the Holding Foreign Companies Accountable Act if the PCAOB determines that it is unable to inspect or investigate completely their auditor, and as a result, U.S. national securities exchanges, such as Nasdaq, may determine to delist their securities. The delisting of the ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

Ongoing geopolitical tensions around the world may have a material adverse effect on their business, financial condition, and results of operations.

They will be a "controlled company" within the meaning of the rules of Nasdaq and, as a result, can rely on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies.

Their dual-class share structure with different voting rights will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of their Class A ordinary shares and ADSs may view as beneficial. In respect of matters requiring the votes of shareholders, holders of Class A ordinary shares will be entitled to one vote per share, while holders of Class B ordinary shares will be entitled to ten (10) votes per share. **They will sell Class A ordinary shares represented by the ADSs in this offering. Immediately following the completion of this offering, Mr. Junjie Zhang, their founder, chairman of the board, and chief executive officer, will beneficially own 65,274,107 Class B ordinary shares representing 89.0% of their total voting power, assuming that the underwriters do not exercise their option to purchase additional ADSs.**

Bottom Line

Their net revenues increased by 843.8% to RMB4,640.2 million in 2023 from RMB491.7 million in 2022. In 2024, their net revenues amounted to RMB12,405.6 million (US$1,699.6 million), representing a 167.4% year-over-year increase from RMB4,640.2 million in 2023. Although they experienced a net loss of RMB90.7 million in 2022, they achieved a net income of RMB802.6 million in 2023. Their net income increased by 213.3% to RMB2,514.6 million (US$344.5 million) in 2024 from RMB802.6 million in 2023. As of December 31, 2024, they recorded a working capital surplus of RMB3,141.7 million (US$430.4 million), compared to RMB1,193.3 million as of December 31, 2023.

Their total net revenues were RMB491.7 million, RMB4.64 billion, and RMB12.41 billion and income (loss) of (RMB90.7 million), RMB802.6 million, and RMB 344.5 million in 2022, 2023, and 2024, respectively.

CHAGEE is a leading premium tea drinks brand, serving healthy and delicious freshly-made tea drinks. They stand out as China’s largest, fastest-growing, and most popular premium freshly-made tea drinks brand, according to iResearch. As of December 31, 2024, their network comprised 6,440 teahouses, including 6,284 located in China. This scale represents the largest store network among all premium freshly-made tea drinks brands in China. As measured by GMV generated within China, they recorded the fastest growth from 2022 to 2024 among all freshly-made tea drinks brands with over 1,000 stores in China. They use advanced extraction technology to accentuate the pure taste of tea and enhance its depth of flavor through meticulous blending. As of December 31, 2024, their CHAGEE brand encompasses a vast, growing network of 6,440 teahouses, including 6,284 teahouses covering 32 out of 34 province-level divisions across China and 156 teahouses overseas. Of their extensive teahouse network, 6,271 are franchised and 169 are company-owned. They directly manage a total of 398 teahouses, including all of their company-owned teahouses and 229 franchised teahouses.

China’s freshly-made tea drinks market, as measured by GMV, is growing rapidly to enormous scale, at a CAGR of 21.7% from RMB102.2 billion in 2019 to RMB272.7 billion in 2024, and is expected to reach RMB426.0 billion by 2028. In particular, the premium freshly-made tea drinks segment, defined by an average selling price of RMB17.0

(approximately US$2.5) and above per cup, as a proportion of the overall freshly-made tea drinks market increased from 10.9% in 2019 to 25.9% in 2024. The global tea drinks market, as the second largest non-alcoholic beverage category worldwide, commanded a GMV of US$467.1 billion in 2024 and is projected to reach US$601.9 billion by 2028, according to iResearch. Freshly-made tea drinks continue to gain popularity across overseas markets. Driven by rising per capita income, an expanding base of tea consumers, and the potential to attract more coffee drinkers by virtue of tea's affordability and health benefits, the global market for freshly-made tea drinks is expected to reach US$122.0 billion by 2028, representing a CAGR of 18.9% from 2024 to 2028.

They will continue to expand their teahouse network in China, implementing a tiered management approach based on city tier and operating model. They believe that their effective "managed franchise model" with strong oversight will allow them to rapidly scale their business, ensuring both speed and quality in their growth trajectory. In addition to their domestic expansion, they are committed to making CHAGEE a global premium freshly-made tea drinks brand. They plan to craft healthier tea drinks, provide an enhanced and modernized tea-drinking experience, extend their teahouse network, cultivate brand cultures, and uphold corporate responsibility and sustainable development. They will continue to strengthen their upstream supply chain capabilities to enhance operational efficiency and profitability. In addition, they intend to refine their global warehouse network to efficiently address all supply scenarios and minimize logistics costs. They are focusing on using automation and smart technologies to enhance store operations, supply chain management and middle- and back-office functions.

From 2022 to 2024, they recorded the fastest growth as measured by GMV generated within China among all freshly-made tea drinks brands with over 1,000 stores in China. As of December 31, 2024, they are the largest premium freshly-made tea drinks brand in China in terms of the number of stores in China, according to iResearch. Their simple core menu not only enhances consumer awareness and loyalty but also allows them to ensure product quality, standardization and convenience through more concentrated, streamlined and highly efficient supply chain management and highly-automated tea preparation processes, continuously enhancing the operational efficiency of their teahouses. Following the path of modernization set by the coffee industry, they strive to be a trailblazer in "tea tech" — using digital, automation and software technologies to make tea drinking more accessible and enjoyable and empower every major aspect of their operations. They leverage an extensive, growing franchise network to achieve rapid expansion in China and overseas markets.

Their limited operating history may not be indicative of their future growth or financial results and they may not be able to sustain their historical growth rates. Their operating results and growth strategies are closely tied to the success of their franchise partners and they have limited control with respect to their operations. They may not be successful in expanding their membership and their ability to take advantage of their membership program may be limited. They rely on third-party suppliers and service providers to provide products and services to them and to their consumers. They rely on third-party warehousing and logistics service providers to transport and store raw materials for them in a timely and cost-efficient manner. Their experience in expansion into overseas markets has been limited and may present increased risks due to lower awareness of their brand, their unfamiliarity with those markets and other factors. They have historically been a target of unauthorized use and imitation of their brand names, trademarks, copyrights and other intellectual properties. Most of the lease agreements of their leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose them to potential fines. They may be subject to liability for placing advertisements with content that is deemed inappropriate or misleading under PRC laws. Overall tightening of the labor market, increases in labor costs or any possible labor unrest may adversely affect their business and results of operations. Their business is subject to complex and evolving policies, laws and regulations, the application, interpretation and enforcement of which may be changed from time to time. They may rely on dividends and other distributions on equity paid by their PRC subsidiaries to fund any cash and financing requirements they may have. PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject their PRC resident beneficial owners or their PRC subsidiaries to liability or penalties, limit their ability to inject capital into their PRC subsidiaries, limit their PRC subsidiaries' ability to increase their registered capital or distribute profits to them, or may otherwise adversely affect them. They may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to them and their non-PRC shareholders and ordinary shareholders. Trading in their securities may be prohibited under the Holding Foreign Companies Accountable Act if the PCAOB determines that it is unable to inspect or investigate completely their auditor, and as a result, U.S. national securities exchanges, such as Nasdaq, may determine to delist their securities. Ongoing geopolitical tensions around the world may have a material adverse effect on their business, financial condition, and results of operations. They will sell Class A ordinary shares represented by the ADSs in this offering. Immediately following the completion of this offering, Mr. Junjie Zhang, their founder, chairman of the board, and chief executive officer, will beneficially own 65,274,107 Class B ordinary shares representing 89.0% of their total voting power, assuming that the underwriters do not exercise their option to purchase additional ADSs. Rating= 2

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