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Gaurav Anand – Chief Financial Officer, Coupang, Inc.

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John Yu – Analyst, Citigroup Global Markets Korea Securities Ltd.
Jennifer Han – Analyst, UBS Securities Pte Ltd. (South Korea)
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MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. My name's Maddie and I'll be your conference operator today. At this time, I would like to welcome everyone to the Coupang Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

Now, I'd like to turn the call over to Michael Senno, Vice President, Investor Relations. You may begin your conference, sir.

Michael Senno, Vice President-Investor Relations, Coupang, Inc.

Thanks, operator. Welcome to Coupang, Inc.'s quarterly earnings conference call for the second quarter ended June 30, 2021. I'm pleased to be joined on the call today by our Founder and CEO, Bom Kim; and our CFO, Gaurav Anand.

The following discussion, including responses to your questions, reflects management's views as of today's date only. We do not undertake any obligation to update or revise this information except as required by law. Certain statements made on today's call are forward-looking statements. You should not place undue reliance on forward-looking statements. Actual results may differ materially from these forward-looking statements. Please refer to today's earnings release, as well as the risks and uncertainties described in our most recent quarterly report on Form 10-Q filed with the SEC on May 13, 2021 and in other filings made with the SEC for information about factors which could cause our actual results to differ materially from these forward-looking statements.

During today's call, we will present both GAAP and non-GAAP financial measures. Additional disclosures regarding these non-GAAP measures, including reconciliations of non-GAAP measures to the most comparable GAAP measures, are included in our earnings release and our SEC filings, each of which is posted on the company's Investor Relations website at ir.aboutcoupang.com. And I'll remind you that these numbers are unaudited and may be subject to change.

Let me now turn the call over to Bom.

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Bom Kim, Chief Executive Officer & Chairman, Coupang, Inc.

Thanks, Michael, and thank you to everyone for joining us today. Our unrelenting focus on wowing customers resulted in our 15th consecutive quarter of over 50% constant currency revenue growth. Our revenue has more than tripled in just the past two years, now reaching $18 billion on an annualized run rate basis. Total reported revenues increased to robust 71% in Q2 even as we operate with industry-leading scale. We believe we're the largest e-commerce player, growing at a multiple of one of the biggest and fastest growing e-commerce opportunities in the world.

Our top of the funnel continues to expand with not only strong active customer growth but revenue per active customer increasing 36% against strong COVID-fueled costs last year. Balancing that growth is an improving profitability profile. Direct investments in just two of our new initiatives, Rocket Fresh, our Fresh grocery offering, and Coupang Eats, our food delivery offering, accounted for $120 million of the $122 million adjusted EBITDA loss. That highlights the profitability of our mature offerings.

And as we will describe in more detail, our confidence around the future cash flows of Fresh and Eats has never been stronger. Their rapidly improving economics with increasing scale confirm that they are on a similar trajectory as our earlier offerings.

We see these results as a validation of the operating tenets of our company:

One, we exist to deliver new moments of wow for customers. As we create these moments, we will continue to unlock a better world for every customer, merchant, and employee we touch; leading all to wonder how did we ever live without Coupang.

Two, we don't start with what looks easy. We work backwards from imagining jaw-dropping customer experiences, and we embrace the hard work required to challenge trade-offs that customers take for granted.

Three, we will employ technology, process innovation, and economies of scale to create amazing customer experiences and drive operating leverage and significant cash flows over time.

Four, we always prioritize growth in long-term cash flows. When we find opportunities, we reinvest cash flows from established offerings to generate greater cash flows in the future.

And five, we are disciplined capital allocators. We start with small investments then test and iterate rigorously. We invest more capital over time in opportunities that have the best long-term cash flow potential.

As we are still early in our journey as a public company, we thought it would be helpful to spend time on three foundational topics today before discussing the quarter: first, the flywheel that we're building and how it is accelerating across all our offerings; second, our disciplined investment approach and how our latest projects are following the trajectory of our earlier successes; and third, how our model is setting the global standard and creating unparalleled benefits for local economies, small businesses, and employees.

First, on how our flywheel is perpetuating growth across all our offerings. Korea is a massive commerce market opportunity, poised to exceed $530 billion by 2024. We believe Coupang is already the largest e-commerce player in Korea, and we're growing meaningfully faster than the rest of the e-commerce segment. And importantly, we see our size and momentum as an indication that we're becoming the default destination for customers to begin and end their journey entirely on our services. This is due to the shared flywheel of our offerings. Every new moment of wow broadens the top of the funnel that, in turn, drives growth to other offerings.

We believe that a key measure of success is how quickly that top of the funnel or the number of e-commerce journeys that begin at Coupang is growing. A platform with a stalling top of the funnel can still have a fast-growing offering, but only at the cost of another product line's growth. But a booming top of the funnel is typically a rising tide that lifts all boats. For Coupang, all of our offerings are growing quickly. As one offering grows, we see customer frequency drive growth in other offerings. New products create more reason for customers to start their journey on Coupang, and that expansion at the top of the funnel drives growth in existing products as well.

Let's take a moment to walk through how our own inventory retail offering or 1P helps drive the broader flywheel that accelerates the growth of our third-party marketplace or 3P. Despite 1P being a harder problem to solve, we chose to invest in 1P before 3P because we believe 1P leadership is the foundation for providing the best overall experience, including the best 3P offering in the market. By breaking the trade-offs across price, service, and selection, our superior 1P offering attracts more and more customers to make Coupang their default shopping destination.

This increased traffic feeds into more sales for 3P, which attracts more 3P sellers who further expand the selection on Coupang. That increases selection and convenience for customers which, in turn, attracts even more customers and higher frequency, broadening the top of the funnel for both offerings. But to jump-start the flywheel, we first invested in 1P and we're now seeing the fruits of that decision.

Total 3P sales have grown at more than double the rate of the Korean e-commerce segment over the past two years and that trend continued in Q2. And some of the strongest proof that our 1P flywheel drives the 3P flywheel is that our largest 3P offerings are in the exact categories and use cases where we have our largest 1P offerings.

Consumables, where we focused on building our Rocket services first, became our largest 1P category. The sales of 3P consumables followed suit, increasing at an approximately 80% CAGR from 2018 to 2020 to become our largest 3P category. We are seeing the same story play out in Consumer Electronics. 3P and CE grew at a CAGR of over 60% from 2018 to 2020 on the back of a strong 1P flywheel even though the category involves very different product types, price points, and purchase frequencies from consumables. We ended Q2 with annualized run rate transaction volume of over $2 billion in softlines, a category we began investing in later, which includes apparel, shoes, and accessories. Aided by triple-digit growth in 1P softlines, 3P in softlines is growing meaningfully faster than the broader online segment and its metrics appear similar to what we saw on consumables 3P several years ago.

We believe we're on pace to become the largest softlines destination online in time. The 1P flywheel that we spent over seven years building is not only hard to replicate. It serves as a foundation for the flywheel of other offerings. We are consistently seeing significant 3P growth follow 1P hypergrowth in the categories we focused on first and the underlying metrics for our nascent 3P categories indicate that they are on track to repeat the success of the earlier categories.

And as our 3P offering continues to accelerate, it puts us in prime position to unlock additional opportunities in areas like merchant services and fintech that will further perpetuate the virtuous cycle of growth across our entire business. It's why one offerings growth doesn't come at the cost of another's at Coupang. All offerings are going fast and fueling one another, as each additional moment of wow broadens the top of the funnel shared by all. And our growth is not reflective of our full top of the funnel customer demand, which exceeds our capacity in many areas.

This is most apparent with our fresh offering, where we continue to see remarkable growth. Fresh grocery revenue more than doubled year-over-year in Q2. Less than three years after its launch, it is the leading nationwide online grocer, with annualized run rate revenue well above $2 billion. Meanwhile, Eats revenue nearly tripled over just the past two quarters, as we continue to expand

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and invest in the service. Both offerings are growing faster than we expected and continuing to scale at this rate requires large investments.

For context, total adjusted EBITDA in Q2 was negative $122 million, of which direct investment in Fresh and Eats alone accounted for $120 million. And while the accelerated growth of Fresh and Eats drove higher losses in the period, the contribution margin for both are improving with scale. And we're even more confident that these offerings are on track to reach profitability. In Fresh, contribution margin improved by nearly 1,000 basis points over the last year. The underlying metrics give us high confidence that Fresh will replicate the positive cash flow dynamics of our more mature investments.

Eats is earlier in the journey than Fresh, but following a similar trend line. While revenue nearly tripled over just the past two quarters, the loss per order has decreased every quarter since the beginning of 2020, and in Q2, it was down over 50% year-over-year. Fresh grocery and food delivery are significant opportunities with large addressable markets and low online penetration. And the trends we're seeing give us even more conviction that we can be a leading player and grow our healthy long-term ROI and cash flows for Fresh and Eats. We plan to lean in and continue to invest aggressively to scale these offerings and to create even better experiences for our customers.

In addition to Fresh and Eats, we're investing in new capacity across the business. And in total, we continue to make progress on our plan to add more than 13 million square feet to our market-leading 25 million square feet of e-commerce fulfillment and logistics infrastructure, as we announced last quarter. These investments continue to strengthen our moat, providing the foundation to support growth, drive economies of scale, and raise the bar even higher on service levels for customers.

Everything we do at Coupang revolves around wowing our customers and creating new moments of wow is hard to do. Building truly differentiated offerings requires bold and unconventional thinking, as well as investment of time and capital, but we employ a disciplined investment approach. We start with small bets, then test rigorously and invest more capital over time but only into the opportunities we feel strongest about.

We're making sizable investments in Fresh and Eats, for example, because we believe they are just earlier on the same trajectory as our mature offerings, which are profitable. And true to our DNA, we're continuously seeding new initiatives to develop the next vectors of growth. We're excited to highlight in this category opportunities like merchant services, international expansion, and fintech. There are many other early stage initiatives in the portfolio and I expect that we will not continue all of them. Only the investments whose underlying metrics show strong potential for meaningful cash flows in the future will earn their way to more significant investment.

The initial capital for these projects is small and the real capital investment comes over time as we overcome hurdles and become more confident about future cash flows. It's the same proven disciplined approach we use to build our earlier projects, in the same way that we increase investments in Fresh and Eats as our early offerings mature and became self-funding. As Fresh and Eats mature and become self-funding, the most promising among these new initiatives will become the next major investment focus. Our investments to continuously strengthen the virtuous cycle across our business are driving significant growth for our merchants and vendors, and small and midsized businesses or SMEs are among the biggest beneficiaries.

As we continue to strengthen our 3P offering and drive strong growth, SMEs have benefited exceptionally. SMEs in our marketplace grew sales over 87% year-over-year in Q2 with the aid of our investments in products and services that help merchants better reach and serve customers. This is a remarkable feat considering that total offline sales for SMEs declined 7% year-over-year in Korea during the same period.

Our investments are also driving robust job creation throughout Korea, including regions outside Seoul and other major metropolitan areas. We were the number one private job creator in Korea last year, and we expect that that will be the case this year as well. And about 80% of the jobs we create are located outside of Seoul, consistent with our commitment to advance long-term economic development throughout the country.

We're also continuing to make Coupang the best workplace:

We offer all of our drivers full-time employment, and we're the only major logistics company in Korea to directly employ 100% of our full-time drivers. Our drivers have an industry-best five-day workweek, insurance and benefits from day one, and a minimum of 15 paid days off per year. That stands in sharp contrast to the rest of the market's logistics industry that hires the vast majority of their drivers as third-party contractors with six-day workweeks, no insurance or benefits, and no paid time off. We were the first company in Korea to make our frontline employees stockholders at scale, providing over 39,000 frontline workers with restricted stock awards at our IPO.

We're also making meaningful investments to help employees improve their health and increase health awareness. Offering direct employment has far reaching implications. For example, companies are required to report work-related injuries of employed drivers but not work-related injuries of contracted drivers, most of whom are responsible for their own health, as well as their own insurance, vehicles and accidents. By directly employing our drivers, we're also taking responsibility for their health and safety, and we're committed to being a global leader in this area. For example, since the beginning of 2020, we've added over 600 safety employees and invested over $200 million in worker safety initiatives.

While our approach comes with additional costs and responsibilities, we gladly take it on because we believe this is the right thing to do. We want to continue leading not only in offering an exponentially better customer experience, but also in setting the global standard in safety, working conditions and benefits for frontline employees.

In closing, we have terrific momentum across the business. Our unique position in the market enables us to harness this momentum to continue driving value for customers, merchants and employees, among others, in our growing ecosystem. As always, we will continue to attack the biggest tradeoffs for customers, making bold decisions and disciplined investments and building sustainable long-term value, while striving to create a world where everyone wonders, how did I ever live without Coupang.

Now, I'll turn the call over to Gaurav to go through the financials in more detail.

Gaurav Anand, Chief Financial Officer, Coupang, Inc.

Thanks, Bom. Q2 growth was strong, with reported revenue up 71% year-over-year and constant currency revenue growth at 57%, marking our 15th consecutive quarter exceeding 50% of constant currency growth. Quarterly active customers increased 26% to 17 million, another indication of a strong and growing top of the funnel. It's a direct result of our strengthening product flywheel and strong customer loyalty, as Coupang becomes the default online shopping destination for more and more consumers. And with over 37 million Internet shoppers in Korea, we will have an opportunity to more than double our customer base over the coming years as we continue creating new moments of wow.

Revenue per customer grew 36%, as customers continue to increase purchase frequency, buy more across more categories and spend on new offerings. Net other revenue growth accelerated

sequentially, increasing 151% year-over-year. Our Eats, 3P and advertising offerings continue to drive robust growth.

Before moving through our key P&L metrics, I want to provide the Q2 P&L impact related to the fulfillment center fire. We recognized an inventory write-off of $158 million in cost of sales and $138 million in asset write-offs and other related costs in operating, general and administrative expenses. These costs are excluded from our adjusted EBITDA but the inventory write-off does impact our reported gross profit. Upon completion of the investigation, any insurance recoveries will be recognized in the future quarters.

Gross profit, excluding impact from fire, was up 86% year-over-year to $816 million, and gross margin expanded 140 basis points to 18.2%. We expect to continue delivering margin expansion longer term, driven by continued growth in categories like softline (sic) [Softlines], improving profitability as Fresh and Eats scale, and increasing mix of advertising revenue and further operational efficiencies.

In Q2, total adjusted EBITDA was negative $122 million. That includes the $120 million in investments to scale Fresh and Eats. And the $120 million does not include investments to fund other new initiatives and higher costs due to COVID-related operational headwinds.

Trailing 12-month operating cash flow was $74 million in Q2, up from $47 million in Q2 last year. The improvement was driven by working capital inflows from the continued growth in our business, slightly offset by the higher investment reflected in our P&L. Overall, our leading position in Korean e-commerce was on display in Q2 with strong growth trends across our offerings, and the momentum is only getting stronger.

With that, I'll now turn the call back to the operator to begin the Q&A. Thank you.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Eric Cha from Goldman Sachs.

<Q – Eric Cha – Goldman Sachs (Asia) LLC (South Korea)>: Yeah. Hi. Thank you for this opportunity. Two questions, if I may. What is your GMV or sales growth outlook in the second half, obviously, in the context of loss of the FC? And would this also have some influence on the expected 1P and 3P mix?

And the second question is I think you mentioned about fintech being one of future initiatives, but fintech can mean a lot of things. So, what area would you be interested in specifically? And it would be great if you can also share some timeline on this. Thank you.

<A – Bom Kim – Coupang, Inc.>: Hi, Eric. Thanks for the question. Thanks for your time. So to your – first, on the outlook, as you know, Eric, as we stressed in our call today, we've always made decisions that optimize for the long term, and we'll continue to make decisions to do that over maximizing short-term results. And as you know, we'll continue to invest aggressively in initiatives that we're excited and confident about. And that includes investments that leverage technology and process innovation and continue to build economies of scale.

And there's, of course, a lot of hard work involved in that and we won't shy away from it. So, for example, there are large parts of Korea that recently moved to Phase 4 lockdown due to COVID, which is worse than at any point since the COVID-19 outbreak. That's resulted in a big surge in customer demand that we're chasing to meet. But it's also creating challenges on capacity that we'll continue to push hard, and because we're confident in the momentum of the business. And also, we've seen over the cycles of the past year and a half that these COVID-related expenses are short term by nature.

And because of our confidence level, we continue to make investments to keep chasing the demand to make sure that our customer experience is not compromised, that we protect long-term customer trust and we'll continue to do that aggressively because we know that our investments will pay off over time. But there always will be noise quarter-to-quarter, and I don't think we want to be in the business of commenting on what we think or predict that noise will be. But I hope that you see the long-term momentum that we're building here, and I hope that over many quarters, you'll see that we're really building on that momentum for our customers, merchants, employees and shareholders.

I think to your second question around fintech, there are many, many different – very exciting opportunities in fintech. It is a broad space. Long term, what I think – hope is obvious is that we're building huge transaction volumes. We're continuing to expand the top of the funnel. I mean, that opportunity is there waiting for us, and we have many experiments ongoing that are continuing to try to – that are experimenting and trying to find ways to break meaningful trade-offs for our customers and our business, so how do we continue to get the best experience at the lowest cost, how do we provide things with more ease and lower cost. And there are different modalities there and we will try to figure out which ones we want to scale first but – which ones are providing the most exciting solutions for our customers and merchants.

But at this point, we're still learning. We're still experimenting. We know that big opportunity is waiting for us, and certainly, we're building the foundation, a bigger and bigger foundation everyday as we drive acceleration in our 3P business as we continue to expand the flywheel. And I think all of those things, there's a lot of positive signs that put us in fine position to provide a variety of solutions and services for customers and merchants in the long term. So, we're quite excited about that opportunity.

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<A – Gaurav Anand – Coupang, Inc.>: Let me add on the impact of fire and the influence of 1P and 3P which you mentioned, Eric. So, we didn't have material impact of fire from the facility, officially our technology and additional capacity we had in 1P has enabled relatively seamless customer experience and we route the orders to the facility. We have been doing this and navigating throughout COVID shutdowns in our facilities. But this is just another challenge that we have to work through and continue to rebuild for longer term on the fulfillment and continue to optimize our network. But we don't expect any material impact between 1P and 3P because of it. Thank you.

<Q – Eric Cha – Goldman Sachs (Asia) LLC (South Korea)>: Thanks.

Operator: Thank you. And your next question comes from the line of Stanley Yang with JPMorgan.

<Q – Stanley Yang – JPMorgan Securities Far East Ltd. (South Korea)>: Hi. Good afternoon. What is the GMV mix trend between this 1P and 3P? Is there any noticeable trend in terms of the mix shift during the quarter or during the first half, or do you expect this mix trend to continue in the second half? And just wondering how fast your 3P core GMV – core revenue is growing, excluding the Eats business, so compared with other like open market? Because we are seeing price deceleration of the 3P marketplaces' actually GMV or top line growth this year. And also, I'm just wondering any meaningful kickoff of the Jet Delivery contributing to your 3P top line growth during the quarter?

<A – Bom Kim – Coupang, Inc.>: Hi, Stanley. Thanks for your question. I think we can say, as we highlighted, 3P is really – shares the flywheel with 1P. And in our earlier categories, we saw 3P accelerating on the back of strong 1P growth. We're continuing to see that in our big categories. We're seeing that also in our categories that we entered later like softlines and CE. And we're really encouraged by 3P continuing to grow at a multiple of the e-commerce segment. All of our product offerings across the board are growing much faster than overall e-commerce. 3P certainly fits that trend. And so, we're very optimistic. We continue to see strong 3P growth. And certainly, all the later categories in 3P appear – all the underlying metrics appear to put it following the same trajectory of our earlier 3P categories.

And as for Jet, I think, again, that's an area that we're really excited about. There's huge long-term potential opportunity to increase selection on Rocket. And that's ultimately – right now, we still have just a fraction of the overall total selection on Rocket, and we're continuing to add more selection. That is certainly another way to do that. And we are seeing some positive signs, but I think we'll have more to share in the future.

I think this goes to the earlier point of a question that Eric asked as well about timing, which maybe I didn't answer as clearly. We know these opportunities are significant. We're excited about them. They're waiting for us. But we also, we are disciplined in the way that we invest. And before we invest to scale anything, we really want to make sure that we're solving hard problems upfront. We're breaking tradeoffs. We're seeing positive signs that this could be not only a great amazing customer experience, but have the foundation to drive operating leverage and significant cash flows over time.

And so, we want to solve. We don't want to scale and then chase a lot of these hard problems. We want to start to build confidence in our solutions before we scale them. That's been the story of how we – for example, Eats could have – before we scale that nationally, we focused on one area in Seoul to really iterate and test rigorously. So, we don't rush ourselves to try to scale these things because we know these huge opportunities are there. In fact, our position to take advantage of these opportunities only gets stronger as our flywheel gets bigger and as the top of the funnel expands. And a lot of these initiatives at the earlier stages were focused on solving problems, improving the customer experience, making sure the foundations are there for significant cash flows over time. And that's certainly the same approach we're taking with Jet as well.

<Q – Stanley Yang – JPMorgan Securities Far East Ltd. (South Korea)>: Thank you.

<A – Bom Kim – Coupang, Inc.>: Thank you.

Operator: [Operator Instructions] Your next question comes from the line of John Yu with Citi.

<Q – John Yu – Citigroup Global Markets Korea Securities Ltd.>: Hi. This is John Yu from Citi. Do you hear me well?

<A – Bom Kim – Coupang, Inc.>: Yes, I can hear you.

<Q – John Yu – Citigroup Global Markets Korea Securities Ltd.>: Yeah. Thanks for the opportunity to ask a question. I have two questions. Firstly, on Rocket Fresh, you mentioned earlier that its contribution margin improves nearly 1,000 basis points based on the strong growth, over 100% year-on-year. So, could you please elaborate more about the current level of contribution margin of Rocket Fresh and your long-term estimates?

And secondly, on Coupang Eats, in the second quarter, some competitor also launched own delivery trying to catch up with Coupang Eats and deliver speeds, and indeed, it seemed to regain in market share. So, I would like to ask you how you measure the current competitive landscape in Korea's food delivery market and also any recent changes in the industry-wide delivery fees to freelance riders? Thank you.

<A – Bom Kim – Coupang, Inc.>: Great. I'll try to cover many of those. So I think first, on Fresh, we believe we're still the largest online nationwide fresh grocer. We believe we're the fastest growing. As you pointed out, we improved our contribution margin by 1,000 basis points year-over-year and that's in the face of triple-digit growth. So, we're continuing to see enormous demand. We're still trying to keep up with and chase demand on that front. And the scale is now reached – exceeding over $2 billion in annualized revenue. And what are the inputs to all of these, what have we invested? This is really the fruits of years of investment, not only in Fresh but also in our general core, because Fresh leverages the infrastructure, the processes, the technology that we've also built for core. And we are able to provide the best experience at the lowest cost. We believe that Fresh is not only the best experience, certainly, I believe it's the only nationwide fresh grocer still today, best selection, more selection than anyone else, but also low prices with low delivery threshold. These are experience advantages we can provide customers because we also are building the lowest cost structure where the economies of scale from our core helps Fresh or Fresh helps core not only at the top of the flywheel but also with economies of scale as well.

The efficiency gains that we're getting from our technology improvements, our process improvements, our economies of scale or perhaps I'll give you an example that highlights, best highlighted by our earlier or more mature facilities, which represent about half of our active facilities, are now operating at about close to breakeven and that's because of – that's against COVID challenges, COVID operating cost challenges. And that's before we've made a lot of significant optimization improvements there and so we're extremely excited not only about the customer experience improvements that we continue to make, not only about the efficiency improvements we continue to make. Overall, Fresh as investment is really following the same trajectory of our mature offerings, which are profitable.

I think the second – another question was around Eats. Could you repeat your question around Eats just so that I can have a little bit more color there?

Operator: He is disconnected from the call again.

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<A – Bom Kim – Coupang, Inc.>: I see. Oh, okay. So, I think something was around the competitive landscape around Eats. Eats is another category that we have seen tremendous growth. It's a huge – like Fresh, it's a huge category with low online penetration. I think Eats has nearly tripled in just the last two quarters for us and there as well, we're also focused on continuing to improve the customer experience and improve efficiency.

We really believe that the wow we deliver for our customers is breaking trade-offs. How do we create the best customer experience, the convenience without the convenience tax, the best customer experience at the lowest cost? And to do so, can we work backwards from that and we keep investing in technology improvements and process improvements as well. And we're making great progress there.

We haven't spent a lot of time thinking about or certainly as you can tell, our growth has continued to be very fast. I think we haven't spent a lot of time obsessing about what other players are doing in the market. The thing that makes me really excited about areas like Fresh and Eats is that there's still a ton of opportunity here.

And our core strength, who we are, we're not a company that's defined around doing one thing well like building cars or making or defined by a certain business model. Our strength is our culture of innovation and our technology and operational excellence. And when we apply those strengths to create wow moments for our customers, there always exciting new developments that happen that we know are going to continue to raise the bar in customer experience and find new areas of efficiency improvement that lower the cost for our customers as well and we're still excited. It's very early in both areas.

Operator: Thank you. And your next question comes from the line of Jennifer Han with UBS.

<Q – Jennifer Han – UBS Securities Pte Ltd. (South Korea)>: Hi. This is Jennifer Han from UBS. I just have one question. There's been a press report that you'll be expanding or you've already expanded quick commerce business in both Japan and Taiwan market. I was wondering if you can provide any color on that business expansion and what kind of opportunity you see there and maybe how much losses should we be expecting from that business perhaps in the near term.

<A – Bom Kim – Coupang, Inc.>: So we are excited about the long-term opportunities in those markets, especially opportunities to break trade-offs for customers. We're still very early in that. We're experimenting with different modalities and we've been successful on different modalities in our previous investment. So we'll test things that we've done before. We'll test things we haven't done before.

But to your question about investment, our investment approach has always been disciplined and iterative. Our initial investments are small, and that's where we'll test and iterate. And these investments, we scale our investment initiatives as we solve hard problems, as we clear hurdles, and our conviction increases. So you'll see that the real capital investments come over time as our confidence grows, and you'll see the biggest investments in the areas that we have the highest conviction around. And right now, we're in the first phase of that testing and iteration, and that will take some time. But we're really excited about the potential long-term opportunities in these markets, and we believe that seeding these investments now at a small scale will allow us to create new moments of wow and build exciting opportunities for us in the future.

Operator: We will now take our last question from the line of James Lee from Mizuho. Your line is open.

<Q – James Lee – Mizuho Securities USA LLC>: Great. Thanks for taking my questions. Just a quick follow-up on international expansion. Maybe can you guys add more color as to why you find

Japan and Taiwan as attractive markets? And any specific friction in these markets you guys discover that you can resolve?

And also for Gaurav, maybe can you quantify maybe the surge in demand that you've seen recently from rising Delta cases and from the key categories? Thanks.

<A – Bom Kim – Coupang, Inc.>: Sure. I think a lot – as you can see, that when we scale these investments and services, we have higher confidence. We feel we found – we have a stronger hypothesis on how to break trade-offs. We feel like we've solved some hard problems that give us confidence that we're going to build great customer experiences and a very attractive business – attractive cash flows over time. And then we're ready to share a lot more about what we've learned and that's the case certainly in Fresh and Eats as you can tell today.

And Fresh and Eats is certainly you can see on the same trajectory just earlier of our mature offerings that are now profitable and funding initiatives beyond Fresh and Eats. I think a lot of these other nascent initiatives like international is just still too early. I think we'll reserve commentary both on our hypotheses and the progress, I think, until we're a little further along. We're still early. It's still small testing initiated but we're excited about those opportunities. But I think the learnings and sharing about learnings and solutions, I think, we'll reserve for a bit longer – for a bit later in the process.

And Gaurav, do you want to comment on the other...

<A – Gaurav Anand – Coupang, Inc.>: Sure.

<A – Bom Kim – Coupang, Inc.>: ...last question? Yeah.

<A – Gaurav Anand – Coupang, Inc.>: Yeah. We are seeing COVID levels rising to level four and cases continue to rise in Korea at all-time high. We are continuing to see demand increase for all categories and unfortunately, what we've done with the COVID level four, we are also seeing challenges to be able to meet the demand and we are aggressively pursuing all avenues to increase our capacity to be able to meet unexpected demand. But because the challenges are in increasing the capacity is short-term here, we'll probably invest a little more on that front. But we know that these are great opportunities to invest for long-term, a great time to invest for long-term to meet our customer expectations but...

<A – Bom Kim – Coupang, Inc.>: Can I add a quick point? I think one of the things that really – we are excited to invest. As you can see, Fresh and Eats was $120 million of $122 million of adjusted EBITDA loss. There are, of course, lots of other investments that we're making. You alluded to a few of them: nascent initiatives, international, also short-term COVID operational costs. But we're really excited about investing all of these because we know fundamentally we have more confidence than any point before, that these initiatives and investments are going to bear long-term ROI for us. Fresh and Eats shows remarkable progress, especially Fresh. You can see all the signs there that they are really − they have a straight line of sight to becoming like our mature offerings. And the demand is strong and we're chasing − all these challenges with COVID, these are good problems to have. We know that the expenses are temporary by nature. We certainly saw that in the cycles over the last year-and-a-half with COVID that when the phases go down, these costs do roll back and because of our confidence is that these costs are temporary.

Challenges are temporary. The opportunities are huge, that we have the right model, the right scale, and technology and process innovations to really break trade-offs here and build strong offerings. We're excited to lean in. I hope that really you can see why we're excited for so many different investments today.

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<Q – James Lee – Mizuho Securities USA LLC>: Is it fair to assume that the revenue surge I've seen recently, is it from the growth rate that was in Q2?

<A – Bom Kim – Coupang, Inc.>: I'm sorry, was the question, you were saying, was the demand...

<Q – James Lee – Mizuho Securities USA LLC>: That the revenue surge...

<A – Bom Kim – Coupang, Inc.>: ...in Q2 a result of...

<Q – James Lee – Mizuho Securities USA LLC>: ...yeah, revenue surge that you've seen due to rising cases that you've seen recently, the growth rate of that revenue, is that above the 2Q level of 51%?

<A – Bom Kim – Coupang, Inc.>: I'll put it this way. I think the growth does not fully reflect the top of the funnel demand. We have capacity constraints in many areas. I think as we mentioned in the call, particularly in Fresh, we are always trying to keep up and we haven't been able to at least in – we haven't been able to keep up with the full demand.

So I think, again, there's going to be lots of noise. Demand has not been a problem in Q2, won't be a problem in Q3 but I don't know if the question is what is the growth rate going to be in Q2 versus Q3 (sic) [Q3 versus Q2]. There's a lot of noise quarter-to-quarter. It's hard to predict. I think the thing that we're excited about is the long-term trajectory and the arc. Whether we solve it sooner or solve it later, we'll continue to solve problems. We're working hard to add capacity.

There will be noise. Whether it comes early or later, we're really excited about capturing the full opportunity in the market. And we know that there's demand out there that's waiting for us and waiting for our services and experiences and we also won't stop there. We'll continue to make our experiences better as we try to make sure we make it accessible to all the people who want it out there.

<Q – James Lee – Mizuho Securities USA LLC>: Great. Thanks so much.

<A – Bom Kim – Coupang, Inc.>: Thank you.

Operator: That concludes our Q&A. I would now like to turn the call back over to Bom Kim for closing remarks.

Bom Kim, Chief Executive Officer & Chairman, Coupang, Inc.

Thank you, everyone, for joining on this call. Really the results, the momentum you see here is a result of hard work over many years by employees. I want to thank them for working with passion and creativity to break trade-offs that wow customers and build a better world for all the people that we touch. Thank you, everyone, for your time today and we look forward to speaking with you again next quarter.

Operator: This concludes today's conference call. You may now disconnect.

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