PARTICIPANTS

Corporate Participants

Michael Parker – Vice President & Head-Investor Relations, Coupang, Inc.
Bom Kim – Founder, Chairman & Chief Executive Officer, Coupang, Inc.
Gaurav Anand – Chief Financial Officer, Coupang, Inc.

Other Participants

Stanley Yang – Analyst, JPMorgan Securities Far East Ltd. (South Korea)
Eric Cha – Analyst, Goldman Sachs (Asia) LLC (South Korea)
John Yu – Analyst, Citigroup Global Markets Korea Securities Ltd.
Se-Yon Park – Analyst, Morgan Stanley & Co. International Plc (South Korea)
James Lee – Analyst, Mizuho Securities USA LLC
Jiong Shao – Analyst, Barclays Capital, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Hello. My name is Krista, and I will be your conference operator today. At this time, I would like to welcome everyone to Coupang 2023 Second Quarter 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 Mike Parker, Vice President of Investor Relations. You may begin your conference.

Michael Parker, Vice President & Head-Investor Relations, Coupang, Inc.

Thanks, operator. Welcome, everyone, to Coupang's second quarter 2023 earnings conference call. 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 include forward-looking statements. Actual results may differ materially. Additional information about factors that could potentially impact our financial results is included in today's press release and in our filings with the SEC, including our most recent Annual Report on Form 10-K and subsequent filings.

During today's call, we may present both GAAP and non-GAAP financial measures. Additional disclosures regarding those non-GAAP measures, including reconciliations of these measures to the most comparable GAAP measures, are included in our earnings release, slides accompanying this webcast and our SEC filings, which are posted on the company's Investor Relations website.

And now, I'll turn the call over to Bom.

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

Thanks, everyone, for joining us today. Before Gaurav goes over our financial results in greater detail, I'd like to take a moment to frame our Q2 results under five key takeaways.

First, we continue to deliver expanding profitability and sustained high growth, not one at the expense of the other, because of our years of unparalleled investment and an unrelenting focus on both the customer experience and operational excellence.

Second, our flywheel is accelerating. Both revenue and active customers increased at a faster pace this quarter. It's worth highlighting that the growth of active customers accelerated from 1% year-over-year in Q4 of last year to 5% in Q1 to 10% this quarter. Additionally, all of our customer cohorts, even our oldest, continue to increase their spend and the number of categories they are purchasing on Coupang. All of these trends underscore how differentiated our value proposition is in a retail market that we believe is defined by high prices and limited selection. They are also a reflection of our early stage of growth. We have just single-digit share today of a massive retail market expected to reach $550 billion in the next three years. It's hard to overstate just how early we are on this journey.

Third, we reached another significant milestone this quarter, delivering in the trailing 12 months $2 billion of operating cash flow and over $1 billion of free cash flow. We also delivered our fourth consecutive quarter of significant GAAP profitability, with $145 million of net income in Q2. In addition, our free cash flow has converged with adjusted EBITDA, as promised. We're more confident than ever that we will deliver on our long-term guidance of higher than 10% adjusted EBITDA.

Fourth, we are seeing powerful momentum in our growth initiatives. We're less than a decade old as a retailer and only a few years into newer categories like Fashion and Beauty. Accordingly, all of our categories on Rocket are still growing at a fast rate, and newer categories like Fashion and Beauty are growing significantly faster than our overall business. And high growth isn't limited to our first-party offering. Third-party sales in virtually every category, including Fashion and Beauty, are growing at a multiple of the retail market. And our emerging merchant services like advertising and Fulfillment and Logistics by Coupang, or FLC, are growing more than twice as fast as our overall business.

Finally, we're also seeing exciting potential and progress in Developing Offerings, particularly in Eats and in Taiwan. In Eats, we spent several quarters achieving positive unit economics and improving almost every customer experience metric. We've reinvested our positive contribution margin back in the form of a discount of up to 10% for WOW members on unlimited orders. In the regions where we've launched our Eats benefit, we've already seen an 80% increase in total WOW members participating in Eats and a 20% increase in average WOW member spend on Eats. This has helped drive over 500 basis points of segment share gain in those regions.

Moreover, we've been delighted by the value Eats is generating across our ecosystem. Customers who purchase Eats have significantly higher spend in e-commerce, and high retention on WOW membership. Eats has the potential to accelerate the flywheel for our business as a whole.

In light of the success of this strategy, we've made our unlimited Eats discount a permanent feature of our WOW membership program. And with the majority of WOW members still yet to place an order on Eats, we believe the lion's share of growth is ahead of us. Taiwan is another investment that is thus far exceeding our expectations. We have always believed that the transformational commerce experience we've enabled in Korea could delight customers around the world.

We're seeing this play out in Taiwan. In Q2, Coupang was the most downloaded app in Taiwan. And in the 10 months since we launched Rocket Delivery, Taiwan has scaled faster than Rocket

Delivery in Korea did in its first 10 months post-launch. Our bar for new initiatives is high. We've exited investments that didn't meet our internal thresholds and deferred countless others that rank below our most attractive opportunities. So far, Taiwan is leaping over that bar. In view of that progress, we will invest at a higher level in Taiwan this year.

As always, we'll remain disciplined capital allocators, investing more only if the underlying metrics continue to validate our convictions. Our updated estimate of investment in Developing Offerings, including Taiwan, Play and Eats, will be around $400 million in 2023. We expect our investment in Developing Offerings to remain generally at these levels. And in every case we remain committed to generating meaningful free cash flow at the consolidated level.

In summary, we're excited about the momentum we've built and the massive market opportunities we have before us. We'll continue to execute with unwavering focus on customer experience and operational excellence, and allocate capital with rigor and discipline.

With that, I'll turn the call over to Gaurav.

Gaurav Anand, Chief Financial Officer, Coupang, Inc.

Thanks, Bom. Our teams delivered another strong quarter of disciplined execution across our business. We hit record revenue, profit, and cash flows, as we remained focused on customers, and driving efficiencies and innovation throughout our operations. Our total net revenues accelerated this quarter, growing 16% year-over-year on a reported basis and 21% in constant currency. This growth was driven by our Product Commerce segment, which also saw revenue growth of 16% on a reported basis and 21% in constant currency. And again this quarter, our 3P offering, including FLC, expanded faster than 1P, driven by growth in small and medium enterprises, or SMEs.

As we noted last quarter, starting in Q2 we implemented certain contract changes that resulted in accounting changes for FLC revenue, which has changed from a gross to a net basis. Using the same accounting treatment as last quarter, our growth rate in Q2 would have been an estimated 300 bps higher than the 21% growth rate. That growth is a multiple of the overall retail market, which grew at 3.1% year-over-year.

Active customer growth continues to accelerate increasing 10% year-over-year to 19.7 million in Q2. We added 1.8 million active customers over the last year. The underlying strength of our business can be seen in our gross profit. This quarter we generated a record $1.5 billion in gross profit, representing 32% growth year-over-year and 7% over the last quarter. Our gross profit margin was 26.1%, a 320 bps improvement year-over-year. This margin was positively impacted 100 bps by the FLC accounting change previously mentioned. We expect our efforts will continue driving further margin expansion in the future though we may not see meaningful improvement every quarter.

We expect this FLC accounting change will be fully reflected in our reporting by Q4 of this year as merchants fully transition to the new contracts. As this change has no impact on FLC's economics or gross profits, we continue to see gross profit dollars as a more meaningful indicator of the underlying growth of our business going forward. Customers increasingly come to Coupang for our vast selection, unmatched delivery speed, and low prices. Our next-day Rocket Delivery experience across millions of 1P and FLC products has no comparison in the market.

We continue to generate further improvements in our general and administrative spend, driven by both operational efficiencies and fixed cost leverage. OG&A expense as a percentage of revenue in Q2 decreased 66 bps year-over-year, even as we continue to make targeted investments into growth opportunities. This quarter we delivered record net income of $145 million and earnings per share of $0.08. This includes $26 million of income tax expense, with an effective tax rate of 15%

and a year-to-date tax rate of 20%. We also generated $300 million in adjusted EBITDA in Q2 for a record consolidated adjusted EBITDA margin of 5.1%. This represents a 380 bps improvement year-over-year and 100 bps quarter-over-quarter with nearly $950 billion in adjusted EBITDA generated over the trailing 12 months.

Our core Product Commerce segment generated $408 million in adjusted EBITDA in Q2 with a margin of 7.2%. This is an improvement of nearly 520 bps year-over-year and 200 bps quarter-over-quarter. We are increasingly confident in our ability to achieve our entitlement adjusted EBITDA margins of over 10% with significant opportunities still in front of us to drive further margin expansion through supply chain optimization, operational efficiencies, and scaling of newer offerings like Ads. However, we don't expect the gains to be consistent each quarter.

The adjusted EBITDA loss for our Developing Offerings segment increased to $107 million this quarter, a $76 million year-over-year increase. As Bom noted, we are pleased with the progress we are making across our Developing Offerings and we are increasingly more confident about these opportunities, especially Eats, Taiwan, and Play. We now expect our adjusted EBITDA losses for Developing Offerings to be around $400 million in 2023. We are encouraged by the momentum we are seeing in these offerings, and their ability to compound value across our ecosystem and to accelerate the entire flywheel.

We will continue to remain disciplined and abide by our operating tenets. We expect to always take the long view and prioritize our capital allocation to deliver the highest levels of long-term shareholder value. We have demonstrated this discipline in building our retail offering in Korea over the years. We have hit another significant milestone this quarter, generating $2 billion in operating cash flow and $1.1 billion in free cash flow on a trailing 12-month basis. And free cash flow has now converged with our adjusted EBITDA as we had guided.

We believe the progress we have made thus far is sustainable and will continue. It has been driven by expansion in overall profitability, as well as improvements in working capital management and disciplined cap ex spend. And we are generating this free cash flow while also continuing to invest into nascent TAM-building opportunities like Eats and International.

While we are proud of the results we are reporting today, we are even more proud of the way in which our teams are relentlessly focused on wowing our customers every day. We are excited to continue working to break trade-offs for customers and creating a world where customers wonder, how did I ever live without Coupang?

Operator, we are now ready to begin the Q&A.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Stanley Yang of JPMorgan. Your line is open.

<Q – Stanley Yang – JPMorgan Securities Far East Ltd. (South Korea)>: Hi. Good morning. Thank you for the opportunity to ask the questions and congratulate on great result. I have two questions. First on FLC, you mentioned that FLC is growing 20% faster than normal product. Can you please guide the proportion of FLC business out of your total GMV? And how would you expect to grow throughout the year? Which categories are driving the faster FLC growth?

My second question is out of your Developing Offerings loss guidance of $400 million, how much do you expect from the international expansion? What are the key takeaways from the recent aggressive marketing in Taiwan and I'd like to know the Coupang value proposition to Taiwan consumers at this point. And also I would appreciate if you provide some long-term target guidance. Thank you.

<A – Bom Kim – Coupang, Inc.>: Hi, Stanley. Thanks for your questions. On FLC, FLC is scaling rapidly, as you point out. It's growing more than twice as fast as our overall business. That's just to remind everyone it's driven by the benefits we're providing to both consumers and merchants. FLC enables merchants to leverage our Rocket Delivery network to grow their businesses and that's been particularly meaningful for small and medium enterprises or SMEs, many of whom are turbocharging their businesses by getting access to the billions of dollars of investment we've made in infrastructure and technology that they couldn't have built on their own. Consumers, of course, also benefit from being able to find more and more selection available on Rocket services like Dawn Delivery and Rocket Return.

More selection on Rocket historically has driven greater growth, and we're seeing that play out with FLC. It's worth noting that despite the high growth that we've mentioned, FLC still represents a small percentage of total units sold, and with just a fraction of the total selection in the market on FLC, we believe the vast majority of growth lies ahead.

To your question about categories on FLC. FLC is driving growth across all categories, including categories that are emerging like fashion and beauty. We're especially excited about FLC's potential to expand selection dramatically for customers in all categories, especially in highly fragmented and long tail categories like fashion and beauty.

Your second question on Taiwan. Taiwan, as we mentioned, is growing faster than Korea did over the same time period post the launch of Rocket. Our value proposition is the same as Korea. We've always believed that the transformational customer experience we built in Korea would resonate with customers in other markets. That so far is playing out in Taiwan.

While we've just started our service in the market, we're already leveraging in Taiwan many of the things that we built and learned in Korea. We're also pleased that customers have responded positively to getting expanded access to Korean selection. We're providing Taiwanese customers access to millions of products from our Korean assortment. Over 70% of which comes from Korean SMEs by the way.

Our strategy is this in Taiwan, we'll keep investing and executing in a disciplined and intelligent manner. We'll continue to test, learn and iterate rapidly to improve our customer experience and operations in the market. While we're encouraged by what we see, I want to note that we have a lot of work to do. It's still very early in our journey and we look forward to sharing more on this front when the time is right.

Operator: Your next question comes from the line of Eric Cha of Goldman Sachs. Your line is open.

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<Q – Eric Cha – Goldman Sachs (Asia) LLC (South Korea)>: All right. Thank you for the opportunity to ask questions and congrats on the strong quarter. Two questions for me. I think along with FLC, you also mentioned that ad growth is growing faster than twofolds compared to the revenue. Our understanding is that ad market environment wasn't that great in Korea due to macro pressure in second quarter. So what do you think is driving this performance and where do you think Coupang ads are in terms of ad penetration against GMV and how much runway for growth do you think Coupang still has?

And the second question is, I'd like to ask some follow-up questions around Taiwan. So you mentioned that you will be disciplined. So what would prompt you to maybe not pursue Taiwan anymore as you've done in Japan? So I think you pulled out of Japan. So what would be some of the situation where you would not pursue Taiwan anymore? And I think Stanley also asked this, but beyond this year, what sort of CapEx cycle should we be expecting specifically towards Taiwan? Thank you.

<A – Bom Kim – Coupang, Inc.>: Hi, Eric. Thanks for your questions. On advertising, historically more selection, more suppliers and merchants has led to more customer engagement. That in turn has led to more opportunities to advertise. We've seen and we expect selection growth and increasing customer engagement to be key drivers of ad growth in the future. As you point out, and as we've mentioned, our advertising business is growing more than twice as fast as our overall business, but we're still very far from our full potential. We mentioned before that operational improvements outside of ads drove the bulk of the profit margin expansion this past year. But ad continues to make progress, made strides, and we believe it has the potential to contribute to a higher share of margin gains in the future. We're very pleased and optimistic on that front.

On the second point about Taiwan, our strategy on how we're going to be disciplined on investment levels beyond this year, excuse me, I think perhaps it's worth taking a step back and describing a little bit about our strategy and our investment level on Developing Offerings as a whole. We look at investments in Developing Offerings as a pool of investments that compounds value across the ecosystem and accelerates entire flywheel.

At every turn, we'll assess and allocate dollars within that pool to investments that provide the most promising results. We'll reduce or exit investments, as you pointed out, and as we have done at times in the past, when they don't meet our high thresholds. With these investments, our objective is to maximize long-term shareholder value. We laid out our strategy to achieve that in our operating tenets, which we shared in one of our first earnings calls post-IPO. We'll continue to remain disciplined and abide by those operating tenets which we published again in our earnings presentation this quarter.

As we've noted, our guidance for Developing Offerings investment in 2023 is $400 million. We expect our investment to remain at these levels, but in every scenario, we expect to generate meaningful cash flow at the consolidated level. And it's worth noting that this quarter our level of investment in Developing Offerings was at that level and we're still generating significant free cash flow at the consolidated level.

Operator: Your next question comes from the line of John Yu from Citi. Your line is open.

<Q – John Yu – Citigroup Global Markets Korea Securities Ltd.>: Thanks for taking my questions and congratulations for the good result. I have two questions. First one, regarding the Product Commerce division. I'm trying to understand each part of growth wheels in the second quarter. I heard that you mentioned about the gross rate comparison in the earlier Q&A, but could you please share some more color about the revenue contribution of advertising and FLC in the second quarter?

And specifically regarding Taiwan, it would be also helpful if you could share potential CapEx estimates in Taiwan for the next few years. And what would be Coupang's key focus, competitive advantage in Taiwan. I'm asking this question in the context of competition as Taiwanese local players are already offering one-day delivery option. So, how would you describe the competitive landscape in Taiwan? Thanks.

<A – Bom Kim – Coupang, Inc.>: Hi, John. Thanks for the question. I think on product commerce, it's important to note that we just have a single-digit share in the overall retail market opportunity. Active customers are only about half of the total active shoppers available or active customer growth is accelerating again this quarter.

Tens of millions of customers have yet to join WOW. We continue to grow at a multiple of the market and our active customer growth is accelerating because we've made unparalleled investments in infrastructure and technology that have enabled us to deliver unmatched customer experience and operational excellence that applies to our 1P or FLC and even our third-party offerings are also growing at a multiple of the overall market.

We're still a tiny share of a retail market that is projected to reach $550 billion in just the next three years. And as we've demonstrated quarter after quarter, we're confident that in any scenario, we'll continue to grow at a multiple of the market.

For Taiwan, it's too early to discuss specifics, but you can see here that we haven't fulfilled all of our plans and designs to build the same kind of transformational customer experience that we built in Korea. But the customer response has been terrific. Again, it's early, but we have a track record of execution and disciplined investment. We're encouraged by many things we see, and we have a lot of things to improve and we look forward to sharing more when the time is right.

<A – Gaurav Anand – Coupang, Inc.>: Yeah. John, on your first question, contribution to revenue in Q1 call, we had highlighted that FLC change impacts net revenue by about 540 bps. That kind of gives you indication and magnitude of the contribution of revenue of FLC to our net revenues.

<Q – John Yu – Citigroup Global Markets Korea Securities Ltd.>: All right. Thanks.

Operator: Your next question comes from Se-Yon Park of Morgan Stanley. Your line is open.

<Q – Se-Yon Park – Morgan Stanley & Co. International Plc (South Korea)>: Hi. Thank you for the opportunity. I have two questions. If you look at the gross profit coming from Product Commerce, it increased about $150 million sequentially. I was wondering whether you can provide us with a little bit more color as to what drove that increase, whether the contribution and ramp-up of FLC is a large part of that increase or whether we're seeing it from, better margins from the pure 1P business or some contribution coming from advertising. That's my first question.

The second question is on AI. We're seeing a lot of vibes and talk about AI. I know that Coupang has been using AI and predicting the demand at each of the regions and the like. And I was just curious, just given that AI has become such a big topic this year, whether that has led to any changes to your AI strategy or whether you have plans to more or adopt some of the generative AI to your products going forward? Thank you.

<A – Bom Kim – Coupang, Inc.>: Thanks, Se-Yon. On the gross profit gross margin drivers, the drivers of margin improvement are consistent with what we've shared before. We've been driving continuous improvement that leverage our years of investment in technology, infrastructure, supply chain optimization and new services, among others. Again, we don't expect every initiative to bear fruit immediately or evenly every quarter but we remain very confident about our long-term margin opportunity here and our ability to achieve our long term guidance of higher than 10% adjusted

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EBITDA. And we'll continue to make significant operational improvements over time that will enable us to keep lowering prices for customers and expand margins.

On AI, you're right that AI has been a powerful technology that we've deployed across virtually every facet of our business, from Rocket-related operations to search, to ads, customer service supply chain management, just to name a few. We're currently evaluating opportunities to take advantage of the recent advances in AI. It's consistent with the strategy that we've always held, and we'll continue to invest in AI teams and tools to drive efficiencies and enhance the customer experience.

Operator: Your next question is from James Lee of Mizuho. Your line is open.

<Q – James Lee – Mizuho Securities USA LLC>: Great. Thanks for taking my questions and congrats again on the good numbers. And two questions here. First, maybe can we get some more color on food delivery? Can you maybe talk about your progress in cross-selling to members with the discount? And also provide some uptake, I think in the past you talked about you want to leverage more of the fixed cost of existing asset drivers on e-commerce as opposed to solely rely on variable costs. Maybe can you speak to that a little bit?

And second question is more about, in the past you guys talked about the progress of expanding selections, right? You guys talked about one of the [indiscernible] (30:57) accelerating membership is to be able to have more selections and that'll drive more adoption to your membership. And I was wondering which categories you are making progress, which categories you're hoping to make to hope to improve going forward? Thanks.

<A – Bom Kim – Coupang, Inc.>: Hi, James. Thanks for your questions. On the first topic on Eats, we have seen synergies across the board. We mentioned a few of those points in our call earlier. We've seen an 80% increase in total WOW membership, total WOW members participating in Eats and 20% increase in WOW members spend on Eats. In addition, we've seen WOW members engagement on Product Commerce go up. We've seen WOW retention also higher among customers who engage on Eats. We also, of course, have behind the scenes lots of opportunities to pursue synergies on the operational side. I think there will be – we continue to pursue synergies and efficiency gains on multiple fronts, but we're really excited that we're able to drive a compounded value of these offerings across our whole ecosystem. And I want to stress again that our goal is to make – all of this is in service of our goal to make WOW the best deal on the planet for customers. With the majority of WOW members yet to have made a purchase on Eats, this benefit has the potential to not only drive growth on Eats but to supercharge their engagement on Product Commerce and create even more value surplus for our members on WOW.

On selection, we're seeing – and our mission is to drive selection expansion across every category and every segment of customer spend. There are many emerging categories. We're a retailer with less than 10 years under our belt. And many of our emerging categories like fashion beauty is just a few years old on Rocket.

So we have low penetration across all categories but there are emerging categories with especially low penetration. It just again highlights how early we are in our journey and we're excited to expand our customer value proposition, particularly along selection across all categories and all segments for our customers.

<Q – James Lee – Mizuho Securities USA LLC>: Great. Thank you.

Operator: We will now take our last question from the line of Jiong Shao of Barclays. Your line is open.

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<Q – Jiong Shao – Barclays Capital, Inc.>: Thank you very much for taking my questions, and let me add my congrats as well. My first question is a follow-up on FLC. I think a quarter ago you talked about FLC was about 4% of the units. Could you talk about the percentage of units for the 3P part? And could you also elaborate a bit on the sort of the rate limiting factor sort of prevents FLC to grow even faster? Is that because of the capacity issue you have? Any color you can share about merchant adoption rate, if any number you can share, that'd be awesome.

And my second question is again, a clarification around Eats. You talked about the WOW members using Eats to up 80% year-over-year. Could you talk about penetration rate again among your WOW members? What's a rough percentage of them are currently using Eats now? I heard you are saying that Eats is now profitable. I think I heard that unit economics is positive. I just want to confirm that's indeed the case. Thank you so much.

<A – Bom Kim – Coupang, Inc.>: Hi, Jiong. Thanks for the questions. I think FLC as you can see, it's growing very fast. We shared that it's growing more than twice as fast our overall business. So I don't think there were any blockers or, of course, there's always improvements there --- as with any new service, we have continuous improvement. There are aspects to continue to improve on the consumer side, on the merchant side, and our teams are hard at work to build the right technology, the right processes, the right experiences. So that's a continuing work that we continue to do. But as you can see FLC adoption has been very positive on both the consumer front and on the merchant front.

And we shared, I think last quarter, you're right, we shared, I think we can share again this quarter that FLC still represents a small percentage of total units sold and it has a tiny fraction of the total selection in the market. And we believe there are many, many merchants, especially small and medium enterprises or SMEs that for whom it would be very expensive to recreate the level of service and growth opportunities that FLC provides, and we're excited to expand access to Rocket Delivery for small merchants, including SMEs. And to help them grow, we're also excited to bring the benefit of more and more of the selection to our customers on Rocket services like Dawn Delivery and Rocket Returns.

On WOW membership engagement on Eats, I think we can also share here that the majority of WOW members have yet to make a purchase on Eats and we did focus over the last few quarters to make Eats unit economics positive. We've taken those positive contribution profits to reinvest in the form of this benefit that we believe is generating ROI not only in Eats but across the whole ecosystem in Product Commerce, WOW membership and Eats.

So I think with both FLC and Eats, we are still early in our journey. It is just getting started and we'll continue to make progress. There is still lots of work to do, still lots of improvements to make across the board. And we look forward to updating you in greater detail in the future.

<Jiong Shao – Barclays Capital, Inc.>: Thank you very much.

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

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