

Starbucks' China challenger Luckin to raise up to \$800 million in U.S. IPO: sources

Notes & Cues:**Article:**

Luckin Coffee Inc, the Chinese challenger to Starbucks Corp, filed on Monday for a U.S. initial public offering (IPO) through which, sources said, it is looking to raise up to \$800 million.

The Beijing-based coffee chain set a placeholder amount of \$100 million to indicate the size of the IPO and did not disclose the number of shares it would offer, a filing with the U.S. Securities and Exchange Commission showed.

Luckin has waged its cash-burning caffeine war with generous subsidies, speedy delivery and viral promotions on social media, which in turn has also pushed Starbucks to form a tie-up with local tech giant Alibaba to deliver coffee to customers.

According to the prospectus, its acquisition cost per new customer decreased to 16.9 yuan (\$2.52) in the first quarter of 2019 from 103.5 yuan in the year-ago quarter, helped by the growth of its network and improved brand recognition.

“The big question for the brand long term is if, when it rolls back discounts, enough customers stick around, ” said Ben Cavender, Shanghai-based principal at China Market Research Group, “But the company has completely rewritten the rules for the coffee business in China and has impacted Starbucks as well as a host of smaller players.”

Summary: