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2020 Q2 Earnings Call

August 20, 2020

Digitally Connecting Patients with Drugs and Healthcare Services
YI Nasdaq Listed



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This document speaks as of June, 2020. Neither the delivery of this document nor any further discussions of the Company with any of the recipients shall, under and circumstances, create any implication that there has been no change in the affairs of the Company since that date.

SECTION 1

NEW CAPITAL INJECTION AND STRATEGIC PLAN TO PURSUE LISTING OF PRINCIPAL SUBSIDIARY ON STAR MARKET



New Capital Injection and Strategic Plan to Pursue Listing Of Principal Subsidiary In China

Acceleration of Business Growth & Expansion

- Participation of multiple investors to invest an aggregate of RMB419.82 Million (USD60.49 Million) at pre-money valuation of USD1.2 Billion
- Plans to extend 111's access to capital markets in China through listing of the shares of its principal subsidiary, Yao Fang Information Technology (Shanghai) Co. Ltd on Shanghai Stock Exchange's Sci-Tech innovAtion boARd ("STAR Market")
- 111 Firmly committed to NASDAQ listing status

The STAR Market

A Stock Exchange for China's Home-Grown Technology Firms

- Launched by Shanghai Stock Exchange on June 13, 2019 and home to 140 + companies worth over USD400 Billion in combined value (July 2020)
- Features some of China's promising and innovative technology companies
- Application for listing will be registration-based and market-driven
- IPOs on STAR will be priced by market dynamics
- STAR Market allows for listing of subsidiary of public company

Strategic Rationale

Executing on Our Mission of Digitally Connecting Patients with Drugs and Healthcare Services

- Bolster the Company's resources to invest and pursue opportunities for rapid expansions
- Enable us to tap into the new capital resources in China's domestic financial market and attract domestic investors to invest and participate in the vibrant healthcare sector and the Company's future growth
- Further strengthen our profile with customers and our brand to broaden and deepen partnership with respective stakeholders and leading Chinese pharmaceutical companies critical to our success as omni-channel enabler
- Strengthen 111's leadership in digital healthcare platform in China

NASDAQ Listing Status is Very Important to 111

111 Benefits from a Diverse and Supportive Shareholder Base Since Listing on NASDAQ

- Potential listing of principal subsidiary in China complements the listing of our ADS on NASDAQ

- Maintain US listing allows 111 to continue to
 - Access the global capital markets to execute growth strategy; enhance service offerings and pursue investment opportunities in technology development

 - Provide significant opportunities with building a global brand for partnership with world renowned pharmaceutical companies

 - Enhance credibility with validation of our international- standard corporate governance and management quality

SECTION 2

**BUSINESS & OPERATIONAL
PERFORMANCE HIGHLIGHTS**



Our Mission and Multi-Facet Strategy

Digitally
Connecting
Patients
with Drugs and
Healthcare
Services



Strengthen our digital healthcare platform capabilities by enabling key stakeholders via cloud-based solutions

Capitalize on the enormous market opportunities from building the largest virtual pharmacy network in China

Build omni-channel drug commercialization capabilities to establish 111 as the partner of choice for pharmaceutical companies

Enhance our smart supply chain technology and integrated online-offline infrastructures

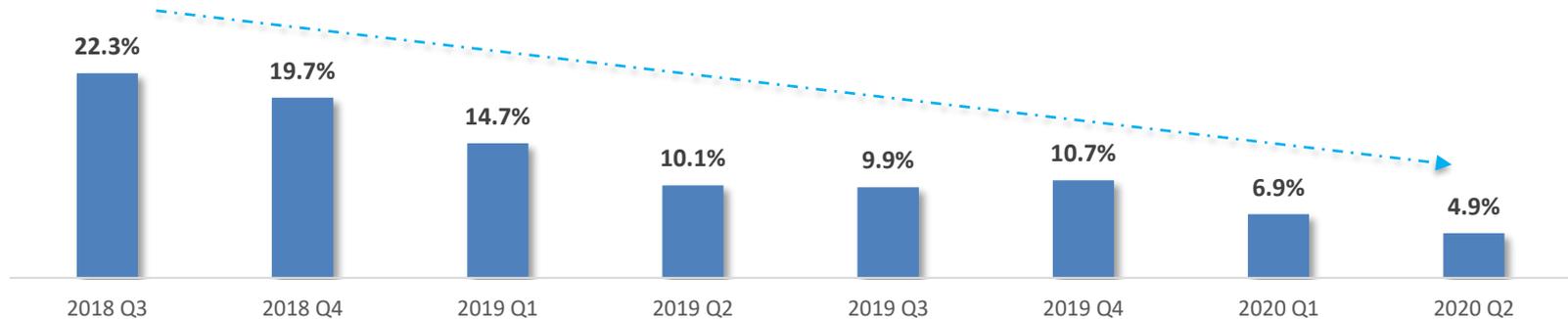


Note:
1. 1Drug Store ranked No.1 in the research report Top 3 Active Pharmaceutical E-commerce APP Users in June 2020 by 100ec.cn,

Exponential Growth Since IPO



(Non-GAPP Net Loss as % of Net Revenue)



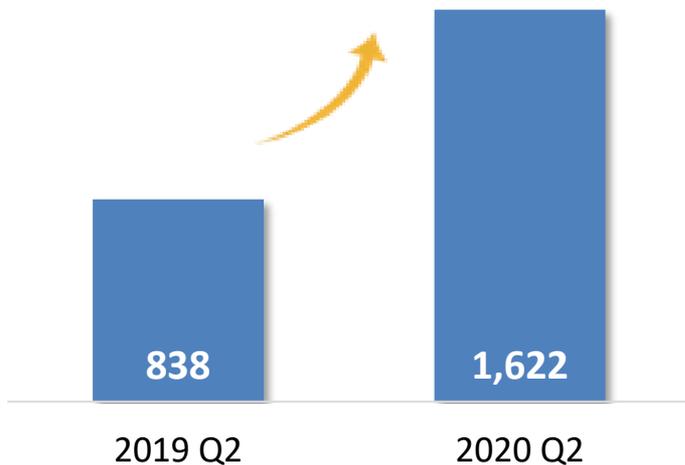
Scaling Our Business Growth

While Sustaining Strong Momentum in Driving Gross Profit

NET REVENUE

YoY +93.5%

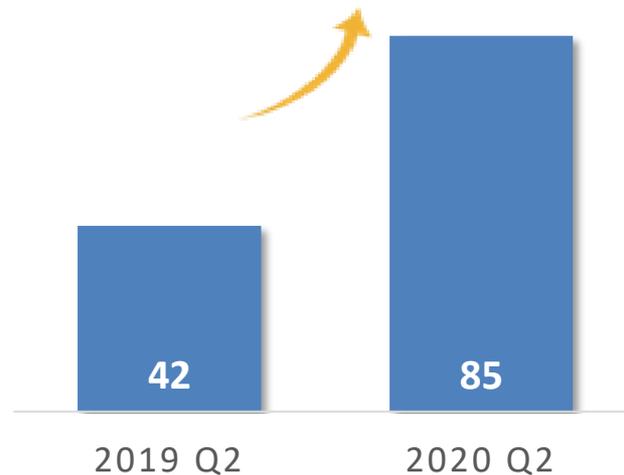
(RMB Million)



GROSS PROFIT

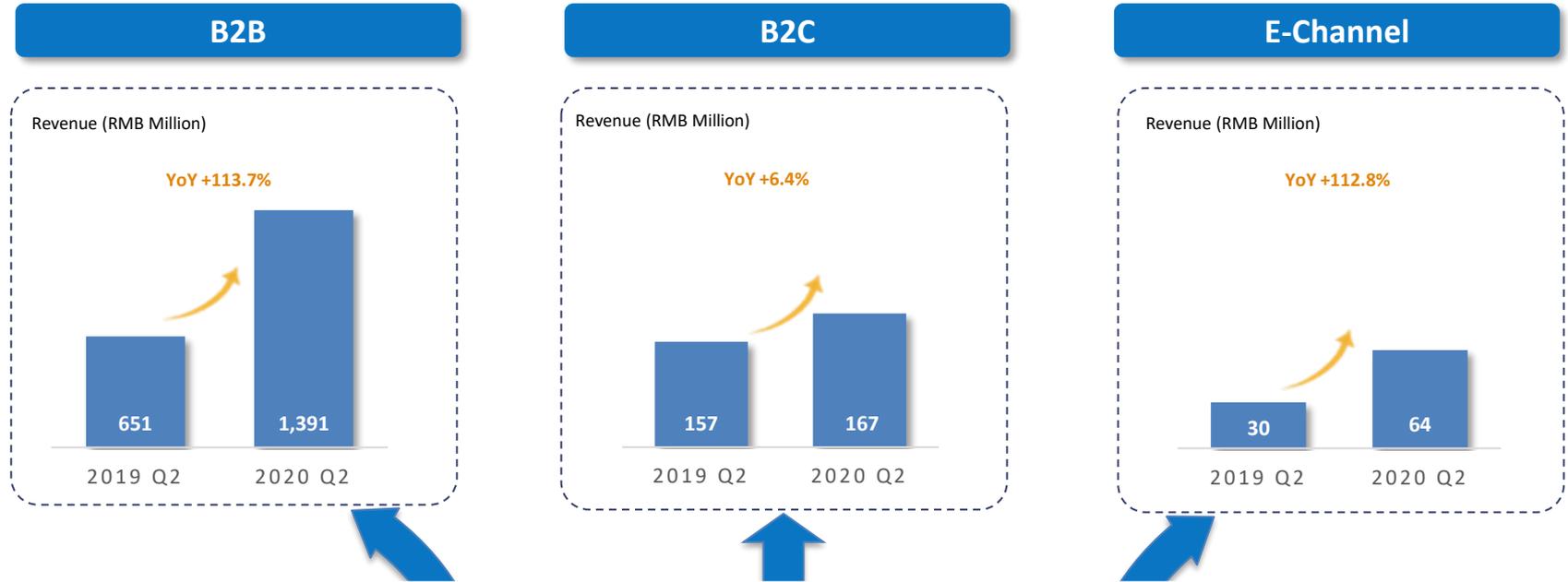
YoY +101.3%

(RMB Million)



Multi-facet Strategy Drives Robust Performance Across All Business Segments

Expanding Diversified Revenue Streams



Smart supply chain enabled intelligent and integrated distribution solutions

Inventory on demand, smart sourcing and just-in-time delivery to enable shorter inventory cycle and lower procurement cost

B2B: Revenue Up 113.7% with Pharmacy Orders Increased 188.6% YoY

Underpinned by Strong Market Demand & Expansive Portfolio of Services to Retail Pharmacy Clients

B2B Revenue

Revenue (RMB Million)

YoY +113.7%

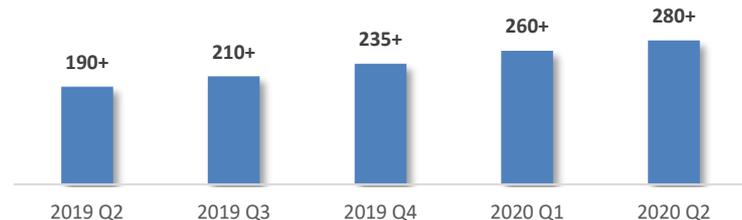


Enabling and Value-Added Digital Solutions Services for Retail Pharmacies

- 111's "1 Drug Express" newly launched on Meituan Platform: Enable offline pharmacies to open online pharmacies on Meituan O2O platform and can serve patients around 3km in distance.
- Other value-added cloud-based services: Cloud Pharmacy, Cloud Clinic, Cloud Inventory, Cloud CRM.

No. of Pharmacies

(Thousand)



Pharmacy Order Numbers

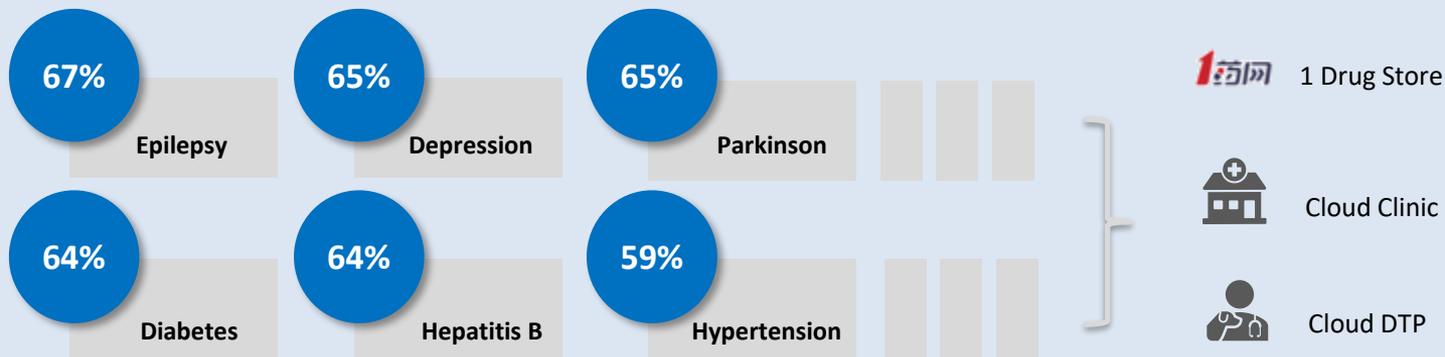
(Thousand)



B2C: Increasingly Diversified Revenue Streams with Service Revenue Up 46% YoY

Driven by Our Best in Class CRM System Resulted in Continuous Improvement in Refill Rate

CRM system serving patients from 80+ Diseases and effectively improved refill rate



“Cloud Enabled Lung Cancer Care by Great Doctors”

- Launched on July 25
- The platform is to be established and operated by 111
- Provides diagnostic and treatment services for lung cancer patients via a full life-cycle doctor-patient interaction



Fast Expanding Partnership with Leading Pharmaceutical Companies for Direct Drug Sourcing

Supported by Best-in-Class Smart Supply Chain

Growth of Partnership

(No. of Pharmaceutical Companies)



Proprietary smart supply chain management systems



National fulfillment network to enhance delivery efficiency



6 self-managed regional fulfillment centers in South China (Guangzhou), East China (Kunshan), North China (Tianjin), West China (Chongqing), Central China (Wuhan) and South East China (Fuzhou)



24-hour delivery to 300+ cities
72-hour delivery nationwide

Strengthen our Digital Healthcare Platform Capabilities

Enabling Customers, Partners & Stakeholders with Digital Solutions via Innovative Technologies

Pharmaceutical Companies

Cloud DTP Service

- Provide online consultation and drug delivery services to patients through partnerships with over 20 multinational pharmaceutical companies and hundreds of physicians. User data will be captured for follow-up consultation in the CRM management system
- Eg: Eli Lilly/Trulicity, Novartis/Cosentyx, etc.

Digital Marketing Service

- Live broadcasts by renowned doctors
- Accurate disease information for patients
- Big data analytics on customers preferences and consumption patterns
- Brand awareness and profile building for target audience



Pharmacy Owners

Cloud-based Service

- 1 Drug Express, Cloud Pharmacy, Cloud Clinic, Cloud Inventory, Cloud CRM

Market Place Merchants

Business Intelligence Portal

- Real-time updates on sale, delivery, customer complaints & etc.

Internal Stakeholders

Hawkeye System

- Empower each business development team member to service 300+ pharmacies with high efficiency
- Customize drug procurement plan and marketing plan for each pharmacy prospect with high conversion rate

Regulatory Tailwinds

COVID-19 Pandemic Continues to Spur Favorable Regulatory Changes

2020.3

State Council issued Guidance on Deepening the **Reform of the Medical and Healthcare System**, the needs to:

- accelerate development of commercial healthcare insurance,
- extend healthcare insurance products supplies,
- take full advantages of private income tax policy of commercial healthcare insurance, and
- extend insurance product offering.

2020.4

National Development and Reform Commission (“NDRC”) published **“The Practical Plan for Promoting Digitalization in New Business Development”** (the “Plan”):

- to explore and promote the reimbursement of first-time online medical consultations
- to prioritize the implementation in six pilot areas.

This marked the first time that reimbursement of a first-time online medical diagnosis was cited in a policy statement at the national level.

2020.7

General Office of the State Council (“GOSC”) printed out **“The Opinions of the GOSC on Further Optimization of Business Environment and Better Serving Market Entities”** :

- broaden the coverage of internet medical care while ensuring medical safety and quality, include some internet medical care services that meet the requirements in the medical insurance reimbursement,
- make and unveil national unified examination and approval standard for internet medical care,
- accelerate examination and approval of innovative medical care instruments and boost their clinical application.

Further Development in Drug Retail Market

- A further increase in drug sales outside hospitals, especially drugs for chronic diseases.
- A further shift from offline to online drug sales.
- Realization of a closed-loop online business model covering inquiry, prescription, drug purchase, drug delivery and online reimbursement under certain circumstances.

SECTION 3

FINANCIAL REVIEW



Strong Momentum Continued Across All Business Segments

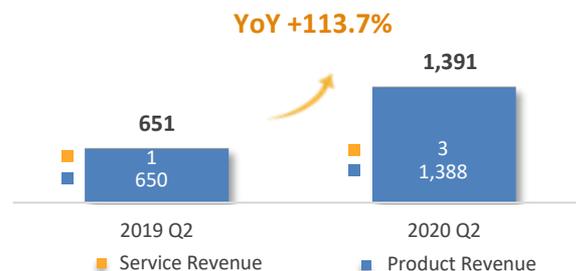
Revenue – Total

(RMB Million)



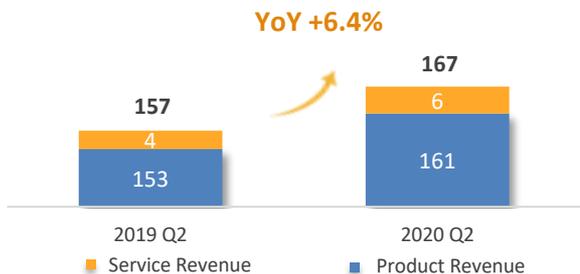
B2B Segment ¹

(RMB Million)



B2C Segment ²

(RMB Million)



E-Channel Segment ³

(RMB Million)



Note:

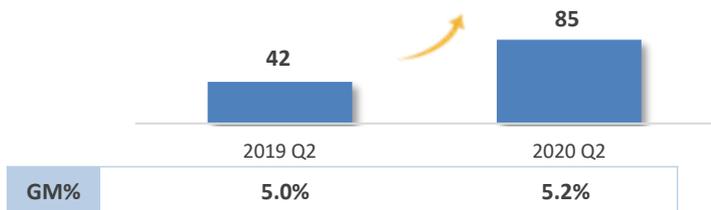
1. B2B Segment revenue includes B2B product revenue and B2B service revenue.
2. B2C Segment revenue includes B2C product revenue and B2C service revenue.
3. In the first quarter 2020, E-Channel Segment grew by an unprecedented 229.7% over same period last year. So that we separately illustrated revenue from this segment and restated data in the same quarter last year.

Strong Gross Margin Improvement on All Segments

Gross Margin – Total ¹

(RMB Million)

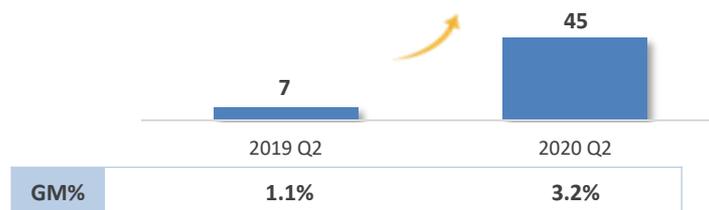
YoY +101.3%



B2B Segment ²

(RMB Million)

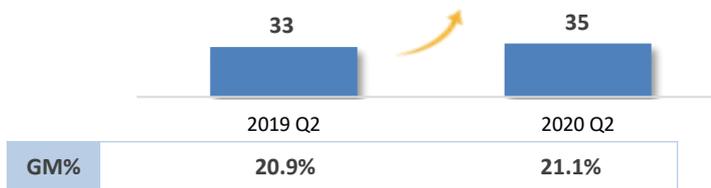
YoY +525.3%



B2C Segment ³

(RMB Million)

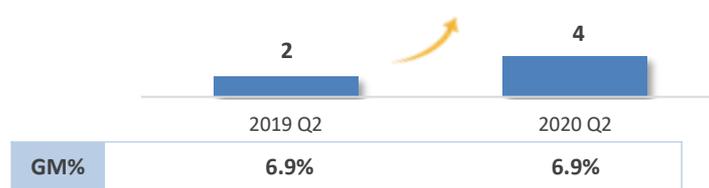
YoY +7.4%



E-Channel Segment ⁴

(RMB Million)

YoY +112.8%



Note:

1. Total Margin% = (Product Revenue + Service Revenue – COGS)/Net Revenue

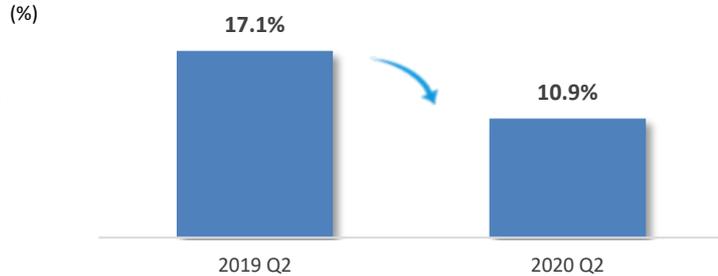
2. B2B Gross Margin% = (B2B Product Revenue + B2B Service Revenue – B2B COGS)/ B2B Revenue

3. B2C Gross Margin% = (B2C Product Revenue + B2C Service Revenue – B2C COGS)/B2C Revenue

4. E-Channel Gross Margin% = (E-Channel Product Revenue – E-Channel COGS)/E-Channel Revenue

Net Loss Continuing to Narrow as a Percentage of Net Revenue

Operating Expense as % of Net Revenue



	2Q19	2Q20
Total	17.1%	10.9%
Selling and Marketing	9.0%	5.0%
G&A	3.4%	2.4%
Technology	1.5%	1.1%
Fulfillment	3.3%	2.7%
Others	0.0%	(0.2%)

Non-GAAP Net Loss Attributable to Ordinary Shareholders



SECTION 4

OUTLOOK AND GUIDANCE



2020 Q3 Guidance

An Outlook of Strong Topline Growth & Expanding Diversified Revenue Base

Total Net Revenues

- RMB2 Billion to RMB2.17 Billion
- YOY Growth of 80.1% to 95.4%

SECTION 5

APPENDIX



Selected Balance Sheet Summary

RMB '000	As of	
	December 31, 2019	June 30, 2020
Cash and cash equivalents, and restrict cash	697,722	743,500
Total current assets	1,481,431	1,757,890
Total assets	1,610,293	1,885,609
Total current liabilities	773,423	1,235,031
Total liabilities	836,370	1,294,409
111 Inc's Equity	773,656	595,125
Non-controlling interests	(2,733)	(3,925)
Total liabilities and shareholders' equity	1,610,293	1,885,609

Selected Income Statement Summary

RMB '000	For the three months		For the six months	
	Ended June 30,		Ended June 30,	
	2019	2020	2019	2020
Net Revenues	838,161	1,621,816	1,493,762	3,197,484
Cost of products sold	796,066	1,537,071	1,418,401	3,025,141
Fulfillment expenses	27,421	43,616	48,674	99,219
Selling and marketing expenses	75,038	81,199	150,499	176,950
General and administrative expenses	28,510	38,290	56,044	67,946
Technology expenses	12,299	18,404	27,329	39,441
Loss from operations	(100,839)	(92,712)	(207,346)	(206,407)
Interest expense (net) and other loss (net)	(143)	365	12,253	12,129
Net Loss attributable to ordinary shareholders	(100,226)	(92,733)	(218,716)	(217,345)
Non-GAAP net loss attributable to ordinary shareholders	(84,650)	(78,826)	(180,913)	(188,238)

Non-GAAP Financial Measures Reconciliation

Non-GAAP Net Loss

RMB '000	For the three months		For the six months	
	Ended June 30,		Ended June 30,	
	2019	2020	2019	2020
Net loss attributable to 111 Inc	(100,226)	(92,733)	(218,716)	(217,345)
Add:				
Share-based compensation				
Selling and marketing expenses	6,518	6,372	12,190	12,784
General and administrative expenses	7,424	6,855	11,403	14,460
Technology expenses	1,634	698	3,211	1,880
Long-term investment impairment	-	-	11,000	-
Non-GAAP net loss	(84,650)	(78,826)	(180,913)	(188,238)

THANK YOU

11 Inc.

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