

Transcending the Boundaries of Healthcare

NASDAQ: YI

Third Quarter 2022 Earnings Call

December 1, 2022

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- statements involve inherent risks, uncertainties and other factors that could cause actual results to differ materially from those contained in any such statements. Potential risks and uncertainties include, but are not limited to, uncertainties as to the Company’s ability to comply with extensive and evolving regulatory requirements, its ability to compete effectively in the evolving PRC general health and wellness market, its ability to manage the growth of its business and expansion plans, its ability to achieve or maintain profitability in the future, its ability to control the risks associated with its pharmaceutical retail and wholesale businesses, and the Company’s ability to meet the standards necessary to maintain listing of its ADSs on the Nasdaq Global Market, including its ability to cure any non-compliance with Nasdaq’s continued listing criteria. Further information regarding these and other risks, uncertainties or factors is included in the Company’s filings with the U.S. Securities and Exchange Commission. All information provided in this press release is as of the date of this press release, and 111 does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under applicable law.
- This document also contains non-GAAP financial measures, the presentation of which is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with accounting principles generally accepted in the United States of America. In addition, the Company’s calculation of these non-GAAP financial measures may be different from the calculation used by other companies, and therefore comparability may be limited. The reconciliation of those measures to the most comparable GAAP measures is contained within this document or the earnings press release.
- This document speaks as of September, 2022. 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.

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1 BUSINESS & OPERATIONAL PERFORMANCE HIGHLIGHTS

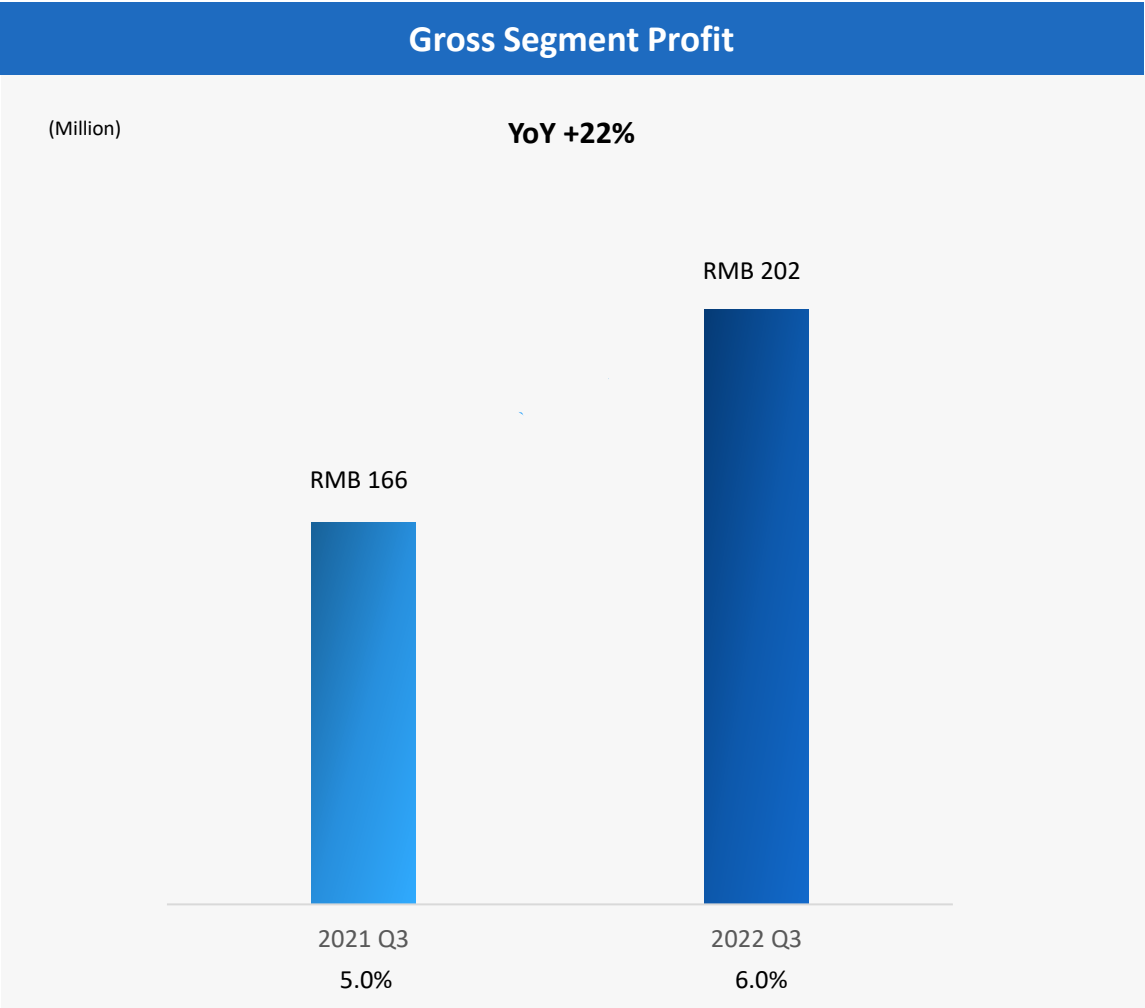
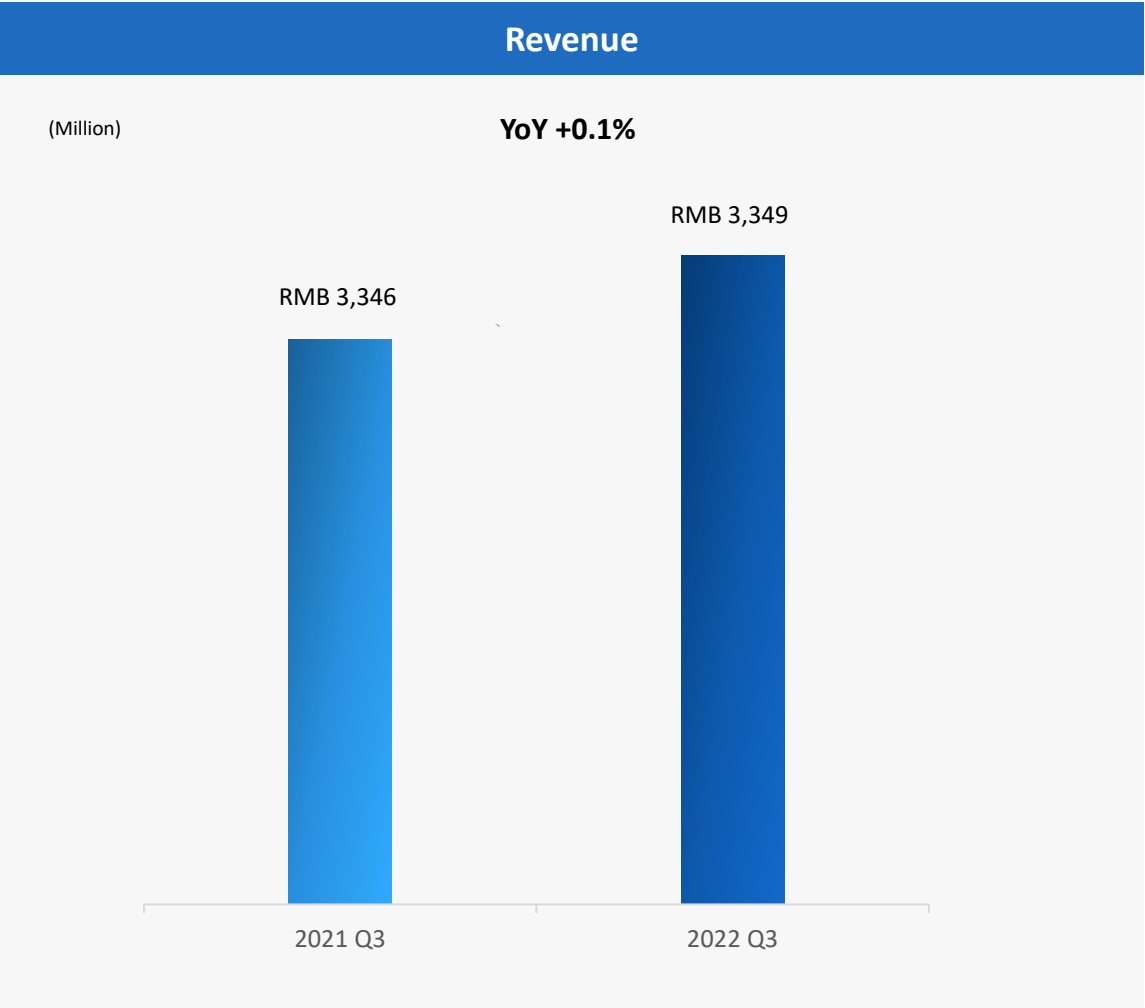
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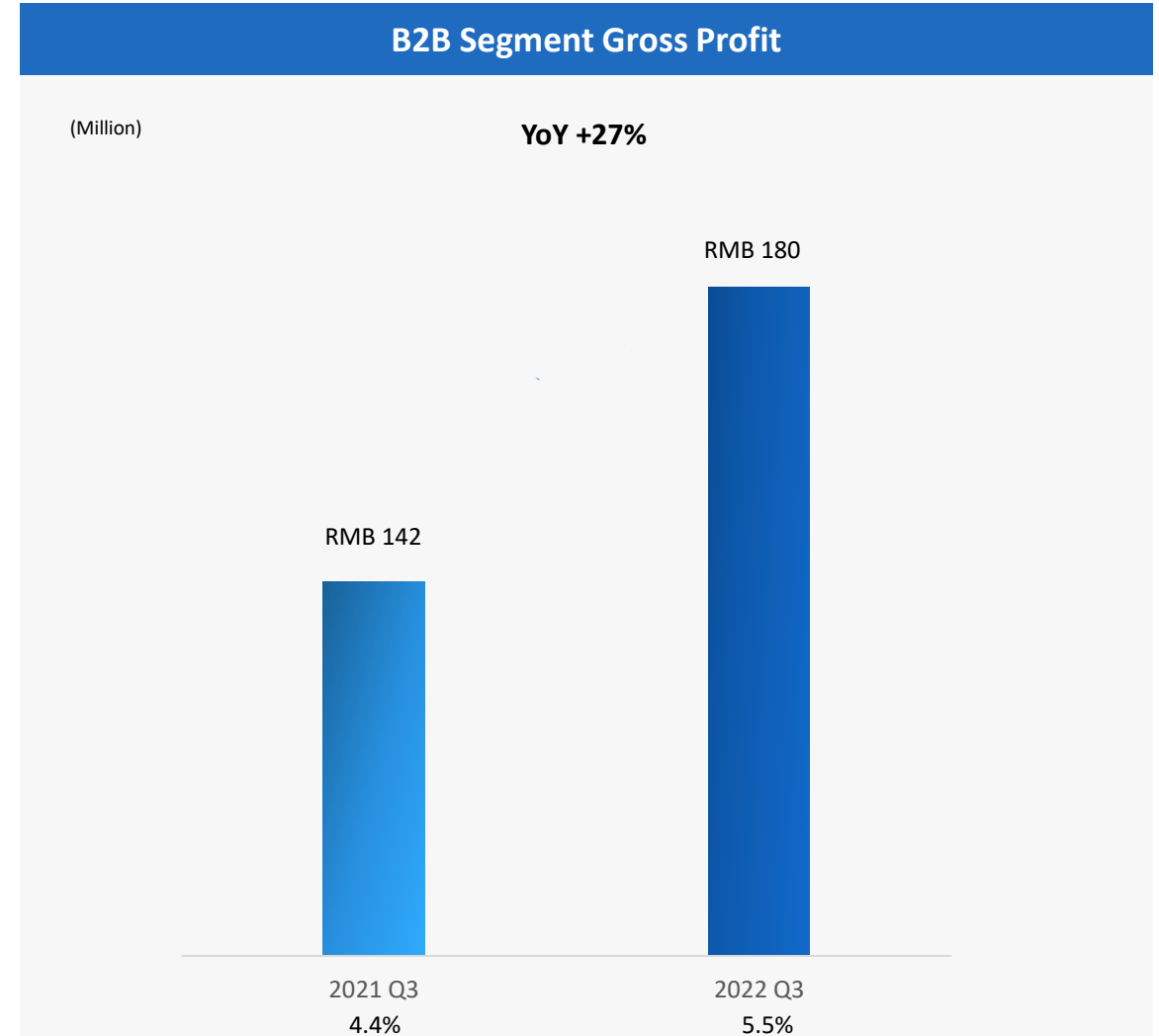
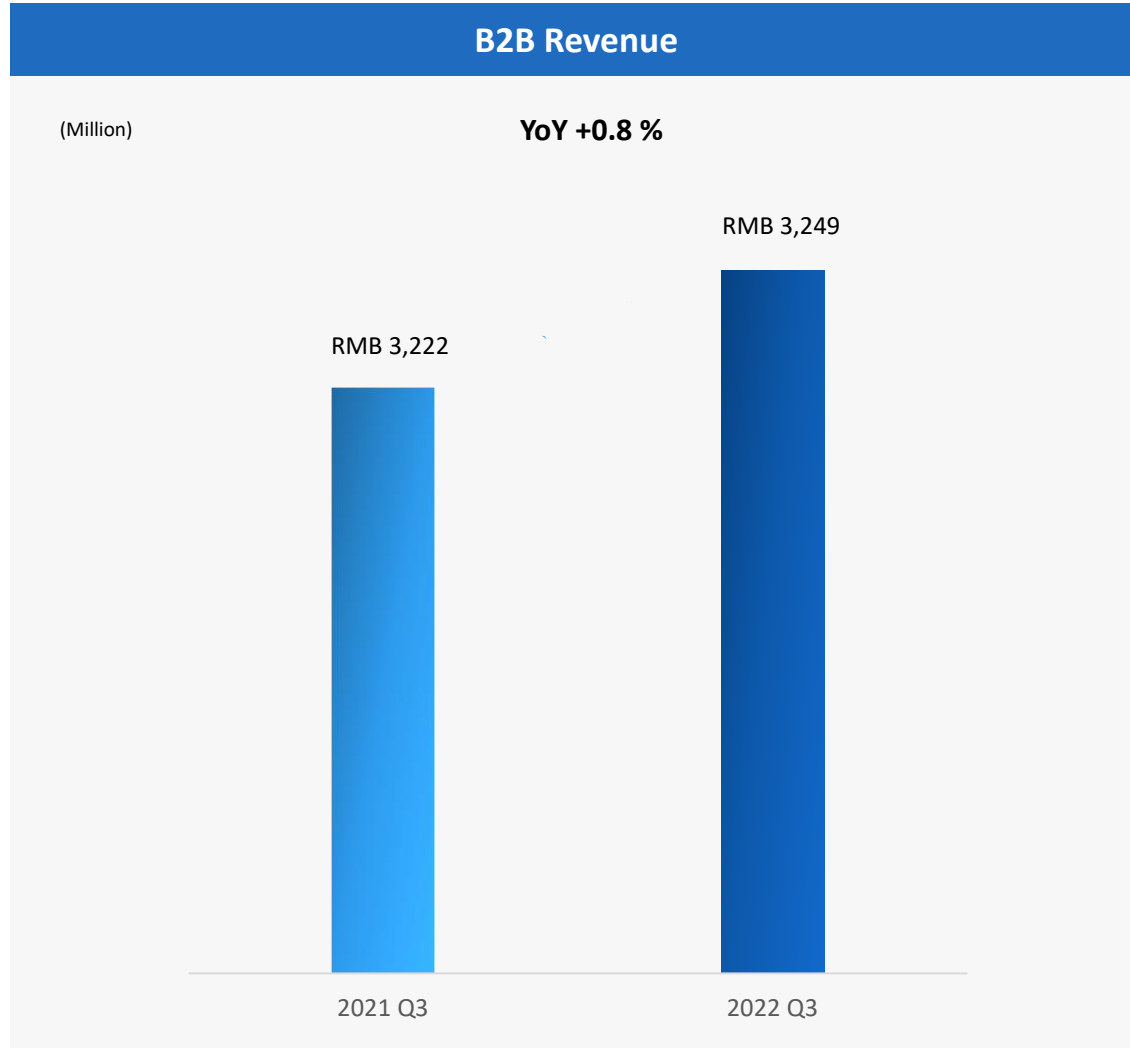
Despite the Economic Downturn and Material Adverse Impact, We Managed Moderate Growth in Revenue and Solid Growth in Gross Margin

- Revenue achieved 3.3 billion under extremely difficult circumstance
- Gross profit significantly grew to RMB202 million, with 22% increase YoY



B2B Segment Remained the Key Contributor in Revenue and Margin Growth

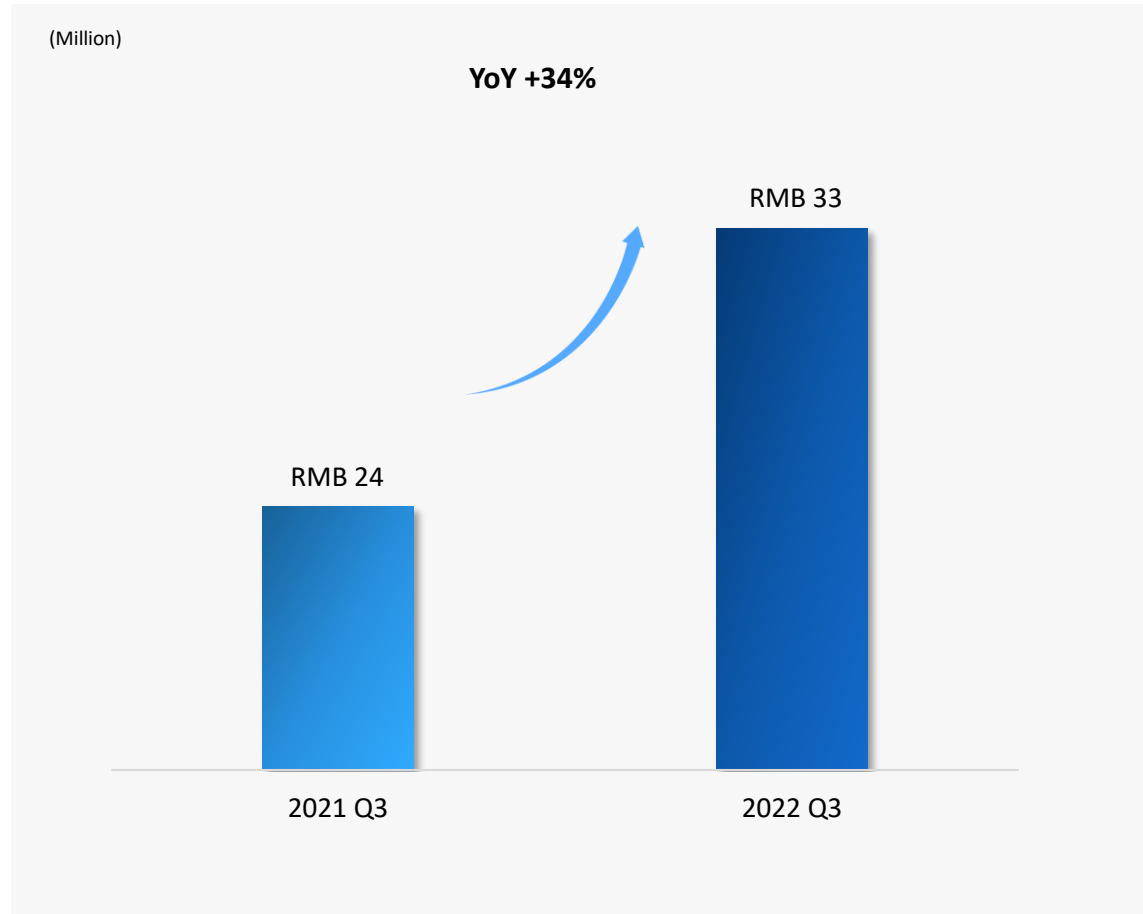
- Gross profit significantly grew to RMB180 million with 27% increase YoY



We Were Able to Leverage Our Digital Capabilities to Deliver More Value Added Services to Our Partners

- Diversified Revenue Stream with Service Revenue Increase 34% YoY

Service Revenue

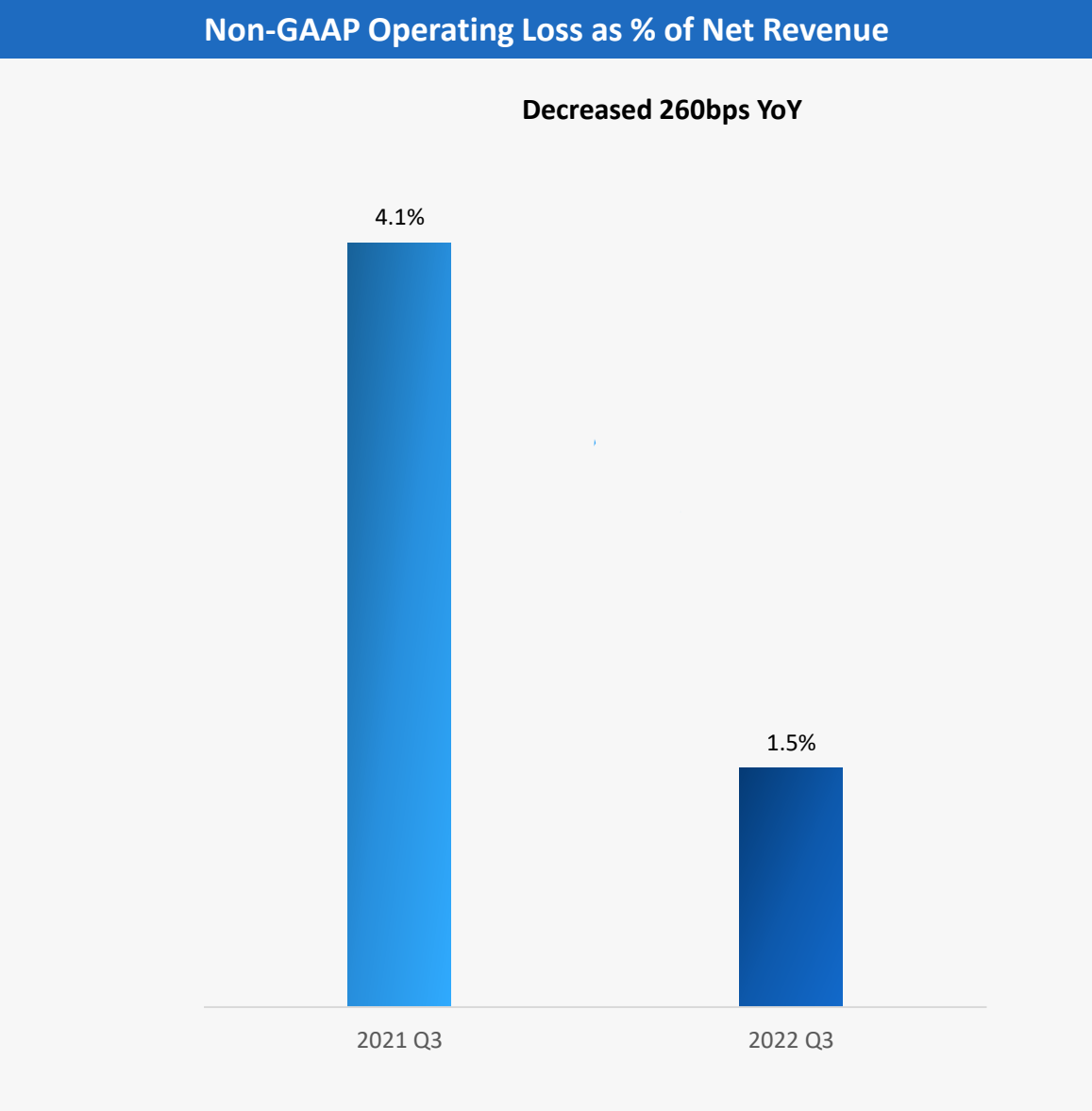
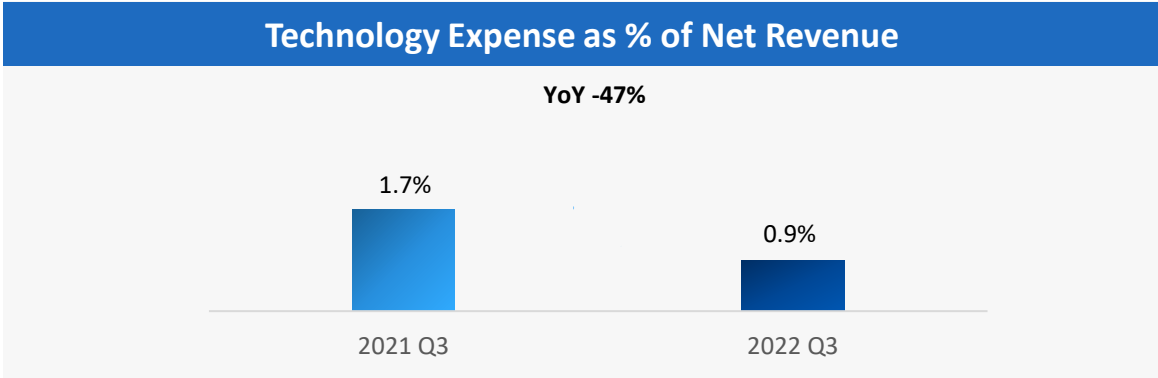
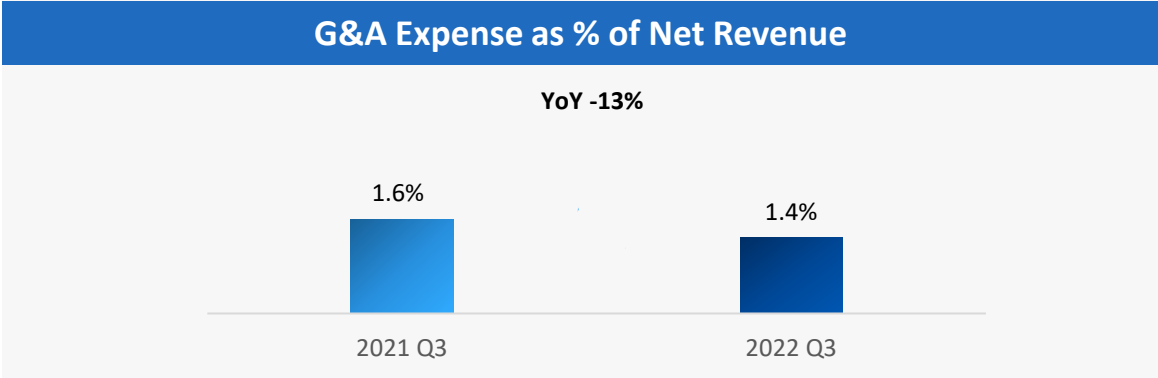
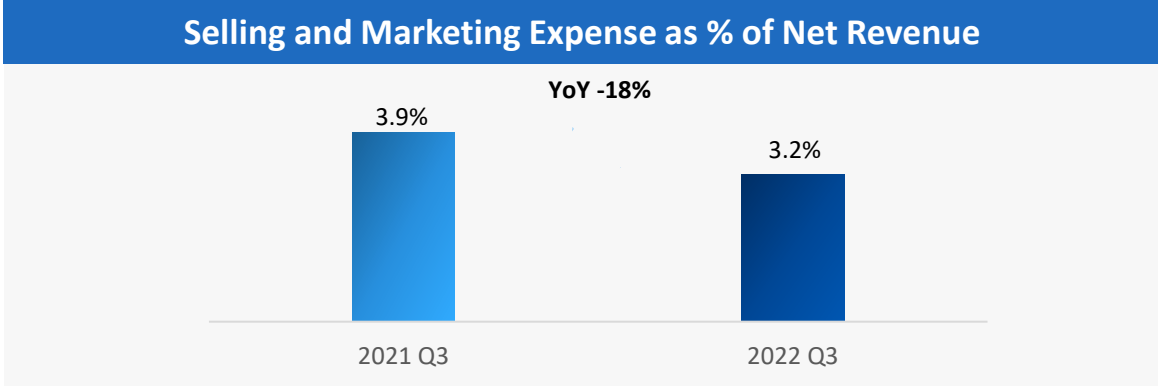


Increasing Demand for 111's Service Offerings

- Marketplace Vendor Services
- Online Medical Consultation
- E-Prescription Services
- Digital Marketing
- Supply Chain Management
- Patient Education
- Drug Commercialization Tools

Operational Efficiency Continued to Improve

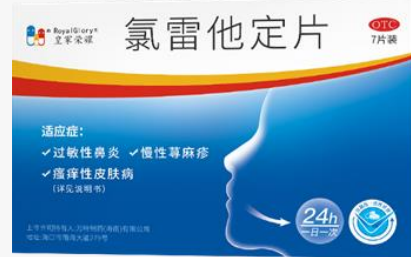
- Total operating expenses as % of net revenues decreased to 8.4%, with 17.2% decreased YoY



New Initiative: Private Label Program

- Developed 3 brands for chain pharmacies, individual pharmacies and customers
- 90+ SKUs launched or already in production schedule

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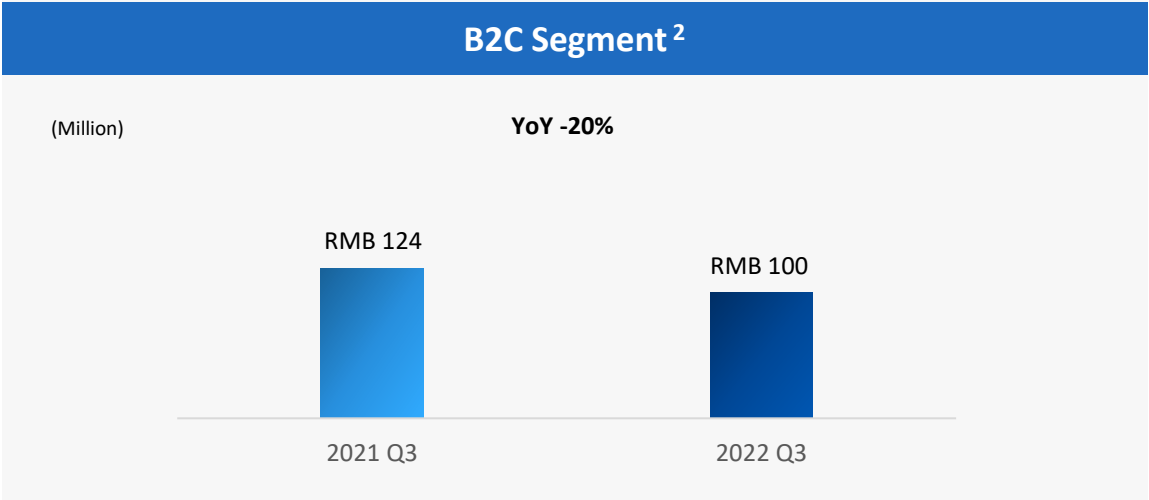
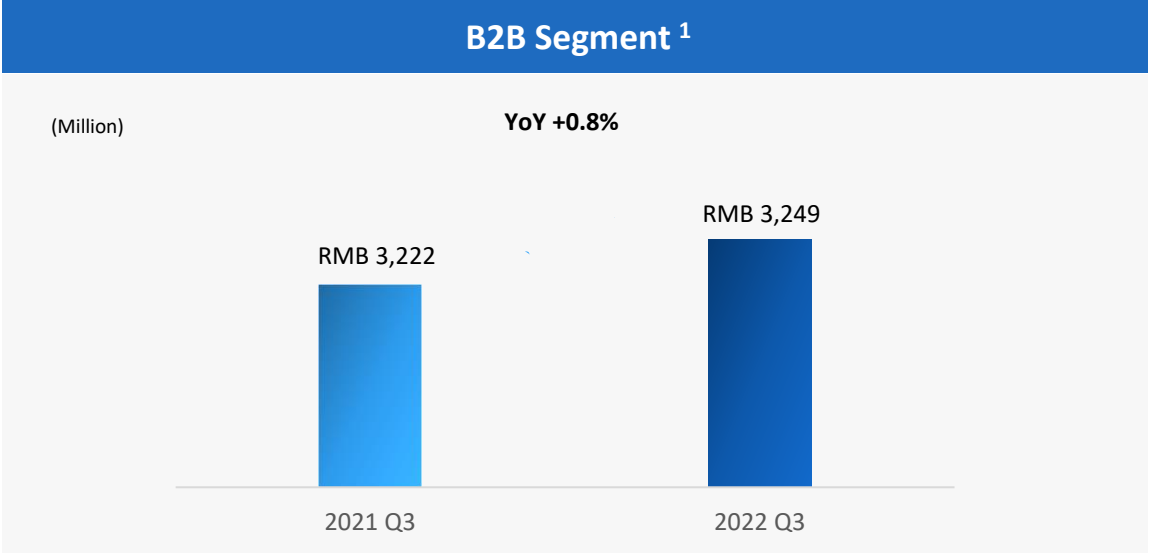
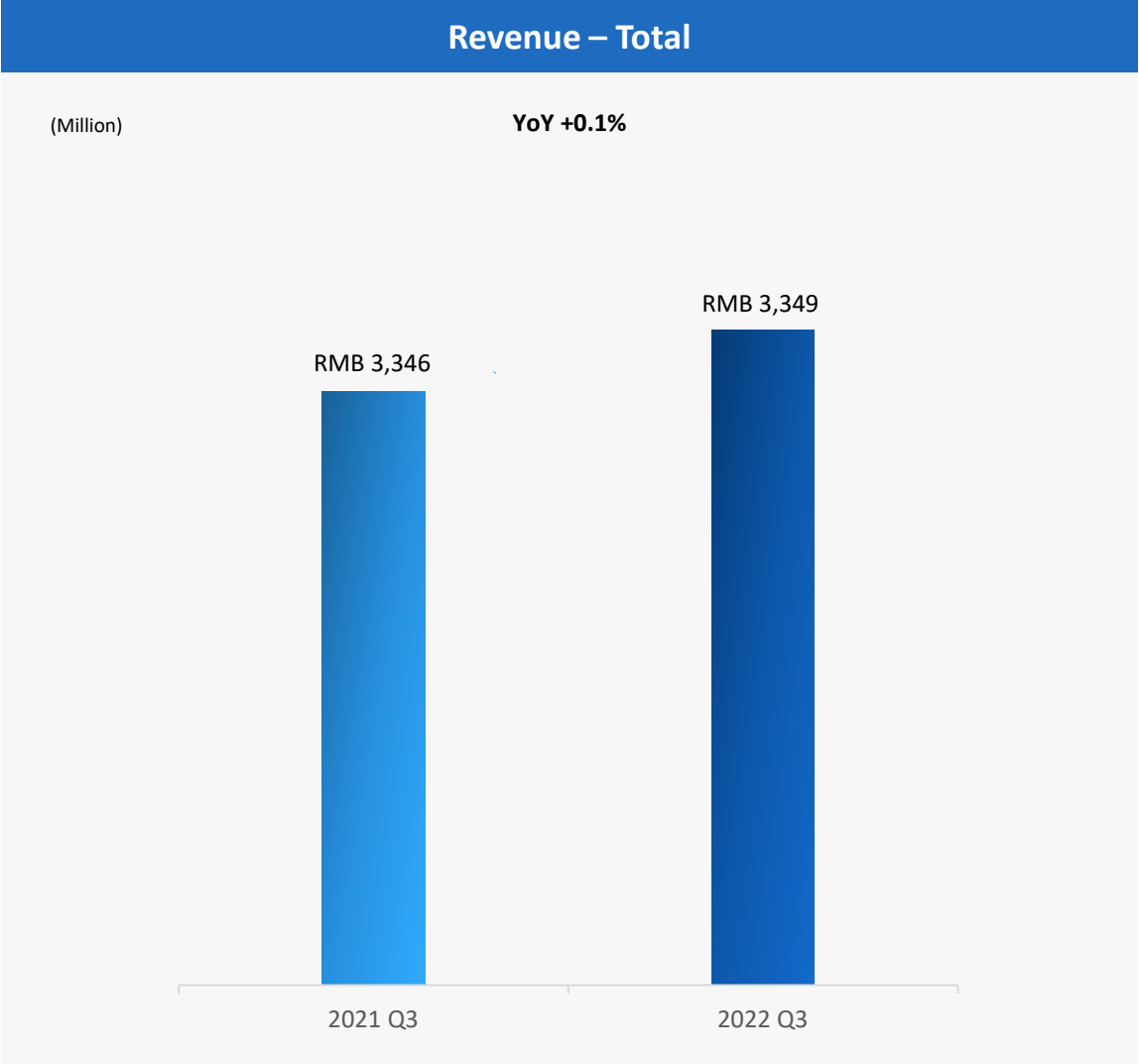
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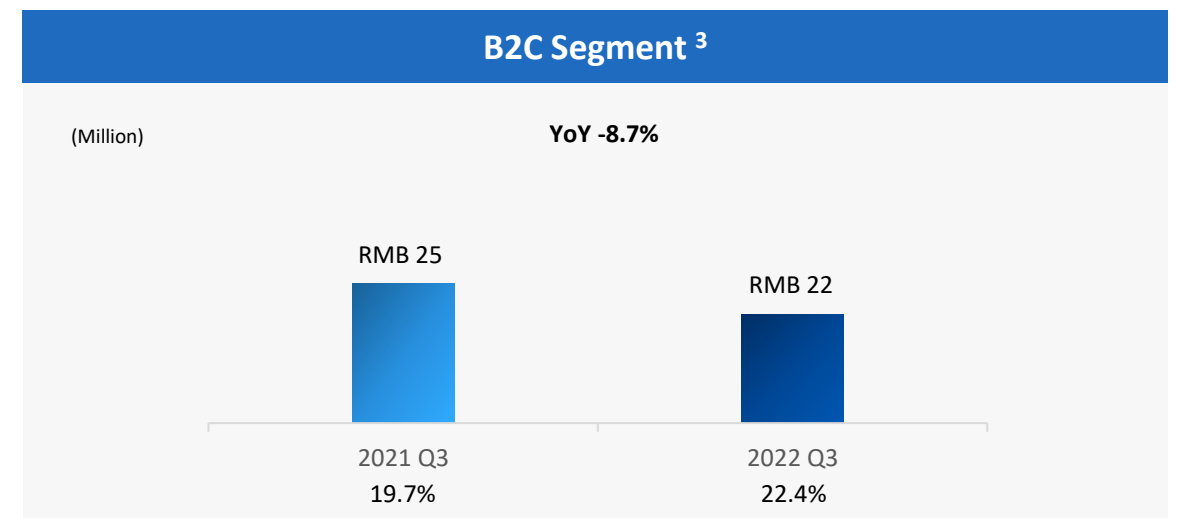
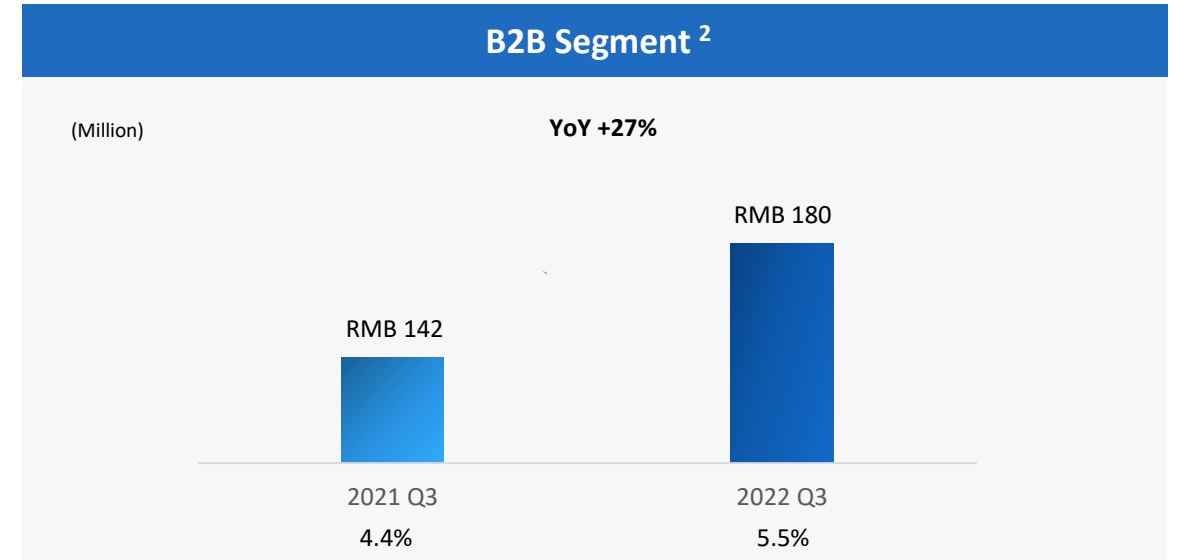
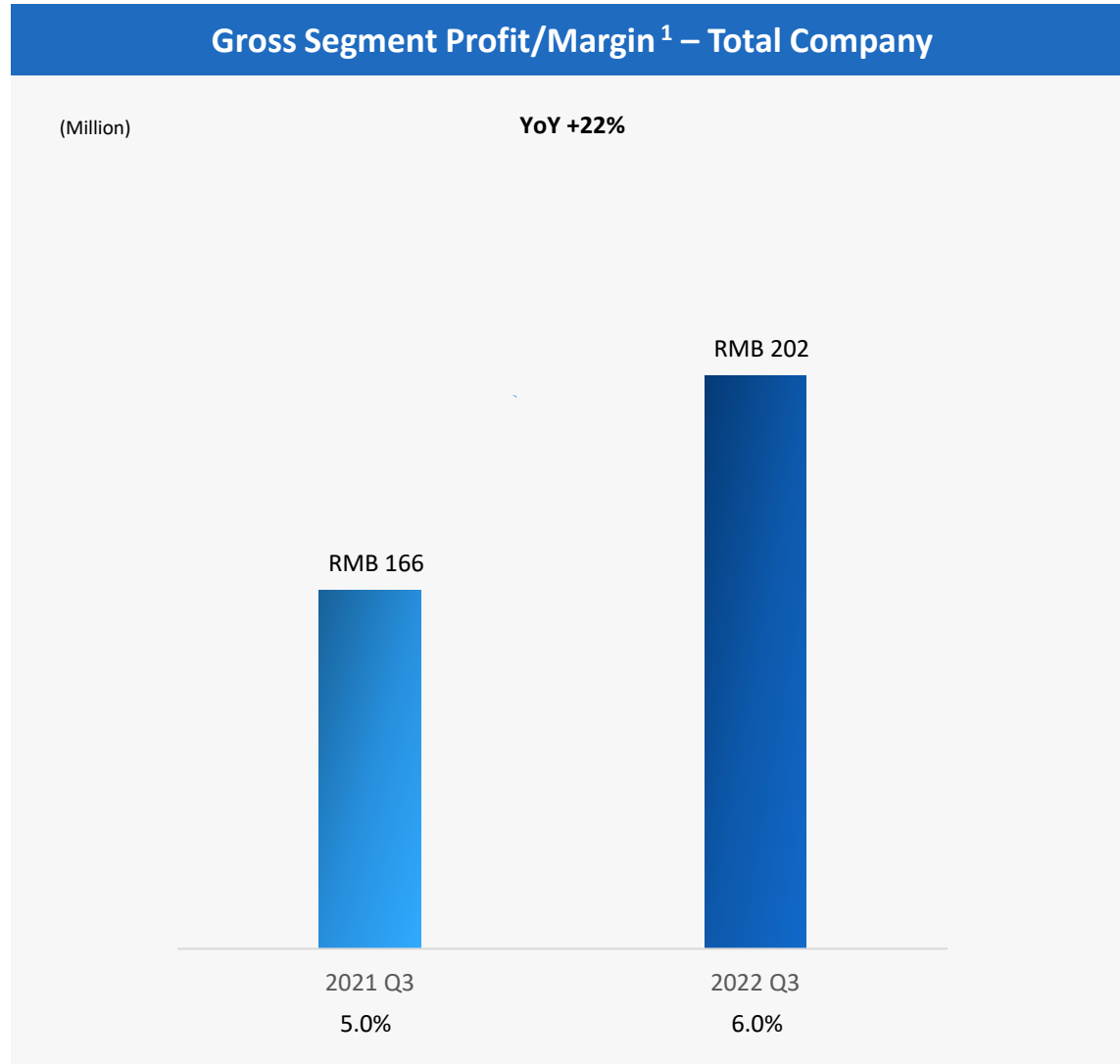
Overall Revenue Kept Stable Despite Pandemic Lock-down



Notes:
1. B2B Segment revenue includes B2B product revenue and B2B service revenue.
2. B2C Segment revenue includes B2C product revenue and B2C service revenue.

Gross Segment Profit Increased by 22%

- Optimized the product assortment and structure, improved team efficiency and technical capability



Notes:

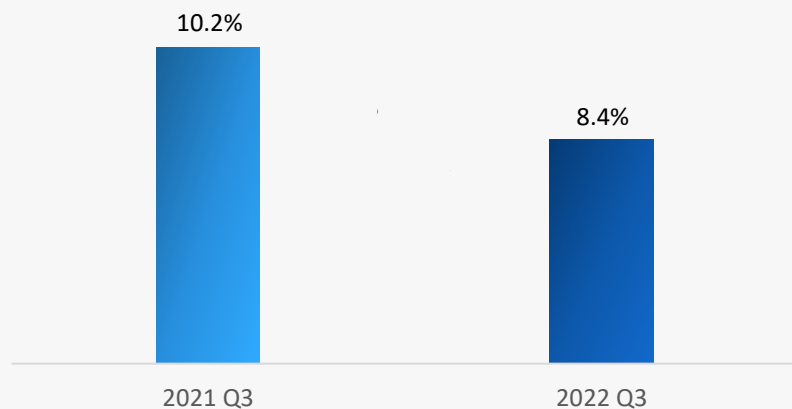
1. Gross Segment Margin% = (Product Revenue + Service Revenue – COGS)/Net Revenue

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

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

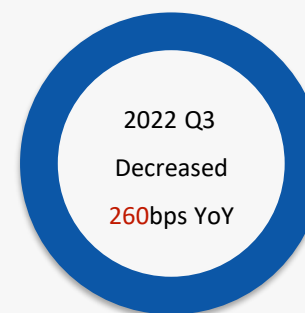
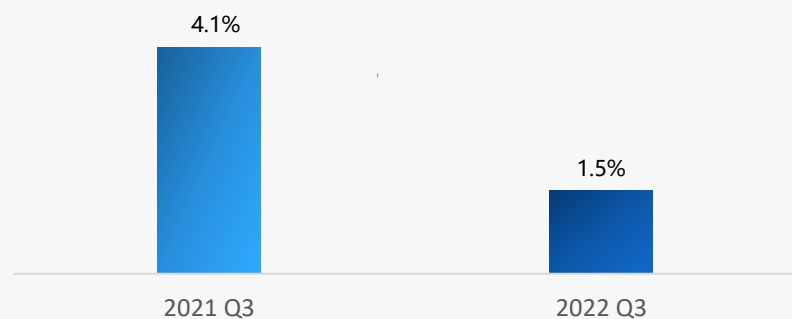
Non-GAAP Loss from Operations Further Narrowed as a Percentage of Net Revenue

Operating Expense as % of Net Revenue



	Including Share-based compensation expenses		Excluding Share-based compensation expenses	
	2021 Q3	2022 Q3	2021 Q3	2022 Q3
Total	10.2%	8.4%	9.0%	7.5%
Selling and Marketing	3.9%	3.2%	3.5%	2.9%
G&A	1.6%	1.4%	1.0%	0.9%
Technology	1.7%	0.9%	1.5%	0.8%
Fulfillment	3.0%	3.0%	3.0%	3.0%

Non-GAAP Loss from Operations as % of Net Revenue ¹



Notes:

1. Non-GAAP loss from operations represents loss from operations excluding share-based compensation expenses.

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Selected Balance Sheet Summary

	As of			
	December 31, 2021		September 30, 2022	
	'000	RMB	USD	RMB
Cash and cash equivalents, restrict cash and short-term investments	943,228	148,014	865,946	121,732
Total current assets	2,801,737	439,654	2,791,956	392,487
Total assets	3,145,833	493,650	3,054,959	429,460
Total current liabilities	2,129,978	334,240	2,258,122	317,440
Total liabilities	2,297,129	360,469	2,373,055	333,597
Mezzanine equity	1,000,849	157,055	1,042,801	146,595
111 Inc's equity	(173,321)	(27,197)	(370,575)	(52,093)
Non-controlling interests	21,176	3,323	9,678	1,361
Total liabilities and shareholders' equity	3,145,833	493,650	3,054,959	429,460

Selected Income Statement Summary

	For the Three Months			
	Ended September 30,			
	2021		2022	
'000	RMB	USD	RMB	USD
Net revenues	3,346,227	519,326	3,348,715	470,755
Cost of products sold	3,180,162	493,553	3,146,733	442,361
Fulfillment expenses	100,561	15,607	100,167	14,081
Selling and marketing expenses	131,839	20,461	107,799	15,154
General and administrative expenses	53,064	8,235	46,121	6,484
Technology expenses	56,060	8,700	29,540	4,153
Loss from operations	(175,356)	(27,214)	(80,669)	(11,341)
Interest expense (net) and other loss (net)	9,576	1,486	(5,571)	(782)
Net loss	(165,780)	(25,728)	(86,240)	(12,123)
Non-GAAP net loss	(126,283)	(19,598)	(54,302)	(7,633)

Cash Flow Statements

	For the Three Months			
	Ended September 30,			
	2021		2022	
'000	RMB	USD	RMB	USD
Net cash provided by (used in) operating activities	(107,181)	(16,633)	11,815	1,661
Net cash provided by (used in) investing activities	(243,454)	(37,783)	100,460	14,122
Net cash provided by (used in) financing activities	(5,307)	(824)	(40,755)	(5,729)
Effect of exchange rate changes on cash and cash equivalents, and restricted cash	765	118	7,019	986
Net increase (decrease) in cash and cash equivalents, and restricted cash	(355,177)	(55,122)	78,539	11,040
Cash and cash equivalents, and restricted cash at the beginning of the period	1,055,506	163,811	680,697	95,691
Cash and cash equivalents, and restricted cash at the end of the period	700,329	108,689	759,236	106,731

Non-GAAP Financial Measures Reconciliation

Non-GAAP Net Loss	For the Three Months			
	Ended September 30,			
	2021		2022	
'000	RMB	USD	RMB	USD
Net loss	(165,780)	(25,728)	(86,240)	(12,123)
Add:				
Share-based compensation				
Selling and marketing expenses	14,767	2,292	10,523	1,479
General and administrative expenses	18,174	2,821	17,005	2,391
Technology expenses	6,556	1,017	4,410	620
Non-GAAP net loss	(126,283)	(19,598)	(54,302)	(7,633)

Q & A



THANK YOU

