

# Transcending the Boundaries of Healthcare

NASDAQ: YI

Second Quarter 2023 Earnings Call

August 24<sup>th</sup>, 2023

# DISCLAIMER

- The following presentation has been prepared by 111,. Inc. (“111” or the “Company”) solely for informational purposes and should not be construed to be, directly or indirectly, in whole or in part, an offer to buy or sell and/or an invitation and/or a recommendation and/or a solicitation of an offer to buy or sell any security or instrument or to participate in any investment or trading strategy, nor shall any part of it form the basis of, or be relied on in connection with, any contract or investment decision in relation to any securities or otherwise.
- This presentation does not contain all relevant information relating to the Company or its securities, particularly with respect to the risks and special considerations involved with an investment in the securities of the Company. Nothing contained in this document shall be relied upon as a promise or representation as to the past or future performance of the Company. Past performance does not guarantee or predict future performance.
- You acknowledge that any assessment of the Company that may be made by you will be independent of this document and that you will be solely responsible for your own assessment of the market and the market position of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the business of the Company.
- This document contains forward-looking statements. These statements constitute "forward-looking" statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "target," "confident" and similar statements. Among other things, the Business Outlook and quotations from management in this announcement, as well as 111’s strategic and operational plans, contain forward-looking statements. 111 may also make written or oral forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission, in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Such statements are based upon management’s current expectations and current market and operating conditions and relate to events that involve known or unknown risks, uncertainties and other factors, all of which are difficult to predict and many of which are beyond the Company’s control.
- Forward-looking 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 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 June, 2023. 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.

- 1 BUSINESS & OPERATIONAL PERFORMANCE HIGHLIGHTS
- 2 FINANCIAL REVIEW
- 3 APPENDIX



# 1 BUSINESS & OPERATIONAL PERFORMANCE HIGHLIGHTS

## 2 FINANCIAL REVIEW

## 3 APPENDIX



# China's Healthcare Market Inspires Innovation

- The GDP growth indicates China’s economy is currently under pressure.
- The sales of pharmaceutical retail market faces challenges with 7.5% decline compared to last quarter and the same quarter last year.
- Government’s policies remain supportive and the anti-corruption campaign in the pharmaceutical sector is gaining significant momentum in China.



### Policies Released

医保办发〔2023〕4号

**国家医疗保障局办公室关于进一步做好  
定点零售药店纳入门诊统筹管理的通知**

各省、自治区、直辖市及新疆生产建设兵团医疗保障局：  
为更好推进职工医保门诊共济保障机制改革，不断提高人民

“Notice on Further Improving the Integration of Designated Retail Pharmacies into Outpatient Unified Management” issued by the National Medical Insurance Administration

中华人民共和国中央人民政府  
www.gov.cn

首页 | 繁体 | 英文EN

首页 > 政策 > 中央有关文件

**中共中央办公厅 国务院办公厅印发《关于进一步深化改革促进乡村医疗卫生体系健康发展的意见》**

2023-02-23 18:54 来源： 新华社

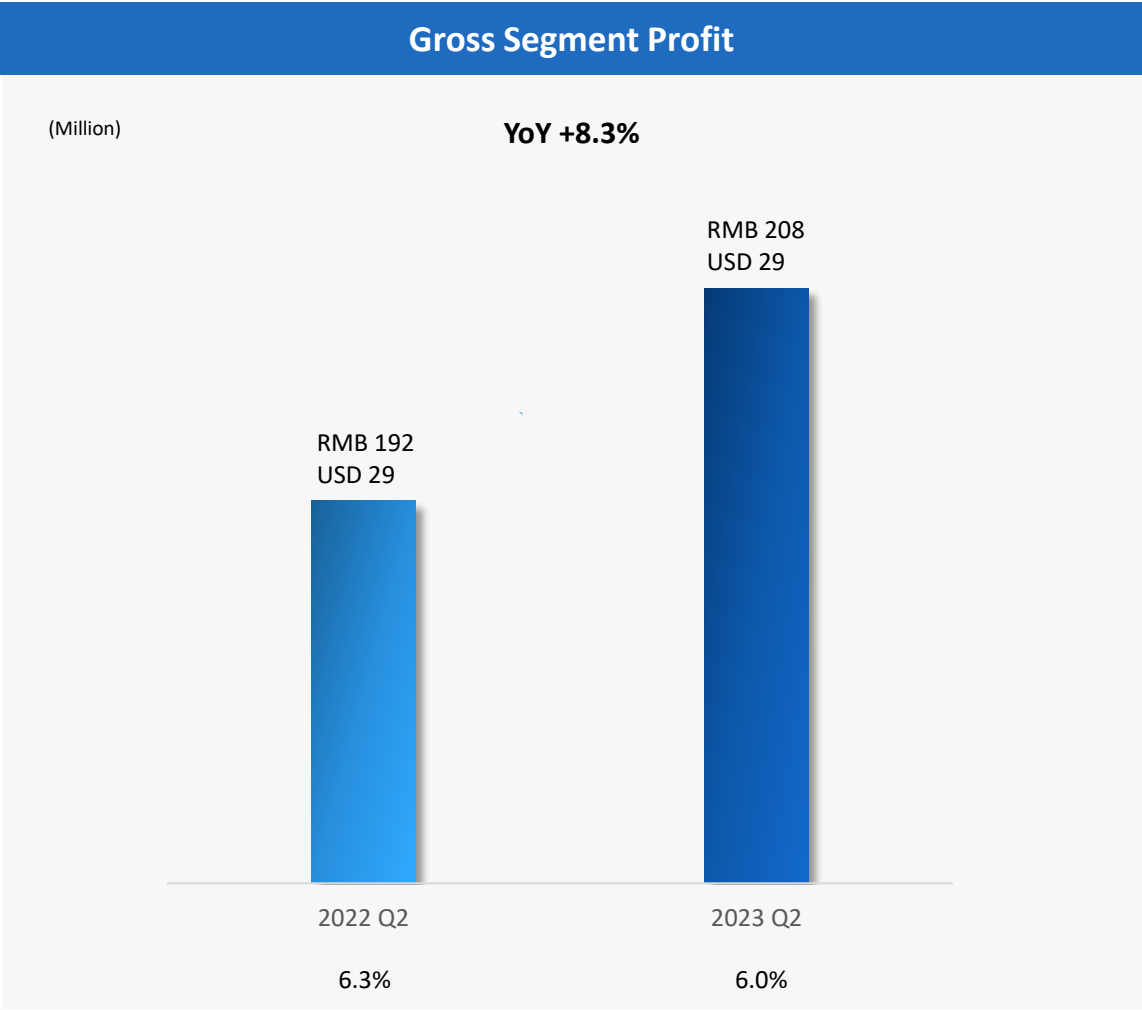
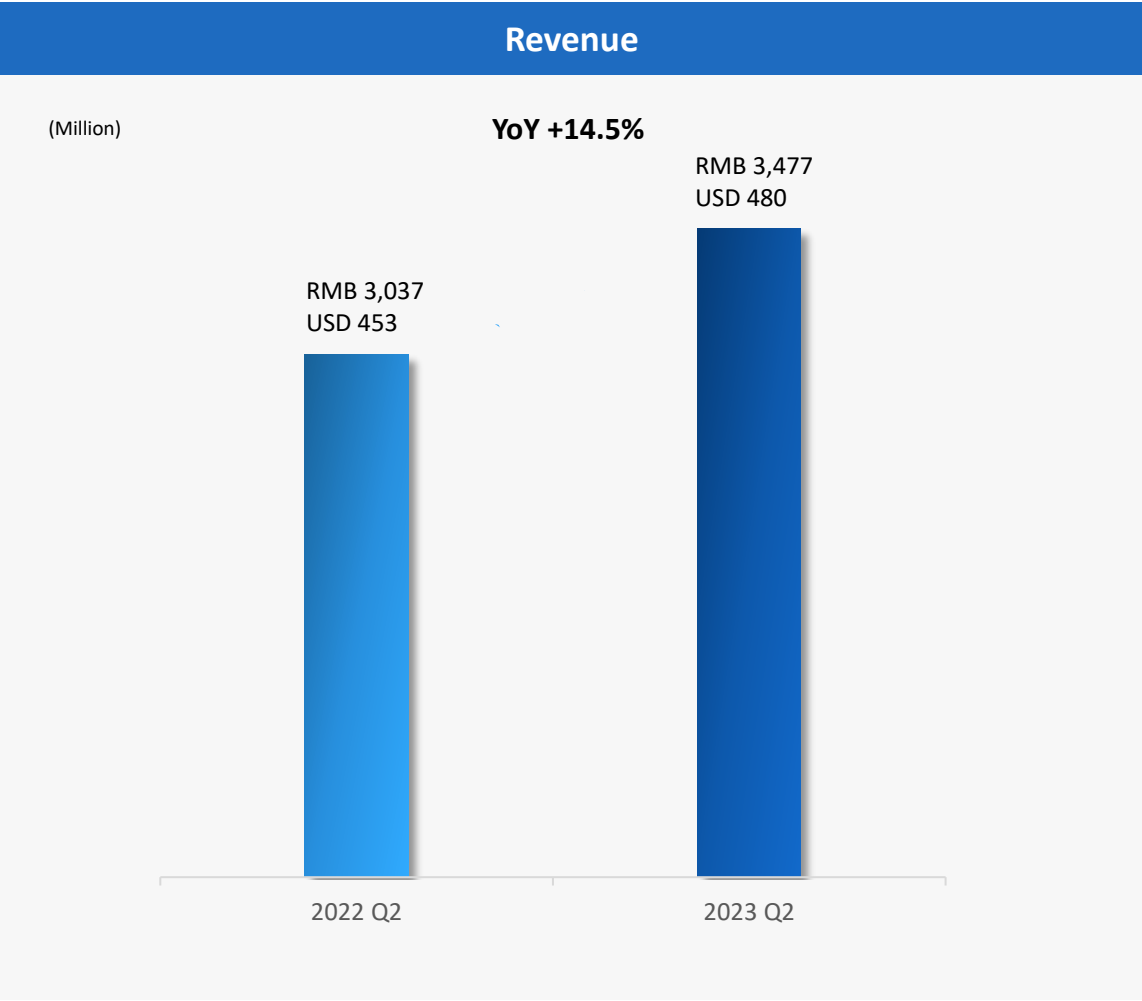
字号：默认 大 超大 | 打印 | 收藏 | 留言 |

新华社北京2月23日电 近日，中共中央办公厅、国务院办公厅印发了《关于进一步深化改革促进乡村医疗卫生体系健康发展的意见》，并发出通知，要求各地区各部门结合实际认真贯彻落实。

“Opinions on Further Deepening Reform to Promote the Healthy Development of the Rural Medical and Health System,” jointly released by the General Office of the CPC Central Committee and the General Office of the State Council

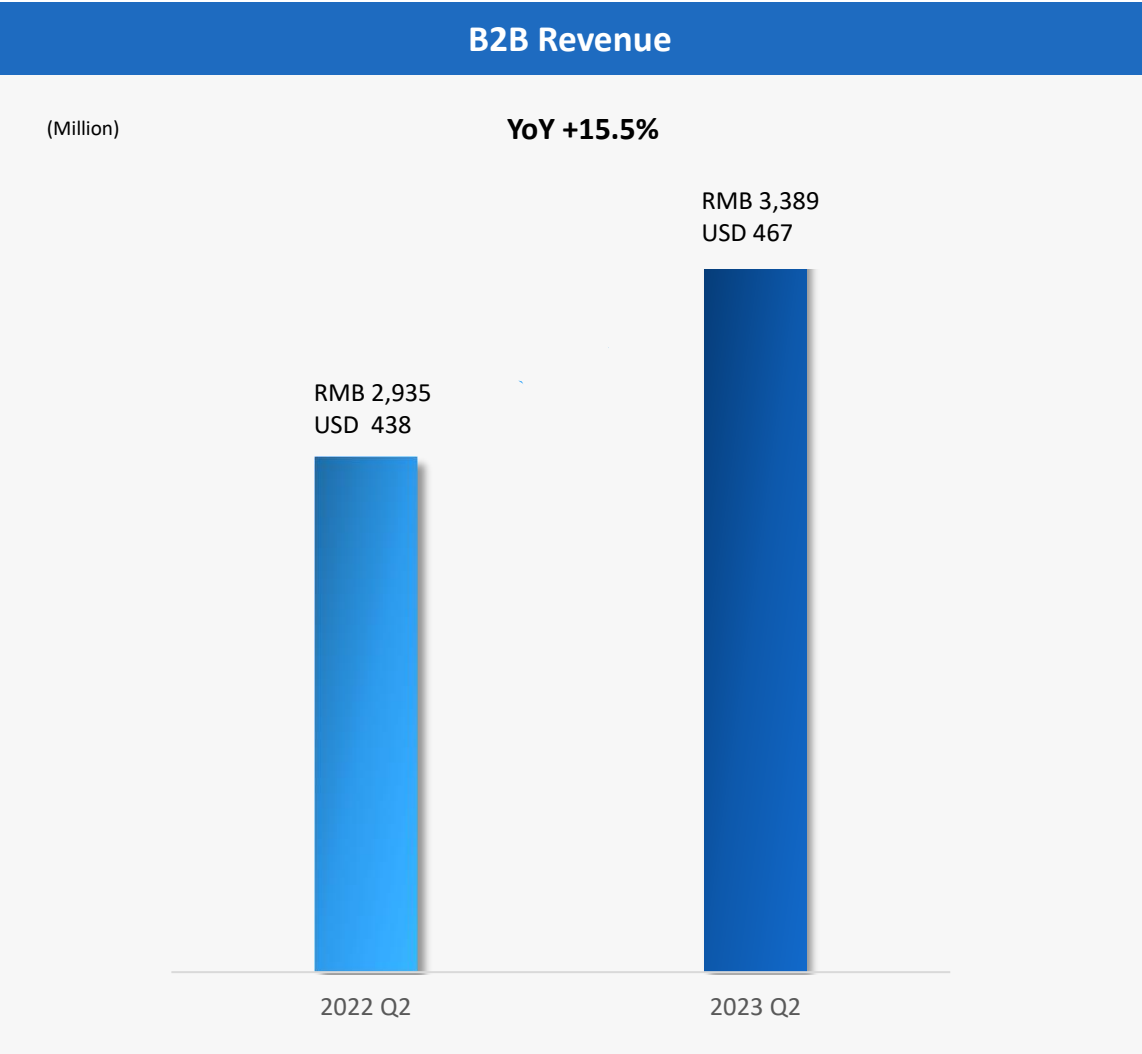
# 111, Inc.'s Continuous Pursuit of Sustained Growth

- Revenue achieved 3.5 billion, marking the 20th consecutive quarter of YoY growth since IPO.
- Gross profit significantly grew to RMB208 million, with 8.3% increase YoY.

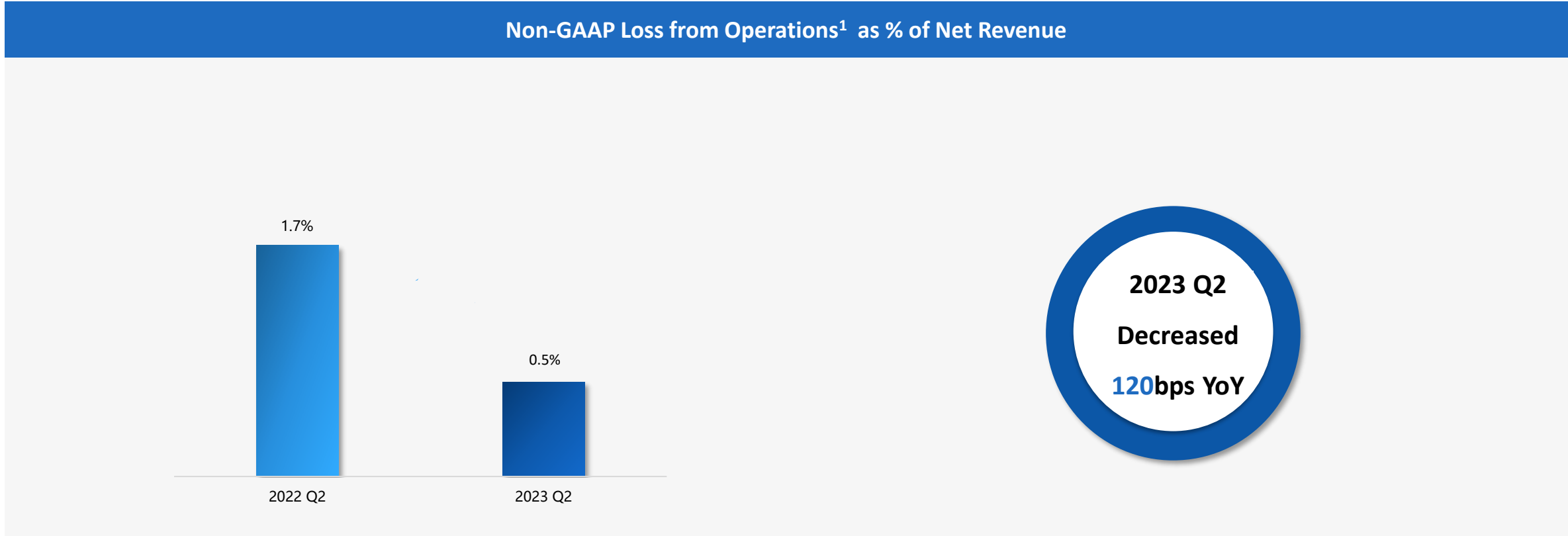


# Dominating Segment: B2B Remains the Key Driver for 111, Inc.

- B2B revenue reached RMB 3.4 billion, representing a YoY increase of 15.5%.
- Gross profit increased to RMB 189 million, an increase of 11.6% YoY.



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



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



## Partnership with Tencent Health: Pioneering a 'Pharmaceutical + Internet' Digital Revolution in Drug Sales and Solutions

- In collaboration with Tencent Health, 111 aims to jointly establish a "Pharmaceutical + Internet" digital upgrade industry paradigm.
- At the same time, 111 and Tencent Health will jointly explore new digital scenarios in pharmaceutical sales, integration of smart pharmaceutical sales software services and solutions, improve pharmaceutical sales efficiency, and aid pharmaceutical companies in their digital transformation.



## 111 Listed in Shanghai Data Exchange: Powering Pharma's AI and Digital Shift

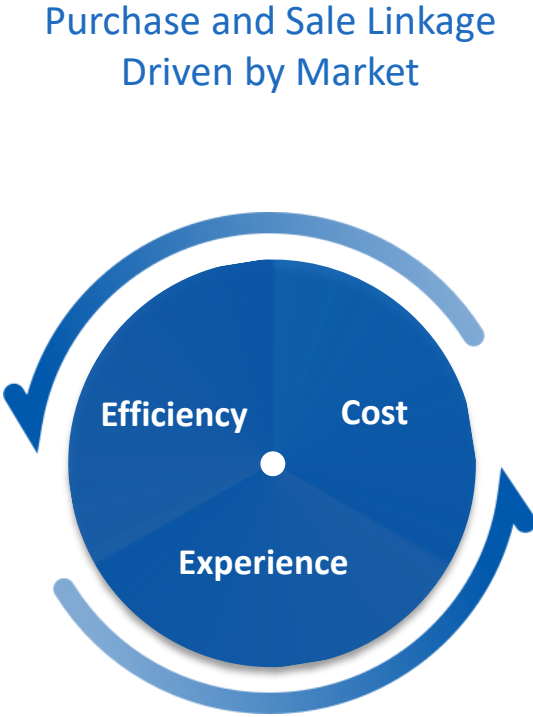
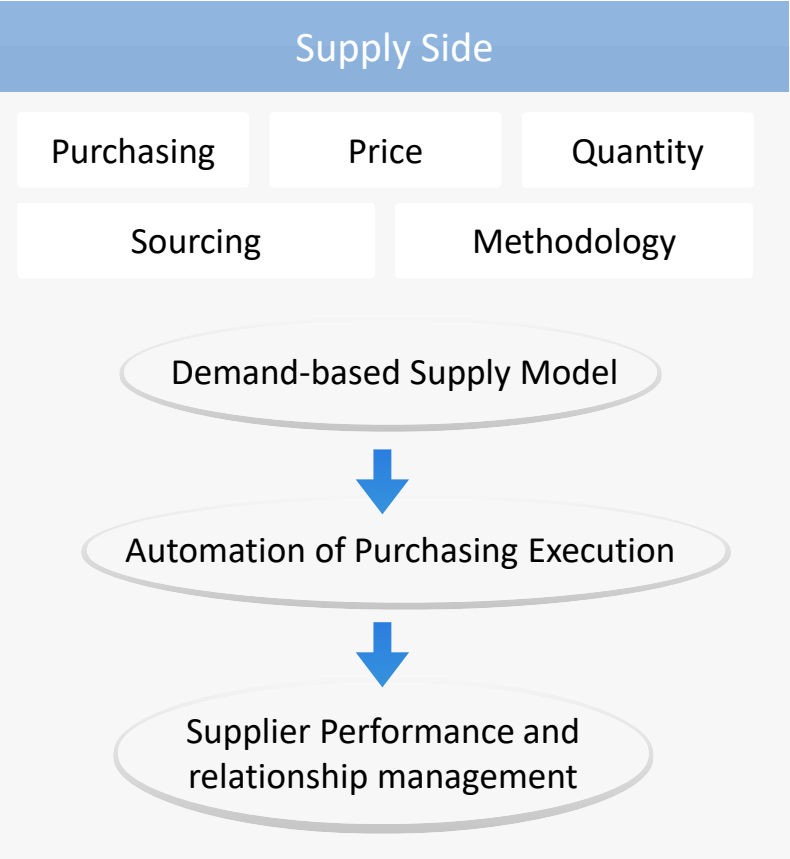
- In July 2023, 111 was listed on the Shanghai Data Exchange. 111's master data covers 99.6% of the pharmaceutical market.
- 111 will make full use of the data to build its AI LLM in the pharmaceutical industry, continuously enhancing the value and application capabilities of the data.
- 111 plans to continue listing more data products on the Data Exchange to meet the industry's continuous development and innovation needs, empowering the digital transformation of the entire pharmaceutical industry through the Shanghai Data Exchange.



# 111 Hosts Shanghai Digital Supply Chain Summit: Bridging Digital Supply Chains for Pharmas

- In July, the "Digital Linkage, Win Together – 111 Digital Supply Chain Summit" was held in Shanghai.
- By facilitating the efficient flow of data and pharmaceutical products, 111 aims to effectively connect with pharmaceutical companies, business partners, and pharmacies to collectively serve end customers.

## Wheel of Wind and Fire



## 111 Recognized as E-commerce Demonstration Enterprise by Ministry of Commerce

- As a recognition of 111's digital capabilities, 111 has been named as an E-commerce Demonstration Enterprise by the Ministry of Commerce (one of 132 nationwide) and was publicly announced this quarter. Along with National High-tech Enterprise, Specialized and Sophisticated Enterprises that Produce New and Unique Products, and Research and Development Institutions in Pudong New District, 111 is well recognized on multiple levels.

### National Level

National E-commerce  
Demonstration Enterprise



### National Level

National High-tech Enterprise



### City Level

Specialized and Sophisticated Enterprises that  
Produce New and Unique Products



### District Level

Research and Development  
Institutions in Pudong New District





## Deepening Pharmaceutical Partnerships: New Drugs Debut on 111's Digital Platform

- Yuan Da Johamu's two new asthma drugs, Enzhuorun® and Enmingrun®, have made their debut on 111. Indacaterol Glycopyrronium inhalation aerosol (Enzhuorun®) is currently the only approved triple-inhalation formulation for asthma in China, filling a therapeutic gap.
- As our business continues to expand and as we position ourselves as an effective commercialization partner, we will continue to offer value-added services to pharmaceutical enterprises.



Enzhuorun®



Enmingrun®

# Empowering Pharmas: Project “Telescope” Serving Pharmaceutical Companies

- Telescope kept serving as a lens for pharmaceutical companies, allowing them to gain a more direct and comprehensive view of their drug sales and pricing dynamics real time.
- By leveraging advanced data analytics and market insights, Telescope enables these companies to analyze sales patterns, identify pricing opportunities, and make data-driven decisions to optimize their strategies.
- With Telescope, pharmaceutical companies can assess the performance of their products in real-time, identify market trends, and adjust their marketing campaigns accordingly.



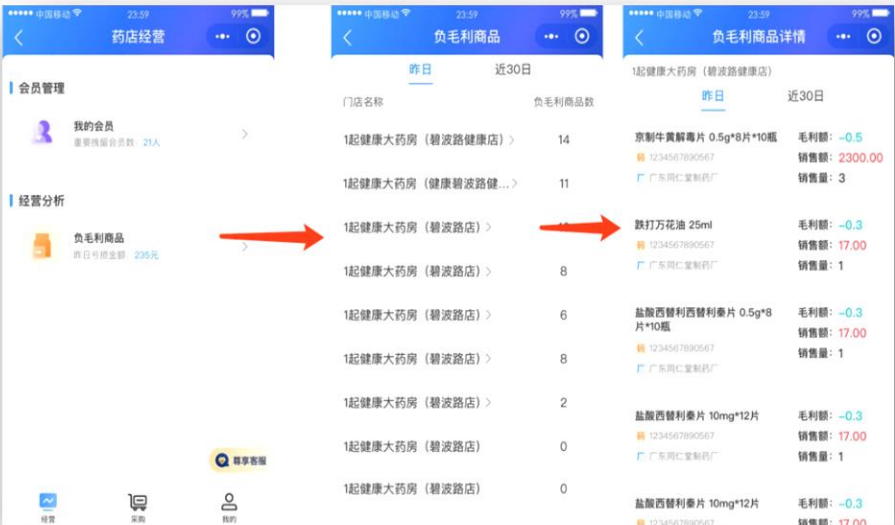
“Telescope” : A powerful digital marketing tool for Pharmaceutical Companies  
Non-real data, for demonstration purposes only.

# 1 Health Ongoing: 111, Inc.'s Digital Enablement and Comprehensive Support for Pharmacies

Comprehensive  
Support for  
Pharmacies



Smart Sourcing System Example



Operation Analysis Example: Profit Optimization



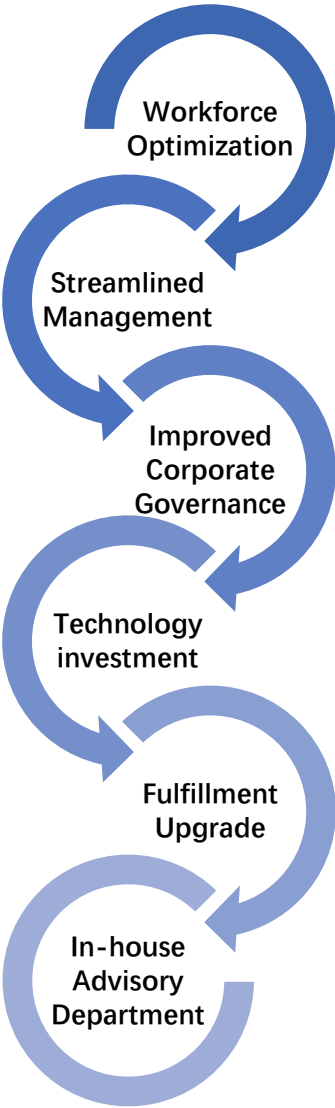
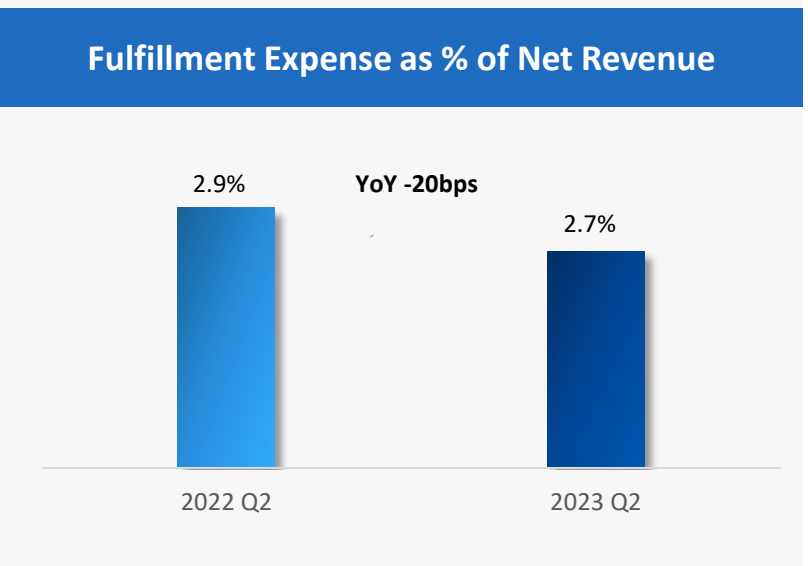
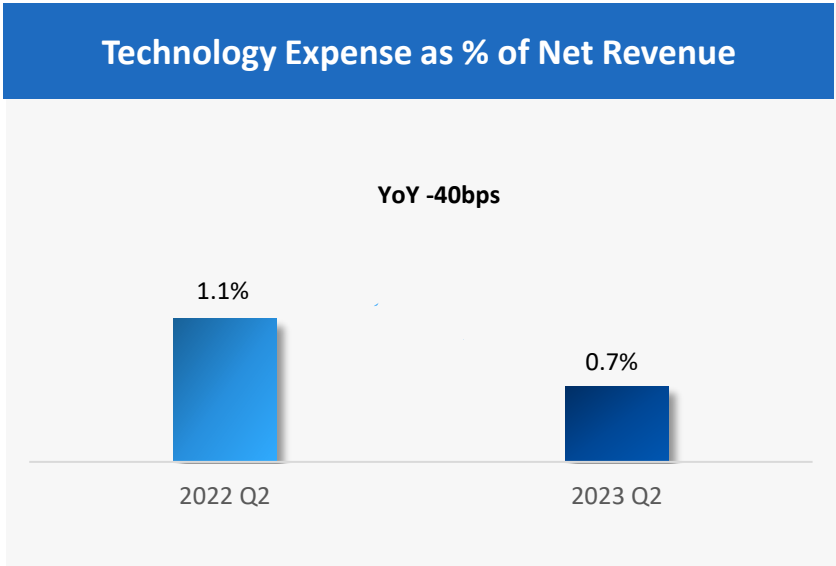
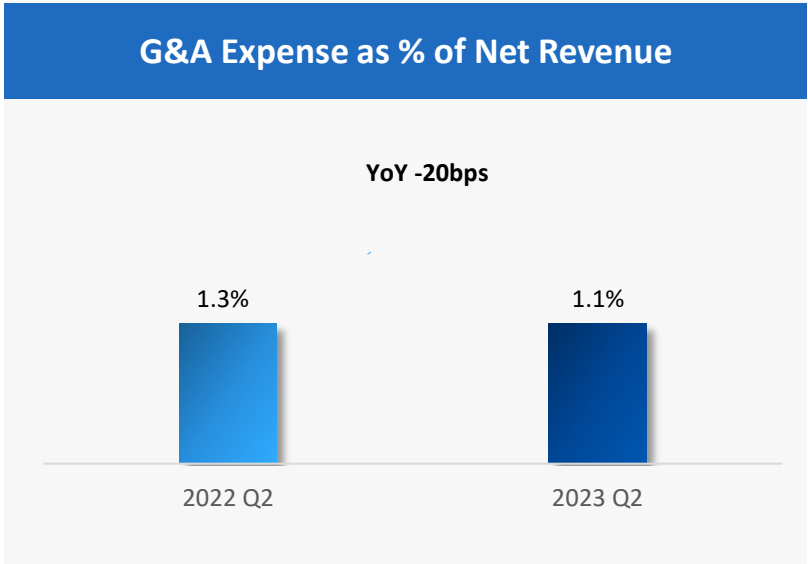
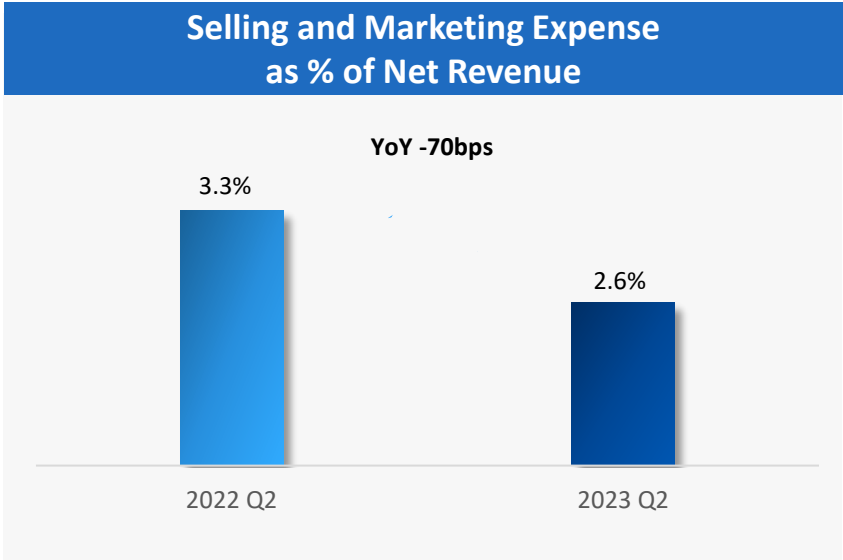
CRM and Membership Management Example



Cloud Prescription Service Example

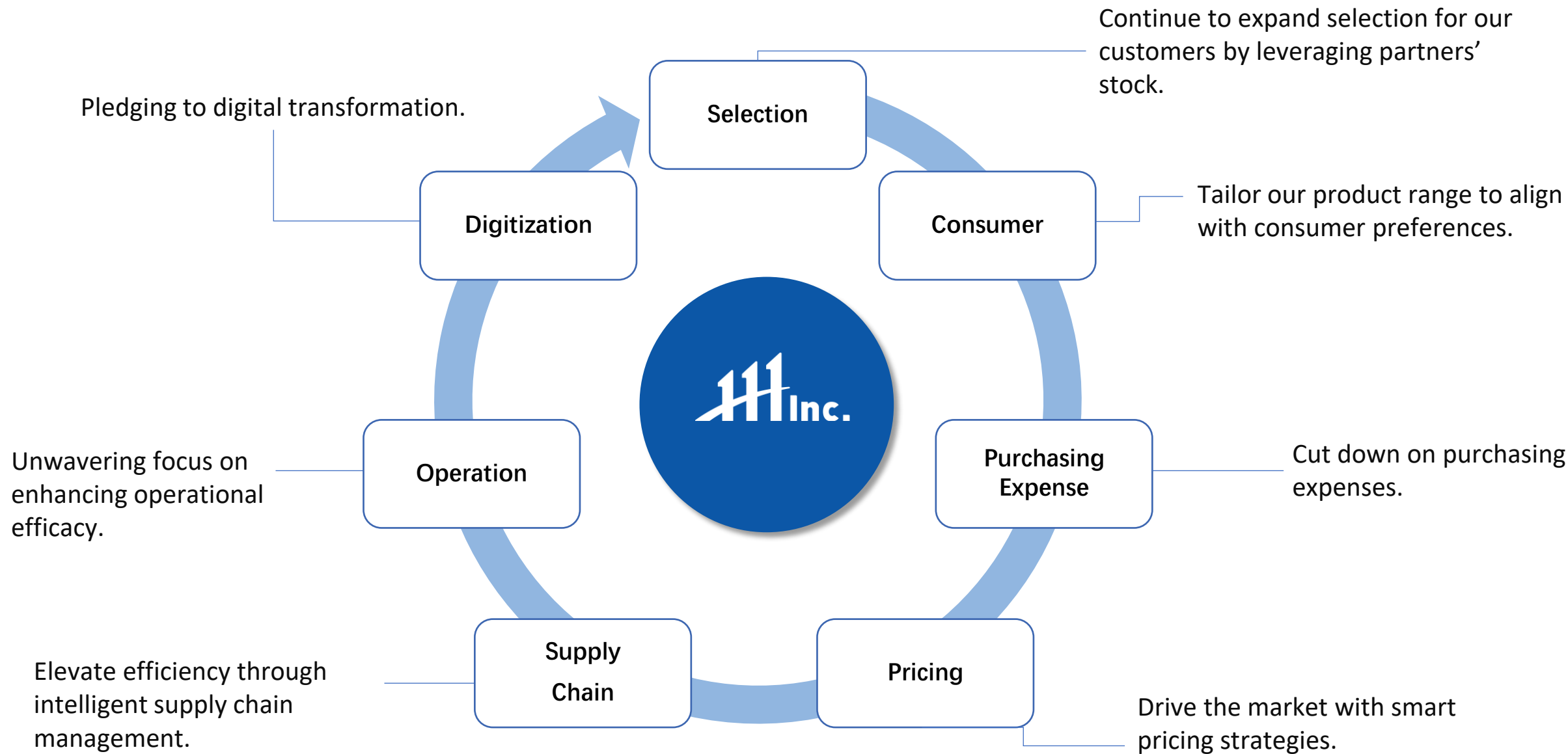
Non-real data, for demonstration  
purposes only.

# Driving Operational Excellence: 111, Inc.'s Unyielding Focus on Efficiency with Scalable Growth





# Shaping the Future: Enhancing Leadership and Competitive Advantage with a Structured Approach



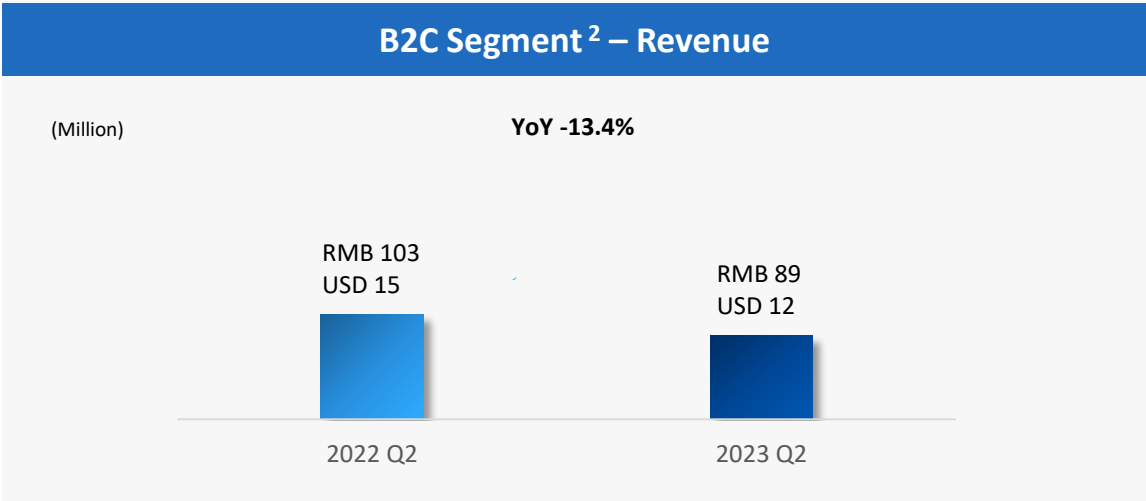
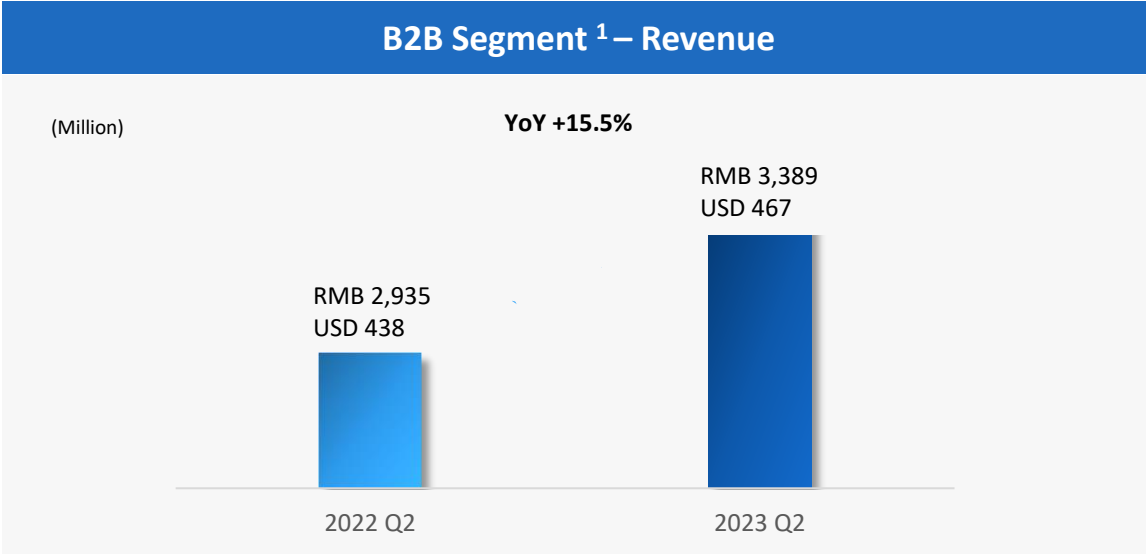
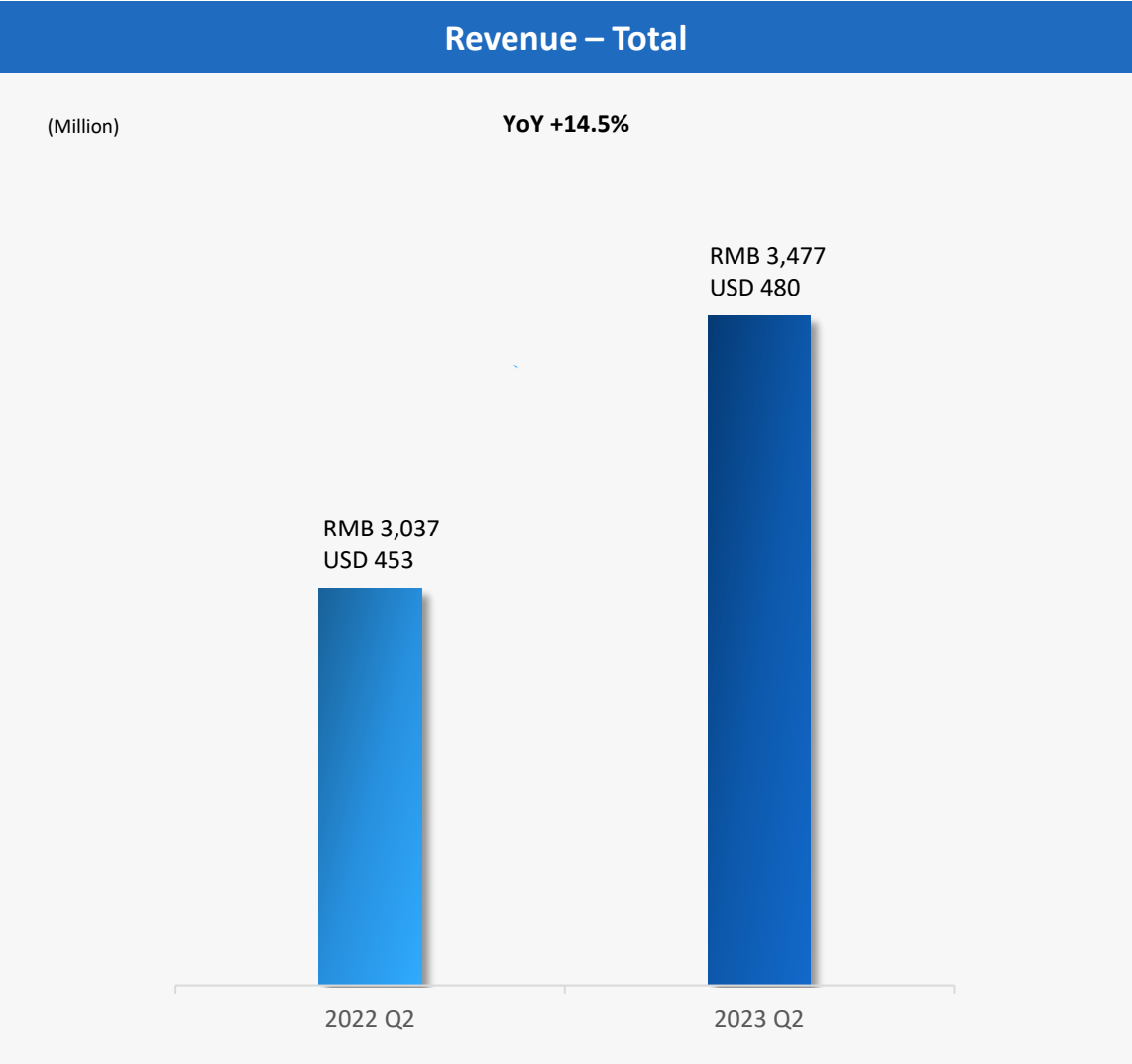
1 BUSINESS & OPERATIONAL PERFORMANCE HIGHLIGHTS

2 FINANCIAL REVIEW

3 APPENDIX

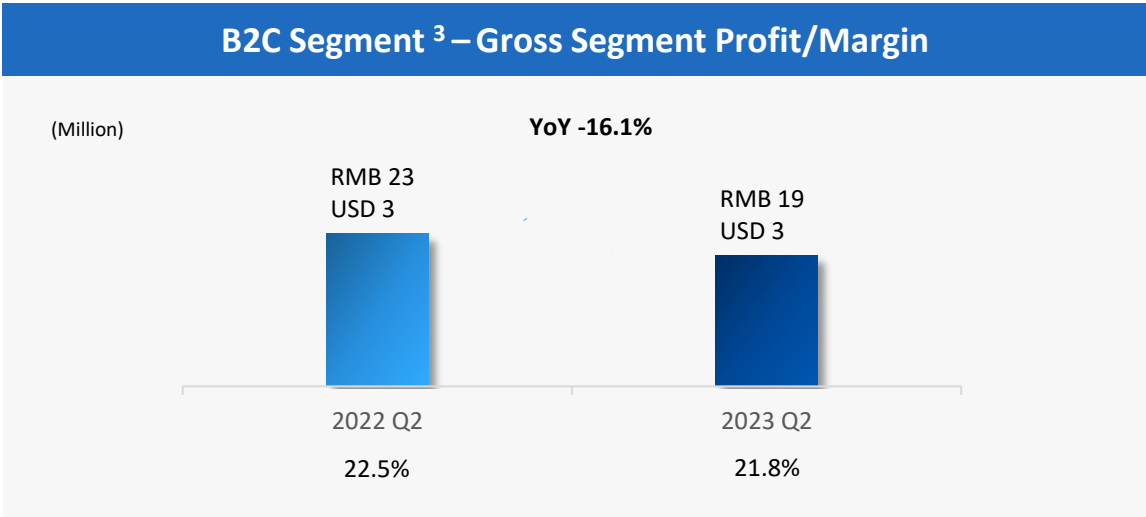
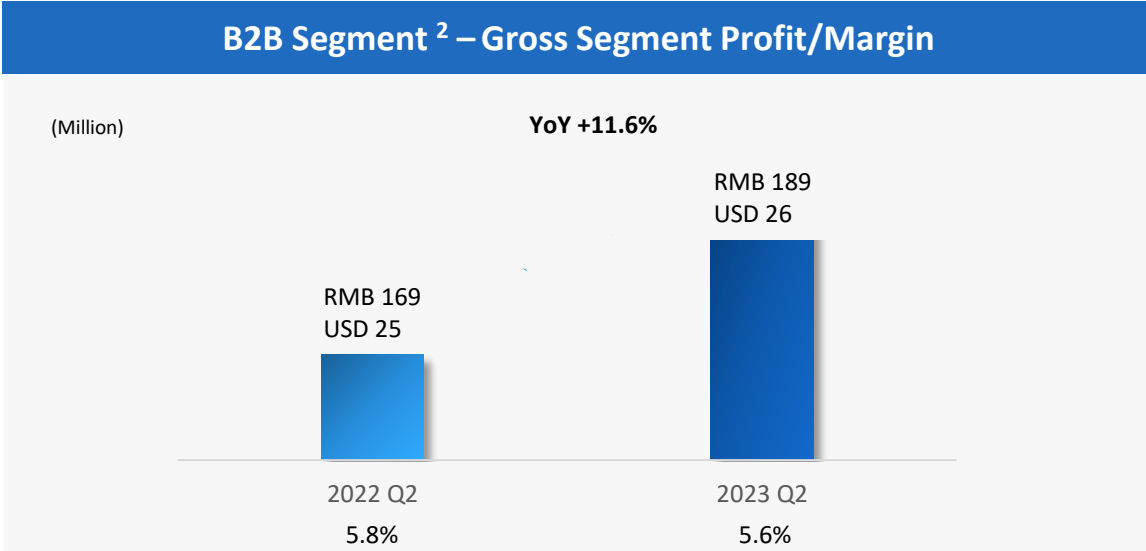


# Continuous Revenue Growth Driven by B2B Segment



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 Continues to Improve



Notes:

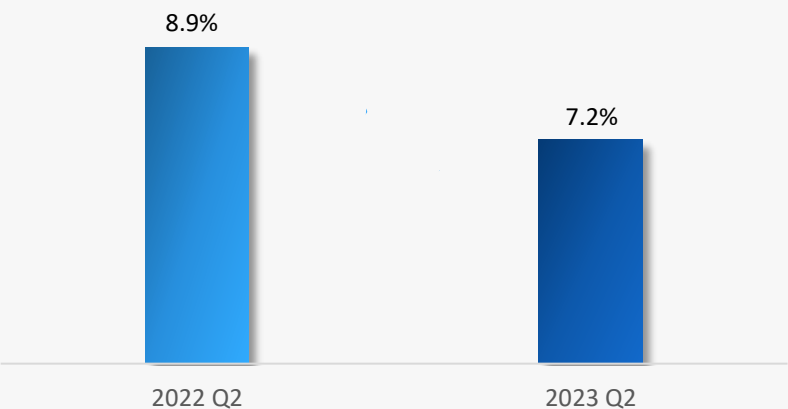
1. Gross Segment Margin% = (Product Revenue + Service Revenue – COGS)/Net Revenue

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

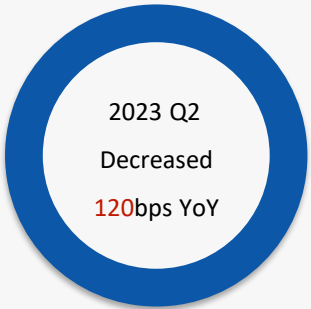
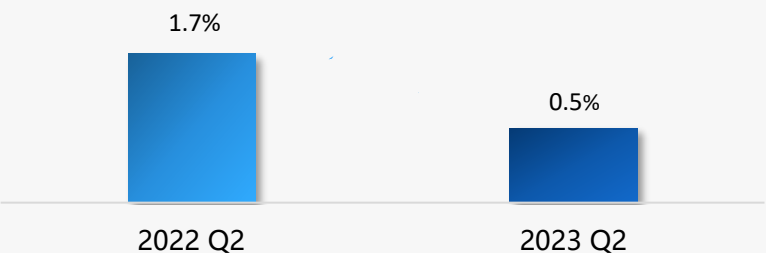
# Non-GAAP Loss from Operations Narrowed as a Percentage of Net Revenue

## Operating Expense as % of Net Revenue



	Including Share-based compensation expenses		Excluding Share-based compensation expenses	
	2022 Q2	2023 Q2	2022 Q2	2023 Q2
Total	8.9%	7.2%	8.1%	6.5%
Selling and Marketing	3.3%	2.6%	3.1%	2.5%
G&A	1.3%	1.1%	0.7%	0.7%
Technology	1.1%	0.7%	1.1%	0.6%
Fulfillment	2.9%	2.7%	2.9%	2.7%

## Non-GAAP Loss from Operations as % of Net Revenue <sup>1</sup>



Notes:

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

1 BUSINESS & OPERATIONAL PERFORMANCE HIGHLIGHTS

2 FINANCIAL REVIEW

3 APPENDIX



## Selected Balance Sheet Summary

	As of			
	December 31, 2022		June 30, 2023	
'000	RMB	USD	RMB	USD
Cash and cash equivalents, restrict cash and short-term investments	922,652	133,772	735,823	101,474
Total current assets	3,235,825	469,151	2,832,098	390,564
Total assets	3,473,814	503,656	3,050,155	420,636
Total current liabilities	2,725,110	395,103	2,320,813	320,055
Total liabilities	2,825,579	409,670	2,409,451	332,279
Mezzanine equity	1,056,939	153,242	1,084,753	149,594
111 Inc's equity	(414,599)	(60,111)	(446,086)	(61,518)
Non-controlling interests	5,895	855	2,037	281
Total liabilities and shareholders' equity	3,473,814	503,656	3,050,155	420,636



## Selected Income Statement Summary

	For the Three Months			
	Ended June 30,			
	2022		2023	
'000	RMB	USD	RMB	USD
Net revenues	3,037,145	453,434	3,477,497	479,568
Cost of products sold	2,845,178	424,774	3,269,610	450,900
Fulfillment expenses	87,908	13,124	94,950	13,094
Selling and marketing expenses	101,174	15,105	90,117	12,428
General and administrative expenses	38,493	5,747	39,079	5,389
Technology expenses	33,711	5,033	24,541	3,384
Loss from operations	(79,753)	(11,907)	(41,405)	(5,710)
Interest expense (net) and other loss (net)	5,011	749	3,972	548
Net loss	(84,764)	(12,656)	(45,377)	(6,258)
Non-GAAP net loss	(57,767)	(8,625)	(21,169)	(2,920)



## Cash Flow Statements

For the Three Months				
	Ended June 30,			
	2022		2023	
'000	RMB	USD	RMB	USD
Net cash used in operating activities	(29,935)	(4,469)	(164,111)	(22,632)
Net cash used in (provided by) investing activities	(52,294)	(7,807)	139,938	19,298
Net cash provided by financing activities	6,394	954	15,281	2,107
Effect of exchange rate changes on cash and cash equivalents, and restricted cash	6,695	1,000	2,385	329
Net decrease in cash and cash equivalents, and restricted cash	(69,140)	(10,322)	(6,507)	(898)
Cash and cash equivalents, and restricted cash at the beginning of the period	749,837	111,947	619,281	85,403
Cash and cash equivalents, and restricted cash at the end of the period	680,697	101,625	612,774	84,505

## Non-GAAP Financial Measures Reconciliation

Non-GAAP Net Loss	For the Three Months			
	Ended June 30,			
	2022		2023	
'000	RMB	USD	RMB	USD
Net loss	(84,764)	(12,656)	(45,377)	(6,258)
Add:				
Share-based compensation				
Selling and marketing expenses	8,389	1,253	4,380	603
General and administrative expenses	16,980	2,535	15,668	2,161
Technology expenses	1,628	243	4,160	574
Non-GAAP net loss	(57,767)	(8,625)	(21,169)	(2,920)

# Q & A

THANK YOU