

# Reshaping the Value Chain of Healthcare and Pharmaceutical Industry with Digital Technology

NASDAQ: YI

Fourth Quarter and Fiscal Year 2023 Earnings Call

Mar 21, 2024

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- 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.
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- This document speaks as of December, 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

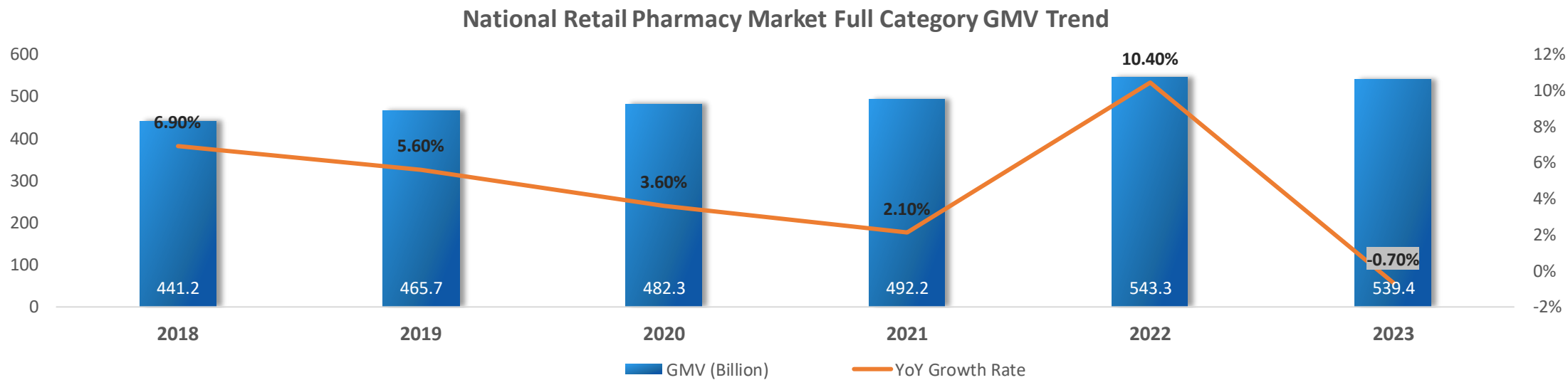
# 1 BUSINESS & OPERATIONAL PERFORMANCE HIGHLIGHTS

## 2 FINANCIAL REVIEW

## 3 APPENDIX

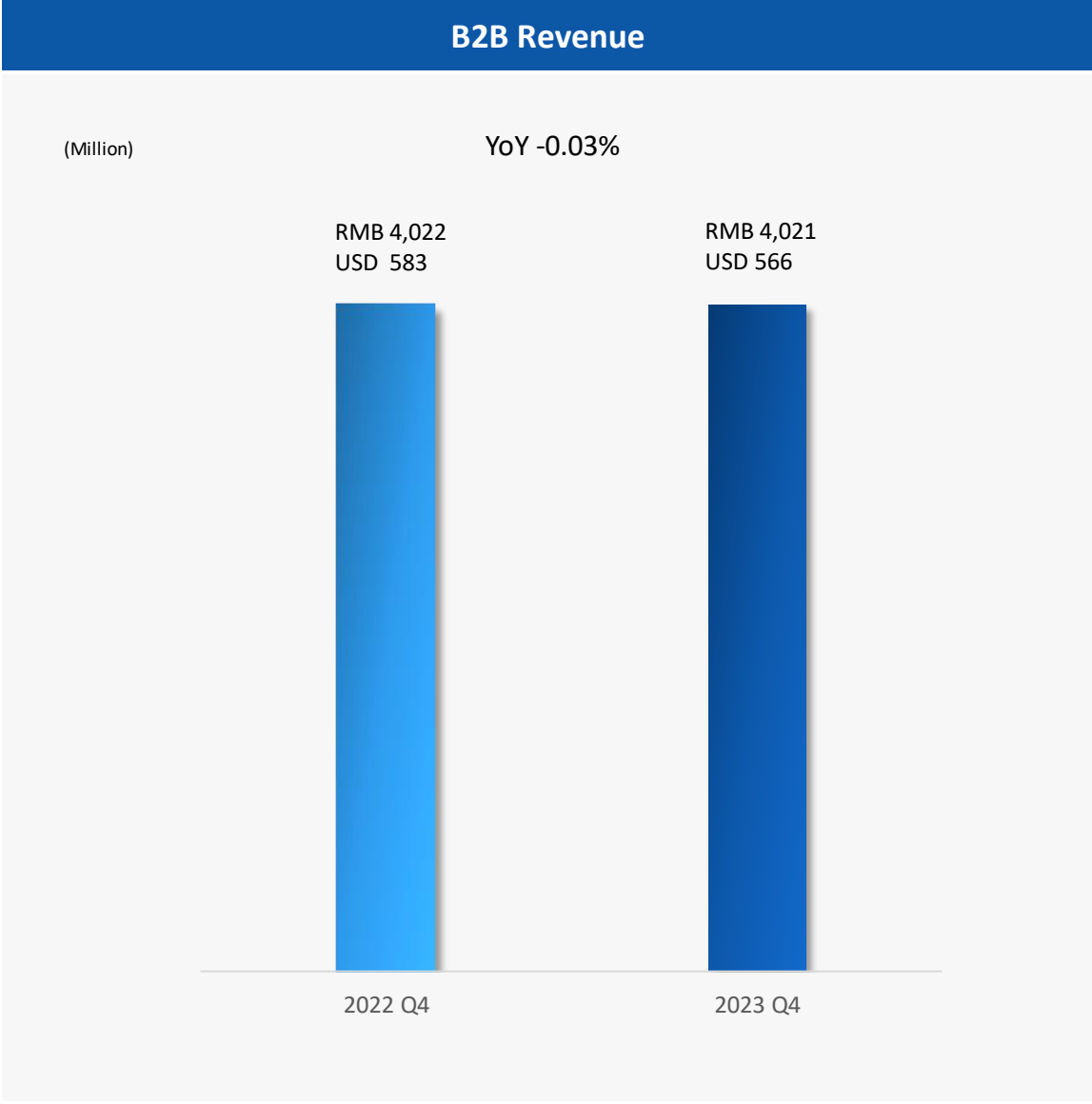
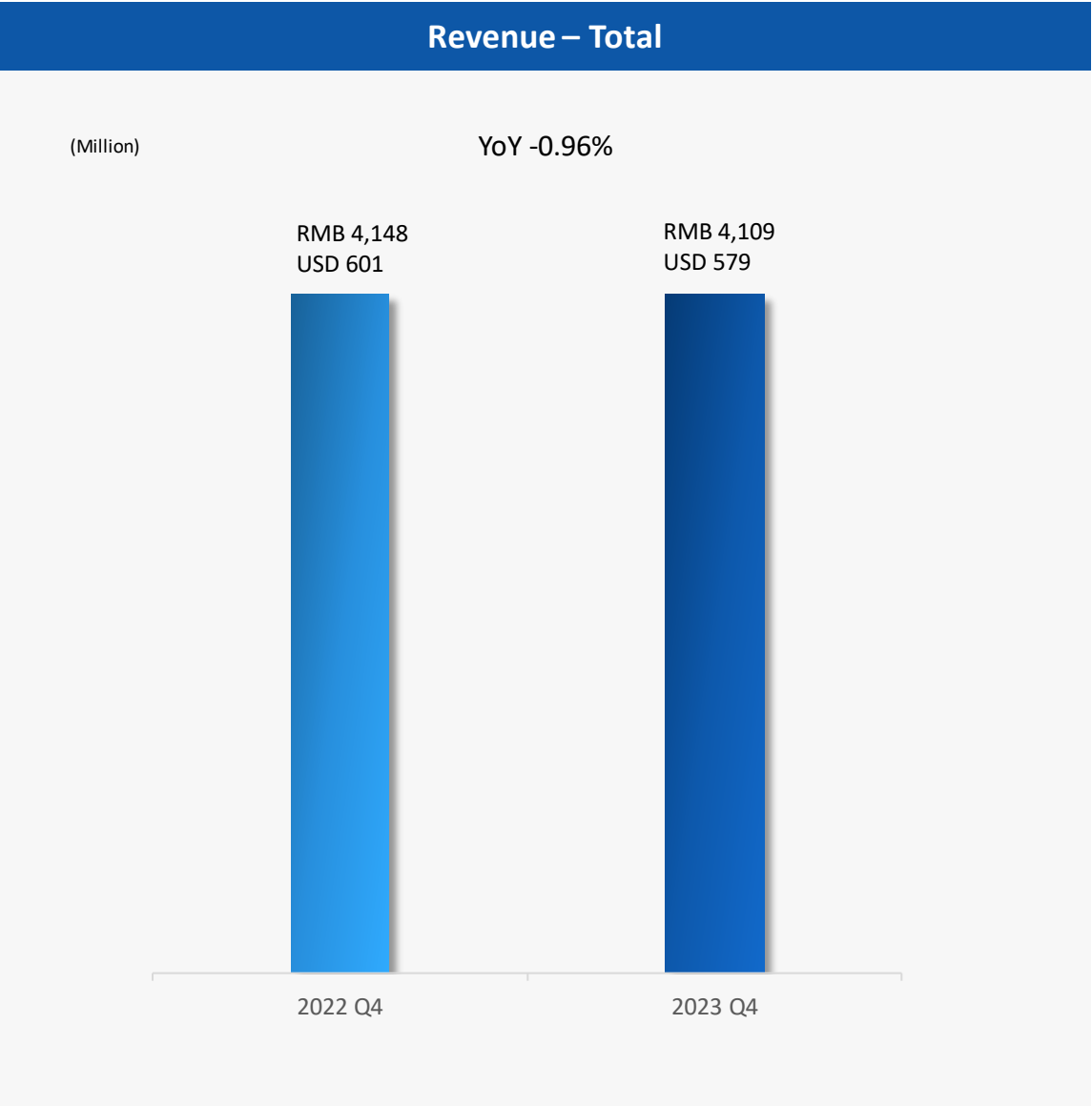
# Navigating Changes: the Pharmaceutical Retail Market in 2023

- 2023 is a significant turning point for China’s economy and the healthcare industry, adapting to normalization while accelerating digitalization.
- The anti-corruption campaign in 2023 led to a significant crackdown on bribery within the hospital system, urging a shift towards greater transparency and integrity in healthcare transactions.
- Healthcare industry shifts towards technological innovation due to aging population, rising healthcare costs, and increasing consumer demand.
- We strategically positioning as a leader in the digital health revolution, aim to enhance the capabilities of pharmacies, enabling them to thrive in this new environment and look forward to contributing to a healthier, more transparent healthcare system for all.



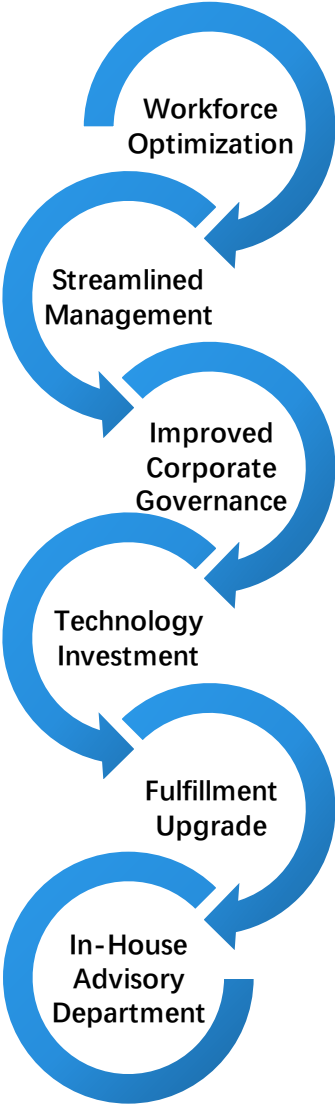
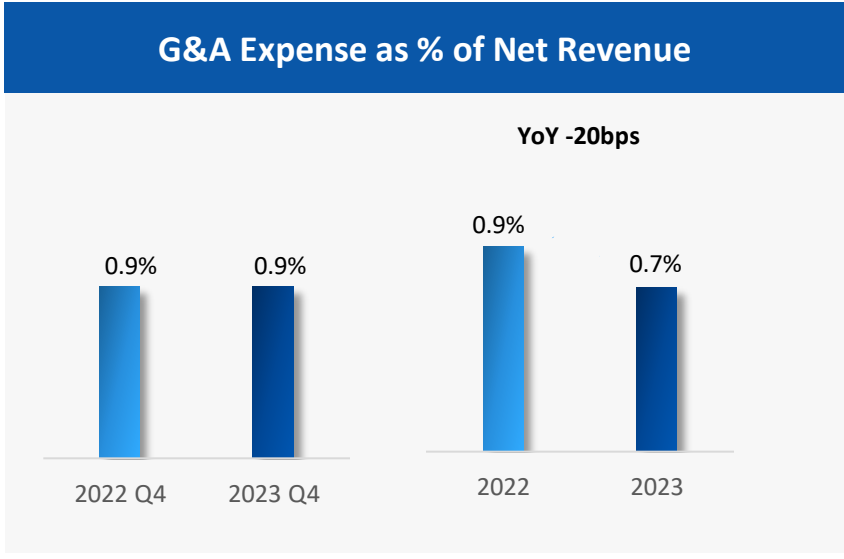
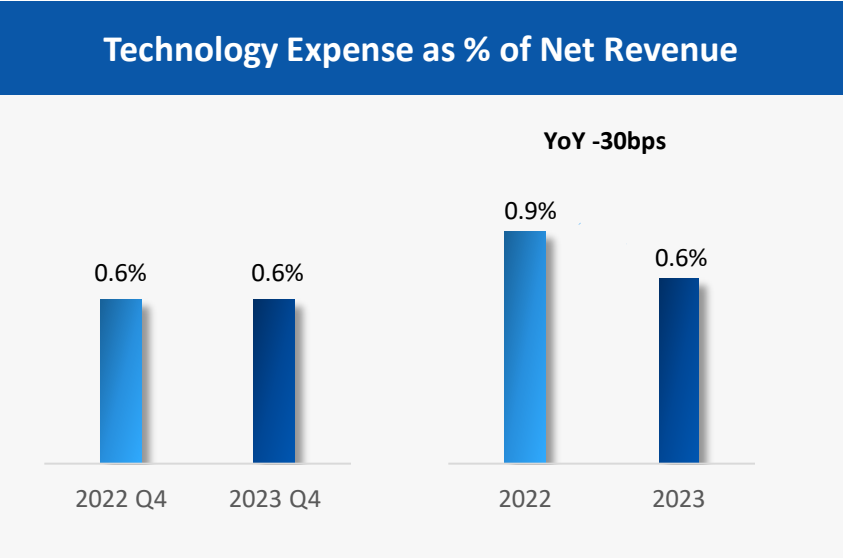
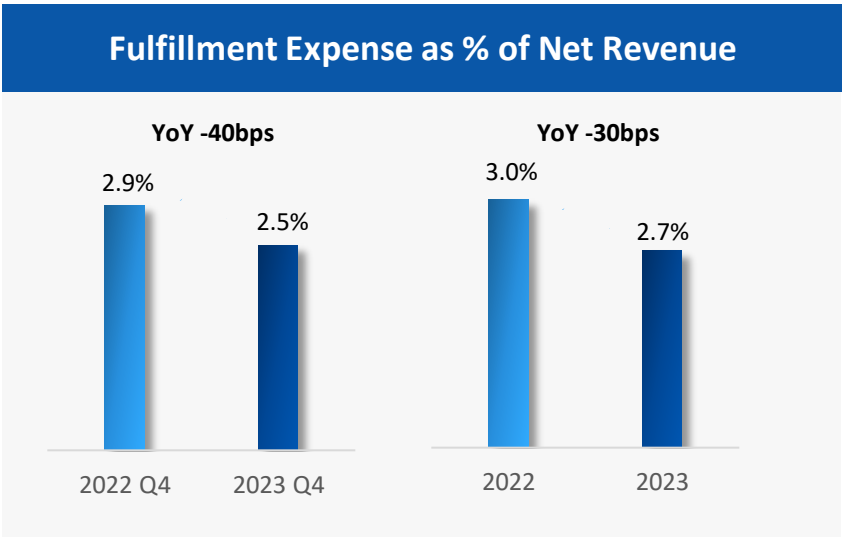
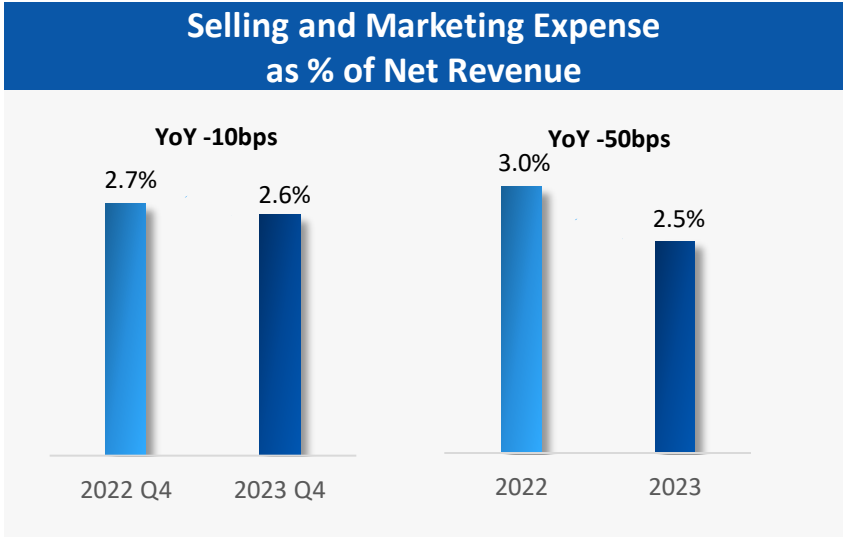
Source: Sinohealth CMH

# Maintaining Steady Revenue Amidst a Sudden Sales Surge During the 2022 Q4 Pandemic

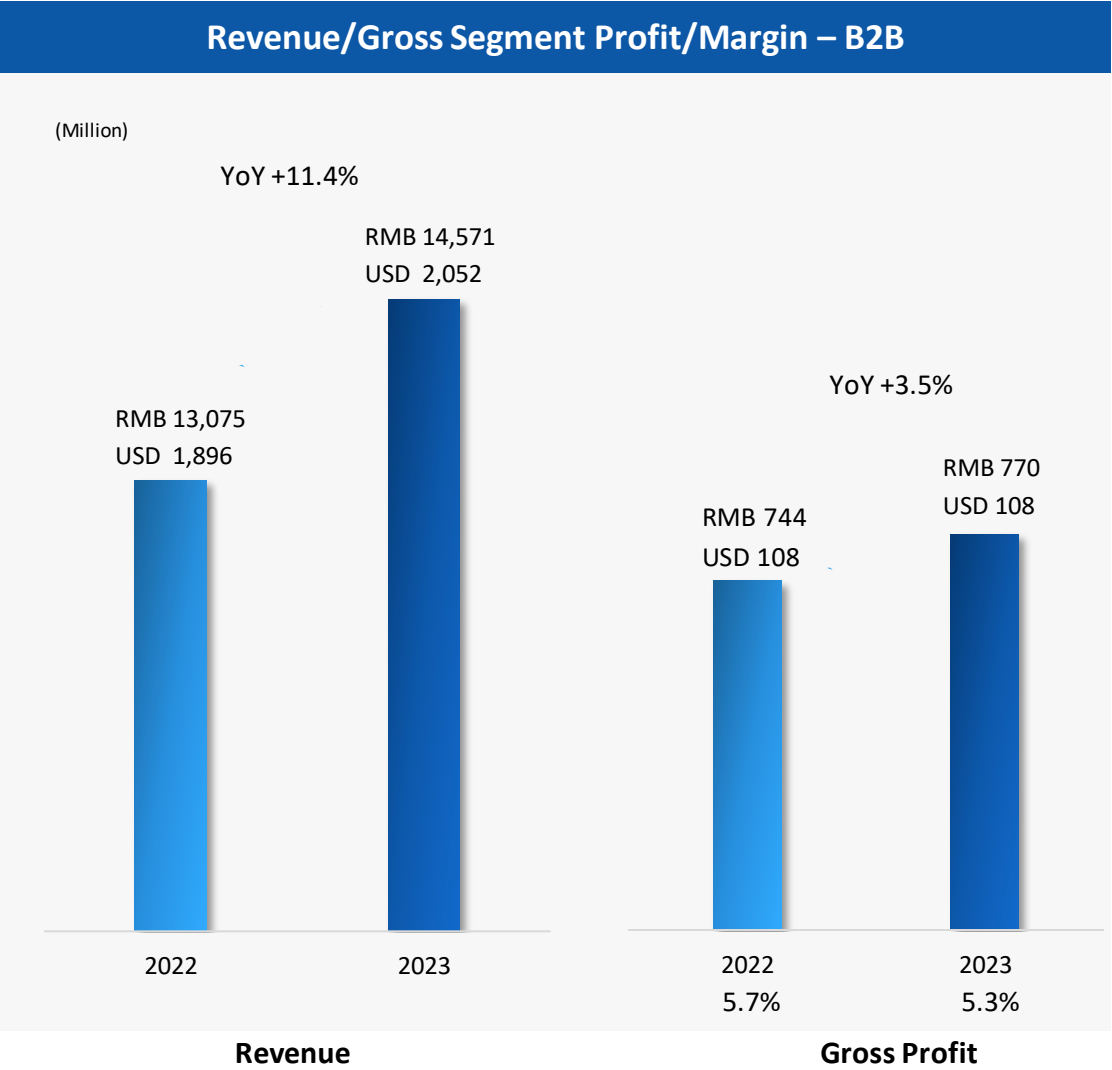
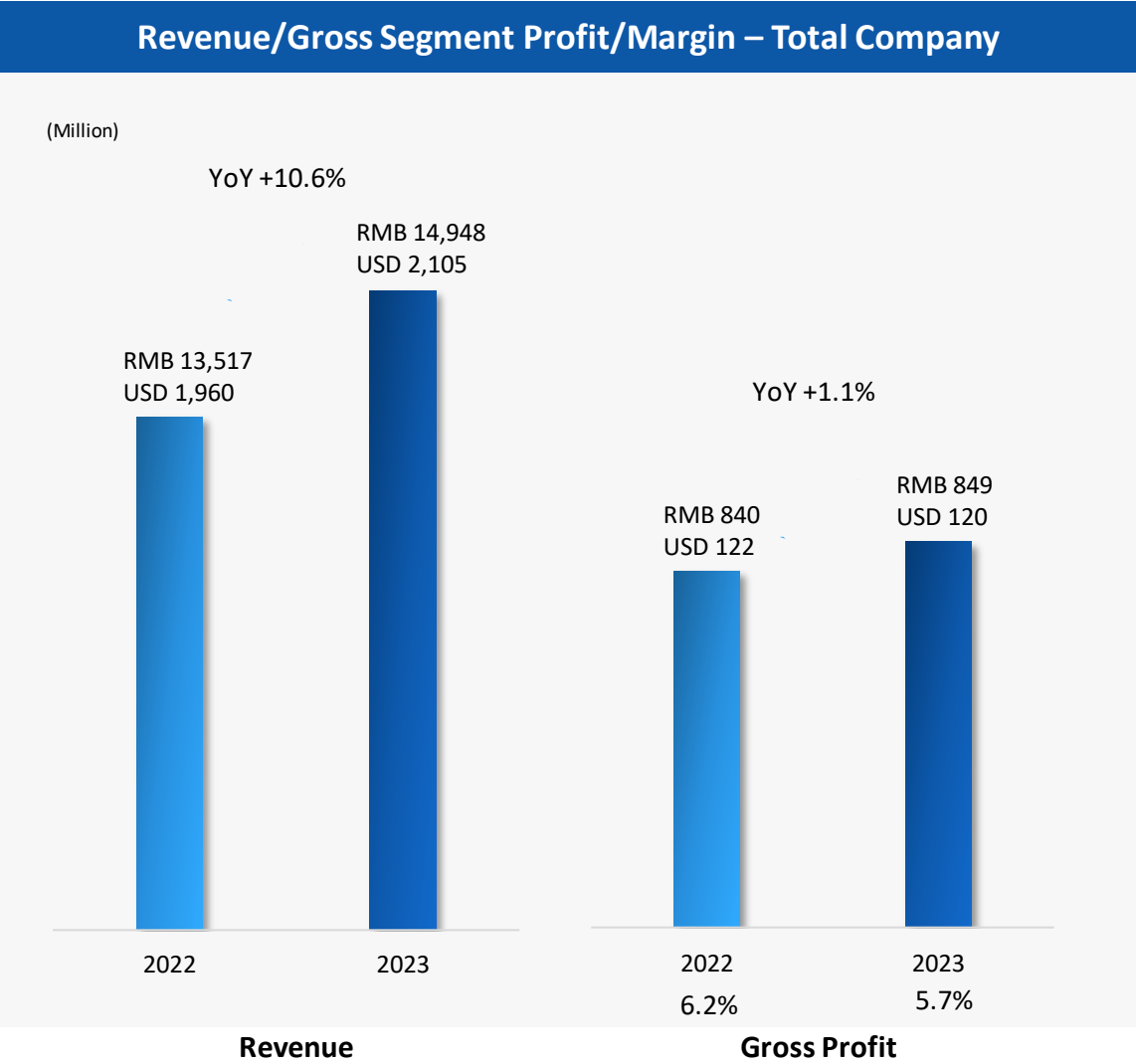


# Driving Operational Excellence

(Excluding Share-Based Compensation Expenses)

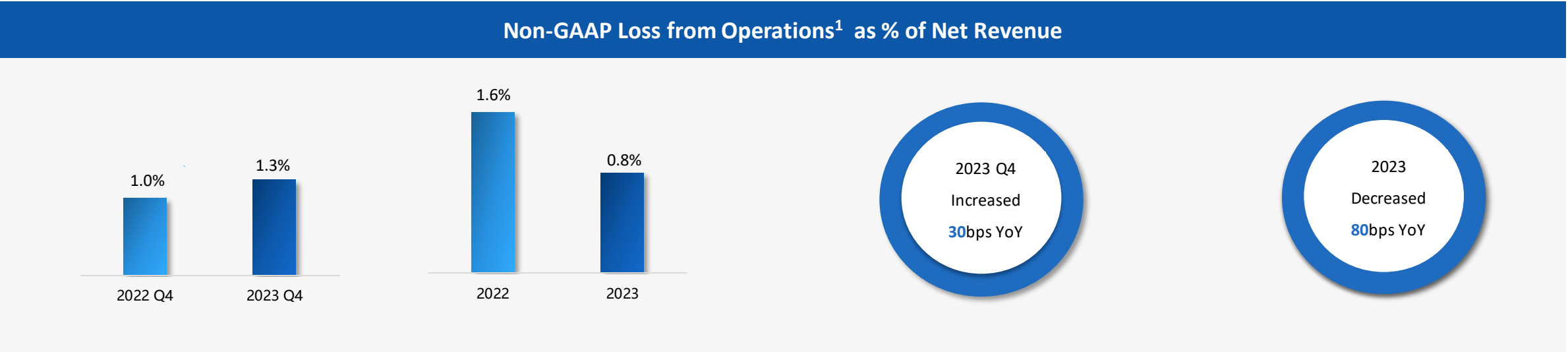
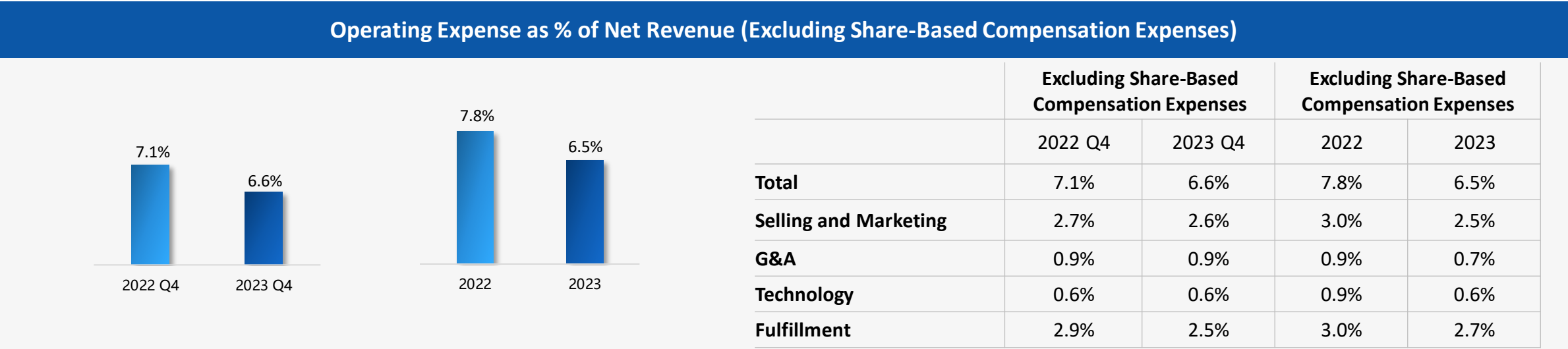


Fiscal Year 2023 Net Revenue Increased 10.6% with Gross Segment Profit Up 1.1% YoY





# Total Operating Expenses Narrowed as a Percentage of Net Revenue

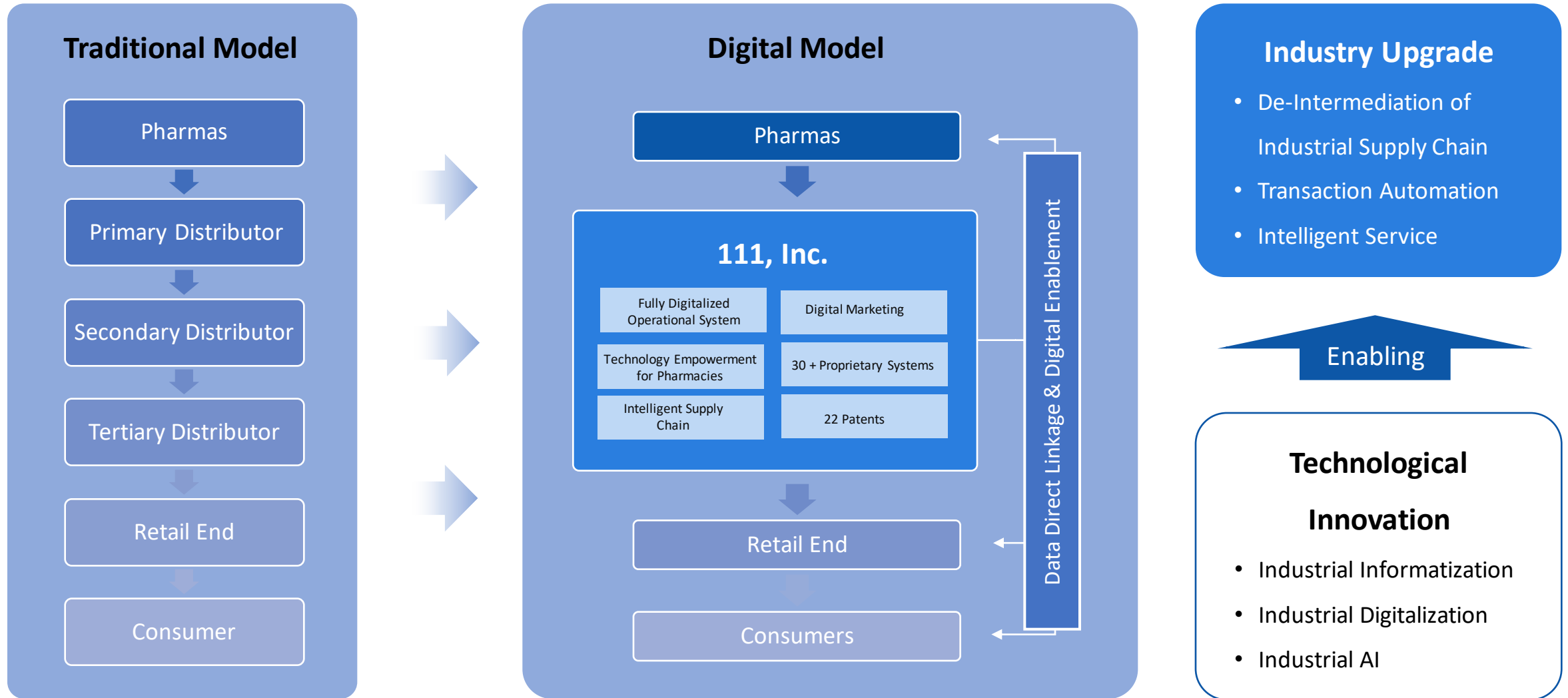


Notes:

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


2. Cost of severance of organization optimization impacted Q4 Non-GAAP loss.

# Navigating the Delicate Balance Between Pioneering Technological Advancements and Adhering to Proven Traditional Survival Tactics




# Leveraging Technology for Operational Excellence and Growth

Technology

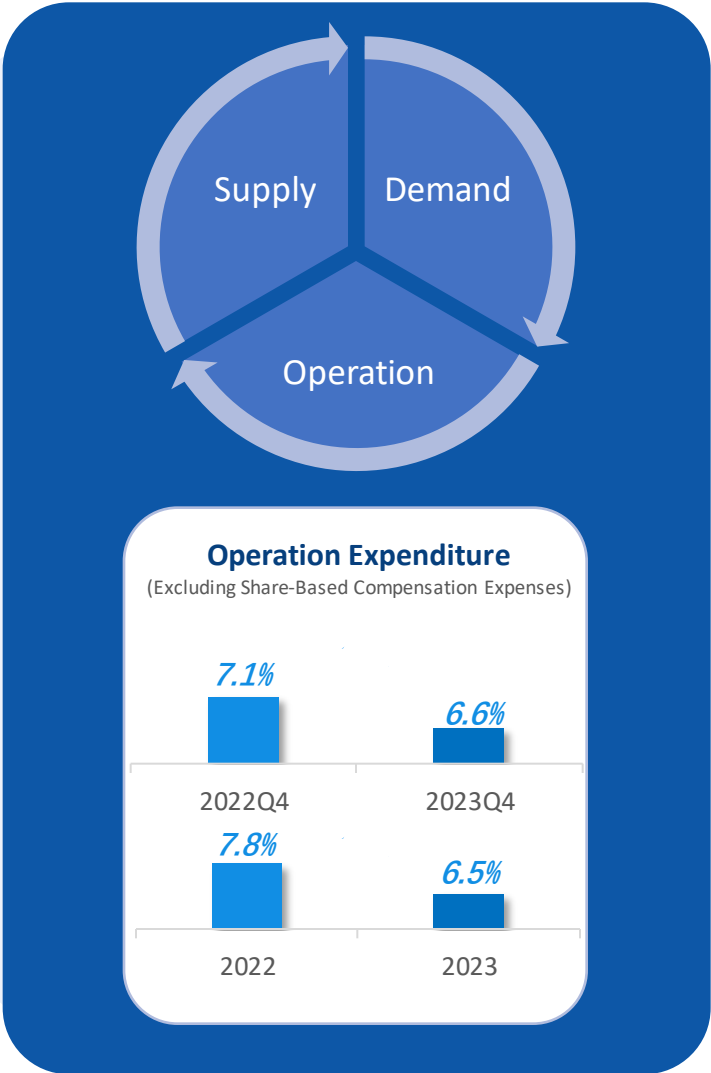
  
Resource Utilization

  
Market Expansion

  
Expense Control

  
Supply Chain Support

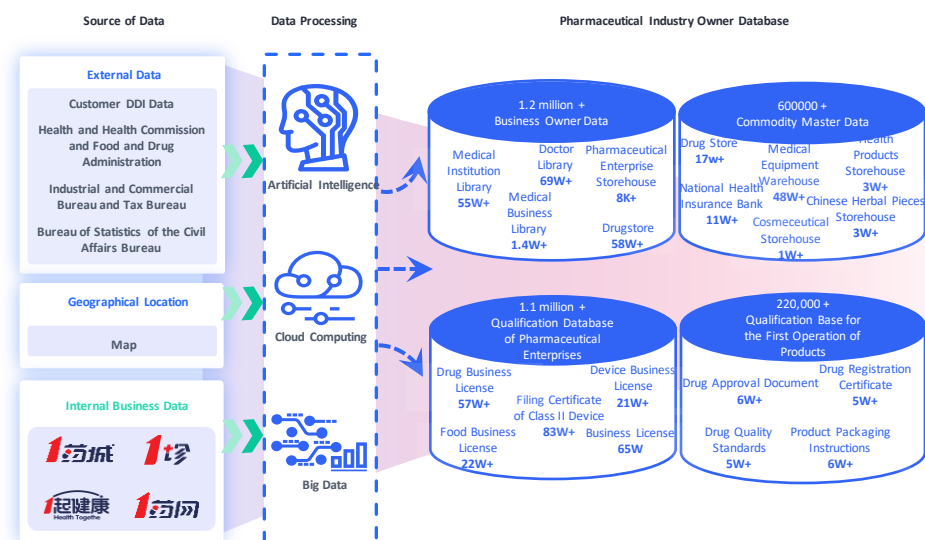
  
Customer Acquisition & Retention



# Intelligent Integration: Driving Demand Accuracy and Operational Efficiency

## Intelligent Demand Analysis

- Combined with company data and industry data, the "Bo Guan" catalogue regularly updates the latest customer demand list
- Top Demanded Goods are given larger weights when assortment decisions were made
- Longtail Goods are given regional attention to meet special demands



## Smart Sales

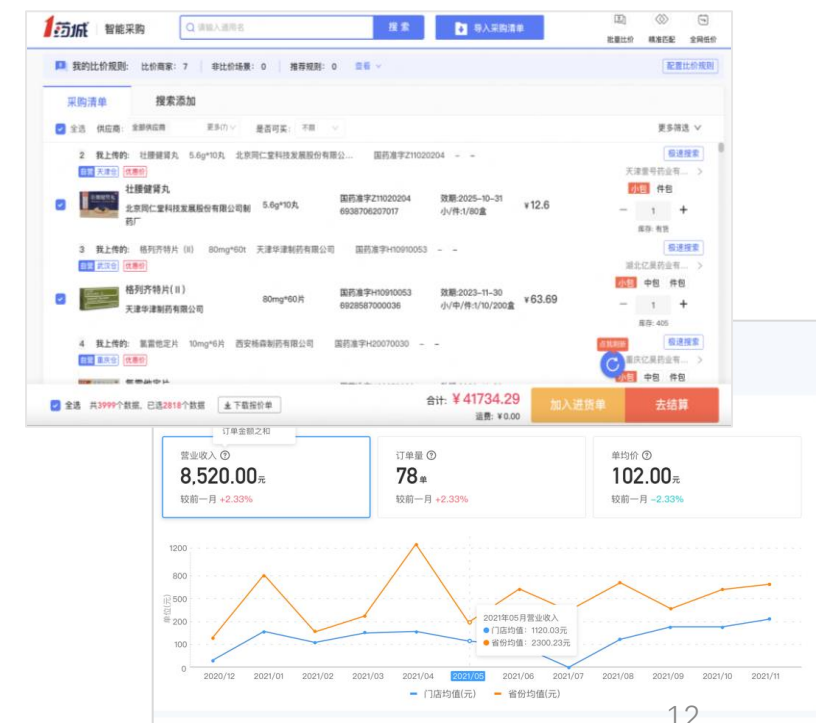
- Smart sales "Eagle Eye" enables BD to reach customers more efficiently and transform marketing



## Empowering and Optimizing Pharmacy Operations

Analyzing pharmacy customer segments, providing private domain service guidance to achieve B2B2C

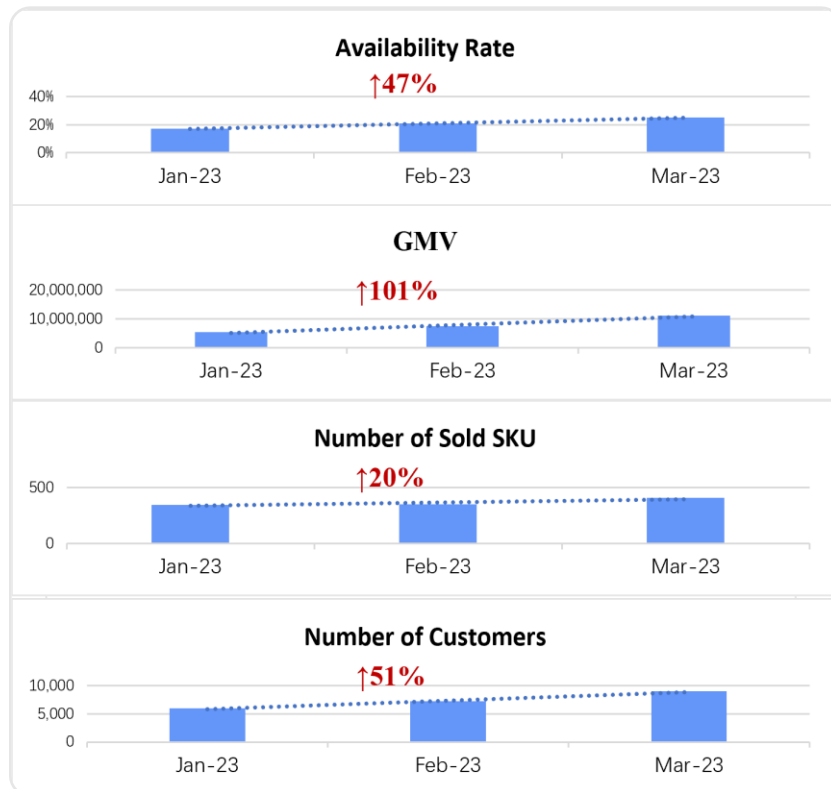
- Smart Sourcing System
- Cloud Prescription Service
- Pharmacy Operation Analysis Board
- Pharmacy CRM and etc.



# Streamlined Synergy: Transforming Operations with JBP and MP Merchant Services

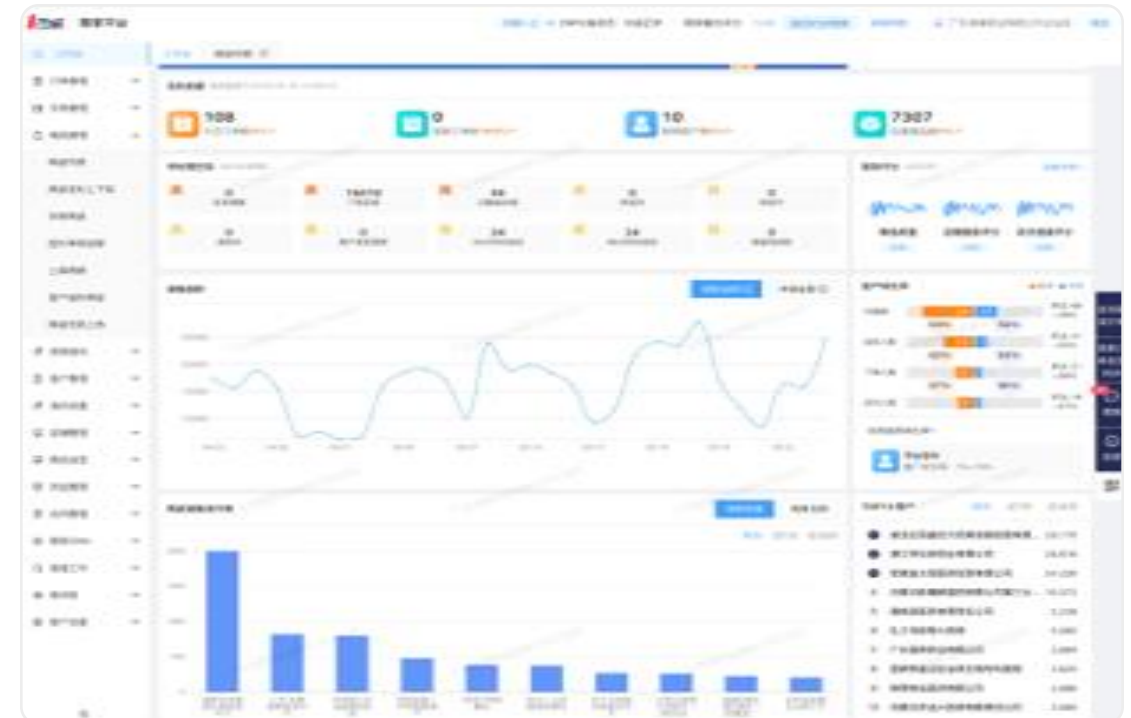
## JBP Merchant Services

- Automate transactions
- Stock-to-Shelf efficiency: from 2 hours to 10 minutes/time
- Replenishment efficiency: from 3 hours to 30 minutes/time
- Time saved for data reconciliation: from 7 days to 1 day



## MP Merchant Services

- Sales visualization: back-end system available on mobile terminals 7x24hrs
- Marketing tools: active participation from merchants on promotion activities via digital tools
- Fulfillment digitalization: CPO of merchant platform reduced by 50%



## Operational Excellence: Strategic Supply Chain Optimization & Cost Efficiency

- **Warehouse Innovation:** Implemented cutting-edge cost-saving measures and strategic redesigns in warehouse operations.
- **Supply Chain Streamlining:** Enhanced storage and distribution processes for improved logistical efficiency.
- **Operational Cost Reduction:** Achieved notable reductions in operational costs through optimization efforts.
- **Market Adaptability:** Demonstrated adaptability and innovation in response to dynamic market conditions.
- **Commitment to Excellence:** Our advancements underscore a deep commitment to continual operational improvement.





# Private Label Development Becoming a Driving Force of Business Growth

Private labelled products(OEM) have introduced a significant portion of planned ingredients, achieving a solid GMV and gross profit margin across a wide range of SKUs

- 2023 Q4, private brand Guanzhao® has launched 53 SKUs with accumulated GMV of 17,229 thousand yuan, sales of 2,470 thousand boxes, gross profit of 5,067 thousand yuan, and a gross profit margin of 29%+.
- 2023 Q4, private brand Royal Glory® has launched 85 SKUs, with accumulated GMV of 12,703 thousand yuan, sales of 2,002 thousand boxes, gross profit of 4,367 thousand yuan, and a gross profit margin of 34%+.



Royal Glory® 皇家荣耀

关照®

# Innovation Milestones: Four Patents in Healthcare Technology in 2023

证书号第6327593号



发明专利证书

发明名称：一种药店经营的预测系统

发明人：金硕,胡茂华

专利号：ZL 2021 1 0792097.4

专利申请日：2021年07月13日

专利权人：壹药网科技（上海）股份有限公司

地址：201210 上海市浦东新区唐镇上海路977号1幢B座805室

授权公告日：2023年09月15日      授权公告号：CN 113344465 B

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局长 申长雨



第1页(共2页)

其他事项参见续页

证书号第6324498号



发明专利证书

发明名称：一种优势药品的推算系统

发明人：林超,胡茂华

专利号：ZL 2021 1 0792103.6

专利申请日：2021年07月13日

专利权人：壹药网科技（上海）股份有限公司

地址：201210 上海市浦东新区唐镇上海路977号1幢B座805室

授权公告日：2023年09月15日      授权公告号：CN 113361972 B

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局长 申长雨



第1页(共2页)

其他事项参见续页

证书号第6235473号



发明专利证书

发明名称：低代码平台开发方法及系统

发明人：任军庆,林超,胡茂华,王新岐

专利号：ZL 2023 1 0552140.9

专利申请日：2023年05月17日

专利权人：壹药网科技（上海）股份有限公司

地址：201201 上海市浦东新区唐镇上海路977号1幢B座805室

授权公告日：2023年08月15日      授权公告号：CN 116301813 B

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局长 申长雨



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其他事项参见续页

证书号第6539877号



发明专利证书

发明名称：药品供应点方法

发明人：潘晓,丁刚

专利号：ZL 2021 1 0031358.0

专利申请日：2021年01月11日

专利权人：壹药网科技（上海）股份有限公司

地址：201201 上海市浦东新区唐镇上海路977号1幢B座805室

授权公告日：2023年12月05日      授权公告号：CN 112880958 B

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局长 申长雨



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其他事项参见续页



Awards and Recognitions in Q4 2023

通知 | 2023-2024年度上海市电子商务示范企业名单发布了！

上海商务 2024-01-02 19:25 上海



各区商务主管部门、各有关单位：

为加快推进本市电子商务高质量发展，充分发挥电子商务示范企业在促进产业发展、强化民生保障、推动绿色发展、助力数商兴农、扩大国际合作、优化行业环境等方面的引领作用，根据《上海市商务委员会关于印发〈上海市电子商务示范企业创建管理办法〉的通知》（沪商规〔2023〕4号），经企业申报、区商务主管部门推荐、专家评审、社会公示等程序，上海寻梦信息技术有限公司等61家企业为2023-2024年度上海市电子商务示范企业，现予公布。

2023-2024年度上海市电子商务示范企业名单

(名单顺序不分先后)

序号	企业名称
1	上海寻梦信息技术有限公司
2	欧冶云商股份有限公司
3	上海盒马网络科技有限公司
4	上海识装信息科技有限公司
5	拉扎斯网络科技（上海）有限公司
6	上海携程商务有限公司
	(此处部分省略)
42	上海宝尊电子商务有限公司
43	壹药网科技（上海）股份有限公司
44	上海钢联电子商务股份有限公司
45	极兔速递有限公司

2023 Shanghai E-commerce Demonstration Enterprise

上海市商务委员会

关于商请提供生产性互联网服务平台建设有关情况的函

各有关单位：

为贯彻落实《关于促进本市生产性互联网服务平台高质量发展的若干意见》精神，做好年底前全市促进生产性互联网服务平台高质量发展工作推进会筹备工作，现商请各单位围绕以下内容，提供今年平台建设发展情况和主要成效，明年发展考虑和具体项目等。

- 1. 平台与金融机构合作，发展供应链、产业链金融情况；
- 2. 平台上链、互联，建立相关互联标准等情况；
- 3. 打造低碳供应链情况；
- 4. 加强平台合作，特别是跨领域的平台间合作情况；
- 5. 服务长三角一体化发展和“一带一路”建设有关情况。

以上材料请于12月6日（星期三）下班前以电子邮件或传真方式反馈市商务委。

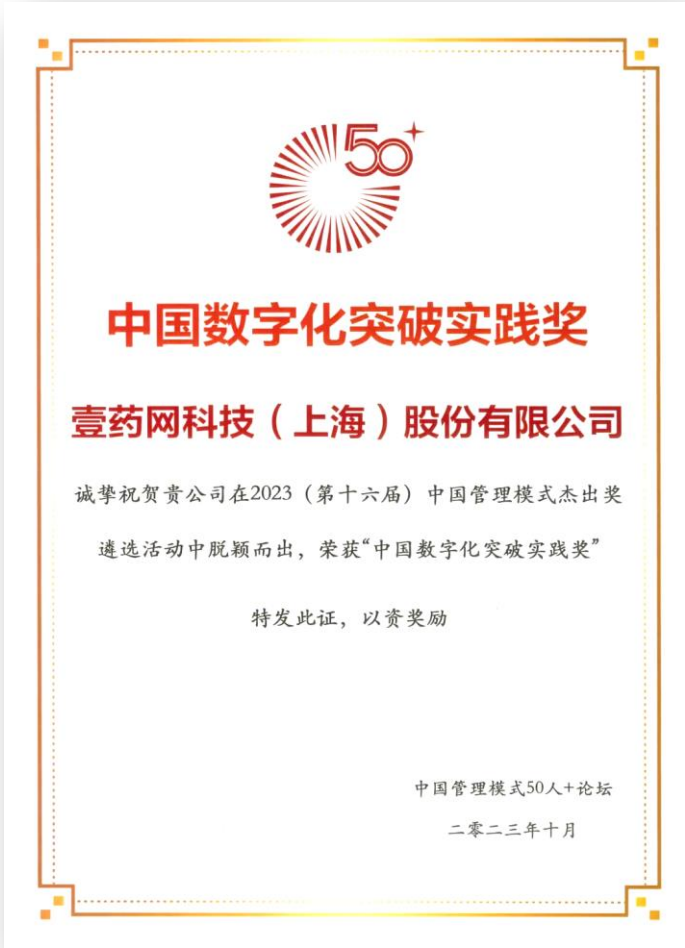
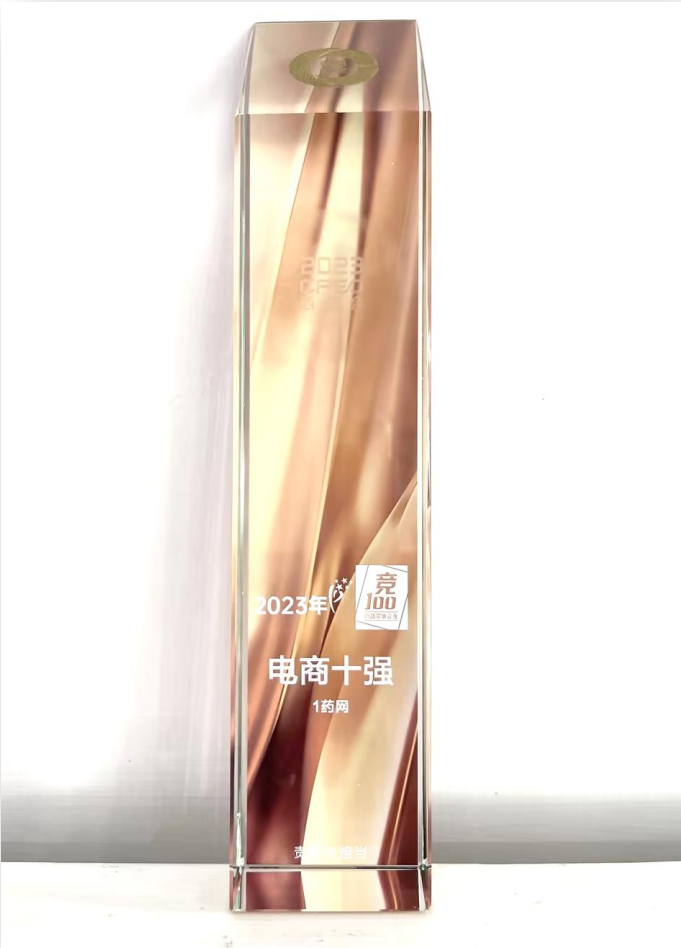
望予支持为盼。

Shanghai Key Productive Internet Service Platform

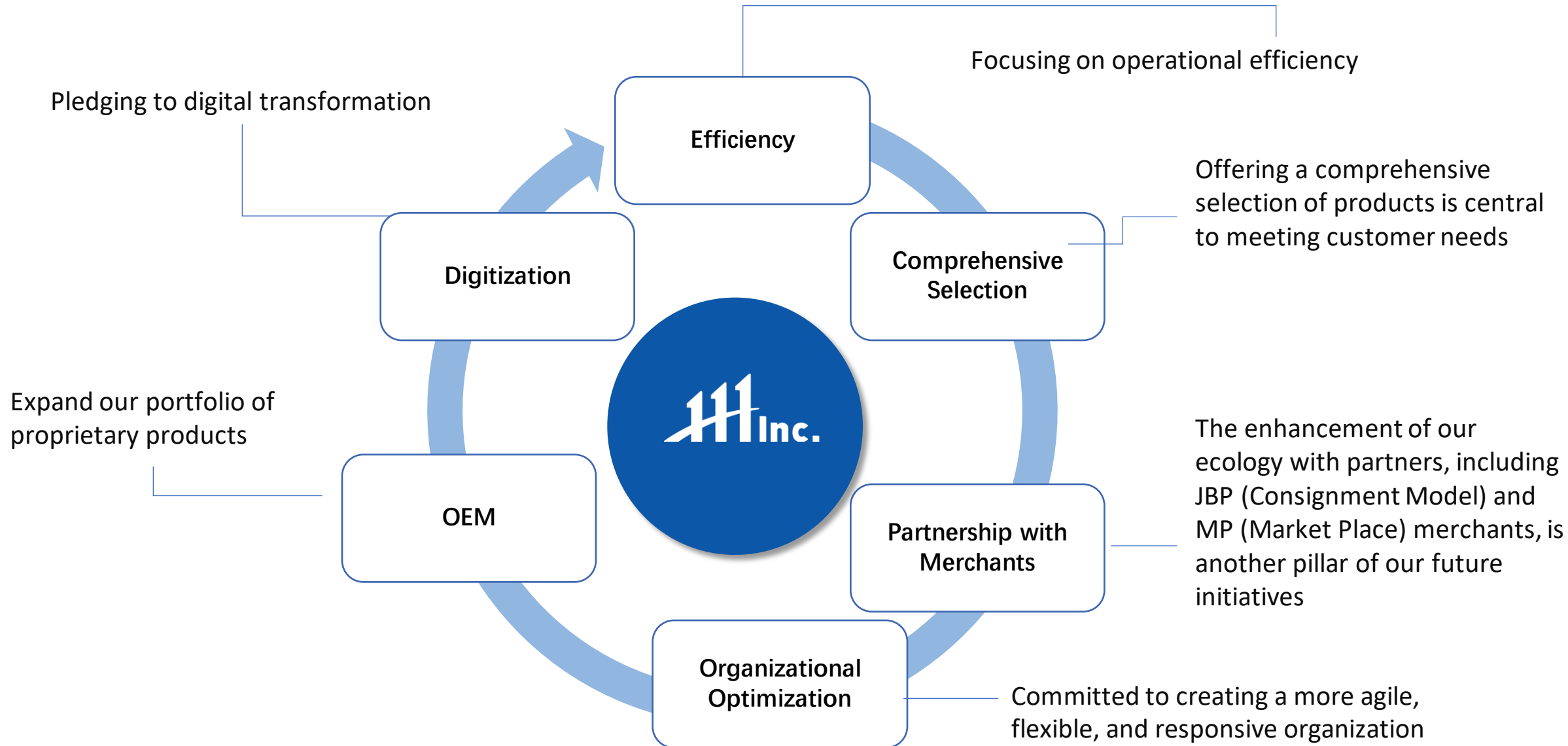
# 111 Inc.: Pioneering the Digital Transformation in Healthcare with Shanghai Data Exchange Listing



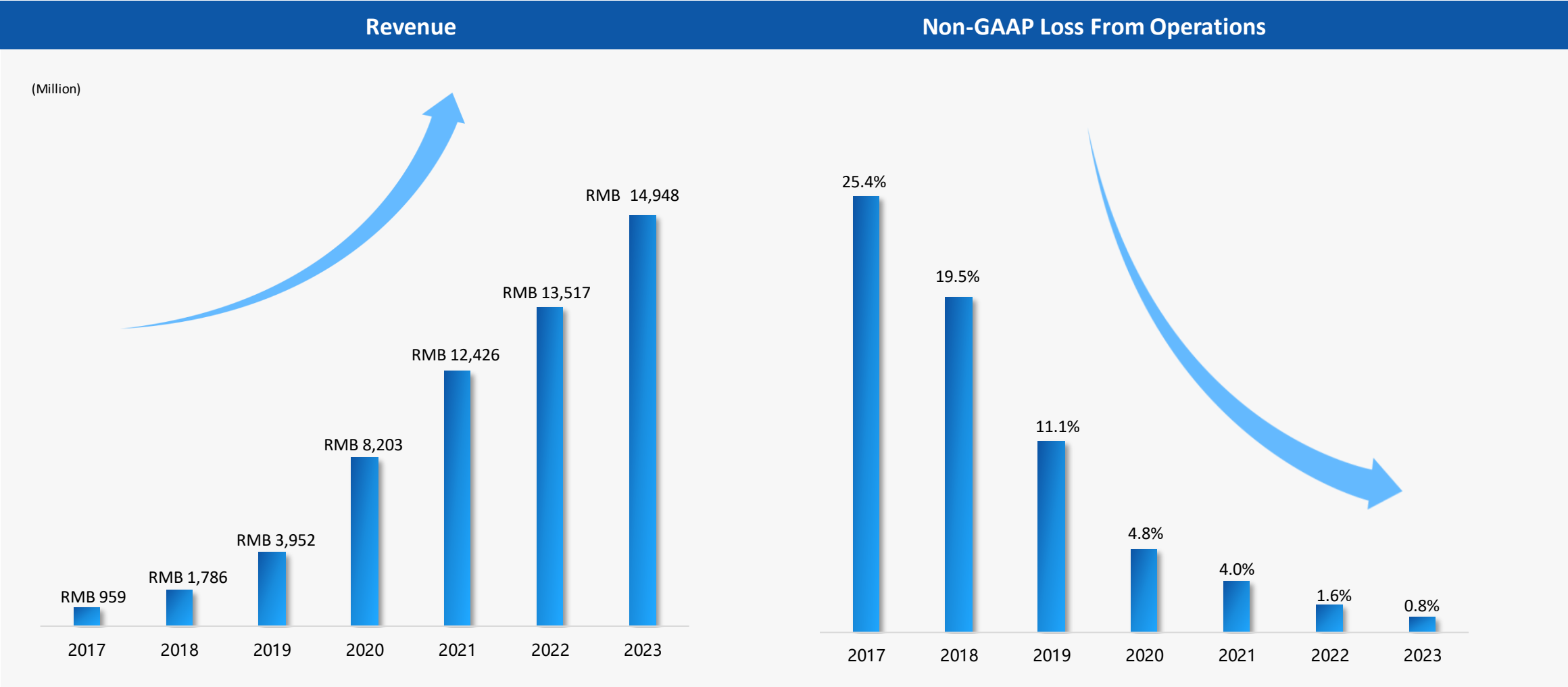
# Multiple Recognitions in 2023



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



# Net Revenue Expanded 16 Times in 6 Years While Non-GAAP Loss From Operations as % of Net Revenue Further Narrowed



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

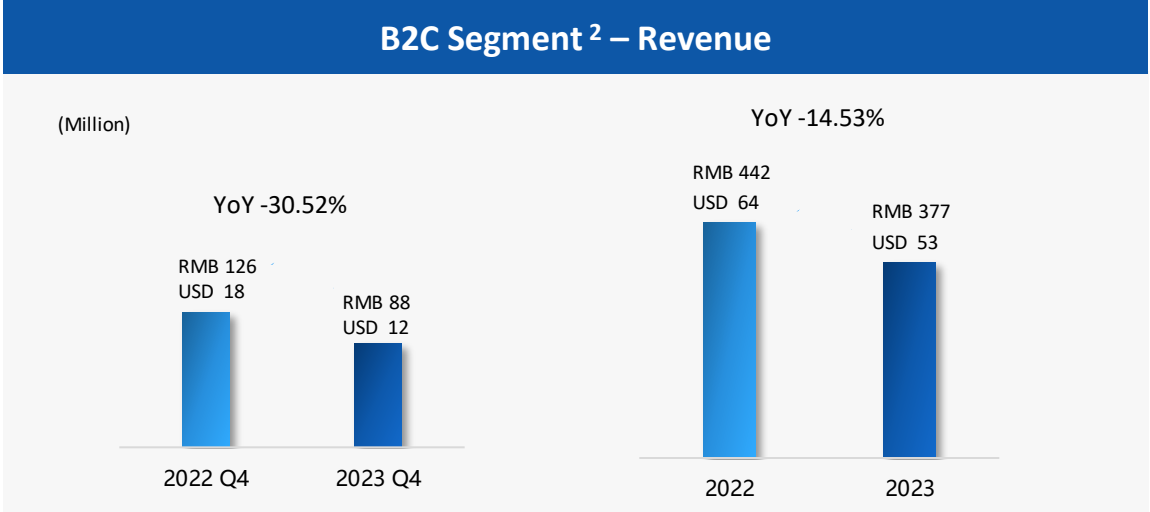
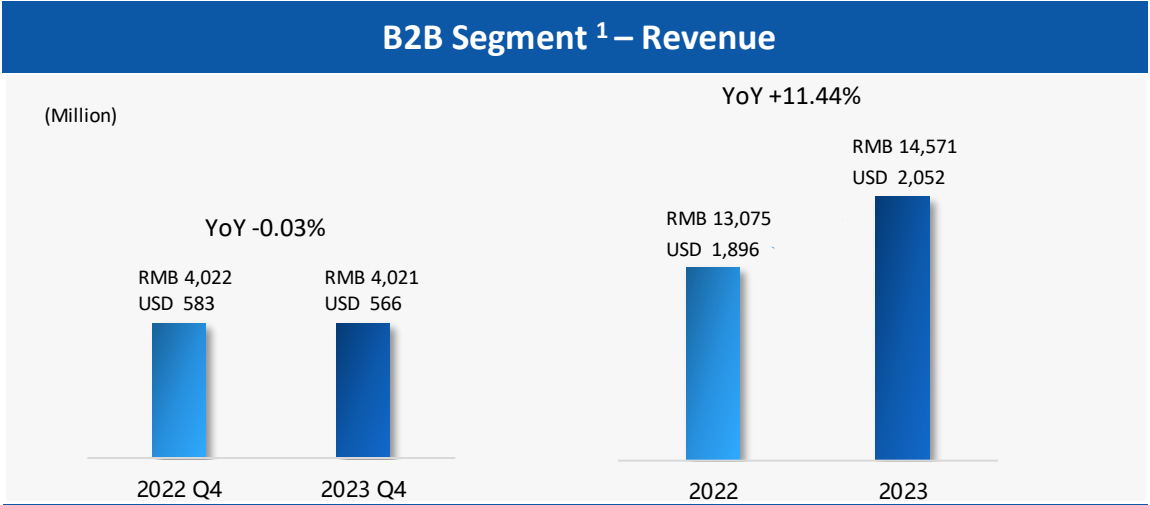
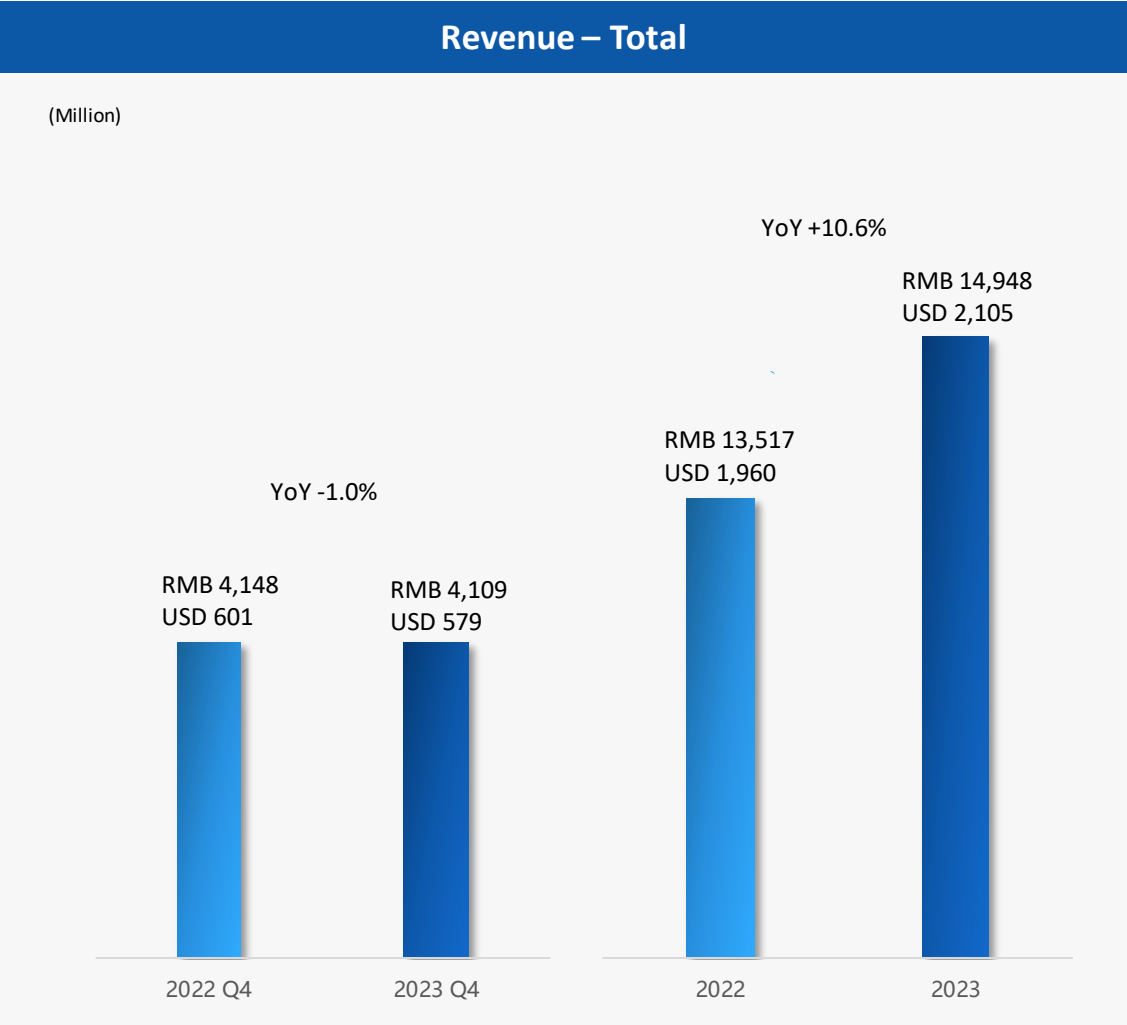
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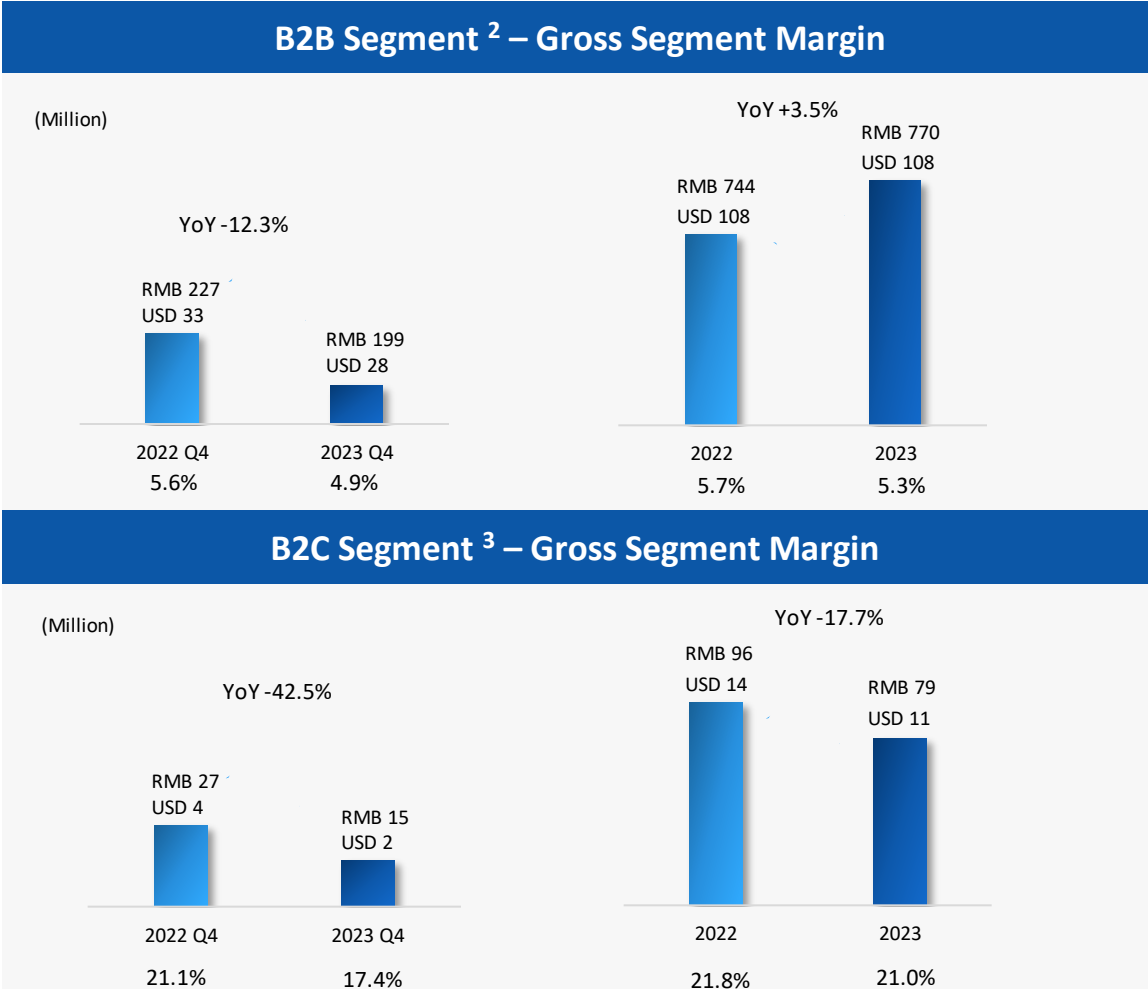
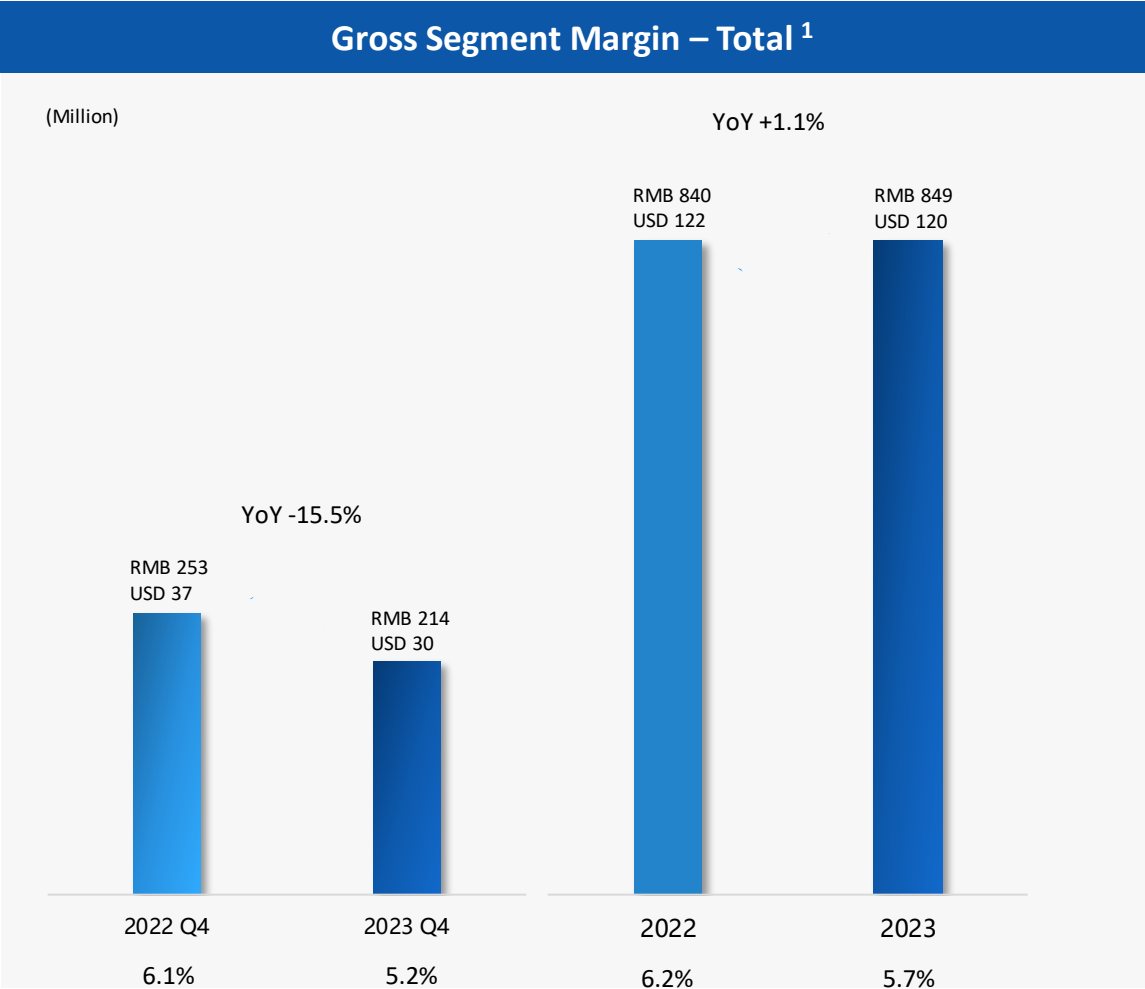


# Continuous Revenue Growth Driven by B2B Segment



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.

# Moderate Gross Segment Profit Growth YoY



Notes:

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

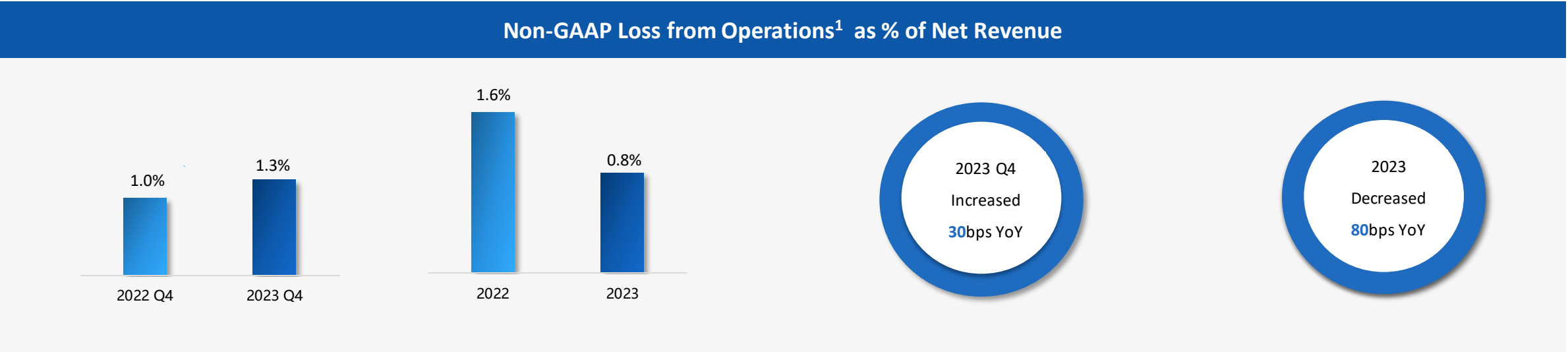
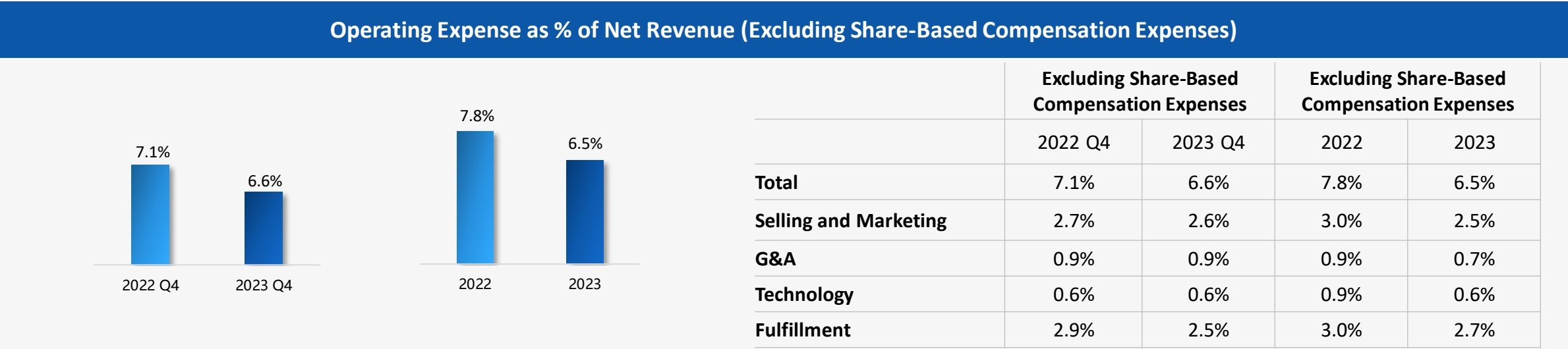
2. B2B Gross Segment Margin% = (B2B Product Revenue + B2B Service Revenue – B2B COGS)/ B2B Revenue

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

4. Q4 margin erosion caused by previous year's surge of pandemic related products.



# Total Operating Expenses Narrowed as a Percentage of Net Revenue



Notes:

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

2. Cost of severance of organization optimization impacted Q4 Non-GAAP loss.

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## Selected Balance Sheet Summary

	As of			
	December 31, 2022		December 31, 2023	
'000	RMB	USD	RMB	USD
Cash and cash equivalents, restrict cash and short-term investments	922,652	133,772	673,691	94,886
Total current assets	3,235,825	469,151	2,933,331	413,150
Total assets	3,473,814	503,656	3,089,036	435,083
Total current liabilities	2,725,110	395,103	2,774,437	390,772
Total liabilities	2,825,579	409,670	2,842,306	400,331
Mezzanine equity	1,056,939	153,242	841,451	118,516
111 Inc's equity	(414,599)	(60,111)	(583,451)	(82,177)
Non-controlling interests	5,895	855	(11,270)	(1,587)
Total liabilities and shareholders' equity	3,473,814	503,656	3,089,036	435,083

## Selected Income Statement Summary

	For the Three Months Ended December 31			
	2022		2023	
'000	RMB	USD	RMB	USD
Net revenues	4,148,247	601,440	4,108,626	578,689
Cost of products sold	3,894,755	564,686	3,894,372	548,511
Fulfillment expenses	118,806	17,225	101,336	14,273
Selling and marketing expenses	134,053	19,436	173,507	24,438
General and administrative expenses	73,014	10,586	97,967	13,798
Technology expenses	37,232	5,398	49,098	6,915
Loss from operations	(108,427)	(15,719)	(206,538)	(29,089)
Interest expense(net) and other income(net)	(4,351)	(631)	(1,466)	(206)
Loss before income taxes	(104,076)	(15,088)	(205,072)	(28,883)
Income tax expense	-	-	149	21
Net loss	(104,076)	(15,088)	(205,221)	(28,904)
Non-GAAP net loss	(35,384)	(5,129)	(53,869)	(7,587)

## Cash Flow Statements

	For the Three Months Ended December 31			
	2022		2023	
'000	RMB	USD	RMB	USD
Net cash provided by (used in) operating activities	63,209	9,166	(197,014)	(27,749)
Net cash (used in) provided by investing activities	(118,198)	(17,138)	59,830	8,427
Net cash provided by financing activities	21,818	3,163	1,748	245
Effect of exchange rate changes on cash and cash equivalents, and restricted cash	(9,274)	(1,345)	(7,234)	(1,019)
Net decrease in cash and cash equivalents, and restricted cash	(42,445)	(6,154)	(142,670)	(20,096)
Cash and cash equivalents, and restricted cash at the beginning of the period	759,236	110,079	766,218	107,920
Cash and cash equivalents, and restricted cash at the end of the period	716,791	103,925	623,548	87,824

## Non-GAAP Financial Measures Reconciliation

Non-GAAP Net Loss	For the Three Months Ended December 31			
	2022		2023	
'000	RMB	USD	RMB	USD
Net loss	(104,076)	(15,088)	(205,221)	(28,904)
Add:				
Share-based compensation				
Selling and marketing expenses	22,768	3,301	66,338	9,343
General and administrative expenses	35,291	5,116	62,119	8,749
Technology expenses	10,633	1,542	22,895	3,225
Non-GAAP net loss	(35,384)	(5,129)	(53,869)	(7,587)

## Selected Income Statement Summary (For the Year Ended December 31)

	For the year Ended December 31			
	2022		2023	
'000	RMB	USD	RMB	USD
Net revenues	13,516,698	1,959,736	14,948,129	2,105,399
Cost of products sold	12,676,722	1,837,952	14,099,151	1,985,824
Fulfillment expenses	401,414	58,200	400,538	56,415
Selling and marketing expenses	457,880	66,386	448,387	63,154
General and administrative expenses	205,623	29,813	224,202	31,578
Technology expenses	139,504	20,226	124,341	17,513
Loss from operations	(371,001)	(53,792)	(350,097)	(49,311)
Interest expense (net) and other loss (net)	5,068	735	3,085	435
Loss before income taxes	(376,069)	(54,527)	(353,182)	(49,746)
Income tax expense	-	-	251	35
Net loss	(376,069)	(54,527)	(353,433)	(49,781)
Non-GAAP net loss	(218,685)	(31,708)	(127,263)	(17,926)

## Cash Flow Statements (For the Year Ended December 31)

	For the year Ended December 31			
	2022		2023	
'000	RMB	USD	RMB	USD
Net cash used in operating activities	(23,152)	(3,356)	(447,244)	(62,993)
Net cash (used in) provided by investing activities	(47,173)	(6,840)	151,743	21,372
Net cash provided by financing activities	22,735	3,296	205,978	29,011
Effect of exchange rate changes on cash and cash equivalents, and restricted cash	3,709	538	(3,720)	(524)
Net decrease in cash and cash equivalents, and restricted cash	(43,881)	(6,362)	(93,243)	(13,134)
Cash and cash equivalents, and restricted cash at the beginning of the period	760,672	110,287	716,791	100,958
Cash and cash equivalents, and restricted cash at the end of the period	716,791	103,925	623,548	87,824



Non-GAAP Financial Measures Reconciliation (For the Year Ended December 31)

Non-GAAP Net Loss	For the year Ended December 31			
	2022		2023	
'000	RMB	USD	RMB	USD
Net loss	(376,069)	(54,527)	(353,433)	(49,781)
Add :				
Share-based compensation				
Selling and marketing expenses	50,110	7,265	76,976	10,842
General and administrative expenses	86,992	12,613	113,536	15,991
Technology expenses	20,282	2,941	35,658	5,022
Non-GAAP net loss	(218,685)	(31,708)	(127,263)	(17,926)

# Q & A

THANK YOU