

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

NASDAQ: YI

Third Quarter 2023 Earnings Call

November 30th, 2023

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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.
- 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, 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

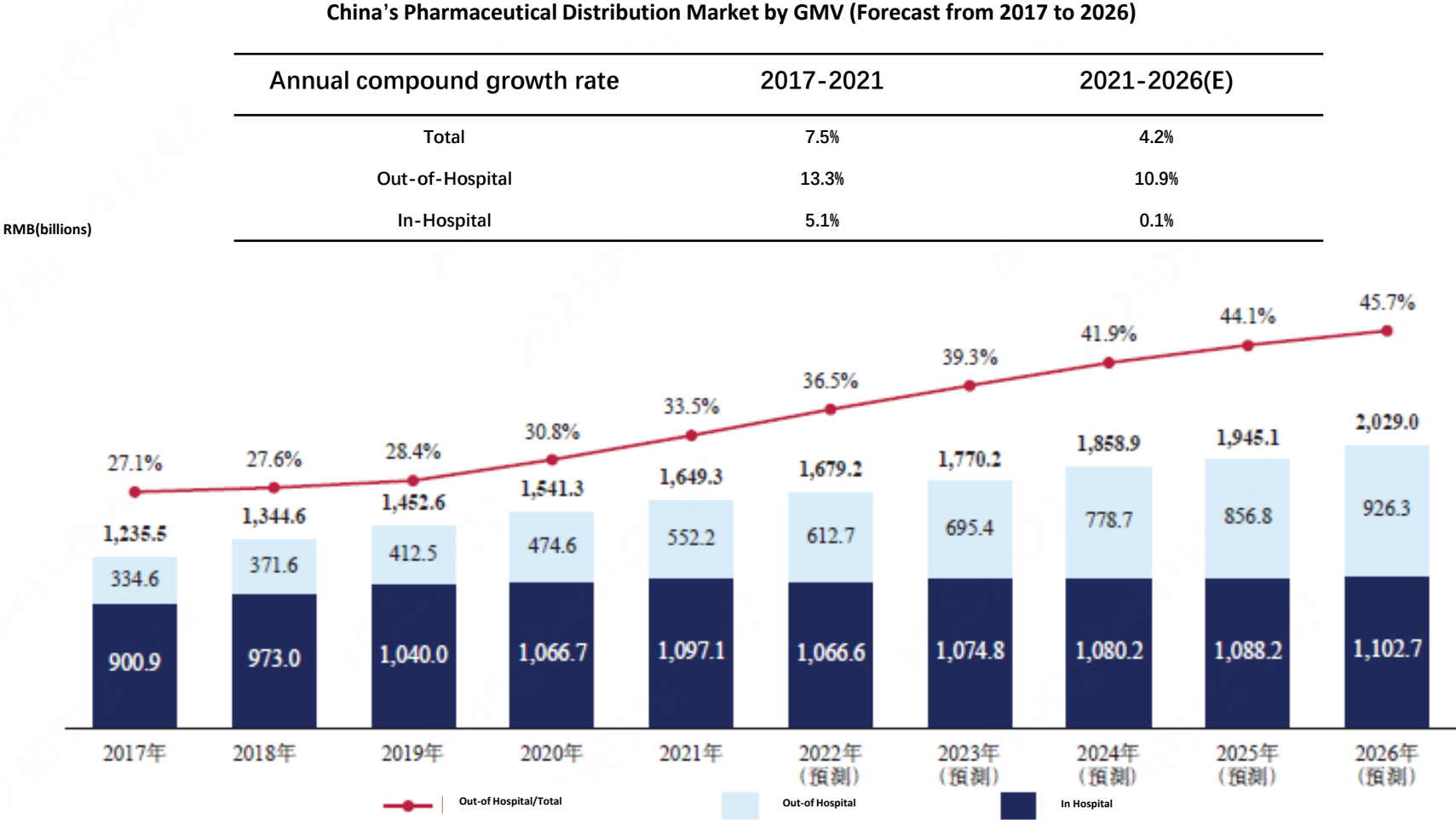
1 BUSINESS & OPERATIONAL PERFORMANCE HIGHLIGHTS

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The Promising Long-Term Growth of China's Out-of-Hospital Market

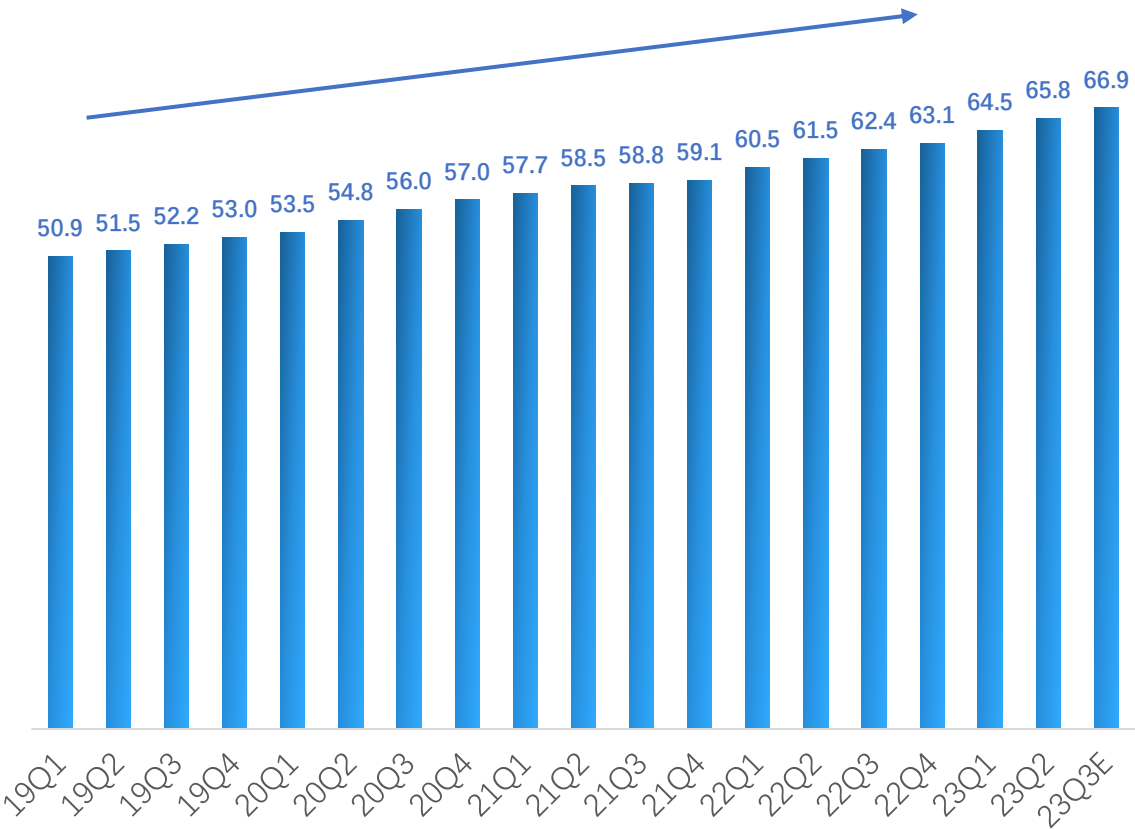
- In-hospital market: 2022 decline (2-5%), slower future growth.
- Out-of-hospital pharmaceutical distribution market expected to reach RMB 1T by 2027 , with mixed share growth from 36.5% (2022) to 45.7% (2026)



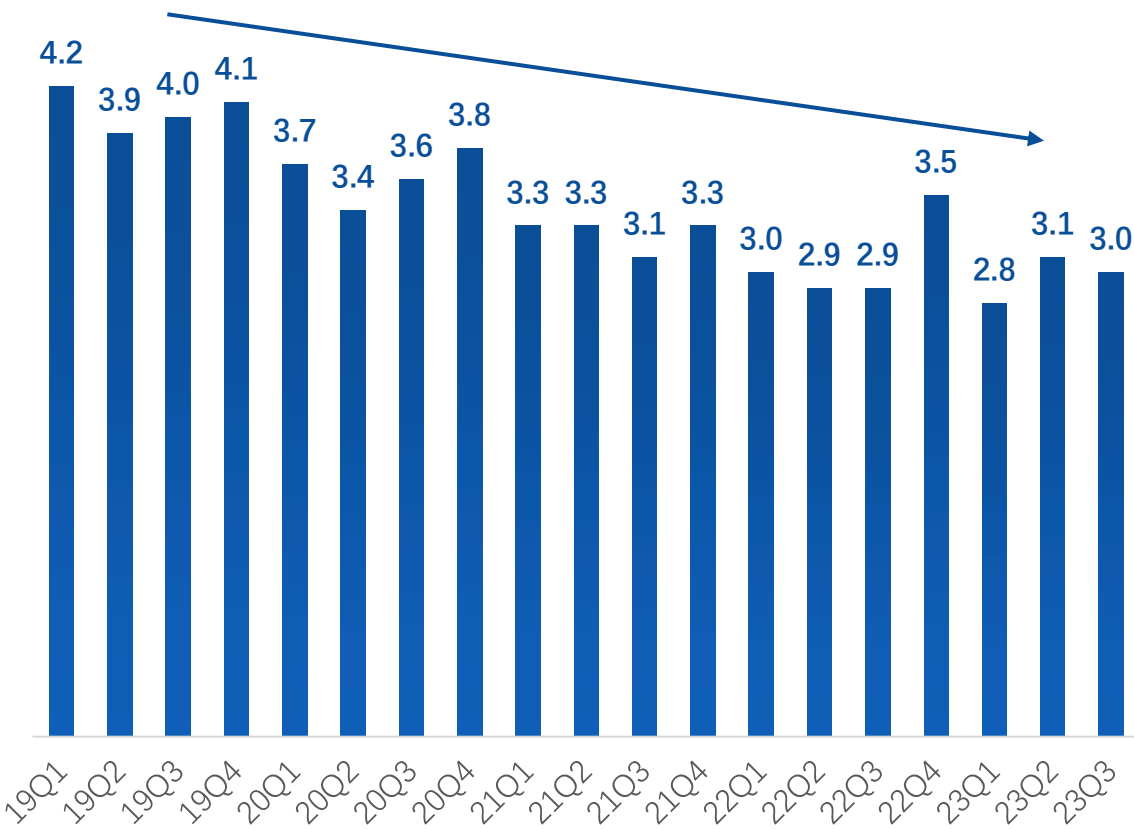
Q3 Saw Increased Competition and Decreased Per-Store Order Volumes, as Retail Pharmacies Expand Amid Eased Spacing Restrictions



Number of Retail Pharmacy Stores Nationwide
(in Ten Thousand) from Q1 2019 to Q3 2023E



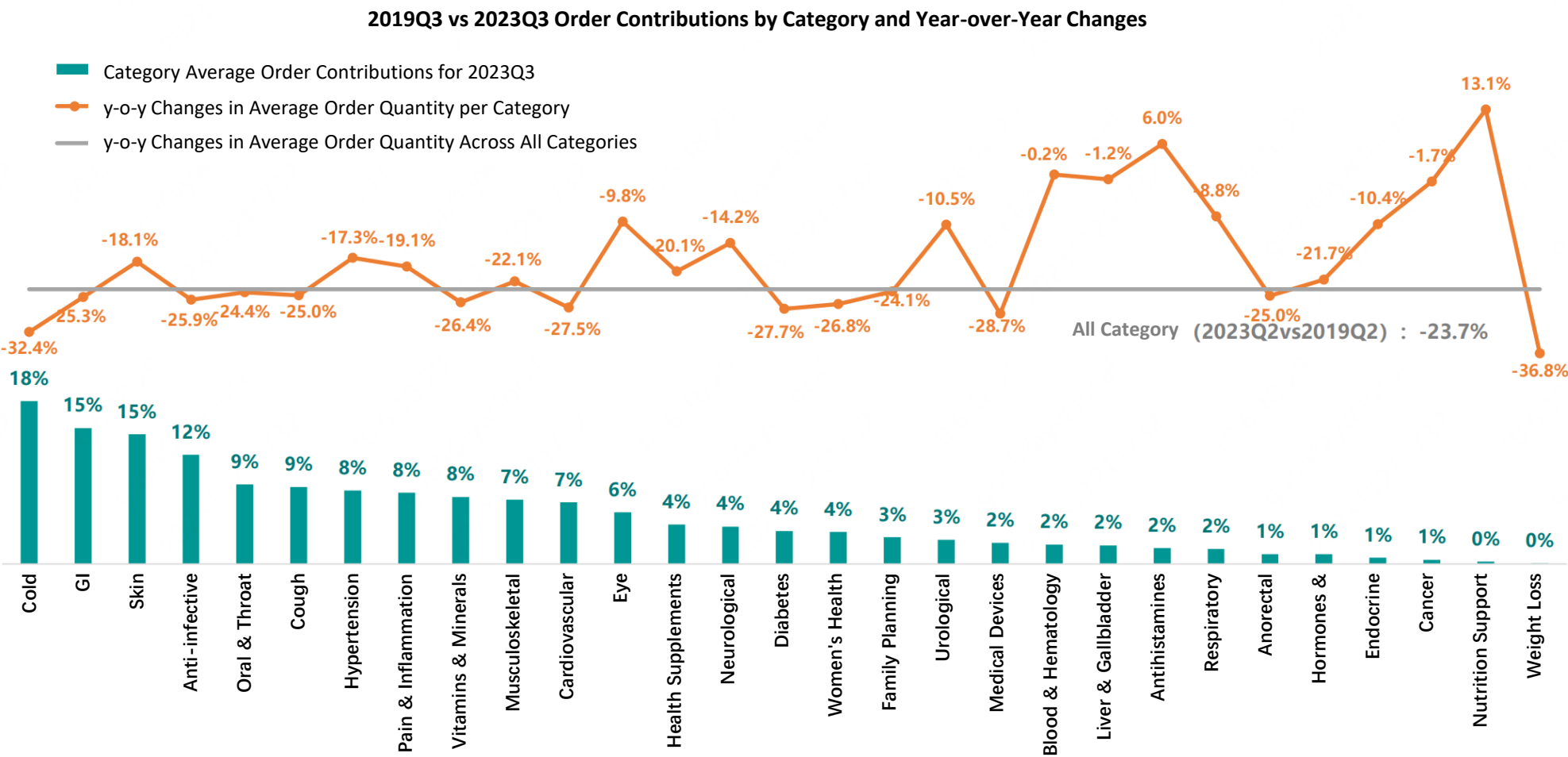
Average Number of Orders per Store for Retail Pharmacies
Nationwide (in Thousand) from Q1 2019 to Q3 2023



Slow Digestion of Anti-Covid Inventory: Significant Declines in Key Categories

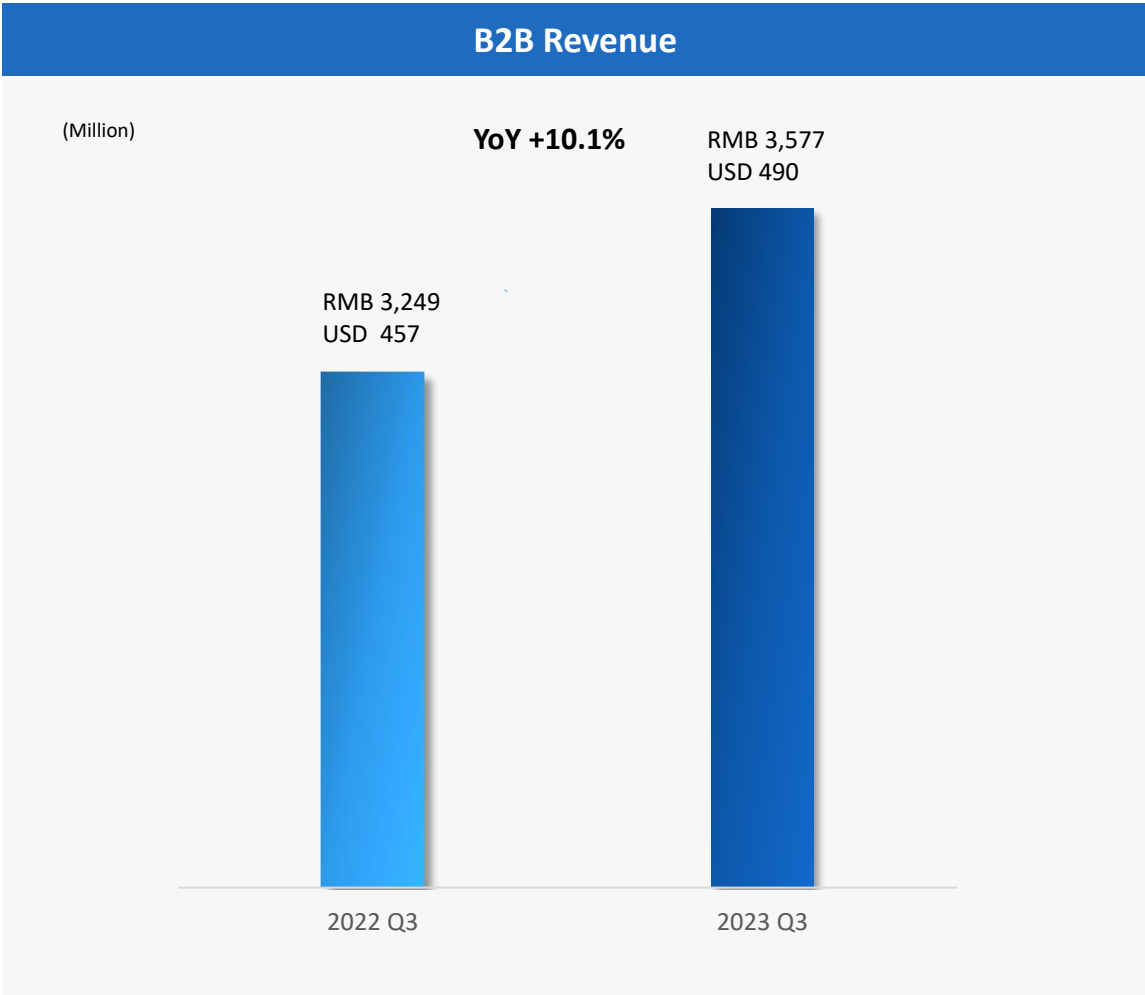
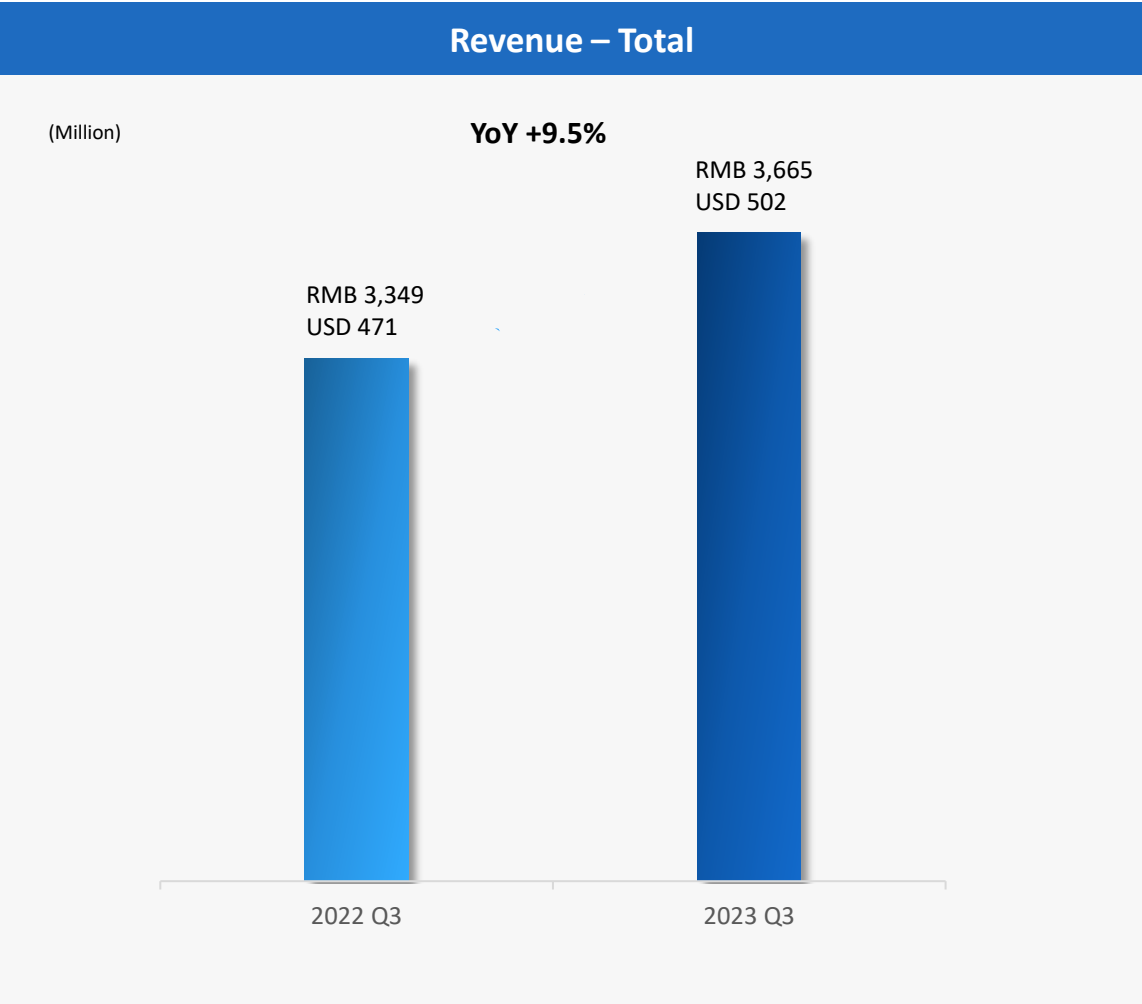


In Q3 2023, almost all categories experienced varying degrees of decline, with significant contributions from categories such as cold/antipyretic, gastrointestinal, systemic anti-infective, oral, and cough relief, all of which declined more than the industry average (-23.7%)

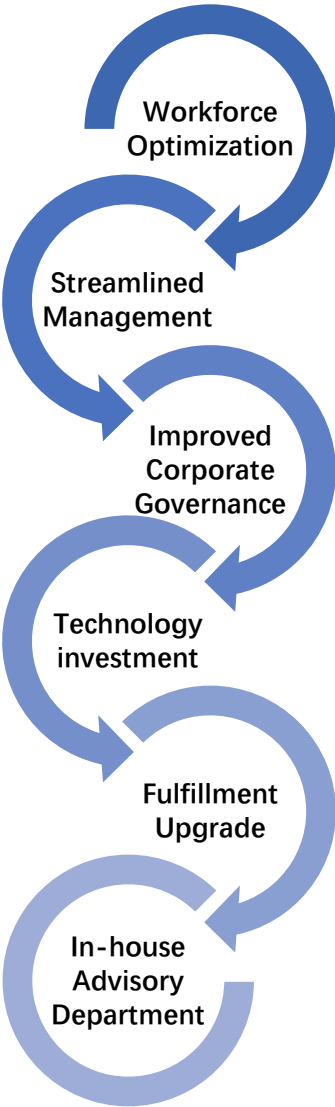
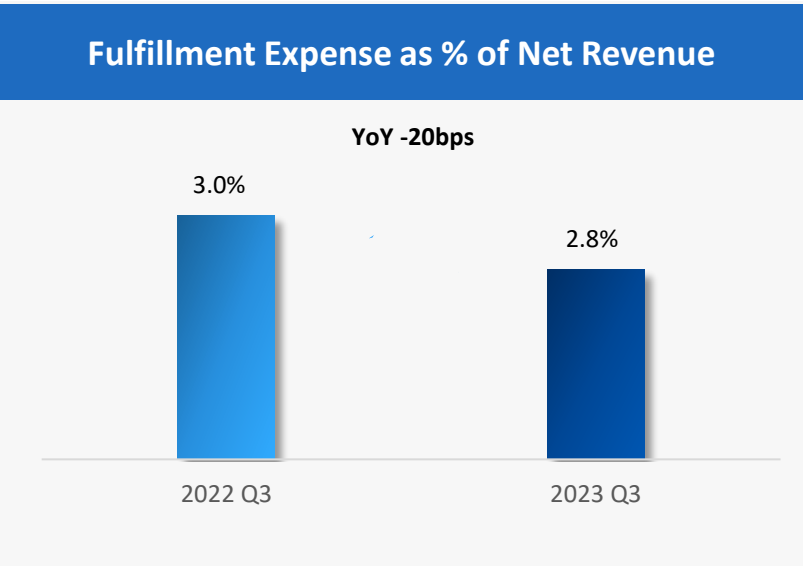
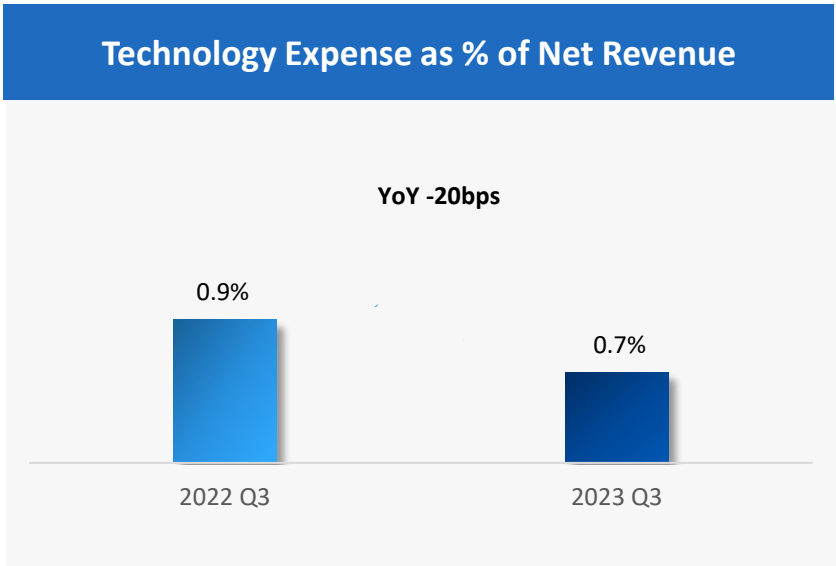
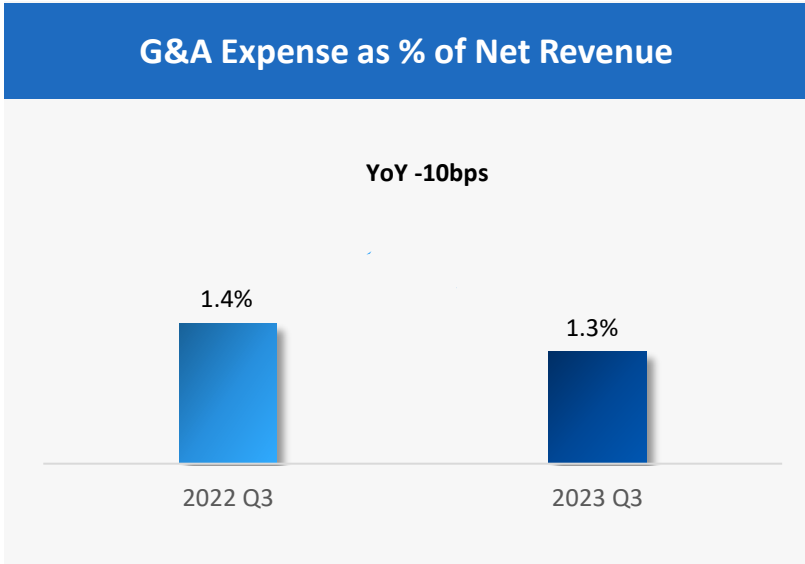
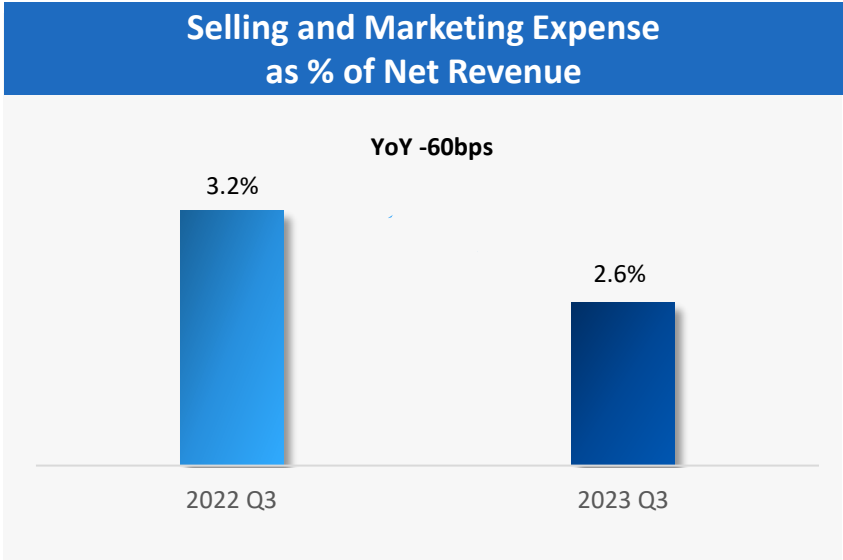


111, Inc.'s Continuous Pursuit of Sustained Growth

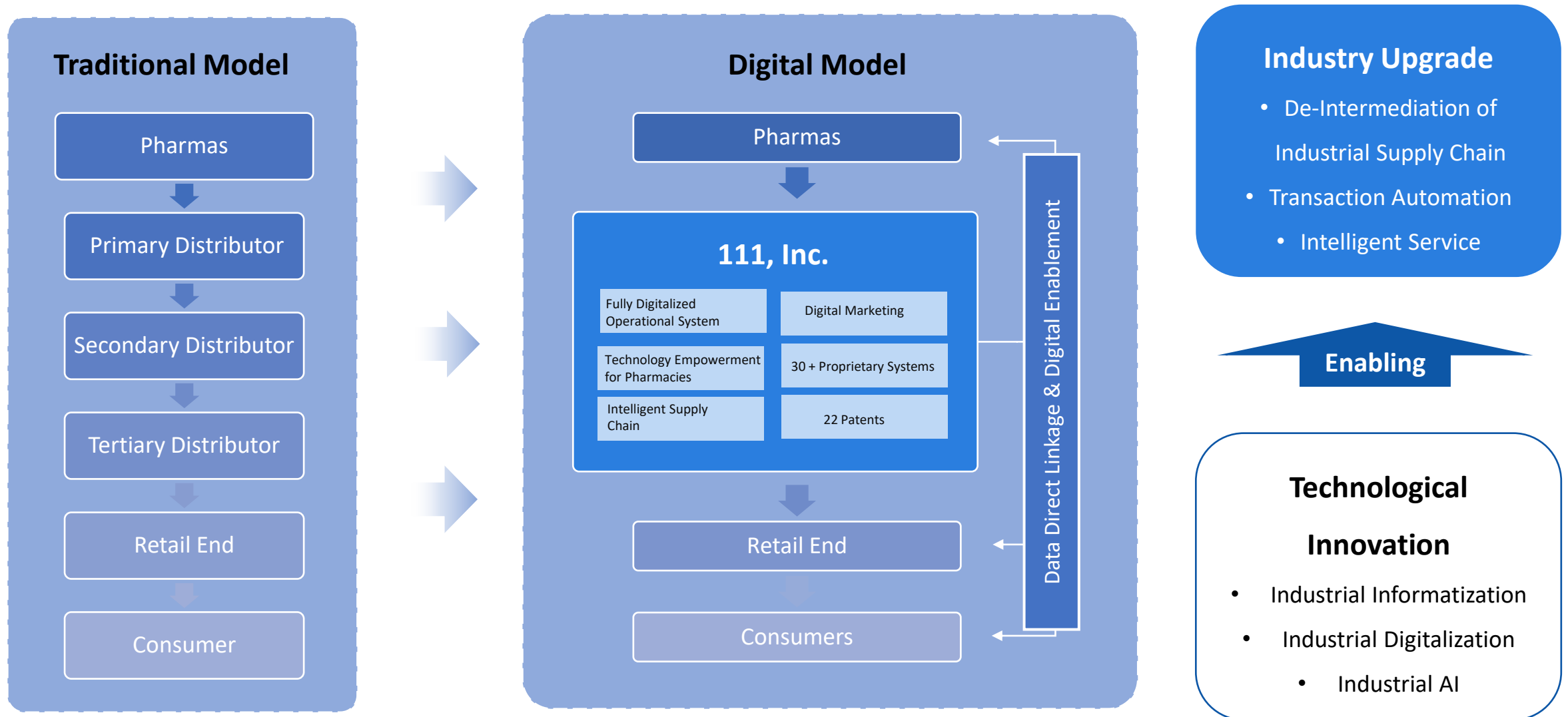
- Total revenue achieved RMB 3.7 billion, marking the 21st consecutive quarter of YoY growth since IPO.
- B2B revenue reached RMB 3.6 billion, representing a YoY increase of 10.1%.



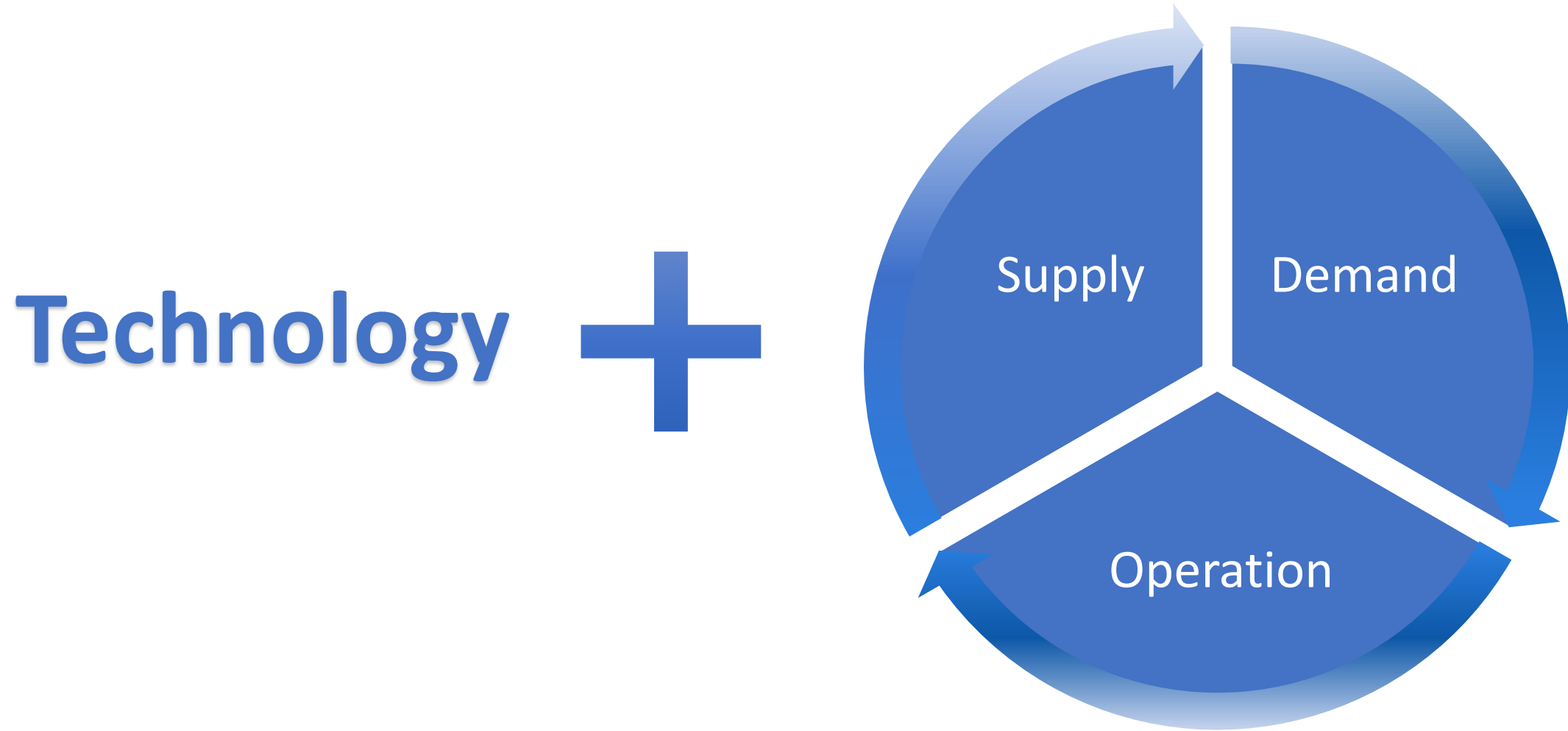
Driving Operational Excellence: 111, Inc.'s Unyielding Focus on Efficiency with Scalable Growth



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



Key Driver of Business Growth: A Positive Feedback Loop of Supply, Demand, and Operations Empowered by Technology



Technology + Operations: Enhancing End-to-End Supply Chain Digitalization for Improved Decision Quality and Operational Efficiency

Full Digital Management System

- Comprehensive real-time data management, 24-hour real-time digital management
- Multi-section and multi-angle automatic BI analysis of business information
- Demand-side code matching: code matching time limit: 5 million/0.5 days, code matching accuracy: 85%
- Intelligent procurement empowerment: daily code checking times: 1 million +, code checking accuracy: 96%
- Quality management: accuracy: 50-99%, PO audit time limit: 43%-> 100% within 24H



PIS Intelligent Pricing System

- Intelligent price adjustment based on big data model
- Fully automatic pricing without manual intervention
- Price adjustment of 10m/day
- Code checking times per day: 20,000+, code checking accuracy: 90%



Smart Supply Chain

- Stock Relocation: self-operated & JBP out of stock & low-cost relocation system
- Intelligent purchase inquiry: goods inquiry, quotation and order placement capacity raised from 5 SKU/h to 100 SKU/h
- WMS whole-part separation: whole-part ratio increased from 22% to 40%, warehouse manpower & consumables/REV decreased by 0.18%
- Logistics track optimization: structured track of sales outbound & return & transfer & RTV, system tracking exception



Technology + Supply: Comprehensive Platform for Category and Price Management from Pharmaceutical Companies to Retailers

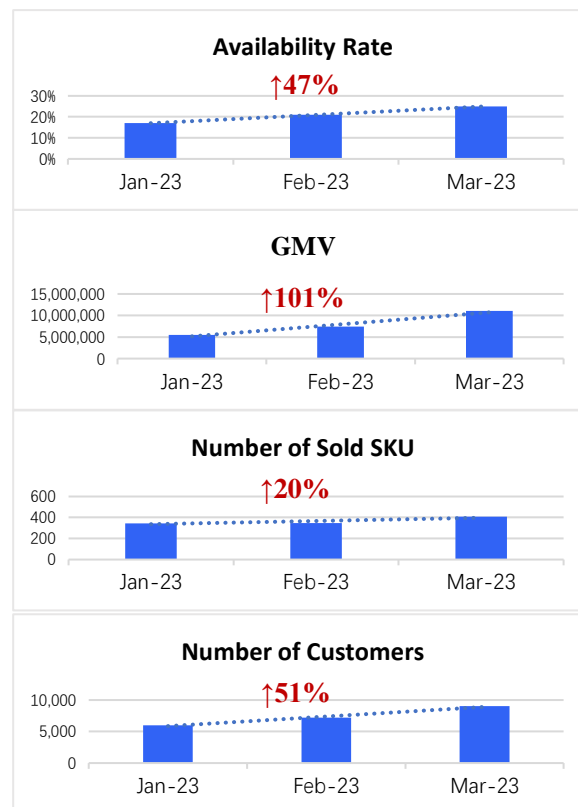
Pharmaceutical Enterprise Services: 'Telescope'

- Precisely Display the Distribution Status of Over 20,000 Endpoints Nationwide
- Gain Insights into Market Penetration Across 34 Provinces and 600+ Cities
- View Sales Data for the Past Year, Clearly Visualize Trends
- Comprehensive Coverage of Retail Prices for Partnered Endpoints



JBP Merchant Services

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



MP Merchant Services

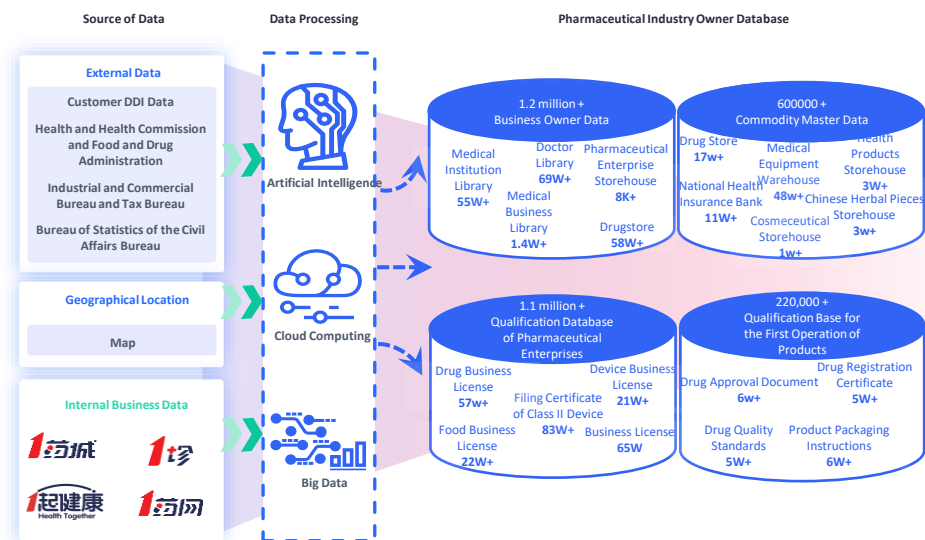
- Sales visualization: thousands of times a day, merchants use mobile terminals to query data, and each person logs in dozens of times a day
- Marketing tools: merchants participate in 3 activities on average, and the sales of activities account for more than 60% total sales volume
- Operation automation: 40,000+ SKUs in short are replenished automatically
- Fulfillment digitalization: CPO of merchant platform reduced by 50%



Technology + Demand: Identifying Pharmacy Needs and Empowering Pharmacy Operations

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

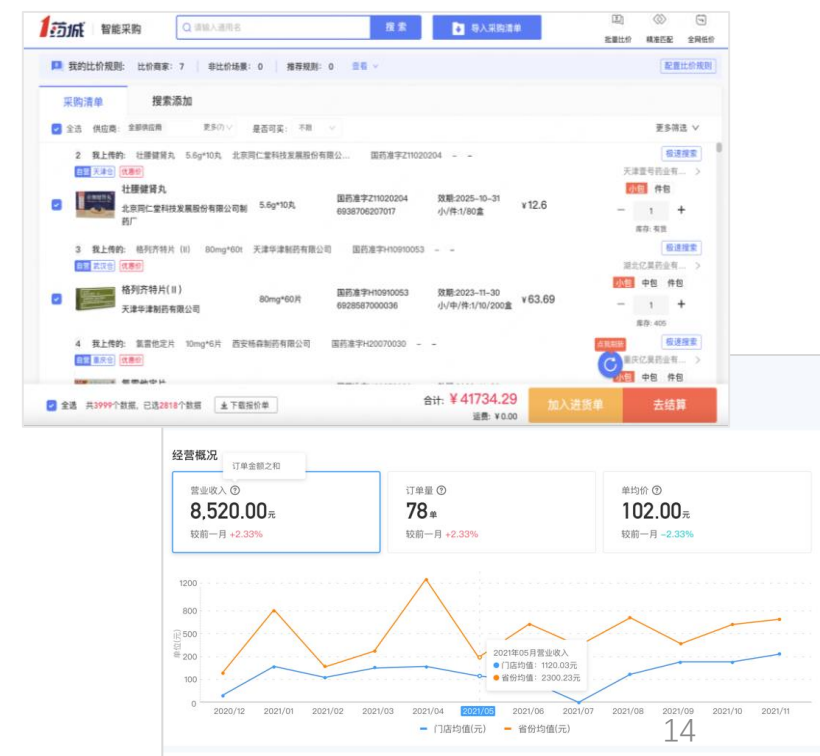
- Smart sales "Eagle Eye" enables BD to reach customers more efficiently and transform marketing



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.

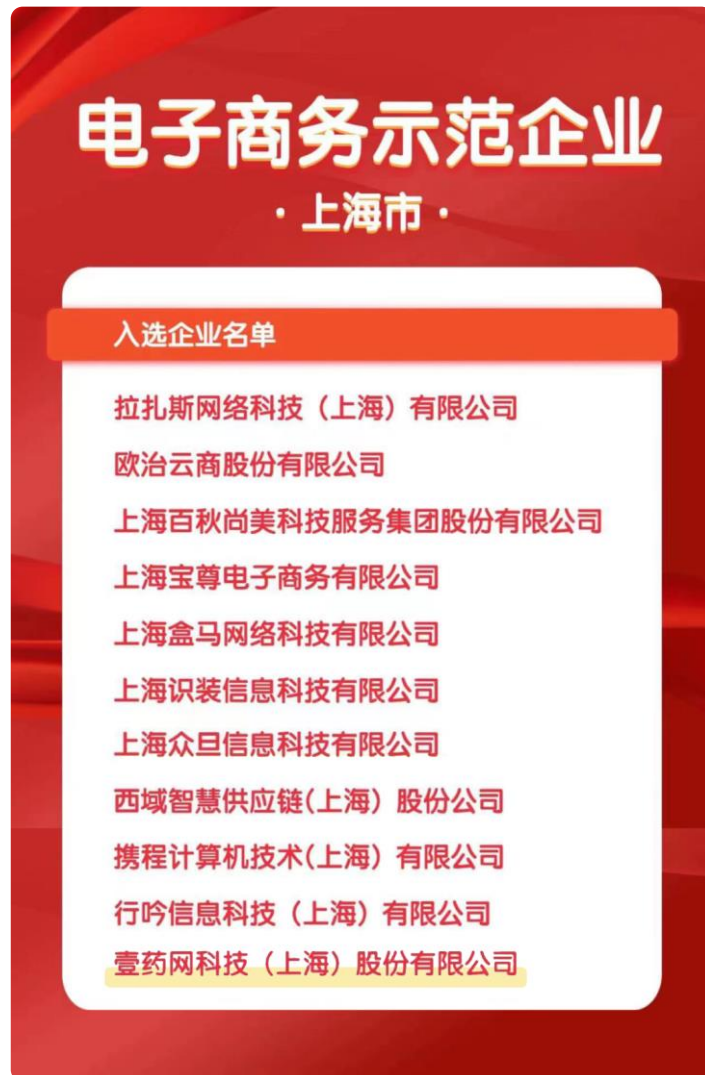


Transformative Partnership: 111's Strategic Collaboration with Tencent Paved Way for Future Digitization Result

- Strategic partnership with Tencent established in June
- **Infrastructure work completed in Q3**
- Focus on enhancing online pharmaceutical services; Collaboration spans pharmacy digital services, pharmaceutical digital marketing, and online medical intelligent services
- Leverage Tencent's expertise in technology and consumer reach
- **Anticipate tangible outcomes in Q4,** including improved sales efficiency and digital transformation support



E-Commerce Recognition: 111, Inc. Among Top 13 Shanghai Enterprises in National List



On August 8, the Ministry of Commerce of China announced on its official website the list of e-commerce demonstration enterprises, among which 111, Inc. was included. This time, a total of 132 enterprises nationwide were selected, and only 13 enterprises from Shanghai, including 111, Inc., were honored with this recognition.

Recognition at the 2023 Shanghai Online Trading Festival: 111's Digital Solutions in Pharmaceutical Commercialization



On August 11th, we were honored to have our case on "Leveraging Digitalization for Pharmaceutical Full-Channel Commercialization" selected for the 2023 "Supply Chain Management Services and Manufacturing Integration" category within the "4th China (Shanghai) Industrial Product Online Trading Festival".

Award-Winning Excellence: 111's Recognition in Pharmaceutical Retail E-commerce

Also in August, 111 was recognized as one of the "Top Ten Pharmaceutical Retail E-commerce Platforms in 2023" and has received the prestigious "CPEO Gold Award" at the 16th China Pharmaceutical Ecology Conference - CPEO Conference.



Innovation Milestones: Three Patents in Healthcare Technology Secured in Q3

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



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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

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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;林滔;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

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局长
申长雨



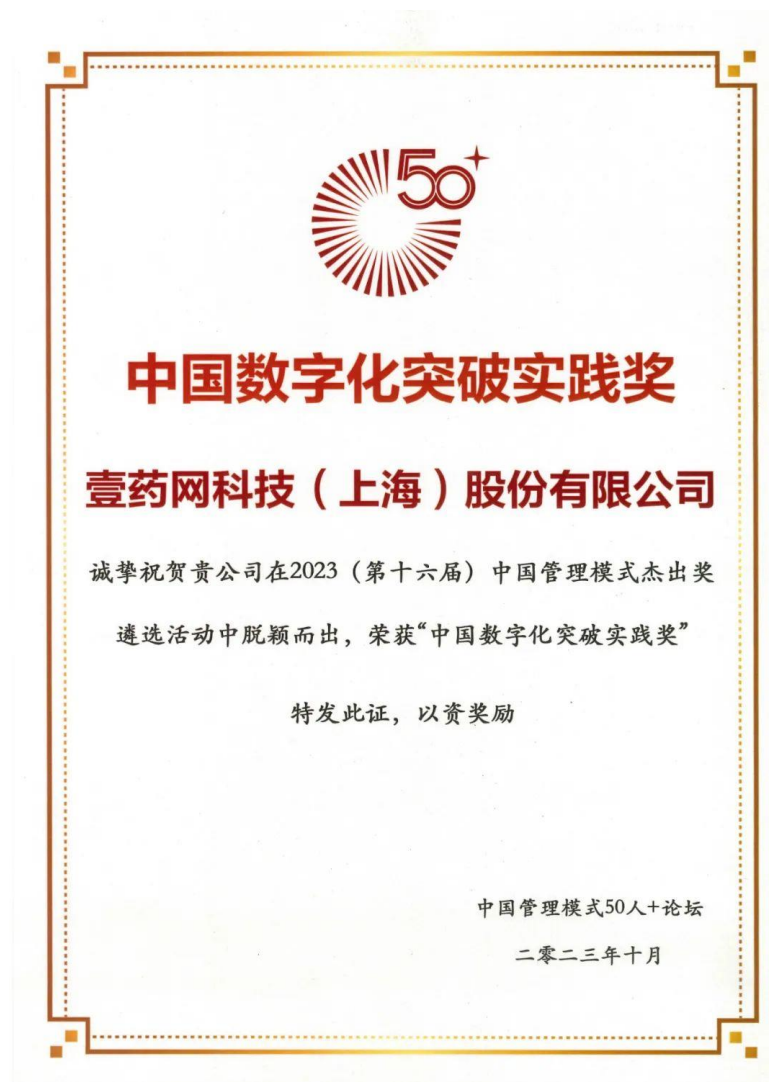
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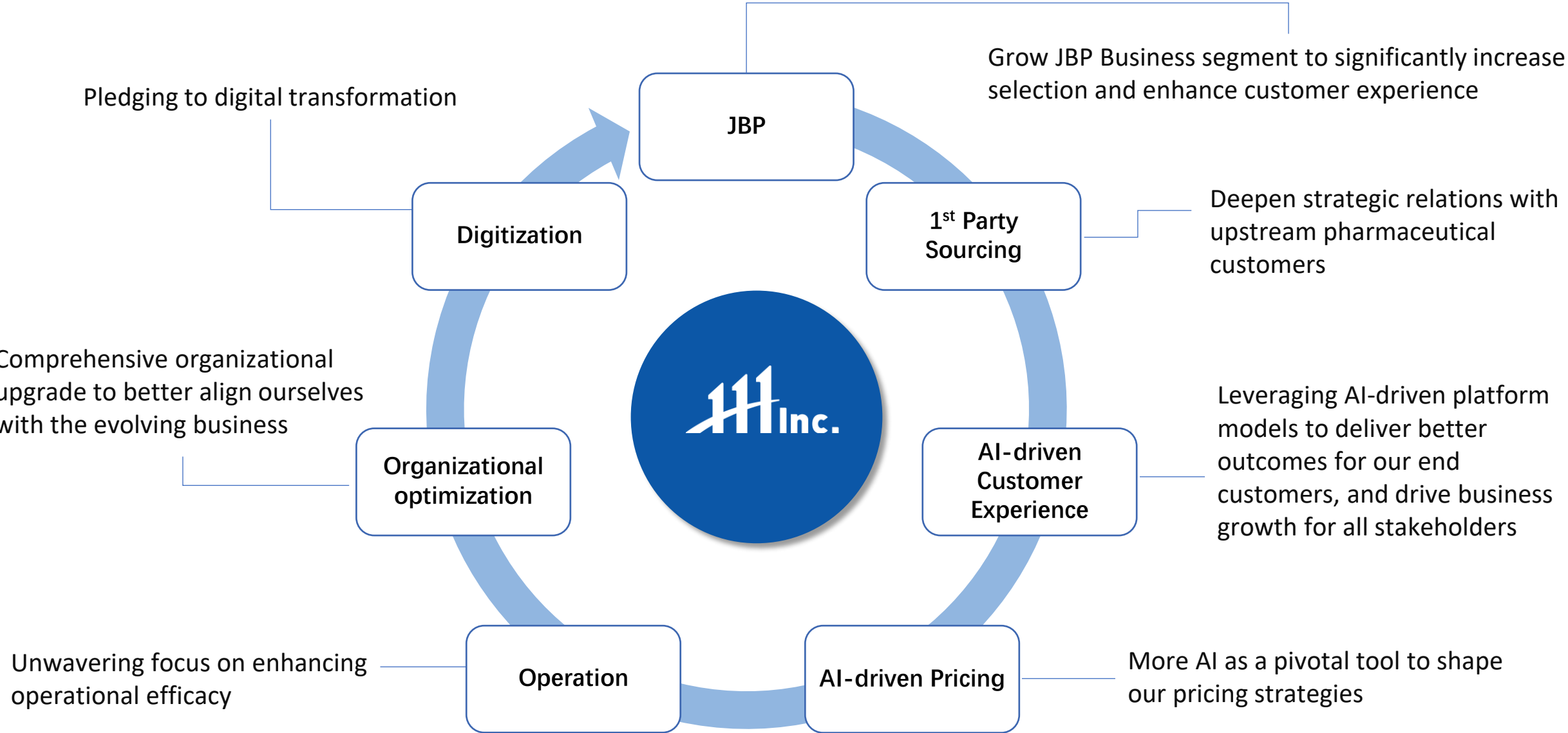
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Championing Digitization: 111's Recognition with the 2023 China Digital Breakthrough Practice Award

In October, with our profound understanding of digitalization in the internet healthcare sector, we were honored to receive the "2023 (16th) China Digital Breakthrough Practice Award" from the China Management Model 50+ Forum (C50+).



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

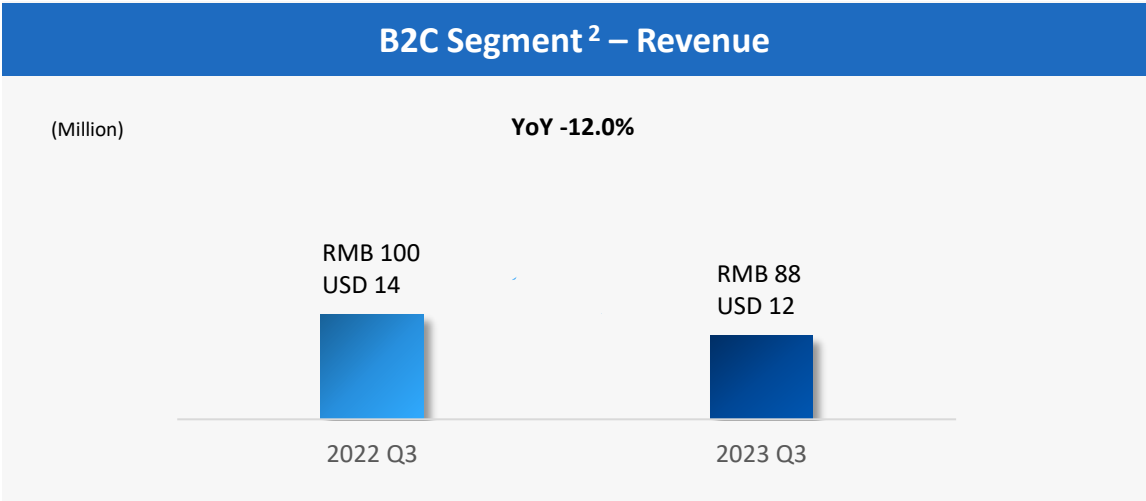
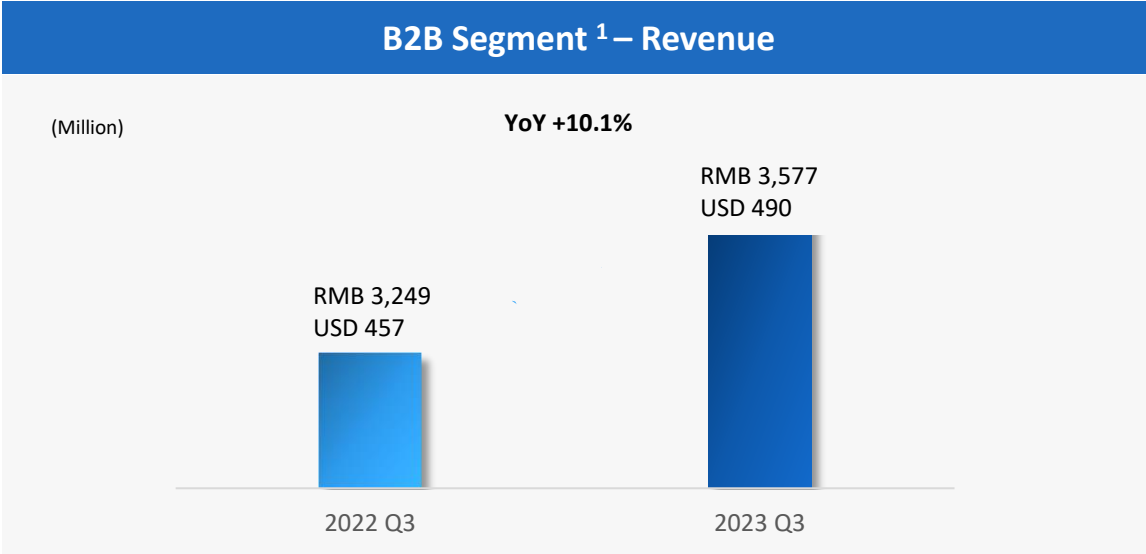
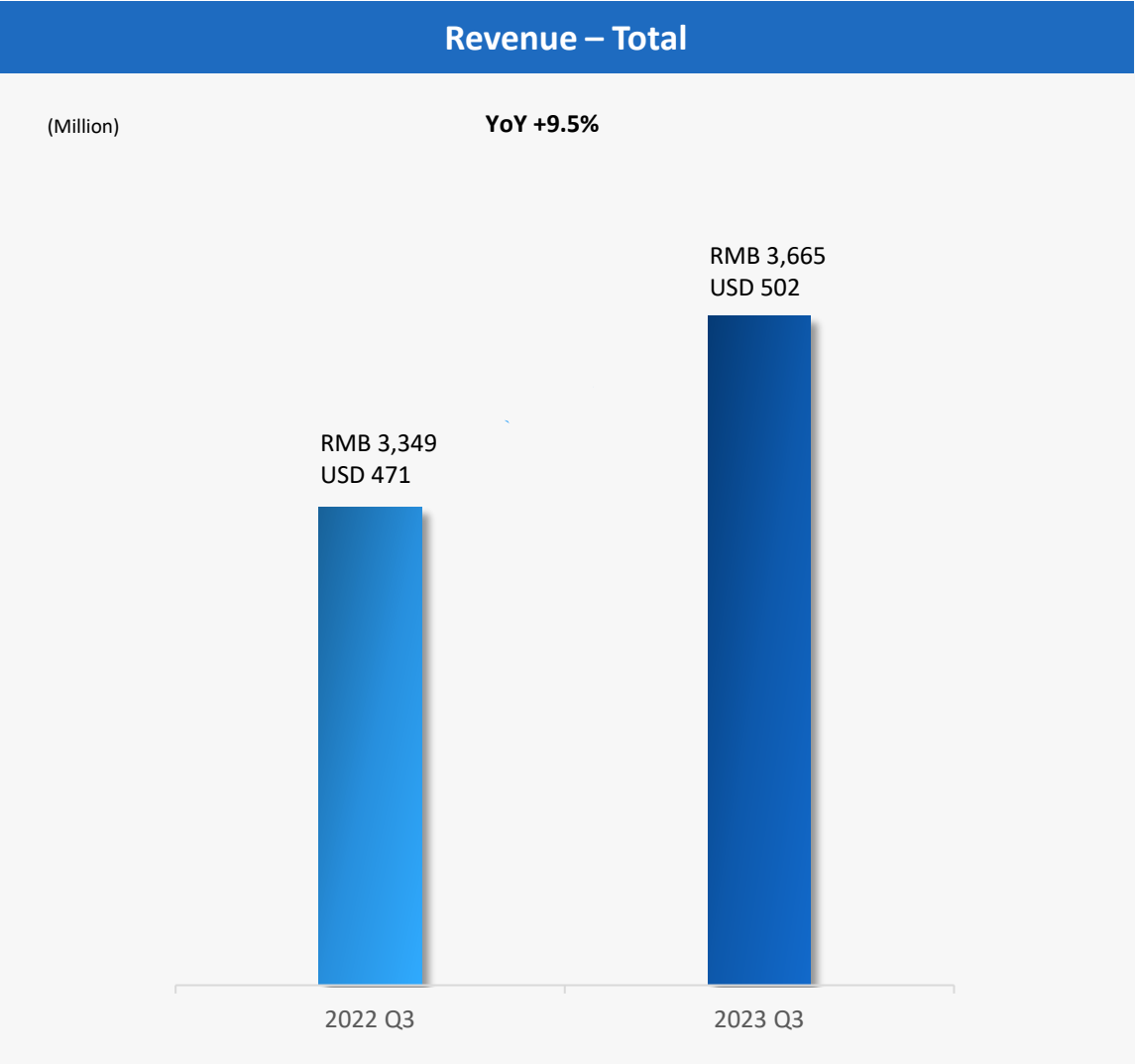


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Continuous Revenue Growth Driven by B2B Segment



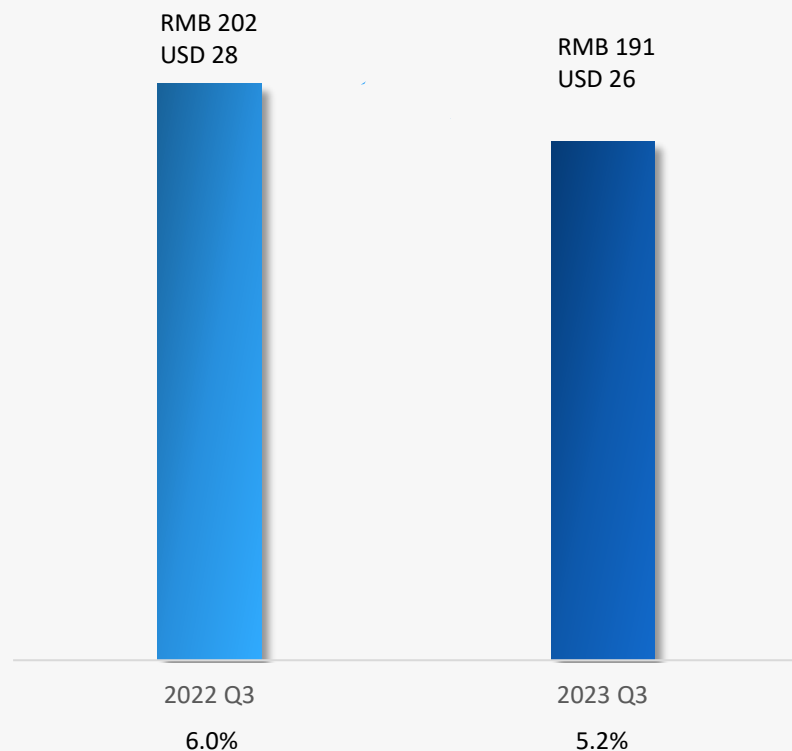
Notes:
1. B2B Segment revenue includes B2B product revenue and B2B service revenue.
2. B2C Segment revenue includes B2C product revenue and B2C service revenue.

Gross Segment Profit Negatively Impacted by Digestion of Covid Related Inventory

Gross Segment Profit/Margin¹ – Total Company

(Million)

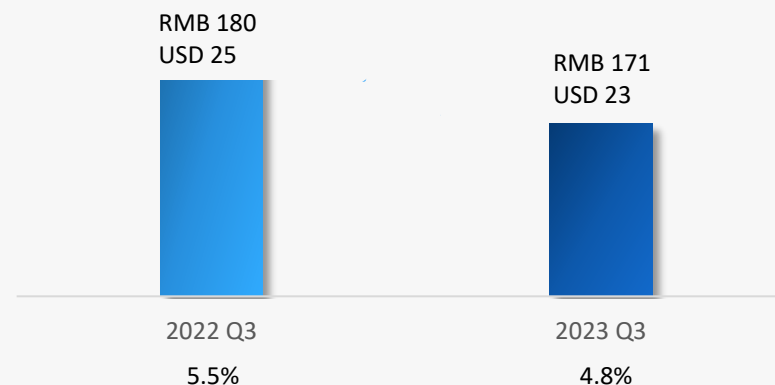
YoY -5.6%



B2B Segment² – Gross Segment Profit/Margin

(Million)

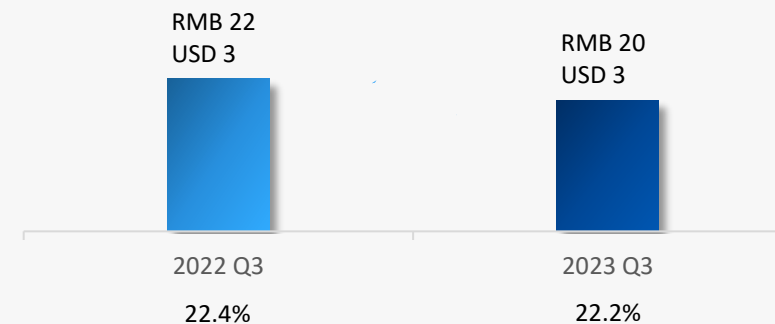
YoY -4.7%



B2C Segment³ – Gross Segment Profit/Margin

(Million)

YoY -12.8%



Notes:

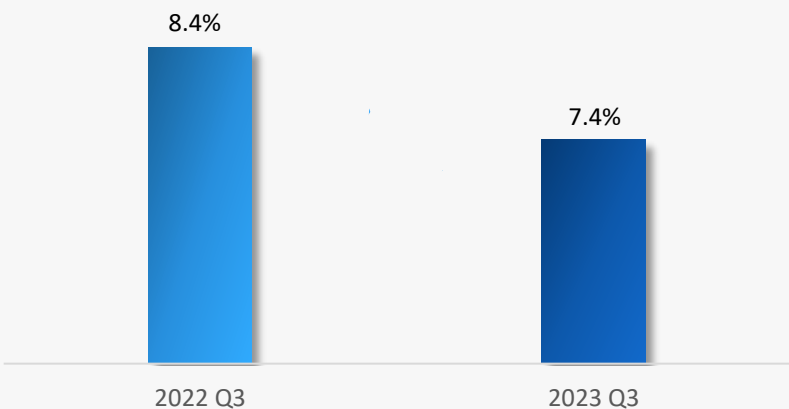
1. Gross Segment Margin% = (Product Revenue + Service Revenue – COGS)/Net Revenue

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

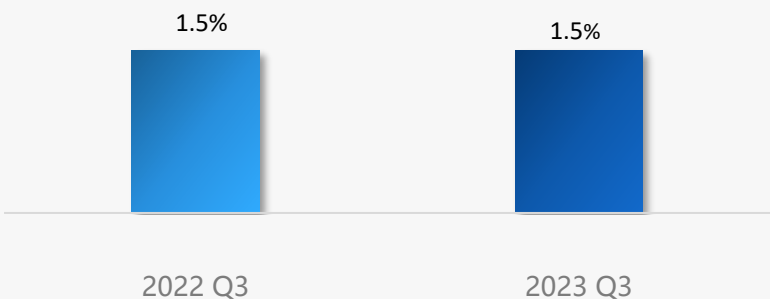
Total Operating Expenses Narrowed as a Percentage of Net Revenue

Operating Expense as % of Net Revenue



	Including Share-based Compensation Expenses		Excluding Share-based Compensation Expenses	
	2022 Q3	2023 Q3	2022 Q3	2023 Q3
Total	8.4%	7.4%	7.5%	6.7%
Selling and Marketing	3.2%	2.6%	2.9%	2.5%
G&A	1.4%	1.3%	0.9%	0.8%
Technology	0.9%	0.7%	0.8%	0.6%
Fulfillment	3.0%	2.8%	3.0%	2.8%

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, 2022		September 30, 2023	
'000	RMB	USD	RMB	USD
Cash and cash equivalents, restrict cash and short-term investments	922,652	133,772	876,561	120,143
Total current assets	3,235,825	469,151	3,194,564	437,852
Total assets	3,473,814	503,656	3,360,949	460,656
Total current liabilities	2,725,110	395,103	2,841,081	389,402
Total liabilities	2,825,579	409,670	2,905,897	398,286
Mezzanine equity	1,056,939	153,242	970,592	133,030
111 Inc's equity	(414,599)	(60,111)	(513,262)	(70,348)
Non-controlling interests	5,895	855	(2,278)	(312)
Total liabilities and shareholders' equity	3,473,814	503,656	3,360,949	460,656

Selected Income Statement Summary

	For the Three Months			
	Ended September 30			
	2022		2023	
'000	RMB	USD	RMB	USD
Net revenues	3,348,715	470,755	3,665,245	502,364
Cost of products sold	3,146,733	442,361	3,474,621	476,236
Fulfillment expenses	100,167	14,081	101,602	13,925
Selling and marketing expenses	107,799	15,154	95,523	13,093
General and administrative expenses	46,121	6,484	45,839	6,283
Technology expenses	29,540	4,153	25,386	3,479
Loss from operations	(80,669)	(11,341)	(80,422)	(11,022)
Interest expense (net) and other loss (net)	5,571	782	2,954	405
Loss before income taxes	(86,240)	(12,123)	(83,376)	(11,427)
Income tax expense	-	-	102	14
Net loss	(86,240)	(12,123)	(83,478)	(11,441)
Non-GAAP net loss	(54,302)	(7,633)	(57,076)	(7,822)

Cash Flow Statements

For the Three Months				
	Ended September 30			
	2022		2023	
'000	RMB	USD	RMB	USD
Net cash provided by operating activities	11,815	1,661	35,208	4,825
Net cash provided by investing activities	100,460	14,122	5,163	708
Net cash (used in) provided by financing activities	(40,755)	(5,729)	110,452	15,139
Effect of exchange rate changes on cash and cash equivalents, and restricted cash	7,019	986	2,621	359
Net increase in cash and cash equivalents, and restricted cash	78,539	11,040	153,444	21,031
Cash and cash equivalents, and restricted cash at the beginning of the period	680,697	95,691	612,774	83,988
Cash and cash equivalents, and restricted cash at the end of the period	759,236	106,731	766,218	105,019

Non-GAAP Financial Measures Reconciliation

Non-GAAP Net Loss	For the Three Months			
	Ended September 30			
	2022		2023	
'000	RMB	USD	RMB	USD
Net loss	(86,240)	(12,123)	(83,478)	(11,441)
Add:				
Share-based compensation				
Selling and marketing expenses	10,523	1,479	5,113	701
General and administrative expenses	17,005	2,391	16,779	2,300
Technology expenses	4,410	620	4,510	618
Non-GAAP net loss	(54,302)	(7,633)	(57,076)	(7,822)

Q & A

THANK YOU