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## 2020 Q1 Earnings Call

May 21, 2020

Digitally Connecting Patients with Drugs and Healthcare Services  
YI Nasdaq Listed



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This document speaks as of March, 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.

# AGENDA

- 1 BUSINESS & OPERATIONAL PERFORMANCE HIGHLIGHTS
- 2 FINANCIAL REVIEW
- 3 OUTLOOK AND GUIDANCE
- 4 APPENDIX

## SECTION 1

# BUSINESS & OPERATIONAL PERFORMANCE HIGHLIGHTS



# Our Mission

## Digitally Connecting Patients with Drugs and Healthcare Services

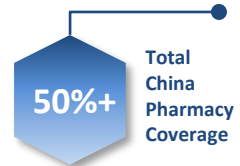


Capitalize on the enormous market opportunities from building the largest virtual pharmacy network in China

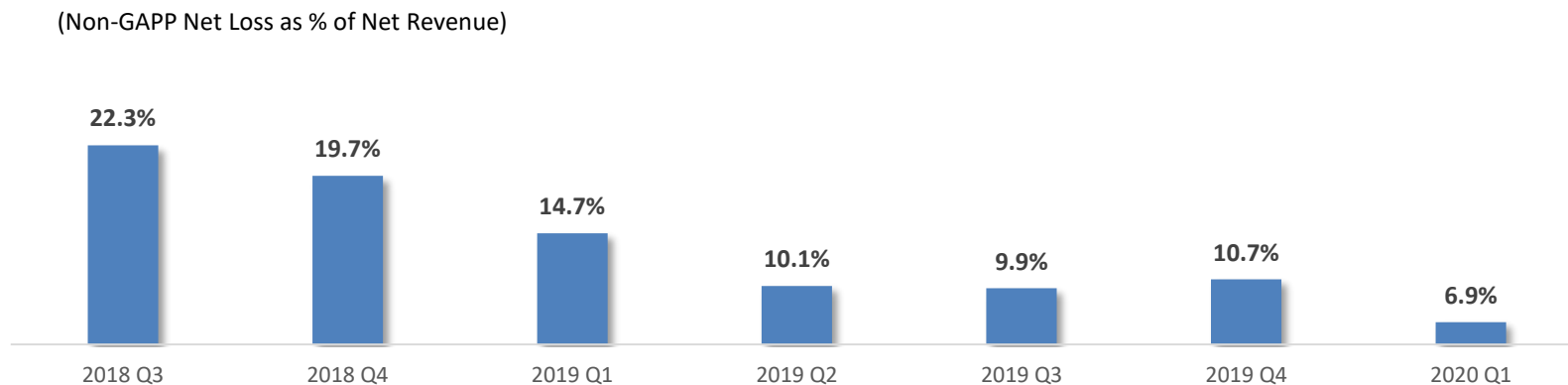
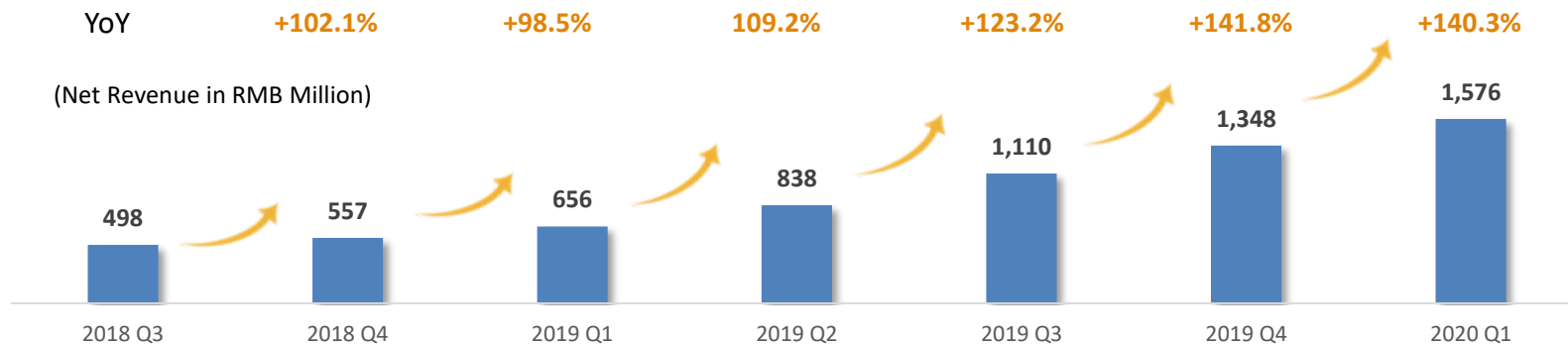
Build omni-channel drug commercialization capabilities to establish 111 as the partner of choice for pharmaceutical companies

Strengthen our healthcare ecosystem by enabling key stakeholders via cloud-based solutions

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



# Exponential Growth Since IPO

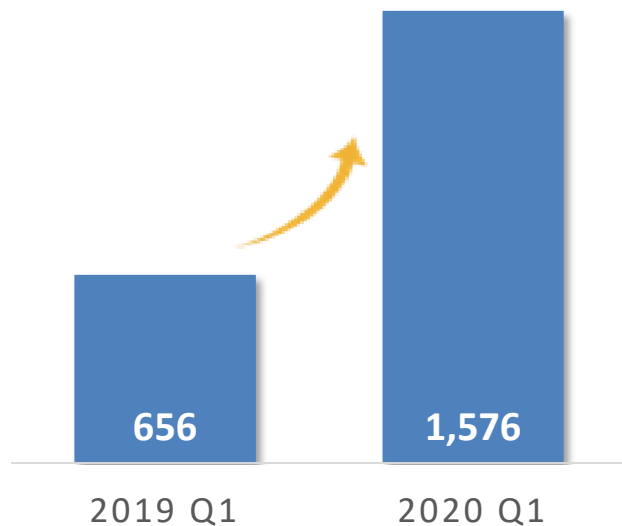


# Scaling Our Business Growth

while Sustaining Strong Momentum in Driving Gross Profit

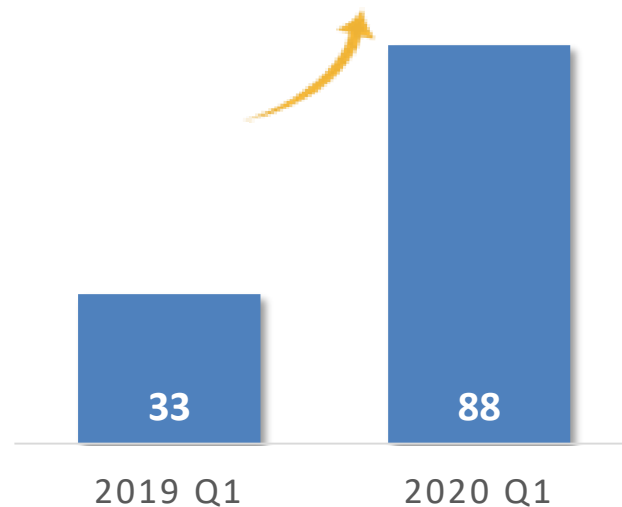
## NET REVENUE YoY +140.3%

(RMB Million)



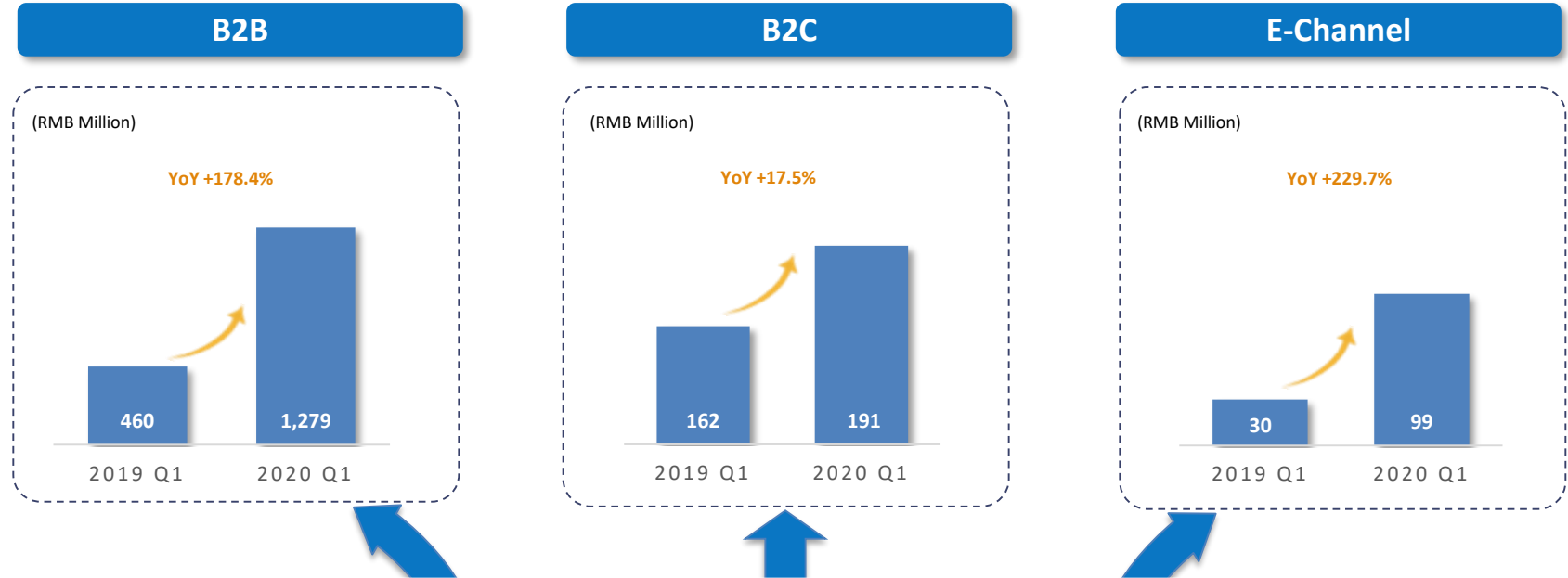
## GROSS PROFIT YoY +163.3%

(RMB Million)



# Fast-Growing 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

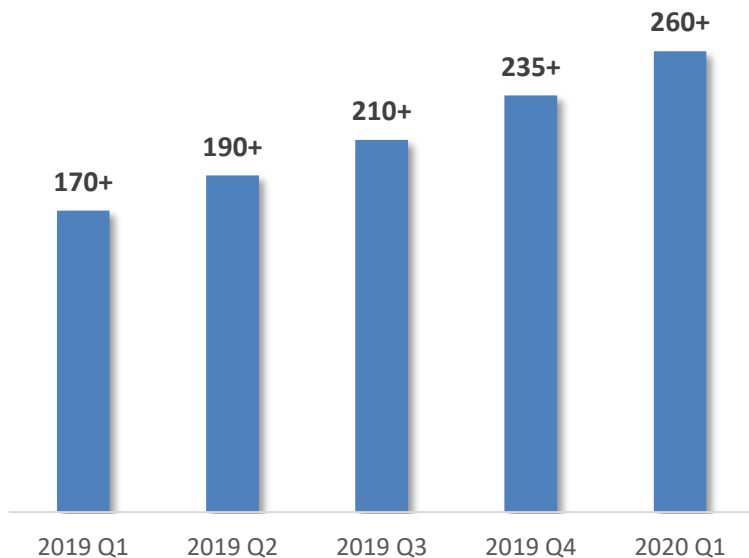


# Pharmacy Orders Up 196.4% YoY

Propelling Substantial Growth in Our B2B Segment

No. of Pharmacies

(Thousand)

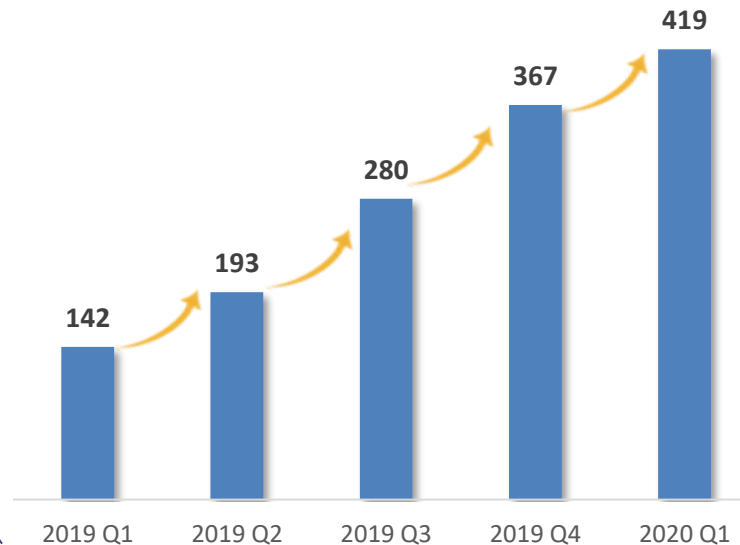


Pharmacy Order Numbers

(Thousand)

YoY:

+567.2% +318% +174.3% +200.8% +196.4%



# Largest Virtual Pharmacy Network in China

Supported by Our Innovative and Scalable Cloud-Based Platform

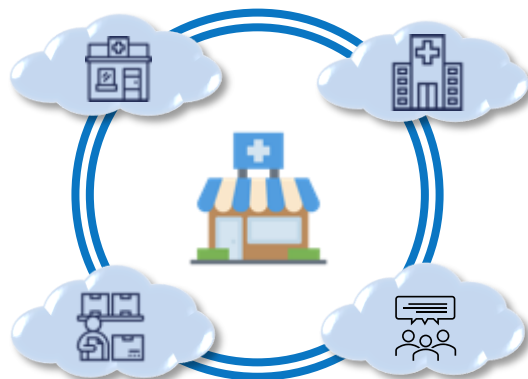
## Cloud-based Solutions

### Cloud Pharmacy

Assist offline pharmacies to build online presence quickly and extend their product reach through Internet, thus expanding market coverage and improving service capability

### Cloud Clinic

Upgrade offline pharmacies into cloud clinics that enable online consultations and e-prescription services to patients in the neighborhood



### Cloud Inventory

Enable offline pharmacies to share 111's inventory without extra procurement cost, accelerating inventory turnover and freeing up cashflow

### Cloud CRM

Help offline pharmacies better serve their customers and build loyalty

## Serving Pharmacies

- ✓ Cloud Pharmacy Service
- ✓ Cloud Clinic Service
- ✓ Cloud Inventory Service
- ✓ Cloud CRM



## Serving Pharmaceutical Companies

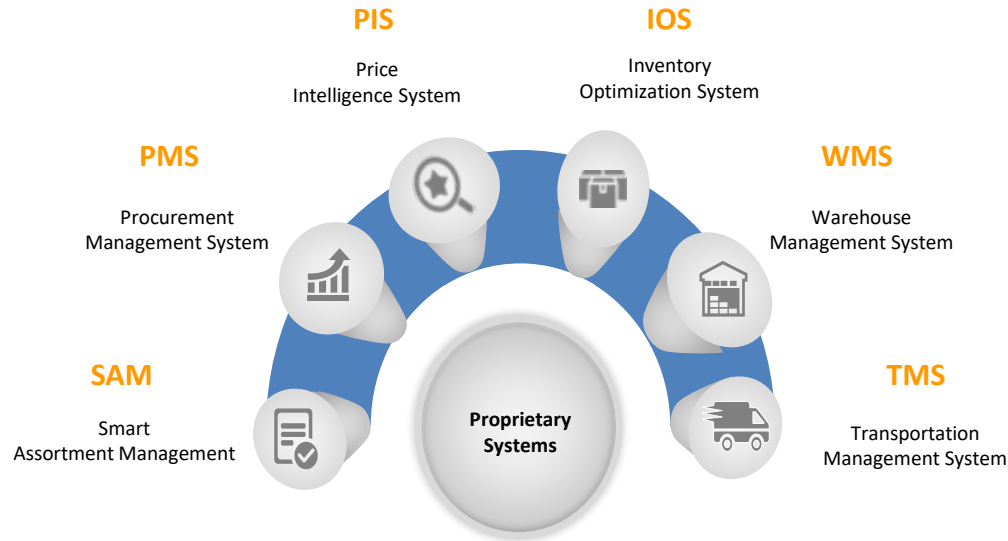
- ✓ Online consultation service
- ✓ Online prescription refill service
- ✓ Medication guidance service
- ✓ Drug delivery tracking service
- ✓ CRM service



# Partnership with 214 Leading Pharmaceutical Companies for Direct Drug Sourcing

## Supported by Best-in-Class Smart Supply Chain

### Proprietary smart supply chain management systems



### National fulfillment network to enhance delivery efficiency



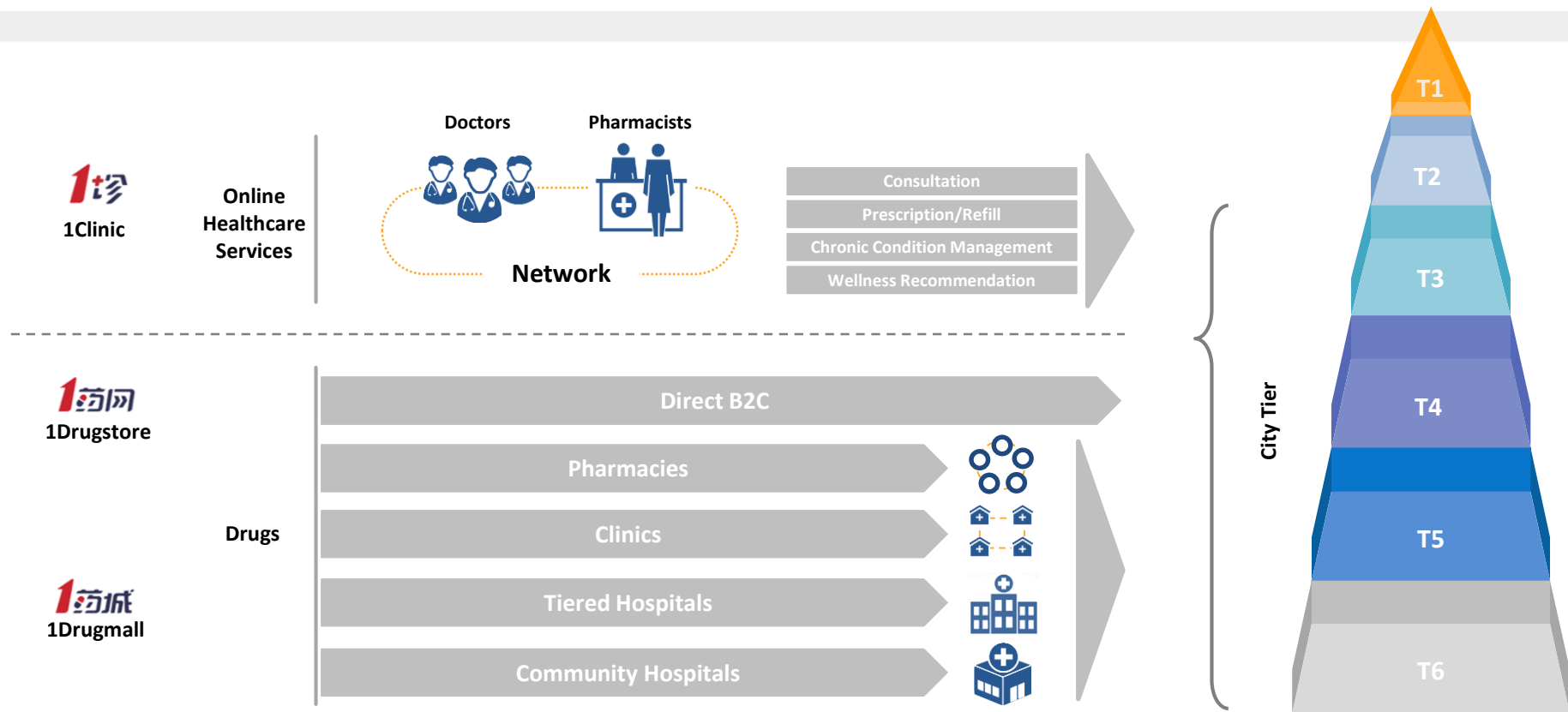
6 self-managed regional fulfillment centers in South China (Guangzhou), East China (Kunshan), North China (Tianjin), West China (Chongqing), Central China (Wuhan) and South East China (Fuzhou)



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

# Omni-Channel Model for Drug Commercialization

Partner of Choice for Pharmaceutical Companies in Connecting Drugs with Patients



# Partnership with Leading E-Commerce Players in China

Supported by Our Best-in-class Supply Chain Integration Service



Exclusively engaged with  
**9** Pharmaceutical  
Companies



Integrating **39**  
Online Channels

- ALI HEALTH
- JD.COM
- PINGAN GOOD DOCTOR
- WEDOCTOR
- DINGDANG MEDICINE EXPRESS
- 360kad.COM
- JIANKE.COM
- YSBANG.CN

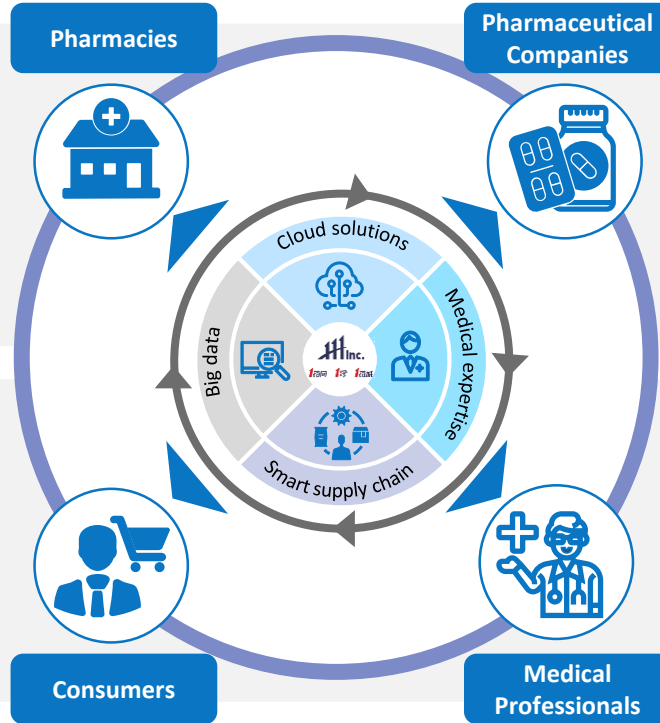
**Product Promotion**  
**Customer Analytics Based on Big Data**  
**Patient Education**  
**Brand Awareness**  
**Region, Channel, Pricing Monitoring**

# Strengthen the Healthcare Ecosystem via Our Cloud-based Solutions

## Encompassing Key Stakeholders

- Inventory on demand
- Lower procurement and fulfilment costs
- Optimised product offering

- End-to-end diagnosis-to-treatment
- Improved access to drugs
- Efficient and cost-effective services



- Broad and direct market reach
- Data services that capture market demand and supply chain insights
- Targeted marketing and branding

- Better patient management
- Improved utilisation and patient flow

**An Integrated Online and Offline Healthcare Ecosystem**

# Operational Updates

## Advancing Our Omni-Channel Drug Commercialization Strategy

### Appointment of Chief Innovation Officer and Partnership with Lilly China

- Mr. Anfeng Guo, a Former BMS Oncology Business Unit Vice President Joins 111, Inc. as Chief Innovation Officer on May 1<sup>st</sup>.



- Launched First Online Diabetes Patient Management Platform with Lilly China on May 8<sup>th</sup>



# Operational Updates

## Joining the Global Fight Against the Pandemic

### Lead in COVID-19 Relief Efforts

#### Most recent initiatives

- Provide free online consultation service to Chinese nationals living and working abroad through 111's Internet hospital since Mar 17<sup>th</sup>
- Launched Overseas Direct Delivery ("ODD") service to address the critical global shortage of personal protective equipment since Mar 27<sup>th</sup>
- Source PPE (Personal Protective Equipment) for hospital in New York and Washington State



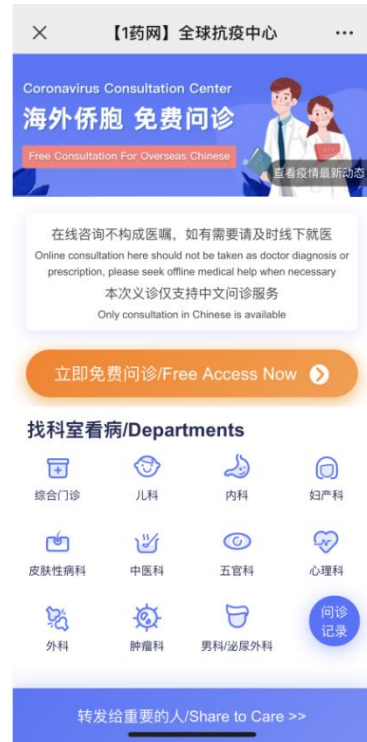
**111**

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Free Consultation For Overseas Chinese

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# Regulatory Tailwinds

## Outbreak of Pandemic Spurs Favorable Regulatory Changes

### 2019 Q1

- Centralized Drug Procurement Policy launched in “4+7” pilot cities (“4+7” Policy).

### 2019 Q3

- Drug Administration Law allowed prescription drug sales online.
- 4+7” Policy expanded to more provinces.

### 2020.2

- National Healthcare Security Administration and National Health Commission jointly released guidance on promotion of “Internet plus” medical insurance services promoting the reimbursement of qualified online medical consultations services of common diseases chronic diseases and e-prescription filings for re-visit patients.

### 2020.3

- State Council issued Guidance on Deepening the Reform of the Medical and Healthcare System. The Guidance outlined 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.

### 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 2

## FINANCIAL REVIEW



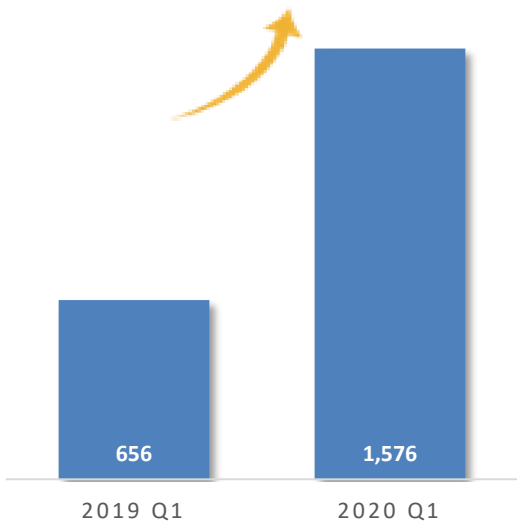
# Strong Momentum in Top-line Growth

Driven by Robust Performance Across All Business Segments

Revenue – Total

(RMB Million)

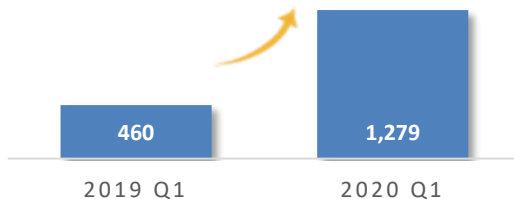
YoY +140.3%



B2B

(RMB Million)

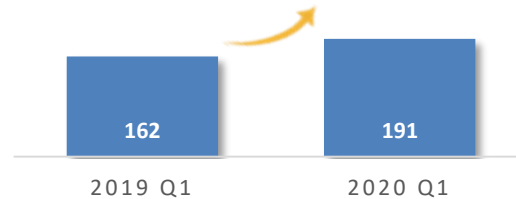
YoY +178.4%



B2C

(RMB Million)

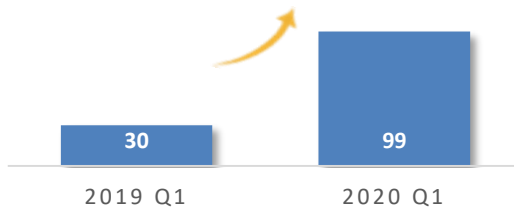
YoY +17.5%



E-Channel

(RMB Million)

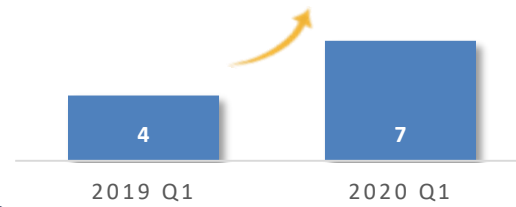
YoY +229.7%



Service

(RMB Million)

YoY +72.1%



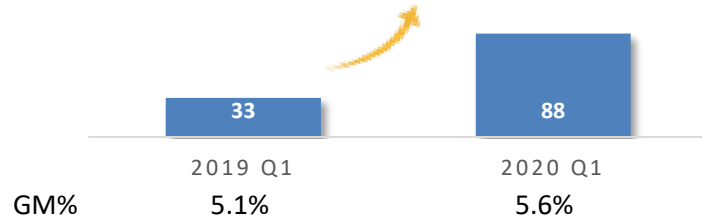
# Significant Gross Margin Expansion

Driven by Significant Margin Expansion Across All Segments

## Gross Margin – Total <sup>1</sup>

(RMB Million)

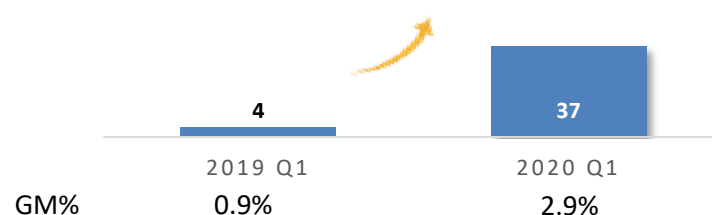
YoY +163.3%



## B2B <sup>2</sup>

(RMB Million)

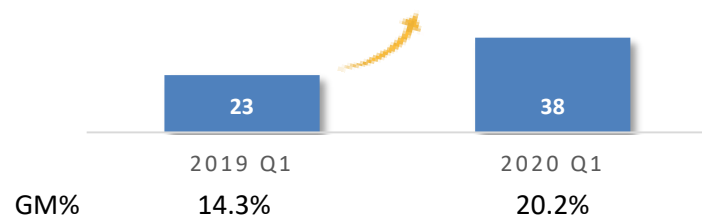
YoY +803.0%



## B2C <sup>3</sup>

(RMB Million)

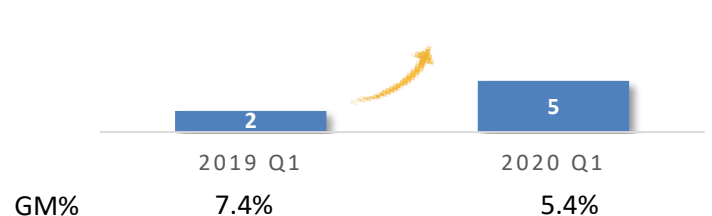
YoY +66.3%



## E-Channel <sup>4</sup>

(RMB Million)

YoY +143.1%



Notes:

1. Total Margin% = (Net Revenue – Cost of Products Sold)/Net Revenue

2. B2B Gross Margin% = (B2B Product Revenue – B2B Cost of Products Sold)/B2B Revenue

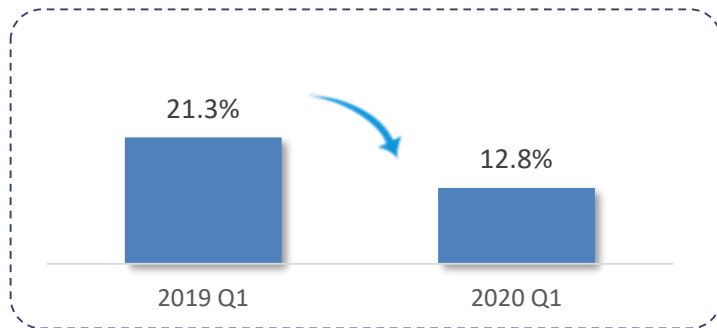
3. B2C Gross Margin% = (B2C Product Revenue – B2C Cost of Products Sold)/B2C Revenue

4. E-Channel Gross Margin% = (E-Channel Product Revenue – E-Channel Cost of Products Sold)/E-Channel Revenue

# Net Loss Continued to Narrow as A Percentage of Net Revenue

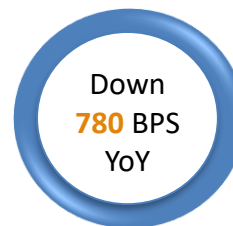
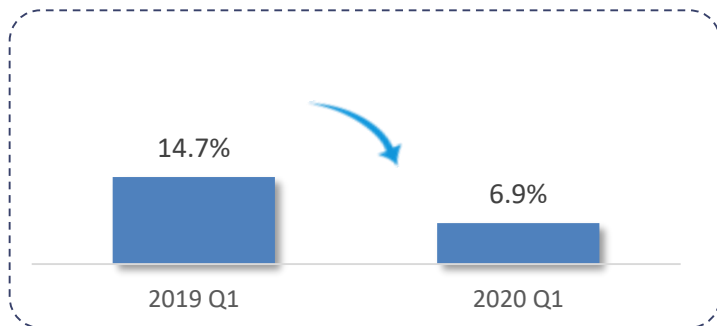
Underpinned by Increasing Business Scale and Operational Leverage

## Operating Expense as % of Net Revenue



	2019 Q1	2020 Q1
Total	21.3%	12.8%
Selling and Marketing	11.5%	6.1%
G&A	4.2%	1.9%
Technology	2.3%	1.3%
Fulfillment	3.2%	3.5%
Others	0.1%	0.0%

## Non-GAAP Net Loss Attributable to Ordinary Shareholders



## SECTION 3

### Outlook and Guidance



## 2020 Q2 Guidance

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### Total Net Revenues

- RMB1.55 billion to RMB1.68 billion
- YOY Growth of 85% to 100%

## SECTION 4

## Appendix





# Selected Balance Sheet Summary

RMB '000	As of	
	December 31, 2019	March 31, 2020
Cash and cash equivalents, and restrict cash	697,722	525,014
Total current assets	1,481,431	1,509,307
<b>Total assets</b>	<b>1,610,293</b>	<b>1,648,770</b>
Total current liabilities	773,423	912,821
<b>Total liabilities</b>	<b>836,370</b>	<b>979,058</b>
<b>111 Inc's Equity</b>	<b>773,656</b>	<b>673,292</b>
<b>Non-controlling interests</b>	<b>(2,733)</b>	<b>(3,580)</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,610,293</b>	<b>1,648,770</b>

# Selected Income Statement Summary

RMB '000	For the three months	
	Ended March 31,	
	2019	2020
Net Revenues	655,601	1,575,668
Cost of products sold	622,334	1,488,070
Fulfillment expenses	21,253	55,603
Selling and marketing expenses	75,461	95,751
General and administrative expenses	27,534	29,656
Technology expenses	15,030	21,037
<b>Loss from operations</b>	<b>(106,507)</b>	<b>(113,695)</b>
Interest expense (net) and other loss (net)	12,396	11,762
<b>Net Loss attributable to ordinary shareholders</b>	<b>(118,490)</b>	<b>(124,612)</b>
<b>Non-GAAP net loss attributable to ordinary shareholders</b>	<b>(96,262)</b>	<b>(109,413)</b>

# Non-GAAP Financial Measures Reconciliation

## Non-GAAP Net Loss

RMB '000	For the three months Ended March 31,	
	2019	2020
<b>Net loss attributable to 111 Inc</b>	<b>(118,490)</b>	<b>(124,612)</b>
Add:		
Share-based compensation		
Selling and marketing expenses	5,672	6,411
General and administrative expenses	3,979	7,605
Technology expenses	1,577	1,183
Long-term investment impairment	11,000	-
<b>Non-GAAP net loss</b>	<b>(92,262)</b>	<b>(109,413)</b>

# THANK YOU

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