

Transcending the Boundaries of Healthcare

NASDAQ: YI

First Quarter 2022 Earnings Call

June 16, 2022

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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 March, 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.

- 1 BUSINESS & OPERATIONAL PERFORMANCE HIGHLIGHTS
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1



Impact of the Resurgence in COVID Infections in China

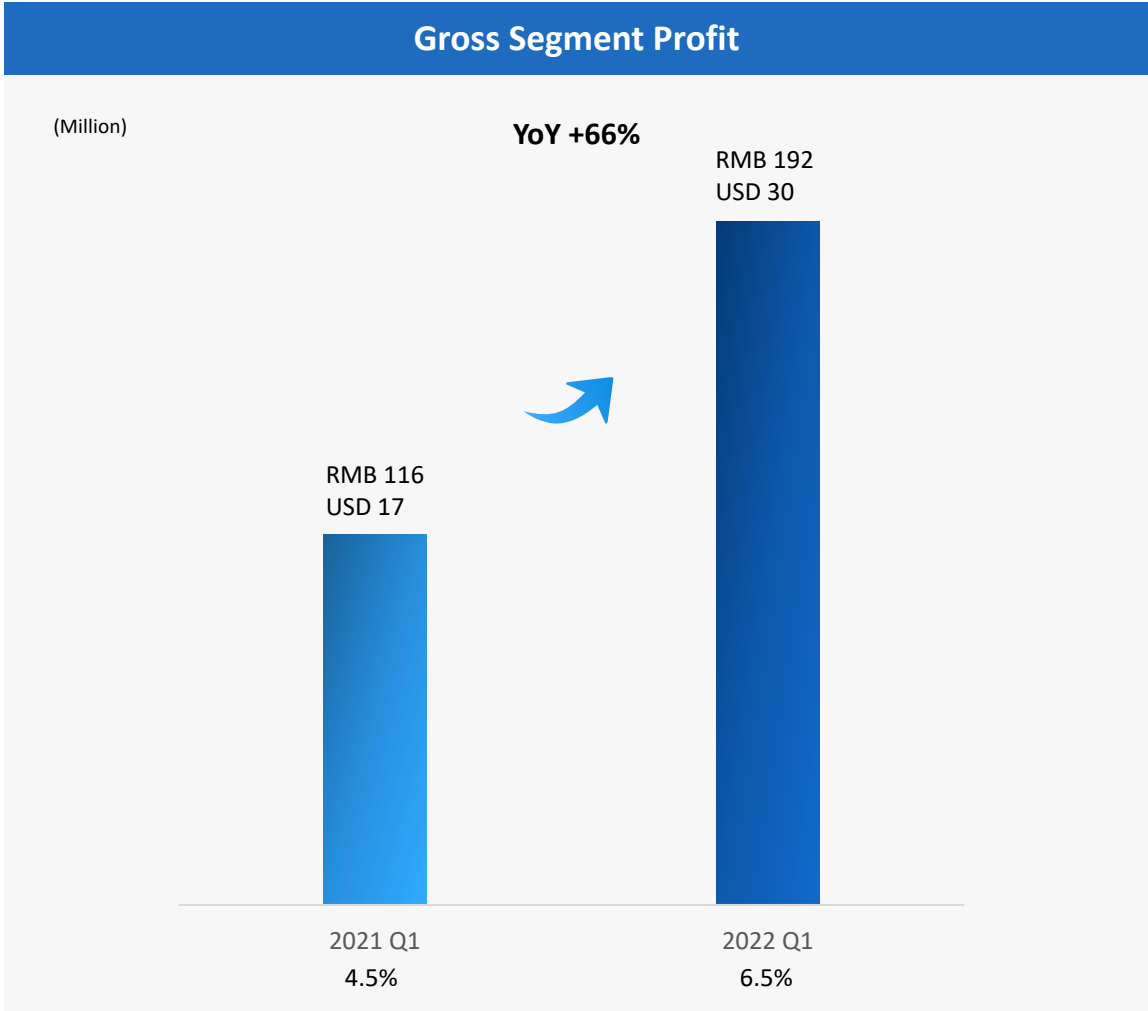


- COVID infections broke out in Shanghai in spring and pandemic subsequently worsened in several cities in China
- Transportation and other logistics were strictly regulated in pandemic-hit areas, logistics costs rose significantly
- Pharmacies in many cities have suspended the sale of four types of drugs; i.e., antipyretics, antitussive drugs, antiviral drugs and antibiotics

- 111 quickly set up a "Pandemic-Relief Program" with a virtual command center and established an all-new SOP and business continuity plans
- 111's East China Fulfilment Hub and Shanghai headquarters were shut down due to local lockdowns
- Many of 111's orders were stuck in transit due to various local policies in many cities
- The overall supply chain was disrupted and 111 experienced a severe shortage of medicine supplies

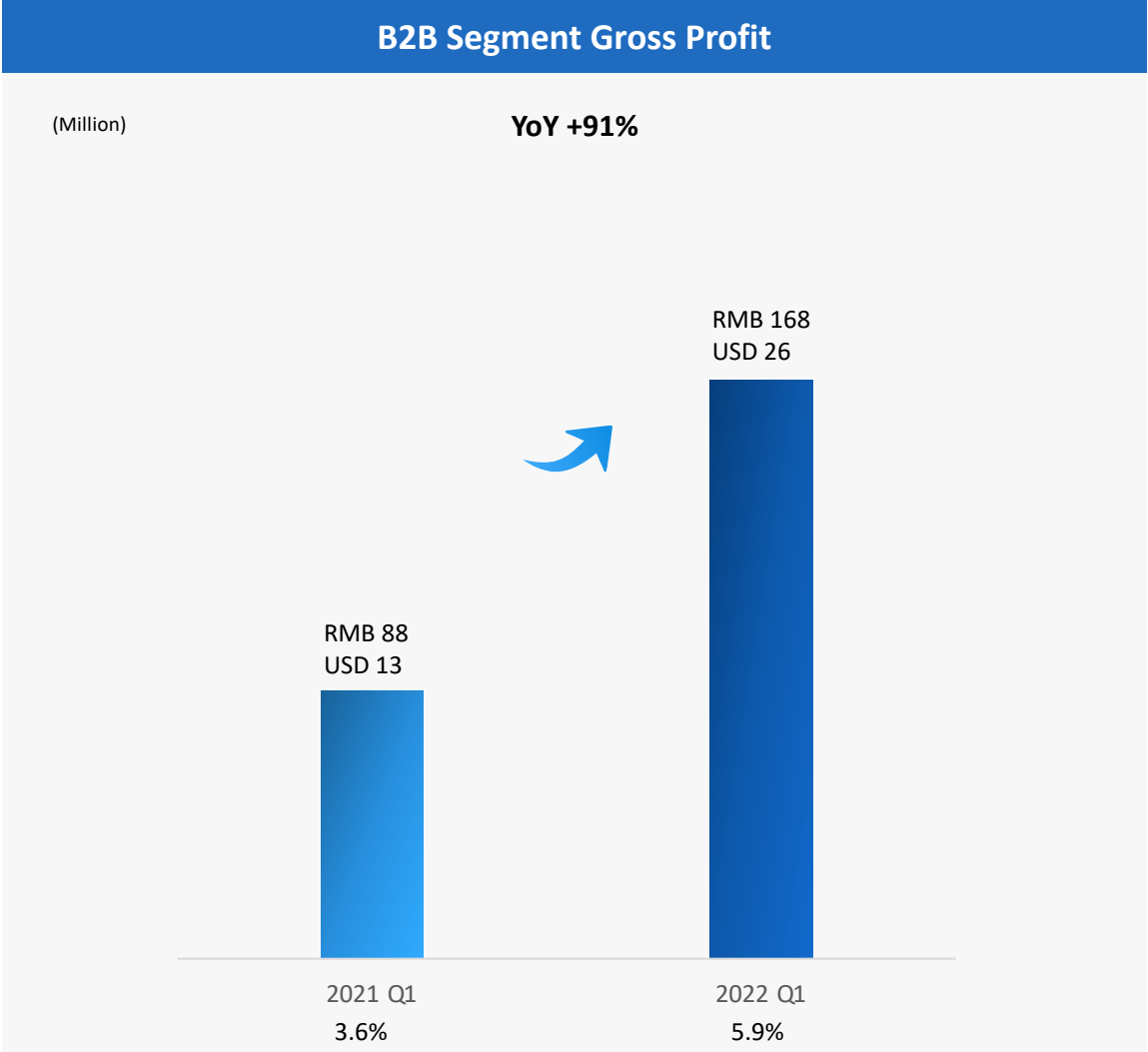
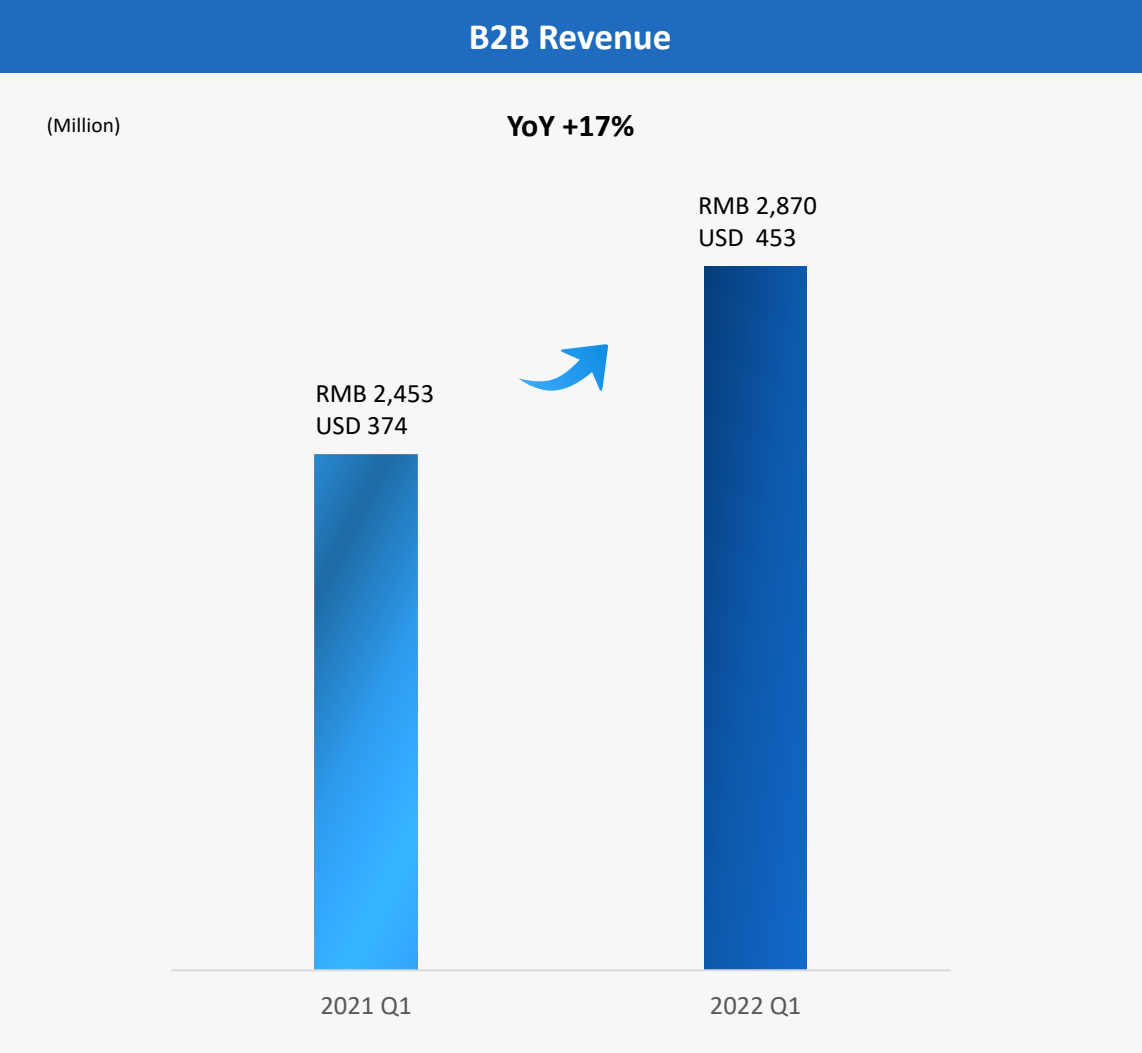
Despite Pandemic Lock-down, Revenue and Gross Profit Continued to Grow

- Revenue achieved 2.98 billion, marking the 15th consecutive quarter of YoY growth since IPO
- Gross profit growth rate is 4.4X revenue growth rate



B2B Segment Remains the Key Driver

- Gross profit growth rate is 5.4X revenue growth rate

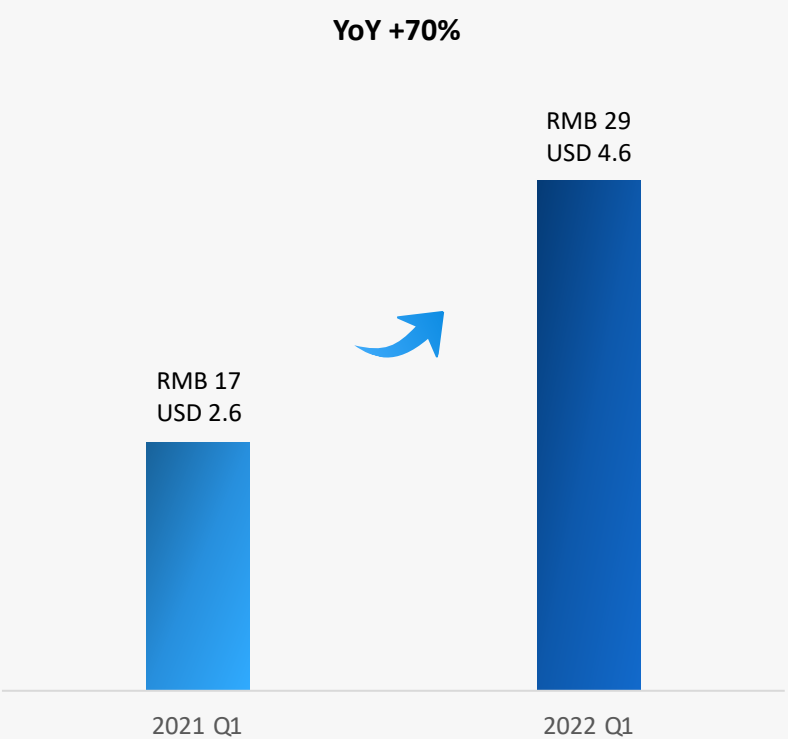


The Market Continues to Show Strong Demand for Our Diverse Portfolio of Service Solutions

- Service revenue increased 70% YOY

Service Revenue

(Million)

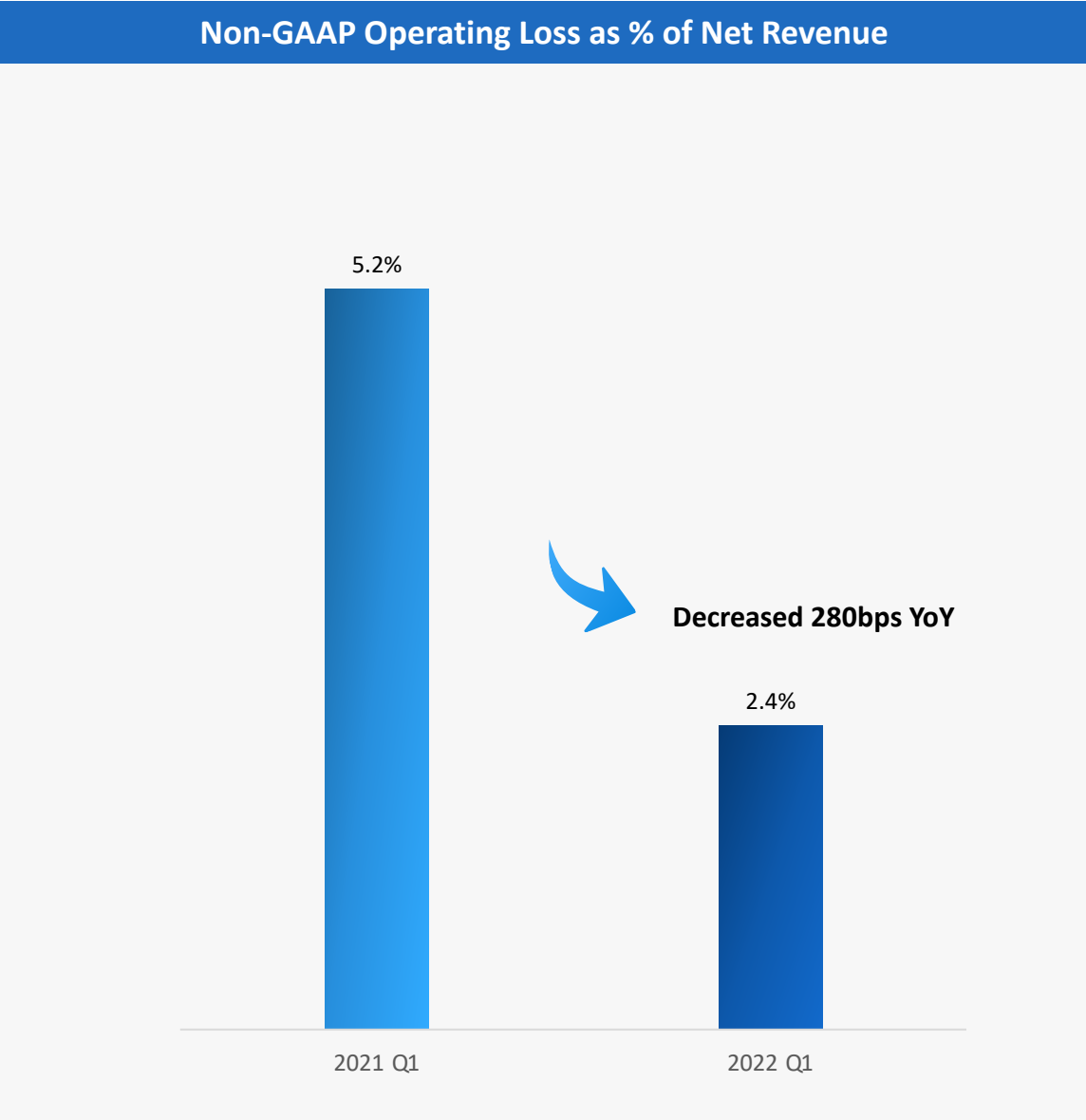
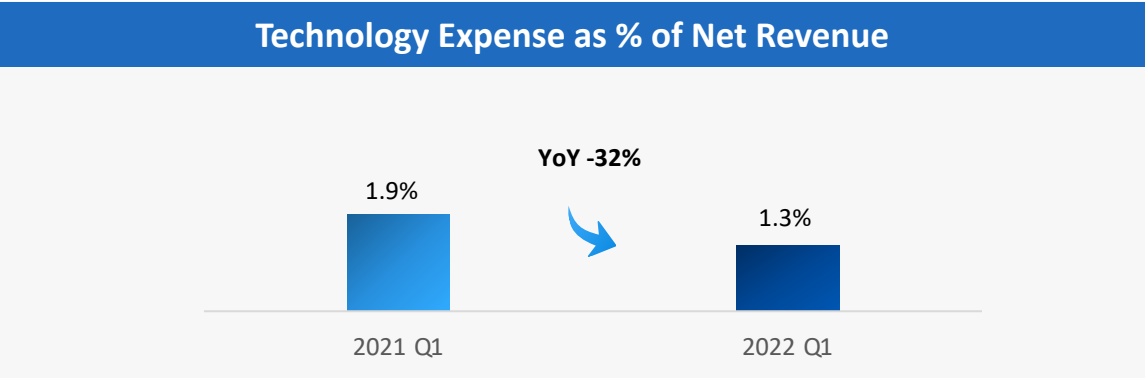
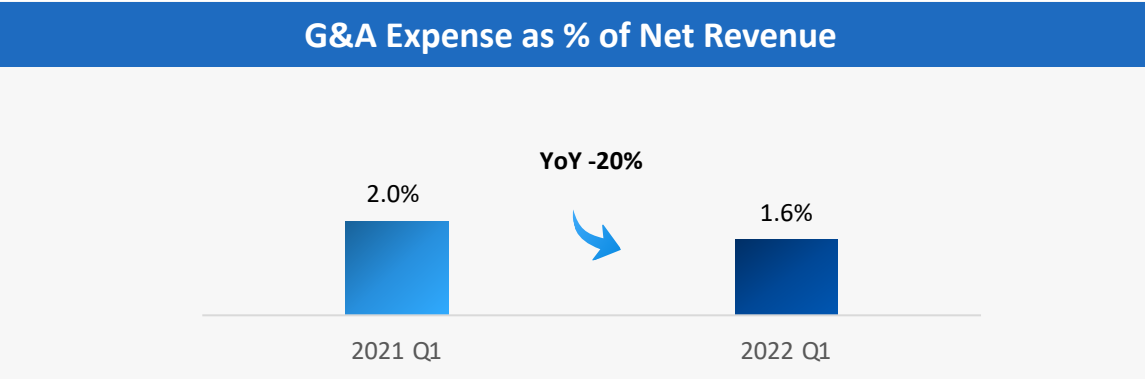
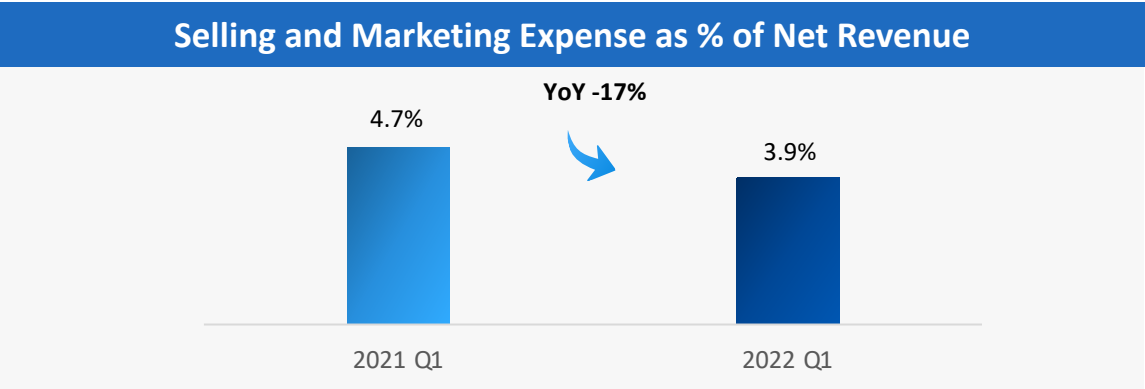


Increasing Demand for 111's Service Offerings

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

Operational Efficiency Continues to Improve Despite Pandemic Lock-down

- Our goal: to reach quarterly break-even at the non-GAAP operating income level in 2022



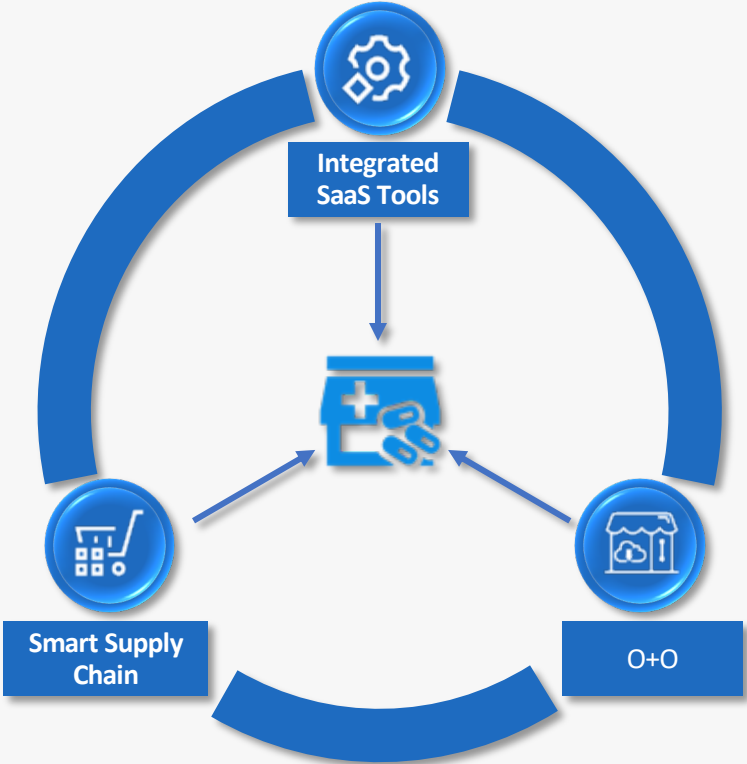
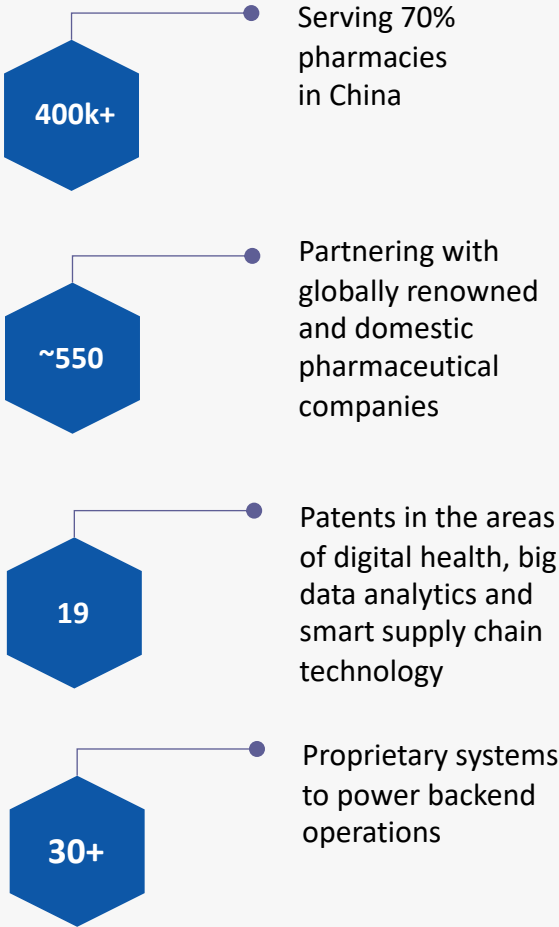
Restructuring the Value Chain of Healthcare Industry Via Our Digital Technology Platform

Achievements On The Supply Side

- Deepened our strategic relationship with our existing partners as well as securing new partnership
- Reduced procurement cost, optimize product assortment
- Enhanced the supply chain efficiency and boost the comprehensive digital capabilities

1 Health Program

- 10,000+ small-to-mid size participating pharmacies
- Digitally connecting over 6.5 million consumers
- Empower pharmacies with better product selection, sourcing, as well as sales through the digital SaaS services, including smart sourcing system, digital marketing, O2O, CRM, etc.



Our Digital Platform Provides A Whole Suite Of Out-of-hospital Management Services

Doctor-Patient Management Portal

- 20,000+ doctors
- Cloud private clinic
- Cloud pharmacy



Addressing Medicine Accessibility

- Online and offline direct-to-patient delivery of medicines
- Nationwide coverage with cold chain logistics capabilities



Develop Chronic Disease Management Platforms with pharmaceutical companies

- Customized omni-channel digital marketing solutions
- Tailored sales management system to empower their sales representatives



Patient Services

- Online consultation
- E-prescription service
- Patient education
- Patient management
- Online refill



We are Firm Believers of Using Technology to Drive Efficiency

- Certified by the Chinese Ministry of Science and Technology as a national high-tech enterprise
- Designated as a "Specialized, High-end and New Technology Enterprise of Shanghai" by the Shanghai Municipal Commission of Economy and Information in 2021

5 Core Competencies

Smart Supply Chain Capability
Digital Marketing Capability
Digital Medical Service Capability
Multi System Synergy Capability
Industrial Data Analysis Capability

9 Core Intelligent Systems

SAM	SSS	PMS
IOS	WMS	TMS
PIS	OMS	HawkEye

 <p>Proprietary Technology</p>	<ul style="list-style-type: none"> • 19 patents in the areas of digital health, big data analytics, and SMART supply chain technology 	<ul style="list-style-type: none"> • 30+ proprietary systems to power backend operations
 <p>Pharma Companies</p>	<ul style="list-style-type: none"> • Tailored sales management system for pharmaceutical companies to empower their sales representatives 	<ul style="list-style-type: none"> • Improved efficiency of sales representatives via digital tool • Enhanced effectiveness of marketing activities
 <p>Pharmacies</p>	<ul style="list-style-type: none"> • Integrated SaaS tool for operations management on multiple O2O platforms 	<ul style="list-style-type: none"> • User-friendly CRM applications allow pharmacies to manage their customers
 <p>Supply Chain</p>	<ul style="list-style-type: none"> • Smart sourcing system that improves product selection and optimizes pricing 	<ul style="list-style-type: none"> • Price intelligence system that maximizes gross margin
 <p>Doctors</p>	<ul style="list-style-type: none"> • Cloud private clinic • Cloud pharmacy • E-prescription service 	<ul style="list-style-type: none"> • Patient education • Online and offline direct-to-patient delivery of medicines

1药网战“疫”

已为**35000**位上海患者提供用药服务

2022年的春天注定不平凡
随着上海疫情防控升级
居民出行受限
用药难问题日益突出

作为上海土生土长的数字化医药健康企业
1药网第一时间成立“抗疫指挥部”
紧急上线“慢病患者用药登记”功能
为保障患者的用药奋战在一线



01. 齐心抗“疫” 戮力守“沪”

35000 位	完成 50000 个	
购药服务人数	包裹订单	
400 余种	3000 +个	
涉及疾病	药品品牌	
80% 处方药订单比例		
TOP 3 慢病疾病类型		
 高血压	 糖尿病	 高血脂



上海慢病用药防疫物资购买

自提点

浦东: 上海市浦东新区向城路21号
4月10日16:00起配送至自提点(提前1天22:00截单)
后续隔天配送

浦东: 上海市普陀区大渡河路718号
4月11日16:00起配送至自提点(提前1天22:00截单)
后续隔天配送

更多自提点陆续开放中,敬请关注...

受防疫影响,配送时间可能会有延迟,请耐心等待



下单流程

- 1 扫码添加药师微信;
- 2 沟通用药需求及可配送情况;
- 3 配送至自提点;
- 4 通知至指定取货点自提或快递



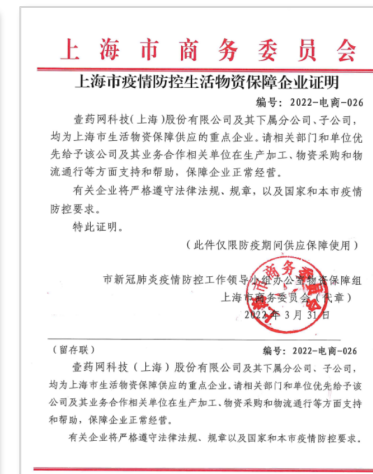
企业购买添加微信: yyyw6034

购买流程:

1. 配送规则: 以社区为单位统一购买与配送。每个社区需指派一位对接人, 进行需求搜集以及后续分发。所有自提订单不收取运费, 可自行安排骑手至自提点提货。每个社区仅拥有一个配送地址, 敬请理解。
2. 配送范围: 可安排到以上地址自提, 或在以上地址10公里范围内。

注意事项:

1. 防疫期间运力紧张, 存在不可控因素, 若配送将有延迟, 敬请理解;
2. 严格遵守上海的防疫政策, 非必要足不出户, 提倡小区需要志愿者协助收货, 并送到订购居民手中。



ESG: Every Effort is Continuously Made to Provide Medicine and Medical Services to Needed



1 BUSINESS & OPERATIONAL PERFORMANCE HIGHLIGHTS

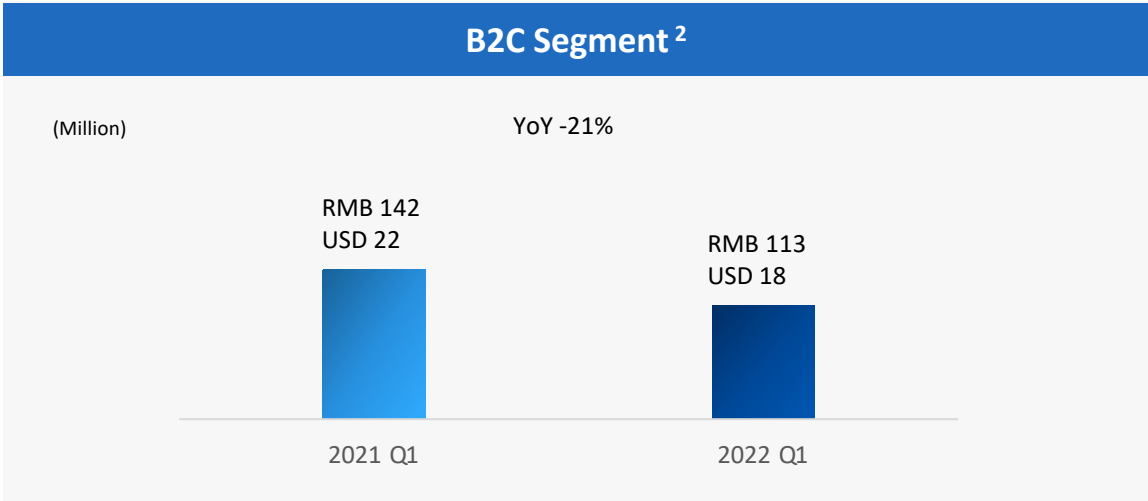
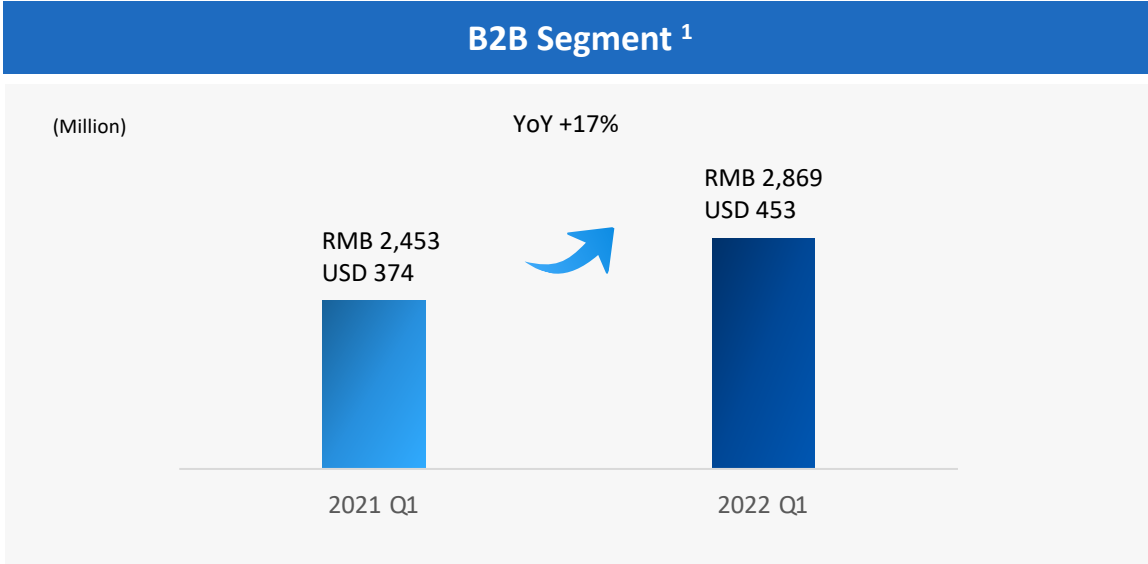
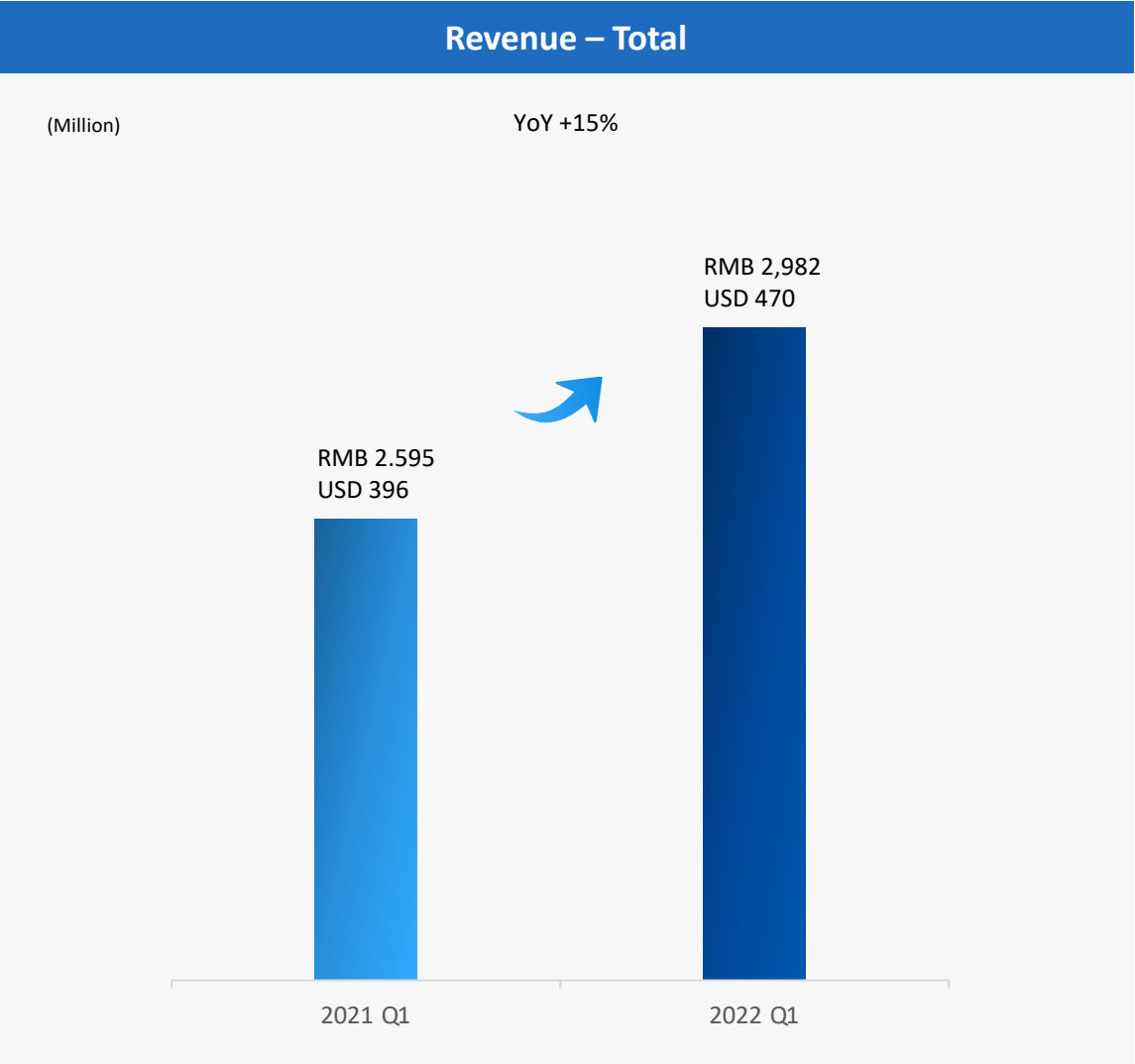
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Continued to Achieve Top Line Growth Despite Pandemic Lock-down

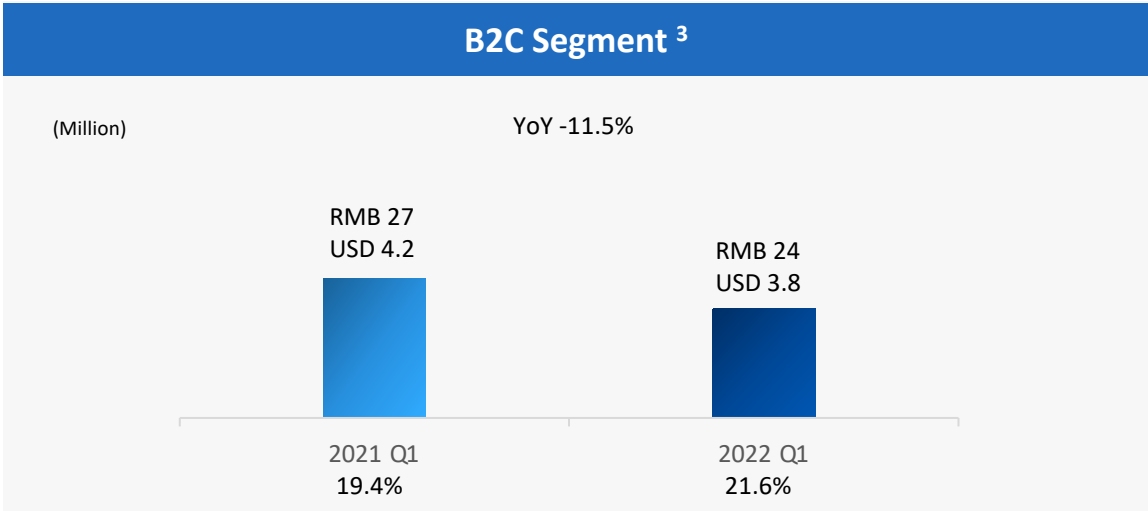
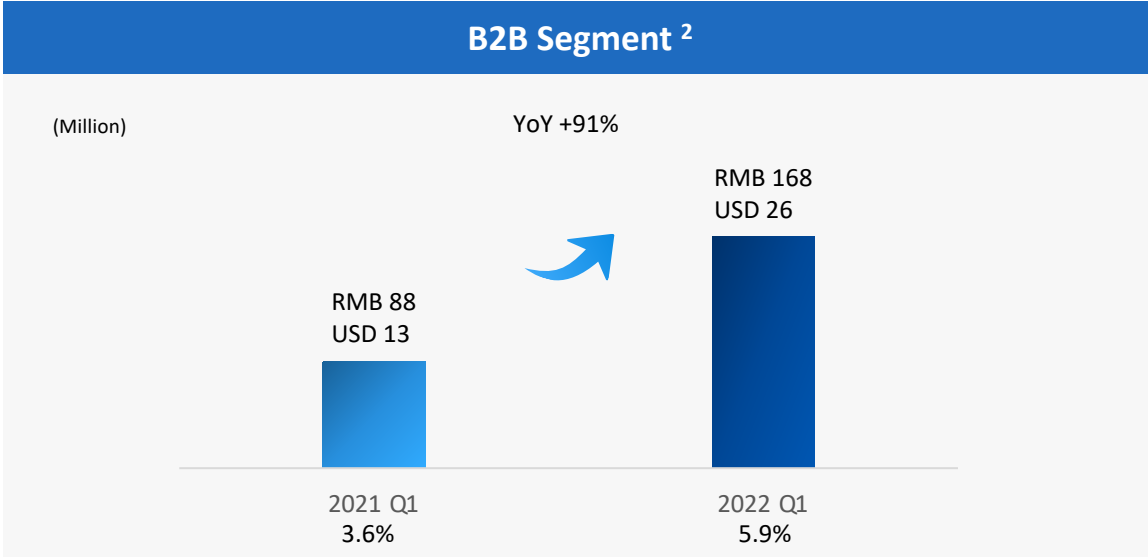
- Our 15th consecutive quarter of YoY growth since IPO



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 66%

- Gross profit growth rate is 4.4X revenue growth rate and gross segment margin significantly improved



Notes:

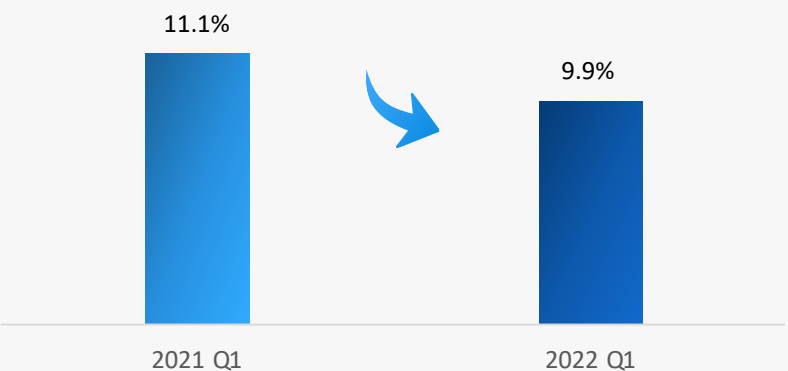
1. Gross Segment Margin% = (Product Revenue + Service Revenue – COGS)/Net Revenue

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

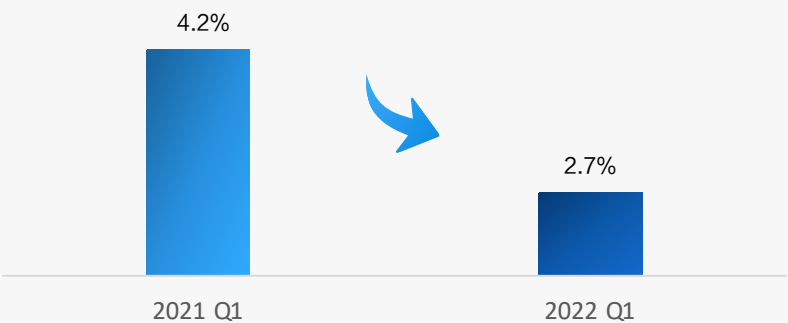
Non-GAAP Net Loss Attributable to Ordinary Shareholders Narrowed as a Percentage of Net Revenue

Operating Expense as % of Net Revenue



	Including Share-based compensation expenses		Excluding Share-based compensation expenses	
	2021 Q1	2022 Q1	2021 Q1	2022 Q1
Total	11.1%	9.9%	9.7%	8.9%
Selling and Marketing	4.7%	3.9%	4.2%	3.6%
G&A	2.0%	1.6%	1.3%	1.0%
Technology	1.9%	1.3%	1.7%	1.2%
Fulfillment	2.6%	3.2%	2.6%	3.2%

Non-GAAP Net Loss Attributable to Ordinary Shareholders as % of Net Revenue ¹



Notes:

1. Non-GAAP net loss attributable to ordinary shareholders represents net loss attributable to ordinary shareholders excluding share-based compensation expenses.

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Selected Balance Sheet Summary

	As of			
	December 31, 2021		March 31, 2022	
'000	RMB	USD	RMB	USD
Cash and cash equivalents, restrict cash and short-term investments	943,228	148,014	901,415	142,195
Total current assets	2,801,737	439,654	2,687,791	423,990
Total assets	3,145,833	493,650	3,011,362	475,031
Total current liabilities	2,129,978	334,240	2,081,006	328,270
Total liabilities	2,297,129	360,469	2,234,635	352,505
Mezzanine Equity	1,000,849	157,055	1,014,680	160,062
111 Inc's Equity	(173,321)	(27,197)	(254,653)	(40,170)
Non-controlling interests	(21,177)	(3,323)	(16,700)	(2,634)
Total liabilities and shareholders' equity	3,145,833	493,650	3,011,362	475,031

Selected Income Statement Summary

For the three months				
Ended March 31,				
	2021		2022	
'000	RMB	USD	RMB	USD
Net Revenues	2,594,742	396,035	2,982,591	470,492
Cost of products sold	2,478,972	378,365	2,790,056	440,121
Fulfillment expenses	66,255	10,112	94,533	14,912
Selling and marketing expenses	122,428	18,686	114,854	18,118
General and administrative expenses	52,137	7,958	47,994	7,571
Technology expenses	49,698	7,585	39,021	6,155
Loss from operations	(173,265)	(26,445)	(102,151)	(16,114)
Interest expense (net) and other loss (net)	3,782	577	1,163	184
Net Loss	(169,483)	(25,868)	(100,988)	(15,930)
Non-GAAP net loss	(132,106)	(20,163)	(71,231)	(11,236)

Non-GAAP Financial Measures Reconciliation

Non-GAAP Net Loss

For the three months

Ended March 31,

	2021		2022	
'000	RMB	USD	RMB	USD
Net loss	(169,483)	(25,868)	(100,988)	(15,930)
Add:				
Share-based compensation				
Selling and marketing expenses	12,919	1,972	8,430	1,330
General and administrative expenses	18,007	2,748	17,716	2,794
Technology expenses	6,451	985	3,611	570
Non-GAAP net loss	(132,106)	(20,163)	(71,231)	(11,236)

Q & A

THANK YOU