

TRANSCENDING THE BOUNDARIES OF HEALTHCARE

NASDAQ: YI

Fourth Quarter and Fiscal Year 2021 Earnings Call

Mar 17, 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 December, 2021. 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 HEALTHCARE INDUSTRY OVERVIEW
- 2 BUSINESS & OPERATIONAL PERFORMANCE HIGHLIGHTS
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1



Regulatory Changes Provides Tailwinds to the Industry and to 111

- **Healthy China 2030.** Put healthcare at the forefront of national development strategy. Encourage Innovation that will help reform the healthcare industry. Develop new methods of healthcare, focusing on prevention/cure and combination of Chinese + Western medicine, and support initiatives that will improve efficiency and quality. Provide rural areas with equal access to healthcare and support new service models that will bridge the gap for obtaining basic healthcare services.
- **Artificial Intelligence empowering new use cases in healthcare.** In Mar 2021, NPC released "14th five-year plan and 2035 targets", in which mentioned the acceleration of digital society construction in healthcare area.
- **NHSA's SHI digitization push.** With SHI's digital platform largely ready by end 2021E, NHSA aims for further potential integration to enable prescription transfer, online reimbursement and drugs dispensing. In Jul 2021, NHSA mentioned in a NPC meeting that they are working on supplementary policies, in addition to the guiding opinions of actively promoting medical insurance coverage for "Internet plus" medical services.
- **Dual-channels in NDRL drug sales.** Such drugs would be SHI reimbursable in both designated medical institutions (e.g. hospitals) and designated retail pharmacies, as a top-down policy announced back in May 2021, with an aim to bring such drugs to patients faster without a delay in the need to first get into the hospitals.

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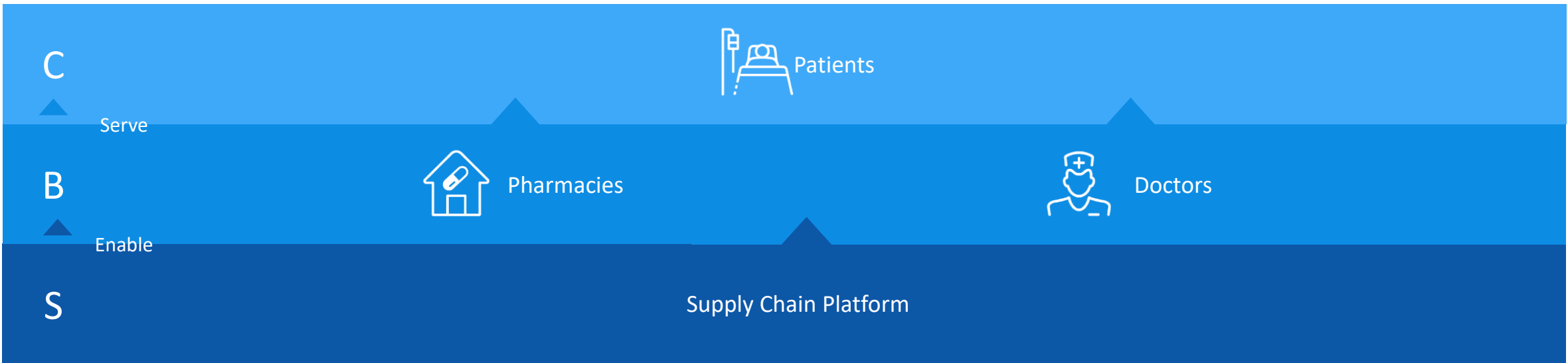


111 Snapshot

Our Mission

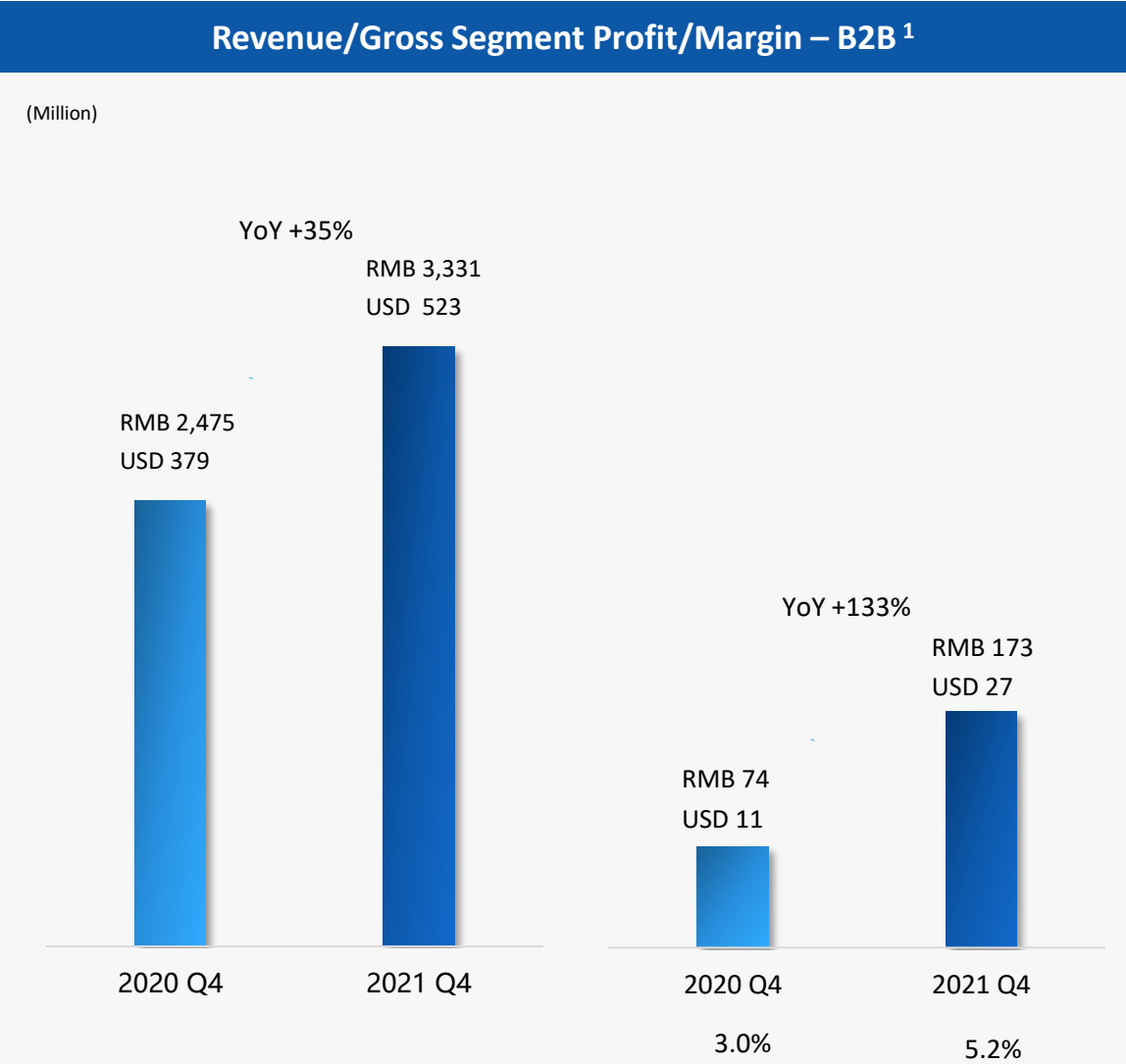
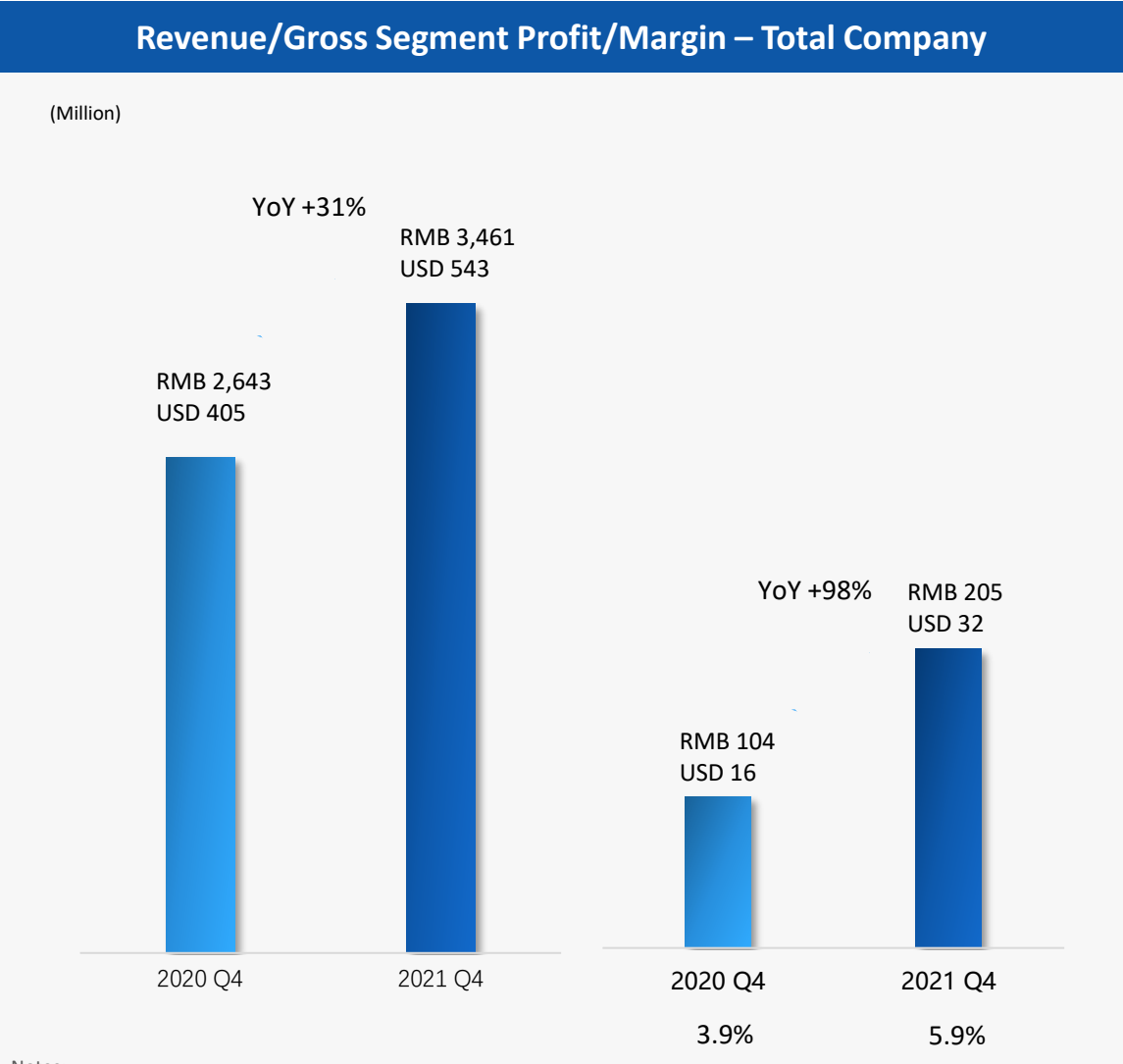
Digitally Connecting Patients with Medicine and Healthcare Services

Our S2B2C Model



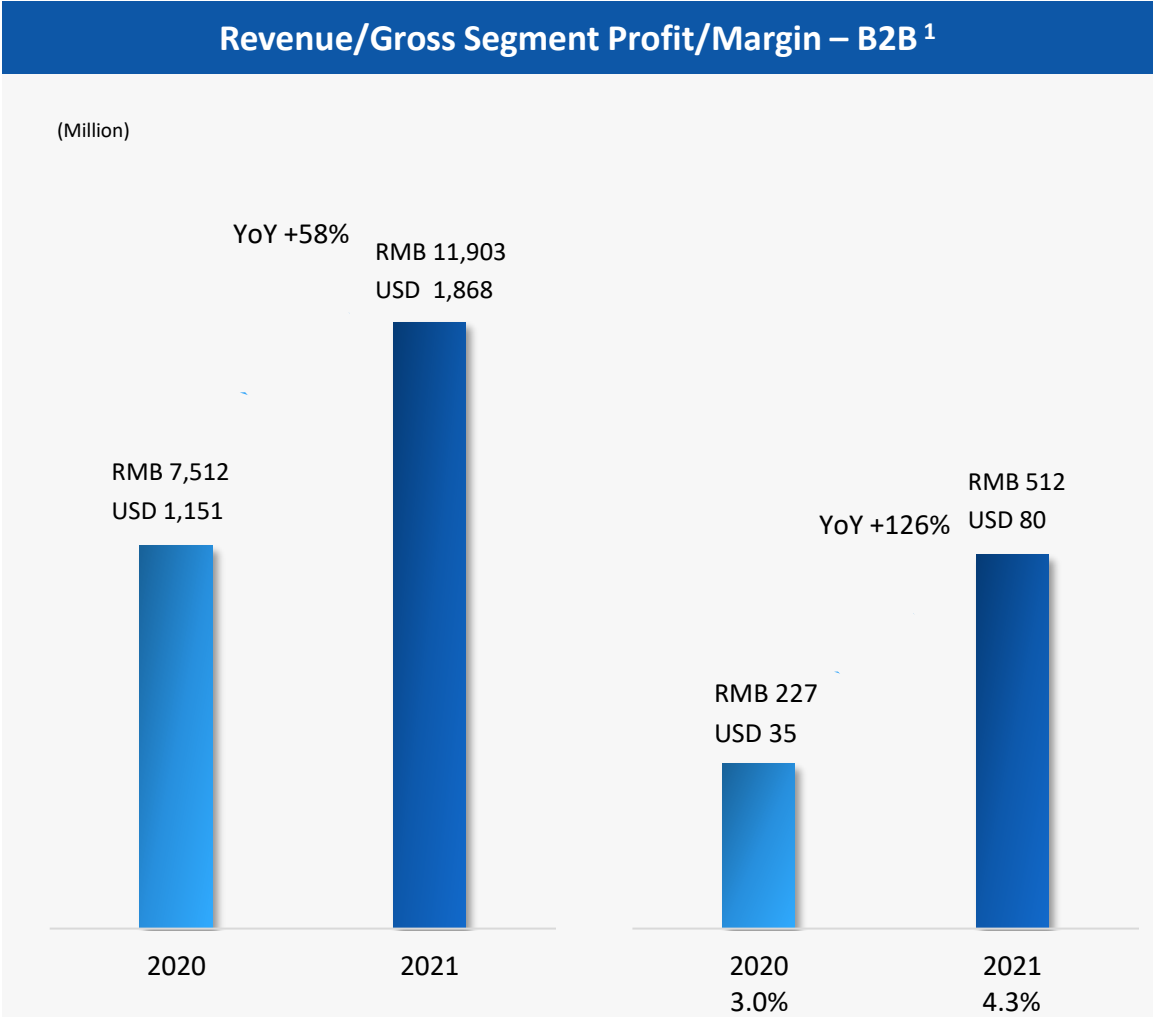
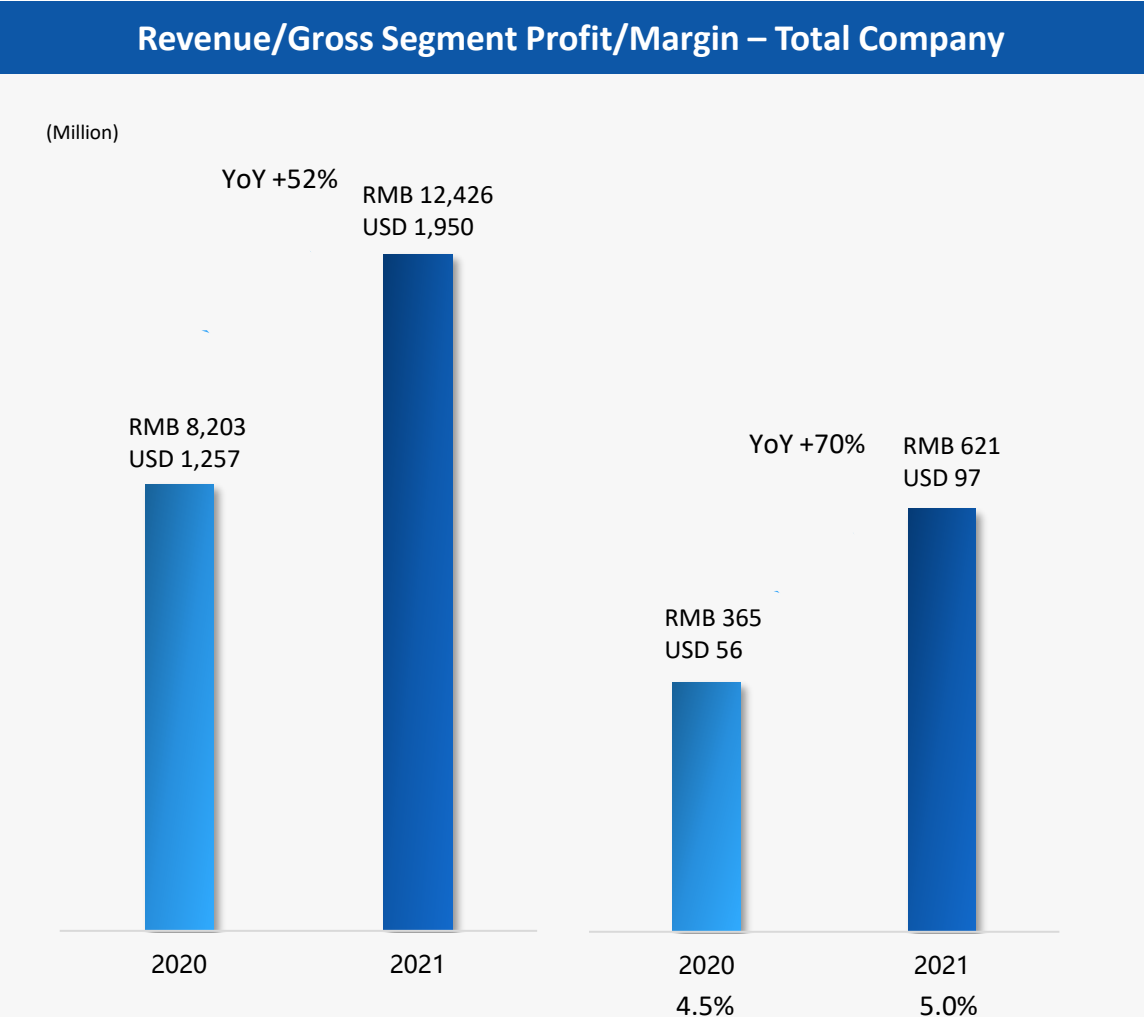
S2B2C: “Supply Chain Platform to enable Businesses to better serve Consumers”

Strong Q4 Revenue and Gross Segment Profit/Margin Growth

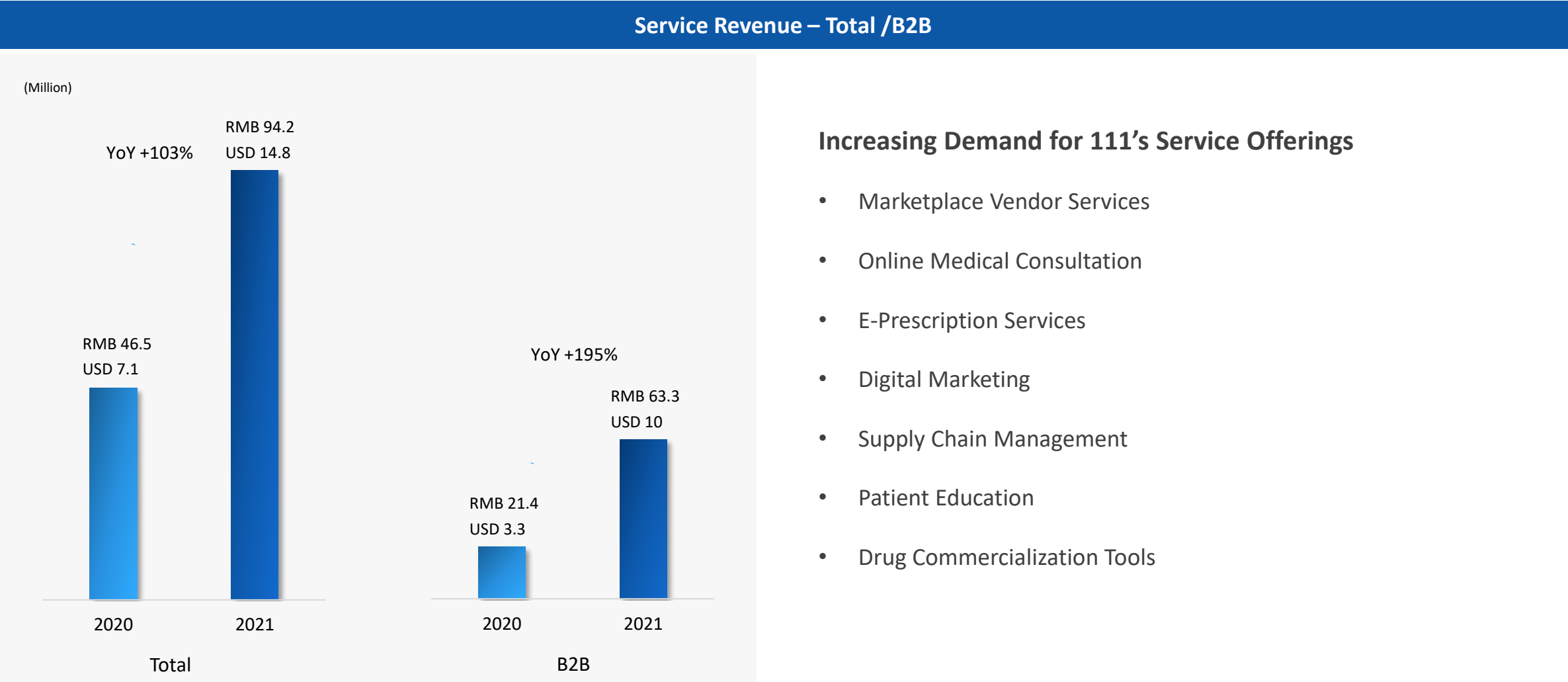


Notes:
1. B2B segment historical revenue is restated to include E-Channel revenue in the segment. 2. Gross segment profit equals net revenue deduct cost of goods sold

Fiscal Year 2021 Net Revenue Increased 52% with Gross Segment Profit Up 70% YoY



Diversified Revenue Stream with Full Year Service Revenue Increase 103% YOY

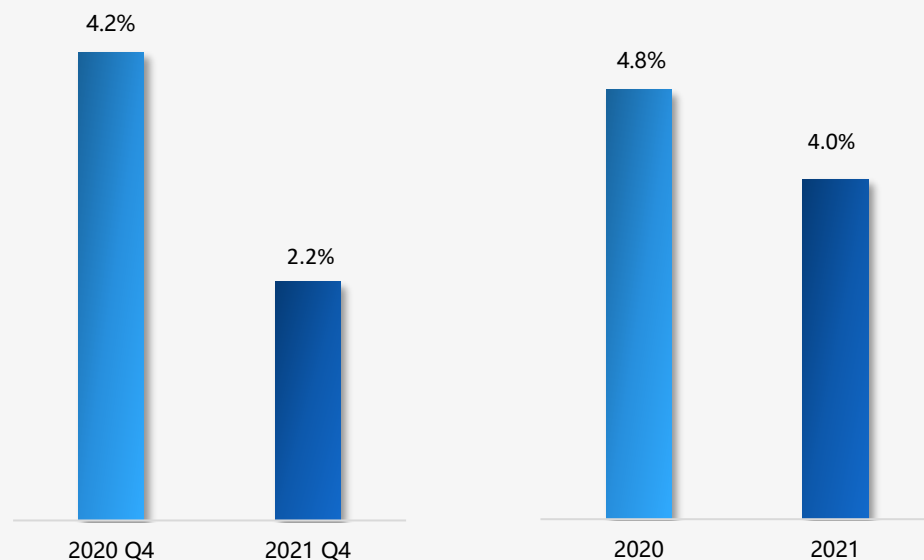


Increasing Demand for 111’s Service Offerings

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

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

Non-GAAP Loss from Operations¹ as % of Net Revenue



2021 Q4
Decreased
200bps YoY


2021
Decreased
80bps YoY

Notes:

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

New Initiatives and Investments in Technology



 Proprietary Technology	<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
 Pharma Companies	<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 toolEnhanced effectiveness of marketing activities
 Pharmacies	<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
 Supply Chain	<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
 Doctors	<ul style="list-style-type: none">Cloud private clinicCloud pharmacyE-prescription service	<ul style="list-style-type: none">Patient educationOnline and offline direct-to-patient delivery of medicines

Robust Supply Chain Platform and Partnerships with Vast Network of Pharmaceutical Companies

Growth of Partnerships

Direct Sourcing Pharmaceutical Companies

333
2020 Q4

515
2021 Q4

Broad Cooperation

"While Bayer and 111 have already developed a mutually cooperative relationship, in many ways this deepens partnership marks a new beginning. It will better enable both parties to give full play to their unique advantages in the medical and pharmaceutical fields, and the innovative digital service model will create value for the pharmaceutical industry and benefit more Chinese patients."

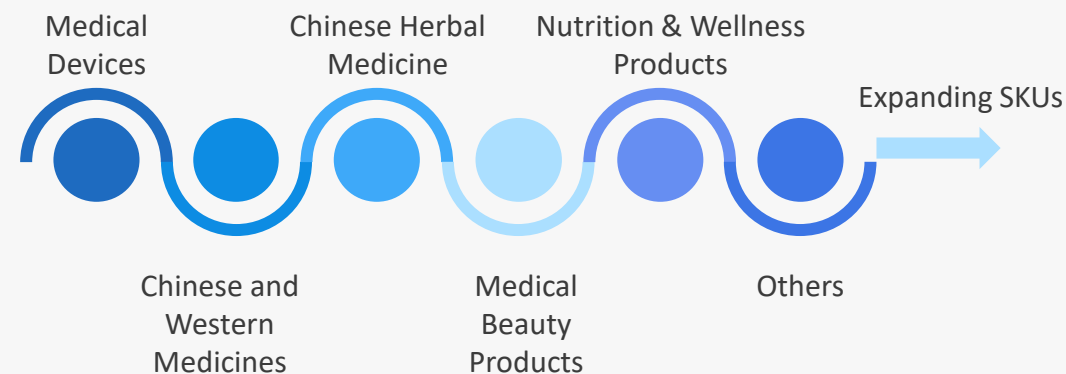
- Ms. LUO Xiaojie, Senior Vice President at Bayer Healthcare Co. Ltd.

"The Internet+ model will be a catalyst for driving innovation in oncology, and he hopes that this partnership with 111 will enable BeiGene to further its innovative goals through the wings of digitization. By leveraging the power of the Internet, BeiGene will be able to bring its innovative drugs and services to more patients nationwide."

- Dr. Wu Xiaobin, president of BeiGene, Ltd.

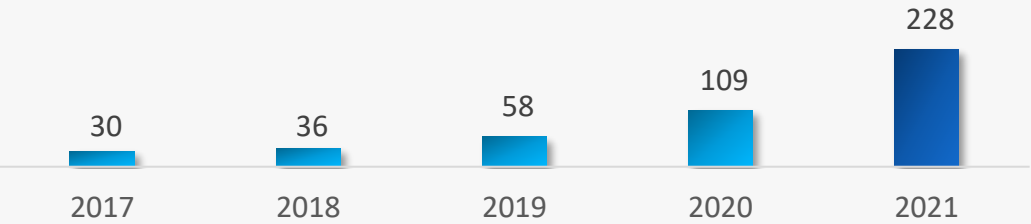
Leverage Robust Network to Deliver Healthcare Products

Continue To Expand Product Selection And Categories

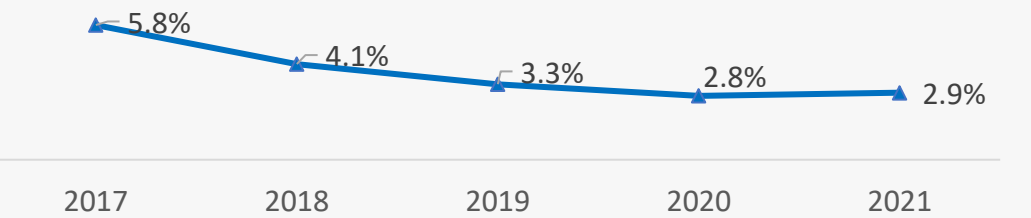


Strategic Investment in Infrastructure to Fuel Future Growth

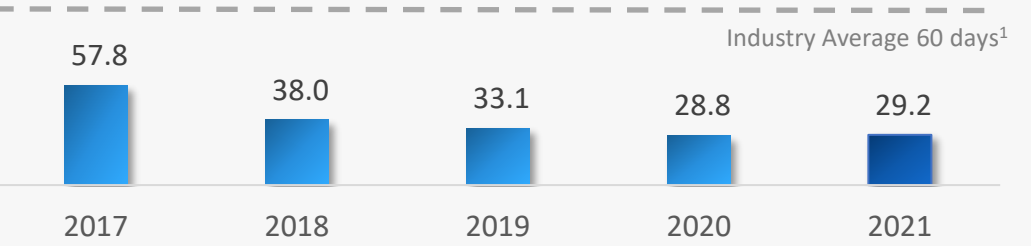
Fulfillment Center Capacity (Thousand Square Meters)



Efficient Operation To Ensure Superior Customer Experience



Inventory Turnover Days Are Significantly Lower Than Industry Norm



Highly Efficient Logistics And Warehouse Operations



Note:
1. Based on 2020 data from Ali Health, JD Health, Ping An Good Doctor, China Resources Pharmaceutical, Jointown, and Sinopharm

Environment、 Social Responsibility、 Corporate Governance

Social Welfare



- 1 Clinic has provided approximately 520,000 free medical consultations in 2021.

- In February 2021, 111 provided pharmacies in Covid-affected northern regions (i.e., Jilin, Heilongjiang, Liaoning and Hebei Provinces) with PPEs and other related services.

- In June 2021, 111 donated equipment, including surgical masks, disinfectants, etc., through various charities in Guangzhou City.

- In July 2021, 1 Clinic provided free online consultations to patients impacted by the severe flooding in Henan Province.

- 1 Clinic has partnered with the People's Hospital of Wenjiang District, Chengdu City, to launch an initiative aimed at the prevention and treatment of hydatid disease. Partnership includes using our technologies to build a doctor-patient consultation platform to help doctors provide convenient, high quality medical services for ethnic Tibetans in Seda County, Sichuan Province.



Low-carbon Actions



- Proactively advocated the environmental philosophy of green lifestyles.
- Paperless operations in goods arrival, stocking, picking, stock checking and other processes in the fulfillment centers.
- Substantially reduced the use of non-degradable consumables in the transportation and packaging process.

Consumer Safety Program



- Launched a collection program for expired medication to ensure safe disposal.

Our Strategic Roadmap

Stage 1

Build infrastructure and eco-system

- 1 Medicine
- 1 Pharmacy
- 1 Clinic

Stage 2

Build scale

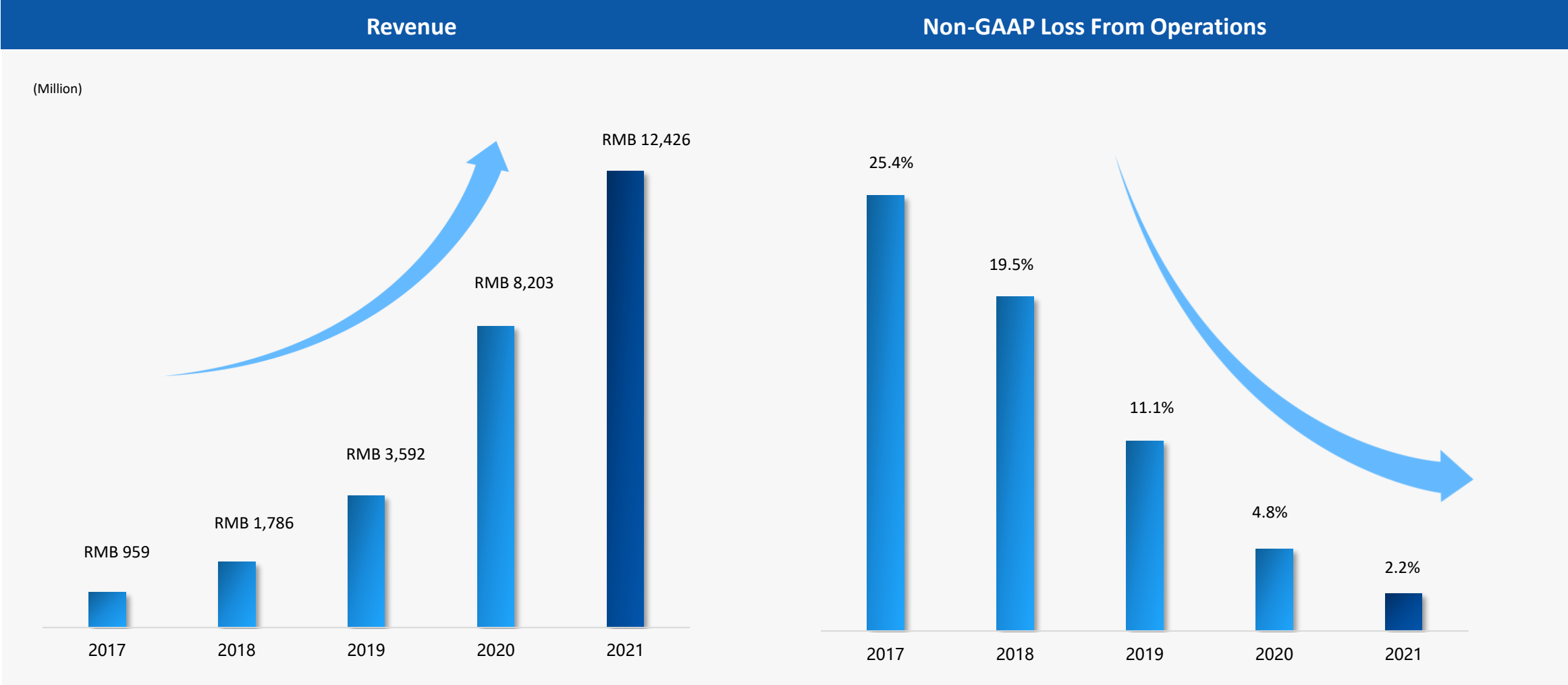
- Total revenue for 2021 is 12.4 billion
- Direct sourcing from 515 well-known Chinese and foreign pharmaceutical companies
- Serve 385,000+ pharmacies across China, achieving a 70% pharmacy coverage rate
- Cover 890+ cities and counties within 24 hours
- Consolidate the technological moat with 19 patents and 30+ proprietary systems

Stage 3

Grow margin and profit

- Improve gross margin and operational efficiency
- Consolidate strengths in supply chain and technology
- Help upstream and downstream partners press ahead with digital transformation
- Benefit consumers with medicine and healthcare services

Net Revenue Expanded 13 times in 4 Years While Non-GAAP Loss From Operations as % of Net Revenue Further Narrowed
- **We Aim to Achieve Quarterly Non-GAAP Operating Breakeven in 2022**

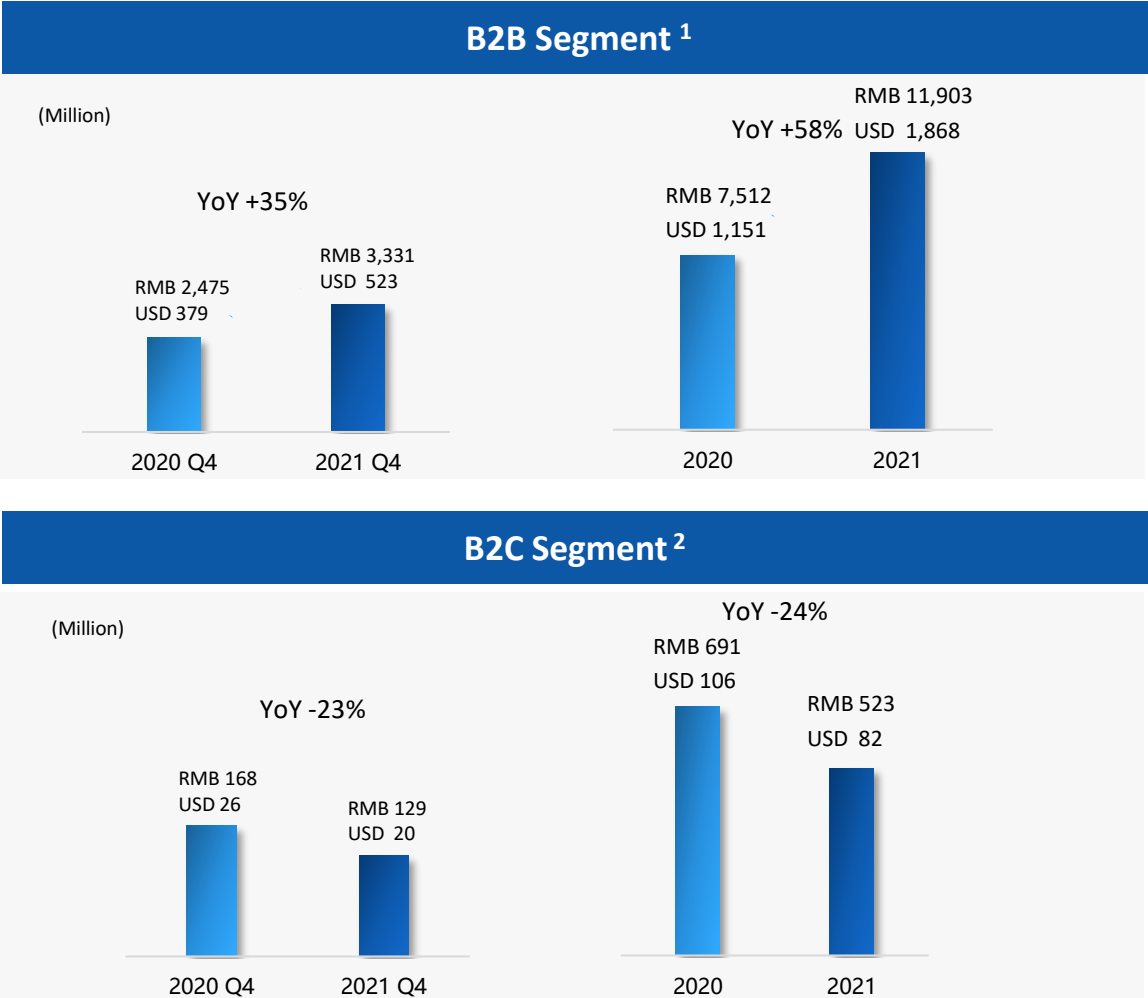
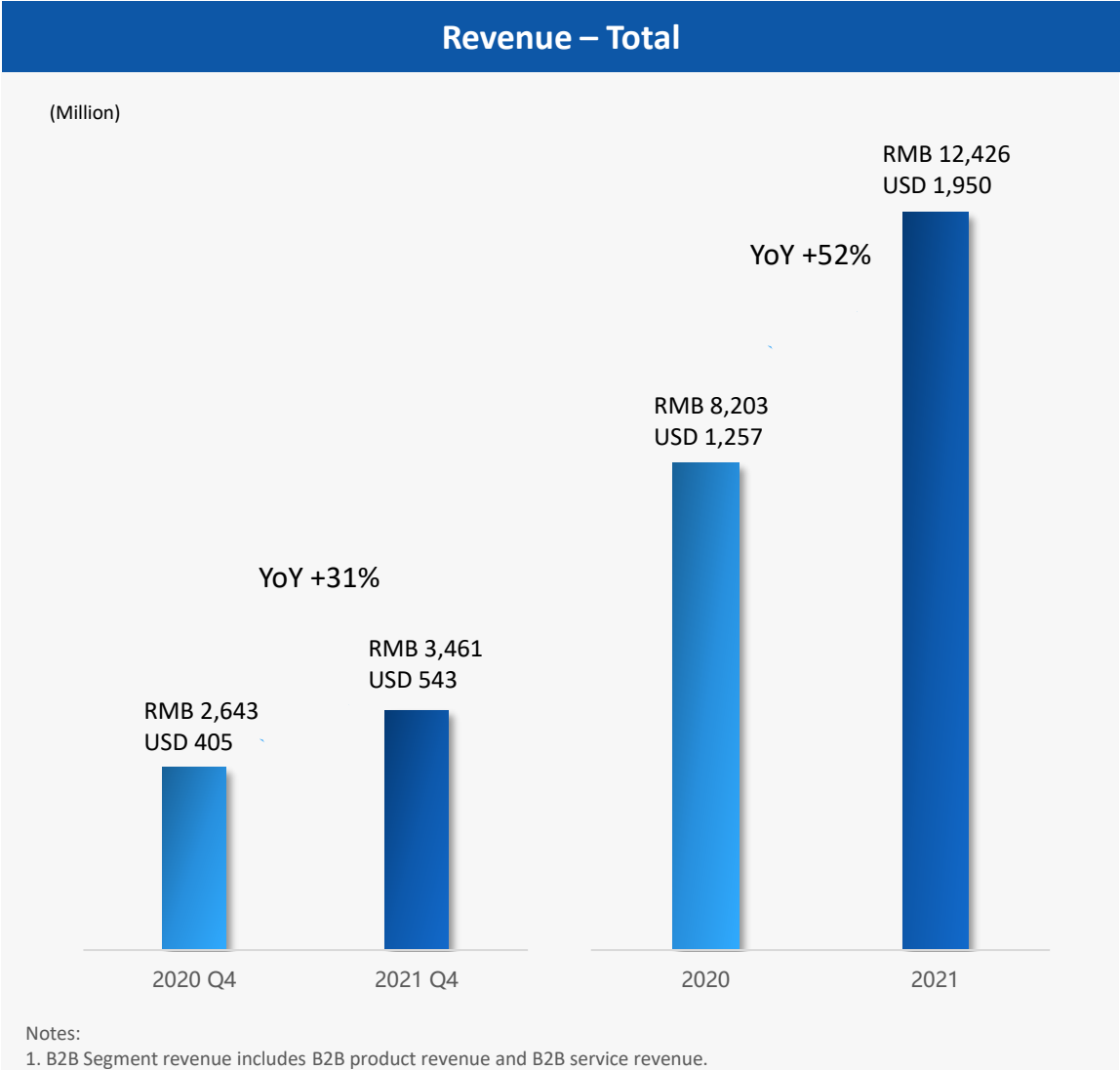


Notes:
1. Non-GAAP loss from operations represents loss from operations excluding share-based compensation expenses.

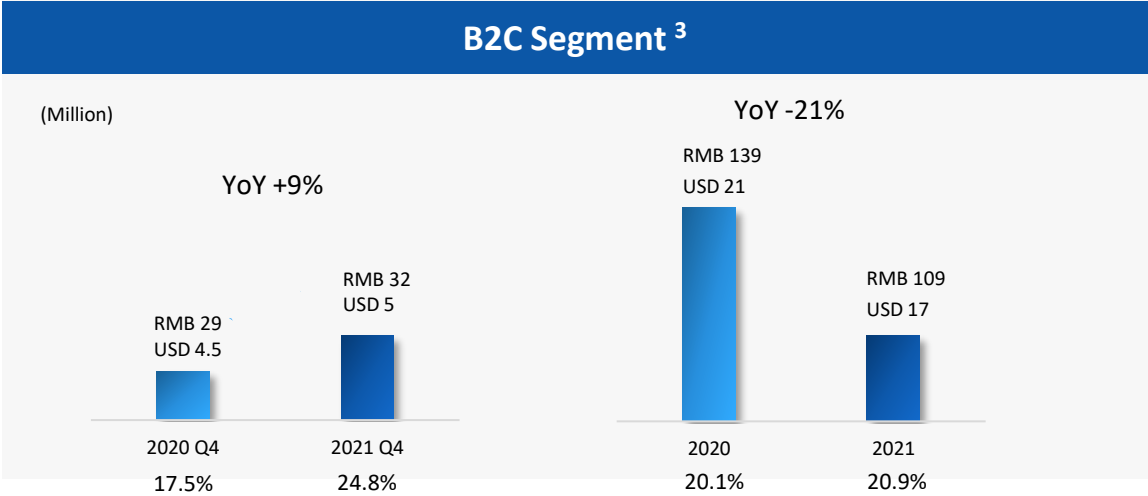
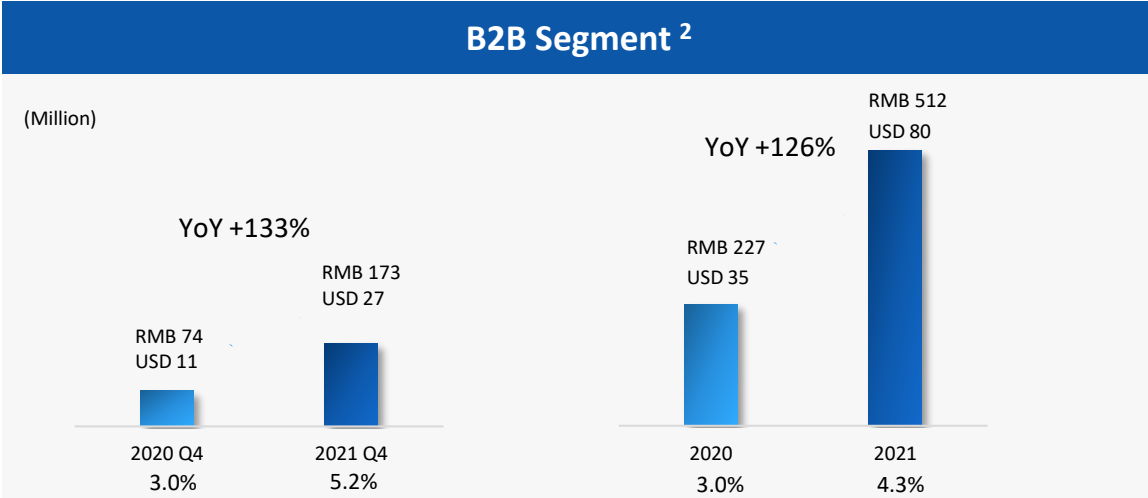
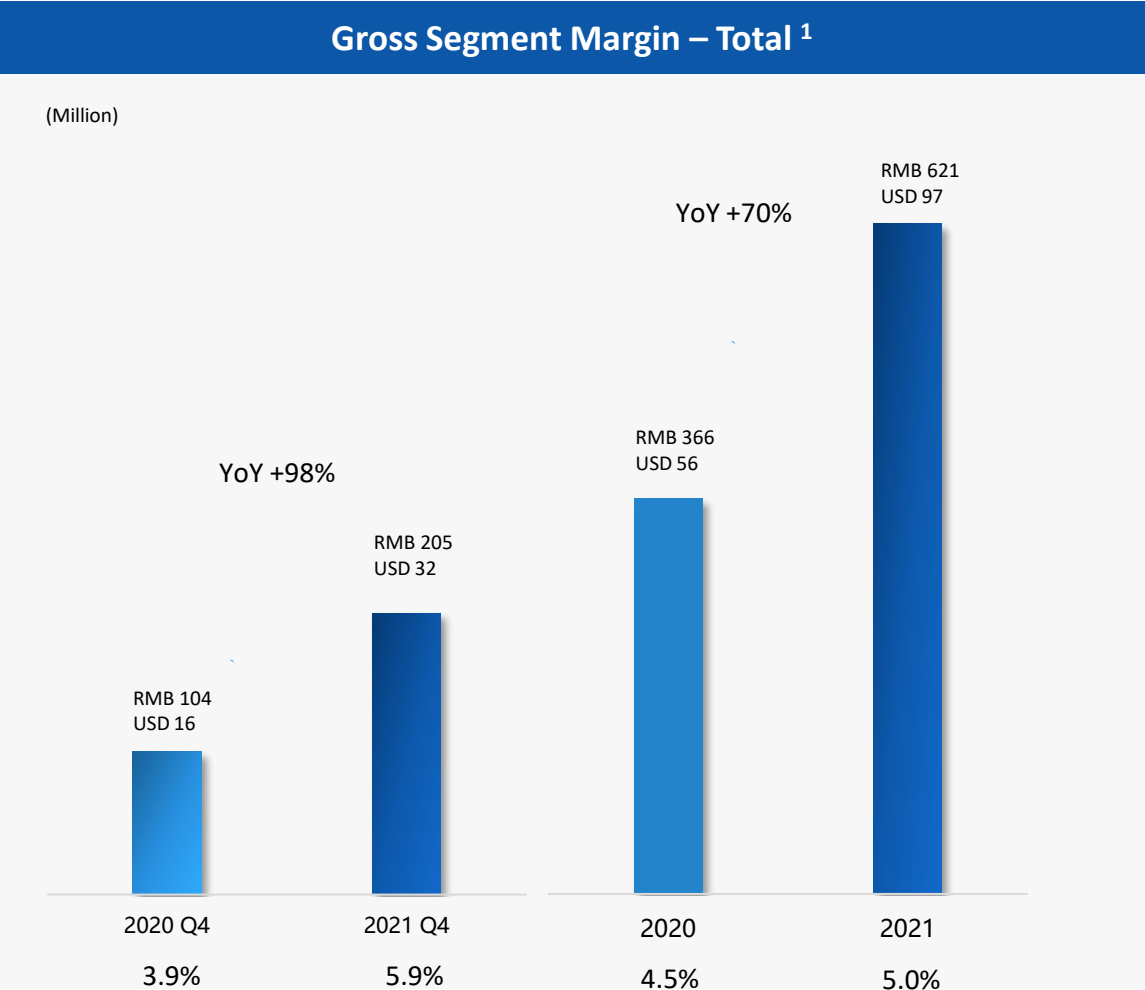
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Strong Revenue Growth Driven by B2B Segment



B2B Drove Significant Gross Segment Margin Expansion



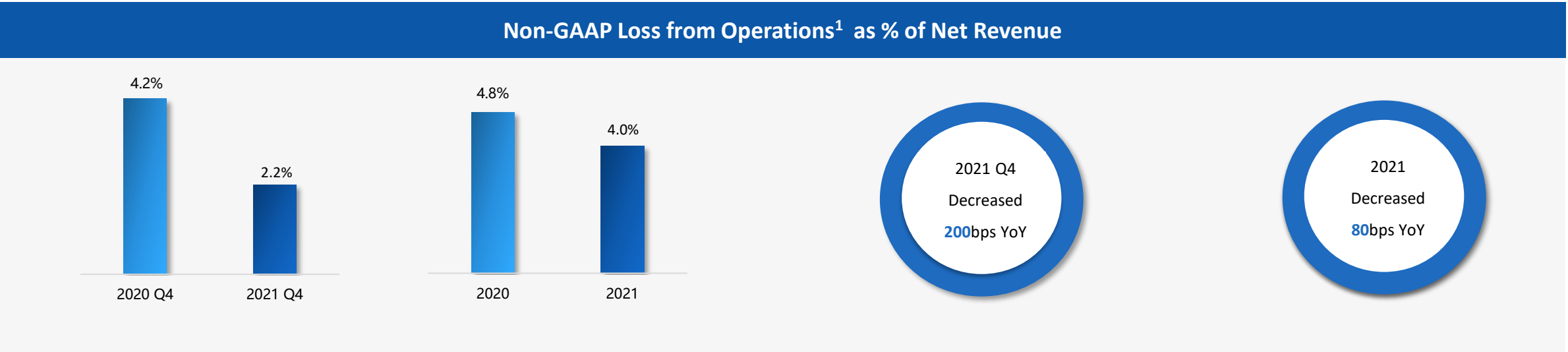
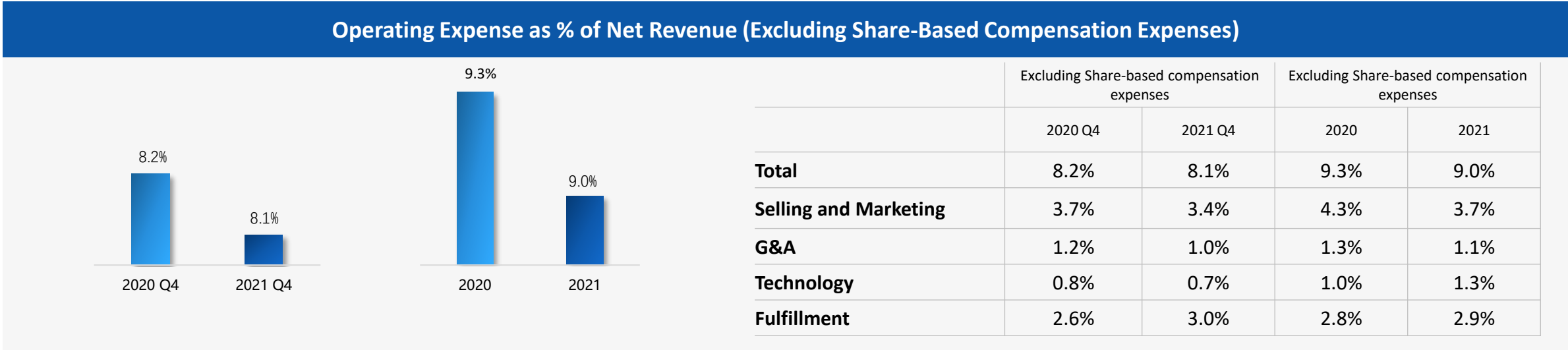
Notes:

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

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



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, 2020		December 31, 2021	
'000	RMB	USD	RMB	USD
Cash and cash equivalents, restrict cash and short-term investments	1,618,701	248,076	943,228	148,014
Total current assets	2,872,704	440,261	2,801,737	439,654
Total assets	3,026,489	463,829	3,145,833	493,650
Total current liabilities	1,629,720	249,765	2,129,978	334,240
Total liabilities	1,695,844	259,899	2,297,128	360,469
Mezzanine Equity	924,245	141,647	1,000,849	157,055
111 Inc's Equity	357,405	54,775	(173,321)	(27,197)
Non-controlling interests	(48,995)	(7,508)	(21,177)	(3,323)
Total liabilities and shareholders' equity	3,026,489	463,829	3,145,833	493,650

Selected Income Statement Summary (For the Three Months Ended December 31)

For the three months				
Ended December 31,				
	2020		2021	
'000	RMB	USD	RMB	USD
Net Revenues	2,642,950	405,049	3,460,851	543,083
Cost of products sold	2,539,396	389,179	3,256,167	510,964
Fulfillment expenses	69,550	10,659	104,876	16,457
Selling and marketing expenses	118,408	18,147	125,334	16,668
General and administrative expenses	31,776	4,870	50,351	7,901
Technology expenses	30,686	4,703	30,883	4,846
Loss from operations	(144,723)	(22,180)	(104,695)	(16,429)
Interest expense (net) and other loss (net)	7,342	1,125	2,951	463
Net Loss	(137,381)	(21,055)	(101,744)	(15,966)
Non-GAAP net loss	(104,964)	(16,086)	(73,946)	(11,604)

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

Non-GAAP Net Loss	For the three months			
	Ended December 31,			
	2020		2021	
'000	RMB	USD	RMB	USD
Net loss	(137,381)	(21,055)	(101,744)	(15,966)
Add:				
Share-based compensation				
Selling and marketing expenses	21,295	3,263	6,904	1,083
General and administrative expenses	1,137	174	15,899	2,495
Technology expenses	9,984	1,530	4,995	784
Non-GAAP net loss	(104,964)	(16,086)	(73,946)	(11,604)

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

For the year				
Ended December 31,				
	2020		2021	
'000	RMB	USD	RMB	USD
Net Revenues	8,203,157	1,257,183	12,425,902	1,949,895
Cost of products sold	7,837,325	1,201,123	11,804,807	1,852,432
Fulfillment expenses	226,930	34,779	355,836	55,838
Selling and marketing expenses	399,610	61,243	513,146	80,524
General and administrative expenses	128,226	19,651	206,981	32,480
Technology expenses	92,080	14,112	189,284	29,703
Loss from operations	(473,311)	(72,538)	(642,140)	(100,766)
Interest expense (net) and other loss (net)	6,203	950	21,115	3,314
Net Loss	(467,108)	(71,588)	(621,025)	(97,452)
Non-GAAP net loss	(391,413)	(59,989)	(475,432)	(74,605)

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

Non-GAAP Net Loss	For the year			
	Ended December 31,			
	2020		2021	
'000	RMB	USD	RMB	USD
Net loss	(467,108)	(71,588)	(621,025)	(97,452)
Add:				
Share-based compensation				
Selling and marketing expenses	42,886	6,573	50,531	7,929
General and administrative expenses	20,403	3,127	69,718	10,940
Technology expenses	12,406	1,901	25,343	3,977
Non-GAAP net loss	(391,413)	(59,988)	(475,432)	(74,605)

Q & A

THANK YOU