

# TRANSCENDING THE BOUNDARIES OF HEALTHCARE

**NASDAQ: YI**

Fourth Quarter and Fiscal Year 2022 Earnings Call

Mar 23, 2023

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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, 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 HEALTHCARE INDUSTRY OVERVIEW
- 2 BUSINESS & OPERATIONAL PERFORMANCE HIGHLIGHTS
- 3 FINANCIAL REVIEW
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## 1 HEALTHCARE INDUSTRY OVERVIEW

## 2 BUSINESS & OPERATIONAL PERFORMANCE HIGHLIGHTS

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## Regulatory Changes Provide Tailwinds to the Industry and to 111

- **Health Informatization Speedup.** In May 2022, the General Office of the State Council of China issued the 14th Five-Year Plan for National Health, which clearly proposed to speed up the construction of national health informatization, promote information interconnection, and promote the construction of Internet hospitals and Internet + chronic disease management.
- **Further Guidance for Internet Diagnosis and Treatment.** In June 2022, the National Health Commission of China issued the Rules for the Supervision of Internet Diagnosis and Treatment (Trial Implementation), which further provided new guidance for the development of Internet diagnosis and treatment norms.
- **Higher Requirement for Drug Network Sales.** In September 2022, the State Administration of Market Supervision and Administration issued the Measures for the Supervision and Administration of Drug Network Sales, which provided clearer requirements for the high-quality development of the pharmaceutical e-commerce industry.
- **Prioritized Status of Health Industry.** In October 2022, the report of the 20th National Congress of the Communist Party of China clearly pointed out that "high-quality development is the primary task of building a socialist modern country in an all-round way". As one of the four key directions of people's well-being, health industry is regarded as a strategic priority for development.

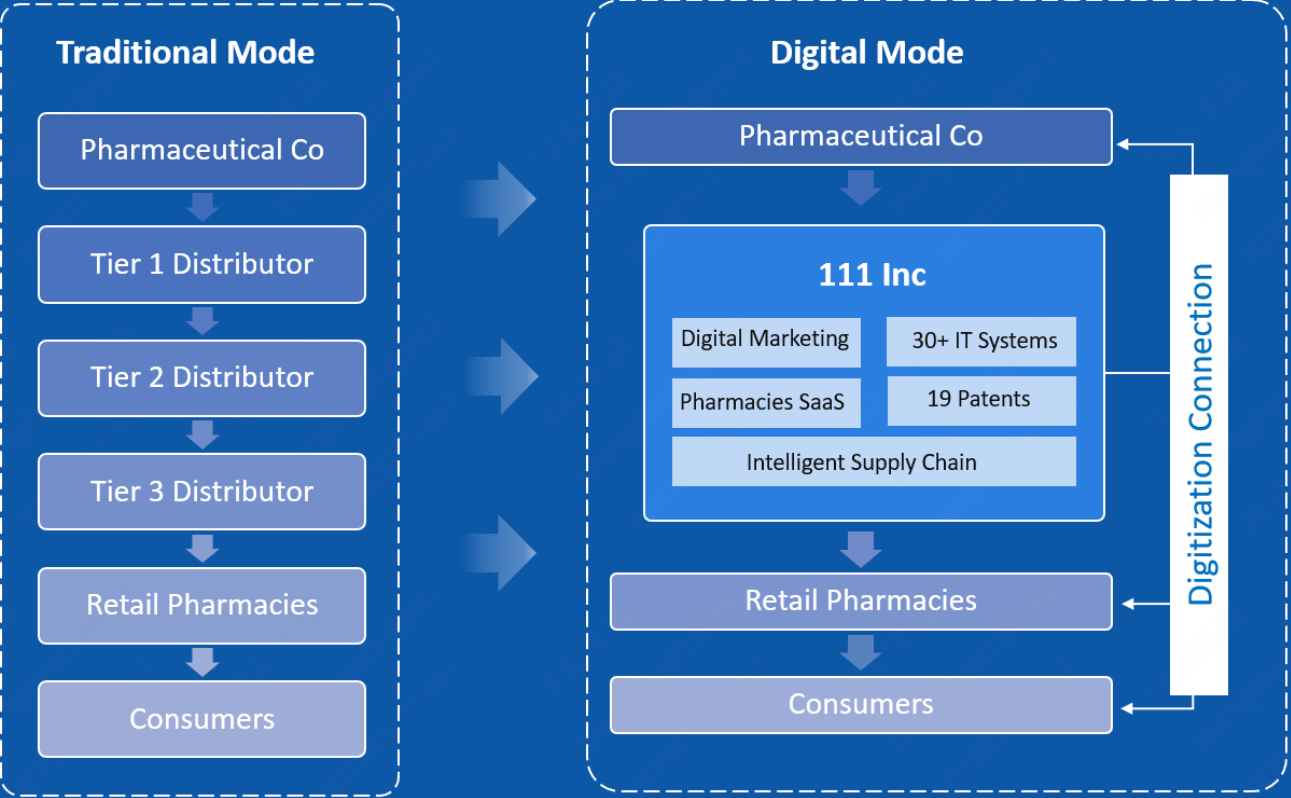


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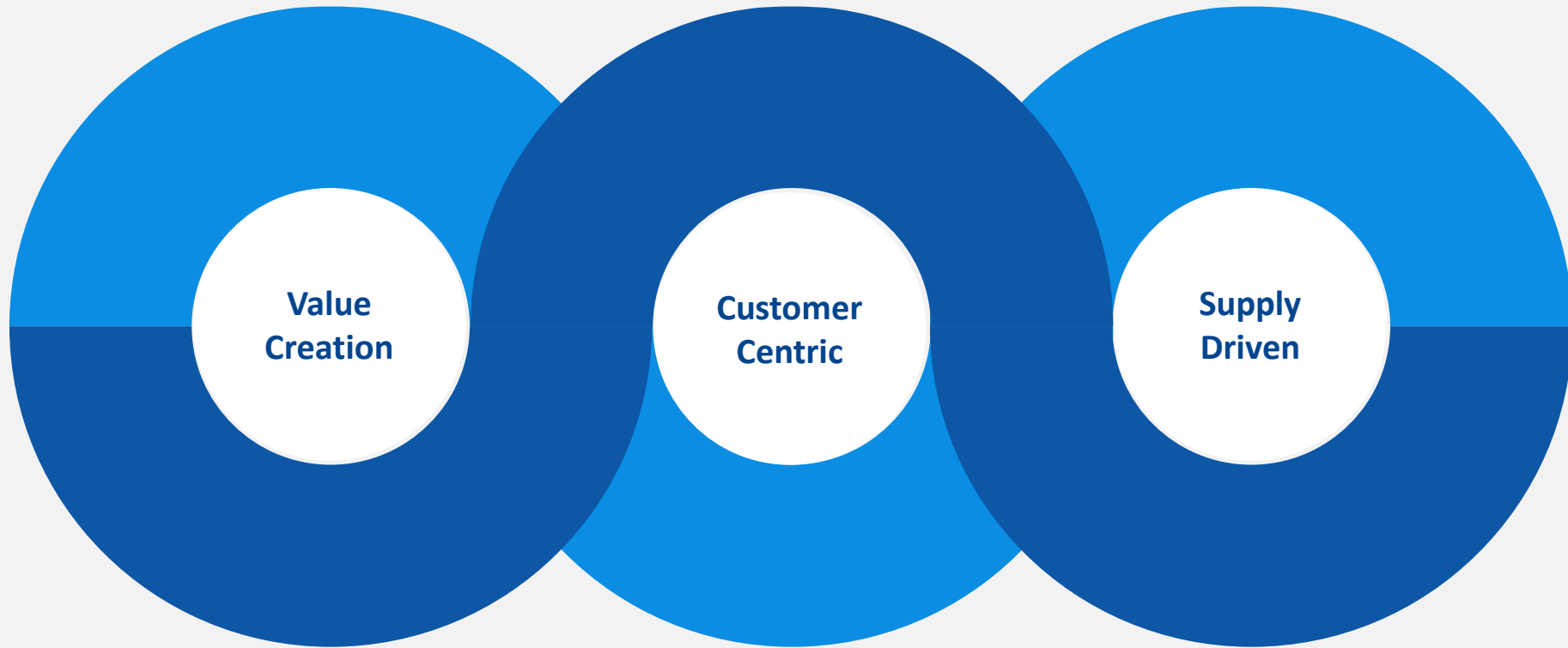


Our Mission

Digitally Connecting Patients with Medicine and Healthcare Services

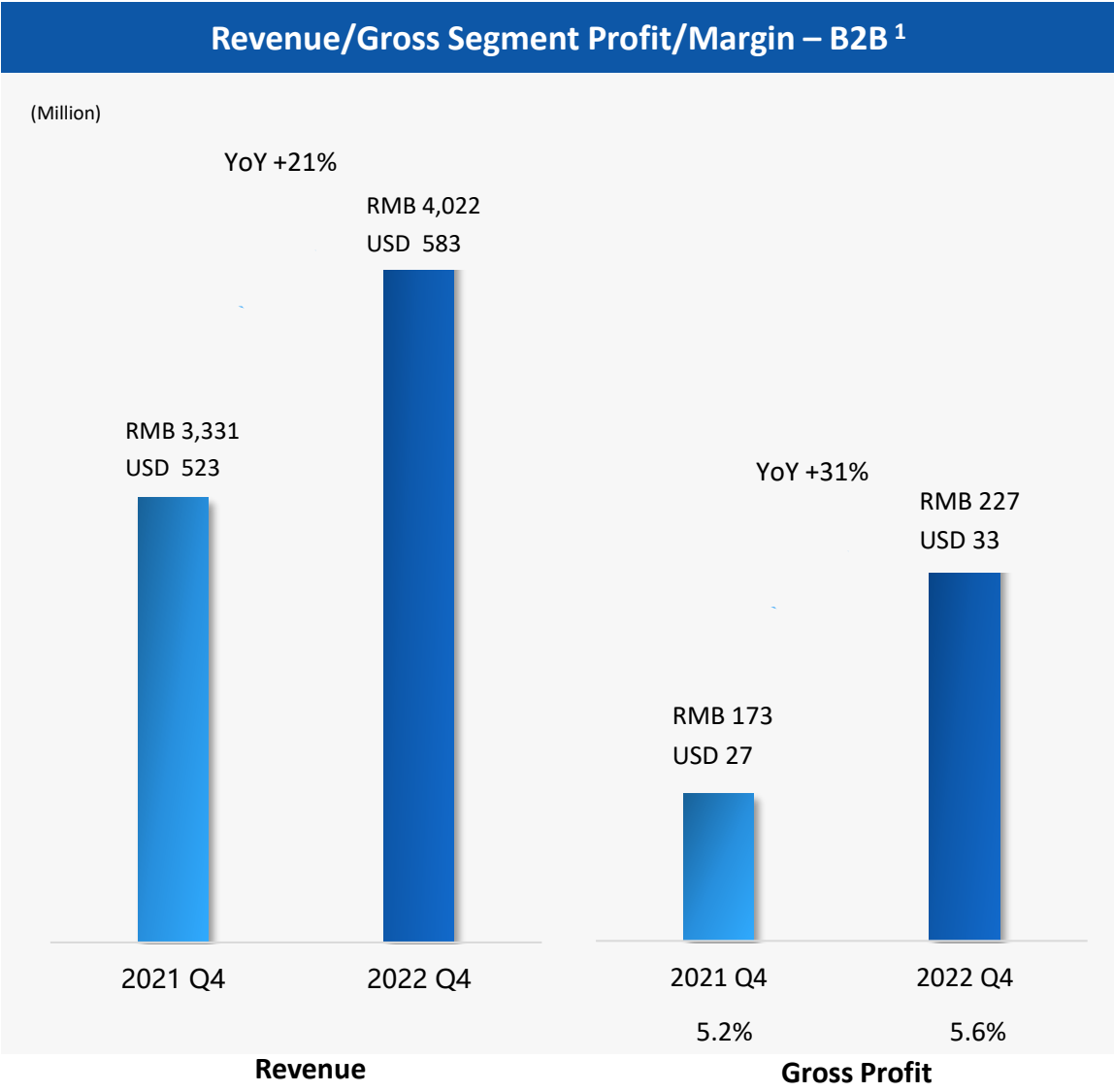
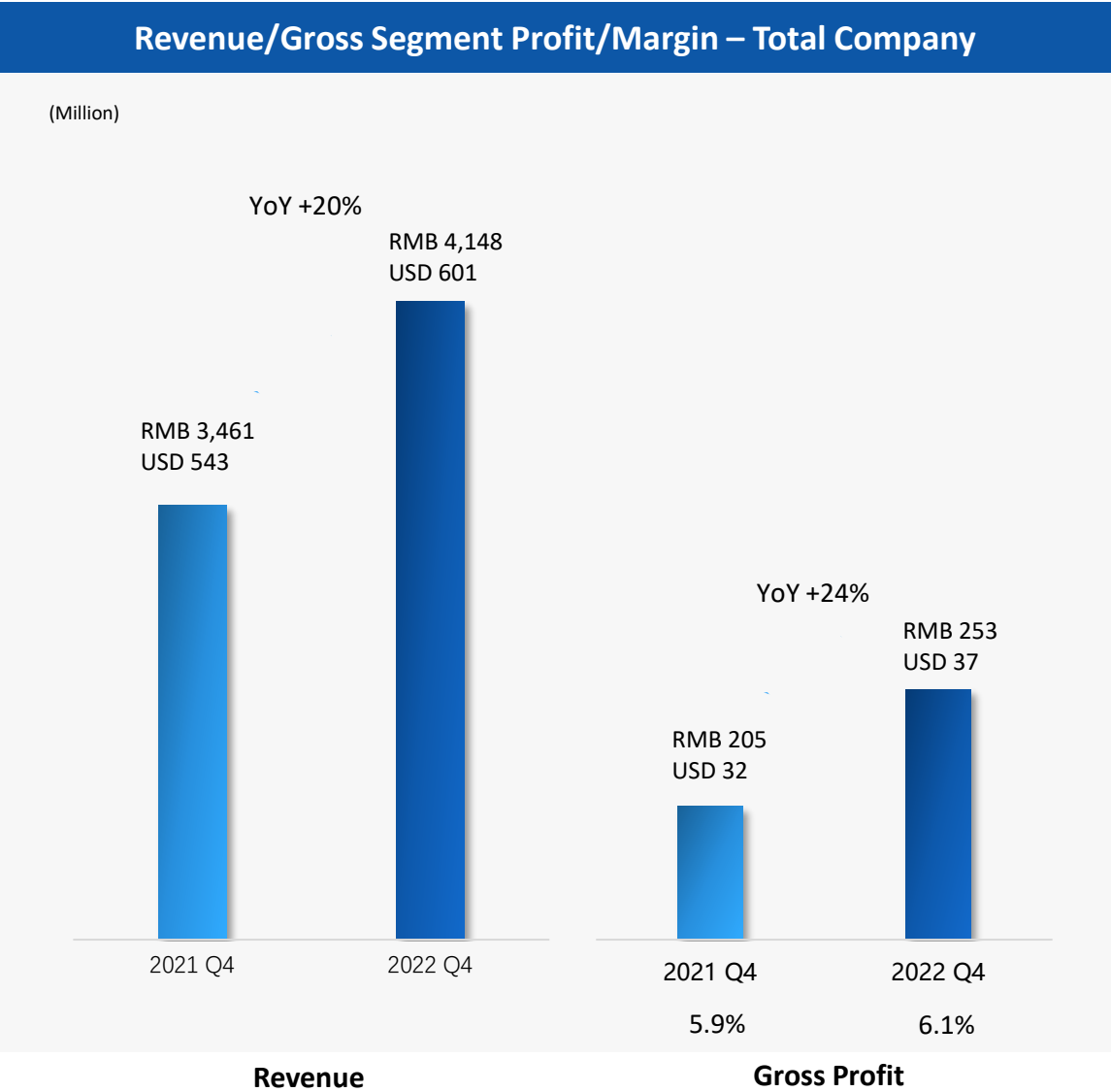


## 111's Focuses



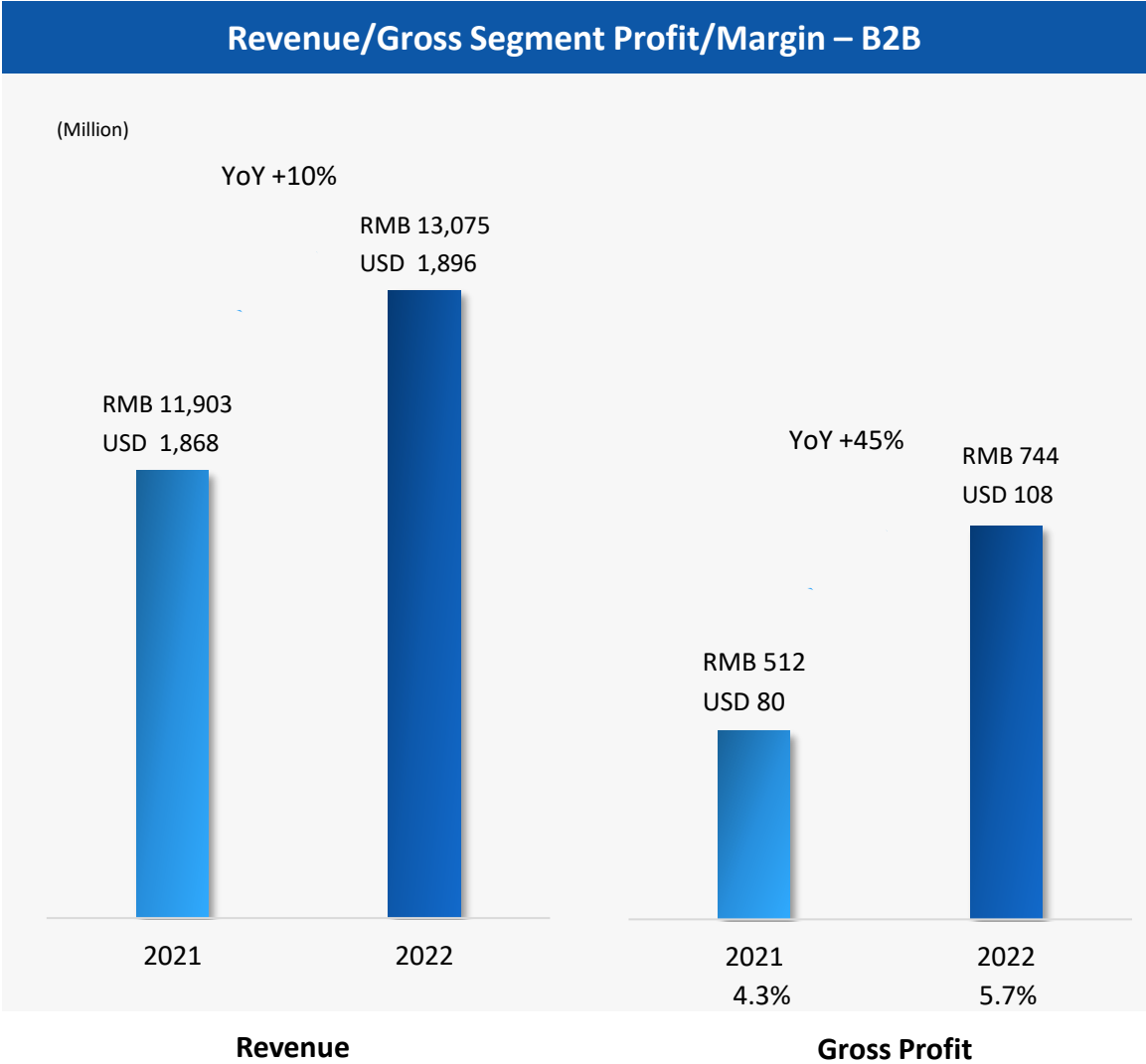
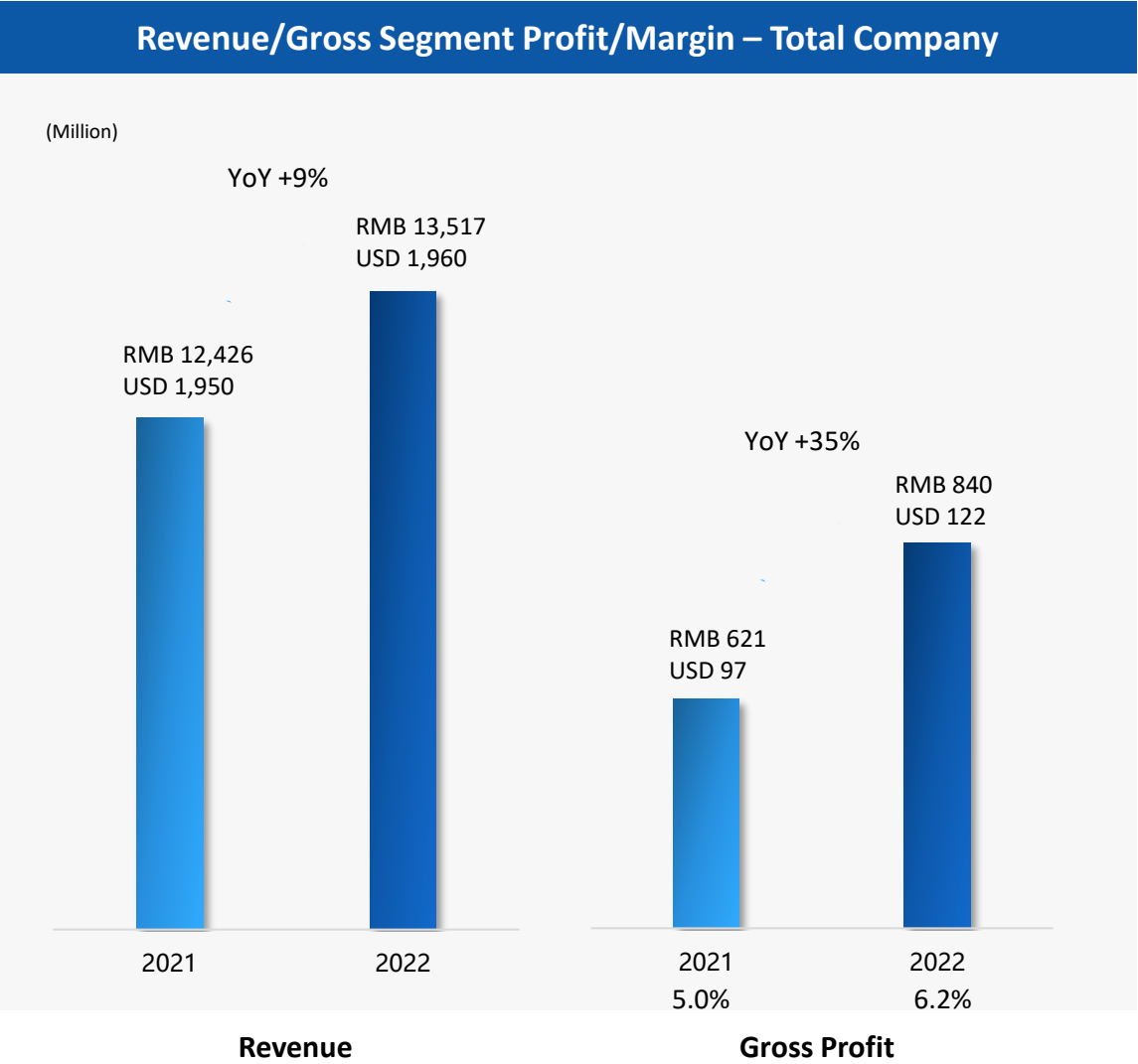


# Strong Q4 Revenue and Gross Segment Profit/Margin Growth



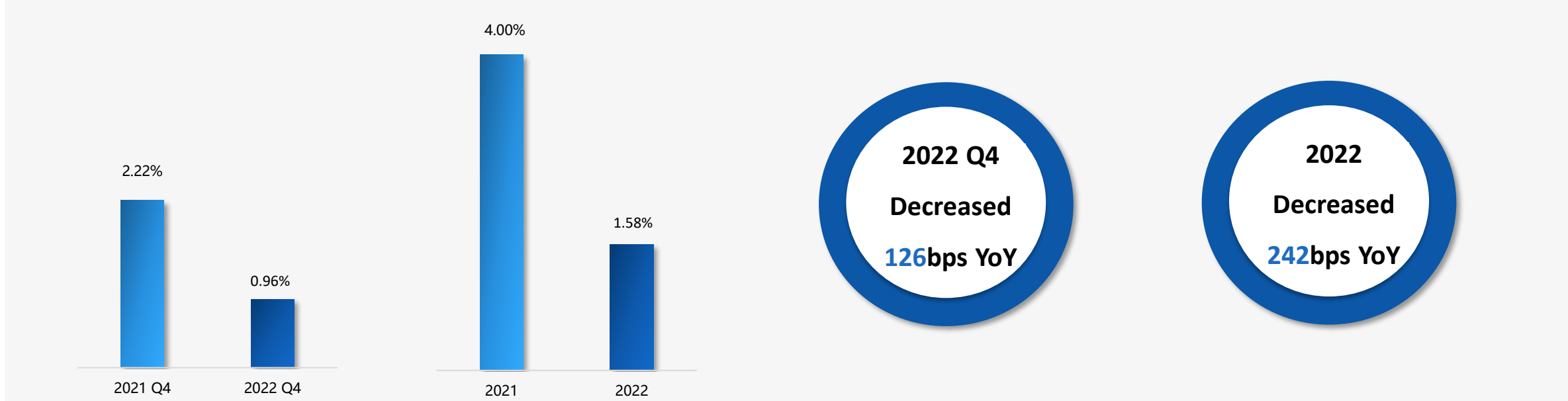
Notes:  
1. B2B segment historical revenue is restated to include E-Channel revenue in the segment. 2. Gross segment profit equals net revenue deduct cost of goods sold;

# Fiscal Year 2022 Net Revenue Increased 9% with Gross Segment Profit Up 35% YoY



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






## Non-GAAP Loss from Operations<sup>1</sup> as % of Net Revenue



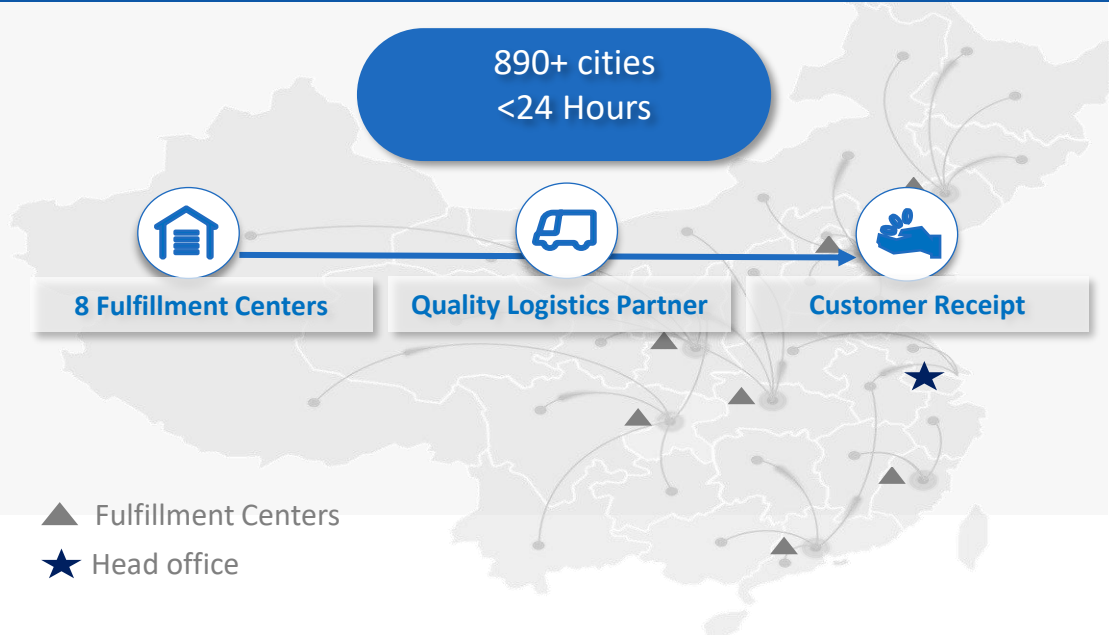
Notes:  
1. Non-GAAP loss from operations represents loss from operations excluding share-based compensation expenses.

# New Initiatives and Investments in Technology



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

# The Business Scale Continued to Expand, and the Gross Profit of Goods and Service Income Increased



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

Reduce the Cost and Increase the Efficiency of Technology Investment, and Effectively Improve the Operation Efficiency

National Level

National E-commerce  
Demonstration Enterprise



National Level

National High-tech  
Enterprise

City Level

Specialized and Sophisticated  
Enterprises that Produce New and  
Unique Products



District Level

Research and Development  
Institutions in Pudong New  
District

## Explore New Business Models and Take Innovation as the Cornerstone of Further Development

### 1 Health



- + 12,000 drugstores through digital franchise
- + Digital SaaS services including intelligent procurement, O2O, CRM for pharmacies
- + Better drug selection, procurement, inventory management for pharmacies
- + Most efficient way for drugs to reach the hands of consumers from manufacturers
- + Digitally connect drugs and healthcare services to consumers

### 111 Internet Hospital



- + First official flagship store of Hua Medicine
- + Help patients in accessing newly launched drugs
- + Patient care, from initial drug fulfillment, to patient education, drug adherence management, online assistance of patient questions and refill
- + Green-Channel service for Covid patients
- + Digital platform for the omni- channels commercialization of drugs





Over the past year, with the advantages of digital technology and integrated online and offline platform, 111,Inc. has actively helped fight the pandemic.

1. During the lock down, 111 was appointed as one of the critical living guarantee enterprises in Shanghai, The company set up an "virtual fight-Covid headquarters" as soon as the pandemic broke out in Shanghai in early 2022, and successively launched online free clinics, supplied new coronavirus antigen detection products, established exclusive procurement channels for epidemic prevention supplies and drugs for enterprises and consumers, provided critical services for medication supply for chronic patients.

2. During the pandemic period, 111 opened professional medication guidance for pharmacists and free online consultations through our internet hospital. 111 has made every effort to provide one-stop drug purchasing service for the vast number of users and set up several offline pharmacy pick-up points, recruited riders and volunteers to complete the last kilometer distribution, and provided online prescription and drug delivery services for customers. The offer covered more than 3000 kinds of medicines and more than 400 kinds of disease types.

3. In the context of the post-Covid economic promotion measures, 111 was again picked by the government as the designated healthcare platform in the Shanghai Electronic Consumption Voucher Campaign in 2022. We provided services and offered citizens of Shanghai to redeem vouchers on our digital platform, helping government and residents in consumption recovery.

In the future, we will always firmly fulfill our social responsibilities and make continuous efforts to actively contribute to the construction of a healthy China.

# Our Strategic Roadmap

## Stage 1

### Build infrastructure and eco-system

- 1 Medicine
- 1 Pharmacy
- 1 Clinic

## Stage 2

### Build scale

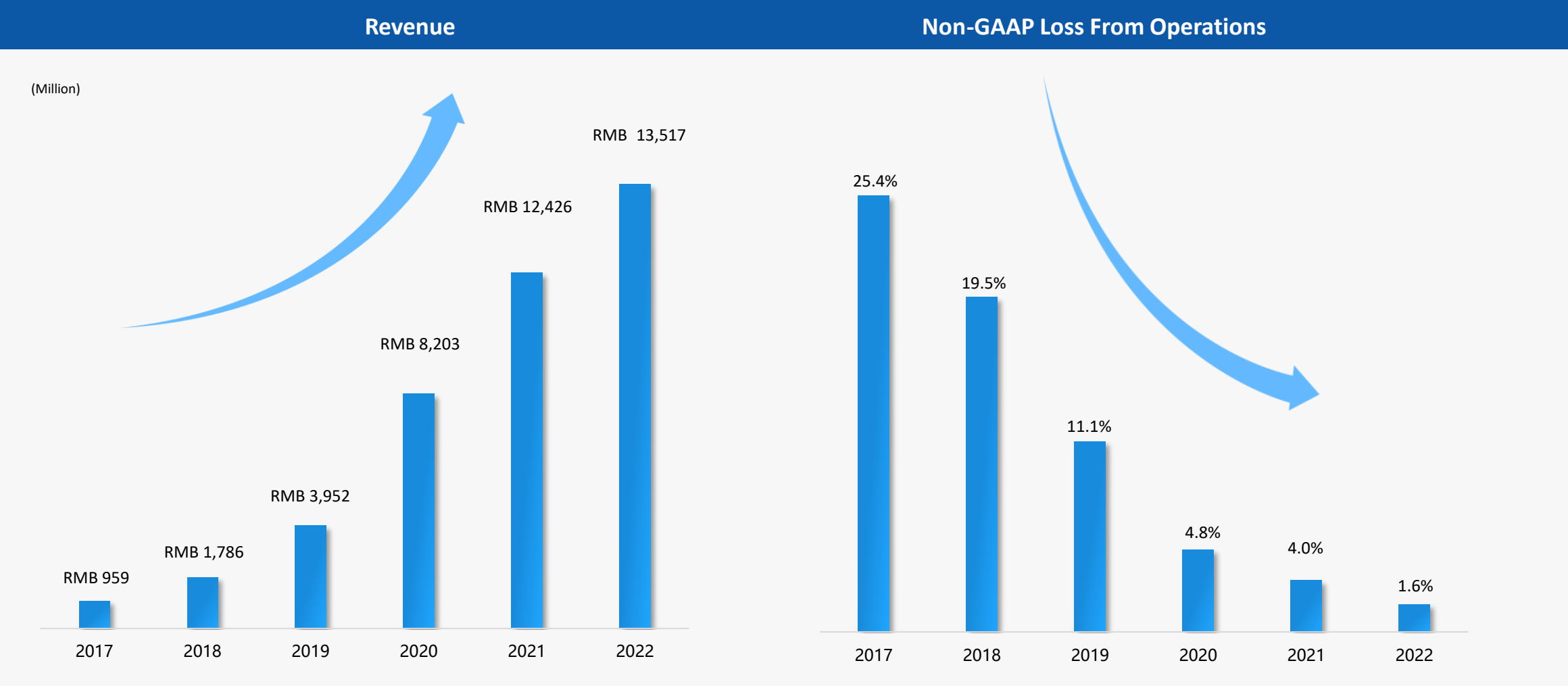
- Total revenue for 2022 is 13.5 billion
- Direct sourcing from 500+ well-known Chinese and foreign pharmaceutical companies
- Serve 435,000+ pharmacies across China, achieving a 70% pharmacy coverage rate
- Cover 890+ cities and counties within 24 hours
- Consolidate the technological moat with 19 patents 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 14 times in 5 Years While Non-GAAP Loss From Operations as % of Net Revenue Further Narrowed

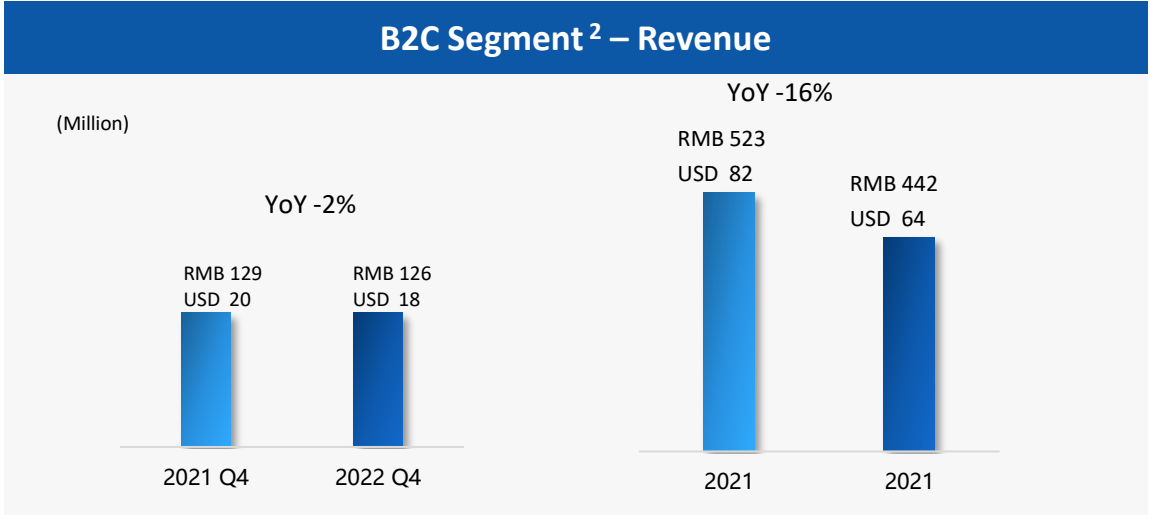
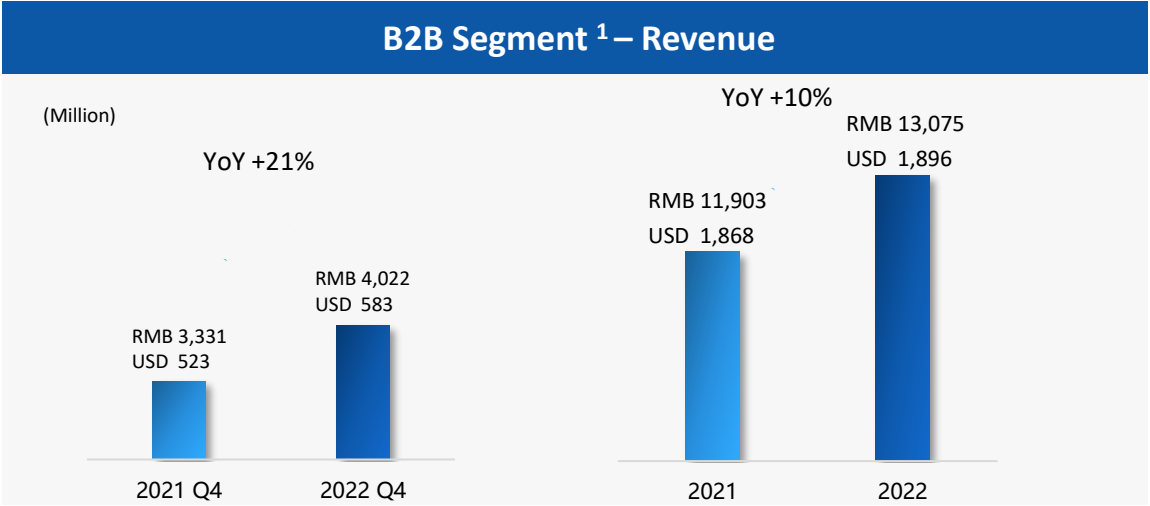
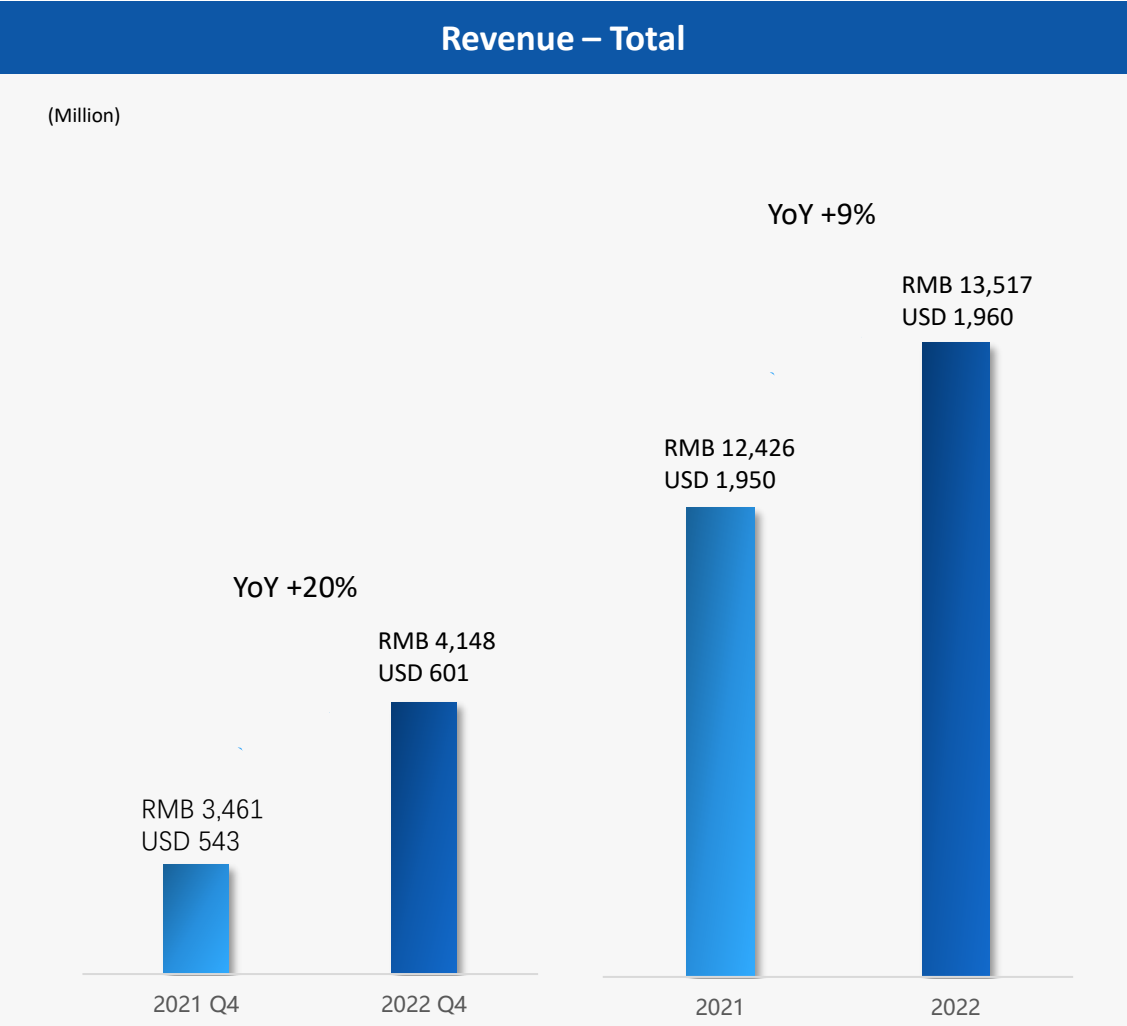


Notes:  
1. Non-GAAP loss from operations represents loss from operations excluding share-based compensation expenses.

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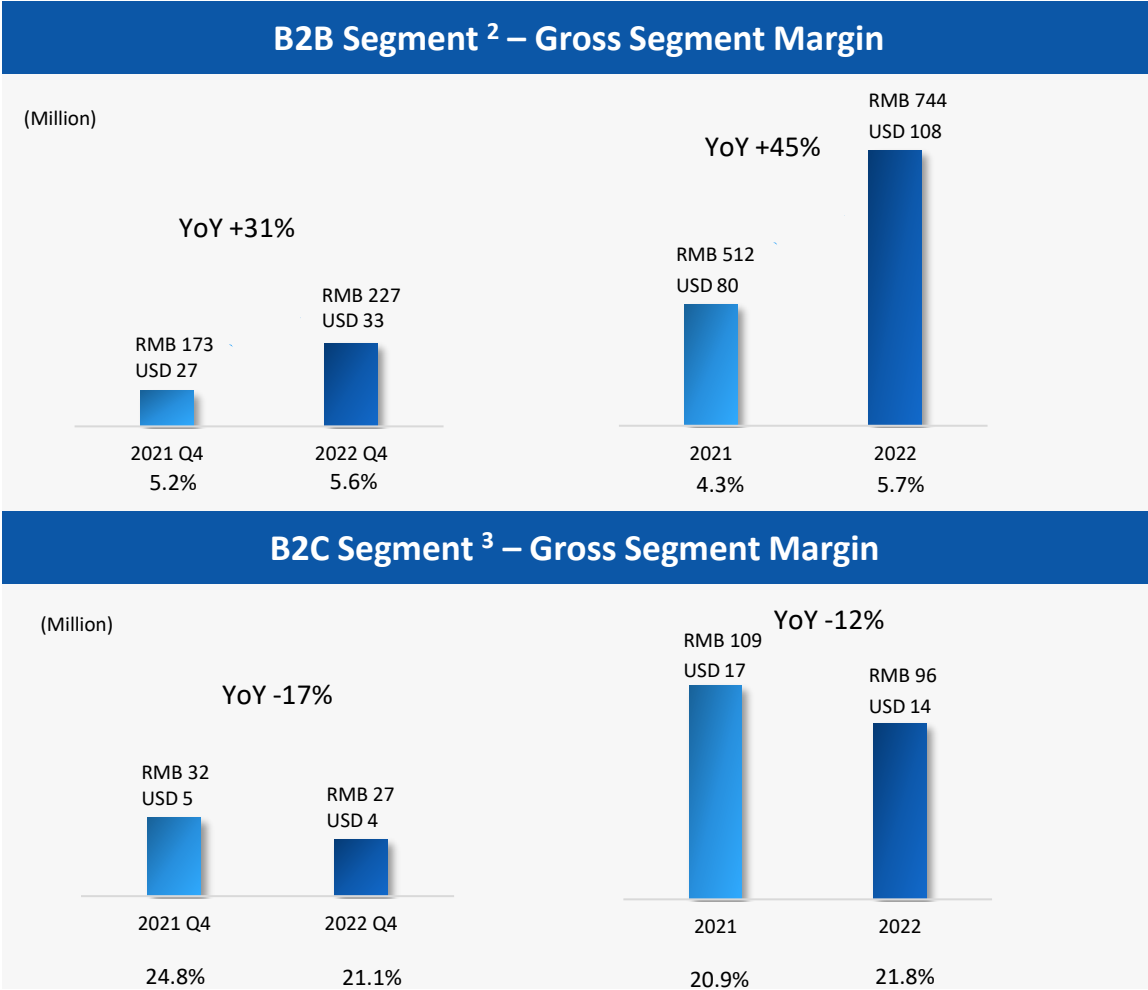
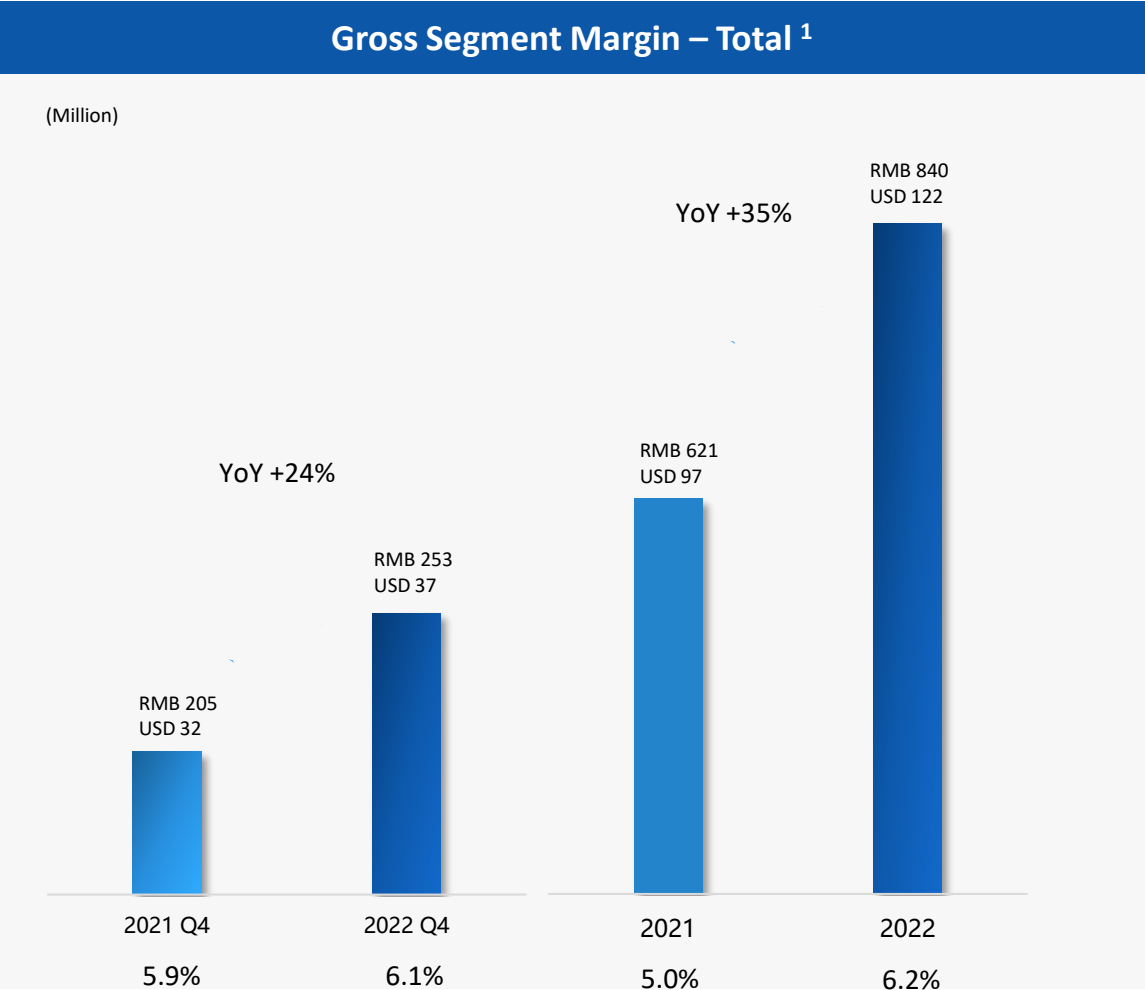


# Strong Revenue Growth Driven by B2B Segment



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.

# B2B Drove Significant Gross Segment Margin Expansion



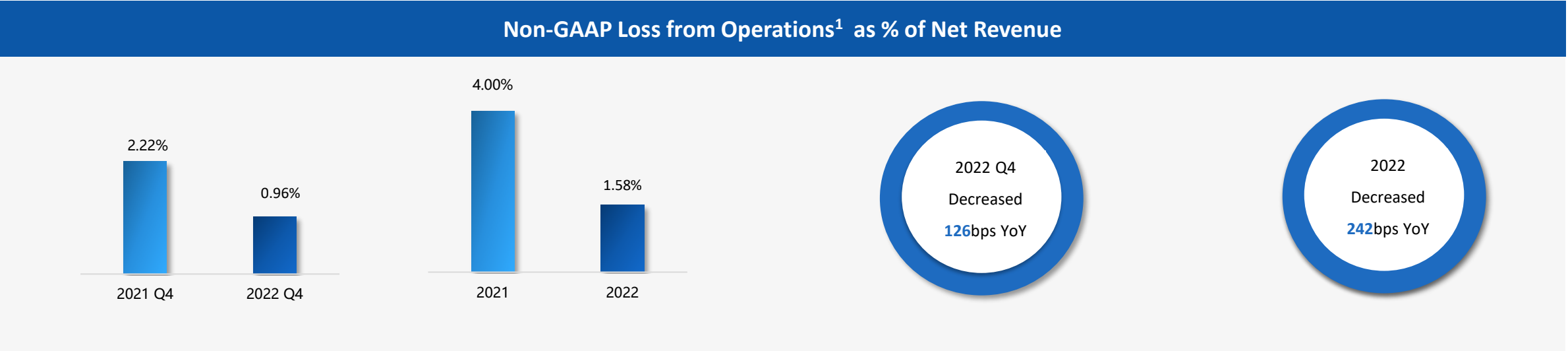
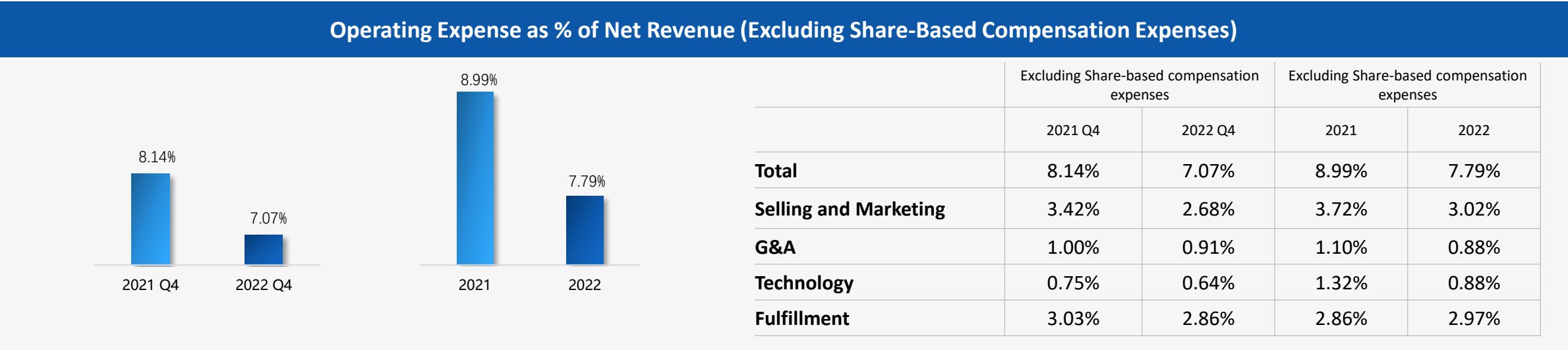
Notes:

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, 2021		December 31, 2022	
'000	RMB	USD	RMB	USD
Cash and cash equivalents, restrict cash and short-term investments	943,228	148,014	922,652	133,772
Total current assets	2,801,737	439,654	3,235,825	469,151
Total assets	3,145,833	493,650	3,473,814	503,656
Total current liabilities	2,129,978	334,240	2,725,110	395,103
Total liabilities	2,297,129	360,469	2,825,579	409,670
Mezzanine equity	1,000,849	157,055	1,056,939	153,242
111 Inc's equity	(173,321)	(27,197)	(414,599)	(60,111)
Non-controlling interests	21,176	3,323	5,895	855
Total liabilities and shareholders' equity	3,145,833	493,650	3,473,814	503,656

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

	For the Three Months			
	Ended December 31,			
	2021		2022	
'000	RMB	USD	RMB	USD
Net revenues	3,460,851	543,083	4,148,247	601,440
Cost of products sold	3,256,167	510,964	3,894,755	564,686
Fulfillment expenses	104,876	16,457	118,806	17,225
Selling and marketing expenses	125,334	16,668	134,053	19,436
General and administrative expenses	50,351	7,901	73,014	10,586
Technology expenses	30,883	4,846	37,232	5,398
Loss from operations	(104,695)	(16,429)	(108,427)	(15,719)
Interest expense (net) and other loss (net)	2,951	463	4,351	631
Net loss	(101,744)	(15,966)	(104,076)	(15,088)
Non-GAAP net loss	(73,946)	(11,604)	(35,384)	(5,129)

## Cash Flow Statements (For the Three Months Ended December 31)

	For the Three Months			
	Ended December 31,			
	2021		2022	
'000	RMB	USD	RMB	USD
Net cash (used in) provided by operating activities	(314,143)	(49,296)	63,209	9,166
Net cash provided by (used in) investing activities	187,007	29,345	(118,198)	(17,138)
Net cash provided by financing activities	190,228	29,851	21,818	3,163
Effect of exchange rate changes on cash and cash equivalents, and restricted cash	(2,749)	(430)	(9,274)	(1,345)
Net increase (decrease) in cash and cash equivalents, and restricted cash	60,343	9,470	(42,445)	(6,154)
Cash and cash equivalents, and restricted cash at the beginning of the period	700,329	109,897	759,236	110,079
Cash and cash equivalents, and restricted cash at the end of the period	760,672	119,367	716,791	103,925

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

Non-GAAP Net Loss	For the Three Months			
	Ended December 31,			
	2021		2022	
'000	RMB	USD	RMB	USD
Net loss	(101,744)	(15,966)	(104,076)	(15,088)
Add:				
Share-based compensation				
Selling and marketing expenses	6,904	1,083	22,768	3,301
General and administrative expenses	15,899	2,495	35,291	5,116
Technology expenses	4,995	784	10,633	1,542
Non-GAAP net loss	(73,946)	(11,604)	(35,384)	(5,129)



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

	For the year			
	Ended December 31			
	2021		2022	
'000	RMB	USD	RMB	USD
Net revenues	12,425,902	1,949,895	13,516,698	1,959,736
Cost of products sold	11,804,807	1,852,432	12,676,722	1,837,952
Fulfillment expenses	355,836	55,838	401,414	58,200
Selling and marketing expenses	513,146	80,524	457,880	66,386
General and administrative expenses	206,981	32,480	205,623	29,813
Technology expenses	189,284	29,703	139,504	20,226
Loss from operations	(642,140)	(100,766)	(371,001)	(53,792)
Interest expense (net) and other loss (net)	21,115	3,314	(5,068 )	(735 )
Net loss	(621,025)	(97,452)	(376,069)	(54,527)
Non-GAAP net loss	(475,432)	(74,605)	(218,685)	(31,708)

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

	For the year			
	Ended December 31,			
	2021		2022	
'000	RMB	USD	RMB	USD
Net cash (used in) provided by operating activities	(688,837)	(108,092)	(23,152)	(3,356)
Net cash provided by (used in) investing activities	60,138	9,437	(47,173)	(6,840)
Net cash provided by financing activities	74,339	11,665	22,735	3,296
Effect of exchange rate changes on cash and cash equivalents, and restricted cash	(3,502)	(550)	3,709	538
<b>Net increase (decrease) in cash and cash equivalents, and restricted cash</b>	<b>(557,862)</b>	<b>(87,540)</b>	<b>(43,881)</b>	<b>(6,362)</b>
Cash and cash equivalents, and restricted cash at the beginning of the year	1,318,534	206,907	760,672	110,287
Cash and cash equivalents, and restricted cash at the end of the year	760,672	119,367	716,791	103,925



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

Non-GAAP Net Loss	For the year			
	Ended December 31,			
	2021		2022	
'000	RMB	USD	RMB	USD
Net loss	(621,025)	(97,452)	(376,069)	(54,527)
Add:				
Share-based compensation				
Selling and marketing expenses	50,532	7,930	50,110	7,265
General and administrative expenses	69,718	10,940	86,992	12,613
Technology expenses	25,343	3,977	20,282	2,941
Non-GAAP net loss	(475,432)	(74,605)	(218,685)	(31,708)

# Q & A

THANK YOU