



Transcending the Boundaries of Healthcare

NASDAQ: YI

2020 Q3 Earnings Call

November 19, 2020



DISCLAIMER



The following presentation has been prepared by 111, Inc. ("111" or the "Company") solely for informational purposes and should not be construed to be, directly or indirectly, in whole or in part, an offer to buy or sell and/or an invitation and/or a recommendation and/or a solicitation of an offer to buy or sell any security or instrument or to participate in any investment or trading strategy, nor shall any part of it form the basis of, or be relied on in connection with, any contract or investment decision in relation to any securities or otherwise.

This presentation does not contain all relevant information relating to the Company or its securities, particularly with respect to the risks and special considerations involved with an investment in the securities of the Company. Nothing contained in this document shall be relied upon as a promise or representation as to the past or future performance of the Company. Past performance does not guarantee or predict future performance.

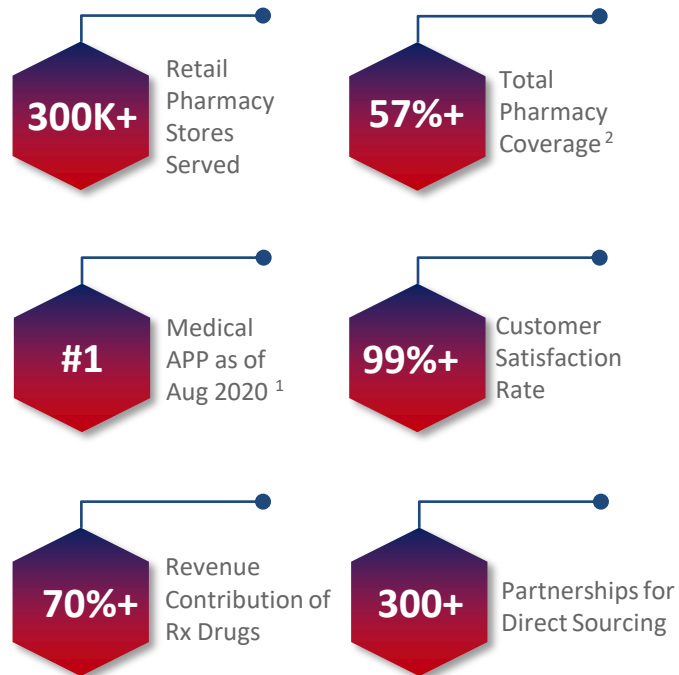
You acknowledge that any assessment of the Company that may be made by you will be independent of this document and that you will be solely responsible for your own assessment of the market and the market position of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the business of the Company.

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 to 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, 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.

Redefining Healthcare Access and Delivery



Strengthen our **digital healthcare platform** by enabling key stakeholders via **proprietary cloud-based solutions**

Capitalize on an enormous market opportunity by delivering a market-leading, tech-enabled, **comprehensive virtual healthcare services platform** in China

Create a **multi-service, omni-channel drug commercialization platform**, establishing 111 as the partner of choice for pharmaceutical companies

Leverage our smart supply chain and data capabilities to integrate our **online and offline infrastructure**



**Digitally Connect
Patients with
Medicine and
Healthcare
Services**

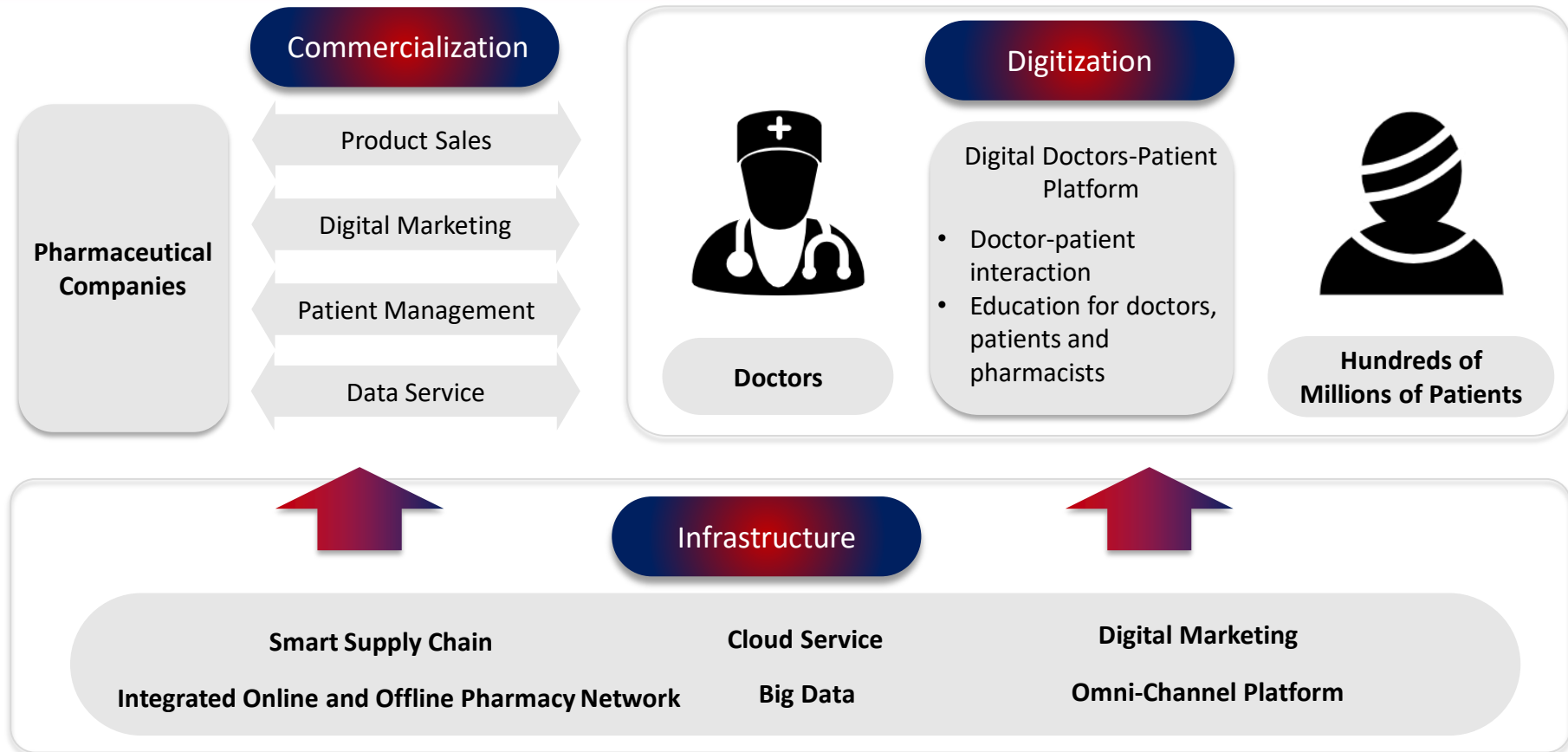
Note:

1. 1Drug Store ranked No.1 in the research report Top 3 Active Pharmaceutical E-commerce APP Users in Aug 2020 by 100ec.cn.

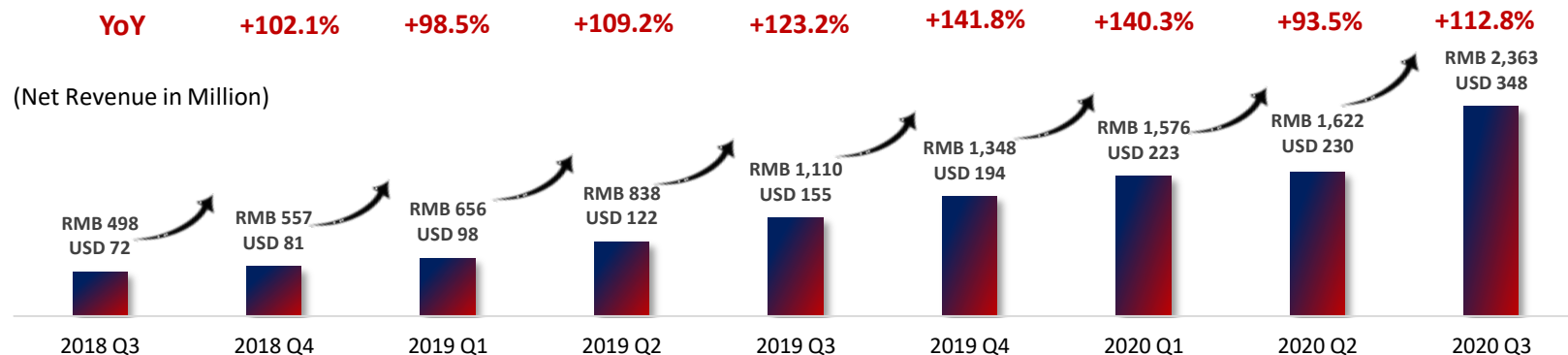
2. The number of total pharmacies is 524 thousand, which is published in 2019 Annual Medicine Oversight Statistic Annual Report by National Medical Product Administration.

111: Progress on Key Strategic Initiatives

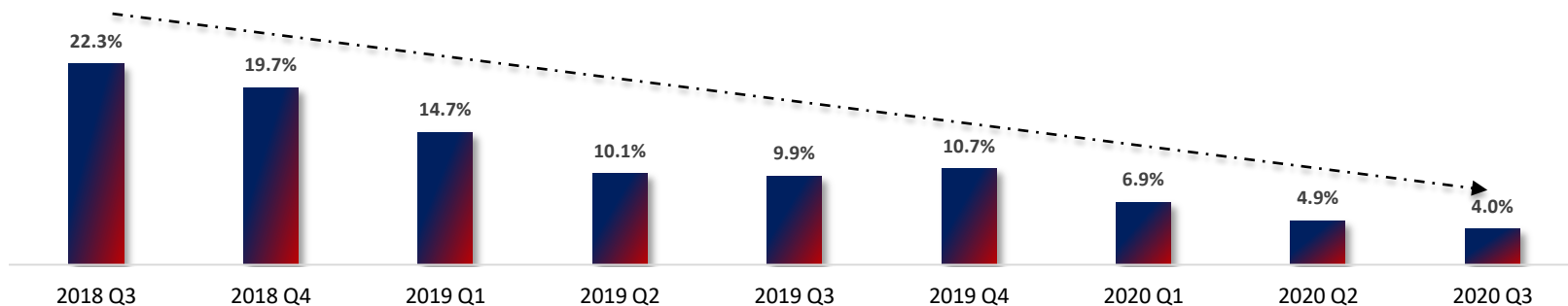
In Digitalization, Infrastructure & Commercialization



Exponential Growth Since IPO



(Non-GAAP Net Loss as % of Net Revenue)



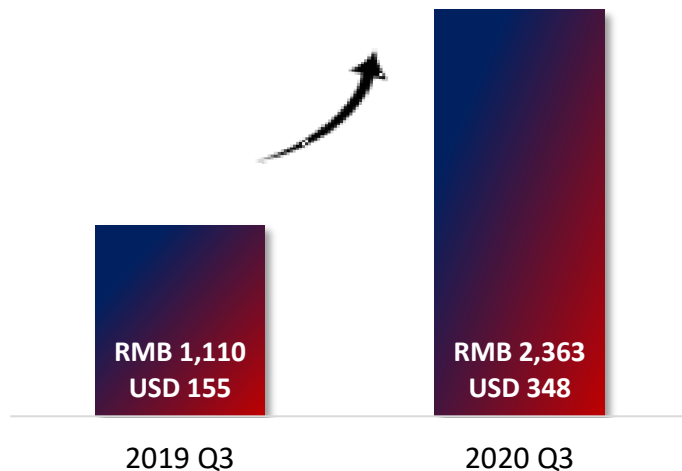
Scaling Our Business Growth

While Sustaining Strong Momentum and Delivering Stellar Growth

NET REVENUE

YoY +112.8%

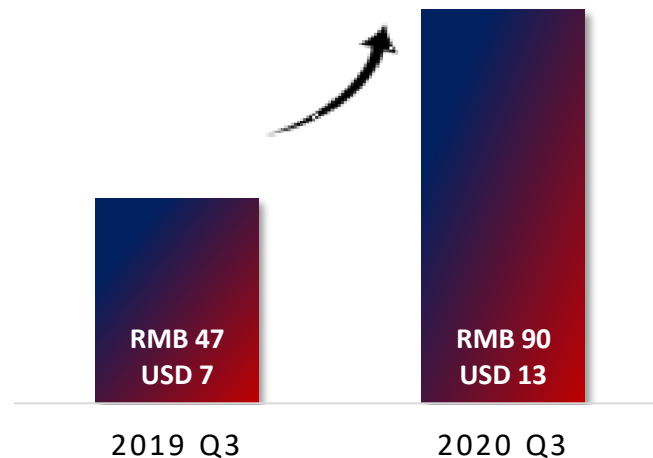
(Million)



GROSS PROFIT

YoY +90.0%

(Million)



Driving Robust Growth in B2B

While Expanding and Diversifying Revenue Streams

B2B

Revenue (Million)

YoY +134.1%

Gross Profit (Million)

YoY +343.7%

RMB 941
USD 132

2019 Q3

RMB 2,202
USD 324

2020 Q3

RMB 13
USD 2

2019 Q3

RMB 58
USD 9

2020 Q3

GM%

1.4%

2.6%

B2C

Revenue (Million)

YoY -5.2%

Gross Profit (Million)

YoY -6.3%

RMB 170
USD 24

2019 Q3

RMB 161
USD 24

2020 Q3

RMB 34
USD 5

2019 Q3

RMB 32
USD 5

2020 Q3

GM%

20.2%

20.0%

Smart supply chain enabled intelligent and integrated distribution solutions

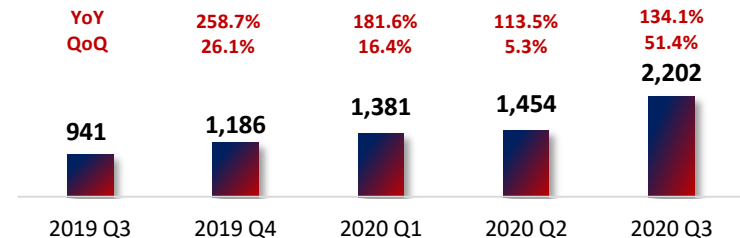
Inventory on demand, smart sourcing and just-in-time delivery to enable shorter inventory cycle and lower procurement cost

B2B: Net Revenue Up 134% with Order Numbers Increased 297% YoY

Underpinned by Strong Market Demand & Expansive Portfolio of Services

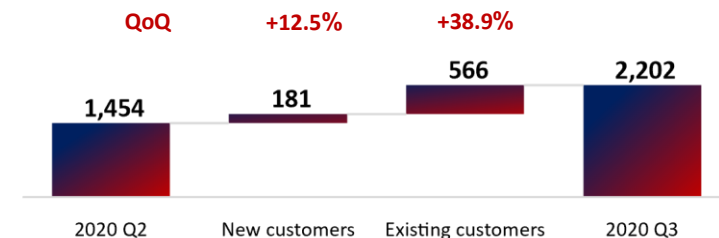
B2B Revenue ¹

Revenue (RMB Million)



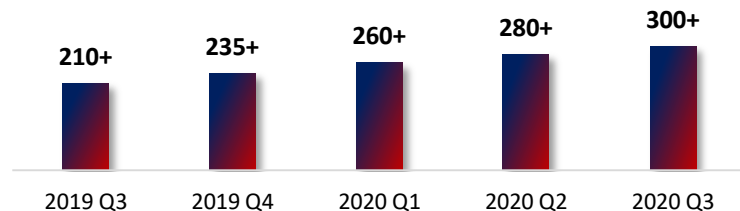
B2B Revenue Growth Mix ²

Revenue (RMB Million)



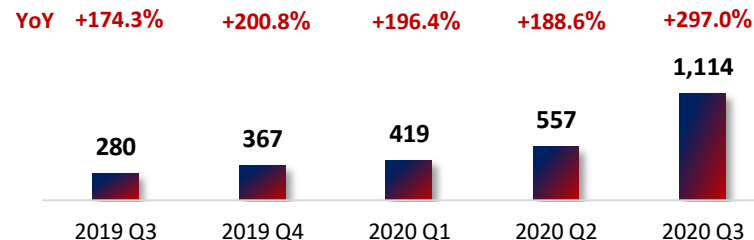
No. of Pharmacies

(Thousand)



Order Numbers

(Thousand)



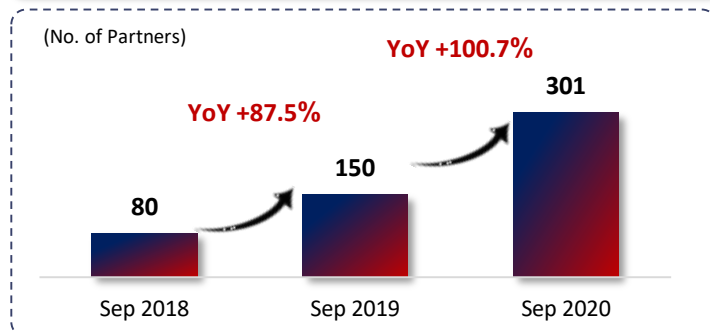
Notes:

1. B2B segment historical revenue is restated to include E-Channel revenue in the segment.
2. We define existing customers as the customers who have placed orders from 111 prior to third quarter 2020.

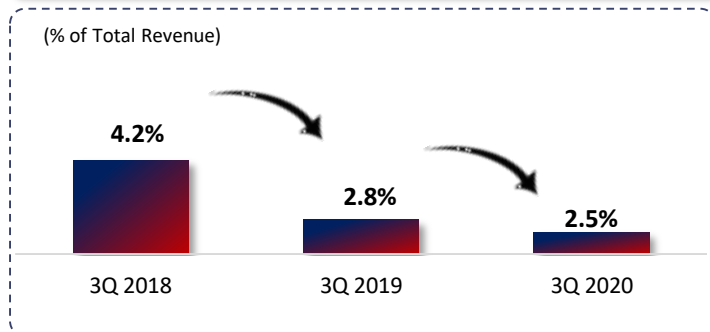
111: Fast Expanding Partnership with Leading Pharmaceutical Companies

With our Continued Commitment to Innovation

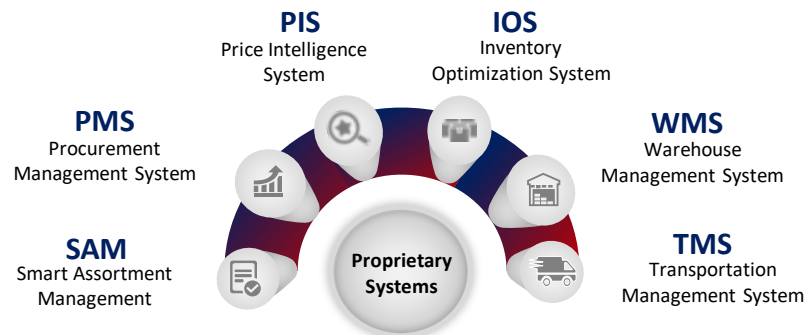
Growth of Partnership



Fulfillment Cost



Best-in-Class Smart Supply Chain Management Systems



Just in Time inventory management enable individual pharmacy client place small quantity orders.



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

111: Advancing Omni-channel Drug Commercialization Opportunities

Through Strategic Partnerships with Leading Market Players

Omni-channel Drug Commercialization and Multi-layer Partnerships

Bayer Healthcare (September 24, 2020):

- drug commercialization initiatives in China

Huluwa Pharmaceutical (September 24, 2020):

- commercialization for its pediatric healthcare products

Xiangxue Pharmaceutical (September 24, 2020):

- commercialization of its traditional Chinese medicine products

Shanghai Uniondrug (September 24, 2020):

- multiple-layer partnership covering promotion of commercial insurance innovation, explorations in oncology drug retail and diversified healthcare services, and providing integrated solutions for pharmaceutical companies

3rd annual China Online Healthcare Summit and Partnership Conference (September 24, 2020):

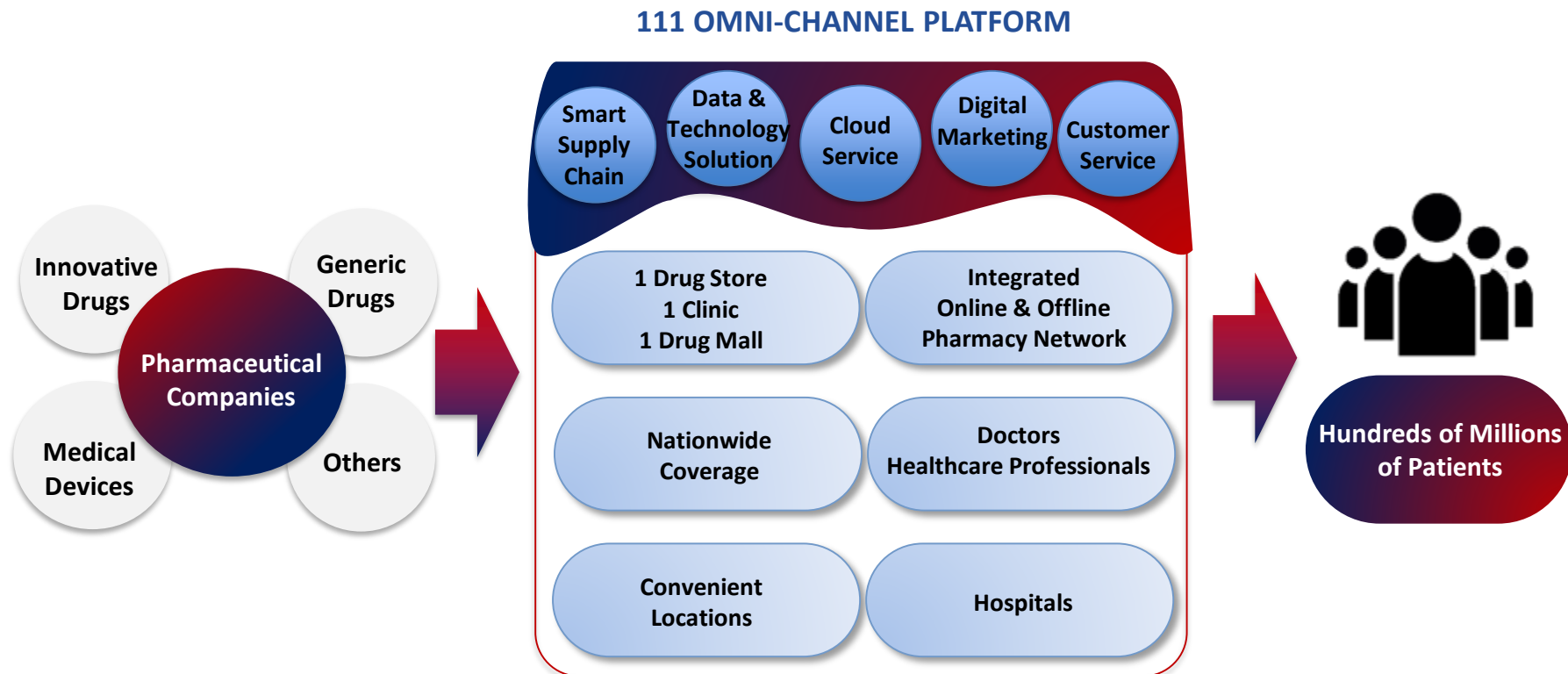
- other strategic cooperation agreements were also signed with Novartis, Agilent Technologies Inc., Shanghai Juyin Information Technology Co. Ltd. and Zoenet (Xiamen) Health Co. Ltd.

Baiyunshan Pharmaceutical (August 25, 2020):

- sales partnership for the commercialization of its medical health products

111: One Omni-Channel Digital Platform for Drug Commercialization

For Leading Global and Domestic Pharmaceutical Companies



111: One Digital Marketing Platform for Healthcare Products and Services

Serving Leading Global and Domestic Pharmaceutical Companies



Patient Education

Doctor Education

Pharmacist Education

Social Media Matrix



Comprehensive, nationwide coverage, including under-served and rural areas

Access a wide audience through multiple channels to share info on new drugs & products

Connect and interact with doctors, pharmacists, and patients under one platform

Live Health Lecture

Interactive Q&A

Homepage Display



Financial Review

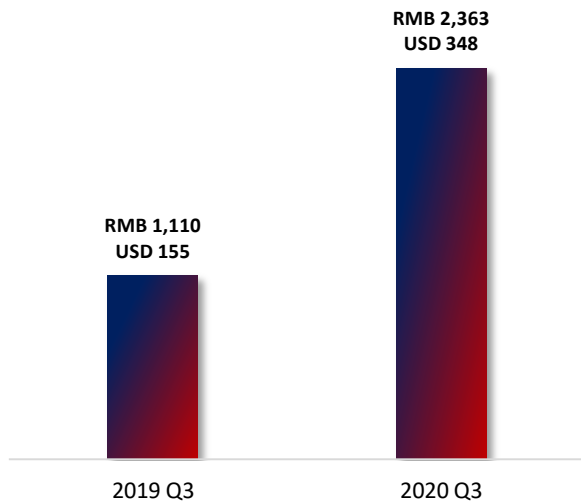


Revenue Exceeded Top End of Guidance Range

Revenue – Total

(Million)

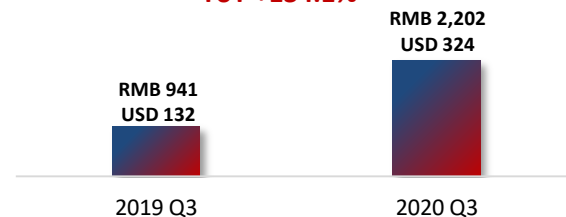
YoY +112.8%



B2B Segment ¹

(Million)

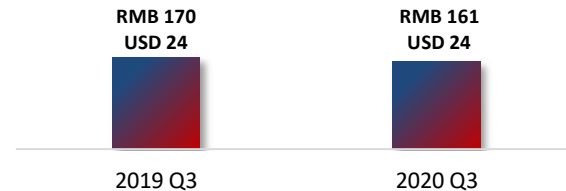
YoY +134.1%



B2C Segment ²

(Million)

YoY -5.2%



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 Margin Expansion

Gross Margin – Total ¹

(Million)

YoY +90.0%

RMB 47
USD 7

2019 Q3

GM%

4.3%

RMB 90
USD 13

2020 Q3

3.8%

B2B Segment ²

(Million)

YoY +343.7%

RMB 13
USD 2

2019 Q3

GM%

1.4%

RMB 58
USD 9

2020 Q3

2.6%

B2C Segment ³

(Million)

YoY -6.3%

RMB 34
USD 5

2019 Q3

GM%

20.2%

RMB 32
USD 5

2020 Q3

20.0%

Notes:

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

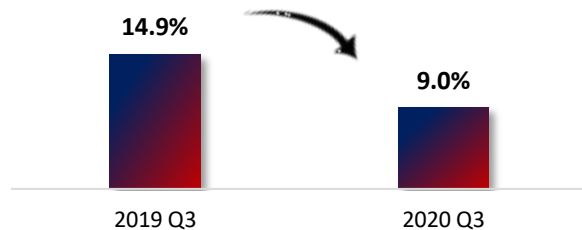
2. B2B Gross Margin% = (B2B Product Revenue + B2B Service Revenue – B2B COGS)/B2B Revenue

3. B2C Gross Margin% = (B2C Product Revenue + B2C Service Revenue – B2C COGS)/B2C Revenue

Net Loss Significantly Narrowed as a Percentage of Net Revenue

Operating Expense as % of Net Revenue

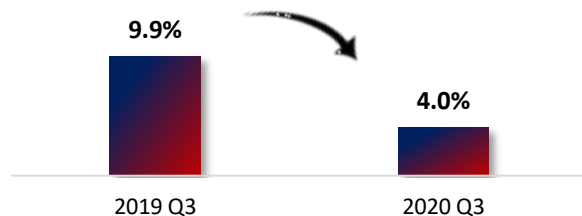
(%)



	2019 Q3	2020 Q3
Total	14.9%	9.0%
Selling and Marketing	7.9%	4.4%
G&A	2.9%	1.2%
Technology	1.3%	0.9%
Fulfillment	2.8%	2.5%
Others	0.0%	0.0%

Non-GAAP Net Loss Attributable to Ordinary Shareholders

(%)





Outlook and Guidance



Total Net Revenues

- RMB2.44 Billion to RMB2.56 Billion
- YOY Growth of 81% to 90%



Appendix



Selected Balance Sheet Summary

	As of			
	December 31, 2019		September 30, 2020	
'000	RMB	USD	RMB	USD
Cash and cash equivalents, restrict cash and short-term investments	697,722	100,221	1,213,100	178,670
Total current assets	1,481,431	212,795	2,591,475	381,684
Total assets	1,610,293	231,305	2,721,058	400,769
Total current liabilities	773,423	111,096	1,769,162	260,569
Total liabilities	836,370	120,138	1,825,394	268,851
Mezzanine Equity	-	-	417,194	61,446
111 Inc's Equity	773,656	111,560	482,394	71,050
Non-controlling interests	(2,733)	(393)	(3,924)	(578)
Total liabilities and shareholders' equity	1,610,293	231,305	2,721,058	400,769

Selected Income Statement Summary

	For the three months Ended September 30,				For the nine months Ended September 30,			
	2019		2020		2019		2020	
	RMB	USD	RMB	USD	RMB	USD	RMB	USD
'000								
Net Revenues	1,110,451	155,358	2,362,723	347,991	2,604,213	364,343	5,560,207	818,929
Cost of products sold	1,063,122	148,736	2,272,788	334,745	2,481,522	347,178	5,297,929	780,301
Fulfillment expenses	31,639	4,426	58,161	8,566	80,313	11,236	157,380	23,182
Selling and marketing expenses	87,131	12,190	104,252	15,355	237,631	33,246	281,202	41,417
General and administrative expenses	31,956	4,471	28,504	4,198	88,000	12,312	96,450	14,206
Technology expenses	14,695	2,056	21,953	3,233	42,024	5,879	61,394	9,042
Loss from operations	(118,095)	(16,521)	(122,181)	(17,994)	(325,441)	(45,531)	(328,588)	(48,399)
Interest expense (net) and other loss (net)	5,820	814	(10,990)	(1,618)	18,703	2,528	1,139	168
Net Loss attributable to ordinary shareholders	(123,299)	(17,249)	(108,564)	(15,989)	(342,015)	(47,848)	(325,909)	(48,005)
Non-GAAP net loss attributable to ordinary shareholders	(109,730)	(15,351)	(94,393)	(13,901)	(290,643)	(40,661)	(282,631)	(41,631)

Non-GAAP Financial Measures Reconciliation

Non-GAAP Net Loss

	For the three months Ended September 30,				For the nine months Ended September 30,			
	2019		2020		2019		2020	
	RMB	USD	RMB	USD	RMB	USD	RMB	USD
'000								
Net loss attributable to 111 Inc	(123,299)	(17,249)	(108,564)	(15,988)	(342,015)	(47,848)	(325,909)	(48,005)
Add:								
Share-based compensation								
Selling and marketing expenses	6,201	868	6,500	957	18,390	2,573	19,266	2,838
General and administrative expenses	6,974	976	7,131	1,050	18,376	2,571	21,590	3,180
Technology expenses	395	55	541	80	3,606	504	2,421	357
Long-term investment impairment	-	-	-	-	11,000	1,539	-	-
Non-GAAP net loss	(109,730)	(15,351)	(94,393)	(13,762)	(290,643)	(40,661)	(282,631)	(41,492)



Thank You!

