



1药网 **1+诊** **1药城**

2019 Q3 Earnings Call

Nov. 14, 2019

To build the largest integrated online and offline healthcare platform in China powered by technology
YI Nasdaq Listed



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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, 2019. 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.

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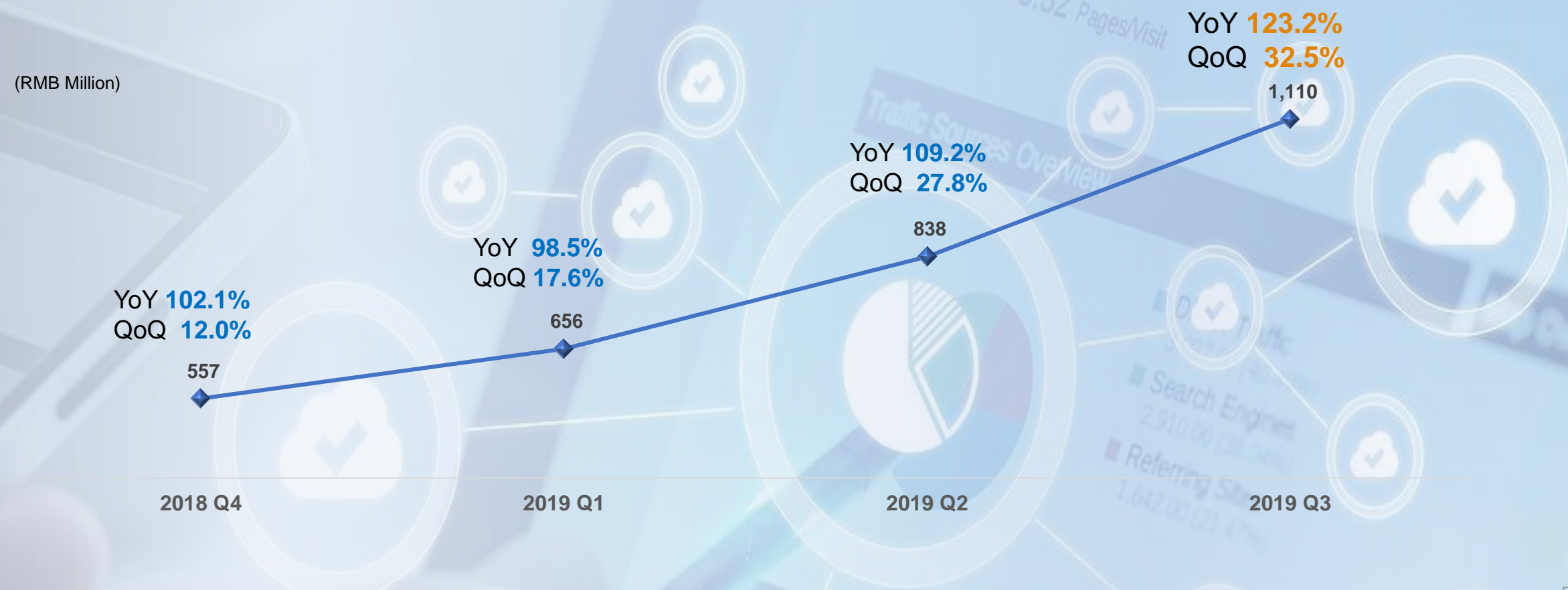
Section 1

BUSINESS PERFORMANCE HIGHLIGHTS



We Have Consistently Exceeded the Quarterly Guidance Since IPO with Accelerated Growth Rate

Net revenues were **RMB1,110 million**, representing **123.2% YoY Growth** and exceeding the high end of our guidance of RMB1,050 million.



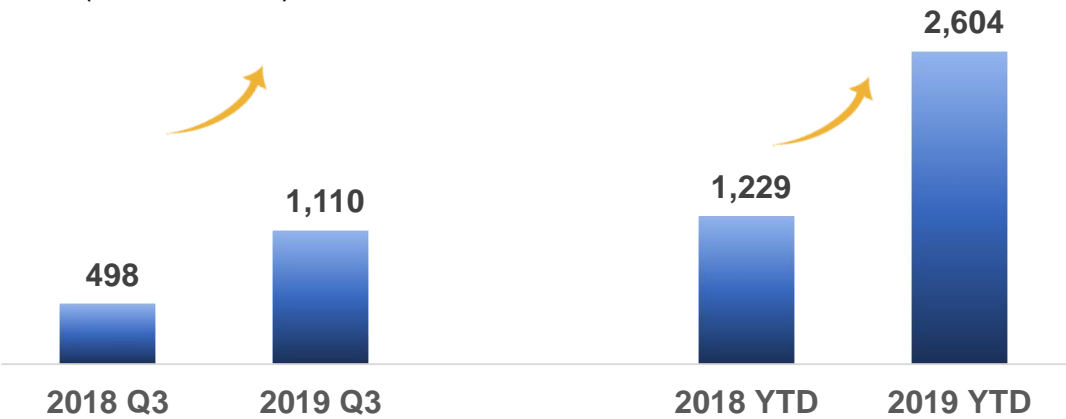
Accelerated Growth in Both Net Revenue and Gross Profit



Net Revenue

+123.2% **+112.0%**
YoY YoY

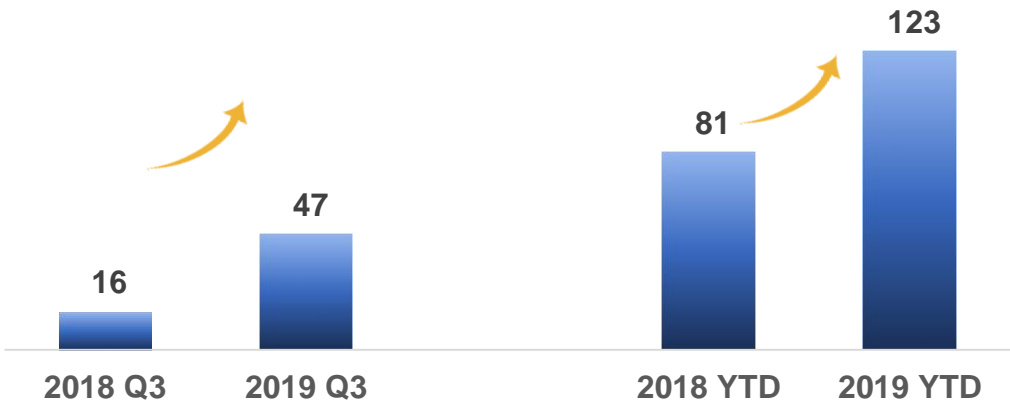
(RMB Million)



Gross Profit

+204.3% **+51.2%**
YoY YoY

(RMB Million)

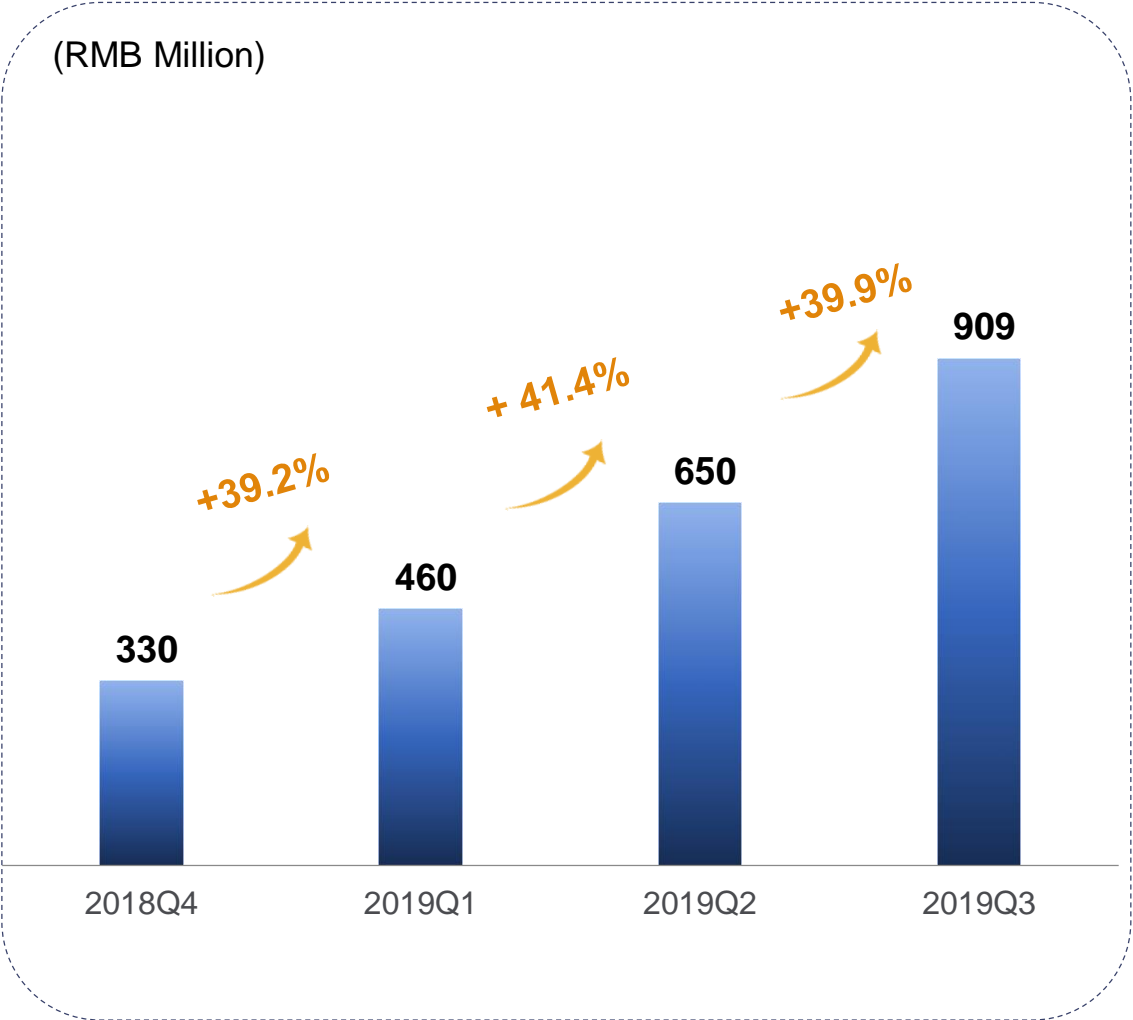


Note: Gross Profit = Net Revenue - COGS

Strong Quarterly Growth in B2B Revenue and Total Number of Orders

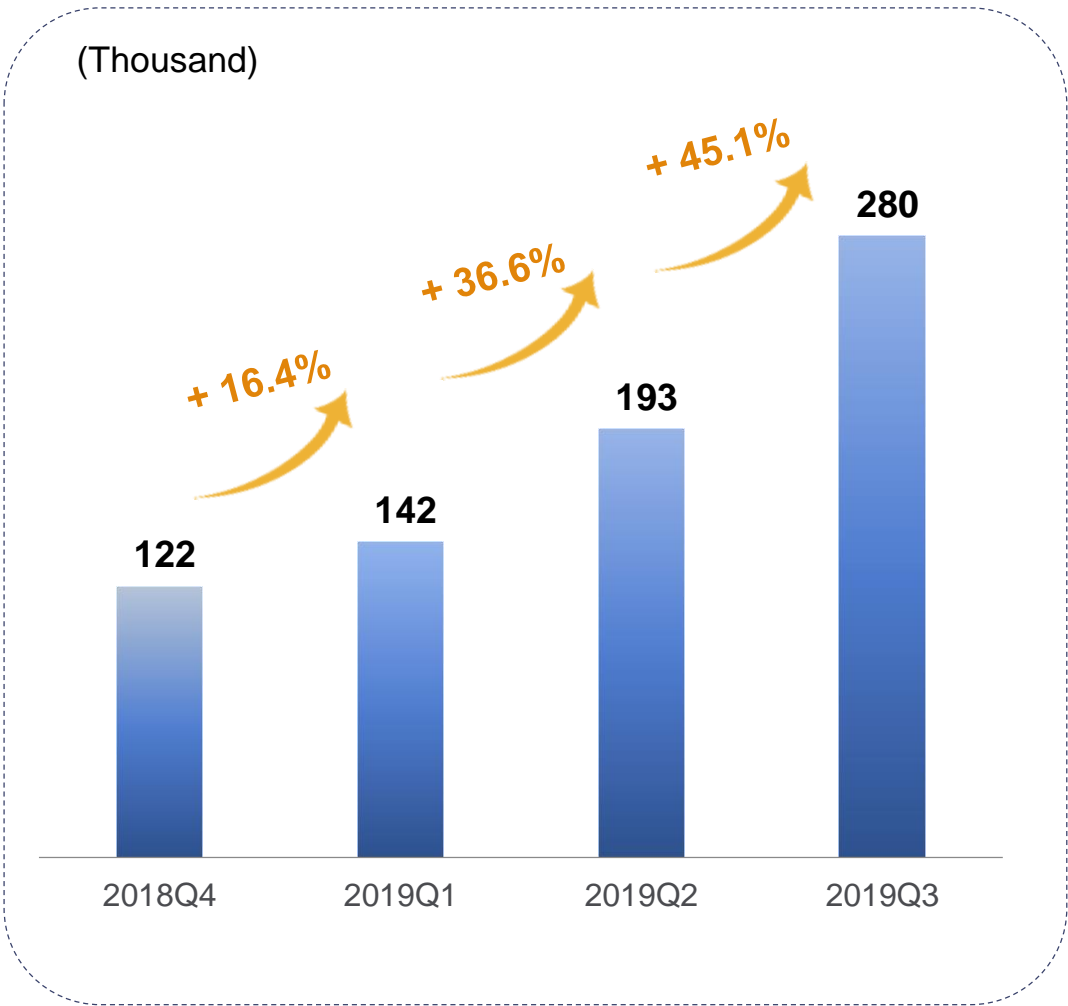
B2B REVENUE

(RMB Million)



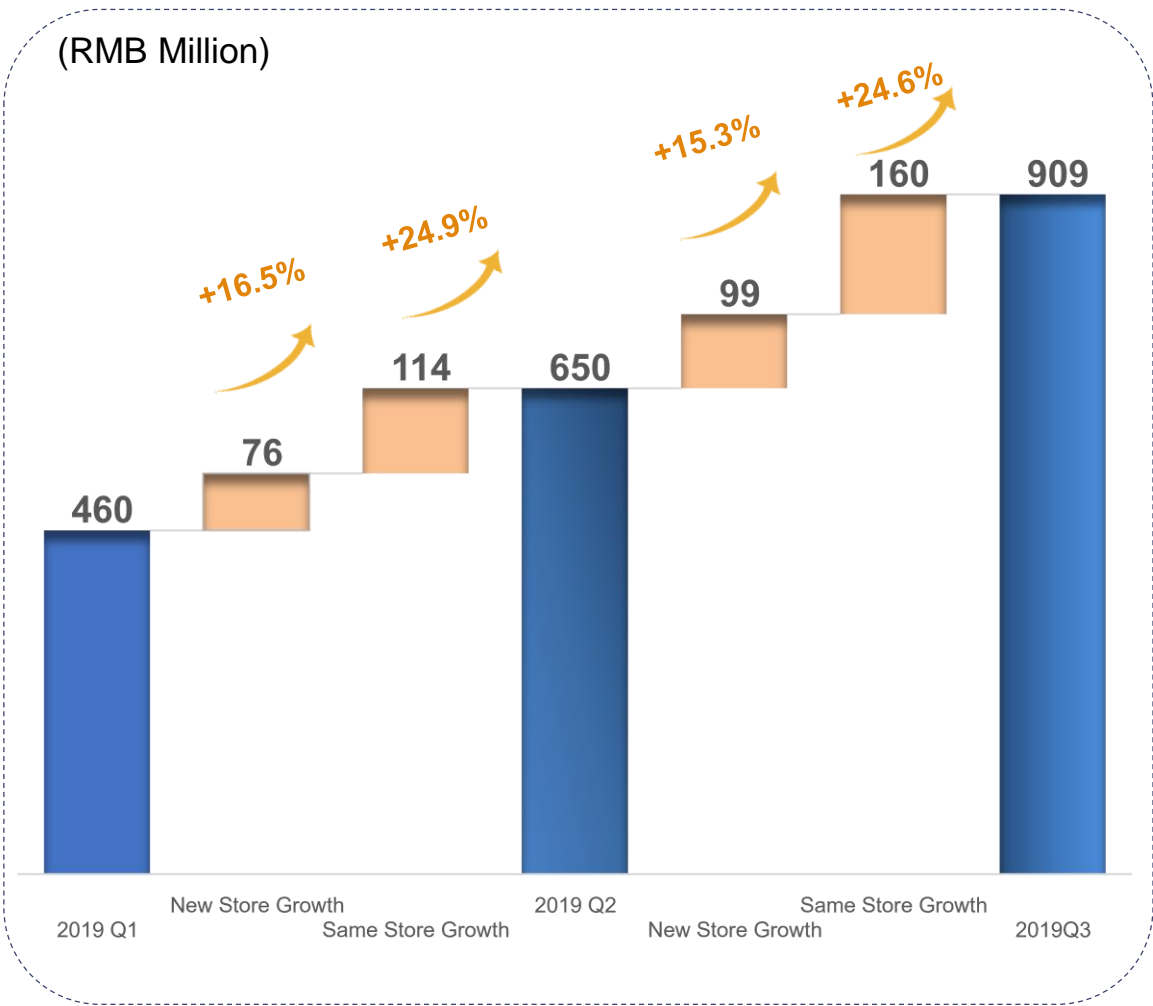
NO. OF ORDERS

(Thousand)

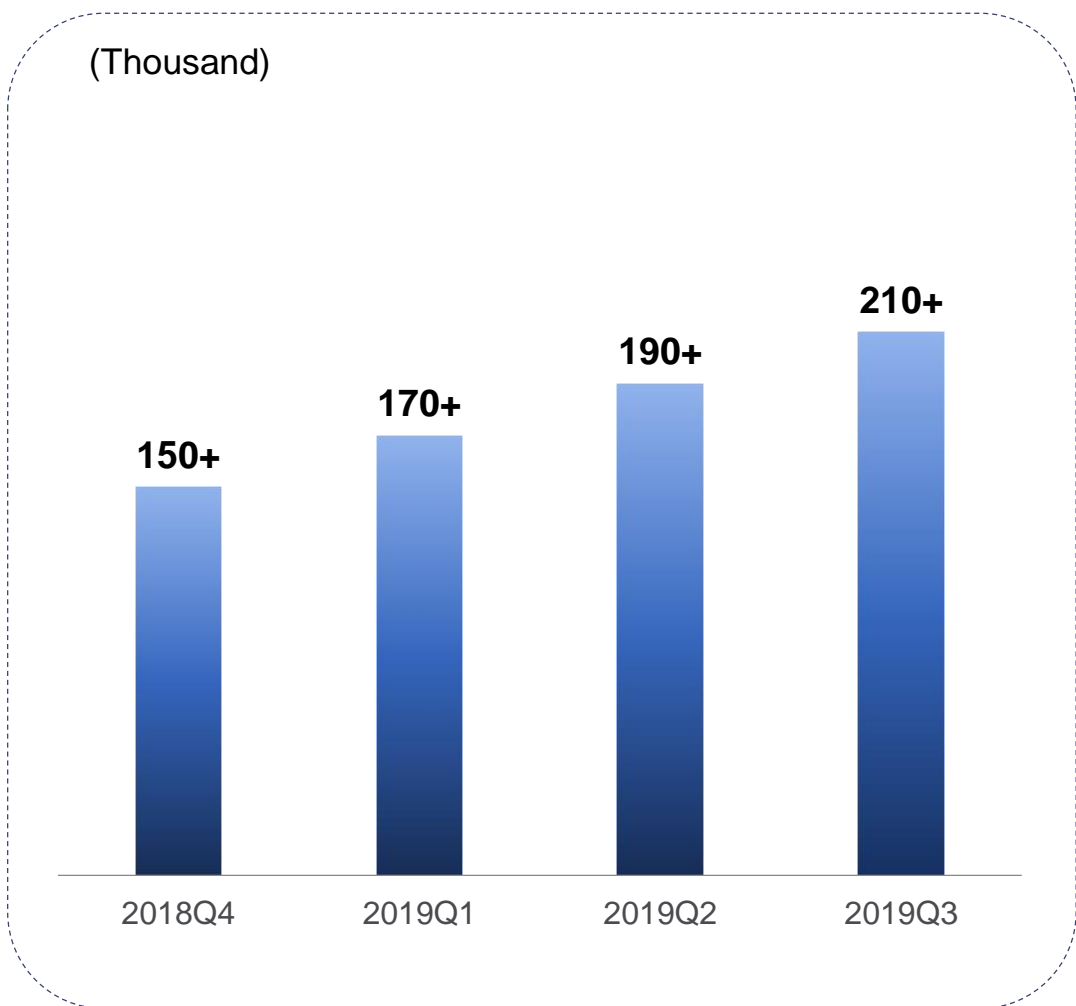


Same Store Growth and Newly Added Pharmacies Contributed B2B Revenue Growth

B2B REVENUE



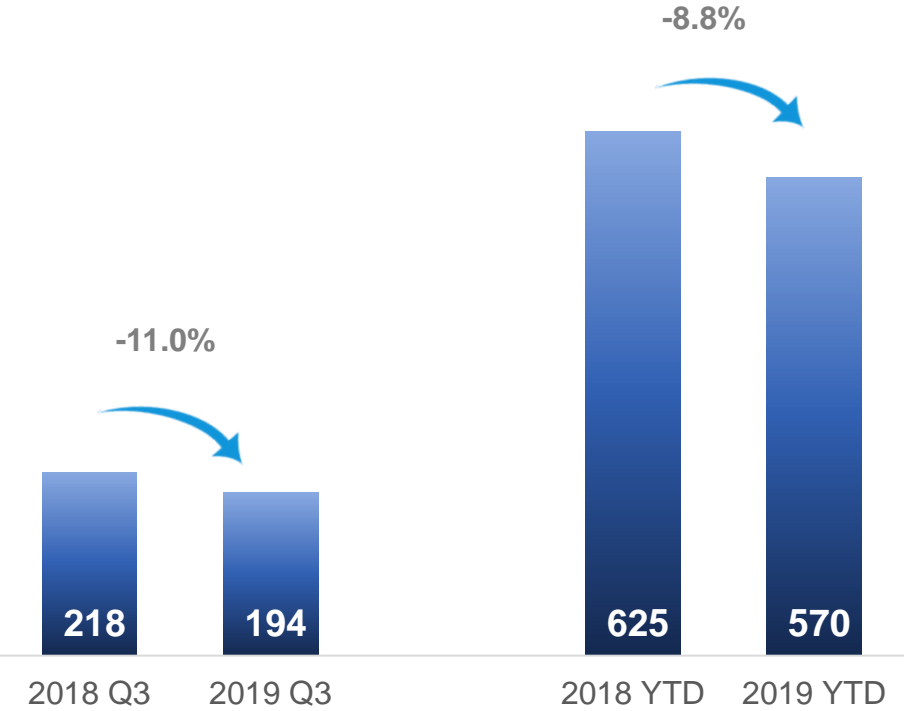
NO. OF PHARMACIES



Continued Operational Optimization Led to B2C Business Gross Margin Improvement of 940bps in Q3

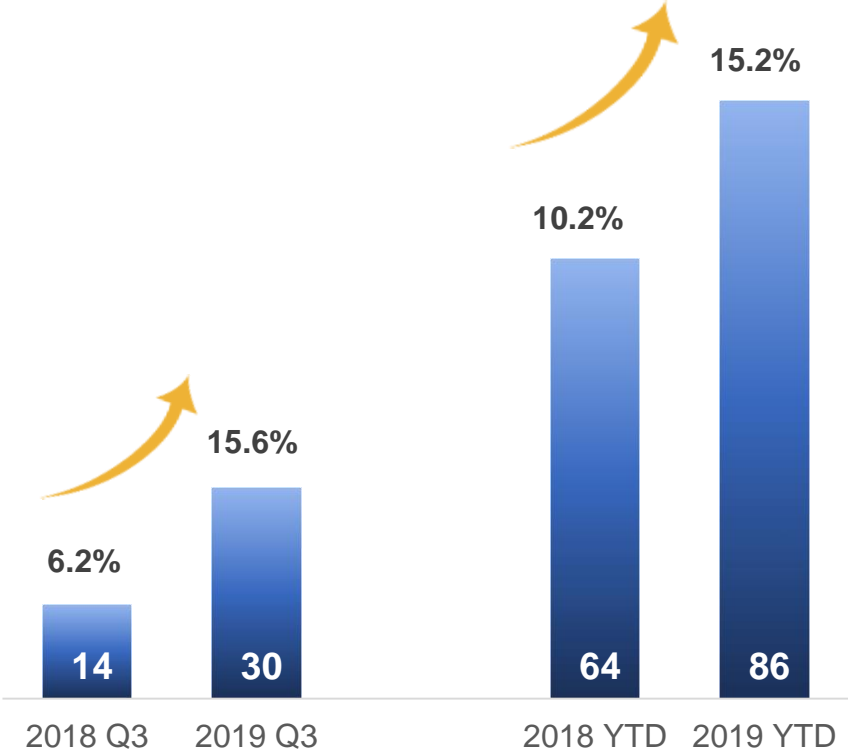
REVENUE

(RMB Million)



GROSS MARGIN

(RMB Million)



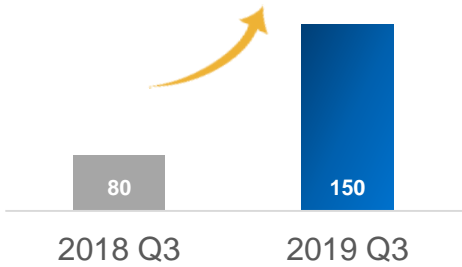
STRATEGY EXECUTION



New Development of Our T2B2C Model in Q3



150 direct-sourcing leading pharmaceutical companies



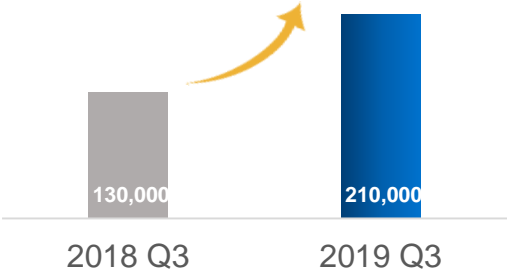
1 new fulfillment center added to further strengthen our smart supply chain



5 fulfillment centers to provide nationwide coverage



Virtual network with **210K+** pharmacies



1 new strategic insurance partnership



Online arm of Taikang Insurance Group



Leveraging Technology to Enable Pharmacies – Smart Sourcing System (SSS)



CASE STUDY

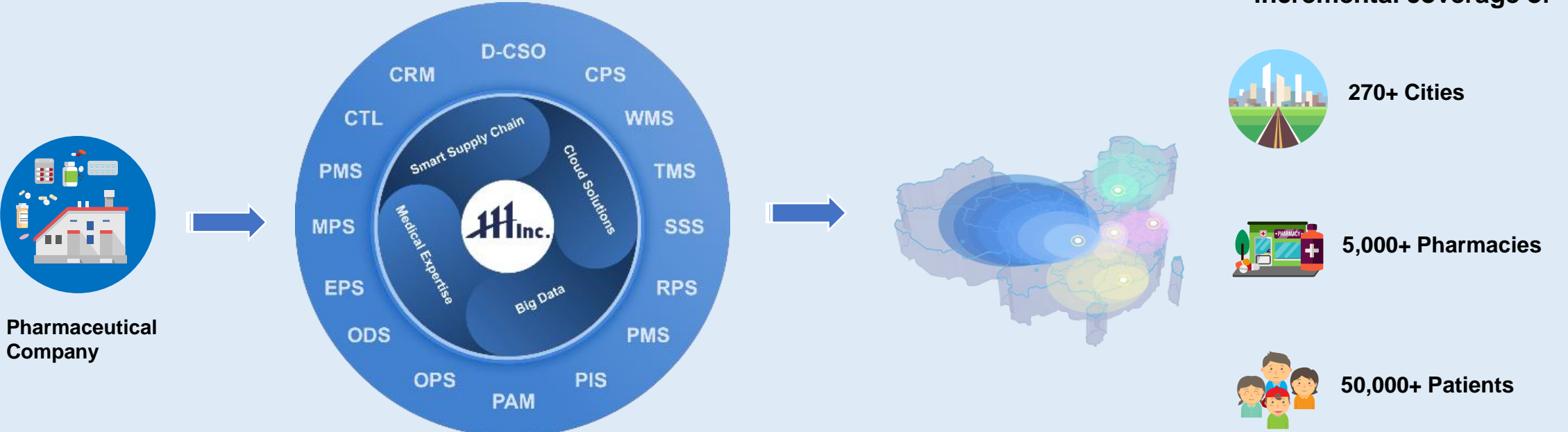
Pharmacies with SSS versus those without

- Average Purchase Amount, up **233%**
- Average Purchase Breadth, up **178%**
- Average Order Frequency, up **107%**

Leveraging Technology to Enable Pharmaceutical Companies – Better Reach to New Channels

CASE STUDY

We helped a top pharmaceutical company to launch a new drug by expanding new channels



Leveraging Technology to Enable Our Salesforce

Hawkeye is an automated tool provided to our field salesforce to better serve customers

Pharmacy Info

Region

Quality

Field Sales Task List

Browse

Search

Place Order

Add to Shopping Cart

Product Sales Info

Popular Products in the Local Region SKU search

Best Selling SKU



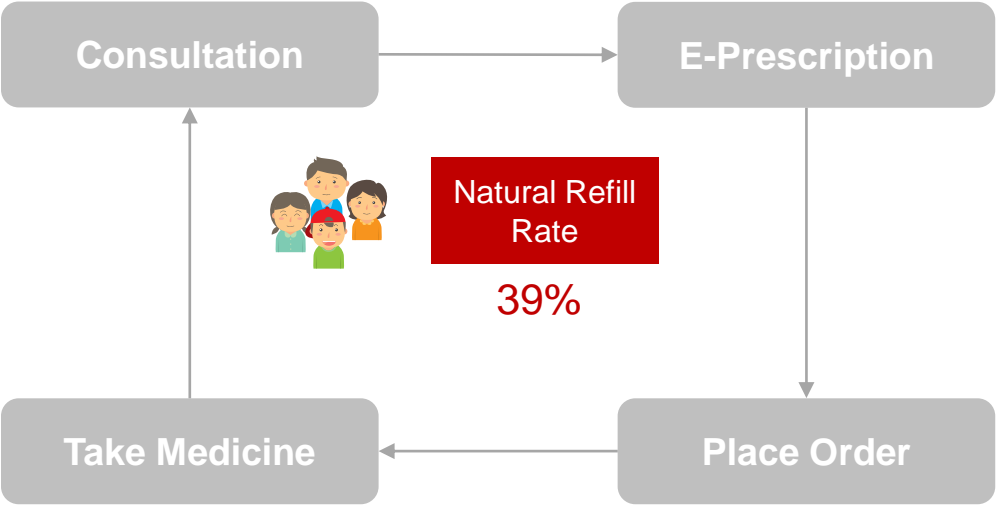
Our salesforce efficiency improved by 3x

Leverage Technology to Better Serve Our Patients – Life Time Wellness Management

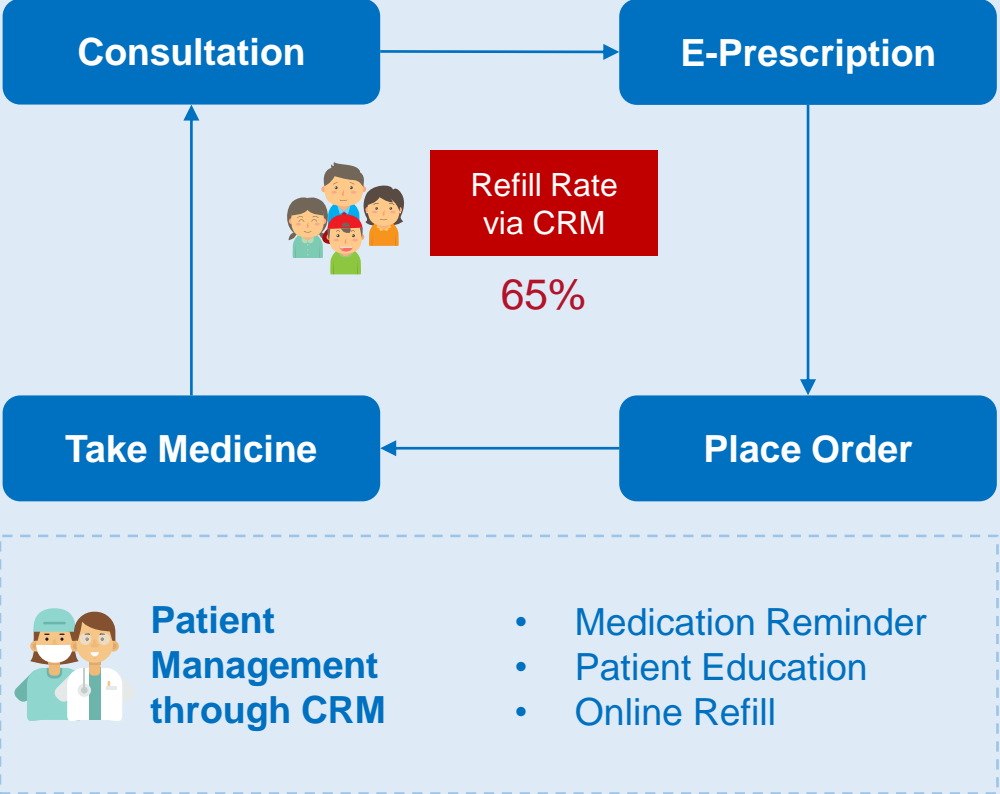
CASE STUDY

Diabetic patients refill rate improved from 39% to 65%

BEFORE



NOW



Latest Healthcare Reform Update

Important Regulatory and Policy Changes:

- ✓ **China adopts Revised Drug Administration Law which allows drug sales online**
- ✓ **Social medical Insurance coverage extends to online healthcare service**
- ✓ **“4+7 Centralized Urban Pharmaceutical Procurement Program”** In September 2019, the 4+7 Program was further expanded to cover 25 provinces and cities, lowering drug price on average by 59%, with lowest price cut by 78%

Those policies present great growth opportunities for China pharmaceutical retail industry, both online and offline, a space of 111's sweet spot

Three-Year Goal

- Aim to serve **400,000+** pharmacies, clinics and hospitals.
- Provide online consultation, diagnosis, drug prescription and chronic disease management services for over **100 million** patients directly and indirectly.
- Directly serve **1,000+** mainstream pharmaceutical companies and assist them to reach more patients across the country.

Section 3

FINANCIAL REVIEW

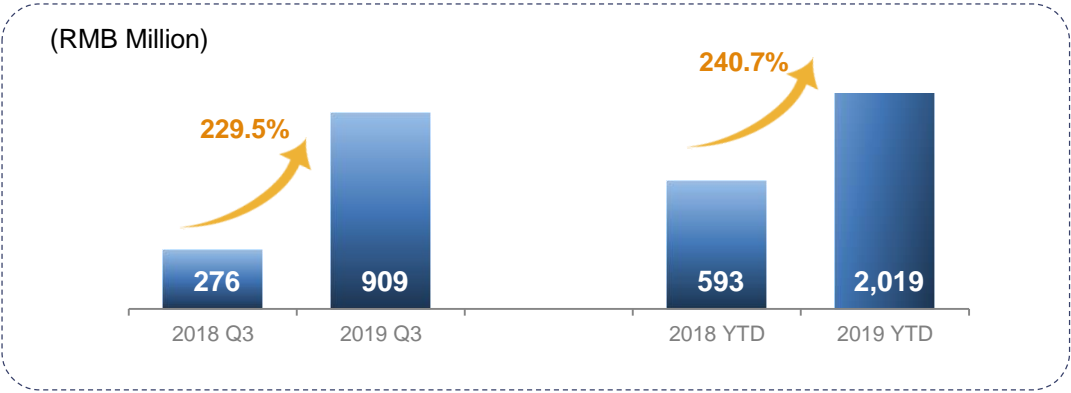


Strong Top-line Performance Driven by B2B Segment...

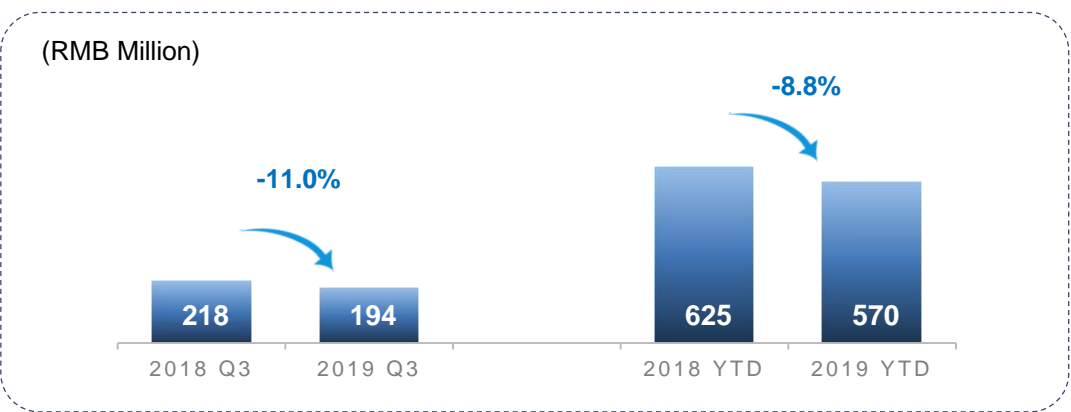
REVENUE – TOTAL



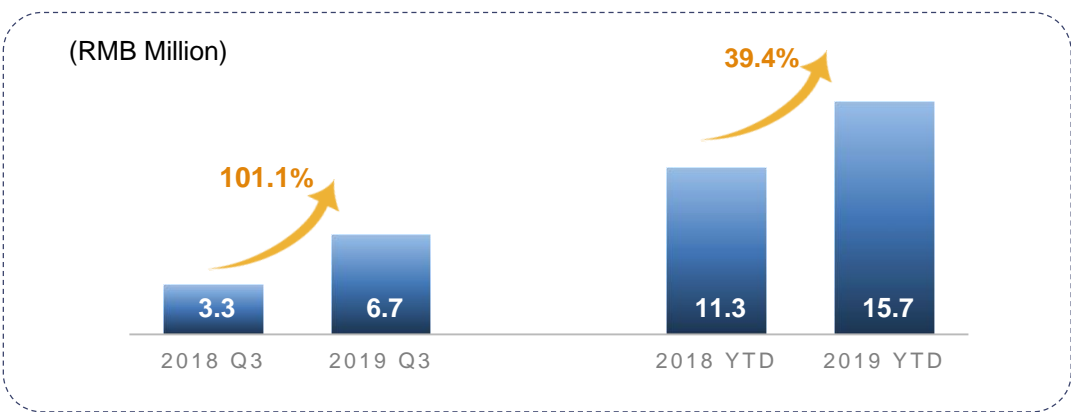
REVENUE – B2B



REVENUE – B2C



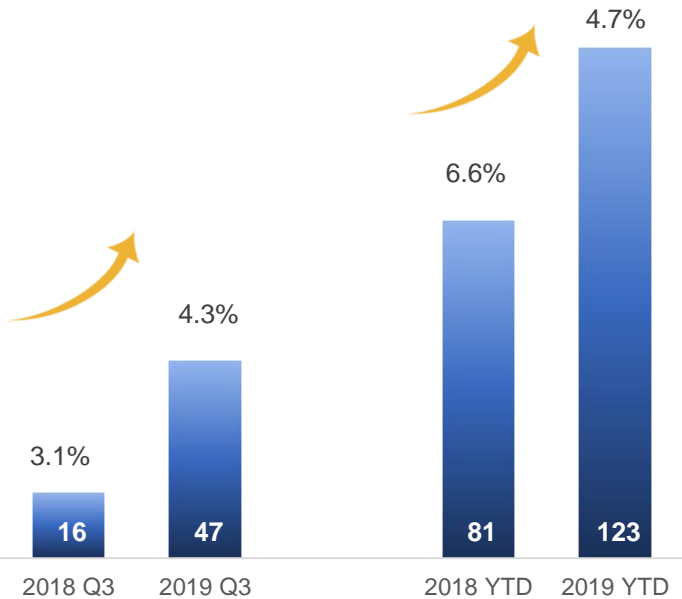
REVENUE – OTHERS



Gross Margin Improvement for Both B2B and B2C Segment

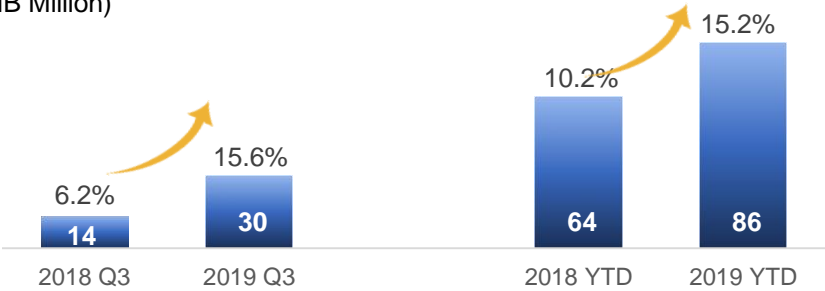
GROSS MARGIN – Total

(RMB Million)



GROSS MARGIN – B2C

(RMB Million)



GROSS MARGIN – B2B

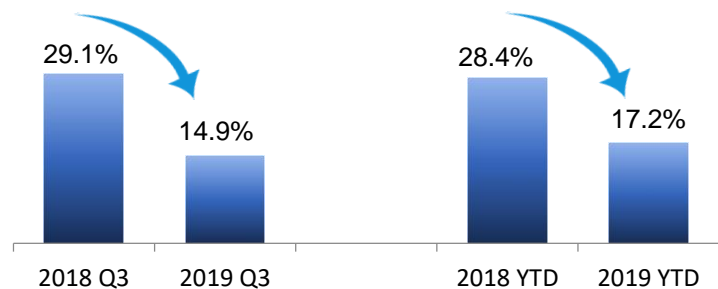
(RMB Million)



Note: Total Margin% = (Net Revenue – COGS)/Net Revenue, B2B Gross Margin% = (B2B Product Revenue – B2B COGS)/ B2B Revenue, B2C Gross Margin% = (B2C Product Revenue – B2C COGS)/B2C Revenue

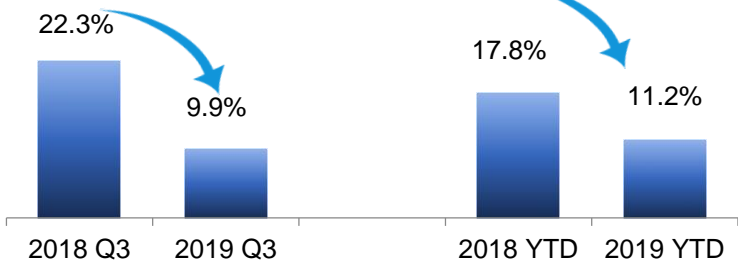
Q3 Non-GAAP Net Loss As % of Net Revenue Hit Single Digit for the First Time

OPERATING EXPENSE AS % of NET REVENUE



	2018 Q3	2019 Q3	2018 YTD	2019 YTD
Total	29.1%	14.9%	28.4%	17.2%
Selling and Marketing	15.5%	7.9%	14.8%	9.1%
G&A	5.3%	2.9%	5.3%	3.4%
Technology	4.1%	1.3%	4.1%	1.6%
Fulfillment	4.2%	2.8%	4.2%	3.1%

NON-GAAP NET LOSS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS



Section 4

2019 Q4 GUIDANCE



2019 Q4 Guidance

For the fourth quarter of 2019, the Company expects total net revenues to be between **RMB1.18 billion** and **RMB1.24 billion**, representing year-over-year growth of approximately **112% to 123%**.

Section 5

Appendix



Selected Balance Sheet Summary

RMB '000	As of	
	December 31, 2018	September 30, 2019
Cash and cash equivalents, restrict cash and short-term investment	1,106,545	784,587
Total current assets	1,507,097	1,547,719
Total assets	1,546,418	1,674,091
Total current liabilities	314,519	666,447
Total liabilities	322,654	731,311
111 Inc's equity	1,224,276	944,791
Non-controlling interests	(512)	(2,011)
Total liabilities and shareholders' equity	1,546,418	1,674,091

Selected Income Statement Summary

RMB '000	For the three months		For the nine months	
	Ended September 30,		Ended September 30,,	
	2018	2019	2018	2019
Net Revenues	497,624	1,110,451	1,228,569	2,604,213
Cost of product sold	482,069	1,063,122	1,147,418	2,481,522
Fulfillment expenses	20,701	31,639	51,885	80,313
Selling and marketing expenses	77,348	87,131	181,822	237,631
General and administrative expenses	26,433	31,956	64,688	88,000
Technology expenses	20,156	14,695	50,804	42,024
Loss from operations	(129,900)	(118,095)	(268,161)	(325,441)
Interest expense (net) and other loss (net)	(3,491)	5,820	(12,301)	18,073
Net Loss attributable to ordinary shareholders	(125,875)	(123,299)	(254,199)	(342,015)
Non-GAAP net loss attributable to ordinary shareholders	(111,093)	(109,729)	(219,132)	(290,643)

Non-GAAP Financial Measures Reconciliation

Non-GAAP Net Loss

RMB '000	For the three months		For the nine months	
	Ended September 30,		Ended September 30,	
	2018	2019	2018	2019
Net loss attributable to 111 Inc	(125,875)	(123,299)	(254,199)	(342,015)
Add:				
Share-based compensation				
Selling and marketing expenses	6,298	6,201	16,449	18,390
General and administrative expenses	6,995	6,974	14,924	18,376
Technology expenses	1,489	395	3,694	3,606
Long-term investment impairment	-	-	-	11,000
Non-GAAP net loss	(111,093)	(109,729)	(219,132)	(290,643)