

Transcending the Boundaries of Healthcare

NASDAQ: YI

Second Quarter 2021 Earnings Call

August 27, 2021

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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 June, 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.

111 Snapshot

Our Mission

Digitally Connecting Patients with Medicine and Healthcare Services

Our S2B2C Model

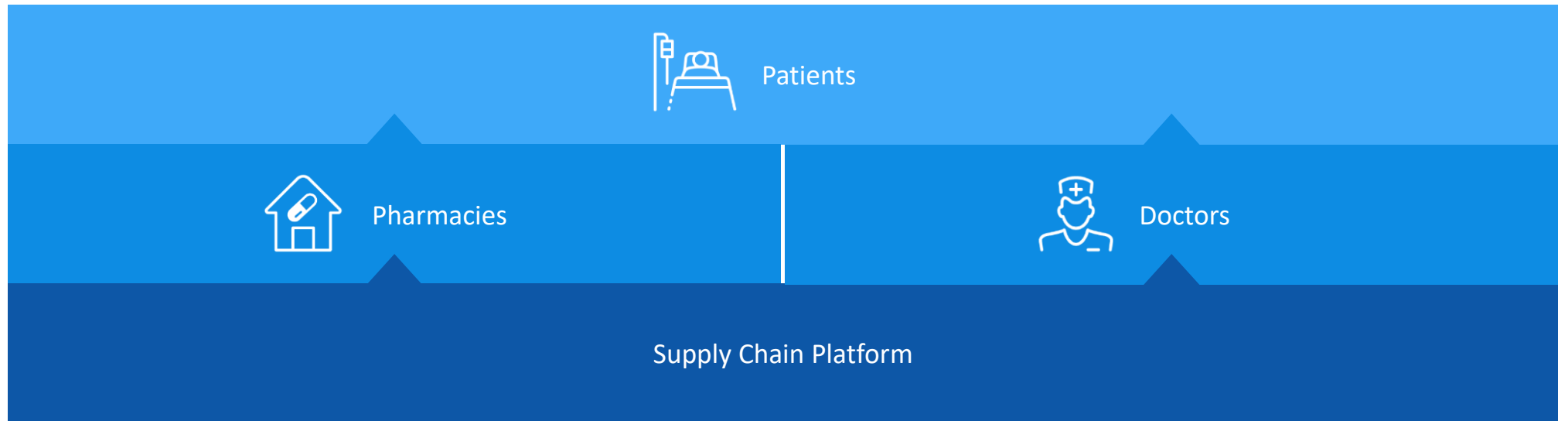
C

▲ Serve

B

▲ Enable

S

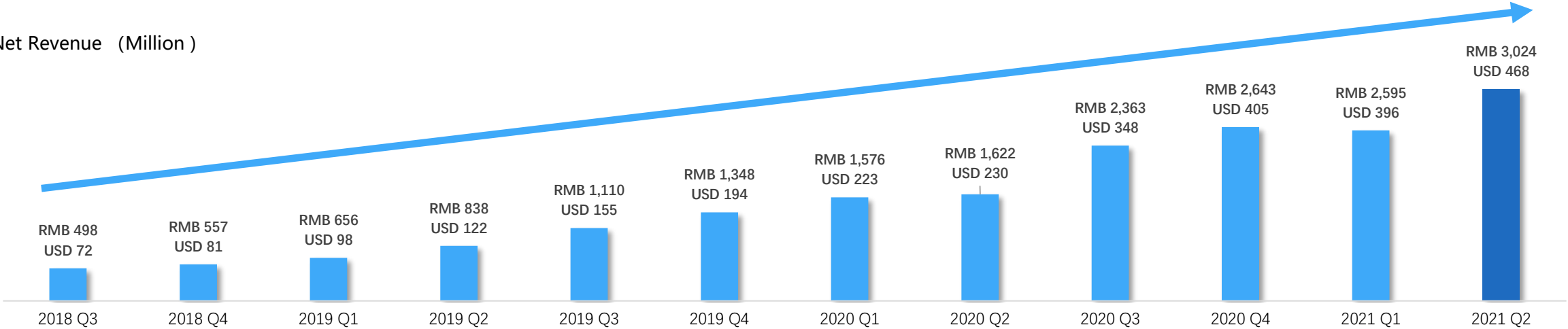


S2B2C: “Supply Chain Platform to enable Businesses to better serve Consumers”

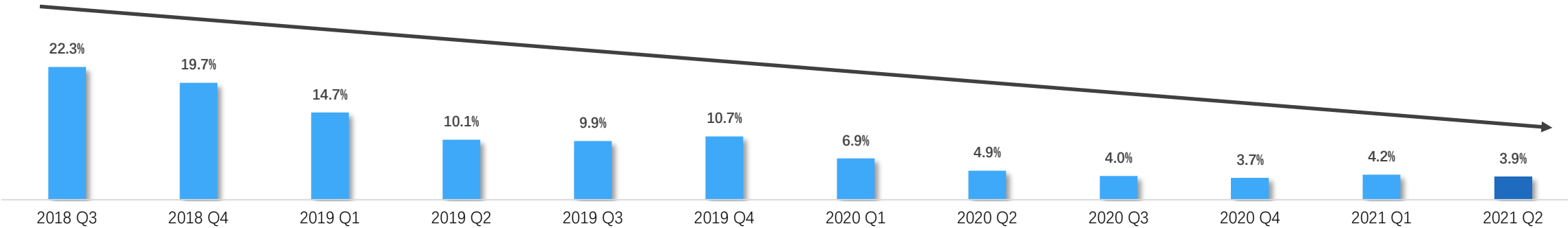
Continued Rapid Growth Since IPO

YoY +100% +102% +99% +109% +123% +142% +140% +94% +113% +96% +65% +87%

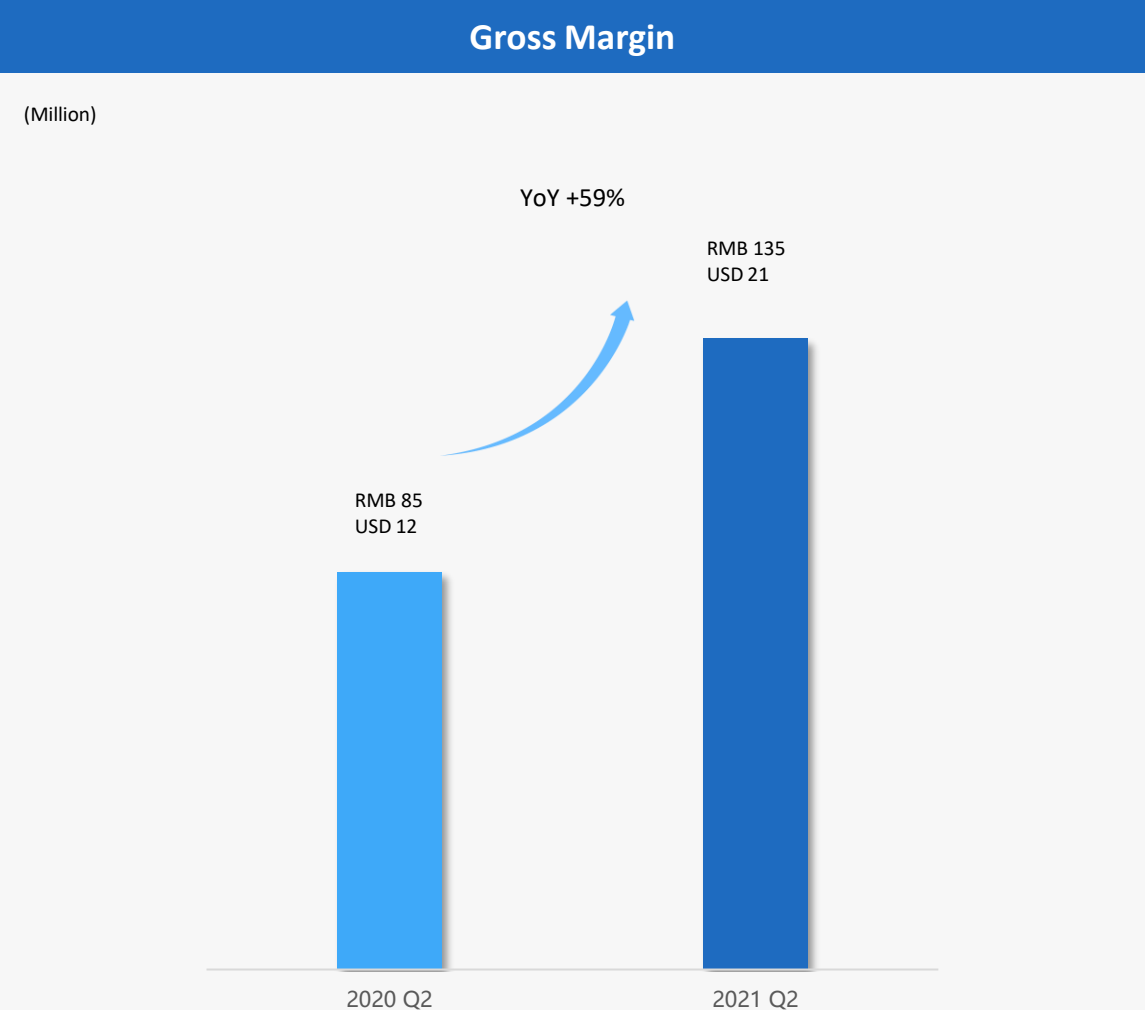
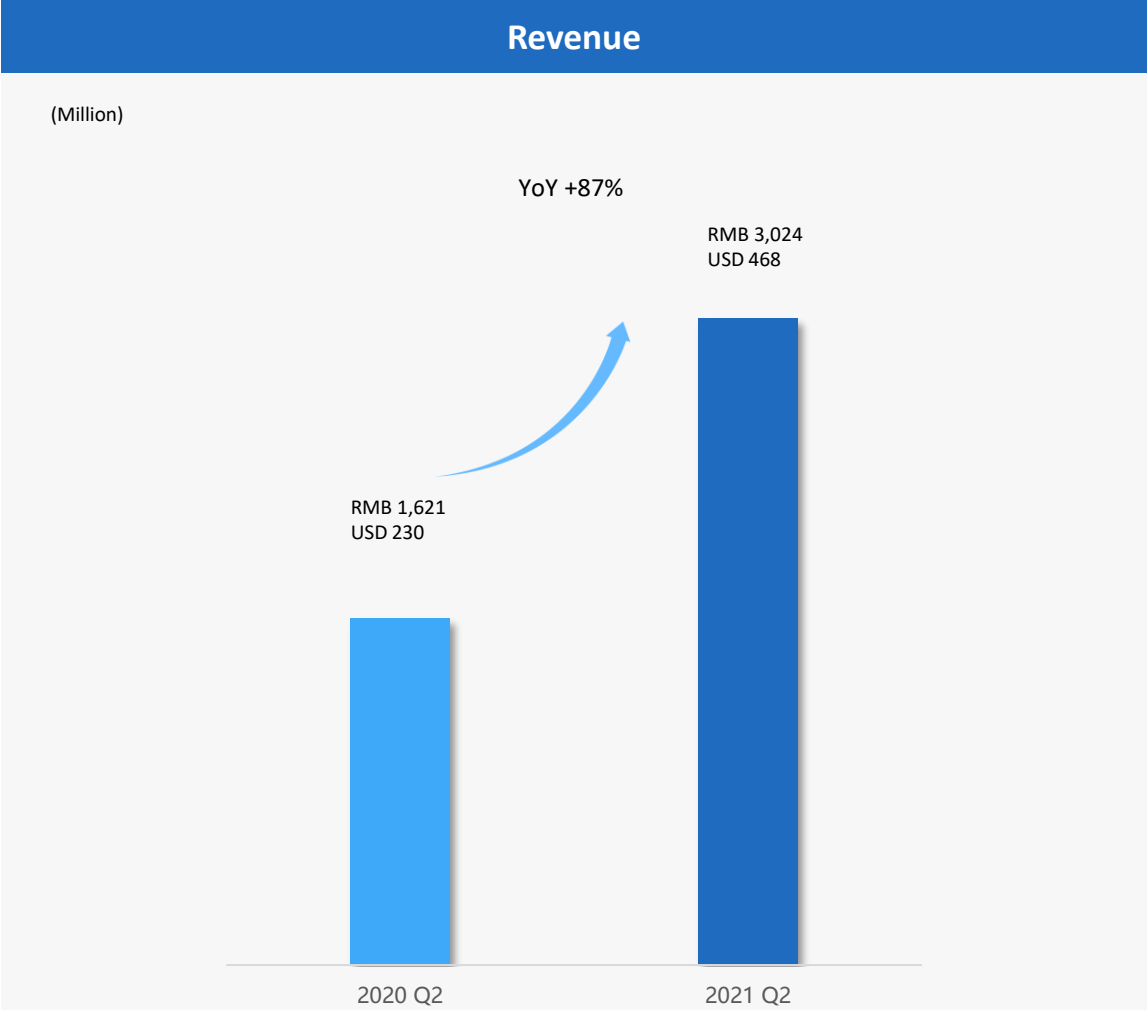
Net Revenue (Million)



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

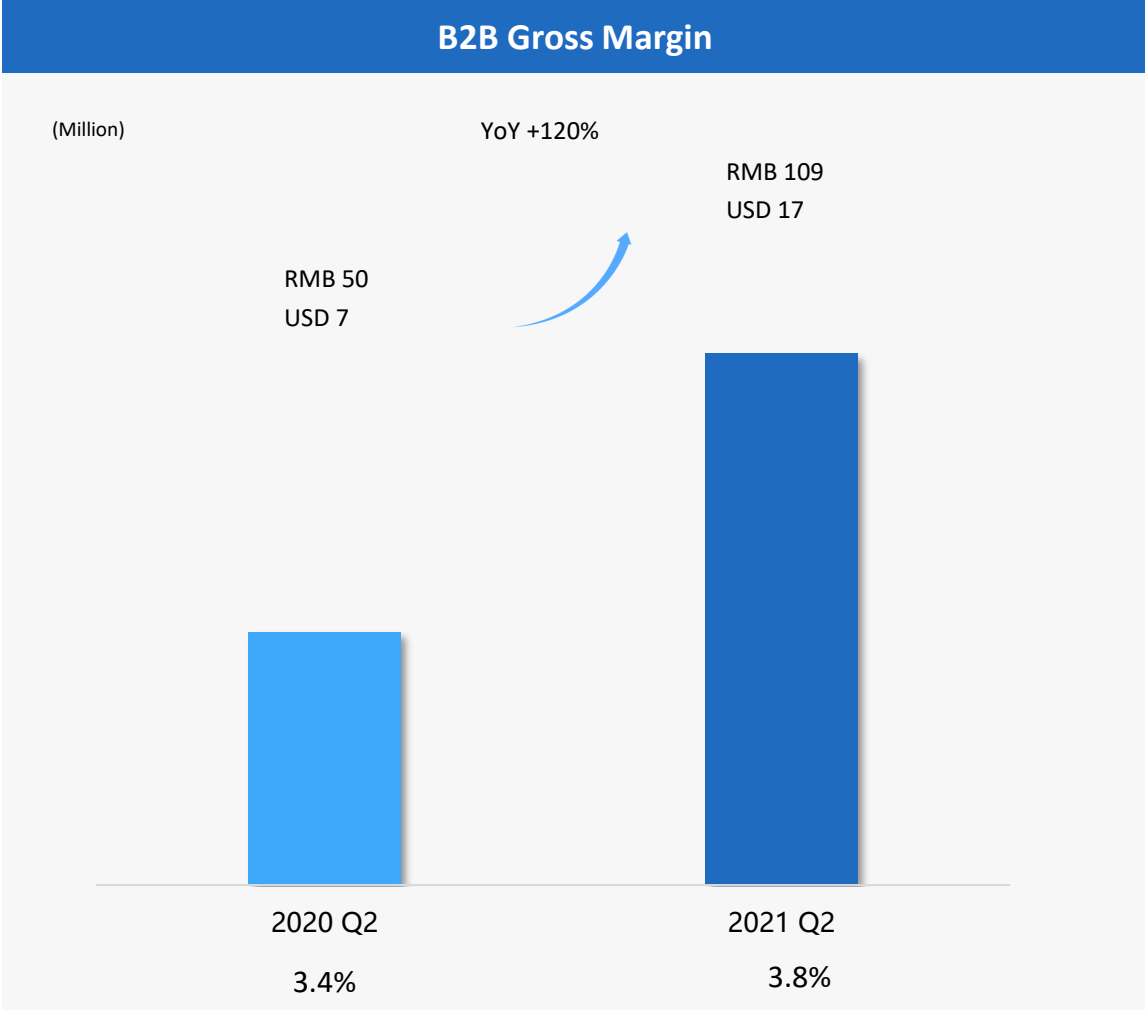
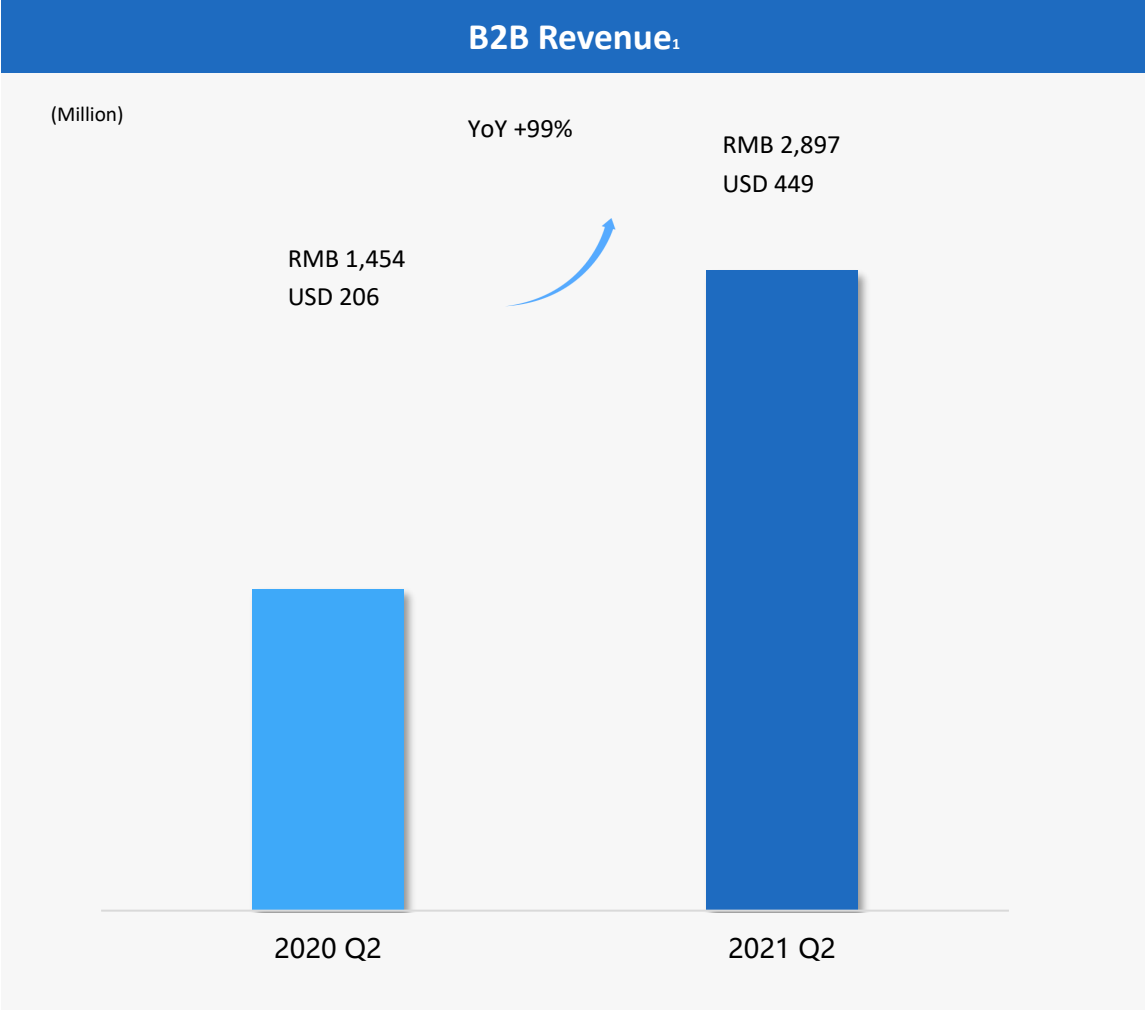


Delivering Strong Revenue and Gross Margin Growth



B2B: Net Revenue Up 99% with Gross Margin Increased 120% YoY

Underpinned by Strong Market Demand & Expansive Portfolio of Services



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 FY.

Diversified Revenue Stream: Service Revenue Increased 125% YoY

Service Revenue

(Million)

YoY +125%

RMB 9.4
USD 1.3

2020 Q2

RMB 21.1
USD 3.3

2021 Q2

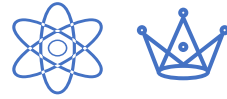
Increasing Demand for 111's Service Offerings

- Marketplace Vendor Services
- Online Medical Consultation
- Cloud and E-Prescription Services
- Digital Marketing
- Supply Chain Management
- Big Data Analytics
- Drug Commercialization Tools

New Initiatives and Investments in Technology

Technology Expenditures

Technology Expenditures
YOY **+186.0%**



Proprietary Technology

- 18 New Patents
- In the area of digital health, big data analytics, and SMART supply chain technology



Pharma Companies

- Tailored sales management system for pharmaceutical companies to empower their sales representatives
- Improved efficiency of sales representatives via digital tool
- Enhanced effective of marketing activities



Pharmacies

- Integrated SaaS tool for operations management on multiple O2O platforms
- User-friendly CRM applications allow pharmacies to manage their customers



Supply Chain

- Smart sourcing system that improves product selection and optimizes pricing
- Price intelligence system that maximizes gross margin



Doctors

- Cloud Private Clinic
- Cloud Pharmacy
- E-Prescription Service
- Patient Education
- Online and Offline Direct-to-Patient Delivery of Medicines

New Initiative: 1 Health

1 Health is a membership / virtual franchise model that effectively connects pharmaceutical companies with pharmacies and patients to empower small-to-mid size pharmacy chains

10 K+
Participating Pharmacies

- Covering **28 Provinces**
- **300+** pharmacy chains

Centralized Sourcing

Assortment Management

Digital Marketing

Integrated O2O Services

CRM

- Value-added Services

B2C Business Development

Doctor-Patient Management Portal

20K+
Doctors

Through our doctor platform,
each doctor serves more
patients from remote cities.



Addressing Medicine Accessibility

- Nationwide coverage, with cold chain logistics capabilities, and deliverable in 48hrs
- Coverage to Underserved Geographies, such as Rural Areas

Innovative Drug Commercialization



2021.01



2021.04



2021.07



2021.08



Patient Service

- The only partner for China Women's Development Foundation's Patient Assistance Program in Breast Cancer



中国妇女发展基金会
China Women's Development Foundation

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

Growth of Partnership

Direct Sourcing Pharmaceutical Companies

250+
2020Q2

380+
2021Q2

Broad Cooperation

111 Group has established a wide and deep network of partners



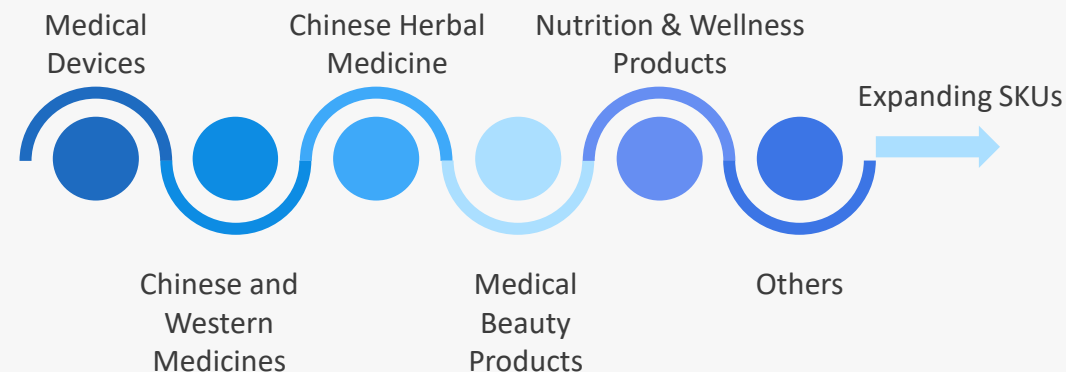
Leverage Robust Network to Deliver Healthcare Product

Currently, 90% of Revenue is from Medicine Sales

~90%
Medicine Sales

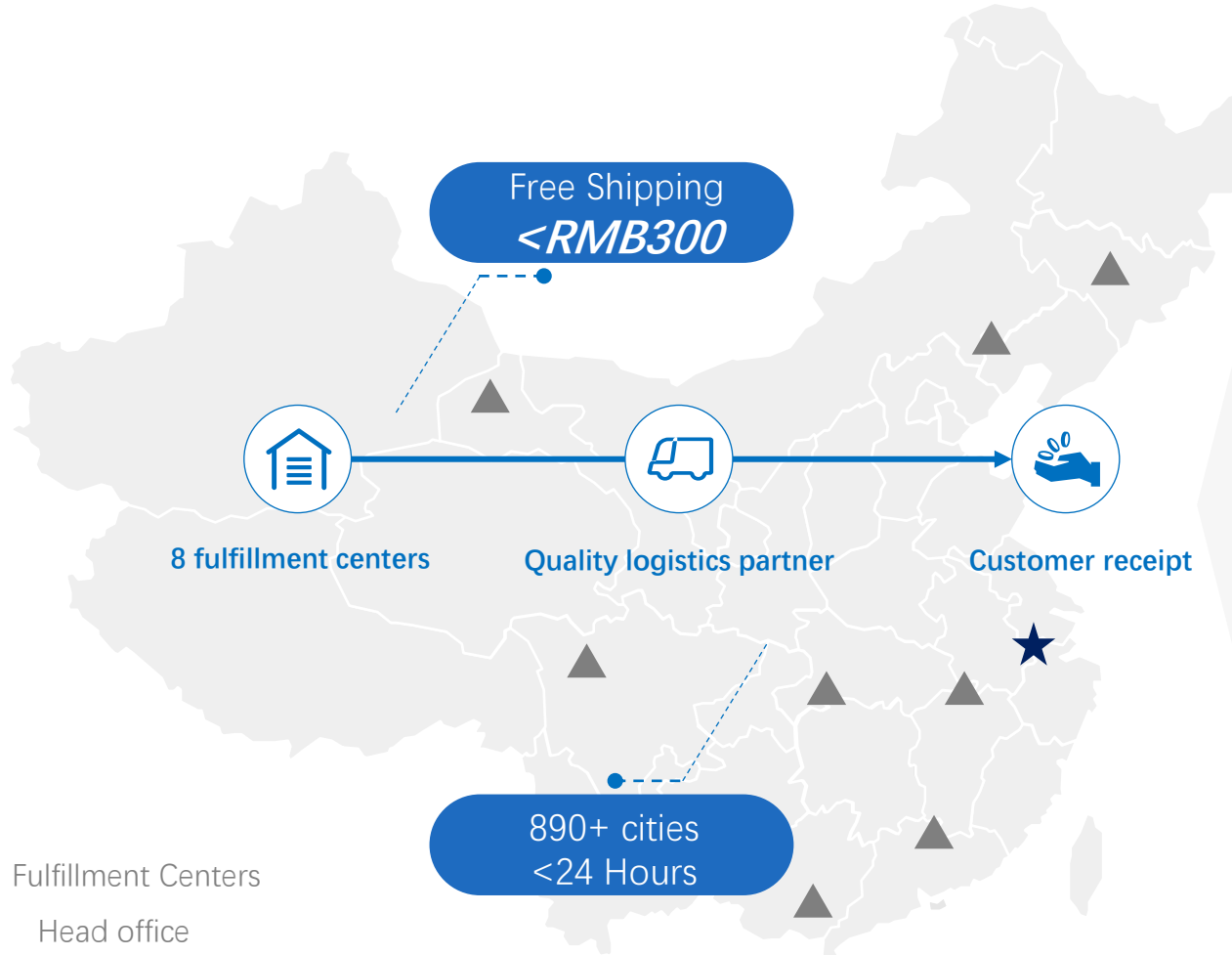
~70%
Prescription Medicine

Continue to Pivot on our strength by expanding product variety and categories to deliver more healthcare products nationwide



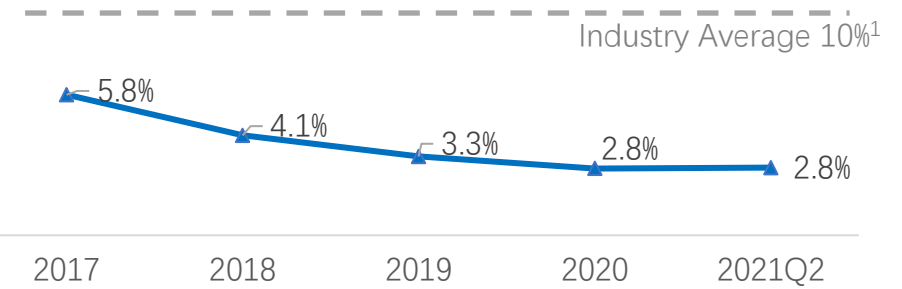
Nationwide Coverage

Highly Efficient Logistics And Warehouse Operations

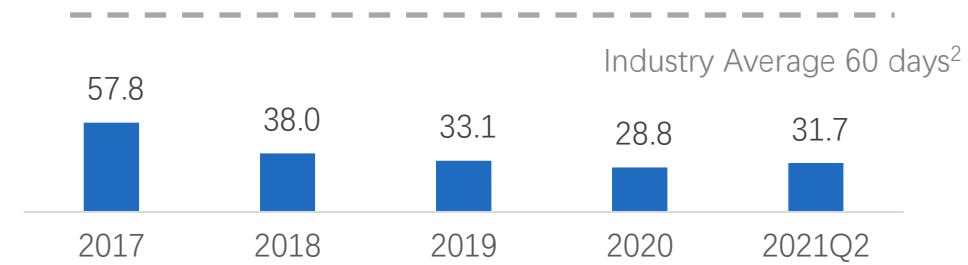


Note:
 1. Based on the 2020 data of Ali Health and JD Health
 2. Based on 2020 data from Ali Health, JD Health, Ping An Good Doctor, China Resources Pharmaceutical, Jointown, and Sinopharm

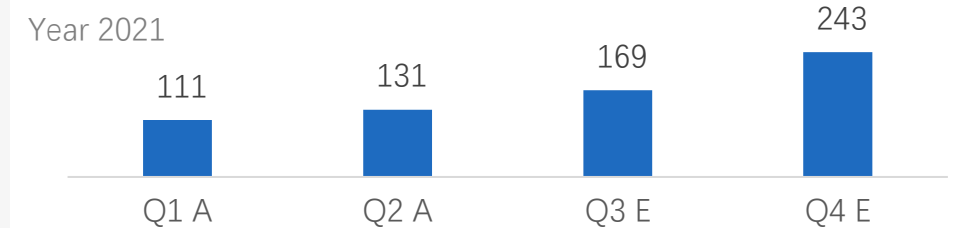
Fulfillment Cost Is Significantly Lower Than Industry Average



Inventory Turnover Days Are Significantly Lower Than Industry Norm

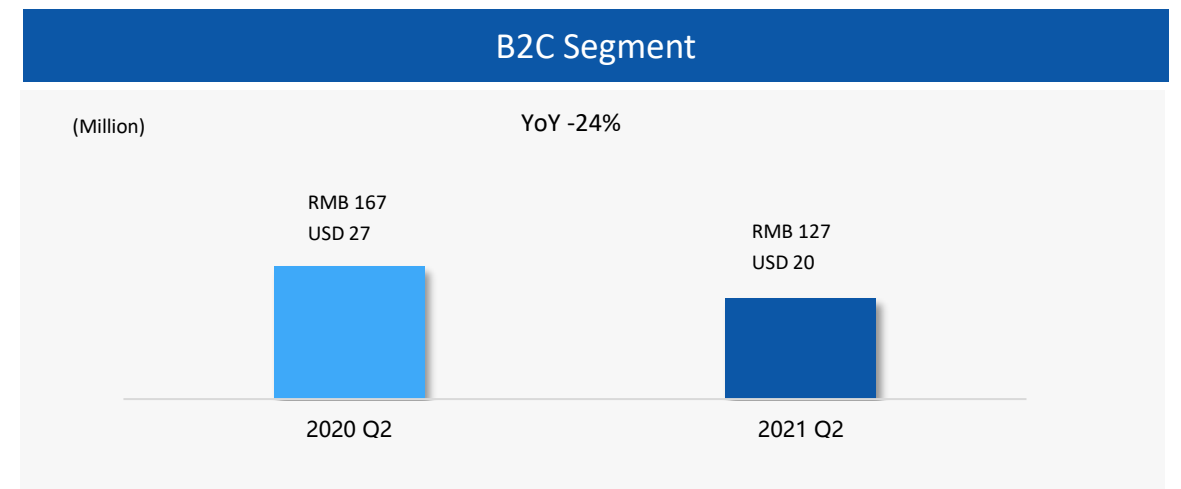
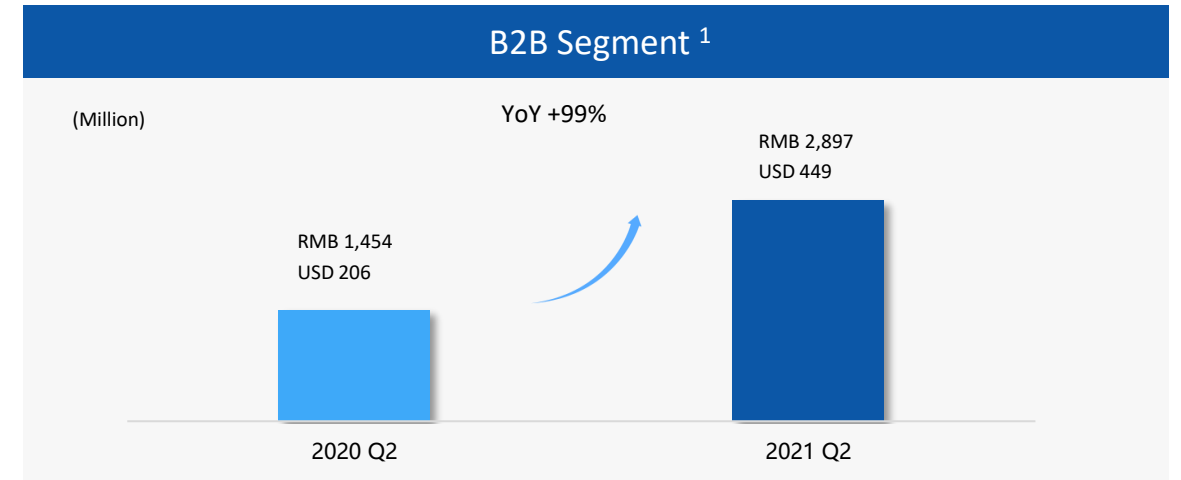
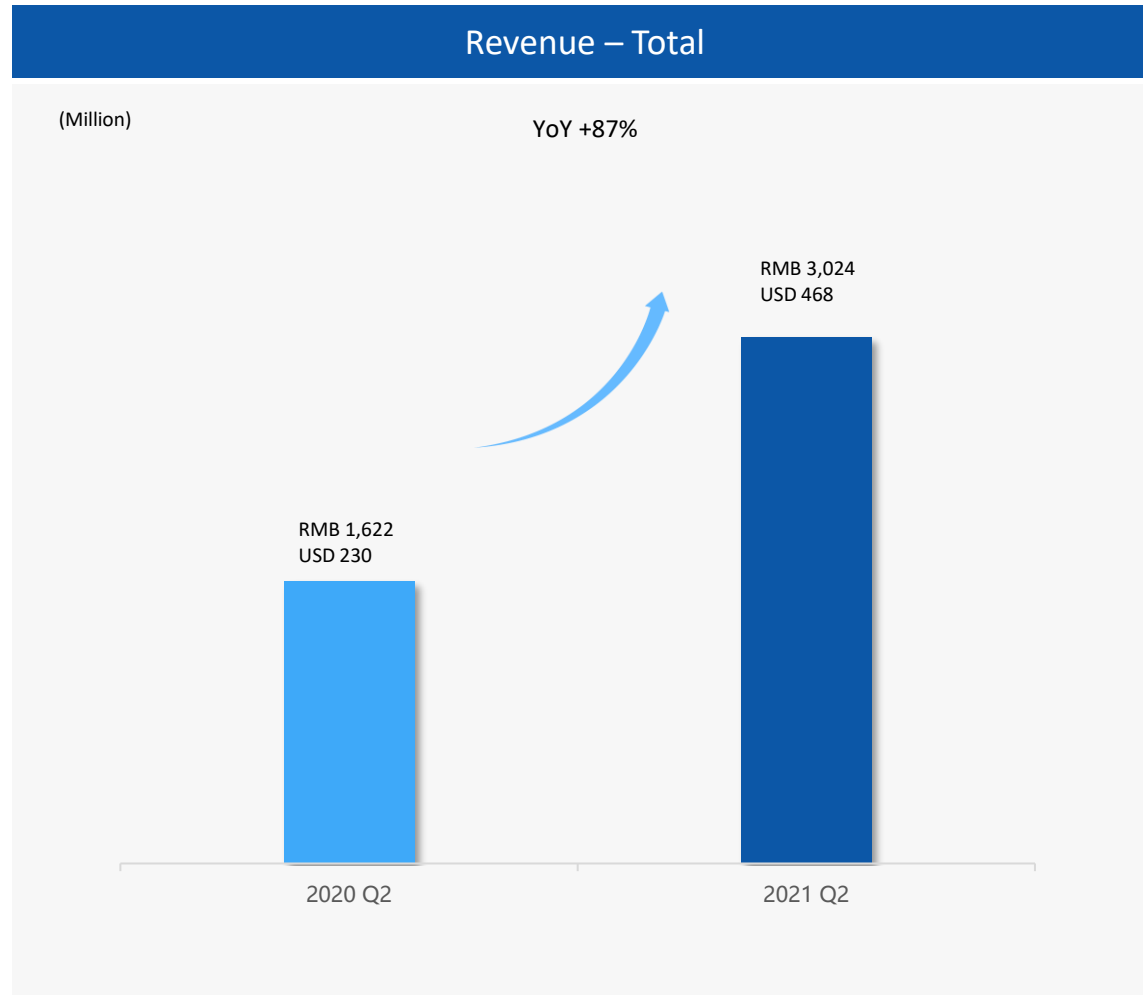


Fulfillment Center Capacity (Thousand Square Meters)



Financial Review

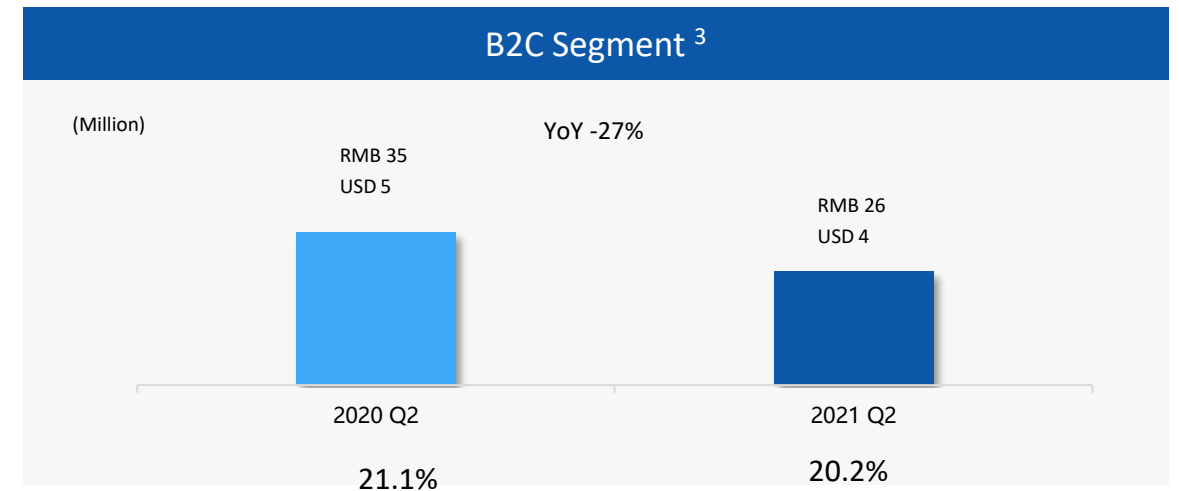
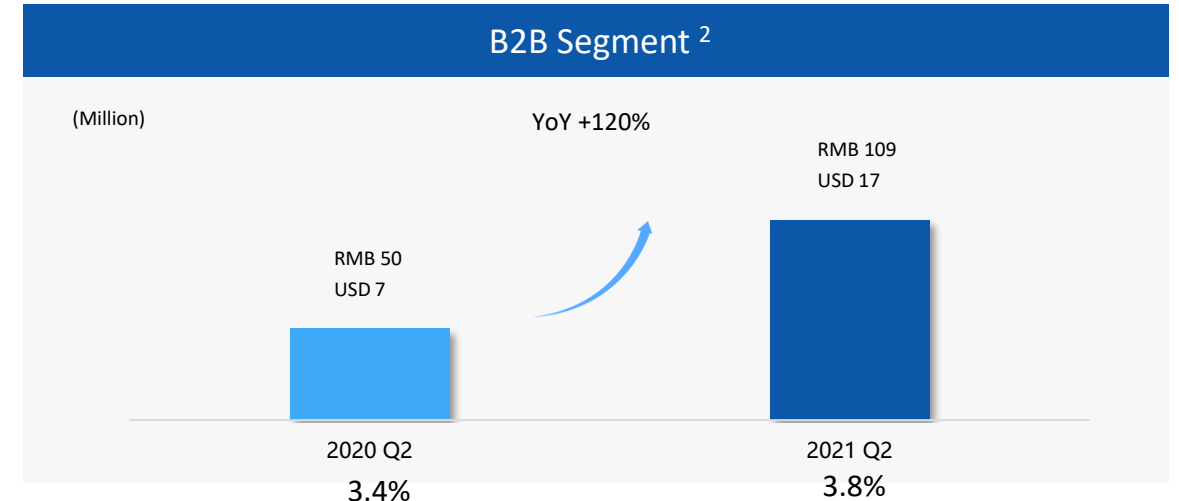
Revenue at Top End of Guidance Range



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

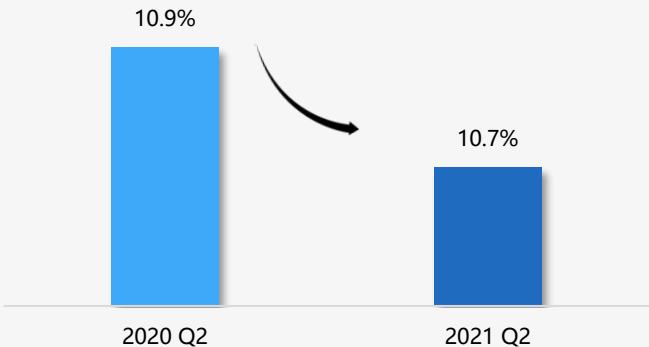


Notes:

- 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

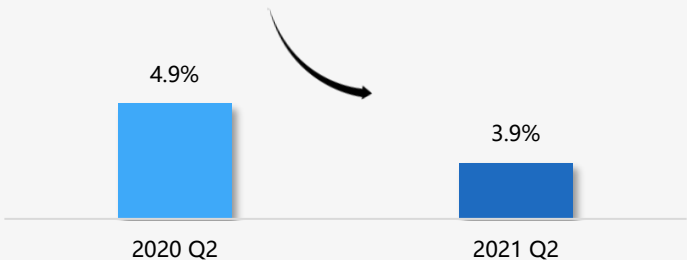
Net Loss Narrowed as a Percentage of Net Revenue

Operating Expense as % of Net Revenue ¹



	2020 Q2	2021 Q2
Total	10.9%	10.7%
Selling and Marketing	5.0%	4.4%
G&A	2.4%	1.7%
Technology	1.1%	1.7%
Fulfillment	2.7%	2.8%
Others	(0.2%)	0.1%

Non-GAAP Net Loss Attributable to Ordinary Shareholders



Outlook and Guidance

2021 Q3 Guidance

Total Net Revenues

- RMB3.31 Billion to RMB3.55 Billion
- YOY Growth of 40% to 50%

Q & A Session

Appendix



Selected Balance Sheet Summary

	As of			
	December 31, 2020		June 30, 2021	
'000	RMB	USD	RMB	USD
Cash and cash equivalents, restrict cash and short-term investments	1,618,701	248,080	1,205,646	186,731
Total current assets	2,872,704	440,261	2,958,651	458,237
Total assets	3,026,489	463,829	3,300,021	511,109
Total current liabilities	1,629,720	249,765	2,074,951	321,369
Total liabilities	1,695,844	259,899	2,243,809	347,522
Mezzanine Equity	924,245	141,647	892,105	138,169
111 Inc's Equity	357,405	54,775	130,863	20,269
Non-controlling interests	(48,995)	(7,508)	(33,244)	(5,149)
Total liabilities and shareholders' equity	3,026,489	463,829	3,300,021	511,109

Selected Income Statement Summary

	For the three months			
	Ended June 30,			
	2020		2021	
'000	RMB	USD	RMB	USD
Net Revenues	1,621,816	229,974	3,024,082	468,371
Cost of products sold	1,537,071	217,957	2,889,506	447,527
Fulfillment expenses	43,616	6,185	84,144	13,032
Selling and marketing expenses	81,199	11,514	133,545	20,683
General and administrative expenses	38,290	5,430	51,429	7,965
Technology expenses	18,404	2,610	52,643	8,153
Loss from operations	(92,712)	(13,147)	(188,824)	(29,243)
Interest expense (net) and other loss (net)	365	52	4,806	744
Net Loss attributable to ordinary shareholders	(92,733)	(13,150)	(158,969)	(24,619)
Non-GAAP net loss attributable to ordinary shareholders	(78,826)	(11,178)	(118,048)	(18,281)

Non-GAAP Financial Measures Reconciliation

Non-GAAP Net Loss	For the three months			
	Ended June 30,			
	2020		2021	
'000	RMB	USD	RMB	USD
Net loss attributable to 111, Inc.	(92,733)	(13,150)	(158,969)	(24,619)
Add:				
Share-based compensation				
Selling and marketing expenses	6,855	972	15,942	2,469
General and administrative expenses	6,354	901	17,638	2,732
Technology expenses	698	99	7,341	1,137
Non-GAAP net loss	(78,826)	(11,178)	(118,048)	(18,281)

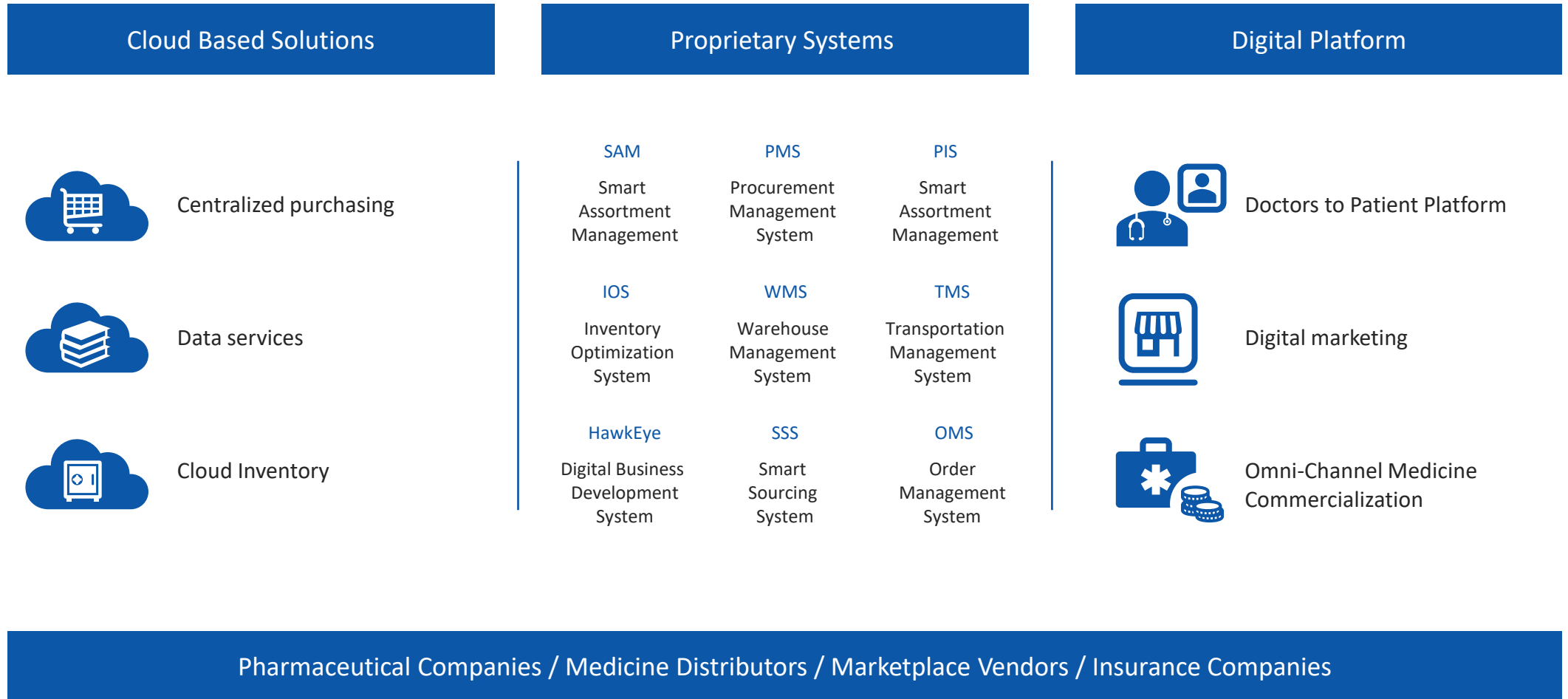
Thank You!



S2B2C Business Model

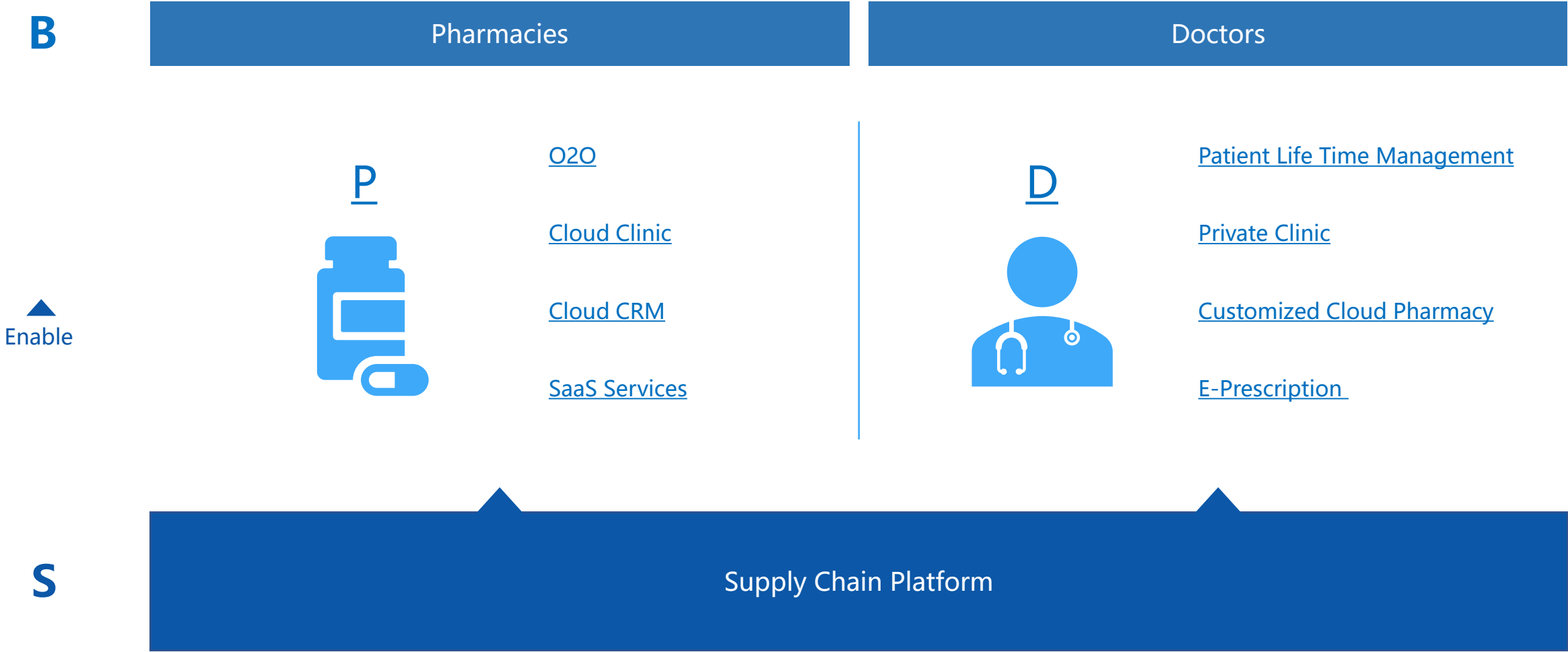
Building the Healthcare Platform of the Future

S



S2B2C Business Model

Fast Expanding Direct To-B: Empowers Pharmacies and Doctors



S2B2C Business Model

Enables Integrated Services to Customers/Patients

