



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

2015 Annual Results

Investor Presentation



**Anything
is possible**

Disclaimer

This presentation incorporates information contained in the annual results announcement (the “Results Announcement”) for the year ended 31 December 2015 of Li Ning Company Limited (the “Company”). This presentation should be read in conjunction with the Results Announcement and is qualified in its entirety by the more detailed information and financial information contained in the Results Announcement.

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Agenda

Results Highlights

Financial Review

Business Review

Outlook

Appendix



RESULTS HIGHLIGHTS

2015 Results Highlights

Financial Highlights :

- **Returned to profit**
 - Revenue up 17% to RMB 7,089
 - Gross profit margin maintained stable
 - Significantly lowered platform cost
- **Balanced channel expansion**
 - Double-digit revenue growth in all three major channels, namely retail, wholesale and e-commerce
- **Positive Operating Cash Flow since 2011**
- **Improved working capital**
- **Successful execution in inventory optimization**

Operational Highlights:

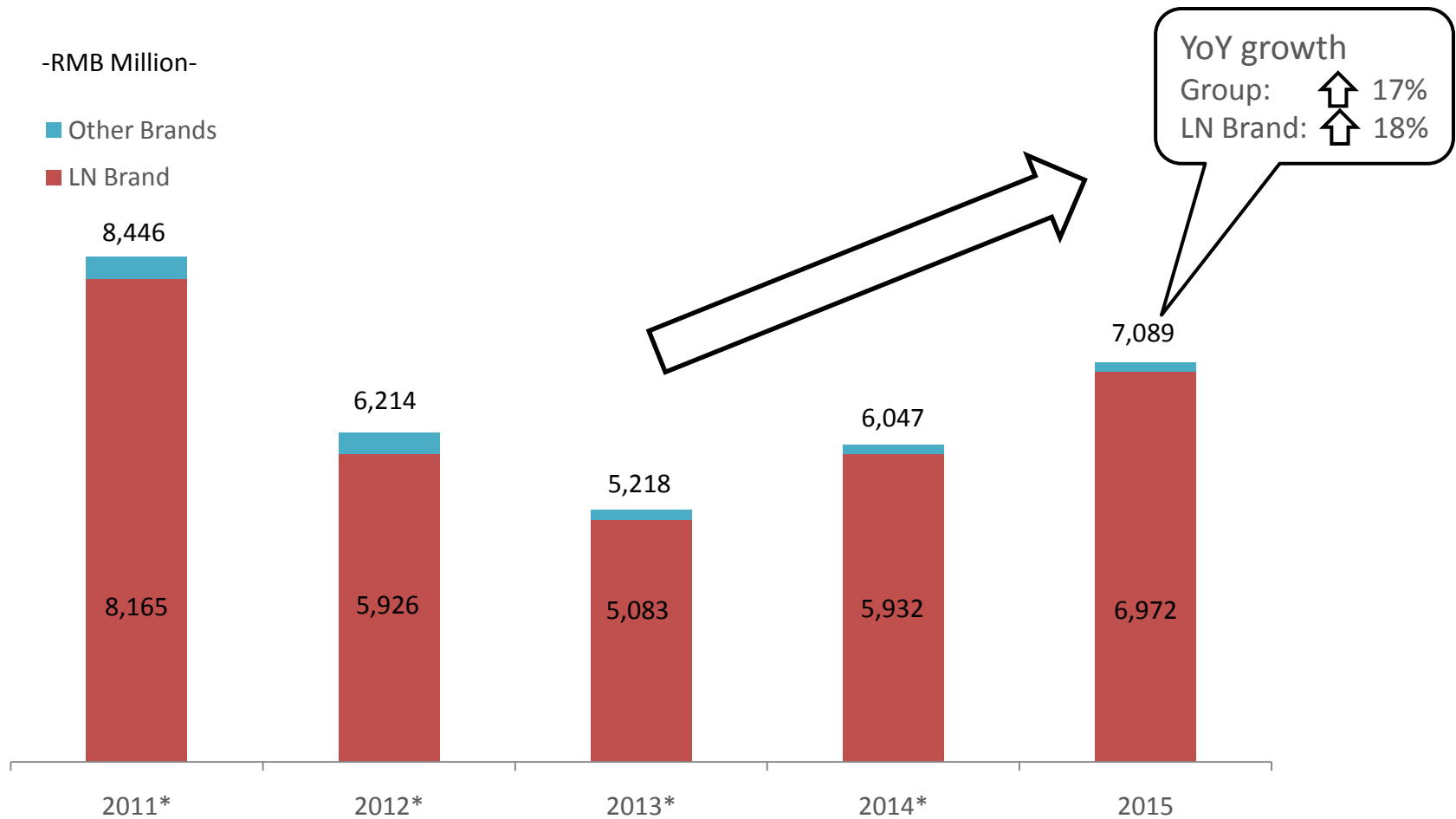
- **Expansion in Point of Sales (POS) resumed, including wholesale channel**
- **Positive overall SSSG in all four quarters throughout the year**
- **Double digit retail sell-through growth for core product categories in aggregate**



FINANCIAL REVIEW

Revenue

Group Total, excl. Double Happiness



Consecutive years of double-digit revenue growth led by strong momentum of Li Ning brand

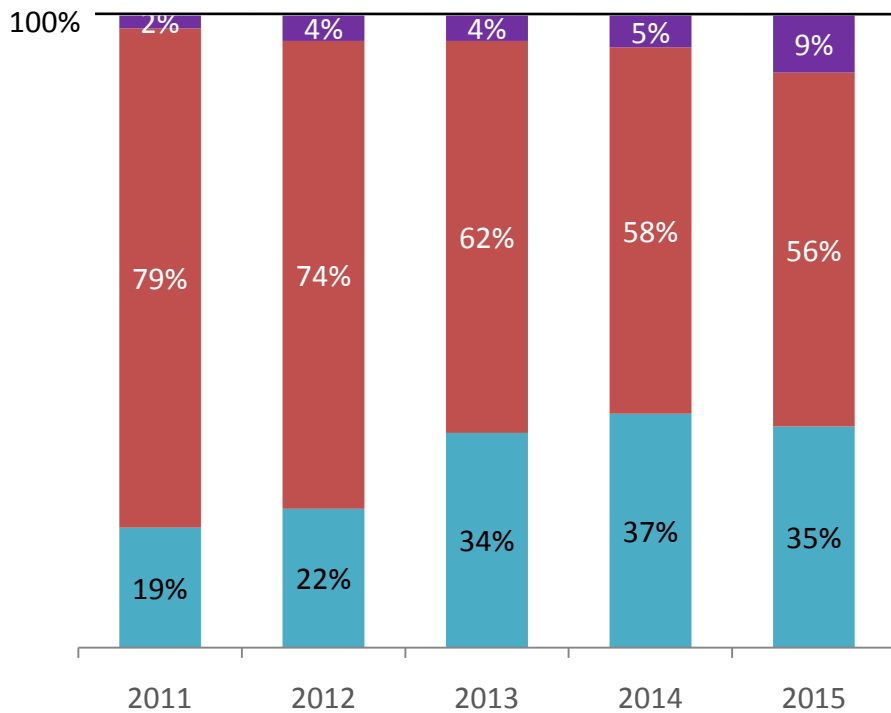
*Excluded Double Happiness

Revenue and Sell-Through Mix

LN Brand, excl. international markets

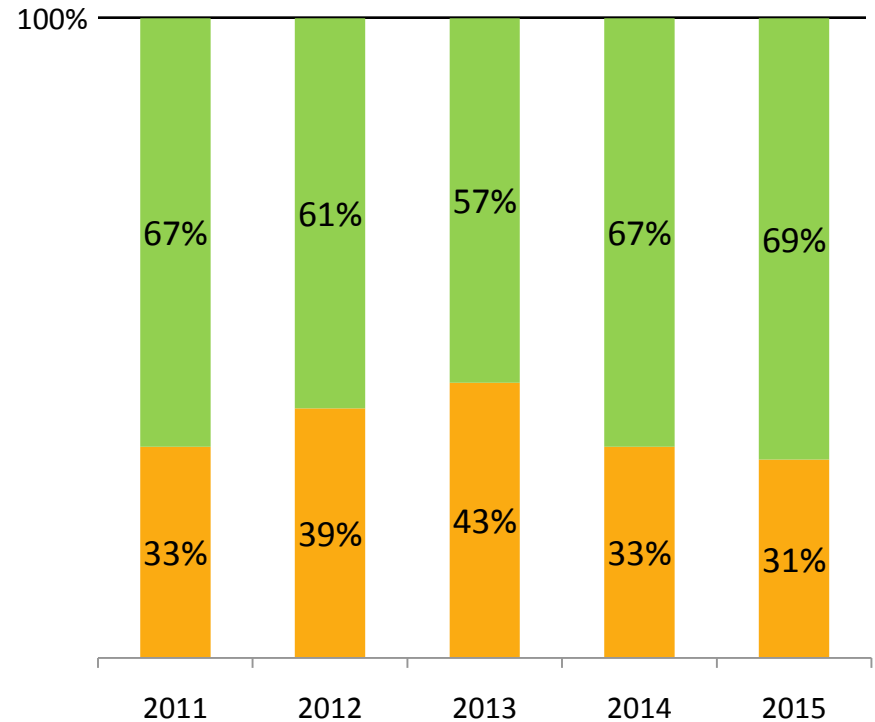
Company Revenue Mix

■ Retail ■ Wholesale ■ E-commerce



Sell-Through Mix (Incl. Retail, Wholesale and E-commerce)

■ Old Product ■ New Product (Current and Last Season)

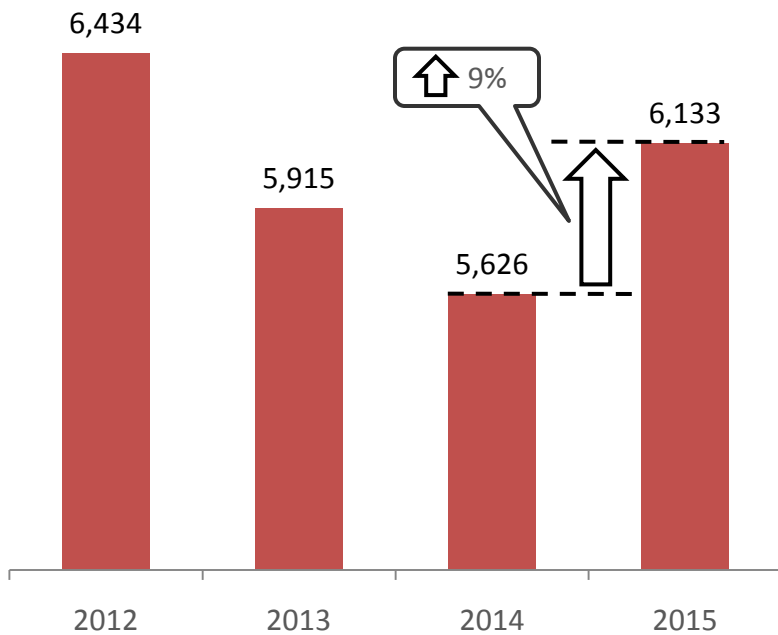


Business expansion driven by more balanced channel growth and continued new product mix improvement

Online and Offline Expansion

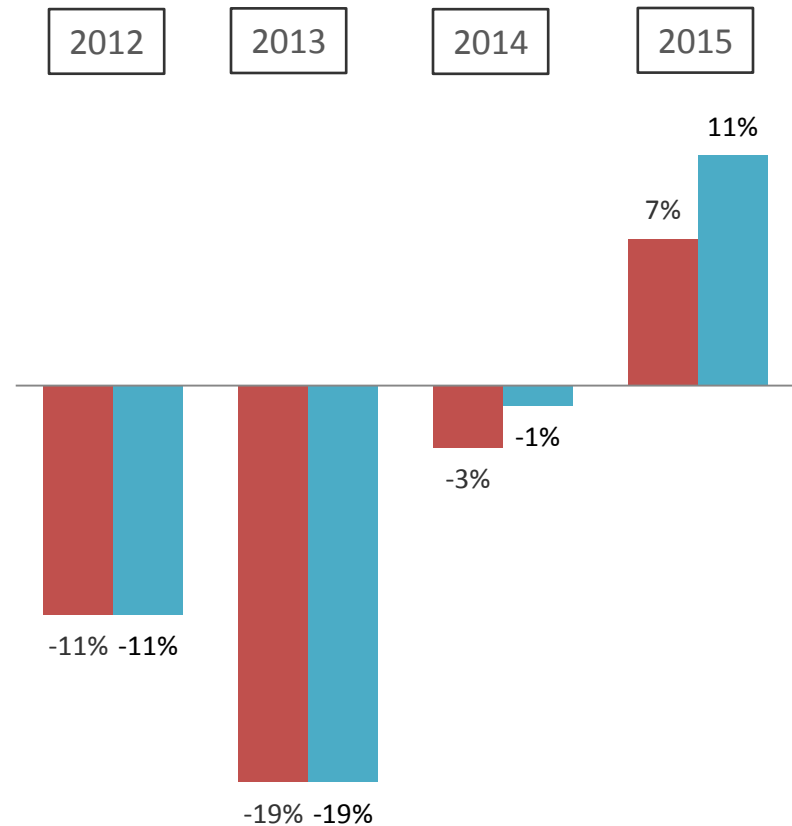
LN Brand, excl. international market sales

No. of POS (Period End)



Sell-through growth

■ Offline Channel ■ Online and Offline Channels



Business growth driven by both online and offline channels

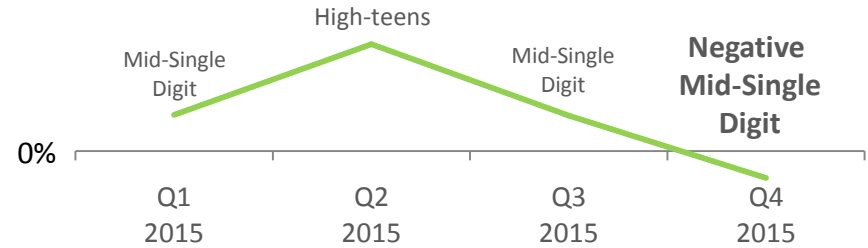
Same Store Sales Growth (SSSG) Rate

LN Brand

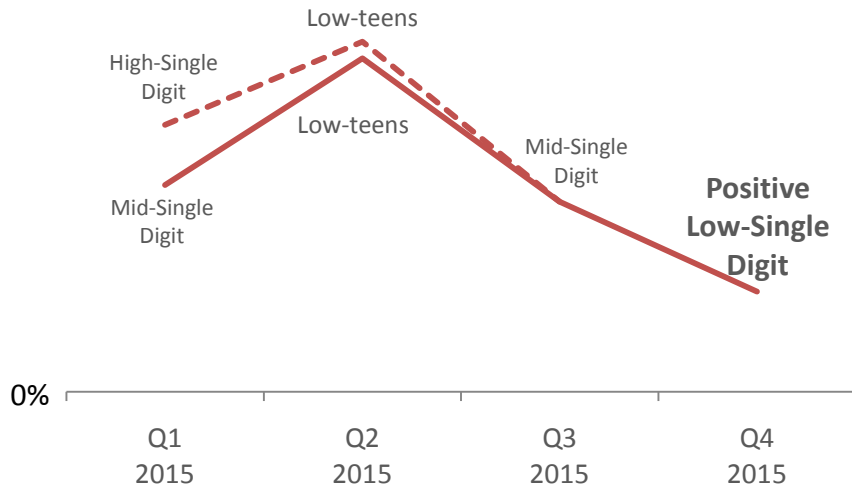
SSSG (Full year 2015)

- Overall ↑ High-Single Digit
- Retail ↑ High-Single Digit
- Wholesale ↑ Low-Single Digit
- E-commerce ↑ Low-Eighties

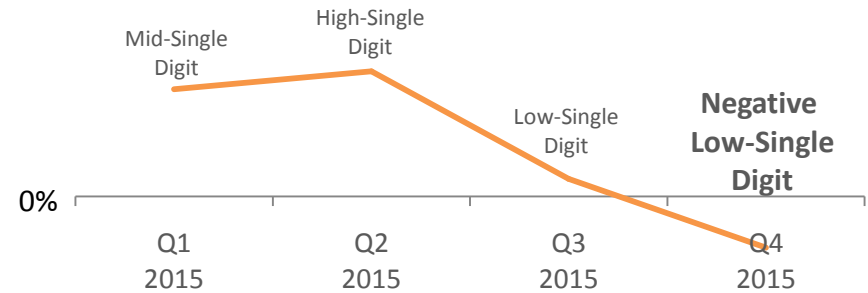
Retail (Direct operation)



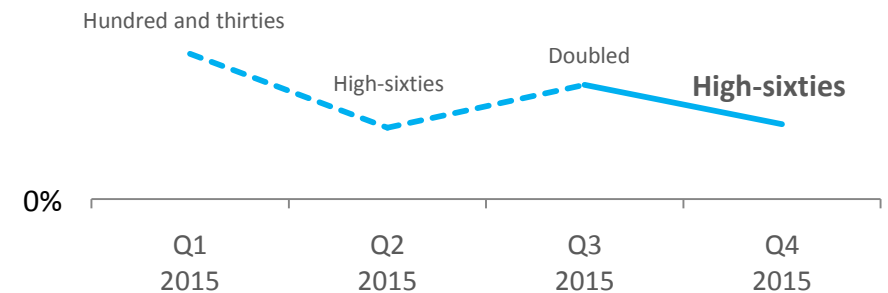
Overall Platform



Wholesale (Franchised Distributors)



E-commerce*



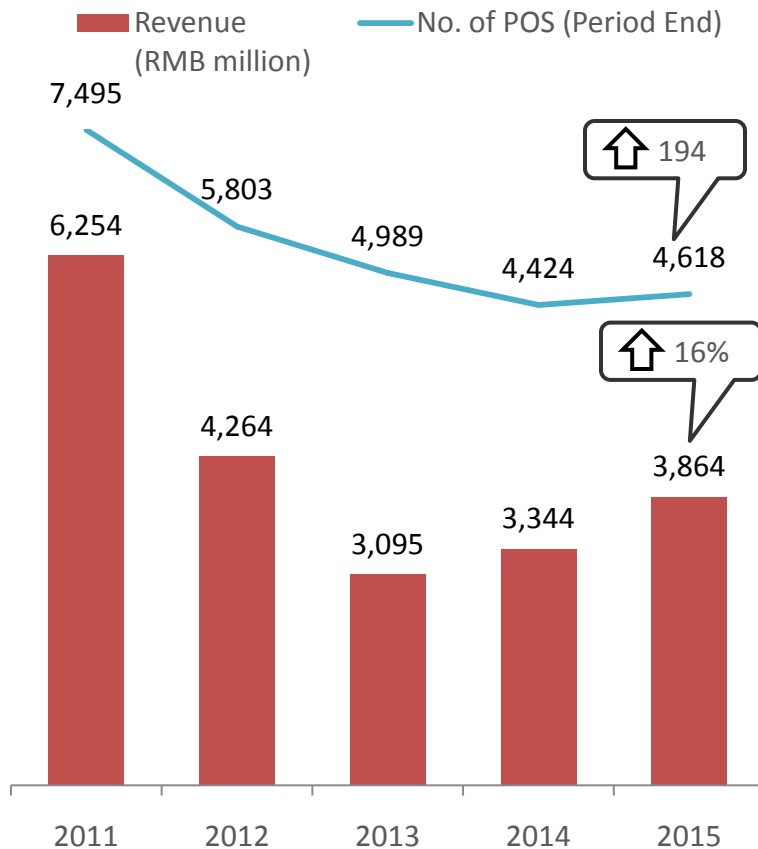
— Reported numbers
 - - - Restated to include E-commerce

*E-commerce: LN brand sell-through generated from T-mall, JD and Lining.com

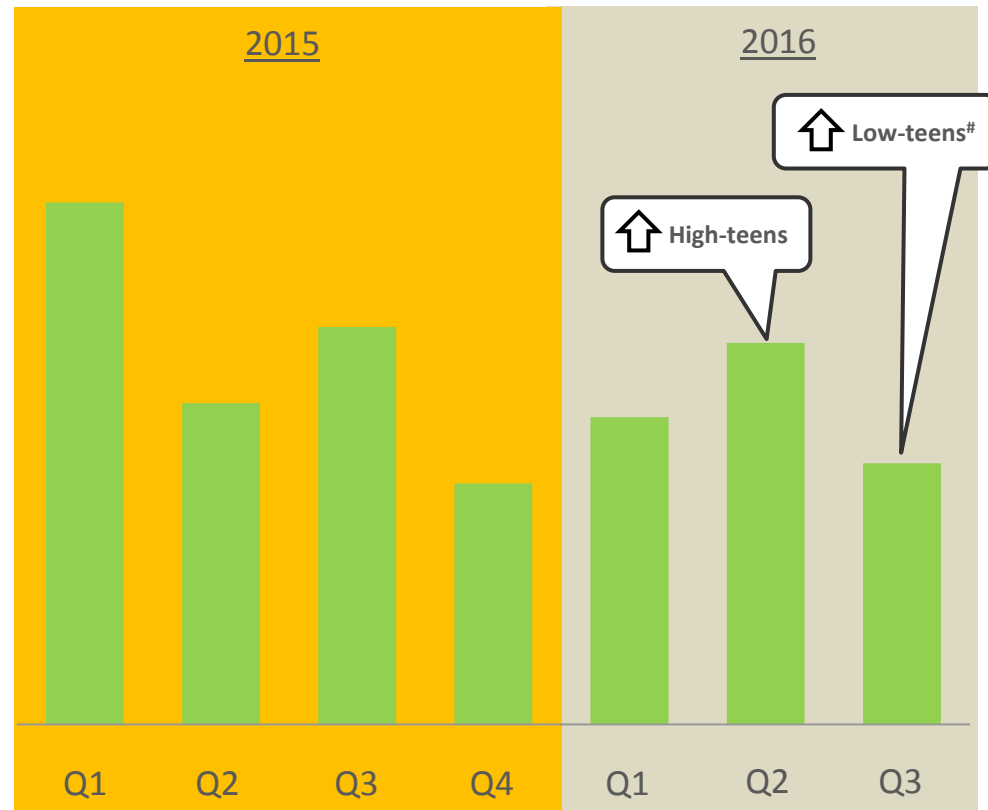
Wholesale Business[^]

LN Brand, excl. international market sales

Business Performance



Trade Fair Order* (Tag Price) Growth, % YoY



Trade fair orders momentum continues to drive wholesale business growth

[^] Wholesale business: Only including franchised distributors; excluding our direct retail

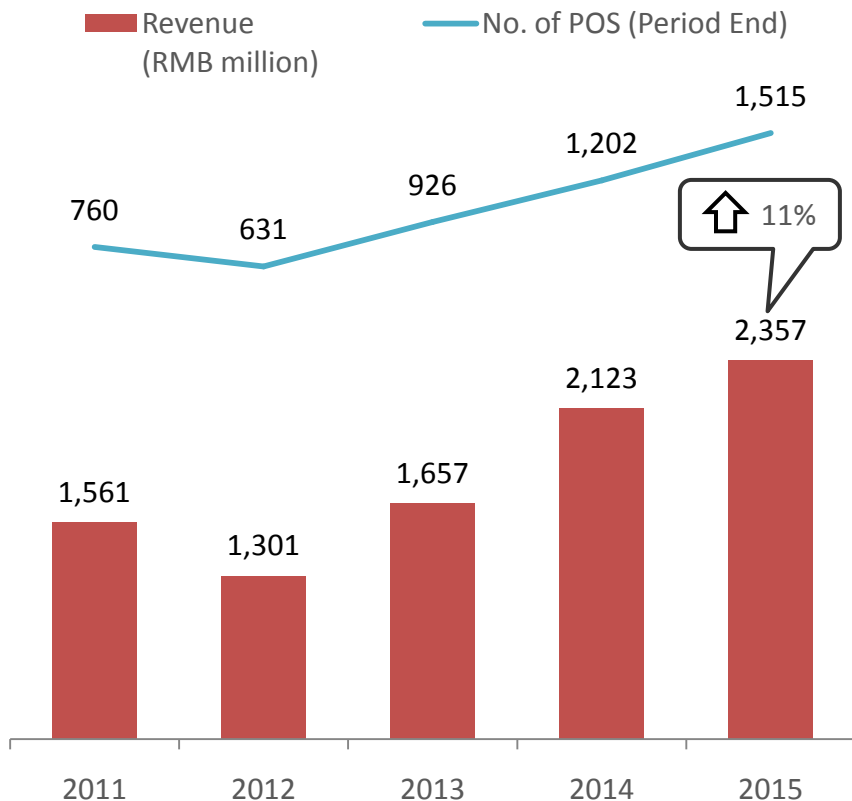
*Order placed during trade fair (excl. orders from subsidiaries), e.g. 2016Q3 orders were placed about half year ago

Accounted for impact by transfer market (Note: We acquired distributors business, which affected trade fair orders of 2015)

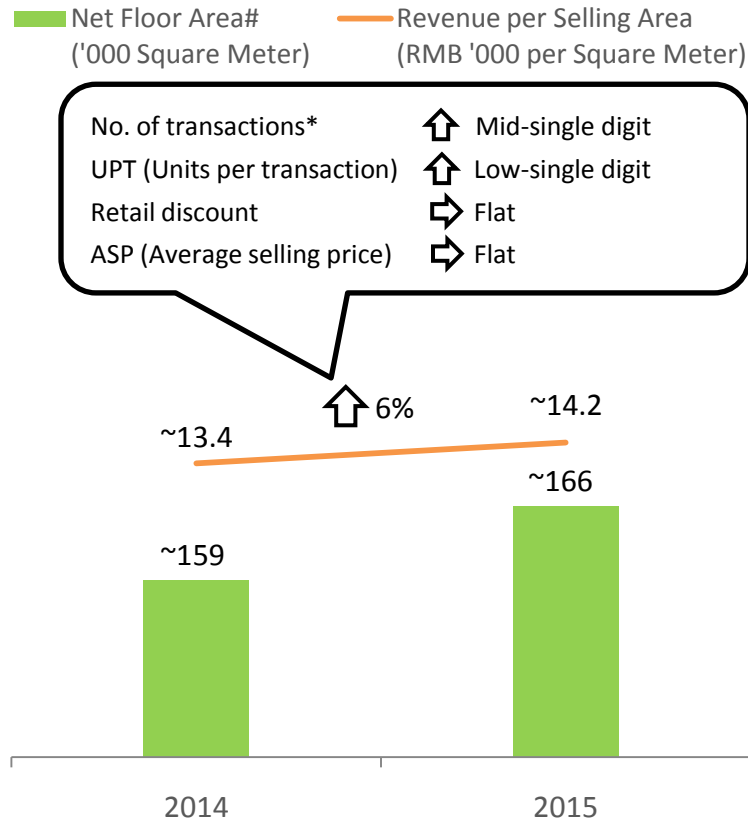
Retail Business[^]

LN Brand

Business Performance



Revenue per Selling Area



No. of transactions* ⬆ Mid-single digit
 UPT (Units per transaction) ⬆ Low-single digit
 Retail discount ⬇ Flat
 ASP (Average selling price) ⬇ Flat

Store efficiency improved through higher UPT and transaction volume

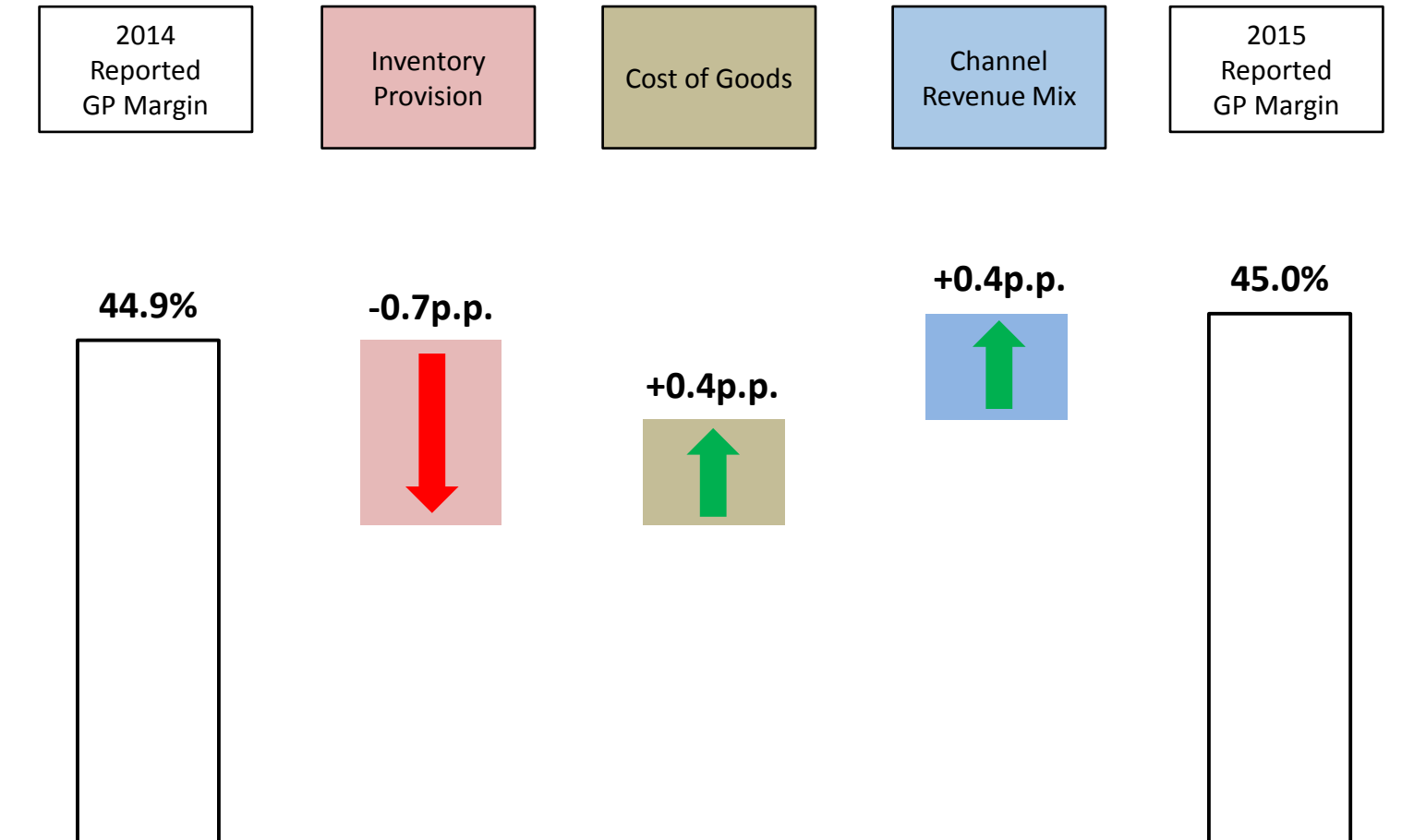
[^] Retail business: Refers to direct retail operation

Excl. POS with less than one month operation

* Transactions per square meter

Gross Profit Margin Analysis – 2015 vs 2014

Net Change in Major Items, Double Happiness Recorded as Discontinued Operations

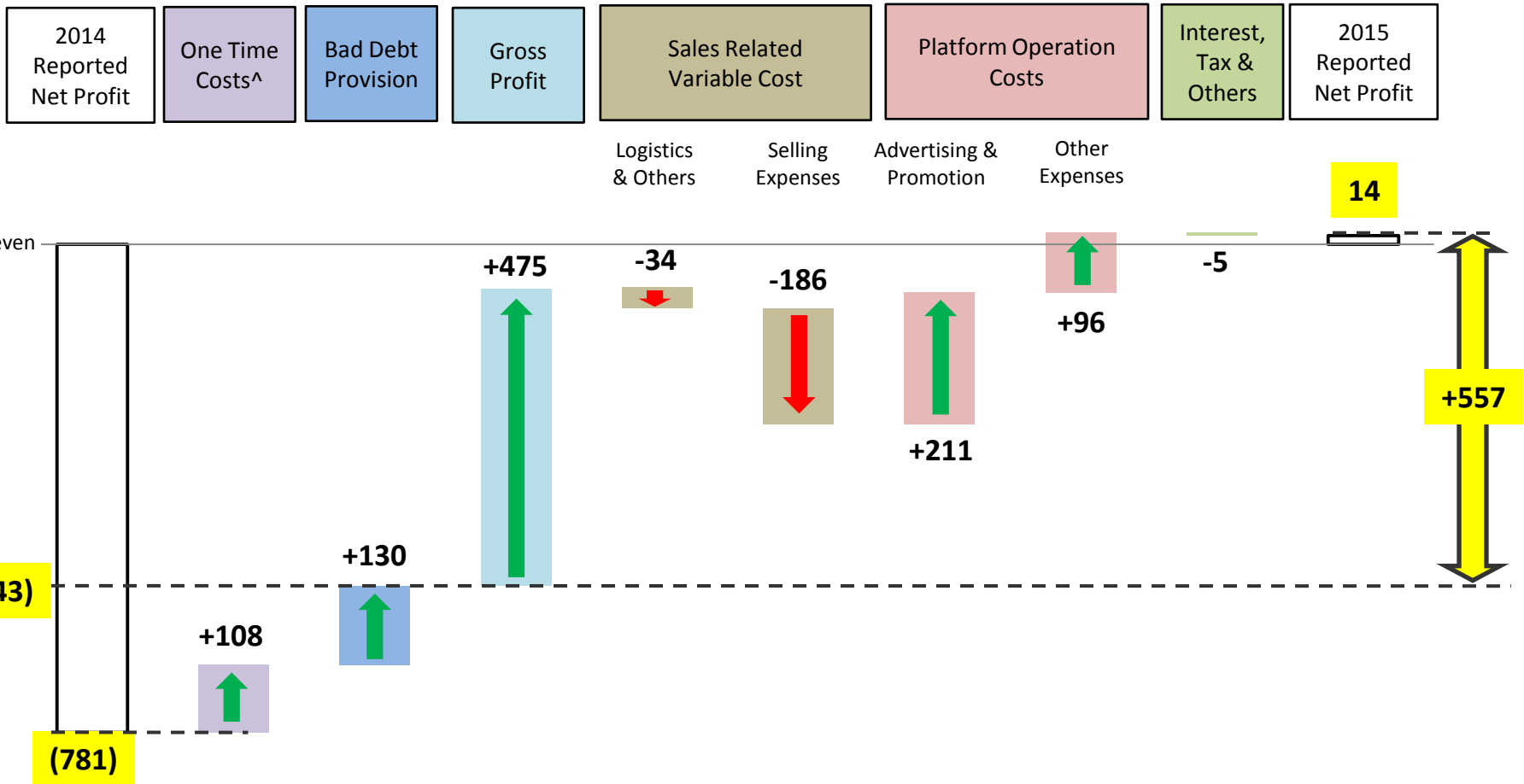


Optimized inventory and normalized production cost, gross margin maintained and ready for expansion

Profitability Analysis – 2015 vs 2014

Net Change of Major P&L Items, Double Happiness Recorded as Discontinued Operations

-RMB Million-

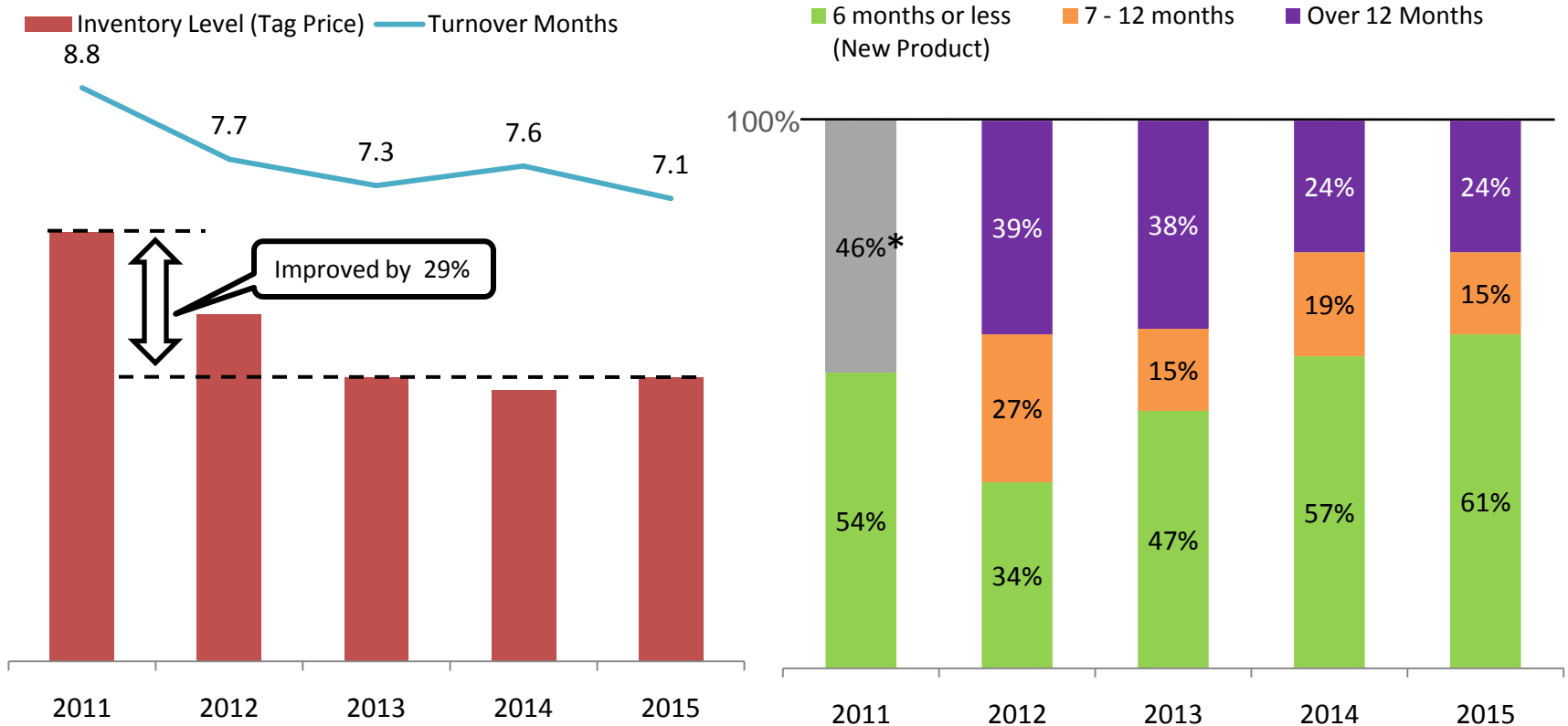


Resumed profitability attributable to revenue growth and a healthy cost structure

^ One time cost include impairment of available-for-sale financial assets, closure of Flagship stores etc

Channel Inventory

Incl. Retail, Wholesale and E-commerce



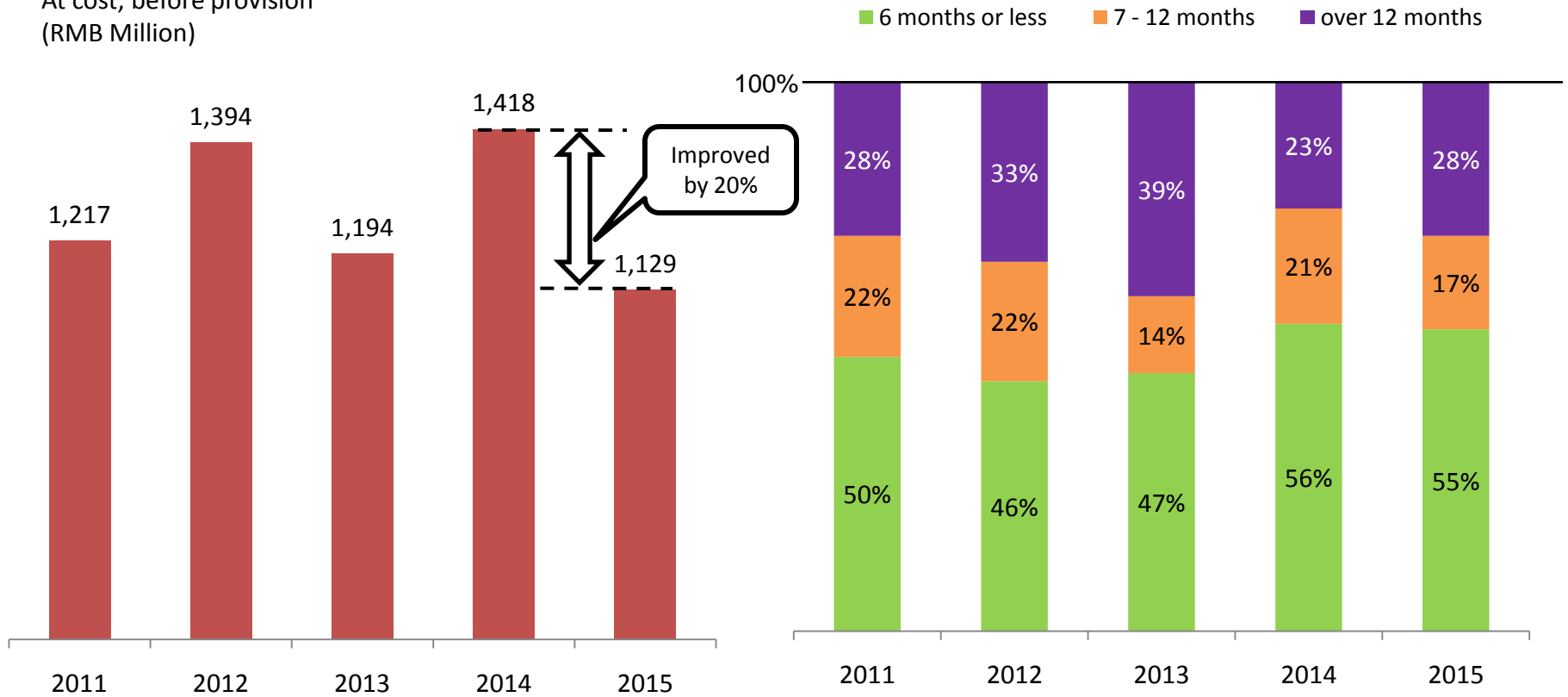
Improvement driven by strong retail sell-through and healthier product mix

*Detailed split of inventory more than six months not available for 2011

Company Inventory

Excl. Double Happiness

At cost, before provision
(RMB Million)

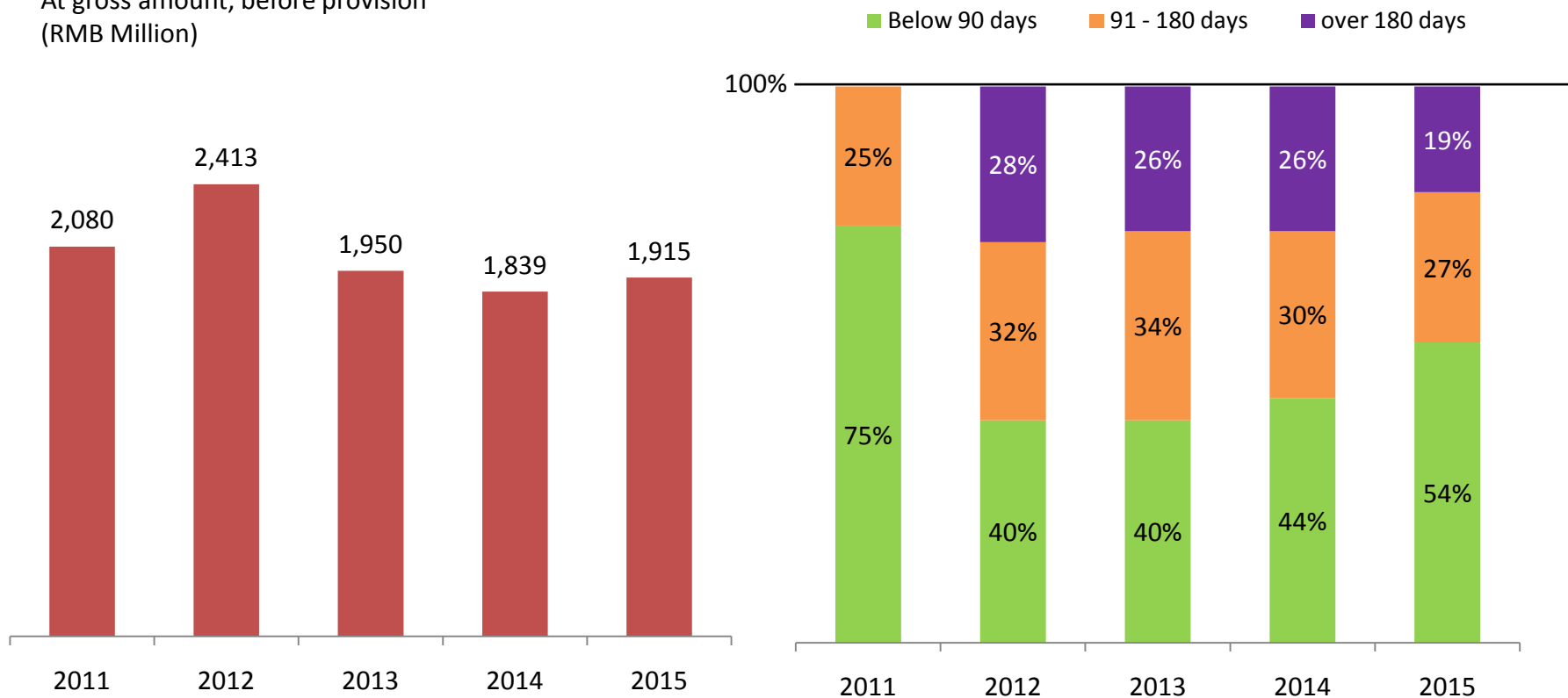


Significant improvement notwithstanding strong expansion in direct retail network

Trade Receivables

Excl. Double Happiness

At gross amount, before provision
(RMB Million)

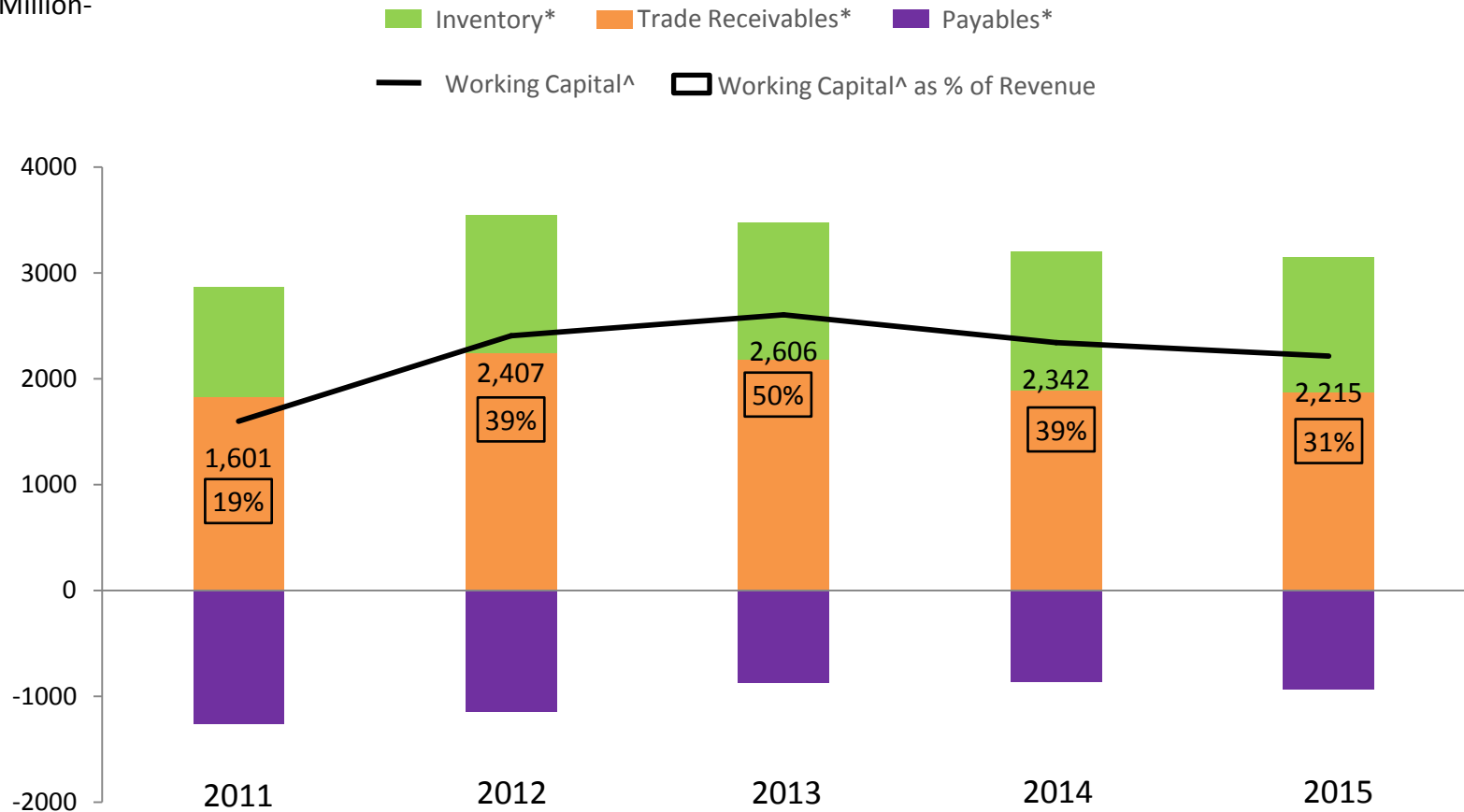


Healthy receivables volume notwithstanding revenue growth; Aging significantly improved

Working Capital Efficiency

Excl. Double Happiness

-RMB Million-



Working capital improved to a sustainable growth level

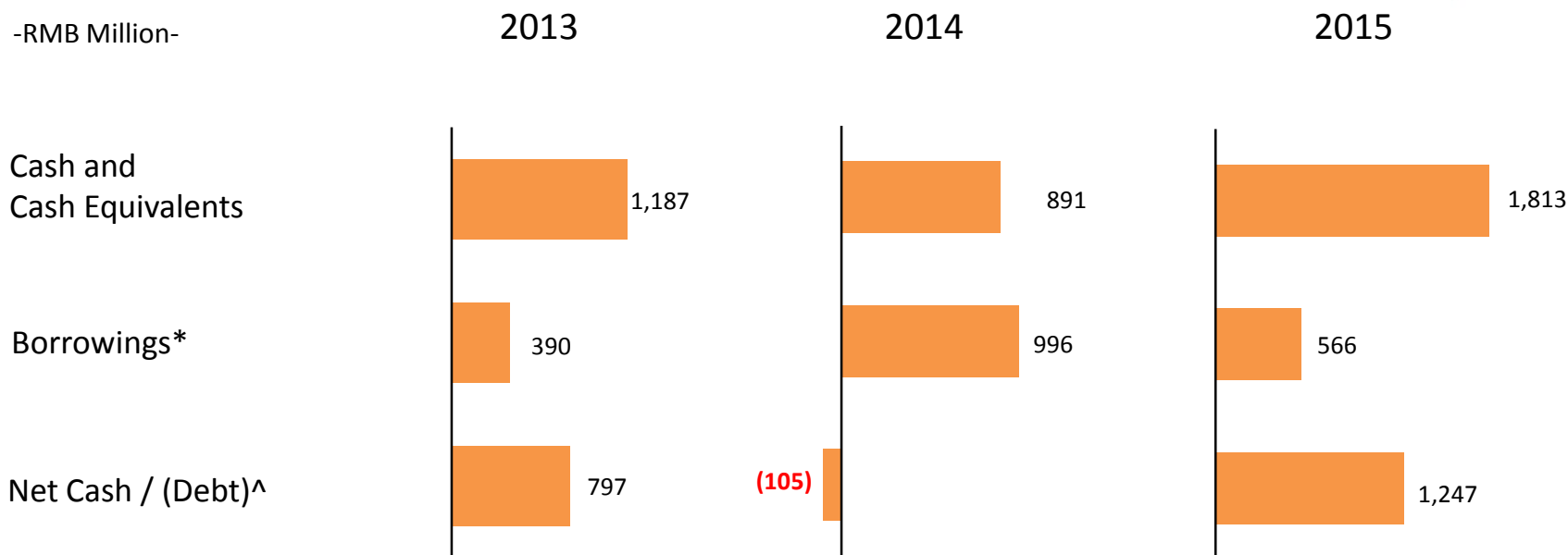
* Simple average between period opening and ending

^ Gross Amounts of inventory, trade receivables and payables, without netting off provisions

Balance sheet summary and cash position

Excl. Double Happiness

-RMB Million-



Cash Conversion Cycle (Days)

93

102

76

Interest-bearing debt-to-equity ratio

39.1%

78.7%

40.5%

Current Period Operating Cash Flow

(14)

(394)

687

Operating cash flow turned positive and significantly lowered balance sheet risk

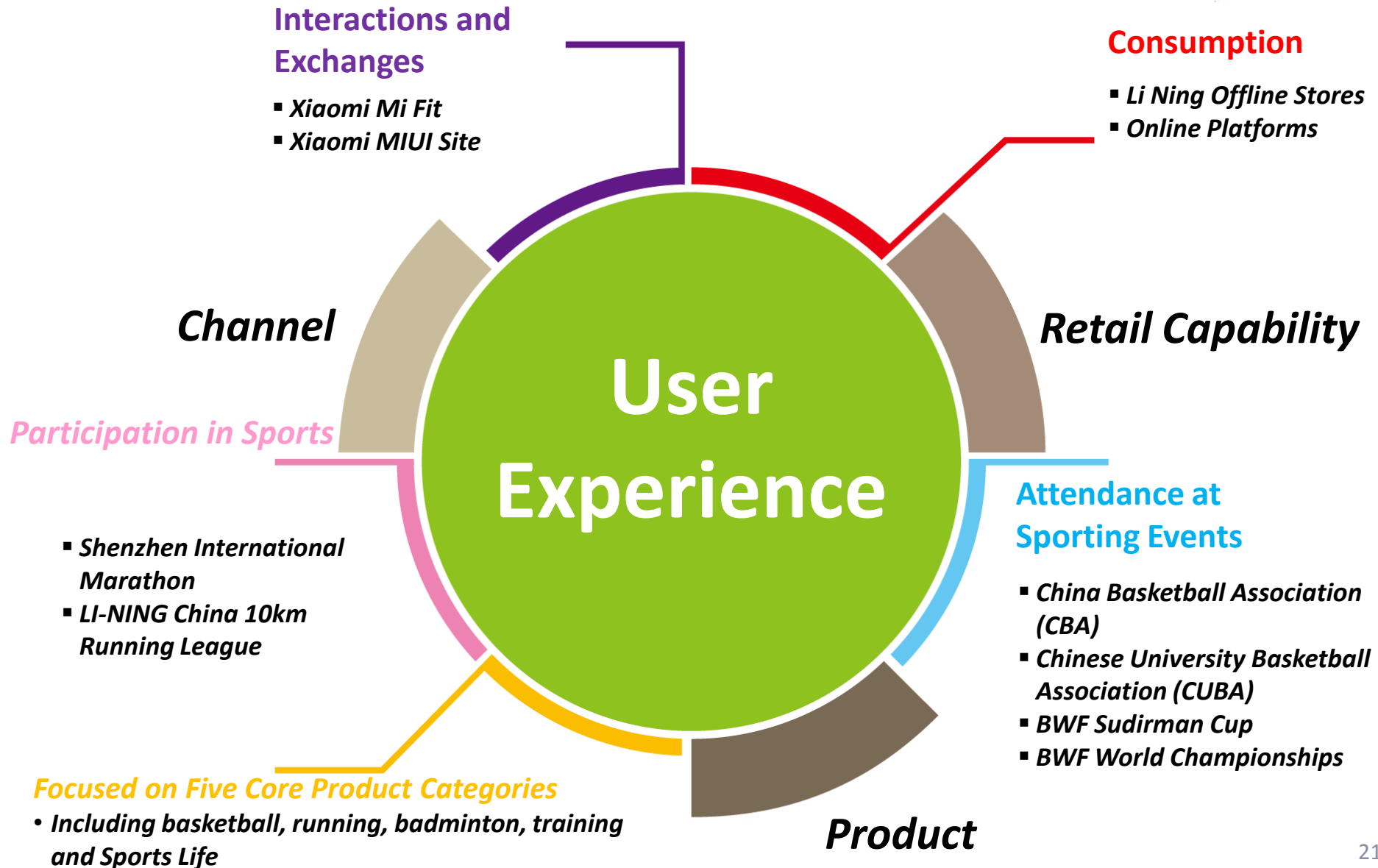
*Borrowings included Bank loans and Related Parties Loan

^Net Cash / (Debt) = Cash and Cash Equivalents – Borrowings

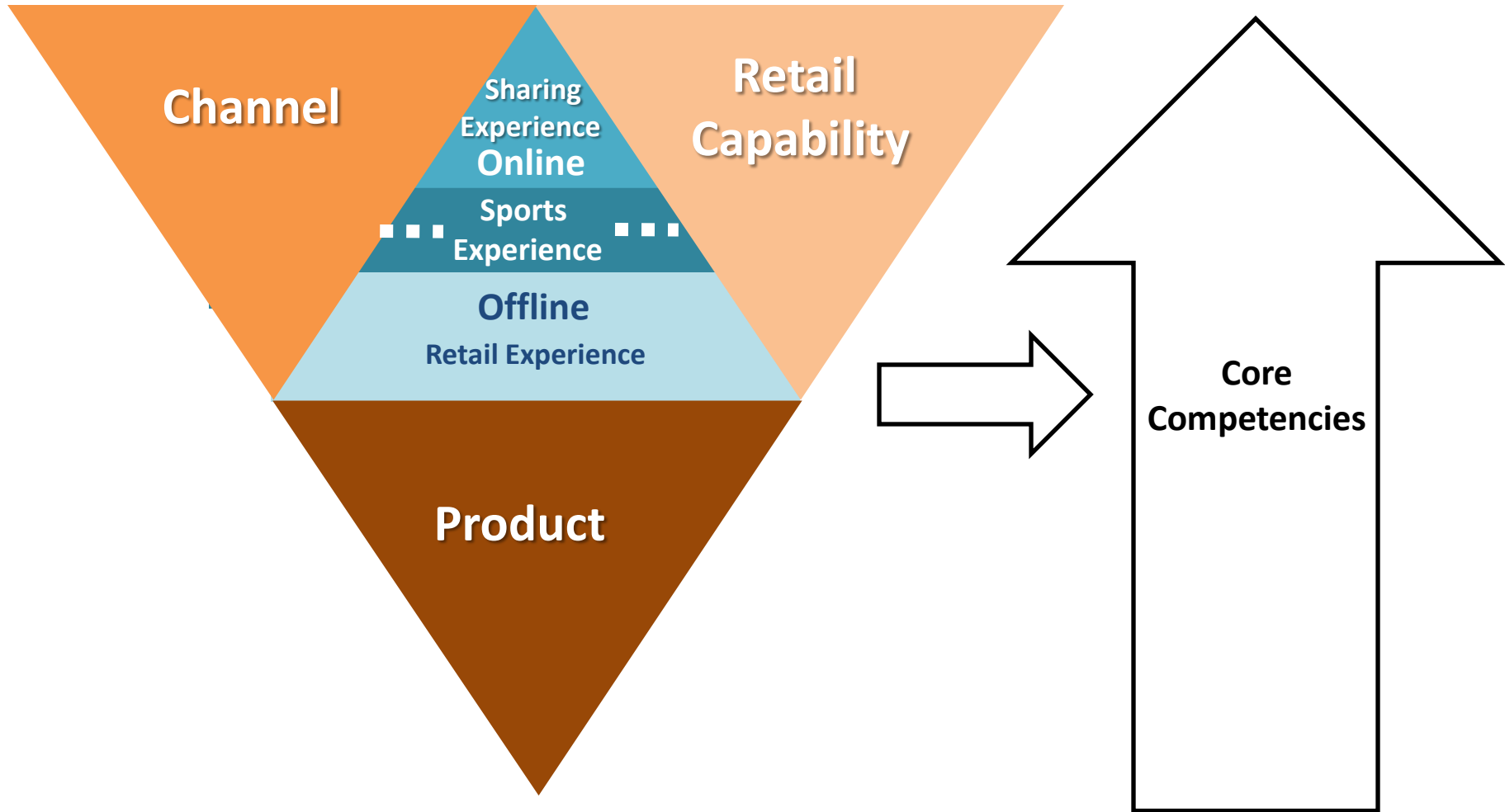
A man wearing a blue puffer jacket, a black beanie, and black gloves is boxing in a snowy environment. He is in a dynamic pose, with his right arm extended forward and his left arm bent. The background is a blurred snowy landscape with a dark metal structure. A purple brushstroke graphic is on the left side of the image.

BUSINESS REVIEW

“Three-Pillars” Strategy: Create User Experience



“Three-Pillar” Strategy: Enhance Core Competencies



Experiences Surrounding Core Product Categories: Attending Sporting Events

Basketball



Chinese University Basketball Association (CUBA)



China Basketball Association (CBA)

Continued to support national top-tier basketball competitions, and nurture sports experiences with competitions, sports players, sports clubs, basketball fans as well as students through an integrated use of resources. A rich basketball culture was therefore spread widely among consumers that drove retail sales

The unconventional design of CBA Champion t-shirt (“「牛」字CBA 总冠军T恤”) ignited passion among basketball fans, bringing their enthusiasm and recognition in the Li Ning brand to the next level



Introduce an innovative customer engagement and sales model, and initiate the “LI-NING Way of Wade Design Contest”



Badminton



BWF Sudirman Cup



BWF World Championships

Adopt marketing strategies that centre with top-tier competitions so as to promote product professionalism and instill greater brand preference in consumers



Continue to intensify brand connections with the badminton industry, top tier competitions and shuttlers by means such as TV relay, social media, on-site interactive activities and field sales

Experiences Surrounding Core Product Categories: Participation in Sports

Running

- Hosted LI-NING China 10km Running League races in 10 cities across China including Shenzhen, Xian, Shanghai, Taiyuan, Qingdao, Changchun, Wuhan and Chengdu, providing a professional and experience-filled well-organized sports platform for runners



- Product Innovation: Double Strike – Introduce “For Run” and “For Fun”, which captures the needs of professional runners and general public respectively

Training



Sports Life



Experiences Surrounding Core Product Categories: Interactions and Sharing



Highlight User Experience through O2O Interactions

Present Sports Groups with Cohesive Sports Experiences

Integrate the Advantages of Professional Sporting Products

Instill more Essence- and Depth-filled Values into the Brand



- Partner with Huami Technology (part of the Xiaomi ecosystem) to produce a new generation of "smart" running shoes
- Innovative Marketing: Develop new communication channels and sales models by combining professional sportswear, "smart" hardware, wireless internet and big data analysis



Experiences Surrounding Core Product Categories: Consumption

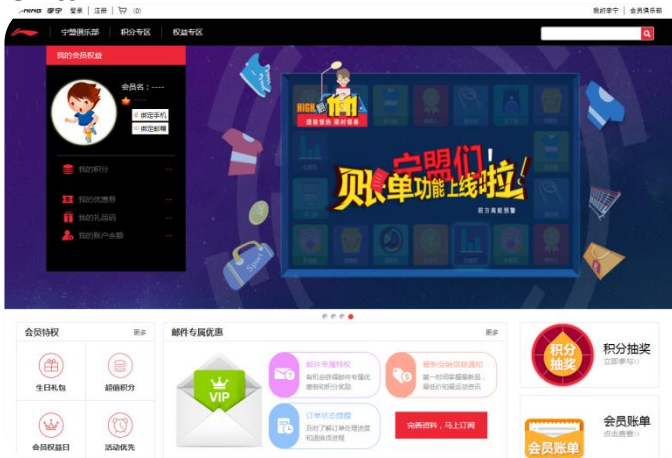
- Channel Innovations: Proactively promoted running corners in flagship stores, the “LI-NING iRUN” Club and opened new running specialty stores; meanwhile driving an overall O2O transformation by integrating online and offline channels



Li Ning Offline Stores



Li Ning Online Store



Li Ning Club

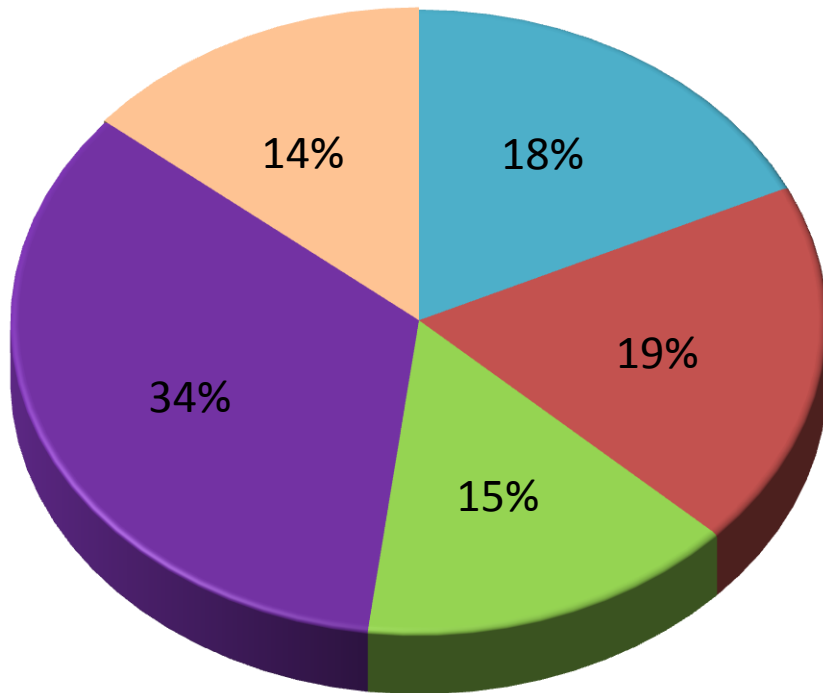


Li Ning Official Tmall Flagship Store

Five Core Categories* Drive Business Growth



Retail Sell-through – Mix



- Basketball
- Running
- Training
- Sports Life
- Others

Retail Sell-through – YoY Change

Total	↑ 11%
➤ Basketball	↑ 34%
➤ Running	↑ 17%
➤ Training	↑ 12%
➤ Sports Life	↑ 10%
➤ Others	↓ 26%

Sell-in – YoY Change

Badminton*	↑ 12%
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*The “Five Core Product Categories” include basketball, running, badminton, training and Sports Life
Badminton products are not covered by the charts above as they are mainly distributed via professional channels

Channel Optimization Continues

Channel

Channel Recovered

- 6,133 POS by the end of 2015, net increased 507 during the year
- Trade Fair Results: LI-NING brand products from franchised distributors registered year-on-year growth for nine consecutive quarters, which is for the third quarter of 2016

Inventory Significantly Improved

- Implemented optimization of aged inventories through factory stores, discount stores, event sales and third-party channels
- Company inventory level significantly reduced (improved) by 20%

Implement Channel Expansion Optimize Inventory Structure

Improved Performance of Offline POS

- Sell-through (Full Year):
High single-digit total sales growth
- Same Store Sales Growth (SSSG)
 - Retail (Full Year): High single-digit
 - Wholesale (Full Year): Low single-digit

Proactively Expanded Online Businesses

- Revenue: Doubled for the year
- Transactions on Tmall hit a record of over RMB200 million on the Nov 11 (Singles Day)
- Same Store Sales Growth (SSSG)
 - E-commerce virtual stores (Full Year):
Over 80%



Strengthened Retail Capability : Enhanced the Overall Efficiency and Results



*New products: Current and last season products

^March data not available yet, 5 months sell-through data used for Q4

25th Anniversary - A New Start



OUTLOOK



Clear Market Positioning: Sports Functionality and Sports Leisure



Equip Professionalism, Enrich Lifestyle

Sports Functionality



Price Range:
Low to Middle

- Target sports enthusiasts and consumers who understand the legacy of Li Ning brand and is conscious of product functionality
- Highlight sports functionalities and professionalism, reflected in products, channels and consumer interfaces

Basketball



Running



Badminton



Training



Sports Leisure



Price Range:
Middle to
High

- Target white-collar executives who are urban fashionable
- Product design and development are 100% led by a Korean design team
- Established presences in core business circles of metropolitan and tier 1 cities
- Over 50 POS in more than 30 cities by the end of 2015, including Beijing, Shanghai, Chengdu and Shenyang,
- Target to add about 40 new POS in 2016



Price Range:
Low

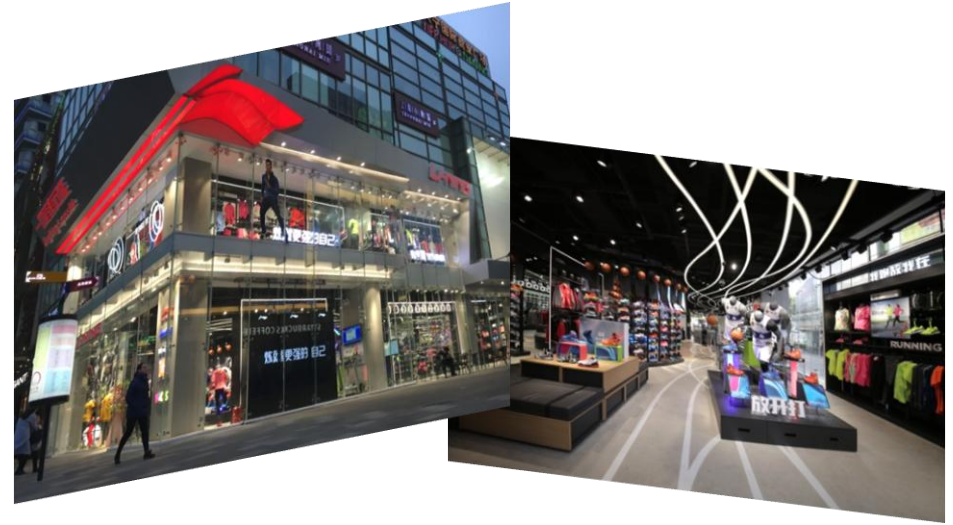
- A fast fashion leisure sportswear brand
- Adopt a fast fashion model, which at the same time cater to mass market demand for sports elements
- Mainly focus on core business circles and shopping centers in tier 2, 3 cities
- Almost 30 POS by end-2015 in over 10 cities including Nanning, Wuhan and Hefei
- Target to add over 100 new POS in 2016



Channel Development: Expand Sales Network Strategically

Channel

- Target to add 300-500 more POS, approximately 50% of which are direct retail
- Continue to strengthen collaborations with channel partners, and strategically expand into under-penetrated regions with strong growth potential



Channel Development: Focus on Expanding E-commerce Business

Channel

智能跑鞋全网销量
破300000

销量破30万



专业分析，更深度的跑步数据

我们更加深入挖掘你的跑步数据，三大独有功能分析跑步精准步频、前后落地监测以及跑鞋缓冲冲击力（后续版本功能），让你全面了解自身的跑步情况，并以此为依据，调整自身的跑步动作，减少运动损伤，提升运动表现。

163 步频 (步/分)
跑步精准步频

15% 前后落地监测
前后落地监测

50 缓冲冲击力 (吨)
跑鞋缓冲冲击力

更多人性化功能，让你的跑步不单调

我们这款智能跑鞋独有功能（包括智能语音播报、智能提醒不止息音乐的跑步数据、语音提醒你的跑步速度及步频数据、为科学掌握跑鞋、同时还有跑步姿势纠正（包括版本及版本功能）、通过跑步数据对比、帮助运动爱好者、获得更有动力、并在智能穿戴设备中运动App的用户关注度、提升品牌知名度、提高品牌美誉度、让你的跑步不再单调。

- E-commerce expected to contribute to more than 20% of total revenue in the next 2 to 3 years
- Proactively implement an O2O business model
- Encourage O2O interactions, flexibly integrate into consumers' social and smart lifestyles agilely through a comprehensive study of consumer buying behaviors and habits

李宁韦德之道4

“全明星”限量发售

LI-NING Way of Wade 4 "All-Star"

轻取胜利

李宁官方网站
发售时间：2月22日 上午10点

原价 1499元

Retail Capability: Strengthen “Closed Loop” Retail Operation



- Toward a more precise understanding of the complete sales model, and foster virtuous cycles through implementation of a Retail Operation “Closed Loop” that begins with product planning and ends with cash recovery
- Boost overall operational efficiency, and reduce operating overheads
- 2015 Results
 - Sell-through recorded high single-digit growth
 - Overall SSSG recorded high single-digit
 - Full year new product* weighted average sell-out rate (YoY change)
 - 3 months: ⬆ 3p.p.
 - 6 months[^]: ⬆ 4p.p.
 - Gross inventory declined 20% YoY
 - Operating cash flow significantly improved to 687million inflow

*New products: Current and last season products
^March data not available yet, 5 months sell-through data used for Q4



LN TRAINING

OPEN FORUM

马龙
乒乓球奥运冠军



APPENDIX

Summary of Income Statement

Double Happiness Recorded as Discontinued Operations

(RMB million)	2015	2014	Better/(Worse)
	Period ended 31 December		
Revenue	7,089	6,047	17%
Gross Profit	3,193	2,718	18%
Distribution costs	-2,720	-2,765	2%
Administrative expenses	-346	-628	45%
Other income and other gains – net	31	32	(3%)
Operating (Loss) /Profit	157	-643	N/A
EBITDA	394	-456	N/A
(Loss) / Profit Attributable to Equity Holders	14	-781	N/A
Basic (Losses) / Profit per share(RMB cents)	0.66	-49.97	N/A

Profit Margins And Expense Ratios

Double Happiness Recorded as Discontinued Operations

	2015	2014	Better/(Worse)
	Period ended 31 December		
Gross Profit Margin	45.0%	44.9%	0.1p.p.
Operating Profit Margin	2.2%	-10.6%	12.8p.p.
EBITDA Margin	5.6%	-7.5%	13.1p.p.
Margin of (Loss) /Profit Attributable to Equity Holders	0.2%	-12.9%	13.1p.p.
R&D Expenses(as % of revenue)	1.9%	2.7%	0.8p.p.
A&P Expenses(as % of revenue)	14.3%	20.3%	6.0p.p.
Staff Costs(as % of revenue)	9.6%	12.0%	2.4p.p.

Key Operational Indicators

Double Happiness Recorded as Discontinued Operations

	2015	2014	Better/(Worse)
	Period ended 31 December		
Average Inventory Turnover(Days)	100	109	9
Average Trade Receivables Turnover(Days)	69	79	10
Average Trade Payables Turnover(Days)	93	86	7
Cash Conversion Cycle(Days)	76	102	26
Return on Equity(ROE)	0.6%	-33.7%	34.3p.p.
Return on Asset(ROA)	0.2%	-25.9%	26.1p.p.
CAPEX(RMB million)	347	314*	10.5%

Summary of Balance Sheet

Double Happiness Recorded as Held for Sale Asset

(RMB Million)	31 Dec 2015	31 Dec 2014	Better/(Worse)
Cash and Cash Equivalents	1,813	891	103%
Borrowings [^]	566	996	43%
Convertible Bonds Liabilities	723	689	(5%)
Net Cash*	1,247	-105	N/A
Current Liabilities	2,472	2,741	10%
Current Ratio(times)	2.2	1.7	0.5x
Total Liabilities to Total Assets Ratio	50.6%	64.1%	13.5p.p.

[^]Borrowings included Bank loans and Related Parties Loan

*Net Cash = Cash and Cash Equivalents – Borrowings