

2021

Interim Results

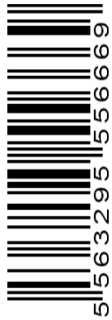


LI NING COMPANY LIMITED
李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:2331)





Disclaimer



This presentation incorporates information contained in the interim results announcement (the “Results Announcement”) for the six months period ended 30 June 2021 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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2021 Interim



Fashion
Sports
Tech

Fashion
Sports
Tech

LINING

Results Highlights

Results Highlights / 2021 Interim Report



LI
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弹速涌动



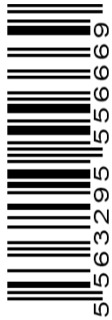
2021H1 Financial Highlights



Financial Highlights:

- Net profit attributable to equity holders increased by 187% to RMB1,962 million, and the net profit margin raised from 11.1% to 19.2%;
 - Revenue increased by 65% to RMB10,197 million
 - Gross profit margin expanded 6.4 percentage points to 55.9%
 - Enhanced operating leverage help drove operating profit margin expanded 10.4 percentage points to 24.9%
- Operating cash flow increased by over 590% to RMB3,325 million;
- Significant improvement in working capital continued:
 - Gross average working capital improved (reduced) by over 10% while revenue increased by 65%
 - Cash conversion cycle further improved (shortened) by 17 days (2020H1: 30 days/2021H1: 13 days)

LI-NING



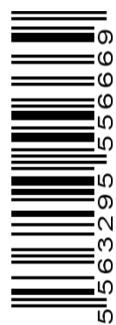
2021H1 Operational Highlights



Operational Highlights:

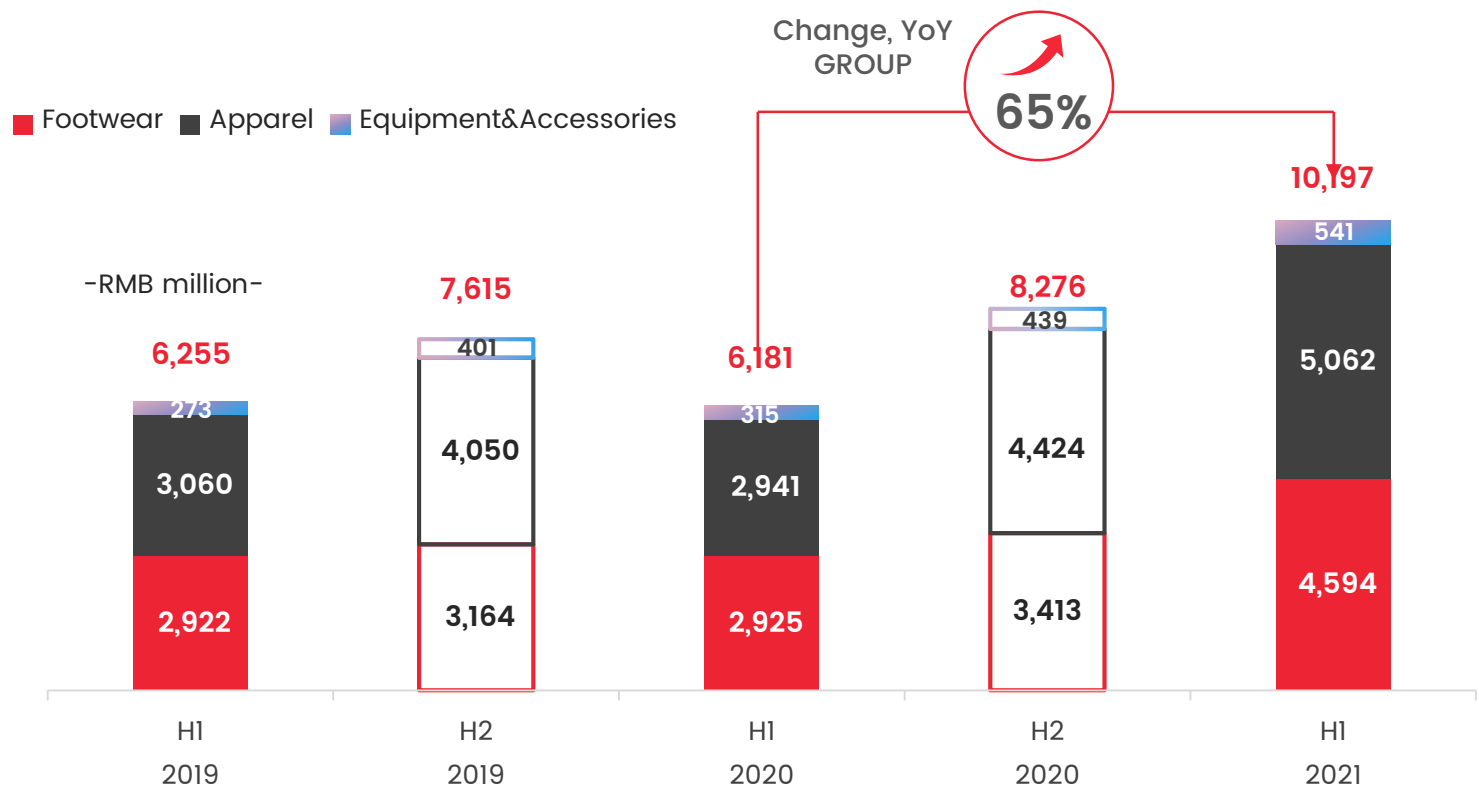
- The retail sell-through for the overall platform increased by low-nineties, including online and offline channels;
- Channel inventory declined mid-single-digit with improved aging structure, notwithstanding the above retail sell-through expansion, the inventory turnover has still been greatly improved;
- Offline channel new product sell-through increase accelerated to mid-nineties:
 - Improvement in retail discount rate recorded high-single-digit (percentage points)
 - Sell-out rate: Both 6-month and 3-month improved by approximately 21 percentage points





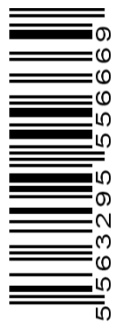
Revenue

Group Total



COVID-19 recovery and market dynamics fueled growth momentum



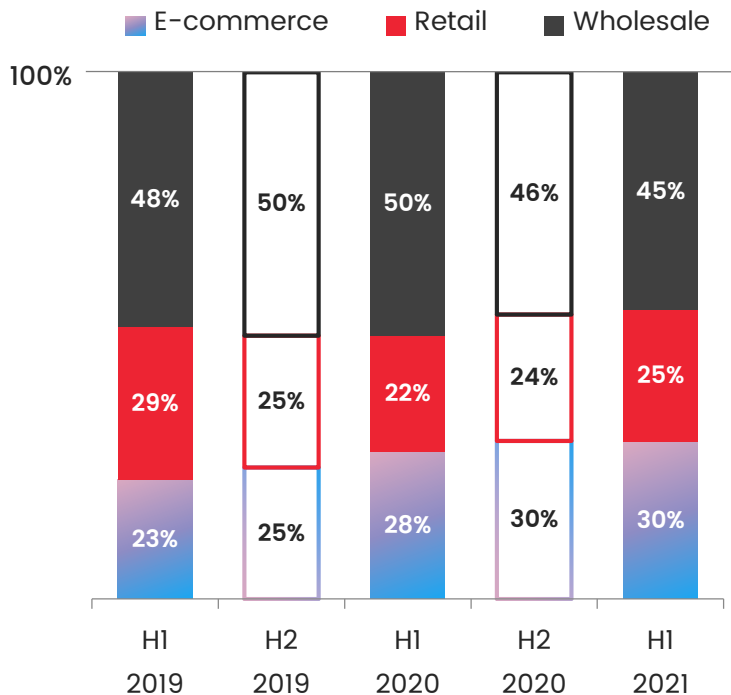


Revenue and Sell-through Mix

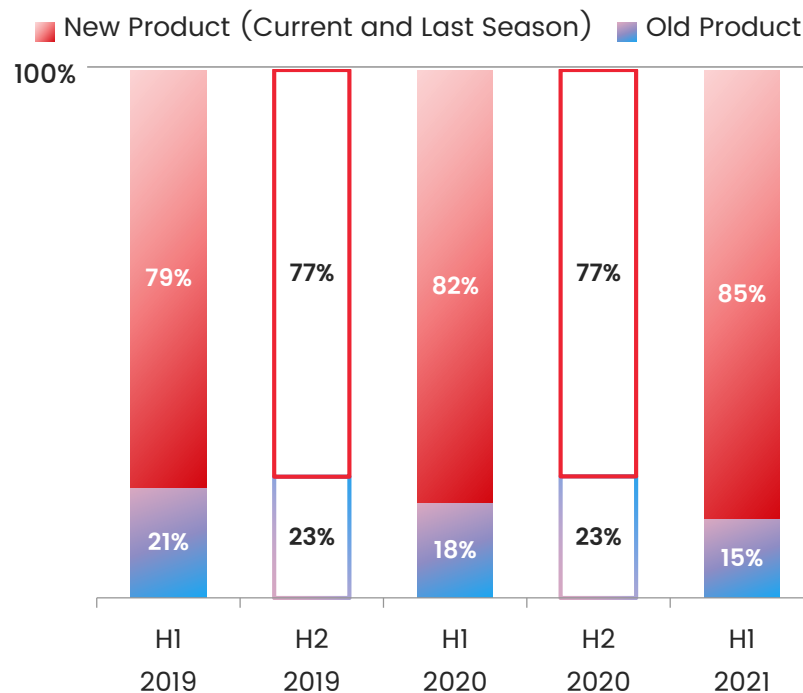


LN Brand, excl. International Markets and LN YOUNG

Company Revenue Mix



Sell-Through Mix (Incl. Retail and Wholesale)



Healthy growth driven by improved DTC channel mix and new product sell-through mix



Same Store Sales Growth (SSSG) Rate

LN Brand , excl. International Markets and LN YOUNG

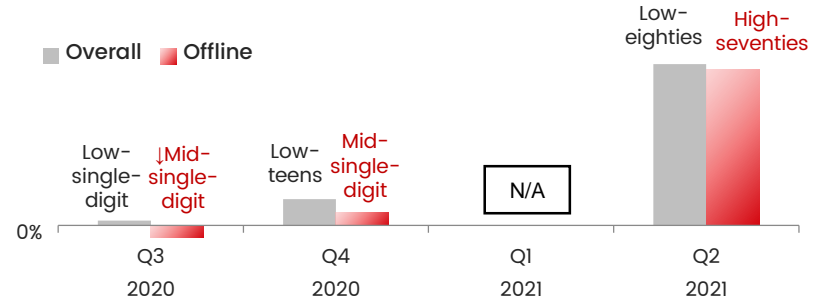


SSSG (2021 Q2 vs 2020 Q2)

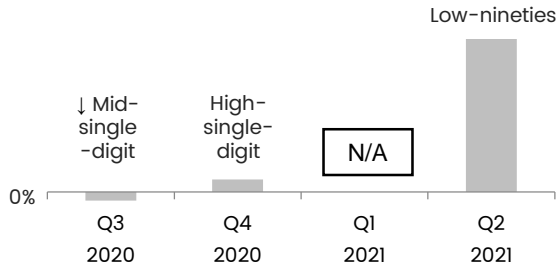
- Overall
 - Retail → Low-eighties
 - Wholesale → Low-nineties
 - E-commerce# → Low-seventies

High-eighties

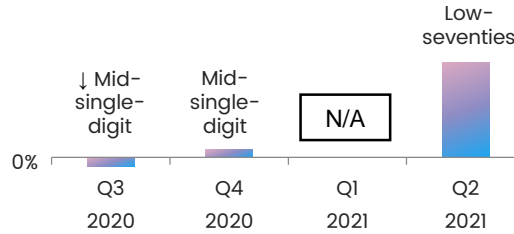
Overall Platform



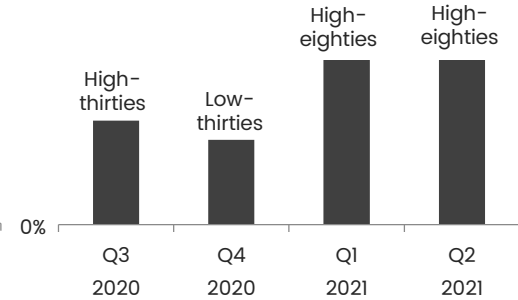
Retail



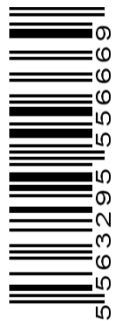
Wholesale



E-commerce



For the first half of 2021, same store sales of E-commerce business registered a high-eighties growth on a year-on year basis.

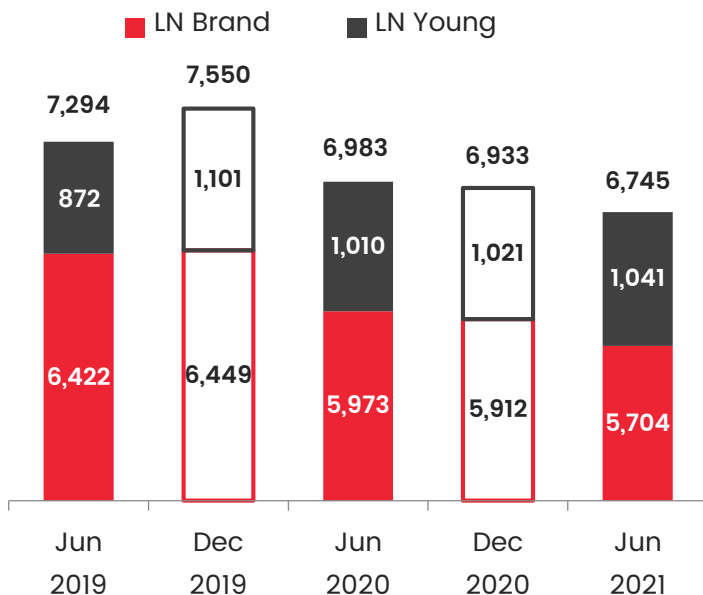


Online and Offline Expansion

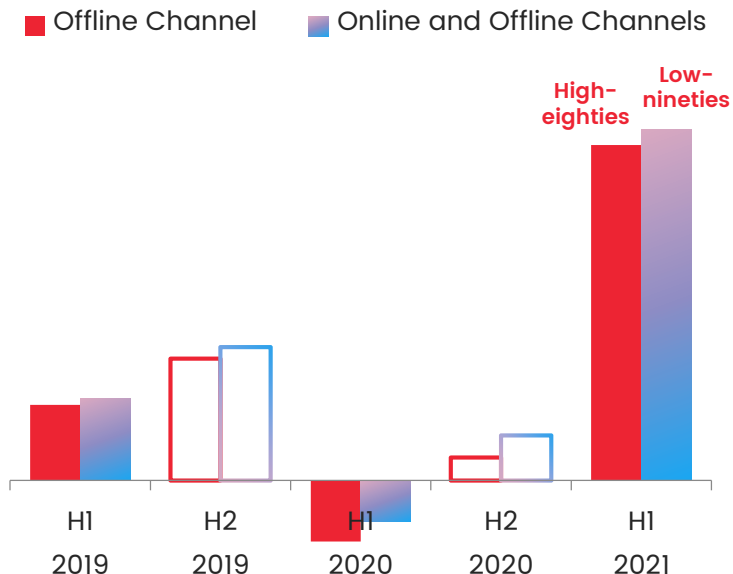


LN Brand, excl. International Market Sales

POS number (Period end)

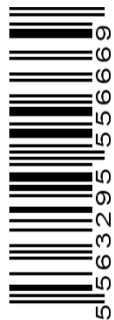


Sell-through growth, YoY %
(Excl. LN YOUNG)



Continued channel optimization while sell-through momentum expanded



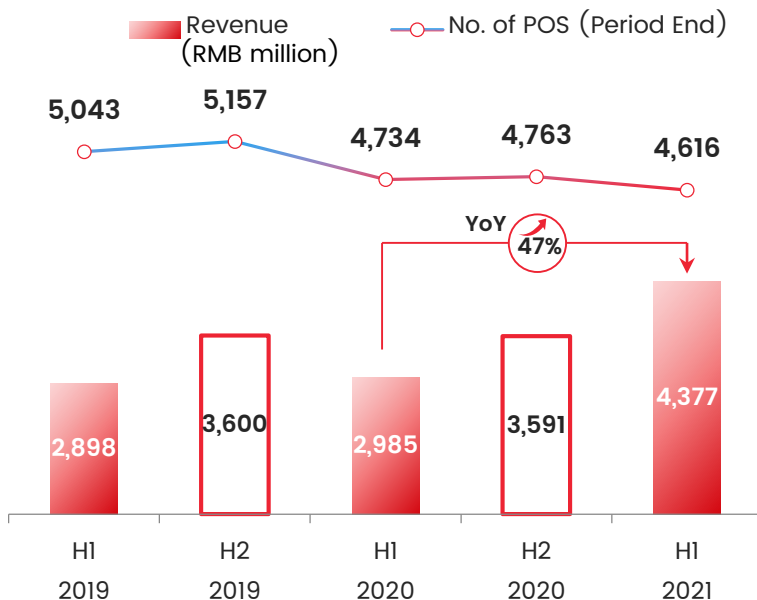


Wholesale Business[^]



LN Brand, excl. International Market Sales and LN YOUNG

Business Performance



Sell-through and Revenue Change, YoY%



Controlled business growth led by sell-through and channel inventory focus



[^] Including product sales of badminton, table tennis and football categories from specialty-stores.

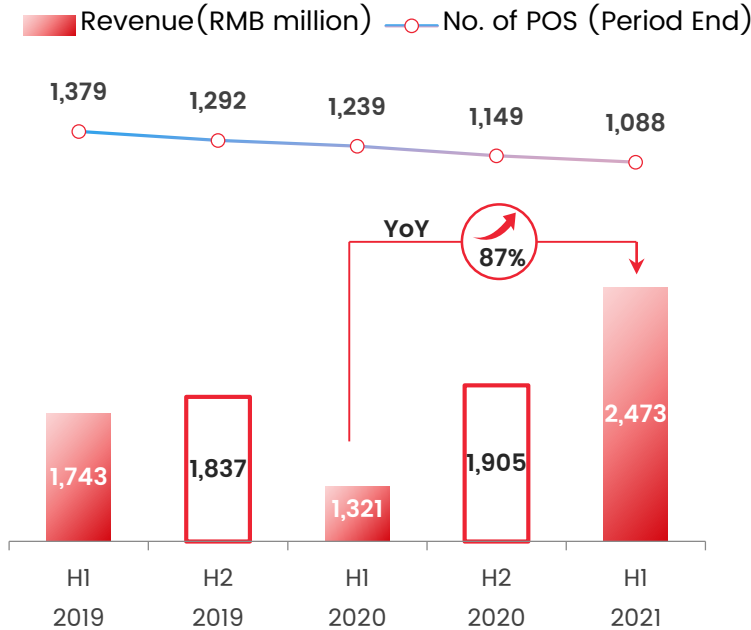


Retail Business[^]

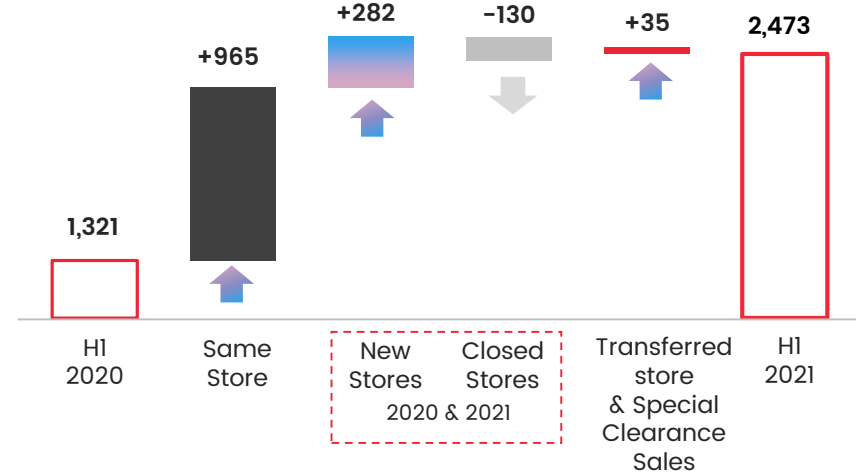
LN Brand



Business Performance

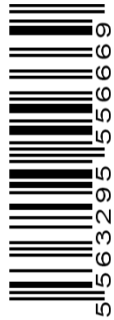


Revenue Change Analysis



Direct retail business boosted by increase store productivity

[^] Refers to direct retail operation, excluded LN YOUNG stores



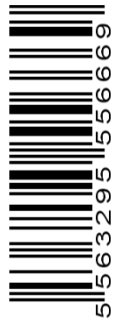
GP Margin Analysis

Net Change in Major Items



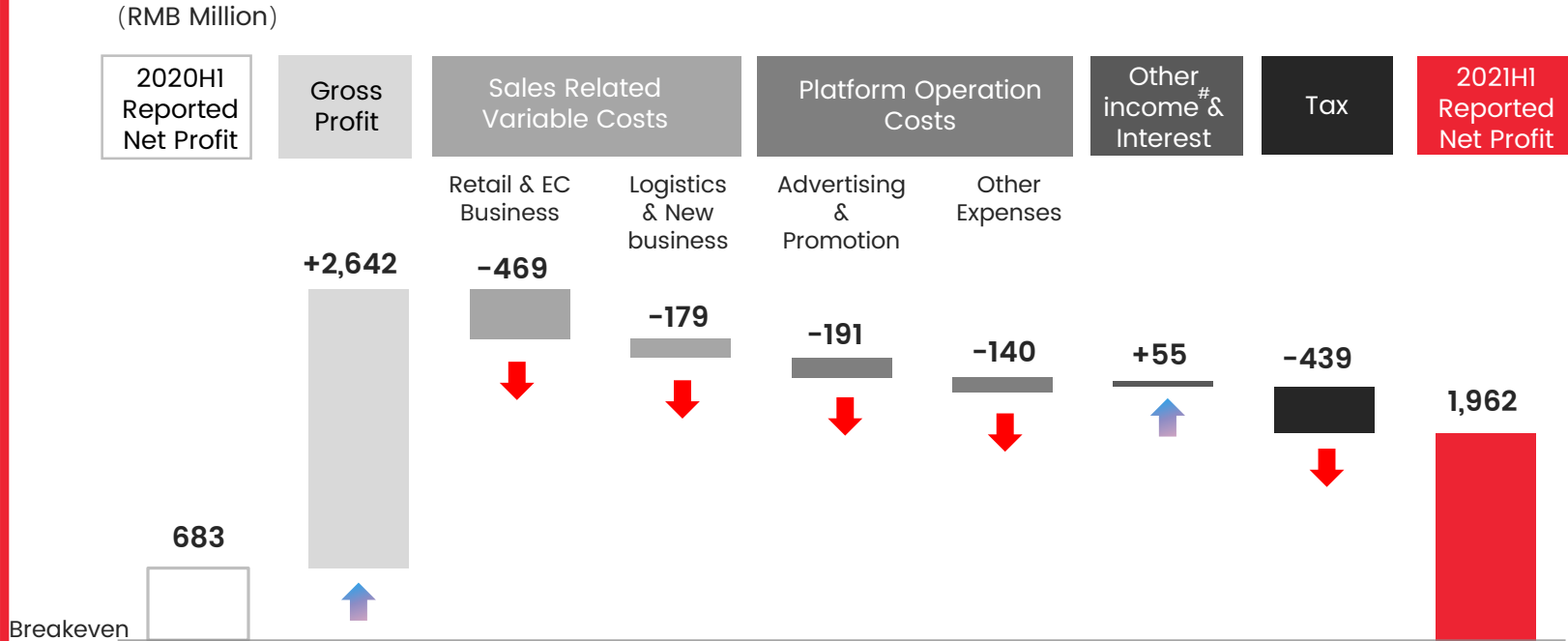
Gross margin expansion largely driven by discount improvement at retail end





Profitability Analysis

Net Change of Major P&L Items



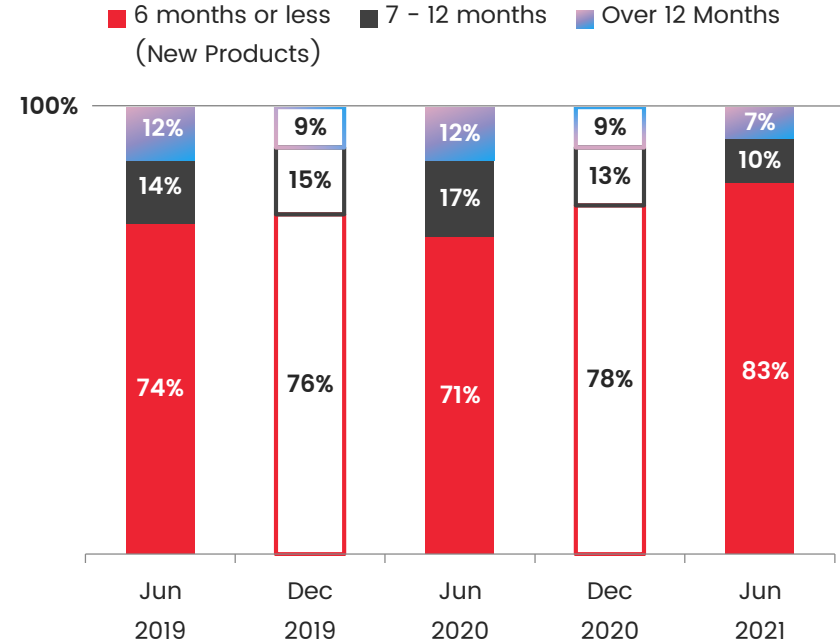
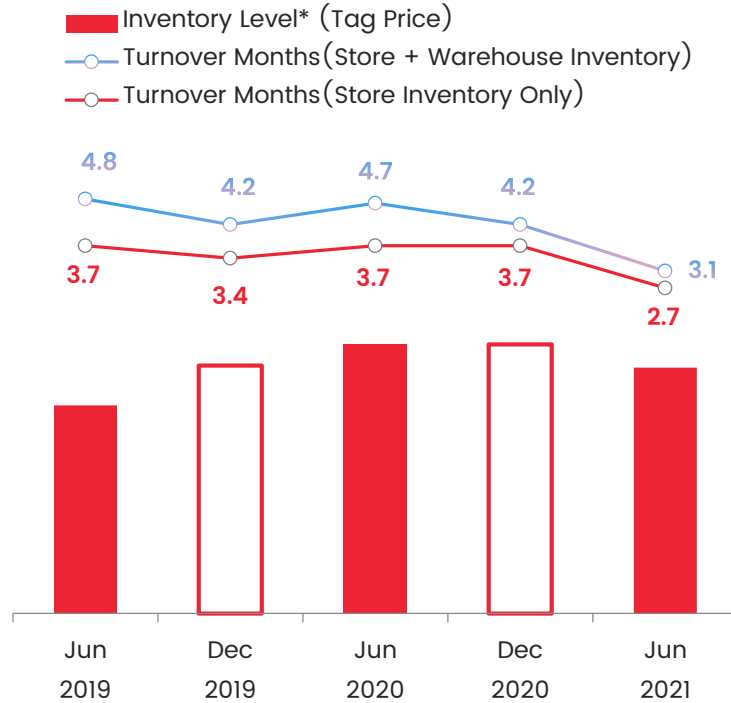
Significant revenue growth and gross margin rate expansion drive substantial profit growth

[#] Other income includes (i) other income and other gains (net), (ii) share profit from associates and joint ventures



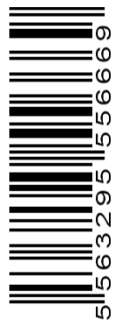
Channel Inventory

Incl. Online and Offline



Successful inventory management initiative drive inventory turnover efficiency and aging structure improvement

* Including store and warehouse

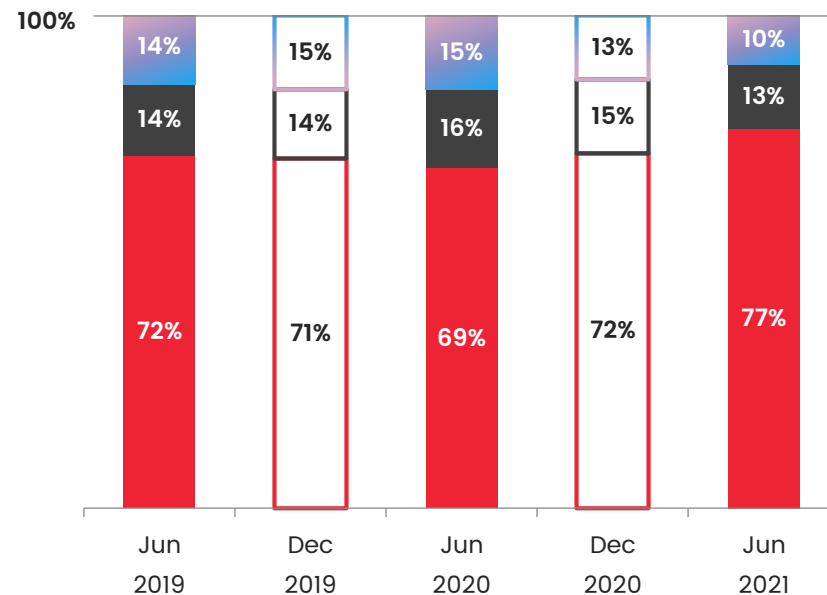
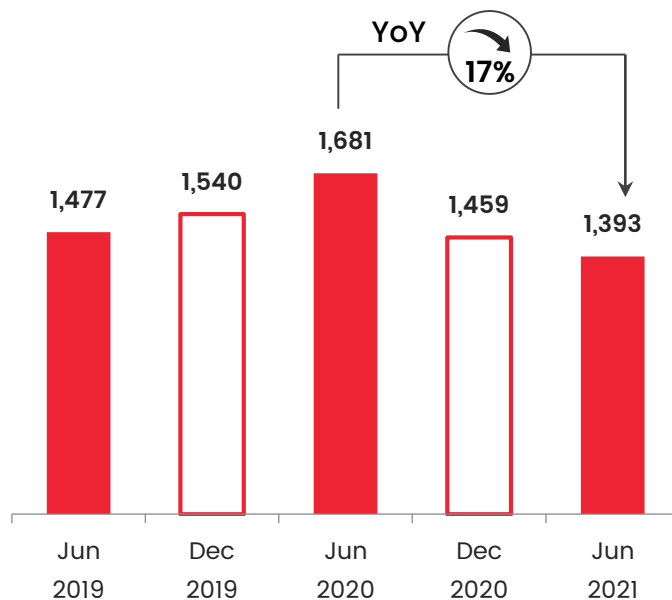


Company Inventory



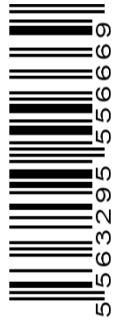
At cost, before provision
(RMB Million)

■ 6 months or less (New Products) ■ 7 - 12 months ■ over 12 months



Further optimized inventory level and structure provided healthy foundation for sustainable growth

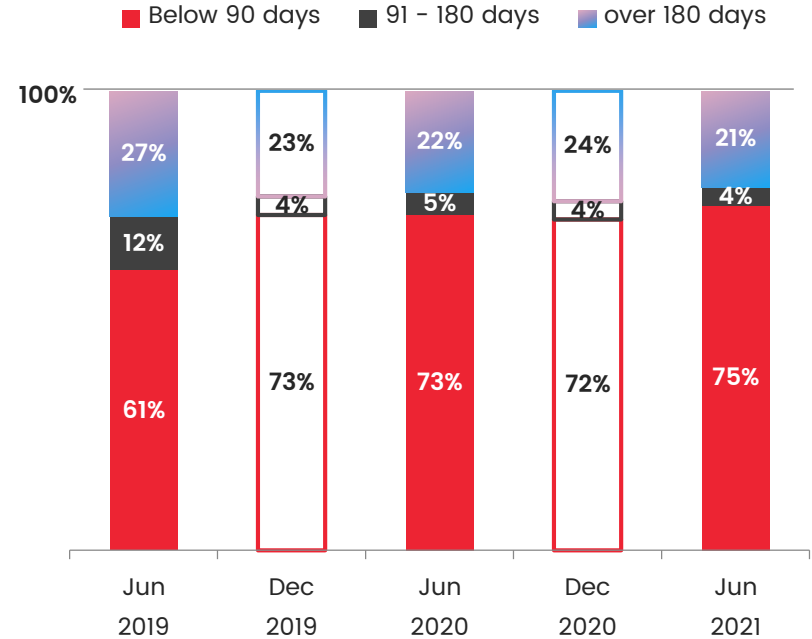
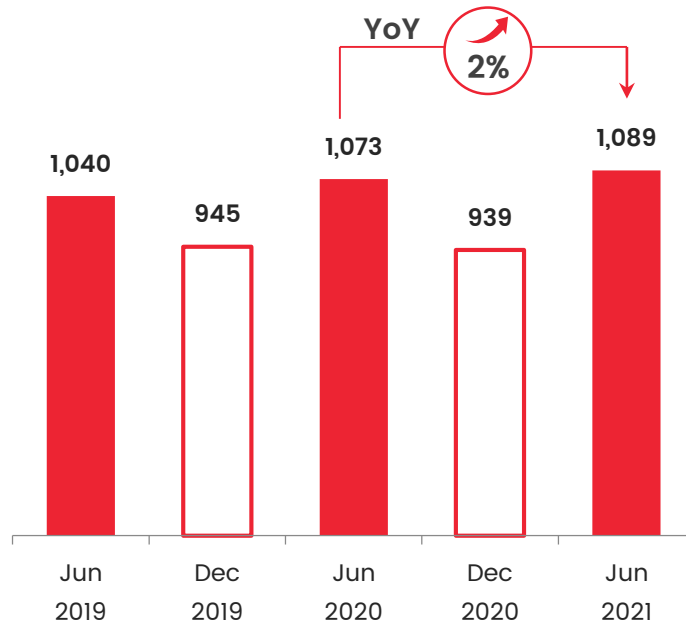




Trade Receivables

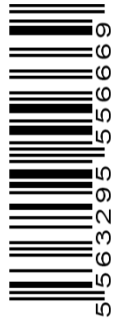


At gross amount, before provision
(RMB Million)

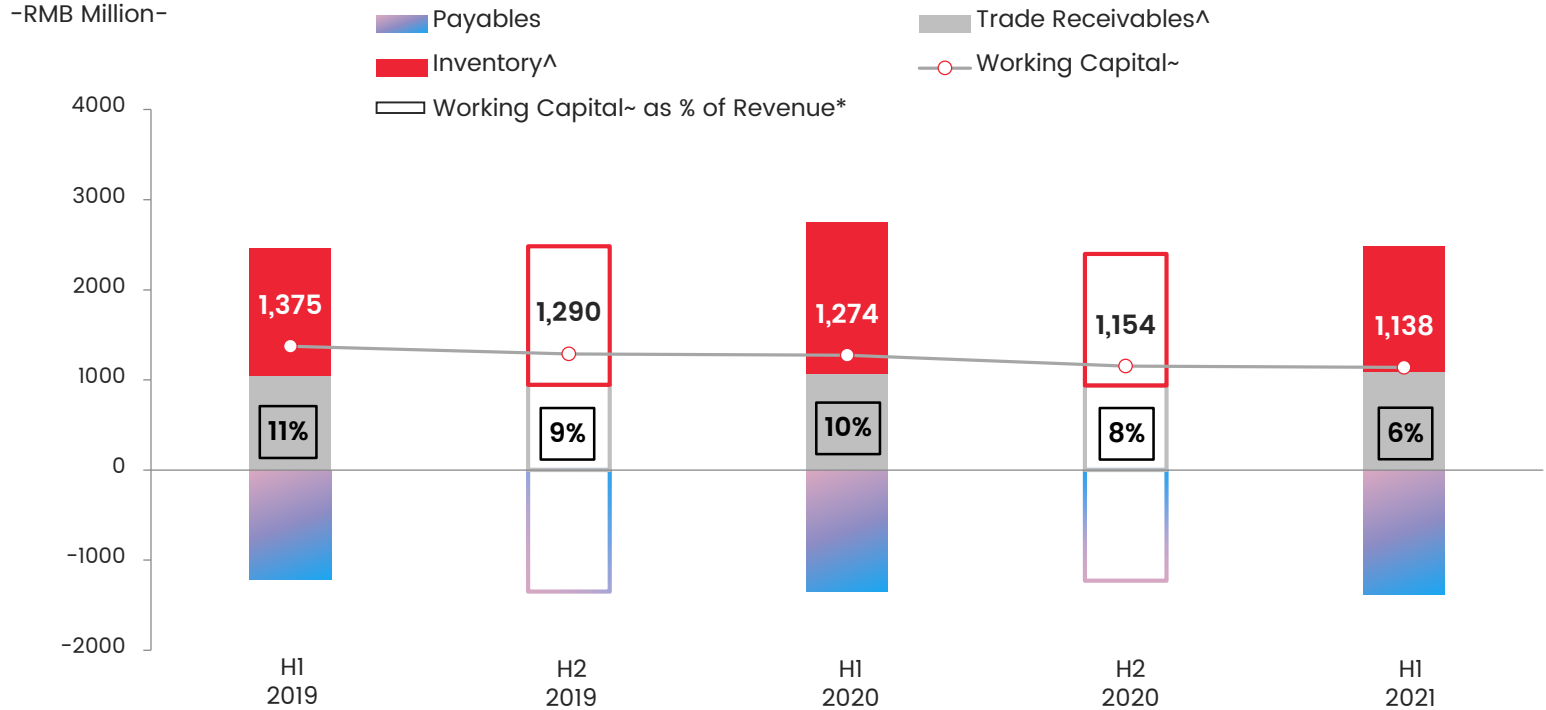


Receivable Days Sales Outstanding (DSO) continue to improve





Working Capital Efficiency

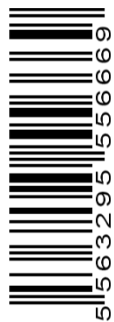


Healthy working capital structure provides flexibility for business development

[~] Simple average between period opening and ending

[^] Gross Amounts of inventory and trade receivables without netting off provisions

* Annualized revenue

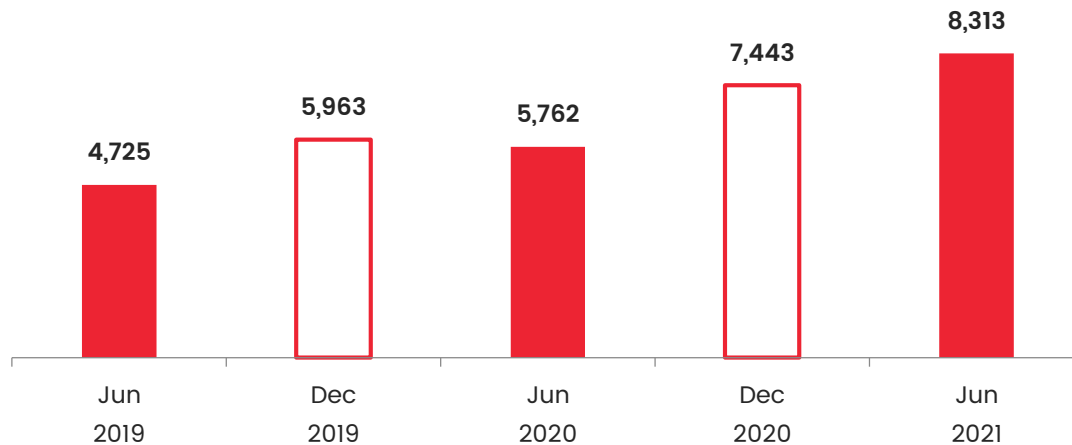


Balance Sheet Summary and Cash Position



(RMB Million)

Net Cash Position[^]



Cash Conversion Cycle (Days)

32	26	30	20	13
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Operating Cash Flow

1,366	3,503 [#]	479	2,763 [#]	3,325
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[^] Net Cash = Cash and Cash Equivalents (including restricted bank deposits and long & short-term bank deposits) - Borrowings

[#] Annual operating cash flow

Fashion
Sports
Tech



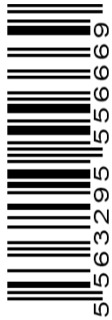
Strategic Direction

Strategic Direction / 2021 Interim Report

LINING

中国体育
中国体育
LINING
中国体育
中国体育





Continuously Enhance LI-NING's Experience Value to Grasp Industry and Market Opportunities



Steadily Rising Consumer Purchasing Power to Boost the Sports Consumption Demands

China's economy sustained a steady recovery in the first half of 2021. Household disposable income per capita has been steadily rising and posted a year-on-year increase of 12.6%. With continuous economic growth, the expanding middle class has supported the upgrading of consumption pattern and consumers have placed more emphasis on improving the quality of a healthy life and sports consumption experiences. Moreover, the COVID-19 pandemic has bolstered regular sports participation and sport consumption demand, further promoting the sustainable growth of the sporting goods market.

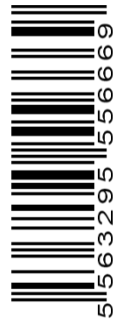
Supportive Policies to Build a Leading Sports Nation, Ushering in Immense Opportunity for Sports Industry

Under the "14th Five-Year Plan", China has been forging ahead with building a leading sports nation by enhancing the quality and expanding the market of sports consumption industry. Meanwhile, China has accelerated the development of "inward-focused dual circulation" to effectively utilize the market and resources at home and abroad to raise the national competitiveness. China will also host numerous major international sports events, further promoting the diversified development of sports industry and expanding the sports consumption population.



LI-NING Captures Opportunities with Strong Brand Advantages, Attract Young Customer Group and Unleash Market Potential

With enhancement in technological development, design capability and product quality, domestic brands have been gaining awareness and recognition from domestic consumers. Against this backdrop, sports DNA-focused LI-NING brand has fortified its product technology and enhanced its design to exploit the brand value. Alongside the accelerating development of domestic brands, Li Ning has been constantly leading the industry trend with enhancement of its brand's core competitiveness, thereby further unleashing the market potential.



Deepen the Strategy of “Single Brand, Multi-categories, Diversified Channels”



LI-NING



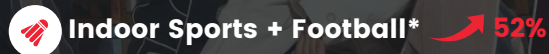
Core Categories Drive the Sustainable Brand Development



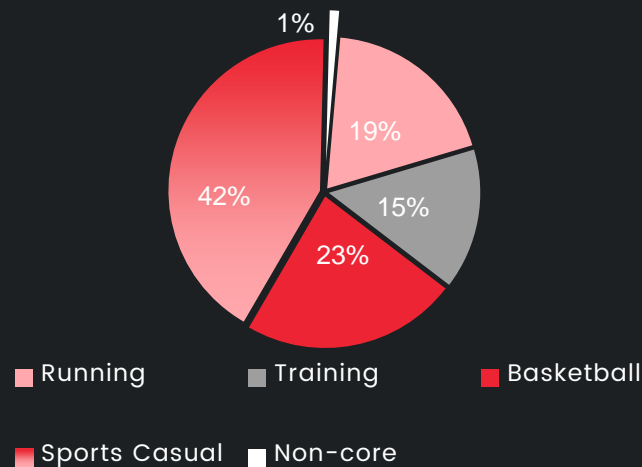
Retail Sell-through – YoY Change (2021H1)



Sell-in – YoY Change (2021H1)



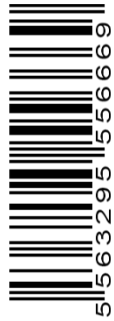
Retail Sell-through – Mix



(Including China LI-NING)

*Sales of Indoor Sports (including badminton and table tennis) and football products are shown with sell-in data for reference as they are mainly distributed via specialty-stores

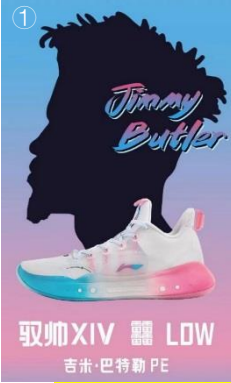




2021 Interim Results Aug.2021

Ignite Street Fashion

Street Basketball Series – BADFIVE



Strong Kick-off, Supported by Technology

- ① Professional Basketball – Yushuai XIV
- ② WADE series – All City 9

Basketball – Leading with Professionalism, Gaining Popularity with Solid Product Strength

LINING

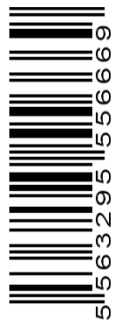


Collaboration with Players

Professional Basketball – Sonic IX



08.2021 - template



给你一 兴奋剂

雷雷雷雷

“弹”走地心引力

超轻18注入李宁䨻科技
䨻发轻弹新次元



SUPERLIGHT18

Running – Focus on Technology, Empower Strong Kick-off

- Focus on the breakthroughs and iterations of the technology platform and keep improving the professional running shoe matrix.
- Speed up the expansion of consumer groups and cater to varying demand of runners with customized offers in order to provide excellent running experiences.

What is LI-NING BOOM (李寧䨻)

LI-NING's newest midsole technology uses supercritical fluid foaming technology in production. It has revolutionary anti-shock and rebounding performance which can be adjusted to satisfy the demands of different sports.

Racing Series



Feidian 2.0 Elite 2,099 RMB



Feidian Discovery 799 RMB



Feidian Challenger 1,299 RMB



Rouge Rabbit IV 399 RMB

High Resilience Series



Shadow 1,699 RMB



Shadow Essential 899 RMB

Protection Series



Furious Rider 5 699 RMB



Yueying 599 RMB

Super Light Series



Super Light 18 599 RMB

LI-NING's Professional Running Shoe Matrix

Continuously Upgrading and Renewing

LI-NING BOOM Performance

Lightweight

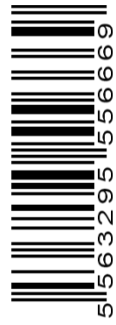
Up to **50%** lighter than traditional anti-shock materials

Strong Rebound

Up to **80%** energy rebound

Durability

Better resilience and fatigue resistance. Performance almost remains the same after 30,000 compression fatigue tests. Materials only deform for 1mm after running for 500km.



2021 Interim Results Aug.2021



速干性能提升
35%

Upgrade Fabric
Technology,
Create Best Gym
Experience

**Training —
Focus on Niche Markets,
Upgrade Products**



Strengthen Female
Business,
Develop Diversified
Training Scenarios



無界
NO BOUNDARIES II
ESS
子 健 身

Extend 'No Boundaries' Training Shoes Series,
Enhance Kinetic Technology and Flexibility



Skateboarding Series
— Gather Fashion Influencers
to show off their style

Sports Casual
— Young and
Fun with
Incessant
Creativity



Cherry Blossom Series
— Attract Young Girls' Hearts



Traditional Festival —
Titan HALO 'Dragon Boat'
Limited Edition



Collaboration with Artists —
Join hands with Popular
Celebrities to Expand Business
Opportunities

李宁运动潮流产品全球代言人 肖战





RUNNING



Bahrain athlete — Marius Kimutai

China National Table Tennis Team



Olympic Champion — Ma Long

BASKETBALL



CBA Championship



NBA star — Jimmy Butler

LET'S GET STARTED



NBA star — C.J. McCollum



Olympic Champion — Zhang Nan



Olympic Champion — Chen Long



Japanese Player Watanabe Yuta

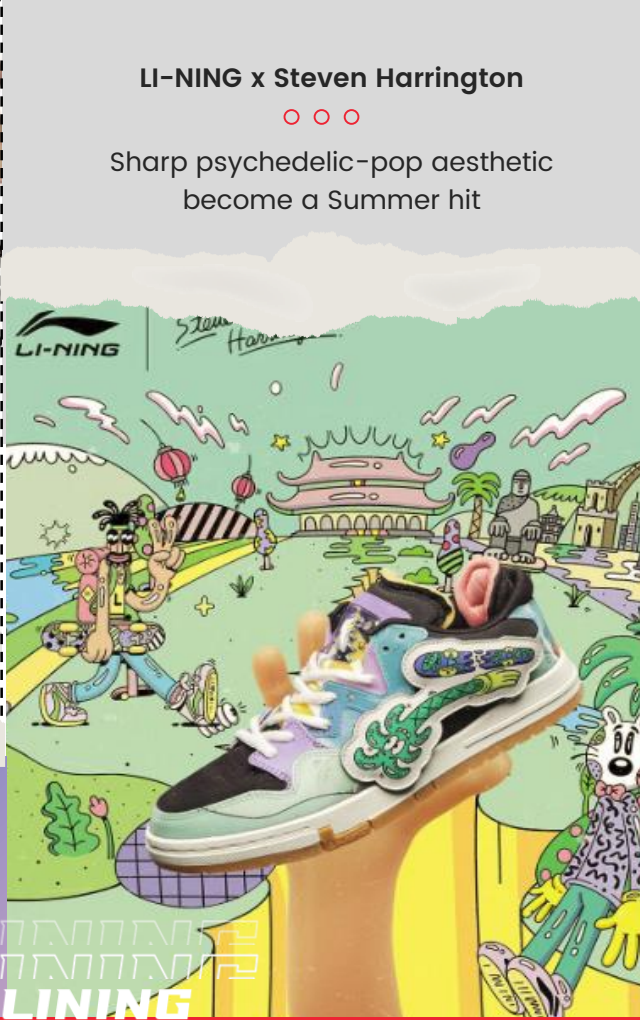


Indonesian Player — Jonatan Christie

BAADMINTON

PING-PONG

Brand Marketing — Continuously Cultivate the Professional Sponsorship Resources



LI-NING x Steven Harrington



Sharp psychedelic-pop aesthetic
become a Summer hit

LI-NING x Disney Collection

Mickey x Keith Haring



Interesting pop art,
redefine cuteness with
a rebellious style

LI-NING x Line Friends



Shine in Summer together with
"Best Friends"



**Brand Marketing —
Crossover Cooperation,
Leading with an Avant-Garde Attitude**



08.2021 - template



Brand Marketing — LI-NING Fall / Winter 2021 Collection



LI-NING

- The Fall/Winter 2021 Fashion Show was held on 7 April 2021 in Zhengzhou, Henan. We combined the catwalk, live performance, and party to show the endless possibilities of sports fashion at the hinterland of central China where is the origin of Chinese civilization.
- “Remake” is the concept of the Fall/Winter 2021 collection. By remaking the classic products, we hope to break through and define the new sports fashion trend.



Fashion
Sports
Tech
板路村



Operational Progress

Operational Progress / 2021 Interim Report

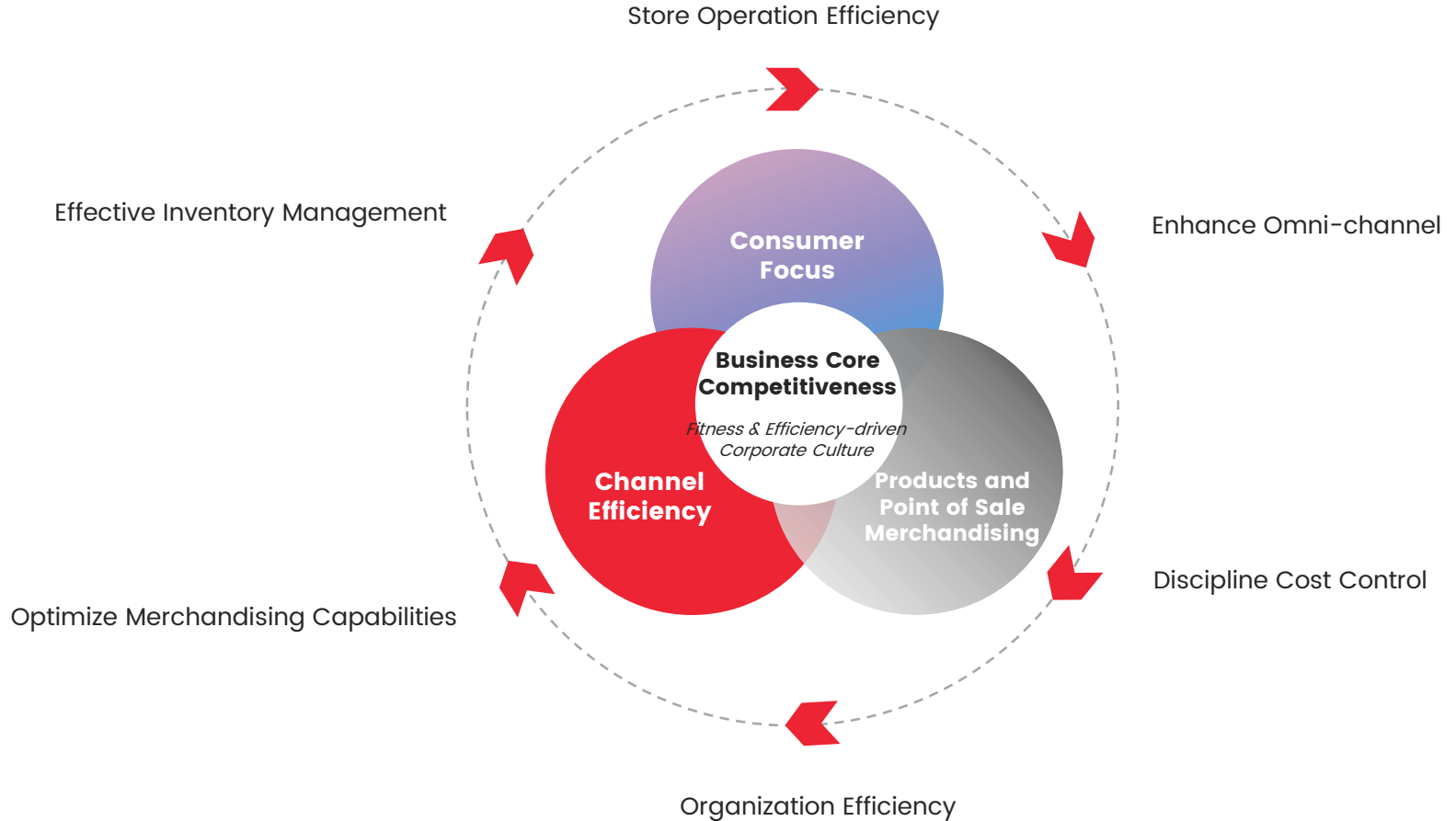
LI-NING

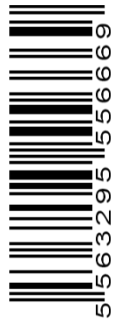
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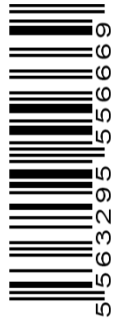
Core Business Development Strategy



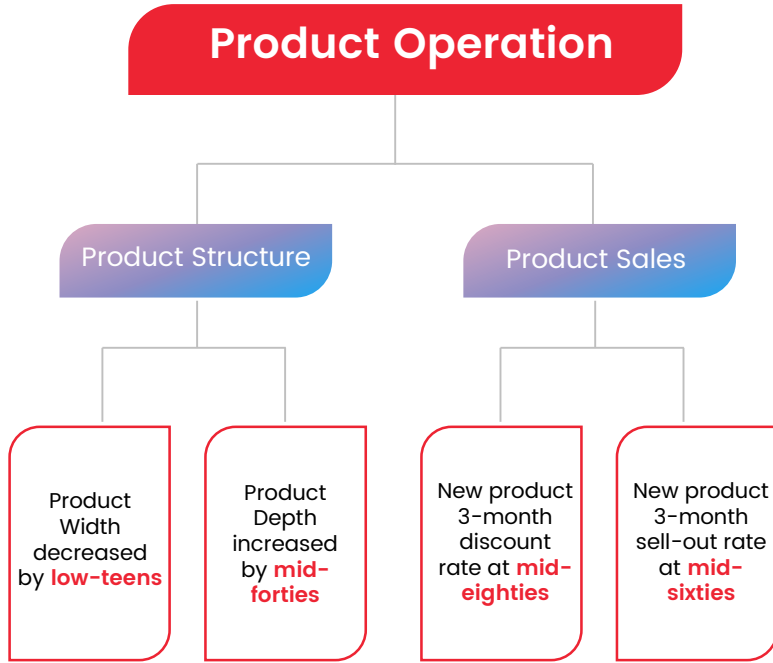


Center on Business Development Strategy, Focus on Improving Operation Efficiency to Drive the Growth in Both Revenue and Profit Margin

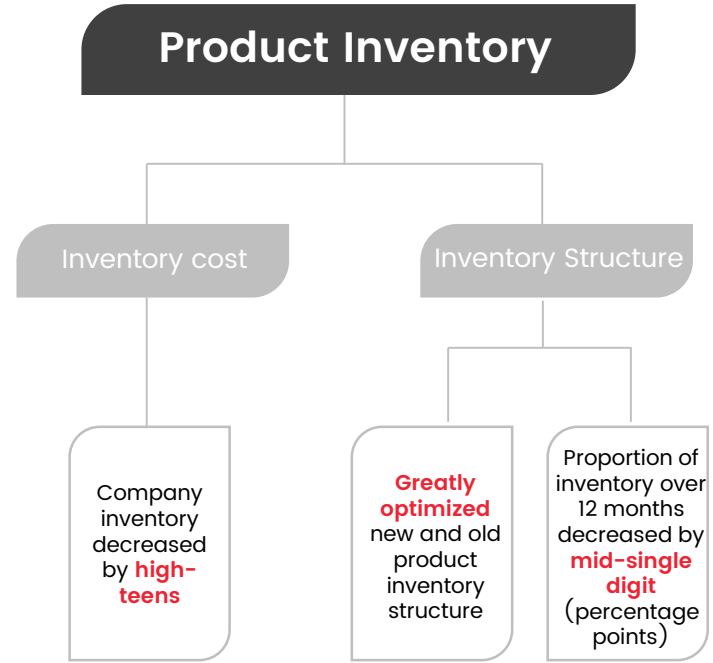




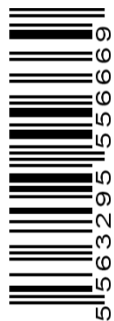
Product Merchandising: Strengthen Product Management, Unleash Product Efficiency



Focus on “**Product and Point of Sale Merchandising**”



Achieve Better Business Growth with Reasonable Inventory



Channel: Expand High-Quality Profitable Stores, Enhance Channel Efficiency



Open High-Quality Stores , Accelerate the Channel Upgrade

Store Penetration

Total selling square footage increased by **low-teens**

Average single-store selling square footage exceeded **180 sq.m.**

Average monthly store productivity increased by **high-eighties**

Big Store Penetration

Number of big store **exceeded 850**

Average single-store selling square footage exceeded **400 sq.m.**

Average monthly store productivity **exceeded RMB600,000**

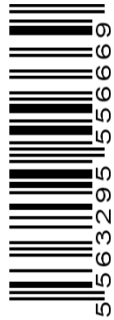
Sell-through Structure

Sell-through contribution of high-tier market* increased by **mid-single-digit**

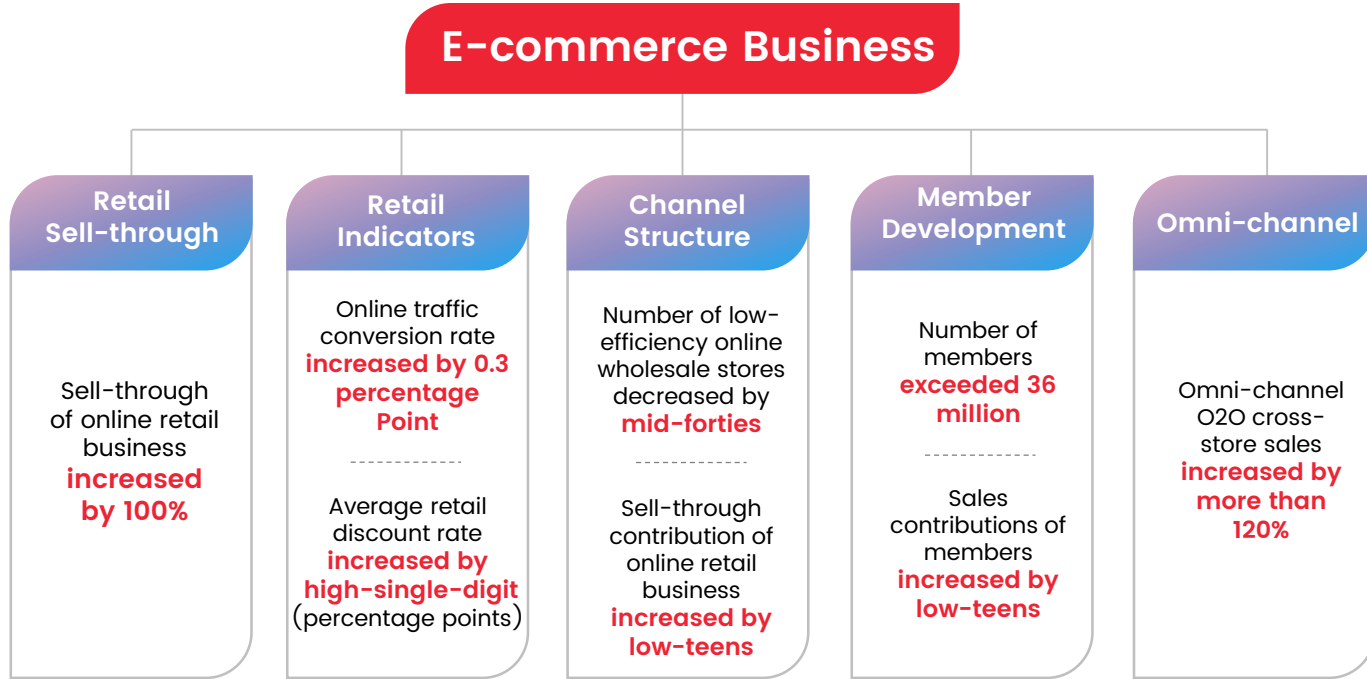
Sell-through contribution of shopping mall increased by **high-single-digit**



*Only include regular stores in metropolises and first-tier cities



E-commerce: Continuously Drive the Development of Li Ning Omni-Channel Business Model

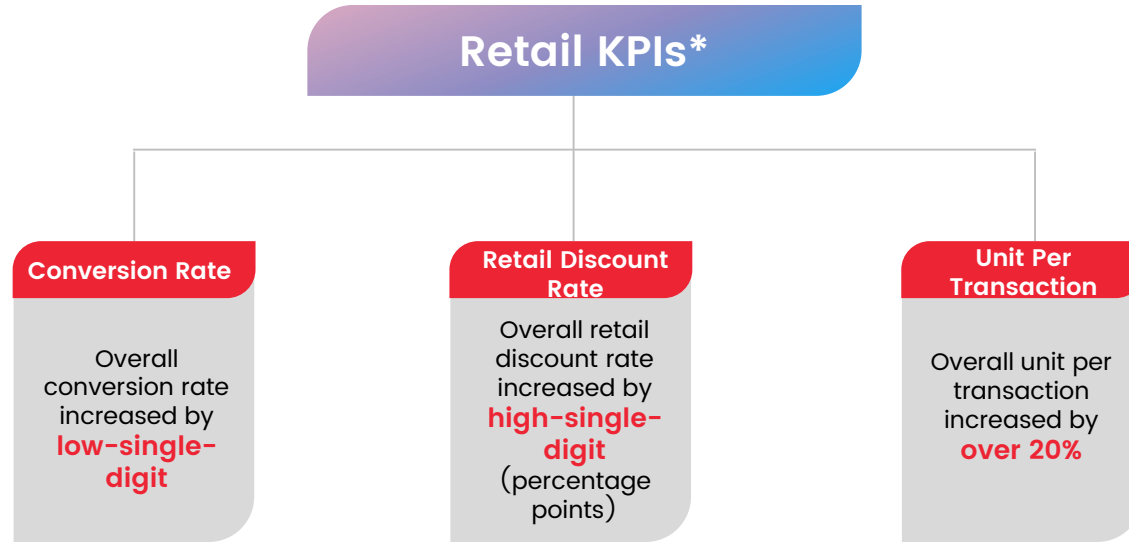


Specify the Omni-channel business strategy,
Enhance integration and synergy of online and offline businesses



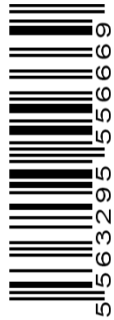


Retail Operation: Focus on KPIs, Drive the Enhancement of Retail Operation Capability

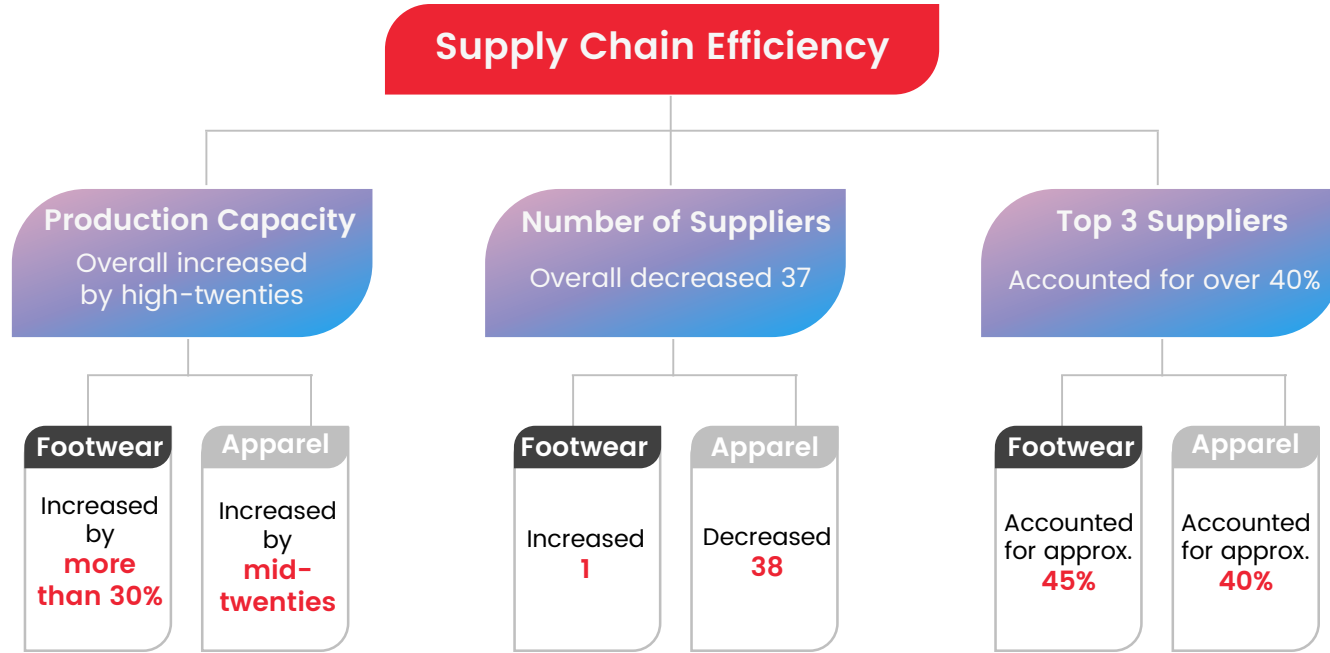


Progressively Develop Single-Store Business Model
Remain Focused on “**Products and Point of Sale Merchandising**” and “**Efficiency**”





Supply Chain: Continuously Optimize Supply Chain Organization



Transition from Passive Production to **Proactive Production**
 Ensure Production Capacity and Flexible Supply





Kidswear Business: Define Clear Positioning, Drive Business Growth



Focus on the Strategic Positioning of **“Professional Kidswear”**
Improve Product Matrix, Optimize and Upgrade Channels



Fashion
Sports
Tech



Appendix

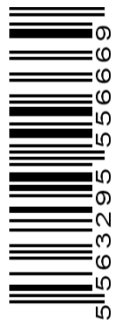
Appendix / 2021 Interim Report

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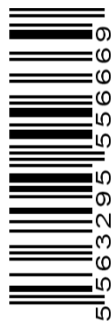


Appendix 1 – Summary of Income Statement and Balance Sheet



(RMB million)	2021	2020	Better/ (Worse)	(RMB million)	30 Jun	31 Dec	Better/ (Worse)
	Period ended 30 June				2021	2020	
Revenue	10,197	6,181	65.0%	Cash and Cash Equivalents	6,108	7,187	(15.0%)
Gross Profit	5,699	3,057	86.4%	Borrowings	0	0	N/A
Distribution costs	-2,857	-1,949	(46.6%)	Net Cash*	8,313	7,443	11.7%
Administrative expenses	-437	-346	(26.3%)	Current Liabilities	6,155	5,015	(22.7%)
Other Income and other gains-net	140	161	(13.0%)	Current Ratio (times)	1.48	1.95	(0.47)
Operating Profit	2,538	898	182.6%	Total Liabilities to Total Asset Ratio	41%	40%	(1.0p.p.)
EBITDA	3,158	1,408	124.3%				
Profit Attributable to Equity Holders	1,962	683	187.2%				
Basic Earnings per share (RMB cents)	79.04	27.98	182.5%				

* Net Cash = Cash and Cash Equivalents (including restricted bank deposits and long & short-term bank deposits) - Borrowings



Appendix 2 – Profit Margins and Key Operating Indicators



	2021	2020	Better/ (Worse)		2021年	2020年	Better/ (Worse)
	Period ended 30 June				Period ended 30 June		
Gross Profit Margin	55.9%	49.5%	6.4p.p.	Inventory Turnover (Days)	53	84	31
Operating Profit Margin	24.9%	14.5%	10.4p.p.	Trade Receivables Turnover (Days)	13	22	9
EBITDA Margin	31.0%	22.8%	8.2p.p.	Trade Payables Turnover (Days)	53	76	(23)
Margin of Profit Attributable to Equity Holders	19.2%	11.1%	8.1p.p.	Cash Conversion Cycle (Days)	13	30	17
R&D Expenses (as % of revenue)	1.8%	2.2%	0.4p.p.	Return on Equity (ROE)	20.6%	9.3%	11.3p.p.
A&P Expenses (as % of revenue)	7.3%	9.0%	1.7p.p.	Return on Asset (ROA)	12.2%	5.4%	6.8p.p.
Staff Costs (as % of revenue)	8.2%	10.1%	1.9p.p.	CAPEX* (RMB million)	415	222	(86.9%)

* CAPEX includes expenditures related to fixed assets, construction in progress and intangible assets