



2019

Annual Results



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)

Disclaimer



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Agenda



Results Highlights

Financial Review

Business Review

Strategic Planning

Appendix

Results Highlights



2019 Results Highlights



Financial Highlights :

- **Reported net profit* of RMB1,266 million, margin raised from 6.8% to 9.1%**
 - Revenue up 32% to RMB 13,870 million
 - Gross profit margin expanded 1 percentage point
 - Enhanced operating leverage notwithstanding investment in new initiatives and organization costs
- **Operating cash flow increased by 110% to RMB3,503 million**
- **Significant improvement in working capital continued**
 - Gross average working capital improved (reduced) by 16% while revenue increased by 32%
 - Cash conversion cycle further improved (shortened) by 14 days (2018: 40 days / 2019: 26 days)

Operational Highlights:

- **High-twenties growth for total platform retail sales, including online and offline channels**
- **Channel inventory turnover improvement continued**
- **Overall Same-Store-Sales growth in 2019 accelerated to high-teens**
- **Offline channel new product sell-through increase accelerated to low-twenties**
 - Average selling price (ASP) increased high-single-digit
 - New product gross margin improved over 1 percentage point
 - Sell-out rate: 6-month improved over 4 percentage points, 3-month improved over 2 percentage points

**Exclude one-off profit and loss not related to operation of RMB234 m.*



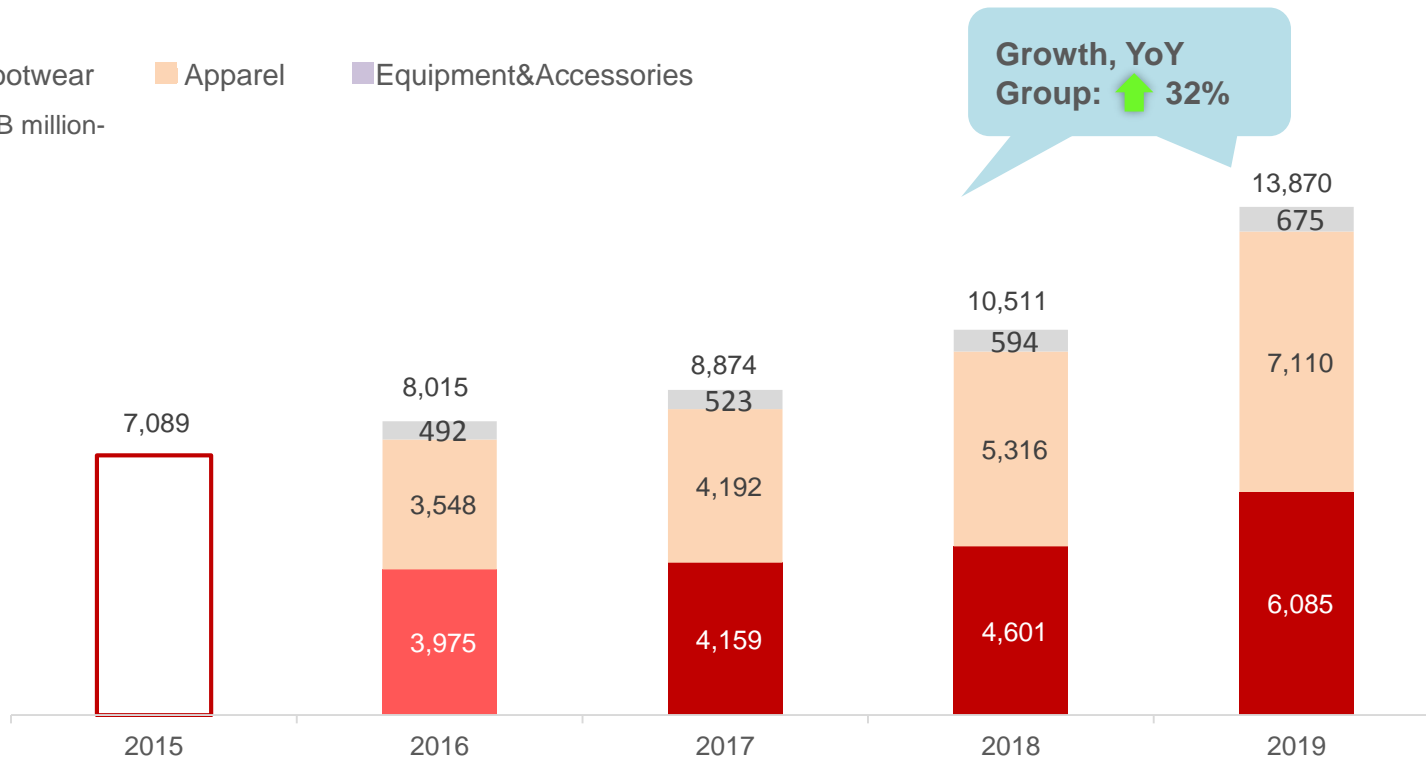
Financial Review

Revenue

Group total



■ Footwear ■ Apparel ■ Equipment&Accessories
-RMB million-



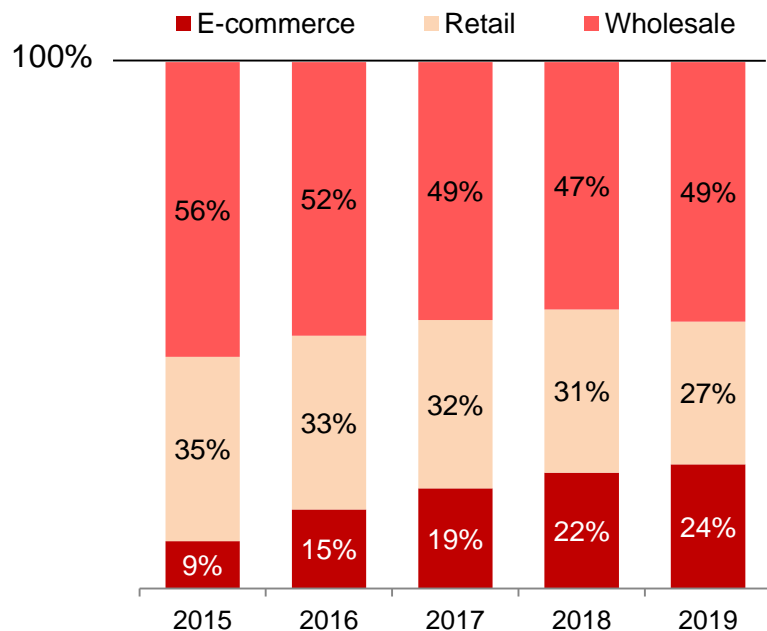
Driven by balanced product initiative

Revenue and Sell-Through Mix

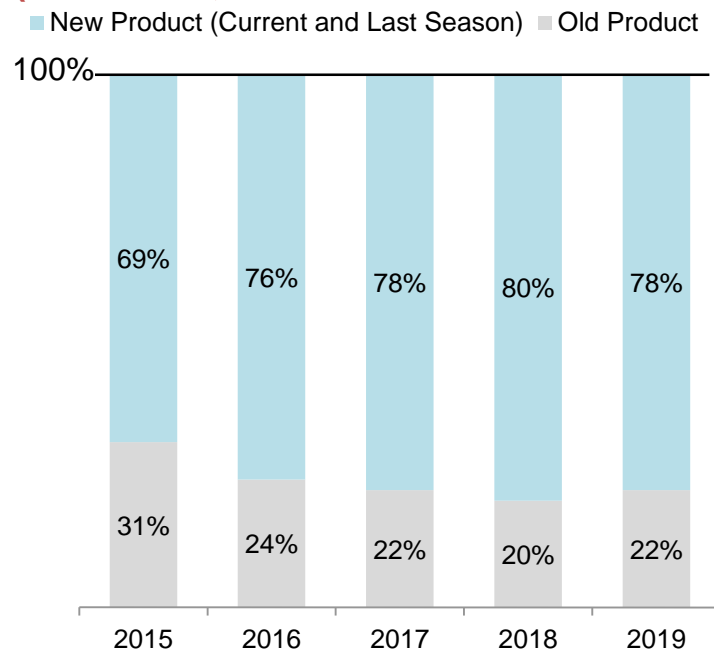
LN Brand, excl. International markets and LN YOUNG



Company Revenue Mix



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



Enhanced profitability driven by well balanced business model and consistent new product mix

Same Store Sales Growth (SSSG) Rate

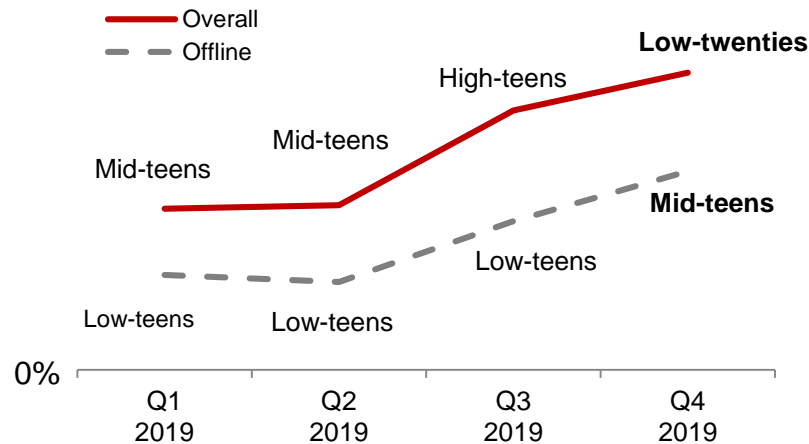
LN Brand



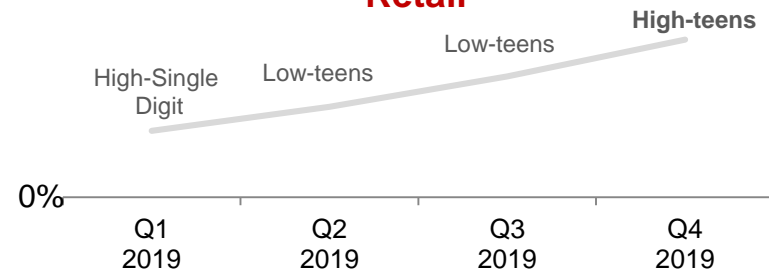
SSSG (2019 vs 2018)

Overall	↑ High-teens
➤ Retail	↑ Low-teens
➤ Wholesale	↑ Low-teens
➤ E-commerce	↑ Low-forties

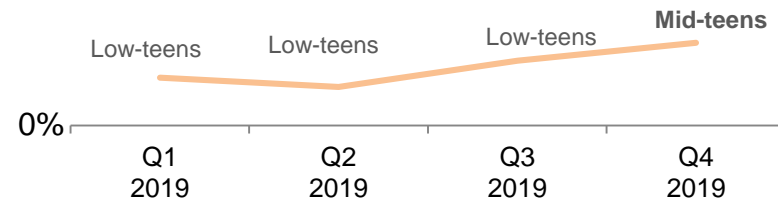
Overall Platform



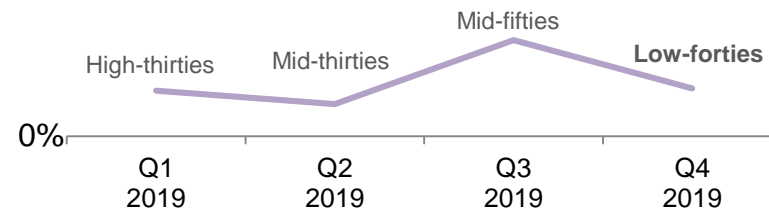
Retail



Wholesale



E-commerce

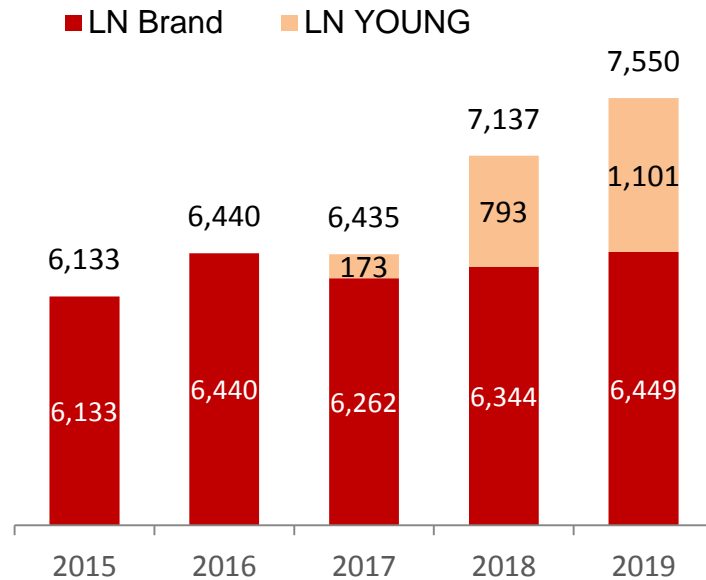


Online and Offline Expansion

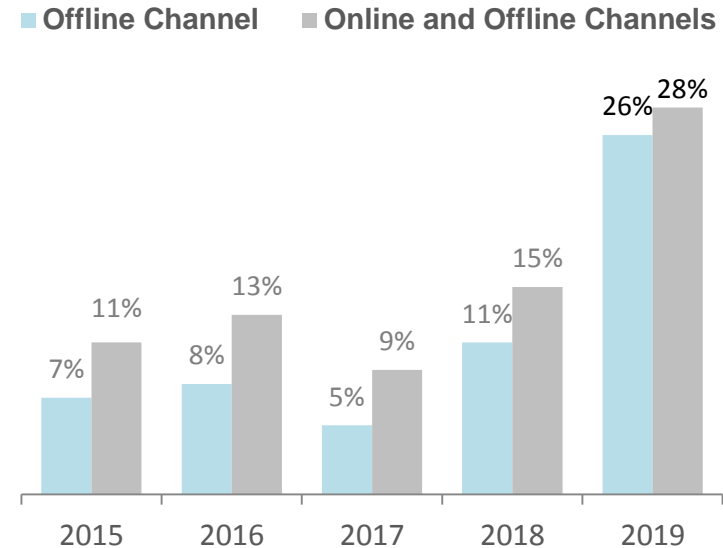
LN Brand, excl. international market sales



POS number (Period end)



Sell-through growth, YoY % Excl. LN YOUNG



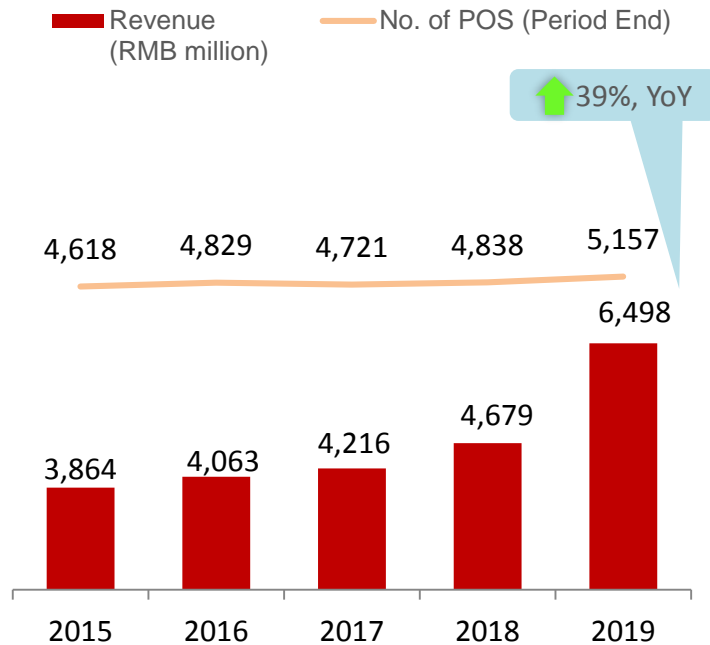
Improved productive platform with integrated online and offline growth

Wholesale Business[^]

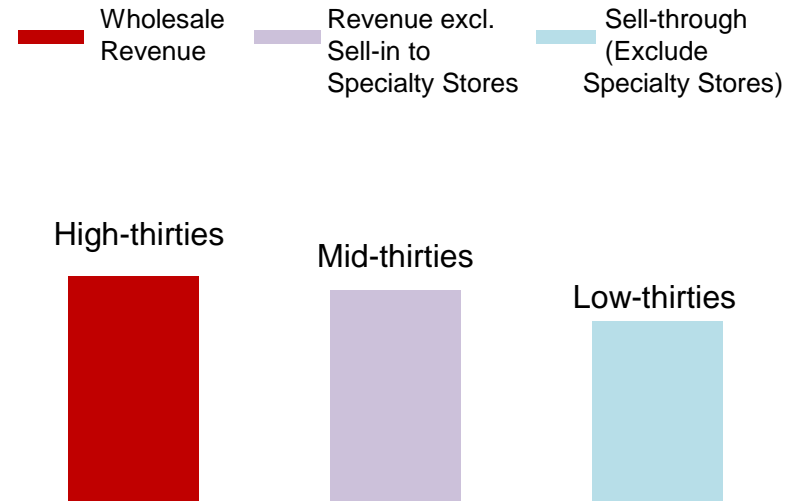
LN Brand, excl. international market sales and LN YOUNG



Business Performance



Sell-through and Revenue Growth, % YoY



Controlled business growth led by sell-through focus
Revenues positively impacted by strong SSSG and expanded platform

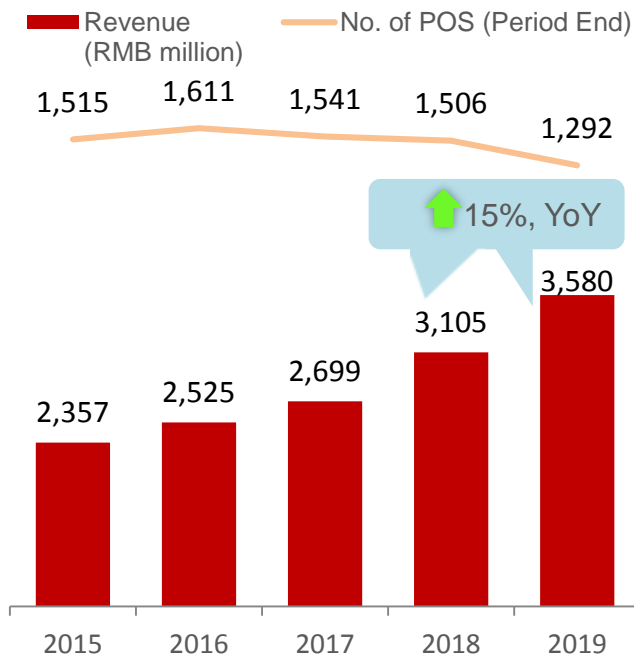
[^] Wholesale business: Including sale of badminton and football categories products to specialty-store channel wholesaler

Retail Business[^]

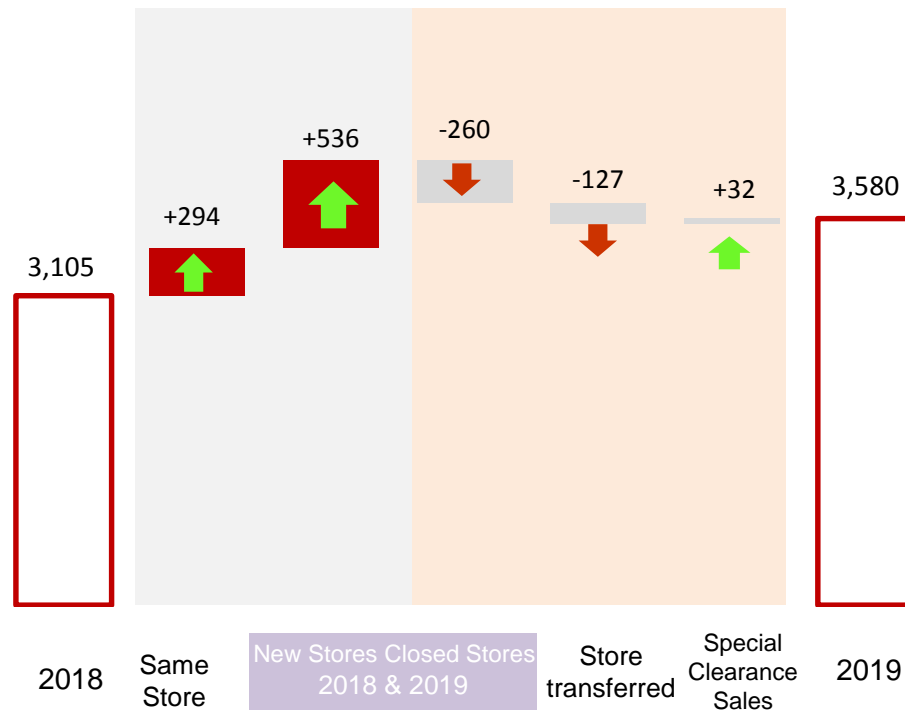
LN Brand



Business Performance



Revenue Growth Analysis



Solid growth driven by healthy SSSG and improved new store productivity

[^] Retail business: Refers to direct retail operation
Excluded LN YOUNG stores

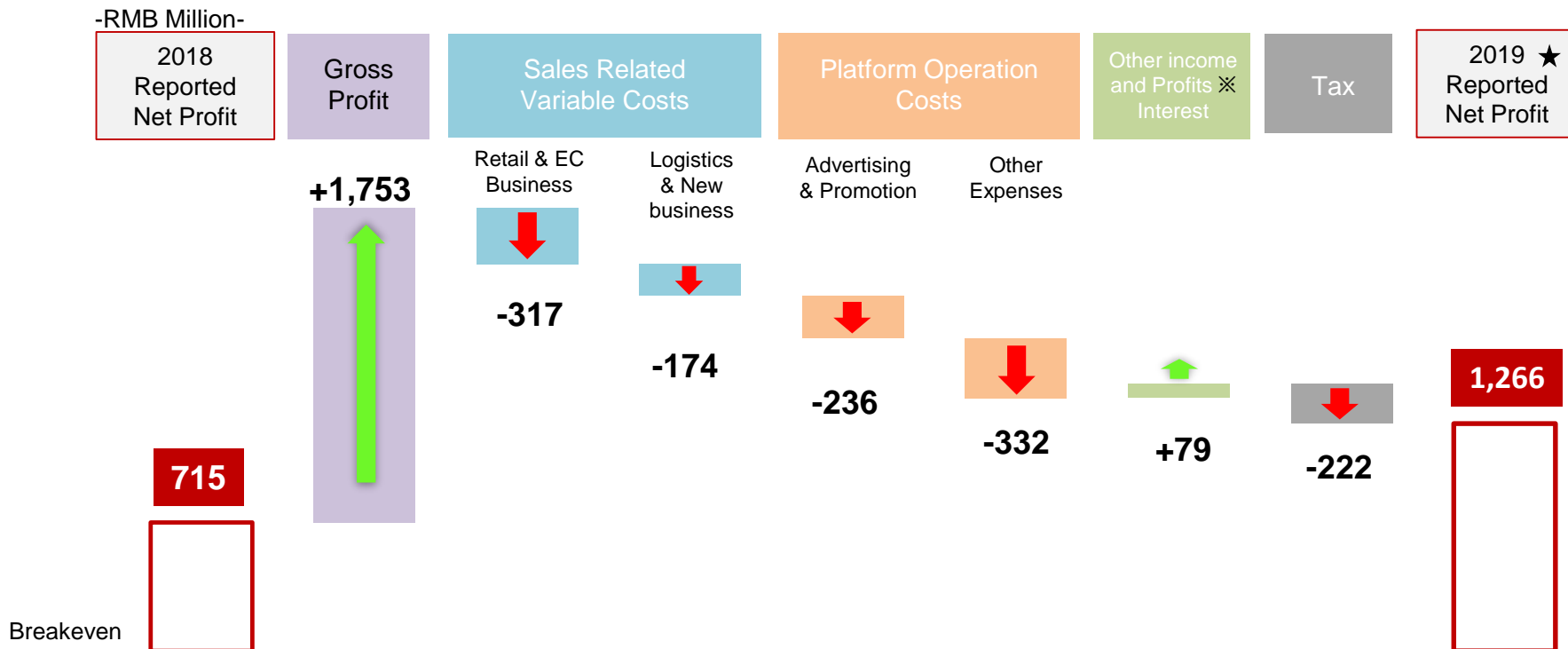
GP Margin Analysis

Net Change in Major Items



Profitability Analysis

Net Change of Major P&L Items



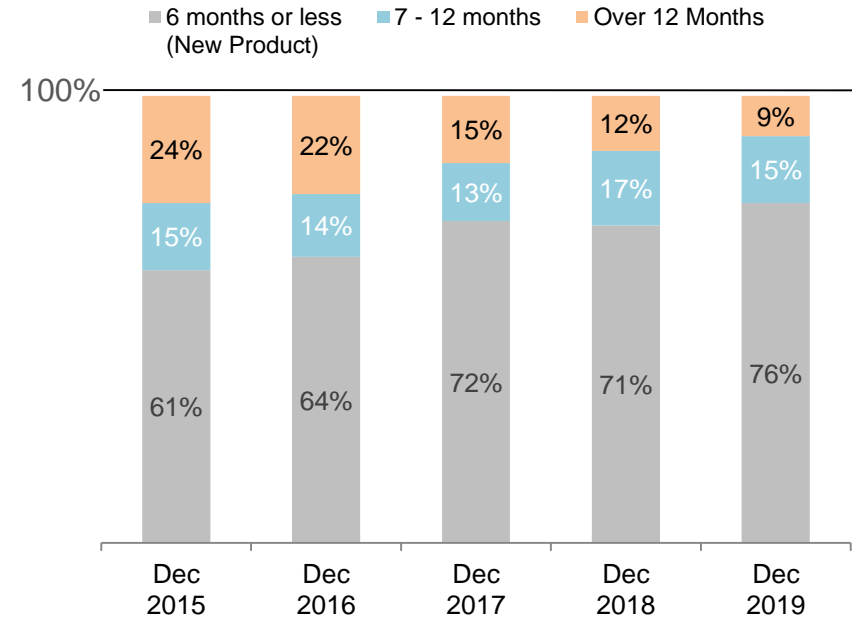
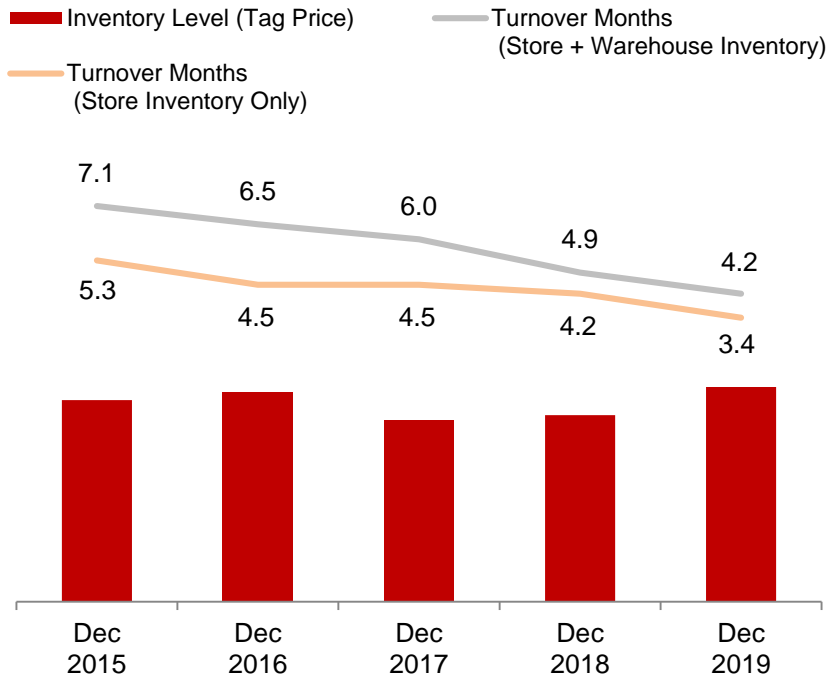
Enhanced operating leverage through disciplined cost management to fund investment in new initiative

※ Other income and profits include (i) miscellaneous income and gains, (ii) share profit from associate

★ Exclude one-off profit and loss related to operation of RMB 234m

Channel Inventory

Incl. online and offline

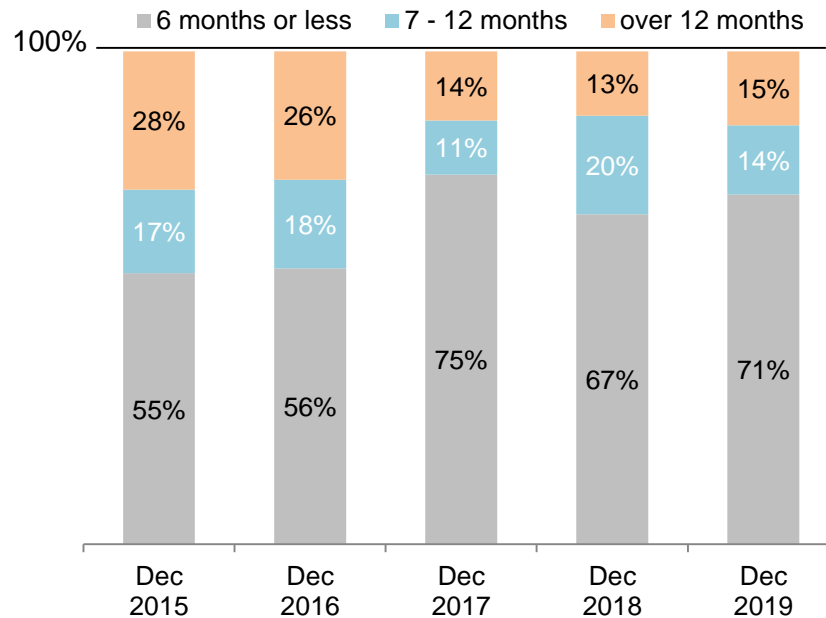
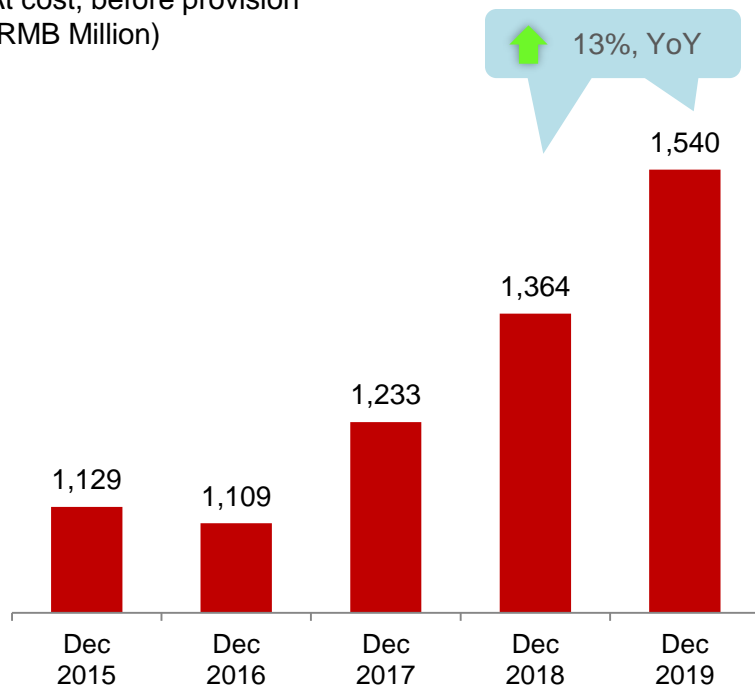


Successful inventory management initiative achieved target turnover and structure

Company Inventory



At cost, before provision
(RMB Million)

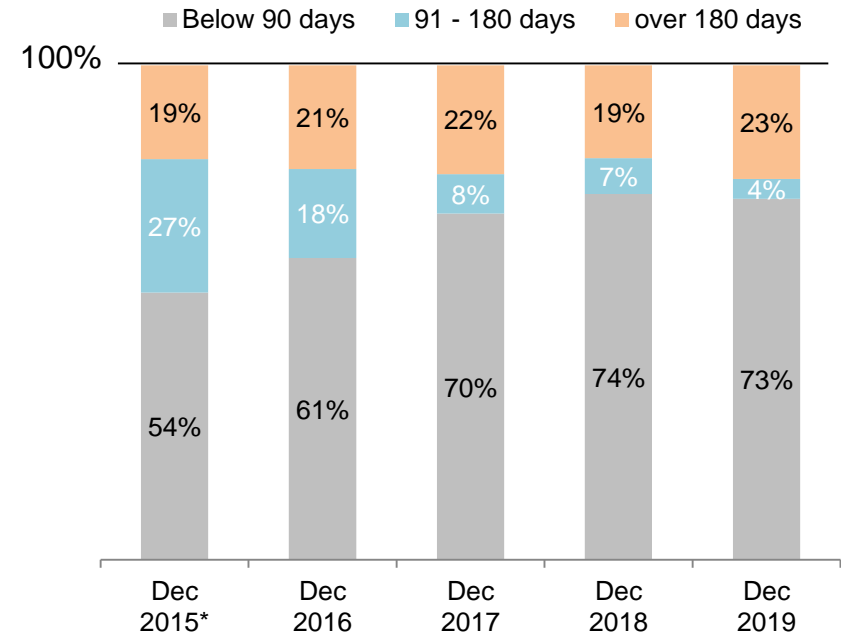
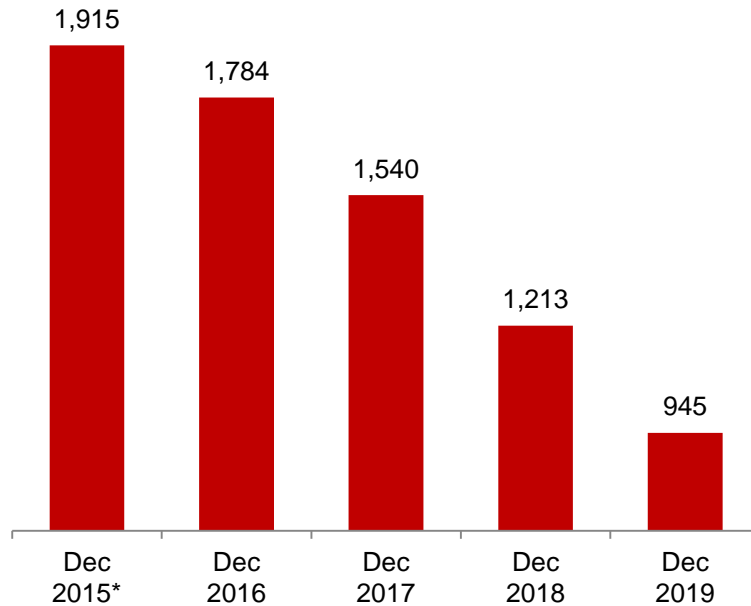


Further optimized inventory level and structure provided healthy foundation for growth

Trade Receivables



At gross amount, before provision
(RMB Million)



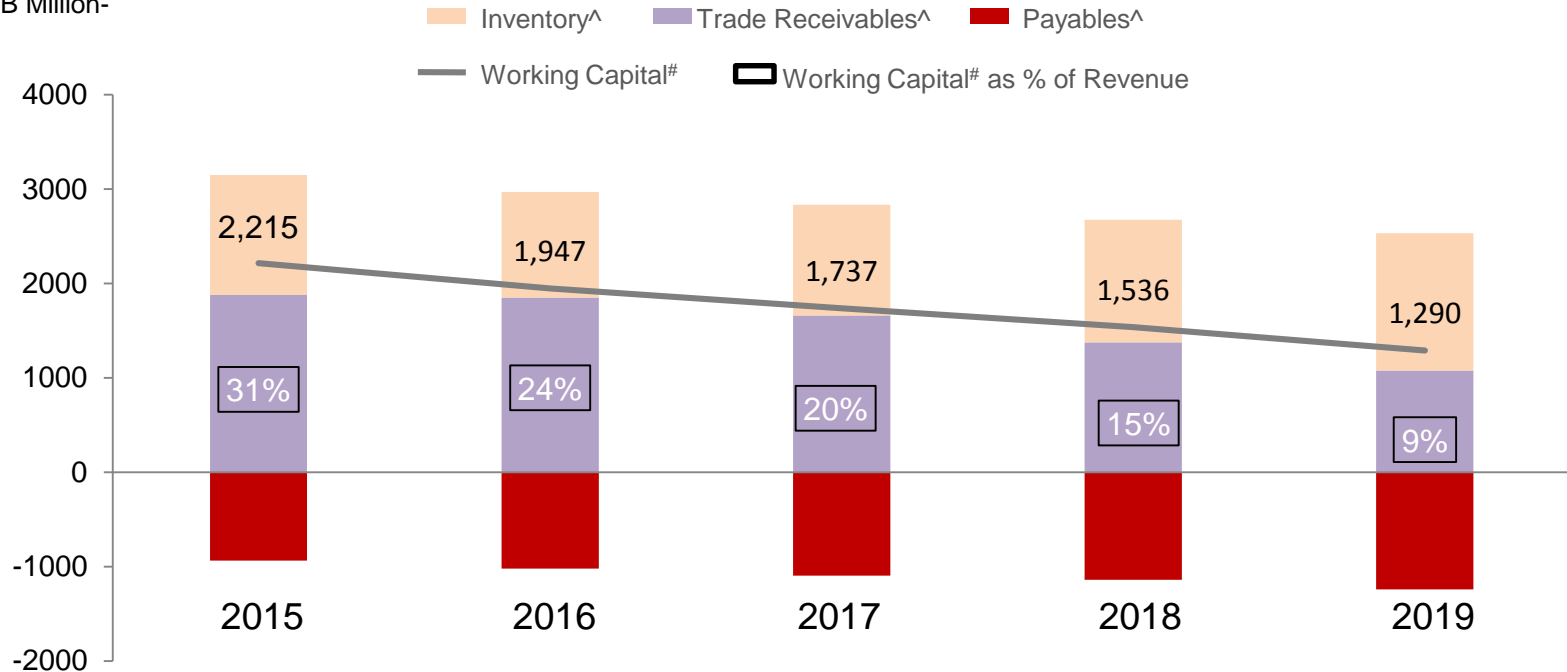
Receivable Days Sales Outstanding (DSO) improved significantly

*Exclude Double Happiness

Working Capital Efficiency



-RMB Million-



Achieved working capital efficiency ahead of plan

Simple average between period opening and ending

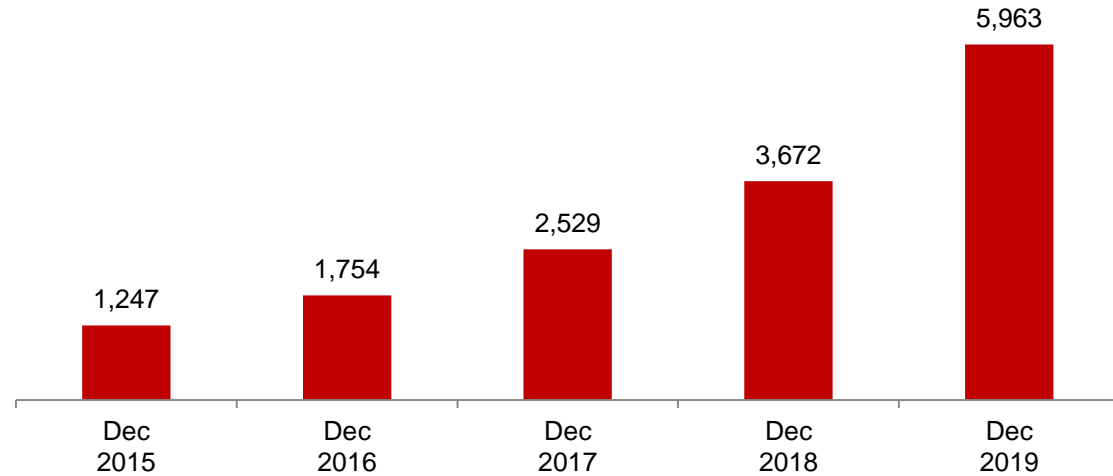
^ Gross Amounts of inventory, trade receivables and payables, without netting off provisions

Balance Sheet Summary And Cash Position



-RMB Million-

Net Cash Position^



Cash Conversion Cycle (Days)	76	59	49	40	26
Dividends**	0	0	0	215	380
Operating Cash Flow*	549	835	1,159	1,672	3,503

^Net Cash = Cash and Cash Equivalents (including restricted bank deposits) - Borrowings

*Exclude Double Happiness

**Upon shareholders approval

Channel and Retail Capability: Strengthened the Retail Operation “Closed Loop”



Offline Channel Sales Performance

- Sell-through: Mid-twenties growth
- Sales volume: Mid-teens growth

Offline Channel Sales Efficiency

- SSSG: Low-teens growth
- New product gross profit margin: up over 1.0 p.p.

New Product Performance

- Contribution to total sales: down 2 p.p.
- Sell-through: up low-twenties growth

New Product Sell-out Rate

- 6 months : improved over 4.0p.p.
- 3 months : improved over 2.5p.p.



Over 12 months Inventory mix

- Channel: declined (improved) 3 p.p.
- Company: increase (declined) 2 p.p.

Operating Cash Flow (YoY)

- Cash flow from operating activities: RMB 3.50 billion net inflow
- Net Cash: increased by RMB 2.3 billion
- Trade receivables before provisions: Amount decreased (improved) by 22%
- Cash conversion cycle: decreased(improved) by 14 days



LI-NING



Business Review

Grasp the New Opportunities in Sports Industry to Enhance LI-NING's Experience Value



Rising Public Awareness of Health and Physical Fitness Boosted Sports Product Sales

- In 2019, 72% of urban consumers increased their expenditure on healthy lifestyle, including sports footwear and apparel.
- With increasing sports participants and steadily expanding sports consumption market, total size of the sports consumption market in China is expected to reach RMB1.5 trillion in 2020.

National Policies in Favor and Support of Industry Development

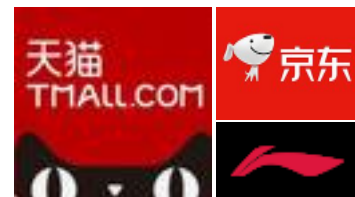
- Issuance of the “Guiding Opinions on Accelerating High-Quality Development of Sports Industry Through Promoting National Fitness and Sports Consumption” to stimulate sports consumption as well as to promote sports industry as a pillar industry of the national economy.
- Implementing the “Outline for Building a Leading Sports Nation” with an expectation that more than 630 million citizens will frequently participate in sports and exercise by 2035, propelling the value added of the sports industry to RMB11.3 trillion.

E-commerce Remains as the Key New Consumption Trend

- In 2019, China's retail e-commerce sales value was expected to grow by 27.3% year-on-year to USD1.935 trillion, accounting for approximately 36.6% of total retail sales. It is expected that China's retail e-commerce sales will continue to increase its share of total retail sales until 2023.



Implement the Strategy of “Single Brand, Multi-Categories, Diversified Channels”



Core Categories Drive Business Growth



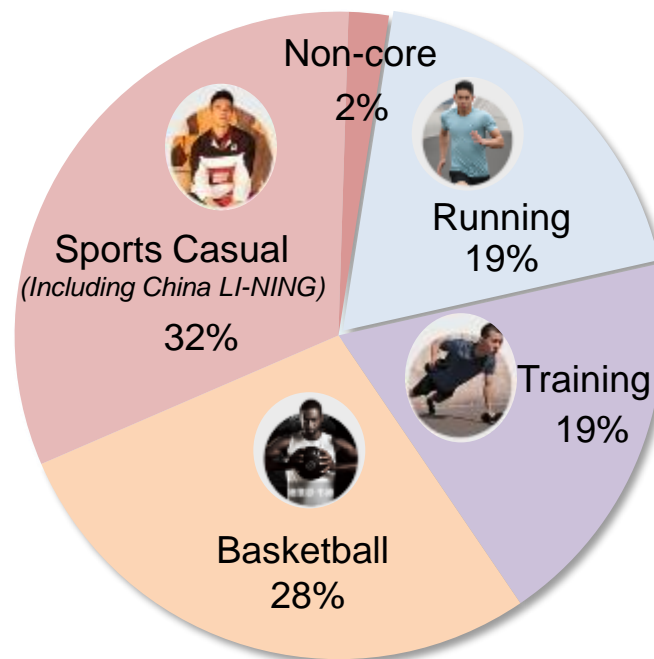
Retail Sell-through – YoY Change

		2019
Total Value		↑ 28%
	Running	↓ 1%
	Training	↑ 15%
	Basketball	↑ 45%
	Sports Casual	↑ 52%
	Non-core	↓ 20%

Sell-in – YoY Change

	Badminton + Football*	↑ 24%
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Retail Sell-through – Mix



*Sales of badminton and football products are shown with sell-in data for reference as they are mainly distributed via specialty-stores.

Basketball - Resonate with Young Consumers



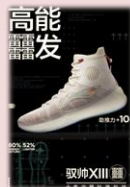
Diversified Marketing

- Professional events like CBA and basketball stars resources



Product & Technology

- Launched technological product: Yushuai XIII-雷



Focus on Professional Elements and Functionality

Sales Channel Cooperation

- Combination of online promotion and offline fans events



Two Major Functional Basketball Shoes Series

Sales volume in 2019: over 780,000 pairs

New product SO rate (6 mths): approx. 80%



All City



Sonic VII

WADE Apparel Series

Sales volume in 2019: over 4.4 million units

New product SO rate (6 mths): approx. 78%

New product SO rate (3 mths): approx. 52%



BAD FIVE Apparel Series

Sales volume in 2019: over 6.7 million units

New product SO rate (6 mths): approx. 77%

New product SO rate (3 mths): approx. 53%



Running - Enhance Product Matrix










Professional Runners Increase Professional Attributes With Top Technological R&D



Amateur Runners Multi-Product Lines Create Diversified Lifestyles



Tag Price (RMB)	Racing Category			Sports Protection Category	
1000+	Boom		2,099	Professional Events	 Battle Axe 1,099
	Pegasus		1,299		
	Wind Chaser		1,299		
800				Race Training	 Furious Rider 699
	Yunma		699		
300	Rough Rabbit 4 th Generation		399		

Leading
Professional
Technology
Solidifies
Mass Market
Share

Classic Continuity (i.e. Super Light 16 Series)

- SO rate (6 mths): approx. 80%
- Sales volume: approx. 700,000 pairs

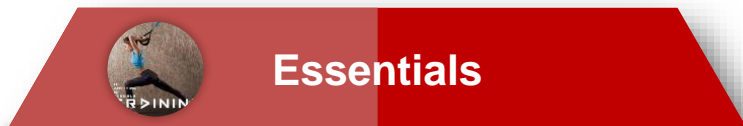
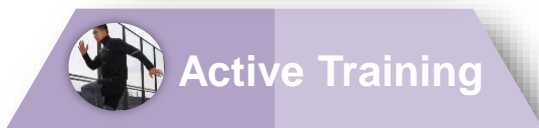


Fashionable Jogging Product - Arashi, Arashi Plus



- SO rate (6 mths): approx. 75%
- Sales volume: over 280,000 pairs

Training - Technological Innovation-Driven Product Series



Support of Technological Innovation

Refined women fitness training needs



“No Boundaries Fitness Challenge” competitions (無界健身挑戰賽) in 5 major cities to create professional reputation of the products



Apparel Series - Top 20% SKUs sales performance (New products in 2019)

Sales volume: **approx. 14 million units**

New Product SO Rate (6mths): **approx. 79%**

New Product SO Rate (3mths): **approx. 52%**

Account for **approx. 86%** of training apparel sales

Sports Casual - Integration of Sports DNA and Fashion



**Brand
Crossover**

**Digital
Marketing**

**Entertainment
Marketing**

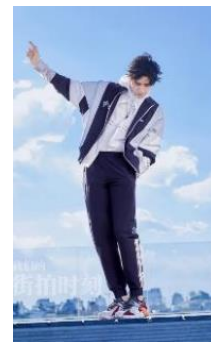


Apparel Series

Sales volume in 2019: over 12 million units

New Product SO rate (6mths): over 70%

New Product SO rate (3mths): approx. 50%



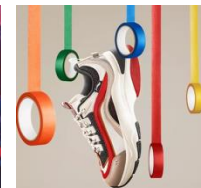
Footwear Series – Two representative product series

Sales volume in 2019:

over 410,000 pairs

New product SO rate (6mths):
approx. 85%

New product SO rate (3mths):
approx. 53%



Big Data Analysis, Capitalize on Trends, Diversify Online Experience



2019 New York and Paris
Fashion Week

+

COUNTERFLOW By
LI-NING x CHENPENG



Tmall
Anniversary
Sale

3-Day sales
exceeded
50 million

WADE WOW7
“One Last
Dance”

5,000 Pairs sold
out in 1 second

2019 Tmall
Double 11

No.4 in terms of
sales in sports
industry

Launch of Key Product “**䨻**”

Total store traffic on the
launch day: **1.5 million**

COUNTERFLOW By
LI-NING

Accelerate Promotion of Offline Channels' Diversification to Enhance Efficiency



**CHINA LI-NING &
Fashion Store**



Optimize structure and
enhance coverage



**Full-Category
Model Store**



Focus on shopping malls



Outlets



Improve the quality of
market coverage

Offline Channel - Full-Category Model Store



Flagship
Store



Tianjin Binjiang Road Modern City Store

Opened in early December 2018
Store size: over 800 sq.mt
Average monthly sales
over 1.55 million in 2019



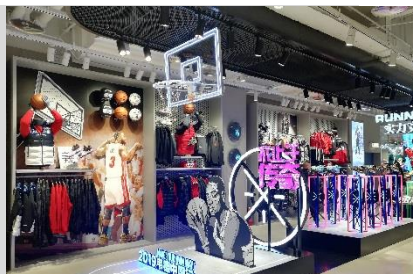
Guangzhou Grandview Mall Flagship Store

Opened in early 2019Q4
Store size: approx. 600 sq.mt
Average monthly sales
over 4 million in 2019Q4



Beijing Oriental Plaza Store

Opened in late 2018Q2
Store size: approx. 360 sq.mt
Average monthly sales
approx. 1.3 million in 2019



Chongqing Raffles Store

Opened in late 2019Q3
Store size: approx. 360 sq.mt
Average monthly sales
over 700,000 in 2019



Offline Channel - China LI-NING Store



- Total number of stores by the end of 2019: 120 (Channel mainly focuses on key cities in second-tier or above)
- Target to expand the number of stores to 170-200 by the end of 2020



The Venetian Macao Store

Opened in December 2019
Store size: 202 sq.mt
Sales for the first three weeks since opening in 2019 over RMB2.8 million



Taikoo Li Chengdu Store

Opened in October 2019
Store size: 200 sq.mt
2019 average monthly sales over RMB3.2 million



Guangzhou Taikoo Hui Store

Opened in October 2019
Store size: 382 sq.mt
2019 average monthly sales over RMB3.0 million

Brand Marketing - Strengthen the Layout of Professional Resources



Basketball



Running



Badminton



Brand Marketing - Crossover Series



LI-NING x *DISNEY*

Vibrant and Fun



LI-NING x *"Upanda"*

From "Zero" to
"Clothes"
Raise Awareness of
Environmental
Protection



LI-NING x *XLARGE/X-girl*

Trendy and Stylish



LI-NING x *"Baoyun Building", the Forbidden City*

Explore the charm of Chinese culture
Connect the history with the future



LI-NING x E-sports Team *"RNG/NEWBEE"*

Cheer for Chinese players
Assist the battle of Glory

Brand Marketing - Paris Fashion Week Fall/Winter 2020



Celebrating 30th Anniversary with Uniqueness and Popularization

- **#China LI-NING#** Weibo topic discussion and reading volume reached **260 million**;
- Multi-platform + In-depth content + Numerous forms. The Brand celebrated its 30th Anniversary by creating hot topics with both highlights and selling points;
- Streetwear matches e-commerce products. See-now-buy-now can effectively increase the traffic to boost sales



35年前，我们还都是小伙子，衣着简单，但身材不一般。@李宁



来自华为 Mate20 保时捷...

35年后，我们也不输小伙子，身材依旧，衣着更不简单 🤖 @成龙



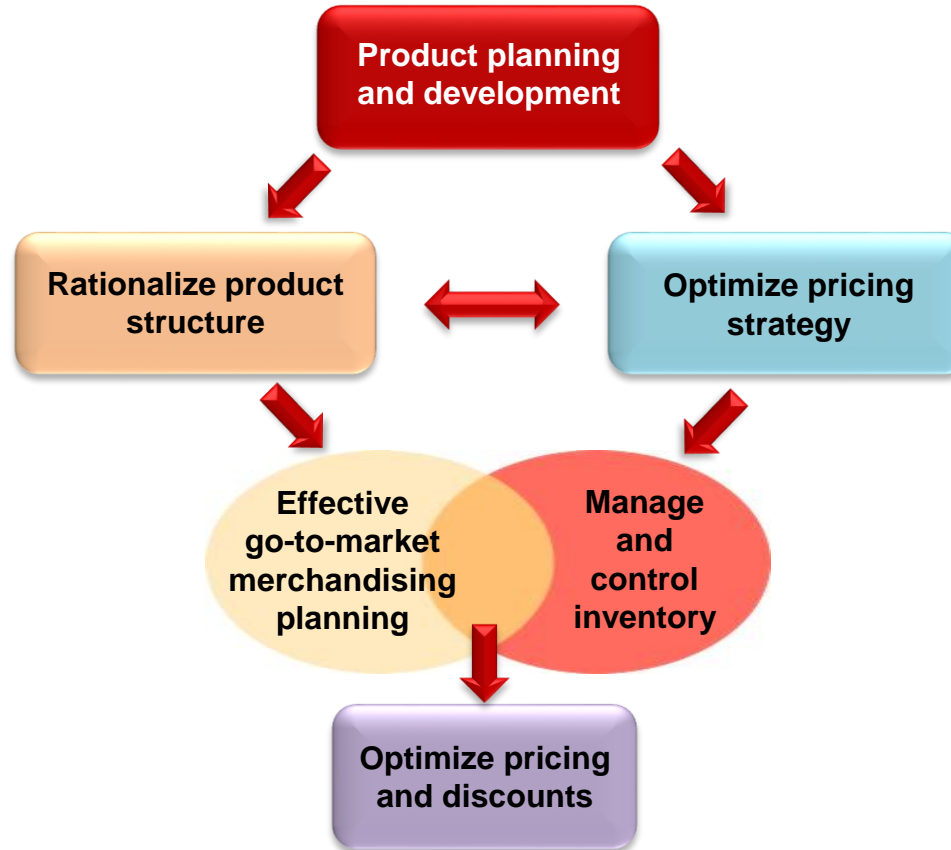
Strategic Planning



Business Development Strategy



Product Strategy



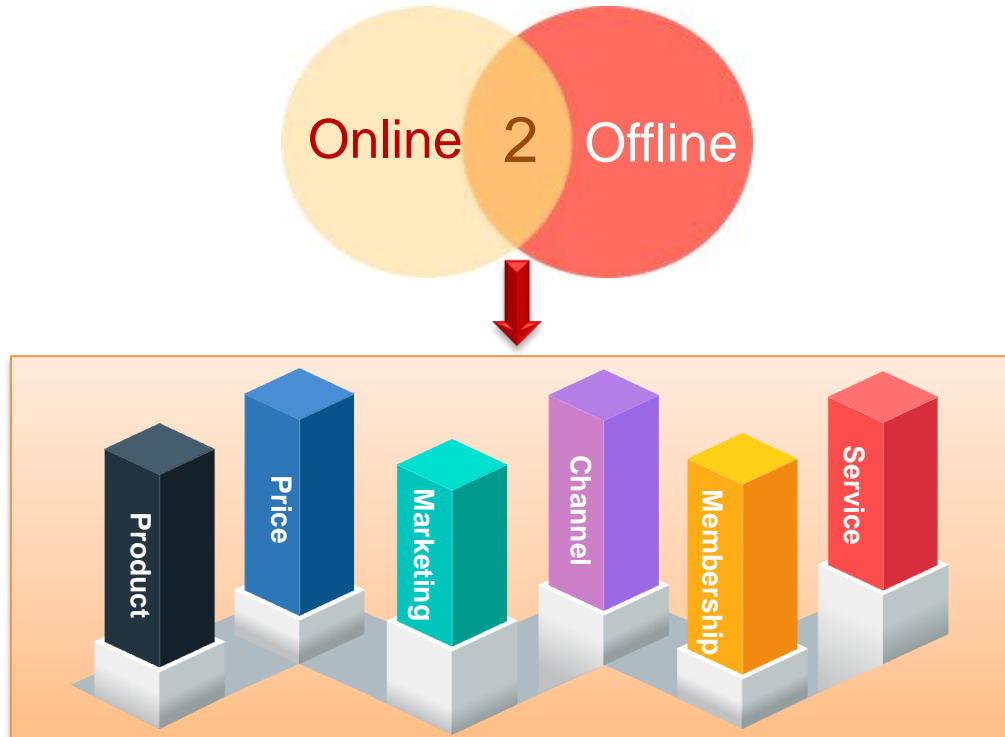
Channel Expansion Strategy



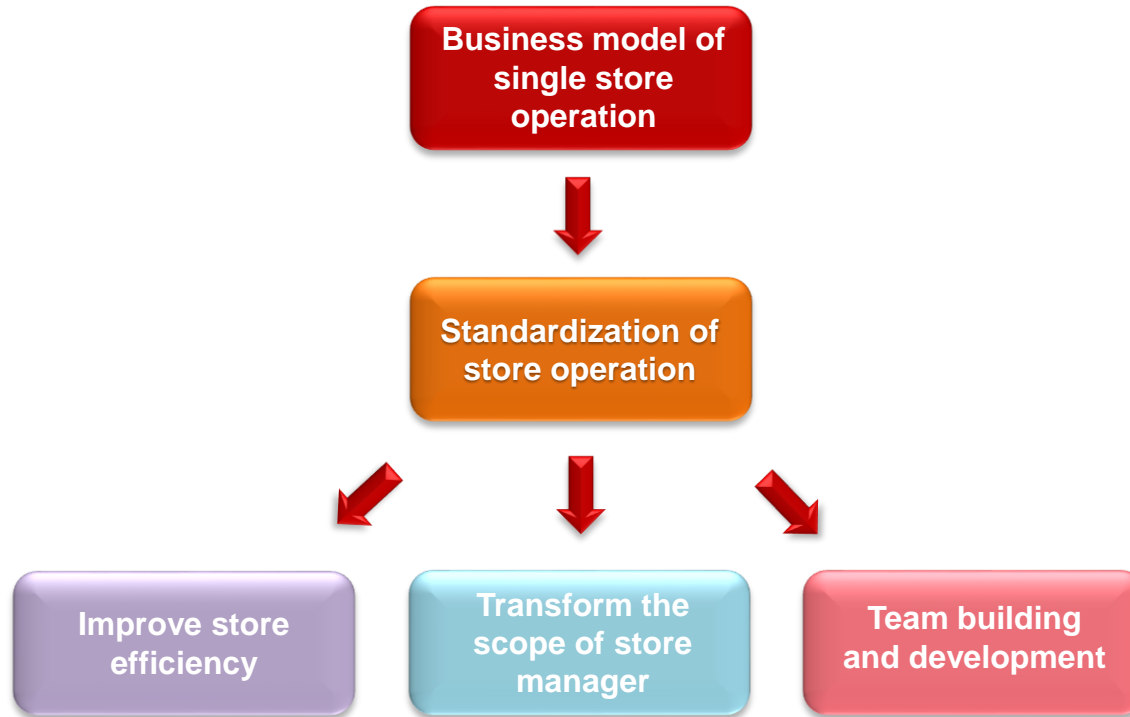
Omni-channel Development Strategy



Continue to develop e-commerce channels to fully integrate online and offline platform
Seamless connection of online and offline systems will complement each other



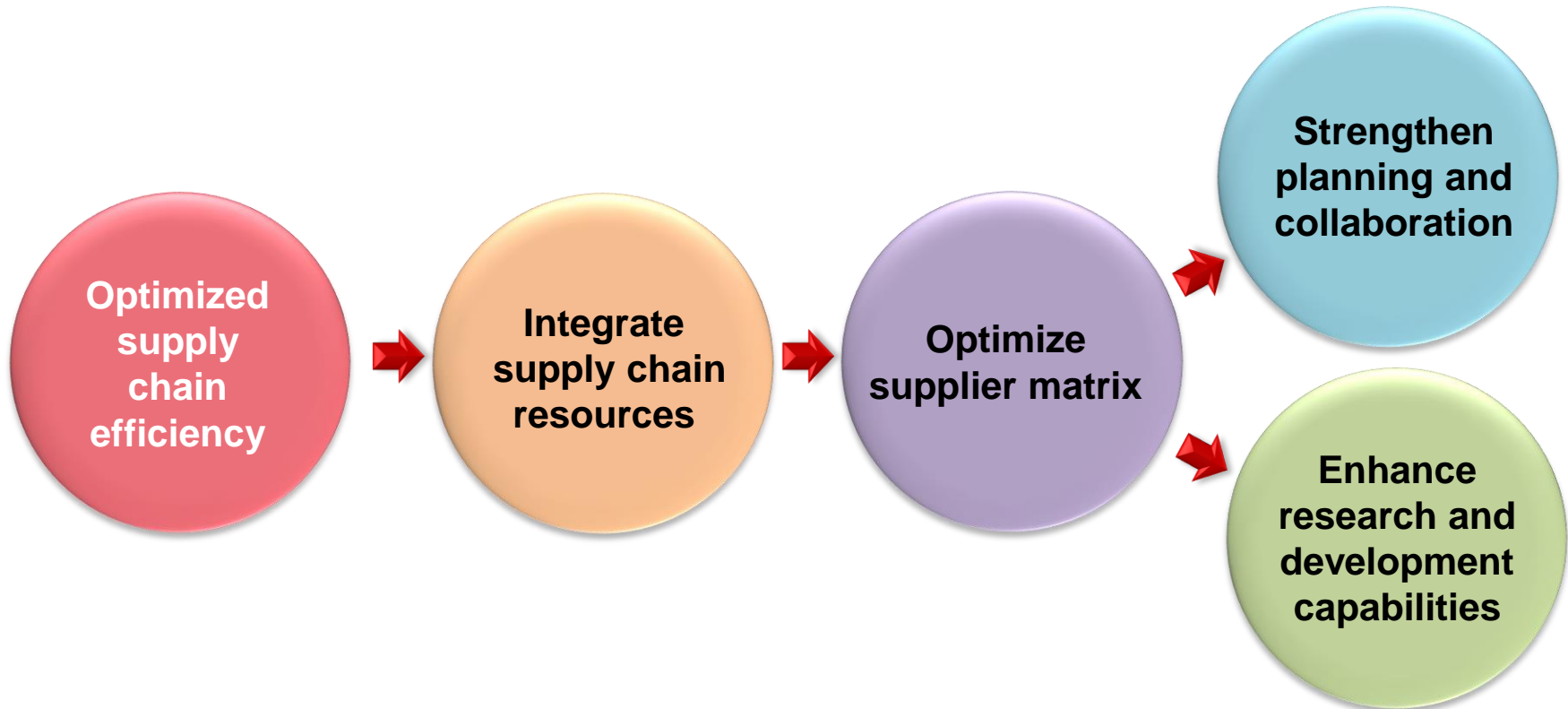
Store Operation Strategy



Supply Chain Strategy



Achieving the transition from passive to proactive production





Open Forum

Summary of Income Statement and Balance Sheet



(RMB million)	2019	2018	Better/ (Worse)
	Period ended 31 December		
Revenue	13,870	10,511	32.0%
Gross Profit	6,805	5,053	34.7%
Distribution costs	-4,445	-3,708	(19.9%)
Administrative expenses	-968	-680	(42.4%)
Other income and other gains – net	139	95	46.8%
Operating Profit	1,543	777	98.6%
EBITDA	2,708	1,252	116.2%
Profit Attributable to Equity Holders	1,499	715	109.6%
Basic Earnings per share (RMB cents)	61.94	29.63	109.0%

(RMB million)	31 Dec 2019	31 Dec 2018	Better/ (Worse)
Cash and Cash Equivalents	5,961	3,672	62.4%
Borrowings	0	0	N/A
Net Cash*	5,963	3,672	62.4%
Current Liabilities	4,717	2,777	69.8%
Current Ratio (times)	1.8	2.3	(0.5)
Total Liabilities to Total Assets Ratio	43%	33%	(10p.p.)

*Net Cash = Cash and Cash Equivalents (including restricted bank deposits) – Borrowings

Profit Margins And Key Operating Indicators



	2019	2018	Better/ (Worse)
	Period ended 31 December		
Gross Profit Margin	49.1%	48.1%	1.0p.p.
Operating Profit Margin	11.1%	7.4%	3.7p.p.
EBITDA Margin	19.5%	11.9%	7.6p.p.
Margin of Profit Attributable to Equity Holders	10.8%	6.8%	4.0p.p.
R&D Expenses (as % of revenue)	2.6%	2.2%	(0.4p.p.)
A&P Expenses (as % of revenue)	9.6%	10.4%	0.8p.p.
Staff Costs (as % of revenue)	10.9%	10.8%	(0.1p.p.)

	2019	2018	Better/ (Worse)
	Period ended 31 December		
Inventory Turnover (Days)	68	78	10
Trade Receivables Turnover (Days)	21	36	15
Trade Payables Turnover (Days)	63	74	(11)
Cash Conversion Cycle (Days)	26	40	14
Return on Equity (ROE)	23.2%	13.1%	10.1p.p.
Return on Asset (ROA)	14.1%	8.9%	5.2 p.p.
CAPEX (RMB million)	682	597	14.2%