



# 2022 INTERIM RESULTS

LI NING COMPANY LIMITED  
李寧有限公司

2022 Interim Report

D I S C L A I M E R



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# 01 Results Highlights

LN RUNNING  
LN RUNNING  
李宁防泼水科技跑步风衣



AT PROOF SMART

RESULTS HIGHLIGHTS





## Financial Highlights

- **The impact of repeated outbreak of COVID-19 pandemic and significant increase in raw material prices led to certain challenges to operating environment during the period:**
  - Revenue still increased by 21.7% to RMB12,409 million
  - The net profit attributable to equity holders increased by 11.6% to RMB2,189 million, and the net profit margin decreased from 19.2% to 17.6%
  - Achieved net operating cash inflow of RMB1,583 million
  - Gross profit margin lowered by 5.9 percentage points to 50.0%
- **Working capital still remained at a healthy level:**
  - The percentage of gross average working capital to revenue remained flat at 6%
  - Cash conversion cycle was 21 days, increased by 8 days year-on-year (among which 5 days were affected by the trade payables turnover days)



## Operational Highlights

- Operation improvement mitigated certain extent of the negative impact from the COVID-19.
- The retail sell-through for the overall platform increased by high-single-digit, including online and offline channels.
- The inventory turnover remained at a healthy level with further improvement in ageing structure.
- Channel inventory increased by mid-forties, mainly due to business expansion and the layout planning made in advance to seize opportunities for continuous growth of business scale.
- Offline channel new product sell-through increased by mid-teens:
  - Sell-through mix of new products increased by 6 percentage points
  - Sell-out rate: 6-month declined by approximately 7 percentage points, 3-month declined by approximately 9 percentage points





SKATEBOARDING

LI-NING  
2022 Interim Report

# Financial Review

# 02

SKATEBOARDING

LI-NING

WAVE

WAVE



N39/48'56 28"  
E116/32'55 36"

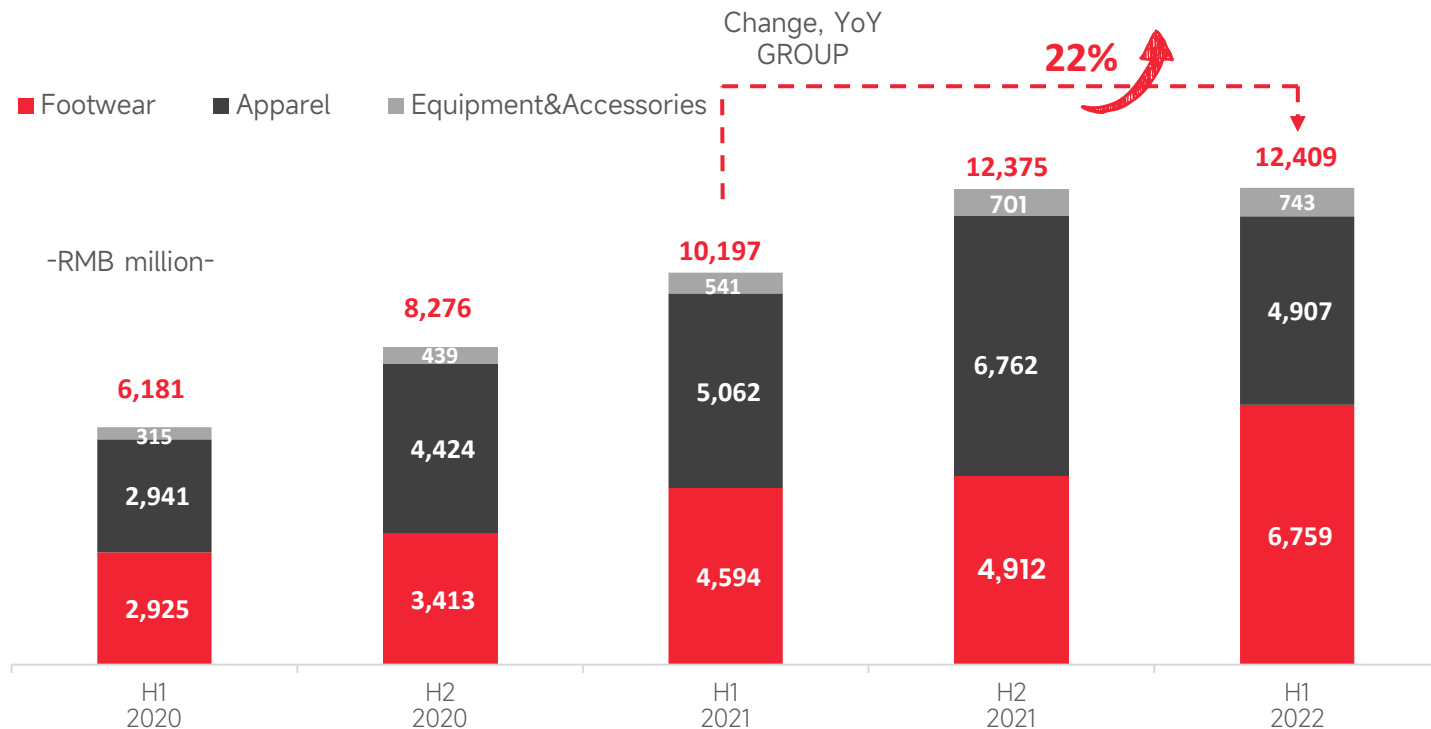
李宁滑板文化鞋  
惟吾180&惟吾PRO

FINANCIAL REVIEW

李宁滑板文化鞋  
80&惟吾



# Revenue Group Total



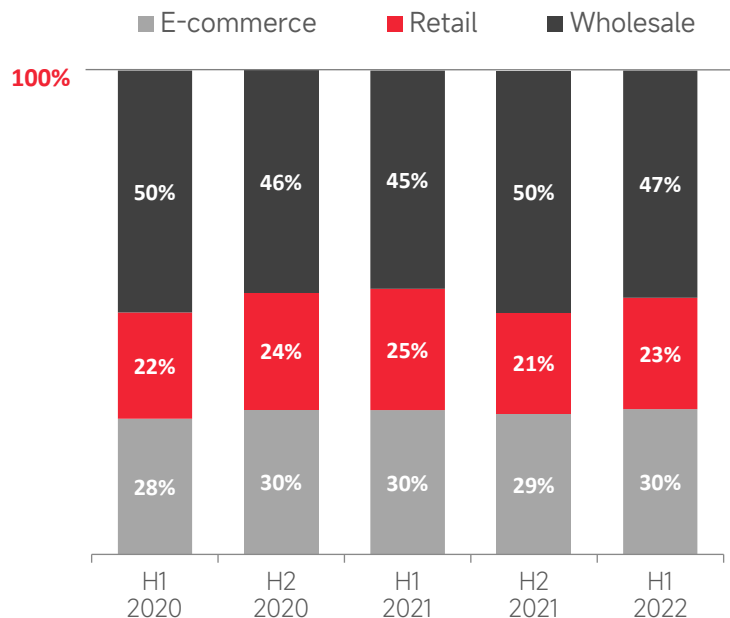
Revenue growth driven by functional categories



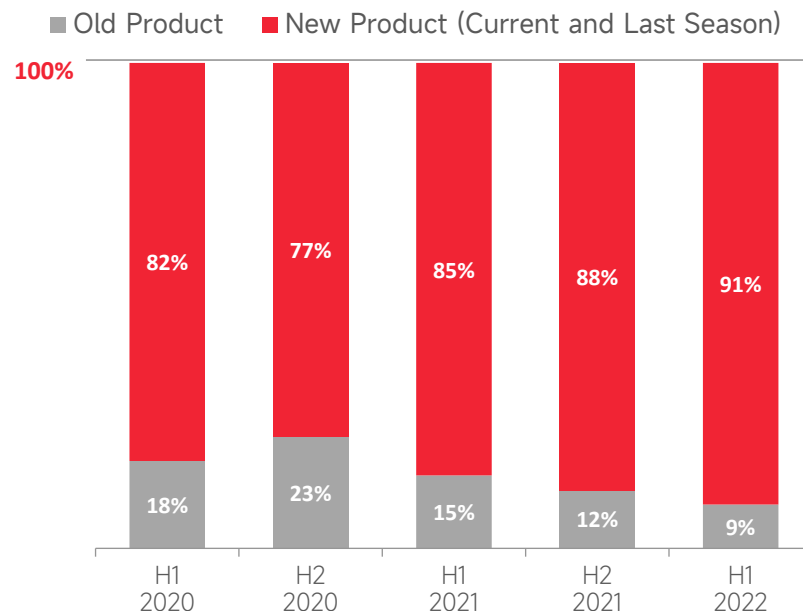
# Revenue and Sell-through Mix

LN Brand, excl. International Markets and LN YOUNG

Company Revenue Mix



Sell-Through Mix  
(Incl. Retail and Wholesale)



Revenue and sell-through balance between DTC and wholesale helped mitigate financial risk

# Same Store Sales Growth (SSSG) Rate

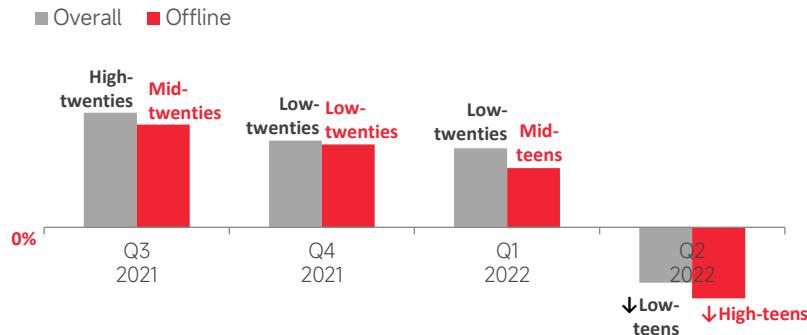
LN Brand , excl. International Markets and LN YOUNG

## SSSG (2022 H1 vs 2021 H1)

### Overall

- Retail Low-single-digit
- Wholesale Low-single-digit
- E-commerce Mid-teens

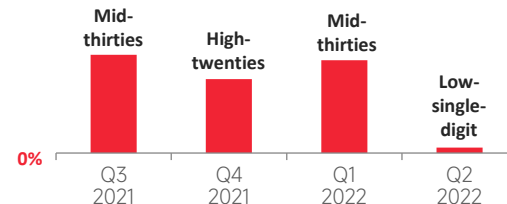
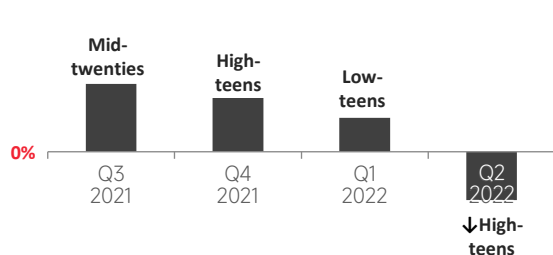
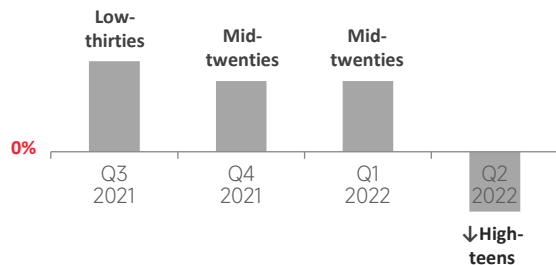
## Overall Platform



## Retail

## Wholesale

## E-commerce

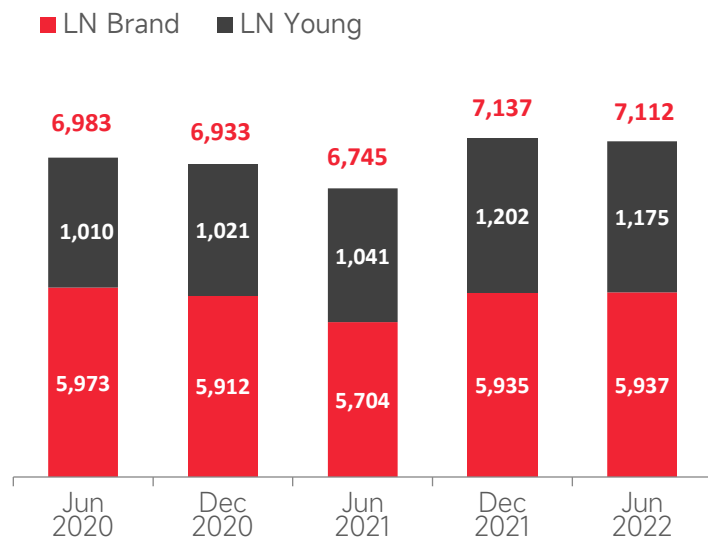




# Online and Offline Expansion

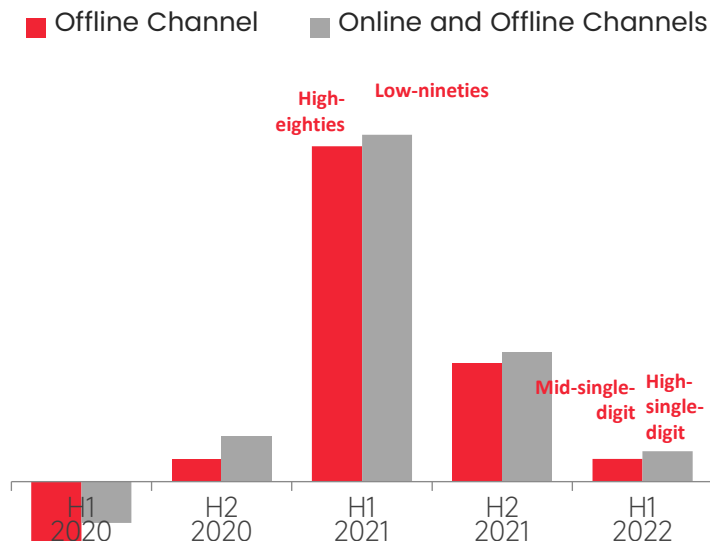
## LN Brand, excl. International Market Sales

POS number (Period end)



Sell-through growth, YoY %

(Excl. LN YOUNG)



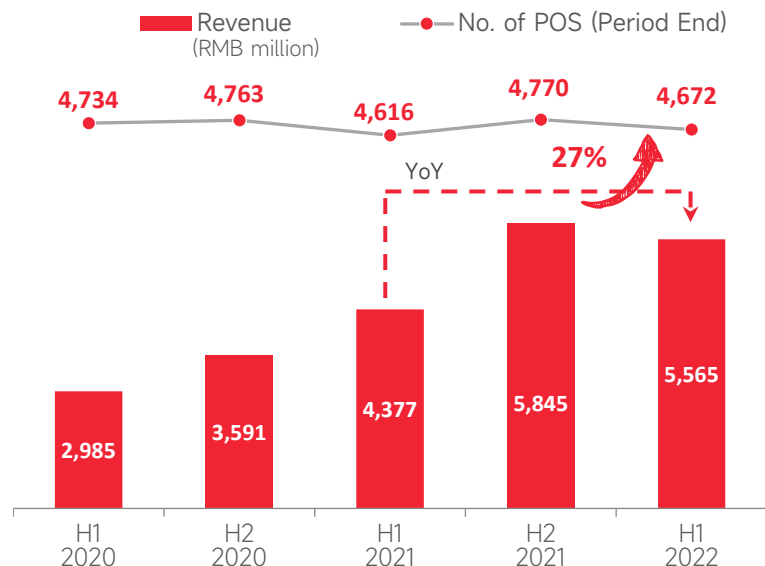
COVID-19 impacted store opening rhythm and sell-through momentum

# Wholesale Business<sup>^</sup>

12

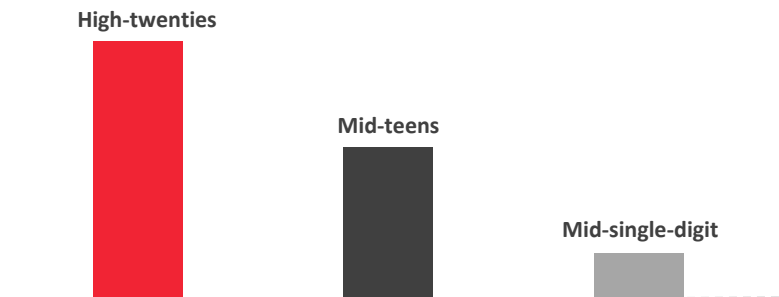
LN Brand, excl. International Market Sales and LN YOUNG

## Business Performance



## Sell-through and Revenue Change, YoY%

- Wholesale Revenue
- Wholesale revenue (excl. Sell-in to Specialty Stores)
- Sell-through (excl. Specialty Stores)



Sell-in preceded sell-through trend to capitalize on recovery

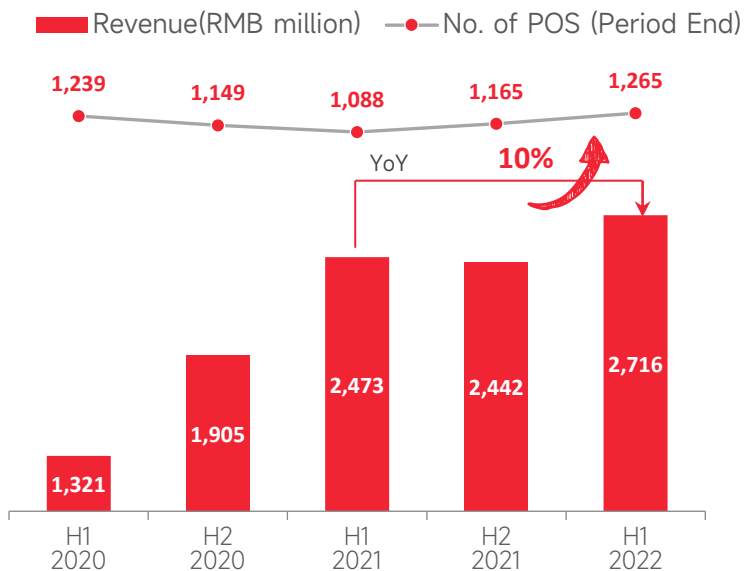
<sup>^</sup>Including product sales of badminton and table tennis categories from specialty-stores.



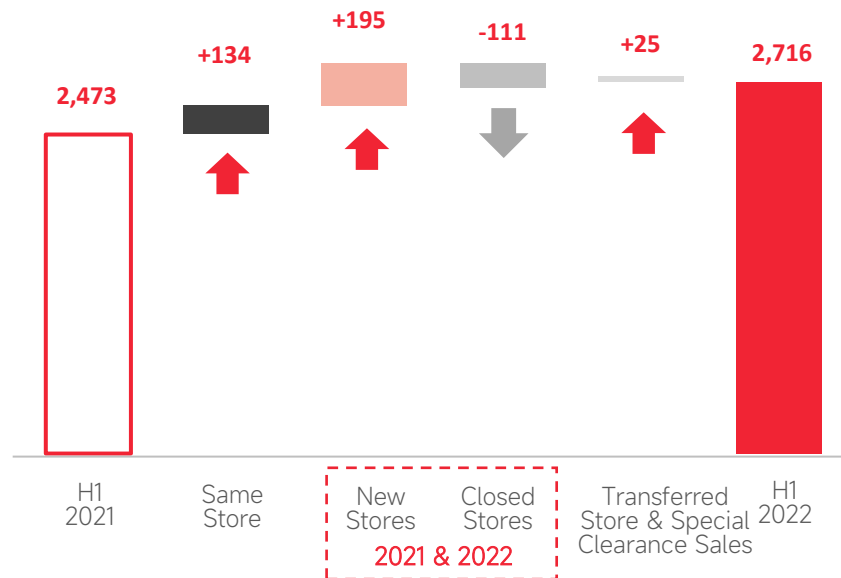
# Retail Business<sup>^</sup>

## LN Brand, excl. LN YOUNG

### Business Performance



### Revenue Change Analysis

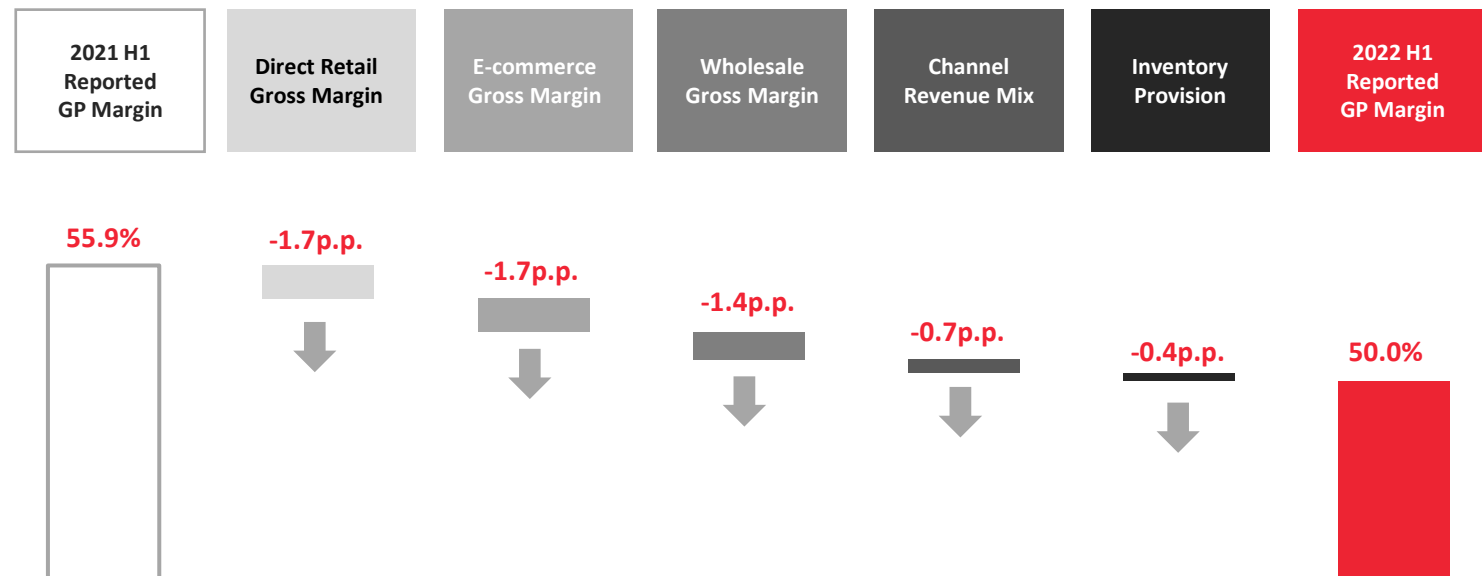


Direct retail growth momentum was affected by COVID-19

<sup>^</sup> Refers to direct retail operation

# GP Margin Analysis

## Net Change in Major Items



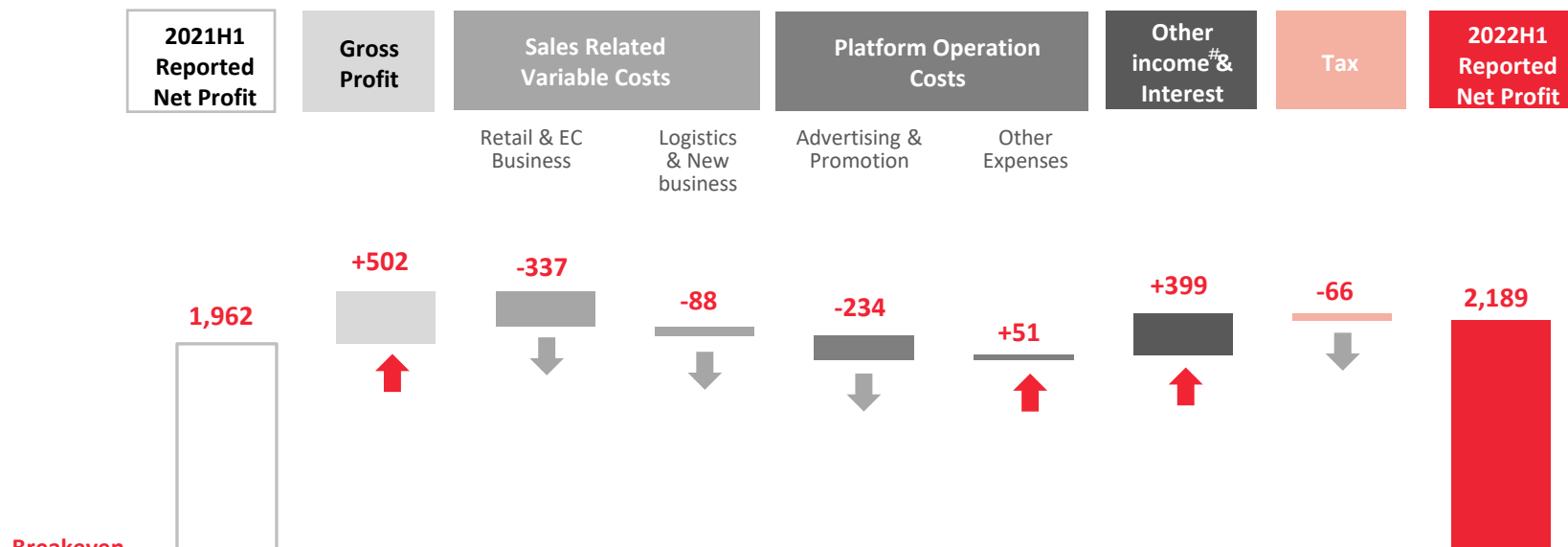
Gross margin decline largely due to cost inflation and deeper discount



# Profitability Analysis

## Net Change of Major P&L Items

(RMB Million)

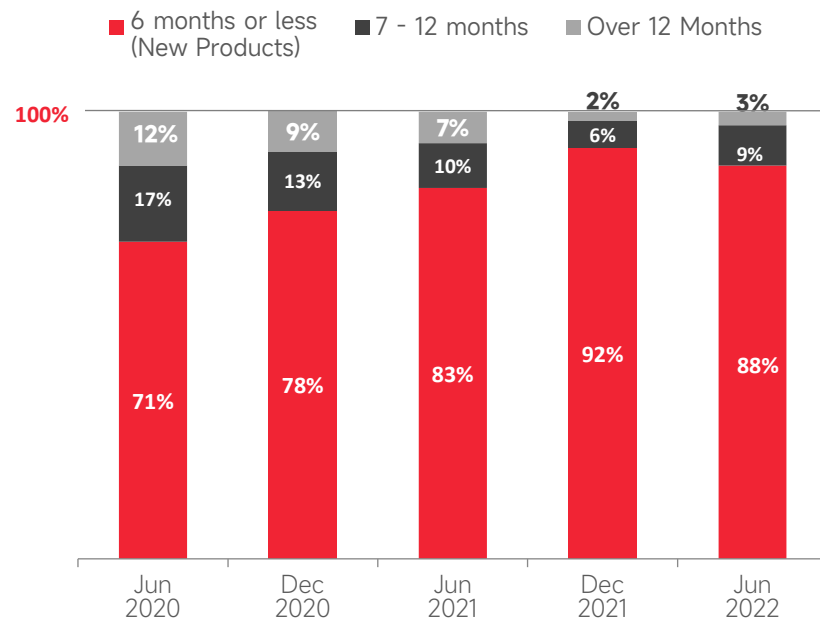
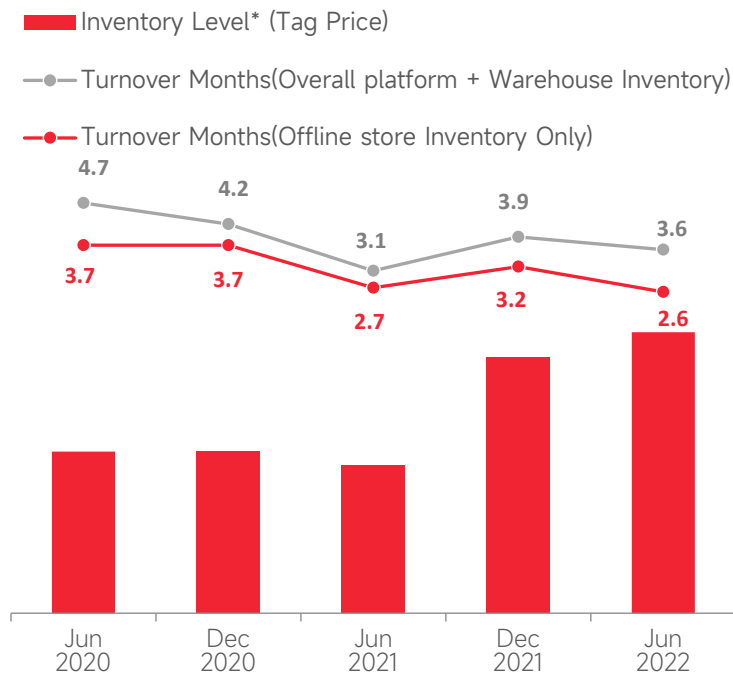


**Productive expenses to achieve better return on investment**

<sup>#</sup> Other income includes (i) other income and other gains (net), (ii) share profit from associates and joint ventures

# Channel Inventory

## Incl. Online and Offline

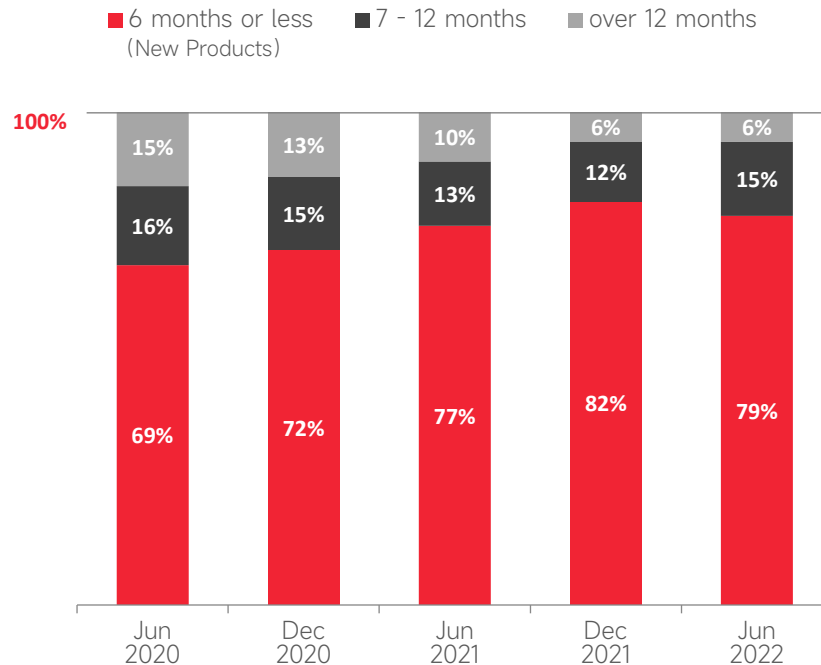
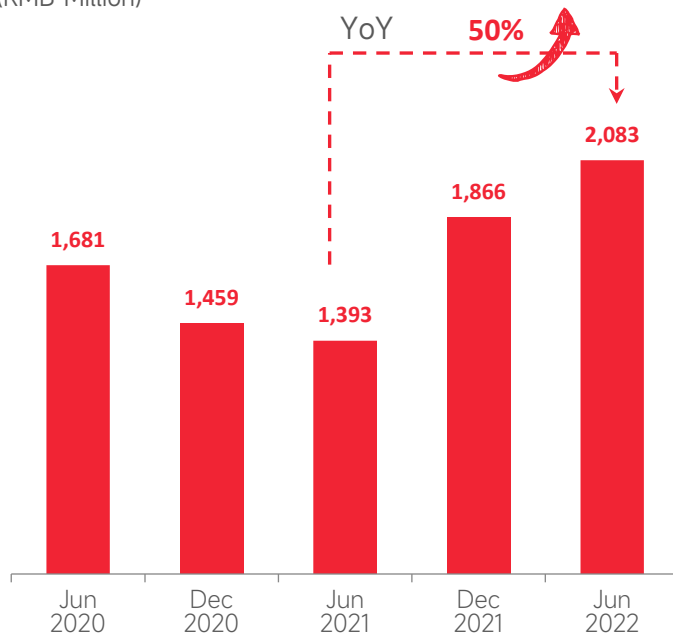


**Inventory turnover efficiency and aging structure maintain healthy through disciplined inventory management**

\* Including overall platform and warehouse



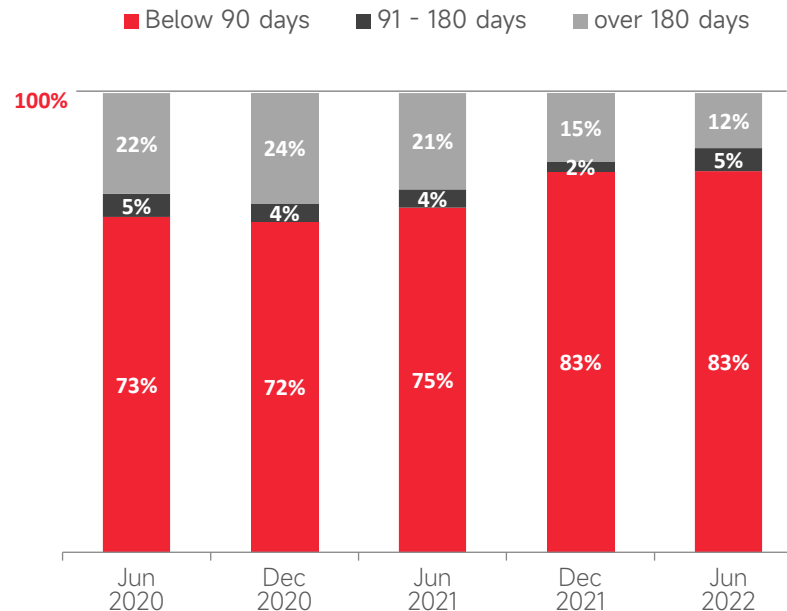
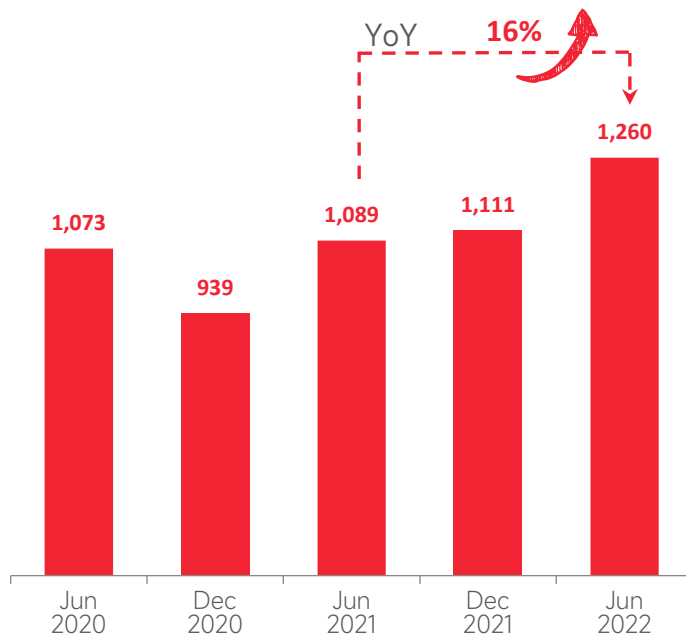
At cost, before provision  
(RMB Million)



**Inventory aging structure is still reasonable and controllable**



At gross amount, before provision  
(RMB Million)

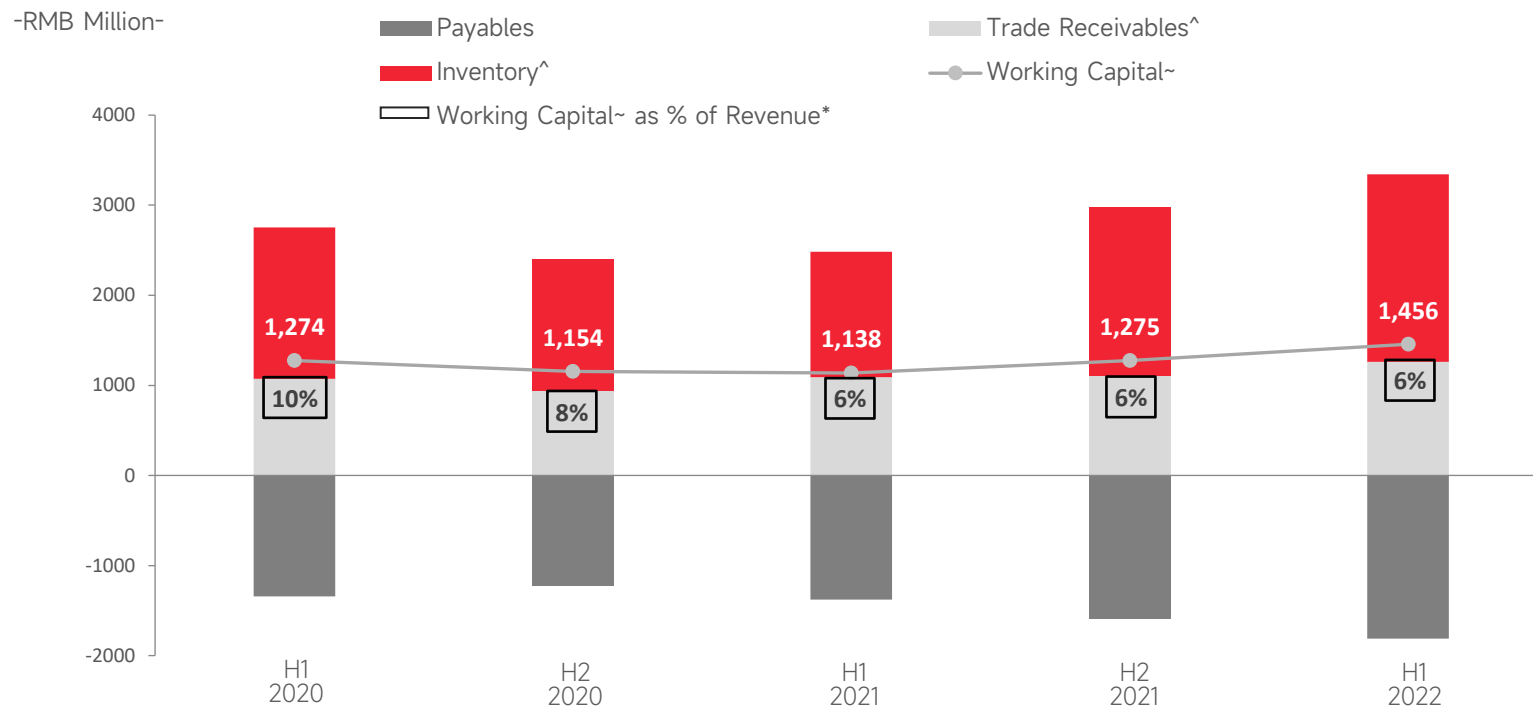


Trade receivables are in reasonable healthy state





# Working Capital Efficiency



**Healthy working capital efficiency well-gearred to capitalize on full recovery**

<sup>~</sup> Simple average between period opening and ending

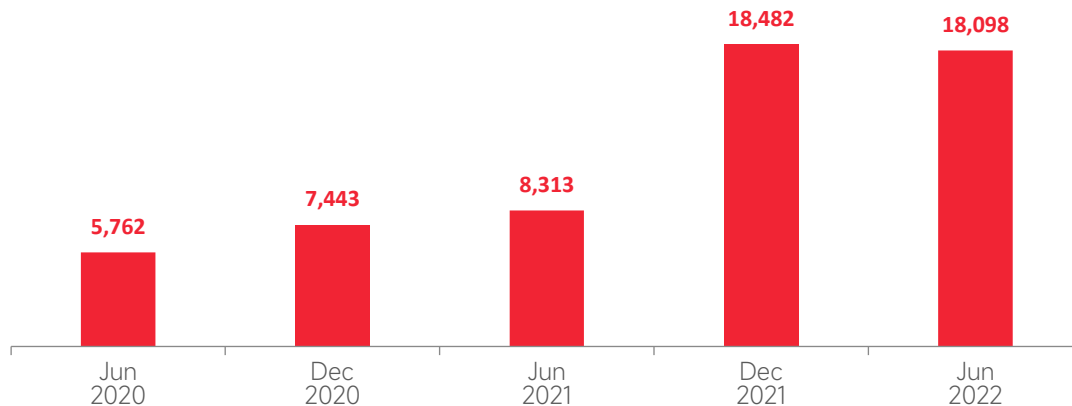
<sup>^</sup> Gross Amounts of inventory and trade receivables without netting off provisions

\* Annualized revenue

# Balance Sheet Summary and Cash Position

-RMB Million-

Net Cash Position<sup>^</sup>



Cash Conversion Cycle (Days)	30	20	13	20	21
Operating Cash Flow	479	2,763 <sup>#</sup>	3,325	6,525 <sup>#</sup>	1,583

<sup>^</sup> Net Cash = Cash and Cash Equivalents (including restricted bank deposits and long & short-term bank deposits)- Borrowings

<sup>#</sup> Annual operating cash flow



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# Strategic Direction

# 03



STRATEGIC DIRECTION



# Actively Grasp Development Opportunities in the Industry, Comprehensively Strengthen LI-NING's Experience Value



## Economic Development Promotes the Expansion and Upgrade of the Consumption Market, Digital Economy Invigorates Consumption Momentum

- As China's economy sustains steady growth in the long run, the expansion of the consumption market continues while digitalization enrich consumption scenarios.
- LI-NING brand grasps the increasingly diversified, premiumized and personalized needs of consumers, promote the strategy of "Single Brand, Multi-categories, Diversified Channels", strengthens products competitiveness and LI-NING's Experience Value to increase brand influence.

## National Policies and Regulations Actively Promote the Development of Sports Industry, Further Unleash the Immense Consumption Demand

- After the introduction of the "14th Five-Year Plan for Sports Development", the "Law of People's Republic of China on Physical Culture and Sports" further promotes sports industry, implementing the national fitness strategy to support youth sports activities to boost sport consumption.
- China supports the finance and construction of sports facilities to reinforce the development of sports industry. With the strong support of national policies, the sports population is expected to grow, further unleashing the potential of sport consumption.

## Accelerate Penetration in the Young Consumer Group and Niche Markets, Strengthen the Differentiation Advantages of LI-NING Brand

- The young consumers has become the main force of consumption, who are eager to pursue personalized experience and sports goods that are professional and fashionable.
- LI-NING brand enhances its product functions and design, and improves product matrix, further penetrating the high-end market and niche markets with LI-NING 1990, the new high-end sports fashion sub-brand.
- Emphasizing the consumption experience, LI-NING brand optimizes in-store services in order to improve consumers' shopping experience .



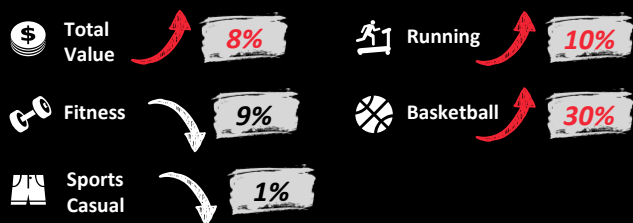


# Continuously Enhance the Strategy of “Single Brand, Multi-categories, Diversified Channels”



# Professional Categories as a Lead to Strengthen the Resilience of Core Categories

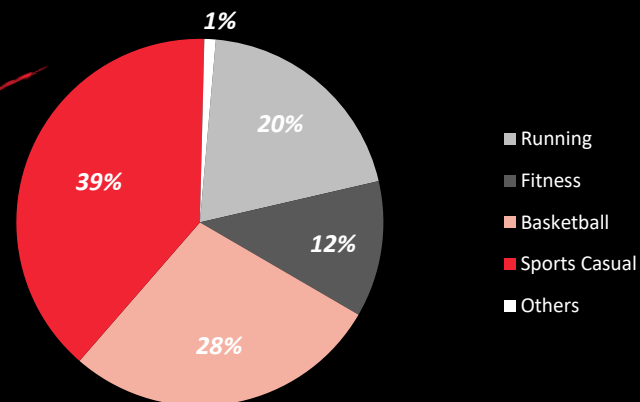
## Retail Sell-through – YoY Change (2022H1)



## Revenue– YoY Change (2022H1)



## Retail Sell-through - Mix



(包含中國李寧)

## Basketball — Optimize Product Performance with a Focus on Professional Basketball,



### Way of Wade 10 —

Explore the ultimate performance of basketball and continue to evolve



### All City 10 —

Employ "BOOM" technology on entire foot to fully empower the performance



### BADFIVE 2 —

High-performance outfield basketball shoes to enable speedy gallop





# Running — Technological Evolution with the LI-NING BOOM Technology to Greatly Boost Performance

- With LI-NING BOOM Technology platform as the core, LI-NING focuses on reinforcing the professional running shoe matrix for all scenarios with four series, including Racing Series, High Resilience Series, Protection Series, and Super Light Series
- High-end running shoes explore upward, continuously communicate with elite and core runners; while ordinary running shoes strengthen performance and drive business growth of running category

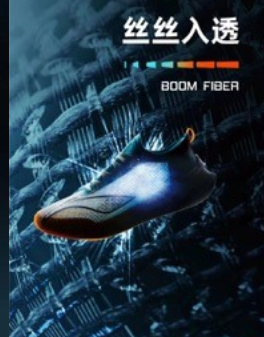
## Debut of New Technology for the Uppers

**BOOM FIBER**  
李宁䨻丝鞋面科技

轻 透 韧



The density of yarn is  
**17%** lower than  
human hair  
  
**24%** lighter than  
traditional MONO yarn



The breathability  
increases **35%**  
compared with the  
previous generation of  
Feidian



Equipped with  
innovative hot melt  
technology to ensure  
stability and good fit

## LI-NING BOOM

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### Strengthen the Matrix of Professional Running Shoes

#### Super Light Series

Beginner Runners



Super Light 19 –  
A timeless  
classic



#### Protection Series

Advanced Runners  
Beginner Runners



Furious Rider 6 –  
Solid and stable  
on every step



#### High Resilience Series

Advanced Runners  
Beginner Runners



Shadow –  
Good shock-  
relieving and  
rebound function  
to enhance  
efficiency



#### Racing Series

Racing Runners  
Advanced Runners



Feidian 2.0 Elite –  
Adopt BOOM FIBER  
to disrupt traditional  
sense of running



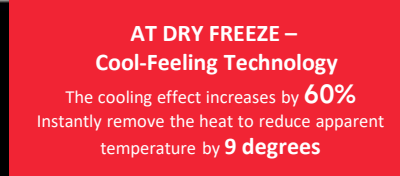
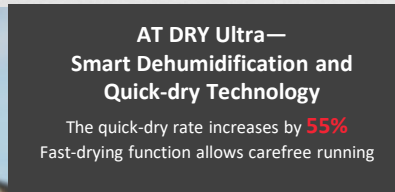


# Fitness — Further Develop Core Apparel Technology to Create an Optimal Sports Experience



## AT AIR – Breathable and Quick-dry Technology

Addressing the needs of runners, the breathability **doubled** to bring in cool, breathable and zero-burden running experience



## AT DRY FREEZE – Cool-Feeling Technology

The cooling effect increases by 60%  
Instantly remove the heat to reduce apparent temperature by 9 degrees



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## Sports Casual — Inherit the Sports DNA and Deliver Living Attitude

28



**Cherry Blossom  
Limited Series**

A new comeback in early spring  
Mix and match outfit to celebrate the spring  
blossoms



**Skateboarding Series**

Bring a skateboard in the dark night to  
explore the unknown



**Kungfu Series**

Inspired by "The Art of War", integrate the  
philosophical beauty of square and circle and  
show go-with-the-flow attitude





Basketball



Running



MMA



Table Tennis



Badminton

Brand Marketing — Build upon Core Categories to Continuously Explore Opportunities for Professional Sports Resources

## Brand Marketing — Think Outside the Box with Creativity

**Crossover Series of Li Ning x Bruce Lee** – The first official collaboration between a Chinese sports brand and Bruce Lee Foundation, manifesting his martial arts accomplishments and Kung Fu philosophy.



**Bored Ape Fashionable Sports Club** – Set foot in NFT, invite member #4102 of the Bored Ape Yacht Club to create a pixel pop-up shop.



**Artist Collaboration in Art Toy** –

Collaborate with Steven Harrington to launch a figure of Ollie mouse in LI-NING Pro Wave Pro holding a palm tree that symbolizes environmental protection and nature, showing the unrestrained characteristics of the unique artist.





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# Operational Progress

04

LI-NING | WADE



EVOLUTION

进化不止

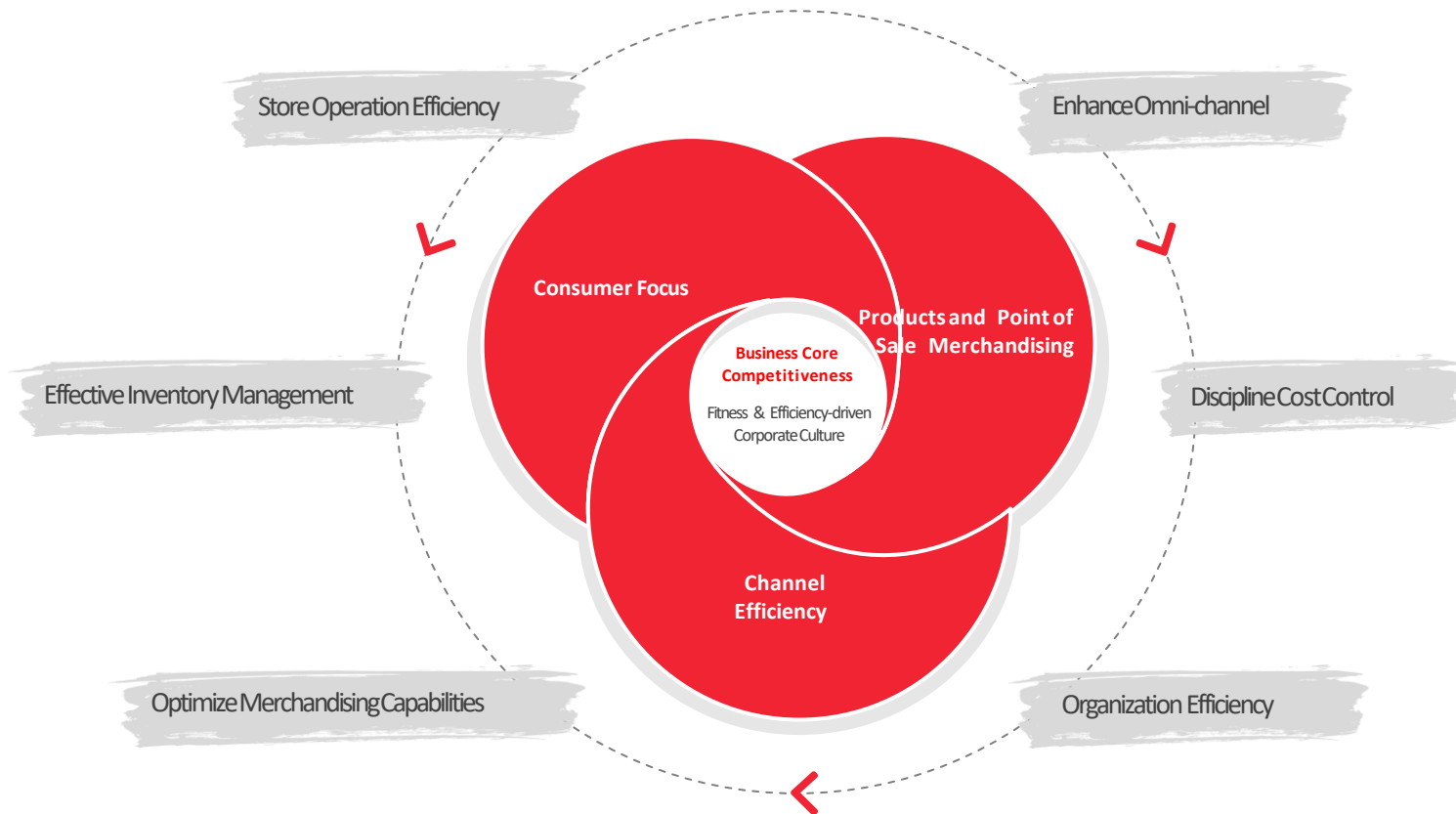
韦德之道10

OPERATIONAL PROGRESS

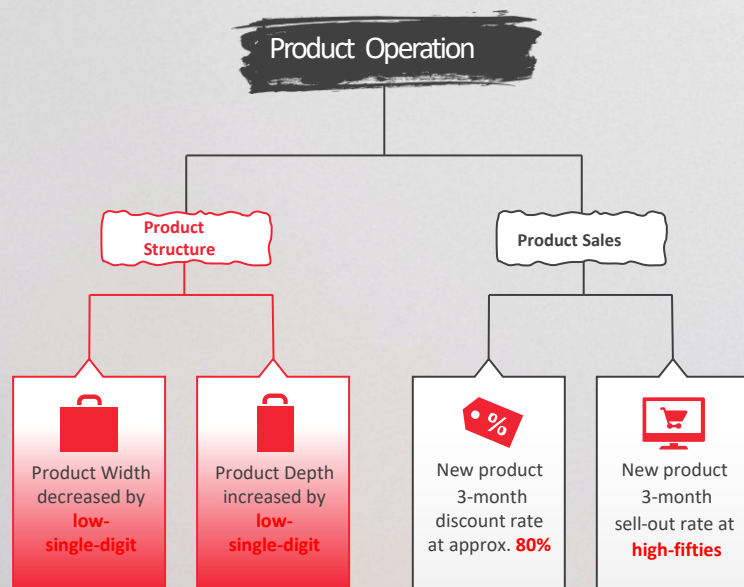
LI-NING

## Center on Business Development Strategy, Focus on Operation Efficiency Enhancement to Support Steady Business Growth

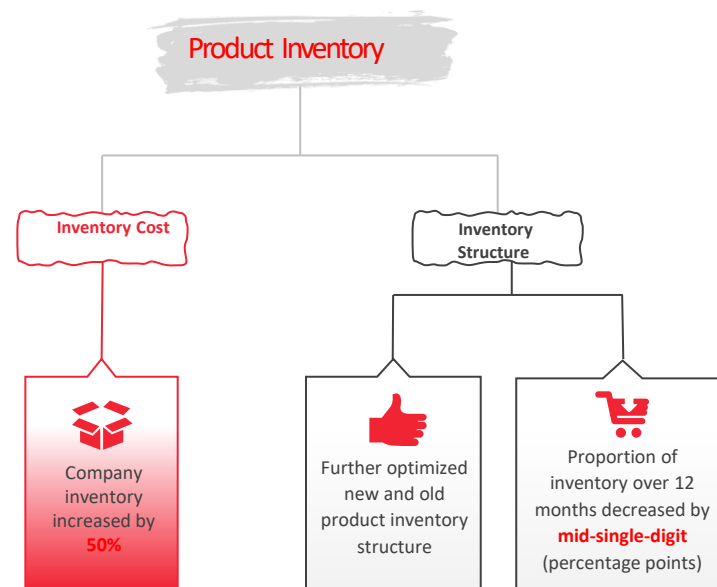




# Product Merchandising: Continuously Strengthen Product Operation Management, Optimize Product Planning System



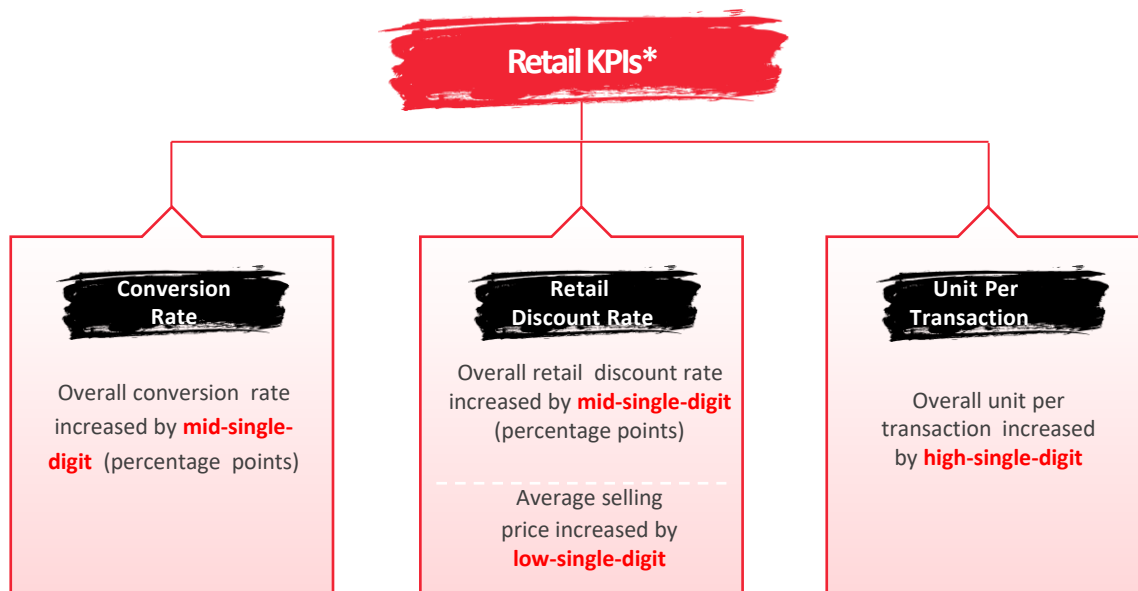
Realize “Product and Point of Sale Merchandising” -  
Focused Product Operation



Achieve Better Business Growth  
with Reasonable Inventory



## Retail Operation: Progressively Develop Single-Store Business Model to Improve Retail Performance



Focus on **“Products and Point of Sale Merchandising”** and **“Efficiency”**  
Develop Retail Talents and Build up Retail Culture

\*Excluding online channel



## Channel: Continue to Improve Quality of New Stores, Sales Contribution of Big Store Further Increased

Expand High-Quality Profitable Stores, Accelerate Opening of High-Quality Stores

### Store Penetration



Total selling square footage increased by

**low-twenties**

Average single-store selling square footage exceeded

**220 sq.m.**

Average monthly store productivity increased by

**low-teens**

### Newly opened stores



Number of new stores opened in first-half of the year exceeded

**240**

Average single-store selling square footage reached

**320 sq.m**

Average monthly store productivity at approximately

**RMB450,000**

### Sell-through Structure



Sell-through contribution of big stores\* increased by **high-single-digit** (percentage points)

Sell-through contribution of high-tier market remained stable

Sell-through contribution of shopping mall increased by **high-single-digit** (percentage points)

\* Store selling square footage exceeds 300sq.m.

# Including regular stores in metropolises and first-tier cities

# E-Commerce: Push Forward the Establishment of Li Ning Omni-Channel Business Model

## E-commerce Business



### Retail Sell-through

Sell-through of online retail business increased by **high-teens**



### Retail Indicators

Average retail discount rate deepened by **high-single-digit** (percentage points)



### Channel Structure

Sell-through contribution of online retail business increased by **low-single-digit** (percentage points)



### Member Development

Number of members exceeded **46 million**  
Sales contribution of members increased by **high-single-digit** (percentage points)

Establish a Cross-functional Communication Mechanism between E-commerce and Offline, Enhance Integration and Synergy of Omni-Channel



## Kidswear Business: Establish Professional Positioning of Kidswear, Drive Efficiency and Business Growth

### Retail Efficiency

- Retail sell-through increased by **mid-forties**
- Average selling price increased by **low-teens**
- Retail discount rate improved by **1** (percentage points)
- Unit per transaction increased by **mid-teens** (percentage points)
- SSSG increased by **low-teens**

01

### Product Efficiency

- New product 3-month retail discount rate deepened by **mid-single-digit** (percentage points)
- New product 3-month sell-out rate decreased by **mid-single-digit** (percentage points)

02

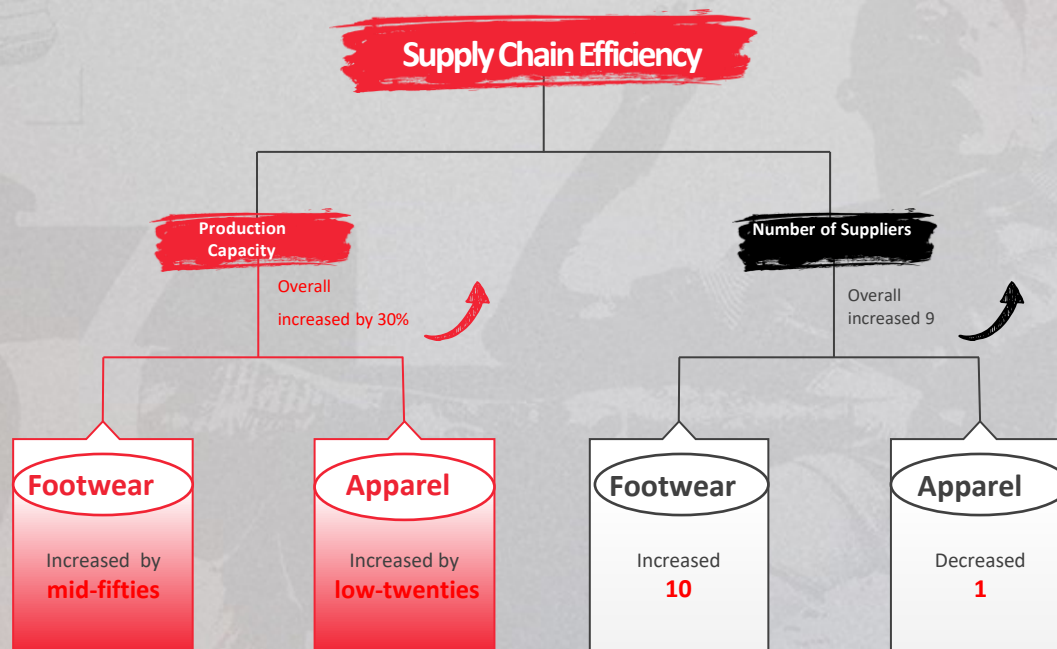
### Channel Efficiency

- Number of stores totaled **1,175**
- Average monthly store productivity increased by **low-thirties**

03

Focus on Professional Kidswear, Strengthen Product Matrix, Optimize and Upgrade Channel Structure

## Supply Chain: Continuously Integrate and Optimize Supply Chain Organization



Transition from **Passive Production** to Proactive Production, Consolidate Advantages and Resources, and Strengthen Flexible Supply









## Appendix 1 — Summary of Income Statement and Balance Sheet

(RMB million)	2022	2021	Better/ (Worse)
	Period ended 30 June		
Revenue	12,409	10,197	21.7%
Gross Profit	6,201	5,699	8.8%
Distribution costs	-3,383	-2,857	(18.4%)
Administrative expenses	-518	-437	(18.5%)
Other income and other gains-net	336	140	140%
Operating Profit	2,643	2,538	4.1%
EBITDA	3,421	3,158	8.4%
Profit Attributable to Equity Holders	2,189	1,962	11.6%
Basic Earnings per share (RMB cents)	83.77	79.04	6.0%

(RMB million)	30 Jun 2022	31 Dec 2021	Better/ (Worse)
Cash and Cash Equivalents	10,575	14,745	(28.3%)
Borrowings	0	0	N/A
Net Cash*	18,098	18,482	(2.1%)
Current Liabilities	7,187	7,704	6.7%
Current Ratio (times)	2.07	2.42	(0.35)
Total Liabilities to Total Asset Ratio	29%	30%	1.0p.p

\*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

	2022	2021	Better/ (Worse)
	Period ended 30 June		

Gross Profit Margin	50%	55.9%	(5.9p.p)
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Operating Profit Margin	21.3%	24.9%	(3.6p.p)
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EBITDA Margin	27.6%	31.0%	(3.4p.p)
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Margin of Profit Attributable to Equity Holders	17.6%	19.2%	(1.6p.p)
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R&D Expenses (as % of revenue)	1.9%	1.8%	(0.1p.p)
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A&P Expenses (as % of revenue)	7.9%	7.3%	(0.6p.p)
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Staff Costs (as % of revenue)	7.3%	8.2%	0.9p.p
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	2022	2021	Better/ (Worse)
	Period ended 30 June		

Inventory Turnover (Days)	55	53	(2)
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Trade Receivables Turnover (Days)	14	13	(1)
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Trade Payables Turnover (Days)	48	53	(5)
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Cash Conversion Cycle (Days)	21	13	(8)
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Return on Equity (ROE)	10.1%	20.6%	(10.5p.p)
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Return on Asset (ROA)	7.1%	12.2%	(5.1p.p.)
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CAPEX (RMB million)	683	415	(268)
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