



中国李宁

2018

Annual Results



LI-NING

LI NING COMPANY LIMITED

李宁有限公司

(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 year ended 31 December 2018 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

Appendix

LI-NING



*Results
highlights*

2018 Results Highlights

Financial Highlights :

- **Reported net profit of RMB 715 million, margin raised from 5.8% to 6.8%**
 - Revenue up 18% to RMB 10,511 million
 - Gross profit margin expanded 1 percentage point
 - Enhanced operating leverage notwithstanding investment in new initiatives and organization costs
- **Operating cash flow increased by 44% to RMB 1,672 million**
- **Significant improvement in working capital continued**
 - Gross average working capital improved (reduced) by 12% while revenue increased by 18%
 - Cash conversion cycle further improved (shortened) by 9 days (2017: 49 days / 2018: 40days)

Operational Highlights:

- **Mid-teens growth for total platform retail sales, including online and offline channels**
- **Channel inventory turnover improvement continued**
- **Overall Same-Store-Sales growth in 2018 accelerate to Low-teens**
- **Offline channel new product sell-through increased by mid-teens with new product mix increased by 2 percentage points**
 - Direct retail new product gross margin improved over 1 percentage point

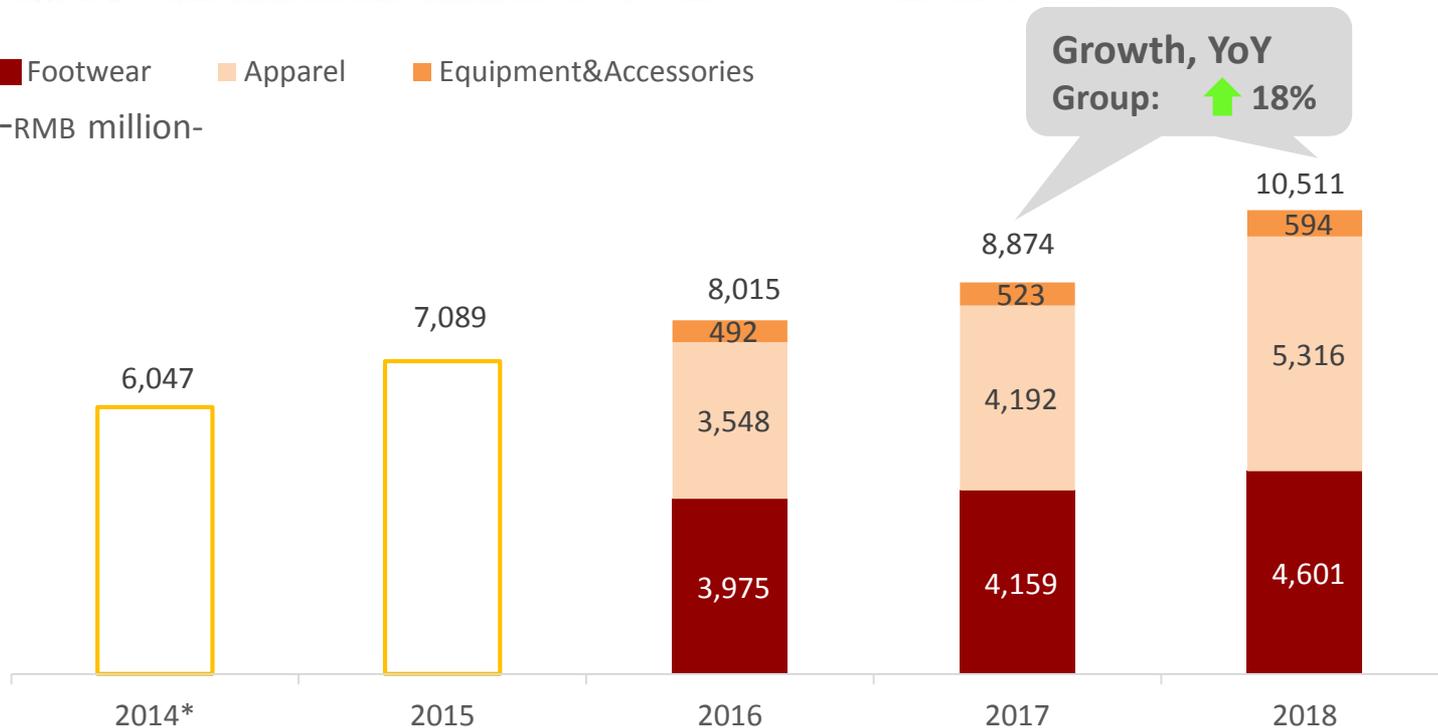
Financial Review



Revenue

Group total

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



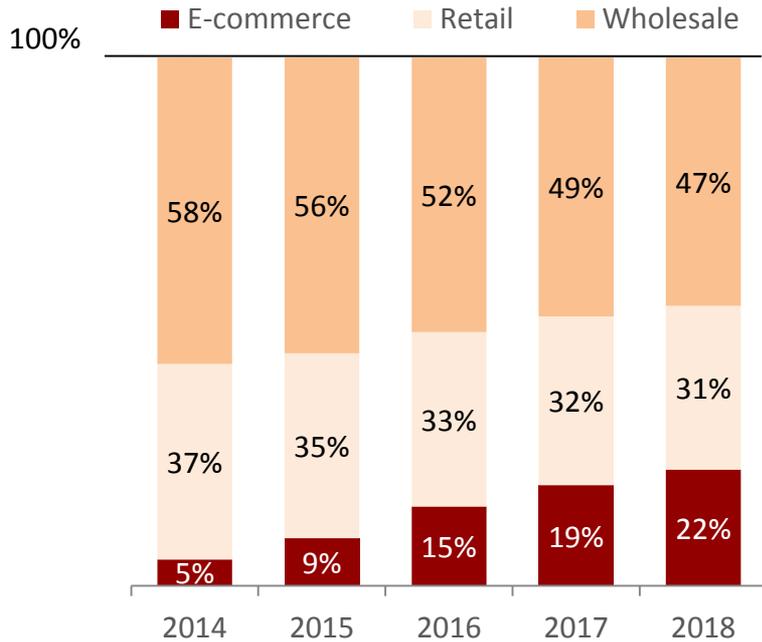
*Excluded Double Happiness

Growth in all product groups with apparel leading the way

Revenue and Sell-Through Mix

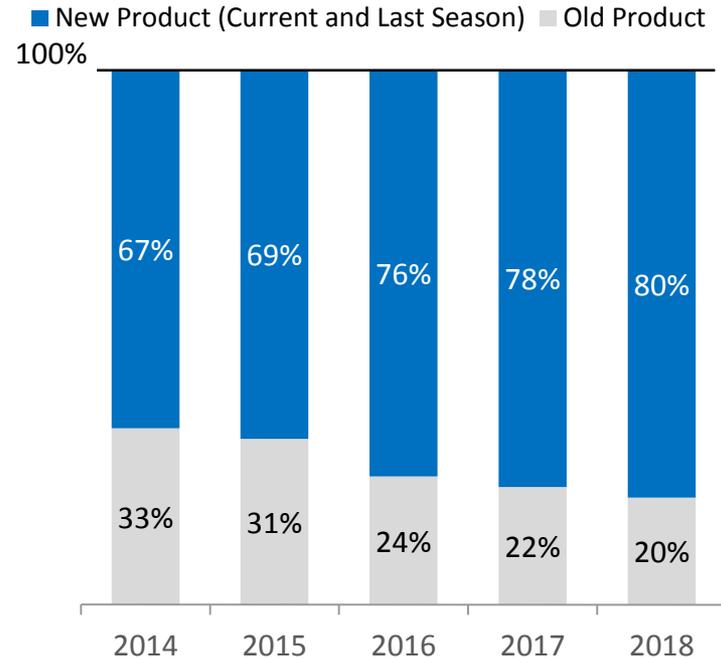
LN Brand, excl. International markets and LN YOUNG

Company Revenue Mix



Sell-Through Mix

(Incl. Retail, Wholesale and E-commerce)



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

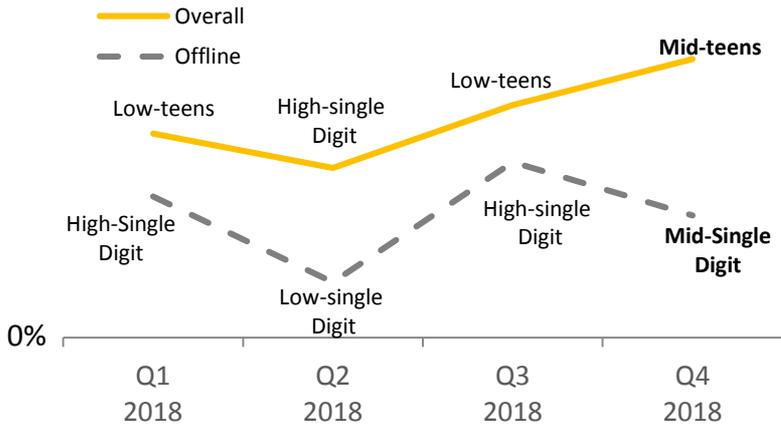
Same Store Sales Growth (SSSG) Rate

LN Brand

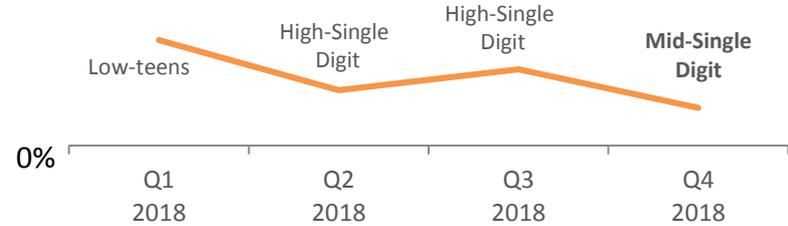
SSSG (2018 vs 2017)

- Overall ▲ Low-teens
- Retail ▲ High-Single Digit
- Wholesale ▲ Mid-Single Digit
- E-commerce ▲ Low-forties

Overall Platform



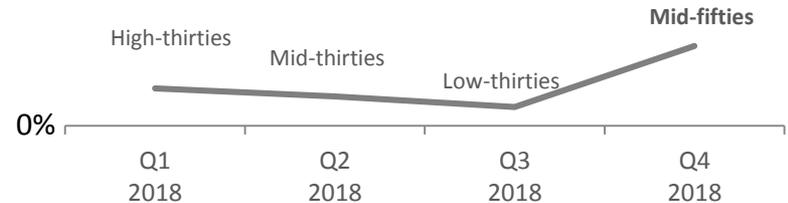
Retail



Wholesale



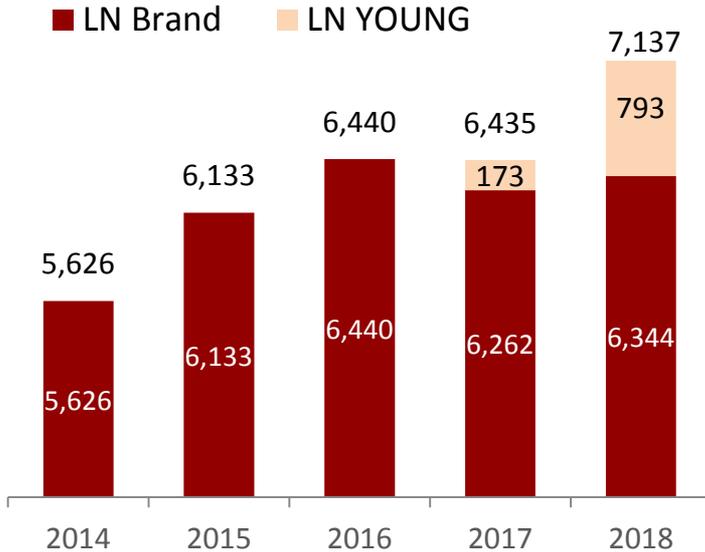
E-commerce



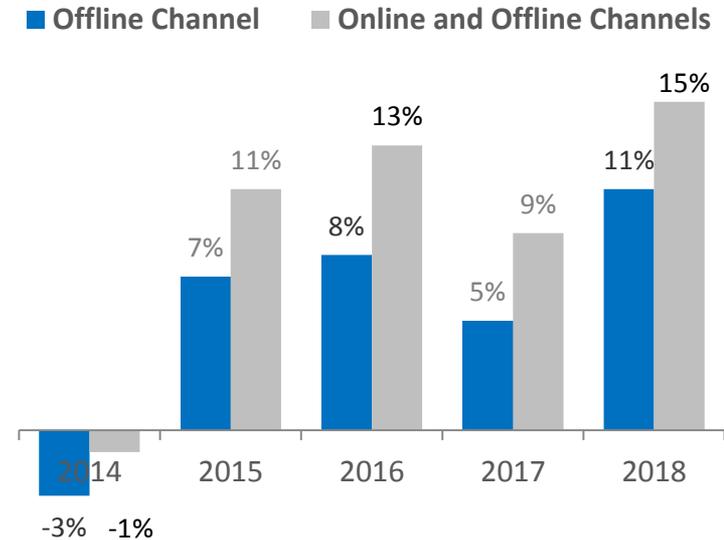
Online and Offline Expansion

LN Brand, excl. international market sales

POS number (Period end)



Sell-through growth, YoY %
Excl. LN YOUNG

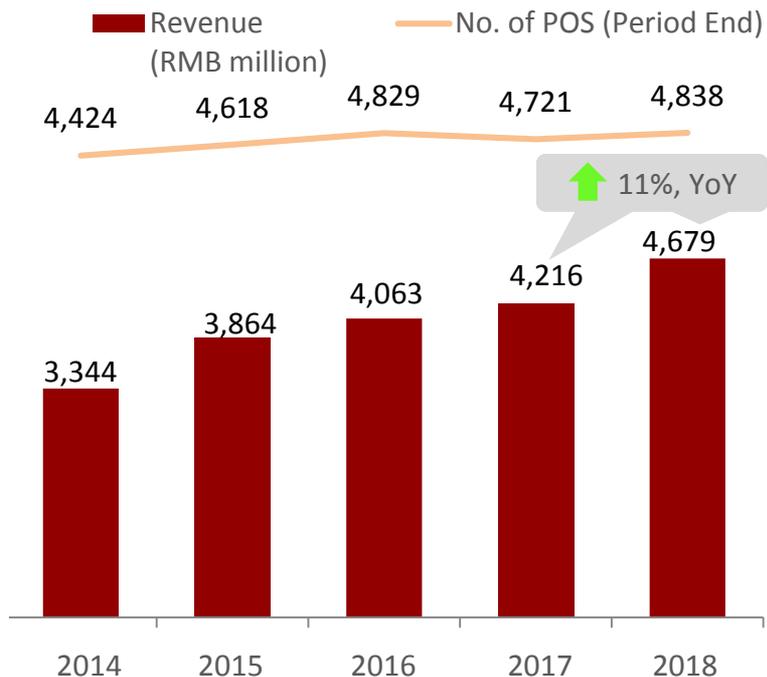


Improved productive platform with integrated online and offline growth

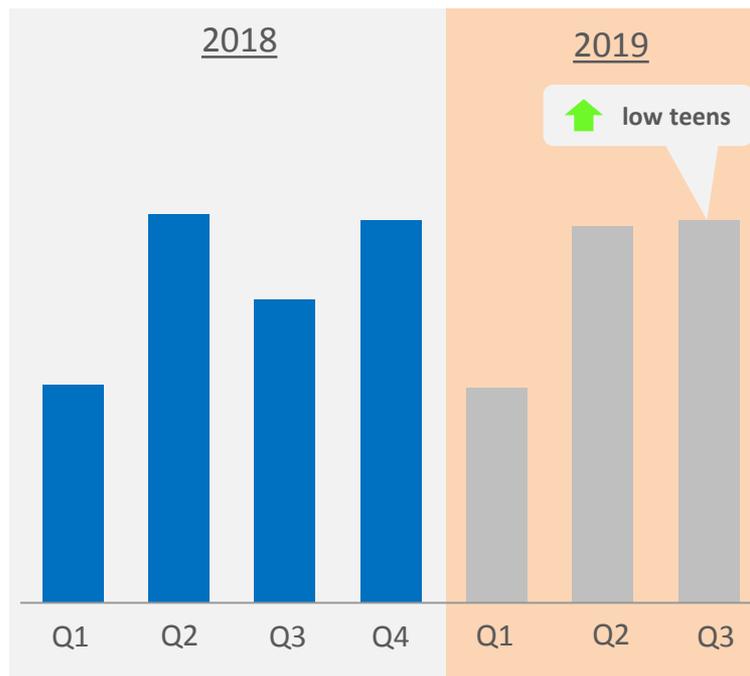
Wholesale Business[^]

LN Brand, excl. international market sales and LN YOUNG

Business Performance



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



Double-Digit growth driven by strong sell-through and continually improved distributors' confidence

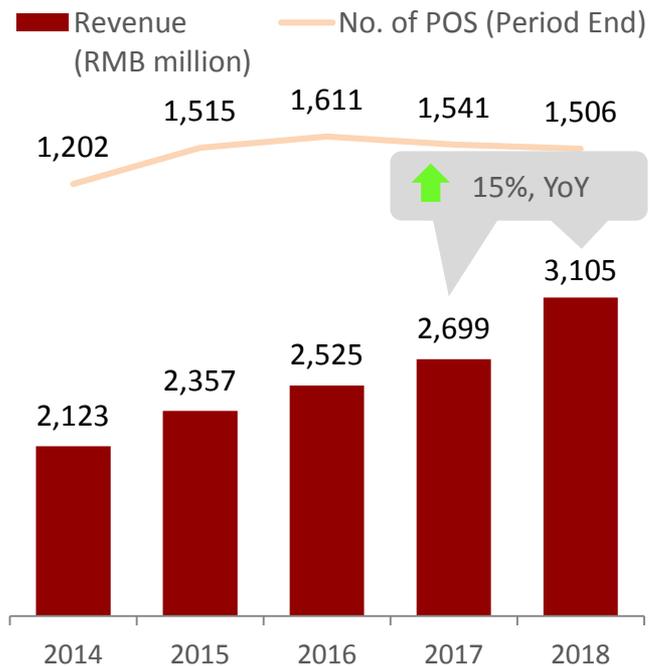
[^] Wholesale business: Including sale of badminton and football categories products to specialty-store channel wholesaler

*Order placed during trade fair (excl. orders from subsidiaries), e.g. 2019Q3 orders were placed about half year in advance

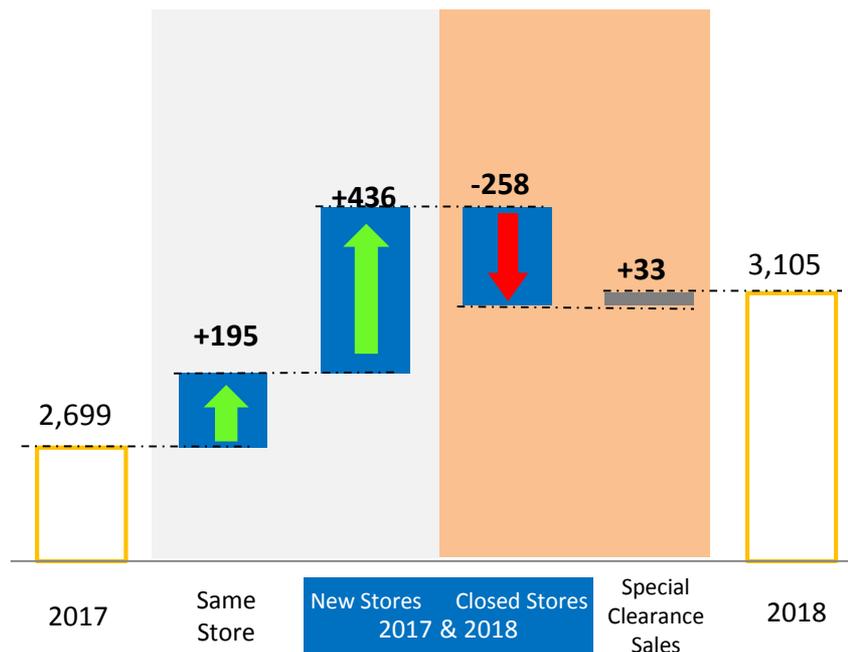
Retail Business[^]

LN Brand

Business Performance



Revenue Growth Analysis

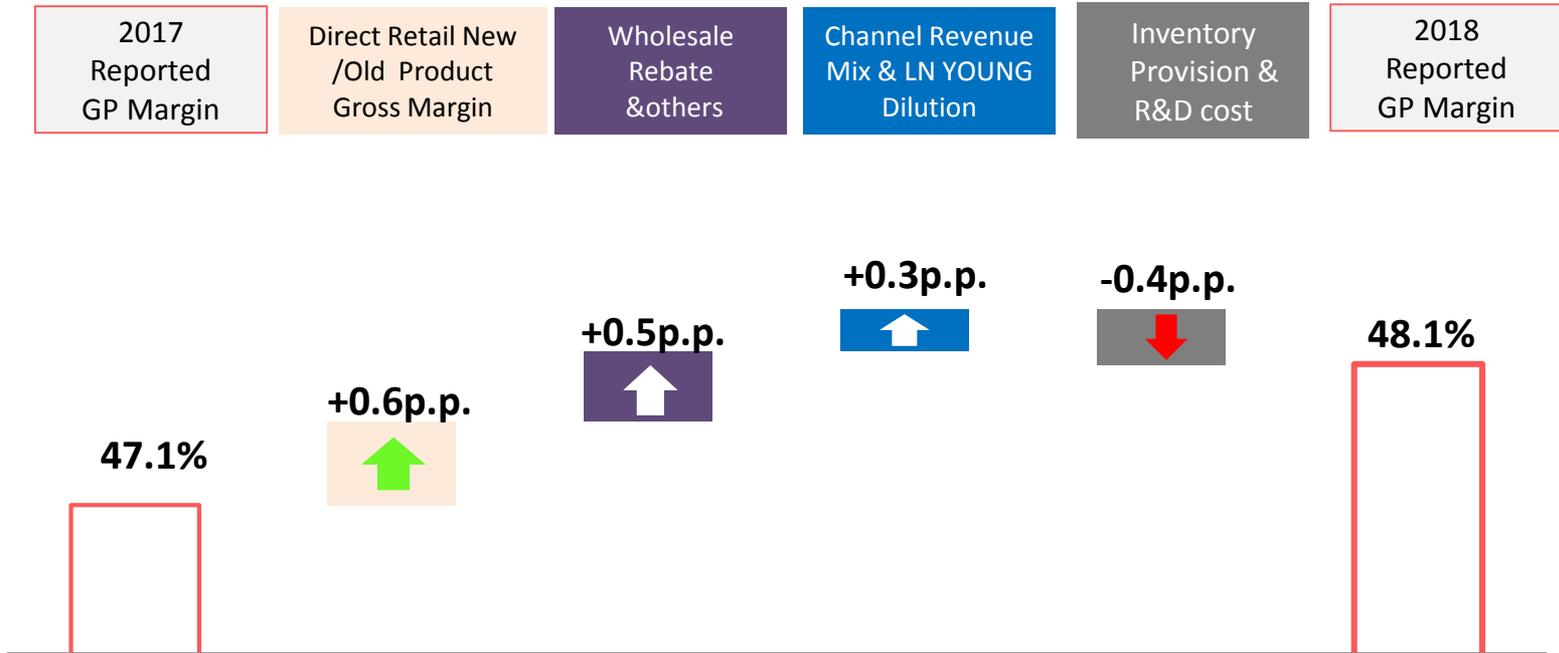


Solid growth driven by healthy SSSG and improved new store productivity

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

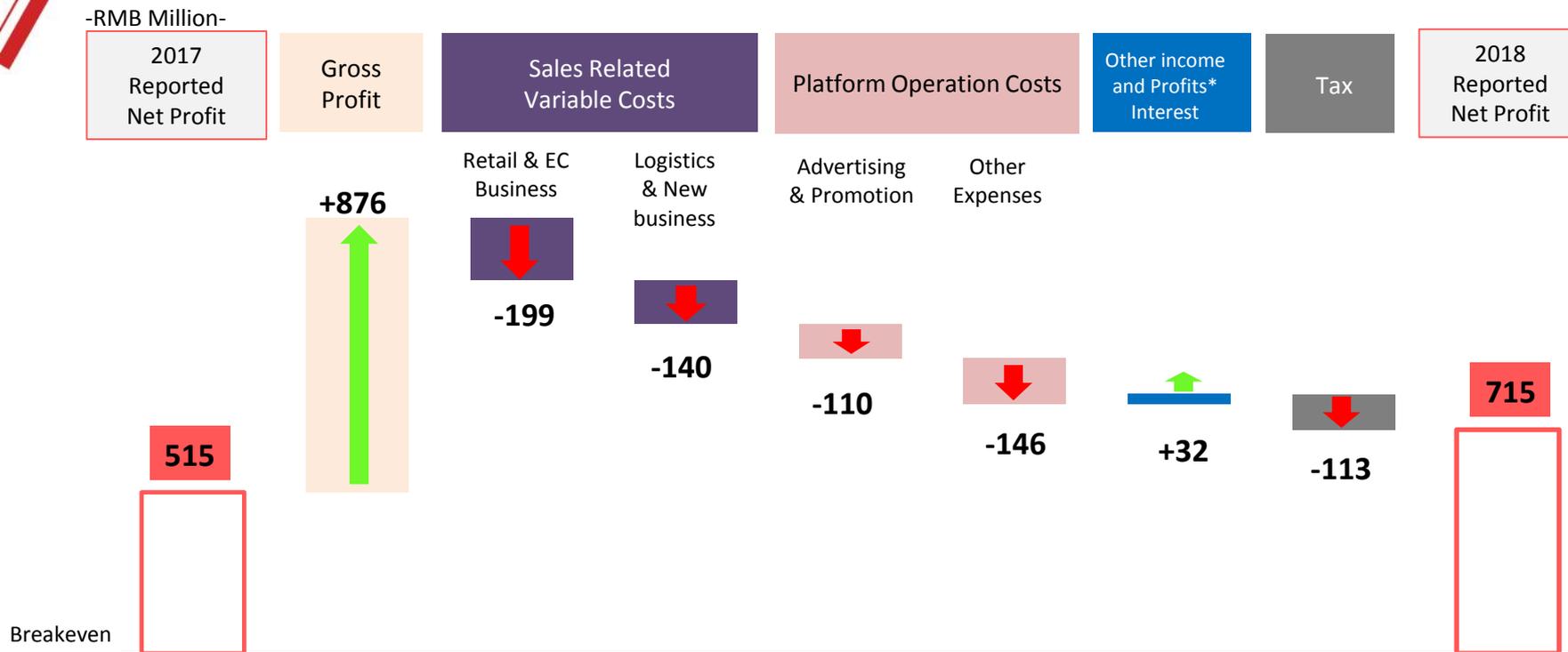
GP Margin Analysis

Net Change in Major Items



Profitability Analysis

Net Change of Major P&L Items

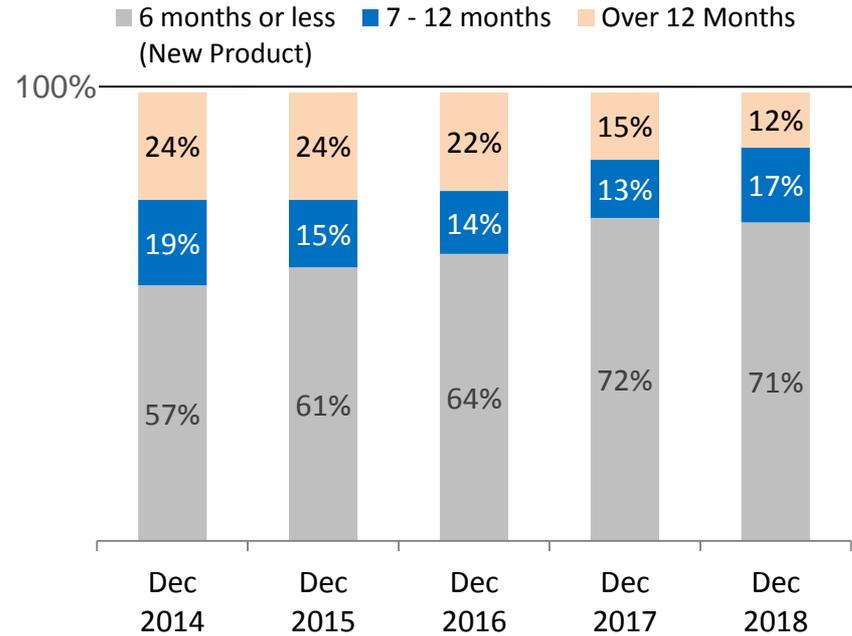
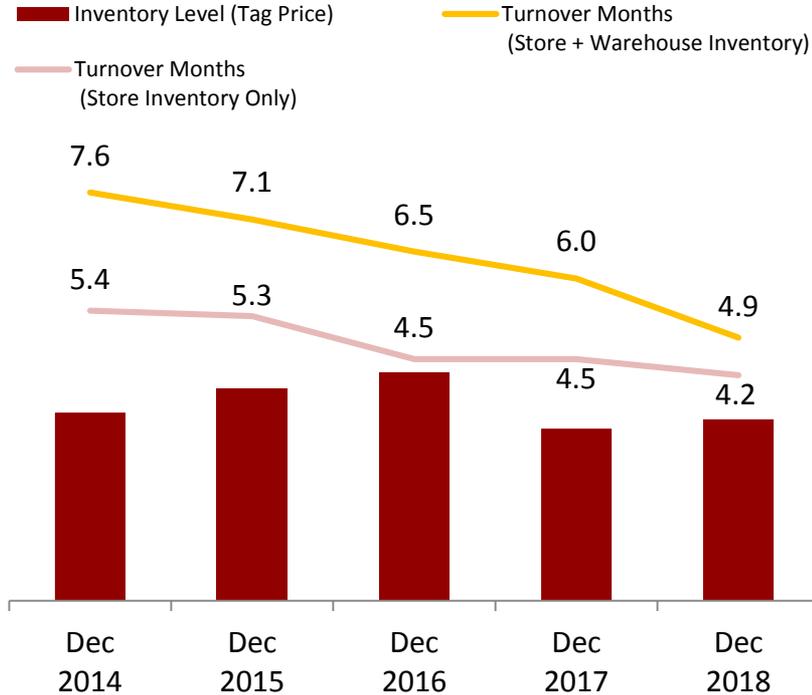


Enhanced operating leverage through disciplined cost management to fund investment in new initiative

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

Channel Inventory

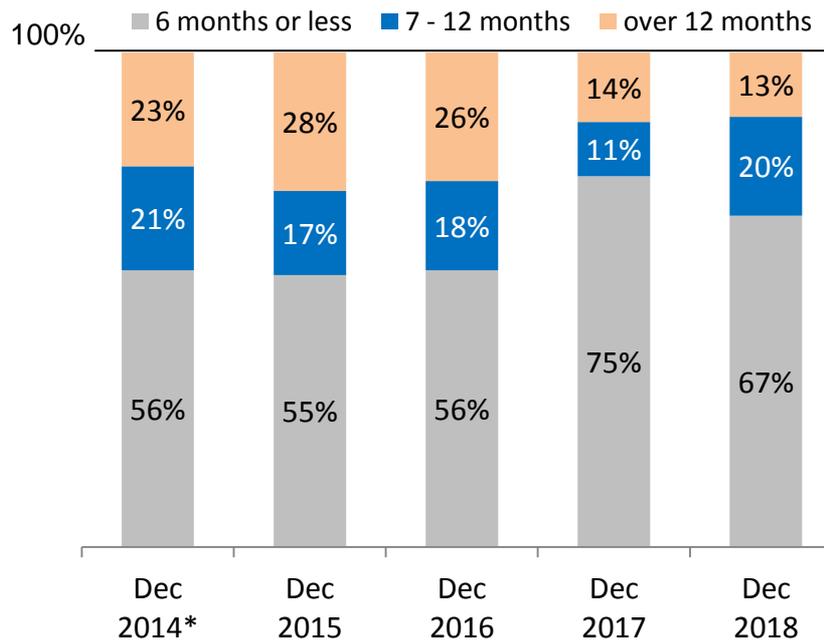
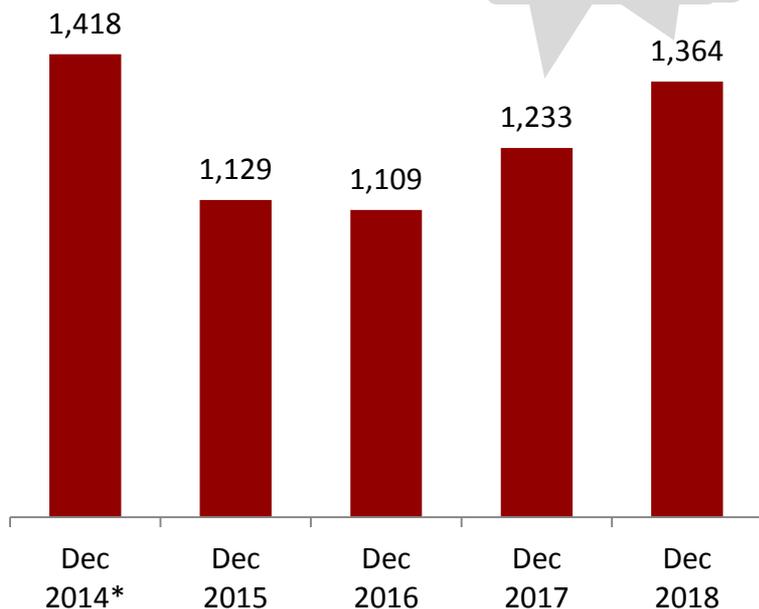
Incl. online and offline



Successful inventory management initiative achieved target turnover and structure

Company Inventory

At cost, before provision
(RMB Million)

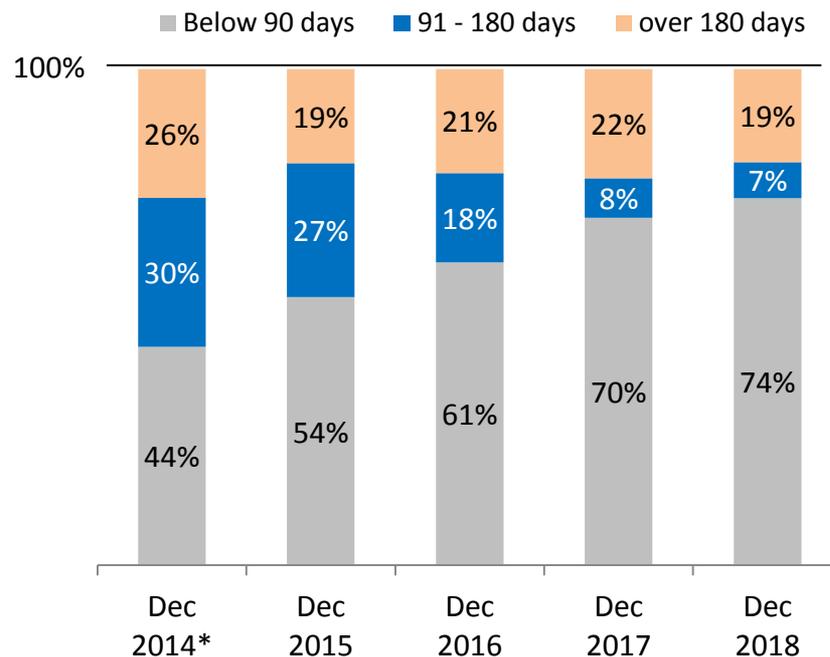
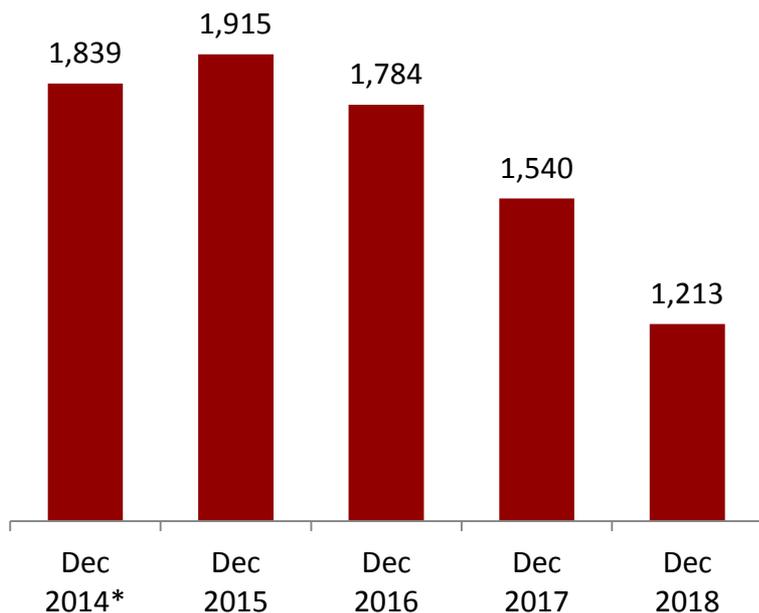


Further optimized inventory level provided healthy foundation for growth

*Excluded Double Happiness

Trade Receivables

At gross amount, before provision
(RMB Million)

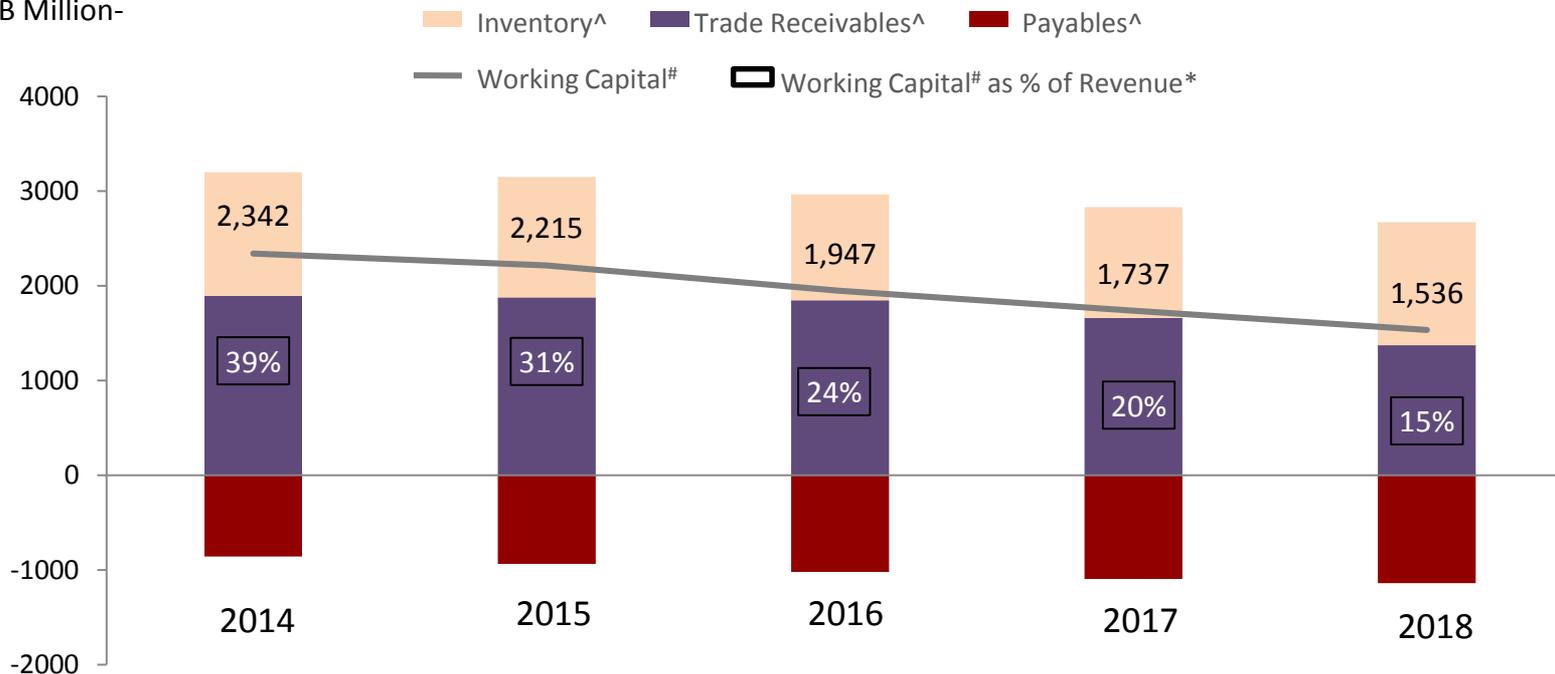


Receivable Days Sales Outstanding (DSO) improved significantly

*Excluded Double Happiness

Working Capital Efficiency

-RMB Million-

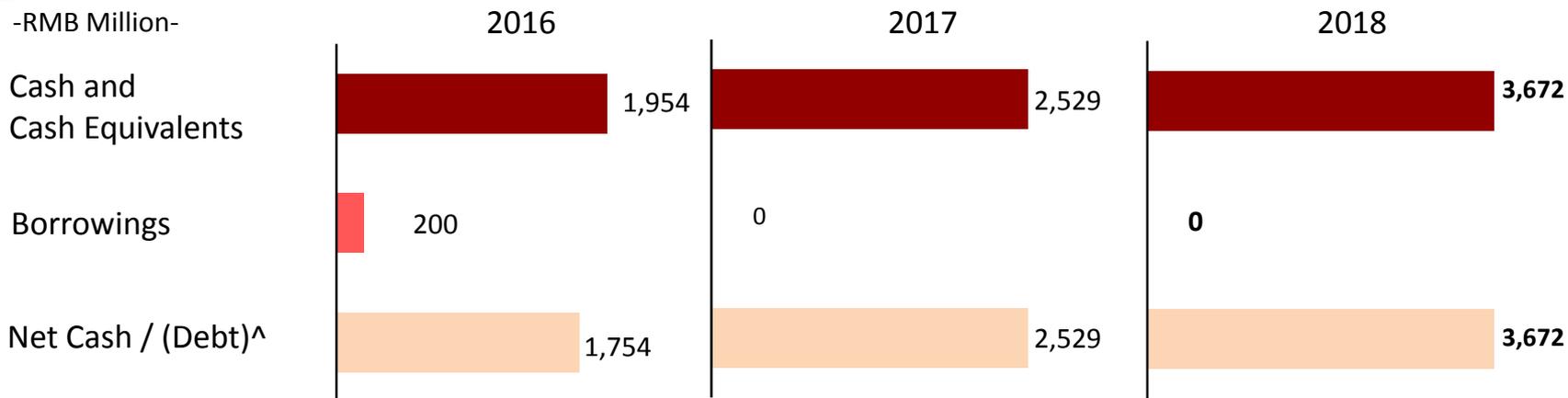


Achieved working capital efficiency ahead of plan

Simple average between period opening and ending
 ^ Gross Amounts of inventory, trade receivables and payables, without netting off provisions
 * Annualized revenue

Balance Sheet Summary And Cash Position

-RMB Million-



Current Period Operating Cash Flow*	835	1,159	1,672
Dividends**	0	0	215
Cash Conversion Cycle (Days)	59	49	40

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

* Excluded Double Happiness

** Upon shareholders approval



Business Review

Grasp the Momentum of Sports Market Enhance LI-NING Brand Value Through Experience

Rely on favorable national policy and steady sports demand growth, focused on building LI-NING brand value through experience

Sports industry trend in China

- With strong government promotion, domestic sports industry has entered the "Golden Decade." During the "14th Five-Year Plan" period, CAGR will reach 18%.
- Benefiting from consumption upgrades and sports population growth, it is expected sporting goods market will maintain a CAGR of 11% till 2022.

National Policies in favor of industry development

- Government implemented sports development policy and issued the "Marathon Sports Industry Development Plan" which proposes that by 2020, the national marathon sports industry will reach RMB 120 billion.
- Implement the "Guiding Opinions on Accelerating the Development of Sports Competition and Performance Industry" to optimize the sports industry structure as well as to unleash the consumption potential.
- It is estimated that by 2025, the total size of the sports competition and performance industry will reach 2 trillion yuan, and 100 popular high-quality sports events will be launched.

E-commerce trend

- In 2020, It is expected the transaction amount of e-commerce to reach RMB 43.8 trillion with a CAGR of approximately 15%;
- The current e-commerce penetration rate of LI-NING brand is over 20% which drives the sales growth.



Optimize the “Precise + Swift” Retail Business Model

- Build and optimize a more efficient and dynamic retail business model
- Improve the efficiency and precision of online & offline through application of big data analysis and digital tools, realizing experience value

- Business demand-driven supply chain management
- Focus on automation and optimize supplier reserves
- Integrate upstream resources to enhance in-house supply chain management and the capability of R&D technology



- Seek diversified channel development and continue to promote the opening and transformation of high efficient stores
- Continue to close and transform inefficient and loss-making stores to enhance channel efficiency
- Create an efficient operation support platform
- Introduce new retail concepts, simultaneously increase online and offline sales efficiency
- Explore the combination of sports specialty, fashion and leisure, enhance products competitiveness
- Improve product life-cycle management, optimize the breadth and depth of product portfolios to precisely respond to market changes

Adopt Strategy of “Single Brand, Multi-Categories, Diversified Channels” - Core Categories Drive Business Growth



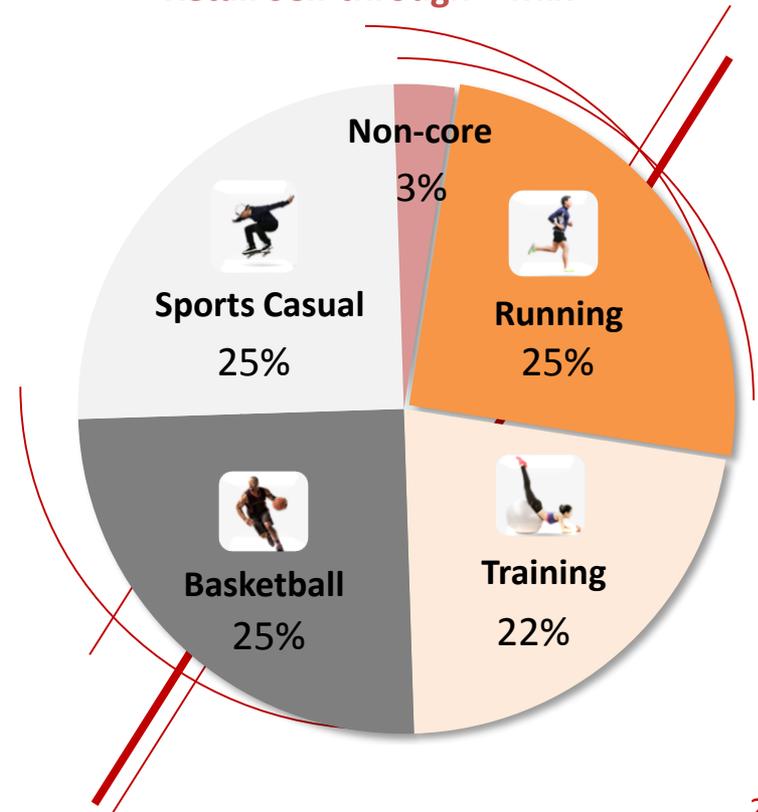
Retail Sell-through – YoY Change

		2018
Total Value		↑ 15%
	Running	↑ 8%
	Training	↑ 20%
	Basketball	↑ 29%
	Sports Casual	↑ 42%
	Non-core	↓ 64%

Sell-in – YoY change

	Badminton*+Football*	↑ 48%
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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 professional channels.

Adopt Strategy of “Single Brand, Multi-Categories, Diversified Channels” - Basketball



- Optimize domestic signing player resources, take seasons as the stages, leverage on star players or leagues to promote products
- Integrate high-end professional basketball resources and seek endorsement from professional opinion leaders



李宁篮球学院
LI-NING BASKETBALL ACADEMY

李宁 3+1 篮球联赛



- Create LI-NING technology platform based on the core functional demand
- Provide top-notch technology, product packaging and independent marketing



- Create buzz while driving sales through sales activities that match channel and product characteristics



Adopt Strategy of “Single Brand, Multi-Categories, Diversified Channels” - Basketball



Footwear – Two Major Functional Basketball Shoes Series



Sales Volume in 2018: over 340,000 pairs
New Product SO rate (6 months): Approx. 70%

“WADE” Apparel Series

Sales Volume in 2018: over 4.4 million units
New Product SO rate (6 months): over 75%

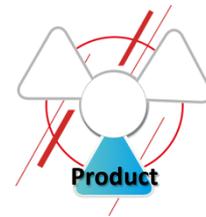


“BAD FIVE” Apparel Series

Sales Volume in 2018: over 5.6 million units
New Product SO rate (6 months): over 75%



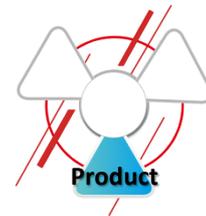
Adopt Strategy of “Single Brand, Multi-Categories, Diversified Channels” - Running



Continue to devote in building reputation for our professional running shoes in order to establish LI-NING as a professional brand among consumers.

Professional Runners	Amateur runners
<p>Improve athletic performance, racing, and lightweight Build professional reputation</p>	<p>Provide basic sports protection and comfort Improve functional wearing experience as well as fashion and stylish</p>
<p>Professional events, athletes and products Achieve top marathon resources exposure from scratch</p>	<p>Continuation of classics, create hero products Broaden products offered, seek for breakthrough in fashion footwear</p>
<p>Establish a professional products matrix</p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="158 945 467 1089"> <p>Racing Category</p> </div> <div data-bbox="537 945 898 1089"> <p>Stability Category</p> </div> </div>	<div style="display: flex; justify-content: space-between;"> <div data-bbox="962 876 1259 941"> <p>Classic continuity (i.e. Super Light 15 Series)</p> <ul style="list-style-type: none"> ● New Product SO rate (6 mths): over 70% ● New Product SO rate (3 mths): over 55% ● Annual Sales Volume over 750,000 pairs </div> <div data-bbox="1221 960 1781 1134"> </div> <div data-bbox="1503 876 1684 941"> <p>Fashionable Breakthrough</p> </div> </div>

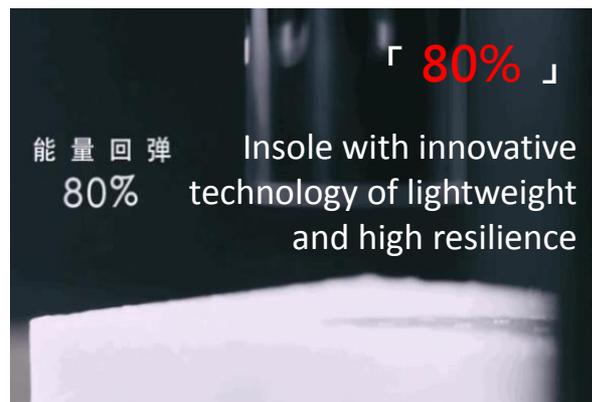
New functional technology platform: LI-NING 䨻(bèng) technology with lightweight and high resilience features



New material: use long carbon chain polyamide elastomers material PEBA_X, foam molding by supercritical fluid

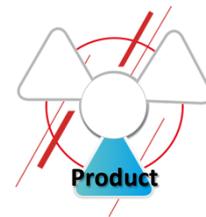
Features:

- **Low Density**, 0.11-0.14g/cm³
- **High Resilience**, energy feedback reaches 80%
- Suitable for broad environment temperatures, **won't get harden even in low temperature** (-40°C)
- **Resistance to yellow**, excellent anti-aging and anti-sunlight ability



- Insole of Way of Wade 7 (WOW 7.0) use "LI-NING 䨻" technology
- In future, this technology will apply to more LI-NING products in running, basketball and badminton categories

Adopt Strategy of “Single Brand, Multi-Categories, Diversified Channels” - Training



Use technology as the core
According to environment and customer demand
Promote innovation of functional platform

Fitness Training
(GYM)
For gym consumers



Active Training
For outdoor athletes



Essentials
For mass fitness
enthusiasts



Implement cooperation with KOLs and Clubs



Functional Apparel Series

Top 20% SKUs sales performance

- Sales volume: **Over 16.7 million units**
- New Product SO rate (6 mths): **Approx. 75%**
- New Product SO rate (3 mths): **Approx. 49%**
- Account for **90%** training apparel sales



Adopt Strategy of “Single Brand, Multi-Categories, Diversified Channels” - Sports Fashion



Exploit unique brand DNA

Strategic launching

Entertainment Marketing Placement

Communicate the pop culture and attitude



Apparel Series

Sales volume in 2018: over 5.5 million units

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



Footwear Series

– three product series with continuity of brand DNA

Sales volume in 2018: over 50,000 units

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



Adopt Strategy of "Single Brand, Multi-Categories, Diversified Channels" - Crossover series



LN X STAR WARS

Blooming Youth



LN X OG Slick

Classic Mix and Match of Street Style and Graffiti



LN "Mickey 90th Anniversary Retro Collection"

"Popular trend" originated from 1928



LN X EDG

Endless Battle & Perpetual Spirit



LN X XLARGE Fabulous and Fashionable

Adopt Strategy of “Single Brand, Multi-Categories, Diversified Channels” - New York Fashion Week 2019



#China LI-NING# appeared at NYFW for the second time with its street fashion that created attractions



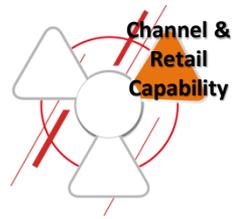
- The Show was themed as “Xing” (行: Walking). Keep going and you will eventually reach your destination
- **#China LI-NING#** Weibo topic discussion and reading volume reached **200 million**. The Show stirred up heated discussion on social media afterwards



#China LI-NING# products launched in two popular sneaker stores in Manhattan and Harlem, attracted fashion lovers to queue up for it.



Channel and Retail Capability: Integrate Online and Offline Platform to Enhance the Efficiency and Experience

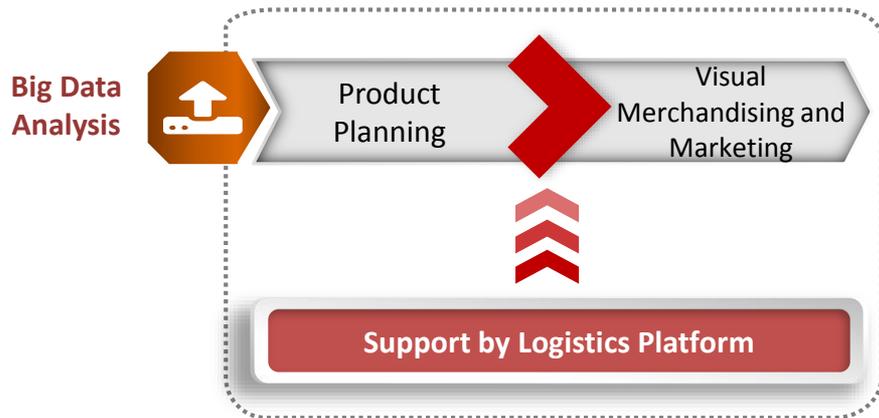


Improve Overall Efficiency Through Data Analysis and Forecast System

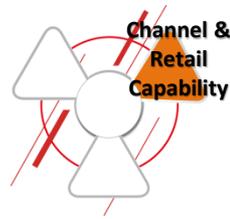
- Precise product planning, assortment and sales forecast
- Improve consumer labelling system, personalize user experience and increase customer loyalty
- Enhance interaction between online and offline platform, continuously to seek new business opportunities

Seek Diversified Sales Channels Development and Implement Strategy of Stores with High Efficiency

- ✓ Focus on differentiated consumer demand and diversify the channel development
- ✓ Optimize store floor space planning and visual merchandising based on store type
- ✓ Enhance products and retail capability



Channel and Retail Capability : Channel Optimization Through Digitalization to Improve Overall Efficiency

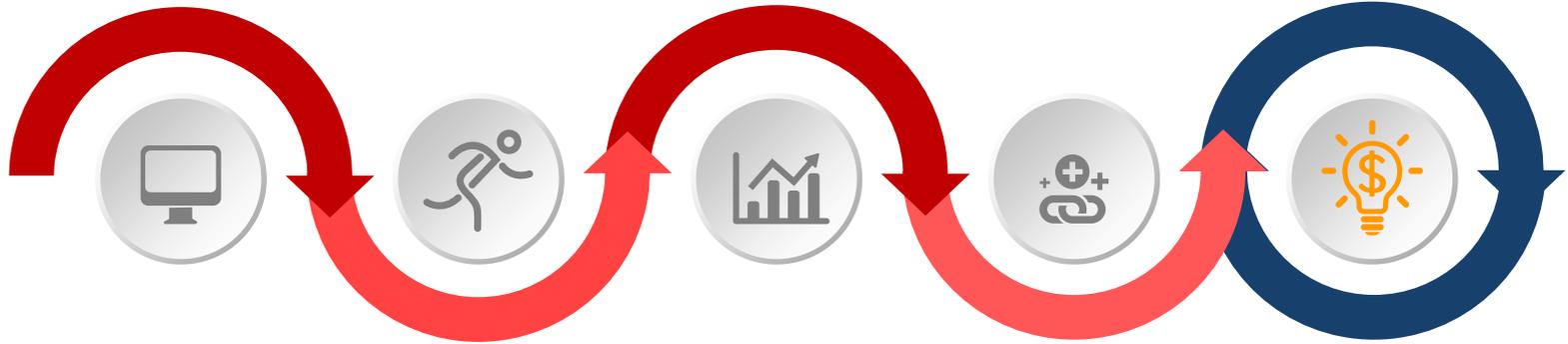


02 Enhance offline foot traffic to stimulate transaction volume, by thematic marketing

- ✓ Stimulate discussion through themed events and visual merchandising
- ✓ Sports experience: IRUN Club, Sports Consultant
- ✓ “China LI-NING” series arouse brand resonance in online and offline channels

04 Increase Sales Opportunities Through Integration of Offline and Online Platform

- ✓ Increase foot traffic of the stores by cross-channel membership events
- ✓ Increase sales opportunities through online launching and offline marketing
- ✓ Mix of post-95 members increased



01 Expand the Scope of Consumers by Online Marketing

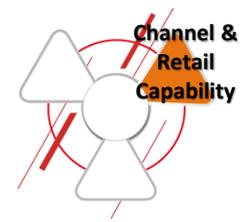
- ✓ Social Media operation for the brand and stores
- ✓ Adopt new marketing mode, such as live streaming
- ✓ Arouse resonance with the brand in online and offline channels with the cultural equity of “China LI-NING” and exclusive series

03 Increase conversion rate, units per transaction through promotions

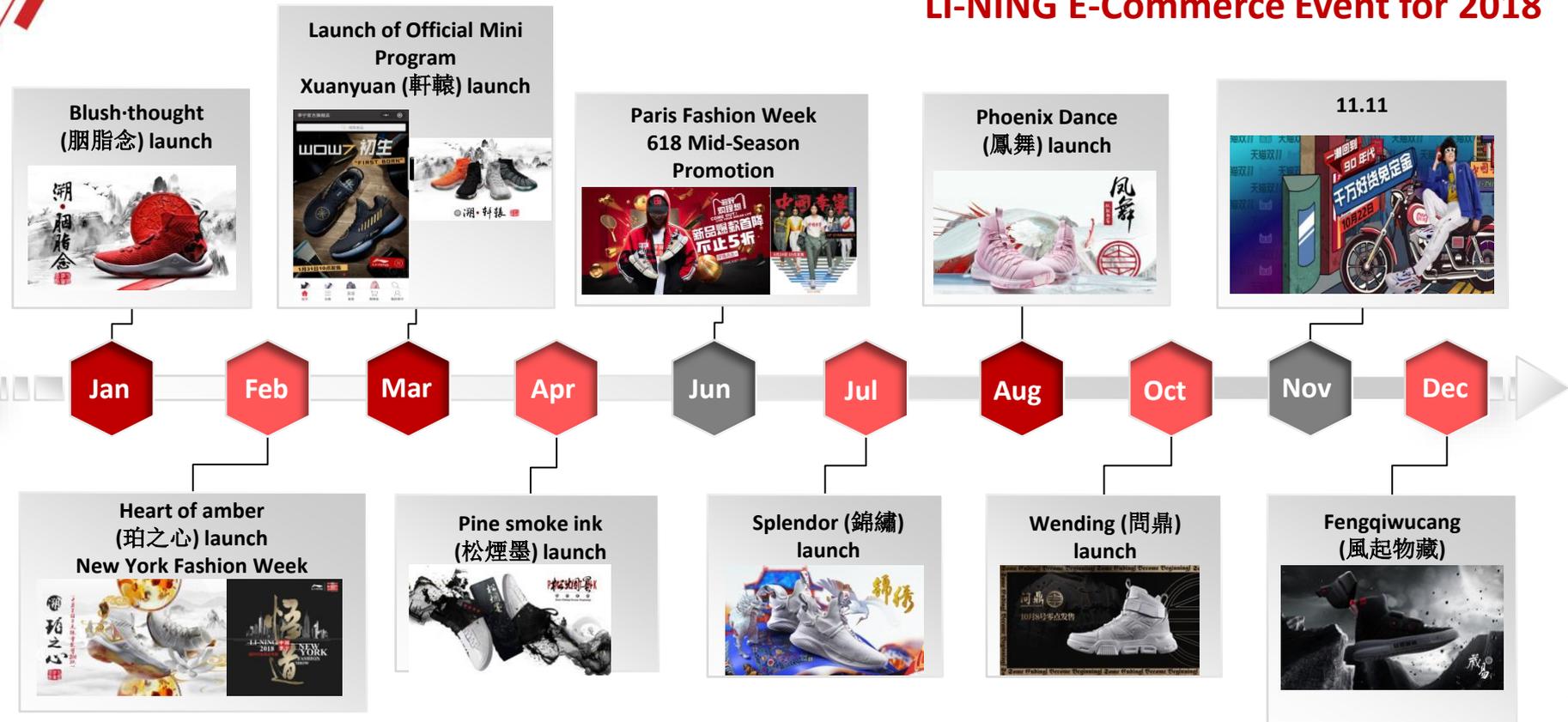
- ✓ Festival holiday promotions
- ✓ Members Promotion

Improve Overall Sales Efficiency

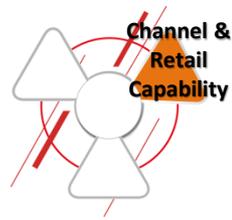
Channel and Retail Capability: Big Data Analysis, Capitalized on Trends, Diversified Online Experience



LI-NING E-Commerce Event for 2018



Channel and Retail Capability: Offline Channel Diversification



01

Store with high productivity

- Flagship & full-category model stores
- More than 40,000 people joined sports events in experience stores in 2018
- Sales related to sports experience exceeded 3%



02

China LI-NING & Fashion Store

- Mainly cover metropolises to second-tier cities
- Fashion stores use collection store channel which covers multiple brands



03

Professional Sports

- Cover markets in high- and low-tier cities
- Pick sports level as the first choice for location



04

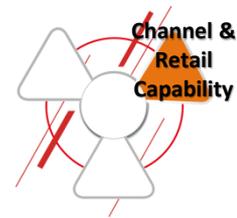
Clearance Channel

Factory store



Channel and Retail Capability: Offline Channel Diversification

Store with high productivity



Flagship Store

Tianjin Binjiang Road Modern City Store

- Opened in early December 2018
- Store size: Over 800 sq.mt
- Average monthly sales approx. RMB 2 million for the first two mths since open



Chengdu Chunxi South Road Experience Store

- Opened at the beginning of 2017Q1
- Store size: Approx. 900 sq.mt
- SSSG of 2018: Approx. 85%



Full-Category Model Store



Xian SAGA Store

- Opened in late 2016Q3
- Store size: Approx. 400 sq.mt
- SSSG for 2018: Approx. 36%

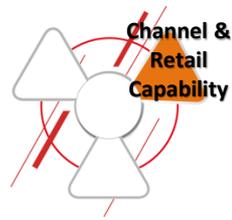


Guangzhou Zhengjiashengdao Store

- Opened in late 2018Q2
- Store size: Over 300 sq.mt
- 2018 sales over RMB 6 million

Channel and Retail Capability: Offline Channel Diversification

China LI-NING Store



- Total number of stores by the end of 2018: 23 (Channel mainly focuses on high-end business district in metropolises to second-tier cities)
- Initial plan for the number of stores to expand to 50, target to reach 100 by the end of 2019



Hangzhou Hubin Intime Store

- Opened in August 2018
- Store Size: 135 sq.mt
- 2018 average monthly sales over RMB 900,000



Shenzhen Nanshan Mixc World Store

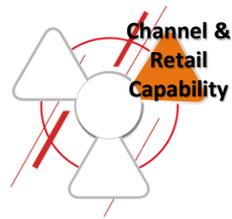
- Opened in November 2018
- Store Size: 180 sq.mt
- 2018 average monthly sales over RMB 1 million



Shanghai Raffles store

- Opened in December 2018
- Store Size: 157 sq.mt
- 2018 average monthly sales over RMB 1 million

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



Supply Chain Management



Business Demand Driven Supply Chain Management



Response to Channel and Product Demand in High-efficiency and High-quality manner

- ✓ Respose to differentiated demand for channels and products
- ✓ Further improve the use of materials, introduction of new suppliers and quality standard
- ✓ Establish the supplier monitoring department



Focus on Automation and Optimize Resources Reserve of Suppliers

- ✓ Emphasize on partners possessing new technologies, materials and techniques in the industry
- ✓ Maintain the vitality of supply chain through survival of the fittest and exploration of new suppliers



Consolidate Upstream Resources to Enhance our Supply Chain Capabilities

- ✓ Lease a footwear production plant in Nanning, Guangxi Province to strengthen supply chain management and application of R&D knowledge
- ✓ Instill core industrial capabilities to self-owned supply chain system

New Business: LN YOUNG



A year for business expansion and strengthening of refined management

Product

Driven by retail profitability

LN YOUNG

Retail Business

Model

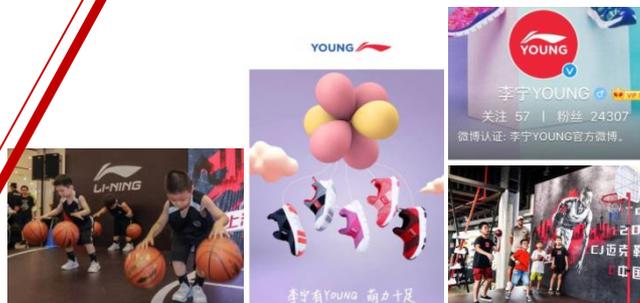
Product

Further enrich product lines



Marketing

Design online social media matrix
Offer promotion in line with hot topics in offline platform



Channel

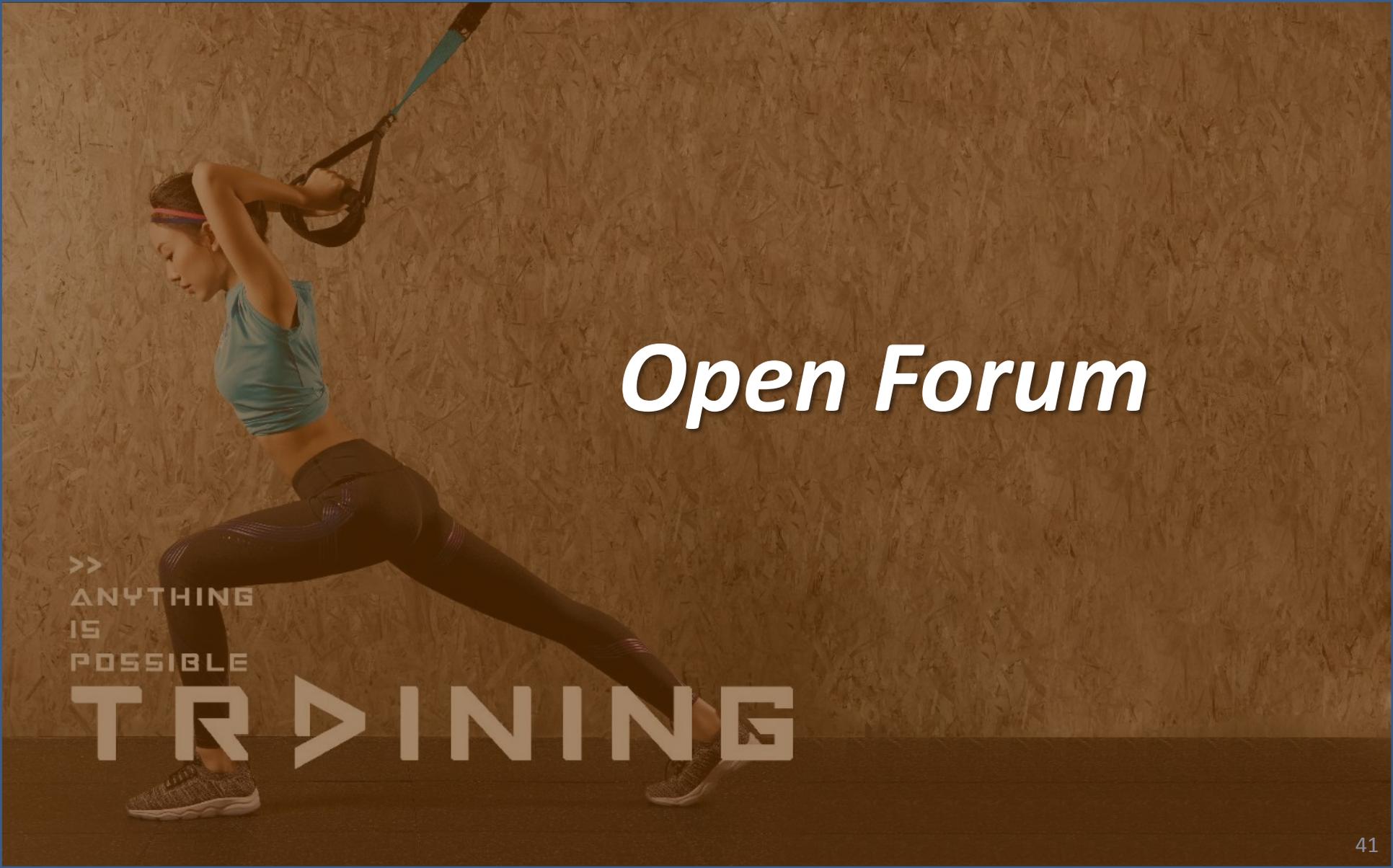
- ✓ Expedited the expansion, upgraded store images and pursued retail standard management;
- ✓ As of 31 December 2018, LN YOUNG opened 793 stores, expect to reach 1100-1200 stores by the end of 2019.



Shanghai
The River Mall
store

Zhuhai
Leshijie store





Open Forum

>>
ANYTHING
IS
POSSIBLE

TR > INING

Summary of Income Statement and Balance Sheet

(RMB million)	2018	2017	Better/ (Worse)
	Period ended 31 December		
Revenue	10,511	8,874	18.4%
Gross Profit	5,053	4,176	21.0%
Distribution costs	-3,708	-3,273	(13.3%)
Administrative expenses	-680	-512	(32.8%)
Other income and other gains – net	95	44	116.7%
Operating Profit	777	446	74.4%
EBITDA	1,252	889	40.8%
Profit Attributable to Equity Holders	715	515	38.8%
Basic Earnings per share(RMB cents)	29.63	21.47	38.0%

(RMB Million)	31 Dec 2018	31 Dec 2017	Better/ (Worse)
	Cash and Cash Equivalents	3,672	
Borrowings	0	0	N/A
Net Cash*	3,672	2,529	45.2%
Current Liabilities	2,777	2,128	30.5%
Current Ratio(times)	2.3	2.4	(0.1)
Total Liabilities to Total Assets Ratio	33%	31%	(2p.p.)

*Net Cash = Cash and Cash Equivalents – Borrowings

Profit Margins And Key Operating Indicators

	2018	2017	Better/ (Worse)
	Period ended 31 December		
Gross Profit Margin	48.1%	47.1%	1.0p.p.
Operating Profit Margin	7.4%	5.0%	2.4p.p.
EBITDA Margin	11.9%	10.0%	1.9p.p.
Margin of Profit Attributable to Equity Holders	6.8%	5.8%	1.0p.p.
R&D Expenses(as % of revenue)	2.2%	1.9%	(0.3p.p.)
A&P Expenses(as % of revenue)	10.4%	11.1%	0.7p.p.
Staff Costs(as % of revenue)	10.8%	10.2%	(0.6p.p.)

	2018	2017	Better/ (Worse)
	Period ended 31 December		
Inventory Turnover(Days)	78	80	2
Trade Receivables Turnover(Days)	36	52	16
Trade Payables Turnover(Days)	74	83	(9)
Cash Conversion Cycle(Days)	40	49	9
Return on Equity(ROE)	13.1%	11.4%	1.7p.p.
Return on Asset(ROA)	8.9%	7.3%	1.6 p.p.
CAPEX(RMB million)	597	424	40.8%