



中國
李寧

2019

Interim Results



LI-NING

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 year ended 30 June 2019 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

拿球说话

Results Highlights



2019H1 Highlights



Financial Highlights :

- **Reported net profit* of RMB 561 million, margin raised from 5.7% to 9.0%**
 - Revenue up 33% to RMB 6,255 million
 - Gross profit margin expanded 1 percentage point
 - Enhanced operating leverage notwithstanding investment in new initiatives and organization costs
- **Operating cash flow increased by 107% to RMB 1,366 million**
- **Significant improvement in working capital continued**
 - Gross average working capital improved (reduced) by 16% while revenue increased by 33%
 - Cash conversion cycle further improved (shortened) by 13 days (2018H1: 45 days / 2019H1: 32days)

Operational Highlights:

- **Low-twenties growth for total platform retail sales, including online and offline channels**
- **Channel inventory turnover improvement continued**
- **Overall Same-Store-Sales in 2019H1 grew Mid-teens**
- **Offline channel new product sell-through increased by mid-teens with gross margin improved**
 - New product discount rate improved over 1 percentage point
 - Sell-out rate up over 2 percentage points

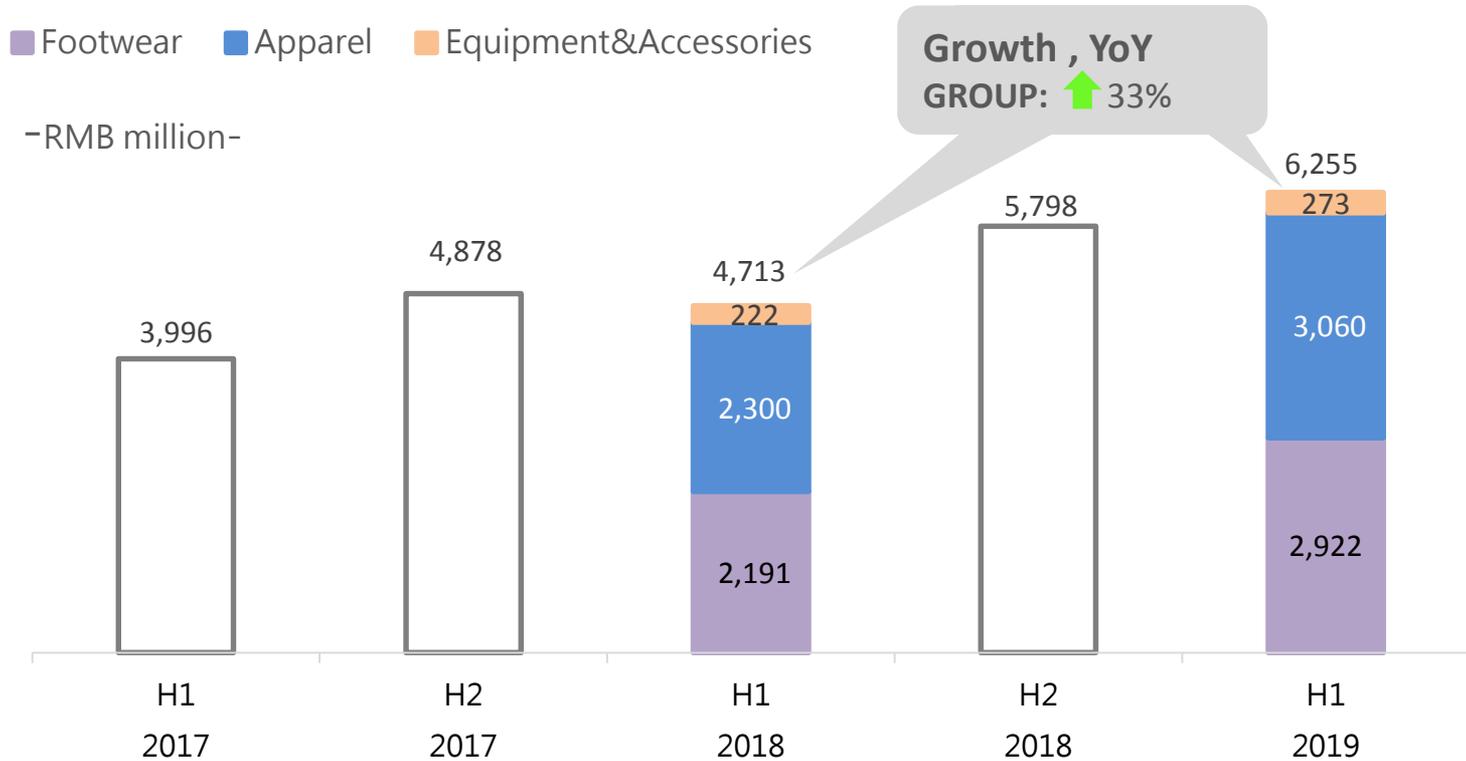


*Financial
Review*

LN TRAINING

Revenue

Group total

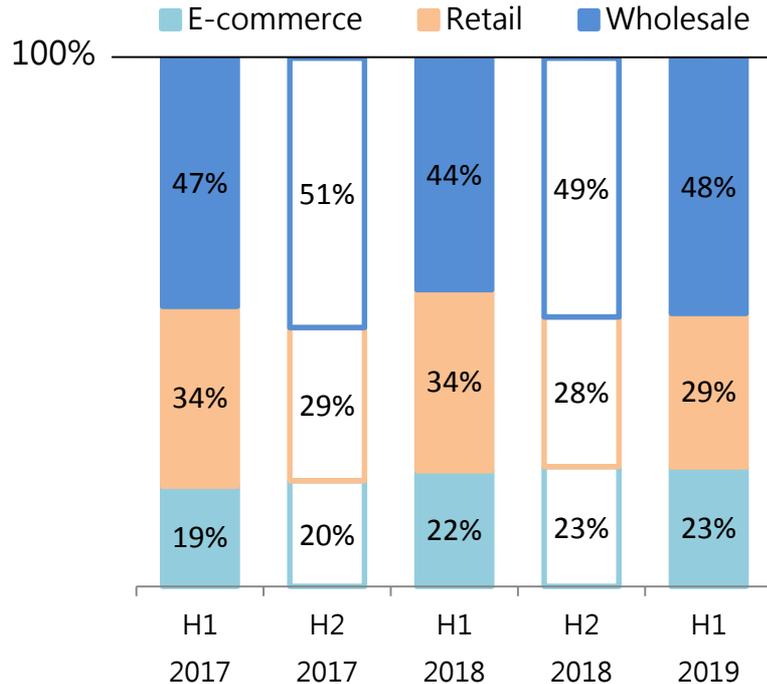


Growth primarily driven by balanced product initiative

Revenue and Sell-Through Mix

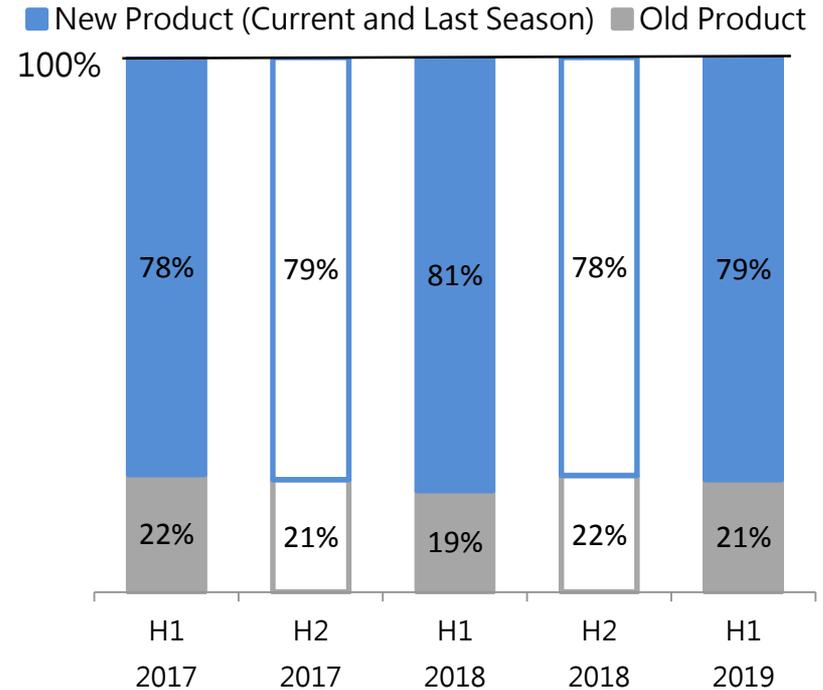
LN Brand, excl. International markets and LN YOUNG

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

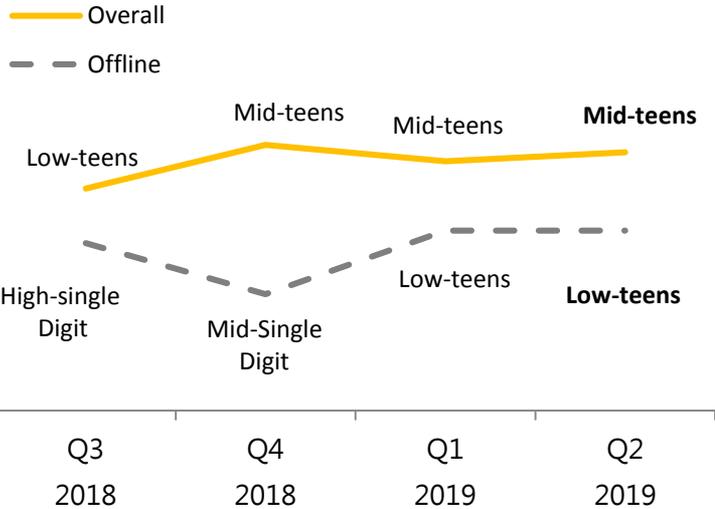
Same Store Sales Growth (SSSG) Rate

LN Brand

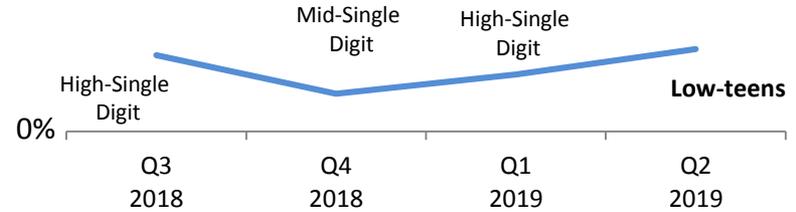
SSSG (H1:2019 vs 2018)

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

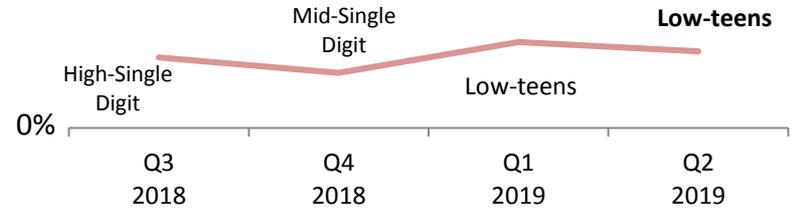
Overall Platform



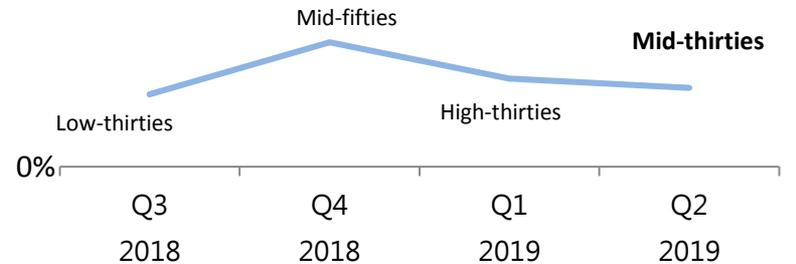
Retail



Wholesale



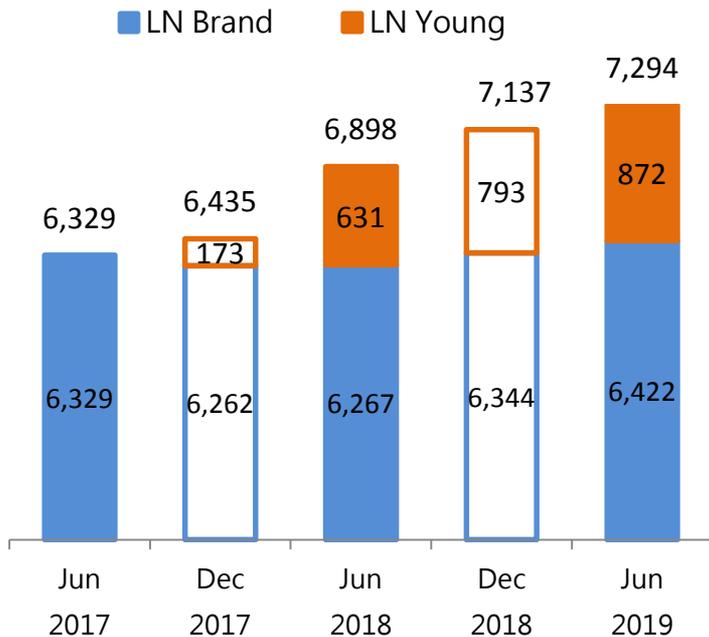
E-commerce



Online and Offline Expansion

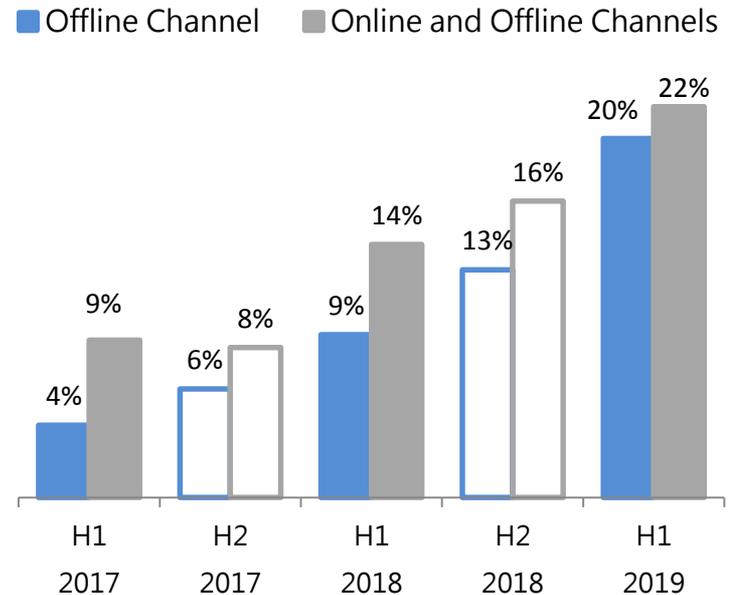
LN Brand, excl. international market sales

POS number (Period end)



Sell-through growth, YoY %

Excl. LN YOUNG

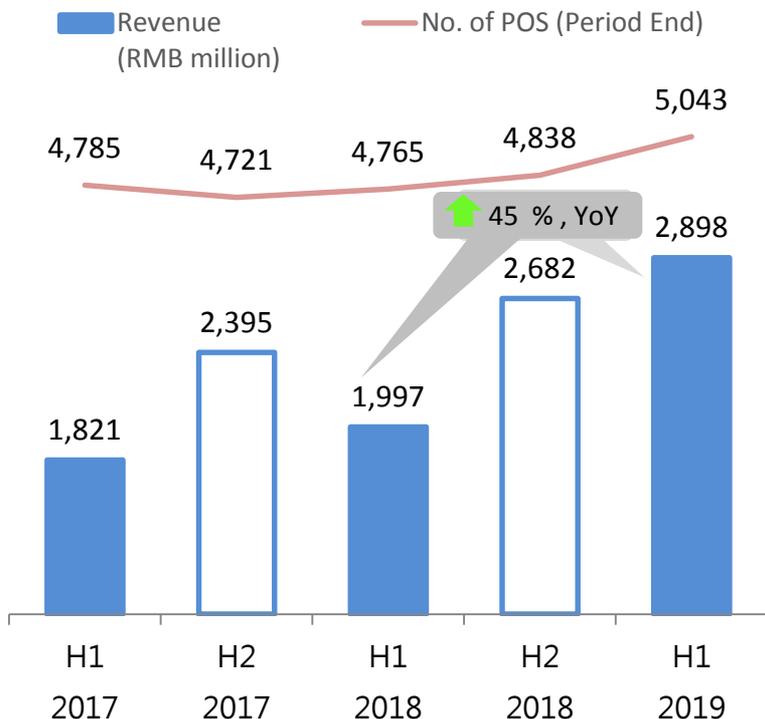


Improved productive platform with integrated online and offline growth

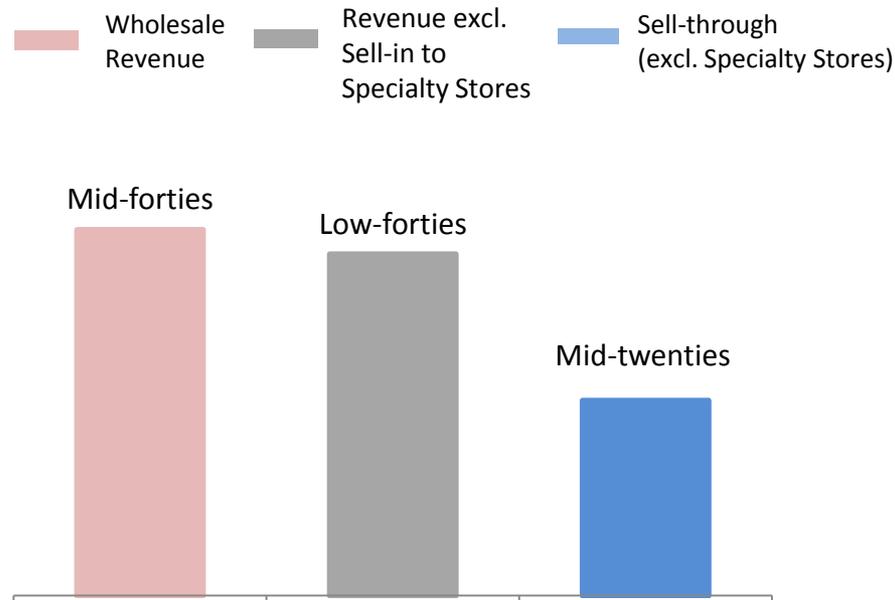
Wholesale Business[^]

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

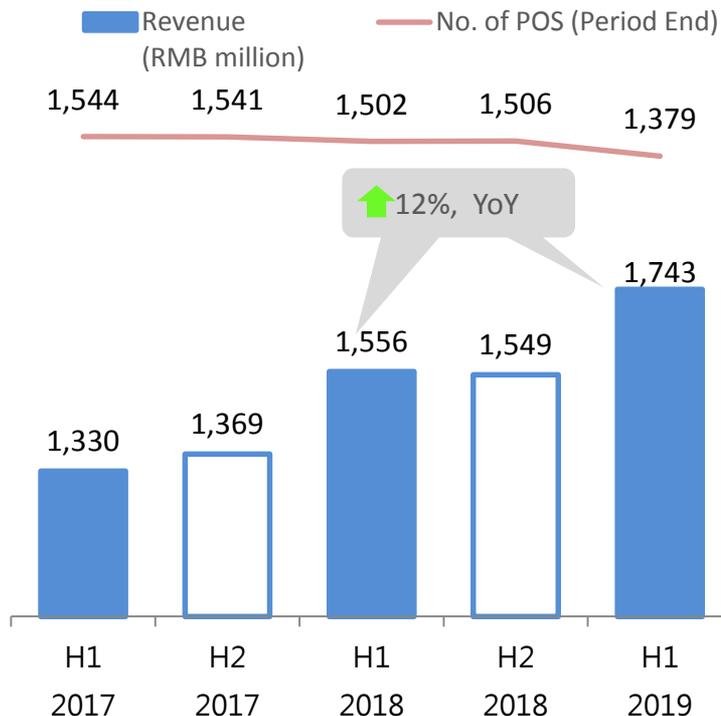
Revenues positively impacted by improved delivery discount and expanded platform

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

Retail Business[^]

LN Brand

Business Performance



Revenue Growth Analysis

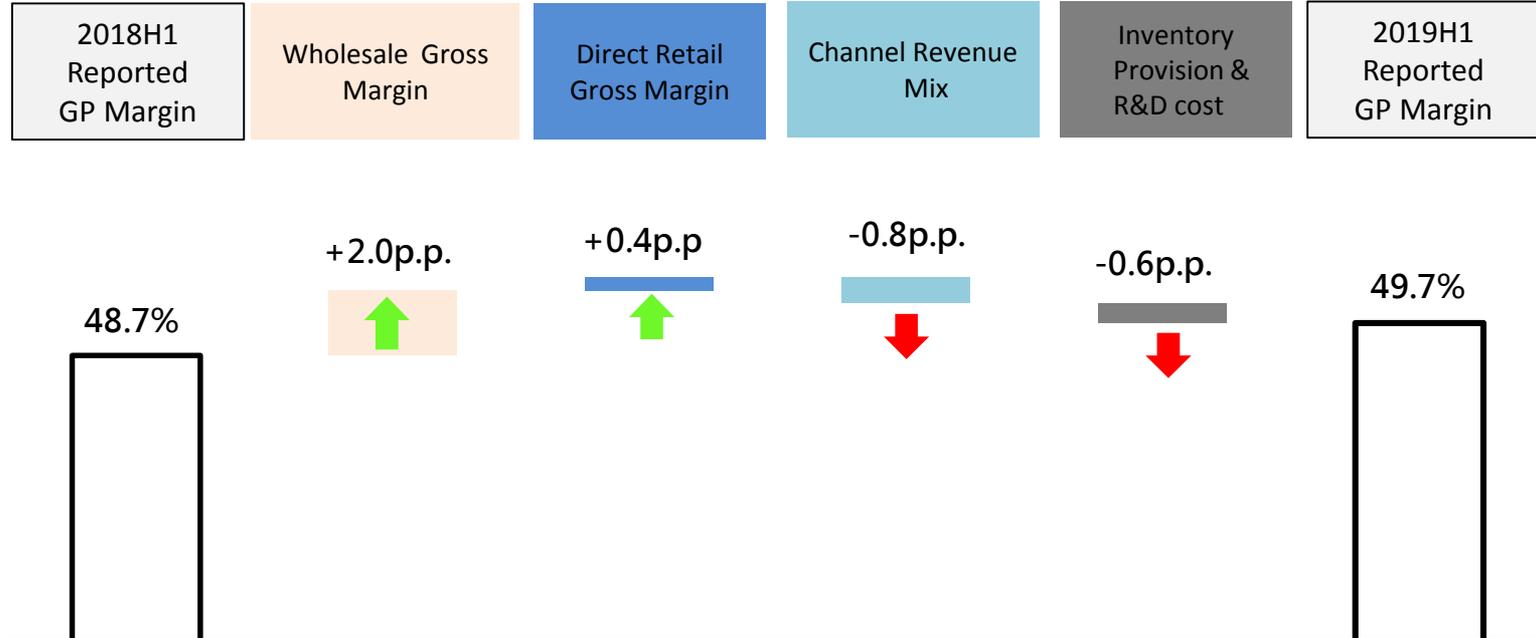


Solid growth driven by healthy SSSG and productive store expansion

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

GP Margin Analysis

Net Change in Major Items

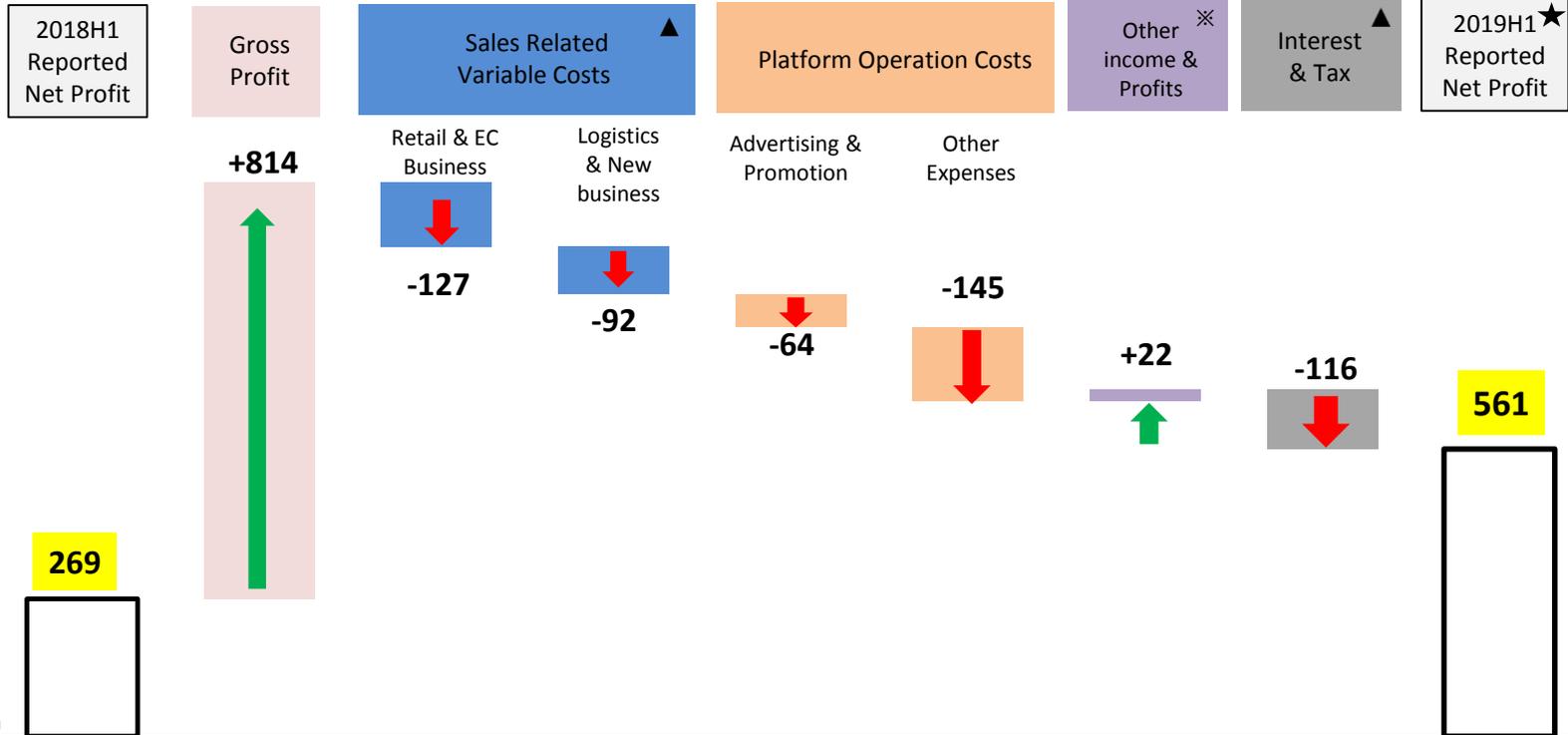


Gross margin expansion driven by improved wholesale delivery discount and product performance

Profitability Analysis

Net Change of Major P&L Items

-RMB Million-



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

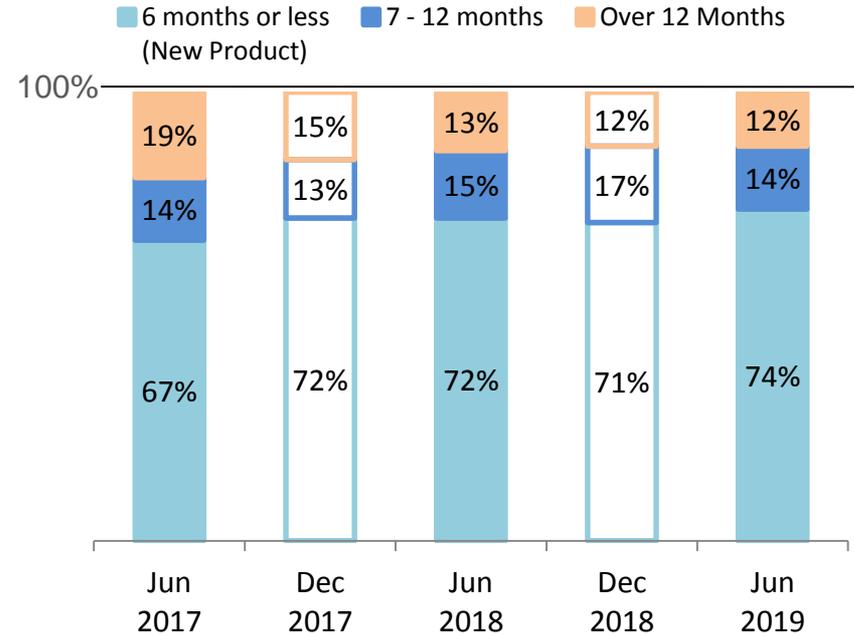
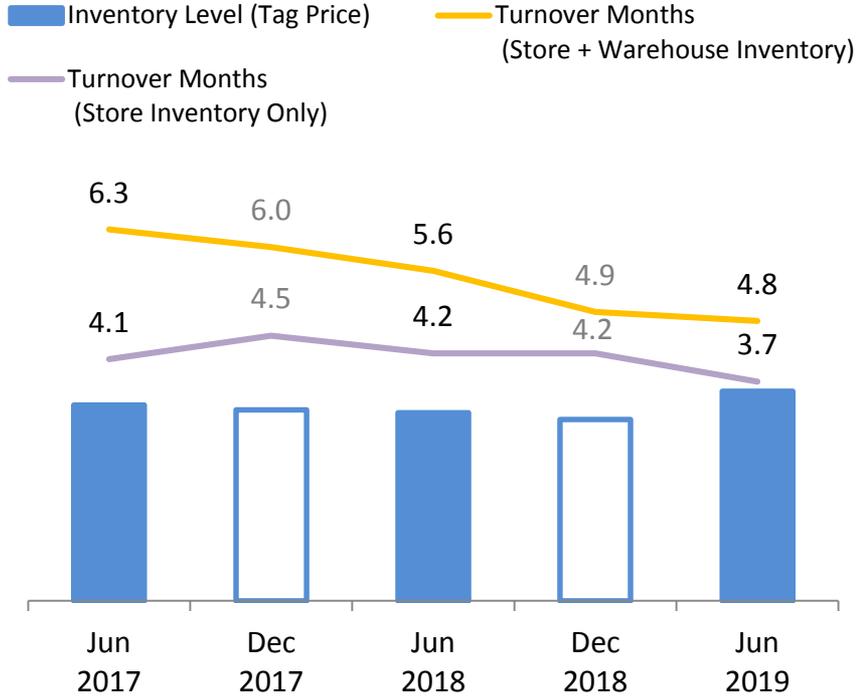
※ Other income and profits include (i) other income and other gains(net), (ii) share profit from associate

▲ Interest expense in the amount of ~RMB20m related to lease accounting changed is included in sales related variable costs as store expenses

★ Exclude one-off profit and loss not related to operation of RMB234m

Channel Inventory

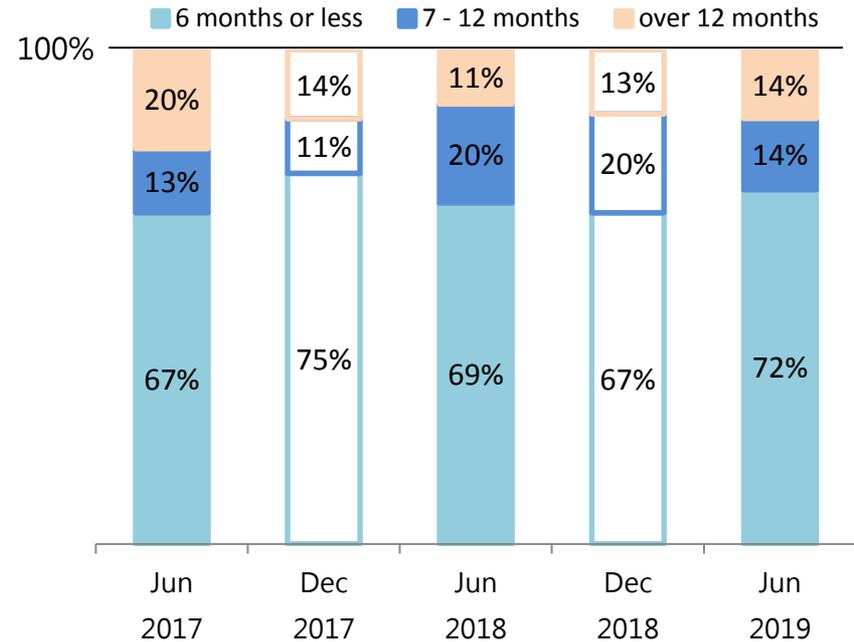
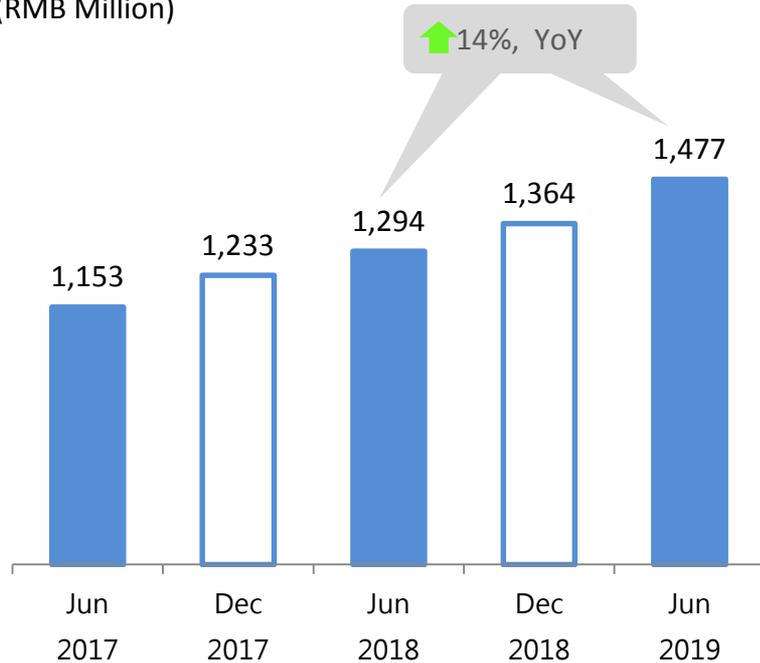
Incl. online and offline



Successful inventory management initiative achieved target turnover and structure

Company Inventory

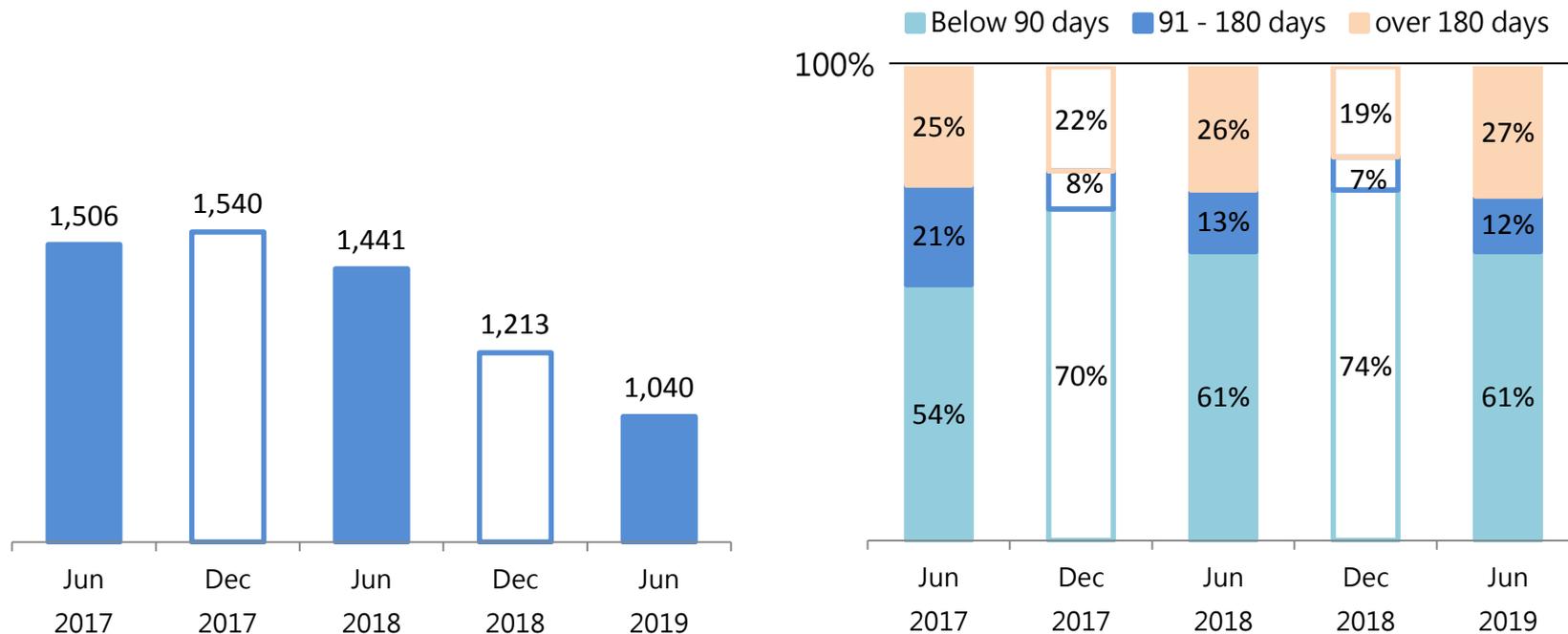
At cost, before provision
(RMB Million)



Further optimized inventory level and structure provided healthy foundation for growth

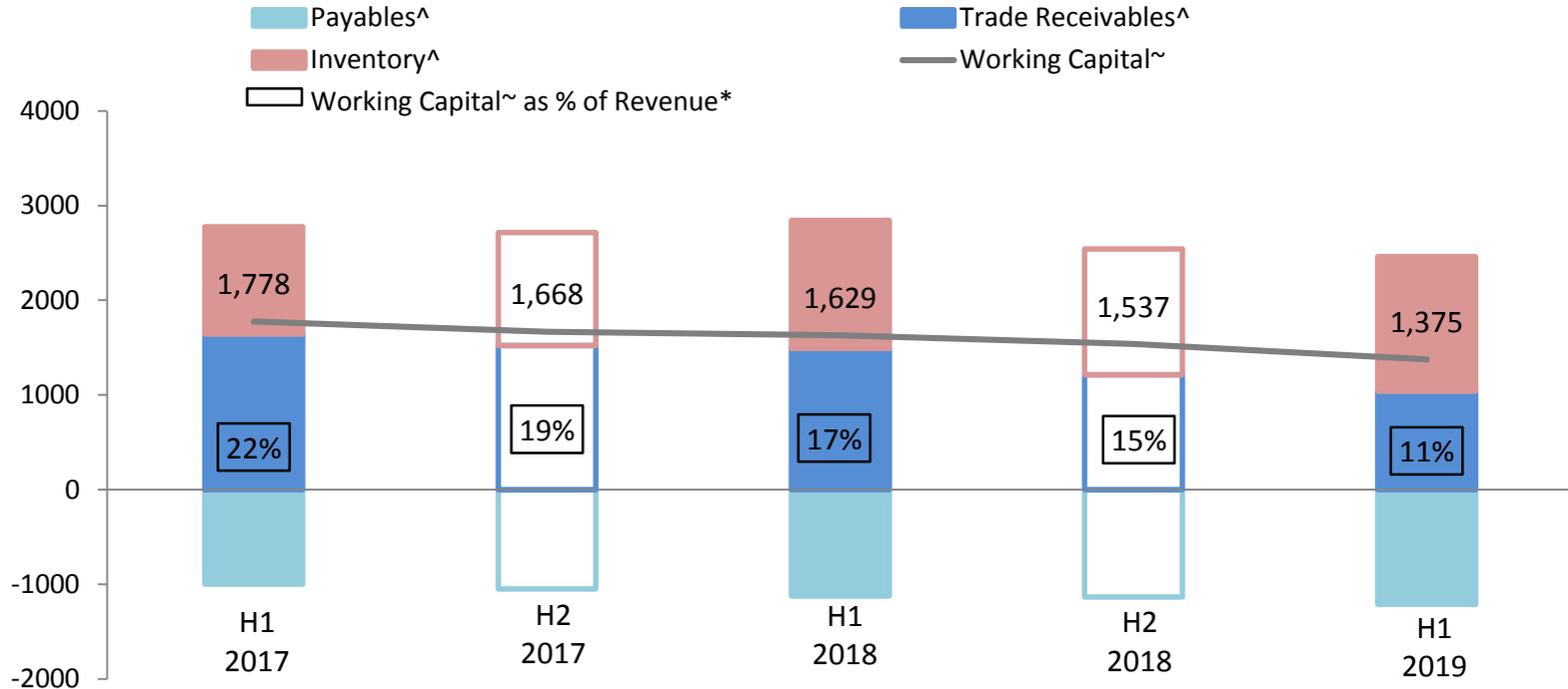
Trade Receivables

At gross amount, before provision
(RMB Million)



Receivable Days Sales Outstanding (DSO) improved significantly

Working Capital Efficiency



Healthy working capital efficiency allow further investment for growth

~Simple average between period opening and ending

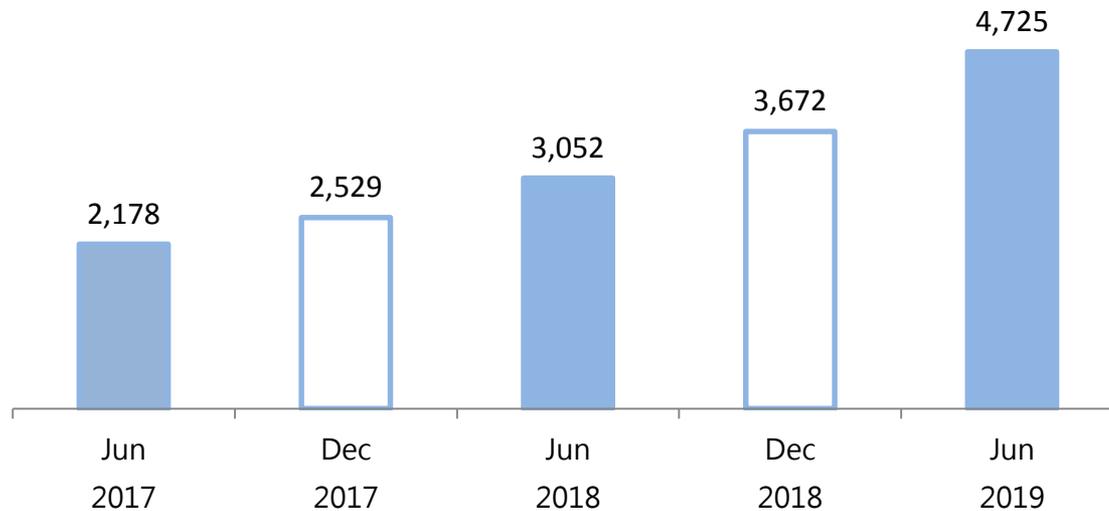
^ Gross Amounts of inventory, trade receivables and payables, without netting off provisions

* Annualized revenue

Balance sheet summary and cash position

-RMB Million-

Net Cash Position[^]



-For the Six Months Period-

Cash Conversion Cycle (Days)	56	49	45	40	32
Operating Cash Flow	589	570	660	1,012	1,366

[^]Net Cash = Cash and Cash Equivalents - Borrowings



Business Review



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

Sports industry trend in China

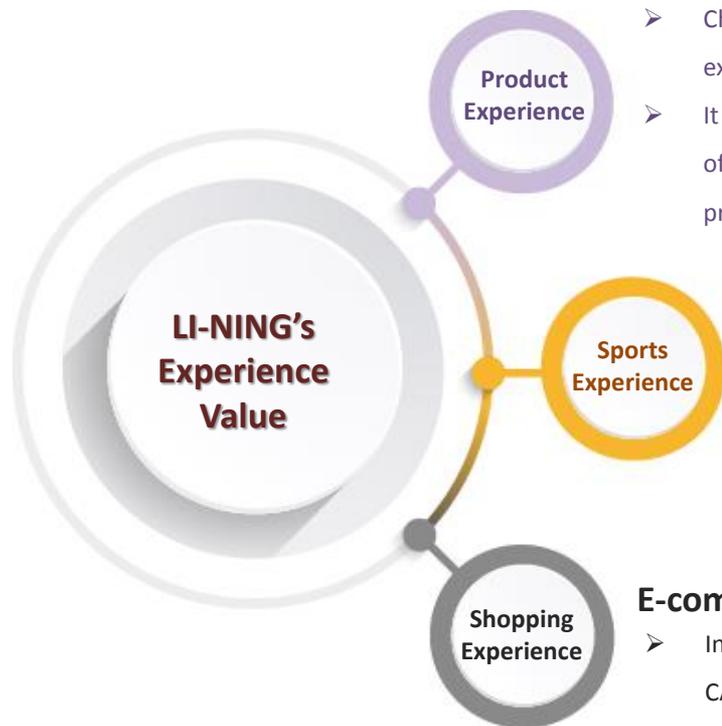
- China's total retail sales grew 9% YoY in 2018. The scale of domestic sporting goods market is expanding constantly. During 2018 to 2023, CAGR is expected to reach 10%.
- It is expected that China's eSports-related consumption will account for 27.8% of total revenue of eSports market in China and will reach RMB37.5 billion, thereby boosting the sales of eSports products and opening up the sporting goods market featured with young and leisure.

National Policies in favor of industry development

- With the vigorously implementation of national policies that aim to accelerate the development of sports industry, it is estimated that the scale of sports industry will exceed RMB5 trillion by 2025.
- Implementing the "Guiding Opinions on Accelerating the Development of Sports Competition and Performance Industry" to unleash the consumption potential as well as protect and improve people's livelihoods.

E-commerce trend

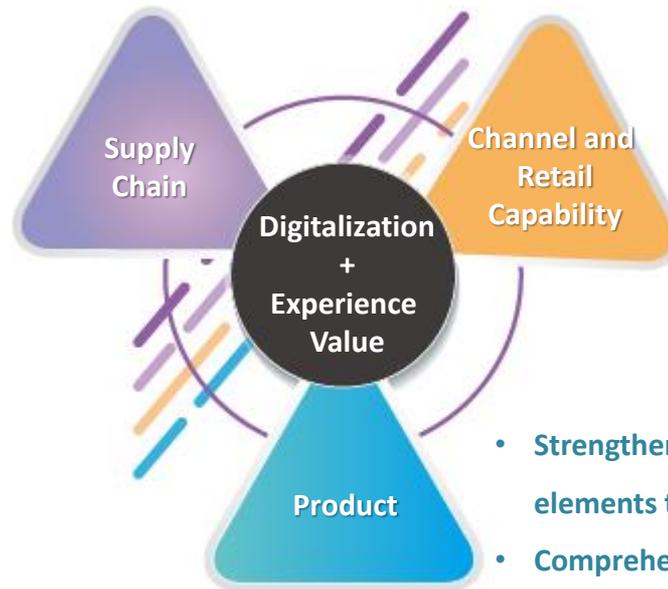
- In 2020, the total transaction value of e-commerce is expected to reach RMB43.8 trillion with a CAGR of approximately 15%.
- The current e-commerce penetration rate of LI-NING brand is 23% which drives the sales growth.



Comprehensively Enhance Experience Centered around “Three Pillars”

- Leverage big data analysis to integrate online and offline platform for enhancing operation efficiency

- Business demand-driven
- Strengthen the response speed and flexibility of supply chain
- Enhance self-owned supply chain management and application of R&D knowledge



- Promote diversified channels development and explore new channels
- Optimize structure, expand coverage and improve efficiency
- Upgrade store image and strengthen training of talent
- Strengthen professional attributes and capture trendy elements to enhance product competitiveness
- Comprehensively strengthen marketing penetration with focus on core categories

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

- Core Categories Drive Business Growth



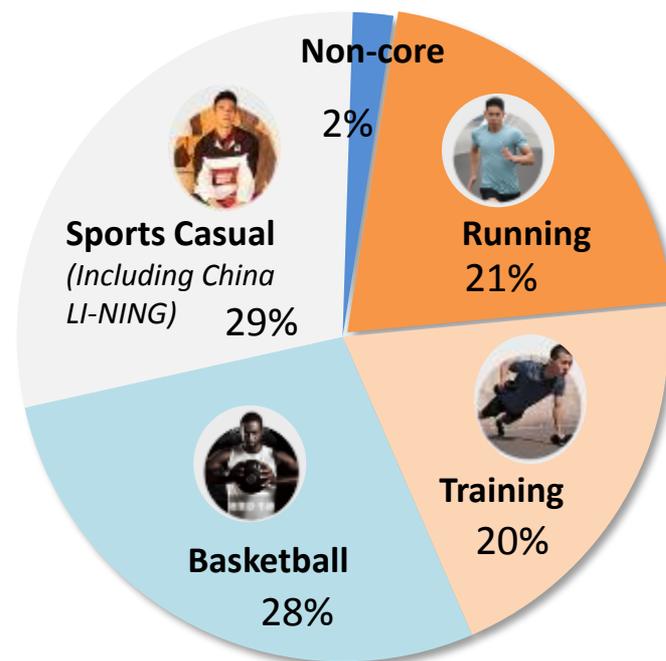
Retail Sell-through - YoY change

		2019H1
Total Value		↑ 22%
	Running 	↓ 8%
	Training 	↑ 14%
	Basketball 	↑ 44%
	Sports Casual 	↑ 54%
	Non-core	↓ 45%

Sell-in – YoY change

	Badminton+Football*	↑ 42%
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Retail Sell-through - Mix



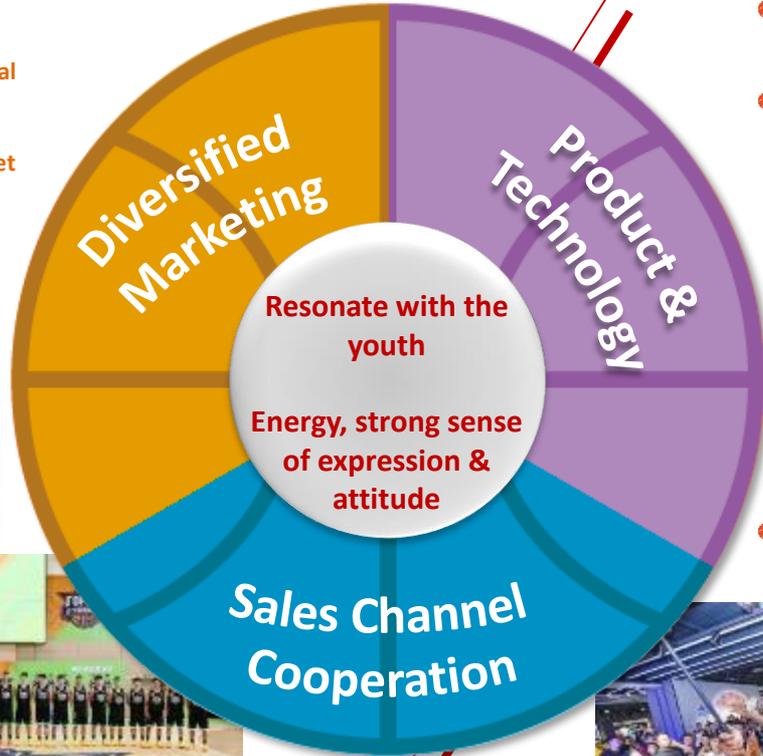
* Sales of badminton and football products are shown with sell-in data for reference as they are mainly distributed via specialty-stores.

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



- Integrate resources from professional competitions, such as CBA
- Seek endorsement from high-end professional basketball resources
- “3+1” street basketball league to create street basketball stories
- Target teenagers’ training to establish “LI-NING Basketball College”

- Focus on technological innovation and the continuity of star products
- Strengthen the image of street fashion



- Boost pre-sales with the combination of online promotion and offline fans events



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



Two Major Functional Basketball Shoes Series



SonicVII



All City

Sales Volume in 2019H1: over 160,000 pairs

New product SO rate (3 mths): over 45%

WADE Apparel Series

Sales volume in 2019H1:

over 2.1 million unites

New product SO rate (6 mths):

approx. 70%

New product SO rate (3 mths):

approx. 54%



BAD FIVE Apparel Series

Sales volume in 2019H1:

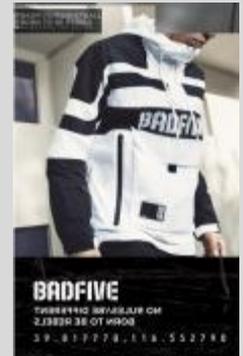
over 3.2 million units

New product SO rate (6 mths):

approx. 74%

New product SO rate (3 mths):

approx. 55%



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

- Running



Amateur Runners

*Provide basic sports protection
Comfortable and easy matching*

Reinforce the reputation of classic series by creative marketing
Broaden the product line for running culture



Professional Runners

Improve sports performance and highlight the professional sports pursuit

Accumulate endorsements from competition results through professional events exposure
Gain attention from professional runners



Cater to the needs of jogging and personal fashion style

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

- SO rate (3 mths): over 60%
- Sales volume: over 500,000 pairs



Running Culture Products— V8 Trendy Running Shoes



- SO rate (3 mths): over 50%
- Sales volume: over 90,000 pairs

Create matrix of professional products

Tag Price	Racing Category	Stability Category
< RMB 500	Rough Rabbit 4th Generation	Sales volume: approx. 200,000 pairs SO rate (3 mths): approx. 60%
RMB1000 - RMB 501	Yunma	Furious Rider
> RMB1000	Wind Chaser	Battle Axe

New Functional Technology Platform: LI-NING 雷霆 (bèng) Technology with Lightweight and High Resilience Features



Break the competition barriers

Build LI-NING professional running image

Conduct product test and refinement through domestic and foreign marathon elite athletes during **11** marathon events in 2019H1

Created the hot topic during Qingdao Marathon by presenting the technology exhibition with the theme of “**A Quick Start, A Quick Victory**” (一響即發·快者勝) in Qingdao light show.

Professional Results

- **Top 3** in Qingdao Men Marathon
- **Top 2** in Qingdao Women Marathon
- **Champion** in Guiyang Men Marathon



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

- Training



Focus on functional sports and categorise sport environments to improve product experience

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



Fitness Training (GYM)



Active Training



Essentials

Refined women fitness training needs



女子训练Fitness系列 瑜伽



Apparel Series

Top 20% SKUs sales performance (New products in 2019H1)

- Sales volume: approx. **4.4 million units**
- New Product SO Rate (6 mths) : **approx. 71%**
- New Product SO Rate (3 mths) : **approx. 54%**
- Account for **82%** of training apparel sales

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



Launch products with

Sports DNA,

LI-NING Culture,

Trendy Elements



Brand Crossover



Digital Marketing



Entertainment Marketing

Apparel Series

Sales volume in 2019H1: over 5.2 million units

New Product SO rate (6 mths): over 60%

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



Footwear Series – two product series with continuity of brand DNA

Sales volume in 2019H1: over 40,000 pairs

New product SO rate (6 mths): approx. 55%

New product SO rate (3 mths): approx. 48%



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



Adopt Strategy of “Single Brand, Multi-Categories, Diversified Channels” - Paris Fashion Week 2020



Integrate Sports DNA with Trendy Design

- Collected more than 12,000 newsletters. **#China LI-NING#** Weibo topic discussion and reading volume reached **270 million**;
- Create media coverage in full scale to rose expectations with diversified presentations and highlights, which triggered high attractions from domestic and foreign media. Meanwhile, celebrities involved further broaden the awareness of the show.



Channel and Retail Capability: Improve Efficiency and Experience of Online and Offline Platform Through Data Analysis and Forecast System



Offline Experience Upgrade

- ✓ Promote the initiative of digitalised stores
- ✓ Gain insights into consumers' portraits and differentiated demands by digital tools
- ✓ Increase store traffic through thematic marketing



Precise Online Marketing

- ✓ Use big data to precisely position products for different target users
- ✓ Meet diversified consumer demands and improve users' experience through live streaming, etc.

Increase Sales Opportunities Through Integration of Online and Offline Platform

- ✓ Complementally integrate online and offline into omni-channel membership system
- ✓ Increase the recognition among consumers with simultaneous thematic marketing

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



Fashion Weeks

COUNTERFLOW By Li-Ning x CHENPENG
New York Fashion Week



2019 New York
Fashion Week



2020 Paris
Fashion Week

LI-NING E-Commerce Event for 2019H1

Tmall
Anniversary Sale



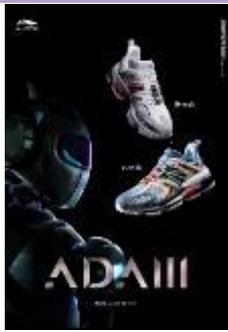
WADE WOW7
"One Last Dance"



Tmall 618



COUNTERFLOW—溯



Channel and Retail Capability: Accelerate Promotion of Offline Channels' Diversification to Enhance Efficiency



Optimize Structure
Enhance Coverage

Differentiated
Product Planning

Upgrade Visual
Merchandising

Focus on
Shopping
Malls

Fine-tune the
Methods to
Reach Consumers



Channel and Retail Capability: Offline Channel Diversification Store with High Productivity



Channel and Retail Capability

Flagship Store



**Tianjin Binjiang Road
Modern City Store**

Opened in early December 2018
Store size: over 800 sq. mt
Average monthly sales approx. 1.4 million in 2019H1



**Chengdu Chunxi
South Road Experience Store**

Opened at the beginning of 2017Q1
Store size : approx. 900 sq.mt
SSSG of 2019H1: approx. 30%



Full-Category Model Store

Jinan Shimao Plaza Store

Opened at the beginning of 2018Q1
Store size: approx. 560 sq. mt
SSSG of 2019H1: approx. 60%



Dalian Roosevelt Store

Opened at the end of 2019Q2
Store size: approx. 430 sq. mt
Average monthly sales approx. 1 million for the first two months since open



Channel and Retail Capability: Offline Channel Diversification

China LI-NING Store



- Total number of stores by end of June 2019: 70 (channel mainly focuses on key cities in second-tier or above)
- Target to expand the number of stores to 100-120 by the end of 2019



Nanjing Deji Plaza Store

Opened in March 2019

Store size: 151 sq. mt

2019H1 average monthly sales
over RMB1.1 million



Chengdu IFS Store

Opened in January 2019

Store size: 179 sq. mt

2019H1 average monthly sales
over RMB1 million



Shanghai Raffles City Store

Opened in December 2018

Store size: 157 sq. mt

2019H1 average monthly sales
over RMB1 million

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



Offline Channel Sales Performance

- ~ Sell-through: low-twenties growth
- ~ Sales volume: low-teens growth

Offline Channel Sales Efficiency

- ~ SSSG: low-teens growth
- ~ New product gross profit margin: up more than 1 p.p.

New Product Performance

- ~ Contribution to total sales: down 2 p.p.
- ~ Sell-through: mid-teens growth

Over 12 Months Inventory Mix

- ~ Channel: declined 1 p.p.
- ~ Company: increased 3 p.p.

New Product Sell-out Rate

- ~ 6 mths: improved 2 p.p.
- ~ 3 mths: improved over 3 p.p.

Operating Cash Flow (YoY)

- ~ Cash flow from operating activities: RMB1.366 billion net inflow, increased by 107%
- ~ Net cash: increased by RMB 1.923 billion
- ~ Trade receivables (before provisions): amount decreased (Improved) by 28%
- ~ Cash conversion cycle: decreased (improved) by 13 days



Supply Chain Management

Supply
Chain



“Demand-driven”: Supply Chain Optimization



Respond to business demand in high-quality and high-efficiency manner

- ✓ Focus on overall business layout and differentiated needs
- ✓ Increase the production and development of popular products
- ✓ Advance quality control management with suppliers



Advance automation and create healthy and dynamic management

- ✓ Increase efficiency by achieving automated and intelligitized production
- ✓ Optimize supplier resources to advance distribution and achieve dynamic management



Invest in building self-owned supply chain system

- ✓ Footwear factory in Nanning Guangxi has been commenced operation to support the footwear production and development for LI-NING brand
- ✓ Aim to enhance self-owned supply chain management and application of R&D knowledge

New Business: LN YOUNG



Product Development

Expand and refine products categories
Promote precision of product structure



Supply Chain Management

Utilize quality resources
Optimize production procedures to enhance efficiency

Channel Development

Accelerate market expansion and optimize channel layout

- As of 30 June 2019, LN YOUNG opened 872 stores



Brand Image Establishment

Advance online digital marketing matrix
Offline channel promote hot topics jointly



Open Forum



Summary of Income Statement and Balance Sheet

(RMB million)	2019	2018	Better/ (Worse)
	Period ended 30 June		
Revenue	6,255	4,713	32.7%
Gross Profit	3,108	2,294	35.5%
Distribution costs	-2,023	-1,735	(16.6%)
Administrative expenses	-451	-297	(51.9%)
Other income and other gains – net	44	31	41.9%
Operating Profit	678	294	130.8%
EBITDA	1,353	527	156.4%
Profit Attributable to Equity Holders	795	269	196.0%
Basic Earnings per share (RMB cents)	32.88	11.10	196.2%

(RMB million)	30 Jun 2019	31 Dec 2018	Better/ (Worse)
	Cash and Cash Equivalents	4,725	
Borrowings	0	0	N/A
Net Cash*	4,725	3,672	28.7%
Current Liabilities	3,826	2,777	37.8%
Current Ratio (times)	1.9	2.3	(0.4)
Total Liabilities to Total Assets Ratio	40.6%	33.3%	(7.3p.p.)

*Net cash = Cash and Cash Equivalents - Borrowings

Profit Margins And Key Operating Indicators

	2019	2018	Better/ (Worse)
	Period ended 30 June		
Gross Profit Margin	49.7%	48.7%	1.0p.p.
Operating Profit Margin	10.8%	6.2%	4.6p.p.
EBITDA Margin	21.6%	11.2%	10.4p.p.
Margin of Profit Attributable to Equity Holders	12.7%	5.7%	7.0p.p.
R&D Expenses (as % of revenue)	2.1%	1.3%	(0.8p.p.)
A&P Expenses (as % of revenue)	8.9%	10.5%	1.6p.p.
Staff Costs (as % of revenue)	11.6%	11.5%	(0.1p.p.)

	2019	2018	Better/ (Worse)
	Period ended 30 June		
Inventory Turnover (Days)	74	85	11
Trade Receivables Turnover (Days)	24	42	18
Trade Payables Turnover (Days)	66	82	(16)
Cash Conversion Cycle (Days)	32	45	13
Return on Equity (ROE)	13.0%	5.1%	7.9p.p.
Return on Asset (ROA)	8.1%	3.5%	4.6p.p.
CAPEX (RMB million)	236	187	(26.2%)