

2020

Annual Results



LI NING COMPANY LIMITED
李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:2331)





Disclaimer



This presentation incorporates information contained in the annual results announcement (the “Results Announcement”) for the year ended 31 December 2020 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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1
Results
Highlights

2
Financial
Review

3
Strategic
Direction

4
Operational
Progress

5
Appendix



CONTENTS
2020



绝影
弹速跑鞋

Results Highlights



① Results Highlights / 2020 Annual Report

Li Ning Company Limited


LI-NING
Annual
Results
2020



2020 Financial Highlights



Financial Highlights

**All discussions in the presentation exclude the one-off profit and loss not related to operation of RMB234m in 2019 other than the appendix.*

- On a comparative basis, the net profit attributable to equity holders increased by approximately 34.2% to RMB1,698 million, and the net profit margin raised from 9.1% to 11.7%;
 - Including the one-off profit and loss not related to operation for the corresponding period last year, reported net profit attributable to equity holders increased by approximately 13.3% and the net profit margin raised from 10.8% to 11.7%;
- Notwithstanding the impact of the COVID-19 leading to a very challenging retail environment:
 - Revenue increased by approximately 4.2% to RMB14,457 million
 - Gross profit margin maintained flat to last year at 49.1%
 - Continued enhanced operating leverage driving operating margin to 15.2%
 - Operating cash flow decreased by 21.1%, yet still achieved positive amount of RMB2,763 million
 - Continued improvement in working capital:
 - Gross average working capital improved (reduced) by 11% while revenue increased by approximately 4.2%
 - Cash conversion cycle further improved (shortened) by 6 days (2019: 26 days/2020: 20 days)

2020 Operational Highlights



Operational Highlights

- Continued operation improvement mitigated certain extent of the negative impact from the COVID-19
- The retail sell-through for the overall platform recorded low-single-digit increase, including online and offline channels
- Channel inventory recorded mid-single-digit increase, while Company inventory decreased by mid-single-digit
- Offline channel new product sell-through decreased by low-single-digit driven by sales volume decline:
 - Average selling price (ASP) registered a mid-single-digit increase notwithstanding a very promotional retail environment
 - Sell-out rate:
 - 6-month declined over 4 percentage points
 - 3-month declined approximately 1 percentage points



Financial Review

2 Financial Review / 2020 Annual Report

Li Ning Company Limited

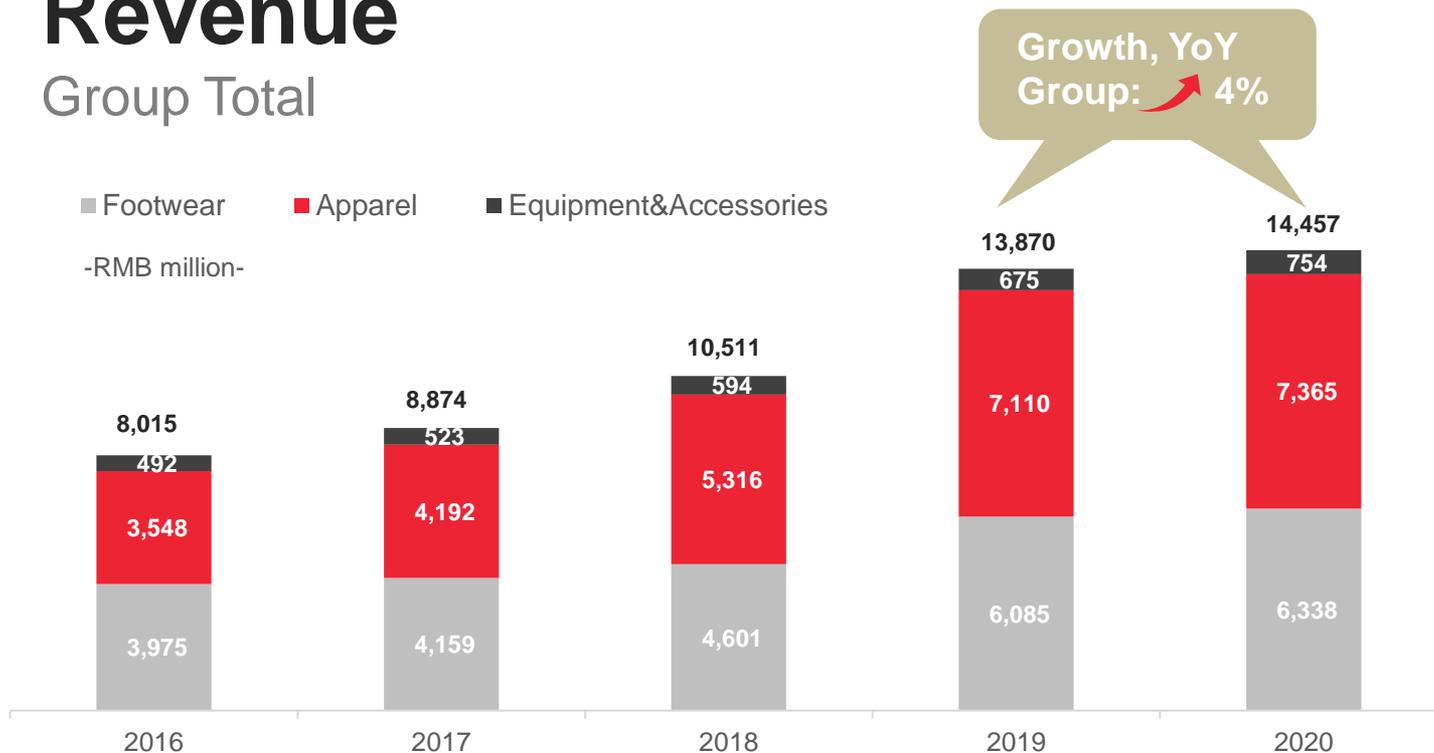
A red square logo containing the LI-NING bird logo and the text "LI-NING Annual Results 2020" in white.

LI-NING
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2020



Revenue

Group Total



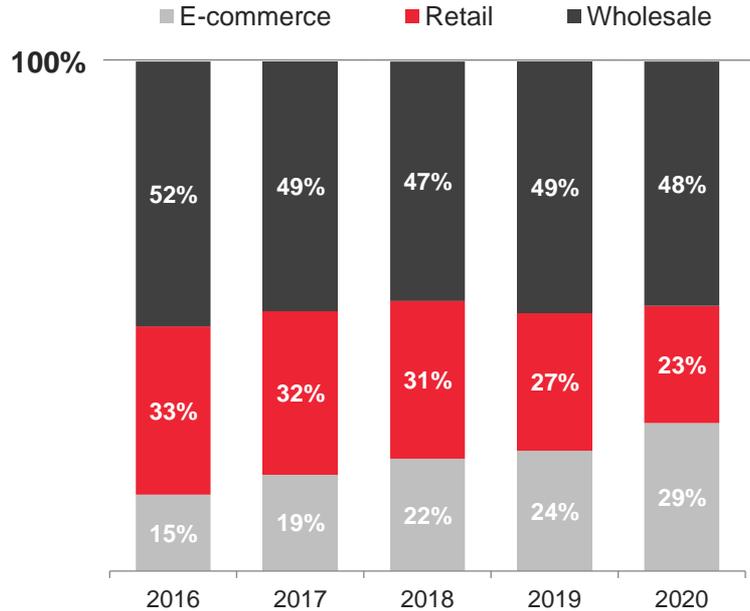
Second half recovery resumed revenues growth in all product groups

Revenue and Sell-through Mix

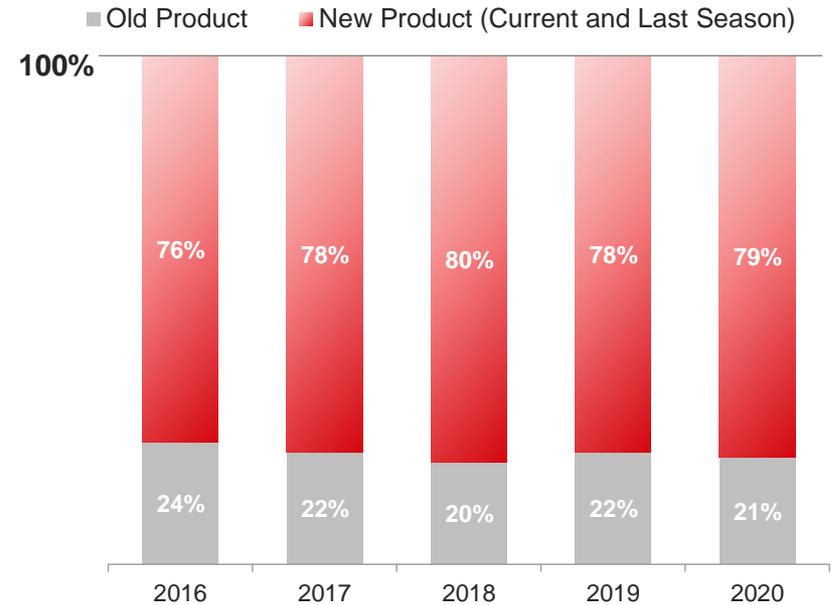
LN Brand (excl. International Markets and LN YOUNG)



Company Revenue Mix



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



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



Same Store Sales Growth (SSSG) Rate



LN Brand

SSSG (2020* vs 2019*)

Overall



Mid-single-digit

➤ Retail



Mid-single-digit

➤ Wholesale



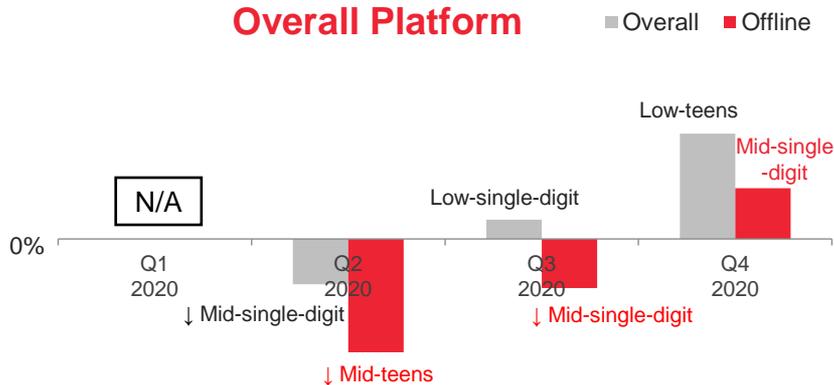
Mid-single-digit

➤ E-commerce#

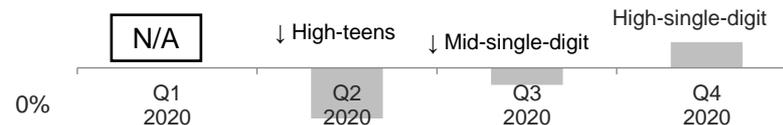


Low-thirties

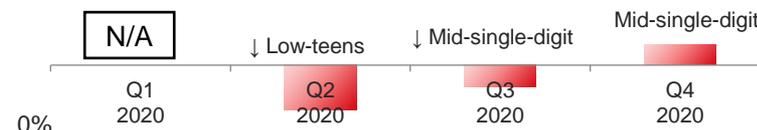
Overall Platform



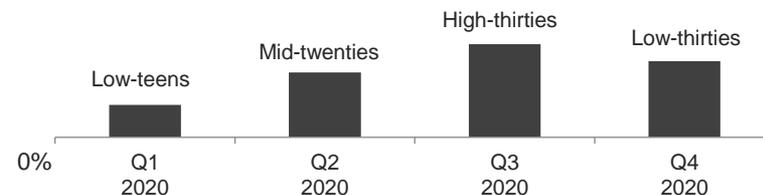
Retail



Wholesale



E-commerce



* Including SSSG data of e-commerce and offline (incl. retail and wholesale) channel in Q2,Q3 and Q4;
E-commerce full-year SSSG rate is high-twenties.

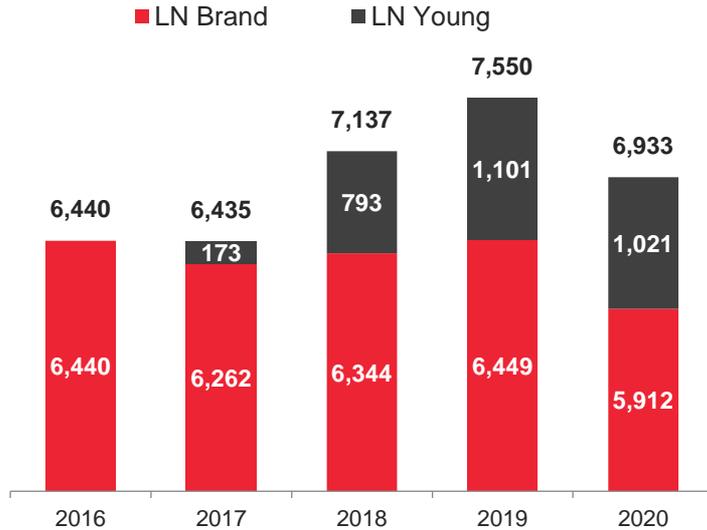


Online and Offline Expansion

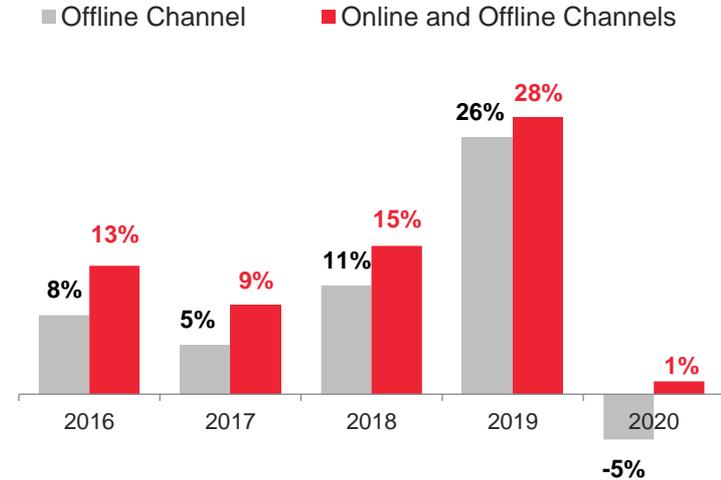
LN Brand (excl. International Market Sales)



POS number (Period end)



Sell-through growth, YoY % Excl. LN YOUNG



COVID-19 impacted store opening/closing rhythm and negatively impacted sell-through momentum

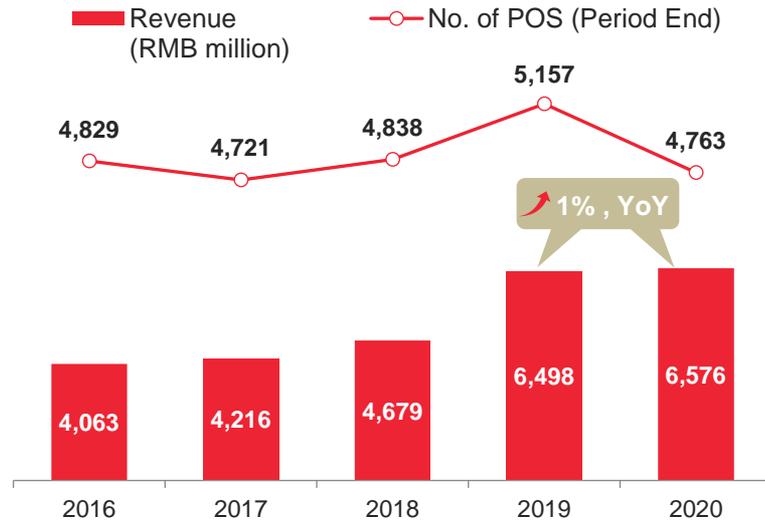


Wholesale Business[^]

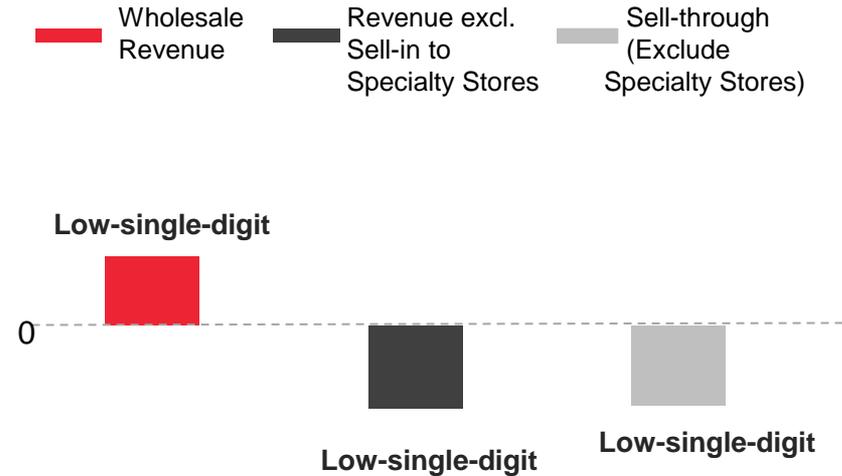


LN Brand (excl. International Market Sales and LN YOUNG)

Business Performance



Sell-through and Revenue Change, YoY%



Balance sell-in vs sell-through to maintain channel inventory health

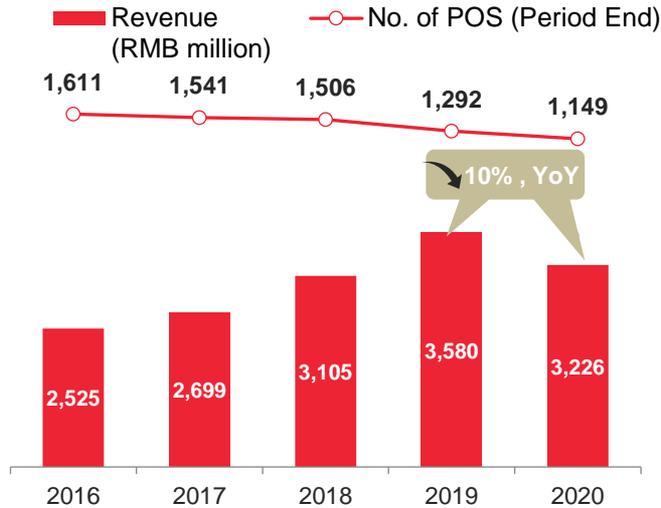


Retail Business[^]

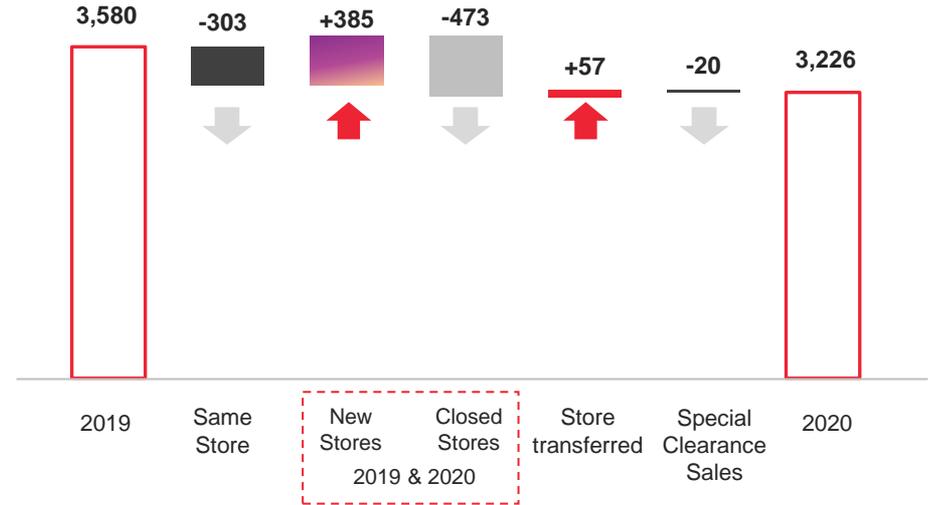
LN Brand



Business Performance



Revenue Change Analysis

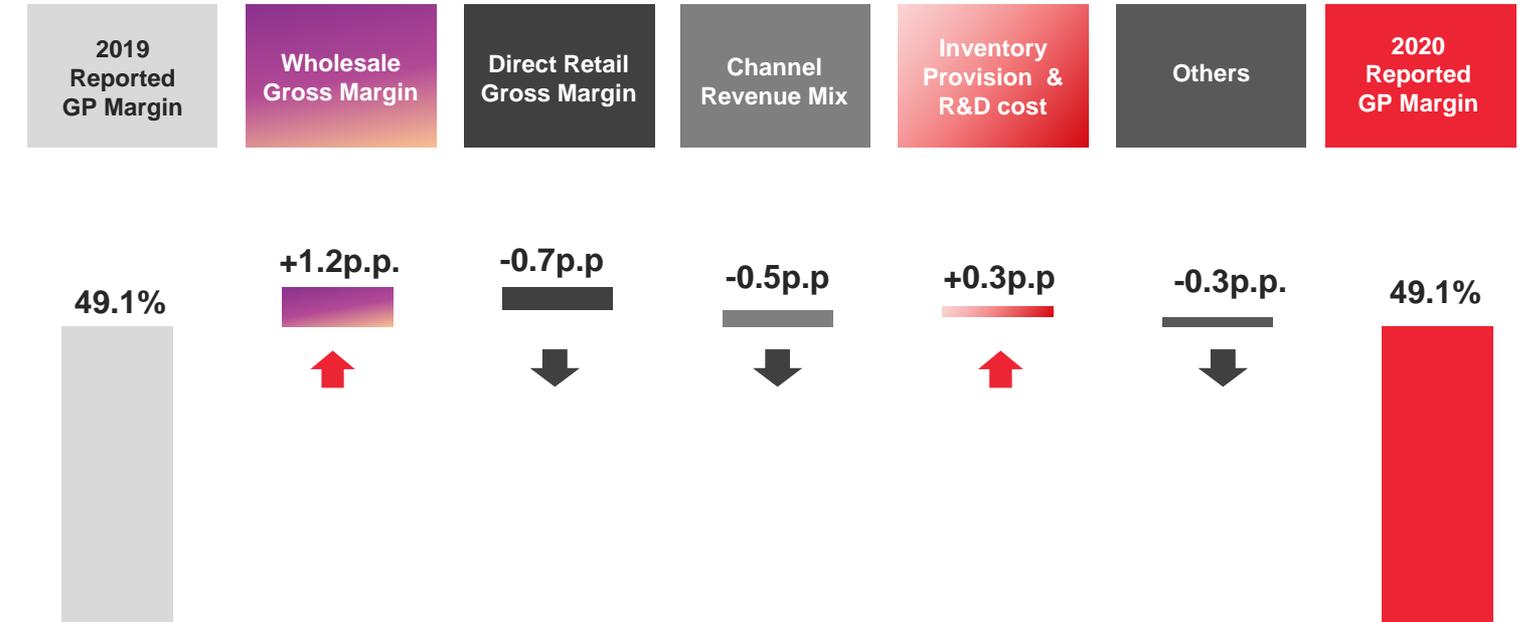


Revenues impacted by temporary closures due to Covid-19 as well as closure of sub-standard productivity stores



GP Margin Analysis

Net Change in Major Items



Increase in IMU (initial mark up) mitigated deeper discount impact on gross margin

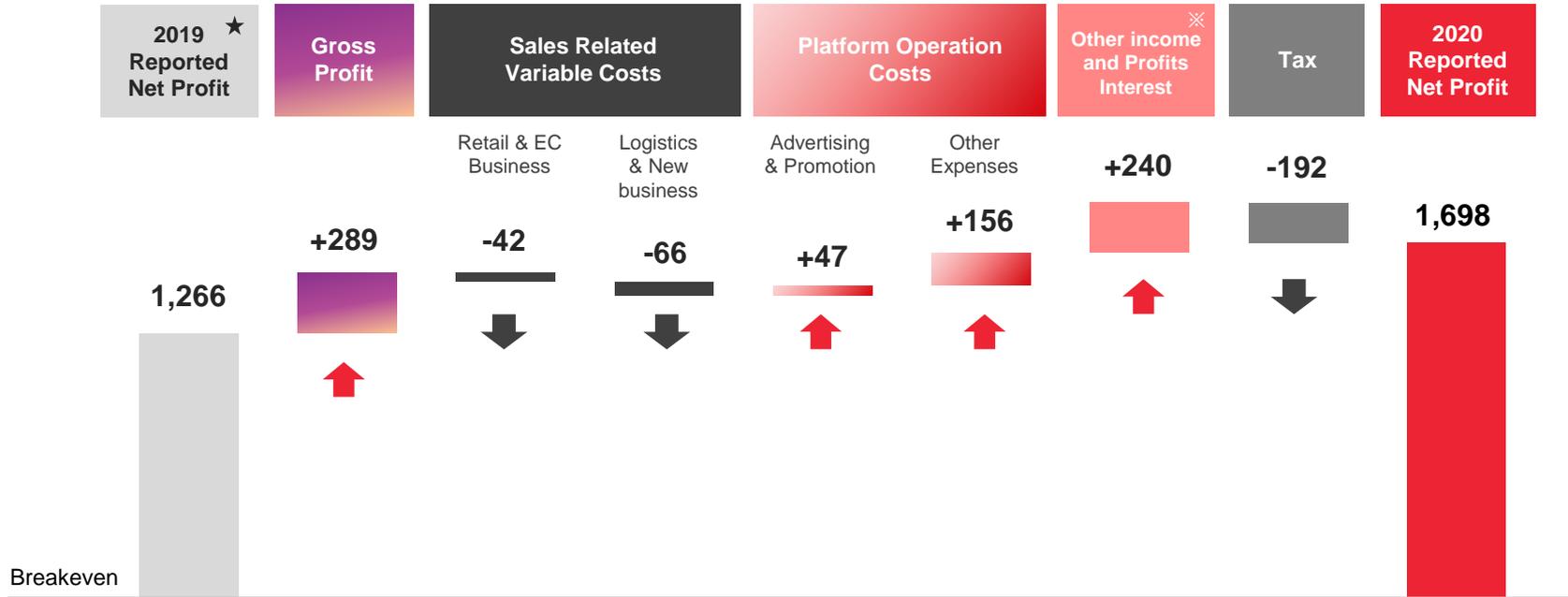


Profitability Analysis

Net Change in Major P&L Items



-RMB Million-



Scalable cost structure enhance operating leverage notwithstanding Covid-19 impact to revenues growth

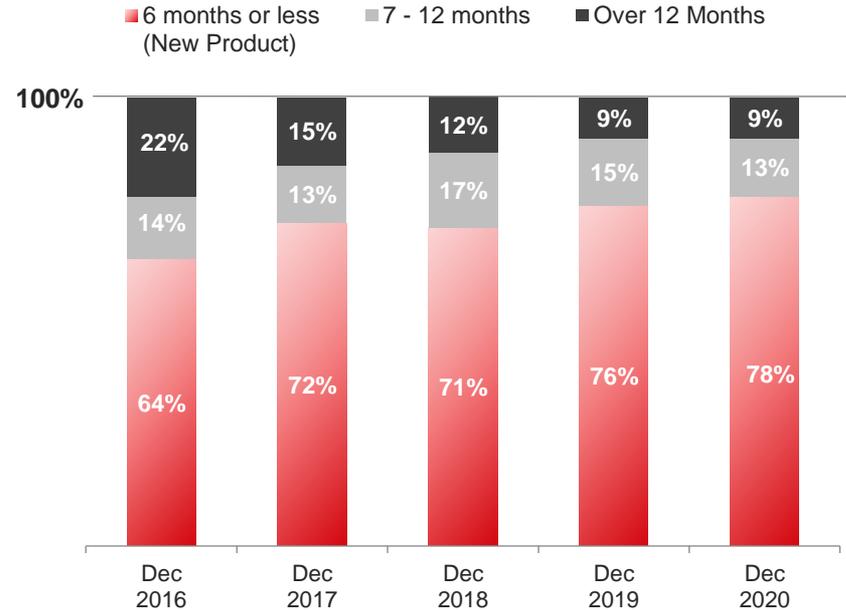
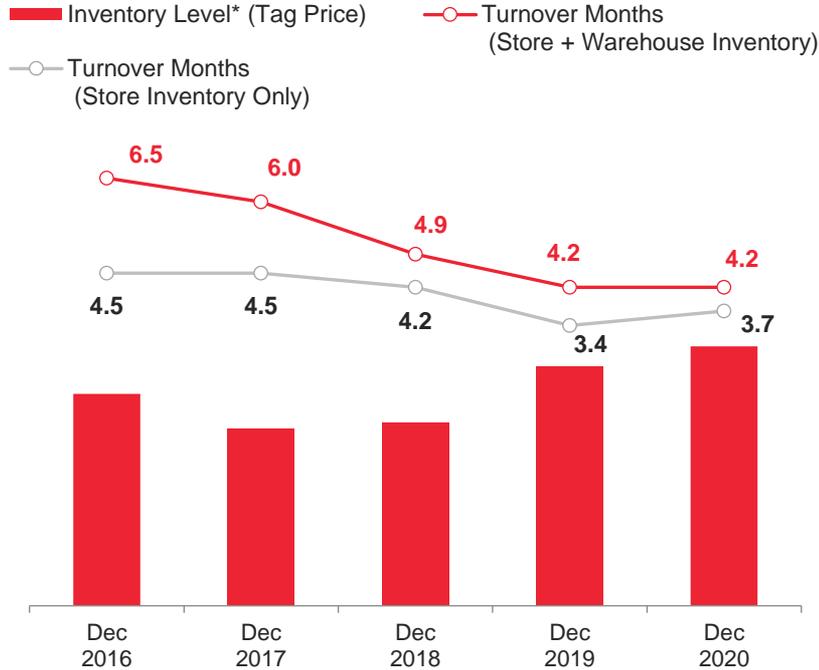
※ Other income and profits include (i) miscellaneous income and gains, (ii) share profit from associate

★ Exclude one-off profit and loss related to operation of RMB 234m in 2019



Channel Inventory

Incl. Online and Offline



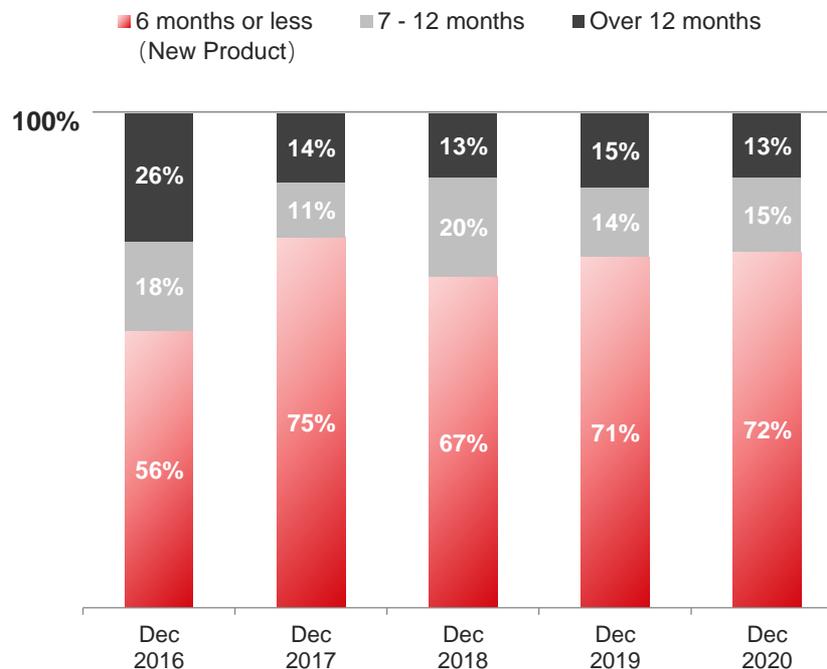
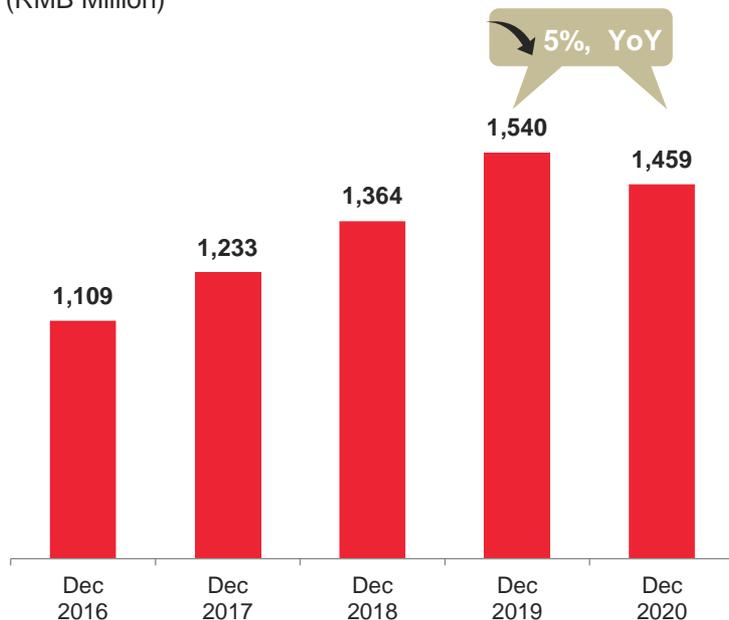
Execution of inventory control initiatives mitigated Covid-19 impact on channel inventory turnover efficiency and structure



Company Inventory



At cost, before provision
(RMB Million)



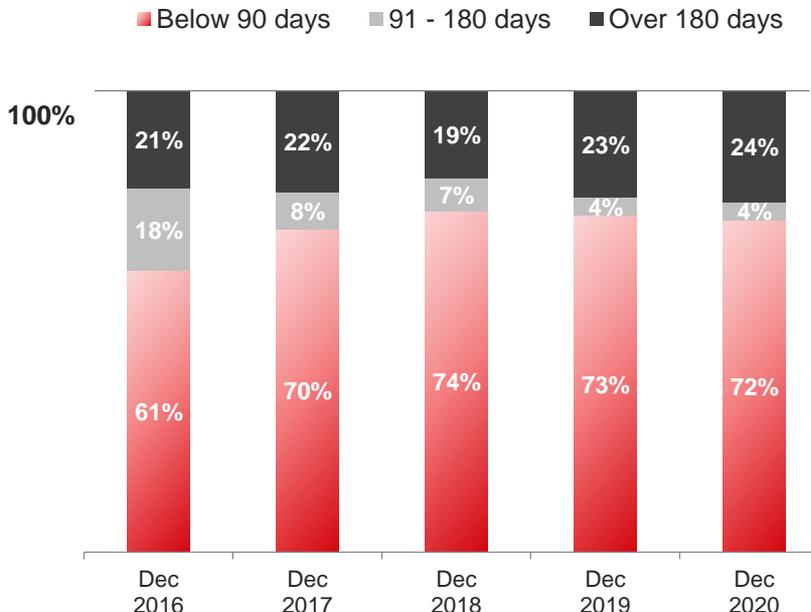
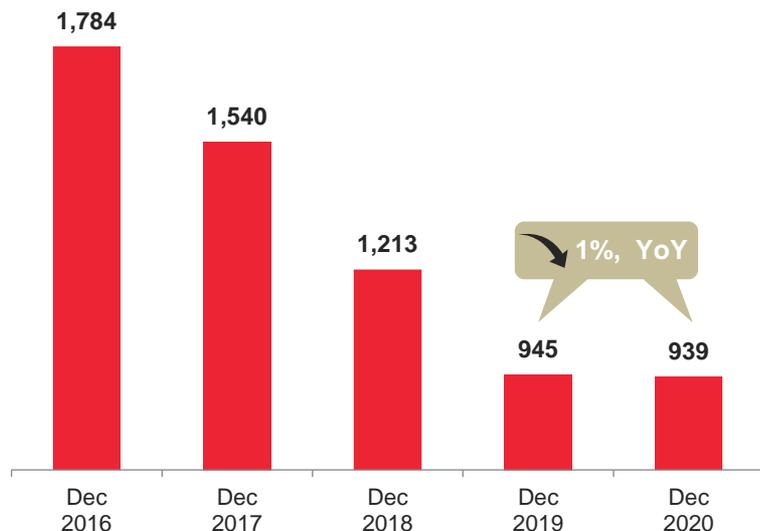
Notwithstanding Covid-19, further optimized inventory level and structure provided healthy foundation for growth



Trade Receivables



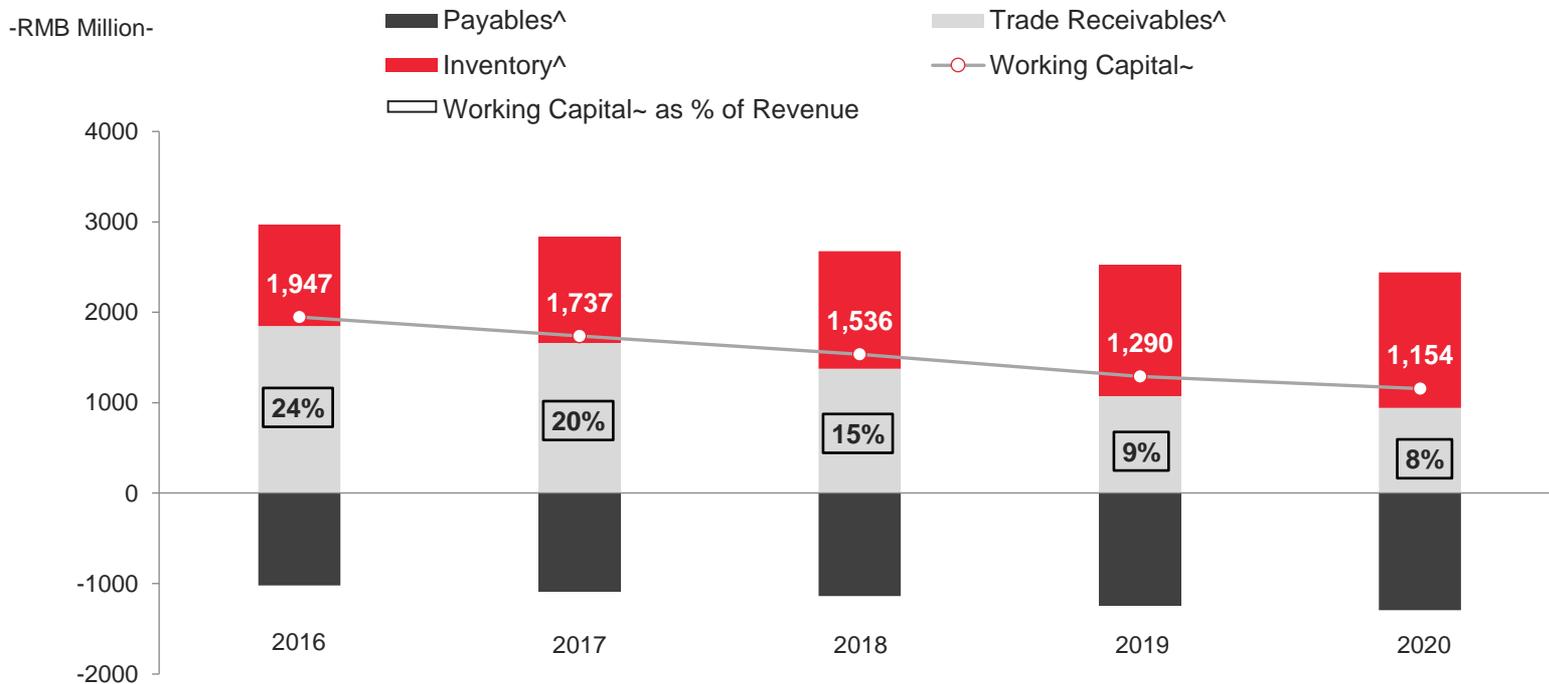
At gross amount, before provision
(RMB Million)



Receivable Days Sales Outstanding (DSO) continued improvement trend



Working Capital Efficiency



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

~Simple average between period opening and ending

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

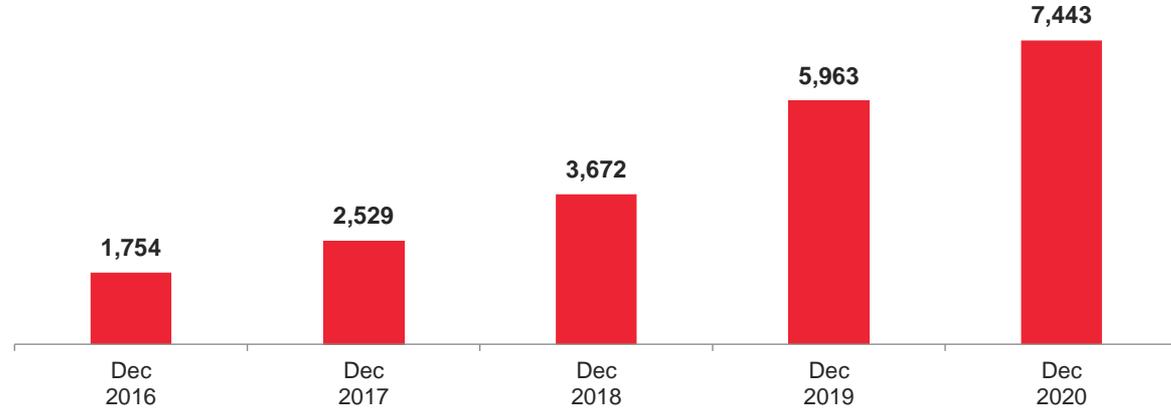


Balance Sheet Summary and Cash Position



-RMB Million-

Net Cash Position[^]



Cash Conversion Cycle (Days)	59	49	40	26	20
Dividends ^{**}	0	0	215	380	510
Operating Cash Flow	835	1,159	1,672	3,503	2,763

[^]Net Cash = Cash and Cash Equivalents (including restricted bank deposits and bank deposits with the maturity over one year) - Borrowings

^{**}Upon shareholders approval



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



Offline Channel Sales Performance

- Sell-through: mid-single-digit decrease
- Sales volume: high-single-digit decrease

New Product Performance

- Contribution to total sales: increased 1.0p.p
- Sell-through: low-single-digit decrease

New Product Sell-out Rate

- 6 mths: declined over 4 p.p.
- 3 mths: declined approximately 1 p.p.

Offline Channel Sales Efficiency

- Q2-Q4 SSSG: mid-single-digit decrease

Over 12 Months Inventory Mix

- Channel: flat
- Company: declined (improved) 2 p.p.

Operating Cash Flow (YoY)

- Cash flow from operating activities: RMB2.8 billion net inflow, decreased by 21%
- Net cash: increased by RMB 1.48 billion at 7.44 billion
- Trade receivables (before provisions): amount decreased (improved) by 1%
- Cash conversion cycle: decreased (improved) by 6 days



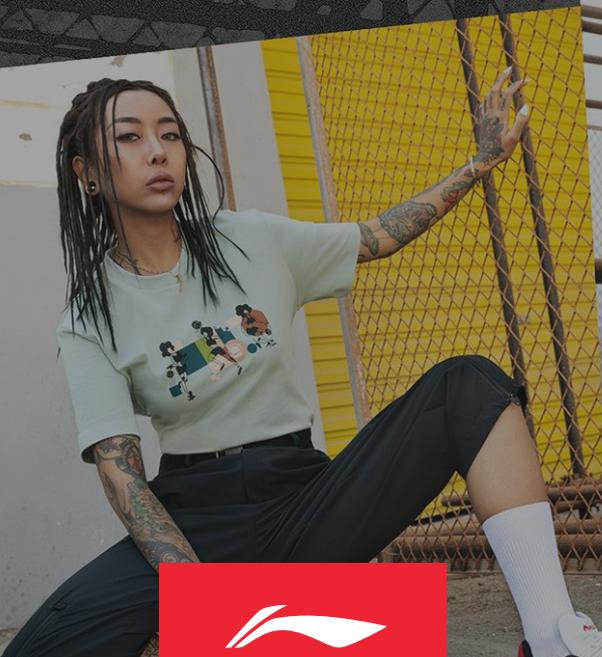


伍
BADFIVE

Strategic Direction

③ Strategic Direction / 2020 Annual Report

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Annual
Results
2020



Grasp Industry and Market Trends to Consolidate LI-NING's Experience Value

Bright Prospects of Sports Industry with National Fitness Awareness Strengthened by COVID 19

COVID-19 pandemic has enhanced national fitness awareness. Combining the power of technology, Internet+Fitness and home workout has become a new normal. In addition, national policies bolster development of amateur sporting, which in turn fosters continued growth of sports population in the long run. The sports industry will usher in a broader development prospect.



14th Five-Year Plan to Build a Leading Sports Nation to Stimulate Sports Consumption

The "14th Five-Year Plan" proposes to accelerate the construction of a leading sports nation, focus on the diversified sports demands of the people, continue to innovate the supply mechanism of sports products, improve the quality of sports products supply, drive new sports consumption demands and promote the high-quality development of the sports industry. The sporting good industry is greatly promoted by the national policy.

Promising Future for Domestic Brands Bolstered by Increasing Domestic Demand Driven by "Inner Circulation" of Economy

The inward focus of the "dual circulation" strategy aims to expand domestic demands and create new demands with innovation and high-quality supplies. Consumers' demands for the continuously upgraded domestic apparel brands are expected to continue to increase. Complementing e-Commerce with new retail planning, during Double 11, LI-NING's e-commerce flagship store achieved a new sales record of 770 million, which tops the single store performance among domestic sportswear brands.

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



Core Categories Reinforce Brand Resilience



Retail Sell-through – YoY Change (2020)

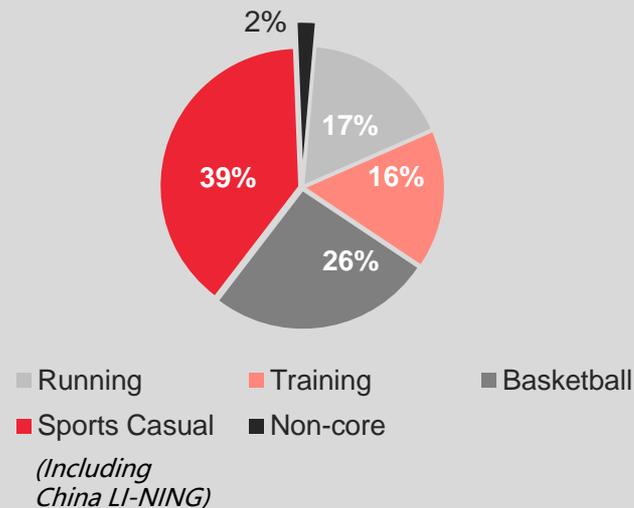


Sell-in – YoY Change (2020)



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

Retail Sell-through — Mix



Basketball — On-court Performance Speaks For LI-NING's Professionalism



Street Basketball Series—BADFIVE

Using Street Style to Interpret Basketball Culture

High-end Technology Enhances On-Court Performance

WADE series— All City 9 "Cotton Candy"

Professional Basketball— Yushuai Series

驭帅XIII 鞋 CJ

驭帅XIV
随心所驭 掌控全场

Jimmy Butler

Professional Basketball— Signed NBA Basketball Star: Jimmy Butler*

Professional Basketball— CBA Beijing Limited Edition: Old Beijing

LI-NING

LET'S GET STARTED

Jimmy Butler

Professional Basketball— Signed NBA Basketball Star: Jimmy Butler*

三和五

BADFIVE — Wuhan Limited Edition: Heroes

Professional Basketball— CBA Beijing Limited Edition: Old Beijing

Diversified Marketing Consolidates LI-NING Basketball Image

*Jimmy Butler's sponsorship starts from January 2021.



Product

Running — Professional Technology Empowers Running Business



Professional Runners

Create professional running IPs – build up good reputation for running business in a long run
 Combine technology with Pragmatism – boost the performance of professional running shoes

Amateur Runners

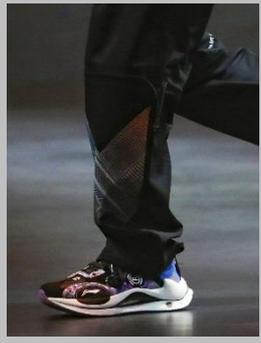
Leverage professional product reputation to expand reach in the mass running market
 Integrate functionality with fashion – create diversified running lifestyles



Winter Protective Running Shoes —LI-NING Cloud 5



Experimental Fashion Running Shoes — Wind Ranger CRC*



Make Professional Running Shoes Chic—Shadow CRC*

*CRC: Create / Remake / Culminate

Training — Focus on Technological Innovation, Seize Opportunities in Niche Market



Sports Casual — Interpret Fashion Trends, In-depth Dialogue with Young Consumers



Commencement of the Year
2021 Spring Festival Series —
Rich Everyday

Create Classic IP, Enrich Stories
Packs of Core Products

Retro Trend
Classic Series —
LI-NING x QQ Dance



Brand Crossover
LI-NING x LINE FRIENDS

Focus on Segmented Markets,
Explore Potentials of Female
Consumption



Participate in International
Fashion Week
China LI-LING create fads
ceaselessly



Collaborate with pioneering artists
Interpret sports and fashion using
multi-artistic angles

Build up China LI-NING with Cutting-edge
Concepts
Lead Sports Casual Trends of China

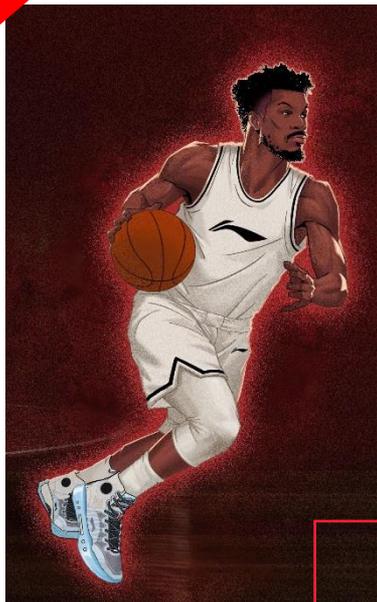


* NEOPIC
Youth Series Promotion
Ambassador — Cai Chengyu

Collaborate with Artists, Further
Cultivate Fan Economy

The spokesperson for sports casual
category — Hua Chenyu

Brand Marketing — Build up Professional Resources Matrix, Fortify Brand's Professionality



Basketball

Running



Badminton



Brand Marketing — Brand Crossovers, Double Empowerment



LI-NING x LINE FRIENDS



Gather “Best Friends”,
Revisit Best Moment



LI-NING x Jackie Chan



Explore and Showcase the Cultural
Essence and Beauty of
Chinese Kung Fu



China LI-NING x Hajime Sorayama



Blend in Sports Fashion Trends
with Modern Arts,
Enter the Future World of
Machine Aesthetic



Brand Marketing — Dunhuang Fashion Week

30th Anniversary · Silk Road Exploration



◀ Fashion Week Scenes
📍 Location: Dunhuang, China

- 25th August 2020 marked the grand opening of LI-NING's "30th Anniversary · Silk Road Exploration" in Yadan National Geological Park, Dunhuang.
- From New York to Paris, at the LI-NING's 30th Anniversary, we went back to Dunhuang in China to hold a fashion week on the thousand-year-old Silk Road, which symbolizes our persistence in exploring and making breakthrough while following the footsteps of our predecessors.



Operational Progress

4 Operational Progress / 2020 Annual Report

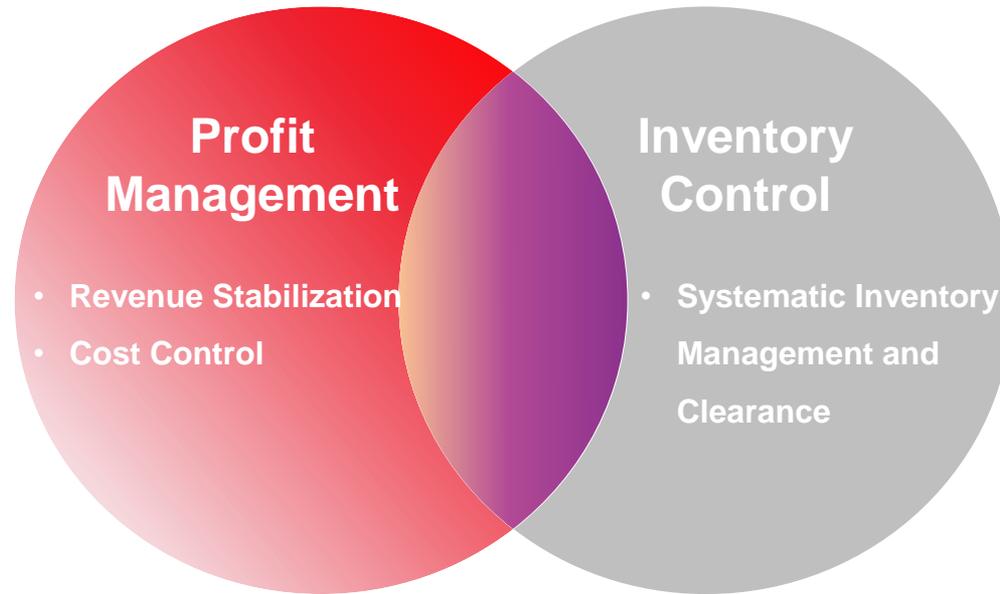
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Results
2020



Control and Manage Risk Amidst the Pandemic



Optimize Efficiency, Reshape Cultures



R&D and
Innovation



Supply Chain
Efficiency



Product
Management



Channel
Efficiency



E-commerce
Optimization



Retail
Operation

Optimize Organizational Structure,
Reshape Management Cultures

Strengthen R&D Capabilities, Integrate Supply Chain Organization

R&D and Innovation



- Focus on professional sports needs, lead the market with innovation
- Refine R&D organization and talent team
- Strengthen synergy among R&D and sales, product and supply chain

Supply Chain



- Transition from “passive production” to “proactive production”
- Improve quality control, cost and delivery management
- Continue to integrate and improve supplier matrix and materials


R&D and Innovation




Supply Chain Efficiency




Product Management




Channel Efficiency




E-commerce Optimization




Retail Operation

Optimize Organizational Structure,
Reshape Management Cultures

Continue to Improve Product Operation Capability



Focus on “product and point of sale merchandising”:

- Refine product operation that focused on product, point of sale merchandising, marketing and inventory

- Establish and continue to refine product planning and sales planning systems

- Reduce product width, enhance product depth, optimize product efficiency

- Realize business growth with products as the core driver



Realize Channel Layout Based on the Profitability of Single Store

**Expand high-quality stores
that are profit-making**

1

Optimize new stores opening process, enhance efficiency of store-opening

2

Improve channel efficiency, promote the opening of big stores, accelerate the closing down of underperforming and loss-making stores

3

Promote store image management, convey LI-NING's brand value


R&D and
Innovation




Supply Chain
Efficiency




Product
Management




Channel
Efficiency




E-commerce
Optimization




Retail
Operation

Optimize Organizational Structure,
Reshape Management Cultures

Establish and Consolidate the Omni-channel Business Model

Consolidate the departments of omni-channel and member management

Share marketing resources between online and offline to coordinate businesses development

Initiate marketing campaigns to lead the pace of business

Enhance integration and synergy of online and offline businesses



Continue to Optimize Retail Operation Capability



Focus on “product and point of sale merchandising” and “efficiency”



Consolidate product and retail operation, focus on key retail KPIs



Strengthen synergy between wholesale and retail businesses



Enhance business precision, conduct monthly plan and weekly review



Optimize profit model for single store, promote standardized retail operation


R&D and Innovation




Supply Chain Efficiency




Product Management




Channel Efficiency




E-commerce Optimization




Retail Operation

Optimize Organizational Structure,
Reshape Management Cultures

Optimize Organizational Structure, Reshape Management Cultures

Elite team with the same focus and goal

- 
> Optimize organizational structure according to business needs
01
- 
> Promote coordination across departments and systems
02
- 
> Convey Company's strategies and cultures via live streaming sessions of CEO
03


R&D and Innovation




Supply Chain Efficiency




Product Management




Channel Efficiency



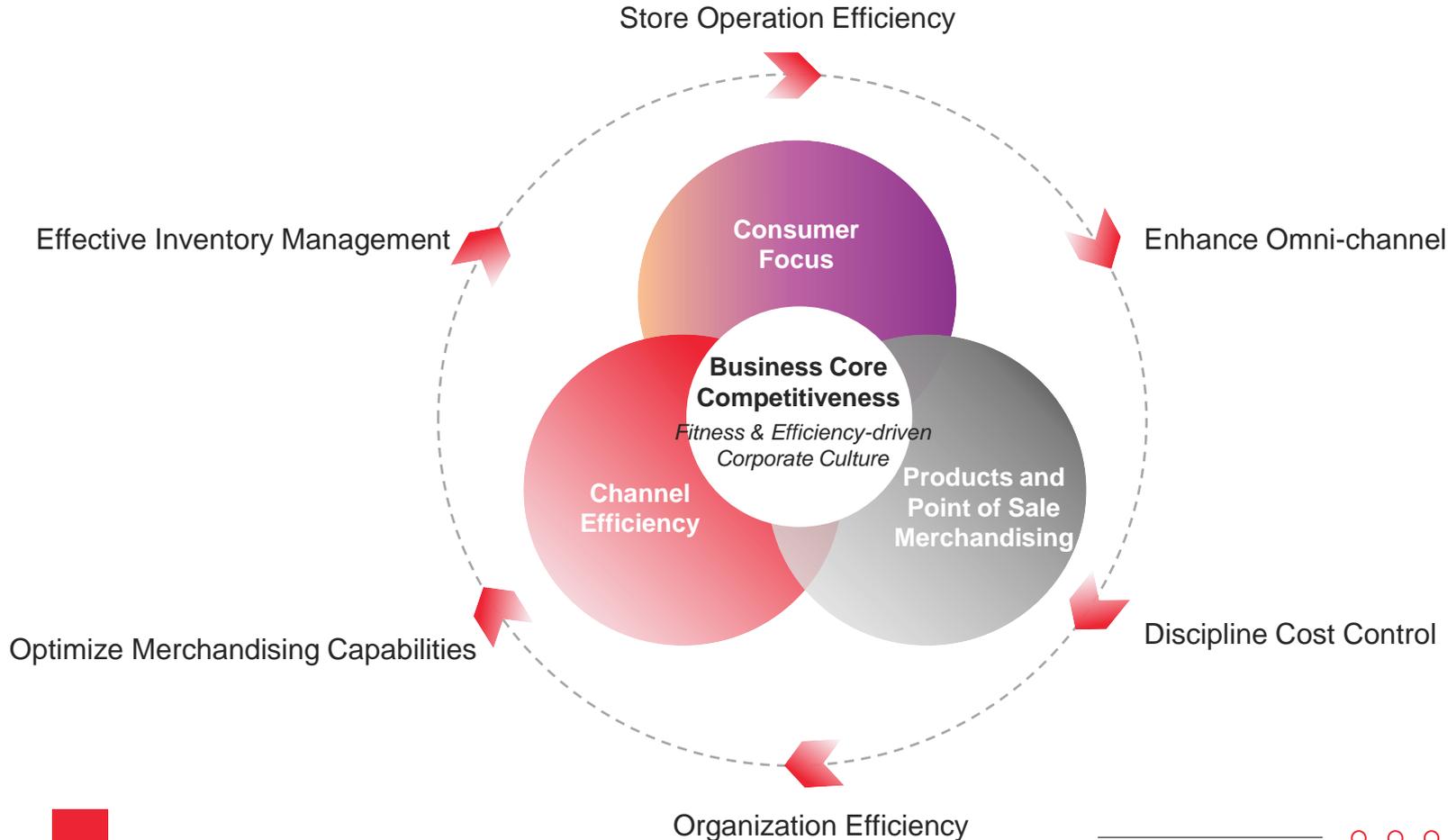

E-commerce Optimization




Retail Operation

Optimize Organizational Structure,
Reshape Management Cultures

Continuously Strengthen Core Business Competitiveness



Appendix

5 Appendix / 2020 Annual Report

Li Ning Company Limited

DISNEY



青春系列推广大使：蔡程昱

蔡程昱


LI-NING
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Results
2020



Appendix 1 — Summary of Income Statement and Balance Sheet



(RMB million)	2020	2019	Better/ (Worse)
	Period ended 31 December		
Revenue	14,457	13,870	4.2%
Gross Profit	7,094	6,805	4.2%
Distribution costs	-4,425	-4,445	0.5%
Administrative expenses	-805	-968	16.9%
Other Income and other gains -net	362	139	160.7%
Operating Profit	2,196	1,543	42.3%
EBITDA	3,292	2,708	21.6%
Profit Attributable to Equity Holders	1,698	1,499	13.3%
Basic Earnings per share (RMB cents)	69.21	61.94	11.7%

(RMB million)	31 Dec 2020	31 Dec 2019	Better/ (Worse)
	Cash and Cash Equivalents	7,187	
Borrowings	0	0	N/A
Net Cash*	7,443	5,963	24.8%
Current Liabilities	5,015	4,717	6.3%
Current Ratio (times)	1.95	1.81	0.14
Total Liabilities to Total Asset Ratio	40%	43%	3.0p.p.

*Net Cash = Cash and Cash Equivalents (including restricted bank deposits and bank deposits with the maturity over one year) - Borrowings



Appendix 2— Profit Margins and Key Operating Indicators



	2020	2019	Better/ (Worse)		2020	2019	Better/ (Worse)
	Period ended 31 December				Period ended 31 December		
Gross Profit Margin	49.1%	49.1%	0.0p.p.	Inventory Turnover (Days)	68	68	0
Operating Profit Margin	15.2%	11.1%	4.1p.p.	Trade Receivables Turnover (Days)	17	21	4
EBITDA Margin	22.8%	19.5%	3.3p.p.	Trade Payables Turnover (Days)	65	63	2
Margin of Profit Attributable to Equity Holders	11.7%	10.8%	0.9p.p.	Cash Conversion Cycle (Days)	20	26	6
R&D Expenses (as % of revenue)	2.2%	2.6%	0.4p.p.	Return on Equity (ROE)	21.5%	23.2%	(1.7p.p.)
A&P Expenses (as % of revenue)	8.9%	9.6%	0.7p.p.	Return on Asset (ROA)	12.5%	14.1%	(1.6p.p.)
Staff Costs (as % of revenue)	9.1%	10.9%	1.8p.p.	CAPEX (RMB million)	639	682	6.3%