



2021

ANNUAL REPORT

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 2021 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.

Other than the information contained in the Results Announcement, you shall not reproduce or distribute this presentation, in whole or in part, and you shall not disclose any of the contents of this presentation or use any information herein for any purpose without the Company’s prior written consent. You hereby agree to the foregoing by accepting delivery of this presentation.

The contents of this presentation have not been reviewed or approved by any regulatory authority in Hong Kong or elsewhere. The contents of this presentation are not investment, legal or tax advice. You are advised to exercise caution in perusing the contents of this presentation. If you are in any doubt about any of the contents of this presentation, you should obtain independent professional advice.





1 Results Highlights

2 Financial Review

3 Strategic Direction

4 Operational Progress

5 Appendix

01

Results Highlights

RESULTS
HIGHLIGHTS





2021 FINANCIAL HIGHLIGHTS



Financial Highlights

- ◆ Net profit attributable to equity holders increased by 136% to RMB4,011 million, and the net profit margin raised from 11.7% to 17.8% :
 - Revenue increased by 56% to RMB22,572 million
 - Gross profit margin expanded by 3.9 percentage points to 53.0%
 - Enhanced operating leverage helped drive operating profit margin up by 7.6 percentage points to 22.8%
- ◆ Operating cash flow increased by over 136% to RMB6,525 million.
- ◆ Stable improvement in working capital:
 - The percentage of gross average working capital to revenue improved (reduced) by over 2 percentage points
 - Cash conversion cycle remained flat at a healthy level of 20 days



2021 OPERATIONAL HIGHLIGHTS



Operational Highlights

- ◆ The retail sell-through for the overall platform increased by high-fifties, including online and offline channels.
- ◆ Channel inventory turnover improvement continued with aging structure optimized materially.
- ◆ Offline channel new product sell-through increase accelerated to high-sixties:
 - Sell-through mix of new products increased by approximately 7 percentage points
 - Retail discount rate improved by over 3.5 percentage points
 - Sell-out rate: 6-month improved by approximately 14 percentage points, 3-month improved by approximately 13 percentage points

02

Financial Review

FINANCIAL
REVIEW



炸裂外场

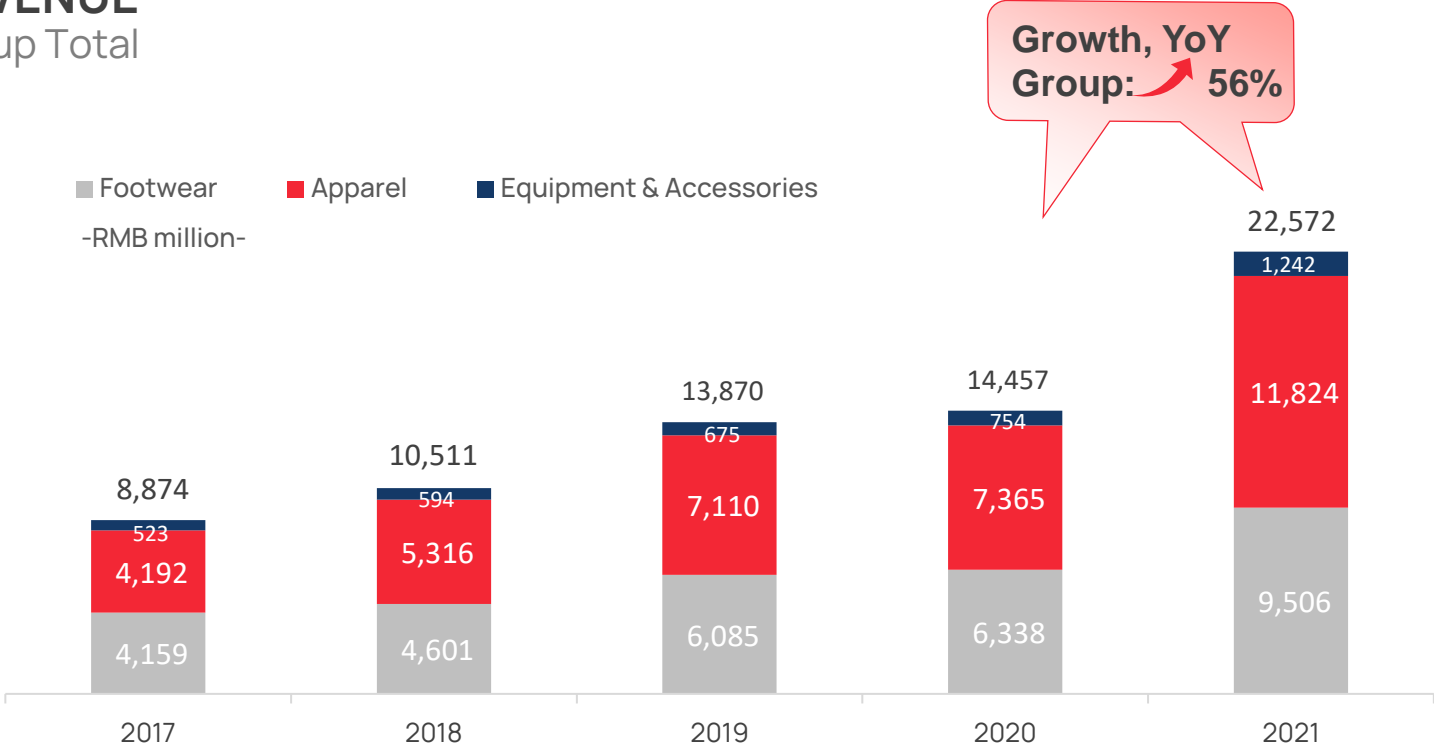
韦德裂变7

前掌内置轻量化科技

NING · 2021 ANNUAL REPORT · LI-NING · 2021 ANNUAL REPORT · LI-NING



REVENUE
Group Total

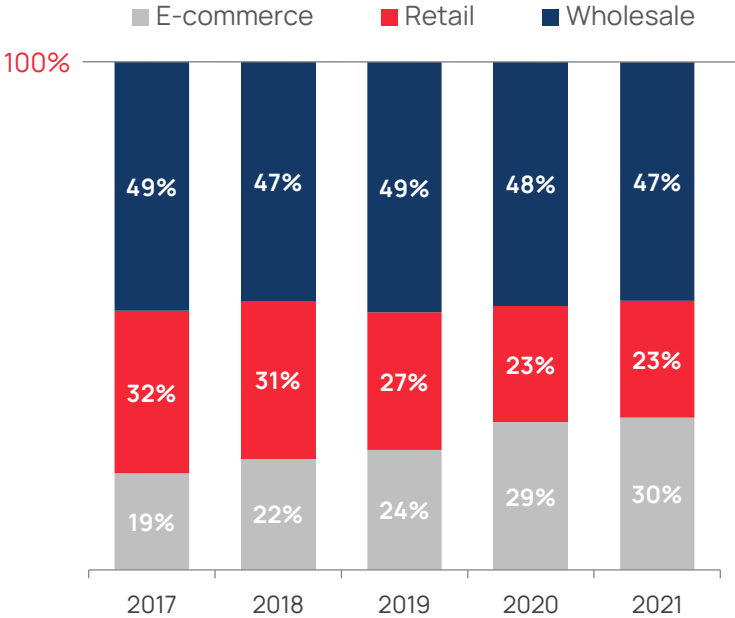


Growth driven by all product groups



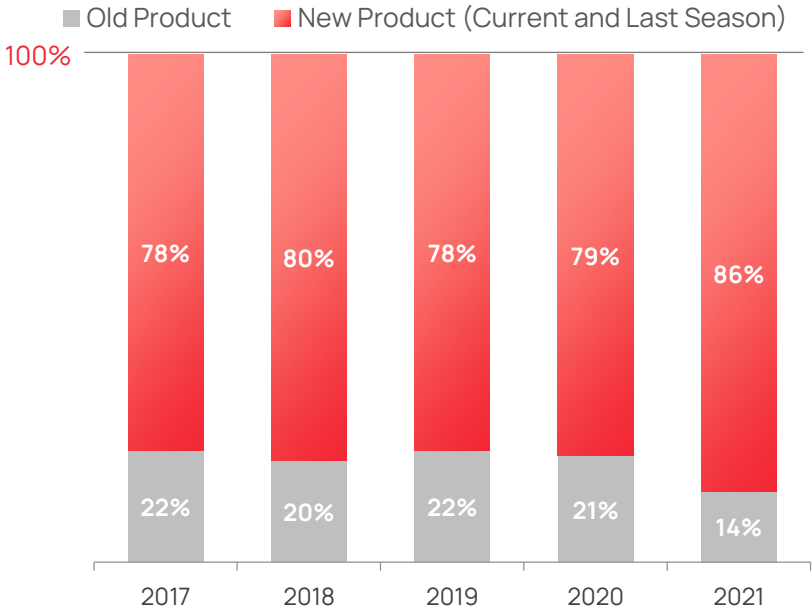
REVENUE AND SELL-THROUGH MIX
LN Brand (excl. International Markets and LN YOUNG)

Company Revenue Mix



Sell-Through Mix

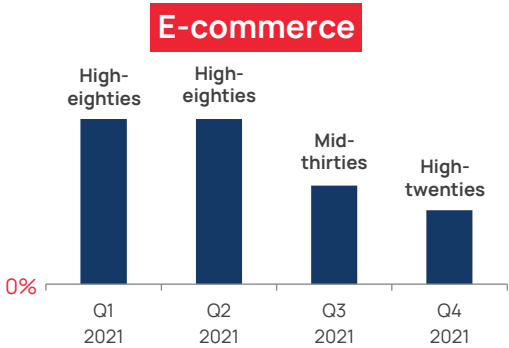
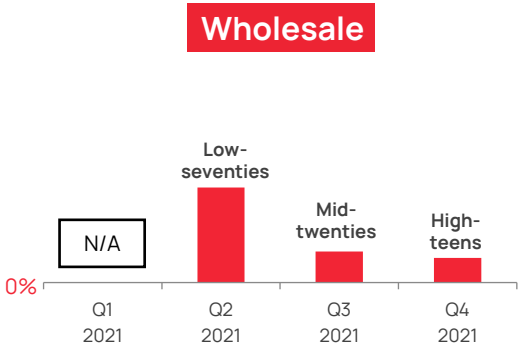
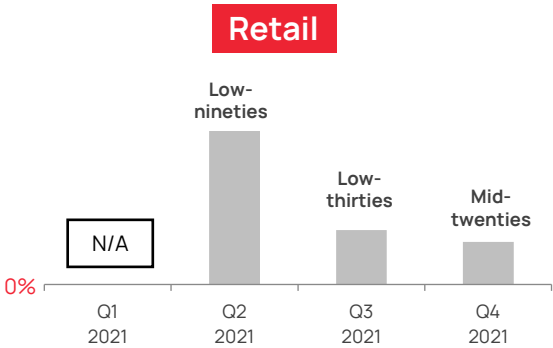
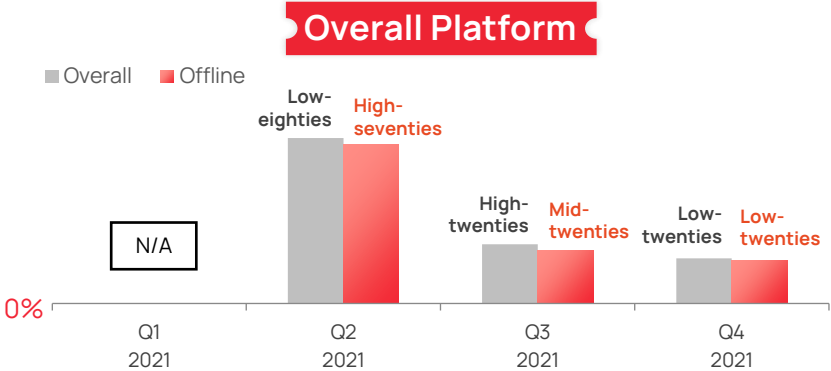
(Incl. Retail and Wholesale)



Consistent strong growth in all channels with improved new product mix



▶▶▶ **SAME STORE SALES GROWTH (SSSG) RATE**
LN Brand (excl. International Markets and LN YOUNG)

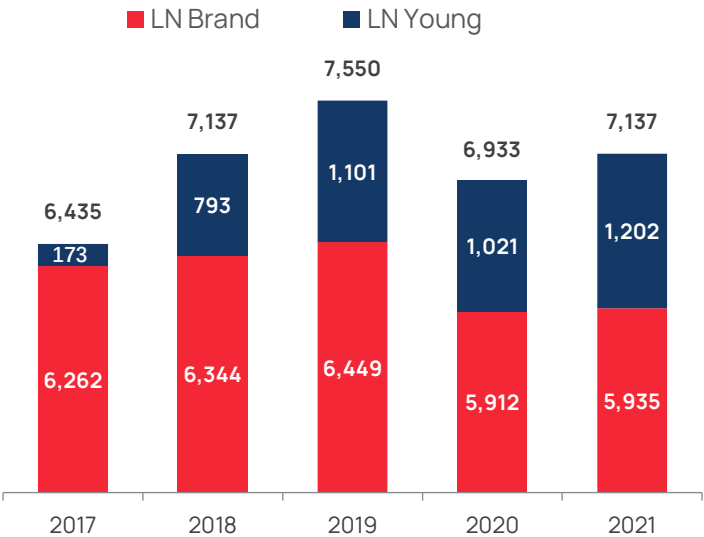


* No comparison data in 20Q1, so only including SSSG data of e-commerce and offline channels in Q2, Q3 and Q4
In 2021, same store sales of E-commerce registered a mid-fifties growth on a year-on year basis

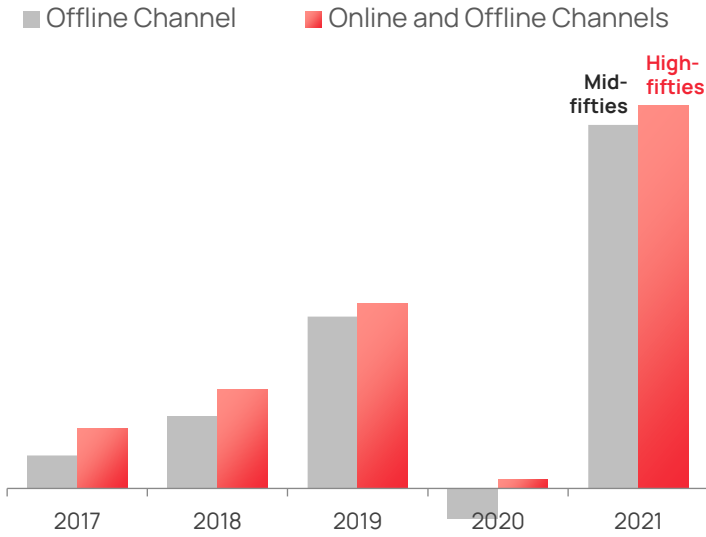


▶▶▶ **ONLINE AND OFFLINE EXPANSION**
LN Brand (excl. International Market Sales)

POS number
(Year end)



Sell-through growth, YoY %
(excl. LN YOUNG)

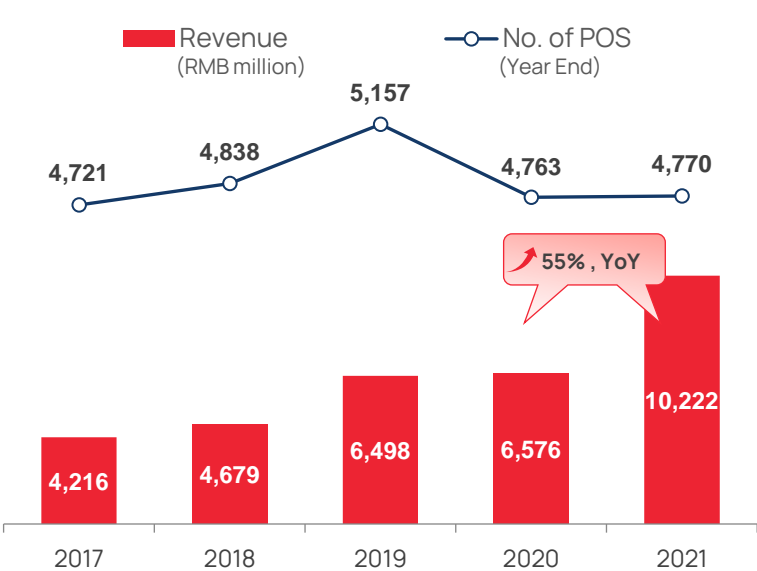


Continued channel expansion with big store focus
while sell-through momentum expanded

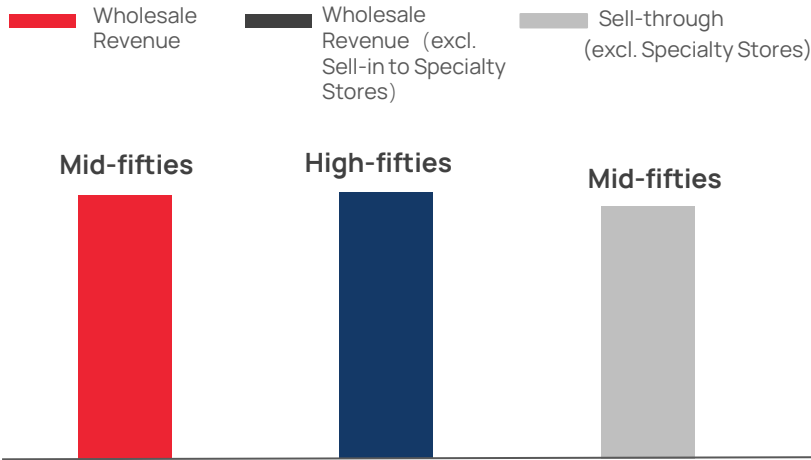


WHOLESALE BUSINESS^
LN Brand (excl. International Market Sales and LN YOUNG)

Business Performance



Sell-through and Revenue Change, YoY%



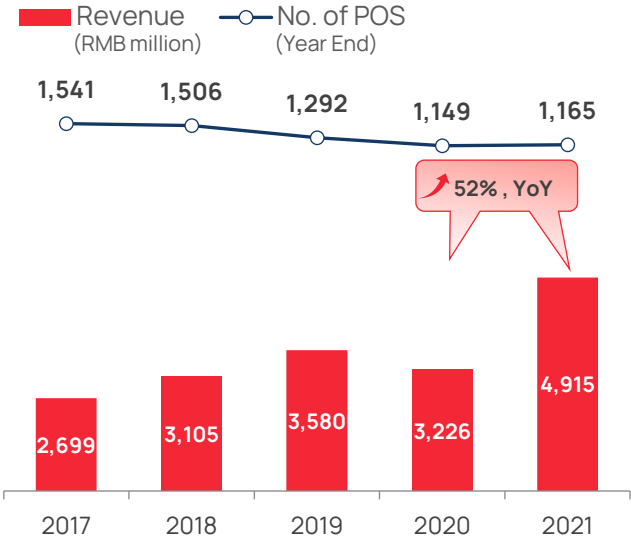
Balance sell-in vs sell-through to maintain channel inventory health

^ Include product sales of badminton, table tennis and football categories from specialty-stores

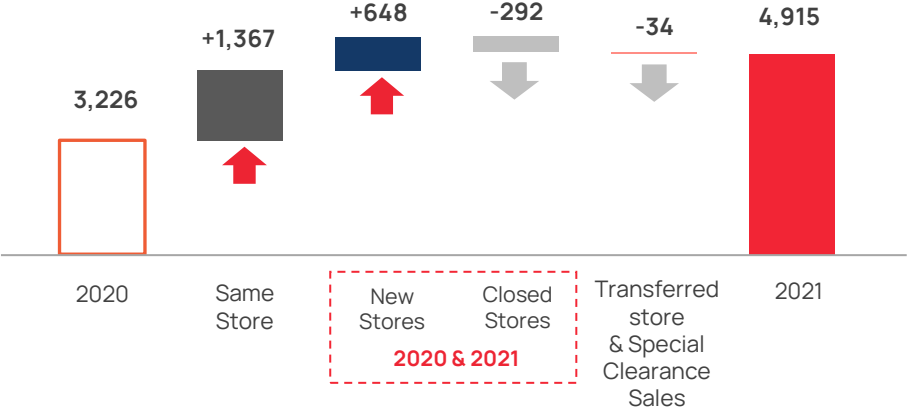


RETAIL BUSINESS^
LN Brand (excl. LN YOUNG)

Business Performance



Revenue Change Analysis



Direct retail business boosted by increased store productivity

^ Refer to direct retail operation



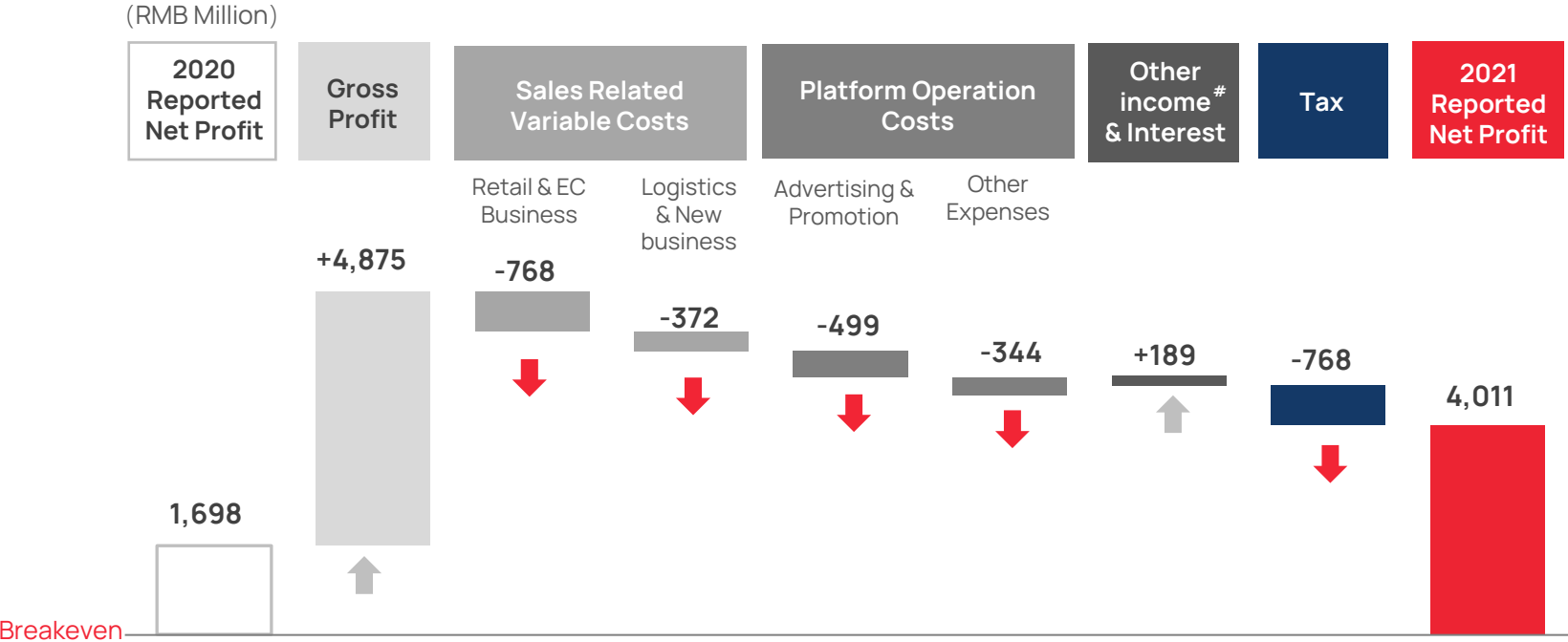
▶▶▶ **GP MARGIN ANALYSIS**
Net Change in Major Items



Gross margin expansion largely driven by discount improvement at retail end



▶▶▶ **PROFITABILITY ANALYSIS**
Net Change of Major P&L Items



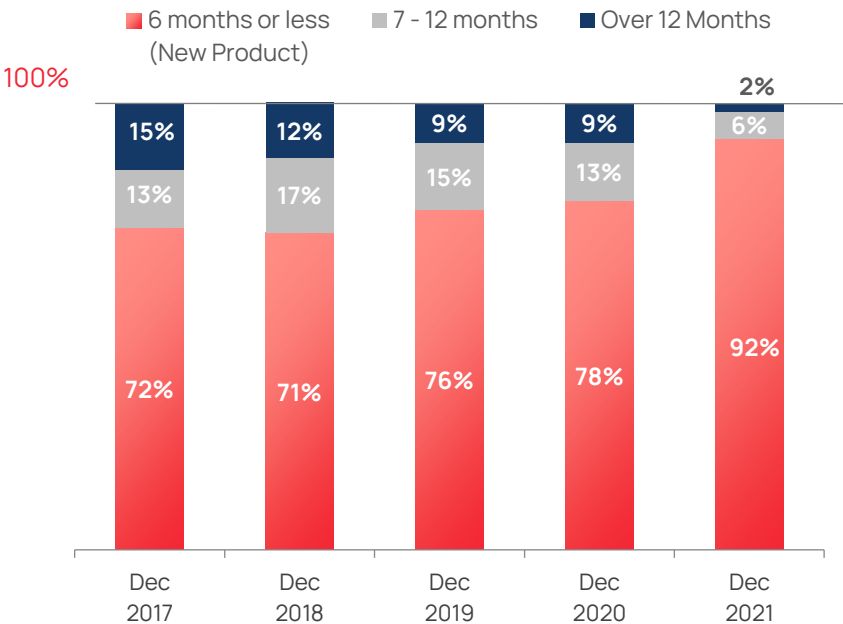
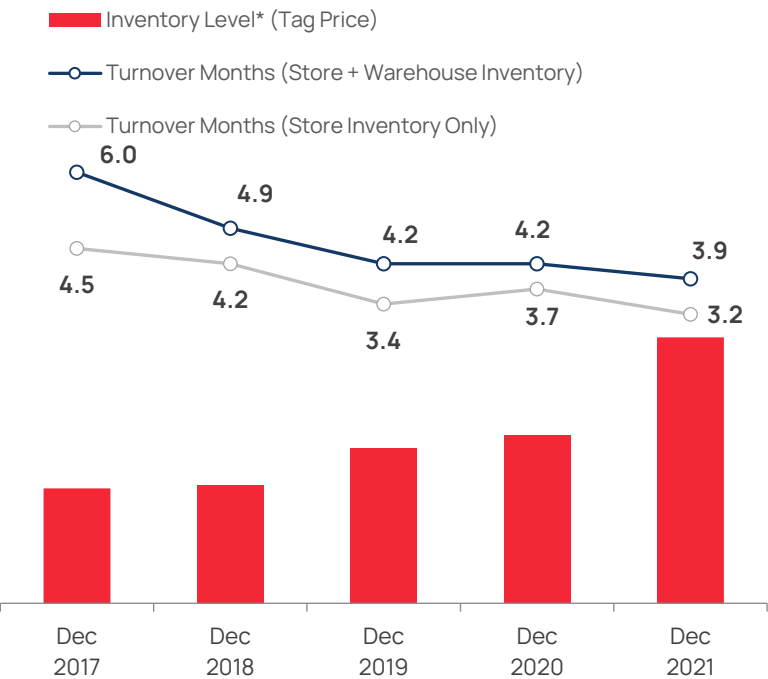
Significant revenue growth and gross margin rate expansion drive substantial profit growth

[#] Other income includes (i) other income and other gains (net), (ii) share profit from associates and joint ventures



CHANNEL INVENTORY

Incl. Online and Offline

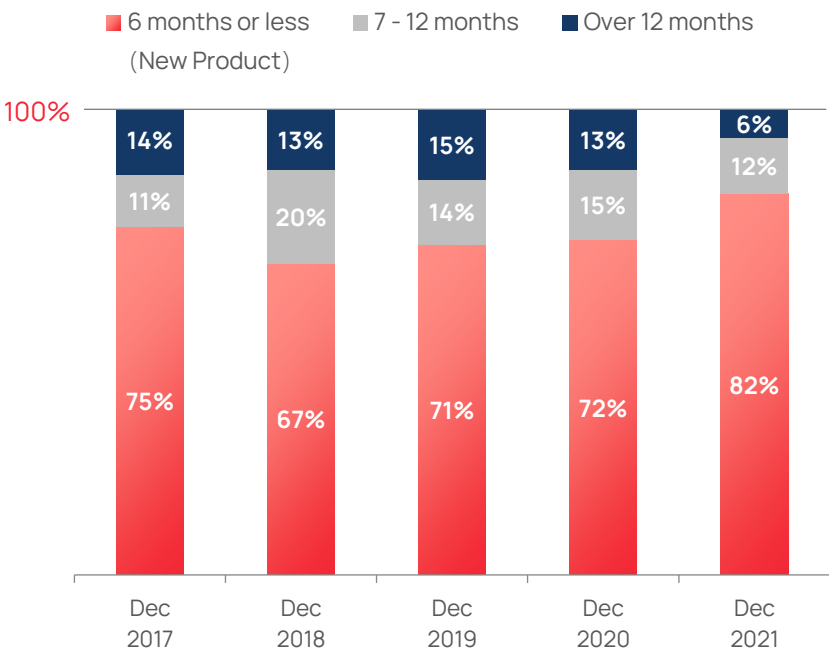
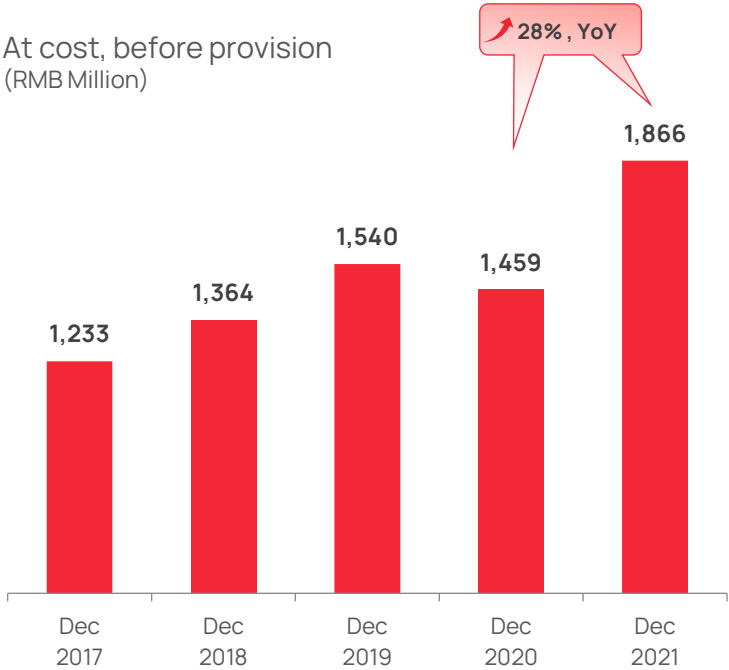


Successful inventory management initiative drive inventory turnover efficiency and aging structure improvement

*Including store and warehouse



COMPANY INVENTORY

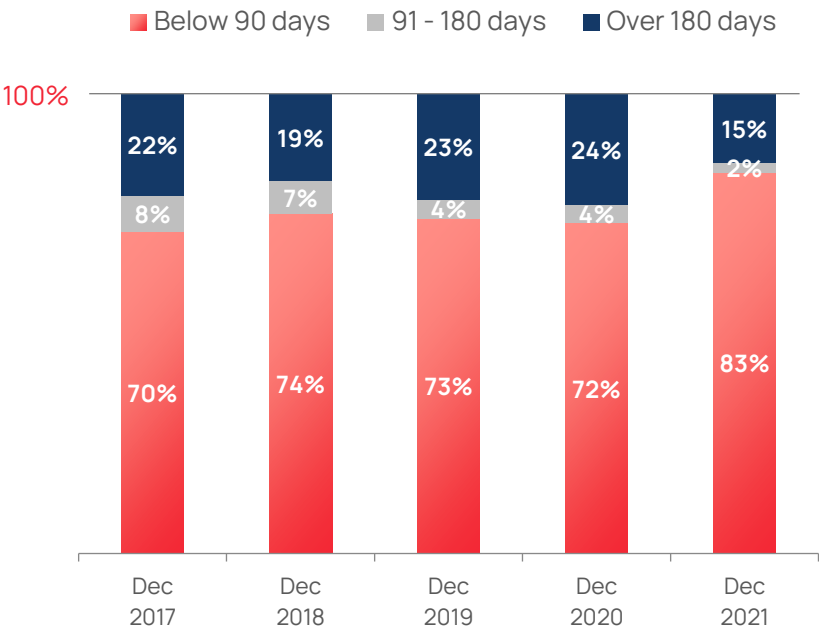
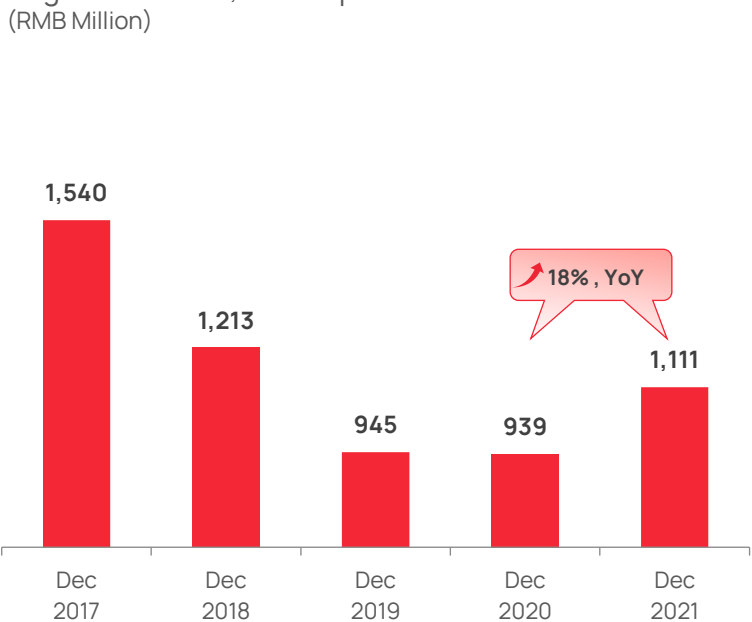


Highly improved aging structure provided healthy foundation for growth



TRADE RECEIVABLES

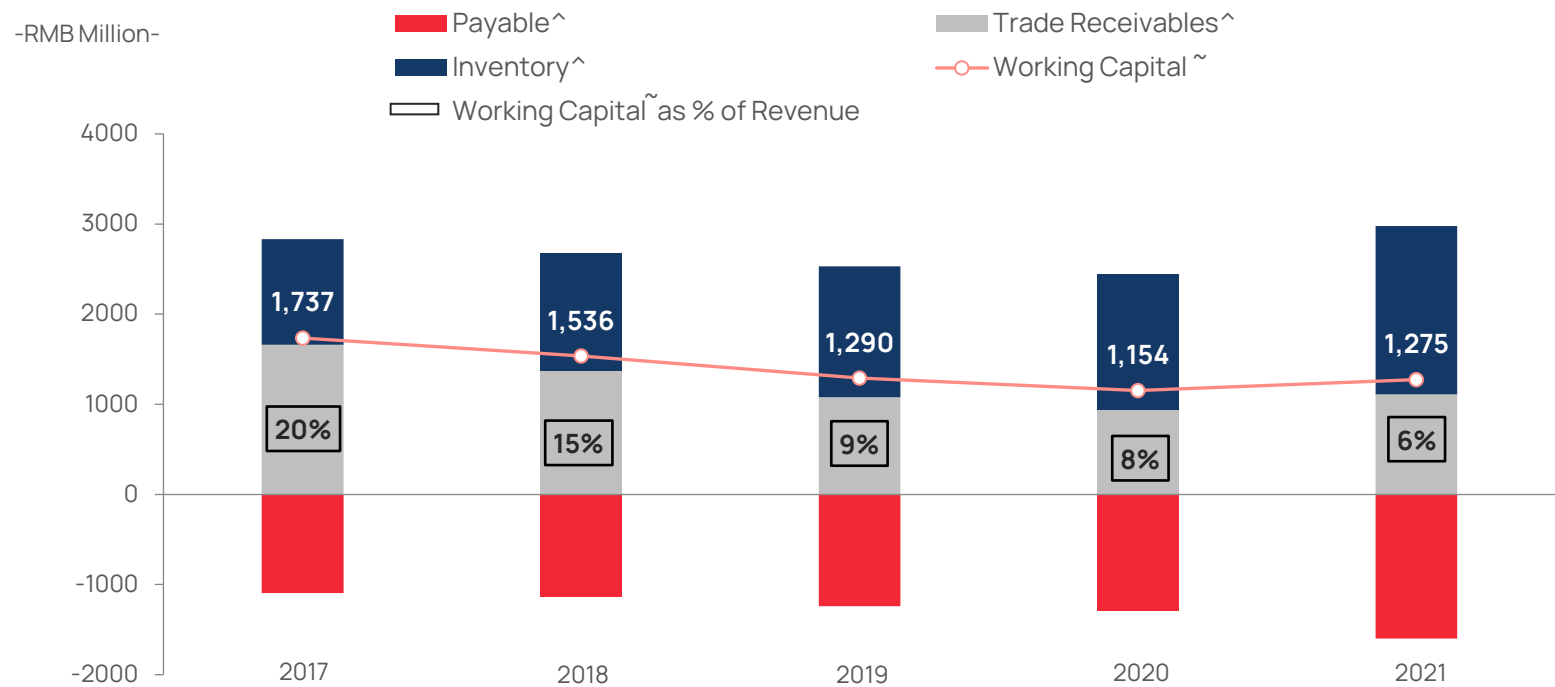
At gross amount, before provision
(RMB Million)



Receivable Days Sales Outstanding (DSO) continued to improve



WORKING CAPITAL EFFICIENCY



Healthy working capital structure provides flexibility for business development

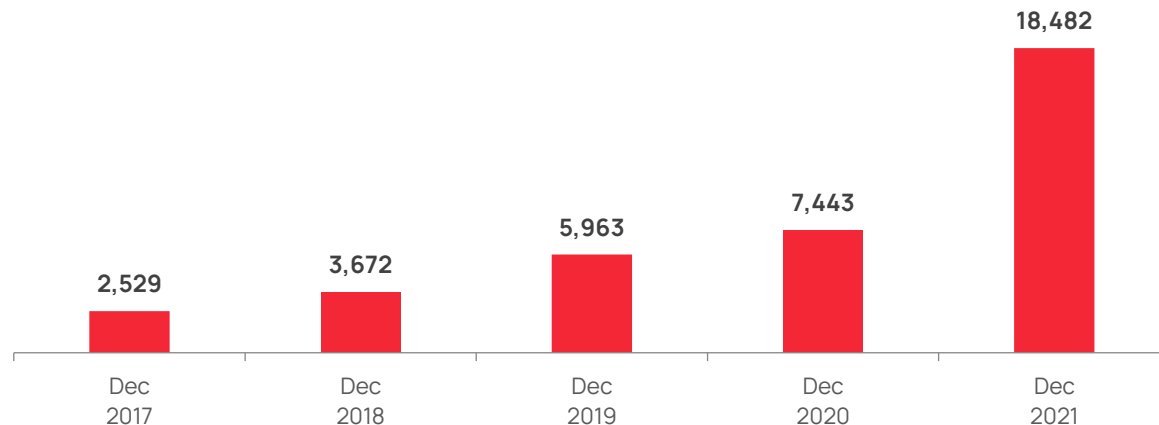
~Simple average between period opening and ending
^Gross Amounts of inventory, trade receivables and payables, without netting off provisions



▶▶▶ BALANCE SHEET SUMMARY AND CASH POSITION

-RMB Million-

Net Cash Position^



Cash Conversion Cycle (Days)	49	40	26	20	20
Dividends**	0	215	380	510	1,203
Operating Cash Flow	1,159	1,672	3,503	2,763	6,525

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

**Upon shareholders approval

03

Strategic Direction

STRATEGIC
DIRECTION





Lead the Robust Growth Momentum in the Industry, Continuously Optimise LI-NING's Experience Value

“Common Prosperity” Vision to Increase National Income, Further Promote the Sports Consumption Upgrade

Under China's promotion of common prosperity, the disposable income per capita will steadily increase and the consumption structure will continue to upgrade. As consumption upgrade has brought opportunities to the niche segments of sporting goods market, LI-NING brand has continued to upgrade its product and consumption experience, adhering to the strategy of “Single Brand, Multi-categories, Diversified Channels” to satisfy growing personalised, diversified and high-quality consumption needs of consumers, while enhancing its brand value and grasping the trends and growth opportunities of the consumption market.

National Policies Accelerate the Quality Enhancement and Market Expansion of Sports Consumption Industry , Bringing Strong Growth Momentum to the Industry

The “National Fitness Plan (2021-2025)” and the “14th Five-Year Plan for Sports Development” both propose to promote the high-quality development of sports industry, aiming that the ratio of people frequently participating in physical exercise will reach 38.5% in 2025, driving the overall scale of the national sports industry to reach 5 trillion. The country also encourages the disbursement of sports consumption vouchers to the public, organizing sports consumption festivals and other means to deeply exploit the consumption potential. With the support of numerous favourable policies, the development of China's sports consumption industry has shown strong momentum.



LI-NING Brand Seizes Opportunities to Increase Market Share, Deeply Exploit the Consumption Potential of Young Consumer Group

With the continuous strengthening of cultural self-confidence and public health awareness, alongside the significant improvement in technological research & development capabilities and continuous product innovation of domestic brands, high-quality domestic sports brands have been gaining awareness and recognition from consumers. Leading the development of the industry, LI-NING brand has continued to strengthen its brand power, improve its product technology and design, and accelerate the development of niche markets such as skateboarding and female sports. During the year, Li Ning launched its new high-end sports fashion sub-brand, LI-NING 1990, seizing the opportunity of China-Chic to attract young consumers and continuously increase its market share.



Consolidate the Strategy of “Single Brand, Multi-categories, Diversified Channels” through Practice





Professionalism and Fashion as Dual Engines to Drive the Strong Momentum of Core Categories

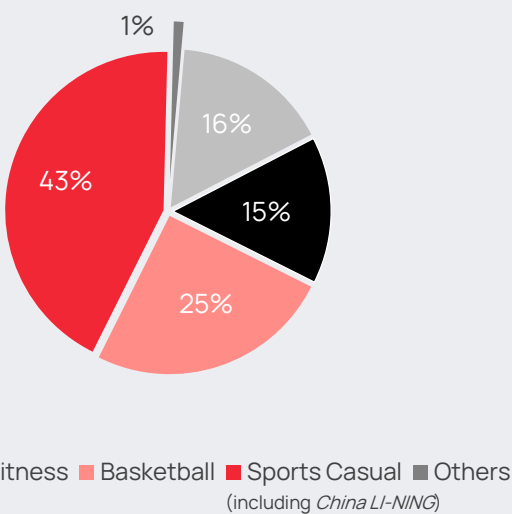
Retail Sell-through – YoY Change (2021)



Revenue – YoY Change (2021)



Retail Sell-through – Mix





Basketball – Drive Business with Professional Products, Deliver Values via Basketball Culture

Professional Basketball



Street Basketball



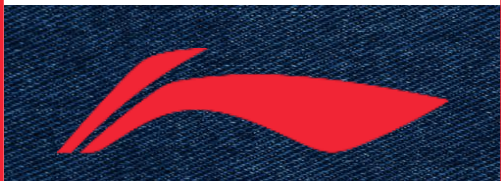
Crossover with Basketball Stars





Running – Well Poised for Growth with Comprehensive Product Matrix, Add New Products Equipped with the LI-NING BOOM Technology

With LI-NING BOOM Technology platform as the core, LI-NING focuses on building the professional running shoe matrix for all scenarios with four series, including Racing Series, High Resilience Series, Protection Series, and Super Light Series.



LI-NING BOOM Technology Platform

- Lightweight** Up to **50%** lighter than traditional anti-shock materials
- Strong Rebound** Up to **80%** energy rebound
- Durability** Better resilience and fatigue resistance



Super Light Series

Beginner Runners



Super Light 18

Protection Series

Advanced Runners & Beginner Runners



Furious Rider 5

High Resilience Series

Advanced Runners & Beginner Runners



Shadow

Racing Series

Racing Runners & Advanced Runners



Feidian 2.0 Elite



Fitness – Accelerate Development in the Niche Markets, Focus on Female Power ▶▶▶



Focus on female professional sports such as yoga, CrossFit and dance to fortify the image of professional product category for women fitness



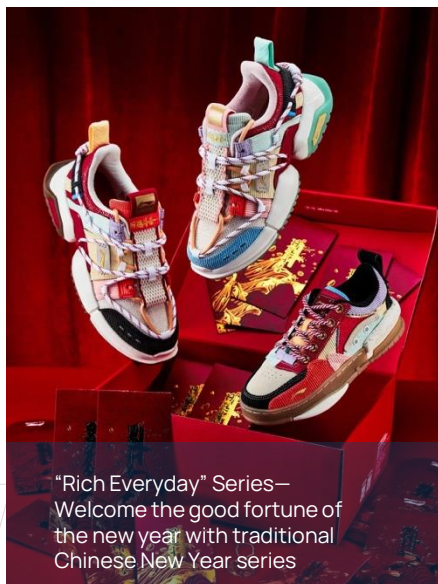
Upgrade protective equipment, introduce products in more youthful style, and create more vibrant functional products

Comprehensively upgrade "No Boundaries 3" fitness shoes by adopting the "LI-NING BOOM Technology"





Sports Casual – Show the Beauty of Sports and Lifestyle



"Rich Everyday" Series—
Welcome the good fortune of
the new year with traditional
Chinese New Year series



Skateboarding Series —
Shine in the young street
style



Classic Multi-colour Series —
inherit the beauty of pure
colour



Brand Marketing – Continuously Strengthen Professional Sports Resources Matrix



CBA Basketball League



Olympic Champion,
Chinese Athlete – Chen Long



Olympic Champion,
Chinese Athlete – Ma Long



2021 Qingdao Marathon



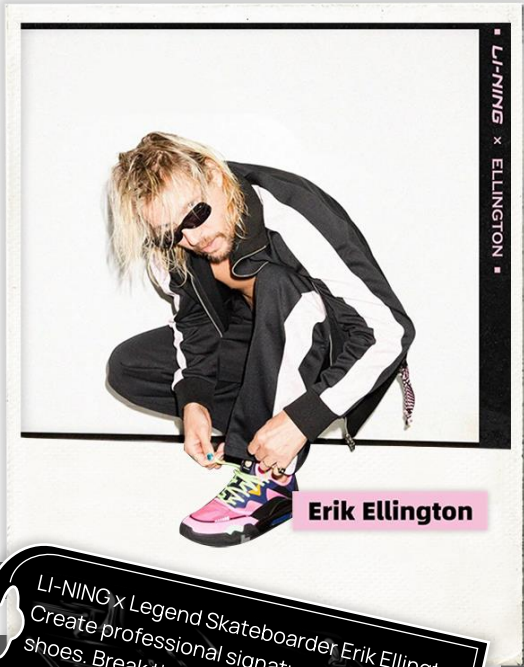
Canada Snowboard Federation



Hungarian Skating Federation



Brand Marketing – Expand Crossover Resources to Reach Diverse Consumer Groups



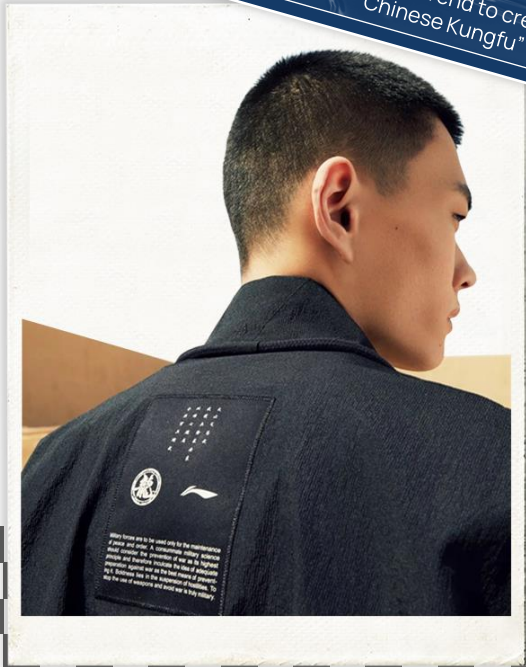
Erik Ellington

LI-NING x Legend Skateboarder Erik Ellington
Create professional signature skateboard shoes. Break the norm, bring more possibilities to skateboarding



WADE x French Artist DFT
Balance black and white, combine sports and arts, achieve breakthroughs and advance fearlessly

LI-NING x Jackie Chan – Kungfu Series
Integrate the thousand-year spirit and heroism with the sports trend to create a kind of culture – “Chinese Kungfu”

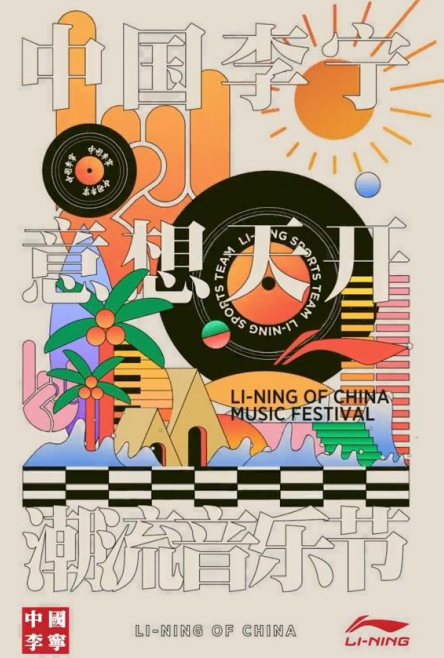


Brand Marketing – China LI-NING Spring/Summer 2022 Fashion Music Festival

In December 2021, China LI-NING held a fashion music festival “The Power of Thoughts” in Sanya, Hainan, and unveiled its Spring/Summer 2022 collection.



Mr. Jackie Chan & Mr. Li Ning



04

Operational Progress

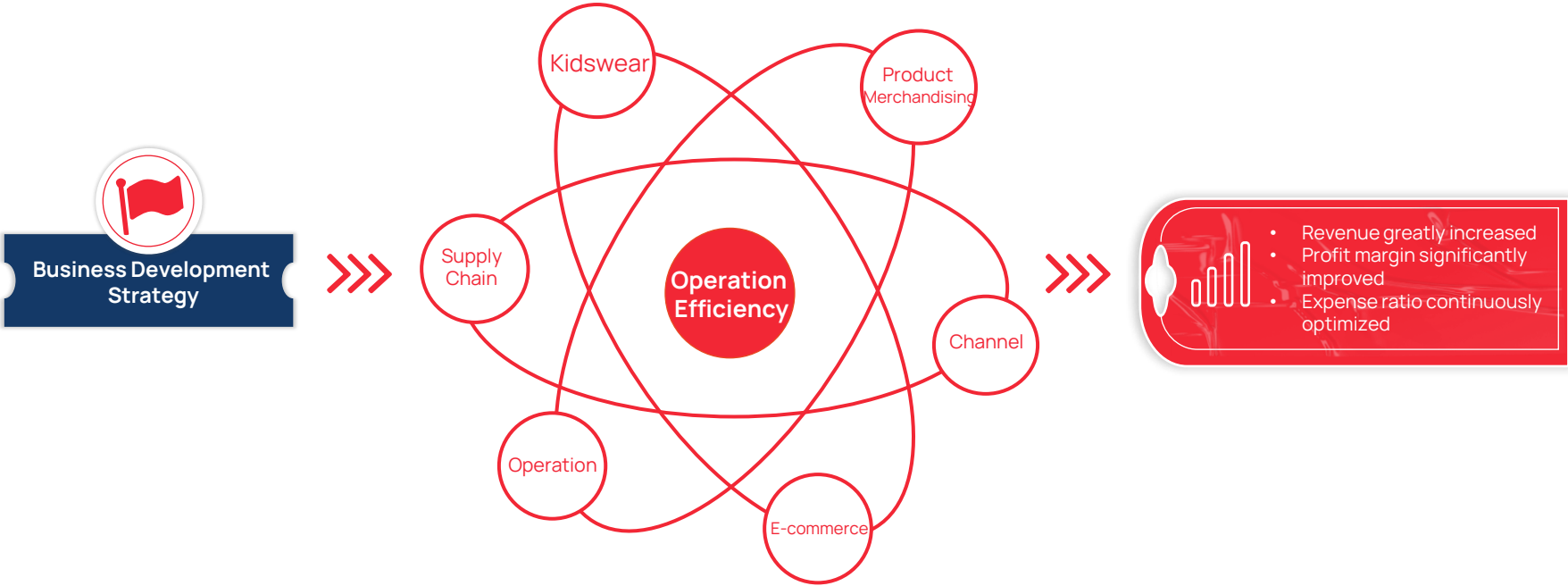
OPERATIONAL
PROGRESS



新生

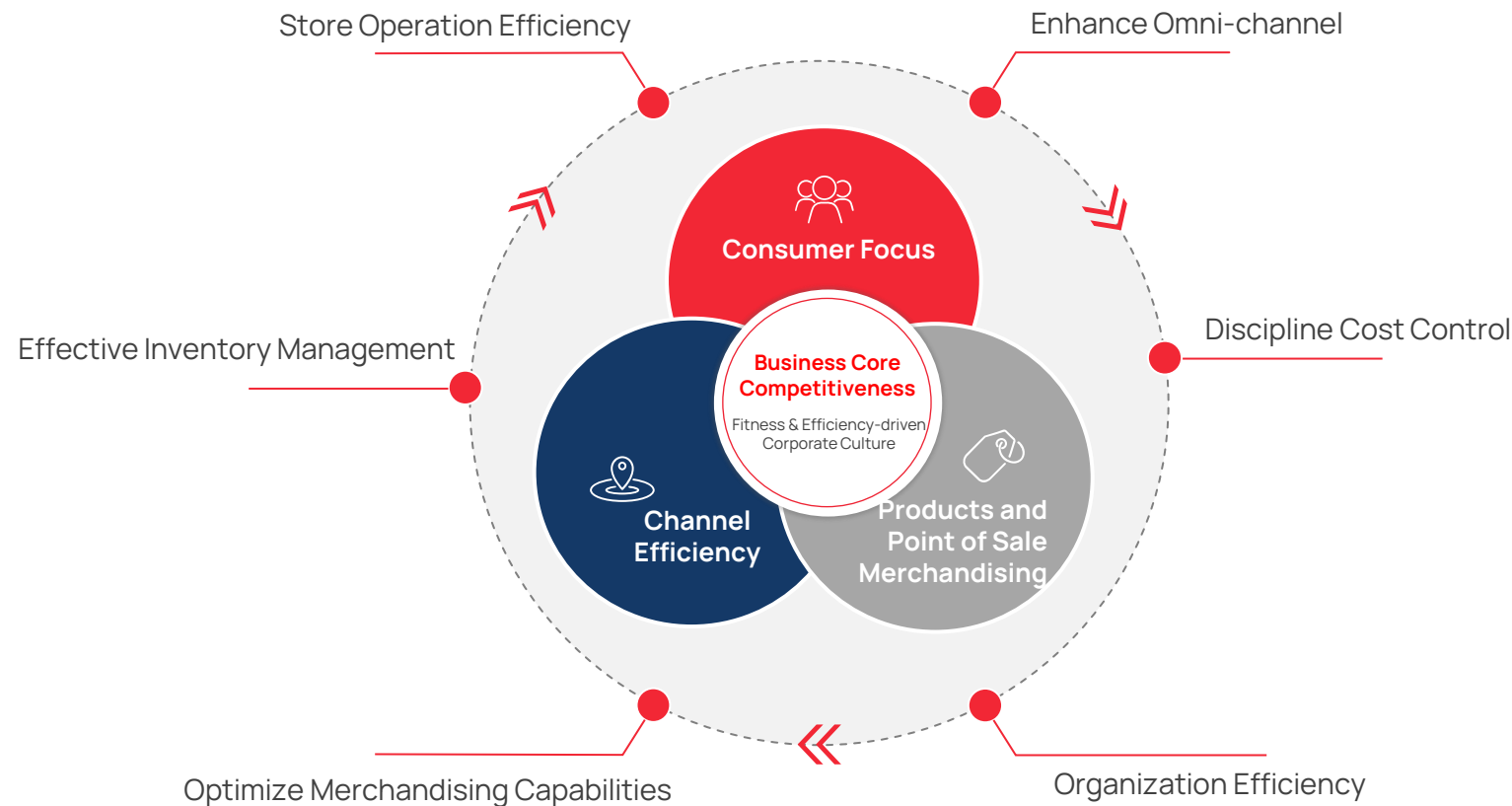


Center on Business Development Strategy,
Unleash Operation Efficiency to Drive the Growth of Business



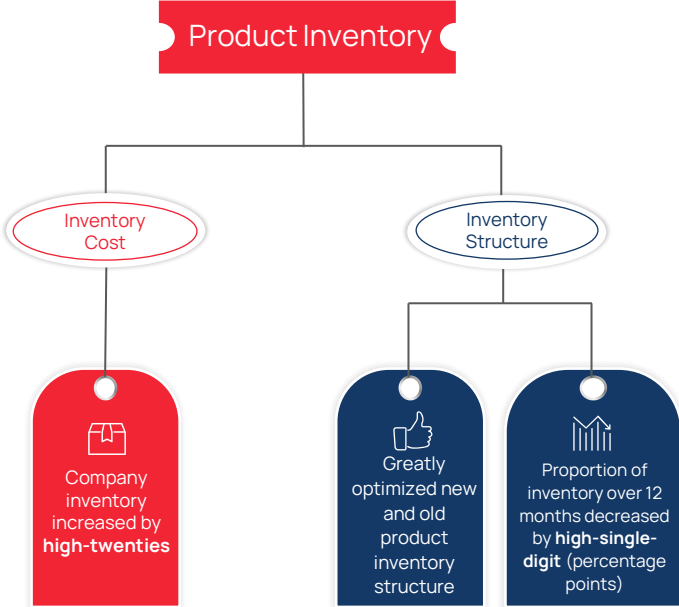
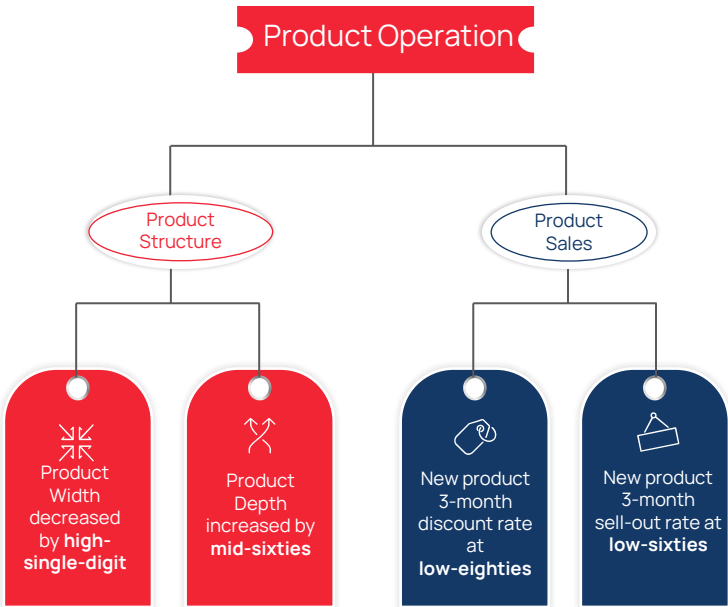


Core Business Development Strategy





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



Refine Product Planning
Focus on **“Product and Point of Sale Merchandising”**

Achieve Better Business Growth with Reasonable Inventory



Channel: Expand High-Quality Profitable Stores, Accelerate Development of High-Quality Channels

Optimize the Standards and Procedures of Store Opening,
Enhance the Efficiency and Quality of Stores

Store Penetration

Total selling square footage increased by **high-teens**

Average single-store selling square footage exceeded **200 sq.m.**

Average monthly store productivity increased by **high-fifties**

Big Store Penetration

Number of big store exceeded **1200**

Average single-store selling square footage exceeded **410 sq.m.**

Average monthly store productivity at approximately **RMB600,000**

Sell-through Structure

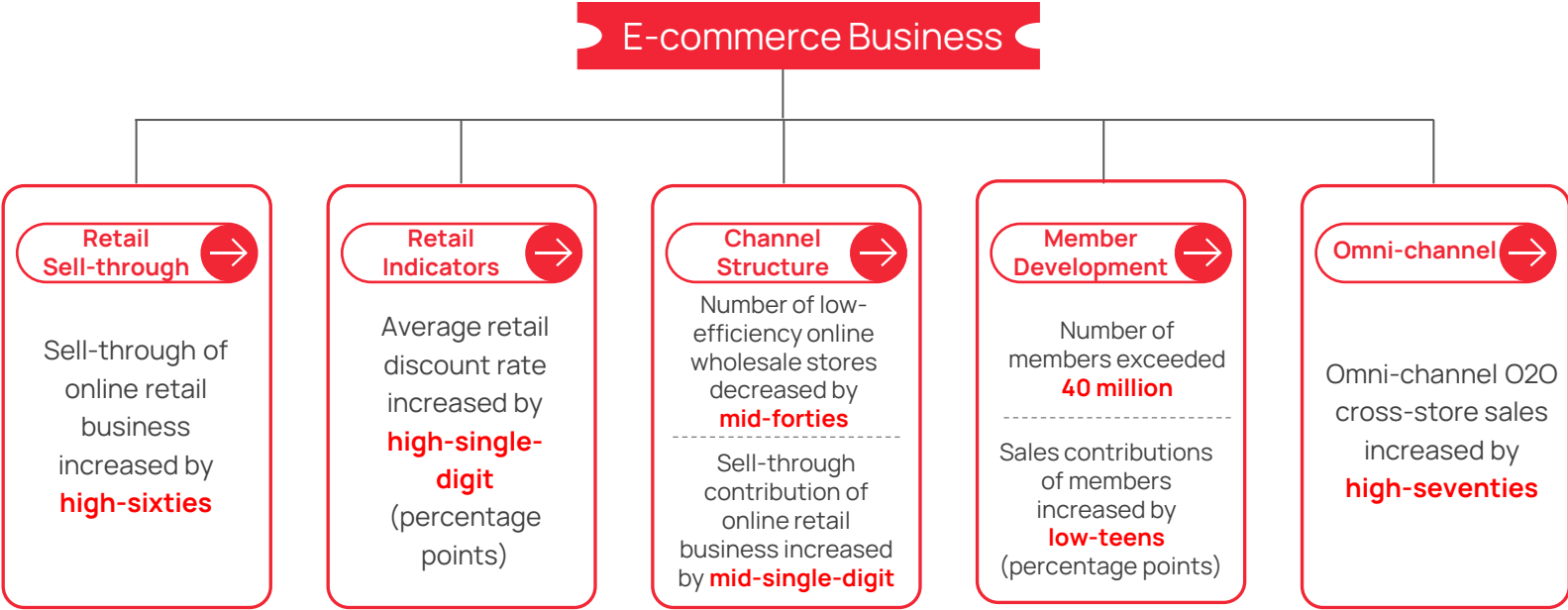
Sell-through contribution of high-tier market* increased by **low-teens** (percentage points)

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

* Including regular stores in metropolises and first-tier cities



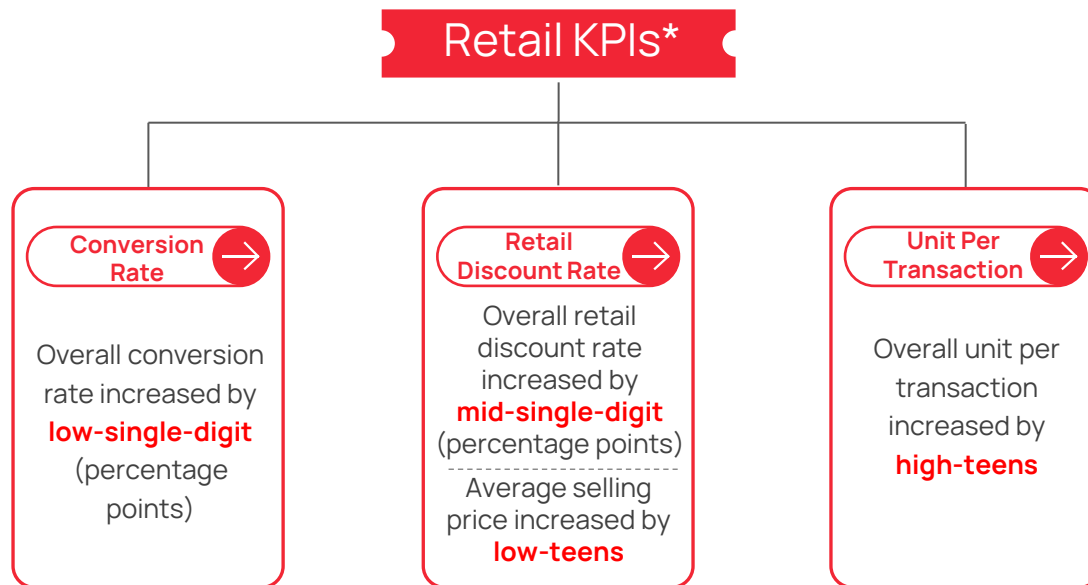
▶▶▶ E-Commerce: Promote the Establishment of Li Ning Omni-Channel Business Model



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



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



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



▶▶▶ Retail Operation: Build the Matrix of Big Stores with High Efficiency, Comprehensively Improve Store Efficiency

01

Matrix of Directly-operated Stores with High Efficiency

- ★ Set up the first store with a monthly sell-through of over 10 million
- ★ Promote the systemization of "Big Stores with High Efficiency"
- ★ Establish the matrix system of directly-operated stores

02

Comprehensive Efficiency Upgrade of Wholesale and Retail Stores

- ★ Optimize the matrix system of directly-operated stores, and promote to wholesale channels
- ★ Expand the coverage of directly-operated and wholesale stores to core cities and business districts

03

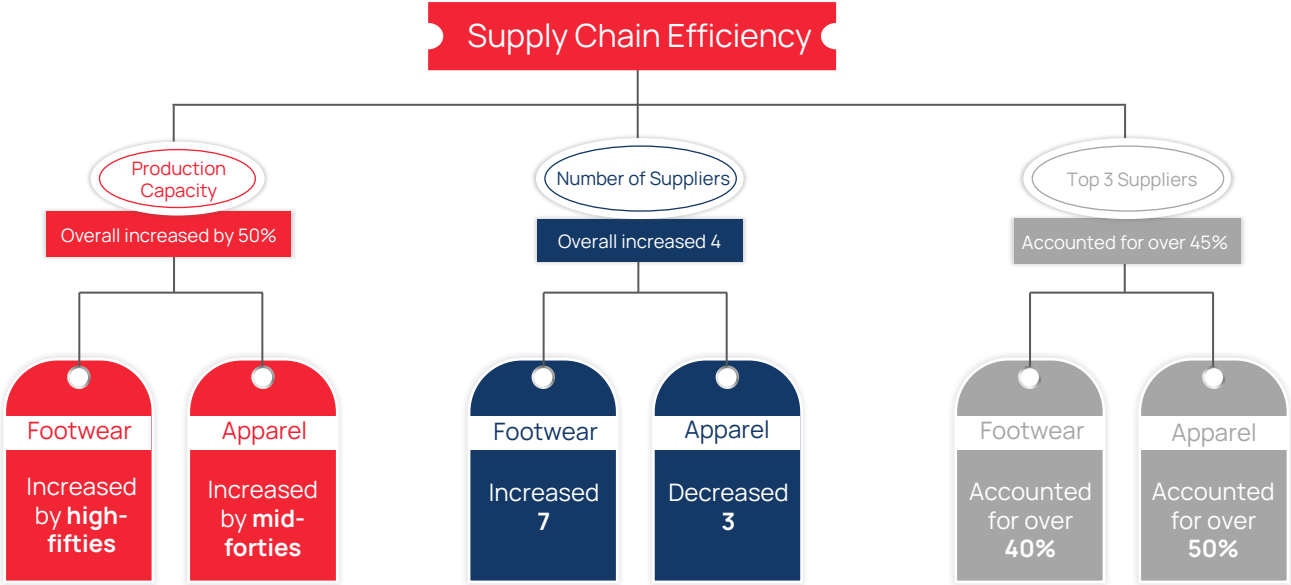
Enhance Omni-channel Profitability

- ★ Drive business improvement, and enhance efficiency of collaborations between departments
- ★ Enhance the single store profitability and retail competitiveness
- ★ Enhance the profitability of distributors and improve the profit of wholesale business

 Gradually Realized the Product and Retail Operation Model of Big Stores with High Efficiency, and Fully Optimized the Profitability of Channels



Supply Chain: Continuously Integrate and Optimize Supply Chain Organization



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



►►► Kidswear Business: Enhance Professional Kidswear Image, Drive Efficiency and Business Growth

01 Retail Efficiency

- Retail sell-through increased by **low-seventies**
- Average selling price increased by **high-teens**
- Retail discount rate improved by **mid-single-digit** (percentage points)
- SSSG increased by **mid-thirties**

02 Product Efficiency

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

03 Channel Efficiency

- Number of stores totaled **1,202**
- Average monthly store productivity increased by **50%**

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

05

Appendix

APPENDIX





Appendix 1 – Summary of Income Statement and Balance Sheet

(RMB million)	2021	2020	Better/ (Worse)
	Year ended 31 December		
Revenue	22,572	14,457	56.1%
Gross Profit	11,969	7,094	68.7%
Distribution costs	-6,138	-4,425	38.7%
Administrative expenses	-1,110	-805	37.9%
Other income and other gains-net	400	362	10.5%
Operating Profit	5,136	2,196	133.9%
EBITDA	6,436	3,292	95.5%
Profit Attributable to Equity Holders	4,011	1,698	136.1%
Basic Earnings per share (RMB cents)	160.1	69.21	131.3%

(RMB million)	2021	2020	Better/ (Worse)
	Year ended 31 December		
Cash and Cash Equivalents	14,745	7,187	105.2%
Borrowings	0	0	N/A
Net Cash*	18,482	7,443	148.3%
Current Liabilities	7,704	5,015	53.6%
Current Ratio (times)	2.42	1.95	0.47
Total Liabilities to Total Asset Ratio	30%	40%	10.0p.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

	2021 Year ended 31 December	2020 Year ended 31 December	Better/ (Worse)
Gross Profit Margin	53.0%	49.1%	3.9p.p.
Operating Profit Margin	22.8%	15.2%	7.6p.p.
EBITDA Margin	28.5%	22.8%	5.7p.p.
Margin of Profit Attributable to Equity Holders	17.8%	11.7%	6.1p.p.
R&D Expenses (as % of revenue)	1.8%	2.2%	0.4p.p.
A&P Expenses (as % of revenue)	7.9%	8.9%	1.0p.p.
Staff Costs (as % of revenue)	8.0%	9.1%	1.1p.p.

	2021 Year ended 31 December	2020 Year ended 31 December	Better/ (Worse)
Inventory Turnover (Days)	54	68	14
Trade Receivables Turnover (Days)	13	17	4
Trade Payables Turnover (Days)	47	65	18
Cash Conversion Cycle (Days)	20	20	0
Return on Equity (ROE)	26.9%	21.5%	5.4p.p.
Return on Asset (ROA)	17.9%	12.5%	5.4p.p.
CAPEX (RMB million)	1,797	639	181%