



2022 ANNUAL RESULTS

ANNUAL REPORT

LI NING COMPANY LIMITED
李寧有限公司

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY) (STOCK CODE: 2311)

中國
李寧

DISCLAIMER

L I N I N G 2 0 2 2 A N N U A L R E P O R T

This presentation incorporates information contained in the interim results announcement (the “Results Announcement”) for the six months period ended 31 December 2022 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.





CONTENTS

01

Results Highlights

02

Financial Review

03

Strategic Direction

04

Operational Progress

05

Appendix



LI-NING

01



超轻19代跑鞋

Results Highlights





2022 FINANCIAL HIGHLIGHTS

Financial Highlights

- ✦ The impact of recurring waves of COVID-19 pandemic and significant increase in raw material prices led to certain challenges to operating environment during the year:
 - Revenue increased by 14.3% to RMB**25,803** million
 - Though the gross profit margin lowered by 4.6 percentage points to 48.4%, the net profit margin remained at a healthy level of **15.7%**, and the net profit attributable to equity holders slightly increased to RMB**4,064** million
 - Achieved net operating cash inflow of RMB**3,914** million
- ✦ **Working capital remained at a healthy level:**
 - The percentage of gross average working capital to revenue was **6.8%**
 - Cash conversion cycle was **30** days, increased by 10 days year-on-year (among which 5 days were affected by the trade payables turnover days)



2022 Operational Highlights

Operational Highlights

- ✦ Operation improvement mitigated certain extent of the negative impact from the COVID-19.
- ✦ The retail sell-through for the overall platform increased by mid-single-digit, including online and offline channels.
- ✦ Channel inventory increased by mid-twenties, mainly due to business expansion and the layout planning made in advance to seize opportunities for continuous growth of business scale. The inventory turnover and ageing structure remained at a sound level.
- ✦ Offline channel new product sell-through increased by mid-single-digit.

LI-NING

02
7

LI-NING | WADE



Financial Review



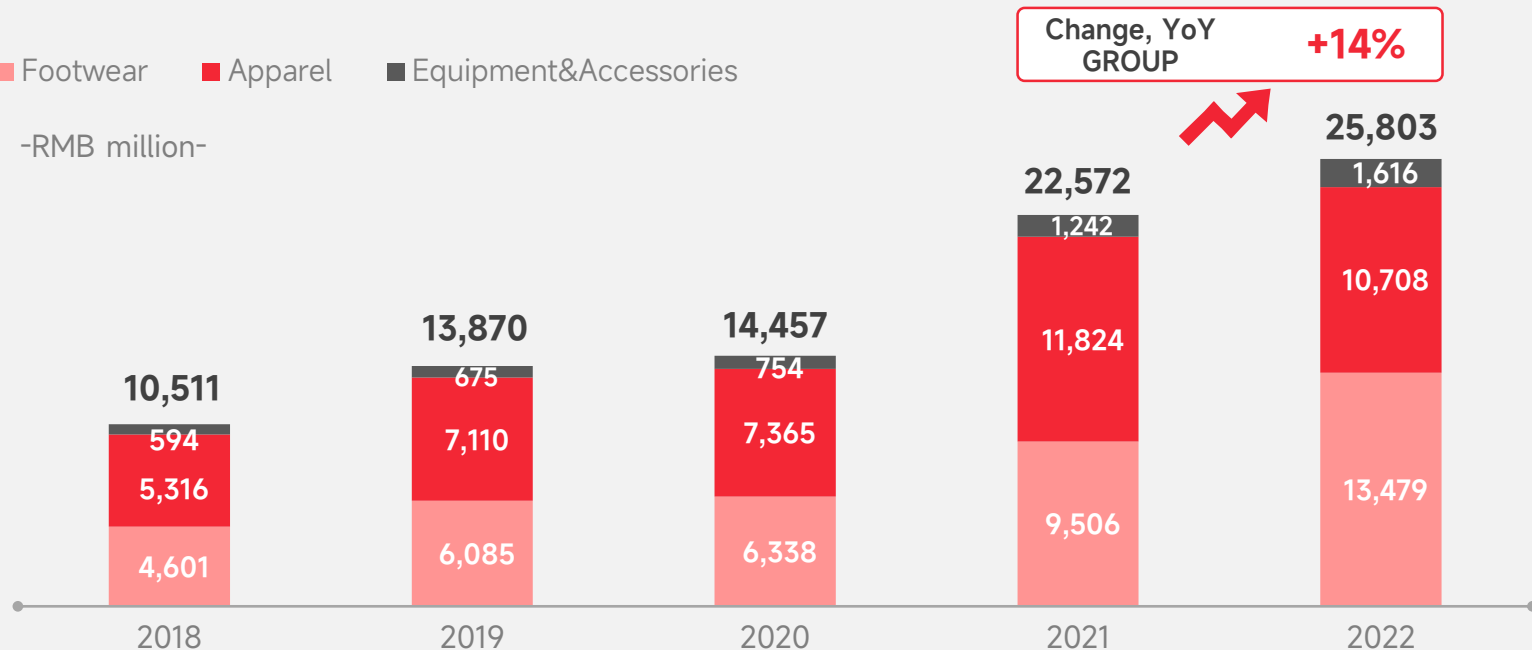


Revenue

Group Total

■ Footwear ■ Apparel ■ Equipment&Accessories

-RMB million-



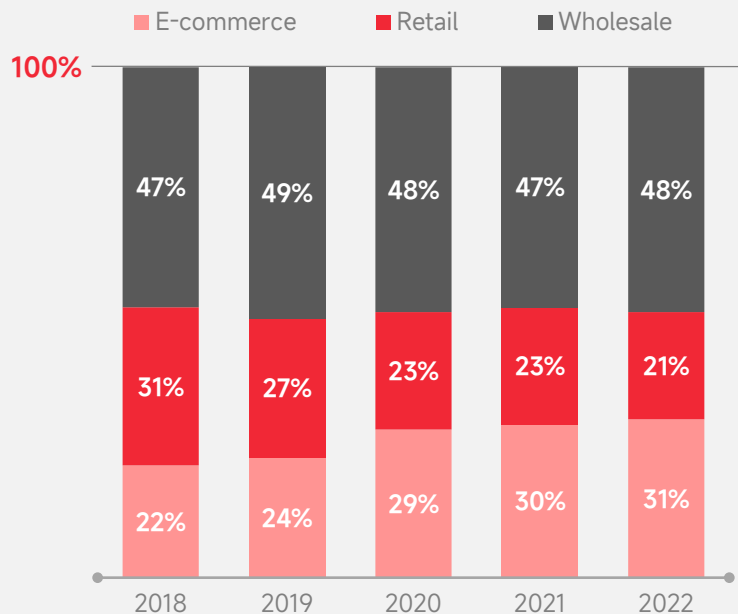
Business growth driven by functional categories



Revenue and Sell-through Mix

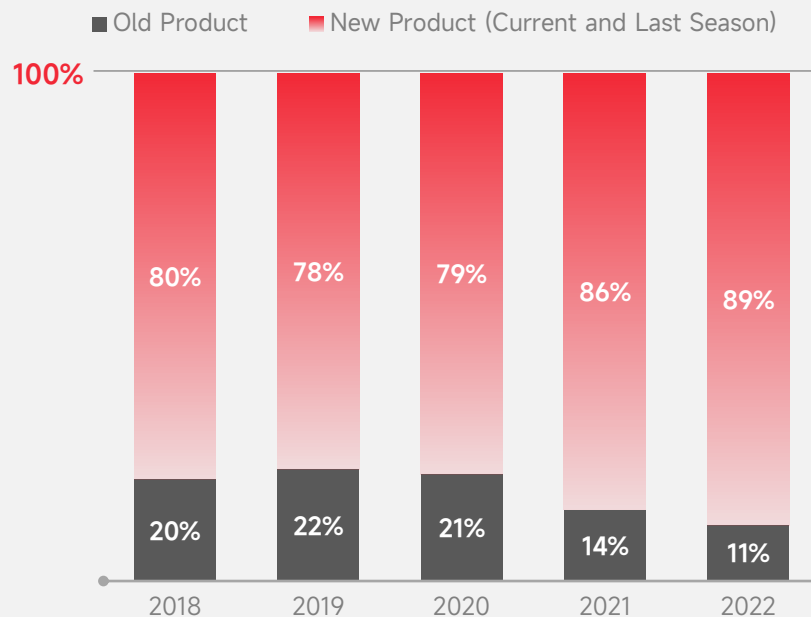
LN Brand, excl. International Markets and LN YOUNG

Company Revenue Mix



Sell-Through Mix

(Incl. Retail and Wholesale)



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



Same Store Sales Growth (SSSG) Rate

LN Brand, excl. International Markets and LN YOUNG

SSSG (2022 VS 2021)

Overall

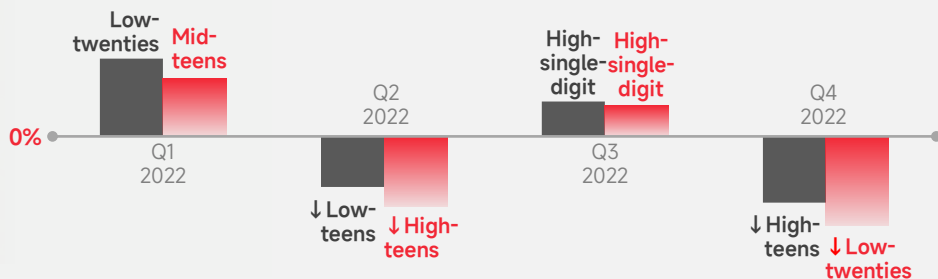
Retail
Wholesale
E-commerce

Flat

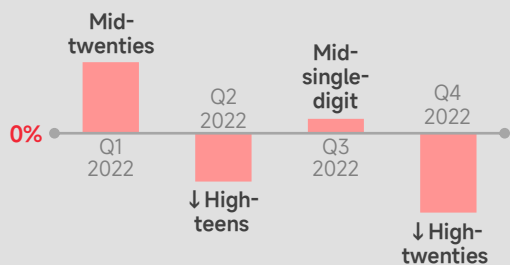
Mid-single-digit ↓
Low-single-digit ↓
High-single-digit ↑

Overall Platform

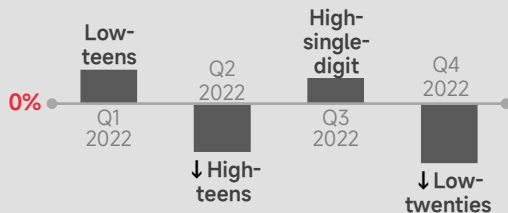
Overall Offline



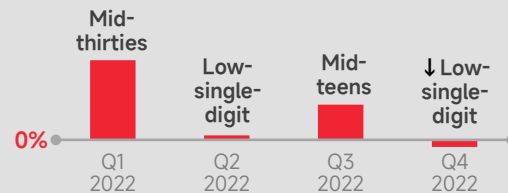
Retail



Wholesale



E-commerce

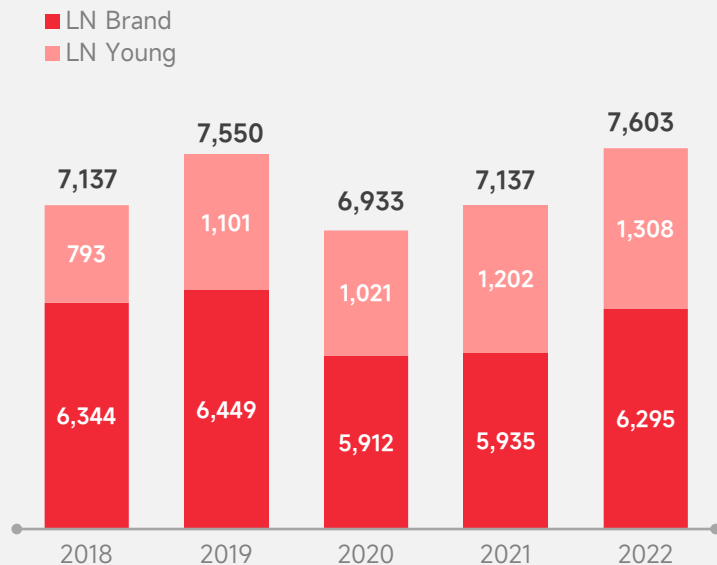




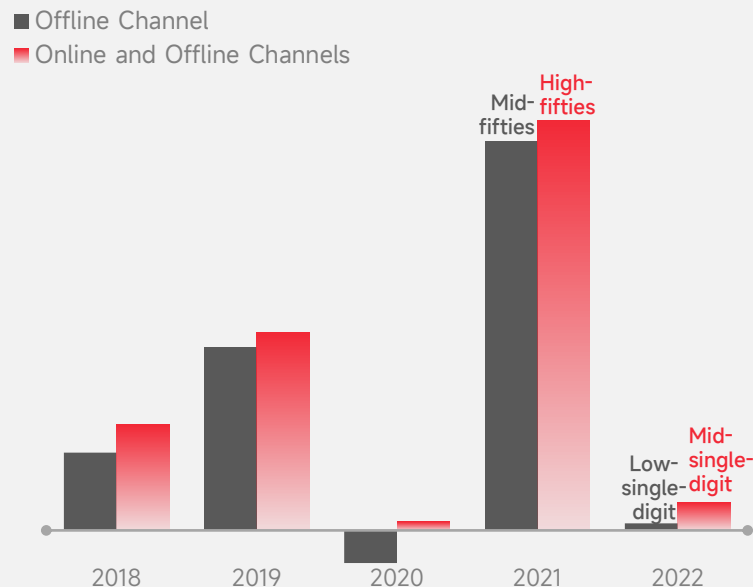
ONLINE AND OFFLINE EXPANSION

LN Brand, excl. International Market

POS number (Year end)



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



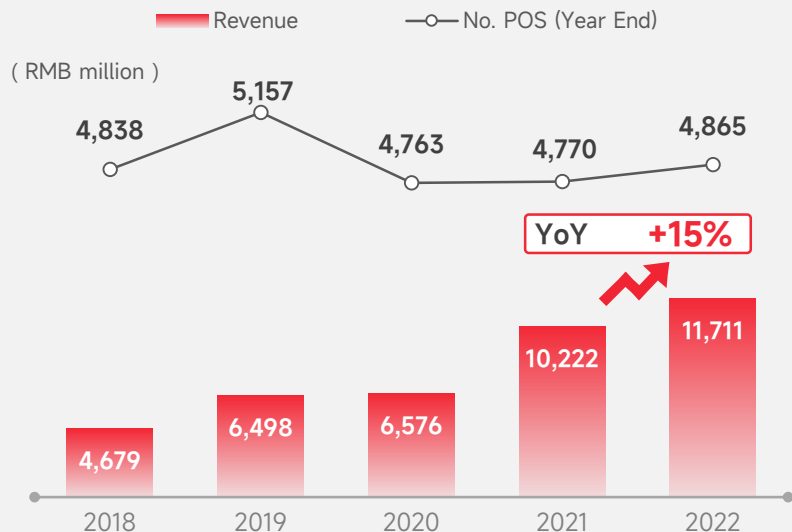
Channel expansion with a focus on big stores



Wholesale Business^

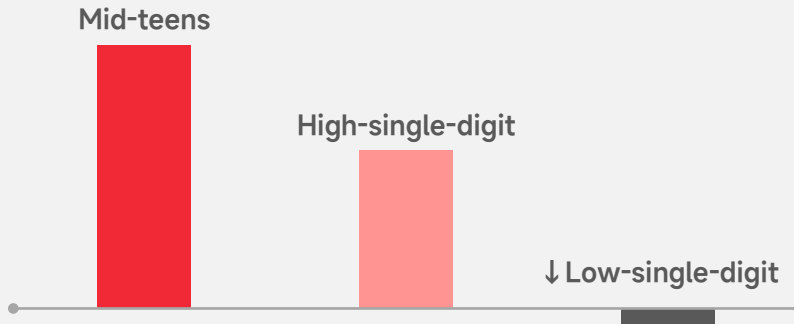
LN Brand, excl. International Market Sales and LN YOUNG

Business Performance



Sell-through and Revenue Change, YoY%

- Wholesale Revenue (Red bar)
- Wholesale revenue (excl. Sell-in to Specialty Stores) (Light red bar)
- Sell-through (excl. Specialty Stores) (Dark grey bar)



Including product sales of badminton and table tennis categories from specialty-stores

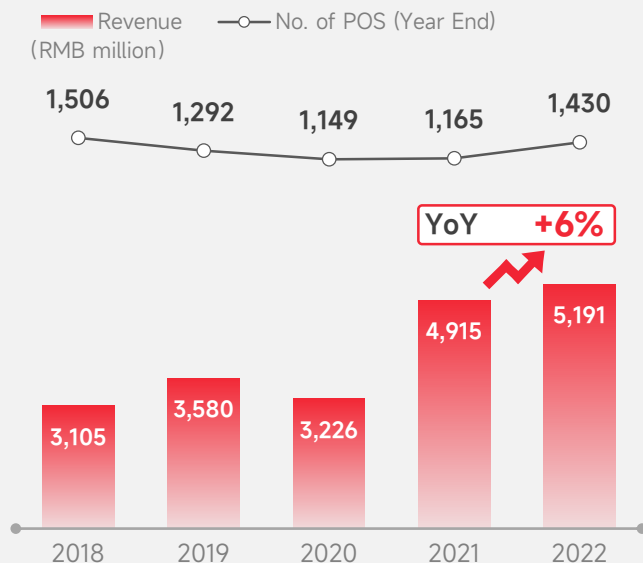
Wholesale growth momentum was affected by COVID-19 pandemic



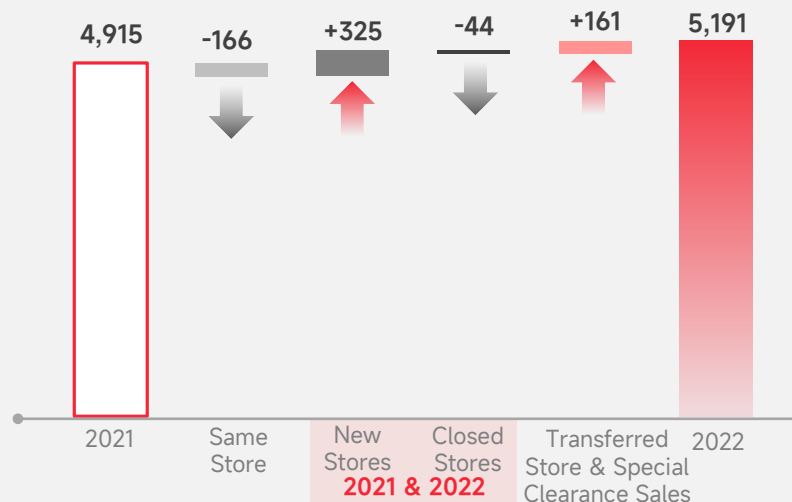
Retail Business[^]

LN Brand, (excl. LN YOUNG)

Business Performance



Revenue Change Analysis



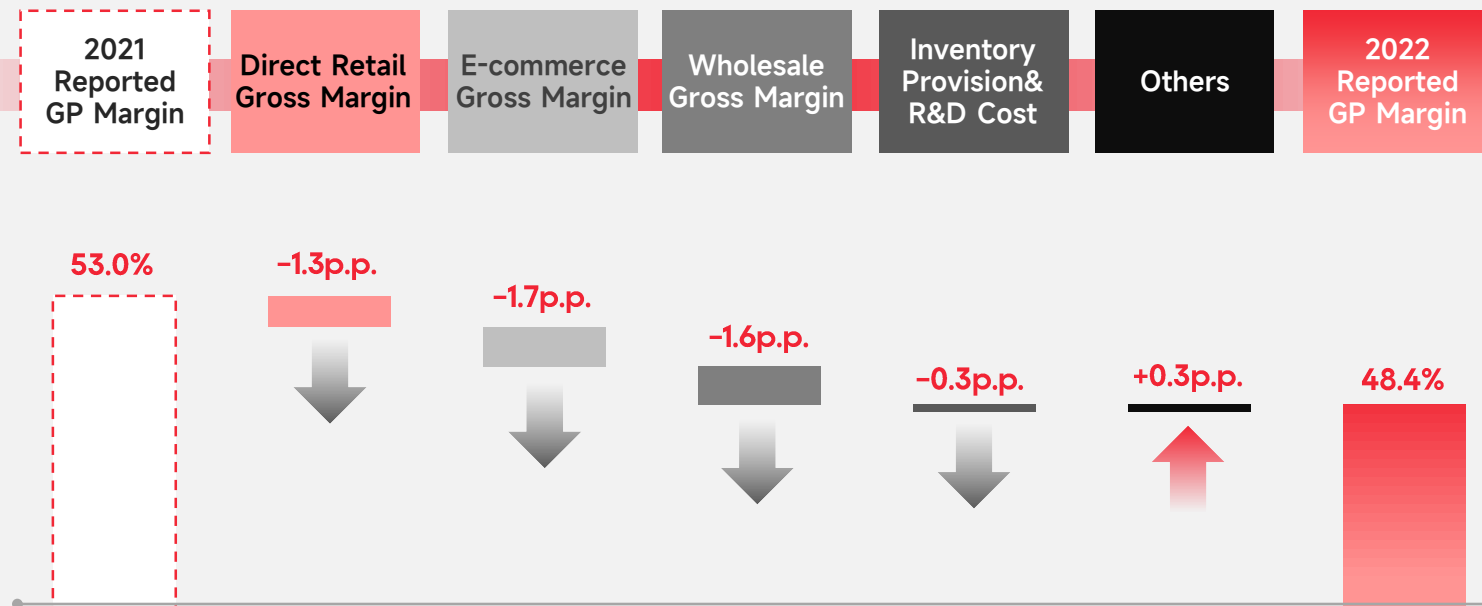
[^] Refers to direct retail operation

Direct retail growth momentum was affected by COVID-19



GP Margin Analysis

Net Change in Major Items



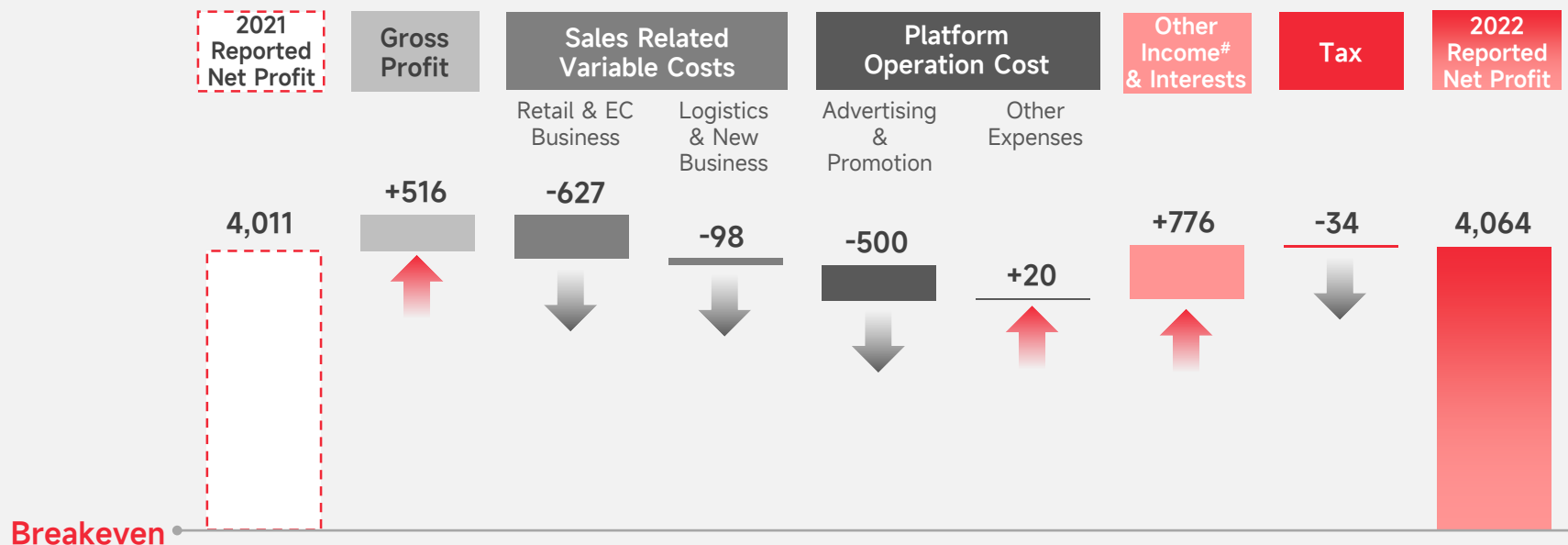
Gross margin decline largely due to cost inflation and deeper discount



Profitability Analysis

Net Change of Major P&L Items

(RMB Million)



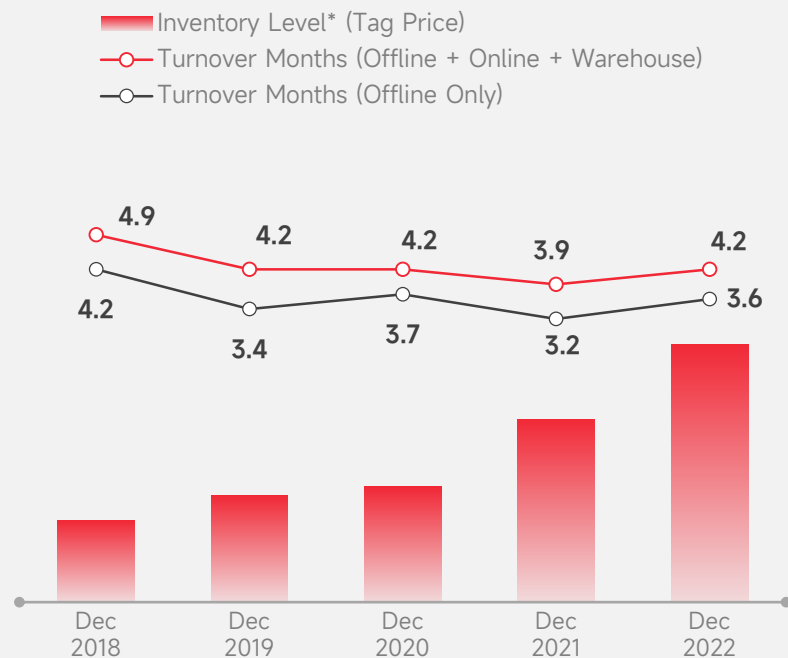
Other income includes (i) other income and other gains (net) , (ii) share profit from associates and joint ventures

COVID-19 outbreak weighed on earnings growth



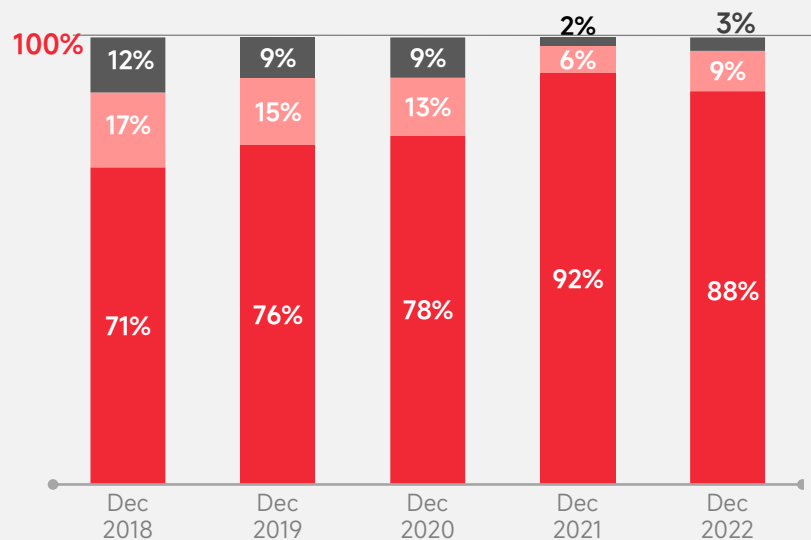
Channel Inventory

Incl. Online and Offline



Including offline store and warehouse

Over 12 Months 7 - 12 months 6 months or less (New Products)



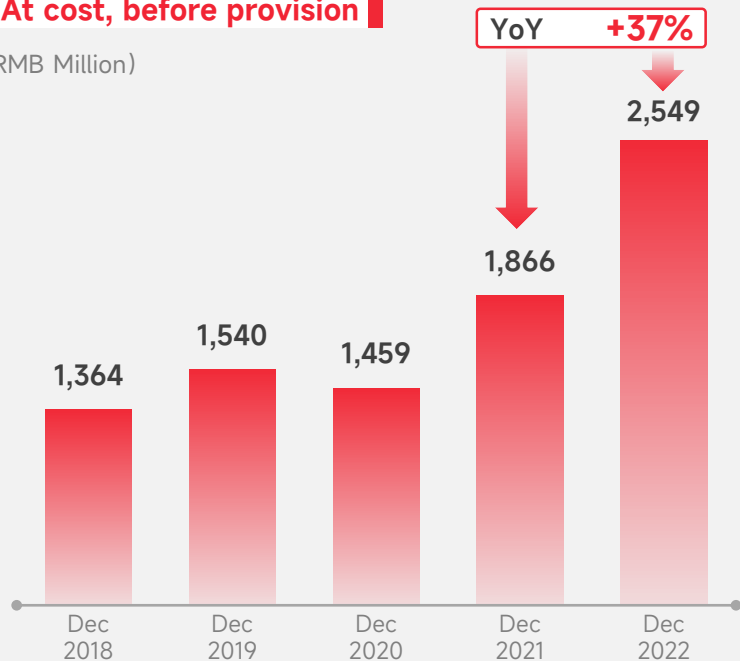
Inventory turnover efficiency and aging structure maintain healthy through disciplined inventory management



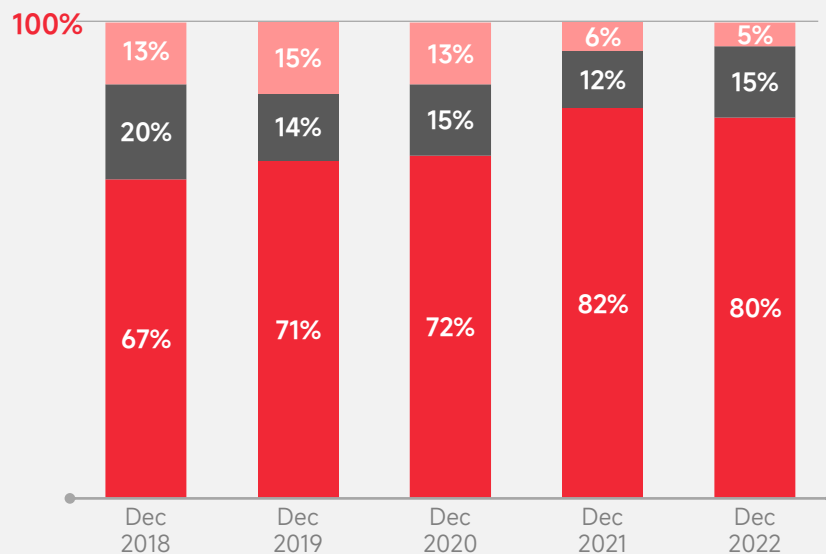
Company Inventory

At cost, before provision

(RMB Million)



over 12 months 7 - 12 months 6 months or less (New Products)



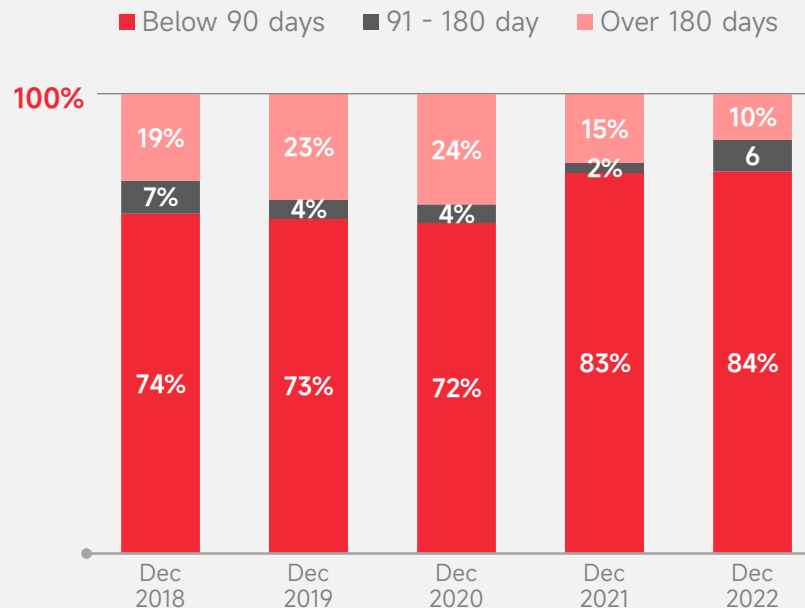
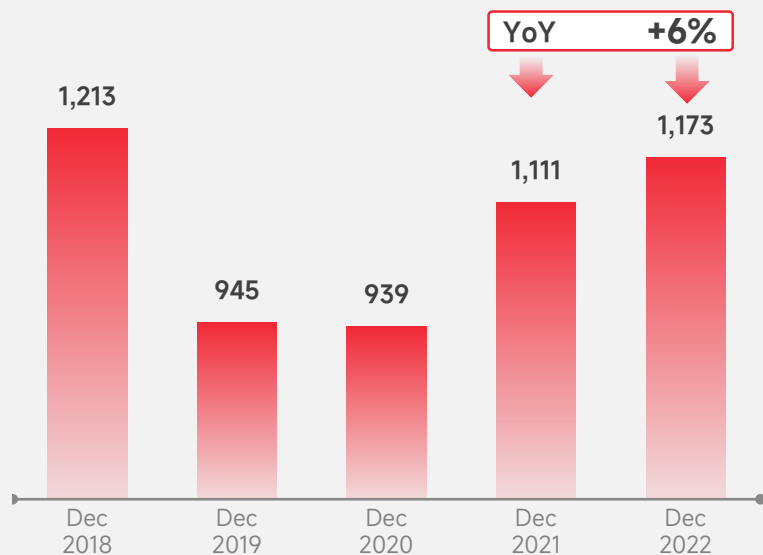
Inventory aging structure remained reasonable and controllable



Trade Receivables

At gross amount, before provision

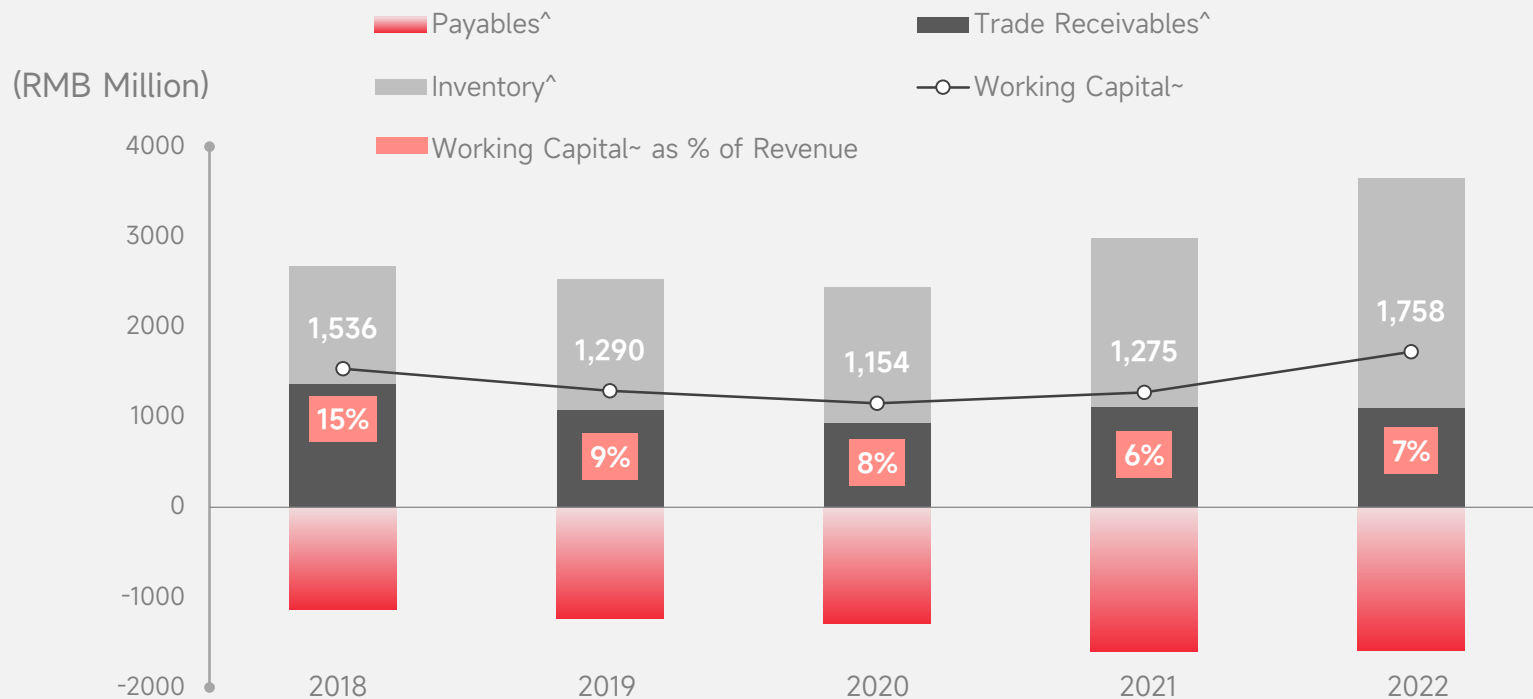
(RMB Million)



Trade receivables are in a reasonably healthy state



Working Capital Efficiency



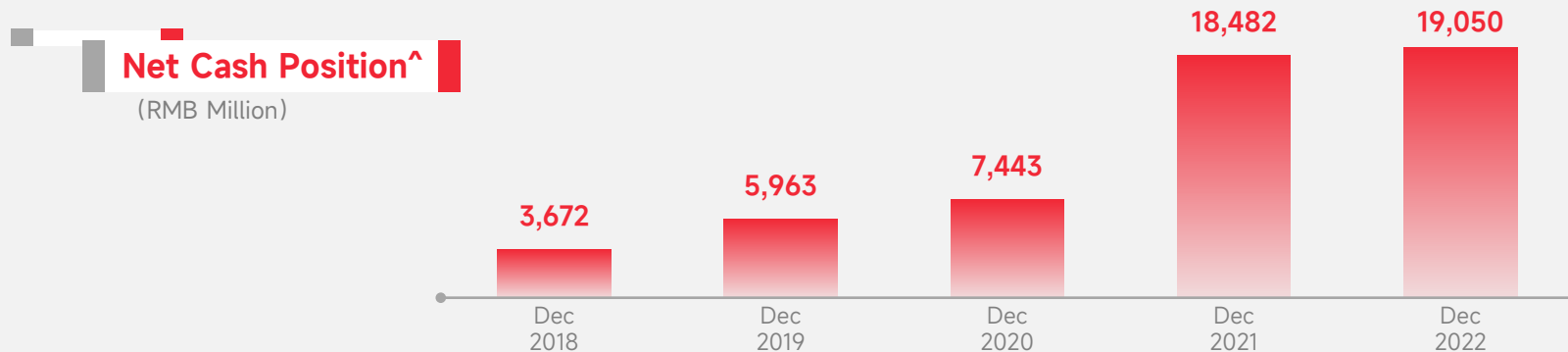
~ Simple average between period opening and ending

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

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



Balance Sheet Summary and Cash Position



Cash Conversion Cycle (Days)

40

26

20

20

30

Dividends^{**}

215

380

510

1,203

1,219

Operating Cash Flow

1,672

3,503

2,763

6,525

3,914

[^]Net Cash= Cash and Cash Equivalents + Restricted Bank Deposits + Long & Short-term Bank Deposits - Borrowings

^{**}Upon shareholders approval

LI-NING



五
BADFIVE

03
7

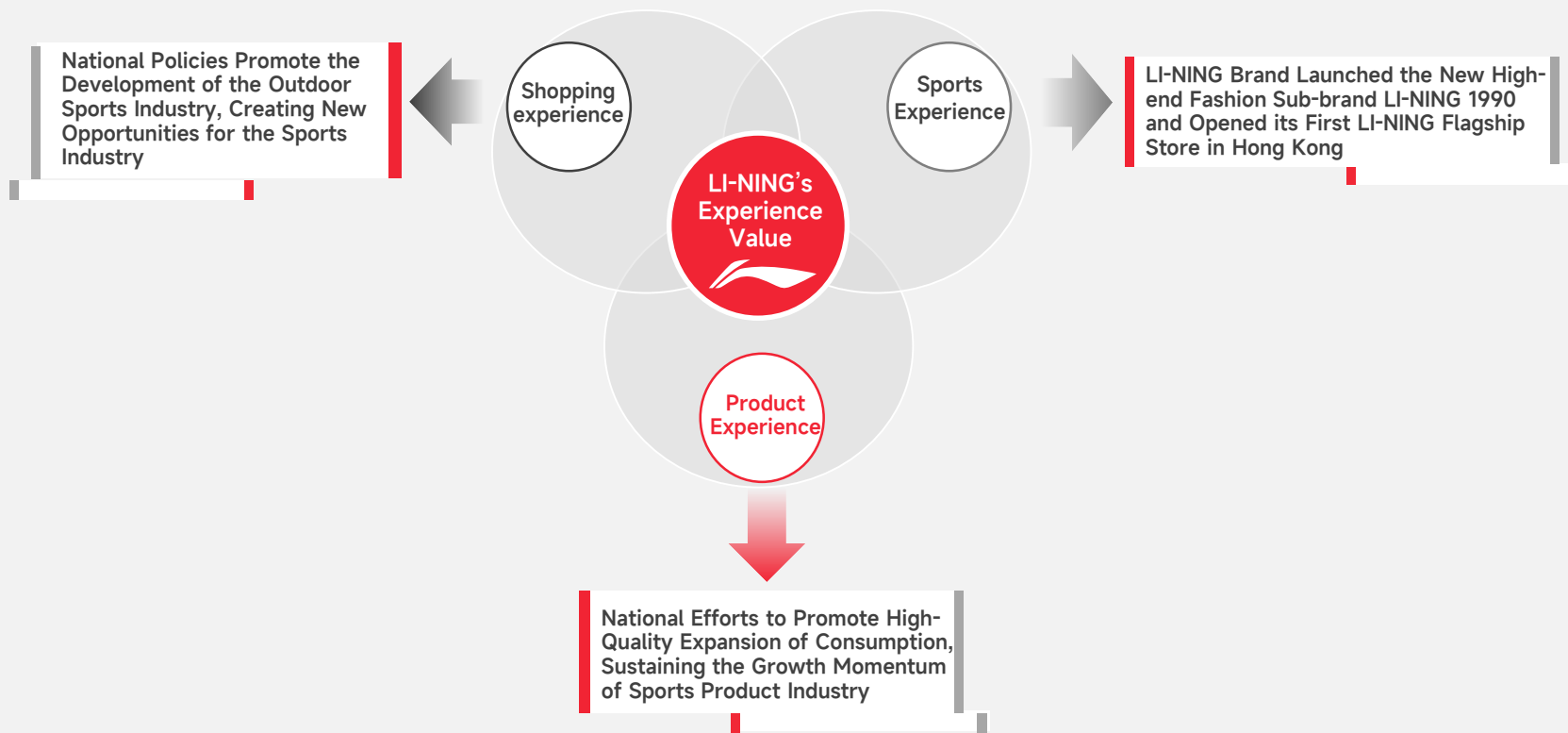


STRATEGIC
DIRECTION



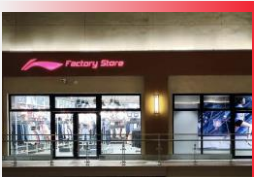
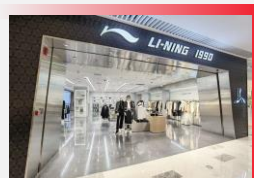
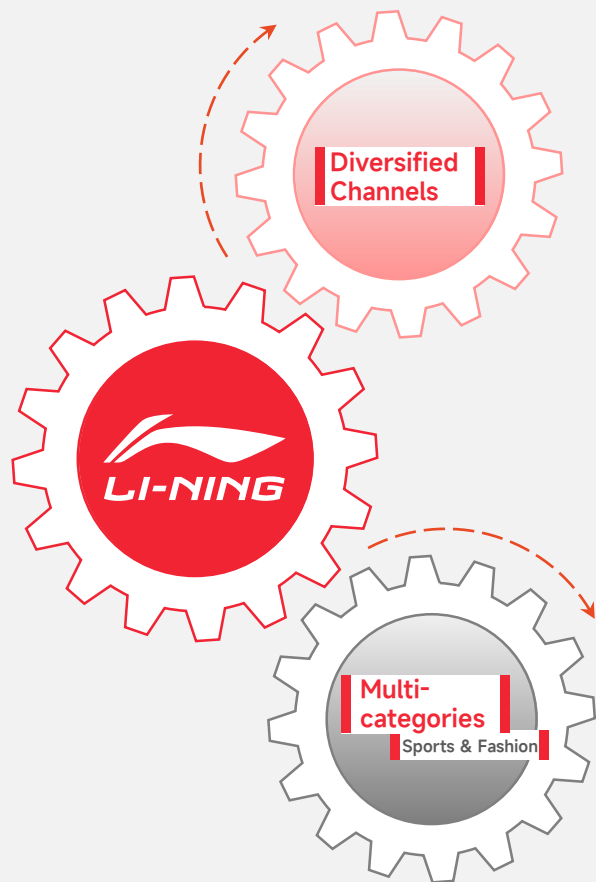


Actively Grasp Development Opportunities in the Industry, Continuously Optimise LI-NING's Experience Value





Continuously Focus on the Strategy of “Single Brand, Multi-categories, Diversified channels”



Basketball

Running

Fitness

Badminton

Sports casual

.....



Core Competitiveness of the Brand Driven by Professional Categories

Retail Sell-through — YoY Change

(2022)

 **Total Value**
↑ 4%

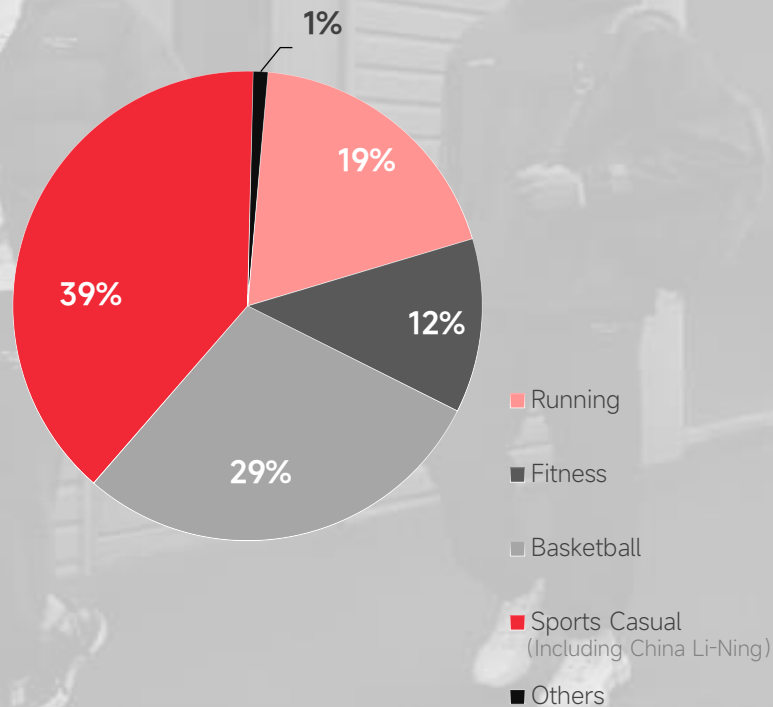
 **Fitness**
↓ 17%

 **Sports Casual**
↓ 6%

 **Running**
↑ 13%

 **Basketball**
↑ 25%

Retail Sell-through - Mix





Basketball — Upgrade Game Performance with Continuous Evolution



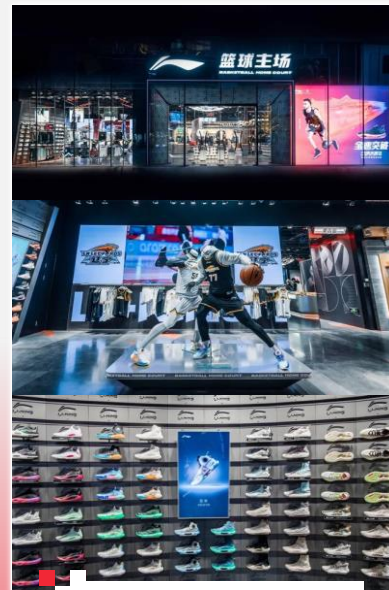
Upgrade Gaming Shoes Performance on All Fronts

Leverage technology-led game performance upgrades to unfold infinite possibilities in the court



Continue to Improve Hit Products

Continue to explore best-selling IPs to consolidate leading position in the basketball shoes market



Introduce Basketball Home Court Stores

Officially opened basketball home court stores to showcase the latest and full range of basketball products and offer more exclusive and personalised shopping experience



Running — Comprehensive Transformation of Running Shoes Driven by Professional Technology Upgrades



Technology-Driven

- Newly iterated and upgraded "LI-NING BOOM" (李寧) midsole technology improved lightweight and rebound experiences, making breakthrough in functions again.
- Create BOOM FIBER (䨀絲) technology for shoe uppers, which equipped with lightweight, breathable and durable features, ushering in integration of shoe sole and shoe upper technologies

Top-tier SKU

- Top-tier racing shoes Feidian 3 ULTRA helped athlete win the 3rd place in the men's Berlin Marathon, becoming the first Chinese running shoes to stand on the podium of the World Marathon Majors for the first time and setting the best record for Chinese running shoes.



Create Hot-selling products

- Deepened foothold in the mass runner market with the full-year sales of "Super Light 19th" exceeding **3 million pairs**, setting a new record high for sales of a single shoe product; the full-year sales of "Rouge Rabbit" exceeded **2 million pairs**, becoming the core product.



Upgrade the Matrix of Professional Running Shoes

Happy Running - Beginner Runners



Super Light 20th - beginners' partner

Lightweight, breathable, rebound properties to help runners run with ease

Running Addict - Advanced Runners



Rouge Rabbit 6 PRO - training partner

Lightweight, breathable, rebound properties with great traction to help runners conquer longer distances and run faster

Seek for Breakthrough - Elite Runners



Feidian 3 Challenger - speed booster

Elastic propulsion, efficient rebound, and rapid heat dissipation to help runners set new records in speed training and competitions



Fitness — Focus on Functional Technology for Diverse Sports Settings





Sports Casual - A Fusion of Traditional and Trendy Culture, Making Sports More 'Stylish'

Classics Sports Series



Comfortable, versatile, vintage and classic; Mix and match outfit to adapt diverse city vibes

Chinese Cultural Series



In 2022, inspired by the culture of the Zhuang ethnic group in Guangxi, we explore the beauty of traditional culture and interpret it in a modern way to unleash the vitality of youth

LI-NING x Toy Story



The return of Lotso series with adorable and playful appearance



Brand Marketing — Continuously Strengthen Professional Sports Resources Matrix

Basketball



Running

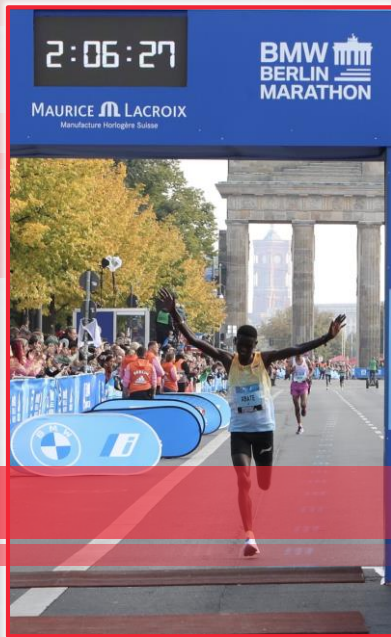


Table Tennis



Badminton



Brand Marketing — Continuously Explore Key Endorsement Resources



LI-NING reached strategic partnership with League of Legends Pro League (LPL)

Jointly create professional eSports equipment with more Chinese cultural heritage, helping Chinese eSports to reach a new high.

Established a long-term strategic partnership in the areas of campus sports events, training and campus sports education, and public welfare activities to further promote the healthy development of campus sports.

LI-NING and China Secondary School Students Sports Association reached a 10-year strategic partnership



LI-NING

04
7



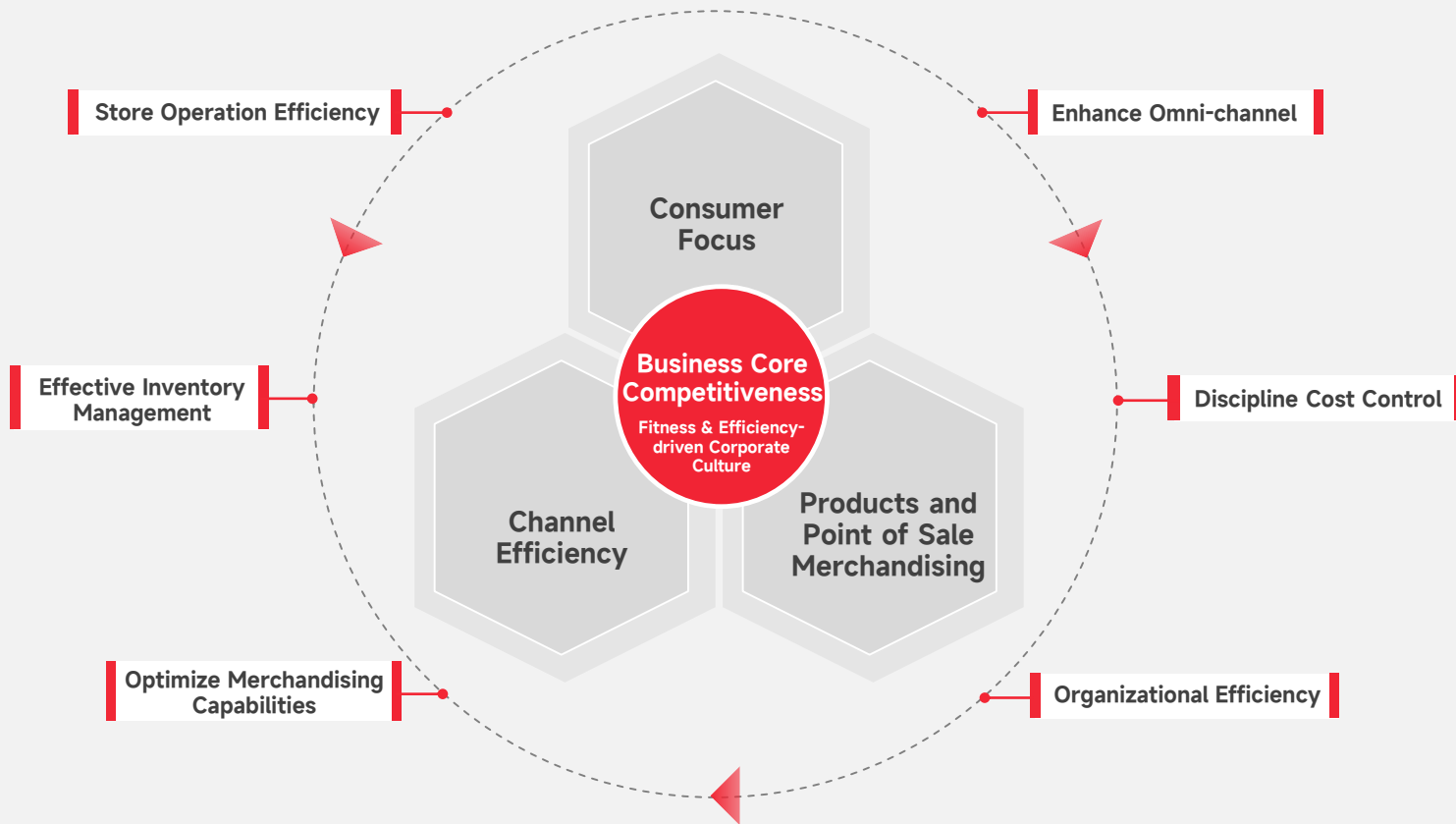


■ Continue to Focus on Efficiency Enhancement, Actively Respond to Uncertain External Environment, and Achieve Stable Operating Results



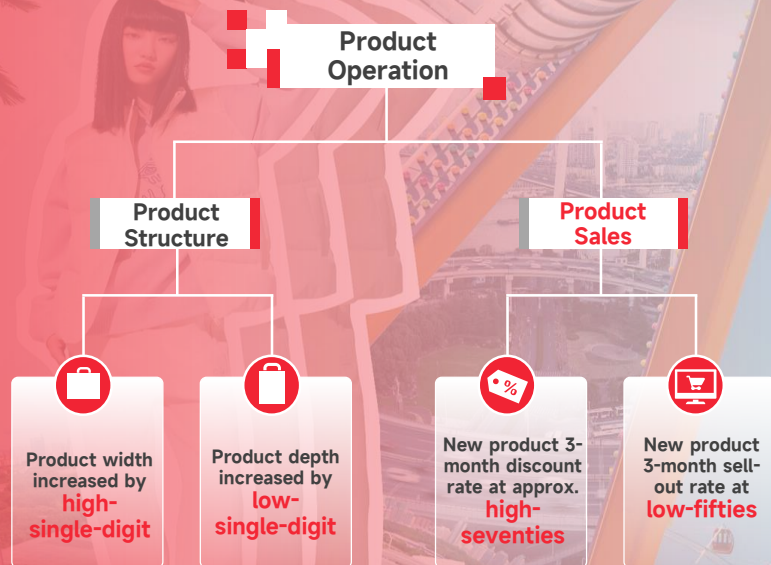


Core Business Development Strategy





Product Merchandising: Improve Product Planning and Enhance Product Operation Efficiency to Drive Business Growth



Satisfy Diverse Needs and Maintain the Width and Depth of Products at a Reasonable Level



Control Inventory Risk and Ensure Sufficient Inventory



Retail Operation: Implement Retail Standards to Improve the Retail Management System



* Excluding online channel

Lay a Solid Foundation for Retail Operation and Management in the Post-epidemic Era



■ Channel: Continue to Improve Quality of Newly Opened Stores, Sales Contribution of Big Store Further Increased

Store Penetration



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

Average single-store selling square footage exceeded **230 sq.m.**

Average monthly store productivity increased by **low-single-digit**

Big Store Penetration



Number of big stores exceeded **1600**

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

Sell-through Structure



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

Sell-through contribution of high-tier market# remained stable

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

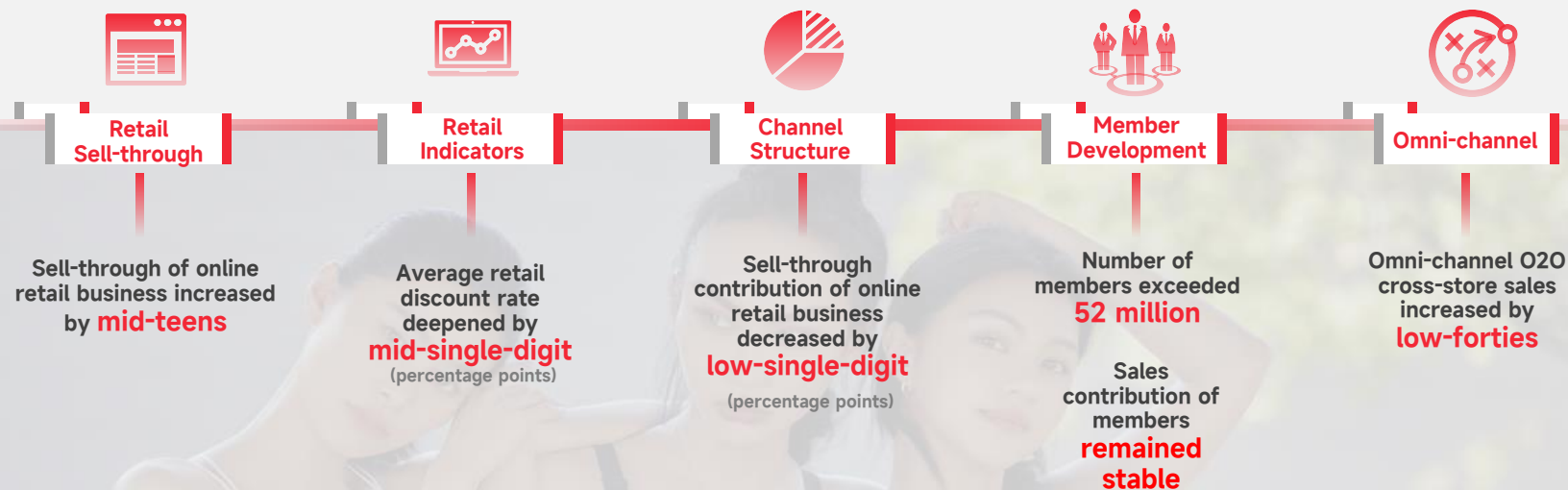
* Store selling square footage exceeds 300 sq.m.
Including regular stores in metropolises and first-tier cities

Expand High-quality Profitable Stores, Accelerate the Opening of High-quality Stores



E-commerce: Ensure the Continuous Growth of Online Business, Push Forward the Establishment of Li Ning Omni-channel Business Model

E-commerce Business



Establish a Cross-functional Communication Mechanism Between E-commerce and Offline business,
Enhance Integration and Synergy of Omni-channel



Kidswear Business: Improve the Professional Product Matrix to Achieve Overall Business Growth



Retail Efficiency

Retail sell-through increased by
high-thirties

Average selling price increased by
mid-single-digit

Retail discount rate
remained flat

Unit per transaction increased by
low-single-digit

SSSG increased by
high-teens



Channel Efficiency

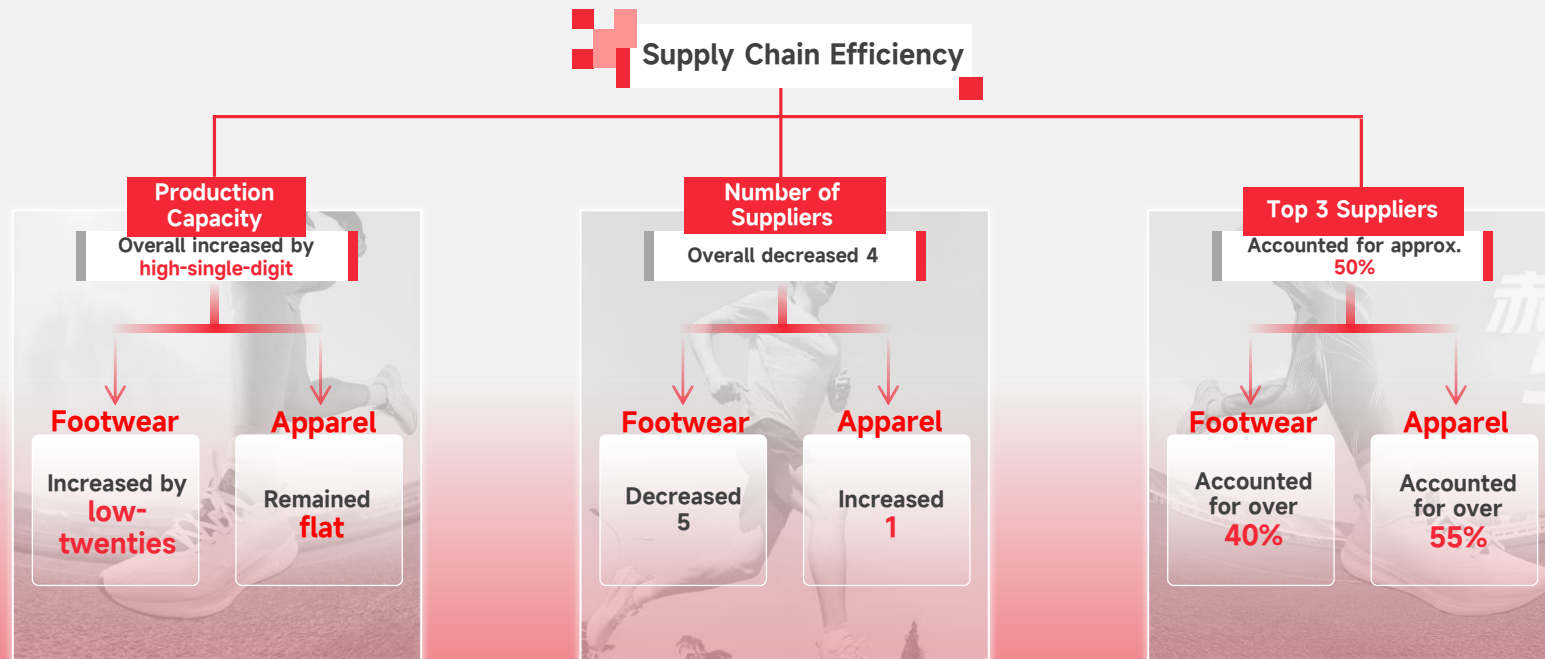
Number of stores totaled **1,308**

Average monthly store
productivity increased by
high-twenties

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



Supply Chain: Continuously Integrate and Optimize Supply Chain Organizational Structure



Transition from Passive Production to **Proactive Production**, Consolidate Advantages and Resources, Promote Sustainable Development Strategy with Suppliers



■ Outlook: Focus on the Seven Main Areas of Business Transformation, Promote the Implementation of Key Strategic Tasks



Continue to Build a **Process-driven Business Collaborative Operation System**

Optimize the **Fundamental Data**, Implement **Data-driven Decision Making**, Empower Business with **IT** to Enhance Efficiency

Cultivate and Build a Talent Echelon

Promote the Integration of **ESG** and Business Operations

LI-NING

05
7

YOUNG

skating

ANYTHING
L
IS POSSIBLE

skiing

Appendix

A P P E N D I X





Appendix 1 — Summary of Income Statement and Balance Sheet

(RMB million)	2022	2021	Better/ (Worse)
	Year ended 31		
Revenue	25,803	22,572	14.3%
Gross Profit	12,485	11,969	4.3%
Distribution costs	-7,314	-6,138	(19.2%)
Administrative expenses	-1,113	-1,111	(0.2%)
Other income and other gains-net	805	400	101.1%
Operating Profit	4,887	5,136	(4.9%)
EBITDA	6,542	6,436	1.6%
Profit Attributable to Equity Holders	4,064	4,011	1.3%
Basic Earnings per share			
(RMB cents)	155.4	160.1	(2.9%)

(RMB million)	2022	2021	Better/ (Worse)
	Year ended 31 December		
Cash and Cash Equivalents	7,382	14,745	(49.9%)
Borrowings	0	0	N/A
Net Cash*	19,050	18,482	3.1%
Current Liabilities	7,241	7,704	6.0%
Current Ratio (times)	1.71	2.42	(0.71)
Total Liabilities to Total Asset Ratio	28%	30%	2.0p.p

* Net Cash= Cash and Cash Equivalents + Restricted Bank Deposits + Long & Short-term Bank Deposits - Borrowings



Appendix 2 — Profit Margins and Key Operating Indicators

	2022	2021	Better/ (Worse)
	Year ended 31 December		
Gross Profit Margin	48.4%	53.0%	(4.6p.p)
Operating Profit Margin	18.9%	22.8%	(3.9p.p)
EBITDA Margin	25.4%	28.5%	(3.1p.p)
Margin of Profit Attributable to Equity Holders	15.7%	17.8%	(2.1p.p)
R&D Expenses (as % of revenue)	2.1%	1.8%	(0.3p.p)
A&P Expenses (as % of revenue)	8.8%	7.9%	(0.9p.p)
Staff Costs (as % of revenue)	7.7%	8.0%	0.3p.p

	2022	2021	Better/ (Worse)
	Year ended 31 December		
Inventory Turnover (Days)	58	54	(4)
Trade Receivables Turnover (Days)	14	13	(1)
Trade Payables Turnover (Days)	42	47	(5)
Cash Conversion Cycle (Days)	30	20	(10)
Return on Equity (ROE)	17.9%	26.9%	(9.0p.p)
Return on Asset (ROA)	12.7%	17.9%	(5.2p.p)
CAPEX (RMB million)	2,176	1,797	21.1%