

2020

INTERIM RESULTS



LI NING COMPANY LIMITED
李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:2331)



LI-NING

Disclaimer

This presentation incorporates information contained in the interim results announcement (the “Results Announcement”) for the six months period ended 30 June 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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LI NING COMPANY LIMITED

CONTENTS

- 1 Results Highlights
- 2 Financial Review
- 3 Strategic Direction
- 4 Operational Progress
- 5 Appendix



LI NING Results Highlights

QUICK-17

2020H1 Financial Highlights

Financial Highlights :

- On a comparative basis, the net profit* attributable to equity holders increased by 22% to RMB683 million, and the net profit margin raised from 9.0% to 11.1%;
 - Including the one-off profit and loss not related to operation for the corresponding period last year, reported net profit attributable to equity holders decreased by approximately 14% and the net profit margin dropped from 12.7% to 11.1%;
- Notwithstanding the impact of the COVID-19 leading to a very challenging retail environment:
 - Revenue decreased slightly by approximately 1% to RMB6,181 million
 - Gross profit margin decreased by 0.2 percentage point
 - Continued enhanced operating leverage driving operating margin to 14.5%, up over 300 basis points
 - Achieve positive operating cash flow of RMB479 million
 - Continued improvement in working capital:
 - Gross average working capital improved (reduced) by 7% while revenue decreased by approximately 1%
 - Cash conversion cycle further improved (shortened) by 2 days (2019H1: 32 days/2020H1: 30 days)

*Exclude one-off profit and loss not related to operation of RMB234m in 2019H1.

2020H1 Operational Highlights

Operational Highlights:

- Amid the COVID-19 impact, operation performance negatively influenced
- The retail sell-through for the overall platform recorded low-teens decrease, including online and offline channels
- Channel inventory recorded low-teens increase
- Offline channel new product sell-through down mid-teens driven by sales volume decline:
 - Average selling price (ASP) registered a low-single-digit increase notwithstanding a very promotional retail environment
 - Sell-out rate: 6-month declined over 6 percentage points
3-month declined approximately 5 percentage points

The background of the slide is a photograph of a Li-Ning sneaker, primarily white with yellow and red accents, lying in a pile of discarded items. The trash includes crumpled white paper, a yellow plastic bag, a red plastic bag, a black mesh bag, and a black shoe insert. The sneaker has "EXO" branding on its side and a Li-Ning logo on the tongue.

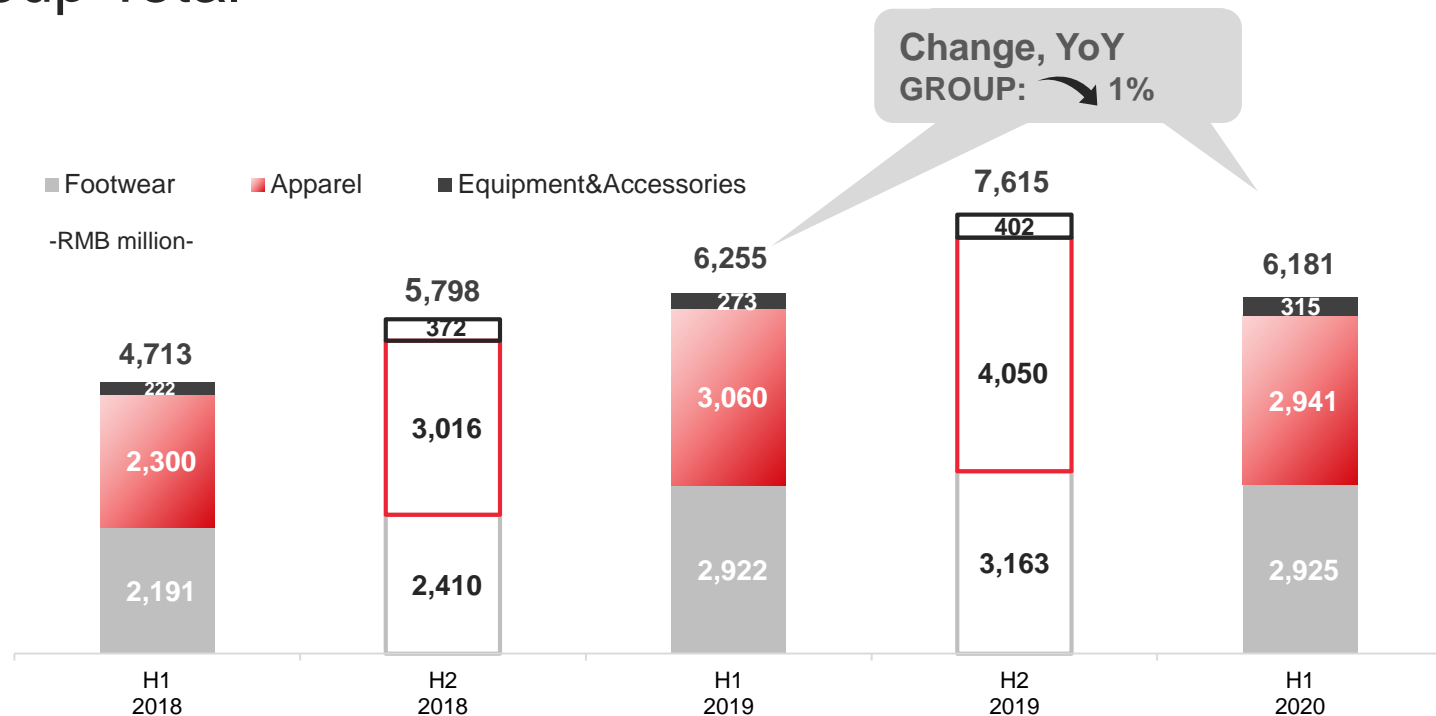
LI-NING *Financial Review*

GRUPO-17

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Revenue

Group Total

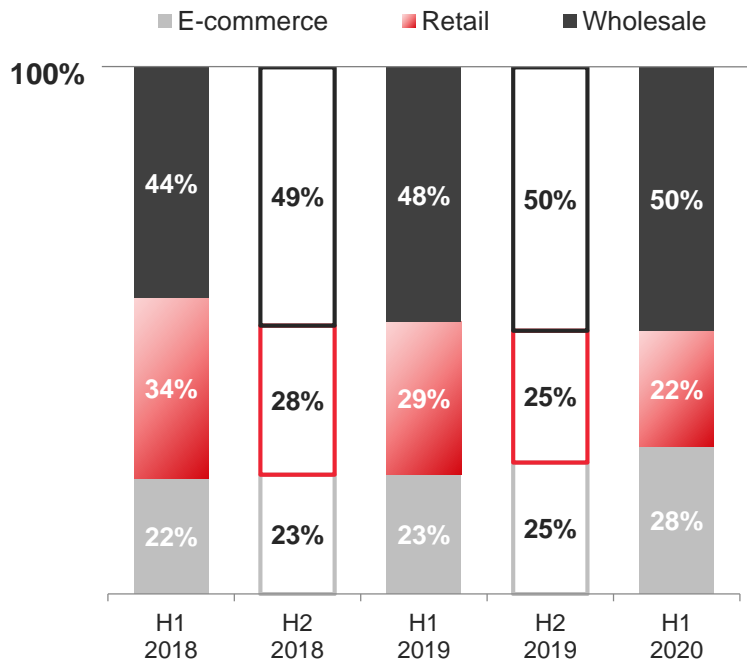


COVID-19 impacted revenues growth momentum

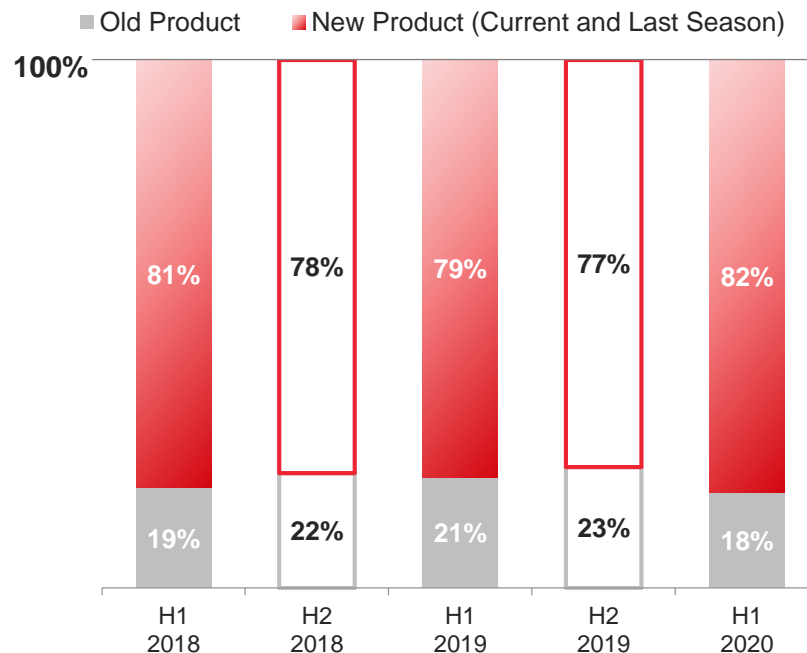
Revenue and Sell-through Mix

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

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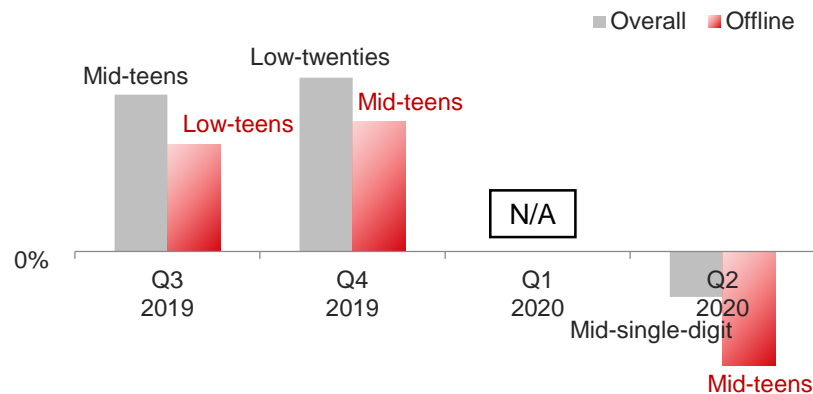
Same Store Sales Growth (SSSG) Rate

LN Brand

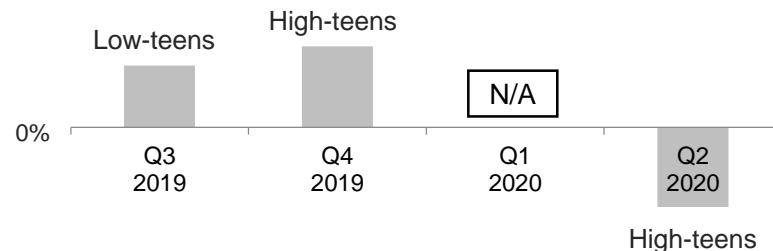
SSSG (2020 Q2 vs 2019 Q2)

- Overall
 - Retail
 - Wholesale
 - E-commerce
 - Mid-single-digit
 - High-teens
 - Low-teens
 - Mid-twenties

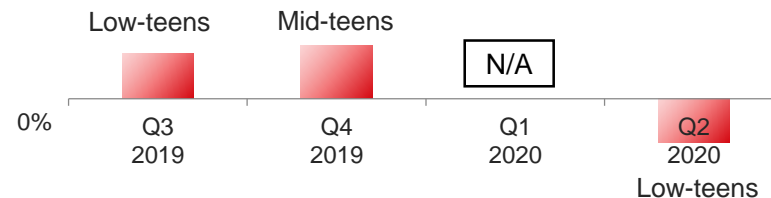
Overall Platform



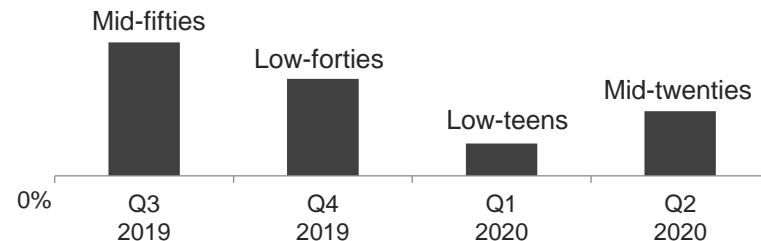
Retail



Wholesale



E-commerce

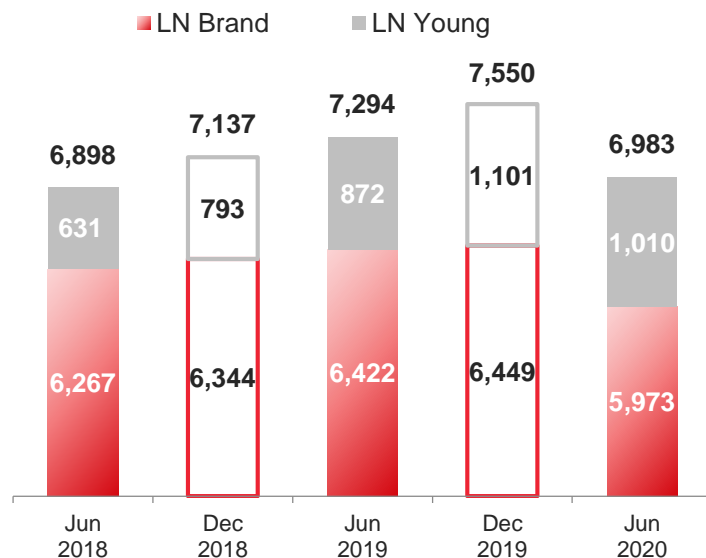


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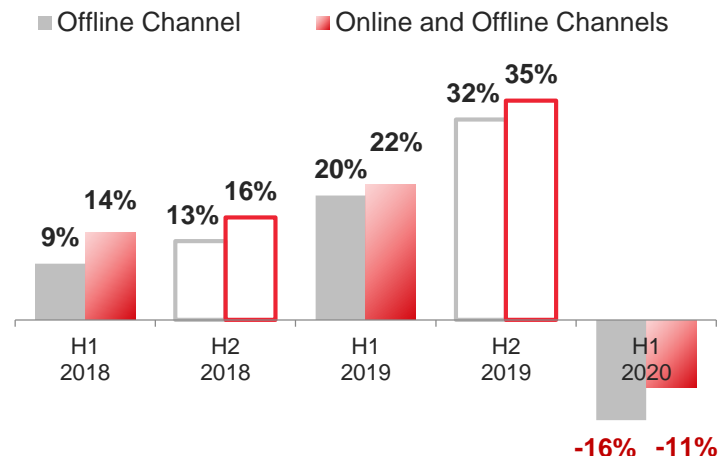
Online and Offline Expansion

LN Brand, excl. International Market Sales

POS number (Period end)



**Sell-through growth, YoY %
Excl. LN YOUNG**

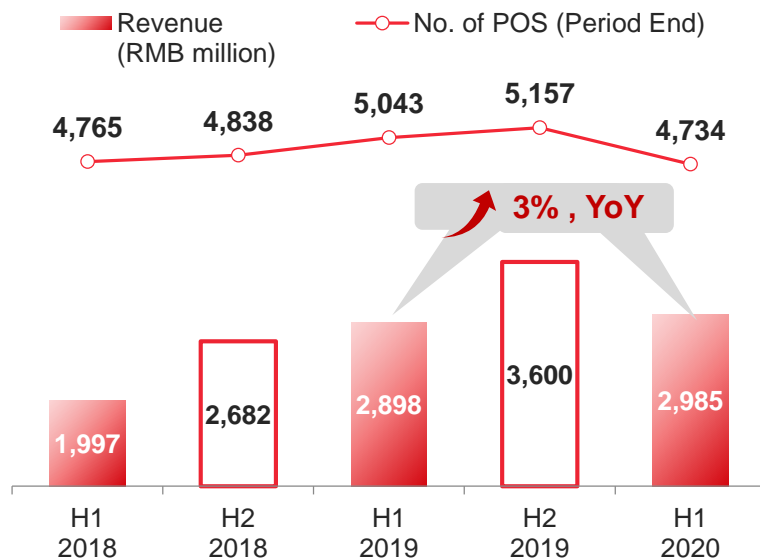


COVID-19 impacted store opening/closing rhythm and negatively impacted sell-through momentum

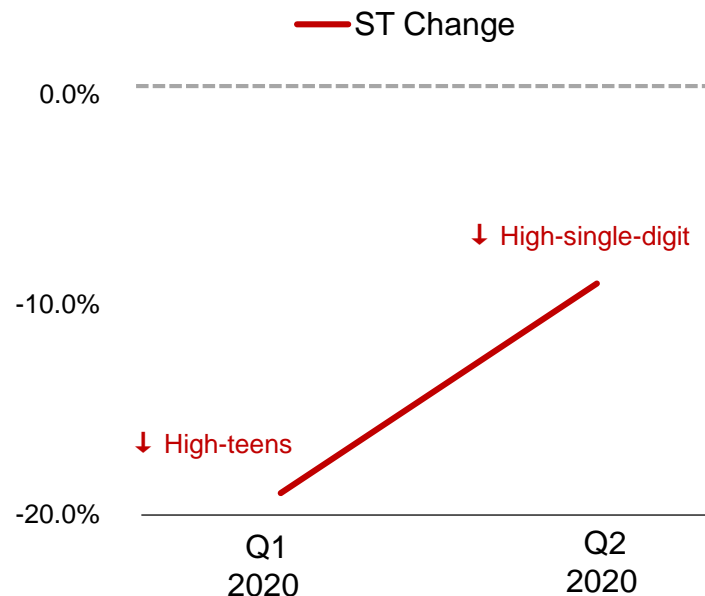
LI-NING Wholesale Business[^]

LN Brand, excl. International Market Sales and LN YOUNG

Business Performance



Impact of COVID-19 on Sell-through, YoY%



Sell-in preceded sell-through trend to capitalize on recovery

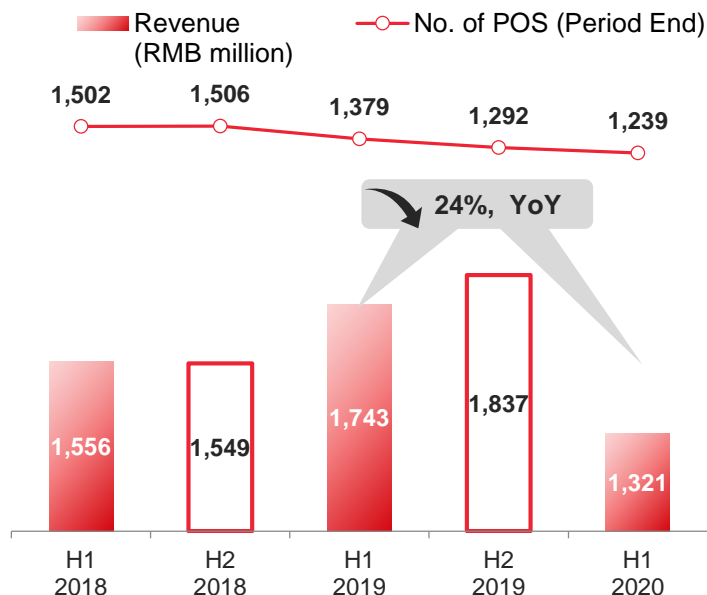
[^] Including product sales of badminton and football categories from specialty-stores.

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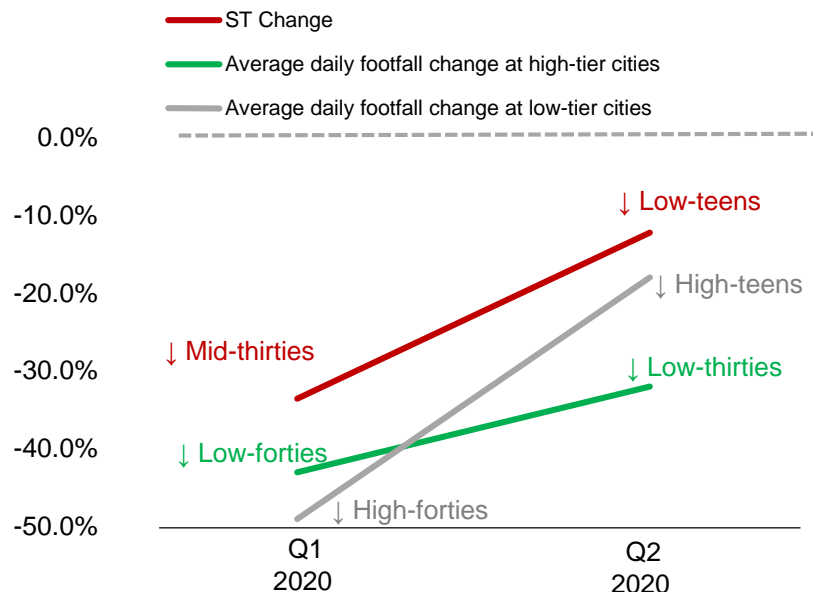
Retail Business[^]

LN Brand

Business Performance



Impact of COVID-19 on Sell-through and Average Daily Footfall[#], YoY %

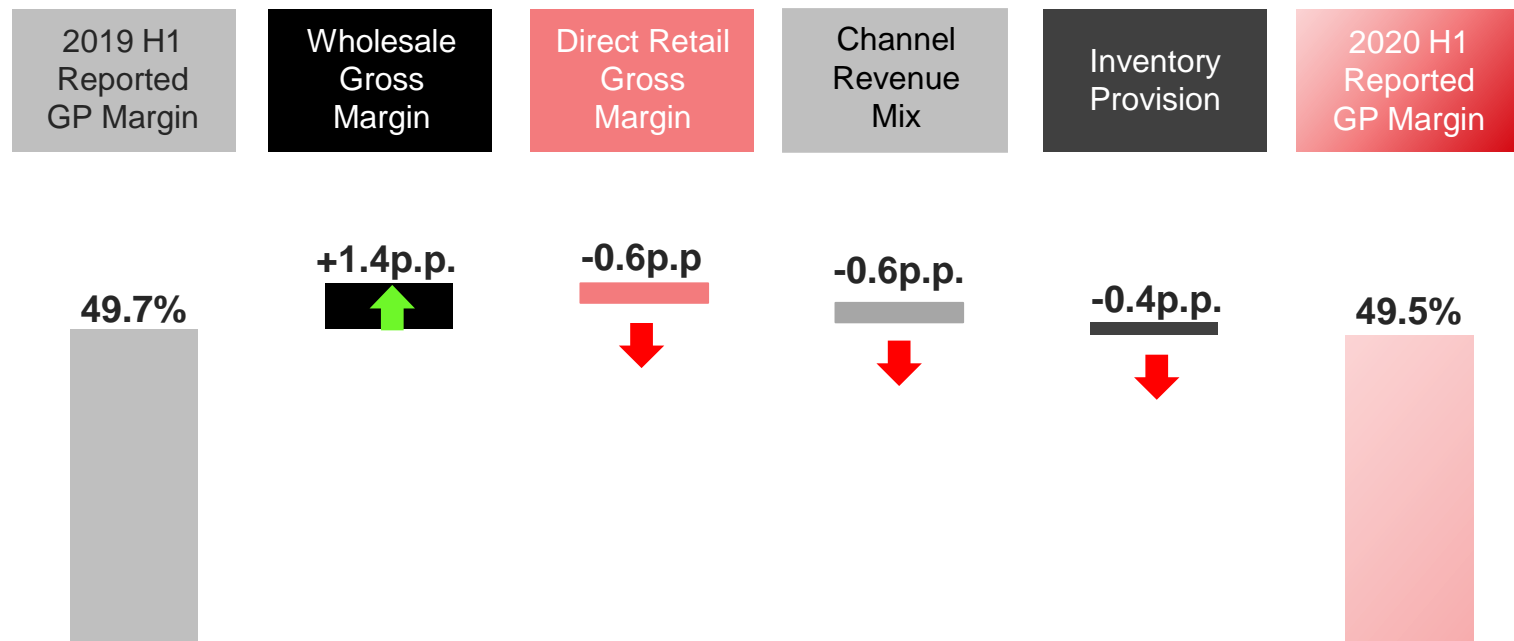


Direct retail more severely impacted due to much higher mix of store base in metro and high-tier cities

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GP Margin Analysis

Net Change in Major Items



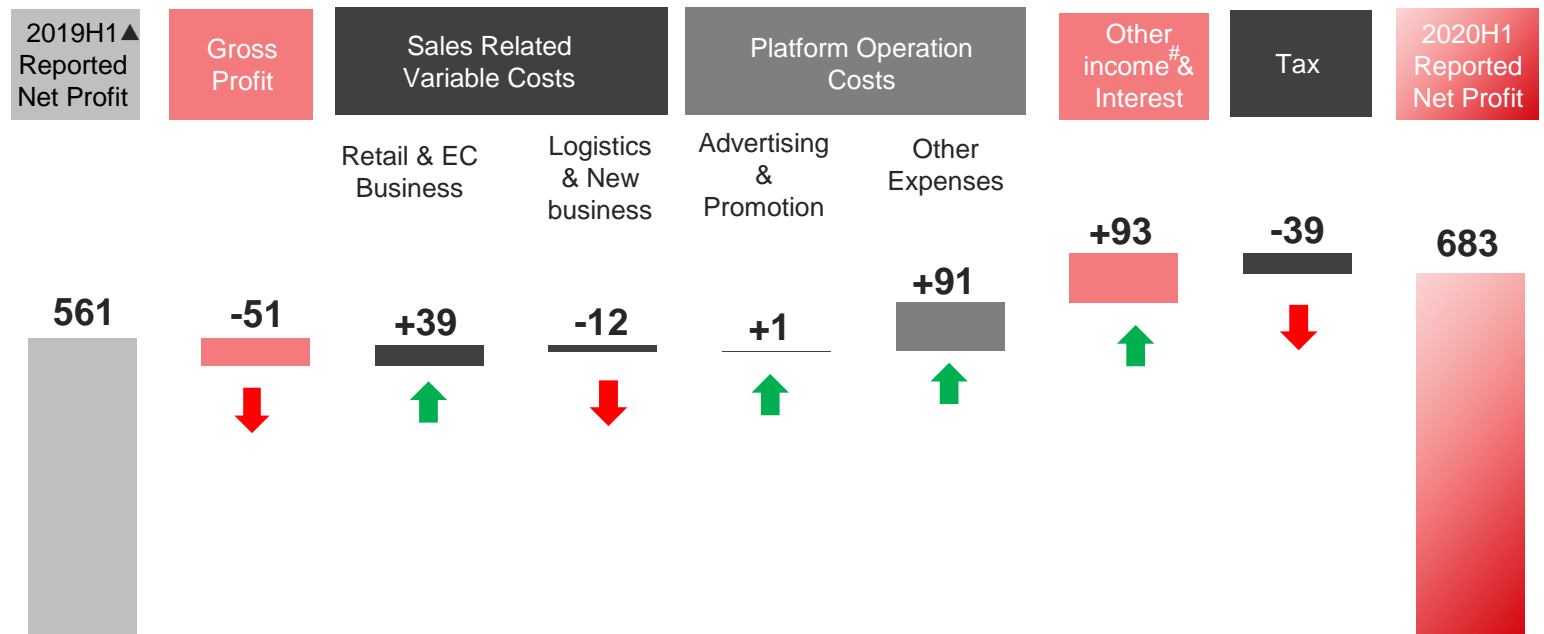
Increase in IMU (initial mark up) helped mitigate gross margin erosion

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Profitability Analysis

Net Change of Major P&L Items

(RMB Million)

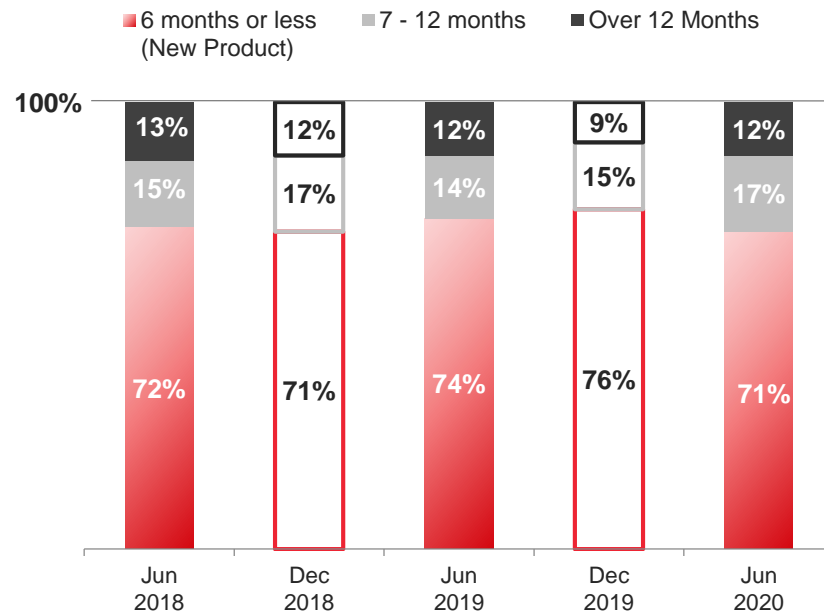
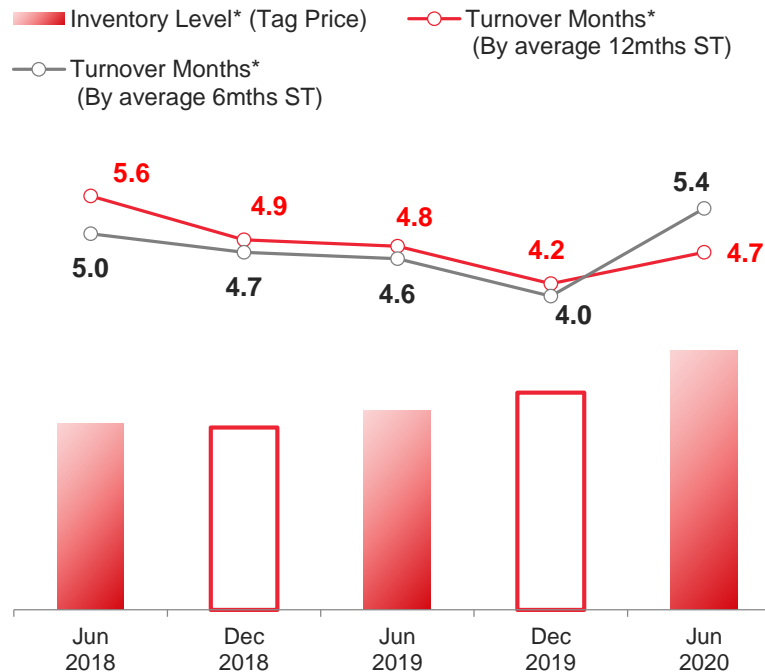


Scalable cost structure enabled improve operating leverage notwithstanding revenues decline

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Channel Inventory

Incl. Online and Offline



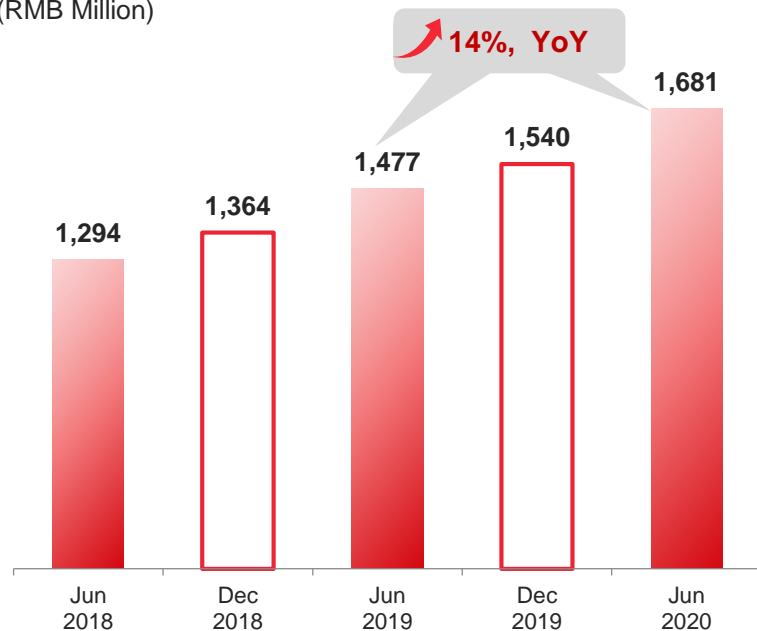
COVID-19 negatively impacted channel inventory turnover efficiency and structure

*Store + Warehouse Inventory

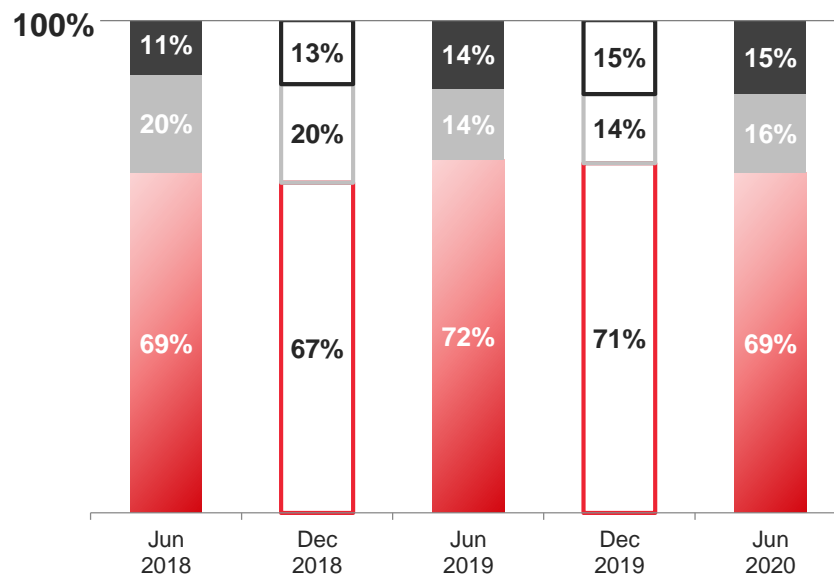
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Company Inventory

At cost, before provision
(RMB Million)



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

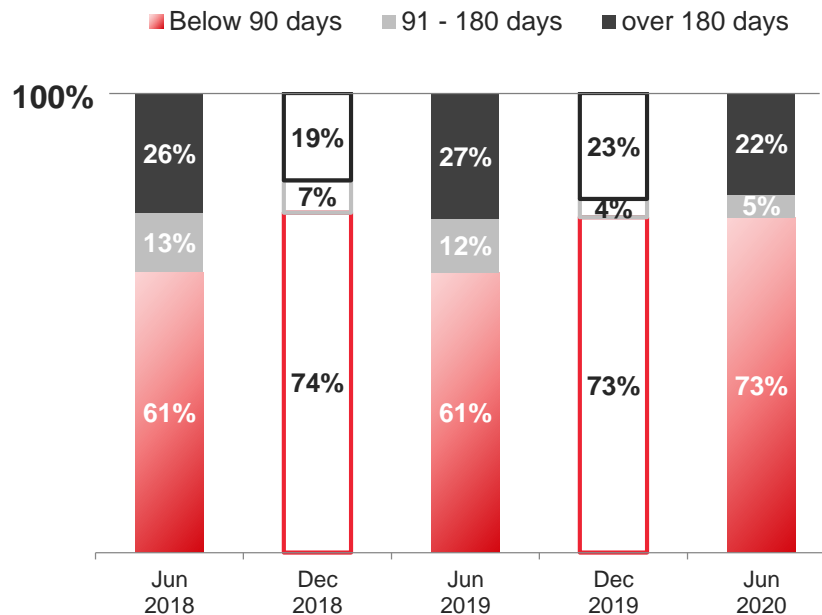
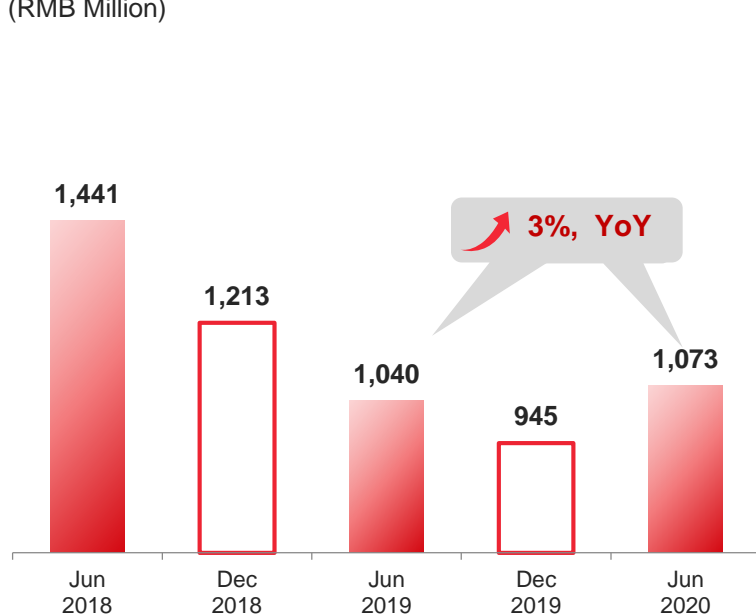


Short-term challenged in company inventory

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Trade Receivables

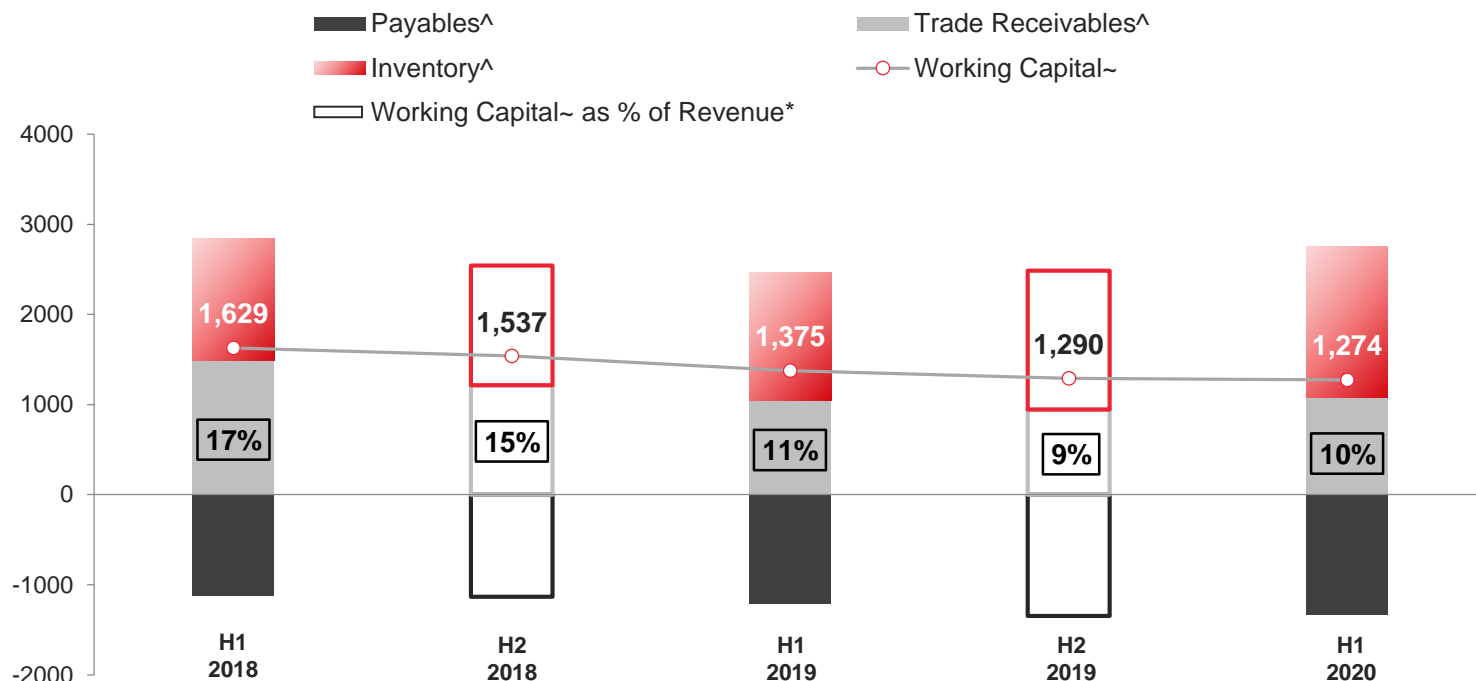
At gross amount, before provision
(RMB Million)



Trade receivables in reasonable healthy state

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Working Capital Efficiency



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

~Simple average between period opening and ending

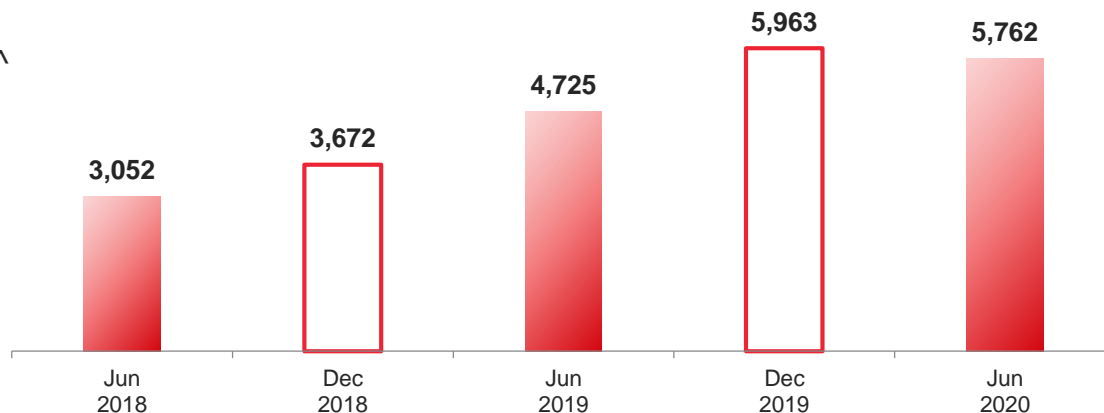
^ Gross Amounts of inventory, trade receivables and payables, without netting off provisions

* Annualized revenue

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Balance Sheet Summary and Cash Position

Net Cash Position[^]
(RMB Million)



-For the Six Months Period-

Cash Conversion Cycle (Days)	45	40	32	26	30
Operating Cash Flow	660	1,012	1,366	3,503	479

[^]Net Cash = Cash and Cash Equivalents (including restricted bank deposits & financial assets at fair value) - Borrowings

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

Offline Channel Sales Performance

- Sell-through: mid-teens decrease
- Sales volume: mid-teens decrease

New Product Performance

- Contribution to total sales: increased 2 .5p.p.
- Sell-through: mid-teens decline

New Product Sell-out Rate

- 6 mths: declined over 6 p.p.
- 3 mths: declined approximately 5 p.p.



Offline Channel Sales Efficiency

- Q2 SSSG: mid-teens decline

Over 12 Months Inventory Mix

- Channel: flat
- Company: increased 1 p.p.

Operating Cash Flow (YoY)

- Cash flow from operating activities: RMB479 million net inflow, decreased by 65%
- Net cash: increased by RMB 1.037 billion at 5.76billion
- Trade receivables (before provisions): amount increased (declined) by 3%
- Cash conversion cycle: decreased (improved) by 2 days



LI-NING Strategic Direction

QUICK-17

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

National Policies Promulgated to Promote the Continuous Recovery of Sports Industry

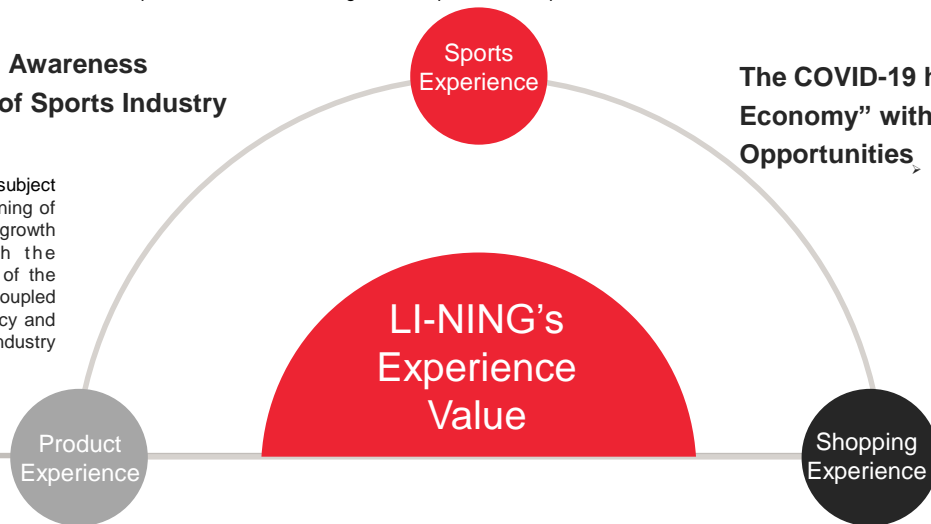
- In order to cope with the impact of the COVID-19 on the sports industry and promote the rebound in sports consumption and unleash the potential, the General Administration of Sport of China issued "The Implementation Plan of the Pilot Work for Promoting Sports Consumption", by identifying a number of pilot cities to promote innovation in sports consumption mechanism, policy innovation, model innovation, product innovation, and promote the sustainable growth of sports consumption.

Strengthening of National Health Awareness Bodes Well for Long-term Value of Sports Industry

- During the COVID-19, the sports industry was subject to volatility in the short term, but the strengthening of national health awareness will bring promising growth potential to the sports industry. With the breakthroughs in the prevention and control of the COVID-19 and the full resumption of work, coupled with the joint efforts of supportive national policy and industry's operational innovation, the sports industry will usher in a new future.

The COVID-19 has Spawned "Stay-at-Home Economy" with Domestic Brands Embracing New Opportunities

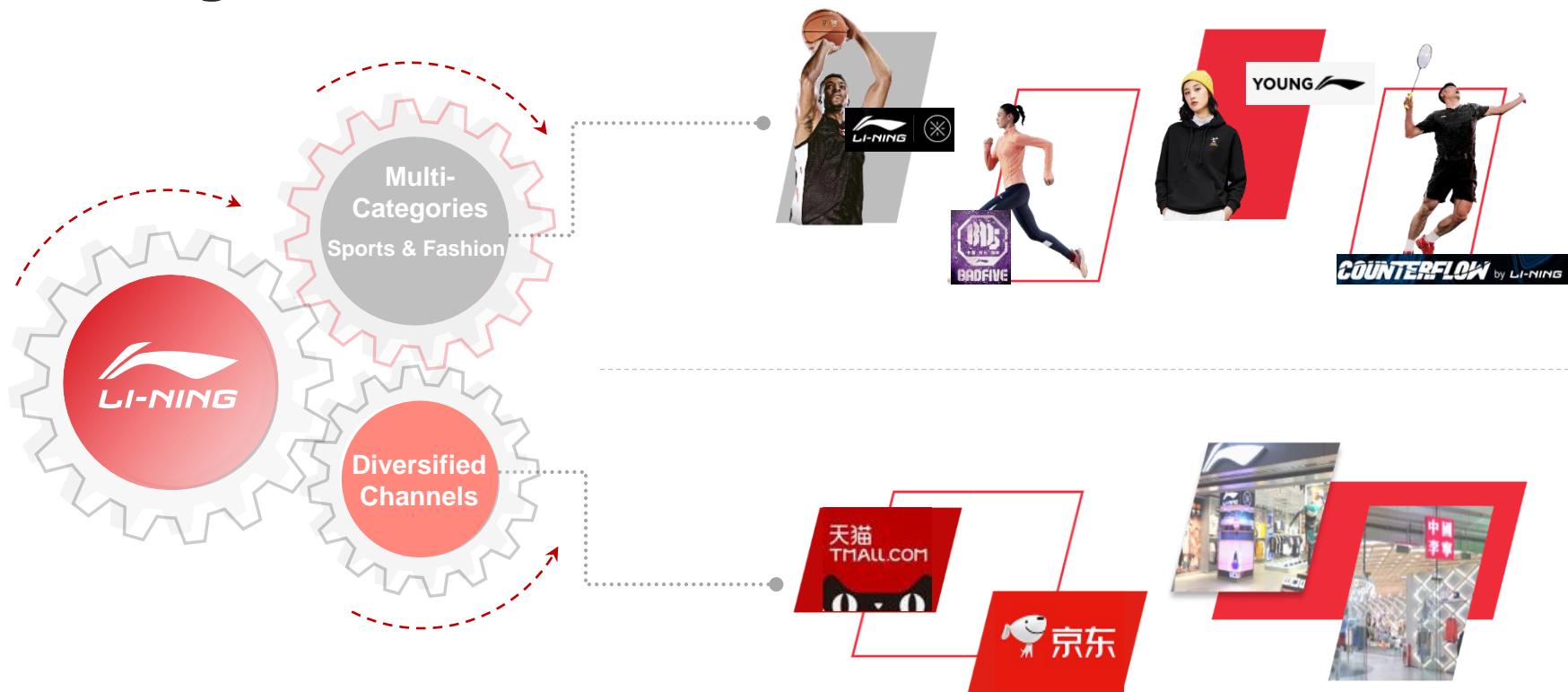
The COVID-19 has impacted on offline and cross-border import consumption, and domestic brands that have been continuously improving their quality have begun to think about the way to break through. As the "stay-at-home economy" has spawned a new round of e-commerce dividends, more and more traditional domestic brands are accelerating their deployment in e-commerce and new retail, actively exploring new business strategies, and seeking new opportunities amid changes.



Source: State Council of the People's Republic of China, General Administration of Sport of China, iResearch Consulting Group, Statista. (Unit: RMB)

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Adhere to the Strategy of “Single Brand, Multi-categories, Diversified Channels”



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Core Categories Enhance Brand Resilience

Retail Sell-through – YoY Change (2020H1)



Total Value ↘ 11%



Running ↘ 18%



Training ↘ 26%



Basketball ↘ 18%



Sports Casual ↗ 12%



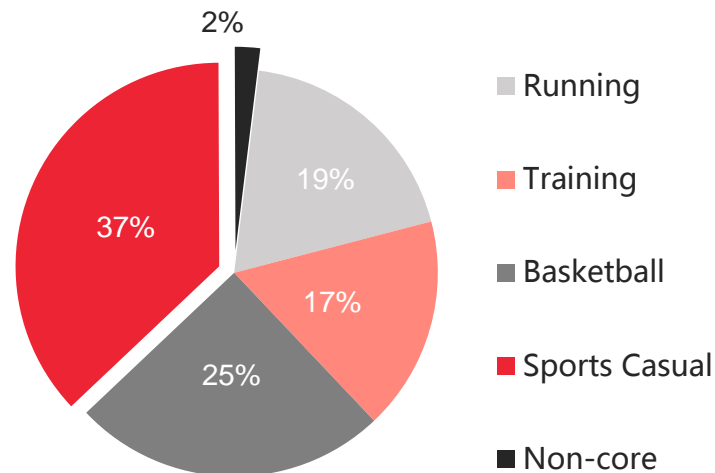
Non-core ↘ 13%

Sell-in – YoY Change (2020H1)



Badminton + Football* ↘ 9%

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

Basketball – Focus on Functional Technology, Leading the Basketball Culture



Equipped with Technology / Enhance On-Court Performance

Diversified marketing / Shine on the Court

WADE series—
Signed NBA player
Russell



Professional basketball—
CBA fan version game
uniform



BADFIVE —
Limited edition
under City
series:
Changsha City



**Discover Culture/
Lead the Street Basketball**

Combine trend elements with Chinese culture
Innovative interpretation of
street basketball

Running – Strengthen Professional Running Shoes, Enhance Product Matrix

Professional Runners



Upgrade product competitiveness with professional technology

Top technological R&D to enhance professional functionality and product experience

Tag Price (RMB)

Racing Category

Sports Protection Category

1000+

Boom
Pegasus
Wind Chaser

2,099
1,299
1,299

Professional Events

800

Wind Chaser LT
Rough Rabbit 4th Generation

539
399

Race Training

300

Shadow

1,699

Shadow Essential

899

Furious Rider 4th Generation

699

Layout of professional running shoes matrix

Amateur Runners



**Solidify position in mass market
Reach Young Consumers**

Multi-product lines create diversified lifestyles



Classic Continuity
— Super Light 17th



Rising Star
— Arashi



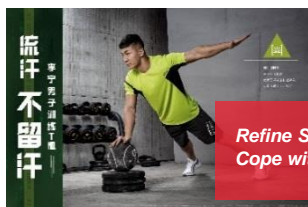
2020 Paris Fashion Week product
— KUA FU

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Training – Technological Innovation-Driven, Refined Training Scenarios



Focus on Female Market
Refined Female Fitness Training Needs



Refine Sports Segments
Cope with Active Training



“No Boundaries” Training
Shoes Equipped with
Multifunctional
Technology to Support
Flexible Performance



GYM



Active Training



Essentials



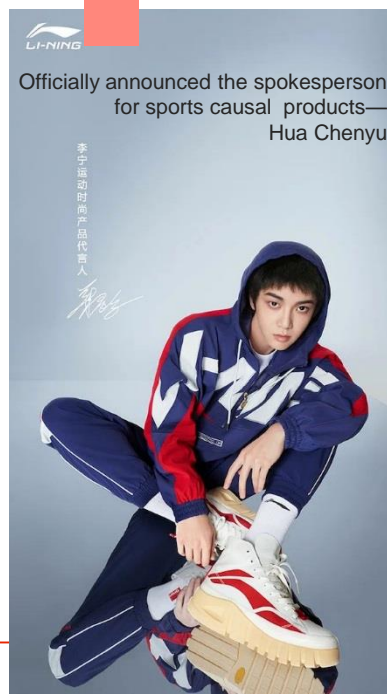
Support of
Technological
Innovation



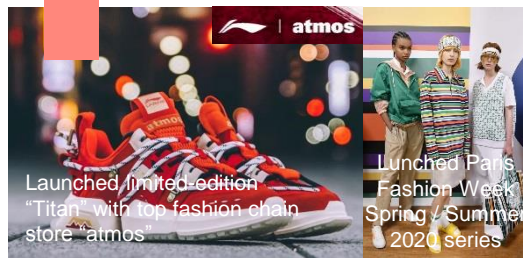
Sports Casual – Leverage on Sports DNA to Grasp Fashion Trends

Diversified Product Themes,
Follow Major Events and Hot Topics

Entertainment Marketing, Collaboration with Artists,
Further Build Up Fan Economy



Broaden International Perspective ,
Participate in Global Fashion Stage



Pay Attention to Market Segment,
Develop Female Business



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Brand Marketing – Crossover



DISNEY

Add some "worldly-wise" flavor
to the cute Mickey Mouse

Dunhuang Museum

Explore the beauty of
Dunhuang

Traditional festival: Dragon Boat Festival

Launch "Wave BOOT-Duanwu" edition
Incorporate traditions of the Dragon Boat Festival



QQ Dance

Create "New Retro-Futurism"



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Brand Marketing – Fashion Week: To Be Continued



Digital Paris Men's Fashion Week | Game Starts, Click to Join

On the 30th anniversary of the brand's founding, the short film "Game Starts", which spans the past and the future, was released at the 2021 Spring/Summer "Digital Paris Men's Fashion Week", bringing together important historical moments of the brand, at the same time offering a glimpse of China Li-Ning Spring/Summer 2021 series .



Gymnast Li Ning
Barcelona Olympics / 1984



To be continued

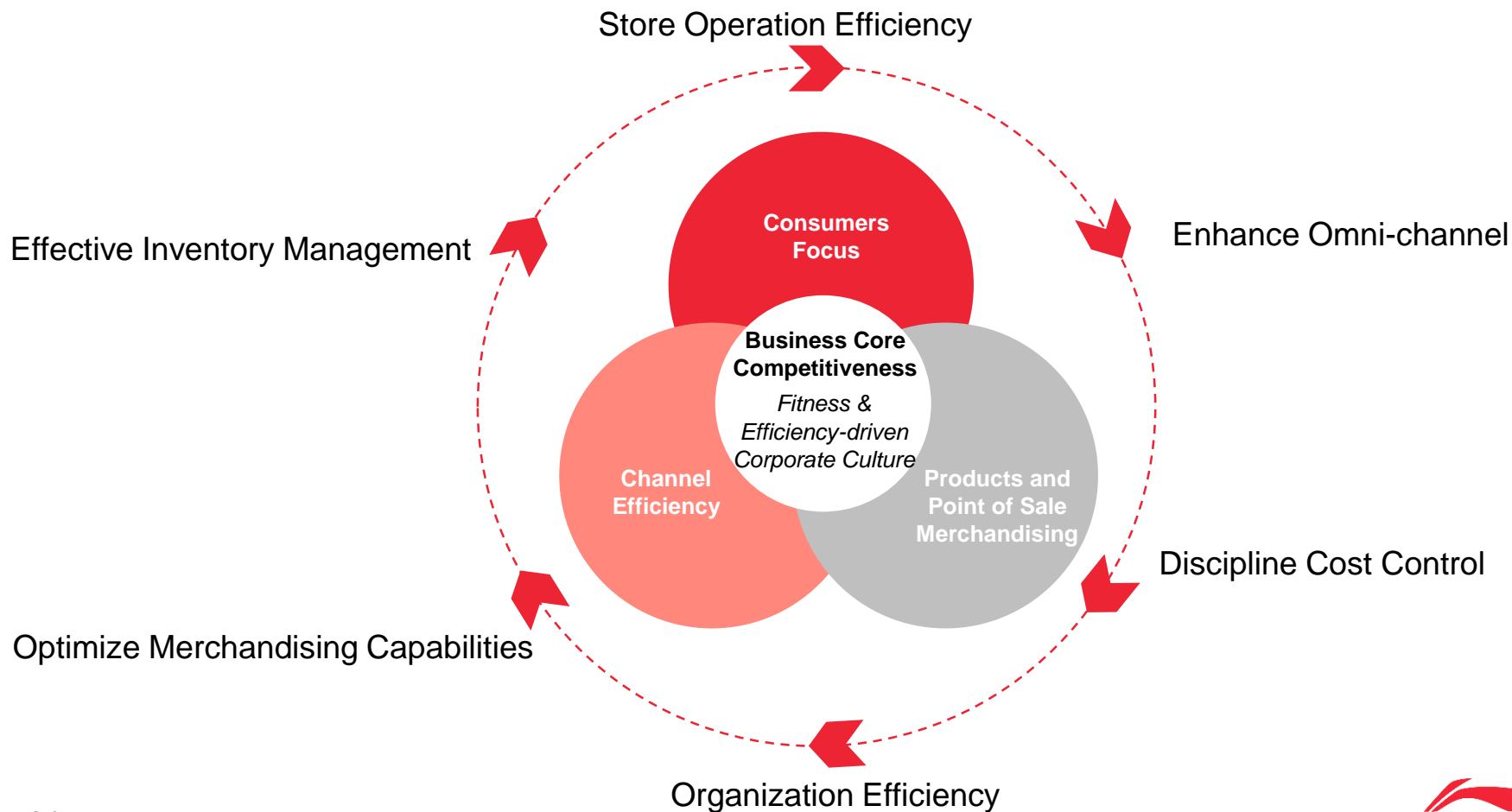


LI NING Operational Progress



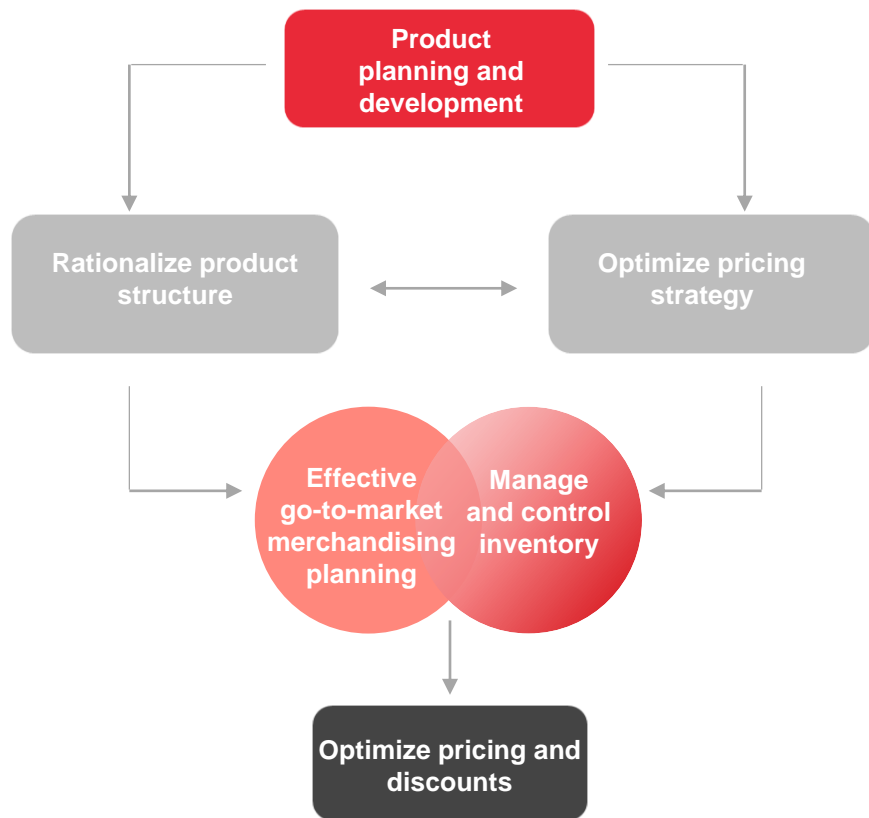
LI-NING-17

Business Core Competitiveness



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Product Strategy Initiatives



To improve the efficiency of product operation as the goal:

- Integrate product functions
- Adjust product architecture
 - Integrate product architecture in terms of the “depth and width” of products
 - Plan and trim the number of fabric types, patterns and colors

Channel Expansion Strategy Initiatives

Channel upgrade
and optimization



Strengthen
flagship store

Upgrade visual
merchandising

Refine big store
operating model

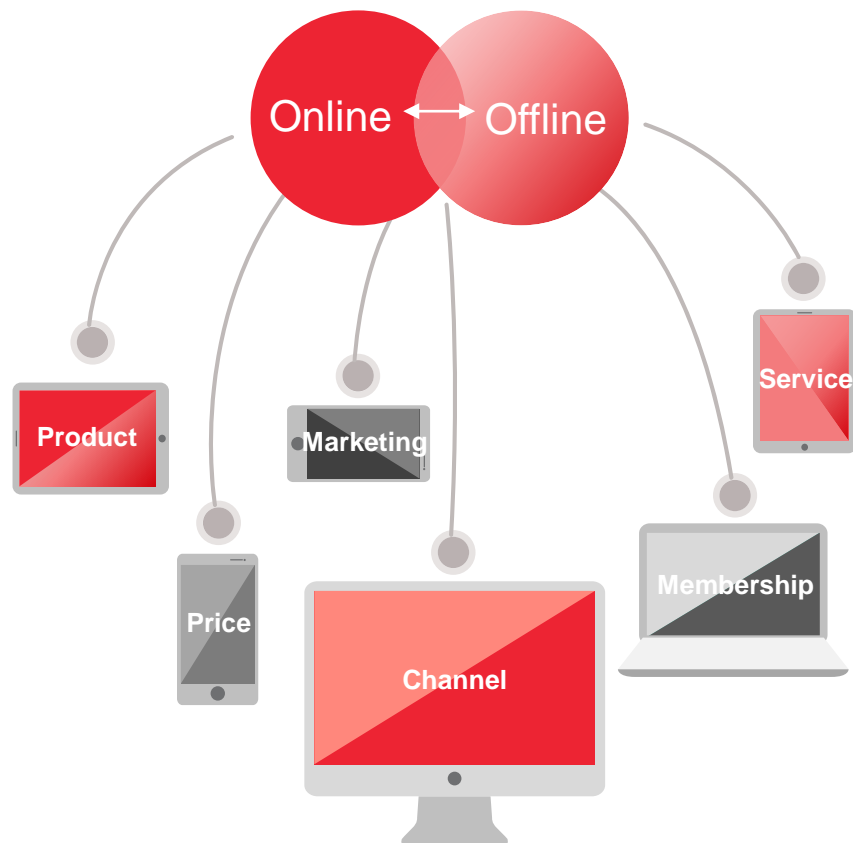
Channel layout based on the profitability and efficiency of single store:

- Ensure the unity and continuity of channel management
- Wholesale and direct-retail business are planned separately for multi-tier markets
- Store image upgrade
- Persist in the establishment of big store with high efficiency

Omni-channel Strategy Initiatives

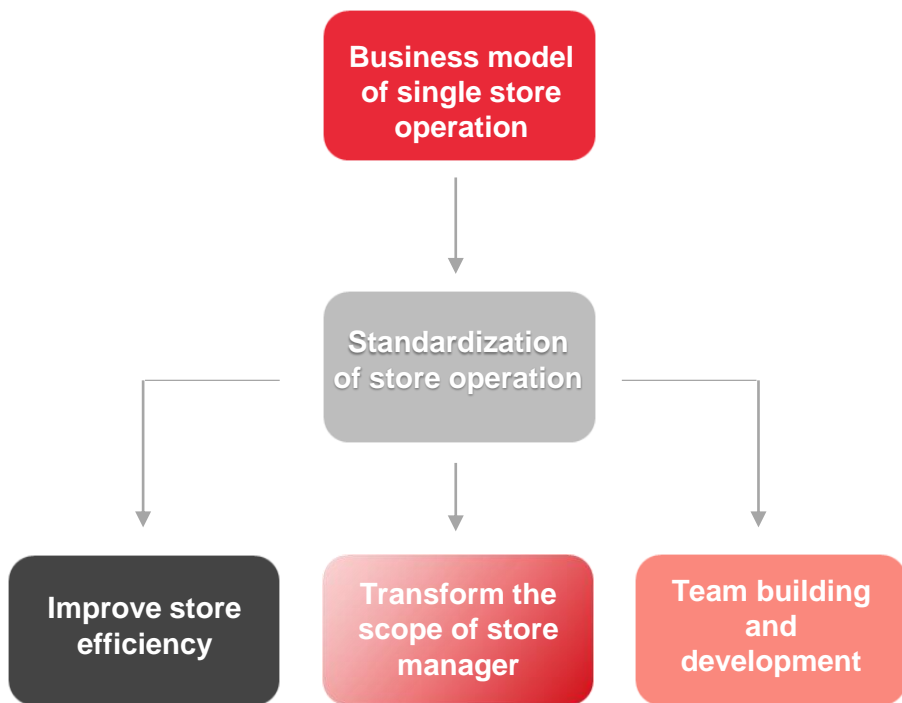
Continue to develop e-commerce channel to integrate online and offline:

- Unify e-commerce business system
- Improve resource sharing efficiency



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Store Operation Strategy Initiatives



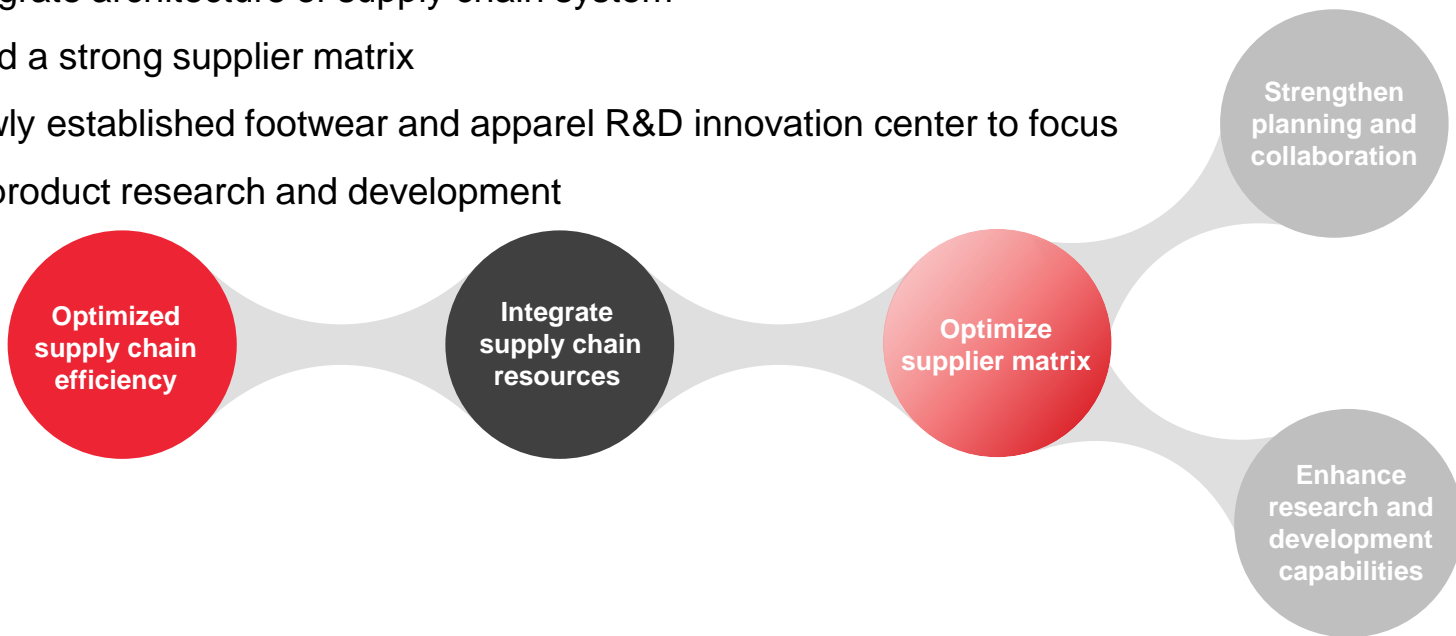
Establish single store operating model with high efficiency and high productivity :

- Adjust operational architecture of sales system
 - Separation of wholesale and direct retail business
 - Establish a headquarter platform to link various functional departments
- Focus on store operation indicators

LI-NING Supply Chain Strategy Initiatives

Achieving the transition from passive to proactive production:

- Integrate architecture of supply chain system
- Build a strong supplier matrix
- Newly established footwear and apparel R&D innovation center to focus on product research and development





LI-NING Open Forum



BADFIVE

LI-NING

Appendix 1 — Summary of Income Statement and Balance Sheet

(RMB million)	2020	2019	Better/ (Worse)
	Period ended 30 June		
Revenue	6,181	6,255	(1.2%)
Gross Profit	3,057	3,108	(1.6%)
Distribution costs	-1,949	-2,023	3.7%
Administrative expenses	-346	-451	23.2%
Other income and other gains – net	161	44	262.3%
Operating Profit	898	678	32.4%
EBITDA	1,408	1,353	4.1%
Profit Attributable to Equity Holders	683	795	(14.1%)
Basic Earnings per share (RMB cents)	27.98	32.88	(14.9%)

(RMB million)	30 June 2020	31 Dec 2019	Better/ (Worse)
Cash and Cash Equivalents	5,561	5,961	(6.7%)
Borrowings	0	0	N/A
Net Cash*	5,762	5,963	(3.4%)
Current Liabilities	4,413	4,717	6.4%
Current Ratio (times)	1.9	1.8	0.1
Total Liabilities to Total Assets Ratio	40%	43%	3.0p.p.

— 41 — *Net cash = Cash and Cash Equivalents (including restricted bank deposits & financial assets at fair value) – Borrowings

Appendix 2 — Profit Margins and Key Operating Indicators

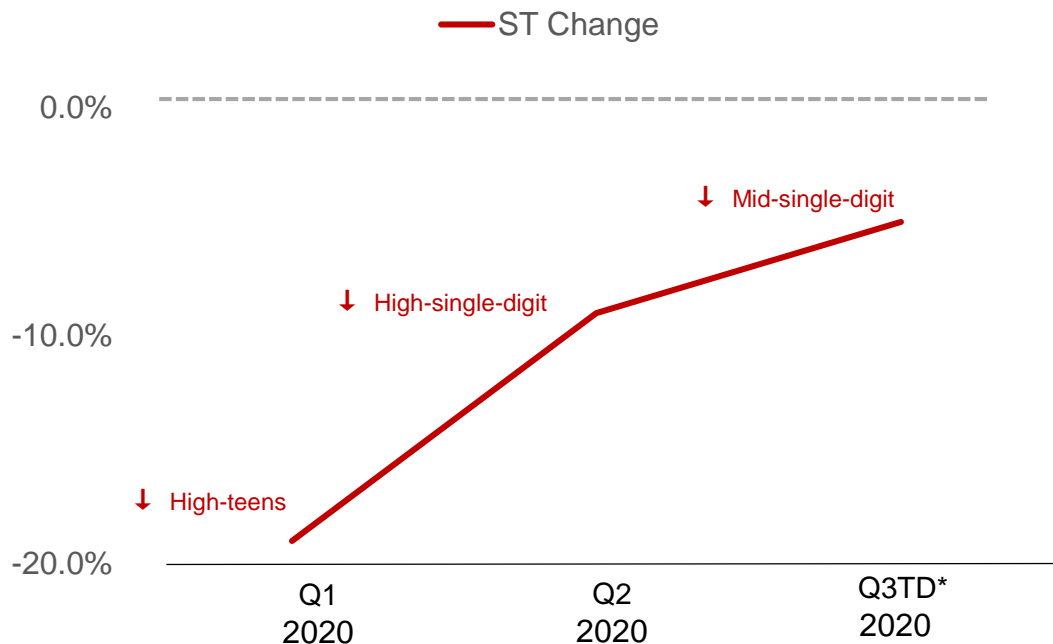
	2020	2019	Better/ (Worse)
	Period ended 30 June		
Gross Profit Margin	49.5%	49.7%	(0.2p.p.)
Operating Profit Margin	14.5%	10.8%	3.7p.p.
EBITDA Margin	22.8%	21.6%	1.2p.p.
Margin of Profit Attributable to Equity Holders	11.1%	12.7%	(1.6p.p.)
R&D Expenses (as % of revenue)	2.2%	2.1%	(0.1p.p.)
A&P Expenses (as % of revenue)	9.0%	8.9%	(0.1p.p.)
Staff Costs (as % of revenue)	10.1%	11.6%	1.5p.p.

	2020	2019	Better/ (Worse)
	Period ended 30 June		
Inventory Turnover (Days)	84	74	(10)
Trade Receivables Turnover (Days)	22	24	2
Trade Payables Turnover (Days)	76	66	10
Cash Conversion Cycle (Days)	30	32	2
Return on Equity (ROE)	9.3%	13.0%	(3.7%)
Return on Asset (ROA)	5.4%	8.1%	(2.7%)
CAPEX (RMB million)	222	236	5.9%

Appendix 3 — Wholesale Business[^]

LN Brand, excl. International market sales and LN YOUNG

Impact of COVID-19 on Sell-through, YoY%



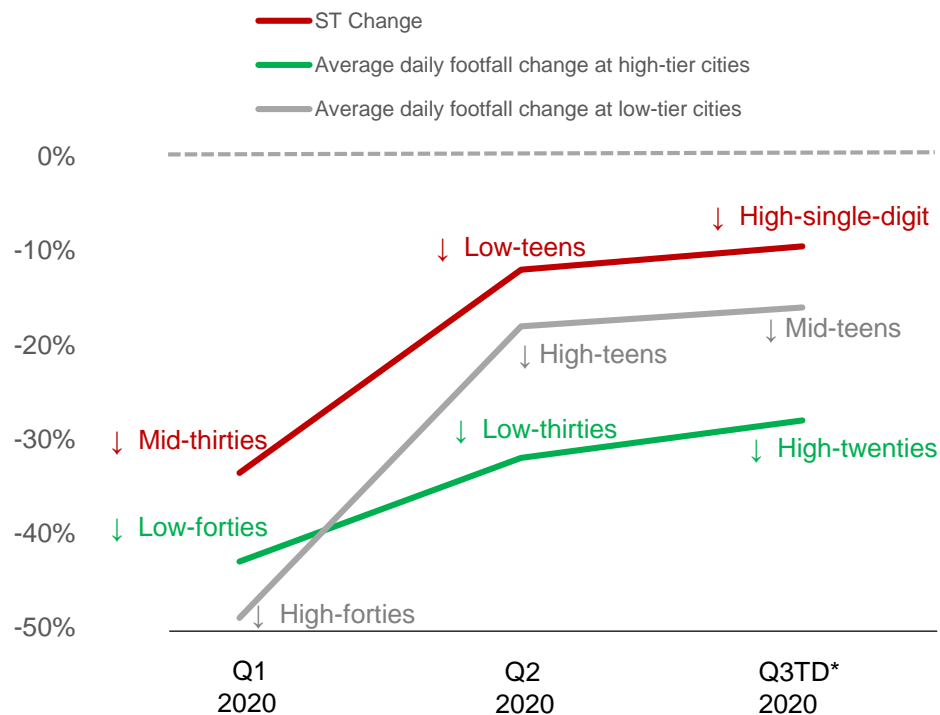
[^] Including product sales of badminton and football categories from specialty-stores.

* As of Aug 9th, 2020

Appendix 4 — Retail Business[^]

LN Brand

Impact of COVID-19 on Sell-through and Average Daily Footfall[#], YoY %



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

[#] Daily footfall data is based on our store traffic tracker where available

* As of Aug 9th, 2020