



ANNUAL RESULTS



中國
李寧

2023

ANNUAL RESULTS

LI NING COMPANY LIMITED
李寧有限公司

67.3109

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

STOCK CODES: 2331 (HKD counter) and 82331 (RMB counter)

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LI NING 2023 ANNUAL RESULTS



This presentation incorporates information contained in the annual results announcement (the “Results Announcement”) for the year ended 31 December 2023 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

LI NING 2023 ANNUAL RESULTS

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MAKE YOUR OWN WAY

⊗ 2023 DWYANE WADE CHINA TOUR



ANYTHING IS POSSIBLE

ONE

TWO

THREE

FOUR

FIVE

RED HARE 6 PRO

赤兔6 Pro

全能跑将

轻弹 透气 稳定 助力 抓地 耐久

BOOM 轻盈回弹 PROBAR LOC 透气防拖 SCR LOC 轻缓止滑

RESULTS HIGHLIGHTS

2023 Financial Highlights: Proactive Strategy, Steady Progress

Financial Highlights (in RMB)

Revenue

27,598 million

↑ 7.0%

Gross margin

48.4%

remained stable

Net Profit¹

3,187 million

Net profit margin:
11.5%

Net profit excluding one-off gains not related to operation²

3,046 million

Net profit margin: 11.0%

Net operating cash inflow

4,688 million

↑ 19.8%

The percentage of gross average working capital to revenue

7.6%

The cash conversion cycle: 35 days,
remained at a healthy level

Annual dividend³

54.74 cents/ordinary share

Annual dividend payout ratio: 45%

Operational Highlights

Retail sell-through⁴

↑ **low-teens**

Offline channel new product sell-through

↑ **low-teens**

Channel inventory

Inventory level: ↓ **mid-single-digit**

Inventory to sales ratio **3.6** months

1&2: Refer to net profit attributable to equity holders and net profit attributable to equity holders excluding the one-off gains not related to operation respectively

3: The Board has recommended the payment of a final dividend of RMB18.54 cents per ordinary share for the year ended 31 December 2023, together with payments of interim dividend of RMB 36.20 cents per ordinary share, representing a full-year dividend of RMB 54.74 cents per ordinary share. The proposed final dividend payment is subject to approval by the shareholders of the Company at the forthcoming annual general meeting

4: Including online and offline

ONE

TWO

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FIVE

的卢PRO
止滑大磨王

* 耐磨+5倍^① | 止滑+13%^②

① 李宁GCU地面控制系统与黄金大底的材料试片性能对比 ② 数据来自第三方检测机构 ③ 数据来自李宁运动科学实验室

LI-NING ADVENTURE

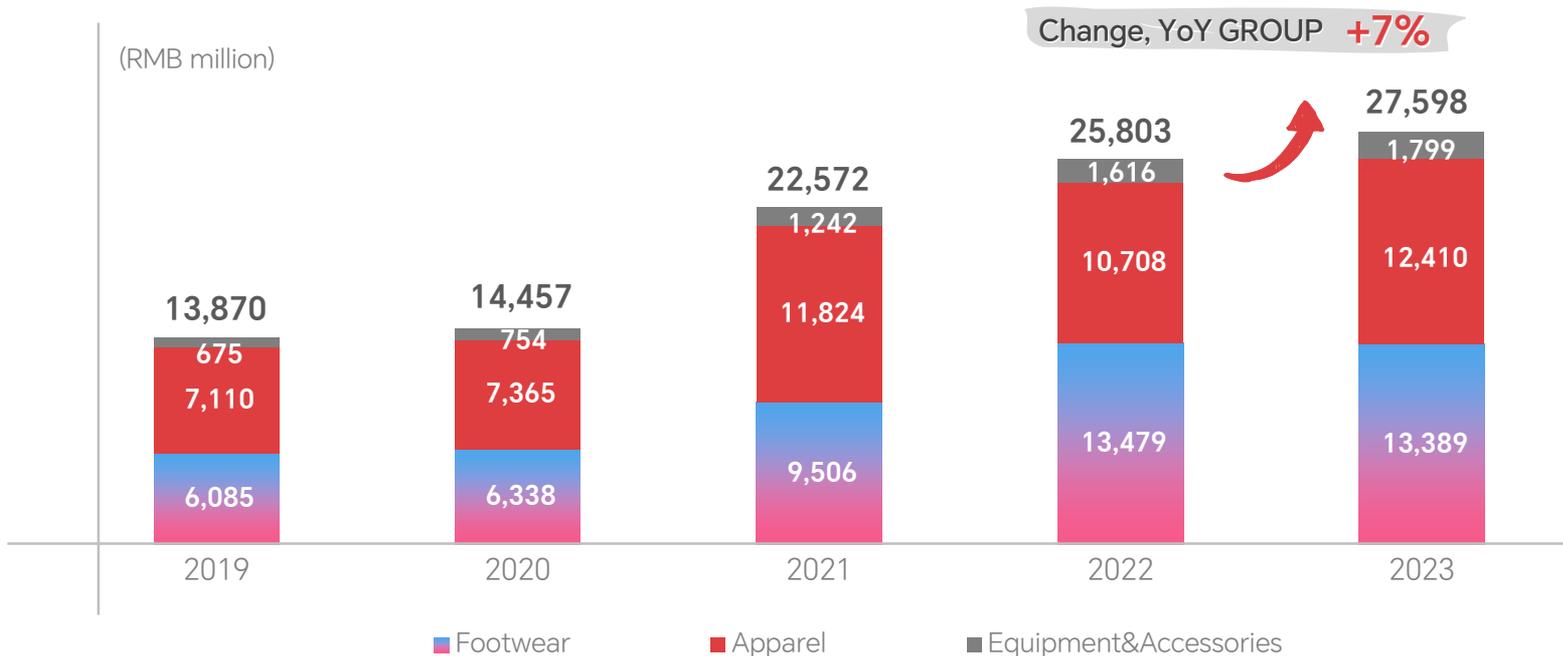
LI-NING ADVENTURE

LI-NING ADVENTURE

LI-NING ADVENTURE

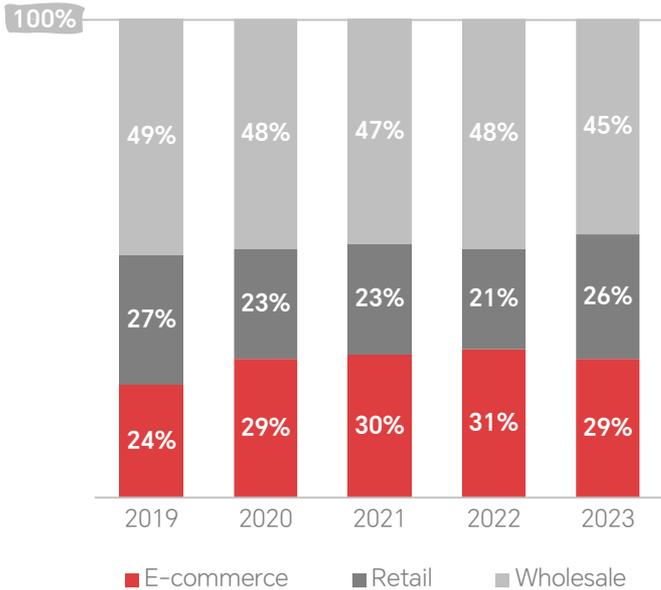
FINANCIAL REVIEW

Revenue: Footwear category remained dominant

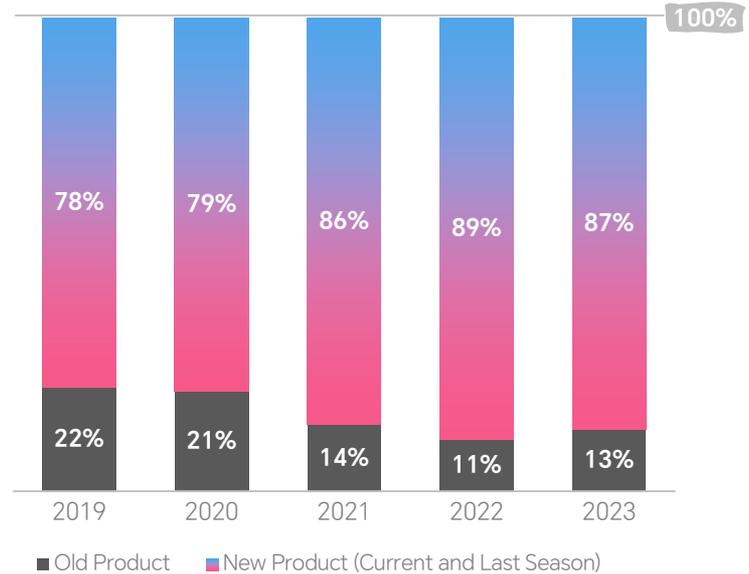


Revenue and sell-through mix: A balanced mix of channel revenue and sell-through reduced financial risk

Channel Revenue Mix



Sell-through Mix (Incl. Retail and Wholesale)



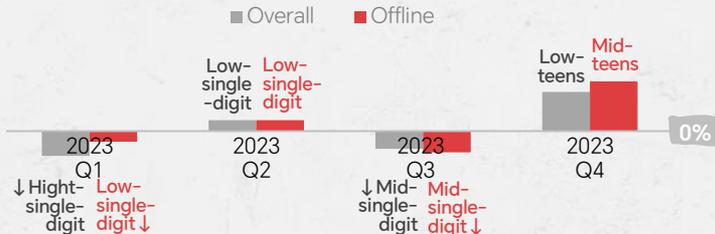
Same-store sales growth (SSSG) : Weak consumption recovery put pressure on same-store performance

SSSG (2023 vs 2022)

Overall ↓ Low-single-digit

- Retail ↑ Low-teens
- Wholesale ↓ Low-single-digit
- E-commerce ↓ High-single-digit

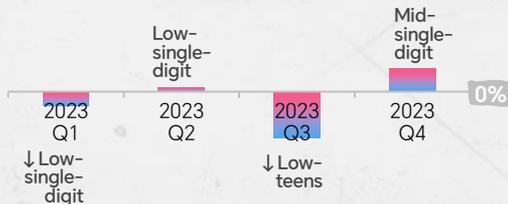
Overall



Retail



Wholesale

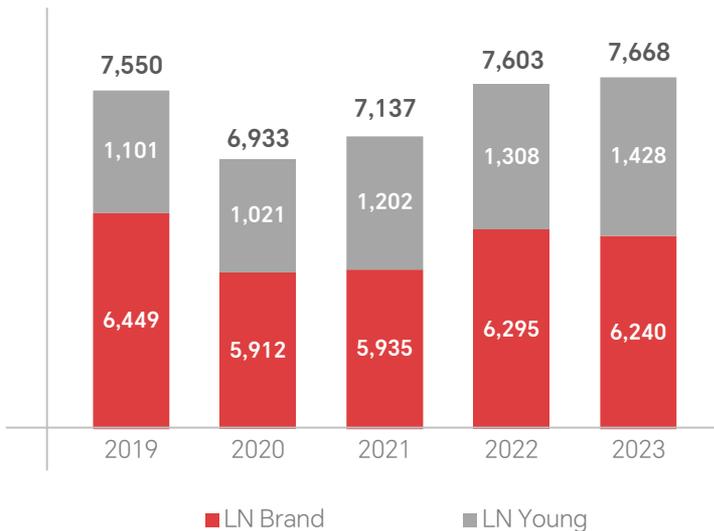


E-commerce

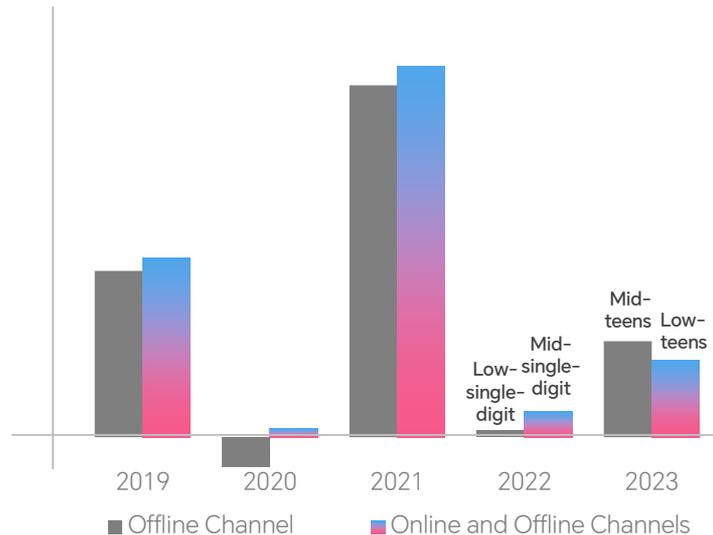


Online and offline expansion: Expanded key business zones and optimized store layouts

POS Number (Year end)



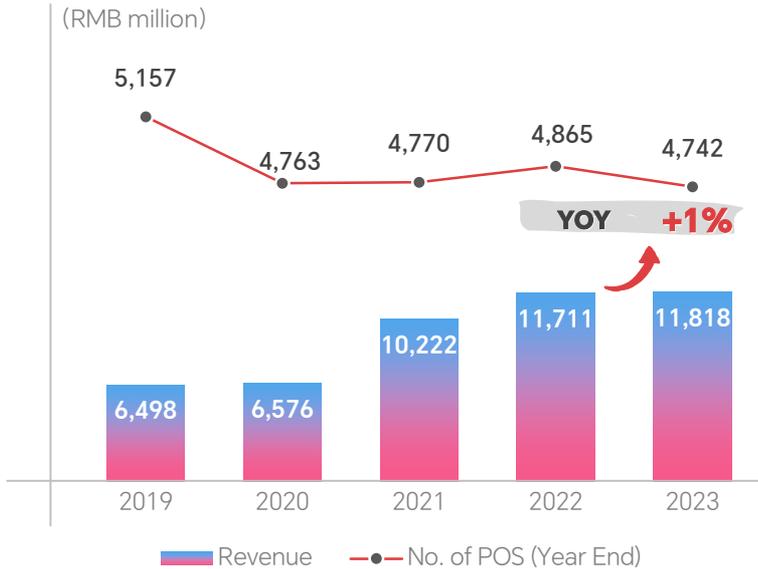
Sell-through growth, YoY% (Excl. LN YOUNG)



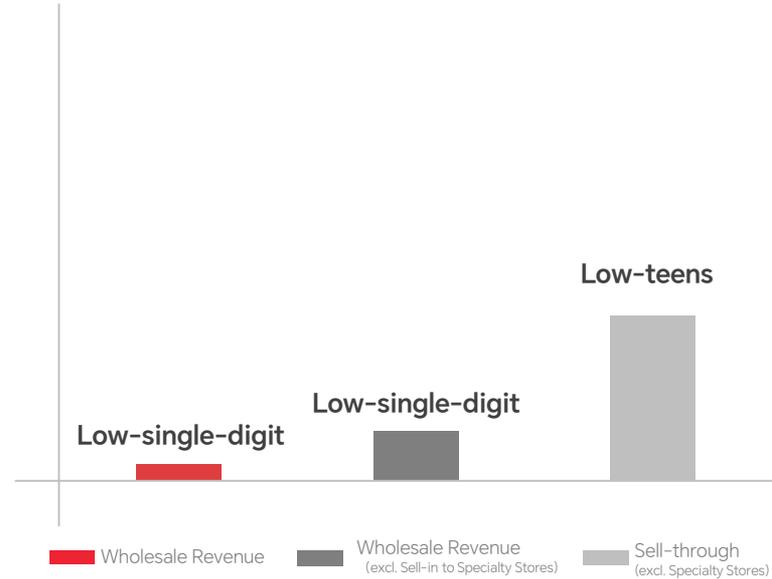
Sell-through growth: LN brand (including China LI-NING and LI-NING 1990), excl. international markets and LN YOUNG

Wholesale business: Empowered distributors, enhanced retail operational capabilities, led recovery of sales

Business Performance



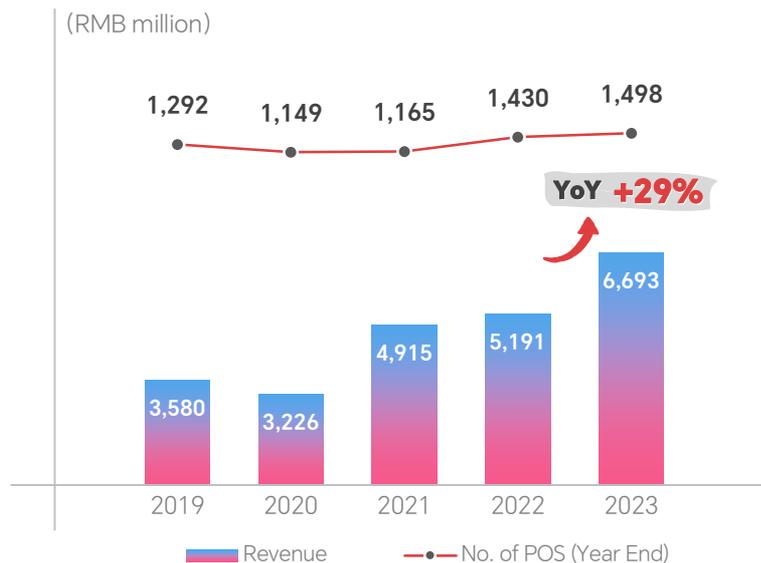
Sell-through and Revenue Change, YoY%



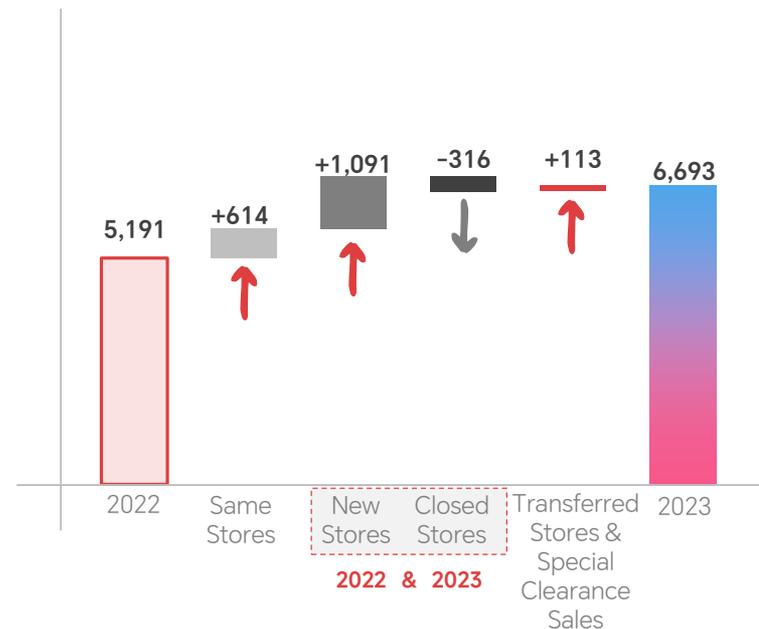
Wholesale Business: LN brand (including China LI-NING, product sales of badminton and table tennis categories from specialty-stores), excl. international markets and LN YOUNG

Retail business: Retail growth momentum driven by new store opening and same store sales

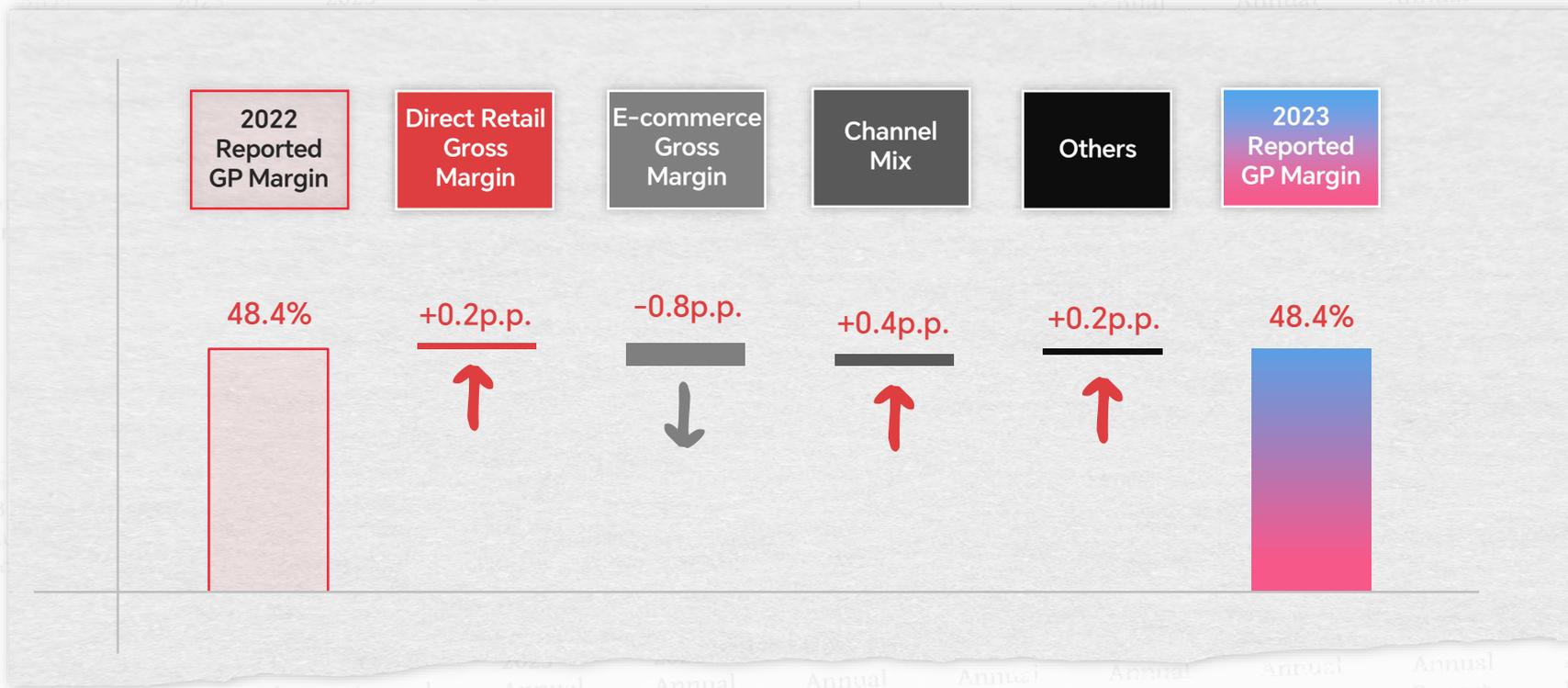
Business Performance



Revenue Change Analysis



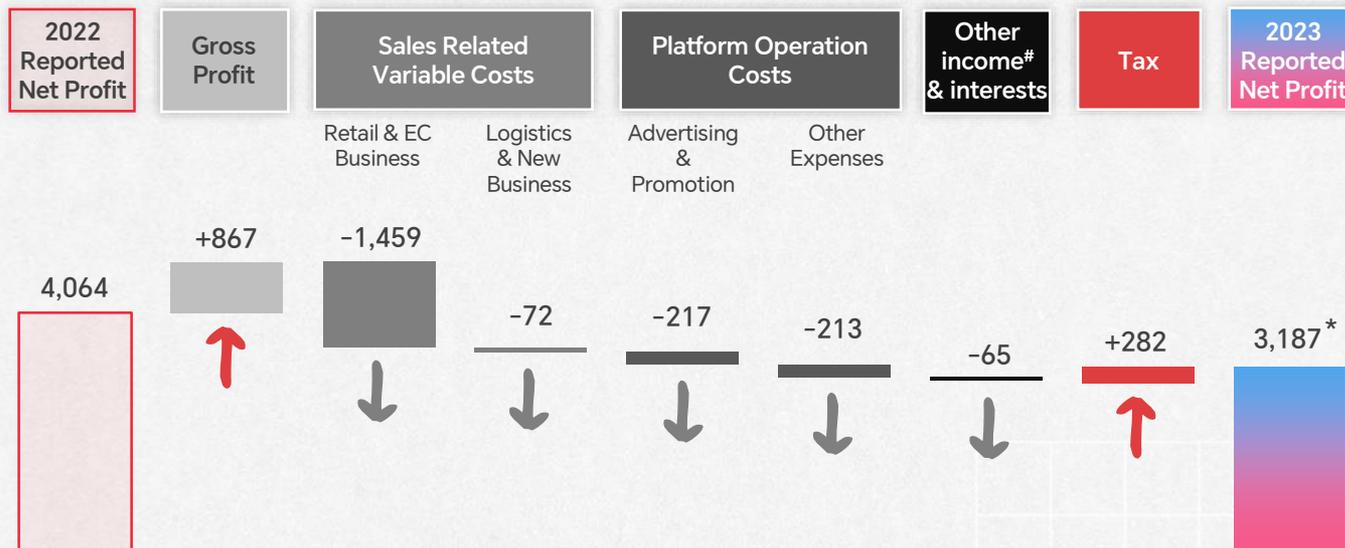
GP margin analysis: Enhanced retail discounting and channel-mix optimization ensured gross margin stability



Gross profit margin: Net changes in major items

Profitability analysis: Strategic investment for enhancing long-term returns

(RMB million)



Breakeven

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

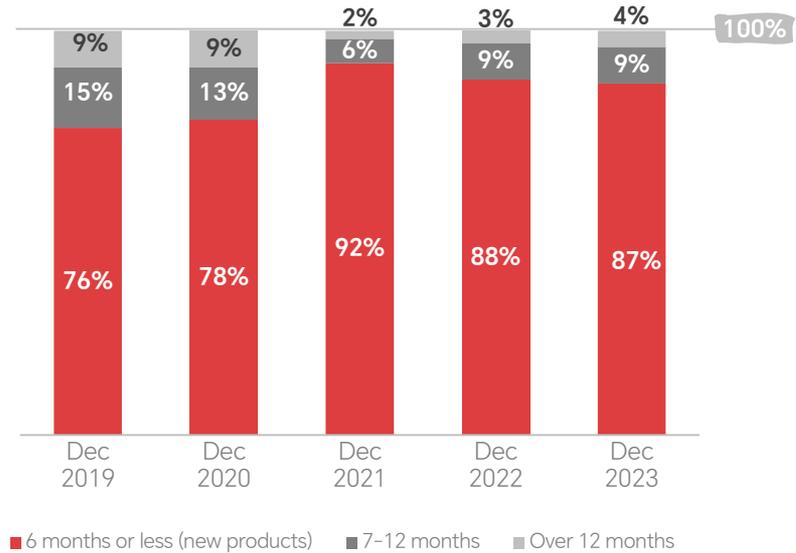
*Including one-off gains not related to operation

Channel inventory: Inventory turnover reached the most efficient level in five years



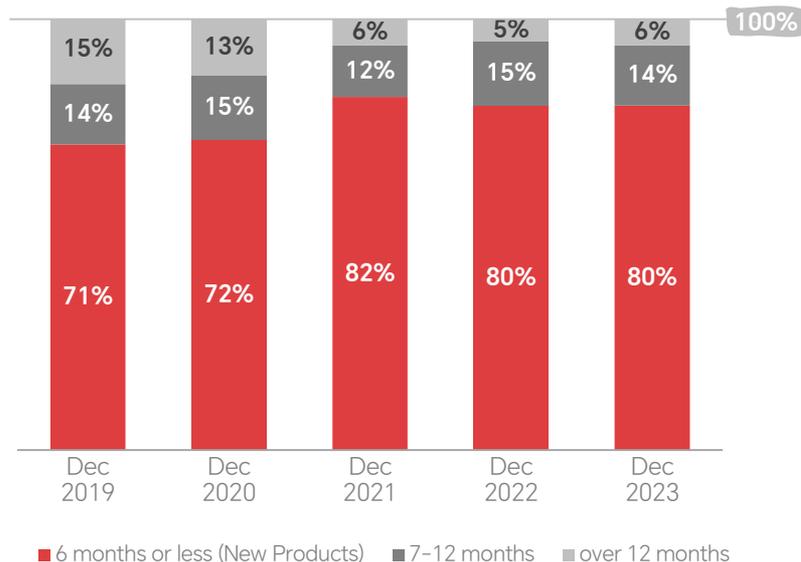
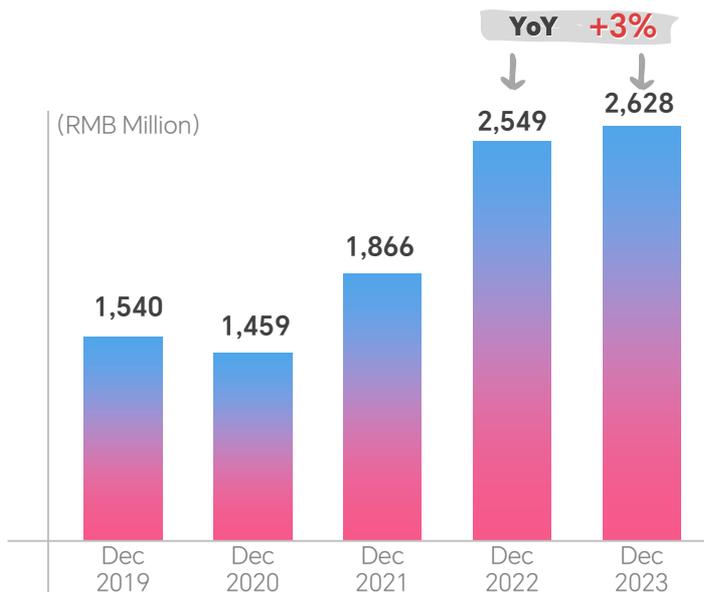
*Including offline stores and warehouses

Channel Inventory: Including online and offline



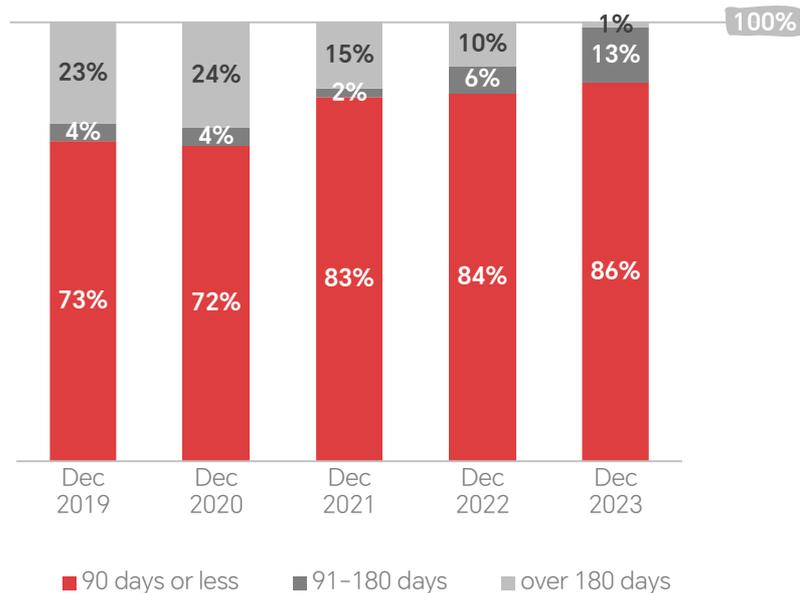
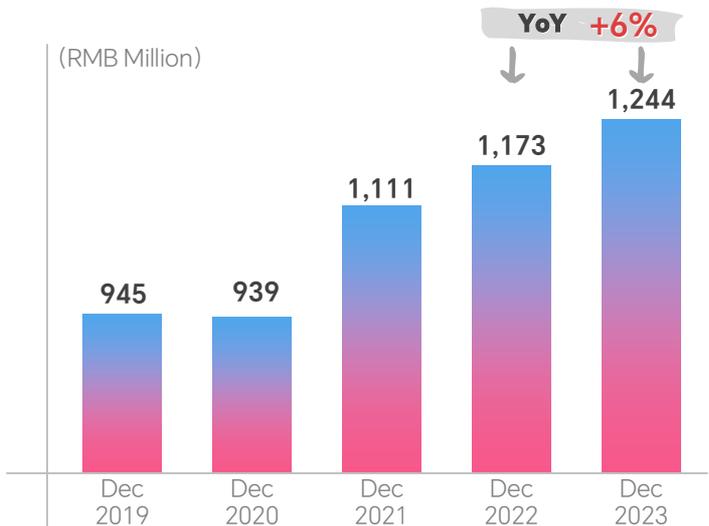
Company inventory: Maintained healthy and manageable inventory levels and ageing structure

At cost, before provision

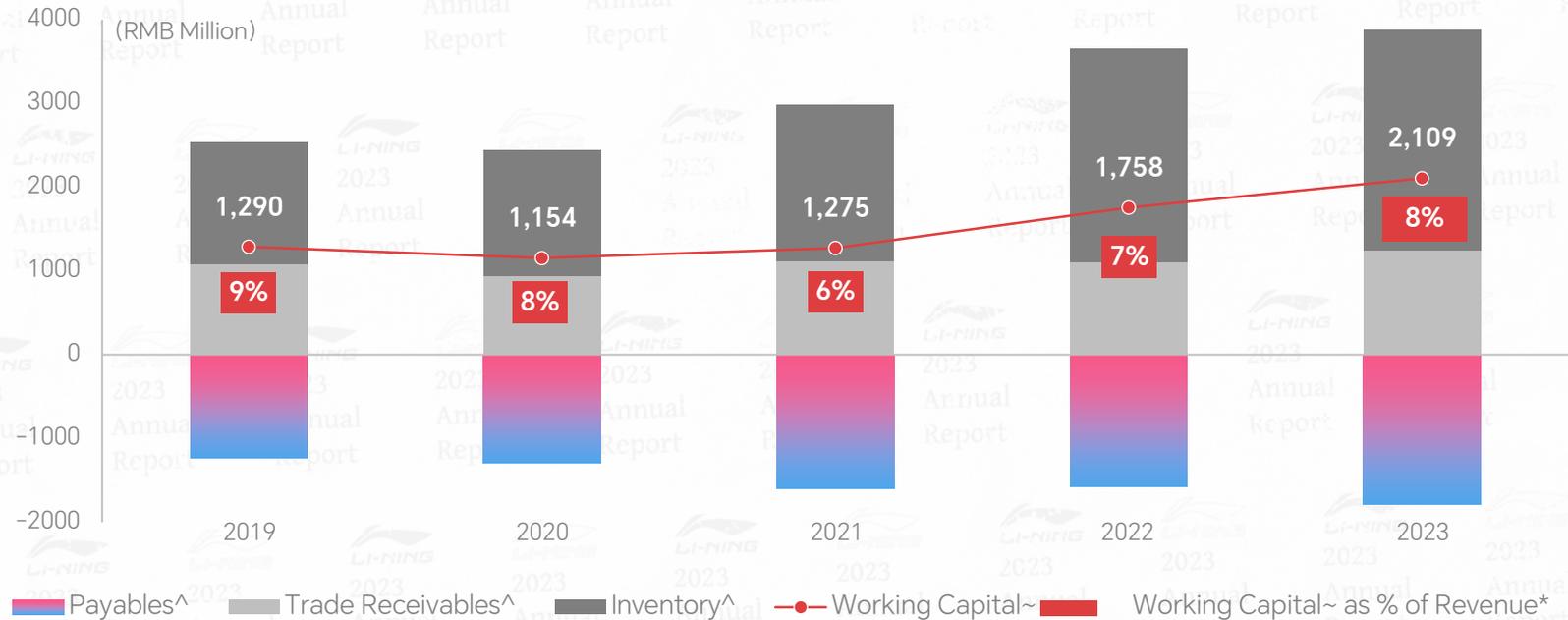


Trade receivables: At reasonably healthy level

At gross amount, before provision



Working capital efficiency: Robust efficiency fuels recovery momentum

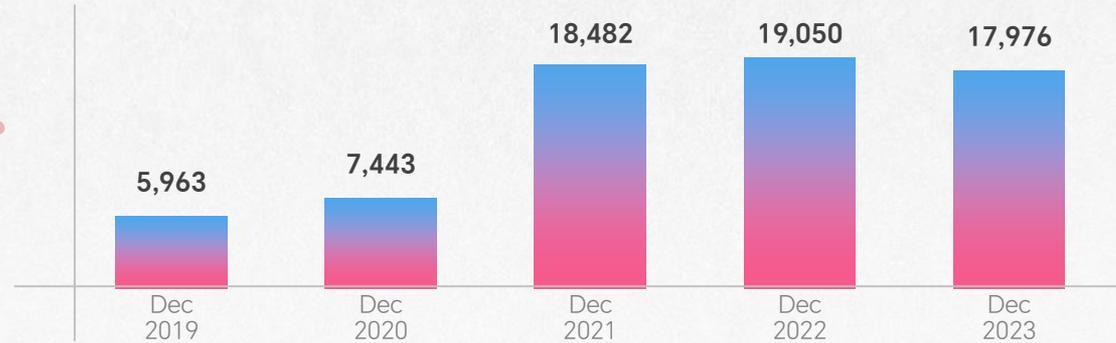


~Simple average of opening and closing for the year

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

Balance sheet summary: Healthy operating cash flow

Net Cash Position[^] (RMB Million)



| | | | | | |
|-------------------------------------|-------|-------|-------|-------|-------|
| Cash Conversion Cycle (Days) | 26 | 20 | 20 | 30 | 35 |
| Net Operating Cash Inflow | 3,503 | 2,763 | 6,525 | 3,914 | 4,688 |
| Dividends* | 380 | 510 | 1,203 | 1,219 | 1,434 |

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

*Including interim dividends paid and final dividends proposed (upon shareholders approval)

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STRATEGIC DIRECTION

Enhancing LI-NING's experience value, bolster competitive advantages to seize business opportunities

Unwavering commitment to R&D investment enhances product quality, integrates functionality with style

Product Experience

Li-Ning's Experience Value

Shopping Experience

Sports Experience

Retail store upgrades enhance one-stop shopping experience

National policies promote establishment of sports culture, prioritizing development of industry

Source: General Administration of Sports of China

Ongoing commitment to “Single Brand, Multi-categories, Diversified Channels” strategy

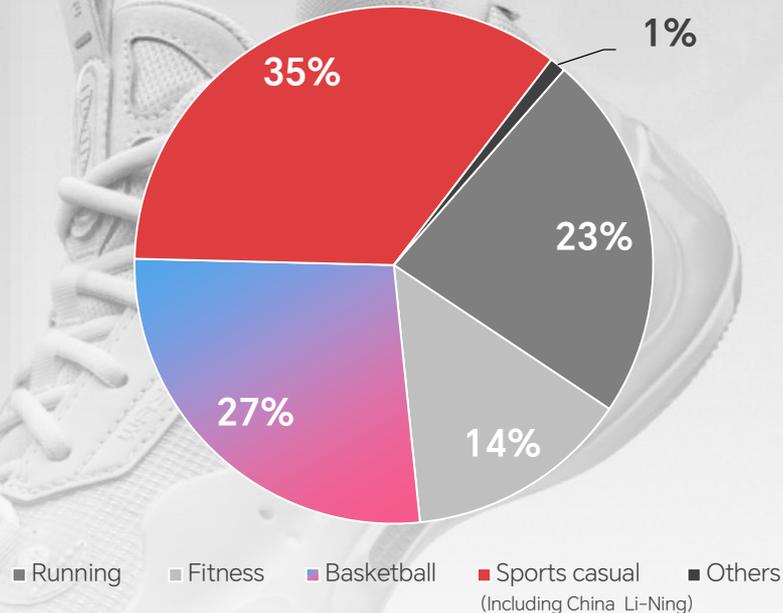


Enhancing technology for comprehensive range of professional sports products

Retail sell-through - YoY Change (2023)



Retail sell-through - Mix

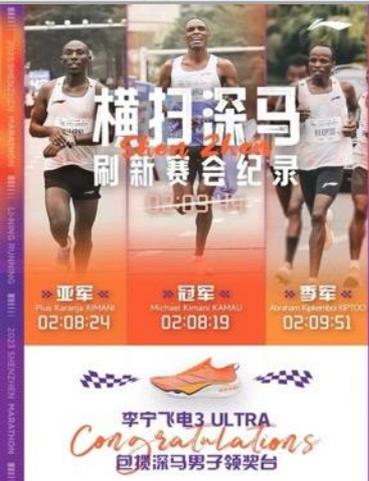


Created well-established professional product matrix

- Total sales volume of “Super Light” (超轻), “Rouge Rabbit” (赤兔) and “Feidian” (飞电) exceeded **9 million** pairs for the year;
- “Feidian 3 Challenger” (飞电3 Challenger) exceeded **1.3 million** pairs during the year



- In 2023, the Li-Ning Feidian series powered elite athletes to **103** championship wins and **194** podium placements in national and international competitions
- In February 2024, Li-Ning Feidian 3 Ultra enabled athletes to break speed record for Chinese running shoes with a time of 2:03:47, marking the official entry into the **203 era** for China's running shoes



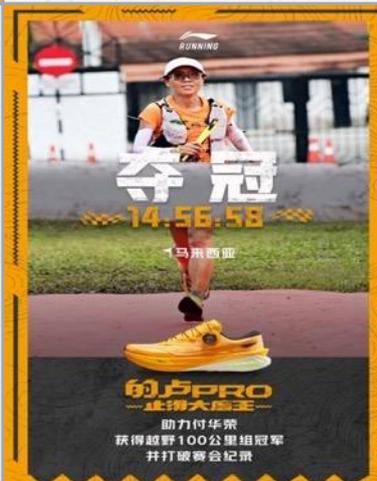
Running: Continuously refining our professional product matrix to develop professional running products for multi-scenarios

Tapped into professional cross-country running sector



- Newly created IP named “Dilu Series” (的卢家族) powered top off-road runners to **11** championships and **25** podium finishes

- Featuring exclusive GCU Ground Control System, our gear offers **13%** improvement in slip resistance and **fivefold** increase in wear resistance.
- Featuring Li-Ning Boom technology, shoes achieve energy rebound rate of up to **80%**
- With enhanced structural design, each shoe weighs less than **265 grams**



Basketball: Building new technological platform, promoted development of youth basketball in China



The Yushuai ULTRA is equipped with a Carbon Core Drive System, featuring "LI-NING BOOM" with full-foot support (全掌碳) technology and integrated molding technique with a balanced plate. Paired with the GCU ground control system, it enhances wear resistance by **70%**, dry traction by **8%**, and wet traction by **30%**."



During the 2022-23 season, the Li-Ning China Primary School Basketball League and Training Camp hosted **1,694** games with participation from over **5,700** individuals. The China Junior High School Basketball League saw **945** games with more than **2,500** participants, extending its reach to an audience of **38 million**.

Fitness: Focusing on functional technology, diversifying into array of scenarios



Men's Fitness

- Continued to upgrade "AIRSHELL Air Movement Technology" (AIRSHELL 气壳科技) and "DYNAMIC SHELL Protective Technology" (DYNAMIC SHELL 防护科技). Fulfilled clothing needs of different customer groups by equipping sports outfits with various functions.

Women's Fitness

- Conducted research into women's sports preferences, identifying key exercise settings and attire requirements, delivered functional products suited for yoga, fitness, and fashionable activities.
- Launched the women's yoga apparel IP, "SoftTouch" (柔感) series, created multiple technological themes to enhance engagement with female consumers.

Sports casual: Fusing fashion with sportiness to enhance competitive advantage

“SOFT” series



Targeted daily walking and commuting. The entire series achieved sales volume of over **1.5 million** pairs within the year.

“Rich Everyday”



Preserved treasured Lunar New Year traditions with delightful innovations.

Disney Crossovers



The Disney Pixar Monsters University series infused a college-style with adorable and playful themes, presenting vibrant and energetic fall and winter styles.

Brand marketing: Integrating product and marketing resources to engage with consumers

Wade China Tour



CBA League

Badminton



Table Tennis



Marathon

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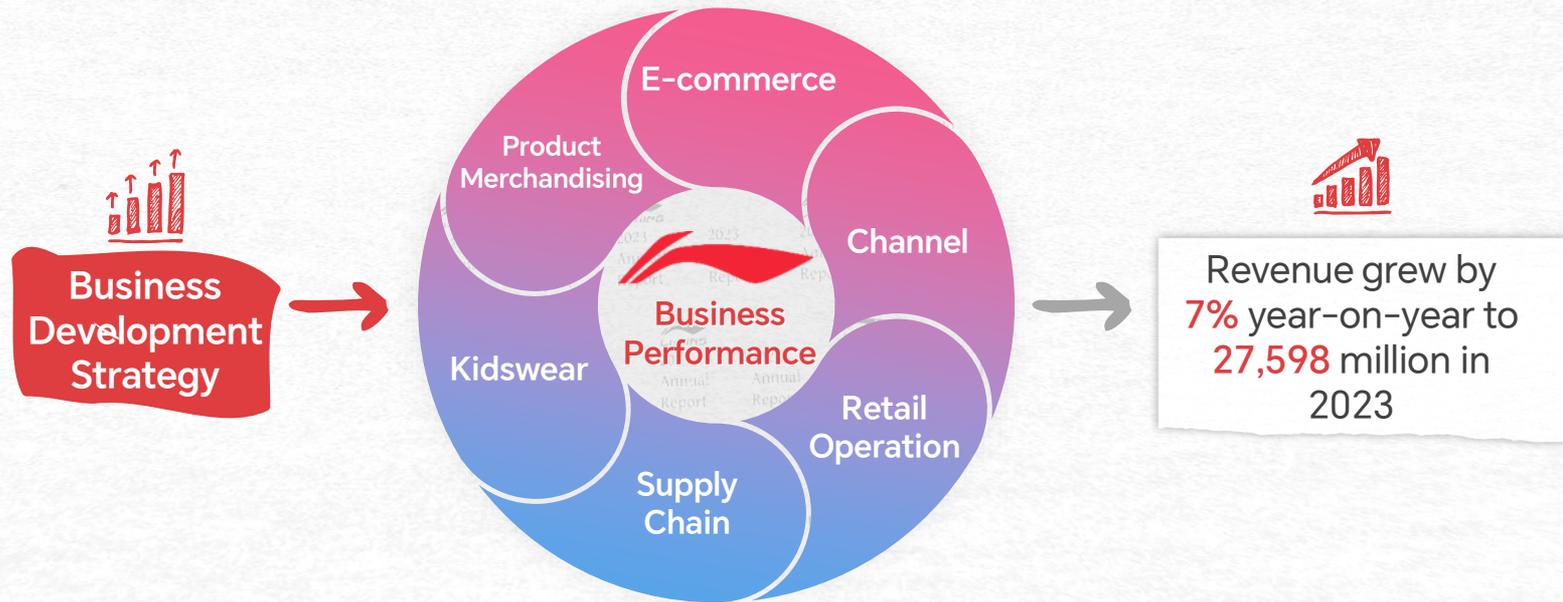
FOUR

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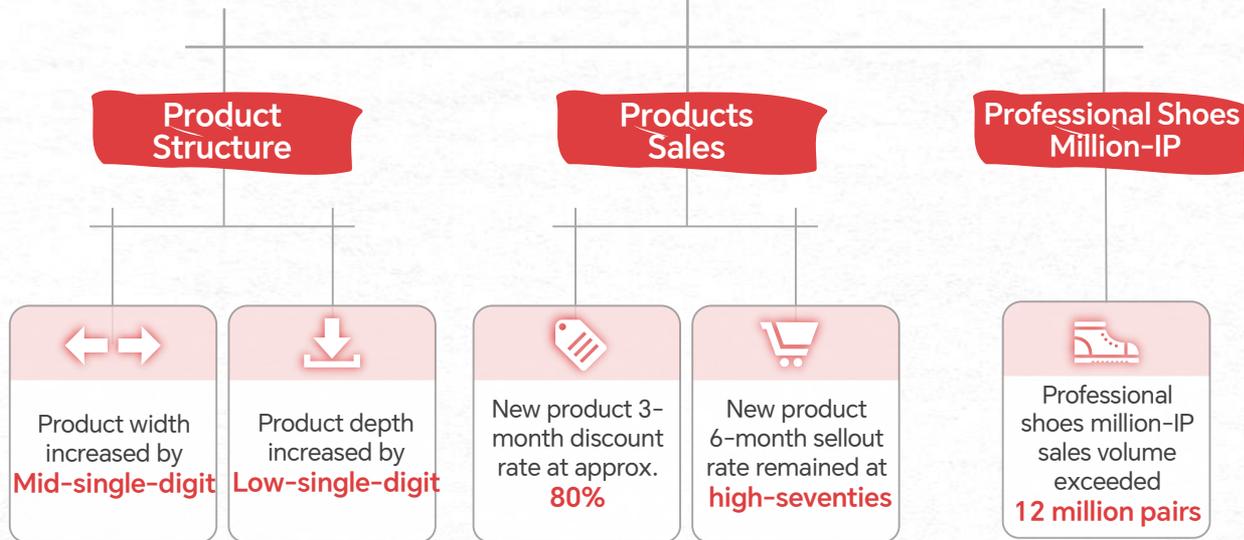
OPERATIONAL PROGRESS

Stable and healthy business operations in 2023



Product merchandising: Strengthening merchandise management capabilities to enhance efficiency of product operation

Product Operation



Product inventory: Inventory amount and ageing structure in a healthy level, with an efficient inventory turnover

Product Inventory

Channel inventory to sales ratio



Overall channel inventory-to-sales ratio at **3.6 months**

Inventory cost



Company Inventory cost amount increased by **low- single-digits**

Ageing structure



Ageing structure of old and new products remains healthy

Retail operation: Stable offline business operations with an increase in sell-through on a year on year basis

Retail KPIs*

Offline retail sell-through



Overall offline retail sell-through increased by **mid-teens**

Discounting



Overall retail discount rate improved slightly

Unit per transaction



Overall unit per transaction remained stable

Average Selling price



Average selling price further increased

*Excluding online channel

Channel: Focusing on expansion and optimization; channel layout in high-tier market is nearly finished



Big store* penetration



Sell-through structure



Store performance



9th generation store image

Number of big stores exceeded **1,660**

Average single-store selling square footage **410 square meters**

Sell-through contribution of high-tier market# remained **stable, with signs of improvement**

Core commercial occupancy rate at approx. **90%**

Total selling square footage increased by **mid-single-digit**

Average single-store selling square footage at **245 square meters**

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

Number of 9th-generation stores exceeded **230**

Average monthly store productivity exceeded **RMB 500,000**

* Store selling square footage exceeds 300 square meters

Including stores in metropolises and first-tier cities

E-commerce: Navigating challenges with focus on sustainable growth in the long run

E-commerce Business



Retail sell-through

Online retail sell-through increased by **low-single-digit**



Retail discount

Average discount rate deepened by **low-single-digit** (percentage points)



Inventory turnover

Inventory turnover days improved slightly year-on-year



Conversion rate

Conversion rate improved slightly year-on-year

Kidswear business: Achieved overall business growth

01

Retail Efficiency

- Retail sell-through increased by **mid-thirties**
- Average selling price increased by **mid-single-digit**
- Unit per transaction increased by **low-twenties**
- SSSG increased by **high-teens**

02

Channel Efficiency

- Number of stores totalled **1,428**
- Average monthly store productivity increased by **mid-twenties**

YOUNG



Supply chain: Continue to drive innovation and transformation on the premise of consolidating fundamental capabilities

Strengthening fundamental capabilities



Focus on quality, delivery lead time, and cost; and optimize various indicators

S-class supplier



Increase the proportion of orders from strategic suppliers



Introduce specialized category suppliers

Transformation and innovation

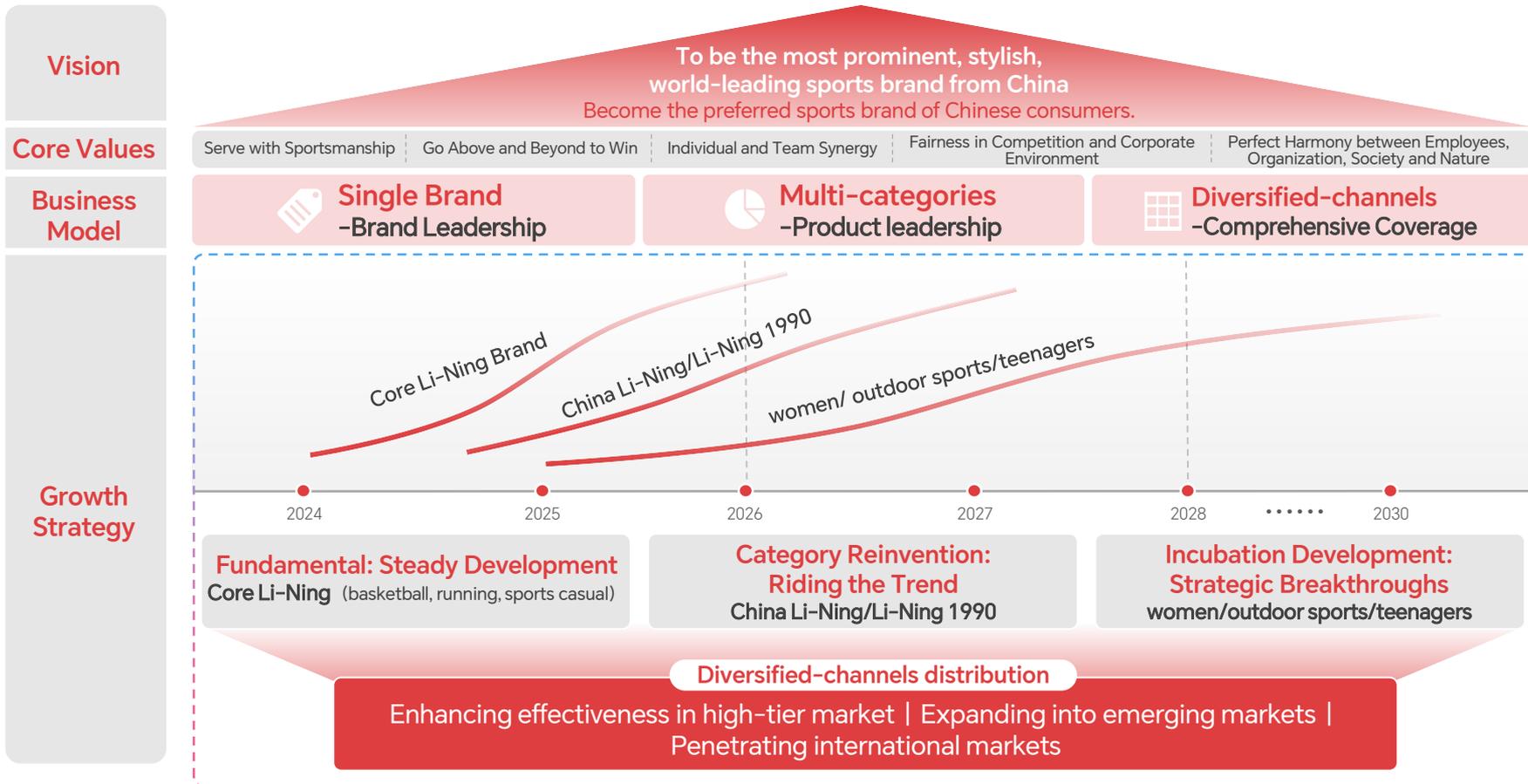


Innovate development model



Digital information management

Development strategy: consolidating and expanding product categories, deepening market penetration



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APPENDIX

Appendix 1 – Summary of Income Statement and Balance Sheet

| (RMB million) | 2023 | 2022 | Better/ (Worse) |
|--|------------------------|--------|--------------------|
| | Year ended 31 December | | |
| Revenue | 27,598 | 25,803 | 7.0% |
| Gross Profit | 13,352 | 12,485 | 6.9% |
| Selling and distribution expenses | -9,080 | -7,314 | (24.1%) |
| Administrative expenses | -1,256 | -1,113 | (12.8%) |
| Other income and other gains-net | 524 | 805 | (35.0%) |
| Operating Profit | 3,559 | 4,887 | (27.2%) |
| EBITDA | 6,157 | 6,542 | (5.9%) |
| Profit Attributable to Equity Holders | 3,187 | 4,064 | (21.6%) |
| Basic Earnings per share (RMB cents) | 123.2 | 155.4 | (20.7%) |

| (RMB million) | 2023 | 2022 | Better/ (Worse) |
|---|-------------------|--------|--------------------|
| | As at 31 December | | |
| Cash and Cash Equivalents | 5,444 | 7,382 | (26.3%) |
| Borrowings | 0 | 0 | N/A |
| Net Cash* | 17,976 | 19,050 | (5.6%) |
| Current Liabilities | 7,268 | 7,241 | (0.4%) |
| Current Ratio (times) | 1.88 | 1.71 | 0.17 |
| Total Liabilities to Total Asset Ratio | 28.7% | 27.7% | (1.0p.p) |

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

Appendix 2 – Profit Margins and Key Operating Indicators

| | 2023 | 2022 | Better/ (Worse) |
|---|------------------------|-------|--------------------|
| | Year ended 31 December | | |
| Gross Profit Margin | 48.4% | 48.4% | — |
| Operating Profit Margin | 12.9% | 18.9% | (6.0p.p) |
| EBITDA Margin | 22.3% | 25.4% | (3.1p.p) |
| Margin of Profit Attributable to Equity Holders | 11.5% | 15.7% | (4.2p.p) |
| R&D Expenses (as % of revenue) | 2.2% | 2.1% | (0.1p.p) |
| A&P Expenses (as % of revenue) | 9.0% | 8.8% | (0.2p.p) |
| Staff Costs (as % of revenue) | 8.7% | 7.7% | (1.0p.p) |

| | 2023 | 2022 | Better/ (Worse) |
|--------------------------------------|------------------------|-------|--------------------|
| | Year ended 31 December | | |
| Inventory Turnover (Days) | 63 | 58 | (5) |
| Trade Receivables Turnover (Days) | 15 | 14 | (1) |
| Trade Payables Turnover (Days) | 43 | 42 | 1 |
| Cash Conversion Cycle (Days) | 35 | 30 | (5) |
| Return on Equity (ROE) | 13.1% | 17.9% | (4.8p.p) |
| Return on Asset (ROA) | 9.4% | 12.7% | (3.3p.p) |
| CAPEX (RMB million) | 2,024 | 2,176 | 7.0% |