



## Viomi Technology Co., Ltd Reports Fourth Quarter and Full Year 2020 Unaudited Financial Results

Mar 25, 2021

### **Fourth quarter 2020 gross margin increased to 23.5% from 19.9% a year ago**

GUANGZHOU, China, March 25, 2021 (GLOBE NEWSWIRE) -- Viomi Technology Co., Ltd (“Viomi” or the “Company”) (NASDAQ: VIOT), a leading IoT @ Home technology company in China, today announced its unaudited financial results for the fourth quarter and full year ended December 31, 2020.

### **Fourth Quarter 2020 Financial and Operating Highlights**

- **Net revenues** reached RMB1,889.0 million (US\$289.5 million), an increase of 8.5% from the fourth quarter of 2019.
- **Gross margin** was 23.5%, compared to 17.1% for the third quarter of 2020 and 19.9% for the fourth quarter of 2019.
- **Net income attributable to ordinary shareholders of the Company** was RMB110.6 million (US\$16.9 million), an increase of 23.3% from the fourth quarter of 2019.
- **Non-GAAP net income attributable to ordinary shareholders of the Company<sup>1</sup>** was RMB115.5 million (US\$17.7 million), an increase of 15.3% from the fourth quarter of 2019.
- **Number of cumulative household users** reached more than 5.1 million, compared to approximately 4.6 million as of the end of the third quarter of 2020 and approximately 3.2 million as of the end of the fourth quarter of 2019.
- **Percentage of household users with at least two connected products** reached 20.0%, compared to 19.5% as of the end of the third quarter of 2020 and 17.9% as of the end of the fourth quarter of 2019.

<sup>1</sup> “Non-GAAP net income attributable to ordinary shareholders of the Company” is defined as net income attributable to ordinary shareholders of the Company excluding share-based compensation expenses. See “Reconciliation of GAAP and Non-GAAP Results” at the end of this press release.

### **Full Year 2020 Financial and Operating Highlights**

- **Net revenues** reached RMB5,825.6 million (US\$892.8 million), an increase of 25.3% from 2019.
- **Gross margin** was 18.6%, compared to 23.3% for 2019.
- **Net income attributable to ordinary shareholders of the Company** was RMB173.3 million (US\$26.6 million).
- **Non-GAAP net income attributable to ordinary shareholders of the Company** was RMB245.5 million (US\$37.6 million).

“As we continued to execute on our quality growth strategy which focuses on shifting our business and product mix toward higher margin products, we are pleased to deliver meaningful gross margin recovery in the fourth quarter along with strong full-year growth,” said Mr. Xiaoping Chen, Founder, Chairman of the Board of Directors and Chief Executive Officer of Viomi.

“As part of our growth strategy, we continue to roll out more high-end new products with a focus on seamless integration with AI and IoT, which we firmly believe to be the backbone of smart products in the IoT era. Our innovative SKUs with higher margins and higher average selling prices are the main drivers of our recent gross margin uplift. In the past months, we have introduced Super and Vision series of water purifiers under our new premium water purifier sub-brand Quaxian, new SKUs of 21Face 5G large-screen refrigerators, EyeBot AI washing machines and New Wind AI washer-dryers, together with a series of smart home devices, including 5G IoT CPE products, routers and IoT chips. In particular, as a result of our investment in Viomi-branded premium water purifiers, we have maintained our leading position in the technology innovation in this area and expect an even greater revenue contribution from this category. Earlier this month, two of our water purification technologies were recognized by professional organizations and experts including China Association for Quality Inspection with the potential to be applied in the water purification industry. In addition, leveraging our investment and endeavors in research and development, we have achieved solid performance in patent innovation. As of the end of 2020, the number of our accumulative domestic and global patent applications had reached over 3,000, among which, over 2,400 were already registered.

“The successful launch and rapid development of our new business in Viomi-branded sweeper robots for domestic and overseas expansion were also key pillars of our overall profitability improvement. In the fourth quarter, we assembled a dedicated sweeper robot team and introduced Alpha and other series of sweeper robots. We will continue to roll out more differentiated SKUs and expand into more global markets.

“We are also seeking to provide more comprehensive IoT household solutions, consisting of IoT product experiences, services

and internet content. With regards to our value-added content, we consistently upgrade our large-screen refrigerator operating system and recently expanded our cooperation with additional third-party platforms to further enrich our large-screen internet resources and create differentiated kitchen scenario experience and increase user stickiness,” added Mr. Chen.

“As we progressed into 2021, we have continued to execute on our quality growth operating strategy through the introduction of new high-end products and the optimization across product lines. We will introduce a series of new AI products including water purifiers, sweeper robots, air conditioners, and smart kitchen products, among others, in our upcoming Spring new product launch event in early April. We will also invest more resources in branding and research and development for our IoT products, as well as our IoT service system to optimize our 5G IoT Home system and user experience. We remain confident in our ability to maintain our leading position in the IoT home industry as we continue to execute our strategy to deliver robust and stable growth, a healthy level of profitability and long-term shareholder value,” concluded Mr. Chen.

## **Fourth Quarter 2020 Financial Results**

### **REVENUE**

Net revenues increased by 8.5% to RMB1,889.0 million (US\$289.5 million) from RMB1,741.7 million for the fourth quarter of 2019. The growth was slightly below the Company’s previous guidance by approximately 0.6%, primarily due to the proactive step to stop the sales of some specific products with lower average selling prices and lower gross margins, e.g. specific low-end refrigerators and washing machines, in order to make room for the launch of new large-screen refrigerators and high-end washing machines and improve profitability.

- *IoT @ Home portfolio.* Revenues from IoT @ Home portfolio increased by 15.7% to RMB1,114.6 million (US\$170.8 million) from RMB963.7 million for the fourth quarter of 2019. The growth was primarily driven by sustained sales increases for certain new product categories, in particular sweeper robots.
- *Home water solutions.* Revenues from home water solutions decreased by 5.9% to RMB363.0 million (US\$55.6 million) from RMB385.9 million for the fourth quarter of 2019. The decline was primarily due to the decreases in average selling prices of Xiaomi-branded water purifier products. This was partially offset by the successful introduction and increased sales of a new series of Viomi-branded water purifier products, which narrowed the year-over-year decline for home water solutions, compared to previous quarters.
- *Consumables.* Revenues from consumables increased by 69.3% to RMB160.2 million (US\$24.5 million) from RMB94.6 million for the fourth quarter of 2019, primarily due to increased demand for the Company’s water purifier filter products.
- *Small appliances and others.* Revenues from small appliances and others decreased by 15.5% to RMB251.2 million (US\$38.5 million) from RMB297.4 million for the fourth quarter of 2019, primarily due to product portfolio optimization for higher gross margin in this category.

### **GROSS PROFIT**

Gross profit increased by 28.0% to RMB443.8 million (US\$68.0 million) from RMB346.6 million for the fourth quarter of 2019. Gross margin was 23.5%, compared to 17.1% for the third quarter of 2020 and 19.9% for the fourth quarter of 2019. The quarter-over-quarter and year-over-year increases in gross margin were primarily driven by the Company’s efforts to shift the business and product mix toward higher gross margin products, including the roll out of new Viomi-branded water purifiers and sweeper robots, alongside the optimization of margins across product lines.

### **OPERATING EXPENSES**

Total operating expenses increased by 21.3% to RMB331.8 million (US\$50.8 million) from RMB273.6 million for the fourth quarter of 2019, primarily due to the growth of the Company’s business, as well as the increases in research and development expenses and selling and marketing expenses.

*Research and development expenses* increased by 41.8% to RMB93.1 million (US\$14.3 million) from RMB65.6 million for the fourth quarter of 2019.

*Selling and marketing expenses* increased by 17.3% to RMB217.4 million (US\$33.3 million) from RMB185.3 million for the fourth quarter of 2019.

*General and administrative expenses* decreased by 5.7% to RMB21.3 million (US\$3.3 million) from RMB22.6 million for the fourth quarter of 2019.

### **INCOME FROM OPERATIONS**

Income from operations increased by 36.4% to RMB126.3 million (US\$19.4 million) from RMB92.6 million for the fourth quarter of 2019.

Non-GAAP operating income<sup>2</sup>, which excludes the impact of share-based compensation expenses, increased by 27.3% to RMB131.2 million (US\$20.1 million) from RMB103.1 million for the fourth quarter of 2019.

### **NET INCOME**

Net income attributable to ordinary shareholders of the Company was RMB110.6 million (US\$16.9 million), compared to RMB89.7 million for the fourth quarter of 2019.

Non-GAAP net income attributable to ordinary shareholders of the Company increased by 15.3% to RMB115.5 million (US\$17.7 million) from RMB100.2 million for the fourth quarter of 2019.

2 “Non-GAAP operating income” is defined as income from operation excluding share-based compensation expenses. See “Reconciliation of GAAP and Non-GAAP Results” at the end of this press release.

## **BALANCE SHEET**

As of December 31, 2020, the Company had cash and cash equivalents of RMB504.1 million (US\$77.3 million), restricted cash of RMB70.6 million (US\$10.8 million), short-term deposits of nil and short-term investments of RMB696.1 million (US\$106.7 million), compared to RMB972.4 million, RMB30.6 million, RMB60.0 million and RMB316.2 million, respectively, as of December 31, 2019.

## **Full Year 2020 Financial Results**

### **REVENUE**

Net revenues increased by 25.3% to RMB5,825.6 million (US\$892.8 million) from RMB4,647.5 million for 2019.

- *IoT @ Home portfolio*. Revenues from IoT @ Home portfolio increased by 45.6% to RMB3,671.7 million (US\$562.7 million) from RMB2,522.2 million for 2019.
- *Home water solutions*. Revenues from home water solutions decreased by 17.1% to RMB883.3 million (US\$135.4 million) from RMB1,065.2 million for 2019.
- *Consumables*. Revenues from consumables increased by 44.0% to RMB382.9 million (US\$58.7 million) from RMB265.8 million for 2019.
- *Small appliances and others*. Revenues from small appliances and others increased by 11.8% to RMB887.7 million (US\$136.0 million) from RMB794.3 million for 2019.

### **GROSS PROFIT**

Gross profit was RMB1,083.0 million (US\$166.0 million), compared to RMB1,082.4 million for 2019. Gross margin was 18.6%, compared to 23.3% for 2019.

### **OPERATING EXPENSES**

Total operating expenses increased by 15.4% to RMB931.8 million (US\$142.8 million) from RMB807.2 million for 2019.

*Research and development expenses* increased by 29.6% to RMB265.7 million (US\$40.7 million) from RMB204.9 million for 2019.

*Selling and marketing expenses* increased by 12.8% to RMB597.2 million (US\$91.5 million) from RMB529.2 million for 2019.

*General and administrative expenses* decreased by 5.7% to RMB68.9 million (US\$10.6 million) from RMB73.1 million for 2019.

As a percentage of total net revenues, total operating expenses decreased to 16.0% from 17.4% for 2019.

### **INCOME FROM OPERATIONS**

Income from operations was RMB184.0 million (US\$28.2 million), compared to RMB311.1 million for 2019.

Non-GAAP operating income, which excludes the impact of share-based compensation expenses, was RMB256.2 million (US\$39.3 million), compared to RMB354.2 million for 2019.

### **NET INCOME**

Net income attributable to ordinary shareholders of the Company was RMB173.3 million (US\$26.6 million), compared to RMB292.2 million for 2019.

Non-GAAP net income attributable to ordinary shareholders of the Company was RMB245.5 million (US\$37.6 million), compared to RMB335.3 million for 2019.

### **OUTLOOK**

For the first quarter of 2021, the Company currently expects:

- Net revenues to be between RMB900 million and RMB950 million, representing a year-over-year growth of approximately

17.6% to 24.1%.

The above outlook is based on the current market conditions and reflects the Company's current and preliminary estimates of market and operating conditions and customer demand, which are all subject to change.

### Conference Call

The Company's management will host a conference call at 8:00 a.m. Eastern Time on Thursday, March 25, 2021 (8:00 p.m. Beijing/Hong Kong time on March 25, 2021) to discuss financial results and answer questions from investors and analysts. Listeners may access the call by dialing:

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United States (Toll Free):	+1-888-346-8982
International:	+1-412-902-4272
Mainland China (Toll Free):	400-120-1203
Hong Kong (Toll Free):	800-905-945
Hong Kong:	+852-3018-4992
Conference ID:	10153115

A telephone replay will be available one hour after the call until April 1, 2021 by dialing:

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United States:	+1-877-344-7529
International:	+1-412-317-0088
Replay Passcode:	10153115

Additionally, a live and archived webcast of the conference call will be available at <http://ir.viomi.com>.

### About Viomi Technology

Viomi's mission is to redefine the future home via the concept of IoT @ Home.

Viomi has developed a unique IoT @ Home platform consisting an ecosystem of innovative IoT-enabled smart home products, together with a suite of complementary consumable products and value-added businesses. This platform provides an attractive entry point into the consumer home, enabling consumers to intelligently interact with a broad portfolio of IoT products in an intuitive and human-like manner to make daily life more convenient, efficient and enjoyable, while allowing Viomi to grow its household user base and capture various additional scenario-driven consumption events in the home environment.

For more information, please visit: <http://ir.viomi.com>.

### Use of Non-GAAP Measures

The Company uses non-GAAP operating income and non-GAAP net income attributable to ordinary shareholders, which are non-GAAP financial measures, in evaluating its operating results and for financial and operational decision-making purposes. Non-GAAP operating income is income from operations excluding share-based compensation expenses. Non-GAAP net income attributable to ordinary shareholders is net income attributable to ordinary shareholders excluding share-based compensation expenses. The non-GAAP adjustments do not have any tax impact as share-based compensation expenses are non-deductible for income tax purpose.

The Company believes that non-GAAP financial measures help identify underlying trends in its business by excluding the impact of share-based compensation expenses, which are non-cash charges, and these measures provide useful information about the Company's operating results, enhance the overall understanding of the Company's past performance and future prospects and allow for greater visibility with respect to key metrics used by the Company's management in its financial and operational decision-making.

Non-GAAP financial measures should not be considered in isolation or construed as alternative to income from operations, net income, or any other measure of performance or as an indicator of the Company's operating performance. Investors are encouraged to review the historical non-GAAP financial measures to the most directly comparable GAAP measures. Non-GAAP financial measures presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to the Company's data. We encourage investors and others to review its financial information in its entirety and not rely on a single financial measure.

### Exchange Rate

The Company's business is primarily conducted in China and the significant majority of revenues generated are denominated in Renminbi ("RMB"). This announcement contains currency conversions of RMB amounts into U.S. dollars ("US\$") solely for the convenience of the reader. Unless otherwise noted, all translations from RMB to US\$ are made at a rate of RMB 6.5250 to

US\$1.00, the effective noon buying rate for December 31, 2020 as set forth in the H.10 statistical release of the Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US\$ at that rate on for December 31, 2020, or at any other rate.

### Safe Harbor Statement

This announcement contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates,” “confident” and similar statements. Among other things, the business outlook and quotations from management in this announcement, as well as Viomi’s strategic and operational plans, contain forward-looking statements. Viomi may also make written or oral forward-looking statements in its periodic reports to the United States Securities and Exchange Commission (the “SEC”), in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to Fourth parties. Statements that are not historical facts, including statements about the Company’s beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: the Company’s growth strategies; the cooperation with Xiaomi, the recognition of the Company’s brand; trends and competition in global IoT-enabled smart home market; development and commercialization of new products, services and technologies; governmental policies relating to the Company’s industry and general economic conditions in China and around the globe, and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks is included in the Company’s filings with the SEC. All information provided in this press release and in the attachments is as of the date of this press release, and the Company undertakes no obligation to update any forward-looking statement, except as required under applicable law.

### For investor and media inquiries, please contact:

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**VIOMI TECHNOLOGY CO., LTD**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
(All amounts in thousands, except shares, ADS, per share and per ADS data)

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### Assets

#### Current assets

Cash and cash equivalents

Restricted cash

Short-term deposits

Short-term investments

Accounts and notes receivable from third parties (net of allowance of RMB2,006 and RMB9,246 as of December 31, 2019 and 2020, respectively)

Accounts receivable from a related party (net of allowance of nil and RMB61 as of December 31, 2019 and 2020, respectively)

Other receivables from related parties (net of allowance of nil and RMB9 as of December 31, 2019 and 2020, respectively)

Inventories

Prepaid expenses and other current assets

Long-term deposits due within one year

**Total current assets**

**Non-current assets**

Prepaid expenses and other non-current assets

Property, plant and equipment, net

Deferred tax assets

Intangible assets, net

Right-of-use assets, net

Land use rights, net

Long-term deposits

**Total non-current assets**

**Total assets**

**Liabilities and shareholders' equity**

**Current liabilities**

Accounts and notes payable

Advances from customers

Amount due to related parties

Accrued expenses and other liabilities

Short-term borrowing

Income tax payables

Lease liabilities due within one year

**Total current liabilities**

**Non-current liabilities**

Accrued expenses and other liabilities

Lease liabilities

**Total non-current liabilities**

**Total liabilities**

**VIOMI TECHNOLOGY CO., LTD**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
(All amounts in thousands, except shares, ADS, per share and per ADS data)

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**Shareholders' equity**

Class A Ordinary Shares (US\$0.00001 par value; 4,800,000,000 shares authorized; 98,444,732 and 104,163,686 shares issued and outstanding as of December 31, 2019 and 2020, respectively)

Class B Ordinary Shares (US\$0.00001 par value; 150,000,000 shares authorized; 110,850,000 and 103,554,546 shares issued and outstanding as of December 31, 2019 and 2020, respectively)

Treasury stock

Additional paid-in capital

Retained earnings

Accumulated other comprehensive loss

**Total equity attributable to shareholders of the Company**

Non-controlling interests

**Total shareholders' equity**

**Total liabilities and shareholders' equity**

Note: On January 1, 2020, the Company adopted ASC326, "Financial Instruments-Credit Losses" using modified-retrospective transition approach. Following the adoption of this guidance, a cumulative-effect adjustment to retained earnings, amounting to RMB2.4 million, was recognized as of January 1, 2020.

**VIOMI TECHNOLOGY CO., LTD**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF**  
**COMPREHENSIVE INCOME**

(All amounts in thousands, except shares, ADS, per share and per ADS data)

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	<b>December 31,</b> <b>2019</b> RMB	<b>Three Months Ended</b> <b>December 31,</b> <b>2020</b> RMB	<b>December</b>
<b>Net revenues</b>			
A related party	891,271	1,046,628	160
Third parties	850,379	842,382	129
<b>Total net revenues</b>	<b>1,741,650</b>	<b>1,889,010</b>	<b>289</b>
Cost of revenues (including RMB24,002, RMB79,285, RMB48,424 and RMB454,432 with related parties for the three months ended December 31, 2019 and 2020 and for the twelve months ended December 31, 2019 and 2020, respectively)	(1,395,080)	(1,445,245)	(227)
<b>Gross profit</b>	<b>346,570</b>	<b>443,765</b>	<b>62</b>
<b>Operating expenses(1)</b>			
Research and development expenses (including RMB657, RMB621, RMB657 and RMB1,915 with related parties for the three months ended December 31, 2019 and 2020 and for the twelve months ended December 31, 2019 and 2020, respectively)	(65,633)	(93,075)	(14)
Selling and marketing expenses (including RMB36,935, RMB44,595, RMB81,851 and RMB97,223, with related parties for the three months ended December 31, 2019 and 2020 and for the twelve months ended December 31, 2019 and 2020, respectively)	(185,320)	(217,352)	(33)
General and administrative expenses	(22,628)	(21,344)	(3)
<b>Total operating expenses</b>	<b>(273,581)</b>	<b>(331,771)</b>	<b>(50)</b>
Other income, net	19,607	14,297	2
<b>Income from operations</b>	<b>92,596</b>	<b>126,291</b>	<b>15</b>
Interest income and investment income	9,582	9,550	-
Other non-operating income	530	554	-
<b>Income before income tax expenses</b>	<b>102,708</b>	<b>136,395</b>	<b>20</b>
Income tax expenses	(12,470)	(25,191)	(3)
<b>Net income</b>	<b>90,238</b>	<b>111,204</b>	<b>17</b>
Less: Net income attributable to the non-controlling interest shareholders	540	633	-

<b>Net income attributable to ordinary shareholders of the Company</b>	89,698	110,571	16
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**VIOMI TECHNOLOGY CO., LTD**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF**  
**COMPREHENSIVE INCOME**

(All amounts in thousands, except shares, ADS, per share and per ADS data)

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	<b>December 31,</b> <b>2019</b> RMB	<b>Three Months Ended</b> <b>December 31,</b> <b>2020</b> RMB	<b>Decer</b>
<b>Net income attributable to the Company</b>	89,698	110,571	
Other comprehensive (loss) income, net of tax			
Foreign currency translation adjustment	(9,946)	(25,757)	
<b>Total comprehensive income attributable to the Company</b>	79,752	84,814	
<b>Net income per ADS *</b>			
-Basic	1.29	1.60	
-Diluted	1.24	1.53	
Weighted average number of ADS used in calculating net income per ADS			
-Basic	69,644,780	69,281,941	69
-Diluted	72,117,474	72,417,910	72
<b>Net income per share attributable to ordinary shareholders of the Company:</b>			
-Basic	0.43	0.53	
-Diluted	0.41	0.51	
Weighted average number of ordinary shares used in calculating net income per share			
-Basic	208,934,340	207,845,824	207
-Diluted	216,352,423	217,253,730	217

\*Each ADS represents 3 ordinary shares.

(1) Share-based compensation was allocated in operating expenses as follows:

	<b>December 31,</b> <b>2019</b> RMB	<b>Three Months Ended</b> <b>December 31,</b> <b>2020</b> RMB	<b>Decer</b>
General and administrative expenses	1,829	(3,753)	
Research and development expenses	6,418	5,847	
Selling and marketing expenses	2,263	2,861	

**VIOMI TECHNOLOGY CO., LTD**  
**Reconciliations of GAAP And Non-GAAP Results**

(All amounts in thousands, except shares, ADS, per share and per ADS data)

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	<b>Three Months Ended</b>	
	<b>December 31, 2019</b>	<b>December 31, 2020</b>
	RMB	RMB

Income from operations	92,596	126,291
Share-based compensation expenses	10,510	4,955
<b>Non-GAAP operating income</b>	<b>103,106</b>	<b>131,246</b>
Net income	90,238	111,204
Share-based compensation expenses	10,510	4,955
<b>Non-GAAP net income</b>	<b>100,748</b>	<b>116,159</b>
Net income attributable to the Company	89,698	110,571
Share-based compensation expenses	10,510	4,955
<b>Non-GAAP net income attributable to the Company</b>	<b>100,208</b>	<b>115,526</b>
Net income attributable to ordinary shareholders	89,698	110,571
Share-based compensation expenses	10,510	4,955
<b>Non-GAAP net income attributable to ordinary shareholders</b>	<b>100,208</b>	<b>115,526</b>
<b>Non-GAAP net income per ADS</b>		
-Basic	1.44	1.67
-Diluted	1.39	1.60
Weighted average number of ADS used in calculating Non-GAAP net income per ADS		
-Basic	69,644,780	69,281,941
-Diluted	72,117,474	72,417,910
<b>Non-GAAP net income per ordinary share</b>		
-Basic	0.48	0.56
-Diluted	0.46	0.53
Weighted average number of ordinary shares used in calculating Non-GAAP net income per share		
-Basic	208,934,340	207,845,824
-Diluted	216,352,423	217,253,730

Note: The non-GAAP adjustments do not have any tax impact as share-based compensation expenses are non-deductible for income tax purpose.