

阅文集团
CHINA LITERATURE

阅世界 悦无界

2019 Interim Results

August 12, 2019

This presentation contains forward-looking statements relating to the industry and business outlook, forecast business plans and growth strategies of the Company. These forward-looking statements are based on information currently available to the Company and are stated herein on the basis of the outlook at the time of this presentation. They are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realized in future. Underlying the forward-looking statements is a large number of risks and uncertainties. Further information regarding these risks and uncertainties is included in the Company's other public disclosure documents on its corporate website.

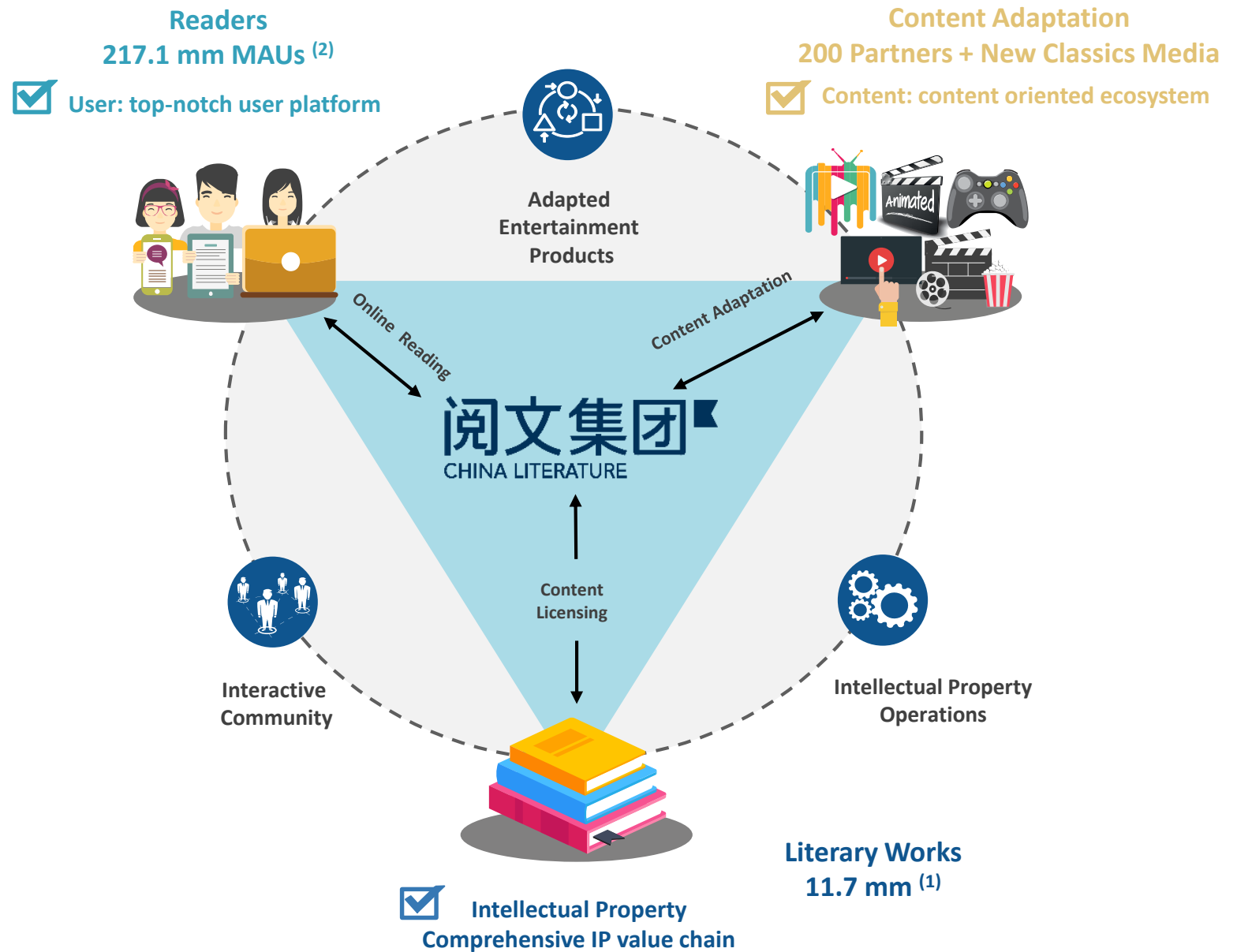
Furthermore, this presentation also contains statements based on the Company's management accounts, which have not been audited or reviewed by the Auditor. Shareholders and potential investors should therefore not place undue reliance on such statements.

2019 Interim Results Highlights

Revenues	Increased 30.1% from RMB2.3 billion in 1H18 to RMB3.0 billion (USD432.2 million ¹) in 1H19
Gross Profit	<ul style="list-style-type: none">• Increased 35.5% from RMB1.2 billion in 1H18 to RMB1.6 billion (USD235.8 million) in 1H19• Gross margin increased from 52.4% to 54.6% YoY
Operating Profit	<ul style="list-style-type: none">• Decreased 12.6% from RMB603.9 million in 1H18 to RMB527.7 million (USD76.8 million) in 1H19• Operating margin decreased from 26.5% to 17.8% YoY
Net Profit	<ul style="list-style-type: none">• Decreased 22.0% from RMB504.3 million in 1H18 to RMB393.2 million (USD57.2 million) in 1H19• Net margin decreased from 22.1% to 13.2% YoY
Non-GAAP Measures	<ul style="list-style-type: none">• Non-GAAP operating profit decreased 6.3% from RMB552.1 million in 1H18 to RMB517.1 million (USD75.2 million) in 1H19• Non-GAAP net profit decreased 19.0% from RMB482.2 million in 1H18 to RMB390.5 million (USD56.8 million) in 1H19

Continued Expansion of Ecosystem

- Total writers increased from 7.3 mm as of June 30, 2018 to 7.8 mm as of June 30, 2019. Total works increased from 10.7 mm as of June 30, 2018 to 11.7 mm as of June 30, 2019
- Around 20 billion Chinese characters were added in 1H19



- **Strengthened Leadership Position:**

- 17 out of the top 20 online literary works were created on the Company's platform, according to Baidu's search ranking in June 2019
- 25 works received recommendations and honors from SAPPRFT⁽¹⁾ and from the China Writers Association at the national and regional levels
- Growing user community: 10 million fans for a single piece of work; 13 literary titles have each collected over one million user comments, compared with 2 literary titles that had done so in 2018

- **Introduction of Free-to-Read Model:**

- Distribution: Tencent's *Mobile QQ* and *QQ Browser* Apps since 2019Q1 + our independent free-to-read App *Feidu* since 2019Q2
- Content: high-quality in-house library + external partners' libraries
- Operation: sophisticated recommendation algorithms to improve efficiency

- **New Classics Media:**

- *Memories of Peking (芝麻胡同)* was aired and ranked 1st in terms of viewership during its specific broadcast time slot on Beijing TV and 4th on Shanghai Dragon TV
- Dramas series, *The Best Partner (精英律师)* and *Last Romance (流金岁月)*, were included in the 2018-2022 Top Hundred Key TV Series, a recommendation list published by SAPPRFT⁽¹⁾. Drama series, *Awakening of Insects (惊蛰)*, was recommended for airing on TV to celebrate the 70th anniversary of the founding of the People's Republic of China

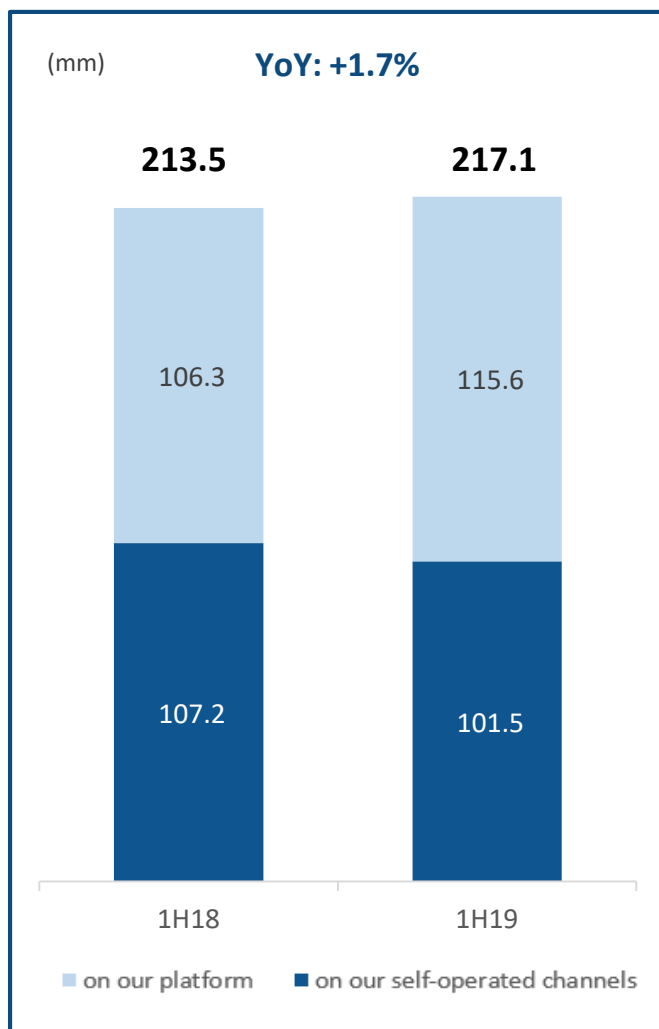
- **Proprietary IP Operation:**

- ~ 70 literary works were licensed for adaptation in 1H19
- IP-centric monetization model to produce a hit after a hit:

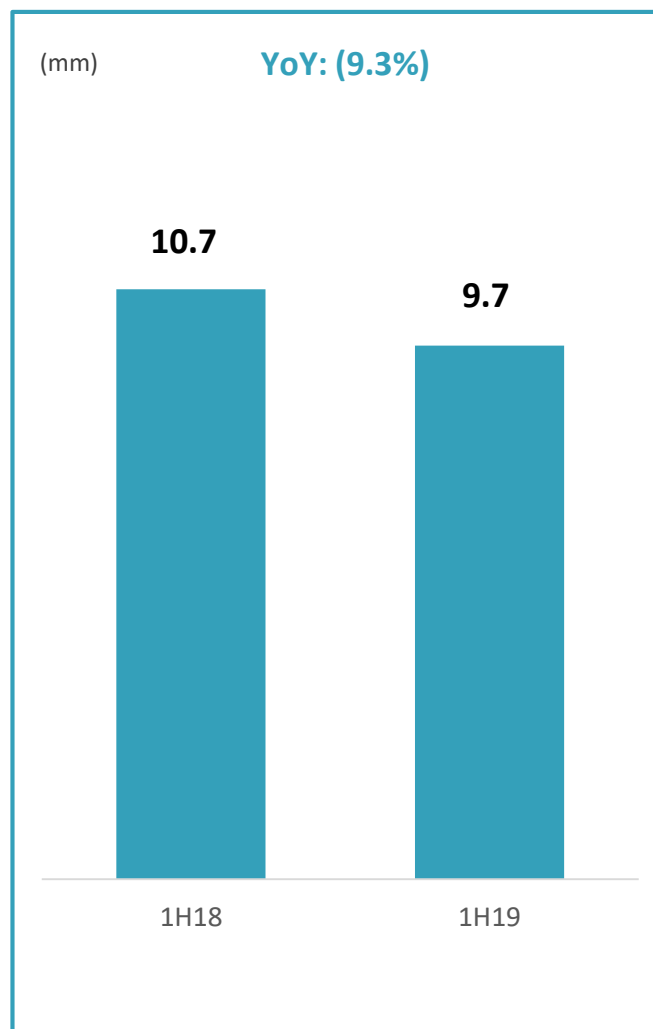
E.g. *The King's Avatar (全职高手)*: online novel first released in 2011, an animated series in 2017 gained wide-spread popularity, more animated episodes in 2018, a live-action web series received 300+ mn views within 3 days in July 2019, an animated movie to be released soon in August 2019, an online game under development

Financials: Key Operating Metrics

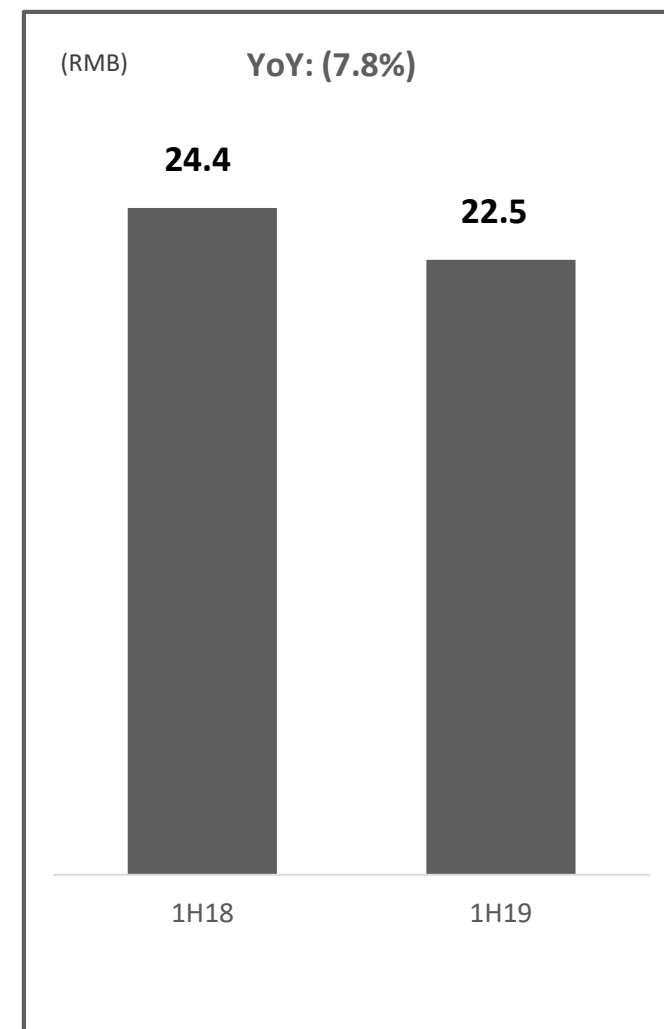
Average MAUs ⁽¹⁾



Average MPUs ⁽²⁾



Average Monthly ARPU ⁽³⁾



Notes:

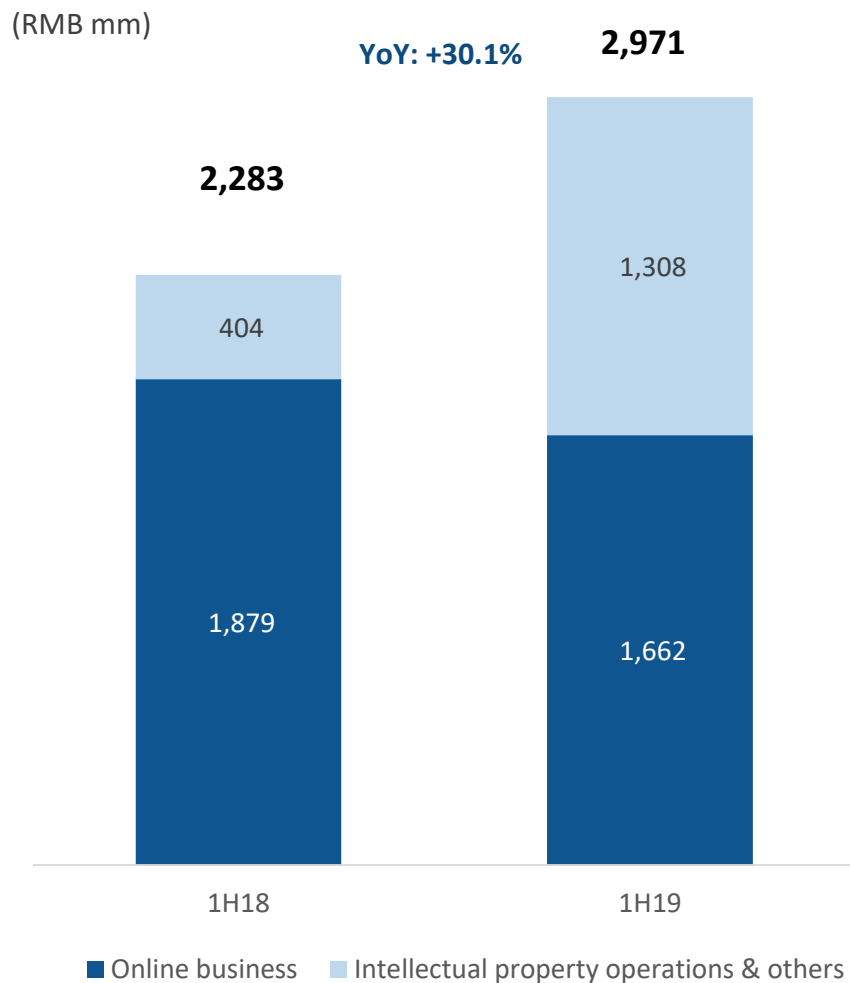
- (1) Average MAU is calculated as the average of MAUs for each calendar month during the respective year or period, on our platform and our self-operated channels on partner distribution platforms.
(2) Average MPU is calculated as the average of MPUs for each calendar month during the respective year or period, on our platform and our self-operated channels on partner distribution platforms.
(3) Average monthly ARPU is calculated as online reading revenue on our platform and self-operated channels divided by average MPUs during the period, then divided by the number of months during the period.

Financials: Income Statement

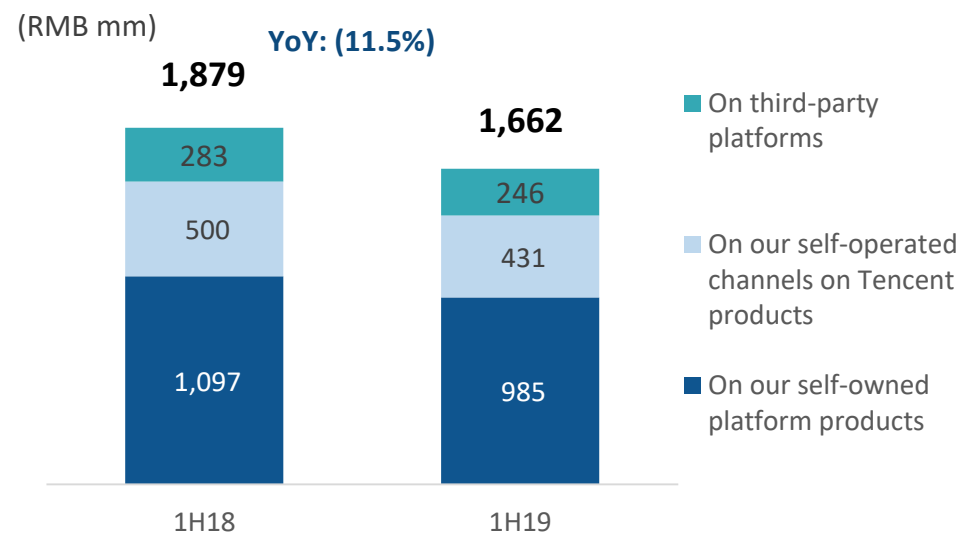
RMB' 000	1H18	1H19	YoY
Revenues	2,282,900	2,970,951	30.1%
Cost of revenues	(1,086,401)	(1,349,801)	24.2%
Gross profit	1,196,499	1,621,150	35.5%
Interest income	84,901	85,589	0.8%
Other gains, net	184,511	269,572	46.1%
Selling and marketing expenses	(527,272)	(976,720)	85.2%
General and administrative expenses	(333,947)	(473,400)	41.8%
Net reversal of/(impairment losses) on financial assets	(826)	1,531	(285.3%)
Operating profit	603,866	527,722	(12.6%)
Finance costs	(48,606)	(93,464)	92.3%
Share of profit of associates and joint ventures	50,984	82,482	61.8%
Income tax expense	(101,931)	(123,520)	21.2%
Net profit	504,313	393,220	(22.0%)
Net profit to shareholders	505,810	392,722	(22.4%)

Financials: Revenue Structure

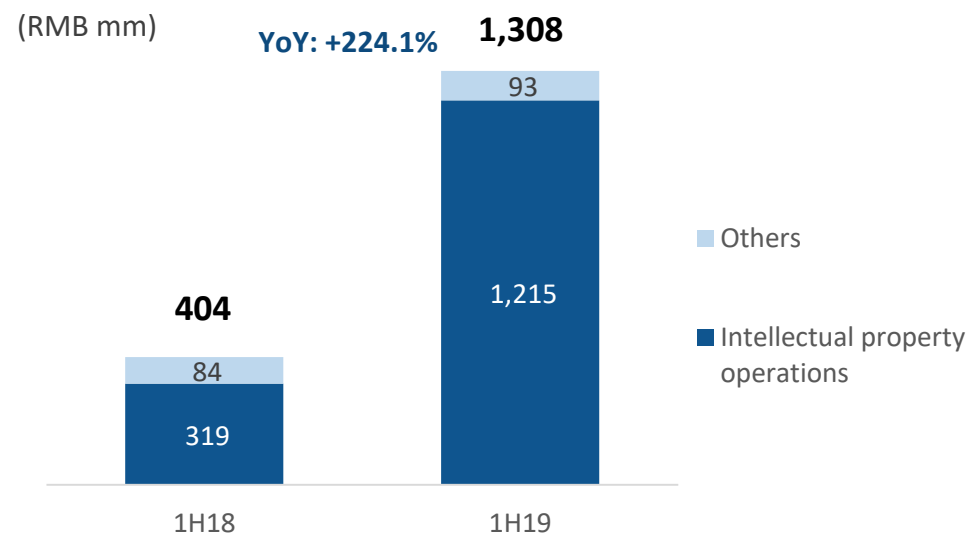
Revenues by Segment



Online Business Revenues Breakdown

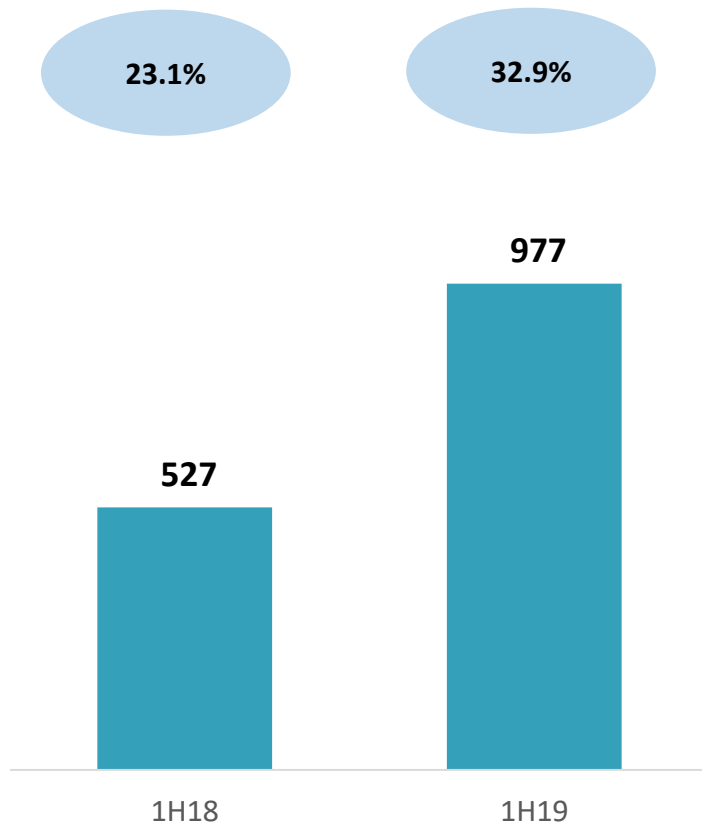


Intellectual Property Operations & Others Revenues Breakdown



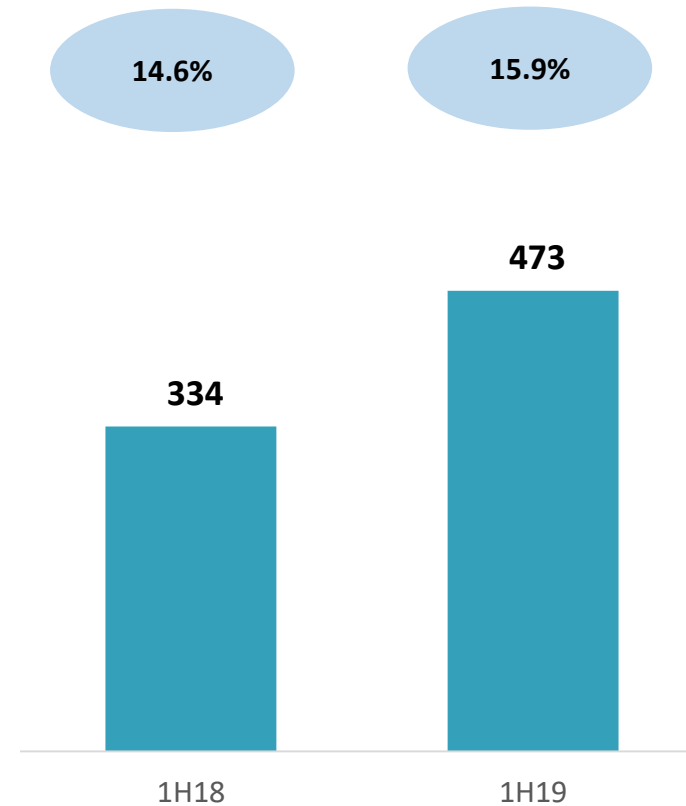
Selling & Marketing Expenses

as % of total revenue, total amount in RMB mm



General & Administrative Expenses

as % of total revenue, total amount in RMB mm



Financials: Key Profitability Metrics

Gross Profit and Gross Profit Margin

Operating Profit and Operating Profit Margin

Net Profit and Net Profit Margin

52.4%

54.6%

YoY: +35.5%

26.5%

17.8%

YoY: (12.6%)

22.1%

13.2%

YoY: (22.0%)

(RMB mm)

1,621

(RMB mm)

604

(RMB mm)

528

1,196

504

393

1H18

1H19

1H18

1H19

1H18

1H19

Financials: Non-GAAP Profitability

(RMB' 000)	1H18	1H19	YoY
EBITDA	415,406	266,830	(35.8%)
<i>Margin %</i>	<i>18.2%</i>	<i>9.0%</i>	
Adjusted EBITDA⁽¹⁾	491,152	427,871	(12.9%)
<i>Margin %</i>	<i>21.5%</i>	<i>14.4%</i>	
Operating profit	603,866	527,722	(12.6%)
<i>Margin %</i>	<i>26.5%</i>	<i>17.8%</i>	
Non-GAAP operating profit⁽²⁾	552,131	517,120	(6.3%)
<i>Margin %</i>	<i>24.2%</i>	<i>17.4%</i>	
Profit for the period	504,313	393,220	(22.0%)
<i>Margin %</i>	<i>22.1%</i>	<i>13.2%</i>	
Non-GAAP profit for the period⁽³⁾	482,247	390,517	(19.0%)
<i>Margin %</i>	<i>21.1%</i>	<i>13.1%</i>	

Notes:

(1) Adjusted EBITDA is calculated as EBITDA for the period plus share-based compensation expense and expenditures related to acquisitions.

(2) Non-GAAP operating profit is defined as operating profit for the period adjusted by share-based compensation, net (gain) from investment and acquisition, and amortization of intangible assets resulting from acquisitions.

(3) Non-GAAP profit for the period is defined as profit for the period adjusted by share-based compensation, net (gain) from investment and acquisition, and amortization of intangible assets resulting from acquisitions.

阅文集团 
CHINA LITERATURE

阅世界 悦无界

Thank You