

**阅文集团**  
CHINA LITERATURE

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# 2017 Annual Results

March 19, 2018

# Disclaimer

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.

Our mission is to create **value** for  
**writers** and to **bring**  
**literature** to **people**

# 2017 Results Highlights

## Total Revenues

Increased 60.2% from RMB2.6 billion in 2016 to RMB4.1 billion (USD626.7 million<sup>1</sup>) in 2017

## Gross Profit

- Increased 96.8% from RMB1.1 billion in 2016 to RMB2.1 billion (USD317.6 million) in 2017
- Gross margin increased from 41.3% to 50.7% YoY

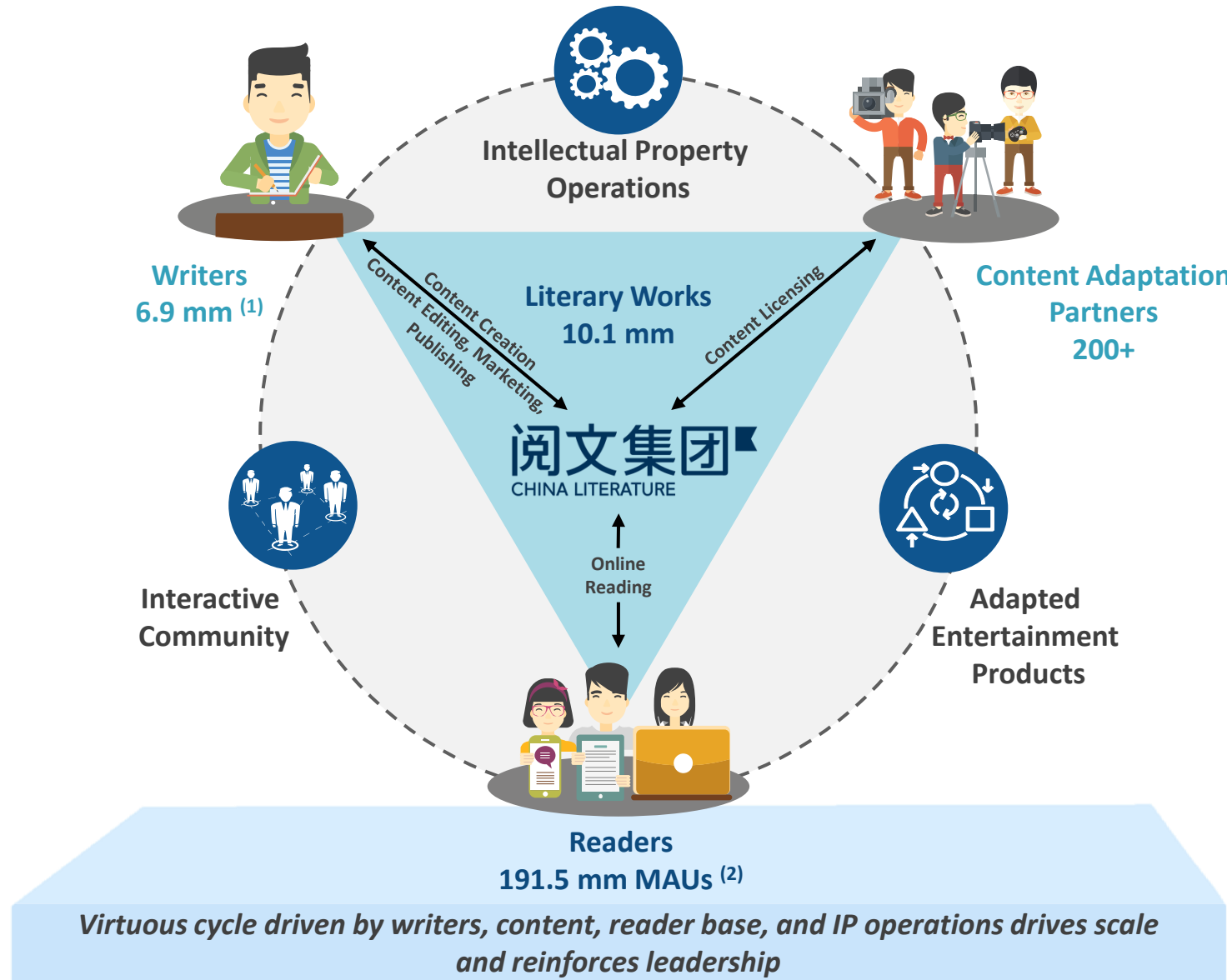
## Operating Profit

- Increased from RMB33.3 million in 2016 to RMB510.8 million (USD78.2 million) in 2017
- Operating margin increased from 1.3% to 12.5% YoY

## Net Profit

- Increased from RMB30.4 million in 2016 to RMB562.7 million (USD86.1 million) in 2017
- Net margin increased from 1.2% to 13.7% YoY

# Continuous Expansion of Ecosystem



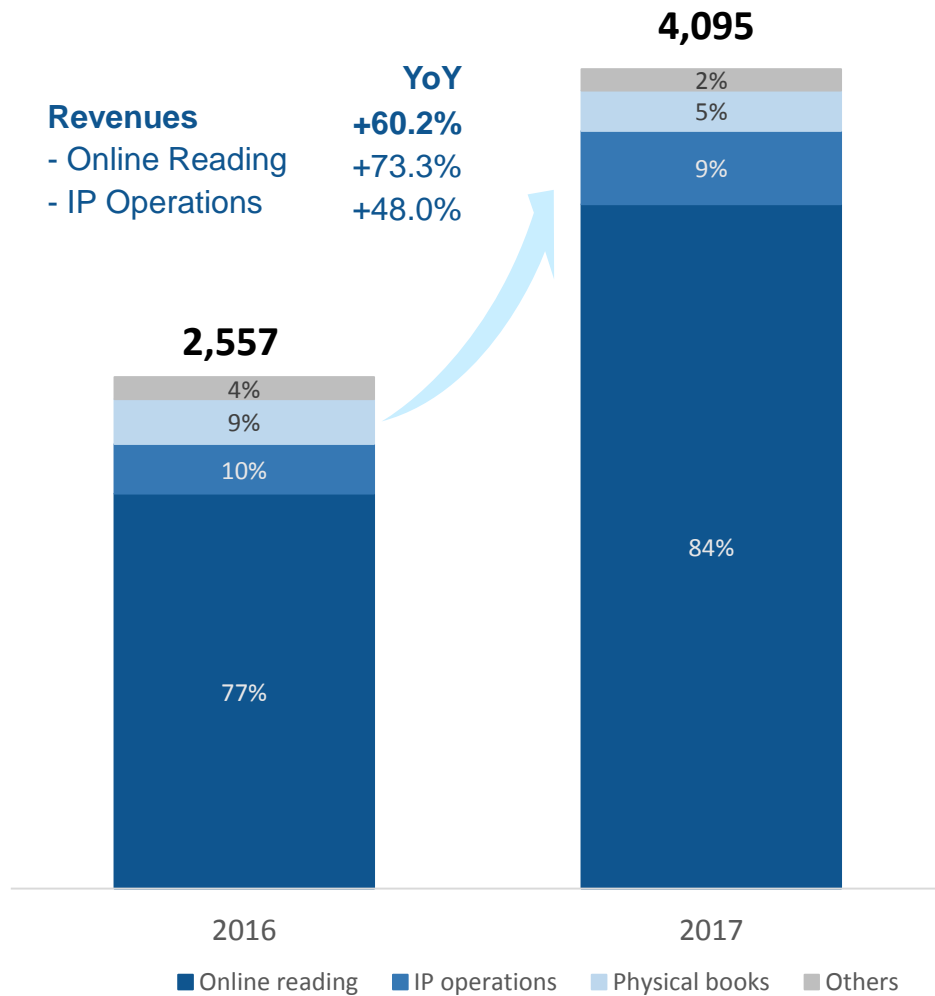
- 1 Systematically Attract, Nurture and Promote Writers
- 2 Increase the Depth of Our Content Library and Expand to New Genres
- 3 Drive Technological Innovation to Enhance User Experience
- 4 Broaden Our Multi-layer Distribution Channel
- 5 Strengthen IP Operations and Expand Downstream
- 6 Expand Our Business Internationally



# Financials: Revenue Structure

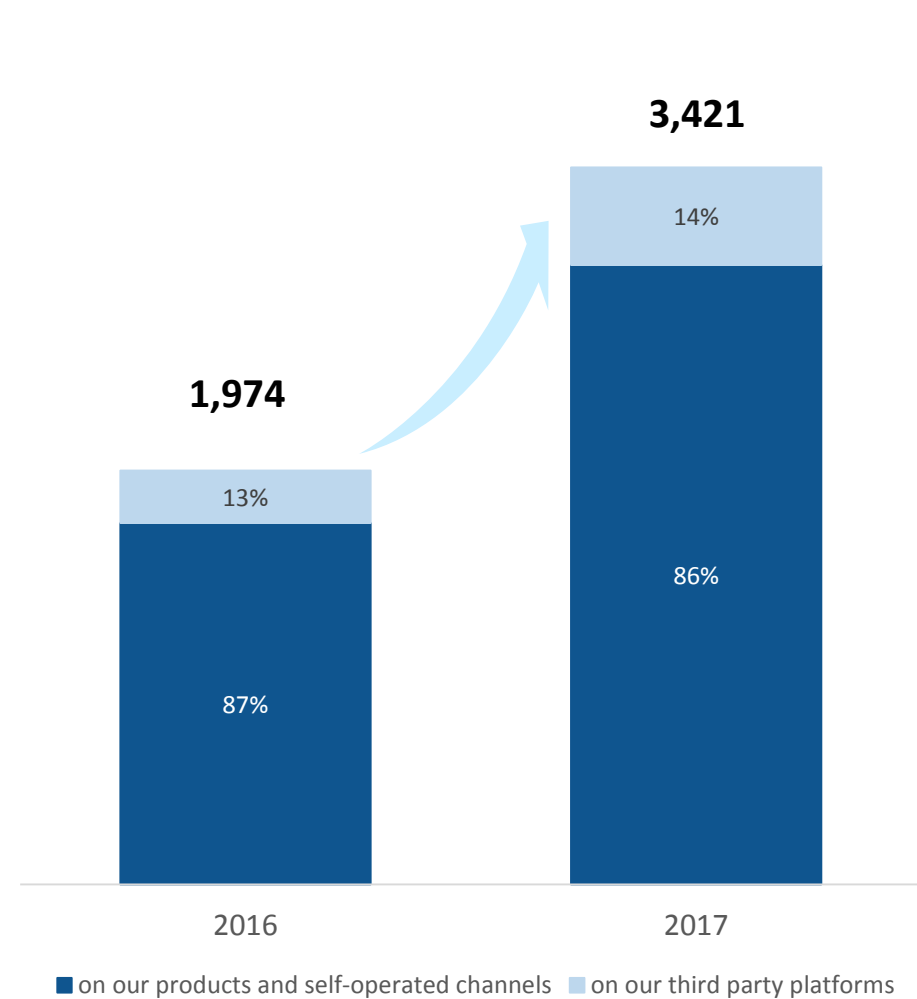
## Revenue Breakdown by Businesses

(RMB mm)



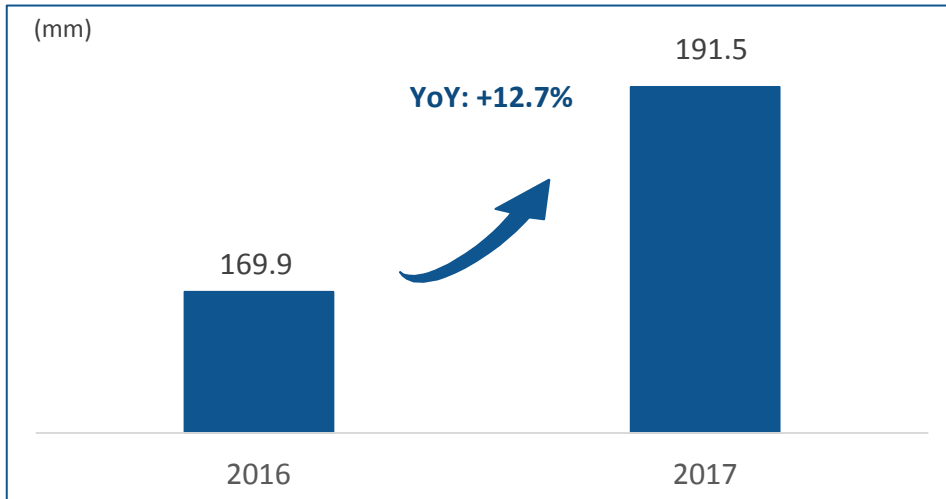
## Online Reading Breakdown

(RMB mm)

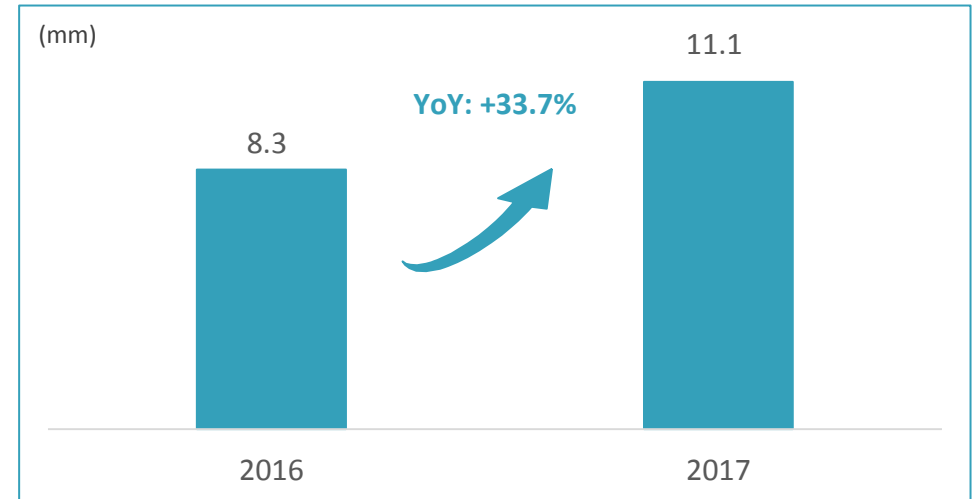


# Financials: Key Operating Metrics

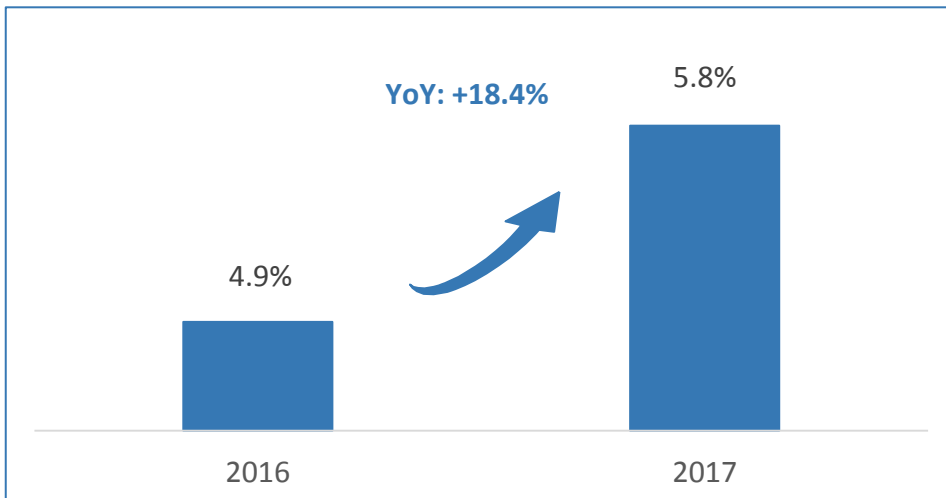
## Average MAUs <sup>(1)</sup>



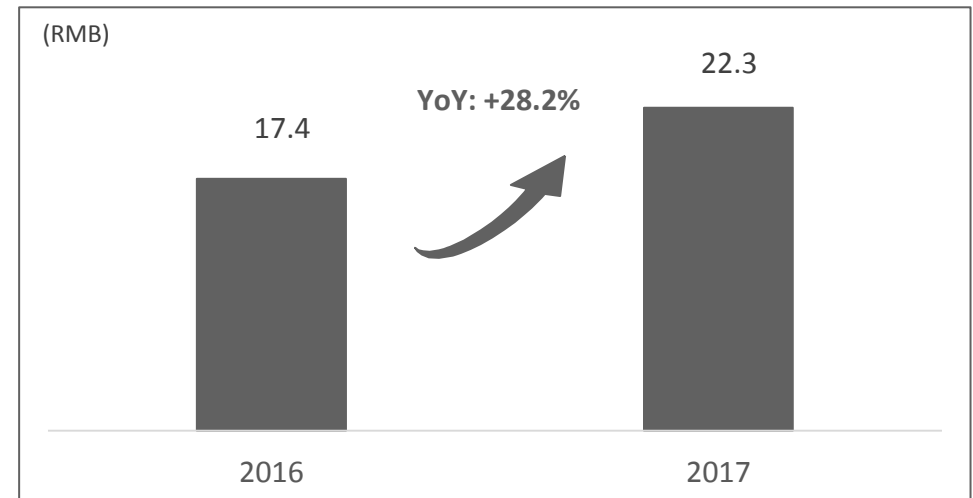
## Average MPUs <sup>(2)</sup>



## Paying ratio <sup>(3)</sup>



## Average Monthly ARPU <sup>(4)</sup>



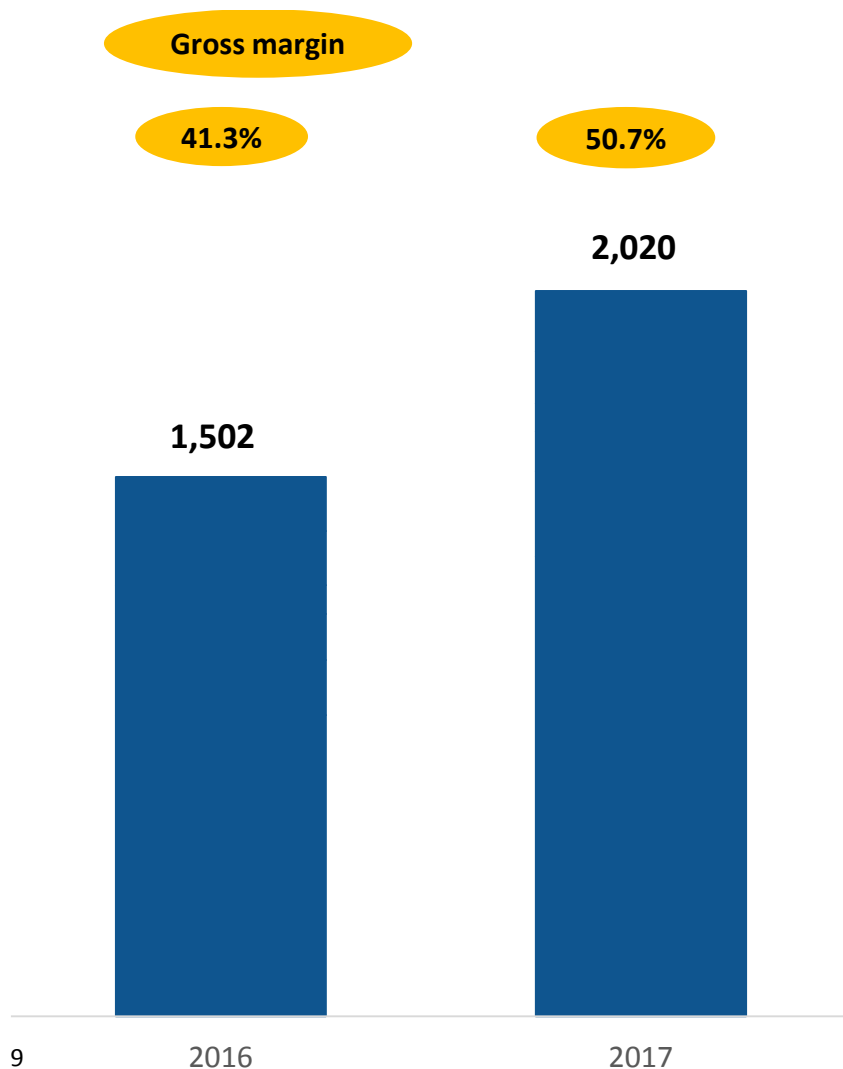
Notes:

- (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) Paying ratio is calculated as average MPUs / average MAUs for the respective year or period
- (4) 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



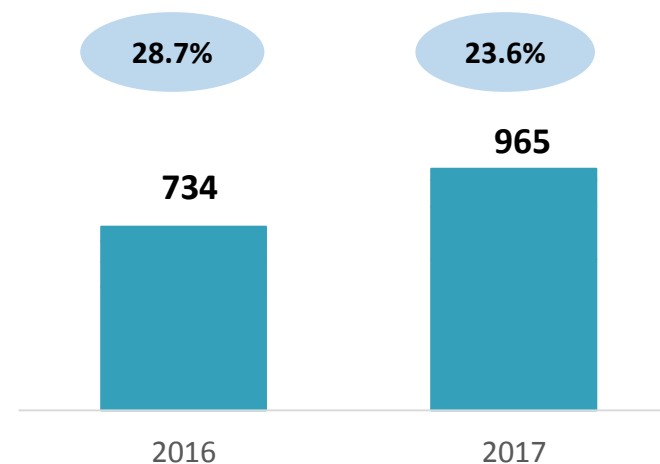
## Cost of Revenue

as % of total revenue, total amount in RMB mm



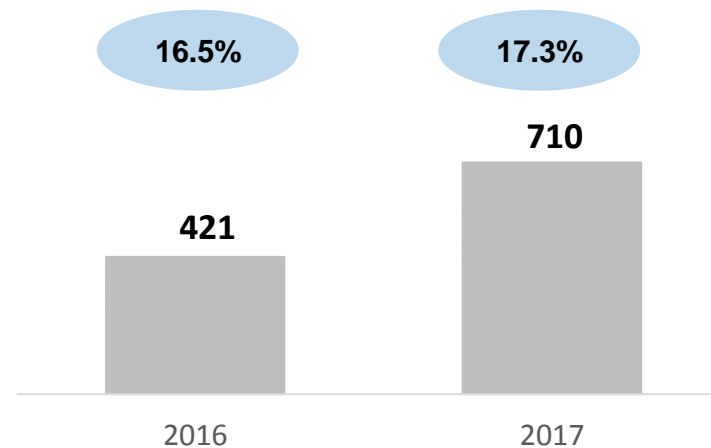
## Selling and Marketing Expenses

as % of total revenue, total amount in RMB mm



## General and Administrative Expenses

as % of total revenue, total amount in RMB mm



# Financials: Profitability

(RMB' 000)	FY2016	FY2017	Year-over-Year
<b>EBITDA</b>	<b>106,402</b>	<b>576,328</b>	<b>441.7%</b>
<i>Margin %</i>	4.2%	14.1%	
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>184,425</b>	<b>759,276</b>	<b>311.7%</b>
<i>Margin %</i>	7.2%	18.5%	
<b>Operating profit</b>	<b>33,323</b>	<b>510,776</b>	<b>1,432.8%</b>
<i>Margin %</i>	1.3%	12.5%	
<b>Adjusted operating profit<sup>(2)</sup></b>	<b>118,104</b>	<b>754,715</b>	<b>539.0%</b>
<i>Margin %</i>	4.6%	18.4%	
<b>Net profit</b>	<b>30,360</b>	<b>562,692</b>	<b>1,753.4%</b>
<i>Margin %</i>	1.2%	13.7%	
<b>Adjusted net profit<sup>(3)</sup></b>	<b>81,124</b>	<b>729,995</b>	<b>799.9%</b>
<i>Margin %</i>	3.2%	17.8%	

Notes:

- (1) Adjusted EBITDA is calculated by EBITDA (which is operating profit for the year less other gains, net and plus depreciation and amortization expenses) for the year plus share-based compensation and one-off listing expenses.
- (2) Adjusted operating profit is defined as operating profit for the year adjusted by share-based compensation, net gain from investee companies, amortization of intangible assets resulting from acquisitions, net gain from convertible bonds, impairment provision for intangible assets and one-off listing expenses.
- (3) Adjusted net profit is defined as net profit for the year adjusted by share-based compensation, net gain from investee companies, amortization of intangible assets resulting from acquisitions, net gain from convertible bonds, impairment provision for intangible assets, one-off listing expenses, interest income on IPO subscription deposits and tax effects.

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**Thank You**