

阅文集团
CHINA LITERATURE

阅世界 悦无界

2019 Annual Results

March 17, 2020

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 Annual Results Highlights

GAAP Measures

- **Revenues** increased **65.7%** from RMB5.0 billion in 2018 to **RMB8.3 billion (USD1.2 billion¹)** in 2019
- **Gross profit** increased **44.3%** from RMB2.6 billion in 2018 to **RMB3.7 billion (USD529.2 million)** in 2019
- **Net profit to shareholders** increased **20.4%** from RMB910.6 million in 2018 to **RMB1.1 billion (USD157.1 million)** in 2019

Non-GAAP Measures

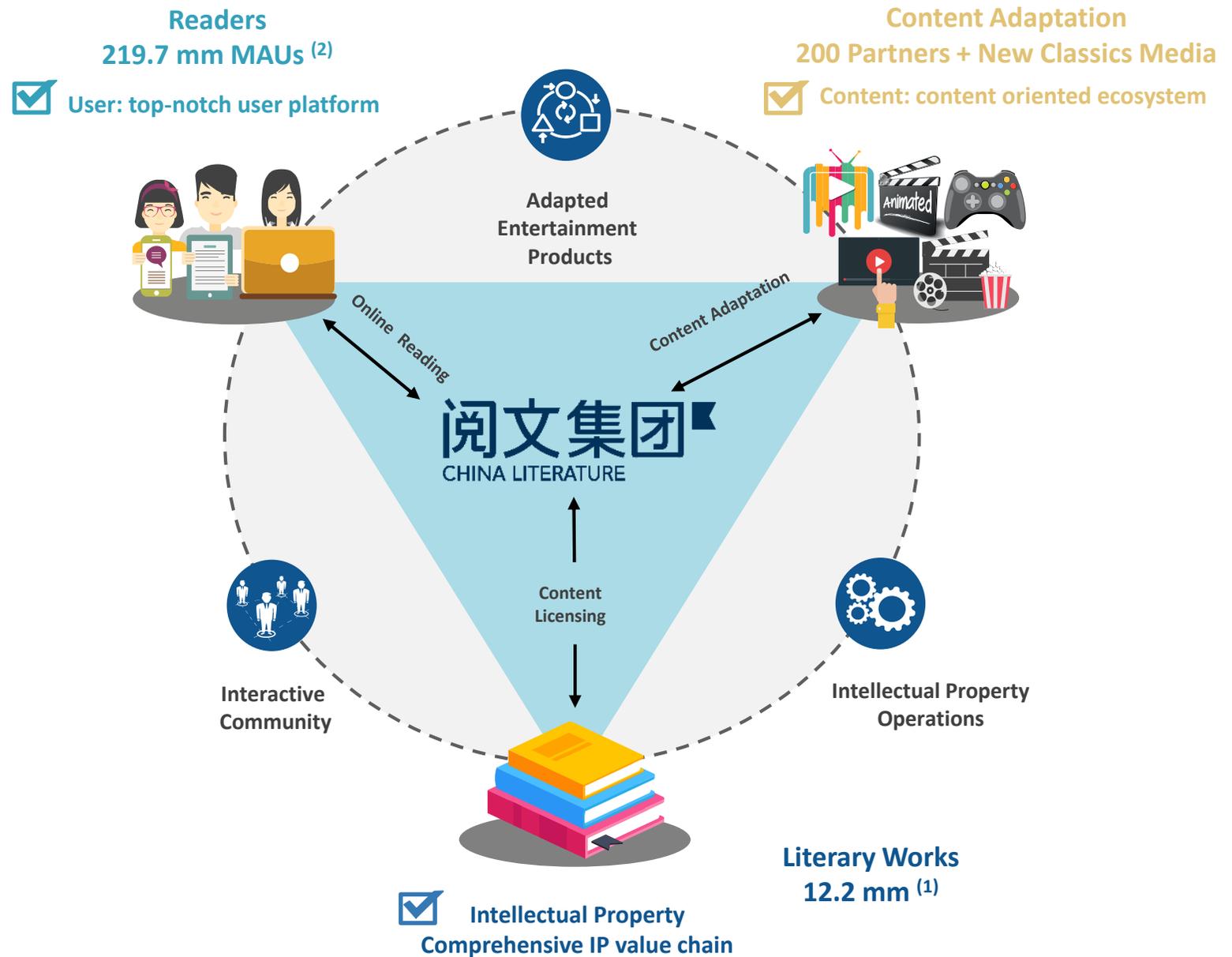
- **Non-GAAP operating profit** increased **31.6%** from RMB1.1 billion in 2018 to **RMB1.4 billion (USD202.9 million)** in 2019
- **Non-GAAP net profit to shareholders** increased **32.7%** from RMB900.5 million in 2018 to **RMB1.2 billion (USD171.2 million)** in 2019

User Base

- **Total MAU** increased **2.9%** from 213.5 million in 2018 to **219.7 million** in 2019
- **MAU on our self-owned platform products** increased **9.4%** from 109.2 million in 2018 to **119.5 million** in 2019

Continued Expansion of Online Reading Ecosystem

- Total writers increased from 7.7 mm as of December 31, 2018 to **8.1 mm** as of December 31, 2019. Total works increased from 11.2 mm as of December 31, 2018 to **12.2 mm** as of December 31, 2019
- Around **38 billion** Chinese characters were added in 2019



Strengthened Leadership Position in Online Reading Business

25 out of the top 30 most searched online literary works were created on China Literature's platform.

— Source: Baidu search rankings in February 2020

Proactive Content Innovation

- **The rise of Generation Z writers (born from 1990-2009) :**
 - Accounts for 25% of our total platinum and phenomenal writers
 - Passionate
 - Engage with younger demographics in a distinctively different manner
- **Expansion of diversity:**
 - Emerging genres with faster growth: science fiction, comic fiction, history, short-form novels, modern-day

Stronger User Engagement

- **More community-based features:**
 - Paragraph commenting: encourage more instant comments from readers
 - Audio recording: encourage users to bring their voice to the original text by submitting their audio recordings of selected sentences / paragraphs
- **Improved recommendation system:**
 - Deep learning + natural language processing technologies
 - A central data platform with an integrated recommendation system for all products

Diversified Revenue Models

- **Introduced free-to-read model as a complementary model to pay-to-read model**
- **Distribution:**
 - Tencent's products: Mobile QQ + QQ Browser
 - Feidu: our independent free-to-read app
- **Content:**
 - Selected works from our in-house library + external partners' libraries
 - High quality as a key differentiator

IP Operation Business Starting to Bear Fruit

- New Classics Media brought our best-in-class IP to life through drama series in 2019.
- Deepened cooperation with high-caliber partners across the entertainment industry for IP adaptation.

Major Achievements by New Classics Media

- **Top ranking drama series released in 2019:**

Joy of Life (庆余年):

- **No.1** among all TV and web series on Baidu and Toutiao's 2019 search indices
- The original novel, released over 10 years ago, once again topped the rankings on our best-seller reading list
- Season 2 under development

Memories of Peking (芝麻胡同):

- **No.1** on Beijing TV in terms of viewership during its specific broadcast time slot

Awakening of Insects (惊蛰):

- **No.1** on Hunan TV in terms of viewership during its specific broadcast time slot

The Best Partner (精英律师):

- **No.1** on Beijing TV in terms of viewership during its specific broadcast time slot

IP Licensing & Key In-House Projects

- **~ 160 literary works licensed for adaptation**

- **Co-produced animations:**

- **Battle Through the Heavens (斗破苍穹):**

Season 3+ Special Edition 2: **1.3 bn** video views

Whole franchise: **5.4 bn** video views in total

- **Martial Universe (武动乾坤): > 800 mm** video views

- Other popular animations: Galaxy Devastator (崩坏星河), Cinderella Chef (萌妻食神), The King's Avatar: For the Glory (全职高手之巅峰荣耀)

- **Co-produced drama series:**

- **The Golden Eyes (黄金瞳): No.1** web series on Maoyan during its specific broadcast time slot

- Other popular drama series: Pretty Man 2 (国民老公2), Sweet Tai Chi (淑女飘飘拳)

- **Self-operated online game:**

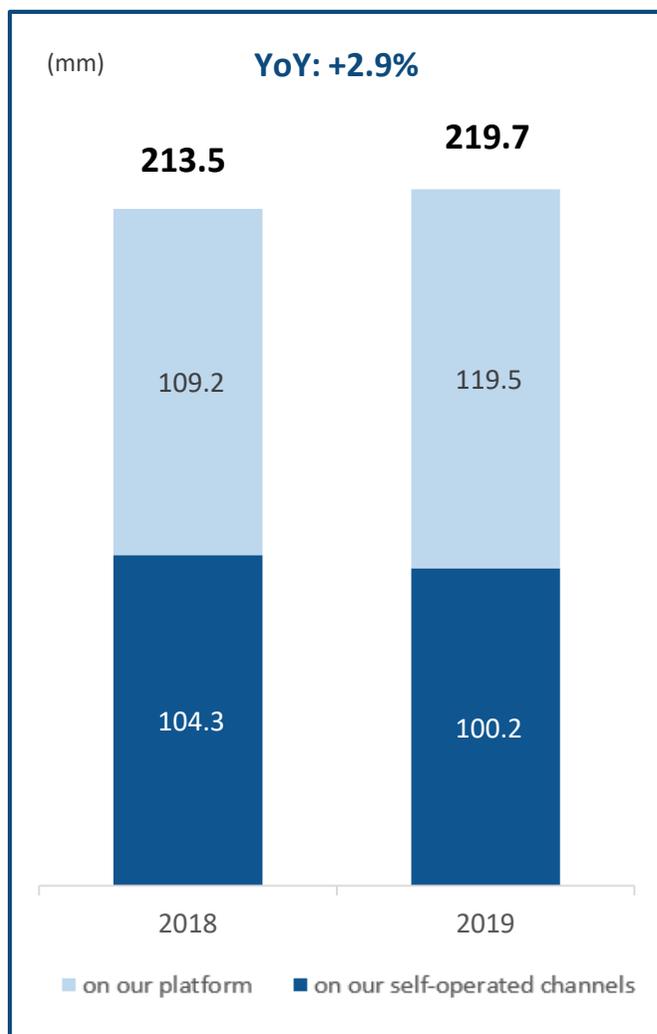
- **New Soul Land (新斗罗大陆):**

2019 Golden Gyro "Popular IP Game of the Year"

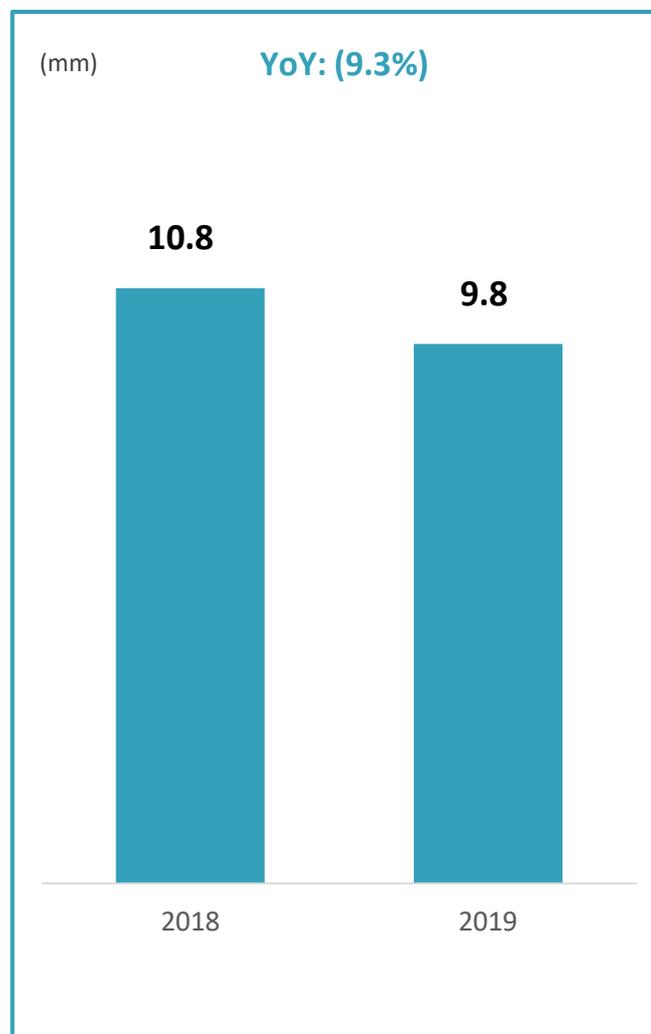
2019 Golden Grape "Most Remarkable Game"

Financials: Key Operating Metrics

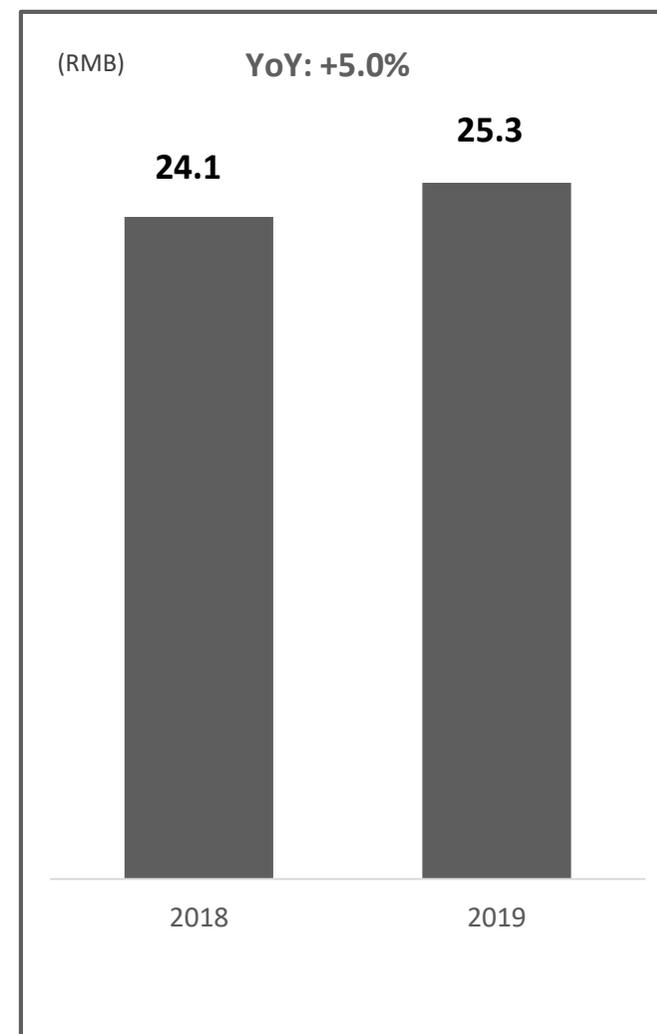
Average MAUs ⁽¹⁾



Average MPUs ⁽²⁾



Average Monthly ARPU ⁽³⁾



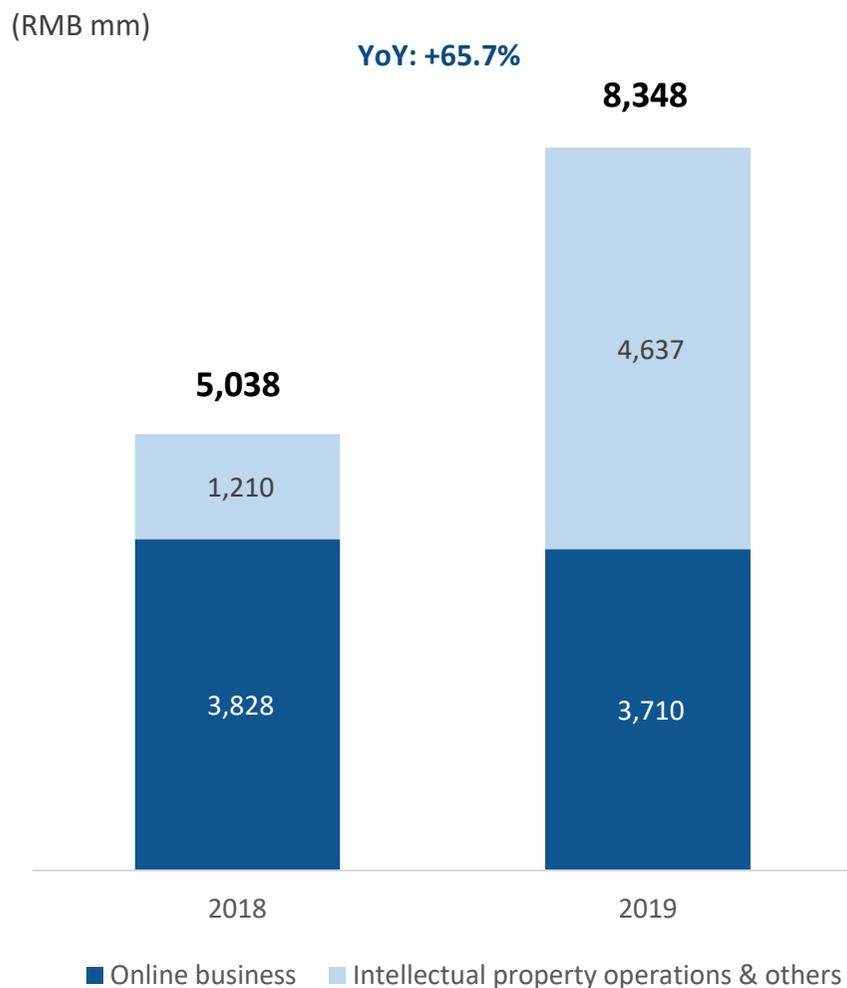
Notes:

- (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.

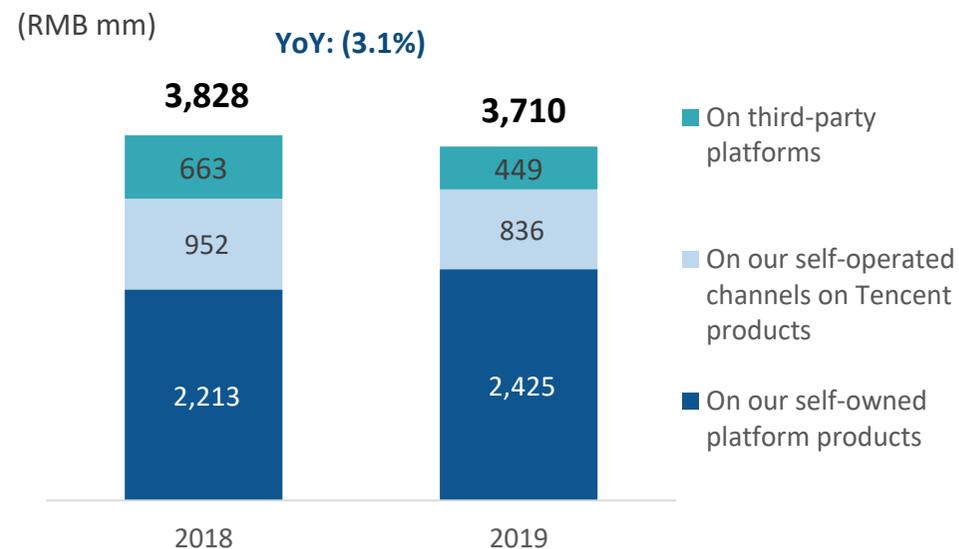
Financials: Income Statement

RMB' 000	2018	2019	YoY
Revenues	5,038,250	8,347,767	65.7%
Cost of revenues	(2,480,271)	(4,655,744)	87.7%
Gross profit	2,557,979	3,692,023	44.3%
Interest income	200,817	157,539	(21.6%)
Other gains, net	338,910	453,194	33.7%
Selling and marketing expenses	(1,293,107)	(2,073,937)	60.4%
General and administrative expenses	(726,470)	(1,010,282)	39.1%
Net (provision for)/reversal of impairment losses on financial assets	36,822	(24,630)	(166.9%)
Operating profit	1,114,951	1,193,907	7.1%
Finance costs	(148,489)	(172,618)	16.2%
Share of net profit of associates and joint ventures	111,339	158,508	42.4%
Income tax expense	(165,403)	(67,663)	(59.1%)
Net profit	912,398	1,112,134	21.9%
Net profit to shareholders	910,636	1,095,953	20.4%

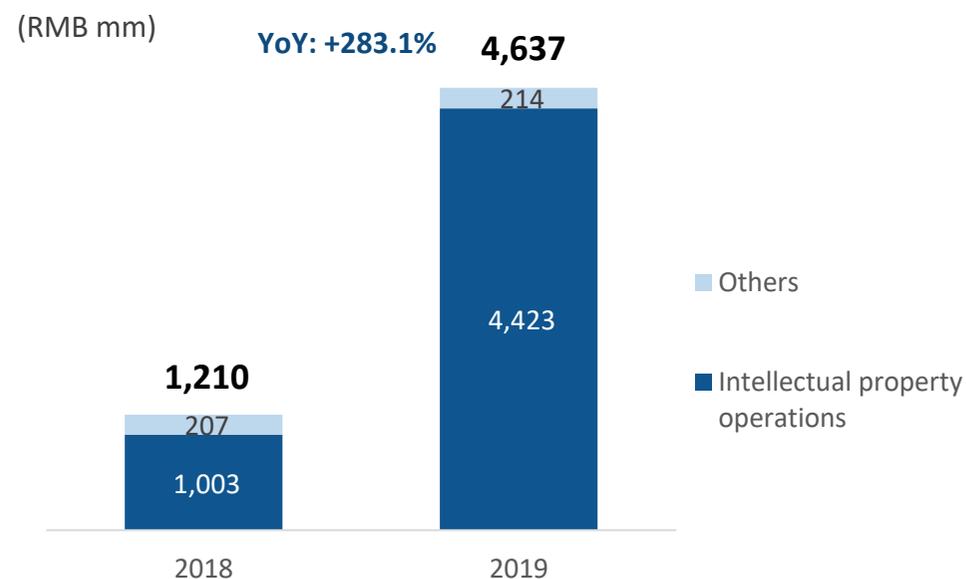
Revenues by Segment



Online Business Revenues Breakdown

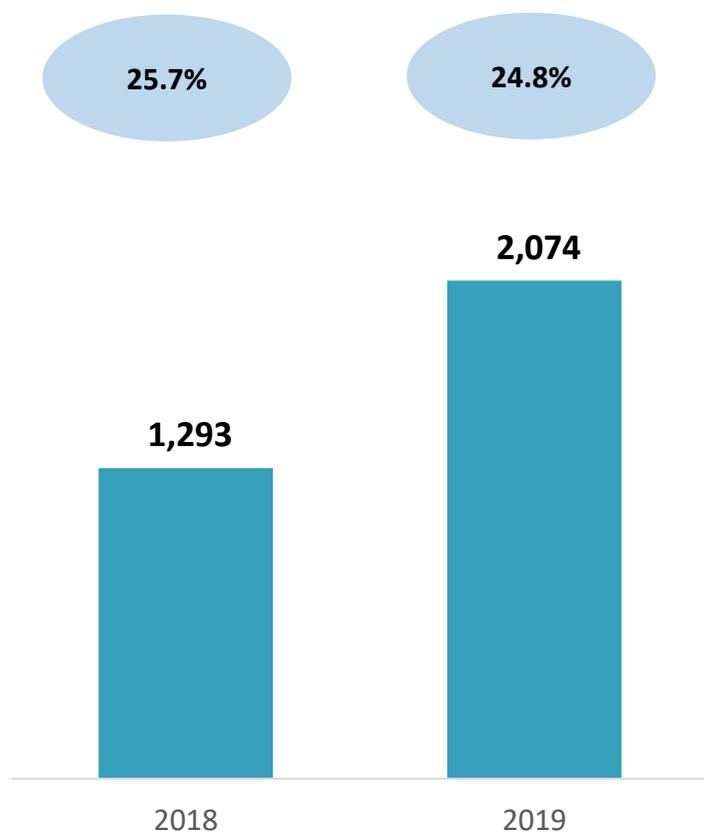


Intellectual Property Operations & Others Revenues Breakdown



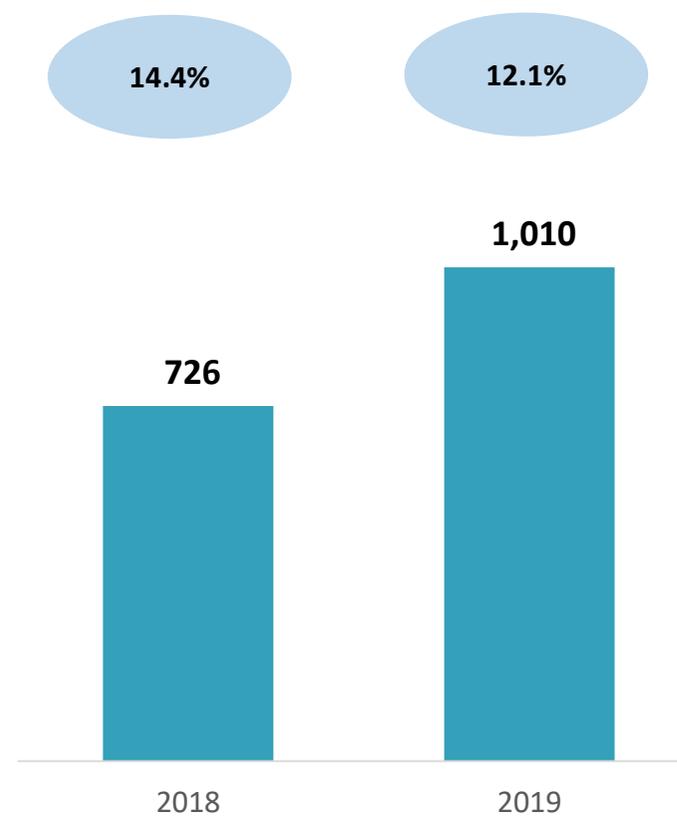
Selling & Marketing Expenses

as % of total revenue, total amount in RMB mm



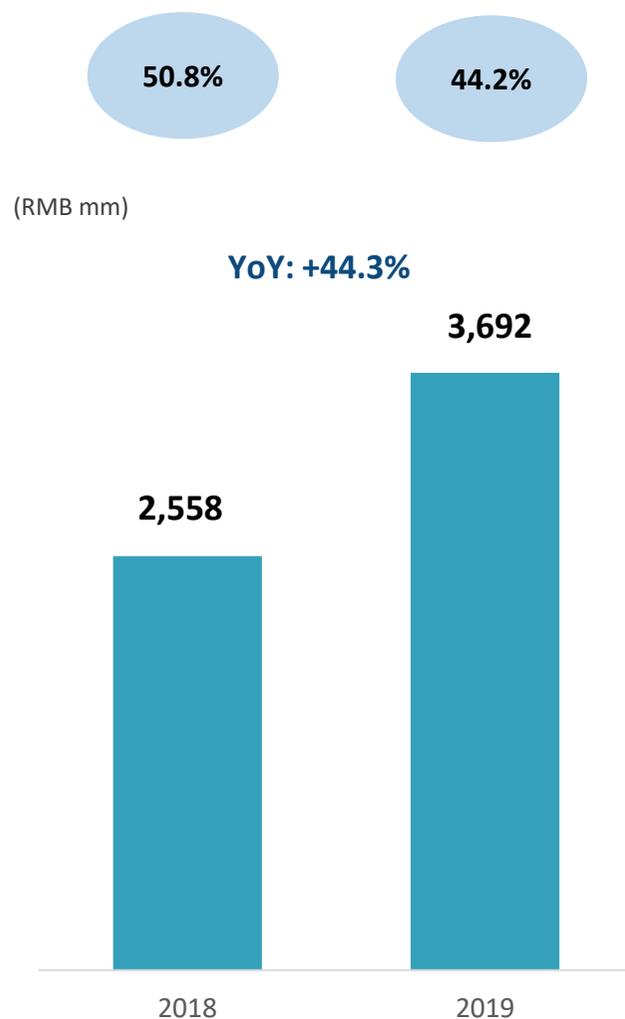
General & Administrative Expenses

as % of total revenue, total amount in RMB mm

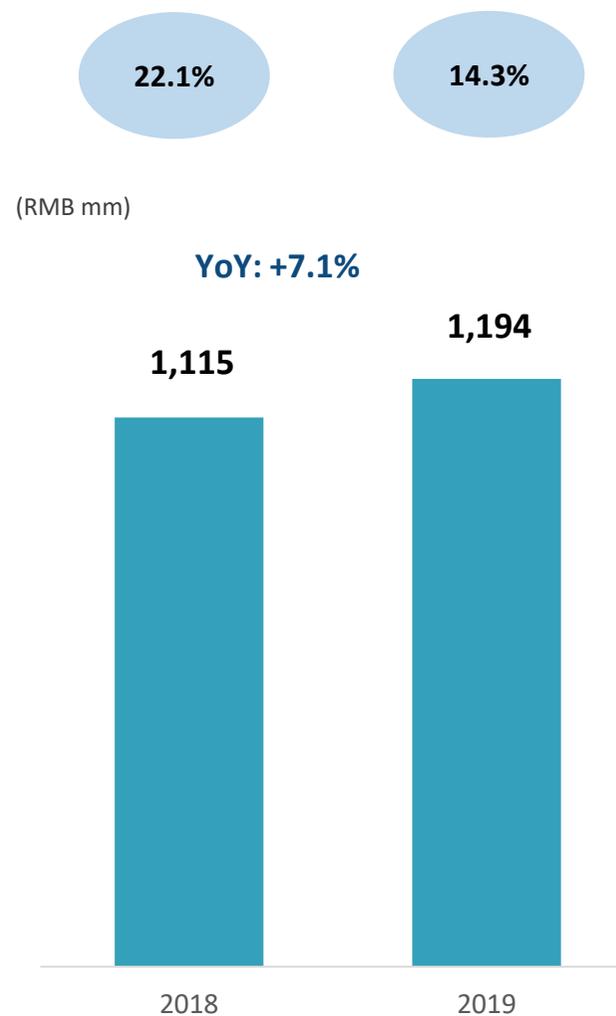


Financials: Key Profitability Metrics

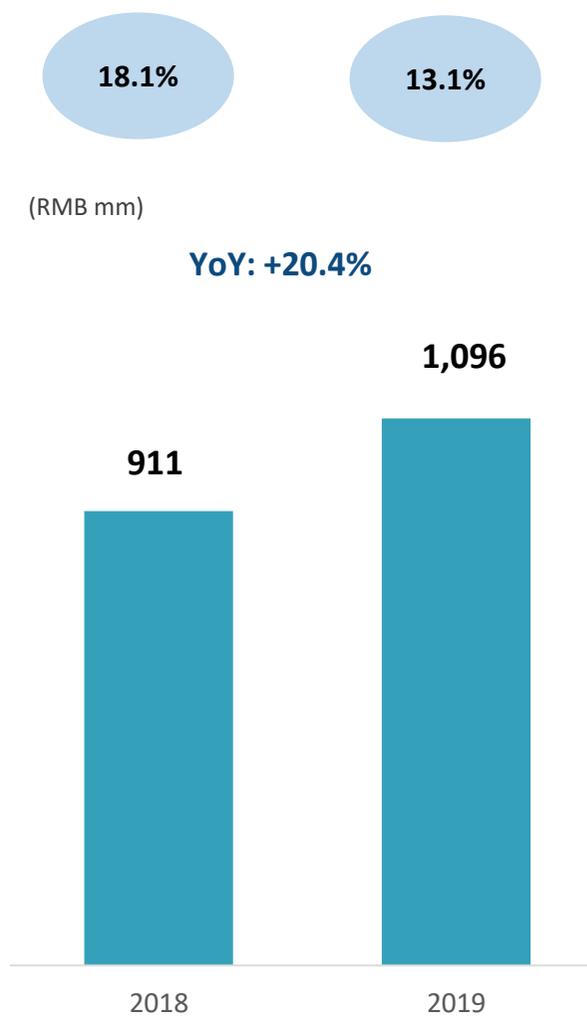
Gross Profit and Gross Margin



Operating Profit and Operating Margin



Net Profit to Shareholders and Net Profit to Shareholders Margin



Financials: Non-GAAP Profitability

(RMB' 000)	2018	2019	YoY
EBITDA	739,275	780,209	5.5%
<i>Margin %</i>	<i>14.7%</i>	<i>9.3%</i>	
Adjusted EBITDA ⁽¹⁾	944,460	1,185,873	25.6%
<i>Margin %</i>	<i>18.7%</i>	<i>14.2%</i>	
Operating profit	1,114,951	1,193,907	7.1%
<i>Margin %</i>	<i>22.1%</i>	<i>14.3%</i>	
Non-GAAP operating profit ⁽²⁾	1,075,504	1,415,802	31.6%
<i>Margin %</i>	<i>21.3%</i>	<i>17.0%</i>	
Net profit to shareholders	910,636	1,095,953	20.4%
<i>Margin %</i>	<i>18.1%</i>	<i>13.1%</i>	
Non-GAAP net profit to shareholders ⁽³⁾	900,490	1,194,618	32.7%
<i>Margin %</i>	<i>17.9%</i>	<i>14.3%</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 net profit to shareholders is defined as net profit to shareholders adjusted by share-based compensation, net (gain) from investment and acquisition, and amortization of intangible assets resulting from acquisitions.

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Thank You