

**阅文集团**  
CHINA LITERATURE

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# 2020 Interim Results

August 11, 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.

## IFRS Measures

- **Revenues** increased **9.7%** from RMB3.0 billion in 1H19 to **RMB3.3 billion (USD460.5 million<sup>1</sup>)** in 1H20
- **Gross profit** increased **6.8%** from RMB1.6 billion in 1H19 to **RMB1.7 billion (USD244.6 million)** in 1H20
- **Operating loss** was **RMB3.6 billion (USD502.2 million)** in 1H20, as compared to operating profit of RMB527.7 million in 1H19
- **Net loss to shareholders** was **RMB3.3 billion (USD465.6 million)** in 1H20, as compared to net profit to shareholders of RMB392.7 million in 1H19

## Non-IFRS Measures

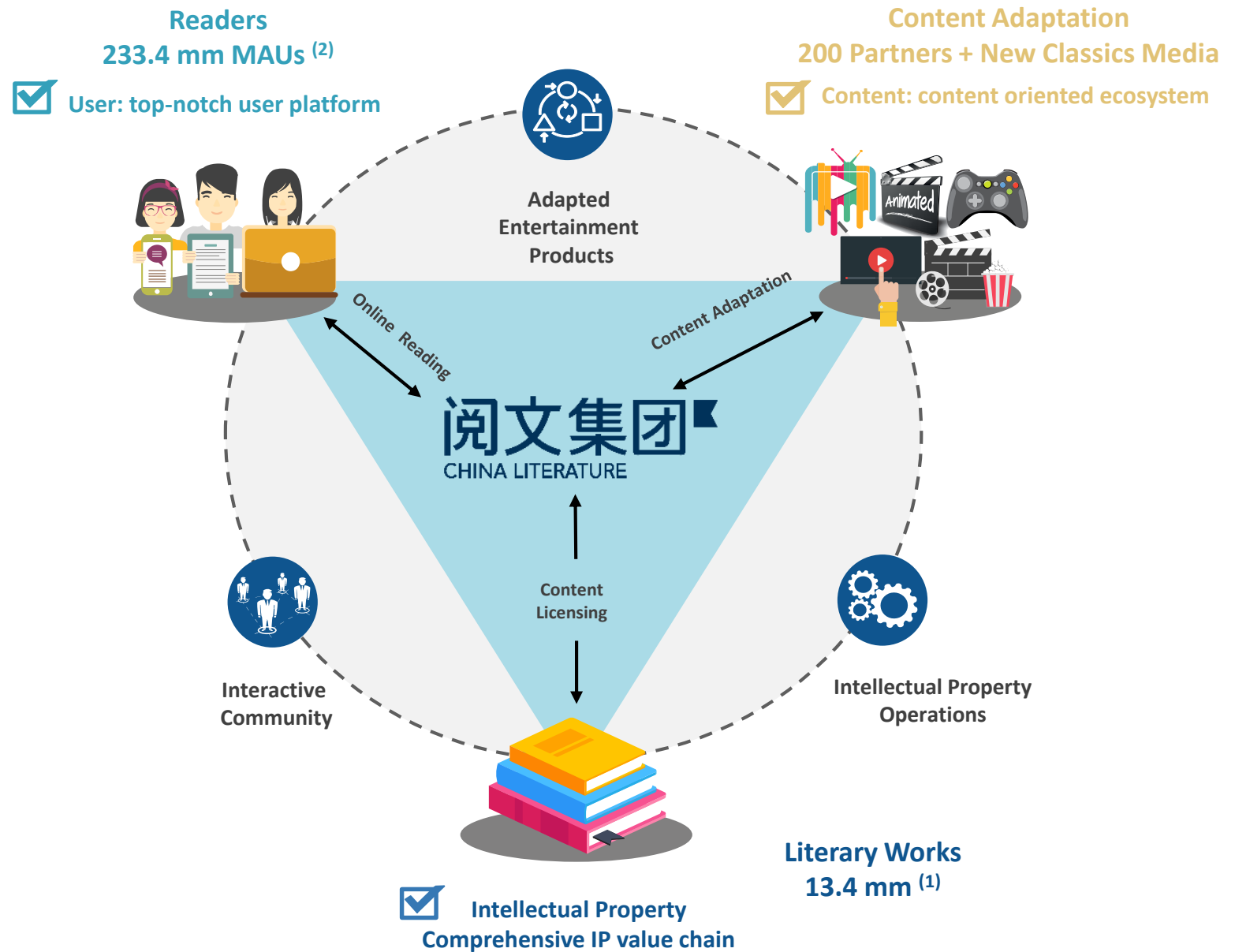
- **Non-IFRS operating loss** was **RMB56.7 million (USD8.0 million)** in 1H20, as compared to non-IFRS operating profit of RMB517.1 million in 1H19
- **Non-IFRS net profit to shareholders** was **RMB21.7 million (USD3.1 million)** in 1H20, as compared to RMB390.0 million in 1H19

## User Base

- **Total MAU** increased **7.5%** from 217.1 million in 1H19 to **233.4 million** in 1H20
- **MAU on our self-owned platform products** increased **16.1%** from 115.6 million in 1H19 to **134.2 million** in 1H20

# Continued Expansion of Online Reading Ecosystem

- Total writers increased from 7.8 mm as of June 30, 2019 to **8.9 mm** as of June 30, 2020. Total works increased from 11.7 mm as of June 30, 2019 to **13.4 mm** as of June 30, 2020
- Around **31 billion** Chinese characters were added in 1H20



## Content

Strengthen our core business through enhancing IP incubation capability, strengthening fundamentals, and speeding up cross-sector development to accelerate our IP development.

## Platform

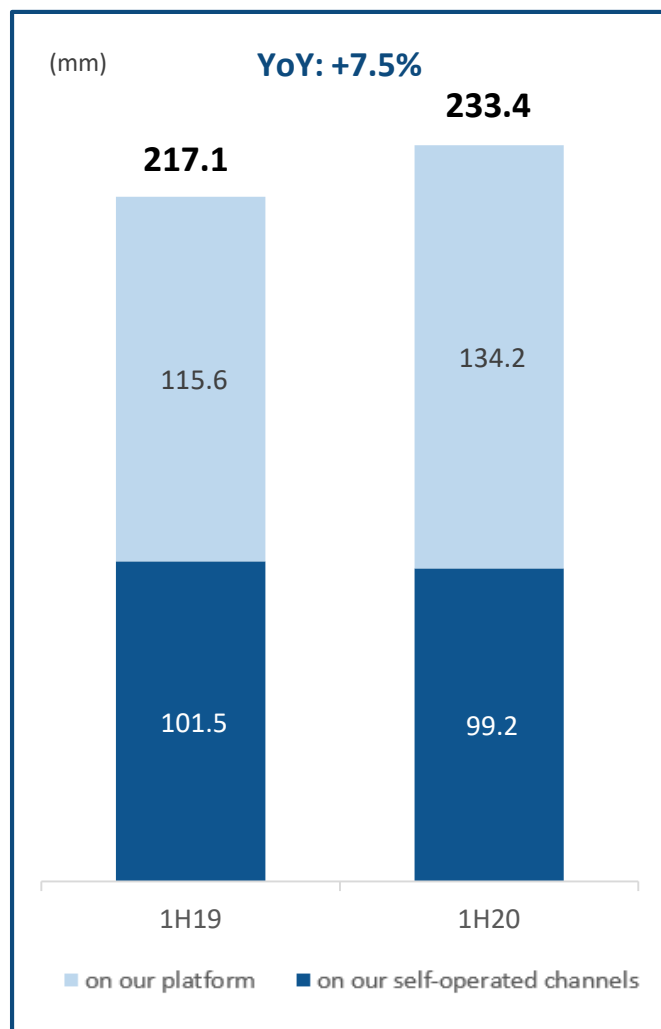
Improve the social and community features of the platform and establish a stronger connection between China Literature's products and the Tencent portfolio.

## Ecosystem

Introduce enhancements to our IP-centric ecosystem, leveraging our high-quality IP to build business partnerships and networks in content segments including comics, animation, TV series, film, and games.

# Financials: Key Operating Metrics

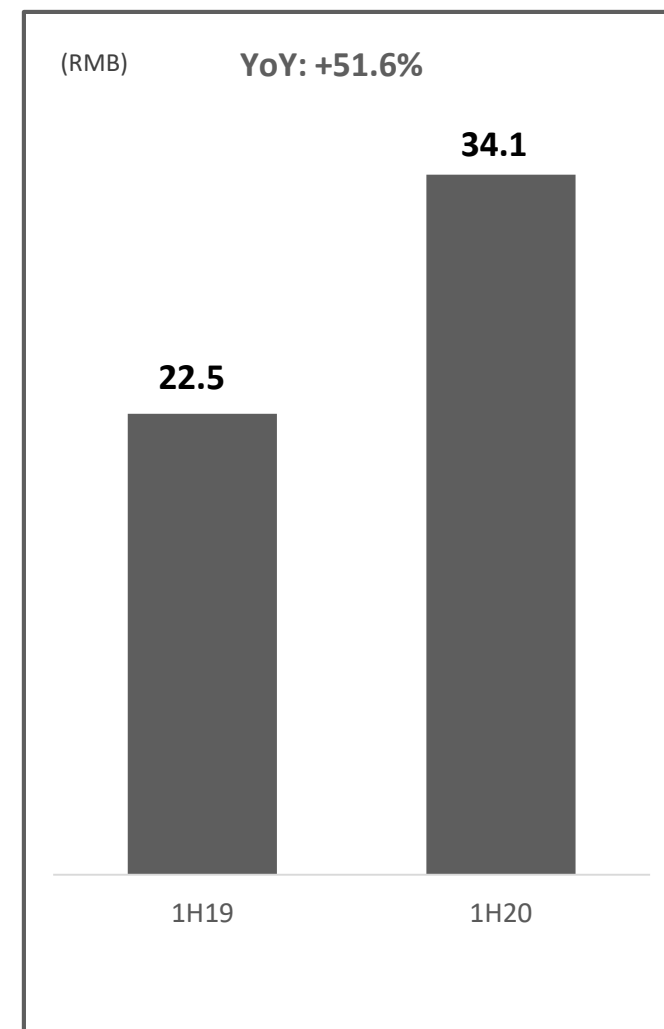
## Average MAUs <sup>(1)</sup>



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



## Average Monthly ARPU <sup>(3)</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) 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.

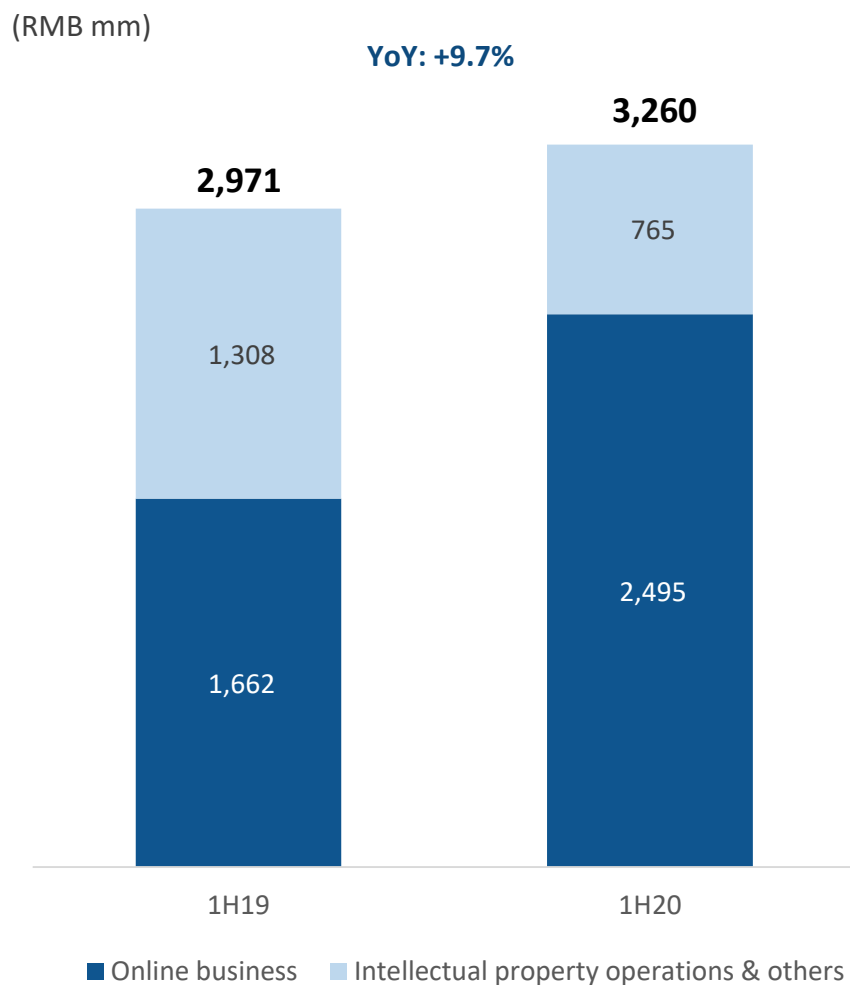


# Financials: Income Statement

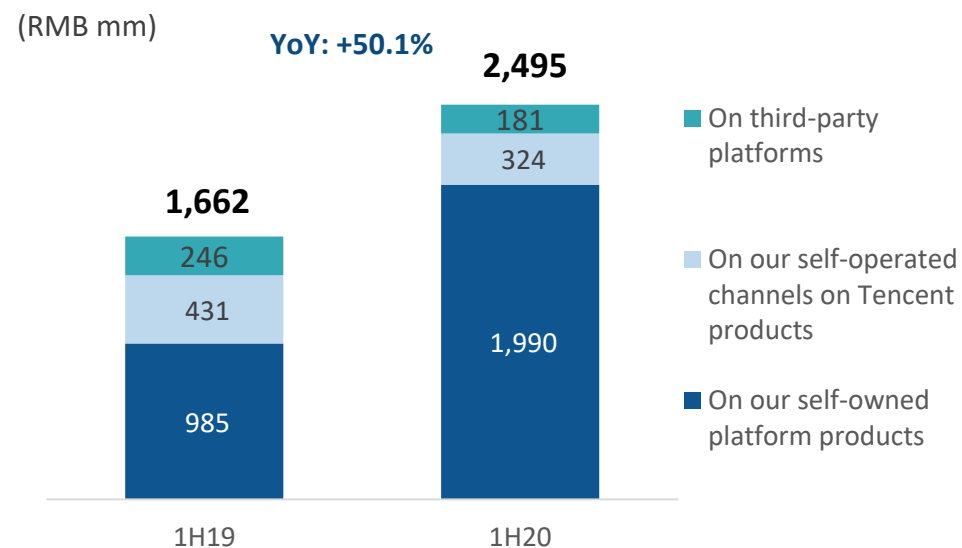
RMB' 000	1H19	1H20	YoY
Revenues	2,970,951	3,260,206	9.7%
Cost of revenues	(1,349,801)	(1,528,894)	13.3%
Gross profit	1,621,150	1,731,312	6.8%
Interest income	85,589	62,048	(27.5%)
Other (losses)/gains, net <sup>(1)</sup>	269,572	(3,529,736)	(1409.4%)
Selling and marketing expenses	(976,720)	(1,270,264)	30.1%
General and administrative expenses	(473,400)	(350,665)	(25.9%)
Net (provision for)/reversal of impairment losses on financial assets	1,531	(198,258)	(13,049.6%)
<b>Operating (loss)/profit</b>	<b>527,722</b>	<b>(3,555,563)</b>	<b>(773.8%)</b>
Finance costs	(93,464)	(38,080)	(59.3%)
Share of net profit of associates and joint ventures	82,482	81,827	(0.8%)
Income tax benefit/(expense)	(123,520)	201,291	(263.0%)
<b>Net (loss)/profit</b>	<b>393,220</b>	<b>(3,310,525)</b>	<b>(941.9%)</b>
<b>Net (loss)/profit to shareholders</b>	<b>392,722</b>	<b>(3,295,874)</b>	<b>(939.2%)</b>

# Financials: Revenue Structure

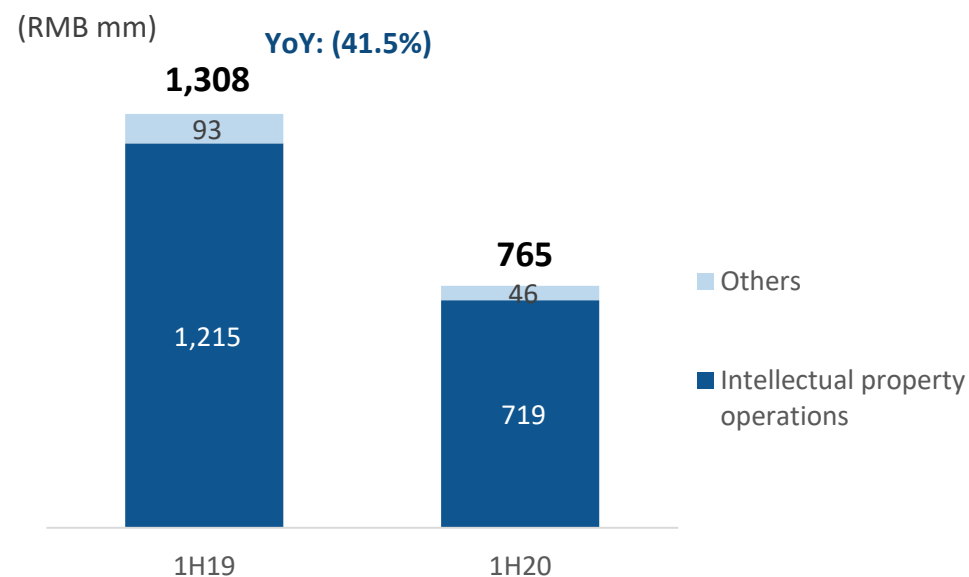
## Revenues by Segment



## Online Business Revenues Breakdown



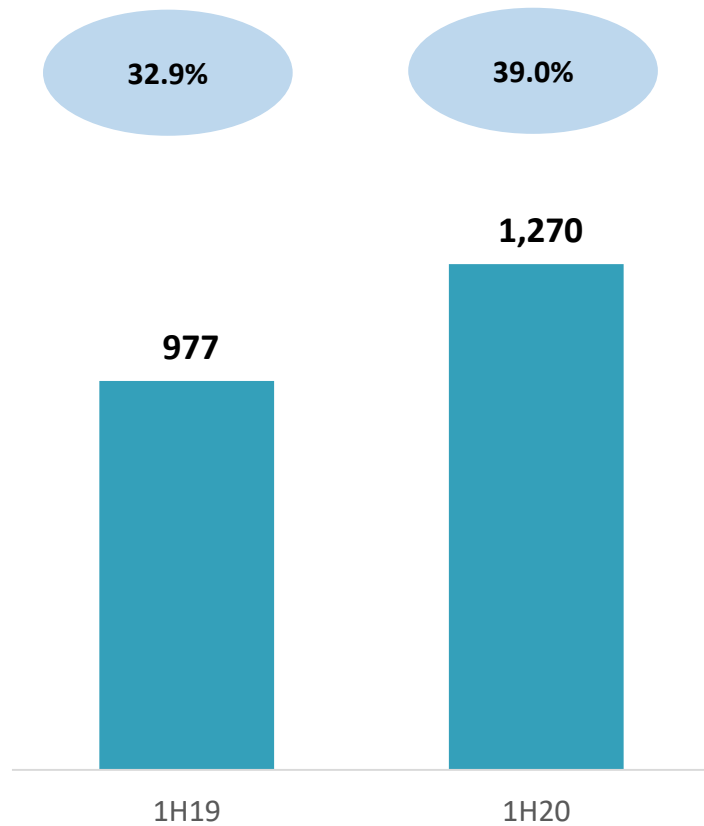
## Intellectual Property Operations & Others Revenues Breakdown





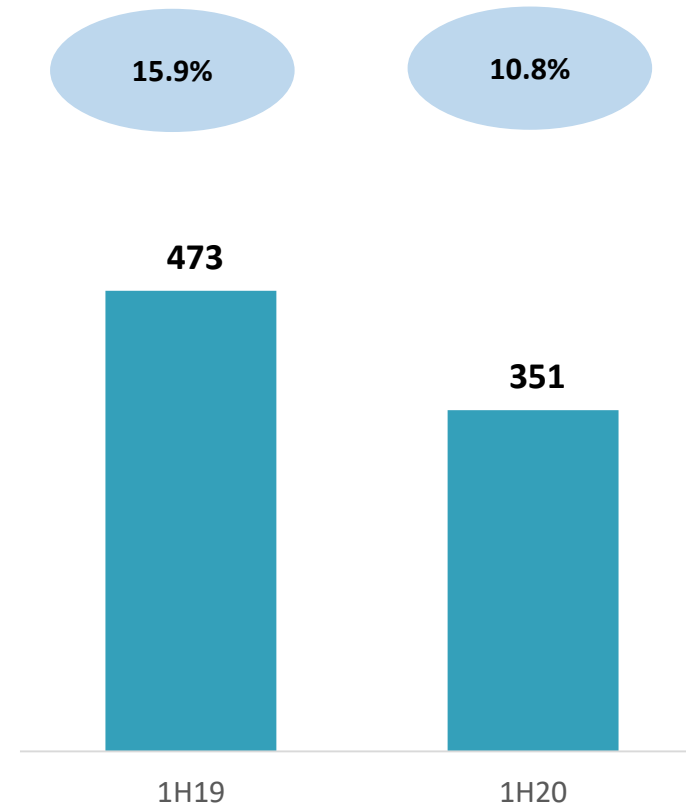
## Selling & Marketing Expenses

as % of total revenue, total amount in RMB mm



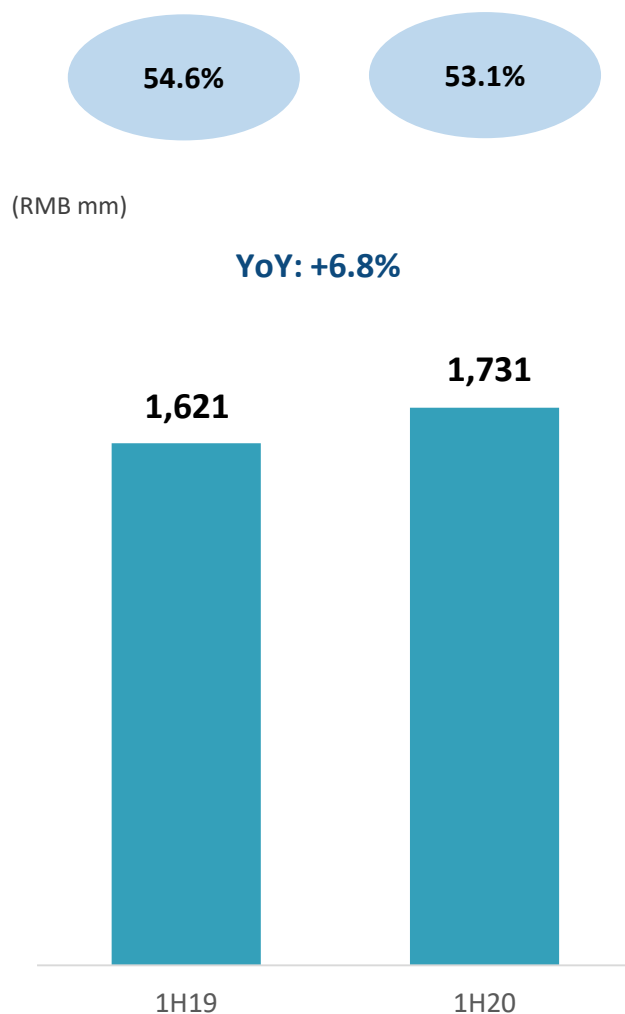
## General & Administrative Expenses

as % of total revenue, total amount in RMB mm

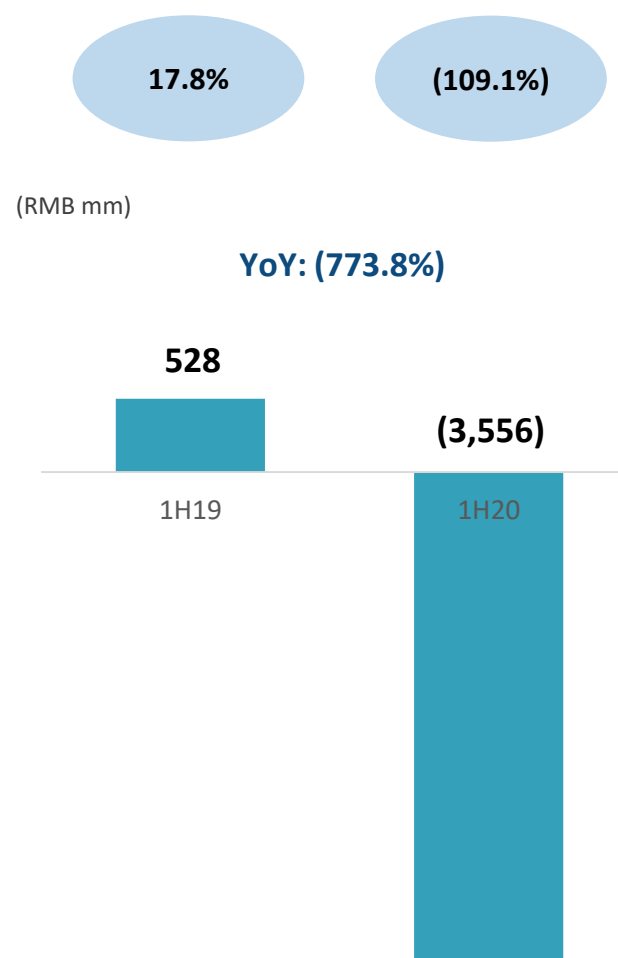


# Financials: Key Profitability Metrics

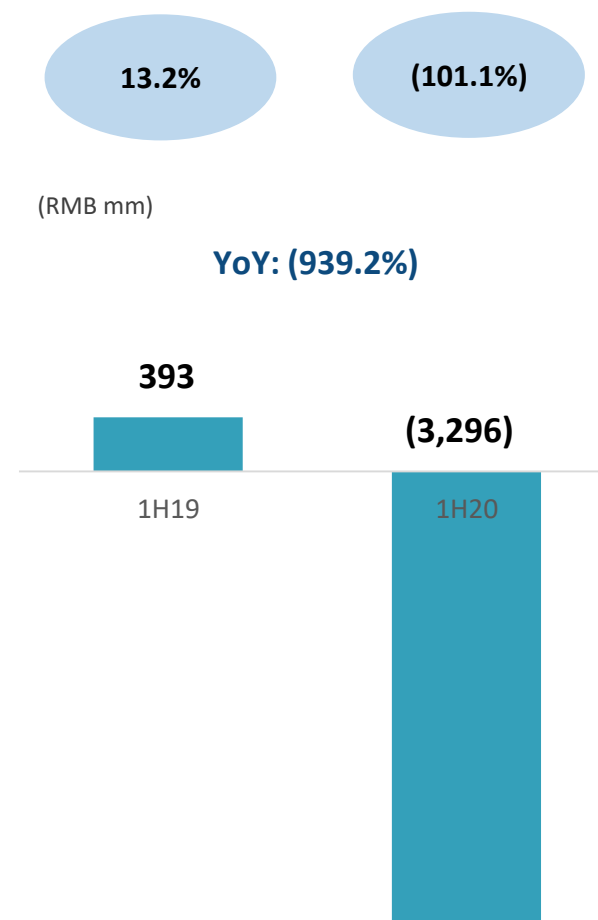
## Gross Profit and Gross Margin



## Operating (Loss)/Profit and Operating Margin<sup>(1)</sup>



## Net (Loss)/Profit to Shareholders and Net (Loss)/Profit to Shareholders Margin<sup>(1)</sup>



Note:

10

(1)

The operating loss and net loss to shareholders in 1H20 were mainly caused by the impairment provision of goodwill and trademark rights related to the acquisition of NCM of RMB4,405.7 million, partially offset by a fair value gain on consideration liabilities of RMB1,240.3 million and a reversal of compensation costs of RMB116.7 million related to the service expense of certain employees and former owners of NCM, as the Company expects that the performance of NCM in 2020 will be below expectation and will trigger a reduction in the earn-out consideration to the management team of NCM as sellers under the terms of the acquisition agreement.

# Financials: Non-IFRS Profitability

(RMB' 000)	1H19	1H20	YoY
<b>EBITDA</b>	<b>298,173</b>	<b>59,585</b>	<b>(80.0%)</b>
<i>Margin %</i>	<i>10.0%</i>	<i>1.8%</i>	
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>459,214</b>	<b>17,117</b>	<b>(96.3%)</b>
<i>Margin %</i>	<i>15.5%</i>	<i>0.5%</i>	
<b>Operating (loss)/profit</b>	<b>527,722</b>	<b>(3,555,563)</b>	<b>(773.8%)</b>
<i>Margin %</i>	<i>17.8%</i>	<i>(109.1%)</i>	
<b>Non-IFRS operating (loss)/profit <sup>(2)</sup></b>	<b>517,120</b>	<b>(56,662)</b>	<b>(111.0%)</b>
<i>Margin %</i>	<i>17.4%</i>	<i>(1.7%)</i>	
<b>Net (loss)/profit to shareholders</b>	<b>392,722</b>	<b>(3,295,874)</b>	<b>(939.2%)</b>
<i>Margin %</i>	<i>13.2%</i>	<i>(101.1%)</i>	
<b>Non-IFRS net profit to shareholders <sup>(3)</sup></b>	<b>389,999</b>	<b>21,679</b>	<b>(94.4%)</b>
<i>Margin %</i>	<i>13.1%</i>	<i>0.7%</i>	

Notes:

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

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

(3) Non-IFRS net profit to shareholders is defined as net (loss)/profit to shareholders adjusted by share-based compensation, net loss/(gain) from investments and acquisition, and amortization of intangible assets resulting from acquisitions.

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**Thank You**