



阅文集团
CHINA LITERATURE

阅世界 悦无界

2020 Annual Results

March 23, 2021

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 by the Auditor. Shareholders and potential investors should therefore not place undue reliance on such statements.

IFRS Measures

- **Revenues** up **2.1%** YoY from RMB8.3 billion to **RMB8.5 billion (USD1.3 billion¹)**
- **Gross profit** up **14.7%** YoY from RMB3.7 billion to **RMB4.2 billion (USD648.9 million)**
- **Operating loss** was **RMB4.5 billion (USD685.8 million)**, as compared to operating profit of RMB1.2 billion in 2019
- **Net loss to shareholders** was **RMB4.5 billion (USD687.2 million)**, as compared to net profit to shareholders of RMB1.1 billion in 2019

Non-IFRS Measures

- **Non-IFRS operating profit** was **RMB934.6 million (USD143.2 million)**, as compared to RMB1.4 billion in 2019
- **Non-IFRS net profit to shareholders** was **RMB917.1 million (USD140.6 million)**, as compared to RMB1.2 billion in 2019

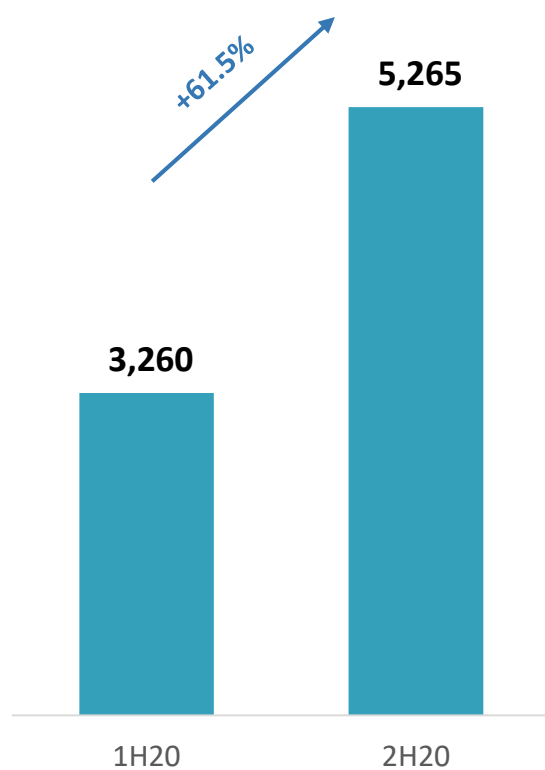
User Base

- **Total MAU** up **4.2%** YoY from 219.7 million to **228.9 million**
- Average **DAU for free reading channels** reached **10 million** for Dec 2020

2020 Annual Results: 1H vs 2H

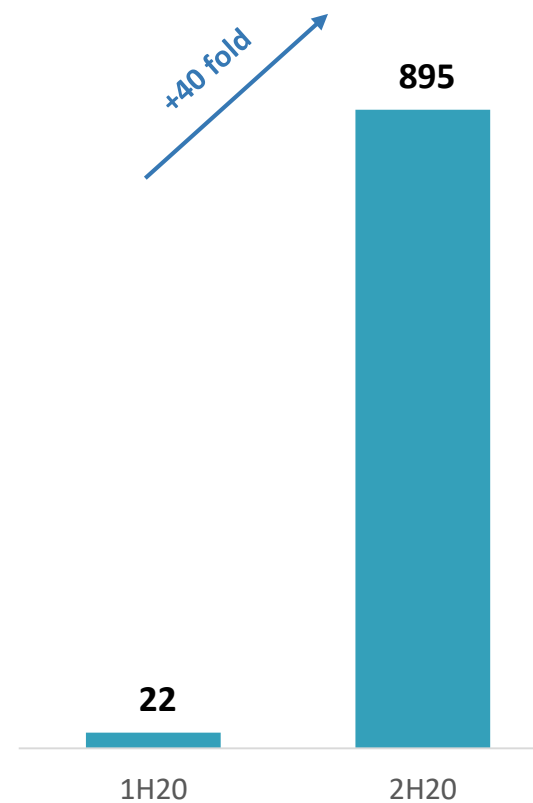
Revenues

(RMB mm)



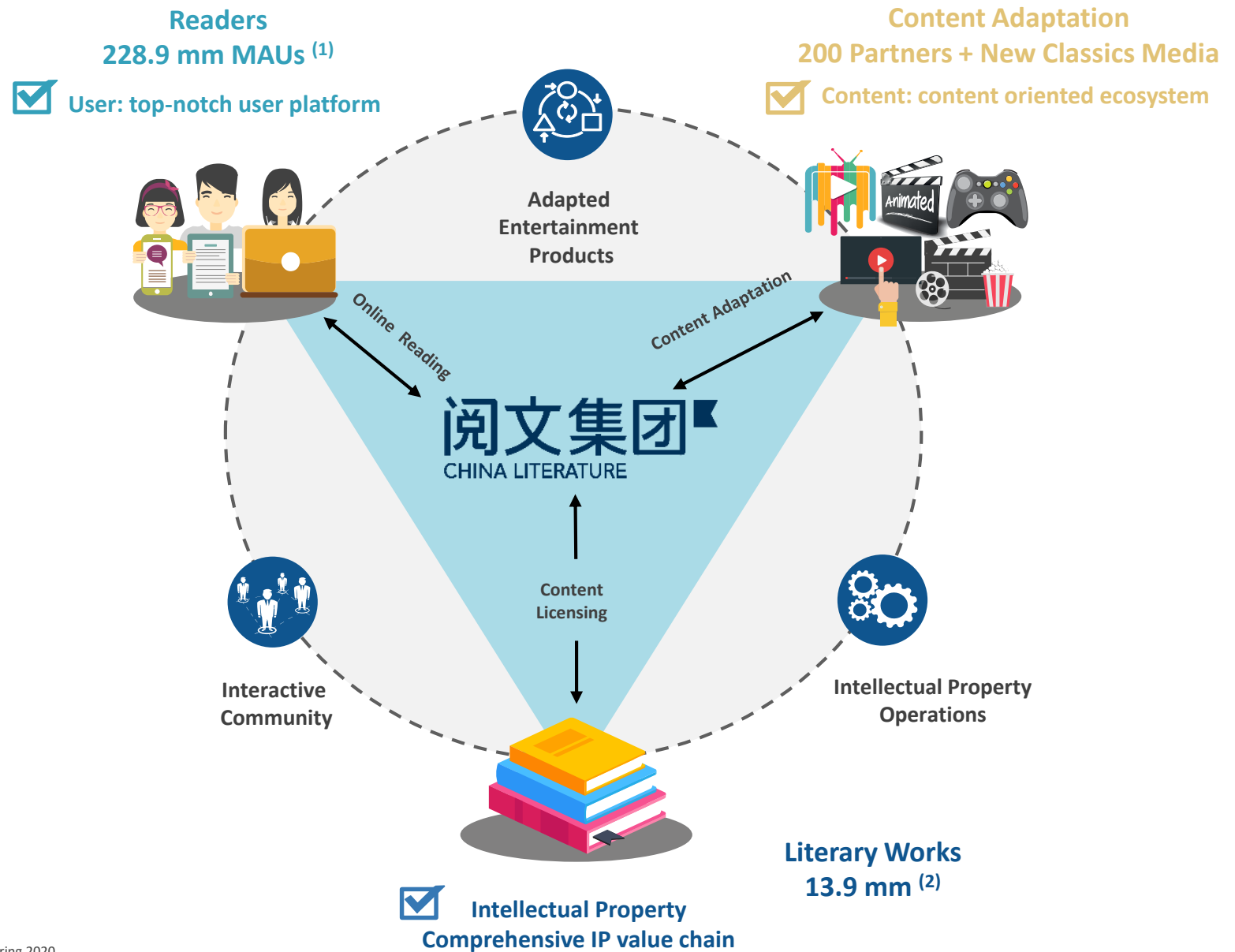
Non-IFRS net profit to shareholders

(RMB mm)



Continued Expansion of Online Reading and IP Ecosystem

- Total writers increased from 8.1 mm as of December 31, 2019 to **9 mm** as of December 31, 2020. Total works increased from 12.2 mm as of December 31, 2019 to **13.9 mm** as of December 31, 2020
- Around **46 billion** Chinese characters were added in 2020



Content Upgrades:

- **26 of the top 30** online literary works originated on China Literature's platform (source: Baidu search rankings in Feb 2021)
- **Improving relationship with writers:**
 - ✓ New grading system for contracts
 - ✓ New editing & support system
 - ✓ New welfare and IP protection mechanism
 - ✓ Qidian Academy: 2+ million video views for online courses in one month
- Rising of **Generation Z** writers: accounting **80%** of new writers in 2020

Platform Upgrades:

- Expanding relationship with Tencent channels for **free reading content, 10 million average DAU** for Dec 2020
- **Interactive functions** enhance users stickiness: instant comments and replies, UGC audio readings for texts, UGC chapters, etc.
- **100+** literary works each has **1+ million** user comments
- **AI & Big Data** improves user recommendation and assists editors to screen and nurture content

Business Highlights in 2020

Ecosystem Upgrades:

- **Three-way “New Classics Media-Tencent Pictures-China Literature Pictures” partnership** to facilitate productions of IP adapted drama series and films
- **China Literature Comics & Animation Dept & Tencent Comics Joint Committee** to incubate 300 IP adapted comic series for 3 years + joint productions of animations series
- Top-tier titles released in 2020:

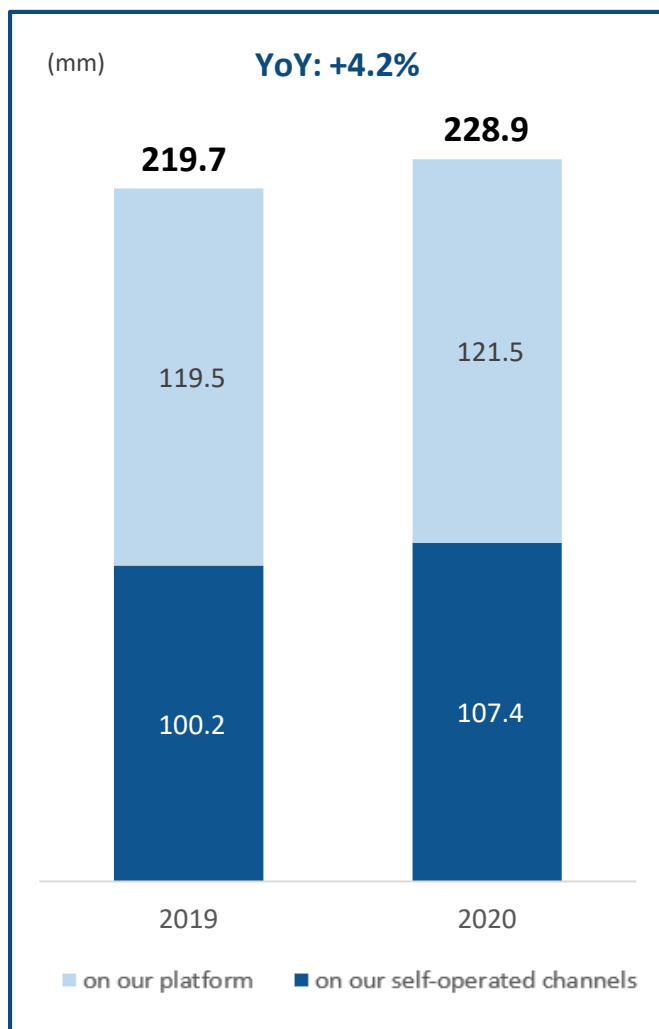


- ✓ Drama series: My Best Friend's Story 流金岁月 (**No. 1** on Enlightent's TV series playlist)
- ✓ Animations: Stellar Transformations 星辰变 (**1.8 bn** video views), Martial Universe 武动乾坤 (**1.8 bn** video views), The King's Avatar 全职高手 (**2.4 bn** video views), Fighter of the Destiny 择天记 (**930 mm** video views), and Fulltime Master 全职法师 (**2.0 bn** video views)
- **~200** IP rights licensed for adaptation by business partners



Financials: Key Operating Metrics

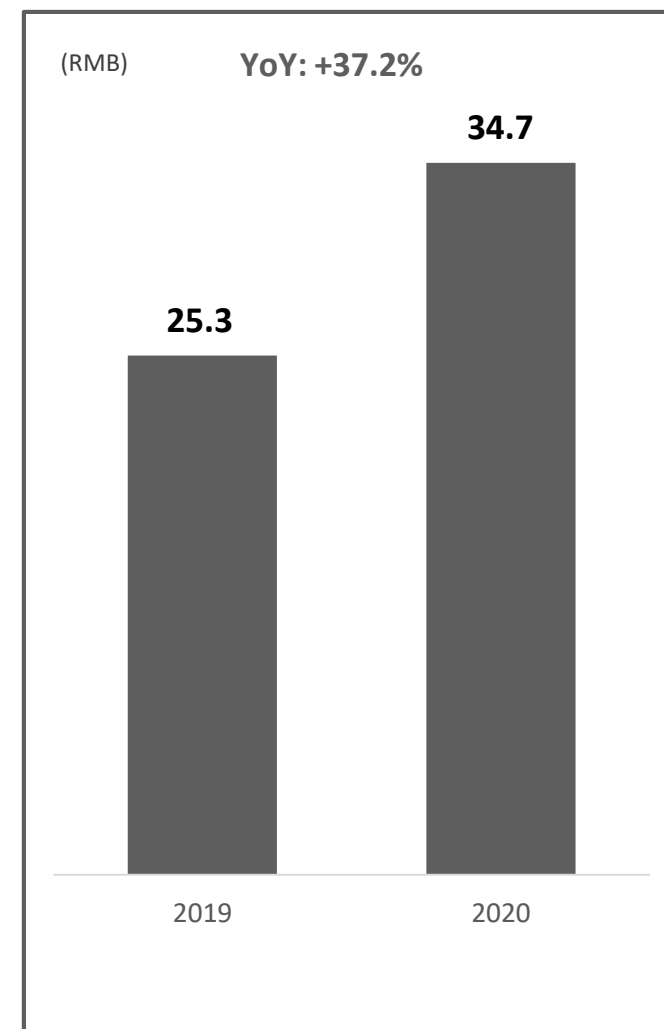
Average MAUs ⁽¹⁾



Average MPUs ⁽²⁾



Average Monthly ARPU ⁽³⁾



Notes:

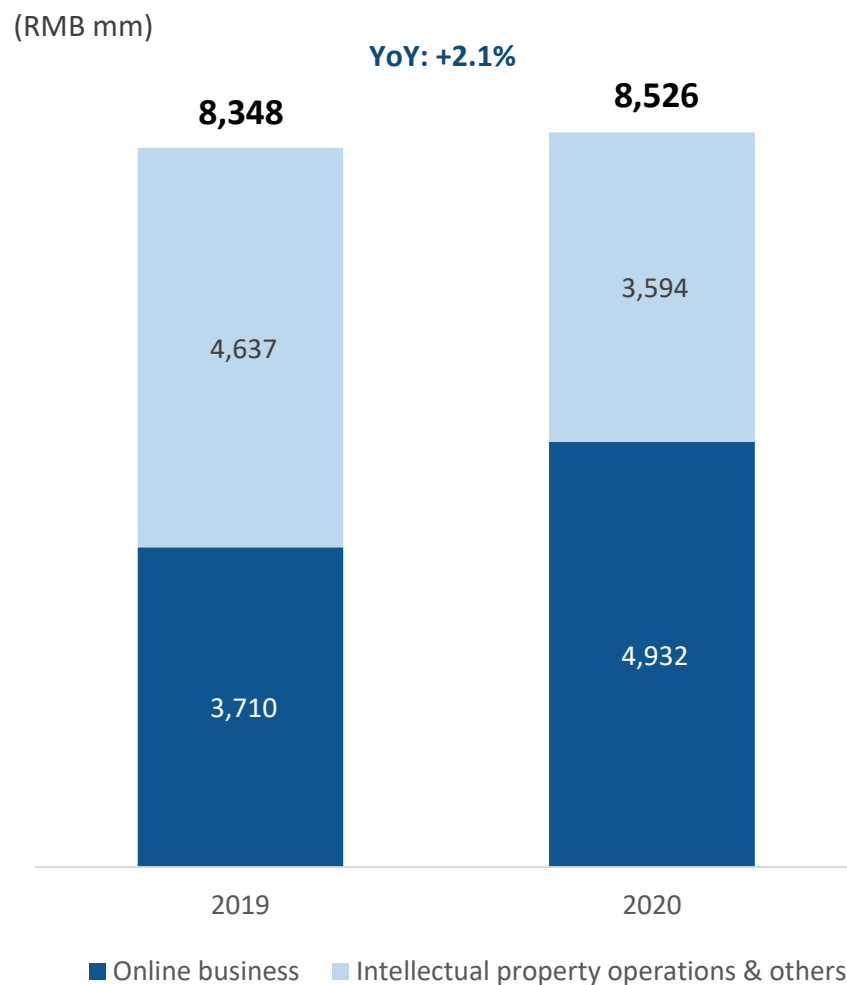
- (1) Average MAU is calculated as the average of MAUs for each calendar month during the respective year or period, on our platform and our self-operated channels on partner distribution platforms.
(2) Average MPU is calculated as the average of MPUs for each calendar month during the respective year 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

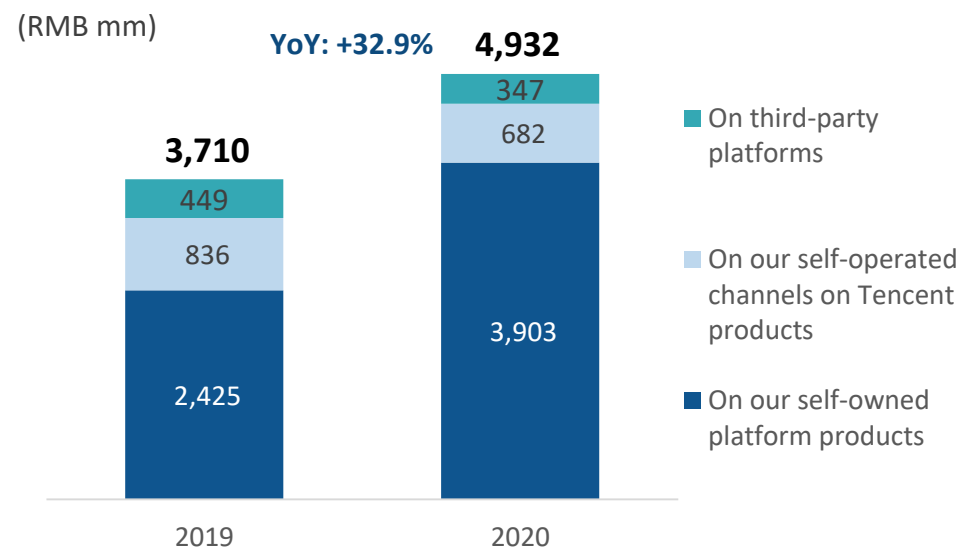
RMB' 000	2019	2020	YoY
Revenues	8,347,767	8,525,701	2.1%
Cost of revenues	(4,655,744)	(4,291,625)	(7.8%)
Gross profit	3,692,023	4,234,076	14.7%
Interest income	157,539	116,315	(26.2%)
Other (losses)/gains, net ⁽¹⁾	453,194	(5,322,903)	(1,274.5%)
Selling and marketing expenses	(2,073,937)	(2,498,187)	20.5%
General and administrative expenses	(1,010,282)	(873,766)	(13.5%)
Net provision for impairment losses on financial assets	(24,630)	(130,203)	428.6%
Operating (loss)/profit	1,193,907	(4,474,668)	(474.8%)
Finance costs	(172,618)	(68,785)	(60.2%)
Share of net profit of associates and joint ventures	158,508	4,733	(97.0%)
Income tax benefit/(expense)	(67,663)	38,523	(156.9%)
Net (loss)/profit to shareholders	1,095,953	(4,483,869)	(509.1%)
Non-IFRS net profit to shareholders	1,194,618	917,105	(23.2%)

Financials: Revenue Structure

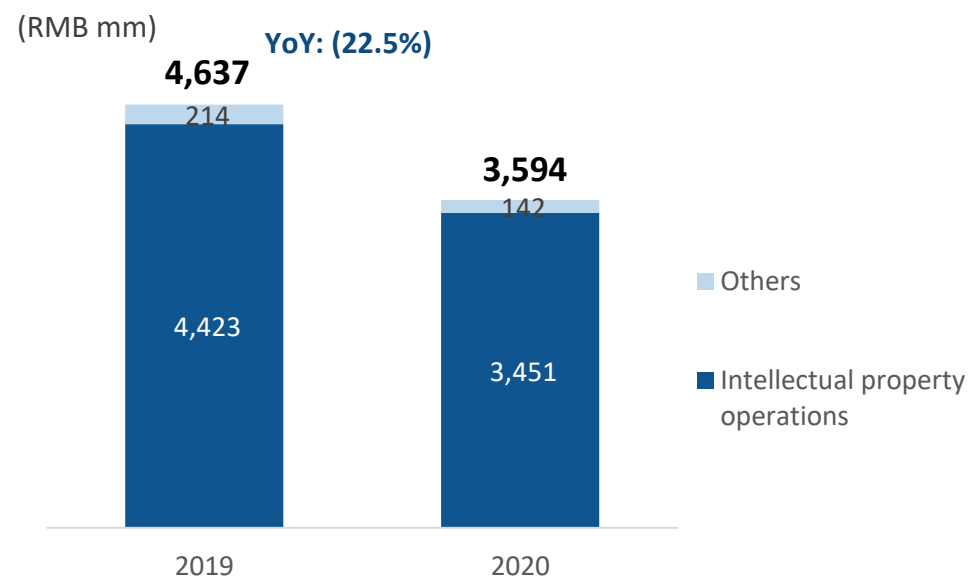
Revenues by Segment



Online Business Revenues Breakdown

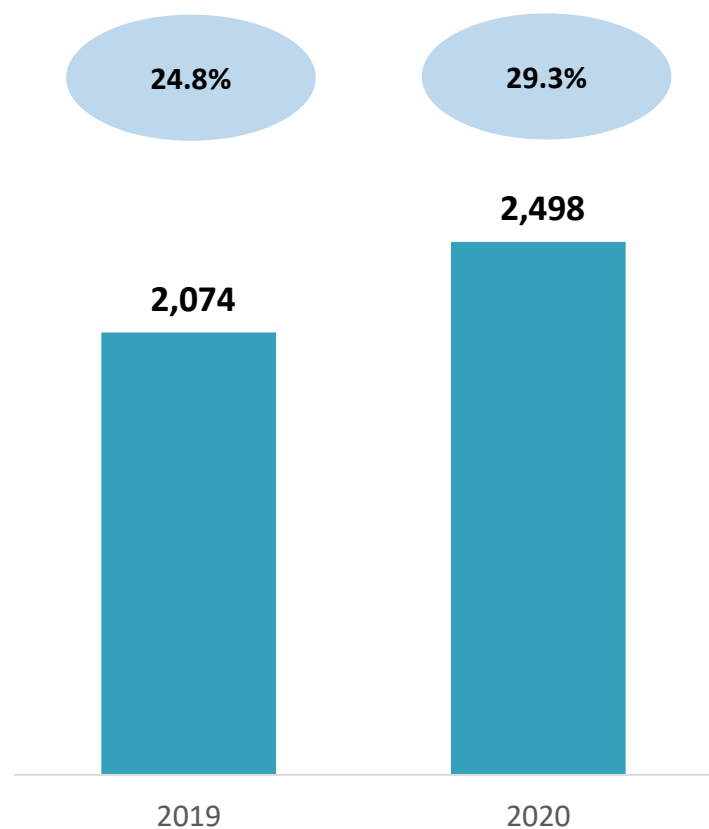


Intellectual Property Operations & Others Revenues Breakdown



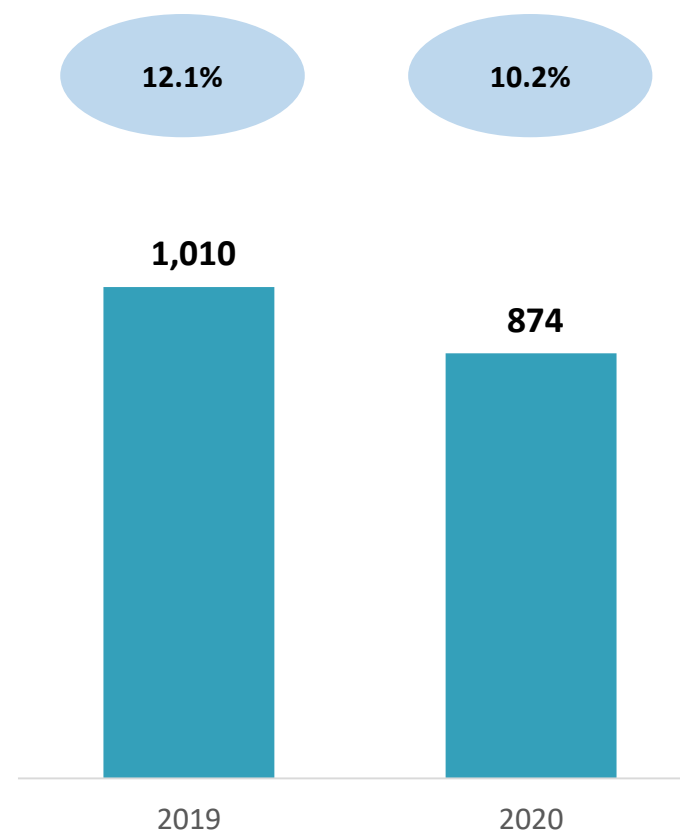
Selling & Marketing Expenses

as % of total revenue, total amount in RMB mm



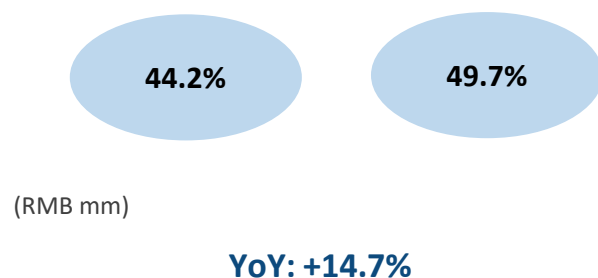
General & Administrative Expenses

as % of total revenue, total amount in RMB mm

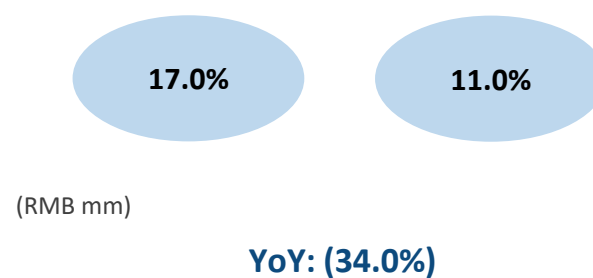


Financials: Key Profitability Metrics

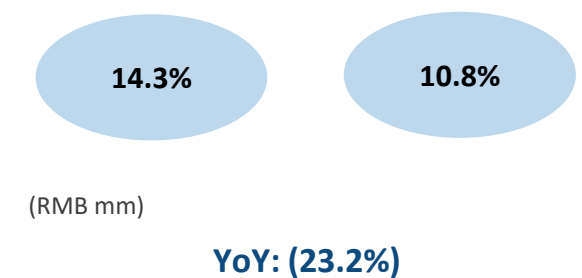
Gross Profit and Gross Margin



Non-IFRS Operating Profit and Operating Margin⁽¹⁾



Non-IFRS Net Profit to Shareholders and Net Profit to Shareholders Margin⁽¹⁾



Note:

Financials: Non-IFRS Profitability

(RMB' 000)	2019	2020	YoY
EBITDA	841,660	1,033,839	22.8%
<i>Margin %</i>	<i>10.1%</i>	<i>12.1%</i>	
Adjusted EBITDA ⁽¹⁾	1,247,324	1,029,692	(17.4%)
<i>Margin %</i>	<i>14.9%</i>	<i>12.1%</i>	
Operating (loss)/profit	1,193,907	(4,474,668)	(474.8%)
<i>Margin %</i>	<i>14.3%</i>	<i>(52.5%)</i>	
Non-IFRS operating profit ⁽²⁾	1,415,802	934,602	(34.0%)
<i>Margin %</i>	<i>17.0%</i>	<i>11.0%</i>	
Net (loss)/profit to shareholders	1,095,953	(4,483,869)	(509.1%)
<i>Margin %</i>	<i>13.1%</i>	<i>(52.6%)</i>	
Non-IFRS net profit to shareholders ⁽³⁾	1,194,618	917,105	(23.2%)
<i>Margin %</i>	<i>14.3%</i>	<i>10.8%</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 profit is defined as operating (loss)/profit for the period adjusted by share-based compensation, net loss/(gain) from investments and acquisitions, 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 acquisitions, and amortization of intangible assets resulting from acquisitions.

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Thank You