



IDREAMSKY

**2019 Annual Results
Corporate Presentation**
(Stock code : 1119)



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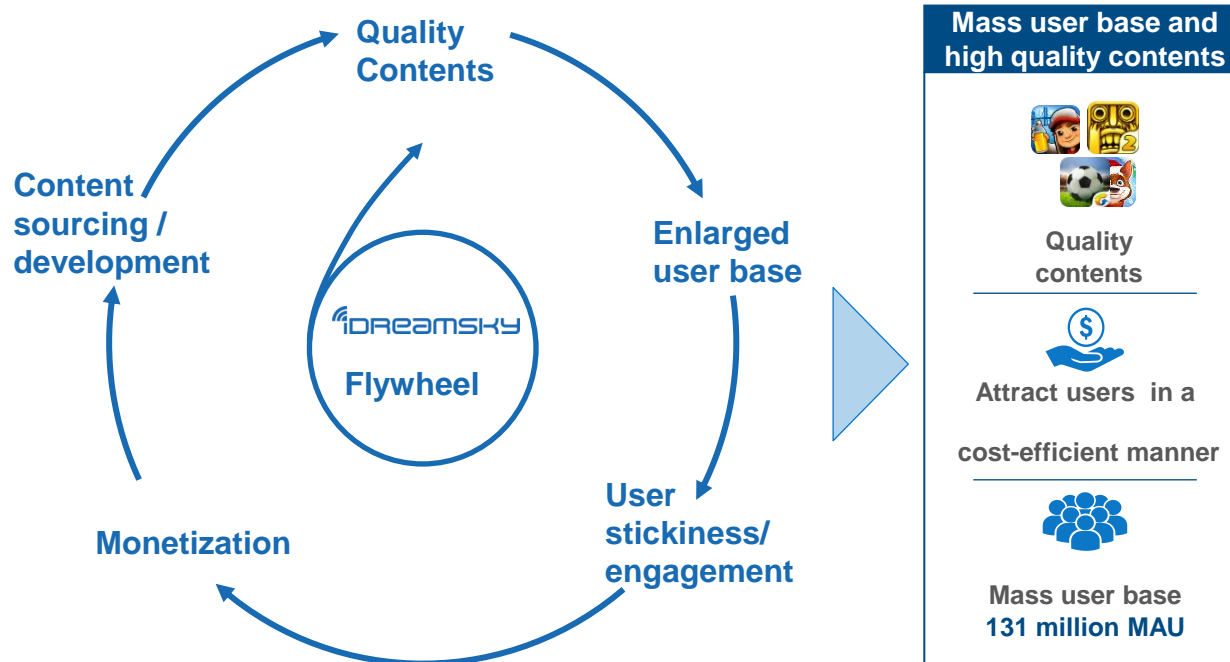
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1

Vision & Growth Strategies



Our Missions: To be the most popular game company



It is our belief that, only by offering high quality content can we attract massive user base in a cost-efficient manner; only by improving service system and enhancing user experience can we continue to grow our user engagement; only by strengthening data-driven operations can we achieve greater monetization. With all of the above, we are then able to cooperate with top-tier game developers and enhance our in-house game development capability, ultimately securing more quality content and positioning ourselves for sustained growth.

Self-developed core businesses

External collaboration accelerating Flywheel

Content operation and self-development

- Game publishing and operation
- Games development
- Advertising service
- IP incubation and operation



Online user service

- IPG
- WeChat Official Account
- In-game communities



Offline user service

- Offline experiential stores for digital entertainment
- eSports contest hosting
- Themed private rooms
- Game related merchandise



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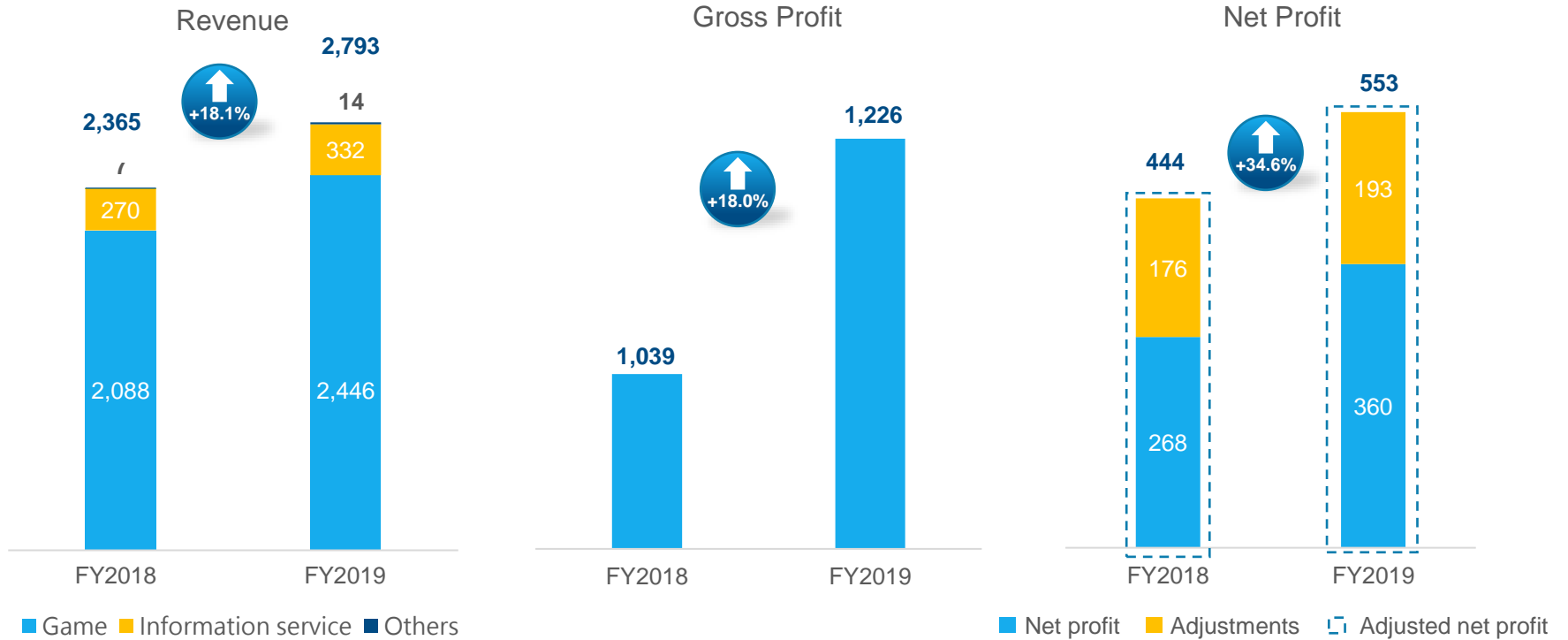
FY2019 Results

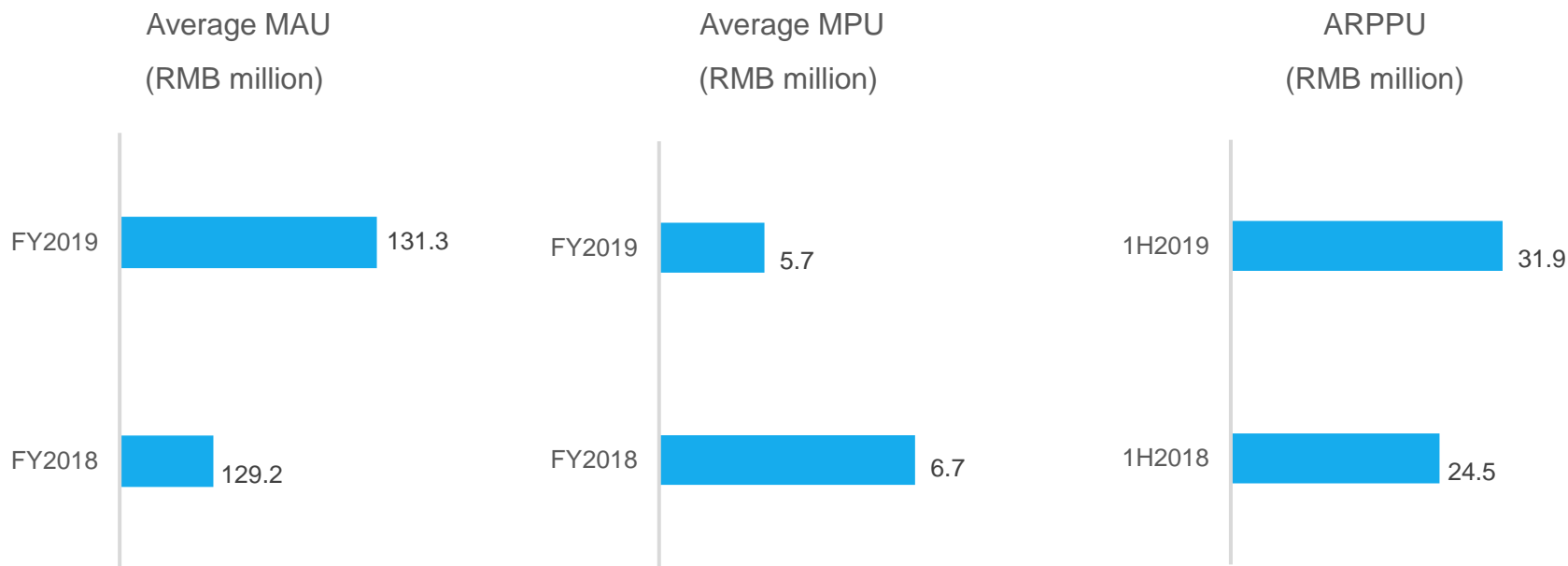


- 🔹 In 2019, the Group achieved 18.1% yoy growth in revenue. Game revenue and information service revenue were the key drivers for the overall revenue growth.
- 🔹 Profit for the year surged by 34.6% yoy while adjusted profit for the year significantly increased by 24.7%.
- 🔹 The average MAUs increased from 129.2 million in 2018 to 131.3 million in 2019. The commercialization of games mainly comes from the sales of in-game tools and advertising and subscription fee. In-game tools monthly paid users (MPU) decreased from 6.7 million in 2018 to 5.7 million in 2019, and the monthly ARPPU increased from RMB24.5 in 2018 to RMB31.9 in 2019.
- 🔹 Our information service revenue is mainly derived from advertising. Revenue from information services recorded RMB270.0 million for the year ended December 31, 2018 and increased to RMB332.1 million for the year ended December 31, 2019.

For the year ended 31 December, 2019

(RMB million)

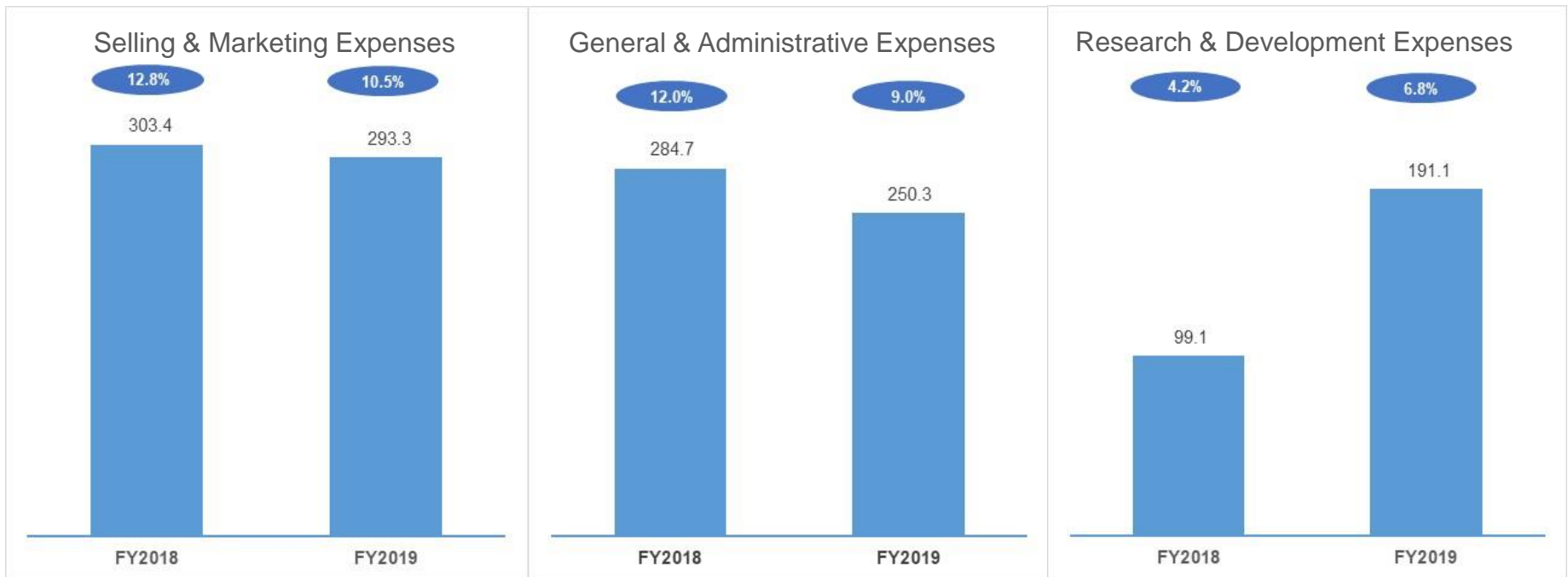




For the year ended 31 December, 2019

- 🔹 The average MAUs increased to **131.3** million in 2019 driven by the increasing popularity of our mobile games
- 🔹 The MPU decreased to **5.7** million, mainly because of the replacement of some IAP payments with incentive ads in casual games, which caused the drop of IAP payers. At the same time, advertising revenue has increased significantly compared with last year.
- 🔹 ARPPU increased to RMB**31.9** in 2019 driven by the launch of medium to hard-core high-quality games which have higher ARPPU.

Analysis on SG&A as a Percentage of Revenue



For the year ended 31 December, 2019

As a percentage of revenue:

- ❏ Selling and marketing expenses decreased **10.5%** · primarily due to a decrease in promotion and advertising expenses as we made our advertisement more accurately and intelligently.
- ❏ General and administrative expenses decreased to **9.0%** · primarily resulting from our increasing management efficiency and reduced listing expense.
- ❏ Research and development expenses increased to **6.8%** · primarily due to our increased in-house game development expenses as we launched several game development projects

Table of Historical Financial Data

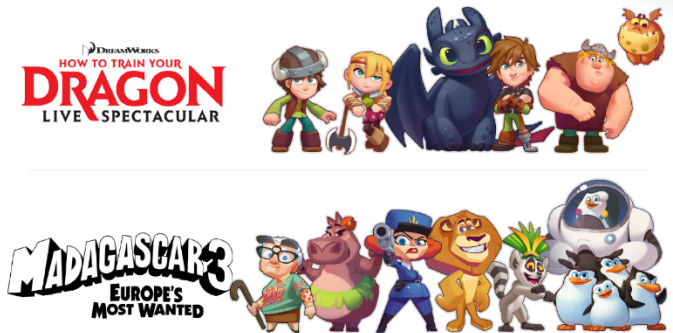
RMB'000

For the year ended 31 December, 2019

	2016FY	2017FY	2018FY	2019FY
Revenues	1,480,792	1,763,548	2,364,641	2,792,970
Gross Profit	544,131	709,428	1,038,823	1,225,738
Profit before income tax	16,801	173,692	297,047	390,585
Profit of the year	5,121	151,904	267,833	360,397
Adjusted profit for the year	176,038	238,347	443,640	553,211

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FY2019 Business Review



- ▀ In 2019, the global gaming market is expected to reach US\$148.8 billion. The steadily growing mobile gaming market sector occupied the largest proportion by far, with market revenue of US\$68.16 billion, up by 9.7% year-on-year. With the rollout of 5G technology and the rising popularity of smartphones, the mobile gaming market still has greater room for development globally in the future
- ▀ The US mobile gaming market surged by 24.8% yoy to US\$16.1 billion, surpassing that of Japan. The US has become the fastest growing market with the highest income, only behind China.
- ▀ Apart from the US market, among the top 10 mobile gaming markets, five were in Asia. The US and Asia remained as the key drivers for the growth of global mobile gaming income.





China's Gaming Market in 2019

- ❏ In 2019, China's gaming market achieved an actual game sales of **RMB233.02 billion, up 8.7% yoy.**

- ❏ Actual mobile game sales in China exceeded **RMB151.37 billion, up 13.0% yoy,** sustaining strong growth momentum.

- ❏ An important indicator of China's maturing mobile gaming market is users' rising standards for selecting high quality innovative product. The related ongoing demand will be an important driver for the future development of the mobile gaming market.

- ❏ Sales of China's games in overseas markets reached US\$11.19 billion in 2019, a strong growth of 16.7%



- 🔹 Cross Gate (mobile version) (魔力宝贝(手机版)) is the Group's first self-developed turn-based MMORPG game, co-publishing with Tencent Premium Platform.
- 🔹 Launched a customized version and published it in Hong Kong and Taiwan
- 🔹 Launched the anniversary version, recalling a large number of old players

- 🔹 FIFPro World Players' Union 《全民冠军足球》 is the first sports card RPG with Tencent.
- 🔹 Ranked 1st in domestic football virtual operation mobile games
- 🔹 Unique in-game micro-operation, massive football star copyright
- 🔹 Offers wonderful experience to players as the classic football team manager



MAU exceeds 26 million

Gardenscapes 《梦幻花园》 was well received by the market, ranked 1st in its cash out capability among the matching puzzle games since its debit and garnered numerous awards

In 2019, we invited players to the dream carnival and opened up a new era of domestic “light sports” mode. Gardenscapes 《梦幻花园》 offline carnival event has more than 20 million times exposure, and a total of more than 700,000 players participated in the online competition.

MAU exceeds 8 million · Homescapes 《梦幻家园》 was well received by the market with its high product differentiation, exquisite decoration experience and high-quality thoughtful service.



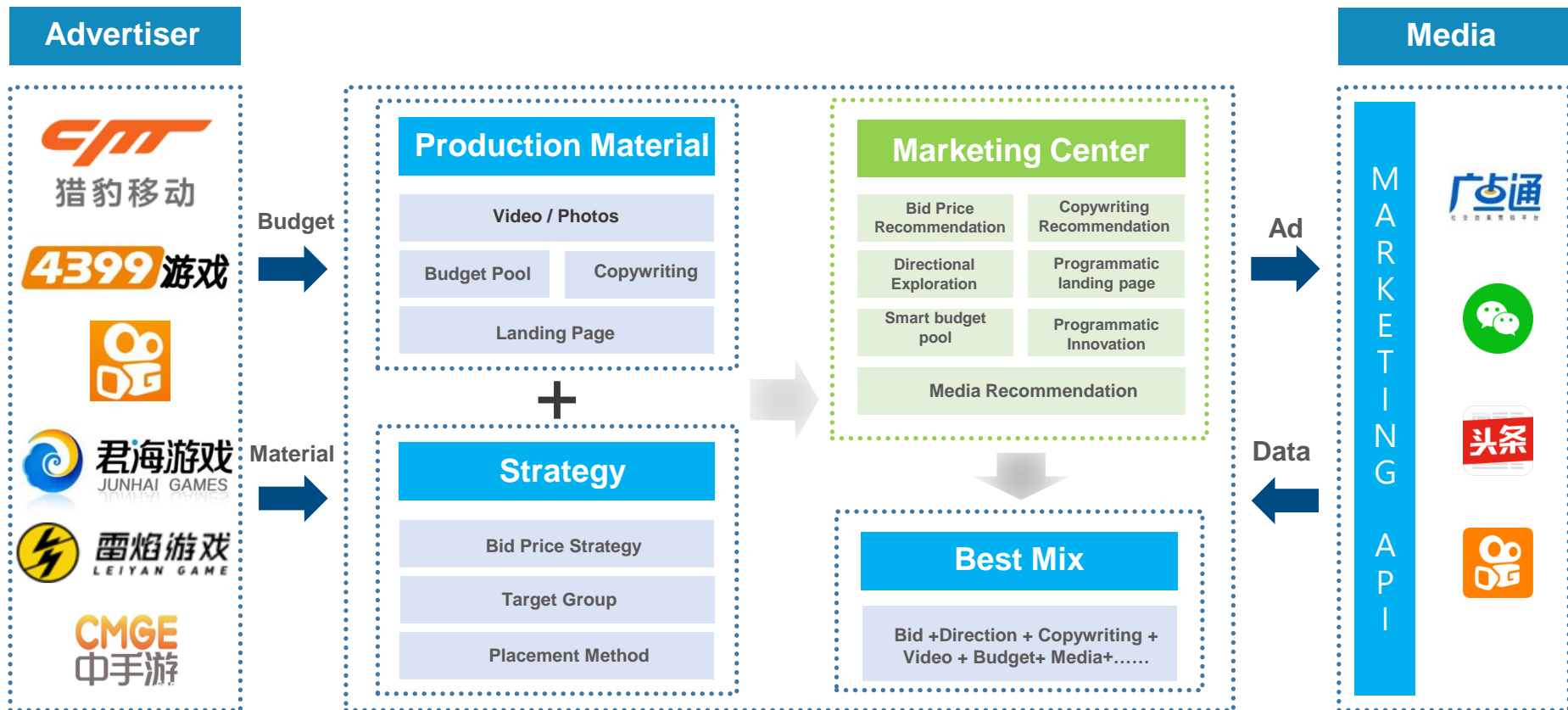


List of Pre-approved Games Obtained in 2019

- Throughout 2019, obtained pre-approvals for 23 games (9 from overseas and 14 from local), which cover a variety of high quality casual and mid-and hardcore games
- Ranked 4th in terms of the number of pre-approvals secured

<u>Game</u>	<u>Declaration Type</u>	<u>Date of Approval</u>
Homescapes (梦幻家园)	Overseas	13 May 2019
DreamWorks Most Wanted (梦工厂大冒险)	Overseas	19 July 2019
Agent A (for PC) 伪装游戏 (客户端)	Overseas	29 March 2019
Agent A (for mobile) 伪装游戏 (移动)	Overseas	6 June 2019
Di Xia Cheng Wang Zhe (地下城王者)	Overseas	8 August 2019
Bring You Home (带你回家)	Overseas	20 September 2019
Hidden Folks (隐藏的家伙)	Overseas	25 October 2019
FRAMED collection (致命框架合集)	Overseas	25 November 2019
FIFPro World Players' Union (全民冠军足球)	Local	13 January 2019
HAWK (绝地战机)	Local	29 March 2019
Wu Dong Xi You (武动西游)	Local	9 April 2019
Long Tu Ba Ye (龙图霸业)	Local	29 March 2019
Endless Winter (无尽寒冬)	Local	12 March 2019
Summation (求和谜阵)	Local	28 February 2019
All-Rounder Meguru (全能斗士)	Local	28 February 2019
Shui Guo Bian Bian Xiao (水果变变消)	Local	11 February 2019
Archer Adventure 弓箭手大冒险	Local	5 September 2019
Rakshasa Street: Warrior Body (镇魂街：武神躯)	Local	9 December 2019
Mob Psycho 100 (路人超能100)	Local	22 January 2019
The Doomsday (废土行动)	Local	22 January 2019
Gardenscapes (花园连萌消)	Local	2 October 2020
Forest Surfers (林中酷跑)	Local	25 February 2020
Art of War 3 (全球行动)	Overseas	12 March 2020

iDreamSky Intelligent Advertising Placement Platform



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2020 Business Outlook

THE
CRUDDS



SHREK
The
MUSICAL
FEBRUARY 7-17, 2019



- 1) Matching Puzzle Games - Category Penetration
 - 2) Casual Games – Gain Market Share
 - 3) Mid-and Hardcore Games – High Quality Game Products
-

01

Matching puzzle games is one of our longest-standing competitive categories, where we have solid advantages in terms of market size and user base and have achieved pleasing results. Based on years of experience in this genre operations, we will continue to gain greater market share by combining self-development capabilities and acting as global high-quality content agencies.

02

The rapid development of casual competition games presents both a tremendous opportunity and an exciting challenge for us. We will further increase the online duration of users, extend the commercial lives and further explore the monetization potential of casual games. We will also promote the cooperation between game content providers, distributors and advertising platforms by leveraging our existing large user base.

03

In 2020, we will invest in a variety of high quality games, including Rakshasa Street: Warrior Body (鎮魂街：武神軀), Glory All-Star (榮耀全明星) (tentative name), etc. and strengthen cooperation with global PC and console game developers to introduce global AAA games to the mobile game market and promote the integration of global research and development capabilities.



Games	Genre	Source	Expected Launch Date
DreamWorks Most Wanted (梦工场大冒险)	Endless running game	Self-developed	1Q 2020
Rakshasa Street: Warrior Body (镇魂街：武神躯)	ACG card game	Self-developed	2Q 2020
Art of War 3 (全球行动)	Real-time strategy game	Self-developed	3Q 2020
Bee: The Angels Arrive (雏蜂：深渊天使)	ACG ARPG game	Licensed	3Q 2020
Daisy' Beyond the Boundary (梦之彼方)	Turn-based game	Self-developed	3Q 2020
Glory (荣耀)	ACG ARPG game	Self-developed	4Q 2020
Zhang Cao Yan Tuan Zi Matching Puzzle Game (长草颜团子消除)	Matching puzzle + virtual operation game	Self-developed	4Q 2020



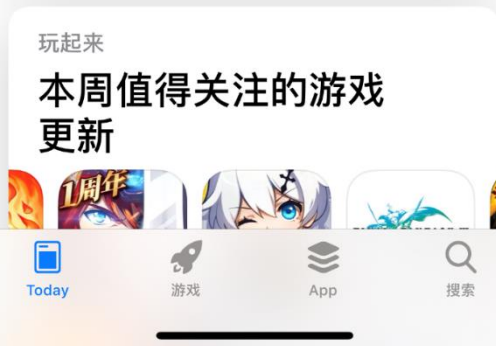
Continue to Enhance In-house Game Development Capabilities - DreamWorks Most Wanted (梦工场大冒险)

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Today



- Product name : DreamWorks Most Wanted 《梦工场大冒险》
- Developer : iDreamSky
- Positioning : The Company's strategic product for the year
- Type : Horizontal endless running + survival competition
- Planned launch date: 1Q 2020

- Genuine IP licensed from DreamWorks Animation
- First self-developed horizontal endless running mobile game, transforming into integrated game developer and operator, continue to penetrate the causal game market
- Recommended by App Store on its homepage - "Today column + new game recommendation banner". Ranked third as the best new game
- [Most Eagerly Anticipated Game] of Black Stone Award and selected in the "[Hardcore Superstar Candidate Product List]" (硬核超明星候选产品名单)



Rakshasa Street (镇魂街)



Zhang CaoTuan Zi (长草团子)



Glory (荣耀)



Turn-based (回合制)



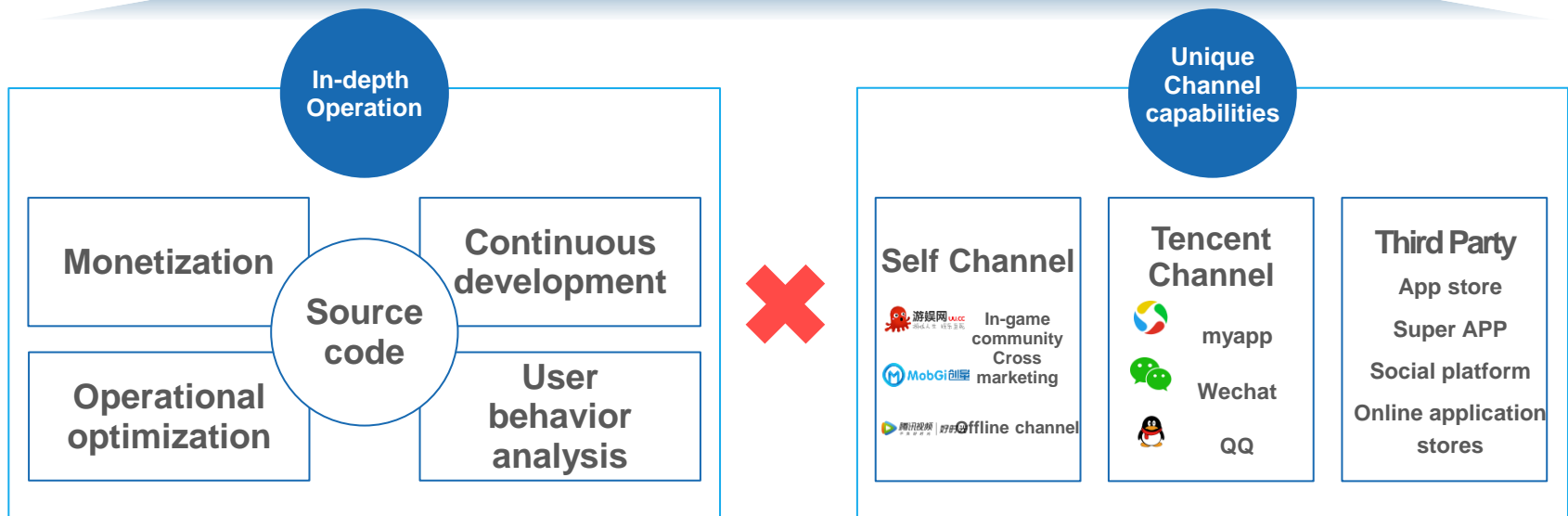
故宫宫廷文化

Forbidden City
Culture development Co., Ltd.

The "Forbidden City" IP is deeply customized, combining traditional Chinese culture and games to build the "Royal Garden" in the hearts of Chinese people, creating a joyful and educational game experience.



Sustainable Growth



Long-term marketing and channel capabilities, data-driven in-depth operation, and multiple monetization methods help to drive sustainable growth and commercialization



Background: Nearly 50% of post-00s and post-90s, join offline entertainment at least once a week and their spending is significantly higher than the post-80s and post-70s. “Experience and social networking” are two basic elements that can help to deeply explore offline pan-entertainment opportunities of youngsters

We are building a new offline user service model to further acquire users and increase user engagement:

1. Data profiling
2. Digital Content Integration and Management
3. User self-management

Tencent exclusive license



Esports Gaming and Social Area

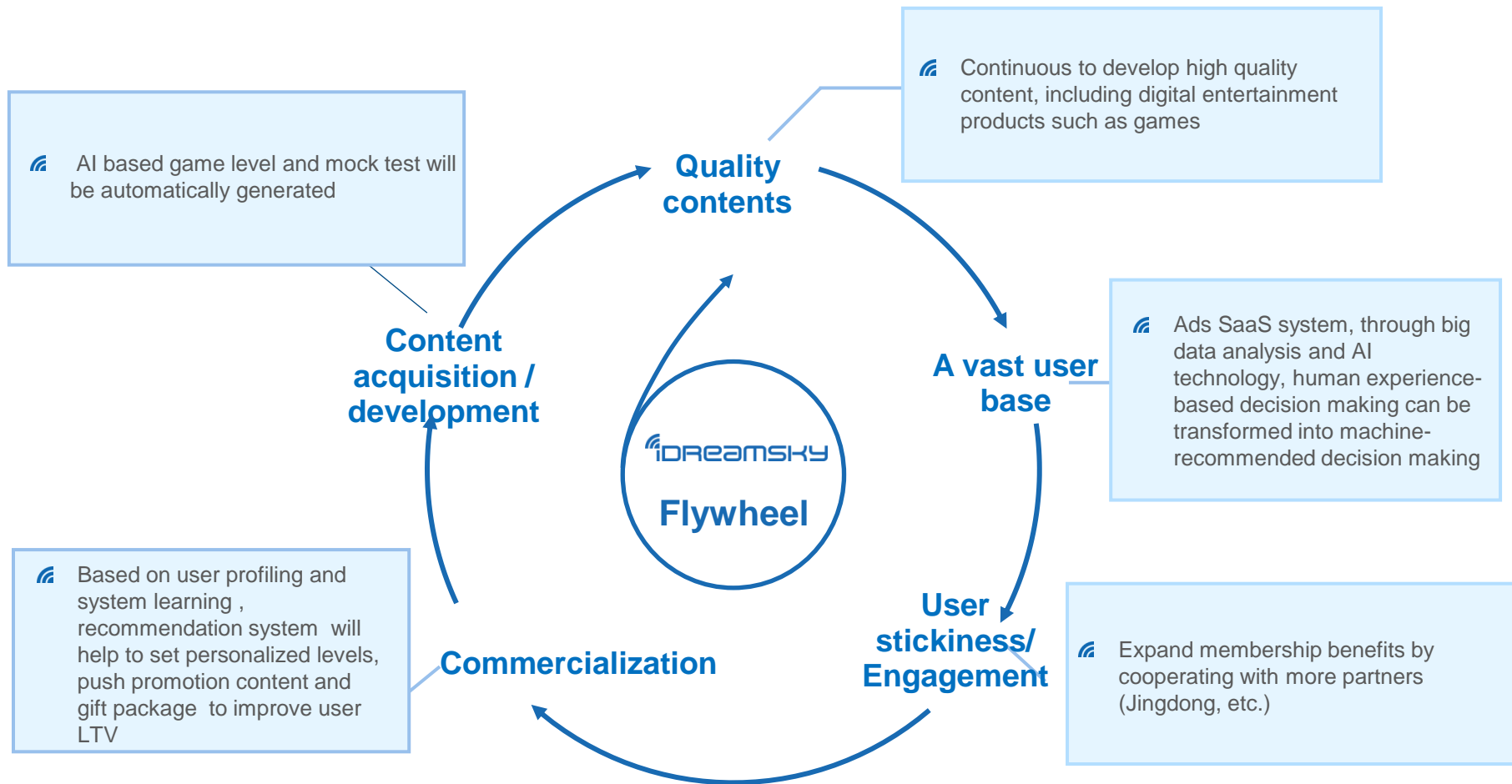


Multifunctional Private Room



Strengthen Cooperation with Leading Console brand





Build “microservice + AI big data” infrastructure leveraging Tencent Cloud services

5

Appendix

THE
CRUDDS



SHREK
The
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FEBRUARY 7-17, 2019



Consolidated statement of comprehensive income



(Unit: RMB'000)

	2019FY	2018FY	YOY(%)
Revenues	2,792,970	2,364,641	18.1%
Cost of revenues	(1,567,232)	(1,325,818)	18.2%
Gross profit	1,225,738	1,038,823	18.0%
Selling and marketing expenses	(293,343)	(303,373)	-3.3%
General and administrative expenses	(250,275)	(284,655)	-12.1%
Research and development expenses	(191,077)	(99,102)	92.8%
Net impairment losses on financial assets and contract assets	(70,016)	(30,189)	131.9%
Other income	28,337	15,249	85.8%
Other losses – net	(95,802)	3,244	-3053.2%
Fair value losses on financial assets at fair value through profit or loss	74,672	(10,631)	-802.4%
Operating profit	428,234	329,366	30.0%
Finance income	11,239	16,358	-31.3%
Finance costs	(46,889)	(51,023)	-8.1%
Finance cost, net	(35,650)	(34,665)	2.8%
Share of net (loss)/profit of investments accounted for using the equity method	(1,999)	2,346	-185.2%
Profit before income tax	390,585	297,047	31.5%
Income tax expense	(30,188)	(29,214)	3.3%
Profit for the year	360,397	267,833	34.6%

Non-IFRS Financial Measure

(Unit: RMB'000)

	2019FY	2018FY	YOY(%)
Reconciliation of profit for the year to adjusted profit for the year			
Profit for the year	360,397	267,833	34.6%
Add: Fair value (gains)/losses on financial assets at fair value through profit or loss	(74,672)	10,631	-802.4%
Add: Share-based compensation expenses	100,301	85,910	16.8%
Add: Listing expenses	-	79,266	0.0%
Add: Impairment losses on contract assets	39,765	-	NA
Add: Impairment provision of goodwill resulting from a business combination	422,331	-	NA
Less: Gain from the reversal of the unpaid consideration payables from a business combination	(294,911)	-	NA
Adjusted profit for the year	553,211	443,640	24.7%

Non-IFRS Financial Measure (continued)

(Unit: RMB'000)

	2019FY	2018FY	YOY(%)
Reconciliation of profit for the year to EBITDA and adjusted EBITDA			
Profit for the year	360,397	267,833	34.6%
Add: Depreciation of property and equipment, investment property and right-of-use assets	33,370	7,693	333.8%
Add: Amortization of intangible assets	117,438	86,143	36.3%
Add: Income tax expense	30,188	29,214	3.3%
Add: Interest expense	46,889	51,023	-8.1%
EBITDA	588,282	441,906	33.1%
Add: Fair value (gains)/losses on financial assets at fair value through profit or loss	(74,672)	10,631	-802.4%
Add: Share-based compensation expenses	100,301	85,910	16.8%
Add: Listing expenses	-	79,266	-100.0%
Add: Impairment losses on contract assets	39,765	-	NA
Add: Impairment provision of goodwill resulting from a business combination	422,331	-	NA
Less: Gain from the reversal of the unpaid consideration payables from a business combination	(294,911)	-	NA
Adjusted EBITDA	781,096	617,713	26.4%

Expenses by Nature

(Unit: RMB'000)

	2019FY	2018FY	YOY(%)
Channel costs	1,006,632	975,182	3.2%
Employee benefits expenses	337,569	236,142	43.0%
Promotion and advertising expenses	279,913	297,883	-6.0%
Revenue share to content providers	276,652	215,188	28.6%
Amortization of intangible assets	117,438	86,143	36.3%
Impairment provisions for intangible assets	20,117	14,072	43.0%
Outsourcing expenses for technical services	41,405	13,937	197.1%
Travelling and entertainment expenses	22,019	17,496	25.9%
Professional service fees	10,473	88,522	-88.2%
Cloud computing, bandwidth and server custody fees	20,805	26,416	-21.2%
Rental expenses	3,595	18,146	-80.2%
Impairment provisions for financial assets and contract assets	70,016	30,189	131.9%
Impairment provisions for prepayments	105,176	7,967	1220.1%
Depreciation of property, plant and equipment	9,295	7,693	20.8%
Depreciation of right-of-use assets	23,430	-	NA
Depreciation of investment property	645	-	NA
Auditor's remuneration	6,951	3,200	117.2%
Other tax expenses	3,424	2,728	25.5%
Others	16,388	2,233	633.9%
Total cost of revenue, selling and marketing expenses, administrative expenses, research and development expenses and net impairment losses on financial assets and contract assets	2,371,943	2,043,137	16.1%

Condensed cash flow statement and balance sheet

(Unit: RMB'000)

Condensed consolidated cash flow statement	2019FY	2018FY	YOY(%)
Net cash inflow from operating activities	350,796	206,400	70.0%
Net cash outflow from investing activities	(1,148,532)	(1,171,478)	-2.0%
Net cash inflow from financing activities	197,855	1,473,846	-86.6%
Net decrease in cash and cash equivalents	(599,851)	508,768	-217.9%

Condensed consolidated balance sheet	Dec 31, 2019	Dec 31, 2018	YOY(%)
Current assets	3,101,039	3,267,212	-5.1%
Non-current assets	2,985,723	2,350,859	27.0%
Total assets	6,086,762	5,618,071	8.3%
Current liabilities	1,858,045	2,304,731	-19.4%
Non-current liabilities	283,124	135,234	109.4%
Total liabilities	2,141,169	2,439,965	-12.2%
Total equity	3,945,593	3,178,106	24.1%
Total equity and liabilities	6,086,762	5,618,071	8.3%

Key Financial Ratios and Key Operational Metrics



Key Financial Ratios	2018FY	2019FY
GP Ratio	43.9%	43.9%
Adjusted net profit rate	18.8%	19.8%
Adjusted EBITDA Rate	26.1%	28.0%
Adjusted return on total equity	14.0%	14.0%
Adjusted return on total Assets	7.9%	9.1%
Gearing ratio	43.4%	35.2%
Current ratio	1.42	1.67
Key Operational Metrics	2018FY	2019FY
Average MAUs(millions)	129.2	131.3
Average MPUs(millions)	6.70	5.7
Average ARPPU(RMB)	28.4	31.9

* Our key operational metrics included data from all games published and operated by us. During the year ended December 31, 2019, Cross Gate (Mobile version) (魔力宝贝(手机版)) and FIFPro World Players' Union (全民冠军足球) were the only two games not published or operated by us, which were published and operated by Tencent.