



 **iDREAMSKY**

# 2020 Interim Results Corporate Presentation

( Stock code : 1119 )

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SUPER  
**ANIMAL  
ROYALE**

**Gardenscapes**

全球行动

**FIFPro**  
World Players' Union

IDREAMSKY

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Business Overview





## Game Publishing and Development to Continuously Release Premium Content



**Game publishing:** Continuously launch mobile games tailor-made to Chinese users with user insight



**Development:** Proven self-development capabilities



**Partnership:** Best-in-class partnerships in the industry

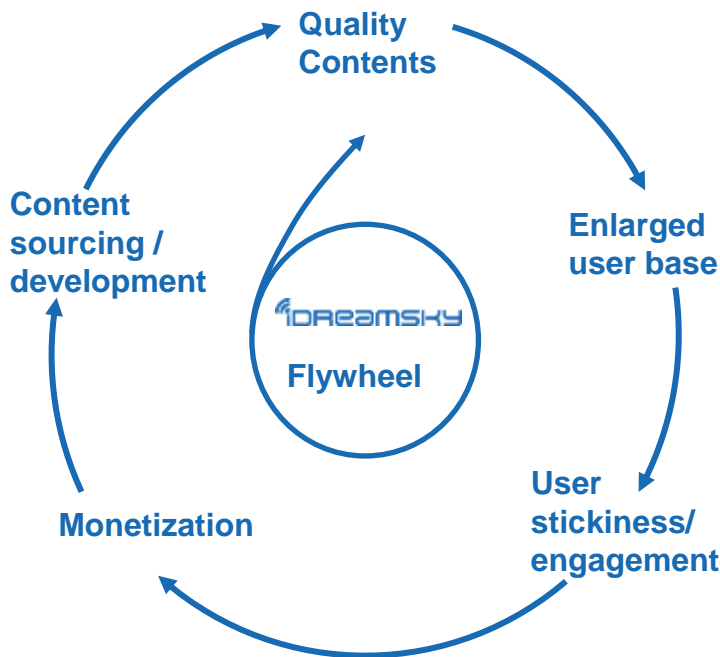
Tencent 腾讯

### Diversified Monetization Capabilities

In-app purchase
 Advertising

Subscription Model

**RMB35.5** +12.0% YoY  
**Monthly ARPPU<sup>(1)</sup>**



### User Community

**142.0mm** + 9.1% YoY  
**Average MAUs<sup>(1)</sup>**

**RMB6.2mm** + 6.9% YoY  
**Average MPUs<sup>(1)</sup>**

Source: Company filings.

(1) For the six months ended June 30, 2020.

## DreamWorks Adventure



- ✓ Self-developed high quality casual games launched in March 2020
- ✓ Fusion of causal game and top notch IP
- ✓ Recommended as the best new game by the Apple's App Store

## Art of War 3



- ✓ Self-developed and launched in July 2020
- ✓ Over 200,000 DAU, ranking number one in the Real-time strategy (RTS) game category
- ✓ Ranked TOP1 on the iOS free list on the first day of launch with strong growth momentum
- ✓ Tencent's first RTS game

## Decisive Battle Against Marfa



- ✓ Copyrighted licensing by Shengqu Games
- ✓ One of the only two retro legend mobile games in the market
- ✓ Online for more than one year with stable operation and ARPPU as high as RMB500, maintaining sustainable growth in active users via content updates and acquiring traffic

## FIFPro World Players' Union



- ✓ Self-developed and launched in 2018
- ✓ Ranked Top 1 among the football simulation business class mobile games in China
- ✓ Partner with Tencent Game

## Gardenscapes

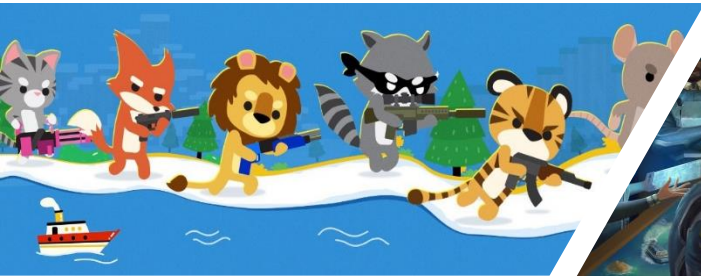


- ✓ Over 26 mm MAU
- ✓ Maintain sustainable growth in active users via ongoing updates of quality content
- ✓ Recently launched the "Forbidden City – Royal Garden", attracting significant old users back

## Super Animal Royale



- ✓ Self-developed cross-end 2D competition mobile game expected to launch in 4Q2020
- ✓ Perfectly inherit the chicken-eating gameplay system
- ✓ Up to 64 kinds of cute little animals
- ✓ Rated 9.7 on Taptap



**Game**

**Genre**

**Source**

**Expected Launch Date**

Glory

ACG ARPG game

Self-developed

4Q 2020

Mushroom Wars 2

Casual competition

Licensed

4Q 2020

Super Animal Royale

Casual competition

Self-developed

4Q 2020

The Witch Diary

Matching puzzle game

Self-developed

4Q 2020





## 1 Matching Puzzle Games



*Gardenscapes*



*Homescapes*

- ✓ 5 matching puzzle games<sup>(1)</sup>
- ✓ According to the data provided by Data Magic, the market size of matching puzzle games in 2019 has grown by approximately 12% as compared to 2018
- ✓ 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
- ✓ Self-developed matching puzzle games will be launched overseas in 2H2020, expanding the market abroad

## 2 Casual Competition Games



*Super Animal Royale*



*Art of War 3*

- ✓ 5 casual competition games<sup>(1)</sup>
- ✓ According to App Annie's 2019 global game download statistics, casual games accounted for about 60% of the iOS and Google Play store top 10 list
- ✓ 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

## 3 Mid-and Hardcore Games



*Cross Gate*



*FIFPro World Players' Union*

- ✓ 23 RPGs, including card RPG, ARPG, shooting RPG, and turn-based RPG<sup>(1)</sup>
- ✓ We will continue to invest in the self-developed mid-and hardcore RPG games
- ✓ In 2020, we demonstrated our integrated development and operation capability through the operations of Cross Gate (mobile version) and Decisive Battle against Marfa, etc.
- ✓ In 2020, we are investing in a variety of high quality games 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

<sup>(1)</sup> As of 30 June, 2020.



**Global Partners**

**playrix**

**SYBO**

**Imangi**

**KILOO**

**Source-code-based exclusive publishing model**



**Gardenscapes**

— Online for more than 2 years  
Matching Puzzle Game

- Ranked 1st in its cash out capability among the matching puzzle games since its debut
- Integrated the palace culture of the Imperial Palace
- Customized Imperial Garden version boosted active users to new high

**Partnership**

In-depth cooperation with global leading game developers

**In-house**

In-house game development capabilities

**575**

**Developers**

**Diversified**  
Format, genre, and geographical coverage

**“Super IP + iDreamSky Competitive Genre”**



**Cross Gate (mobile version)**  
— Launched in 2018

Turn-based MMORPG game

- iDreamSky’s first self-developed turn-based MMORPG game
- Continues to generate stable revenue for the Group
- Successful launch in SEA, HK, Macao, and Taiwan in 2019



**Art of War 3**  
— Launched in July 2020

Real time strategy game

- Only RTS game released at “Tencent Games Annual Press Conference” in June 2020
- Our first RTS game in cooperation with Tencent
- Ranked No.1 free iOS on the first day of release, with strong growth momentum



## Gardenscapes Carnival

- MAU exceeds 26 million
- Ranked 1<sup>st</sup> in cash out capability among the matching puzzle games since the game's debut and garnered numerous awards
- Integrated the palace culture of the Imperial Palace in Gardenscapes, and successfully launched the Imperial Garden version in recent days
- Gardenscapes offline carnival event has more than 20 million times exposure, and a total of more than 700,000 players participated in the online competition





- First experiential entertainment retail block in China
- Jointly designed by Sony PlayStation and the Company
- Marketing partnership authorization of Sony PlayStation and authorized offline stores of China-exclusive version Tencent Switch
- Consolidating pan-entertainment content such as WeSing etc. by leveraging massive copyrighted content of and exclusive authorization from Tencent Video
- Completed single store profitability model; completed digitalization and standardization process; Shenzhen Shekou store is opening soon
- 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



	Self-developed core businesses	External collaboration accelerating Flywheel
<p><b>Content operation and self-development</b></p> <ul style="list-style-type: none"> <li>■ Games development</li> <li>■ Game operation and commercialization</li> </ul>		 
<p><b>Online user service</b></p> <ul style="list-style-type: none"> <li>■ In-game communities</li> </ul>		
<p><b>Offline user service</b></p> <ul style="list-style-type: none"> <li>■ Themed private rooms</li> <li>■ Game related merchandise</li> </ul>		 





**1** Continue to focus and strengthen self-development capabilities

**2** Enhance live operations and content update to extend game longevity and monetization capabilities



**3** Engaging loyal user base improves user engagement with a strong sense of belonging

**4** Accelerate offline “Tencent Video Great Moment Voyage”, improve the digitalization of offline operating capability

**5** Deepen our strategic partnerships with key strategic investors

# 2

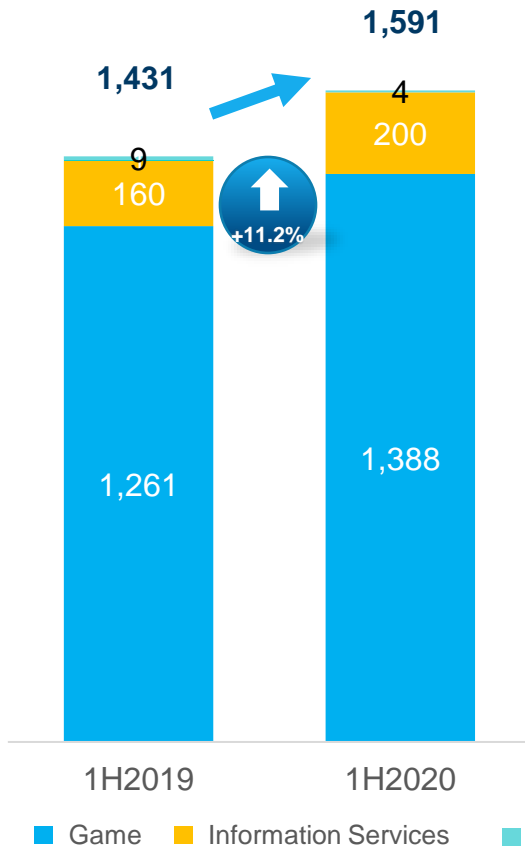
## Financial Overview



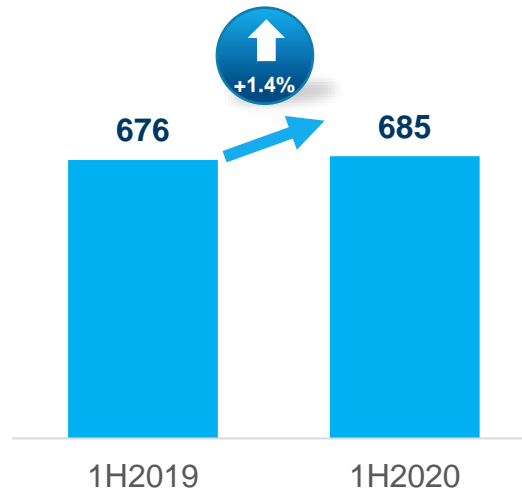
For the six months ended 30 June, 2020

(RMB millions)

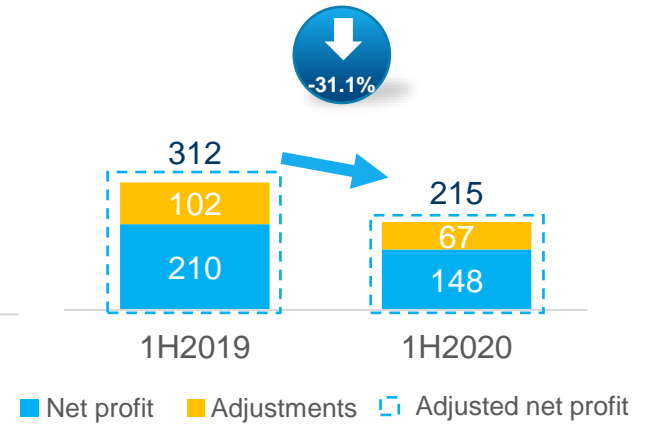
## Revenue

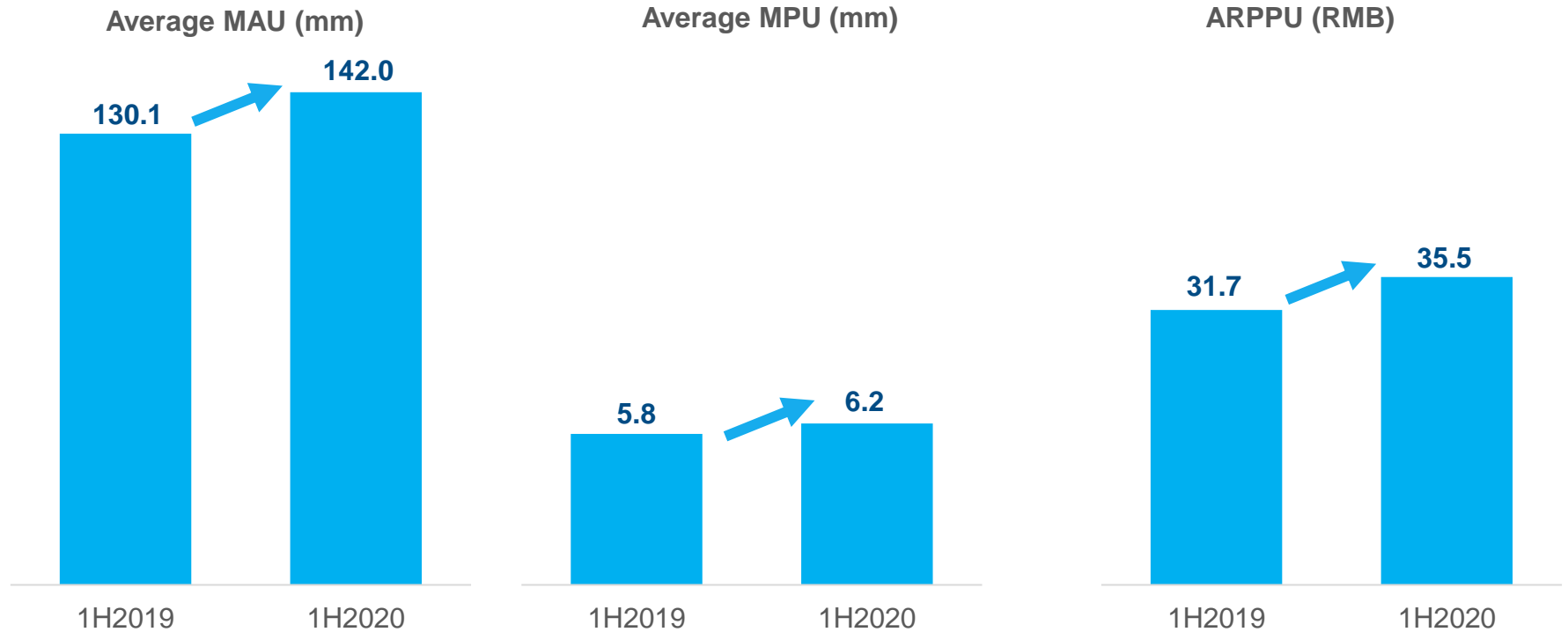


## Gross Profit



## Net Profit





## For the six months ended 30 June, 2020

- 🔹 The average MAUs increased to **142.0** million in 1H2020 driven by the increasing popularity of our mobile games.
- 🔹 The MPU increased to **6.2** million in line with the increase of MAU.
- 🔹 ARPPU increased to RMB**35.5** driven by the launch of more medium and hard-core high-quality games which could generate higher ARPPU.



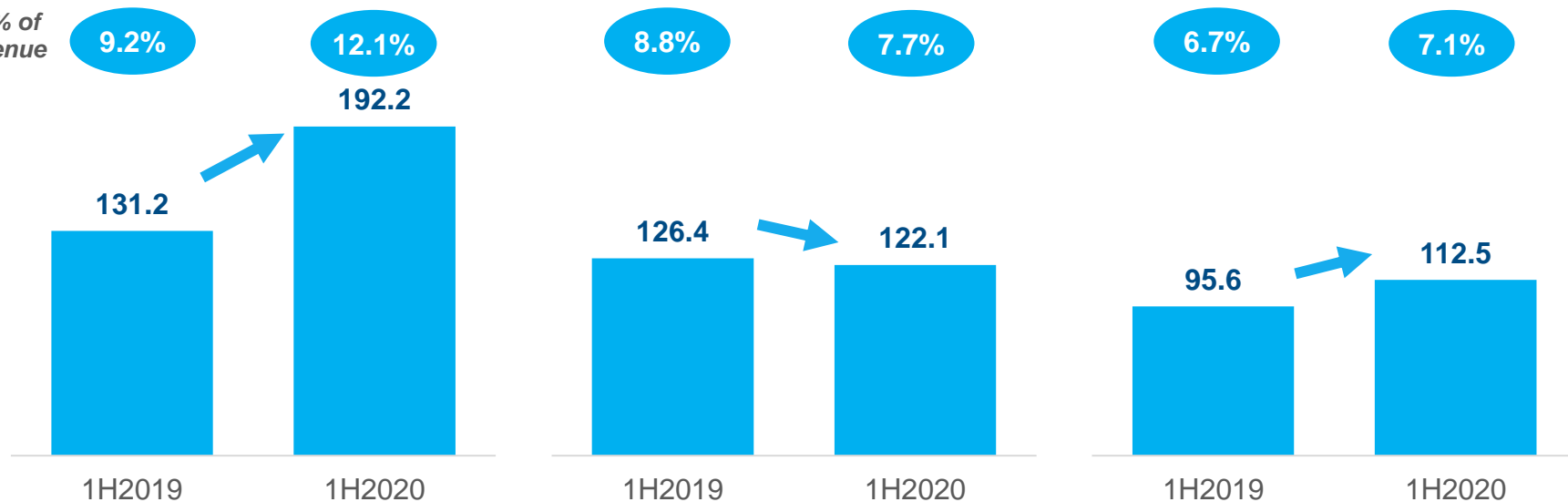
(RMB millions)

## Selling & Marketing Expenses

## General & Administrative Expenses

## Research & Development Expenses

As % of Revenue



### For the six months ended 30 June, 2020

- ▄ Selling and marketing expenses increased to **12.1%**, primarily due to an increase in promotion and advertising expenses primarily attributable to our strengthened efforts of promoting our brand games, such as Gardenscapes and Decisive Battle against Marfa
- ▄ General and administrative expenses decreased to **7.7%**, primarily resulting from our increasing management efficiency.
- ▄ Research and development expenses increased to **7.1%**, primarily due to our increased in-house game development capabilities especially for the cross-platform games development

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Appendix



# Consolidated Statement of Comprehensive Income



(Unit: RMB'000 )

	1H2020	1H2019	YOY(%)
Revenues	1,591,643	1,431,303	11.2%
Cost of revenues	(906,850)	(755,700)	20.0%
<b>Gross profit</b>	<b>684,793</b>	<b>675,603</b>	<b>1.4%</b>
Selling and marketing expenses	(192,180)	(131,154)	46.5%
General and administrative expenses	(122,088)	(126,410)	-3.4%
Research and development expenses	(112,489)	(95,641)	17.6%
Net impairment losses on financial assets and contract assets	(35,845)	(28,555)	25.5%
Other income	14,033	16,936	-17.1%
Other losses – net	(2,144)	(50,955)	-95.8%
Fair value gains / (losses) on financial assets at fair value through profit or loss	7,434	(5,141)	-244.6%
<b>Operating profit</b>	<b>241,514</b>	<b>254,683</b>	<b>-5.2%</b>
Finance income	4,355	1,140	282.0%
Finance costs	(48,347)	(22,695)	113.0%
Finance cost, net	(43,992)	(21,555)	104.1%
Loss from change in fair value of convertible bonds	(27,748)	-	N/A
Share of net losses of investments accounted for using the equity method	(2,450)	(253)	868.4%
<b>Profit before income tax</b>	<b>167,324</b>	<b>232,875</b>	<b>-28.1%</b>
Income tax expense	(19,458)	(22,638)	-14.0%
<b>Profit for the period</b>	<b>147,866</b>	<b>210,237</b>	<b>-29.7%</b>

(Unit: RMB'000 )

	1H2020	1H2019	YOY(%)
<b>Reconciliation of profit for the period to adjusted profit for the period</b>			
<b>Profit for the period</b>	<b>147,866</b>	<b>210,237</b>	<b>-29.7%</b>
Add: Fair value (gains)/losses on financial assets at fair value through profit or loss	(7,434)	5,141	-244.6%
Add: Share-based compensation expenses	47,198	41,503	13.7%
Add: Fair value losses on convertible bonds	27,748	-	N/A
Add: Impairment provision of goodwill resulting from a business combination	-	350,134	-100%
Less: Gain from the reversal of the unpaid consideration payables from a business combination	-	(294,911)	-100%
<b>Adjusted profit for the period</b>	<b>215,378</b>	<b>312,104</b>	<b>-31.0%</b>



# Non-IFRS Financial Measure (continued)

(Unit: RMB'000 )

	1H2020	1H2019	YOY(%)
<b>Reconciliation of profit for the period to EBITDA and adjusted EBITDA</b>			
<b>Profit for the period</b>	<b>147,866</b>	<b>210,237</b>	<b>-29.7%</b>
Add: Depreciation of property and equipment, investment property, right-of-use assets and investment property	15,920	16,049	-0.8%
Add: Amortization of intangible assets	75,065	65,006	15.5%
Add: Income tax expense	19,458	22,638	-14.0%
Add: Interest expense	46,426	22,695	104.6%
<b>EBITDA</b>	<b>304,735</b>	<b>336,625</b>	<b>-9.5%</b>
Add: Fair value (gains)/losses on financial assets at fair value through profit or loss	(7,434)	5,141	-244.6%
Add: Share-based compensation expenses	47,198	41,503	13.7%
Add: Fair value losses on convertible bonds	27,748	-	N/A
Add: Impairment provision of goodwill resulting from a business combination	-	350,134	-100%
Less: Gain from the reversal of the unpaid consideration payables from a business combination	-	(294,911)	-100%
<b>Adjusted EBITDA</b>	<b>372,247</b>	<b>438,492</b>	<b>-15.1%</b>

# Expenses by Nature

(Unit: RMB'000 )

	1H2020	1H2019	YOY(%)
Channel costs	634,101	506,267	25.3%
Employee benefits expenses	189,190	149,878	26.2%
Promotion and advertising expenses	186,965	126,047	48.3%
Content costs	175,045	162,573	7.7%
Amortization of intangible assets	75,065	65,006	15.5%
Impairment provisions for intangible assets	4,922	21,500	-77.1%
Outsourcing expenses for technical services	6,329	26,328	-76.0%
Travelling and entertainment expenses	6,025	9,807	-38.6%
Professional service fees	18,552	6,689	177.4%
Cloud computing, bandwidth and server custody fees	12,337	10,928	12.9%
Rental expenses	1,069	2,084	-48.7%
Impairment provisions for receivables	35,441	29,676	19.4%
Depreciation of property, plant and equipment	4,500	4,383	2.7%
Depreciation of right-of-use assets	11,033	11,666	-5.4%
Depreciation of investment property	387	286	35.3%
Other tax expenses	3,067	1,341	128.7%
Others	5,424	3,001	80.7%
<b>Total cost of revenue, selling and marketing expenses, administrative expenses, research and development expenses and net impairment losses on financial assets and contract assets</b>	<b>1,369,452</b>	<b>1,137,460</b>	<b>20.4%</b>

# Condensed cash flow statement and balance sheet

(Unit: RMB'000 )

<b>Condensed consolidated cash flow statement</b>	<b>1H2020</b>	<b>1H2019</b>	<b>YOY(%)</b>
Net cash inflow from operating activities	50,412	17,565	187.0%
Net cash outflow from investing activities	(376,150)	(539,510)	-30.3%
Net cash inflow from financing activities	467,275	(126,834)	-468.4%
<b>Net decrease in cash and cash equivalents</b>	<b>141,537</b>	<b>(648,779)</b>	<b>-121.8%</b>

<b>Condensed consolidated balance sheet</b>	<b>As at Jun 30, 2020</b>	<b>As at December 31, 2019</b>	<b>% Change</b>
Current assets	3,496,155	3,101,039	12.7%
Non-current assets	3,420,465	2,985,723	14.6%
<b>Total assets</b>	<b>6,916,620</b>	<b>6,086,762</b>	<b>13.6%</b>
Current liabilities	1,701,559	1,858,045	-8.4%
Non-current liabilities	1,071,559	283,124	278.5%
<b>Total liabilities</b>	<b>2,773,118</b>	<b>2,141,169</b>	<b>29.5%</b>
<b>Total equity</b>	<b>4,143,502</b>	<b>3,945,593</b>	<b>5.0%</b>
<b>Total equity and liabilities</b>	<b>6,916,620</b>	<b>6,086,762</b>	<b>13.6%</b>

## Key Financial Ratios

	1H2020	1H2019
Gross profit ratio	43.0%	47.2%
Adjusted net profit ratio	13.5%	21.8%
Adjusted EBITDA ratio	23.4%	30.6%
Debt ratio	40.1%	32.2%
Current ratio	2.05	1.87

## Key Operational Metrics

Average MAUs(millions)	142.0	130.1
Average MPUs(millions)	6.2	5.8
Average ARPPU(RMB)	35.5	31.7