



## Maoyan Entertainment Announces Interim Results for the First Half Year of 2020

BEIJING, August 17, 2020 – Maoyan Entertainment (“Maoyan” or the “Company”, 1896.HK), a leading platform providing innovative Internet empowered entertainment services in China, today announced its unaudited consolidated results for the first half year ended June 30, 2020.

### First Half Year 2020 Financial Highlights

- **Revenue** was RMB203.1 million, compared with RMB1,984.6 million in the first half year of 2019.
- **Gross loss** was RMB20.6 million, compared with a gross profit of RMB1,186.8 million in the first half year of 2019.
- **Selling and marketing expenses** decreased by 72.0% to RMB170.8 million from RMB610.7 million in the first half year of 2019.
- **Loss for the first half year of 2020** was RMB430.7 million, compared with a profit of RMB257.4 million in the first half year of 2019.
- **Adjusted EBITDA**<sup>1</sup> was negative RMB283.6 million, compared with positive RMB511.7 million in the first half year of 2019.
- **Adjusted net loss**<sup>2</sup> was RMB307.1 million, compared with an adjusted net profit of RMB380.4 million in the first half year of 2019.

### BUSINESS REVIEW AND OUTLOOK

In this announcement, “we”, “us” and “our” refer to the Company.

#### 1. Company Business Highlights

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<sup>1</sup> In the first half of 2020 and 2019, the Company defined EBITDA as operating (loss)/profit for the period adjusted for depreciation and amortization expenses. The Company added back share-based compensation and listing expenses to EBITDA to derive adjusted EBITDA.

<sup>2</sup> In the first half of 2020 and 2019, the Company defined adjusted net (loss)/profit as net (loss)/profit for the six months adjusted by adding back share-based compensation, net losses of convertible bonds classified as financial liabilities at fair value through profit or loss, listing expenses and the amortization of intangible assets resulting from business combinations.

Although the COVID-19 pandemic dealt a heavy blow to the Chinese and even global movie industries in the first half of 2020, thanks to the highly effective disease containment measures implemented by the Chinese government, cinemas in mainland China have begun to resume operations in an orderly manner since July 20, 2020.

As a major player in the Chinese pan entertainment industry, we have firmly upheld our social responsibilities, engaged in close collaborations with our industry partners, proactively taken innovative measures to mitigate the negative impact of the pandemic, and made meaningful contribution to the revival of the movie industry. In addition, we remain committed to the continuous improvement of our products, enhancement of our services, acceleration of our online-offline integration, and consolidation of our value propositions to China's pan entertainment industry.

### ***Our Pandemic Response Measures***

As soon as cinemas in China started to close at the beginning of the COVID-19 outbreak during the Chinese New Year holiday, we promptly announced “unconditional refund” for all Maoyan users. We also advanced cash to our cinema partners to help them expedite their refund process. Within three days of our announcement, we had processed full refunds for more than 5 million tickets totaling over RMB 200 million.

In addition, we thought out of the box and provided our industry partners with a variety of innovative assistance as follows:

- Helped cinemas salvage their sales of consumables during lockdown by connecting them with Meituan's home delivery services.
- Leveraged Maoyan Research Institute's (猫眼研究院) analytical prowess to provide our industry partners with insightful research reports, online training seminars, and business idea exchanges.
- Upgraded our cinema service solutions, including social distance seating and real name verification, to expedite the reopening of cinemas and other offline entertainment venues.
- Launched a “Safe Cinema” label for those cinemas compliant with pandemic containment procedures including staff testing, mask wearing, and premise disinfection.
- Provided our industry partners with supply chain financing solutions to alleviate their capital constraint.
- Organized discounted or free movie-viewing events across the country in partnership with various local governments and institutions to encourage consumers to return to cinemas and to ease the movie industry's way back to normality.

Besides helping our partners, we also give our top priority to protecting the health and safety of our employees. Consequently, we adopted flexible work practices and stocked up sufficient disease prevention supplies for our employees. At the same time, we implemented strict cost control measures.

### ***Our Preparation for the Post-Pandemic Industry Revival***

As cinemas in China started to resume their operations since July 20, 2020, we proactively prepared for changes in market dynamics post pandemic. Building on the foundation we have laid during the pandemic, we launched a series of new products including “Safe Cinema” to support movie theaters’ speedy reopening. We also made timely adjustment in our ticketing and settlement systems to stay compliant with business resumption protocols mandated by local authorities. In addition, we further strengthened our collaborations with the relevant ticketing system operator and broadened our ticketing system’s interface with cinemas. We plan to continue our investment in technologies to improve our ticketing system’s compatibility and functionality.

In preparation for the new entertainment trends post pandemic, we fortified our technology advancement in smart stadiums, upgraded our smart ticketing capabilities, and accelerated our offline venue partners’ digitization process at low costs. We also contracted a number of large-scale offline concerts performed by leading artists to expand our reservoir of post-pandemic live entertainment events. We will release those live events in a methodical manner as the pandemic further subsides. Meanwhile, we are actively exploring new business models related to online entertainment performances. For example, we recently acted as the exclusive ticketing agency for “Rocket Girls 101”, a live concert event done by the popular music group backed by Tencent Video.

Because we firmly believe that consumers are naturally drawn to high-quality entertainment content, we have devoted substantial resources to developing premium movie and TV content both through self-production and in collaboration with partners. Having built up an abundant reserve of content in the first half of 2020, we plan to pace our market release of those contents as the pandemic comes under further control.

For offline cinemas, we have participated in the production or distribution of dozens of movies, including but not limited to *Back to The Wharf* (風平浪靜), which was nominated for the Golden Goblet Awards in the 23rd Shanghai International Film Festival, *On Your Mark* (起跑), *Moses on The Plain* (平原上的摩西), and *Game of Genius* (天才遊戲). In addition, we are the co-producer or co-distributor of several notable movies such as *the Rescue* (緊急救援), *G Storm* (反貪風暴 5), *One Second* (一秒钟), and *Warriors of Future* (明日戰記).

On the television front, we have co-produced a number of TV series, including but not limited to the already released titles such as *Inside Man* (局中人) and *Shichahai* (什刹海). One of our co-produced series, the *Legendary Tavern* (老酒馆), has won multiple awards at the 26th Shanghai TV Festival. We are also in the midst of active co-productions with Tencent Video for TV dramas such as *Miss Crow and Mr. Lizard* (烏鴉小姐與蜥蜴先生) as well as *Babel* (通天塔). In addition, we have increased our self-production of TV series and are in active production of titles such as *Defense Out of Court* (庭外辯護) and *Chess Prodigy* (天才棋士).

Anticipating the shift in consumer preference of entertainment formats, we increased our investment in movie streaming and other types of online content. To date, we have already co-produced or co-distributed several streaming movies in genres ranging from action to suspense, historical drama, thriller, science fiction, and many more. In addition, we laid the groundwork to form a movie-TV soundtrack value chain, entered into an exclusive partnership with Tencent Music Entertainment Group (“TME”) for soundtrack copyright, and developed original soundtracks for various movies and TV series in collaboration with top-tier producers and musicians. During the period, for example, we have reached an exclusive copyright sharing agreement with TME regarding the original soundtrack for *Shichahai* (什刹海), a popular TV series broadcasted on CCTV 1, Tencent Video, iQIYI, and Youku and exclusively distributed by Maoyan.

The pandemic has exacerbated the movie industry’s need for advanced promotion and distribution capabilities, which is our strong suit. As a validation of our competitive strengths, the combined box office of those movies that we have promoted and distributed accounted for over 90% of China’s total box office. In the first half of 2020, we further expanded our online promotion and distribution capabilities by integrating data analysis, technology automation, and advanced services. As a result, we have developed a highly integrated, one-stop, online-offline marketing solution that encompasses the entire lifecycle from strategy formation to promotion execution, channel marketing, and smart distribution. In addition, we introduced several new promotion and distribution products, including Maoyan Online Chat (“貓眼雲聊”), *Fast 24 Hours* (“極速 24 小時”), and the *Story Behind the Movie: Please Answer* (“電影背後的故事：大咖請回答”). In July 2020, we launched in Maoyan Pro (貓眼專業版) a new feature suite called “Smart Promotion and Distribution”, which included 33 functionalities in 8 different categories.

Recognizing that data is the lifeblood of smart distribution and precision marketing, we continue to augment our data platform and expand our data sources. In April, we launched in Maoyan Pro a TV-Movie rating list by TikTok so that our users can improve their promotion and distribution efficiency by accessing

and analyzing extensive platform data. Through our fortified alliance with the Tencent Group, Maoyan Pro officially interfaced with Tencent Video in June to exchange data about online movie revenue split between partners. Thus we became the first platform in China that have integrated access to the online movie box office data from Tencent Video, iQIYI, and Youku. In July, under the “Tencent and Maoyan Alliance”, Maoyan Pro launched the “Uni Chart” by Tencent Music, which syndicates data on movie MV lists, movie soundtrack lists, TV series MV lists, TV series soundtrack lists, and variety show soundtrack lists.

On the advertising front, we further advanced the synchronization between pre-screening advertising and offline entertainment advertising. Through a portfolio marketing approach that combines ticket promotion with on premise advertisement and pre-screening advertisement, we have integrated advertising into all major entertainment formats including movies, live performances, and other contexts for entertainment consumption. We are able to showcase advertisements through the entire closed loop of entertainment consumption cycle including ticket purchases, ticket claims, and in-person viewing. As movie theaters reopen and their audiences gradually return, we believe that our unique competitive advantages in integrated marketing and advertising will become further accentuated.

## **2. Company Outlook**

As the slew of economic stimulus from the Chinese government took effect, the Chinese movie industry has shown remarkable resilience. Since the reopening of cinemas in late July, daily box office has been growing steadily, and weekly box office surpassed the RMB 100 million mark within the first week of reopening. Such rapid recovery in box office not only reveals the potency of pent-up consumer demand for offline movie watching, but also instills strong confidence in movie industry participants.

Besides cinemas, other offline entertainment activities are also gradually coming back to life. For example, we are acting as the exclusive general ticketing agency for the “2020 Honor of Kings World Final Championship Cup”, which is scheduled to take place in August.

As the leading pan entertainment portal, and as the mainstream platform for entertainment distribution, data, and products, we will continue to adhere to our “Cat Claw Strategic Model”. We plan to upgrade our content capabilities, enhance our internet-native advantages, expand our online business model, refine our online-offline promotion and distribution services, strengthen our ticketing platform, and deliver more supply chain financing solutions and related services. We firmly believe that the winter of Covid-19 pandemic will pass and that the spring of entertainment industry revival is sure to follow. We will stand side by side with our partners, support our users, accelerate the recovery of the pan entertainment industry, and blaze a trail to a brighter tomorrow for all.

## **About Maoyan Entertainment**

Maoyan Entertainment (1896.HK) is a leading internet platform providing innovative services in China's comprehensive entertainment industry. Since its inception, Maoyan has grown from an online movie ticketing service provider to an innovative one-stop platform for entertainment services. Maoyan has a comprehensive strategy to become a leading platform servicing the entire entertainment industry in China. This strategy is supported by its five key platforms: its comprehensive entertainment ticketing platform, product platform, data platform, marketing platform, and financing platform.

## **Non-GAAP Financial Measures**

To supplement the consolidated results of the Company prepared in accordance with IFRS, certain additional non-GAAP financial measures (in terms of, operating profit, operating margin, profit for the period, net margin, profit attributable to equity holders of the Company, basic EPS and diluted EPS), have been presented in this press release. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

The Company's management believes that the non-GAAP financial measures provide investors with useful supplementary information to assess the performance of the Company's core operations by excluding certain noncash items and certain impact of M&A transactions. In addition, non-GAAP adjustments include relevant non-GAAP adjustments for the Company's material associates based on available published financials of the relevant material associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

## **Forward-Looking Statements**

This press release contains forward-looking statements relating to the 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 press release. 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 realised 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 our other public disclosure documents on our corporate website.

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