

# Cheetah Mobile, Inc.

Third Quarter 2018 Results  
November 21, 2018



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# 01

- **Overview**
- Quarterly Highlights
- Business Review & Financials
- Revenue Guidance

# Total Revenues Exceeded High-End Guidance

## Gross Profit Margin Continued to Grow

(RMB, million)	3Q18	As a % of total revenue	YoY	QoQ
<b>Total Revenues</b>	<b>1,352</b>		<b>16%</b>	<b>23%</b>
<b>Utility Products and Related Services</b>	<b>836</b>	<b>62%</b>	<b>4%</b>	<b>11%</b>
<b>Mobile Entertainment</b>	<b>498</b>	<b>37%</b>	<b>37%</b>	<b>50%</b>
Content-driven Product	213	16%	5%	9%
Mobile Game	285	21%	78%	106%
<b>Others</b>	<b>18</b>	<b>1%</b>	<b>157%</b>	<b>28%</b>
<b>Gross Profit</b>	<b>970</b>	<b>72%</b>	<b>22%</b>	<b>29%</b>
<b>Operating Profit</b>	<b>128</b>	<b>9%</b>	<b>-3%</b>	<b>0%</b>
<b>Net Profit</b>	<b>167</b>	<b>12%</b>	<b>20%</b>	<b>-15%</b>

### Non-GAAP\*

<b>Gross Profit</b>	<b>970</b>	<b>72%</b>	<b>22%</b>	<b>29%</b>
<b>Operating Profit</b>	<b>154</b>	<b>11%</b>	<b>0%</b>	<b>8%</b>
<b>Net Profit</b>	<b>193</b>	<b>14%</b>	<b>20%</b>	<b>-8%</b>

\*Non-GAAP = GAAP + share-based compensation expenses

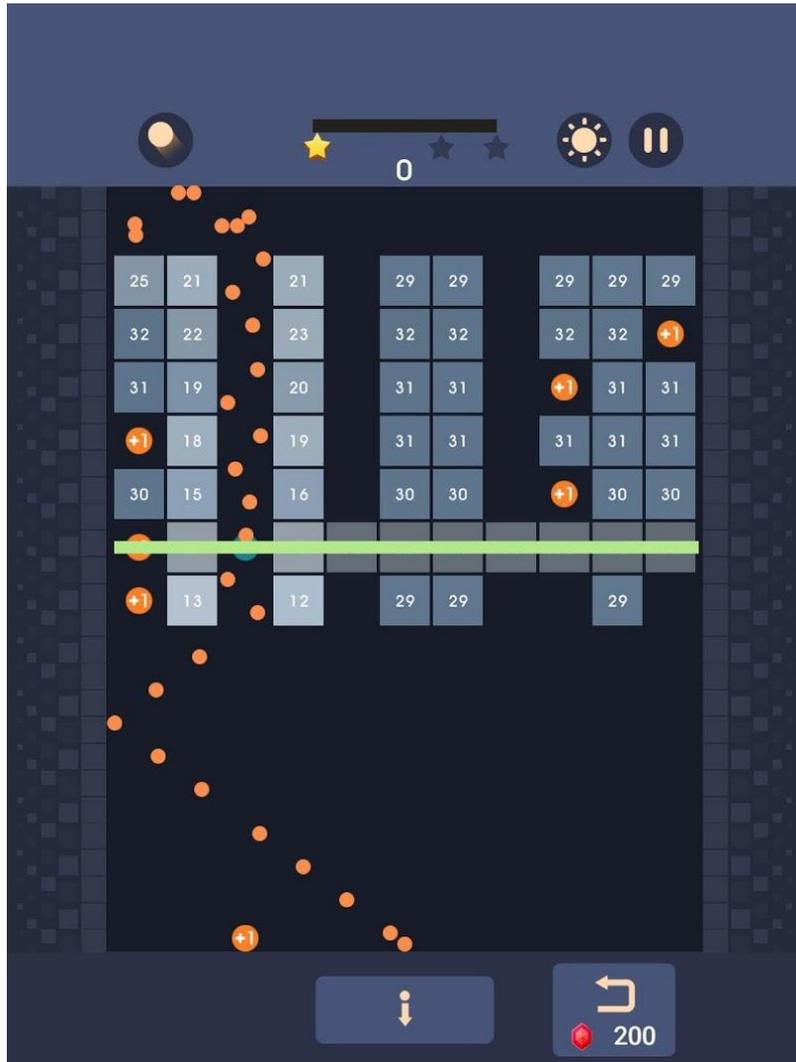
# 02

- Overview
- **Quarterly Highlights**
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# Total Revenue Resumed its YoY and QoQ Growth

- **Total Revenue** was RMB 1.35 billion, increased by 16% yoy and 23% qoq, beating our high-end guidance
- **We rolled out new mobile games, mobile utility products, and AI-powered hardware products.** As a result,
  - Revenues from mobile games increased by 78% yoy, 106% qoq, and accounted for 21% of the total revenue
  - Revenues from mobile utility products in our domestic market increased by 54% yoy, 18% qoq, and accounted for 28% of the total revenue
- **Non-GAAP net income** was RMB193 million
- **Free cash flow** was RMB326 million

# Bricks n Balls (BnB), a Classic and Exciting Block Elimination Game, Started Ramping Up



- Continued in-game improvements
- Enhanced user interface designs
- Introduced new content and features

# BnB's Recent Achievements



- Google Play featured BnB on its global homepage in September
- According to App Annie, BnB was one of the top 3 casual games in the US on Google Play



- According to App Annie, BnB was one of the top 10 board games on Apple's App Store in terms of user downloads

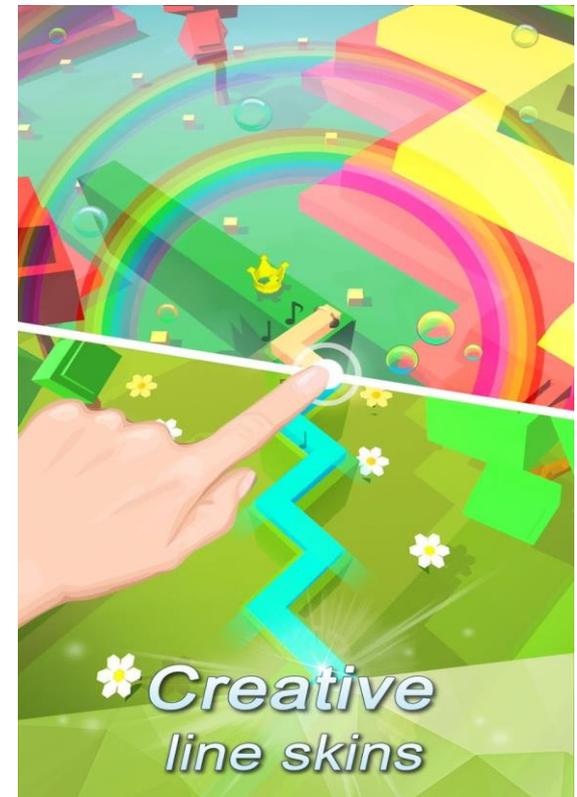
# We Continued to Use High-quality Third-party Content to Enrich Our Flagship Games



**Piano Tiles 2**

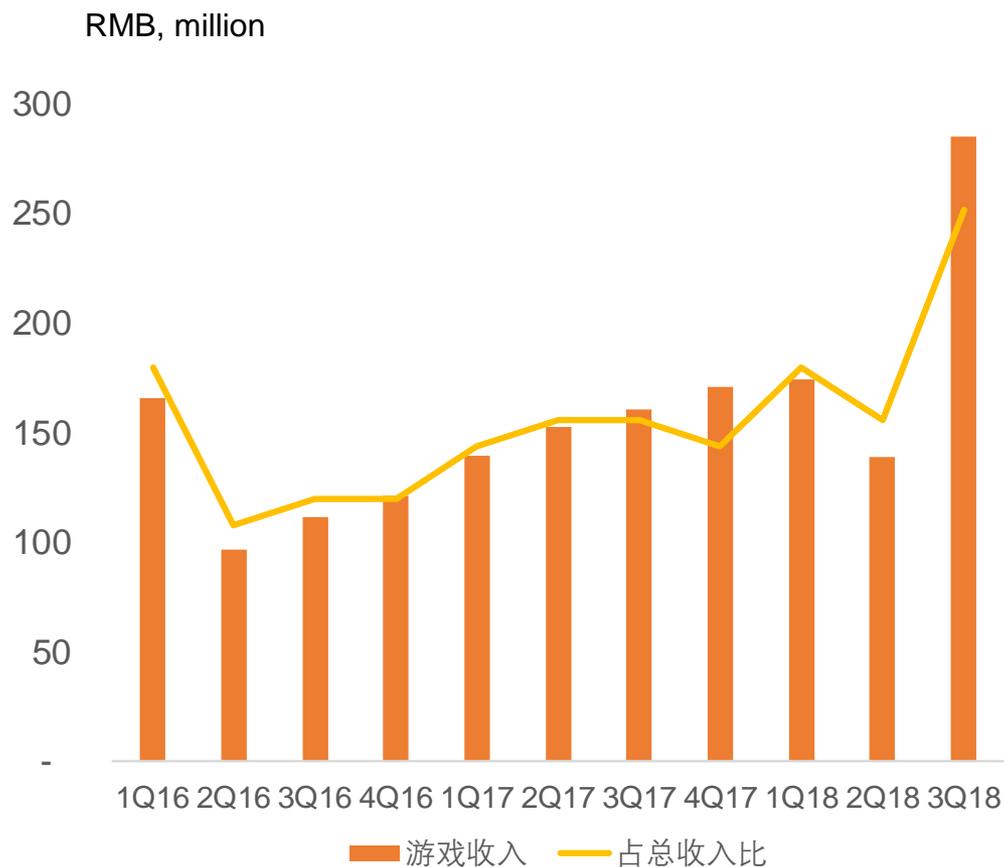


**Rolling Sky**



**Dancing Line**

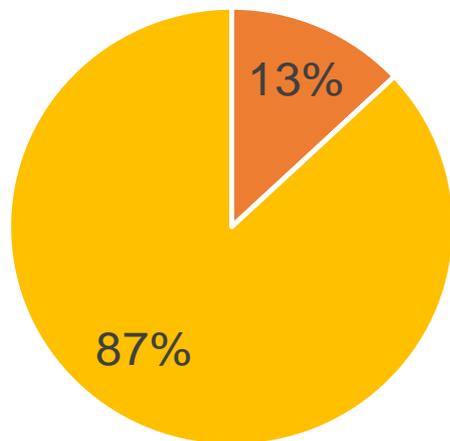
# Both Revenues and Profits from Our Mobile Games Business Hit Record Highs



- Driven by more users buying in-game items, such as extra lives, “boosters” that enhance play performance, and game version upgrades
- In 3Q18, revenues from in-game purchases accounted for 31% of total mobile game revenues, up from 24% last year
- Continue to enhance our in-house game development abilities and pursue various partners to grow this business

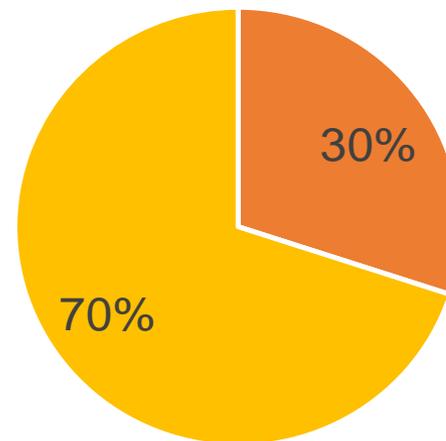
# China's Recent Gaming Regulation Changes Exerted Limited Impact on Our Mobile Game Business

**Mobile Game Revenue by Region**



■ Domestic ■ Overseas

**Mobile Game MAU by Region**

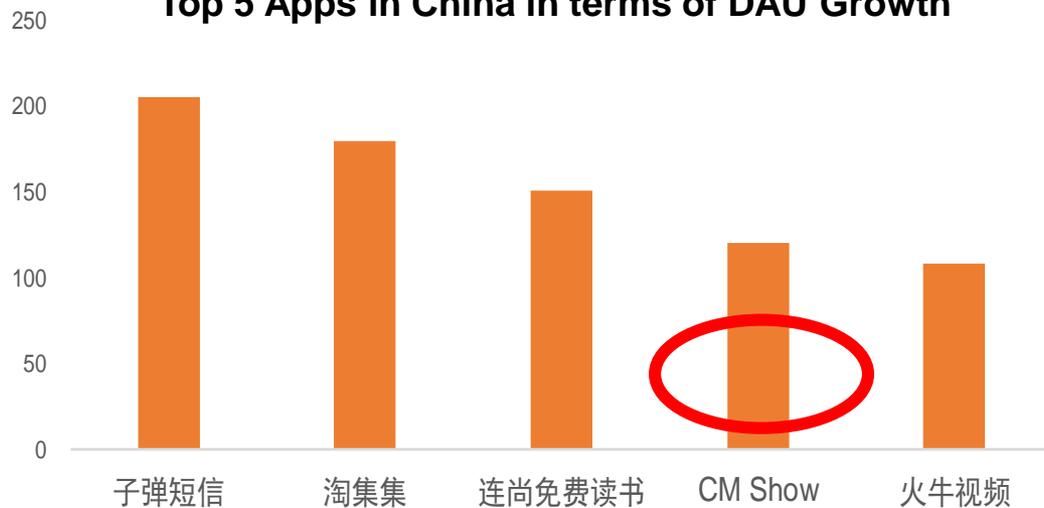


■ Domestic ■ Overseas

# CM Show: A New Utility App Designed to Appeal to Younger Users in China

- A personalized utility app that offers customized ring tones
- Offering a wide array of 3D video effects
- Targeting younger users in China

**Top 5 Apps in China in terms of DAU Growth**



Sources: Quest Mobile, September 2018



# Tailored Our Core Mobile Utility Products To Users in Lower-tier Cities

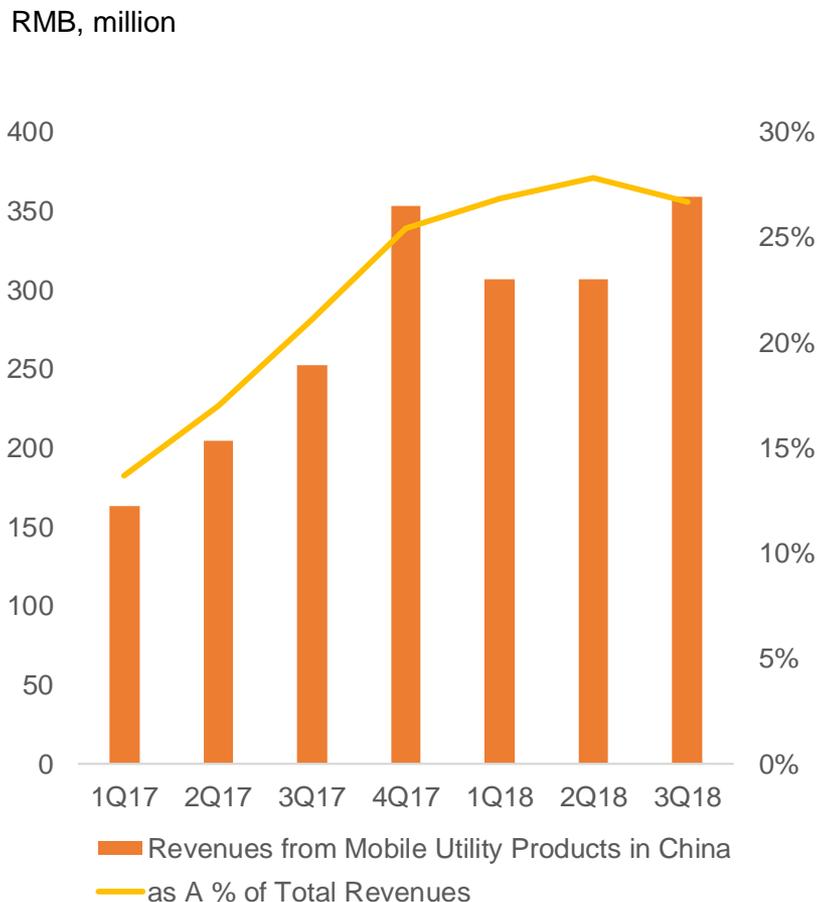


- Rising spending power and higher living standards have led to the rapid growth of mobile Internet adoption in China's lower-tier cities
- To capitalize on the market potential, we have tailored our core mobile utility products to users in lower-tier cities
- In 3Q18, the DAUs of our mobile utility products, like Clean Master, continued to grow in our domestic market. This was mostly driven by the growth of active users in lower-tier cities

# Revenue Growth in Our Mobile Utility Product Business in the Domestic Market was Driven by increased MAUs

- Our MAUs in the domestic market grew by 18% year over year and 6% quarter over quarter, reaching a new high of 171 million
- Revenues from our mobile utility products in the domestic market grew by 54% year over year and 18% quarter over quarter

# Revenues from Mobile Utility Products in China Became A Growth Driver



- We began to feel the impact of China's recent economic uncertainty in the latter half of the third quarter. For example, some advertisers cut back on their marketing activities
- Cheetah Mobile's position in the Chinese mobile Internet industry is stronger than ever
  - ✓ We are replicating our successful international products in China
  - ✓ We have several local partners, with both online and offline channels, to reach more users
- Our utility products business continues to generate strong profits and cash flow, which provides a solid foundation for our investments in new initiatives.
- We have stopped the revenue decline in the overseas market, and stabilized the revenues from our PC business.

# Cheetah Translator: A Top Seller During This Year's Double 11 Shopping Festival



## Minimalist Design & One-button Translation

- Launched in July, 2018
- Jointly developed with Beijing OrionStar
- Reached a larger customer base by partnering with a couple of well-known retail chains



# GreetBot: A Full-size Reception Robot that Focuses on 2B Market



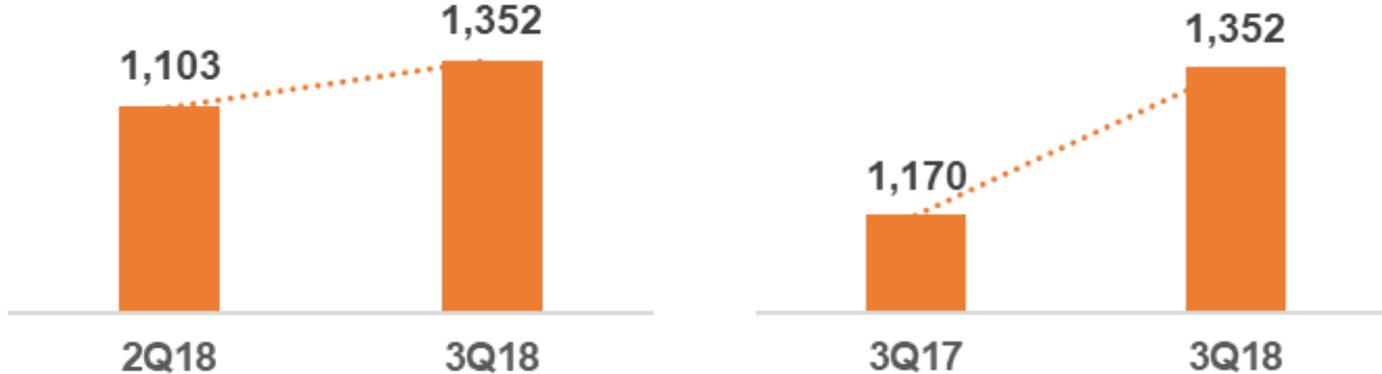
- Commercially launched Cheetah GreetBot
- Cheetah Mobile is the exclusive distributor of Cheetah GreetBot
- The sales of these products will directly contribute to our top-line, however the contribution will be relatively small compared to our overall revenue

# 03

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- Revenue Guidance

# Resumed Revenue Growth YoY & QoQ

RMB, million



- Total revenue RMB 1.35 billion, meeting the high end of our of 3Q18 guidance
- Increased by 16% yoy, 23% qoq

# Our Two Revenue Growth Drivers In 3Q18

## **Revenues from Mobile Games Business**

RMB285 million, accounting for 21% of our total revenue;  
Grew by 78% yoy, 106% qoq

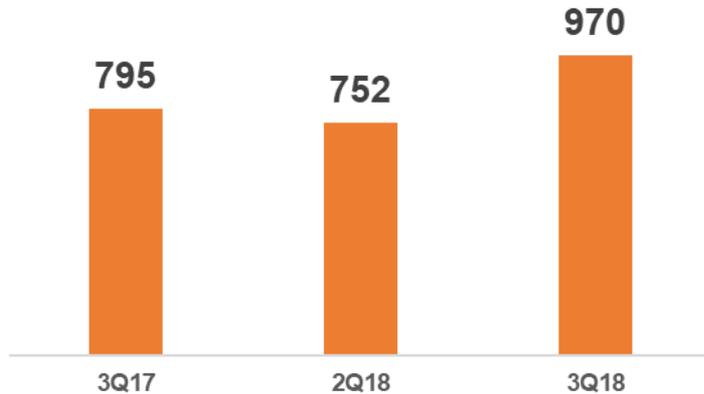
## **Revenues from Domestic Market**

RMB536 million, accounting for 40% of our total revenue;  
Grew by 45% yoy, 18% qoq

# Non-GAAP Gross Profit and GPM improved YoY and QoQ

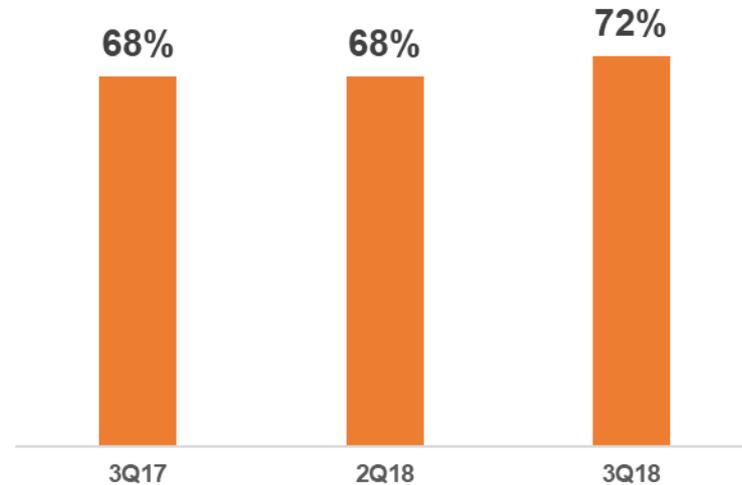
(RMB, million)

## Gross Profit



(RMB, million)

## GPM



- Non-GAAP Gross Profit grew by 22% yoy, 29% qoq, reaching RMB970 million
- Non-GAAP GPM : 3Q18: 72%, 3Q17: 68%, 2Q18: 68%

# Strong Cash Position Laid Solid Foundation for Our LT Growth

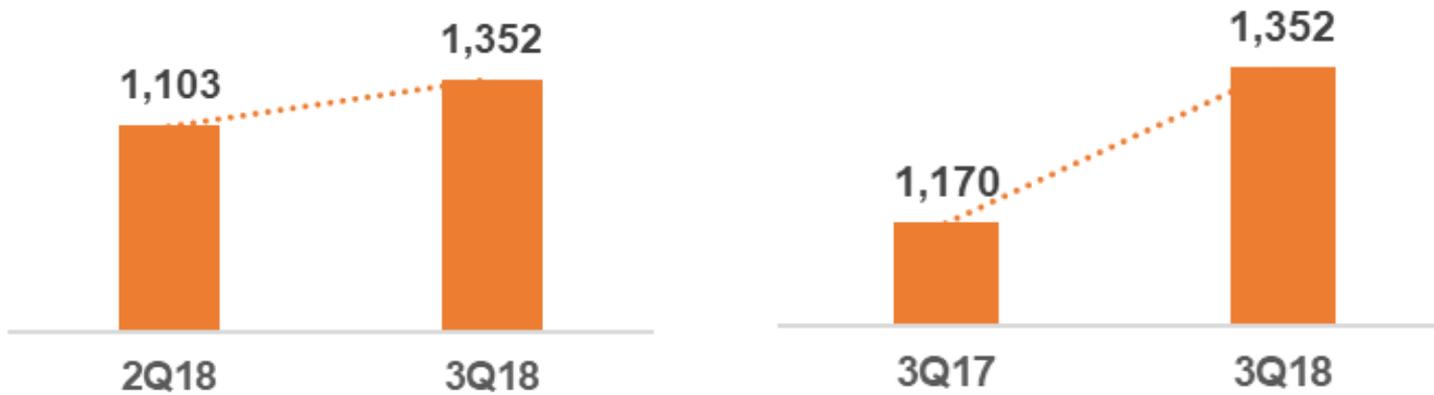


**Strong Cash Position allowed us to**

- **Invest in AI Business**
- **Focus on LT Growth Engine**
- **Net cash from operating activities 339 million**
- **Free cash flow 326 million**

# Resumed Revenue Growth YoY & QoQ

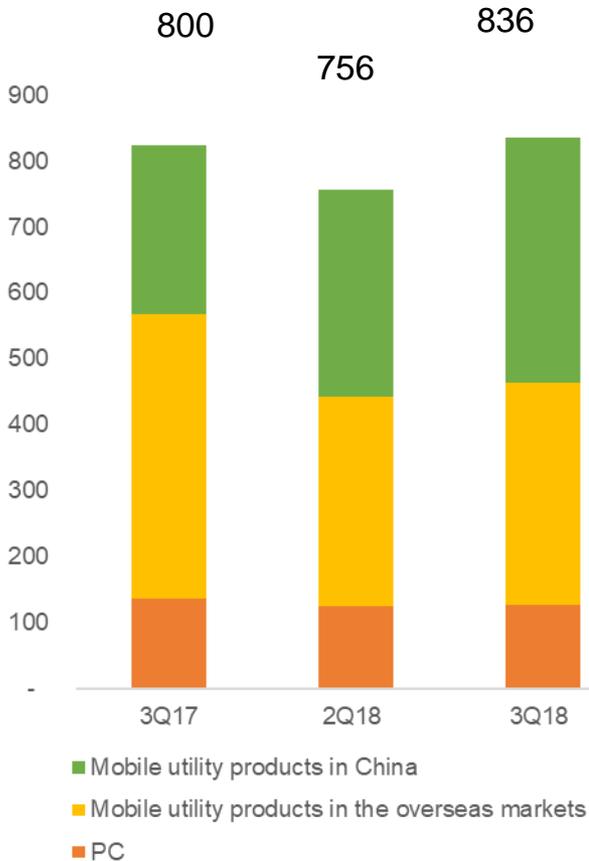
RMB, million



- Total revenues increased by 15.6% year over year and 22.5% quarter over quarter

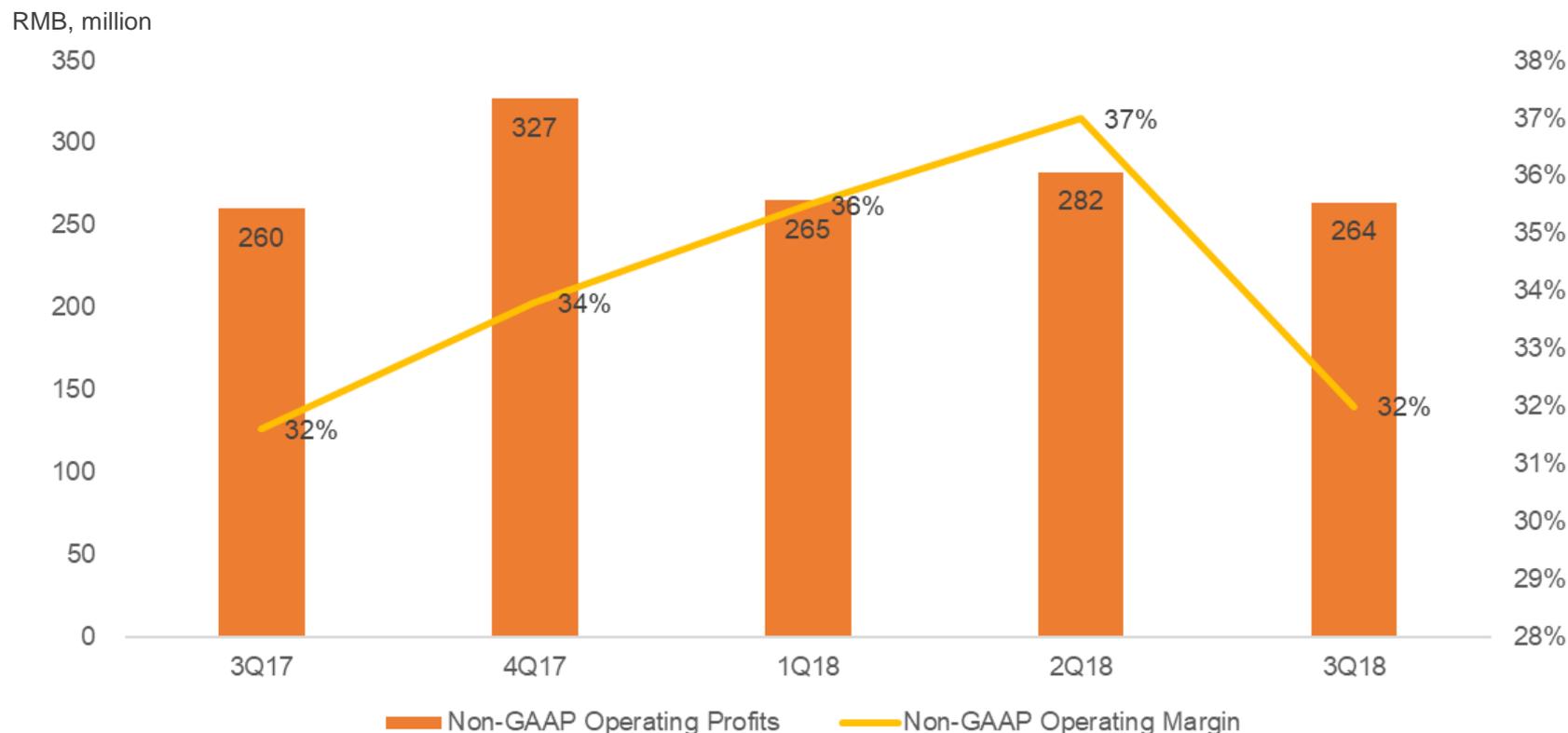
# Revenues from Our Utility Products and Related Services were Healthy

RMB, million



- Revenues increased by 4% year over year and 11% quarter over quarter to 836 million in the third quarter of 2018.
- The growths were driven by the strong performance of our mobile utility products and related services business in China thanks to the increasing mobile traffic and eCPM in the domestic market.
- Revenues from our mobile utility products and related services business in the overseas markets continued its expected decline as Facebook and Google discontinued the placement of ads on mobile phone lock screens since May 2017 and January 2018, respectively. Excluding the impact of the discontinued ad formats, our mobile utility products and related services business in the overseas markets actually increased by 8% year over year in US\$ terms.
- The sequential growth was due to seasonality effect.

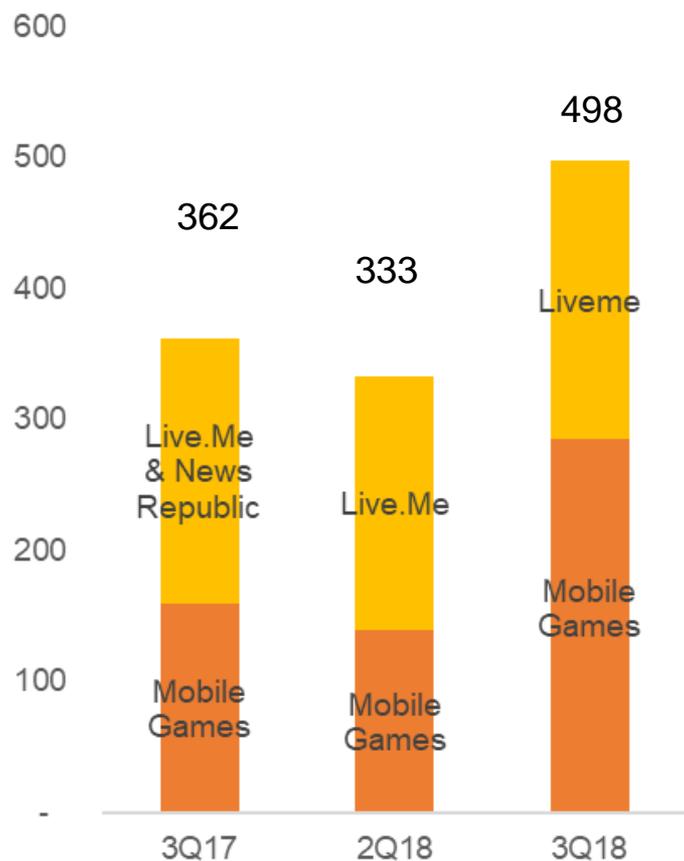
# Our Utility Product Business Continued to Generate Strong Profits and Cash



The sequential decrease in 3Q18 was mainly due to increased promotional activities in the domestic market, where we have seen more emerging growth opportunities.

# Revenues from Our Mobile Entertainment Business Achieved YoY and QoQ Growth

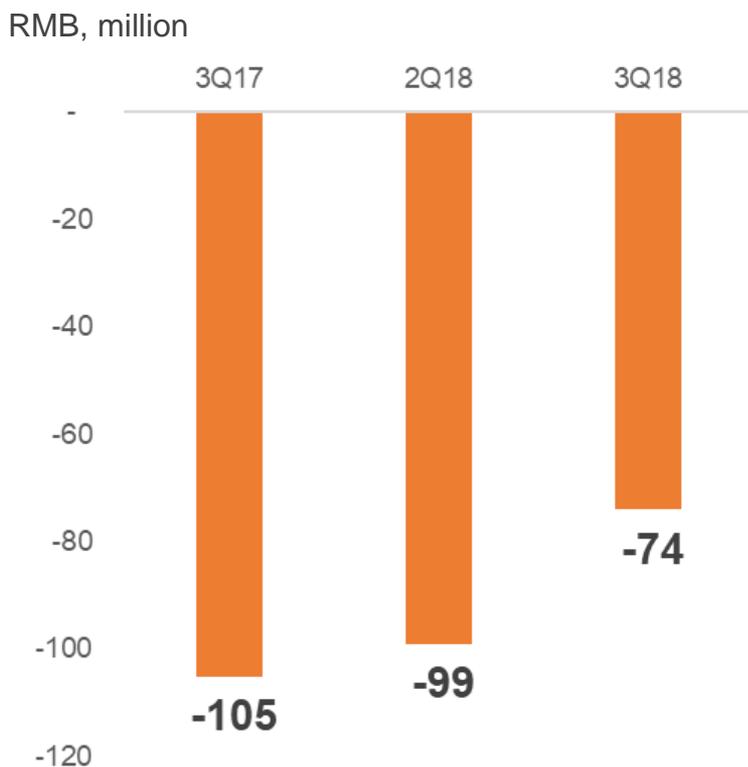
RMB, million



- Revenues increased by 37% yoy and 50% qoq due to increases in revenues from both our mobile game operations and LiveMe.
- Revenues from our mobile game operations increased by 78% yoy and 106% qoq. The increases were primarily driven by the ramp-up of our new game titled Bricks n Balls which we released earlier this year. In addition, revenues from our existing music games, including Piano Tiles 2, Dancing Line, and Rolling Sky, continued to grow on both a year-over-year and quarter-over-quarter basis. The growth in our existing titles was primarily attributable to our efforts in introducing creative ad formats, working with more mobile advertising platforms, and using smarter ad algorithms powered by our machine learning technology to increase eCPM.
- Revenues from our content-driven products increased by 5% year over year and 9% quarter over quarter to RMB213 million, driven by a new series of features introduced in LiveMe, which further improved its ARPU.

# Non-GAAP Operating Loss for the Mobile Entertainment Business Continued to Narrow

## Non-GAAP Operating Loss for the Mobile Entertainment Business



- The reduced losses was primarily attributable to an increase in revenues from the mobile game operations.
- In the third quarter, non-GAAP operating profit for our mobile game operations increased 13 million RMB year over year and 17 million RMB quarter over quarter. In particular, non-GAAP operating profit for our existing game titles already reached 24% in the quarter from 7% in the same period last year.
- The year-over-year reduced loss was also due to the reduced cost and expenses from the News Republic business, as we disposed of News Republic in Q4 2017.

## Agreement to sell a certain portion of shares of Bytedance

- Cheetah Mobile has entered into an agreement to sell a certain portion of shares of Bytedance it owns
- This transaction will result in a disposal gain of investment of approximately US\$43 million in the fourth quarter of 2018.
- This transaction will also result in a fair value gain of US\$43 million in the fourth quarter of 2018 for the remaining portion which Cheetah Mobile still hold.
- This transaction is expected to close by the end of November 2018, subject to customarily closing conditions.

# 04

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## 4Q18 Revenue Guidance

### 4Q18 Revenue Guidance:

- RMB1,390-1,430 million (USD202-208 million)

# Thank you!

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