

VHQ Media Holdings Ltd Year-to-date ended March 2018 Financial Results

investor.vhqmedia.com

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Financial and Operating Highlights

2018Q1
REVENUE

Up by

18% YOY

2018Q1
NET INCOME attribute
to VHQ

Up by

10% YOY

EPS

2.74

FEATURE FILMS
REVENUE
made up 72%

3 Released
back-to-back
in 2017 summer



ONCE UPON
A TIME



LEGEND OF THE
NAGA PEARLS



GUILTY OF
MIND

2 Released
back-to-back
in Jan 2018



FOREVER YOUNG

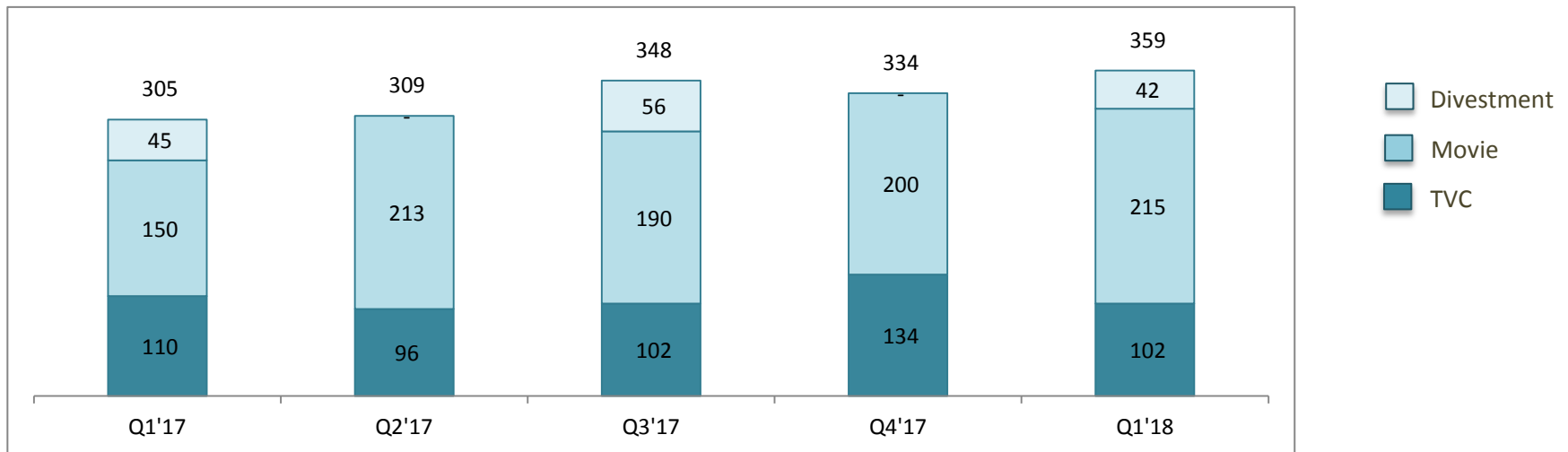


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Revenue by Category

NT\$ in Millions

Period	Q1'17	Q1'17 %	Q1'18	Q1'18 %
Divestment	45	15%	42	12%
Movie	150	49%	215	60%
TVC	110	36%	102	28%
FY TOTAL	305	100%	359	100%

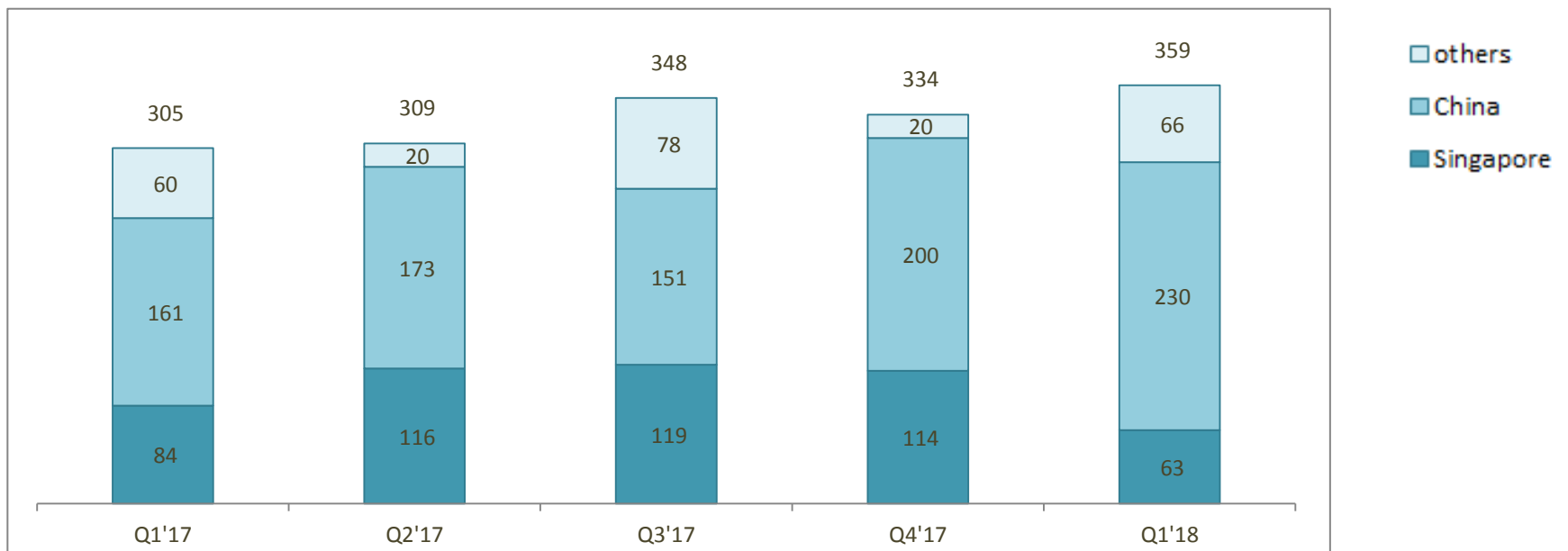


- 2018Q1 revenue up 18% YoY
- Overall growth was driven by the increase in post-production and visual effects revenues in films, gains from divestment of IP rights and new businesses in the internet content space

Revenue by Market

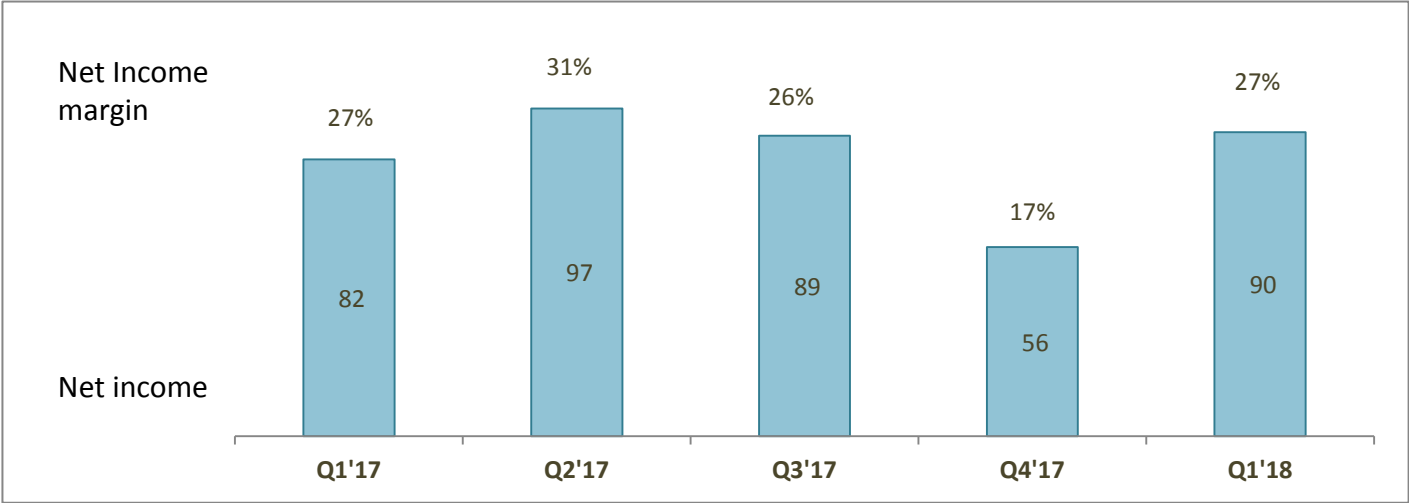
NT\$ in Millions

Period	Q1'17	Q1'17 %	Q1'18	Q1'18 %
Others	60	20%	66	18%
Singapore	84	28%	63	18%
China	161	53%	230	64%
FY TOTAL	305	100%	359	100%



- Revenue from China showed accelerating growth driven by continuous demand of heavy visual effects for feature films especially in genres like science fiction, action and fantasy

Net Income attribute to VHQ & Earnings per share



(NT\$ in Millions)

EPS	2.54	3.02	2.76	1.73	2.74
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(NT\$ in Dollar)

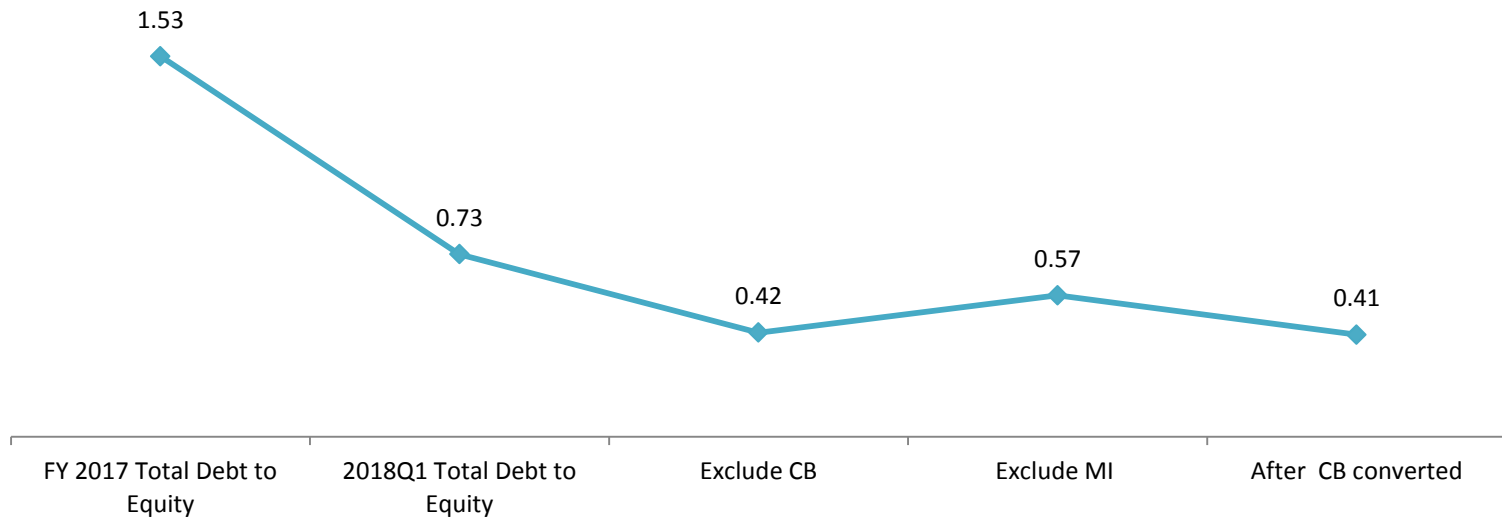
- 2018Q1 net income margin maintain as usual. Factors contributing to the growth include :-
 - increased productivity in production
 - increased efficiencies in operating cost, staff wages and administrative cost
 - the average value of each project in 2017 was 20% higher year-on-year

Ratio

Description	17Q1	18Q1
GP margin	50%	55%
EBIT margin	31%	35%
PBT margin	28%	33%
PAT margin	28%	27%
PAT margin after MI	27%	25%
AR turnover days	196	266
Current ratio	2.77	2.17
Debt Ratio	0.65	0.42
Debt Ratio w/o Bonds	0.33	0.24
Gearing Ratio	1.38	0.22
Gearing Ratio w/o Bonds	0.44	0.22

- The movement in debt ratio and gearing ratio for ended Mar. 2018 was due to issuing an additional 5,220,000 shares through the SPO exercise in early 2018. It increased cash and ordinary stock, and caused below of debt ratio and gearing ratio.

2018Q1 Debt to Equity ratio



- The movement in debt ratio and gearing ratio for ended Mar. 2018 was due to the SPO exercise in early 2018 and conversion of CB.
- In 2017, the Company acquired an additional 32% of the shares of VHQ Beijing (“MI”). There was an acquisition premium of NTD700 Million consequent to this. In accordance to Taiwan IFRS (IAS 27), this was written down, resulting in a reduction of the Company’s Net Equity. Under normal IFRS, there would not have been any write-down needed because acquisition premium would be treated as goodwill, classified as intangible asset and retained as part of the Company’s Total Assets.
- Debt to equity ratio will be below 0.6 without CB & MI shown above. It will be further reduced to below 0.50 assuming all CB is converted

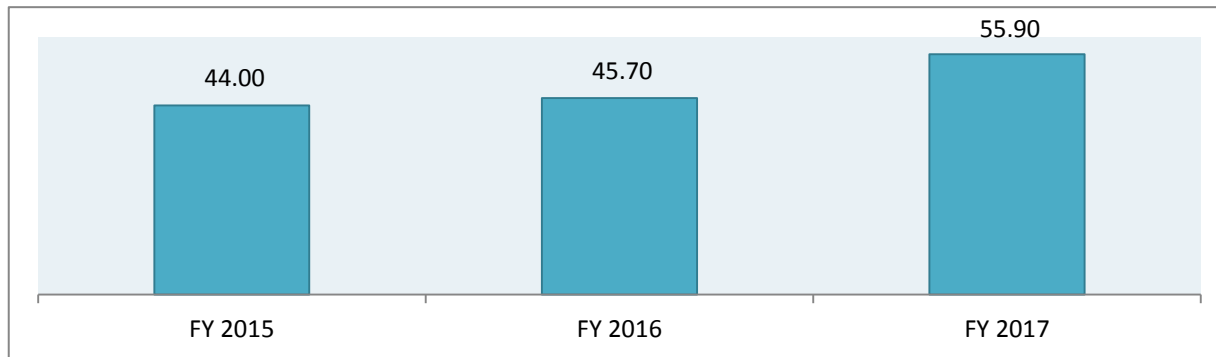
Peer comparison

Company	Asset Turnover Ratio	ROE	ROA	PE multiple	Market Cap In NTD'mil
VHQ	0.51	15%	25%	16.30	6,378
Prime Focus	0.83	13%	2%	41.09	11,655
MM2	0.26	-2%	-1%	21.24	12,570
Wanda Film	0.18	4%	2%	38.62	282,327
Dexter Studios	0.94	14%	4%	NA	6,532
Orange Sky Golden Harvest Entertainment	0.41	-4%	-2%	0.64	5,583
Shanghai Oriental Pearl Medi	0.08	2%	1%	21.52	229,913
Perfect World	0.11	4%	2%	30.64	224,586
Huayi Brothers	0.18	8%	4%	21.04	115,716
Beijing Enlight Media	0.18	8%	15%	12.57	156,989

- The assets turnover ratio of the company falls within the average among its peer

China Film Market

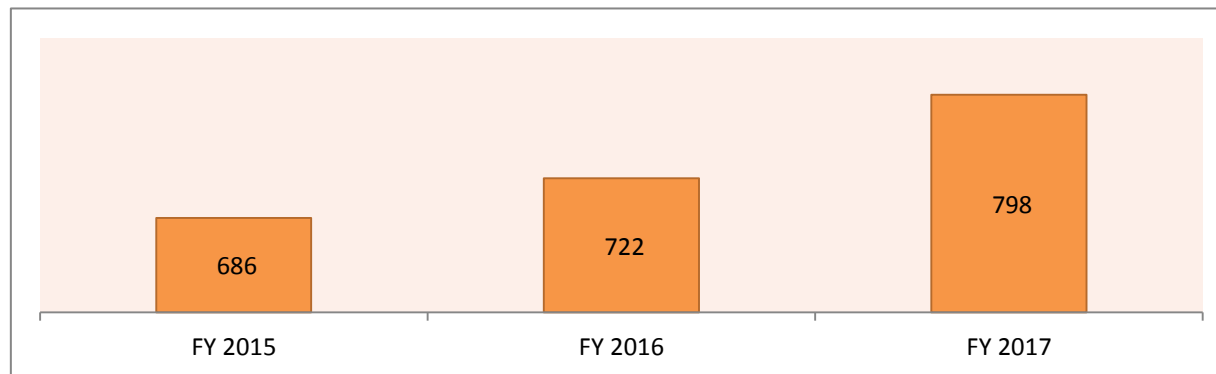
Box
Office
Revenue



(RMB in Billions)

Revenue

No of
movie



No of movie

- VHQ is optimistic about its performance in 2018, with good reasons
- Total box office revenues in China reached RMB559.11 Billion in 2017, the world's second biggest, an increase of 22% YOY. Box office takings for domestic movies was NTD301.04 Billion, accounting for 53.84% of the total box office
- It is expected that in 2019 China will surpass United States in annual box office takings and VHQ will be one of the significant beneficiaries of China's post-production in the film industry
- The annual compounded growth rate of the internet TV drama market for the past three years was 60%. With the exponential growth in paid subscription for internet content consumption, production spending by producers and platform owners have increased 10 fold over the last 2 years, generating substantial demands in post production services

APPENDIX



Appendix 1

CONSOLIDATED INCOME STATEMENTS

(Expressed in NT\$' 000)

	<u>2018. Jan-Mar</u>	<u>2017. Jan-Mar</u>
Operating revenue	358,860	304,827
Operating costs	160,574	151,776
Gross profit	198,286	153,051
Net income	<u>97,667</u>	<u>85,678</u>
Net income attributable to:		
Shareholders of the Company	90,206	82,114
Non-controlling interests	7,461	3,564
	<u>97,667</u>	<u>85,678</u>
Earnings per share (expressed in New Taiwan dollars)		
Basic earnings per share	<u>2.74</u>	<u>2.54</u>

Appendix 2

CONSOLIDATED BALANCE SHEET

(Expressed in NT\$' 000)

	<u>March 2018</u>	<u>March 2017</u>
Current Assets	2,074,861	981,454
Non-current Assets	1,164,841	1,042,191
Total Assets	<u>3,239,702</u>	<u>2,023,645</u>
EQUITIES & LIABILITIES		
Equity attributable to shareholders of company		
Capital stock	380,407	322,770
Reserves & Surplus	1,419,888	334,798
Shareholders' Equity	1,800,295	657,568
Non-controlling interests	68,243	42,788
Total Equity	<u>1,868,538</u>	<u>700,356</u>
Current Liabilities	955,238	354,329
Long-term Liabilities	415,926	968,960
Total Liabilities	<u>1,371,164</u>	<u>1,323,289</u>
Total EQUITIES & LIABILITIES	<u>3,239,702</u>	<u>2,023,645</u>

Appendix 3

CONSOLIDATED CASH FLOW STATEMENT

(Expressed in NT\$' 000)

	2018. Jan-Mar	2017. Jan-Mar
	<u> </u>	<u> </u>
Income before tax	117,334	86,038
Net Cash flows generate from (used in)operating activities	42,188	(42,797)
Net Cash flows used in investing activities	(55,692)	(41,901)
Net Cash flows generate from (used in) financing activities	749,868	(638,636)
Effect of exchange rate changes on cash and cash equivalents	3,068	(27,667)
Cash and cash equivalents at beginning of year	129,193	889,290
Cash and cash equivalents at end of period	<u>985,959</u>	<u>224,327</u>

Free Cash Flow Reconciliation

	2018. Jan-Mar	2017. Jan-Mar
	<u> </u>	<u> </u>
Net cash provided by operating activities	159,522	43,241
Less: Purchases of property and equipment	(26,125)	(39,371)
Free Cash Flow	<u>133,397</u>	<u>(3,870)</u>



THANK YOU