

VHQ Media Holdings Ltd

Year-to-date ended December 2017

Financial Results

investor.vhqmedia.com

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Financial and Operating Highlights

**FY 2017
REVENUE**

Up by

26% YOY

**FY 2017
NET INCOME** attribute
to VHQ

Up by

43% YOY

EPS

10.05

**FEATURE FILMS
REVENUE**
made up **66%**

WORKED on

18 PROJECTS,
YTD

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

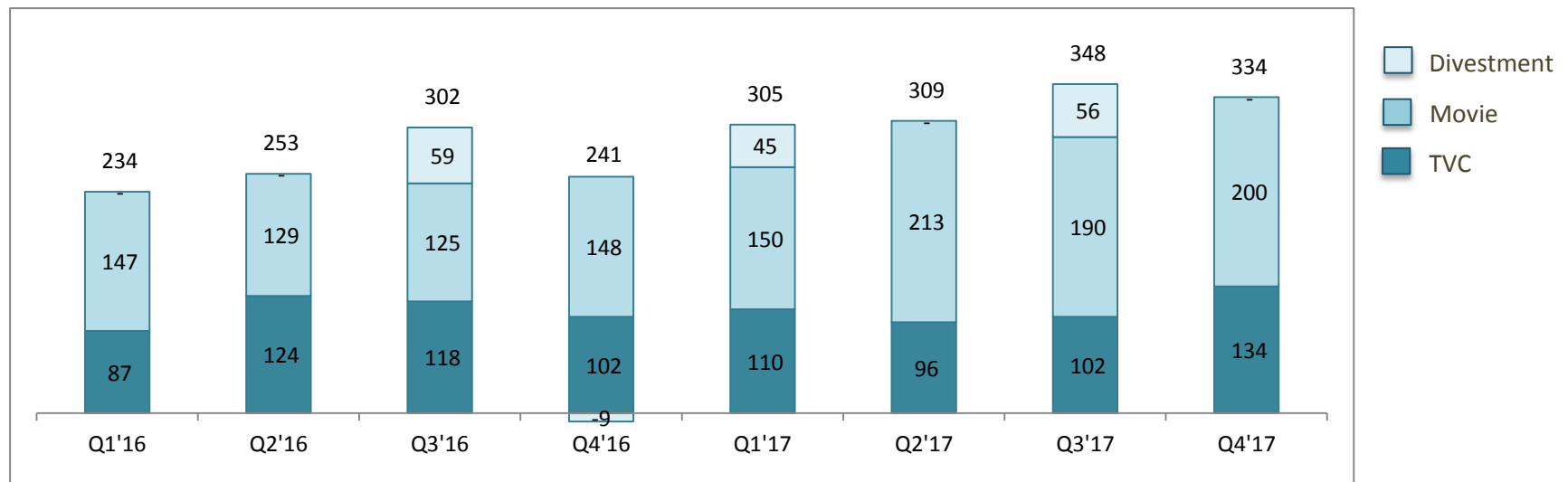


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Revenue by Category

NT\$ in Millions

Period	FY 2016	2016 %	FY 2017	2017 %	YOY%
Divestment	50	5%	101	8%	102%
Movie	550	53%	753	58%	37%
TVC	430	42%	442	34%	3%
FY TOTAL	1,030	100%	1,296	100%	26%

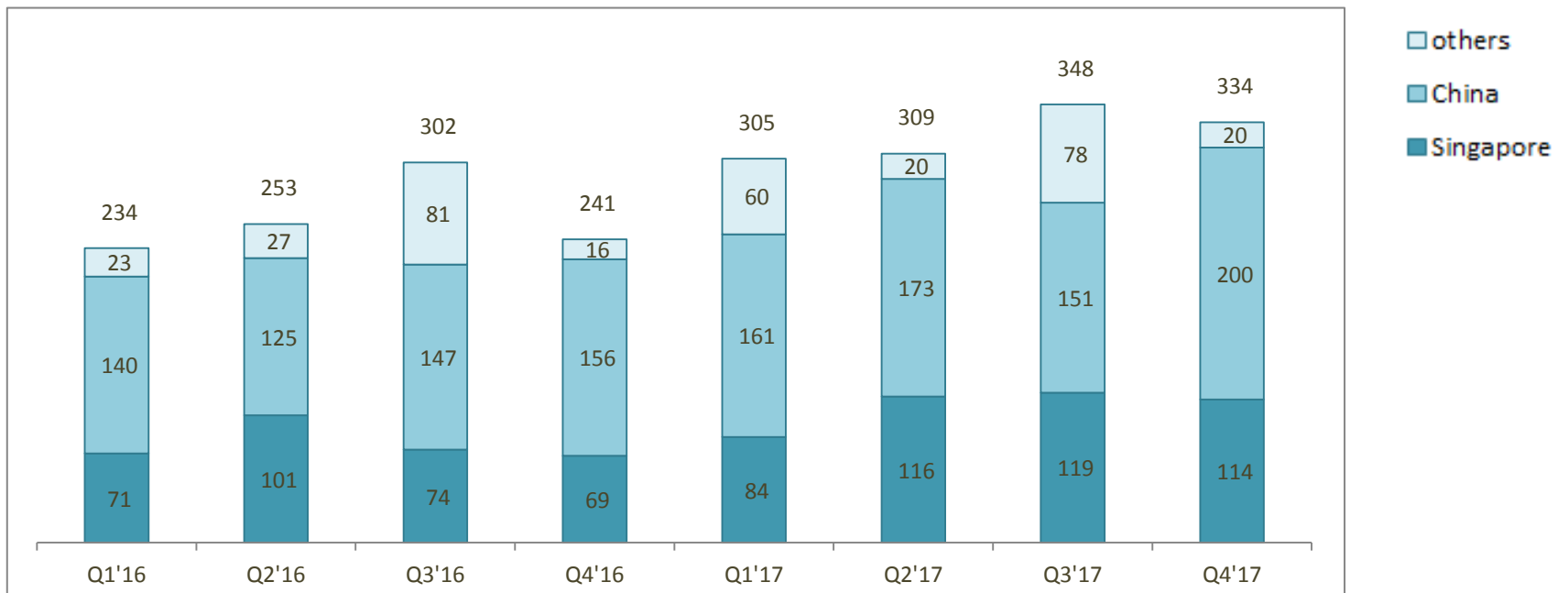


- FY2017 revenue up 26% YoY
- Overall growth was driven by the increase in post-production and visual effects revenues in films, gains from divestment of IP rights and new businesses in the internet content space

Revenue by Market

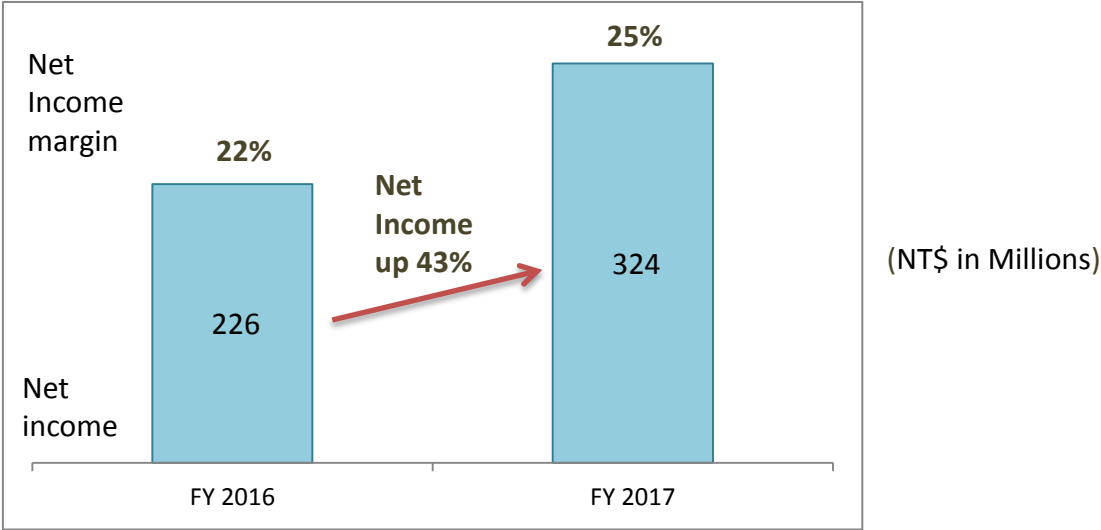
NT\$ in Millions

Period	2016	2016 %	2017	2017 %	YOY%
Others	147	14%	178	14%	71%
China	568	55%	685	53%	40%
Singapore	315	31%	433	33%	3%
FY TOTAL	1,030	100%	1,296	100%	26%



- 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



EPS (NT\$ in Dollar)	FY 2016	FY 2017
EPS	7.03	10.05

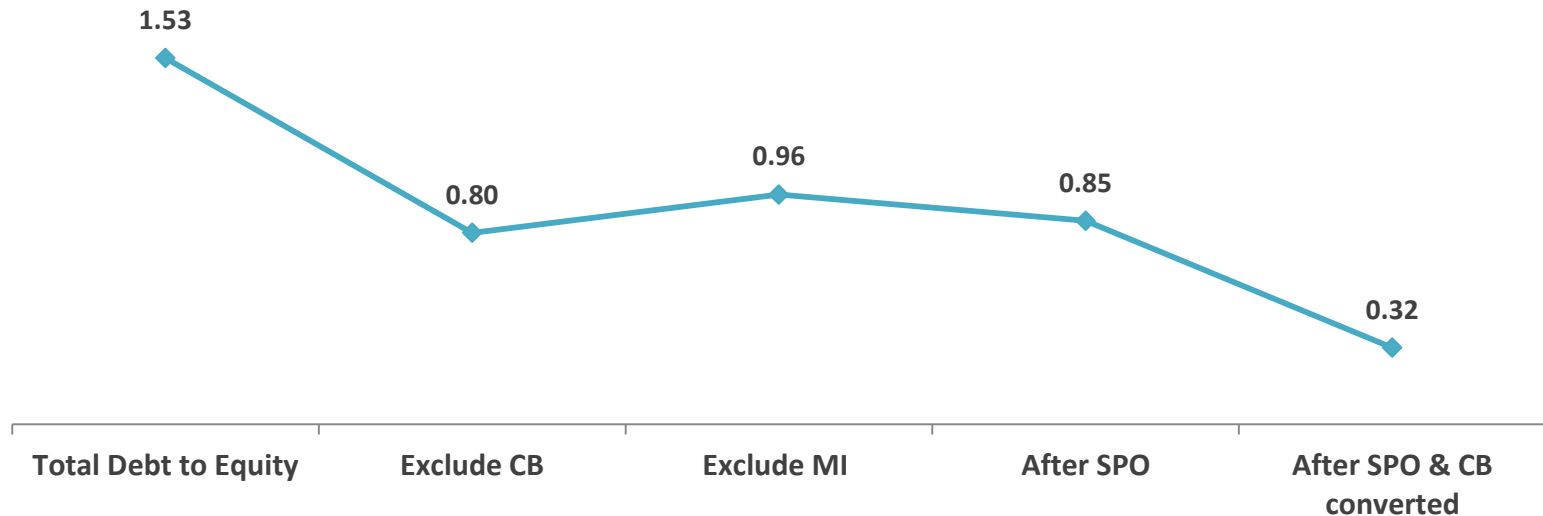
- 2017 net income margin increased from 22% to 25%. Factors contributing to the growth include :-
 - recognition of net income from additional 32% stake acquired in VHQ Beijing, contributed from NTD1.21 to NTD 3.55 in the EPS
 - increased productivity in production
 - increased efficiencies in operating cost, staff wages and administrative cost
 - the average value of each project in 2017 was 20% higher year-on-year

Ratio

Description	FY16	FY17
GP margin	48%	53%
EBIT margin	27%	35%
PBT margin	26%	33%
PAT margin	25%	26%
PAT margin after MI	22%	25%
AR turnover days	196	228
Current ratio	5.32	1.17
Debt Ratio	0.49	0.60
Debt Ratio w/o Bonds	0.23	0.32
Gearing Ratio	0.74	0.43
Gearing Ratio w/o Bonds	0.23	0.43

- The movement in current ratio, debt ratio and gearing ratio for 2017 was due to the issuance of convertible bonds (“CB”) in 2016. The unconverted CB was re-classified from non-current liability to current liability as a result of the put option which took effect from Sep 2017. Balance unconverted is NTD674 Million at the end of 2017

2017 Debt to Equity ratio



- The movement in current ratio, debt ratio and gearing ratio for 2017 was due to the issuance of convertible bonds (“CB”) in 2016. The unconverted CB was re-classified from non-current liability to current liability as a result of the put option which took effect from Aug 2017. Balance unconverted is NTD674 Million at the end of 2017
- 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 for 2017 is 1.53, it will be below 1.00 without CB & MI shown above
- In early 2018, we issued an additional 5,220,000 shares through the SPO exercise. The ratio is below 1.00 and it will be further reduced to below 0.50 assuming all CB is converted

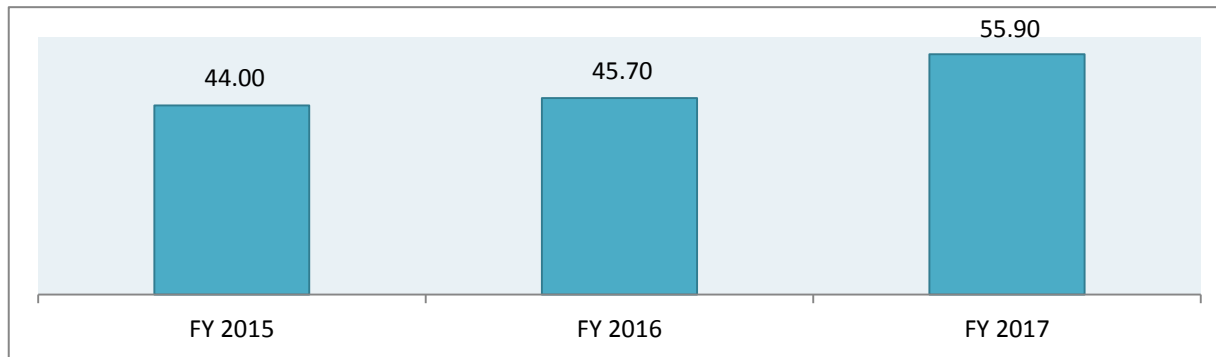
Peer comparison

Company	Asset Turnover Ratio	ROE	ROA	PE multiple	Market Cap In NTD'mil
VHQ	0.55	35%	13%	16	5,404
Prime Focus	0.65	19%	4%	38.68	11,659
MM2	0.58	20%	12%	22.57	12,918
Wanda Film	0.59	13%	7%	41.17	277,623
Dexter Studios	0.37	7%	6%	NA	4,921
Orange Sky Golden Harvest Entertainment	0.41	-4%	-2%	NA	6,195
Shanghai Oriental Pearl Medi	0.53	10%	8%	21.13	194,627
Perfect World	0.38	14%	7%	29.23	192,319
Huayi Brothers	0.18	8%	4%	31.41	118,232
Beijing Enlight Media	0.19	10%	8%	45.63	163,525

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

China Film Market

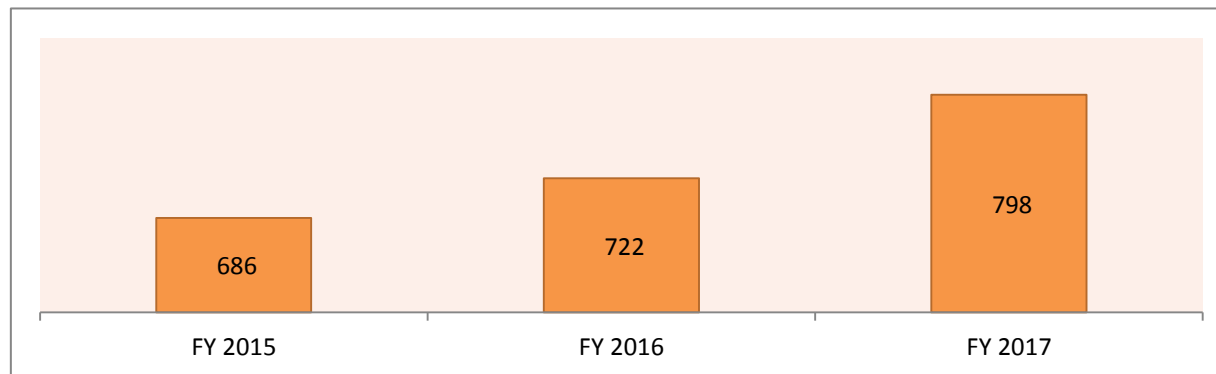
Box
Office
Revenue



(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)

	FY 2017	FY 2016
Operating revenue	1,296,450	1,030,700
Operating costs	605,354	537,295
Gross profit	691,096	493,405
Net income	343,097	259,817
Net income attributable to:		
Shareholders of the Company	324,436	226,198
Non-controlling interests	18,661	33,619
	343,097	259,817
Earnings per share (expressed in New Taiwan dollars)		
Basic earnings per share	10.05	7.01

Appendix 2

CONSOLIDATED BALANCE SHEET

(Expressed in NT\$' 000)

	<u>December 2017</u>	<u>December 2016</u>
Current Assets	1,189,986	1,507,182
Non-current Assets	1,166,644	1,035,627
Total Assets	<u><u>2,356,630</u></u>	<u><u>2,542,809</u></u>
EQUITIES & LIABILITIES		
Equity attributable to shareholders of company		
Capital stock	322,770	322,770
Reserves & Surplus	553,568	837,655
Shareholders' Equity	<u>876,338</u>	<u>1,160,425</u>
Non-controlling interests	59,777	136,318
Total Equity	<u><u>936,115</u></u>	<u><u>1,296,743</u></u>
Current Liabilities	1,014,964	283,365
Long-term Liabilities	405,551	962,701
Total Liabilities	<u><u>1,420,515</u></u>	<u><u>1,246,066</u></u>
Total EQUITIES & LIABILITIES	<u><u>2,356,630</u></u>	<u><u>2,542,809</u></u>

Appendix 3

CONSOLIDATED CASH FLOW STATEMENT

(Expressed in NT\$' 000)

	FY 2017	FY 2016
Income before tax	429,357	271,388
Net Cash flows used in operating activities	(401,945)	18,474
Net Cash flows used in investing activities	(180,969)	(856,425)
Net Cash flows (used in) generate from financing activities	(606,220)	933,647
Effect of exchange rate changes on cash and cash equivalents	(320)	(55,554)
Cash and cash equivalents at beginning of year	889,290	577,760
Cash and cash equivalents at end of period	129,193	889,290

Free Cash Flow Reconciliation

	FY 2017	FY 2016
Net cash provided by operating activities	27,412	289,862
Less: Purchases of property and equipment	(102,099)	(493,724)
Free Cash Flow	(74,687)	(203,862)



THANK YOU