

Charm Communications Inc.

NASDAQ: CHRM

2012 Q4 Corporate Presentation



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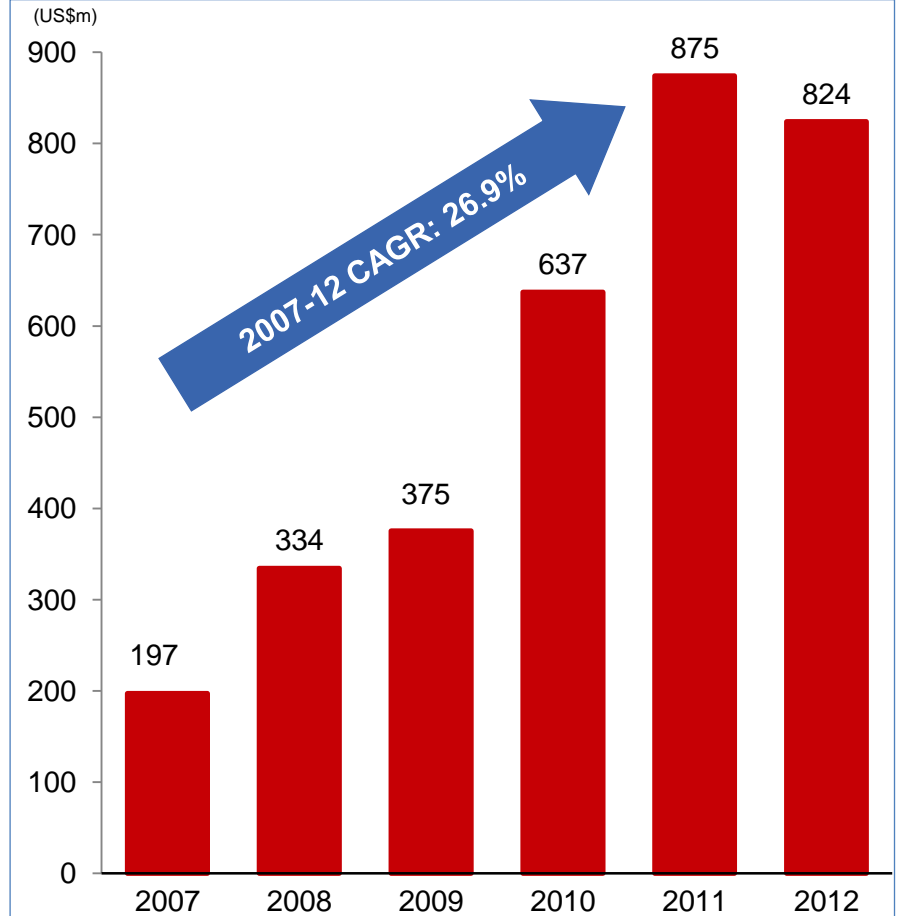
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A leading domestic advertising agency group

Company Description

- Charm Communication Inc. (Nasdaq: CHRM)
- Founded in Beijing in 1995 by our Chairman and CEO, Mr. He Dang
- IPO on Nasdaq in May 2010
- Underwriters: Credit Suisse, Piper Jaffray, Oppenheimer
- Market Capitalization (December 31st, 2012): US\$154.9mm
- Net Cash (December 31st, 2012): US\$116.6mm
- Major Shareholders (December 31st, 2012):
 - He Dang: 53%
 - Aegis Media: 15%
 - AIF Capital: 6%
- Dividend yield: 9.6% (based on closing price of \$5.20 on March 22nd, 2013)
 - Record Date: April 1st, 2013
 - Payment Date: May 15th, 2013

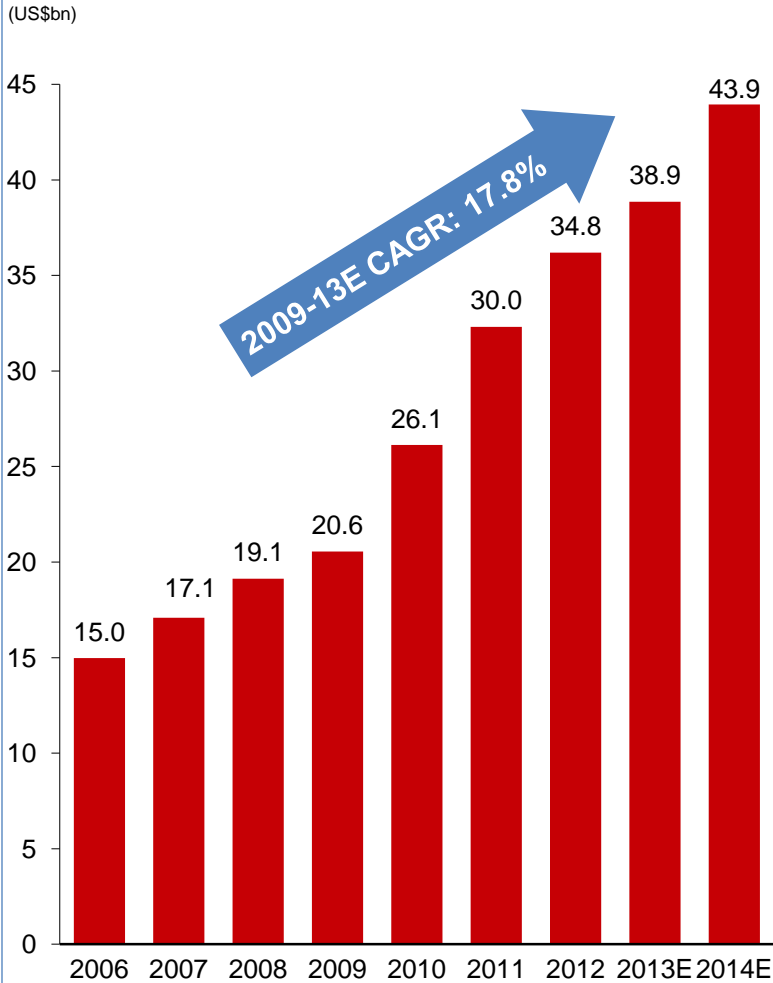
Charm's total customer adspend or turnover⁽¹⁾



Note:
 (1) Total advertising spending placed through Charm's advertising agency and media investment management businesses.

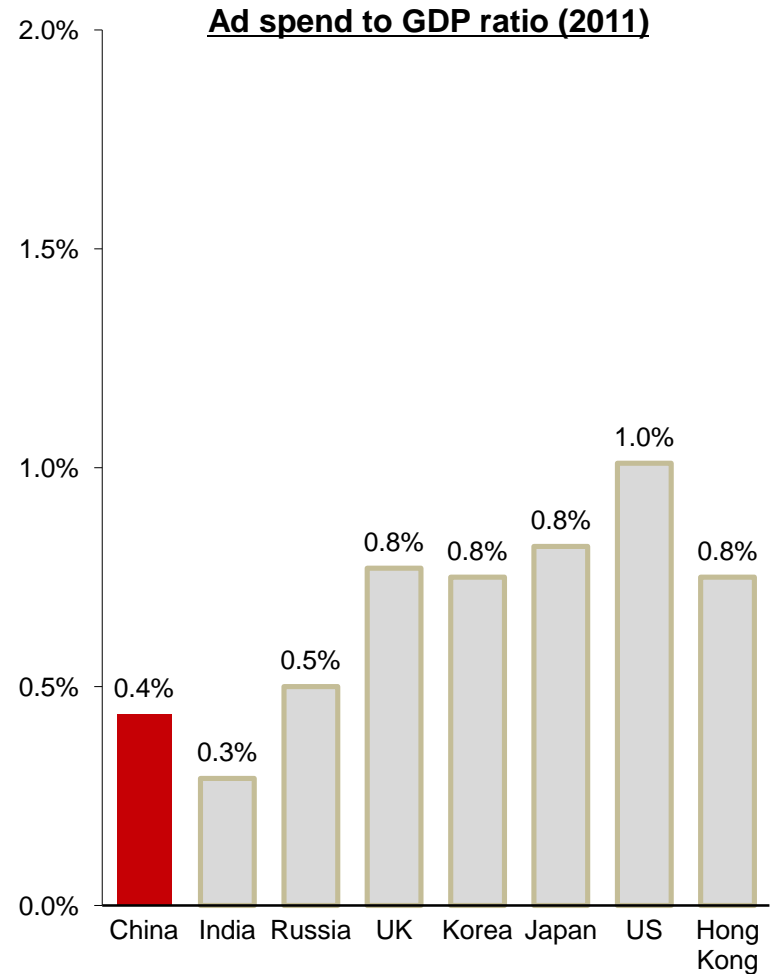
We operate in a large and fast-growing market

The Chinese advertising market is growing rapidly...



Source: ZenithOptimedia (December, 2012)

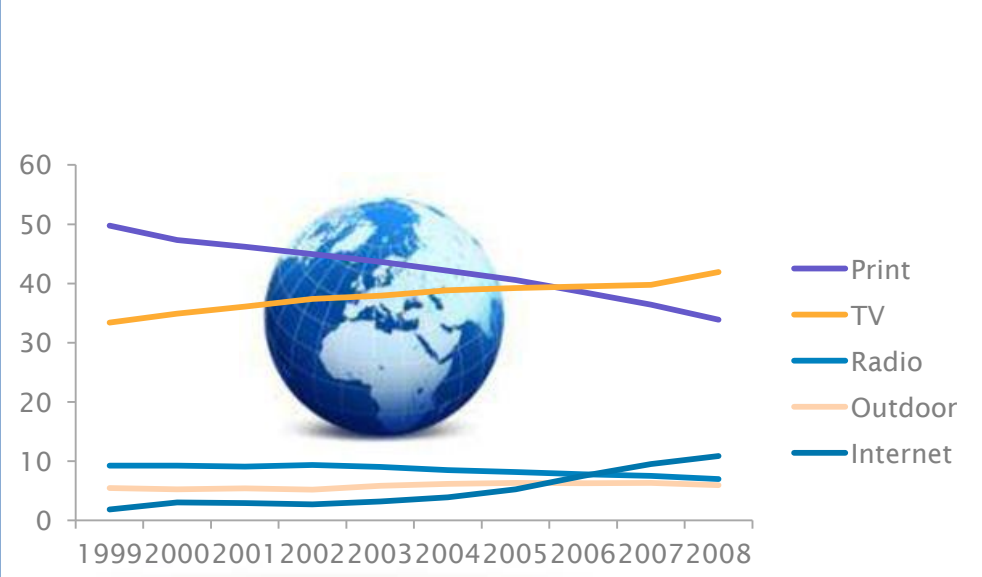
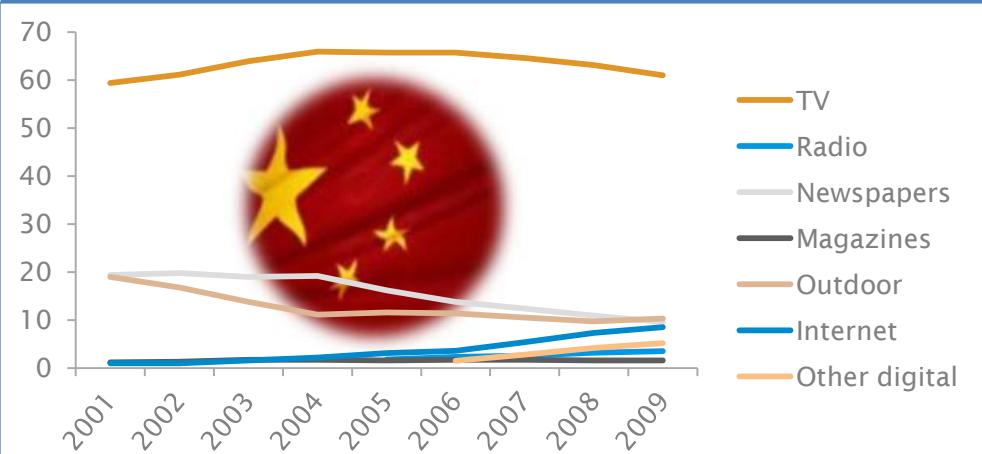
...with room for further growth in the future



Source: ZenithOptimedia (December 2011)

We focus on the most attractive media: TV and Internet

Market Share breakdown by media last 10 years



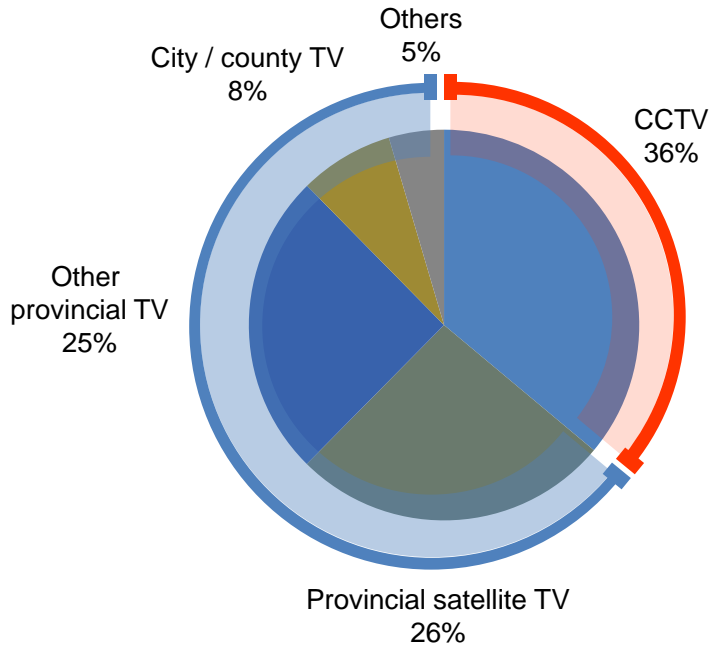
Source: Aegis Media (May, 2010)

China's Media Trends follows the West

- TV continues to dominate media spending – over 60% of total adspend in China
- Internet growing rapidly – over 30% growth in 2011
- Print on the decline
- Stable mix for other media

Television: CCTV dominates viewers and adspend

TV ad market share (by channel) (2009)



Source: CTR, 2010

- 1 CCTV network with 15 national channels
- 31 provincial TV networks with 31 provincial satellite channels and over 150 provincial terrestrial channels
- Over 200 city/county stations

TV Channels Ranking by Viewership (Jan-Dec 2012)

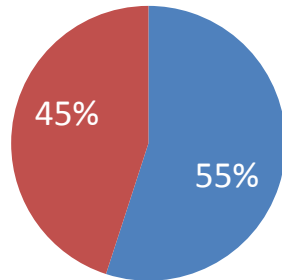
Ranking	Channel	Ratings (%)
1	CCTV-1	0.55
2	CCTV-3	0.39
3	CCTV-News	0.36
4	Hunan Satellite	0.35
5	Jiangsu Satellite	0.34
6	CCTV-6	0.32
7	Zhejiang Satellite	0.30
8	CCTV-4	0.30
9	CCTV-5	0.29
10	CCTV-8	0.28
11	Tianjin Satellite	0.24
12	Anhui Satellite	0.23
13	Shanghai Satellite	0.22
14	CCTV-Children	0.22
15	Beijing Satellite	0.21
16	Shandong Satellite	0.21
17	Jiangxi Satellite	0.19
18	Heilongjiang Satellite	0.16
19	Shenzhen Satellite	0.16
20	Hubei Satellite	0.15

Source: CSM (Jan -Dec, 2012), 4+, Full day, 31 provincial cities

Competitive landscape for advertising agencies

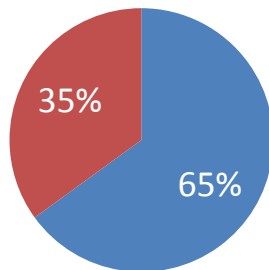
Market Dynamic for Agencies and Advertisers

Media Agencies by Type (2009)



■ Domestic Agencies ■ International Agencies

Advertiser by Type (2009)



■ Domestic Advertisers ■ International Advertisers

Source: Nomura Research (June, 2010)

2012 Top Chinese Agency Groups by Total Billings

- 1 WPP-GroupM
- 2 Publicis-VivaKi
- 3 Aegis Media
- 4 Omnicom
- 5 **Charm**
- 6 Dentsu

Source: RECMA (September 2012)

- Top 5 advertisers in China are all large global brands: P&G, Unilever, L'Oreal, Yum and Coca-Cola
- International agencies focus more on international advertisers
- Domestic advertisers are more fragmented but are growing faster
- Charm is well positioned for growth from domestic advertisers

Capturing growth in TV and internet advertising

Charm is the leading domestic advertising agency group in China best positioned to capture the growth in TV and internet advertising

Established market leader

- \$824 mm gross billings, 5th largest ad agency group in China
- Leading domestic TV ad agency
- Leading market share on CCTV for 10 consecutive years
- Customers include top domestic brands across all industries
- Long-term partnership with all leading TV and internet media

Successful track record of execution and organic growth

- Annual billings growth of 46% over the last 5 years
- 5 year non-GAAP net income CAGR of 45%
- Continued diversification from CCTV with non-CCTV billings to 40%
- Successful strategic partnership with Aegis Media

Digital business to drive growth

- Digital business making up 11.8% of agency revenue in 2012 from less than 1% in 2009
- After the successful integration of acquired leading SEM agency Charm Click, will also consolidate with the organically built Charm Interactive to strengthen digital capabilities
- R&D investments to build internet advertising platform

Investment Highlights

1

Established market leader with the biggest scale amongst domestic agencies

2

Successful track record of execution and organic growth

3


Digital business well positioned to drive growth

4

Strong and stable management team


1 The largest agency for China's largest TV network


#1 domestic TV advertising agency in China in 2009⁽¹⁾...


	Company	Adspend (RMB billion)
1		2.3+
2	Company A	1.5
3	Company B	0.8
4	Company C	0.4
5	Company D	0.4

Note:
(1) Based on a report prepared by CTR, an independent market research firm based in China, and commissioned by Charm. Rankings above based on 2009 prime-time ad time bidding amount split by company.


... with a leadership position on the single largest TV network in China

 **2004-2013:**
#1 agency in prime-time advertising on CCTV-1 for 10 consecutive years

 **2003-2013:**
#1 agency in terms of total advertising spending placed on CCTV for 10 consecutive years

 **1996, 2000-2013:**
CCTV's top 10 advertising agencies

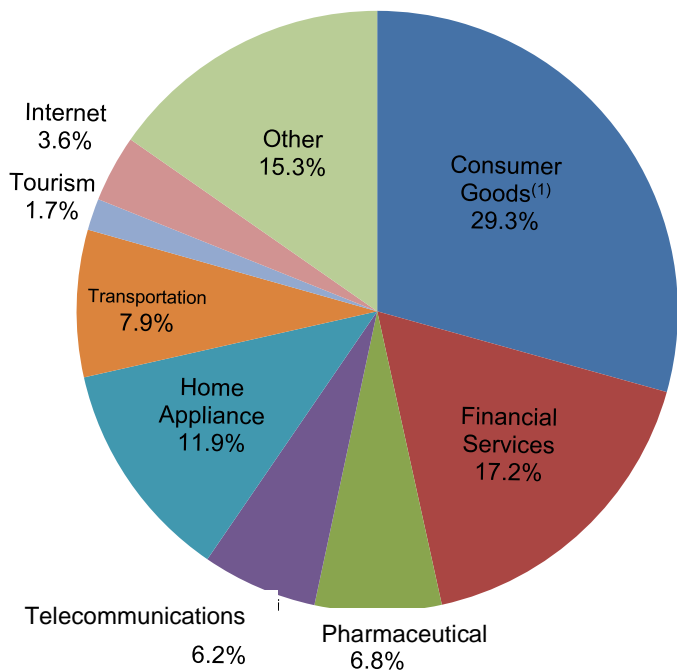
2012 CCTV Primetime Market Share

1		25.3%
2	Company X	15.8%
3	Company Y	7.9%

Charm has the biggest scale of all domestic advertising agencies

1 Strong presence in domestic consumer brands

2012 Charm ad spend by industry



Note: (1) Consumer goods includes food, beverages, alcoholic drinks, cosmetics/toiletries, personal care and tobacco products.

Consumer goods

Relationship



■ Lolo

■ 11 years



■ Snowbeer

■ 7 years



■ Jin Mai Lang Food

■ 6 years



■ Great Wall Wine

■ 5 years



■ Bosideng

■ 10 years



■ Beinmate

■ 7 years

Financial services

Relationship



■ Agricultural Bank of China

■ 6 years



■ Citic Bank

■ 6 years



■ China Post Life

■ 3 years

Others

Relationship



■ Chery Automobile

■ 4 years



■ Suning Appliance

■ 4 years

Our stable client base makes Charm well-levered to the consumption growth in China

1 Blue chip clients and industry leaders

Charm's market leadership and comprehensive advertising solutions have attracted a high-quality blue-chip client base of over 500 customers from all sectors, over 70 of which are long-term customers



■ Leading telecommunications provider

■ 7 years



■ Leading home appliance manufacturer

■ 5 years



■ One of the largest banks in China

■ 6 years



■ China's 7th largest bank by asset size

■ 6 years



■ China's leading beer brand

■ 6 years



■ China's leading traditional pharmaceutical brand

■ 6 years



■ China's largest independent auto manufacturer
■ One of the fastest growing automakers in the world

■ 4 years



■ One of China's largest life insurance companies

■ 3 years

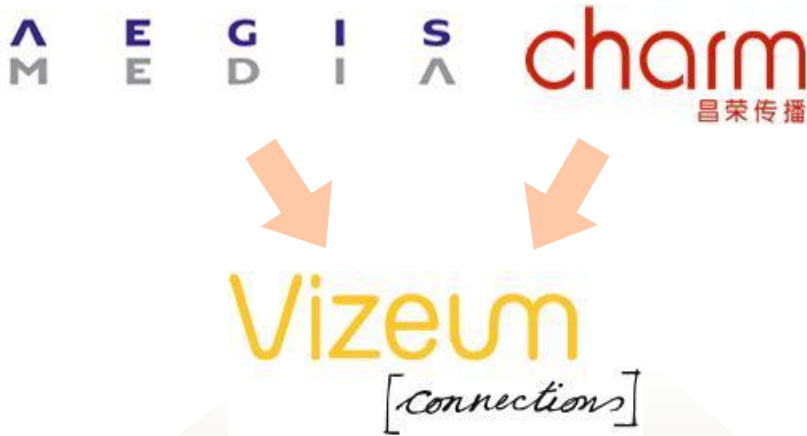


■ Seventh largest insurance company in China

■ 4 years

1 Only domestic agency with a international brand in China

International expertise with deep understanding of China's culture, ad industry and media



Valuable international ad customer base



The JV will:

- Enable us to attract multinational and domestic companies who desire to be represented by an international 4A brand, as well as domestic clients seeking to promote their brands outside of China
- Strengthen our advertising service offerings, particularly in digital and other new media platforms
- Further enhance operations and service capabilities by conforming our management structure and systems to those of an international advertising agency

Our joint venture with Aegis Media will advance our goal of becoming the leading integrated advertising services provider in China

Investment Highlights

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Established market leader with the biggest scale amongst domestic agencies

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Successful track record of execution and organic growth

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Digital business well positioned to drive growth

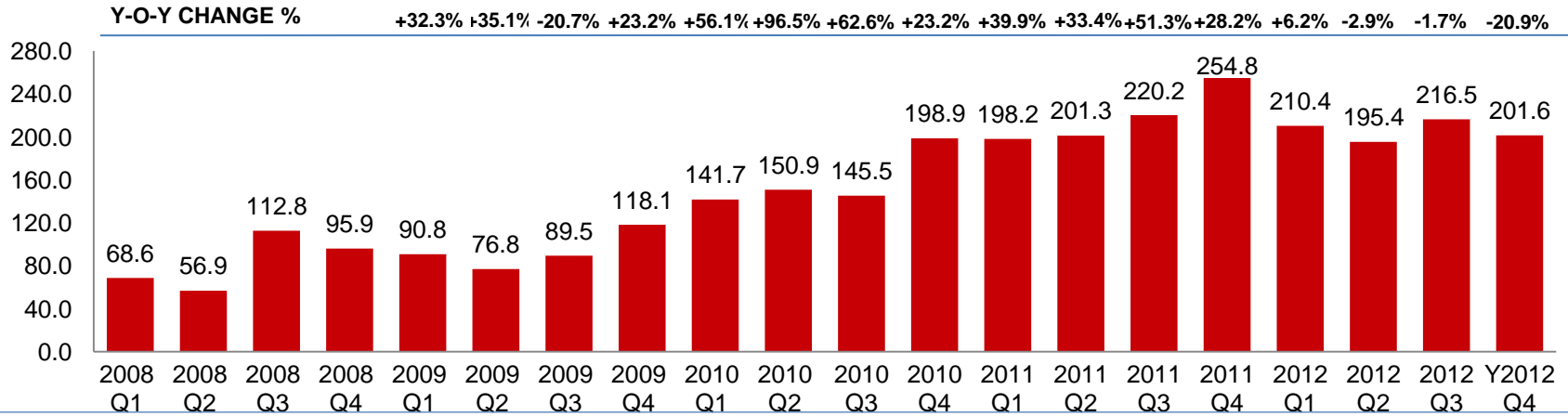
4

Strong and stable management team

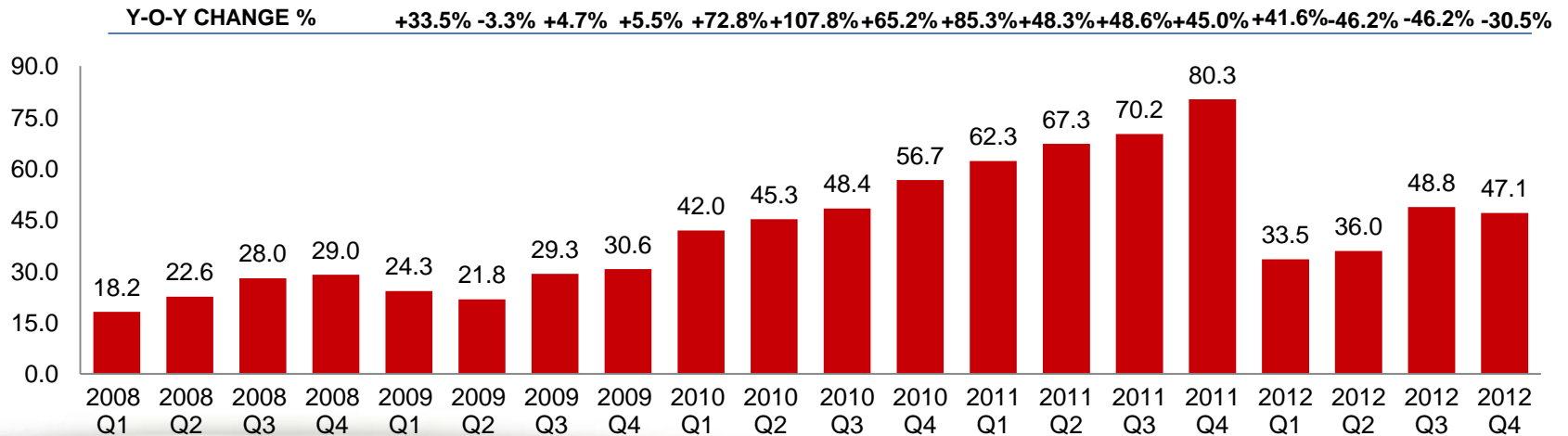
2

Long track record of execution and delivering above market topline growth

Non GAAP quarterly total turnover or adspend



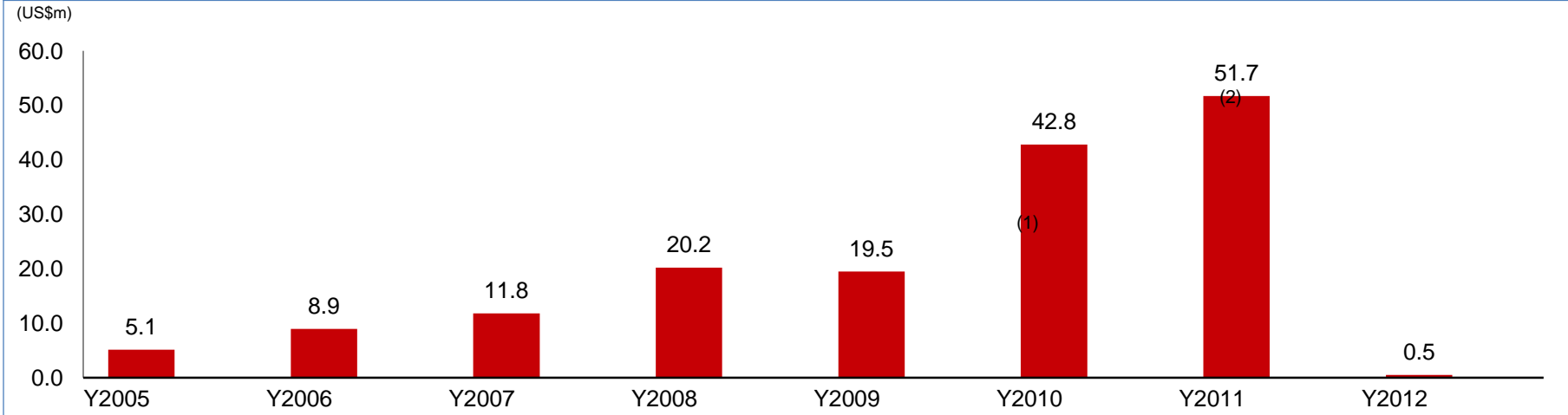
US GAAP quarterly total revenues



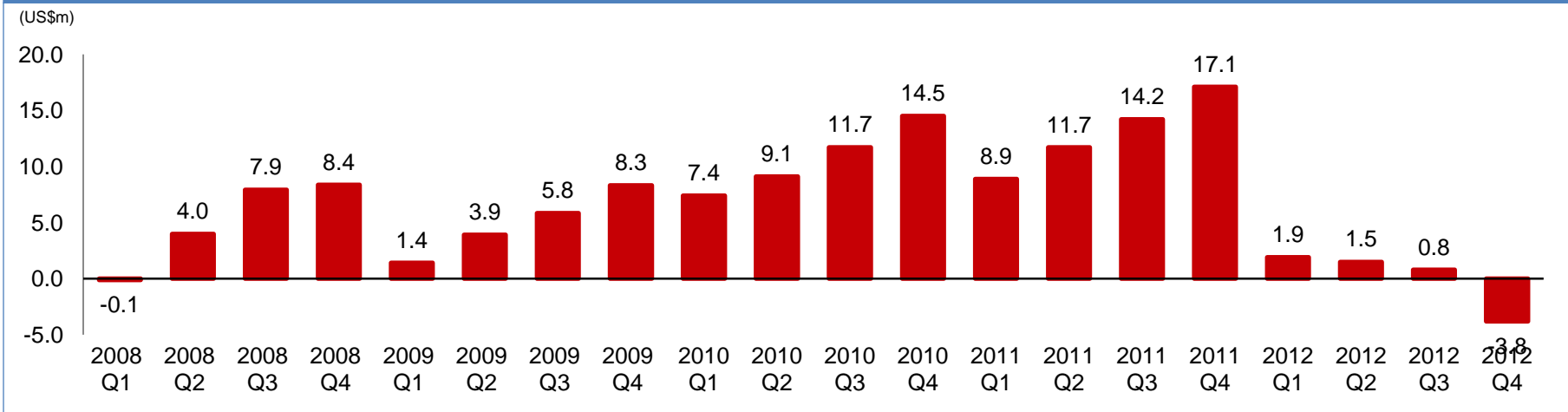
2

Long track record of execution and delivering outstanding profit growth

Non-GAAP Annual net income (excluding share based compensation)



Non-GAAP quarterly net income (excluding share based compensation)



Note: (1) Excludes a one-time impairment loss of US\$1.94 million.

(2) Excludes a one-time impairment loss of US\$1.81 million.

Award-winning creative team

Selected awards related to creative design and production of ads

Year	Awards	Awarding institutions
2011	Silver Award in China Advertising Great-wall Creative Awards	
2011	2011 First Financial Marketing and Advertising Awards	
2010	China Media Case Awards	
2010	China Media Creative Awards	
2009	China Advertisers – Chinese Ad Award 2008	
2008	China Advertisers – Chinese Ad Award 2007	
2007	Top 50 Chinese Advertising Companies with Creative Strength in the 6 th IAI Yearbook	
2007	Silver Award in Ad Production - Bank of China's Telephone Information Services	
2007	Silver Enterprise Award in Ad Production – Innovative marketing for Jin Mai Lang	

Ads produced by Charm



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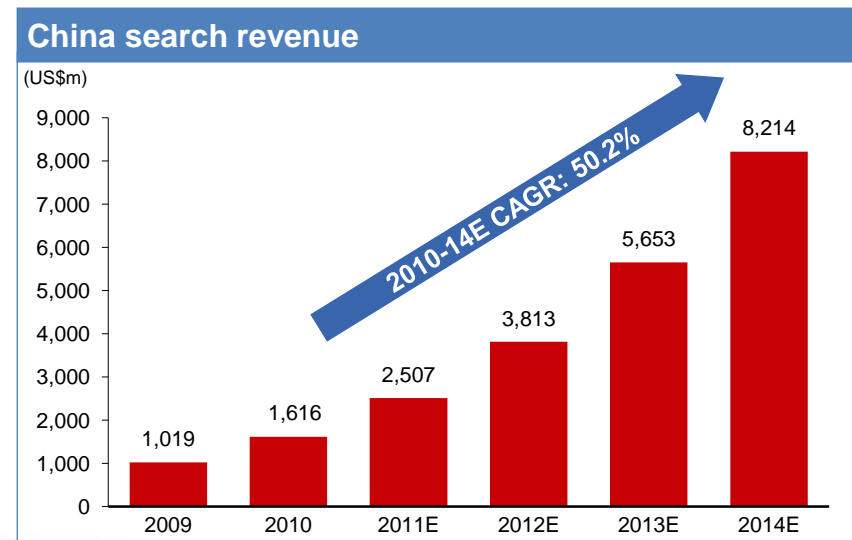
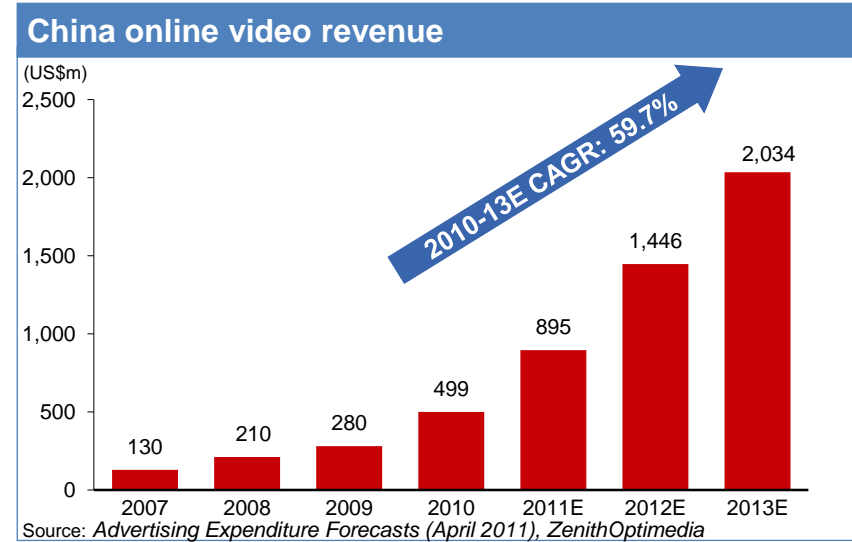
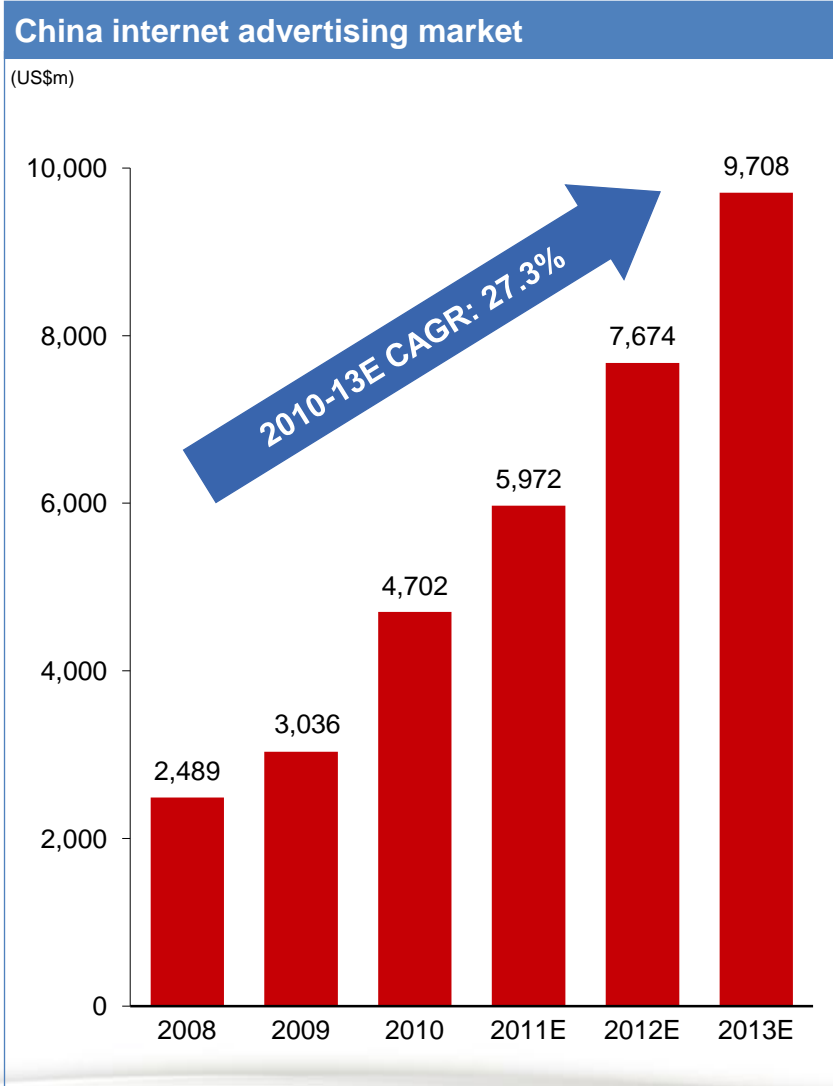
3

Digital business well positioned to drive growth

4

Strong and stable management team

3 Strong growth expected in internet advertisement market, particularly in online video and search

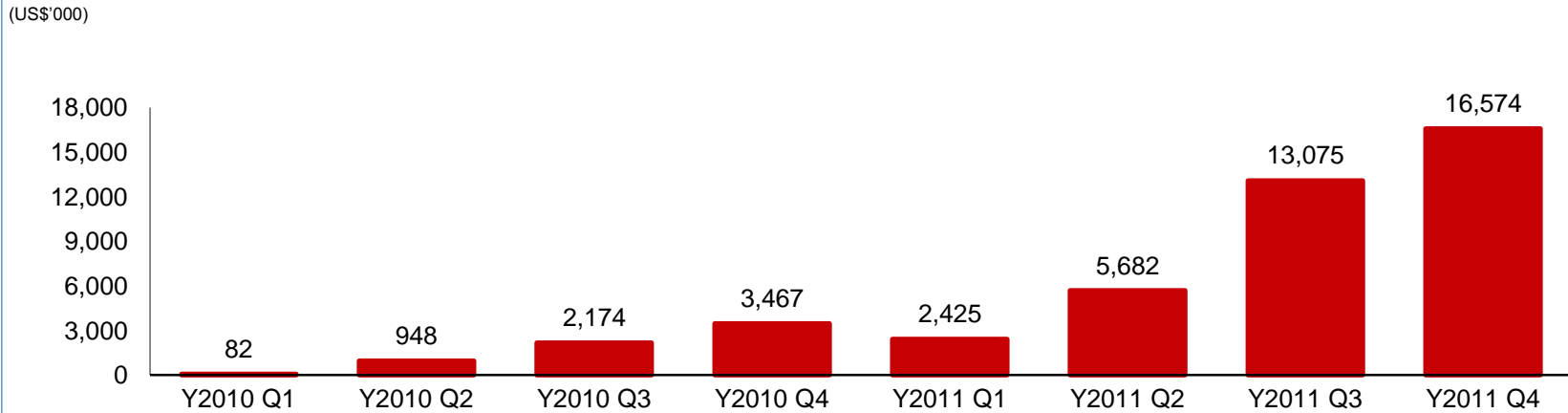


Source: Advertising Expenditure Forecasts (April 2011), ZenithOptimedia

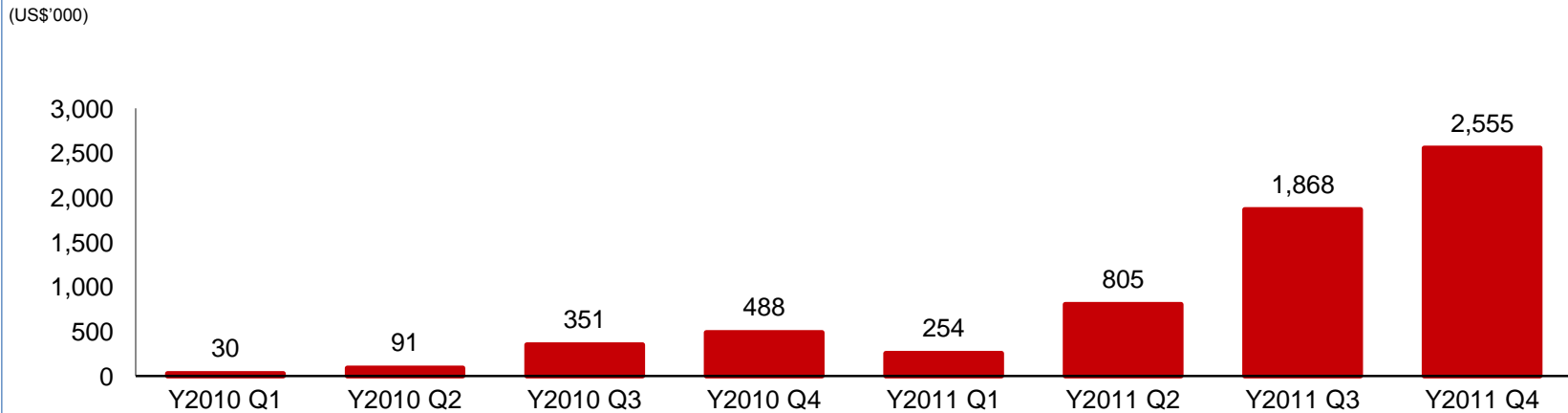
3

Digital growth at Charm

Digital advertising turnover by quarter



Digital advertising revenue by quarter



3

Strong organic growth at Charm Interactive and will increase investments in talent and infrastructure

New Media Agency Services



- Internet advertising spending in China was **US\$4.7bn** in 2010, and is expected to grow at a 2010-14 CAGR of **11.5%**
- Charm Interactive services:
 - Creative execution, media planning and buying, and data capture and analysis
- Industry focus:
 - Pharmaceuticals, financial services, home appliances, travel and tourism, and automobiles
- An experienced team of 51 professionals already in place
- 2012 internet ad spend: 31% on integrated portals, 6% on online video, 47% on search

Source: ZenithOptimedia (April 2011)

Key Strategic Partnerships



- Framework agreements with the top 7 online video websites in China with preferred buying rates



- Framework agreements with preferred media buying rates
- Potential cooperation with several key advertising industries: travel & tourism and pharmaceuticals



- Joint media trading platform formed with Aegis Media to boost buying strengths and enhance media investment efficiency

Significant growth potential in internet agency revenues, with online video to be the key driver

Market leader in search engine marketing (SEM)

Overall market

- SEM space will be growing over 30-35% per annum over the next 5 years
- With the increasing complexity of keyword bidding, companies need a technology based solution rather than manual solutions

About Charm Click

- Leading SEM firm with proprietary technology and full-service capabilities for SEM campaigns
- Baidu's top 10 SEM agency and official SEM agency in Europe
- Developed a client software paid-search optimization product used on Taobao with more than 50 million unique visitors daily
- 92 employees, including 18 engineers, with offices in Shanghai, Beijing and Guangzhou

New Charm Click Business Unit

- Acquisition of ClickPro completed in 3Q 2011
- Integrated ClickPro into our existing SEM business to form the fourth major brand, Charm Click



Client base – leading international and local brands



ESTÉE LAUDER

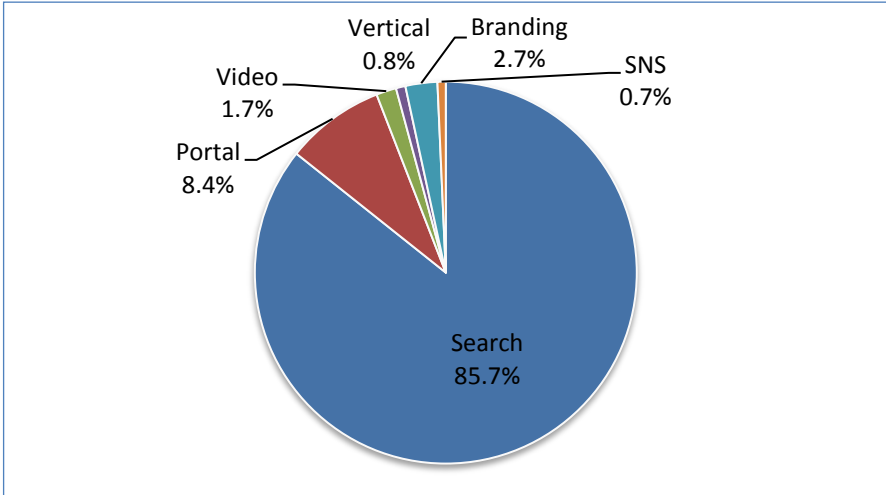


To grow Charm Click to be the leading SEM agency in China

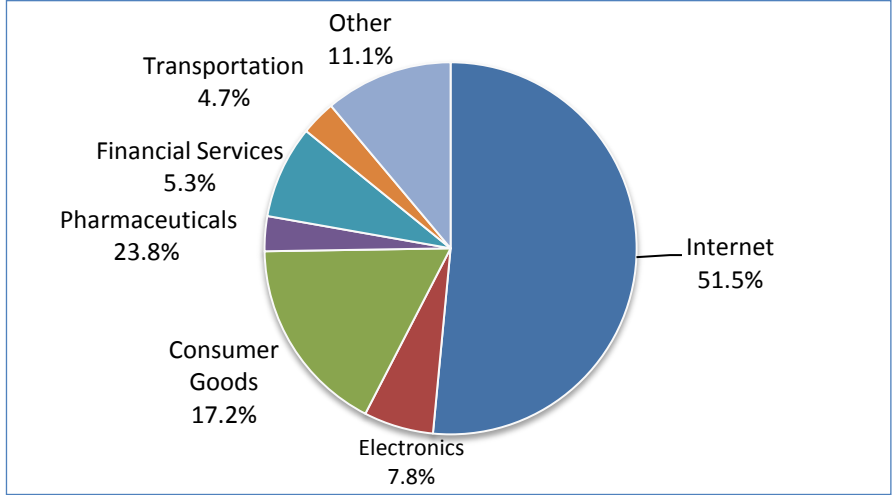
3

Digital spending breakdown by platform and industry

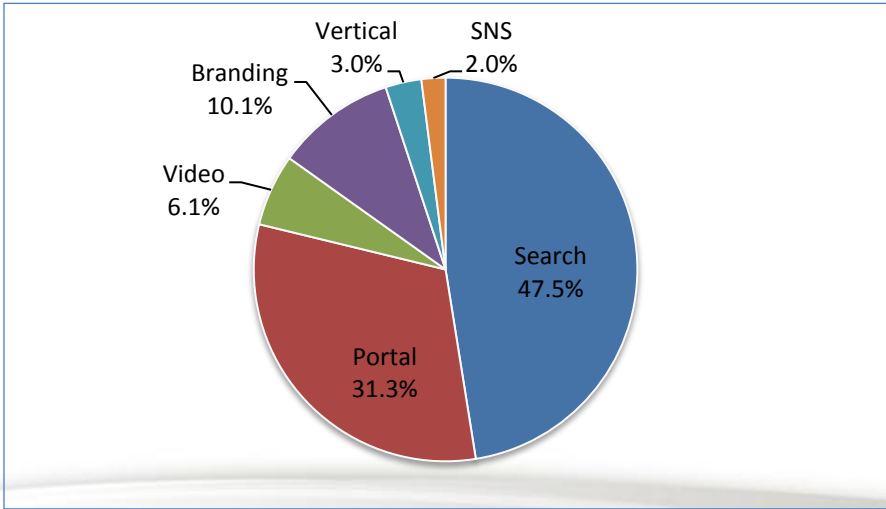
Digital Adspend by Online Platform 2012



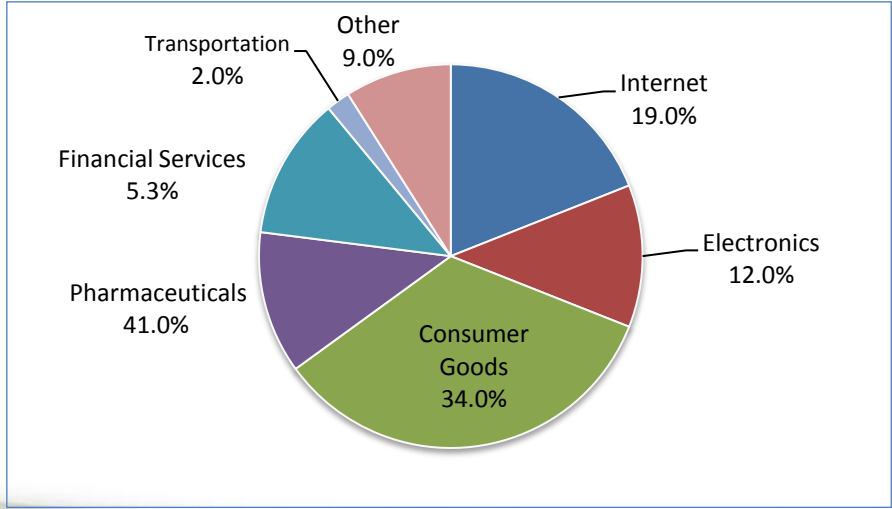
Digital Adspend by Industry 2012



Digital Adspend by Online Platform 2012 (ex. Charm Click)



Digital Adspend by Industry 2012 (ex. Charm Click)



Investment Highlights

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Established market leader with the biggest scale amongst domestic agencies

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Successful track record of execution and organic growth

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Digital business well positioned to drive growth

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Strong and stable management team

4

Strong management team and professionals with industry expertise

Board of Directors



He Dang

- Company's founder, CEO and Chairman
- Over 17 years of experience in the television advertising industry
- Numerous awards related to his contribution to the advertising industry in China



Nick Waters

- Director
- CEO of Aegis Media Asia Pacific
- Previously with Mindshare where he held several management roles in Europe and Asia



Andrew J. Rickards

- Independent director, Chairman of Audit Committee
- Previously held senior positions in the Asian businesses of Providence Equity, NM Rothschild & Sons and Goldman Sachs
- UK Qualified Chartered Accountant



Zhan Wang

- Independent director
- Vice President of Baidu overseeing direct sales, channel sales, and key accounts
- Chief product designer of Baidu's Phoenix Nest, an online marketing platform



Gang Chen

- Independent director
- Deputy dean of the School of Journalism and Communication of Peking University since March 2006

4

Strong management team and professionals with industry expertise

Executive Committee



He Dang

- Company's founder, CEO and Chairman
- Over 17 years of experience in the television advertising industry
- Numerous awards related to his contribution to the advertising industry in China



Bao Li

- President of Shangxing Media
- Former Vice-director of advertising at Anhui TV
- TV industry pioneer known for his innovative programming and marketing strategies



Cathy Chen

- President of Agency Business
- Former Chief Marketing Officer at GE HealthCare
- 20 years experience in the multinational market operations and management in China



Wei Zhou

- CFO
- Ex-CFO of Zhaopin.com, one of the largest online recruitment websites in China
- 5 years of investment banking and investing experience at Goldman Sachs
- Bachelor's degree from Harvard University



Tony Yu

- Chief Technology Officer
- Former Chief Technology Officer of Zhaopin Limited for 7 years
- 15 years experience in the technology field in the U.S. and China

4

Strong management team and professionals with industry expertise

Senior Management Team



Kun Xiao

- VP – Charm Interactive
- 16 year industry veteran, 11 years with Charm and VP of Charm since 2007
- Ad Man magazine's China Advertisement Case Study Golden Award - 2009
- Beijing creative designer of the year - 2008



Linna Li

- VP – CCTV Buying Platform
- 14 years with Charm
- Extensive specialist knowledge of media buying
- Contributed to Charm being the largest buyer on CCTV for 9 consecutive years



Xianhao Yu

- VP – Media Planning
- Former Director of Advertising and Planning at Jinmailang, leading F&B group
- 17 year experience in brand management across different media platforms in China and Taiwan, 5 years as Charm's client



Yihe Zhao

- VP – Market and Media Research
- 16 year experience in consumer behavior, marketing strategy, media research and brand research
- Helped over 100 brands
- Published author and lecturer at Tsinghua



Lei Wu

- VP/GM – Sports Marketing Department
- Held multiple senior positions in CCTV Sports & Entertainment from 2005-2010
- Extensive experience in program planning, event marketing, and copyright purchasing and distribution



Honggang Zhu

- VP/GM – Charm Click & Charm Interactive (Northern China)
- Head of sales support at Google China. Developed and trained the company's first SEM team
- Senior marketing director and head of digital marketing activities at eBay China

Key financial highlights

1 Track record of strong revenue growth – outperforming the overall Chinese advertising industry

2 Strong profitability with sustainable margin trends

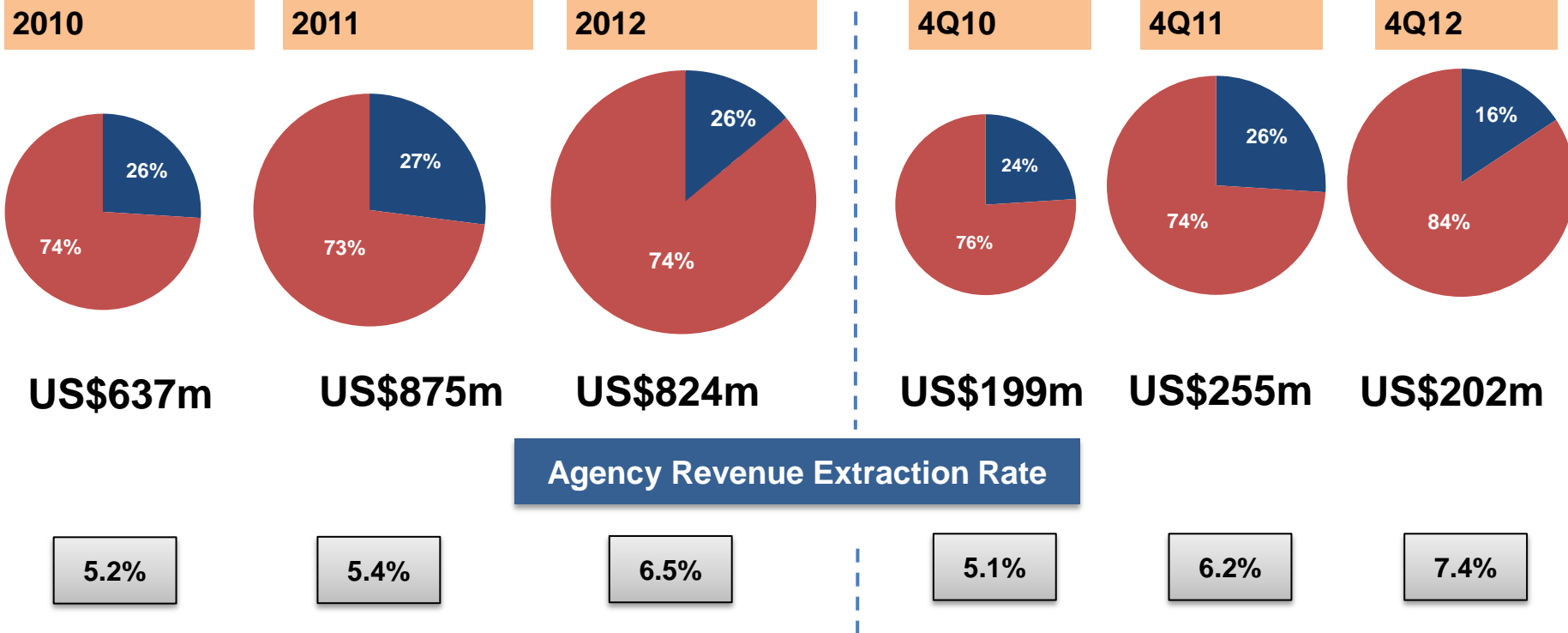
3 Strong cash position with positive operating cash flow

4 Healthy account receivable turnover rate with minimal bad debt

5 Highly scalable business model with limited capital expenditure

Our core revenue drivers and operating metrics

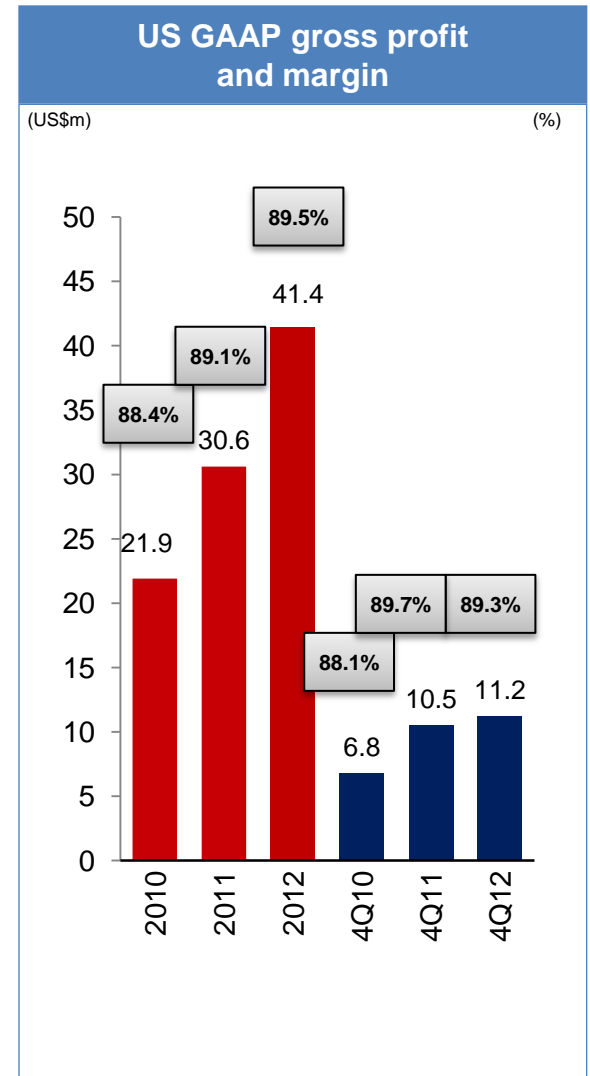
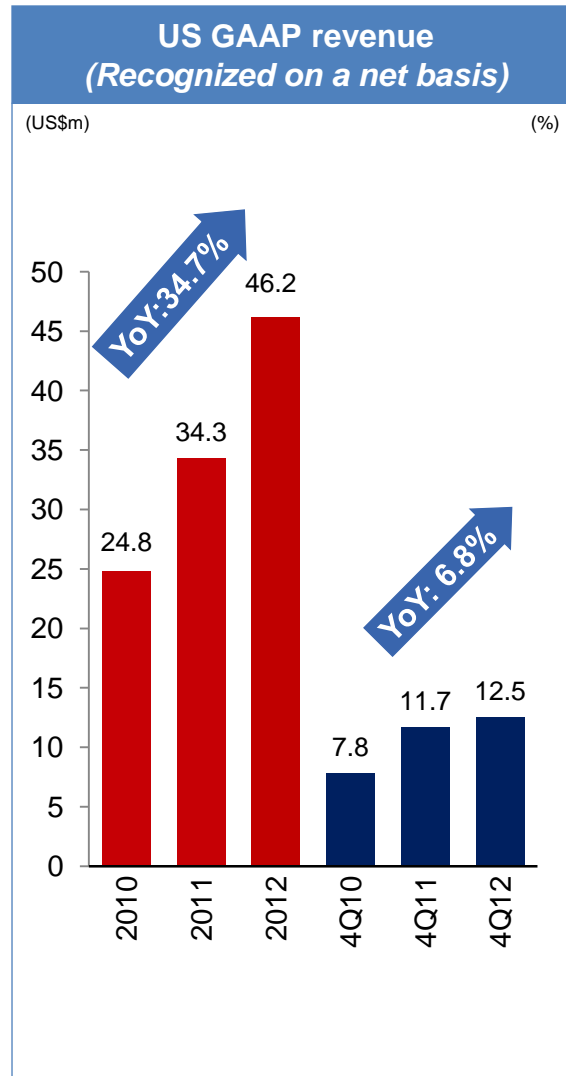
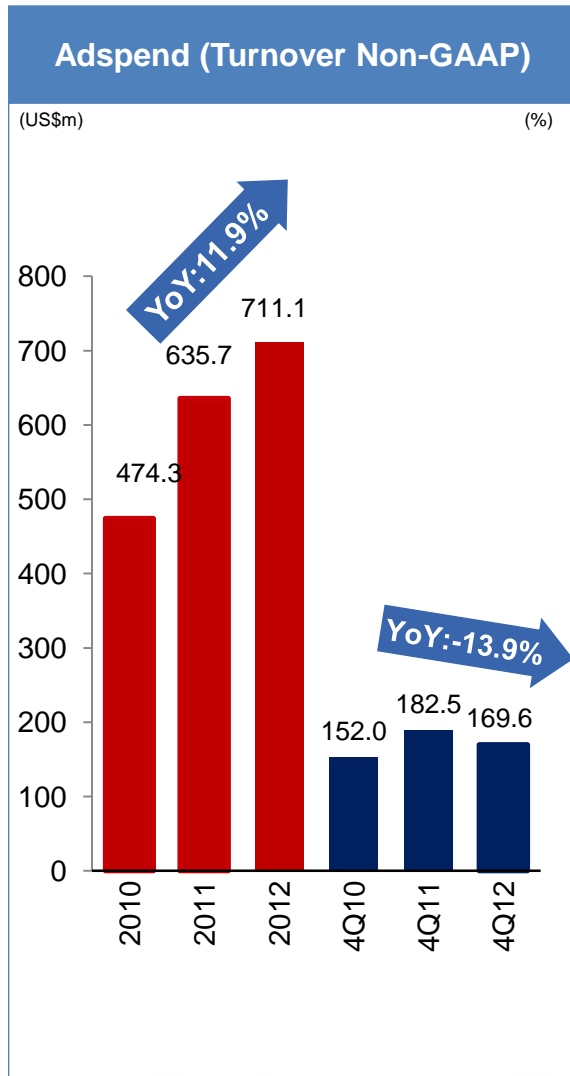
Charm's total ad spend or turnover (Non-GAAP)⁽¹⁾



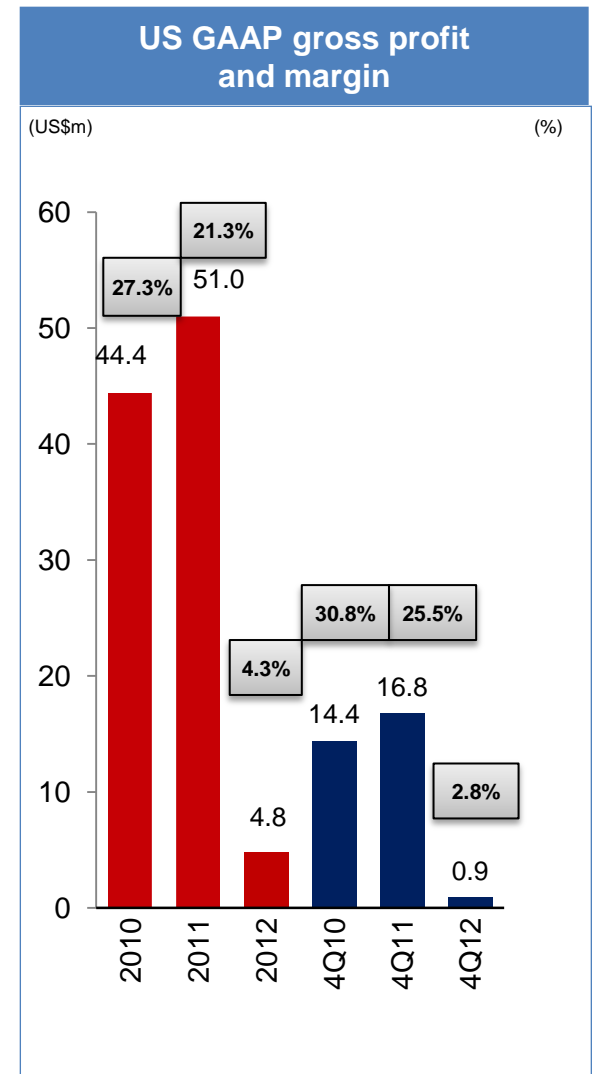
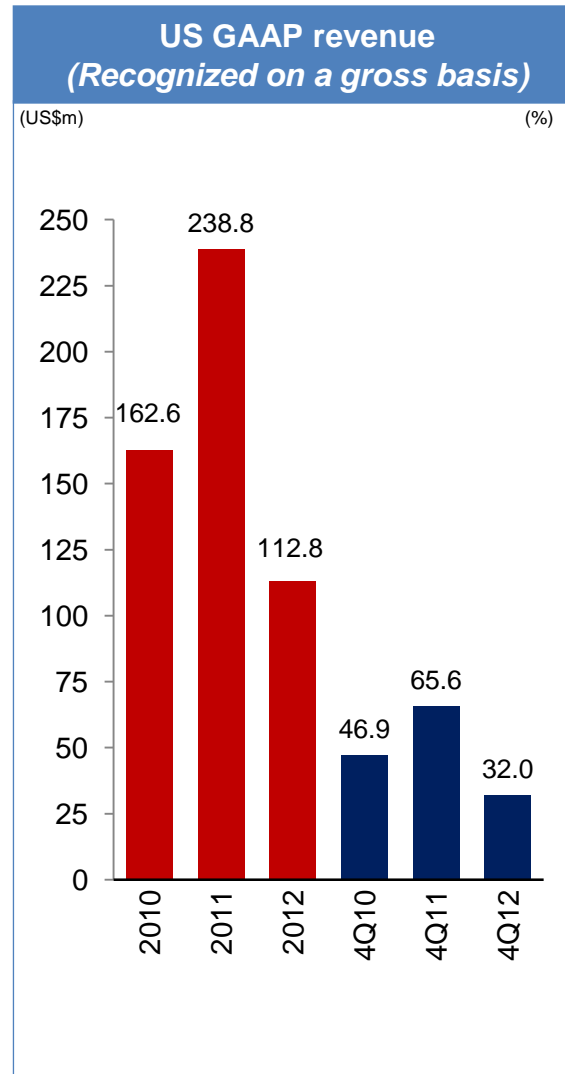
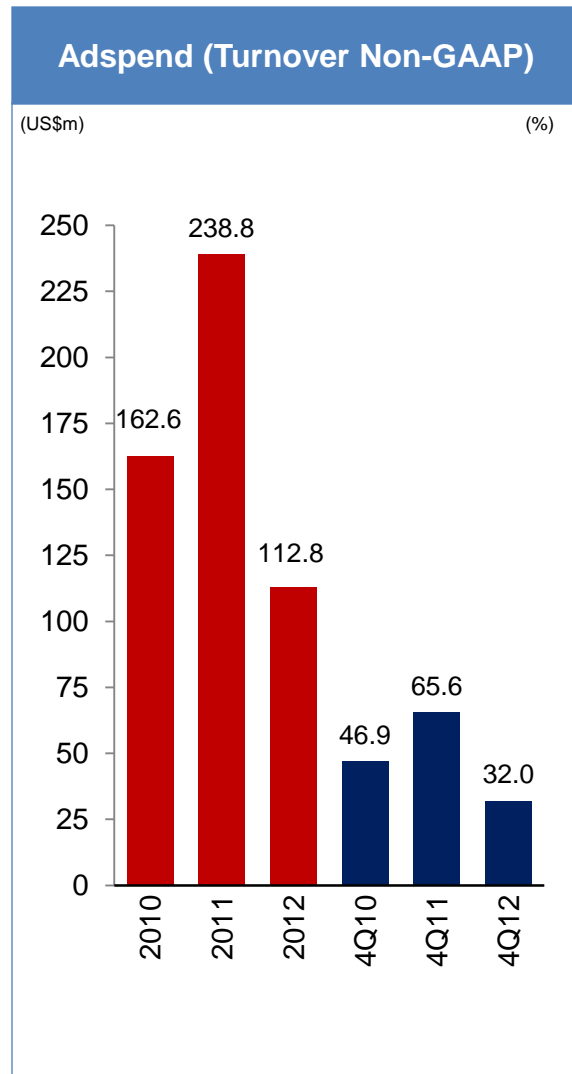
- = Advertising agency business (US GAAP Revenue: Net Basis – Extraction Rate)
- = Media investment management business (US GAAP Revenue: Gross Basis – 100%)

Note:
 (1) Total advertising spending placed through Charm's advertising agency and media investment management businesses

Advertising agency business: Financial snapshot

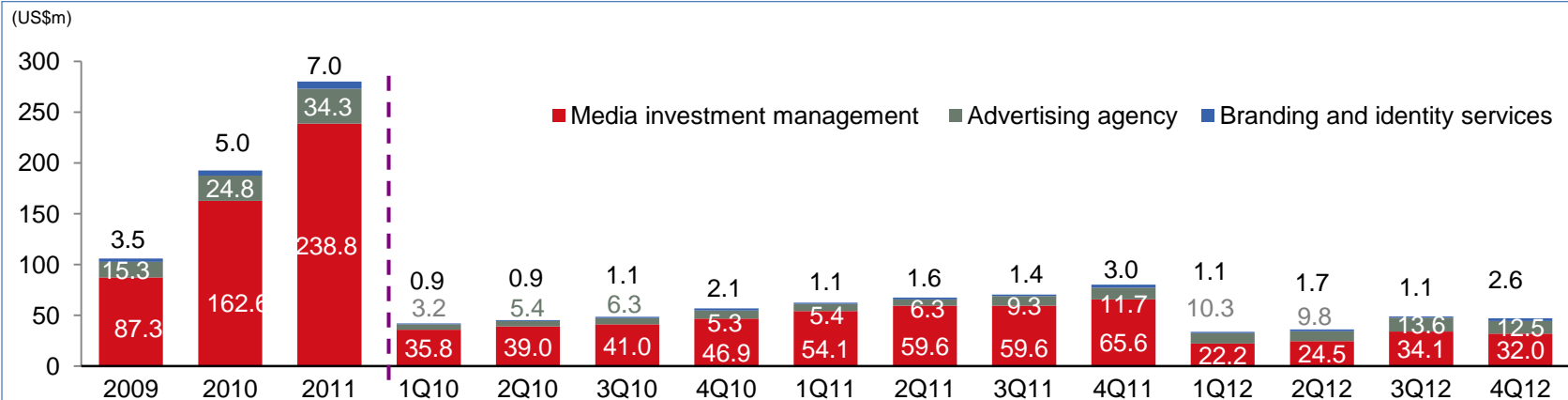


Media investment management business: Financial snapshot

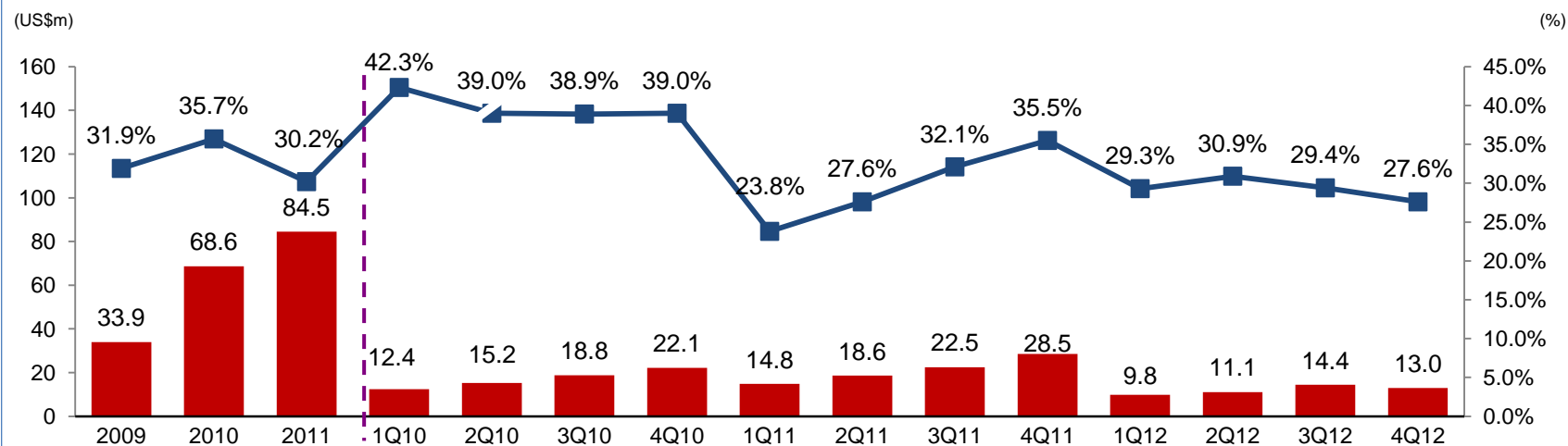


Strong financial track record

US GAAP total revenues

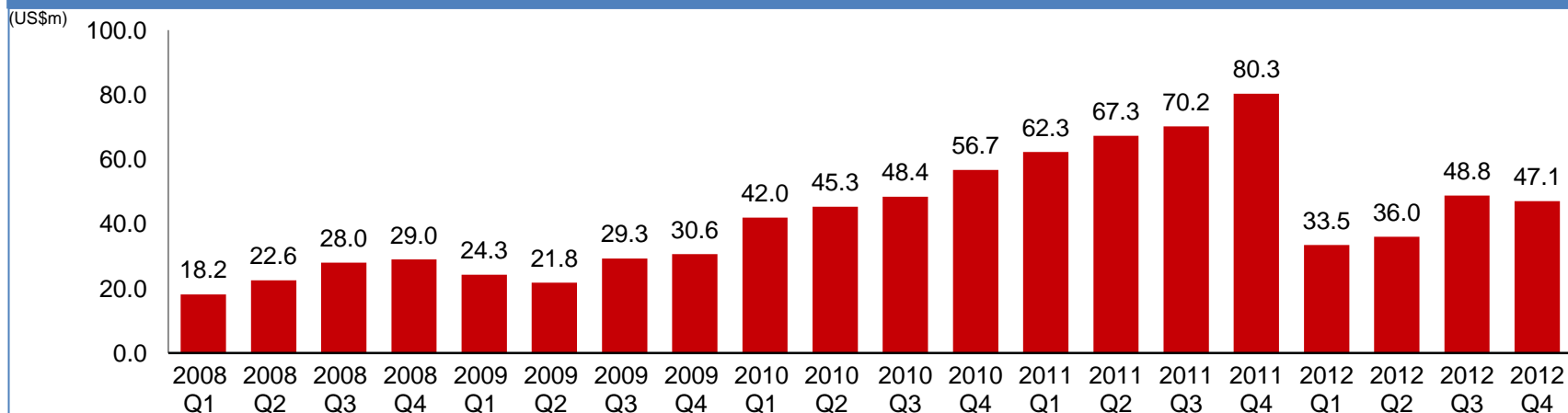


US GAAP gross profit and margin

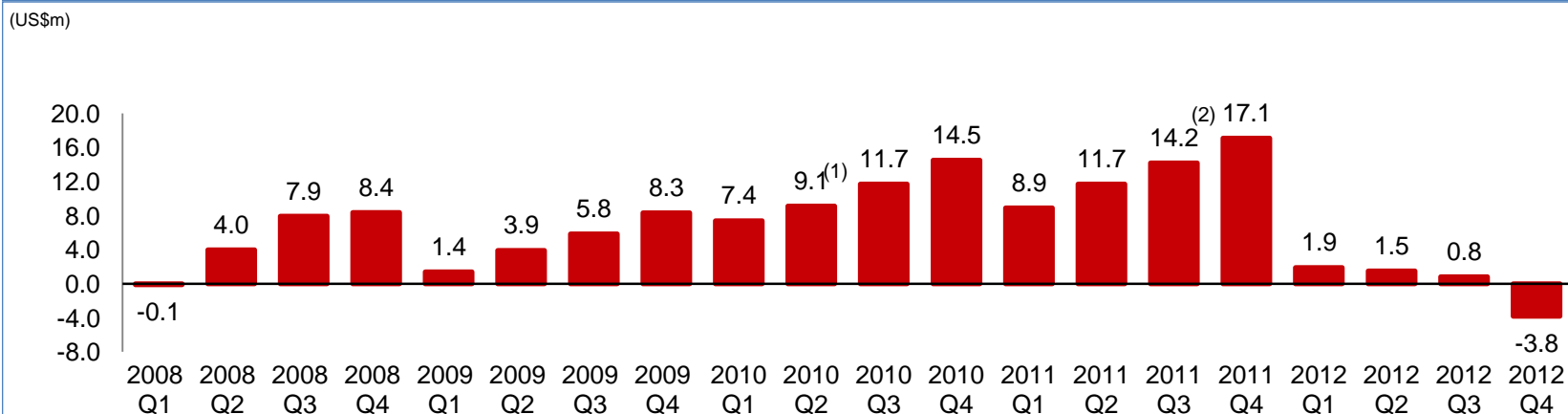


Quarterly revenues and net profit

US GAAP quarterly total revenues



Non-GAAP quarterly net income (excluding share based compensation)

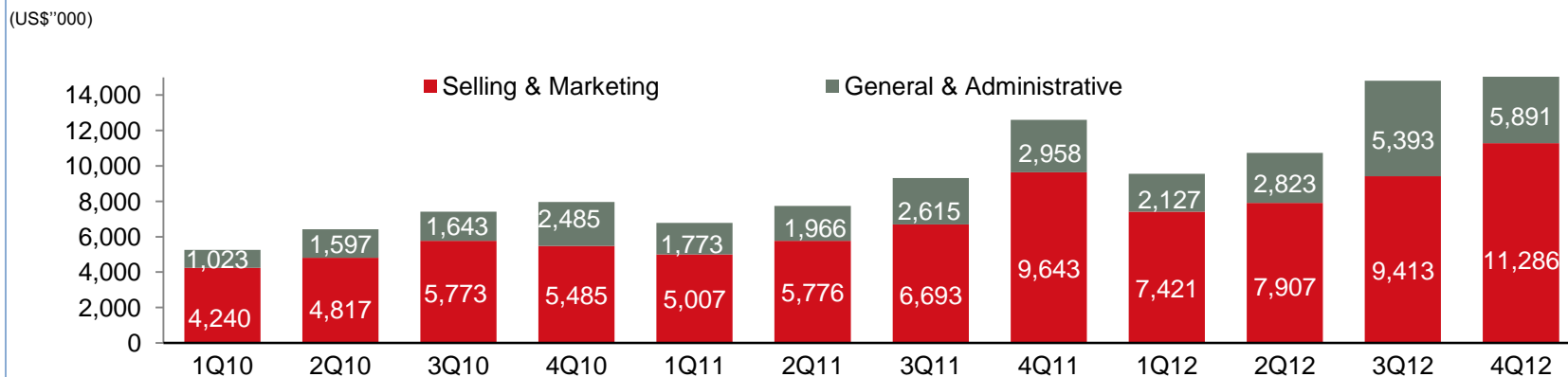


Note: (1) Excludes a one-time impairment loss of US\$1.94 million.

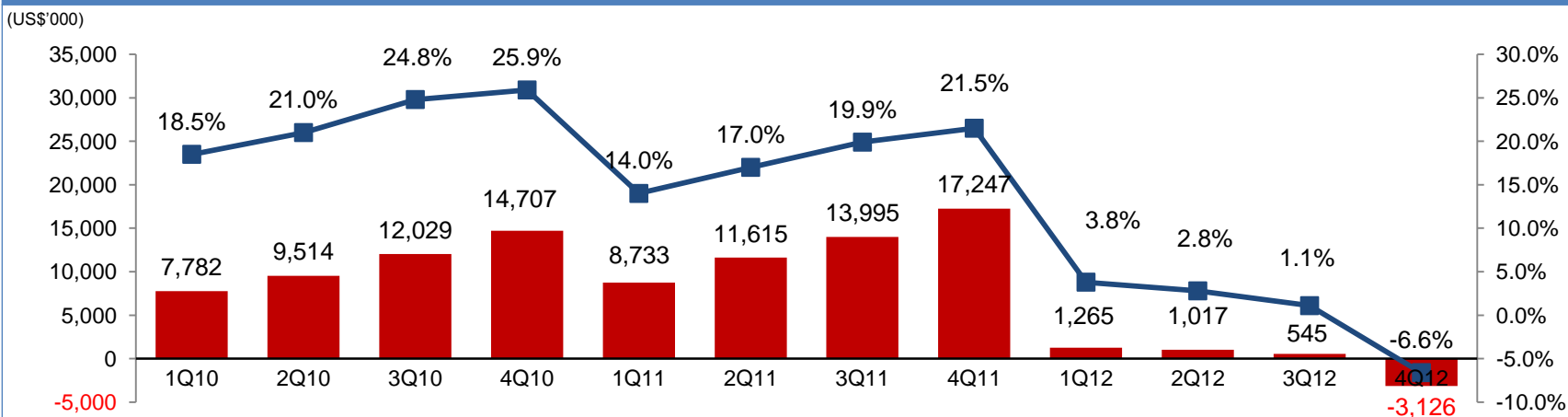
(2) Excludes a one-time impairment loss of US\$1.81 million.

Operating profit and expenses

Operating expense by quarter



Operating profit and margin by quarter (excluding share based compensation)



Balance sheet and cash flow summary

Selected balance sheet items and cash flow

(US\$'000)	Dec 10	Dec 11	Sep 12	Dec 12
Cash & cash equivalents	123,320	139,406	117,901	116,589
Notes receivable	15,323	28,880	13,084	6,993
Prepaid expenses	63,680	106,393	68,002	93,838
Deposits	28,409	25,730	24,085	24,723
Accounts receivable	49,746	103,920	115,314	89,964
Current assets	284,550	410,087	346,349	338,257
Total assets	286,632	424,617	363,618	358,630
Accounts payable	19,341	63,141	46,061	38,855
Advances from customers	57,970	85,720	53,833	56,343
Accrued expenses and other current liabilities	18,516	22,876	14,548	18,912
Total liabilities	106,357	179,010	134,094	131,254
Redeemable non-controlling interest	--	4,723	5,137	5,434
Total shareholders' equity and series A	180,275	238,408	224,387	221,942
Total liabilities and shareholder's equity	286,632	424,617	363,618	358,630
Cash flow	2010	2011	Q3 2012	Q4 2012
Cash flow provided by operating activities	23,441	22,769	(4,850)	(1, 008)
Cash flow provided by investing activities	2,667	(4,579)	(506)	(857)
Cash flow provided by financing activities	40,052	(7,271)	(2,248)	(400)

Key highlights

- Strong cash-balance to support potential strategic investments
- Blue-chip customer base with minimal bad debt
- Limited capital expenditure needs to grow the business
- Healthy AR turnover rate

Contact information

THANK YOU

Contact

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