



Sungy Mobile 2Q14 Earnings Conference Call Script

Operator:

Good day everyone and welcome to Sungy Mobile's second quarter 2014 earnings conference call.

At this time all participants are in listen-only mode. We will be facilitating a question and answer session towards the end of this conference call. At this point, I would like to turn the call to Chenjiazi Zhong from ICR.

Chenjiazi Zhong - Greetings and Safe Harbor Statement

Thank you, operator. Welcome to Sungy Mobile's second quarter 2014 earnings conference call. With us today are Mr. Yuqiang Deng, CEO of Sungy Mobile, and Mr. Weiqiang Cai, our acting CFO. Following management's prepared remarks, we will conduct the Q&A session.

Before we begin, I refer you to the Safe Harbor Statement in our earnings release, which also applies to our conference call today as we will make forward-looking statements.

At this time, I would now like to turn the conference call over to Mr. Yuqiang Deng, Sungy's CEO.

Yuqiang Deng – Opening Remarks & Strategic Overview

谢谢，大家好。欢迎大家参加久邦数码 2014 年第二季度电话会议。

Thank you. Good morning and good evening everyone. Welcome to Sungy Mobile's second quarter 2014 earnings call.

我们 2014 年的运营战略执行的非常良好。总营收同比增长了 25.2%，已经超过 1 亿人民币。移动应用类营收同比增长 43.5%，达到了 5290 万人民币。毛利润 6590 万人民币，实现了 18.0% 的同比增长。这些增长的结果说明，我们首屈一指的 GO 品牌系列依旧是我们整体经营的一大驱动力。从运营数据来看，我们 GO 系列的累积用户仍在持续增长，截至到第二季度末，已经达到 4 亿 3 千 6 百万的规模，较去年同期增长了 53.5%。在月活跃用户指标上，该数字较去年同期增长了 20%，达到了 9600 万用户。相对于 2014 年第一季度的 1 亿月活跃用户，该指标稍有下降。

We continue to make solid progress in executing our 2014 operational strategies, even as we face some recent headwinds. Our total revenues increased year-over-year by 25 percent to 100 million RMB, revenues from mobile application products and services increased year-over-year by 44 percent to 53 million RMB, and the gross profit increased by 18 percent to 66 million RMB in the second quarter of 2014 as compared with the prior year period. This revenue growth was primarily driven by our popular GO series products which continue to experience strong global demand. On the operational side, we saw continued growth in accumulated number of users, which was 436 million by the end of the second quarter, an increase of over 53 percent year over year. On the MAU side, we experienced 20% year-over-year growth to 96 million monthly users; this was a slight decline on a quarter-over-quarter basis from 100 million monthly active users in the first quarter 2014.

相对于之前几个阶段的迅速增长，我们的 Go 系列产品在过去的一个季度的销售不是很理想，我们仍然相信我们在移动应用产品和服务平台上的财务和运营方面的潜力。现在，我们将公司的战



略重心从商业化转移到了产品本身，继续完善产品性能并且优化用户使用界面。随着我们不断增强和改善自身操作技能并且加深对用户行为趋势方面的理解，我们力争通过提供更多独一无二的个性化的性能，更大程度上地为全球的用户提升整体用户体验，从而有助于未来收入的增长。

Compared with the rapid growth in the previous periods, our GO series experienced some softness during the second quarter. However, we still believe in the financial and operational growth potential of our mobile application products and services and are now shifting our main focus from monetization to further improve our portfolio products functionality and user interface. As we continue to refine our operational expertise and understand and leverage user behavioral trends, we aim to further enhance the overall user experience with more unique personalization features available for our growing user base globally, which will help drive our revenue growth in the future.

与此同时，我们也进一步壮大了我们的研发团队，加快旗舰产品本土化的进程。我们在中国新成立的研发团队正在为我们在用户行为分析，产品个性化和本土化等几个方面做出巨大的努力和贡献。在接下来的两个季度里，我们将持续投入在研发方面，同时也会产生较高的运营费用。这将有助于公司在未来提升变现能力，获得长远的增长和收益。

In addition, we continue to expand our R&D team to help further localization of our flagship mobile products in China. Our newly established China R&D team is helping us make tremendous progress in the analysis of user behavior, on-going customization and localization. Over the next two quarters, we will continue to invest into R&D and we expect to incur higher operational expenses during this investment phase. This will help to strengthen our monetization efforts and drive long-term top- and bottom- line growth.

此外，我们也非常高兴地看到，我们在本年度第一季度收购的三家手游公司已经呈现了良好的市场表现。结合公司核心业务的增长进展，我们对于所有平台在未来的增长都非常有信心。我们将继续巩固自身安卓应用发行商的绝对领先地位，最终为我们的股东和投资人带来长远的利益。

Furthermore, we are also glad with the positive impact contributed by the three online game companies that we acquired in the first quarter. As we grow both organically and through acquisition, we are very confident about the future business prospects across the entire Sungy Mobile platform. We will continue to enhance our position as a leading Android app publisher and deliver long-term value to our shareholders.

最后，在我们的新闻稿中也提到，我们的首席财务官 Winston 即将辞任。Winston 凭着丰富的 IPO 经验，帮助公司完成上市，并建立起我们的财务团队和财务控制。我们对他为公司做出的重大贡献表示感谢，也衷心祝他前程似锦。在我们寻找接任人的过渡期间，财务部将由蔡伟强暂代首席财务官一职。

Lastly, as mentioned in our press release, we are announcing the resignation of Mr. Winston Li as our Chief Financial Officer. Winston has been a tremendous asset for us as his IPO experience helped us through our IPO process as well as strengthening our financial team and associated financial controls. We would like to thank him for his significant contributions to our company during our critical transition and wish him well in his future endeavors. In the meantime, as we look for a replacement, the finance team will be headed up by Weiqiang Cai, our acting CFO who will oversee the team during this transition.

下面我将请我们的 acting CFO Weiqiang 为我们介绍具体的财务业绩。

I will now turn the call over to our acting CFO, Mr. Weiqiang Cai for our detailed financial results.



Weiqliang Cai – Financial Results

Thank you, Yuqiang and good morning everyone.

Before I get into our detailed results, I'd like to clarify that all the financial numbers we are presenting today are consolidated financial performances in Renminbi amounts unless otherwise noted. Consolidated financial measures included our GetJar acquisition which closed on February 7, 2014. All percentage changes refer to year-over-year changes, unless otherwise noted. With our quarterly financial highlights:

For the **second quarter** of 2014, our **total revenues** came in at 100.1 million, representing a 25.2% increase from the same period last year. Total revenues, excluding the impact of the GetJar acquisition, for the second quarter of 2014 increased year-over-year by 16.7% to 93.3 million.

- **Revenues from mobile application products and services** increased by 43.5% to 52.9 million in the second quarter of 2014. This increase was primarily driven by a 150.6% year-over-year increase in revenues from third-party advertising networks to 19.8 million, and 100.0% year-over-year increase in revenues from direct advertising services to 17.8 million.
- **Revenues from mobile reading services** was 18.0 million in the second quarter of 2014, down from 24.9 million in the prior year period, primarily due to fewer purchases of the Company's online literary content.
- **Revenues from mobile portal marketing service** increased to 14.5 million primarily driven by the increased advertising campaign during the 2014 FIFA World Cup events.
- **Revenues from others**, which primarily consists of the promotion for third-party-provided mobile applications or value-added services, increased by 205.0% year over year to 14.6 million from 4.8 million in the prior year period.

Gross profit increased by 18.0% to 65.9 million. Gross profit, excluding the impact of the GetJar acquisition, increased by 15.6% to 64.6 million in the second quarter of 2014 and the gross margin, excluding the GetJar acquisition, was 69.3% in the second quarter of 2014 as compared to 69.9% in the prior year period.

Total operating expenses for the second quarter of 2014 increased to 61.6 million.

Operating income was 4.3 million. Operating income, excluding the impact of the GetJar acquisition, was 10.6 million as compared with 24.5 million in the prior year period. The operating margin, excluding the impact of the GetJar acquisition, was 11.4% compared with 30.7% in the prior year period. The decrease in the operating margin, excluding the impact of the GetJar acquisition, was primarily due to the change in revenue mix, the increased share-based compensation costs and the investment in R&D expansion.

Net income was 6.6 million in the second quarter of 2014 as compared with 22.0 million in the prior year period. Net income, excluding the impact of the GetJar acquisition, was 13.0 million as compared with 22.0 million in the prior year period. Net margin, excluding the impact of the GetJar acquisition, was 13.9% in the second quarter of 2014, compared with 27.5% in the prior year period.



Adjusted EBIT was 18.2 million in the second quarter of 2014 as compared to 24.7 million in the prior year period.

Adjusted net income was 20.2 million in the second quarter of 2014 as compared with 22.1 million in the prior year period.

Diluted earnings per ADS in the second quarter of 2014 was 0.19 as compared with 0.31 in the prior year period.

Adjusted diluted earnings per ADS in the second quarter of 2014 increased to 0.58 RMB from 0.32 RMB in the prior year period.

As of June 30, 2014, the Company had cash and cash equivalents of 288.3 million, as well as time deposits of 424.0 million.

For the **third quarter of 2014**, we currently expect our net revenue to be between 90 million and 95 million RMB. These forecasts reflect our Company's current and preliminary view on the market and operational conditions, which are subject to change.

This concludes our prepared remarks for today.