

STRAWBEAR ENTERTAINMENT GROUP

稻草熊娱乐集团

March 2021

# 2020 Earnings Presentation



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# Our Presenters



## LIU Xiaofeng

Chairman of the Board & CEO

- About **20 years** of experience in media industry
- Produced and/or distributed more than **20 drama series** with over **1,000 episodes**
- The first to initiate the **“Online first, TV next”** broadcasting model
- A **first-mover** in cooperation with online video platforms, so having **seized the opportunities** brought by the rise of such platforms
- The first to have **adopted the platform** business model to integrate **premium industry resources**



## ZHAI Fang

Executive Director and COO

- **More than 10 years** of experience in **equity investment** and **management**
- Worked for **China Allied Shengshi Culture** (Beijing) Co., Ltd. Which is a subsidiary of **Alibaba Pictures Group Limited** (Stock Code: 1060.HK and S91.SGX), **Shanghai Fosun Capital Investment Management** Co., Ltd., and **Ping An Asset Management** Co., Ltd.

# Content



## Business Updates

Page 5

Chapter 1



## Financial Updates

Page 12

Chapter 2



## Outlook

Page 17

Chapter 3



## Chapter 1

# Business Updates



# Strawbear Overview

## Leading Industry Pioneer



### First to introduce “Online first, TV next”

Led in cooperating with online video platforms, the first to introduce broadcasting model of “Online first, TV next”

## Prominent Market Position



### Industry ranking among the best

In terms of the number of the first-run broadcast TV series and revenue generated from drama series in 2019, ranked fourth and sixth respectively

## Robust Operating Results



### Strong investment and distribution capability

In 2020, produced, distributed and broadcast 12 drama series, achieving large-scale production of drama series and strengthening of brand image and market influence



### Large and diverse IP reserves

Owned 34 IP reserves with diverse content simultaneously and plan to initiate copyright licensing business. Some IPs are high ranking stories on leading online literature platforms.



### Covering eight major distribution channels

The only drama series producer and distributor that distributed new drama series on all top five TV channels and top three online video platforms in the PRC in 2019



### The only Class A permit in Jiangsu

As of December 31 2019, one of the 73 Television Drama Production Permit (Class A) holders (including only 29 non-stated-owned enterprises) in China as well as the only holder in Jiangsu Province

# Platform Business Model

## Produces a Platform for Content Creation and Distribution

Industrialized production enable us to integrate professionals in the industry chain efficiently, enable professionals do professional things, and achieve professional workload division in the integrated production process

Integrate high quality production resources, realize the professional workload division for participants in each stage in production process



IP  
Evaluation



Screenplay  
Evaluation



Build production  
team based on  
big data



Quality control  
throughout the  
whole process



Standardized  
shooting process  
+ transparent  
production  
budget



Guaranteed on-  
time and high-  
quality post-  
production  
completion

- Create an industrialized drama production and distribution platform with core creation crew, filming and production studios, quality control specialists and distribution channel
- Based on rich industry resources, the platform effectively connects the entire industry value chain for drama series production, which enable professionals to do professional things
- Ultimately forming a highly efficient and standardized movie production cycle

## Strong Middle Platform Operation

Distribution Channel

Production Studios

Core Crew

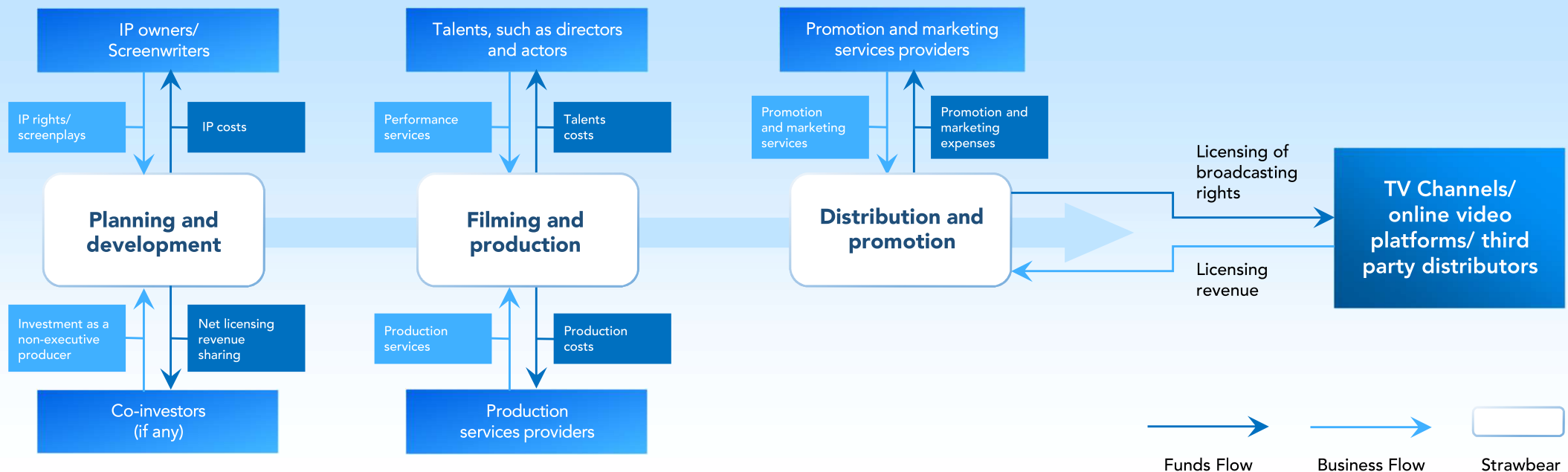
IP Reserves



Production Management  
Quality Control Specialists  
Resource Integration

# Business Overview (Self-Produced Drama Series)

- We commenced producing our own drama series and licensing the related broadcasting rights of these self-produced drama series to major TV channels, top online video platforms and sometimes third party distributors since our inception
- Our self-produced drama series are developed either solely by ourselves or jointly with Independent Third Party investors under a co-investment arrangement. The co-investors include TV channels and other competitive producers. We act as the executive producer and take lead in the production and distribution of such drama series
- We share with our co-investors the net licensing revenue generated from licensing of broadcasting rights of our self-produced drama series pursuant to our percentage of investment specified in the co-investment arrangements
- We are generally entitled to distribution commission as a percentage of the total licensing revenue specified in the co-investment agreements, ranging from 10% to 15%



# Self-produced Drama Series Distributed in 2020 and Pipeline

## 3 Self-produced Drama Series broadcasted in 2020



### The Love Lasts Two Minds

**Starring:** Menglong Yu and Yuqi Chen

**Status:** Broadcasted in Feb 2020

**Type:** Romance

**Intro:** Childhood friends went on their separate ways due to hatred. They met again after each had assumed a new identity and joined hands to solve crimes in order to keep the people safe



### Inside Man

**Starring:** Yishan Zhang and Yueming Pan

**Status:** Broadcasted in Jun 2020

**Type:** War/spy

**Intro:** Story of two brothers, who belong to opposite camps, gather in the same city. They run toward revolutionary way ultimately because of the same ideals and beliefs



### Unbending Will

**Starring:** Tianyu Ma and Qing Jia

**Status:** Broadcasted in Nov 2020

**Type:** Patriotic

**Intro:** story of ten poverty areas with different regional characteristics and poverty alleviation difficulties, and how people and other social alleviation forces worked together to overcome poverty

## More than 2 Self-produced Drama Series in preparation



### My Bargain Queen

**Starring:** Kenny Lin, Jinyan Wu and Nicky Wu

**Status:** Post-production

**Type:** Romantic comedy

**Intro:** Story of "Xia Qian" started his career path in a bargaining company and found love after ending a period of terrible relationship



### Party Group

**Starring:** Edward Zhang, Nie Yuan and Cecilia Han

**Status:** Filming

**Type:** Modern Revolutionary Drama

**Intro:** Story of a pair of brothers with different beliefs in the early 1930s, each embarking on a hardcore contest for the party



### Metropolitan

Story of heart surgery expert Situ Shang and obstetrician Chen Si courageously marching forward on the road of benevolent medicine



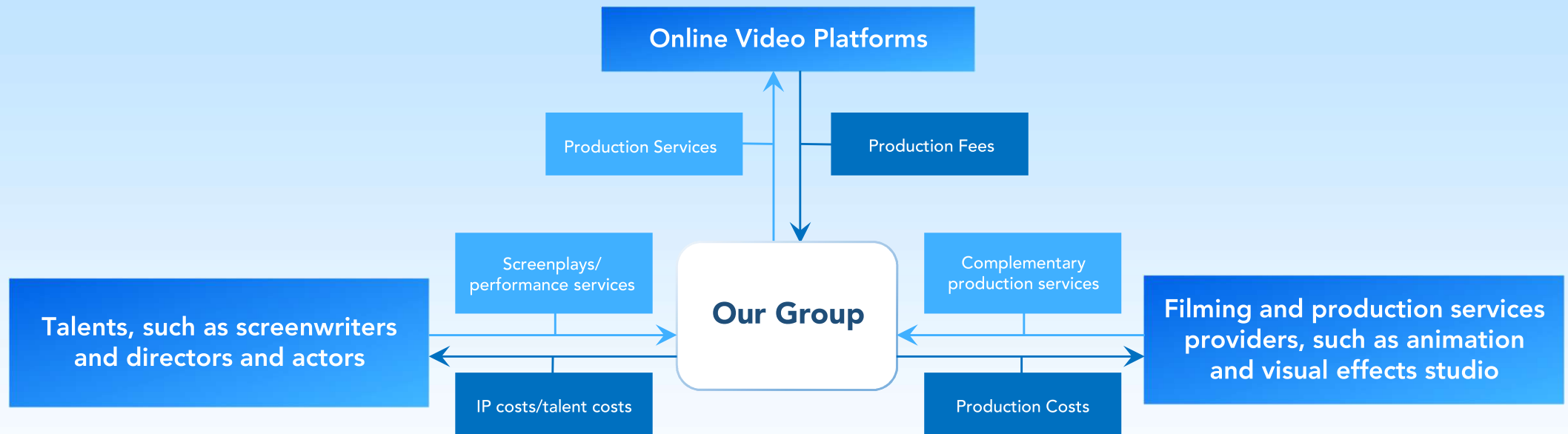
### War/Spy

Story of Lu Feng dispute of the interests of power and join the Communist Party of China, become the underground party of the Communist Party of China



# Business Overview (Made-to-Order Drama Series)

- Provide a full range of drama series production services for the top online video platforms
- We charge online video platforms production fees for provision of the overall production services, including cast talents and filming and production crew assembling, production management and quality control, as well as post-production editing
- We pay IP costs to screenwriters for their screenplays, talent costs to directors and actors for their performance services, and production costs to third party production services providers, such as animation and visual effects studios, for their complementary production services



# Made-to-order Drama Series Distributed in 2020 and Pipelines

## 3 Made-to-Order Drama Series broadcasted in 2020



### Customer First

**Starring:** Jiahang Li, YueXi Wang

**Status:** Broadcasted in Mar 2020

**Type:**

**Intro:** Dai Meng is an expert on analyzing people's micro-reaction. He and his team solve problems and discover the truths under the surface with their skills.



### Marry Me

**Starring:** Zhaolin Xing, Yan Xiao

**Status:** Broadcasted in Sep 2020

**Type:** Period romance

**Intro:** Story of Muer Ju and Yue Long in the name of the couple to find the truth of the story



### Dating In The Kitchen

**Starring:** Yushen Lin, Lusi Zhao

**Status:** Broadcasted in Sep 2020

**Type:** Metropolitan romance

**Intro:** Story of Lu Jin and the female chef Gu Shengnan, in the magic of food and eventually fall in love

## More than 5 Made-to-Order Drama Series in preparation



### Spirit Realm

**Starring:** Chengcheng Fan, Xiao Cheng

**Status:** Broadcast in January 2021



### Breath of Destiny

**Starring:** Stephy Qi, Tony Yang

**Status:** Broadcast in March 2021



### Flying To The Moon

**Starring:** Bingbing Zhang, Lu Xu

**Status:** Production



### Handsome Young Master

**Starring:** Guanjin Bu, Xingyue Wang

**Status:** Filing and announced, start filming



### Memories of Lives Lived

**Starring:** TBD

**Status:** Filing and announced, ready for filming



### History Fantasy Drama

The Emperor of the Qin conquered the other 6 nations and unified China under the view of organization "Liusha" built by the main character

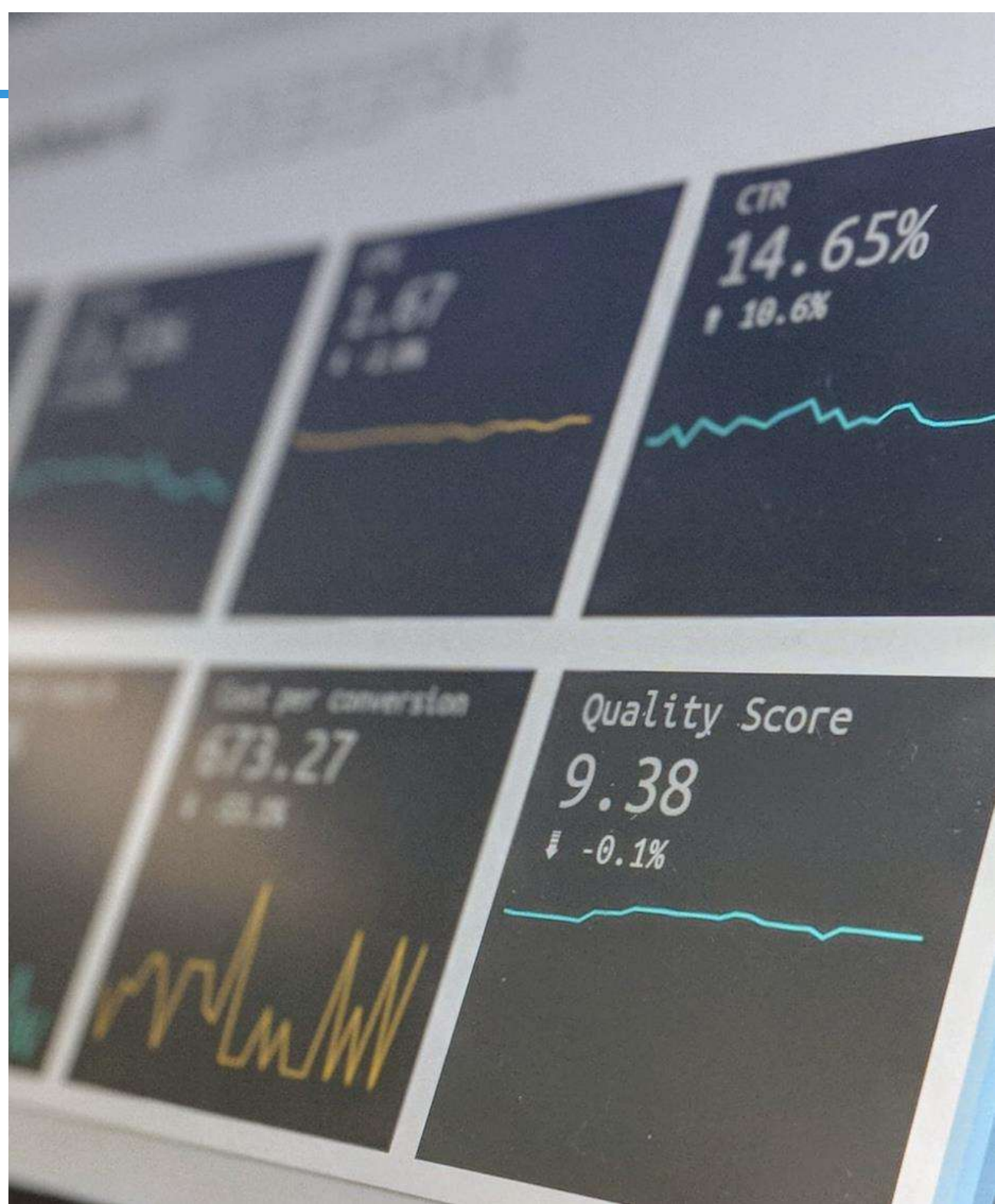


### History Romance Drama

Legend of a love story which the main character pretends to be a man and smash the conspiracy together with a man from a feud family

## Chapter 2

# Financial Analysis



# Revenue Overview

In 2020, our revenue steadily increased by 24.5% compared with that of 2019, while our gross profit increased significantly by 141.4%

## Revenue

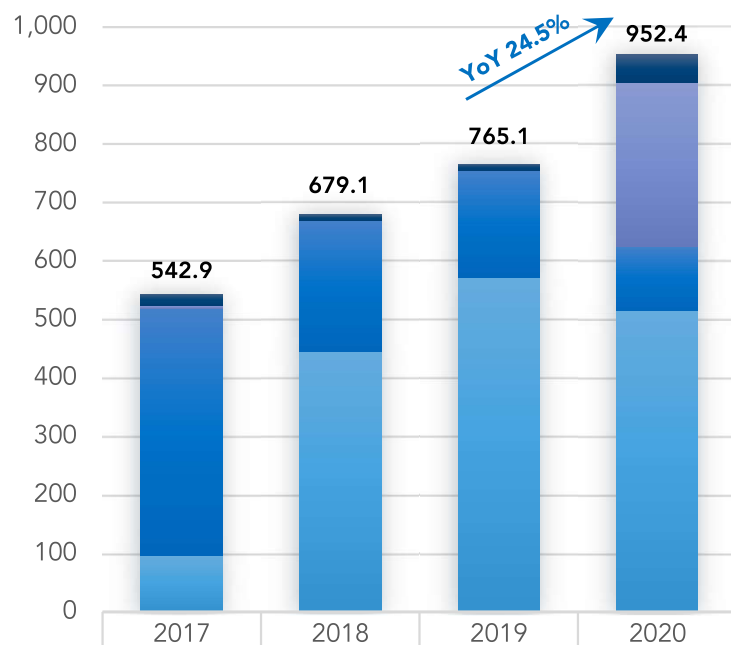
In RMB million

YOY (%) :

25.1%

12.7%

24.5%



	2017	2018	2019	2020
Others	18.8	9.6	10.4	47.1
Made-to-order drama series	5.2	0	0	280.2
Outright-purchased drama series	423.1	224.2	183.3	108.8
Self-produced drama series	95.8	445.3	571.4	516.3

## Gross Profit

In RMB million

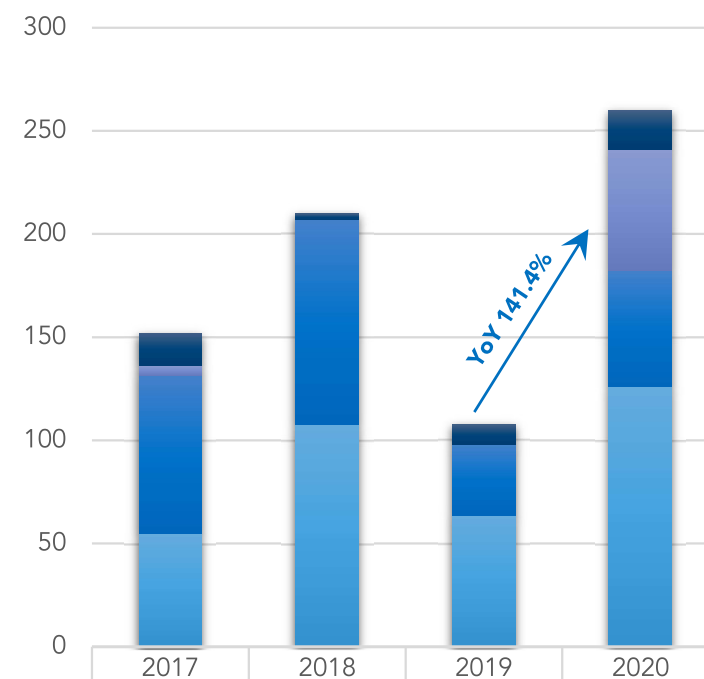
Gross Profit Margin (%) :

28.0%

30.9%

14.1%

27.3%



	2017	2018	2019	2020
Others	15.5	3.0	9.5	18.5
Made-to-order drama series	5.2	0.0	0	58.7
Outright-purchased drama series	76.5	99.1	34.3	56.6
Self-produced drama series	54.9	107.8	63.8	125.9

# Key Financial Ratios

## Adjusted ROA\*



## Current Ratio



## Adjusted ROE\*



## Debt/Equity Ratio



\* Adjusted ROA= Adjusted net profit divided by the arithmetic mean of the opening and closing balances of total assets of the same year and multiplied by 100%; Adjusted ROE= Adjusted net profit divided by the arithmetic mean of the opening and closing balances of total equity of the same year and multiplied by 100%

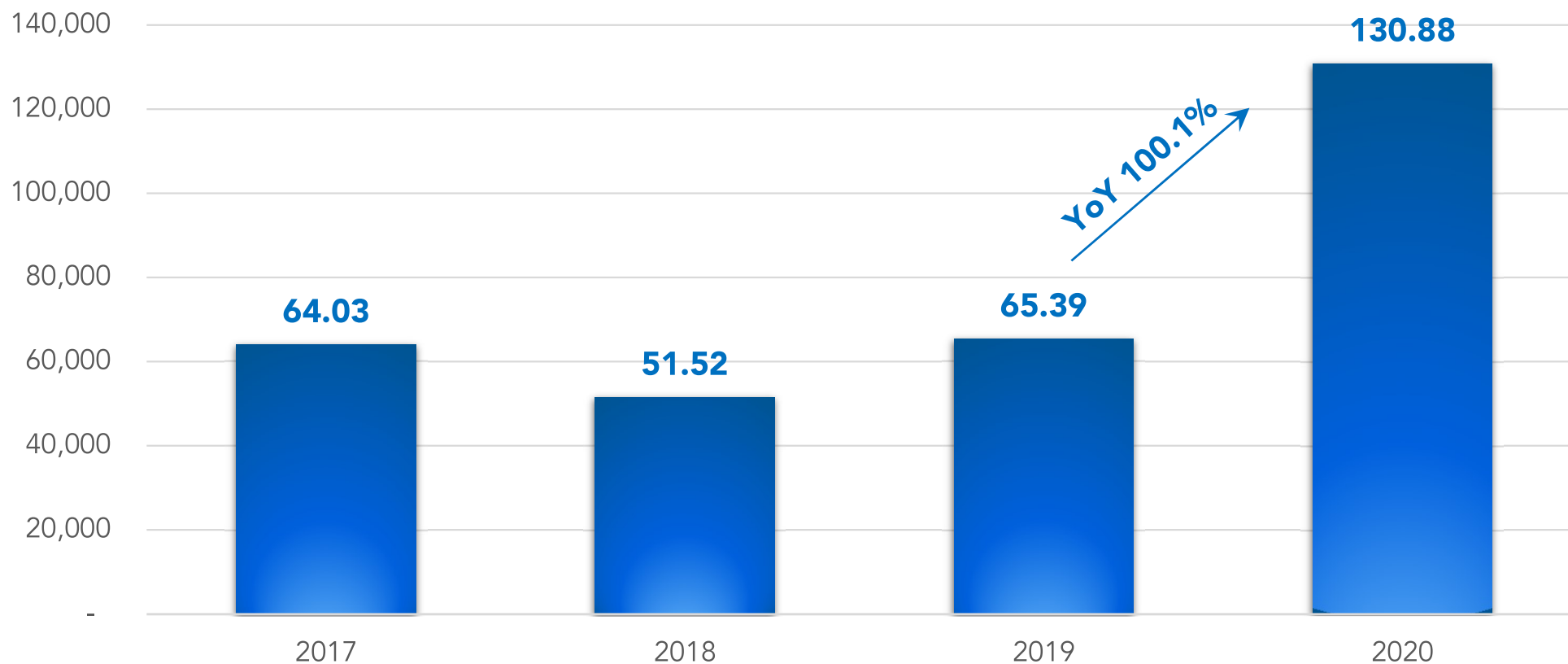


# Adjusted Net Profit \*

Adjusted net profit rose from RMB65.4 million in 2019 to RMB130.0million in 2020, approximately an increase of 100.1%

Adjusted Net Profit (2017-2020)

In RMB million



\*Adjusted net profit as profit for the year adjusted by adding back changes in fair value of financial liabilities at fair value through profit or loss, equity-settled share award expense and/or listing expenses incurred during the respective year.

# Financial Data: Income Statement

RMB '000	2019A	2020A	YoY
REVENUE	765,097	952,362	24.5%
Cost of sales	(657,457)	(692,541)	5.3%
<b>Gross profit</b>	<b>107,640</b>	<b>259,821</b>	<b>141.4%</b>
Other income and gains	34,343	24,882	(26.7%)
Selling and distribution expenses	(33,498)	(80,972)	141.7%
Administrative expenses	(17,655)	(68,017)	285.3%
Other expenses	(128)	-	N/A
Finance costs	(9,734)	(9,944)	2.2%
Share of profits of a joint venture	-	307	N/A
Changes in fair value of financial liabilities at fair value through profit or loss	(14,996)	(77,657)	417.9%
<b>PROFIT BEFORE TAX</b>	<b>65,972</b>	<b>48,420</b>	<b>(26.6%)</b>
Income tax expense	(15,572)	(30,228)	94.1%
<b>PROFIT FOR THE YEAR</b>	<b>50,400</b>	<b>18,192</b>	<b>(63.9%)</b>
<b>Attributable to: Owners of the parent</b>	<b>50,032</b>	<b>18,430</b>	<b>(63.2%)</b>
<b>Adjusted net profit*</b>	<b>65,396</b>	<b>130,882</b>	<b>100.1%</b>

\*Adjusted net profit as profit for the year adjusted by adding back changes in fair value of financial liabilities at fair value through profit or loss, equity-settled share award expense and/or listing expenses incurred during the respective year.

## Chapter 3

# Outlook



# First Growth Driver – Platform Business Model, Fueling Stable Organic Growth

We continue to strengthen the service capacity of the middle-platform, improve the number of high-quality dramas broadcast

Integrate premium industry sources into well-established ecosystem



Match resources, jointly promote the content quality of drama industry, and promote the development of the industry

Continue to produce excellent drama series



To achieve rapid improvement of business performance



## Second Growth Driver – Scarce Integration Platform, Creating Extensional Long-term Growth

We seek to enter into strategic cooperation agreements with outstanding industry players, providing us with competitive edge in obtaining premium resources. Our enhanced cooperation with industry players will further strengthen our resource integration capabilities as well as our operational efficiency

### Obtain more diverse IP resources



Enhance cooperation with top writers /screenwriters, leading copyright companies and prevailing online literature platforms



Obtain more IP resources covering different genres and drama series themes, to meet diversified and specific demands of different distribution channels and their audiences



Guarantee our organic growth

### To cooperate with and potentially acquire high-quality drama production companies in various market segments



Cooperate/discuss acquisitions with high-quality drama production companies that are deeply engaged in differentiated subdivisions



Past reputable boutique dramas and quality production capabilities, will enhance the company's drama production capabilities in different market segments and relationships with platforms



Enhance the breadth of our content production and drama quality, improve synergy within the industry, can also further increase the volume of content production and increase revenue

### Develop a mature 2C content team through business cooperation / potential acquisitions



A team with extensive experience in and knowledge of distribution revenue sharing online movies/drama series

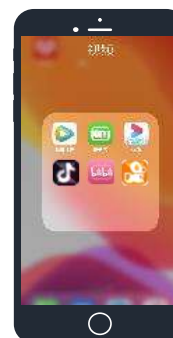


Utilize our platform and target company's expertise to form synergies, improving both quality and volume and establishing new revenue generation model



Ensure the quality of our drama series of different genres and themes as well as their popularity among audiences of different preferences

### Continue to deepen the content production business and explore new business development opportunities

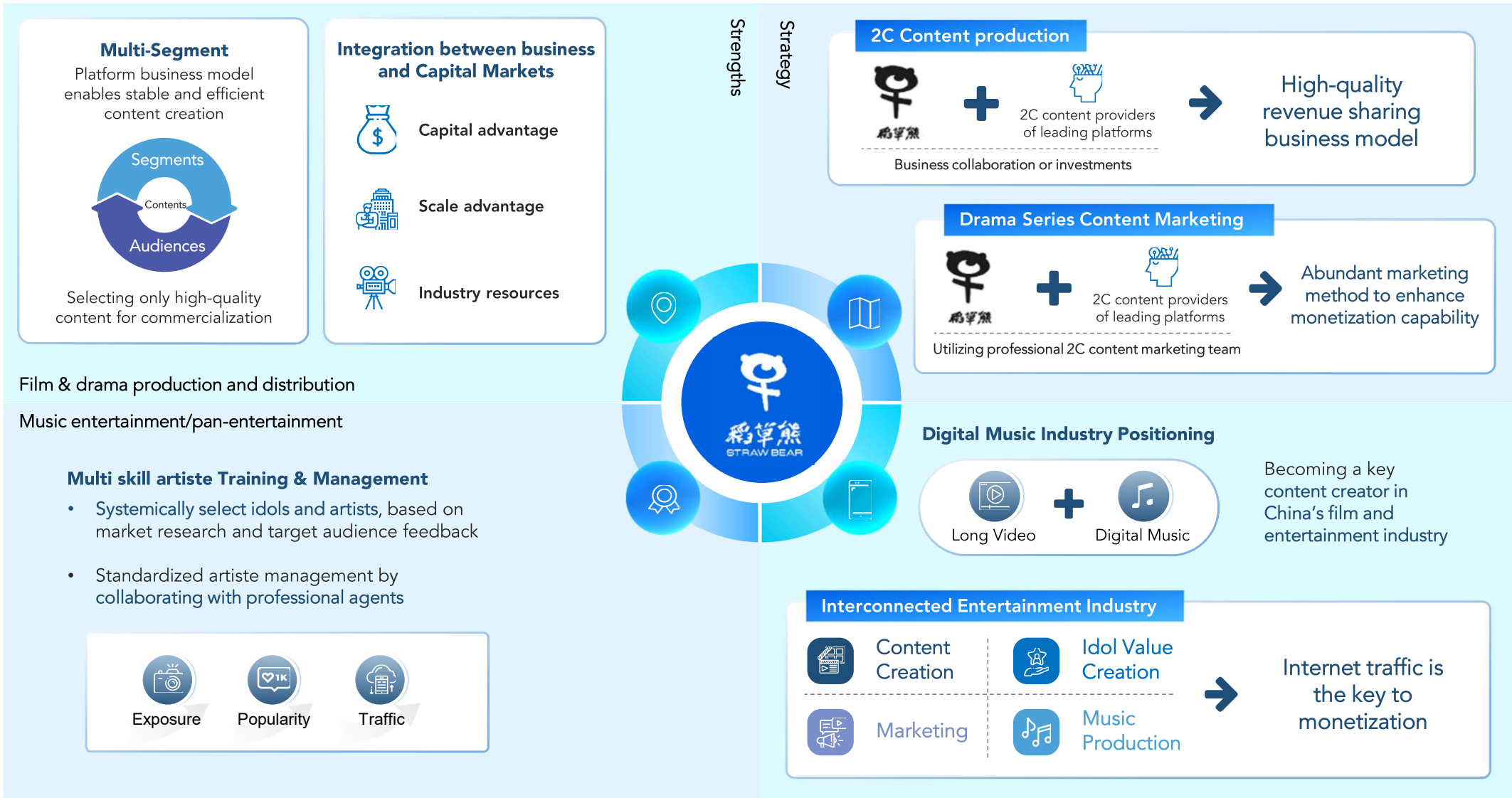


Strengthen cooperation with leading online video platforms Explore cooperation opportunities with short-form video platforms



# Third Growth Driver – Breakthrough in New Businesses, Expanding to the Entire Industry Value Chain

Establish scarce integration platform, Improve 2B and 2C content ecosystem, Expand new business segments, Increase monetization opportunities



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**Q&A**

