INSIDE INFORMATION
POSITIVE PROFIT ALERT

This announcement is issued by Meitu, Inc. (the “Company” and, together with its subsidiaries and Xiamen Meitu Networks Technology Co., Ltd. and its subsidiaries, collectively, the “Group”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

In the Company’s interim report for the six months ended June 30, 2019 (the “Interim Report”), the Company disclosed, in relation to its continuing operations1, that “[w]e continue to expect a net loss for the full year of 2019, although such loss is likely to be significantly less than that of the full year of 2018”.

The board of directors of the Company (the “Board”) now wishes to inform the shareholders of the Company (“Shareholders”) and potential investors that, based on a preliminary assessment of the Group’s unaudited consolidated management accounts for the eleven months ended November 30, 2019 (the “Management Accounts”), as well as other relevant information currently available to the Board, the Group expects:

(i) to generate an adjusted net profit2 for the last quarter of 2019 to be between approximately RMB15 million and RMB21 million;

(ii) its adjusted net loss2 for continuing operations for the year ending December 31, 2019 to be between approximately RMB190 million and RMB196 million, representing a reduction of approximately 77.3% to 76.6% year over year; and

(iii) its net loss for continuing operations for the year ending December 31, 2019 to be between approximately RMB305 million and RMB351 million, representing a reduction of approximately 42.8% to 34.1% year over year.

1 As disclosed in the Interim Report, the Group discontinued (a) its e-commerce business on November 30, 2018 and (b) its smartphone business on April 30, 2019.

2 The term ‘adjusted net loss/profit’ is defined as the net loss/profit for the year excluding certain non-cash items such as share-based compensation and investment-related fair value changes. Please see the Company’s 2018 annual report for a more detailed definition.
Based on information currently available to the Company, the expected significant year over year decrease in net loss is primarily attributable to the following factors:

(i)  significant growth of both gross profits and gross profit margins year over year due to the following:

a)  revenue growth from the Group’s online advertising business, mainly due to an increase in average revenue per domestic key account advertiser, as the Group focus more on big spending brand advertisers by offering comprehensive marketing solutions geared towards their particular needs. Meitu apps with more social features also enriched the advertising formats with higher client interest; revenue growth of programmatic ads is also healthy, due to the enhancement of eCPM (earnings per 1,000 ads impressions) and fill rate resulting from auction algorithm optimization. Online advertising is expected to carry the highest gross margin amongst all lines of the Group’s business;

b)  revenue from the Internet value-added services (“IVAS”) sub-segment declined year over year in 2019, as revenue growth from premium subscription, a newly introduced business model, was unable to fully offset the revenue decline of live-streaming. However, as premium subscription carries a significantly higher gross profit margin compared to live-streaming, the overall gross profit generated by the IVAS sub-segment has increased significantly year over year in 2019; in particular, its growth rate accelerated in the fourth quarter of 2019; and

c)  cost of revenues, such as bandwidth costs and content monitoring fees, had declined year over year due to implementation of a cost optimization program that focused on efficiency enhancement;

(ii)  a significant decrease in sales and marketing expenses, particularly promotional expenses, as the Group reduced its emphasis in driving user acquisition through paid downloads and large marketing campaigns. Instead, the Group focused on driving organic downloads through introducing innovative features and user experience improvements in its apps;

(iii)  completion of an expense optimization plan that drove a reduction in both research & development and general & administrative expenses. Its effect on expenses reduction was more pronounced towards the end of year 2019; and

(iv)  nevertheless, the combined positive effect of the growth in gross profits and reduction in expenses was partially offset by a reduction in investment disposal gain as compared to that of the year 2018.

As at the date of this announcement, the Company has not yet prepared its consolidated management accounts for the month ending December 31, 2019, and has not commenced the preparation of the consolidated financial results of the Group for the year ending December 31, 2019. The information contained in this announcement is therefore only based on a preliminary review of the Management Accounts and other relevant information currently available to the Board. Such Management Accounts have neither been confirmed nor audited by the Company’s independent auditor, nor reviewed by the audit committee of the Company. As such, the actual annual results of the Group for the year ending December 31, 2019, may be different from what is disclosed in this announcement. Shareholders and potential investors are therefore advised to read carefully the annual results announcement of the Company for the year ending December 31, 2019, which is expected to be published on or before March 31, 2020.

Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.
Hong Kong, December 30, 2019

As at the date of this announcement, the executive directors of the Company are Mr. Cai Wensheng and Mr. Wu Zeyuan (also known as Mr. Wu Xinhong); the non-executive directors of the Company are Dr. Guo Yihong and Dr. Lee Kai-fu; the independent non-executive directors of the Company are Mr. Zhou Hao, Mr. Lai Xiaoling and Mr. Zhang Ming (also known as Mr. Wen Chu).