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Mobvista

Mobvista Inc.

匯量科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1860)

ANNOUNCEMENT OF QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2024

FINANCIAL HIGHLIGHTS

	For the Three Months Ended				
	31 March 2024 US\$'000 (Unaudited)	31 December 2023 US\$'000 (Unaudited)	31 March 2023 US\$'000 (Unaudited)	YoY Growth Rate	QoQ Growth Rate
Revenue	301,482	278,589	244,554	23.3%	8.2%
Net Revenue ⁽¹⁾	82,155	74,519	64,363	27.6%	10.2%
Gross Profit	61,819	58,829	46,912	31.8%	5.1%
Net Profit for the Period	7,154	6,805	3,201	123.5%	5.1%
Adjusted Net Profit ⁽²⁾	8,868	6,114	4,510	96.6%	45.0%
Adjusted EBITDA⁽³⁾	30,697	29,891	26,071	17.7%	2.7%

Notes:

- (1) Net revenue is not an IFRS measure. We define net revenue as revenue adjusted by deducting cost distributed to the traffic publishers.
- (2) Adjusted net profit is not an IFRS measure. We define adjusted net profit as profit for the Reporting Period (as defined below) adjusted by adding back share-based compensation expenses, investment gain from financial assets at fair value through profit or loss and loss from change in fair value of derivative financial liabilities.
- (3) Adjusted EBITDA is not an IFRS measure. We define adjusted EBITDA as EBITDA (which is profit from operations plus depreciation and amortization expenses, which is not an IFRS measure) for the Reporting Period (as defined below) adjusted by adding back or deducting share-based compensation expenses, investment gain from financial assets at fair value through profit or loss, foreign exchange loss.

The Board (the “**Board**”) of Directors (the “**Directors**”) of Mobvista Inc. (the “**Company**”) hereby announces the unaudited quarterly results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2024 (the “**Reporting Period**” or “**Q1 2024**”). Such quarterly results have been reviewed by the audit committee of the Company.

BUSINESS REVIEW

Since the beginning of 2024, the Group’s fundamentals have continued to improve. After turning a profit in the fourth quarter of 2022, our Group has achieved profitability for six consecutive quarters, and both revenue and profit have set a historical high for Q1 2024.

During the Reporting Period, the programmatic advertising platform Mintegral recorded revenue of US\$283.6 million, a year-on-year (“**YoY**”) increase of 25.4% and a quarter-on-quarter (“**QoQ**”) increase of 10.3%. Thanks to the infrastructure upgrades in 2022 and continued investment in 2023, Mintegral’s smart bidding products have also been further validated in the market. The smart bidding model based on ROAS (Return On Ad Spend) has become the mainstream choice for developers on Mintegral. With the enhancement of Mintegral’s smart bidding capabilities, we have also achieved new breakthroughs in new verticals, and the advertising budget structure has been further enriched. In the gaming category, we are expanding towards midcore and hardcore games represented by IAP (In-App Purchases). At the same time, we are also expanding into non-gaming verticals, such as e-commerce and social media. During the Reporting Period, Mintegral’s gaming category recorded revenue of US\$202.8 million, a YoY increase of 11.4% and a QoQ increase of 10.9%. E-commerce emerged as an important driver within the non-gaming category, with Mintegral’s non-gaming category recording revenue of US\$80.8 million, a YoY increase of 83.2%, and a QoQ increase of 8.8%. The revenue contributed by intelligent bidding products accounted for over 60% of Mintegral’s total revenue during the Reporting Period, becoming the main driving force behind revenue and profit growth. During the Reporting Period, non-programmatic advertising business recorded revenue of US\$13.7 million, a YoY decrease of 8.4%, and a QoQ decrease of 20.0%. Compared to programmatic advertising, non-programmatic advertising business is more impacted by macro-environmental changes but remains an important source of revenue and profit for the Group. In terms of marketing technology, we actively promoted the overseas market expansion of new products while continuously refining the product matrix and focusing on cost reduction and efficiency improvement. During the Reporting Period, the marketing technology business recorded revenue of US\$4.2 million, a YoY increase of 18.5%, and a QoQ decrease of 2.3%.

In Q1 2024, the scale effect of the Group has become more pronounced, and the operating leverage has been continuously expanding. During the Reporting Period, the Group recorded a net profit of US\$7.2 million, a YoY increase of 123.5% and a QoQ increase of 5.1%.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

1. Revenue by Type of Services

The following table sets forth a breakdown of revenue by type of service for the periods indicated:

	For the Three Months Ended 31 March		2023		YoY Change
	2024	% of Total	2023	% of Total	
	US\$'000 (Unaudited)	Revenue	US\$'000 (Unaudited)	Revenue	
Ad-tech revenue	297,264	98.6%	240,995	98.5%	23.3%
Mar-tech revenue	4,218	1.4%	3,559	1.5%	18.5%
Total	301,482	100.0%	244,554	100.0%	23.3%

2. Ad-tech (advertising technology) Net Revenue

The following table sets forth the net revenue from the advertising technology business during the periods indicated:

	For the Three Months Ended				
	31 March 2024	31 December 2023	30 September 2023	30 June 2023	31 March 2023
	US\$'000 (Unaudited)	US\$'000 (Unaudited)	US\$'000 (Unaudited)	US\$'000 (Unaudited)	US\$'000 (Unaudited)
Advertising technology business revenue	297,264	274,273	265,409	257,814	240,995
— Advertising technology business net revenue ⁽¹⁾	77,937	70,203	69,359	68,237	60,804

Note:

- (1) Net revenue is not an IFRS measure. We define net revenue as revenue adjusted by deducting cost distributed to the traffic publishers.

3. Revenue from Advertising Technology by Software Platform Business Department

The following table sets forth the revenue of advertising technology business segmented by software platform department for the periods indicated:

	For the Three Months Ended 31 March				YoY Change
	2024		2023		
	US\$'000 (Unaudited)	% of Advertising Technology Business Revenue	US\$'000 (Unaudited)	% of Advertising Technology Business Revenue	
Programmatic advertising business revenue	283,581	95.4%	226,057	93.8%	25.4%
Non-programmatic advertising business revenue	13,683	4.6%	14,938	6.2%	(8.4%)
Total advertising technology business revenue	297,264	100.0%	240,995	100.0%	23.3%

For the three months ended 31 March 2024, the Group recorded advertising technology business revenue of US\$297.3 million (corresponding period in 2023: US\$241.0 million), representing an increase of 23.3% on a YoY basis. Our advertising technology business revenue comes from two business departments: programmatic advertising business and non-programmatic advertising business. Among them, the revenue from programmatic advertising business Mintegral was US\$283.6 million, accounting for 95.4% of the advertising technology business revenue, representing an increase of 25.4% on a YoY basis. Revenue from the non-programmatic advertising business was US\$13.7 million, accounting for 4.6% of the advertising technology business revenue, representing a decrease of 8.4% on a YoY basis.

3.1. Main Financial Data of Programmatic Advertising Platform Mintegral

During the Reporting Period, the Mintegral platform recorded revenue of US\$283.6 million (corresponding period in 2023: US\$226.1 million), a YoY increase of 25.4% compared to Q1 2023.

The following table sets forth the revenue of Mintegral platform for the periods indicated:

	Mintegral Platform Business Revenue (US\$'000) (Unaudited)	QoQ Growth Rate	YoY Growth Rate
2024Q1	283,581	10.3%	25.4%
2023Q4	257,170	0.7%	19.5%
2023Q3	255,417	5.6%	28.2%
2023Q2	241,769	7.0%	14.8%

4. Revenue from Programmatic Advertising Platform Mintegral's Business by Mobile App Category⁽¹⁾

Benefiting from the continuous iteration of our platform's algorithm capabilities in 2023, we made new breakthroughs in vertical expansion in Q1 2024. Gaming remains our core business, and in Q1 2024, the gaming category recorded revenue of US\$202.8 million, accounting for 71.5% of Mintegral's total revenue and reflecting a YoY growth of 11.4%. The non-gaming category recorded revenue of US\$80.8 million, representing 28.5% of Mintegral's total revenue, surpassing the same period in 2023 (corresponding period in 2023:19.5%).

The following table sets forth the revenue proportion of Mintegral business segmented by application category⁽¹⁾ for the periods indicated:

	For the Three Months Ended 31 March 2024		2023		YoY Change
	US\$'000 (Unaudited)	% of Programmatic Advertising Business Revenue	US\$'000 (Unaudited)	% of Programmatic Advertising Business Revenue	
Gaming revenue	202,806	71.5%	181,976	80.5%	11.4%
Non-gaming revenue	80,775	28.5%	44,081	19.5%	83.2%
Total programmatic advertising business revenue	283,581	100.0%	226,057	100.0%	25.4%

(1) The application category division shown in the figure is based on the application type that uses our applications (customers).

Cost of Sales

During the Reporting Period, our cost of sales increased by 21.3% YoY to US\$239.7 million (corresponding period in 2023: US\$197.6 million). The increase comes primarily from the advertising technology business. The main costs of the advertising technology business include traffic costs, server costs and intangible asset amortization formed through capitalization. On the one hand, traffic costs and server costs have increased as the scale of our advertising technology business expands. On the other hand, intangible assets formed by the advertising technology platform at different periods are gradually amortized over time, thus resulting in increasing expenses for the current period's amortization.

The following table sets forth a breakdown of our cost of sales by type of cost for the periods indicated:

	For the Three Months Ended 31 March 2024		2023		YoY Change
	US\$'000 (Unaudited)	% Respective Business Revenues	US\$'000 (Unaudited)	% Respective Business Revenues	
Ad-tech business cost	238,790	80.3%	196,812	81.7%	21.3%
Mar-tech business cost	873	20.7%	830	23.3%	5.2%
Total	239,663	79.5%	197,642	80.8%	21.3%

Gross Profit and Gross Profit Margin

During the Reporting Period, the Group recorded a gross profit of US\$61.8 million (corresponding period in 2023: US\$46.9 million), a YoY increase of 31.8%.

Among these, the gross profit of the advertising technology business increased by 32.3% to US\$58.5 million on a YoY basis, with a gross profit margin of 19.7%, higher than that for the same period in 2023 (corresponding period in 2023: 18.3%). The gross profit of the marketing technology business was US\$3.3 million, and the gross profit margin was 79.3%, which lightly increased compared to the same period in 2023.

The following table sets forth the gross profit and gross profit margin of the Company's entire business activities for the periods indicated:

	For the Three Months Ended 31 March				YoY Change
	2024		2023		
	Gross profit	Gross profit	Gross profit	Gross profit	
	margin	margin	margin	margin	
	US\$'000	US\$'000	US\$'000	US\$'000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Ad-tech business	58,474	19.7%	44,183	18.3%	32.3%
Mar-tech business	3,345	79.3%	2,729	76.7%	22.6%
Total	61,819	20.5%	46,912	19.2%	31.8%

Selling and Marketing Expenses

During the Reporting Period, our selling and marketing expenses increased by 5.1% YoY to US\$13.2 million (corresponding period in 2023: US\$12.5 million). The main reason for the increase is the rise in bidding fee⁽¹⁾.

Note:

- (1) Bidding fee refers to the costs incurred by the Mintegral platform for the use of bidding services provided by mediation platforms.

R&D Expenditure

During the Reporting Period, our R&D expenses increased by 57.8% YoY to US\$29.5 million (corresponding period in 2023: US\$18.7 million). The increase in R&D expenditures is mainly due to the significant development of the intelligent bidding system, which has resulted in an increase in model training costs.

General and Administrative Expenses

During the Reporting Period, our general administrative expenses have increased by 3.8% YoY to US\$11.4 million (corresponding period in 2023: US\$11.0 million). This expense is relatively stable.

Operating Expenses

We classify operating expenses into fixed expenses (excluding share-based compensation), variable expenses and share-based compensation. Fixed expenses mainly consist of labour costs (cash), rental expenses, business travel expenses, agency fees, welfare expenses and other daily operating expenses, and we merge the capitalized R&D expenditure and expensed R&D expenditure of labor costs in the current period. Overall, fixed costs tend to remain stable.

Variable expenses are incentive fee directly related to advertising, model training fee of advertising platform, asset impairment gains and losses, etc. Since the second quarter of 2023, due to the Company's continuous efforts in developing the intelligent bidding system and the official launch of the Target ROAS intelligent bidding feature in May 2023, there has been a rebound in model training costs, driving an overall increase in variable expenses.

The following table sets forth the operating expenses for the periods indicated:

	For the Three Months Ended				
	31 March 2024 US\$'000 (Unaudited)	31 December 2023 US\$'000 (Unaudited)	30 September 2023 US\$'000 (Unaudited)	30 June 2023 US\$'000 (Unaudited)	31 March 2023 US\$'000 (Unaudited)
Variable expenses	37,784	35,989	37,403	32,796	25,914
Fixed expenses (excluding share based compensation)	20,797	21,101	19,902	22,252	20,906
Share-based compensation	2,106	2,506	750	4,702	1,382
Total	60,687	59,596	58,055	59,750	48,202

Net profit, adjusted EBITDA

During the Reporting Period, our net profit was US\$7.2 million (corresponding period in 2023: profit of US\$3.2 million), showing a quarterly increase as platform capabilities improve. During the Reporting Period, the Group recorded adjusted an EBITDA of \$30.7 million, representing a YoY increase of 17.7%.

The following table sets forth the net profit and adjusted EBITDA for the periods indicated:

	For the Three Months Ended				
	31 March 2024	31 December 2023	30 September 2023	30 June 2023	31 March 2023
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net profit	7,154	6,805	3,261	5,321	3,201
Adjusted EBITDA	30,697	29,891	23,577	25,731	26,071

Other Financial Information (Non-IFRS measures)

To supplement our consolidated financial statements presented in accordance with IFRS, we also use non-IFRS measures, namely net revenue, EBITDA, adjusted EBITDA and adjusted net profit, as additional financial measures, which are not required by or presented in accordance with IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance from time to time by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of adjusted EBITDA and adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for analysis of our results of operations or financial conditions as reported under IFRS.

	For the Three Months Ended 31 March				
	2024		2023		YoY Change
	US\$'000 (Unaudited)	% of Total Revenue	US\$'000 (Unaudited)	% of Total Revenue	
Profit from operations	10,262	3.4%	5,172	2.1%	98.4%
Add back:					
Depreciation and amortization	18,884	6.3%	18,201	7.4%	3.8%
EBITDA	29,146	9.7%	23,373	9.6%	24.7%
Add back:					
Share-based compensation ⁽¹⁾	2,106	0.7%	1,382	0.6%	52.4%
Foreign exchange loss ⁽²⁾	23	0.0%	1,389	0.6%	(98.3%)
Investment gain from financial assets at fair value through profit or loss ⁽³⁾	(578)	(0.2%)	(73)	0.0%	691.8%
Adjusted EBITDA⁽⁴⁾	30,697	10.2%	26,071	10.7%	17.7%
Profit for the period	7,154	2.4%	3,201	1.3%	123.5%
Add back:					
Share-based compensation	2,106	0.7%	1,382	0.6%	52.4%
Investment gain from financial assets at fair value through profit or loss	(578)	(0.2%)	(73)	0.0%	691.8%
Loss from change in fair value of derivative financial liabilities	186	0.1%	—	—	—
Adjusted net profit⁽⁵⁾	8,868	2.9%	4,510	1.8%	96.6%

Notes:

- (1) Share-based compensation are expenses arising from granting RSU and share options to selected executives and employees, the amount of which are non-cash in nature and commonly excluded in similar non-IFRS measures adopted by other companies in our industry.
- (2) Foreign exchange loss is loss arising from exchange differences on translation of foreign currency monetary accounts. Foreign exchange loss may not directly correlate with the underlying performance of our business operations.
- (3) Investment gain from financial assets at fair value through profit or loss arises from fair value change of certain investments held by the Group, which was recognized at fair value change through profit or loss. Such investment gain is not directly related to our principal operating activities.
- (4) Adjusted EBITDA is not an IFRS measure. We define adjusted EBITDA as EBITDA (which is profit from operations plus depreciation and amortization expenses, which is not an IFRS measure) for the Reporting Period adjusted by adding back or deducting share-based compensation expenses, investment gain from financial assets at fair value through profit or loss, foreign exchange loss.
- (5) Adjusted net profit is not an IFRS measure. We define adjusted net profit as profit for the Reporting Period adjusted by adding back share-based compensation expenses, investment gain from financial assets at fair value through profit or loss and loss from change in fair value of derivative financial liabilities.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE THREE MONTHS ENDED 31 MARCH 2024 — UNAUDITED

(Expressed in United States dollar)

	Three months ended	
	31 March	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	301,482	244,544
Cost of sales	<u>(239,663)</u>	<u>(197,642)</u>
Gross profit	61,819	46,912
Selling and marketing expenses	(13,172)	(12,528)
Research and development expenses	(29,517)	(18,703)
General and administrative expenses	(11,378)	(10,960)
Other net income	<u>2,510</u>	<u>451</u>
Profit from operations	10,262	5,172
Change in fair value of derivative financial liabilities	(186)	—
Finance costs	<u>(1,659)</u>	<u>(2,111)</u>
Profit before taxation	8,417	3,061
Income tax	<u>(1,263)</u>	<u>140</u>
Profit for the period	<u>7,154</u>	<u>3,201</u>
Attributable to:		
Equity shareholders of the Company	7,593	3,670
Non-controlling interests	<u>(439)</u>	<u>(469)</u>
Profit for the period	<u>7,154</u>	<u>3,201</u>
Earnings per share		
Basic <i>(United States dollar cents)</i>	0.50	0.21
Diluted <i>(United States dollar cents)</i>	<u>0.52</u>	<u>0.24</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31
MARCH 2024 — UNAUDITED**

(Expressed in United States dollar)

	Three months ended	
	31 March	
	2024	2023
	<i>US\$'000</i>	<i>US\$'000</i>
Profit for the period	7,154	3,201
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>166</u>	<u>(118)</u>
Total comprehensive income for the period	<u>7,320</u>	<u>3,083</u>
Attributable to:		
Equity shareholders of the Company	7,759	3,552
Non-controlling interests	<u>(439)</u>	<u>(469)</u>
Total comprehensive income for the period	<u>7,320</u>	<u>3,083</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2024 — UNAUDITED

(Expressed in United States dollar)

	At 31 March 2024 US\$'000	At 31 December 2023 US\$'000
Non-current assets		
Property, plant and equipment	15,820	15,459
Intangible assets	149,035	146,408
Goodwill	115,342	115,342
Deferred tax assets	12,923	12,924
Financial assets measured at fair value through profit or loss (FVPL)	1,202	1,214
	<u>294,322</u>	<u>291,347</u>
Current assets		
Financial assets measured at FVPL	49,601	39,026
Trade and other receivables	198,758	164,294
Prepayments	51,467	44,969
Restricted cash	5,336	5,281
Cash and cash equivalents	114,785	146,348
Current tax recoverable	229	286
	<u>420,176</u>	<u>400,204</u>
Current liabilities		
Trade and other payables	300,673	292,452
Current tax payable	11,632	10,441
Bank loans	55,771	49,542
Lease liabilities	3,996	4,027
Derivative financial liabilities	287	101
Convertible bonds	33,429	—
	<u>405,788</u>	<u>356,563</u>
Net current assets	<u>14,388</u>	<u>43,641</u>
Total assets less current liabilities	<u>308,710</u>	<u>334,988</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH
2024 — UNAUDITED (CONTINUED)**

(Expressed in United States dollar)

	At 31 March 2024 US\$'000	At 31 December 2023 US\$'000
Non-current liabilities		
Bank loans	32,000	32,000
Convertible bonds	—	32,762
Deferred tax liabilities	1,786	1,786
Lease liabilities	10,806	9,330
Other non-current liabilities	—	—
	<u>44,592</u>	<u>75,878</u>
NET ASSETS	<u>264,118</u>	<u>259,110</u>
CAPITAL AND RESERVES		
Share capital	16,010	16,010
Reserves	<u>239,528</u>	<u>234,082</u>
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	255,538	250,092
Non-controlling interests	<u>8,580</u>	<u>9,018</u>
TOTAL EQUITY	<u>264,118</u>	<u>259,110</u>

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to the management and staff of the Group for their commitment and contribution during the Reporting Period. I would also like to express my appreciation to the guidance from the regulators and continued support from our shareholders and customers.

By order of the Board
Mobvista Inc.
DUAN Wei
Chairman

Guangzhou, PRC, 16 May 2024

As at the date of this announcement, the Board comprises Mr. DUAN Wei (Chairman), Mr. CAO Xiaohuan (Chief Executive Officer), Mr. FANG Zikai and Mr. SONG Xiaofei as executive Directors; Mr. WONG Tak-Wai as anon-executive Director; and Mr. SUN Hongbin, Ms. CHEUNG Ho Ling Honnus and Mr. WONG Ka Fai Jimmy as independent non-executive Directors.