Scienjoy Holdings Corporation

Scienjoy Inc. Reports First Quarter 2020 Financial Results

BEIJING, May 13, 2020 /PRNewswire/ -- Scienjoy Inc. ("Scienjoy", the "Company", or "We"), a leading live entertainment mobile streaming platform in China and a wholly owned subsidiary of Scienjoy Holdings Corporation (NASDAQ: SJ), today announced its unaudited financial results for the first quarter ended March 31, 2020. On May 7, 2020, Scienjoy Inc. merged with Wealthbridge Acquisition Limited and created Scienjoy Holding Corporation upon the transaction closing.

First Quarter 2020 Operating and Financial Results

- Total number of paying users increased by 74.1% to 242,265 from 139,165 in the same period of 2019.
- Total number of broadcasters increased by 24.0% to 13,494 from 10,881 in the same period of 2019.
- Total revenue grew by 14.7% to RMB216.3 million (US$30.5 million) from RMB188.6 million in the same period of 2019.
- Gross profit increased by 46.5% to RMB51.8 million (US$7.3 million) from RMB35.4 million in the same period of 2019, while gross margin expanded to 24.0% from 18.7% in the same period of 2019.
- Net income increased by 39.8% to RMB37.7 million (US$5.3 million) from RMB26.9 million in the same period of 2019, while net margin expanded to 17.4% from 14.3% in the same period of 2019.

Mr. Victor He, Chairman and Chief Executive Officer of Scienjoy, commented, "Despite the outbreak of the COVID-19 pandemic and resulting macro headwinds, we maintained our focus on providing users with highly-interactive entertainment live streaming content to deliver a strong performance in the first quarter of 2020. Importantly, during the quarter, we continued to bolster our value propositions for broadcasters on our platform, helping to improve the quality of our content offerings in turn. Additionally, by leveraging the abundance and diversity of our content library, we were able to further improve our user experience and platform stickiness. Going forward, as we continue to fuel our growth momentum and deliver engaging entertainment live streaming content, we will remain committed to upgrading our R&D capabilities, optimizing our operating efficiency, and enhancing our corporate governance. We are confident that investment into these core areas will help to cement our positioning at the forefront of the industry, generate more value for users and broadcasters within our ecosystem, and further enable us to capitalize on those opportunities in the rapidly growing market for live streaming mobile entertainment."

Mr. Denny Tang, Chief Financial Officer of Scienjoy, added, "Against a backdrop of increasing macro uncertainties, we achieved strong revenue growth in the first quarter of 2020, growing our total revenues by 14.7% year over year to RMB216.3 million. We also continued to bolster our profitability, increasing our net income by 39.8% year over year to RMB37.7 million and expanding our net margin to 17.4% from 14.3% in the same period of 2019. Looking ahead, we will continue to target those areas for investment that are capable of refining our user experience, upgrading our content offerings, and expanding our brand influence. We believe that such measures will enable us to not only enhance the quality of our growth in the coming quarters, but ultimately capture a larger share of the market. As China and the rest of the world gradually reopen for business, we are confident that our healthy revenue growth and abundant cash reserves will continue to lay a solid foundation for the production of shareholder value over the long term."

First Quarter 2020 Financial Results

Total revenue in the first quarter of 2020 grew by 14.7% to RMB216.3 million (US$30.5 million) from RMB188.6 million in the same period of 2019. This increase was driven by our increasing ability to attract and retain paying users and broadcasters on our platform.

Cost of revenues in the first quarter of 2020 increased by 7.3% to RMB164.5 million (US$23.2 million) from RMB153.2 million in the same period of 2019. This increase was primarily attributable to an 11.2% year-over-year increase in our revenue sharing fees and content cost, which was in line with the growth of our live streaming operations in the first quarter of 2020.

Gross profit in the first quarter of 2020 increased by 46.5% to RMB51.8 million (US$7.3 million) from RMB35.4 million in the same period of 2019. Gross margin in the first quarter of 2020 expanded to 24.0% from 18.7% in the same period of 2019. Additionally, as we continued to expand our brand influence and enhance the quality of our content offerings, we achieved a 21.8% year-over-year reduction in our user acquisition costs during the first quarter of 2020, which helped to improve our gross margin in turn.

Income from operations in the first quarter of 2020 grew by 40.5% to RMB40.1 million (US$5.7 million) from RMB28.5 million in the same period of 2019. Operating margin in the first quarter of 2020 also improved to 18.5% from 15.1% in the same period of 2019.

- **Sales and marketing expenses** in the first quarter of 2020 increased to RMB1.4 million (US$0.2 million) from RMB0.8 million in the same period of 2019. This increase was mainly due to the additional promotion activities that we executed in the first quarter of 2020 following an uptick in online user traffic as more online users spent an increased amount of time at home watching our live streaming content during the COVID-19 outbreak.
- **General and administrative expenses** in the first quarter of 2020 were RMB3.5 million (US$0.5 million) compared to RMB1.4 million in the same period of 2019. This increase was caused by higher employee benefits, increased headcounts, as well as additional consulting and professional fees that we incurred as a result of our listing as a public company.
- **Research and development expenses** in the first quarter of 2020 increased to RMB6.4 million (US$0.9 million) from RMB3.9 million in the same period of 2019 due to increased R&D headcounts and benefits to relevant employees as we continued to strengthen our technological capabilities.
- **Provision for doubtful accounts** in the first quarter of 2020 decreased to RMB0.4 million (US$0.1 million) from RMB0.7 million in the same period of 2019.

Net income in the first quarter of 2020 increased by 39.8% to RMB37.7 million (US$5.3 million) from RMB26.9 million in the same period of 2019. Net margin in the first quarter of 2020 expanded to 17.4% from 14.3% in the same period of 2019.

Basic and diluted earnings per share in the first quarter of 2020 were RMB376.6 (US$53.1) compared to RMB269.5 in the same period of 2019.

As of March 31, 2020, Scienjoy had **cash and cash equivalents** of RMB183.4 million (US$25.9 million) compared to RMB137.4 million as of December 31, 2019.

Coronavirus ("COVID-19") Updates

The COVID-19 pandemic has caused widespread disruptions in the first quarter of 2020. During the first quarter, we paused our operations during the months of January and February due to Chinese government mandates and moved quickly to transition our colleagues to a complete remote working environment in all of our locations. We have sought to ensure that our colleagues feel secure in their jobs and have the flexibility and resources they need to stay safe and healthy. To support our online users and broadcasters, we are optimizing our technology system to support the potential growth in user traffic and adding more entertainment live streaming content to allow for longer viewing times. We are also continuing to provide the high-level of technical support services users expect and rely on. Since the beginning of March 2020, a considerable amount of our employees have returned to work in our offices.

In the first quarter of 2020, the COVID-19 pandemic did not have a material net impact on our consolidated financial positions and operating results. The extent of the impact on our second quarter 2020 results and beyond will be dependent on future developments, such as the length and severity of the crisis, the potential resurgence of the crisis, future government actions in response to the crisis, and the overall impact of the COVID-19 pandemic on the global economy and capital markets, among many other factors, all of which remain highly uncertain and unpredictable. In addition, the COVID-19 pandemic could impact the health of our management team and other employees. We continue taking actions to help mitigate, as best we can, the impact of the COVID-19 pandemic on the health and well-being of our employees, the communities in which we operate, and our partners, as well as the impact on our operations and business as a whole. However, there can be no assurance that the COVID-19 pandemic will not have a material and adverse impact on our operations, financial condition, liquidity and results of operations if the current situation continues.

Exchange Rate

This announcement contains translations of certain RMB amounts into U.S. dollars ("USD") at specified rates solely for the convenience of the reader. Unless otherwise stated, all translations from RMB to USD were made at the rate of RMB7.0942 to US$1.00, the noon buying rate in effect on March 27, 2020, in the H.10 statistical release of the Federal Reserve Board. The Company makes no representation that the RMB or USD amounts referred could be converted into USD or RMB, as the case may be, at any particular rate or at all.

About Scienjoy Inc.

Founded in 2011, Scienjoy is a leading show live streaming video entertainment social platform in China. With more than 200 million registered users, Scienjoy currently operates three primary online live streaming brands with their respective websites and mobile apps: Showself, Lehai, and Haixiu, each using Scienjoy's own mobile applications. Through this collection of online live streaming brands, Scienjoy has created a vibrant, interactive, and close community. Scienjoy operates a mobile live streaming business through which it provides live streaming entertainment from professional "broadcasters" to end-users, allowing for the operation of live social video communities. Using Scienjoy's mobile applications, users can select broadcasters and enter real time

video rooms to interact with them. In addition to real-time interactions, users can also view photos posted by broadcasters on their personal pages, leave comments, and engage in private chats with broadcasters when they are not streaming. In addition, users can also play fun and simple games by using virtual currencies within the video rooms while watching the live streaming of a broadcaster.

Safe Harbor Statement

Certain statements made in this release are "forward looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. When used in this press release, the words "estimates," "projected," "expects," "anticipates," "forecasts," "plans," "intends," "believes," "seeks," "may," "will," "should," "future," "propose" and variations of these words or similar expressions (or the negative versions of such words or expressions) are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance, conditions or results, and involve a number of known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside the Company's control, that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements. Important factors, among others, are: the ability to manage growth; ability to identify and integrate other future acquisitions; ability to obtain additional financing in the future to fund capital expenditures; fluctuations in general economic and business conditions; costs or other factors adversely affecting our profitability; litigation involving patents, intellectual property, and other matters; potential changes in the legislative and regulatory environment; a pandemic or epidemic. The forward-looking statements contained in this release are also subject to other risks and uncertainties, including those more fully described in the Company's filings with the Securities and Exchange Commission ("SEC"), including the Company's Annual Report on Form 10-K filed with the SEC on March 20, 2020, the Company's Quarterly Report on Form 10-Q filed with the SEC on May 6, 2020, and the Current Report on Form 8-K filed with the SEC on May 13, 2020, which may be amended from time to time. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Such information speaks only as of the date of this release.

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SCIENJOY INC.
CONDENSED Consolidated Balance Sheets
(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"), except share and per share data or otherwise stated)

	December 31, 2019 RMB	March 31 2020 RMB (Unaudited)	March 31 2020 US$ (Unaudited)
ASSETS			
Current assets			
Cash and cash equivalents	¥ 137,351	¥ 183,407	$ 25,853
Accounts receivable, net	120,110	99,971	14,092
Prepaid expenses and other current assets	11,557	12,588	1,774
Amounts due from related parties	7	7	1
Loan receivables - related parties	500	-	-
Total current assets	**269,525**	**295,973**	**41,720**
Non-current assets			
Property and equipment, net	736	669	94
Intangible assets, net	195	427	60
Long term investment	5,000	5,000	705

Long term deposits and other assets	2,761	2,965	418
Deferred IPO cost	1,307	2,173	306
Deferred tax assets	474	286	40
Total non-current assets	**10,473**	**11,520**	**1,623**
TOTAL ASSETS	**¥ 279,998**	**¥ 307,493**	**$ 43,343**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	¥ 27,163	¥ 25,464	$ 3,588
Accrued salary and employee benefits	8,727	10,866	1,532
Accrued expenses and other current liabilities	6,852	2,564	361
Income tax payable	8,435	7,877	1,110
Loan payables - related parties	5,525	9,673	1,364
Amounts due to related parties	8,482	2,895	408
Deferred revenue	40,288	35,968	5,070
Total current liabilities	**105,472**	**95,307**	**13,433**
Commitments and contingencies			
Shareholders' equity			
US$0.0001 par value; 500,000,000 shares authorized, 100,000 shares issued and outstanding as of December 31, 2019 and March 31, 2020*	¥ 69	¥ 69	$ 10
Share subscription receivables	(69)	(69)	(10)
Additional paid-in capital	9,664	9,664	1,362
Statutory reserves	12,059	14,444	2,036
Retained earnings	152,803	188,078	26,512
Total shareholder's equity	174,526	212,186	29,910
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**¥ 279,998**	**¥ 307,493**	**$ 43,343**

SCIENJOY INC.
CONDENSED Consolidated statements of INCOME
(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$"), except share and per share data or otherwise stated)

	For the three months ended March 31,		
	2019	**2020**	**2020**
	RMB	**RMB**	**US$**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Live streaming - consumable virtual items revenue	¥ 182,020	¥ 209,621	$ 29,548
Live streaming - time based virtual items revenue	6,559	5,669	799
Technical services	-	985	139
Total revenue	188,579	216,275	30,486
Cost of revenues	(153,221)	(164,470)	(23,184)
Gross profit	**35,358**	**51,805**	**7,302**
Sales and marketing expenses	(810)	(1,407)	(198)
General and administrative expenses	(1,410)	(3,482)	(490)
Research and development expenses	(3,912)	(6,364)	(897)
Provision for doubtful accounts	(682)	(434)	(61)
Income from operations	**28,544**	**40,118**	**5,656**
Interest income	138	534	75
Other loss, net	(344)	(997)	(141)
Foreign exchange (loss) gain, net	(9)	5	1

Income before income taxes	**28,329**	**39,660**	**5,591**
Income tax expense	(1,381)	(2,000)	(282)
Net income	**¥ 26,948**	**¥ 37,660**	**$ 5,309**
Weighted average number of shares			
Basic and diluted	100,000	100,000	100,000
Earnings per share			
Basic and diluted	¥ 269.48	¥ 376.60	$ 53.09

SOURCE Scienjoy Inc.

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https://ir.scienjoy.com/2020-05-13-Scienjoy-Inc-Reports-First-Quarter-2020-Financial-Results