

CooTek Announces First Quarter 2019 Unaudited Results

SHANGHAI, China, June 3, 2019 — CooTek (Cayman) Inc. (NYSE: CTK) (“CooTek” or the “Company”), a fast-growing global mobile internet company, today reported unaudited financial results for the first quarter ended March 31, 2019.

First Quarter 2019 Financial Highlights

- Net revenue was US\$40.0 million, an increase of 83% from US\$21.9 million during the same period last year.
- Gross profit was US\$36.5 million, an increase of 106% from US\$17.7 million during the same period last year. Gross profit margin was 91.2%, an increase of 10.4% year-over-year.
- Net income was US\$0.2 million, compared to US\$1.4 million during the same period last year.
- Adjusted net income¹ (Non-GAAP) was US\$1.3 million, compared to adjusted net income (Non-GAAP) of US\$1.7 million during the same period last year.

First Quarter 2019 Operational Highlights

- The average daily active users (“DAUs”) of the Company’s global products² were 169.0 million in March 2019 compared to 120.3 million in March 2018, an increase of 40% year-over-year.
- The average monthly active users (“MAUs”) of the Company’s global products² were 252.1 million in March 2019 compared to 176.0 million in March 2018, an increase of 43% year-over-year.
- The average DAUs of the Company’s portfolio products³ were 23.1 million in March 2019 compared to 4.6 million in March 2018, an increase of 402% year-over-year.
- The average MAUs of the Company’s portfolio products³ were 59.8 million in March 2019 compared to 14.4 million in March 2018, an increase of 315% year-over-year.
- The user engagement⁴ of the Company’s portfolio products in March 2019 was approximately 39%, compared to approximately 32% in March 2018 and approximately 37% in December 2018.
- The average DAUs of TouchPal Smart Input were 145.9 million in March 2019 compared to 115.7 million in March 2018, an increase of 26% year-over-year.
- The average MAUs of TouchPal Smart Input were 192.3 million in March 2019 compared to 161.6 million in March 2018, an increase of 19% year-over-year.
- The user engagement of TouchPal Smart Input in March 2019 was approximately 76%, compared to approximately 72% in March 2018 and approximately 74% in December 2018.

¹ “Adjusted net income” (Non-GAAP) is a non-GAAP measure, which is defined as net income excluding share-based compensation and compensation expense related to ordinary share repurchase. For further information, please see “Non-GAAP Financial Measures” and “Reconciliations of GAAP and non-GAAP results” at the bottom of this release.

² “global products” is to the mobile applications that we develop and provide to our users and business partners, which excludes TouchPal Phonebook. TouchPal Phonebook targets the Chinese domestic market and is different from TouchPal Smart Input and portfolio products that are designed for the global market (including China).

³ “portfolio products” is to the mobile applications that we develop and provide to our users and business partners, which exclude TouchPal Smart Input and TouchPal Phonebook.

⁴ User engagement is calculated by dividing DAUs by MAUs of certain products for a certain period.

| | Portfolio Products | | | TouchPal Smart Input | | |
|---------|--------------------|------|--|----------------------|-------|-----------------|
| | DAUs | MAUs | User Engagement (in millions, except for the percentages) | DAUs | MAUs | User Engagement |
| Mar' 17 | 0.1 | 0.5 | 20.0% | 61.7 | 96.6 | 63.9% |
| Jun' 17 | 0.3 | 0.8 | 37.5% | 75.3 | 113.8 | 66.2% |
| Sep'17 | 0.7 | 2.3 | 30.4% | 88.7 | 131.6 | 67.4% |
| Dec'17 | 2.9 | 9.4 | 30.9% | 101.9 | 148.2 | 68.8% |
| Mar' 18 | 4.6 | 14.4 | 31.9% | 115.7 | 161.6 | 71.6% |
| Jun' 18 | 7.3 | 22.2 | 32.9% | 125.4 | 171.7 | 73.0% |
| Sep'18 | 11.0 | 33.7 | 32.6% | 132.9 | 180.0 | 73.8% |
| Dec'18 | 16.9 | 46.1 | 36.7% | 140.8 | 190.5 | 73.9% |
| Mar' 19 | 23.1 | 59.8 | 38.6% | 145.9 | 192.3 | 75.9% |

- Portfolio products continued to be the main driver of revenue growth, contributing nearly 74% to the total revenue.

“We had a strong start of the year despite the usual seasonality of our first quarter,” commented Mr. Karl Zhang, CooTek’s Co-Founder and Chairman. “Revenue reached US\$40 million, an increase of 83% year-over-year as our global user base kept growing fast and DAUs of our portfolio products reached 23 million in March, a growth of nearly 37% quarter-over-quarter.”

“Our priority at this stage, as we mentioned last quarter, is to invest to further expand our user base rapidly and to build a solid growth platform which can drive our long-term success. User growth during the quarter exceeded our expectations, validating our strategy. During the quarter, we also made progress in building up our own ad ecosystem by launching CooTek Ads Platform, our proprietary ad serving platform.” concluded Mr. Zhang.

First Quarter 2019 Financial Results

Net Revenues

| (in US\$ thousands, except percentage) | 1Q 2019 | | 4Q 2018 | | 1Q 2018 | | QoQ % Change | YoY % Change |
|--|---------------|--|---------------|--|---------------|--|--------------|--------------|
| Mobile Advertising Revenue | 39,377 | | 46,487 | | 20,825 | | (15%) | 89% |
| Other Revenue | 660 | | 558 | | 1,094 | | 18% | (40%) |
| Total Net Revenues | 40,037 | | 47,045 | | 21,919 | | (15%) | 83% |

Net revenues for the first quarter were US\$40.0 million, an increase of 83% from US\$21.9 million during the first quarter of 2018 and a decrease of 15% from US\$47.0 million last quarter. The sequential decrease was primarily due to the seasonality of our mobile advertising business.

Mobile advertising revenue for the first quarter was US\$39.4 million, an increase of 89% from US\$20.8 million during the first quarter of 2018 and a decrease of 15% from US\$46.5 million last quarter. The year-over-year increase was primarily due to the rapid growth in the number of DAUs of portfolio products and improvement of the user engagement.

Portfolio products accounted for approximately 75%, TouchPal Smart Input accounted for approximately 18% and TouchPal Phonebook accounted for approximately 7% of the mobile advertising revenue for the first quarter of 2019.

Cost and Operating Expenses

| (in US\$ thousands, except percentage) | 1Q 2019 | | 4Q 2018 | | 1Q 2018 | | QoQ % Change | YoY % change |
|--|---------------|--------------|---------------|--------------|---------------|--------------|--------------|--------------|
| | US\$ | % of revenue | US\$ | % of revenue | US\$ | % of revenue | | |
| Cost of revenues | 3,541 | 8% | 3,487 | 7% | 4,210 | 19% | 2% | (16%) |
| Sales and marketing | 27,378 | 68% | 31,838 | 68% | 10,691 | 49% | (14%) | 156% |
| Research and development | 6,616 | 17% | 5,833 | 12% | 3,829 | 17% | 13% | 73% |
| General and administrative | 2,344 | 6% | 3,625 | 8% | 1,862 | 8% | (35%) | 26% |
| Other operating income, net | (68) | (0%) | (1,526) | (3%) | (22) | 0% | (96%) | 209% |
| Total Cost and Expenses | 39,811 | 99% | 43,257 | 92% | 20,570 | 93% | (8%) | 94% |

Share-based compensation expenses by function

| | | | | | | | | |
|---|--------------|-------------|------------|-------------|------------|-------------|------------|-------------|
| Cost of revenues | 18 | 0.0% | 15 | 0.0% | 8 | 0.0% | 20% | 125% |
| Sales and marketing | 59 | 0.1% | 55 | 0.1% | 7 | 0.0% | 7% | 743% |
| Research and development | 918 | 2.3% | 621 | 1.3% | 196 | 0.9% | 48% | 368% |
| General and administrative | 148 | 0.4% | 120 | 0.3% | 66 | 0.3% | 23% | 124% |
| Total share-based compensation expense | 1,143 | 2.9% | 811 | 1.7% | 277 | 1.3% | 41% | 313% |

Cost of revenues for the first quarter was US\$3.5 million, a decrease of 16% from US\$4.2 million during the same period last year and a slight 2% increase from US\$3.5 million last quarter. The year-over-year decrease was mainly due to a decrease in VoIP-related expenses as a result of continuous improvement in telecommunication services utilization efficiency. The sequential increase was primarily due to an increase in operational and maintenance expenses as the Company's businesses expanded.

Gross profit for the first quarter was US\$36.5 million, a 106% increase from US\$17.7 million during the same period last year and a decrease of 16% from US\$43.6 million last quarter. **Gross profit margin** was 91.2%, compared to 80.8% in the same period last year and 92.6% last quarter.

Sales and marketing expenses for the first quarter were US\$27.4 million, an increase of 156% from US\$10.7 million during the same period last year and a decrease of 14% from US\$31.8 million last quarter. As a percentage of total revenue, sales and marketing expenses accounted for 68% compared with 49% during the same period last year, and was flat compared with last quarter. The year-on-year increase in sales and marketing expenses as a percentage of total net revenue was primarily due to the increased investment in user acquisition.

Research and development expenses for the first quarter were US\$6.6 million, an increase of 73% from US\$3.8 million during the same period last year and an increase of 13% from US\$5.8 million last quarter. The year-on-year and sequential increases were primarily due to the increased cost associated with technology R&D staff. As a percentage of total net revenue, research and development expenses accounted for 17%, as compared to 17% during the same period last year and 12% compared to last quarter.

General and administrative expenses for the first quarter were US\$2.3 million, an increase of 26% from US\$1.9 million during the same period last year and a decrease of 35% from US\$3.6 million last quarter. The sequential decrease was mainly due to a decrease in general and administrative payroll and professional services and administrative expenses. As a percentage of total net revenue, general and administrative expenses accounted for 6%, compared to 8% during the same period last year and 8% during last quarter.

Other operating income, net for the first quarter was US\$0.07 million, increased from US\$0.02 million during the same period last year and decreased from US\$1.5 million last quarter. It mainly consisted of government subsidies the Company received.

Net income for the first quarter was US\$0.2 million, as compared with US\$1.4 million during the same period last year and to US\$3.8 million last quarter.

Adjusted net income, a non-GAAP financial measure, represents net income (loss) excluding share-based compensation. Adjusted net income for the first quarter was US\$1.3 million, a decrease of 20% from US\$1.7 million in the same period last year and a decrease of 72% from US\$4.6 million last quarter.

| <u>In US\$ thousands, except percentage</u> | <u>1Q 2019</u> | <u>4Q 2018</u> | <u>1Q 2018</u> | <u>QoQ % Change</u> | <u>YoY % change</u> |
|---|----------------|----------------|----------------|---------------------|---------------------|
| Net income | 172 | 3,838 | 1,373 | (96%) | (87%) |
| Add: Share-based Compensation related to share options and restricted share units | 1,143 | 811 | 277 | 41% | 313% |
| Adjusted Net Income (Non-GAAP) | <u>1,315</u> | <u>4,649</u> | <u>1,650</u> | <u>(72%)</u> | <u>(20%)</u> |

Basic and diluted net income per ADS were US\$0.003 and US\$0.003 in the first quarter of 2019, and basic and diluted Adjusted Net Income (Non-GAAP) per ADS were US\$0.02 and US\$0.02 in this period.

Balance Sheet and Cash Flow

As of March 31, 2019, Cash and cash equivalents and restricted cash was US\$77.3 million compared to US\$84.9 million as of December 31, 2018.

Net cash outflow from operating activities during the first quarter of 2019 was US\$3.3 million, compared to inflow from operations of US\$2.6 million for the same period in 2018 and inflow of US\$13.3 million during the last quarter. The cash outflow from operating activities during the first quarter of 2019 was the result of better credit terms extended to customers as part of the Company's initiatives to expand its advertising business, and the payment of staff annual bonuses and other accrued expenses by December 31, 2018.

Share Repurchase Plan

On November 26, 2018, the Company announced a share repurchase program whereby the Company is authorized to repurchase its own Class A ordinary shares in the form of ADSs with an aggregate value of up to US\$15 million during the 12-month period from November 30, 2018. As of March 31, 2019, the Company has used an aggregate of US\$5.7 million to repurchase 645,367 ADSs.

Business Outlook

For the second quarter of 2019, CooTek expects total revenue to be between US\$45 million and US\$50 million, representing 58% to 76% increase year-over-year.

Conference Call and Webcast

CooTek's management team will host a conference call at 8:00 AM U.S. Eastern Time on Monday, June 3, 2019 (8:00 PM Beijing Time on the same day), following the results announcement.

The dial-in details for the live conference call are:

United States: 1-888-346-8982
 Hong Kong: 800-905-945
 China: 4001-201-203
 International: 1-412-902-4272

Please dial in 15 minutes before the call is scheduled to begin. When prompted, ask to be connected to the **CooTek (Cayman) Inc.** call.

A live webcast and archive of the conference call will be available on the Investor Relations section of CooTek's website at <https://ir.cootek.com/>.

About CooTek (Cayman) Inc.

CooTek is a fast-growing global mobile internet company. The mission of CooTek is to empower everyone to express themselves and enjoy relevant content seamlessly. The Company's user-centric and data-driven approach has enabled it to release appealing products to capture mobile internet users' ever-evolving content needs and helps it rapidly attract targeted users. Focusing on 5 verticals of fitness, lifestyle, healthcare, short videos and entertainment, CooTek has developed multiple rapidly growing content-rich portfolio apps with news feed to deliver relevant content.

Non-GAAP Financial Measure

To supplement the unaudited consolidated financial information prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"), the Company uses non-GAAP financial measure of adjusted net income (loss) that is adjusted from results based on GAAP to exclude the impact of share-based compensation, and Adjusted EBITDA that is net (loss) income excluding interest income and expense, income taxes, depreciation, and share-based compensation. The measure should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results.

The Company believes that the non-GAAP measure help identify underlying financial and business trends relating to the Company's results of operations that could otherwise be distorted by the effect of certain expenses that the Company include in (loss) income from operations and net (loss) income. By making the Company's financial results comparable period over period, the Company believes adjusted net (loss) income and Adjusted EBITDA provides useful information to better understand the Company's historical business operations and future prospects and allows for greater visibility with respect to key metrics used by the management in financial and operational decision-making. In order to mitigate these limitations, the Company has provided specific information regarding the GAAP amounts excluded from the non-GAAP measure. The table at the bottom of this press release includes details on the reconciliation between GAAP financial measure that is most directly comparable to the non-GAAP financial measure the Company has presented.

Safe Harbor Statement

This press release contains forward-looking statements made under the "safe harbor" provisions of Section 21E of the Securities Exchange Act of 1934, as amended, and the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," "confident" and similar statements. CooTek may also make written or oral forward-looking statements in its reports filed with or furnished to the U.S. Securities and Exchange Commission, in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Any statements that are not historical facts, including statements about CooTek's beliefs and expectations, are forward-looking statements that involve factors, risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such factors and risks include, but not limited to the following: CooTek's mission and strategies; future business development, financial conditions and results of operations; the expected growth of the mobile internet industry and mobile advertising industry; the expected growth of mobile advertising; expectations regarding demand for and market acceptance of our products and services; competition in mobile application and advertising industry; and relevant government policies and regulations relating to the industry. Further information regarding these and other risks, uncertainties or factors is included in the Company's filings with the U.S. Securities and Exchange Commission. All information provided in this press release is current as of the date of the press release, and CooTek does not undertake any obligation to update such information, except as required under applicable law.

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CooTek (Cayman) INC.
Unaudited Condensed Consolidated Statement of Operations
(in thousands, except for share and per share data)

| | Three Months Ended | | |
|---|---------------------------|------------------------------|---------------------------|
| | March 31, 2018 US\$ | December 31, 2018 US\$ | March 31, 2019 US\$ |
| Net revenues | 21,919 | 47,045 | 40,037 |
| Cost of revenues | (4,210) | (3,487) | (3,541) |
| Gross Profit | 17,709 | 43,558 | 36,496 |
| Operating expenses: | | | |
| Sales and marketing expenses | (10,691) | (31,838) | (27,378) |
| Research and development expenses | (3,829) | (5,833) | (6,616) |
| General and administrative expenses | (1,862) | (3,625) | (2,344) |
| Other operating income, net | 22 | 1,526 | 68 |
| Total operating expenses | (16,360) | (39,770) | (36,270) |
| Income from operations | 1,349 | 3,788 | 226 |
| Interest income, net | 62 | 107 | 362 |
| Foreign exchange loss | (38) | (57) | (416) |
| Income before income taxes | 1,373 | 3,838 | 172 |
| Income tax expense | — | — | — |
| Net income | 1,373 | 3,838 | 172 |
| Net income per ordinary share | | | |
| Basic | 0.0005 | 0.001 | 0.00005 |
| Diluted | 0.0004 | 0.001 | 0.00005 |
| Weighted average shares used in calculating net income per ordinary share | | | |
| Basic | 898,393,690 | 3,143,398,375 | 3,181,144,897 |
| Diluted | 1,037,517,769 | 3,259,214,404 | 3,310,299,485 |
| Non-GAAP Financial Data | | | |
| Adjusted Net Income | 1,650 | 4,649 | 1,315 |
| Adjusted EBITDA | 1,867 | 4,887 | 1,422 |

Unaudited Condensed Consolidated Balance Sheets
(in thousands, except for share and per share data)

| | As of | |
|---|----------------------|-------------------|
| | December 31, 2018 | March 31, 2019 |
| | US\$ | US\$ |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | 84,860 | 77,203 |
| Restricted cash | — | 80 |
| Accounts receivable, net of allowance for doubtful accounts of \$1,286 and \$1,286 as of December 31, 2018 and March 31, 2019, respectively | 23,374 | 27,295 |
| Prepaid expenses and other current assets | 4,942 | 5,812 |
| Total current assets | 113,176 | 110,390 |
| Long-term investments | 500 | 500 |
| Property and equipment, net | 4,211 | 4,315 |
| Other non-current assets | 556 | 478 |
| TOTAL ASSETS | 118,443 | 115,683 |
| LIABILITIES, CONVERTIBLE REDEEMABLE PREFERRED SHARES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | 24,781 | 26,272 |
| Accrued salary and benefits | 4,535 | 3,003 |
| Accrued expenses and other current liabilities | 3,582 | 2,664 |
| Deferred revenue | 344 | 329 |
| Total current liabilities | 33,242 | 32,268 |
| Other non-current liabilities | 878 | 577 |
| TOTAL LIABILITIES | 34,120 | 32,845 |

Unaudited Condensed Consolidated Balance Sheets (continued):
(in thousands, except for share and per share data)

| | As of | |
|---|----------------------|-------------------|
| | December 31, 2018 | March 31, 2019 |
| | US\$ | US\$ |
| Shareholders' Equity : | | |
| Ordinary shares | 32 | 32 |
| Treasury Stock | (2,499) | (5,738) |
| Additional paid-in capital | 204,701 | 205,844 |
| Accumulated deficit | (116,752) | (116,580) |
| Accumulated other comprehensive loss | (1,159) | (720) |
| Total Shareholders' Equity | 84,323 | 82,838 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 118,443 | 115,683 |

Unaudited Condensed Consolidated Statement of Cash Flows
(in thousands, except for share and per share data)

| | Three Months Ended | | |
|--|---------------------------|------------------------------|---------------------------|
| | March 31, 2018 | December 31, 2018 | March 31, 2019 |
| | US\$ | US\$ | US\$ |
| Net cash provided by (used in) operating activities | 2,579 | 13,300 | (3,334) |
| Net cash used in investing activities | (615) | (1,791) | (524) |
| Net cash (used in) provided by financing activities | (558) | 43,734 | (4,049) |
| Net increase (decrease) in cash and cash equivalents | 1,406 | 55,243 | (7,907) |
| Cash, cash equivalents, and restricted cash at beginning of period | 27,026 | 29,448 | 84,860 |
| Effect of exchange rate changes on cash and cash equivalents | 586 | 169 | 330 |
| Cash, cash equivalents, and restricted cash at end of period | <u>29,018</u> | <u>84,860</u> | <u>77,283</u> |

Reconciliations of GAAP and Non-GAAP Results
(in thousands, except for share and per share data)

| | Three Months Ended | | |
|--|--------------------|----------------------|-------------------|
| | March 31, 2018 | December 31, 2018 | March 31, 2019 |
| | US\$ | US\$ | US\$ |
| Net income | 1,373 | 3,838 | 172 |
| Add: | | | |
| Share-based compensation related to share options and restricted share units | 277 | 811 | 1,143 |
| Adjusted Net Income (Non-GAAP)* | 1,650 | 4,649 | 1,315 |
| Add: | | | |
| Interest expense (income) | (62) | (107) | (362) |
| Income taxes | — | — | — |
| Depreciation | 279 | 345 | 469 |
| Adjusted EBITDA (Non-GAAP)* | 1,867 | 4,887 | 1,422 |

* The non-GAAP adjustments do not take into consideration the impact of taxes on such adjustments.