



ChangYou.com

Presentation  
August 2013

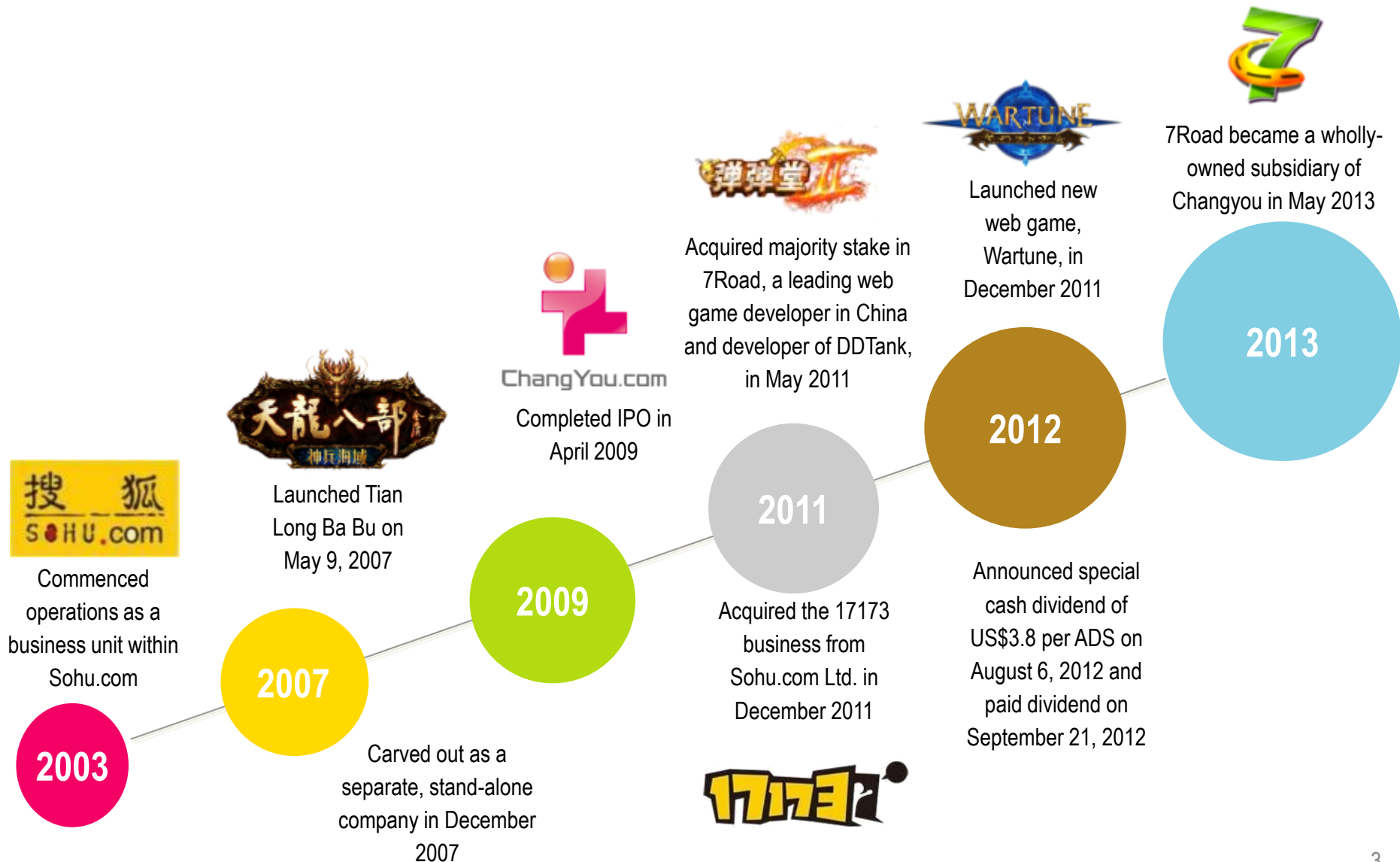


# Safe Harbor Statement

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These materials contain forward-looking statements. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Forward-looking statements involve inherent risks and uncertainties. The Company cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Potential risks and uncertainties include, but are not limited to, the continuing global financial and credit markets crisis and its potential impact on the Chinese economy, the uncertain regulatory landscape in the People's Republic of China, fluctuations in Changyou's quarterly operating results, Changyou's historical and possible future losses and limited operating history, and the Company's reliance on Tian Long Ba Bu as its major revenue source. Further information regarding these and other risks is included in Changyou's Annual Report on Form 20-F filed on February 28, 2013, and other filings with the Securities and Exchange Commission.

# Our History and Key Milestones



# Experienced Management Team



**Mr. Tao Wang**  
**CEO**

- One of the principal founders
- Has worked in the MMORPG business of Sohu and Changyou for over 8 years
- Has over 14 years of experience in the computer game industry in China
- Prior to Changyou's carve-out from Sohu, Mr. Wang served as Sohu's Vice President of MMORPG business



**Mr. Alex Ho**  
**CFO**

- Has worked in Sohu and Changyou for over 8 years
- Prior to the Changyou's initial public offering, Mr. Ho was the Senior Finance Director of Sohu
- Prior to joining Sohu, Mr. Ho worked at Arthur Andersen & Co. and PricewaterhouseCoopers in Hong Kong and Beijing, where he was a Senior Manager of Assurance and Business Advisory



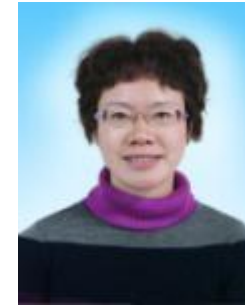
**Mr. Dewen Chen**  
**President**

- One of the principal founders
- Has worked in the MMORPG business of Sohu and Changyou for over 8 years
- Prior to our carve out from Sohu, Mr. Chen was the Director of Marketing & Operations of the MMORPG business of Sohu and was in charge of the overall marketing, promotion, sales and channel distribution of Sohu's games products



**Mr. Xiaojian Hong**  
**COO**

- One of the principal founders
- Has worked in the MMORPG business of Sohu and Changyou for over 8 years
- Has significant experience in the security, efficiency and stability of online games software and operations
- Prior to our carve-out from Sohu, Mr. Hong was a Senior Manager of Sohu and played a key role in building Sohu's MMORPG software development division



**Ms. Wendy Pan**  
**CIO**

- Appointed as CIO in January 2013 to lead Changyou's strategy implementation efforts and development of overall project management systems
- Prior to joining Changyou, she worked as a senior executive at Huawei Technology Co., Ltd., where she was mainly responsible for managing the execution of Huawei's strategies and project management, as well as leading teams on transformational projects

# Changyou's Unique Positioning in China

We are one of the few online game companies in China with a leading presence in online game media and online games area.

## Game Information Portal: 17173.com



- 17173.com was the first established online portal dedicated to providing news on online games, and continues to be the portal of choice for online game advertising in China.
- The 17173.com Website has won “Best Game Media” award for nine consecutive years from 2004 to 2012 at the Annual Game Industry Awards Gala.
- The 17173 business is an integral part of Changyou's strategy to build a substantial community around our games and develop ancillary products and services for gamers in that community.
- Total average monthly active accounts of the Company's platform channels<sup>(a)</sup> were 85 million.

## Flagship games: TLBB, DDTank and Wartune



- TLBB continues to be one of the most popular martial-arts MMORPGs in China. And it was chosen as one of the 2012 “Top 10 Most Liked Online Games by Game Players” at ChinaJoy.
- DDTank is a top 3 web game in China according to Baidu web game ranking and ranks first among web games in Malaysia. DDTank won the “Baidu Outstanding Web Game” award in 2012.
- Wartune is available on over 90 websites in China. And it won the “Baidu Outstanding Web Game” award in 2012.
- Total average monthly active accounts of the Company's games<sup>(b)</sup> were 36 million.

### Note:

- Calculated as the simple average of the sum of the monthly unique visitors to the Company's web game operation platform, the 17173 website and 17173's non-game products, plus the monthly logged-in accounts of non-game applications during the quarter.
- Calculated as the simple average of the sum of monthly active accounts of all of the MMO games, Web games and mobile games operated by the Company and its wholly-owned and/or majority-owned subsidiaries during the quarter. Monthly active accounts for games are defined as game accounts that were logged in at least once during the month..





ChangYou.com

## **Section 1**

### **Investment Highlights**



# Investment Highlights



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**Extend Reach and Build Gamer Community**

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**Proven Game Development Capabilities**

**3**

**Proven Game Management Capabilities**

**4**

**Delivering High Quality Services to Gamers**

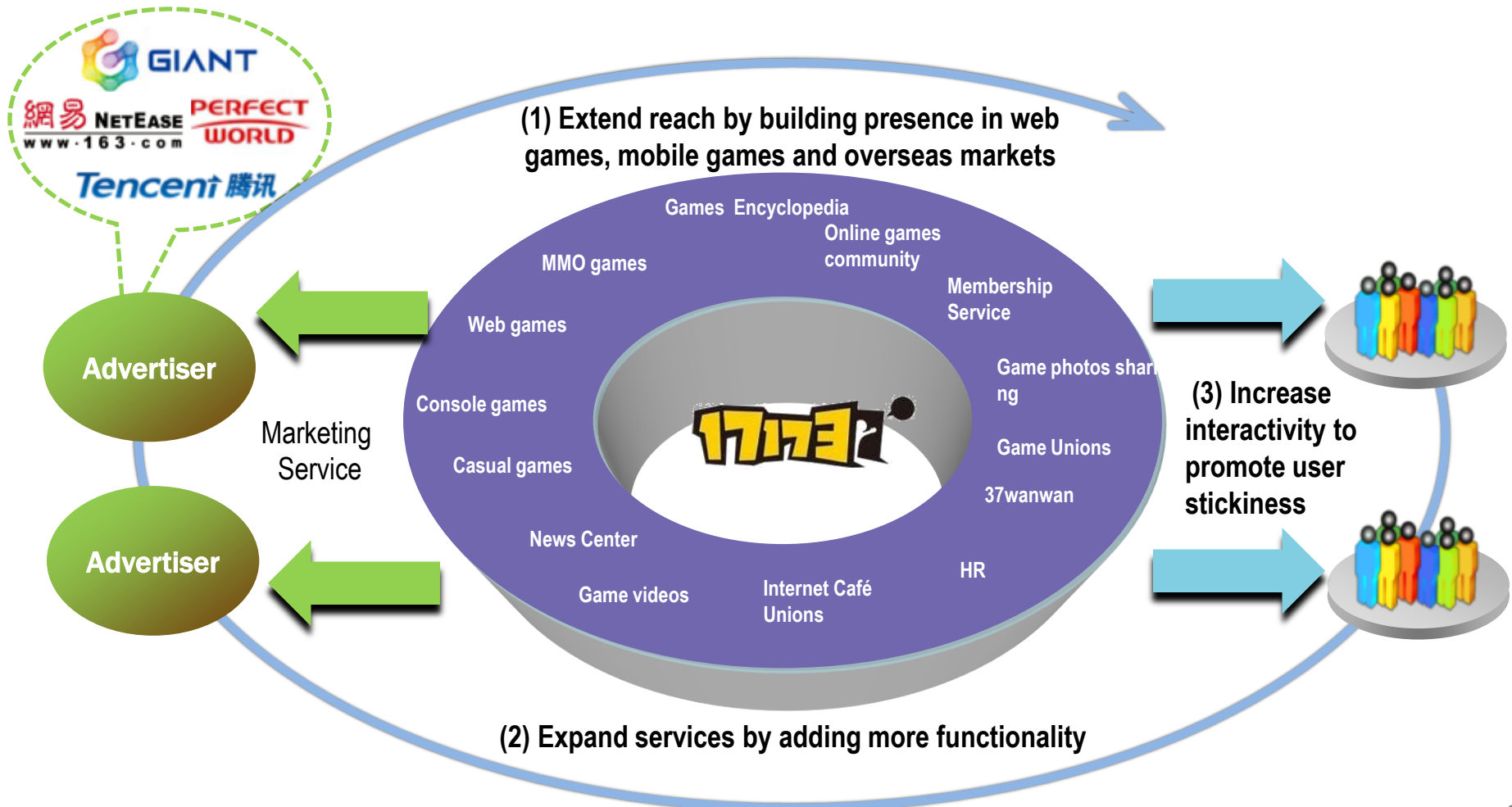
**5**

**Ongoing Media and Branding Support from Sohu**

## 1

# Extend Reach and Build Gamer Community

17173.com is a leading game information portal in China. Our plan is to transform it into a platform for gamers by extending its reach, expanding its services and increasing stickiness.

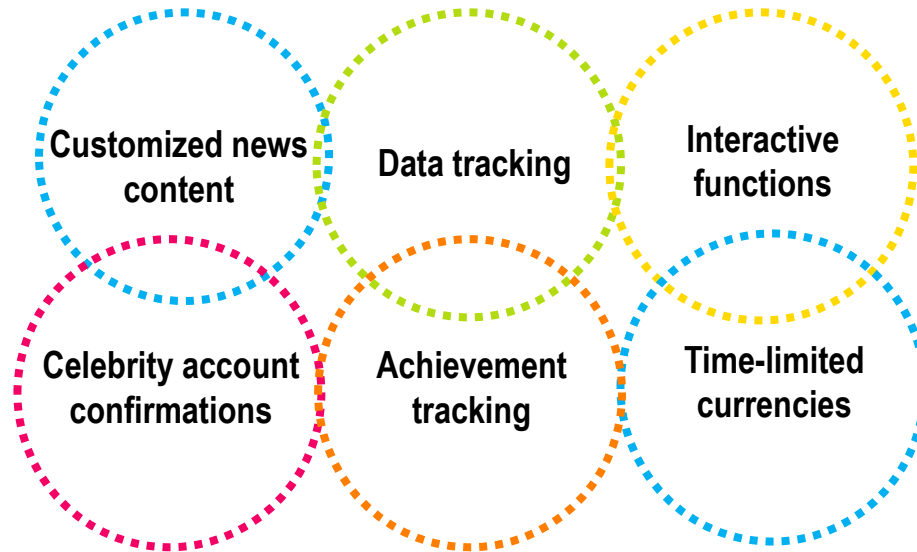




# Extend Reach and Build Gamer Community (Cont'd)

We continue to upgrade the website to support more value-added services and allow for better functionality, interactivity and user experience.

During the first half of 2013, we completed the upgrade of the underlying technological infrastructure of 17173.com to allow for web 2.0 functionality. We also upgraded the online forums within the 17173 website, adding new functions to effectively increased user activity and time spent in our forums.



*Completes the groundwork needed for 17173 to launch Internet value-added services*



The 17173 Business currently offers third-party web games on 37wanwan platform.

37wanwan platform currently offers 50-60 web games to 17173 users.

## Proven Game Management Capabilities

When Changyou began operations as a business unit, the management started creating a corporate culture that focuses entirely on developing games based on gamer preferences.

- Collect game player feedback through multiple channels



The most popular online game portal in China

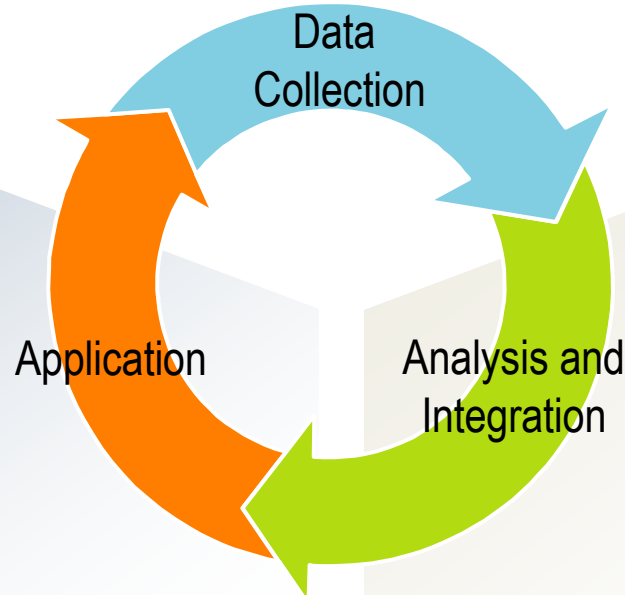
- Online surveys
- Online discussion forums
- Events for game players

- In-game instant messaging
- 24-hour telephone hotline
- Online and offline research

**Feedback center and customer service team**

- Over 2,000 game development personnel
- Release regular game updates once a week and expansion packs every few months

**Product development team**



- Review player feedback
- Regularly communicate feedback to product development team
- Rigorously analyze industry data

**Game operation team**

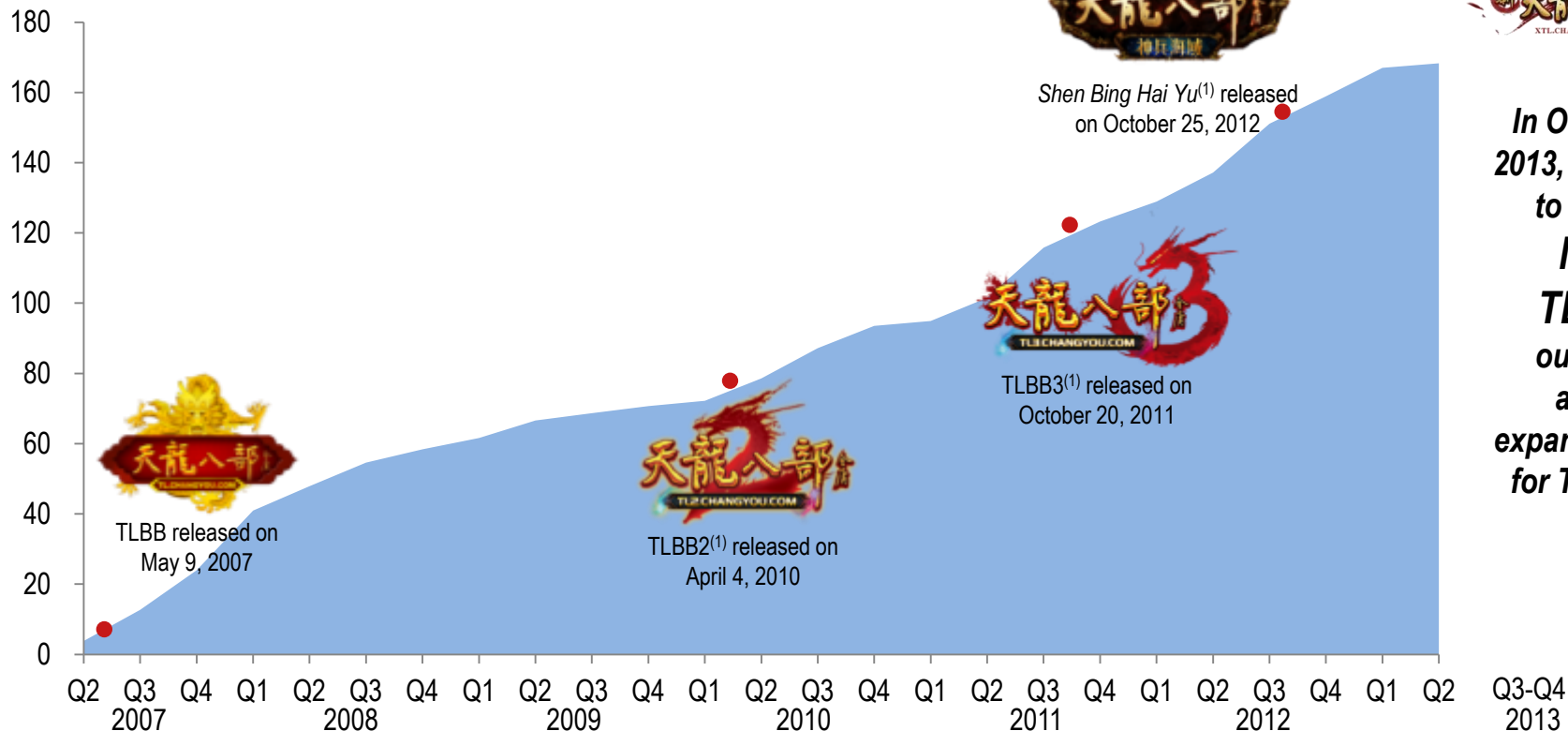
***Consistently putting customers first and following through on such demand with each new game and expansion pack that we release.***

## Proven Game Management Capabilities (cont'd)

Revenues from a successful game can continue to grow if the game is properly managed. Through timely releases of new content called expansion packs every 3 to 4 months, our online game revenues have grown consistently every year since the launch of TLBB in 2007.

### Online Games Revenues

(US\$ Million)



*In October of 2013, we expect to release **NEW TLBB<sup>(1)</sup>** our major annual expansion pack for TLBB this year.*

Note:

(1) This is a major expansion pack, not a new game.

## 2 A Preview of “New TLBB”



Significant enhancements to graphics and visual effects using our new self-developed 3D engine, Cyclone IV



New martial arts sect

*Lots of highly anticipated gameplay and virtual items*






### New Gameplay

Such as the “Easter egg”, where players receive additional rewards if they trigger and complete secret quests.



# Proven Game Development Capabilities

A number of our inhouse-developed games are popular games in China, and inhouse-developed games make up a large portion of Changyou's online game revenues.

		Game Genre	Type	Launch Date	Countries
MMO games	 TLBB	2.5D martial arts	Self-developed	May 9, 2007	
	 Blade Online Series	2.5D fighting	Licensed	Blade Online: July 4, 2004 Blade Hero 2: October 15, 2009	
	 Duke of Mount Deer	3D martial arts	Self-developed	July 22, 2011	
	 Dou Po Cang Qiong Online	2.5D fantasy	Self-developed	April 10, 2013	
Web games	 DDTank Series	Shooting game	Self-developed	DDTank: March 2009	
	 Wartune	2.5D real time strategy	Self-developed	December 2011	

Note:

(1) Over 90 countries and regions.



### 3 Recently Launched Games

Below are some recently launched games:



#### Xing Qu

The player will be a mercenary in the game who joins the war between two nations. Players can constantly meet new companions and expand their team while dominating a continent. The game is played using a semi turn-based plus semi real-time mode.

**Game Genre:** Fantasy RPG Web Game

**Developer:** Internal

**Launch date:** August 8, 2013



#### Xuan Yuan Jian Six

This PC game is the sixth sequel in the popular Xuan Yuan Jian game series developed by Taiwan SoftWorld, which can be played on personal computers without an Internet connection.

**Game Genre:** PC Game

**Developer:** External

**Expected launch date:** Third quarter of 2013

Below are the pipeline games that have been announced:



## DarkBlood

A licensed side-scrolling MMO action game, designed for hardcore players.

**Game Genre:** MMORPG

**Developer:** External

**Expected launch date:** Fourth quarter of 2013



## Grand Chase

A licensed side-scrolling MMO action game that was developed by a Korean game studio and features Japanese anime style graphics.

**Game Genre:** MMORPG

**Developer:** External

**Expected launch date:** Fourth quarter of 2013

***We expect to launch a number of mobile games by the end of the year, roughly half of which will come from our own innovation lab.***

# Delivering High Quality Services to Gamers

We are committed to continually enhancing and upgrading our services.

- Put all games on a single page to cross-promote games and enhance accessibility



- Specialized service for VIP player

Committed to Provide High Quality Services

畅游客服中心

- Several ways to register an account



Cell phone

Email

Personalized

- Several ways to protect the account



Flip insurance card

Hardware

Fixed line

Protection card

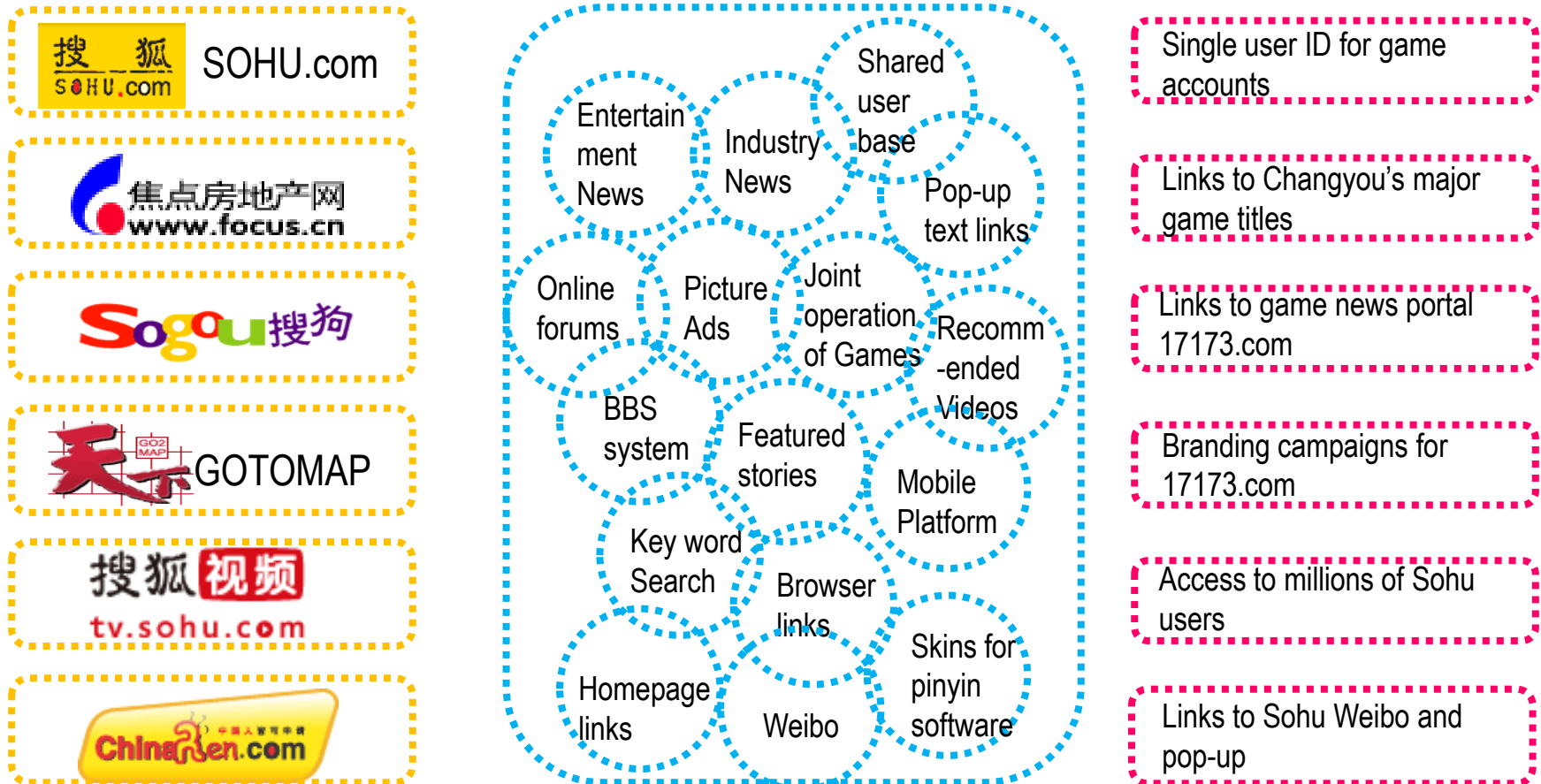
Text message

- Easier to contact customer service



# Ongoing Media and Branding Support from Sohu

Our parent company, Sohu.com Ltd. (“Sohu”) , owns a number of leading Web properties in China that provide media and branding support when Changyou publish games.







ChangYou.com

## Section 2

## Financials





# Financial Results and Guidance

**Changyou's online games business and online advertising business continues to be highly cash-generative.**

	2013 Q2	2013 Q1	2012Q2	QoQ	YoY	2013 Q3 Guidance
Total revenues	\$182.4m	\$177.6m	\$147.3 m	3%	24%	\$180.0m~\$186.0m
Online game	\$168.3m	\$167.4m	\$136.0m	1%	24%	\$161.0m~166.0m
Online advertising	\$10.1m	\$6.6m	\$9.1m	52%	11%	\$14.0m~15.0m
IVAS	\$1.4m	\$1.4m	\$1.2m	(5%)	13%	N/A
Others	\$2.6m	\$2.1m	\$1.1m	27%	144%	N/A
Gross margin (non-GAAP) *	83%	83%	84%	N/A	N/A	N/A
Operating margin (non-GAAP) *	51%	57%	58%	N/A	N/A	N/A
Net income attributable to Changyou.com Limited (non-GAAP) *	\$75.6m	\$77.9m	\$72.3m	(3%)	4%	\$71.0m~74.0m
Diluted EPS attributable to Changyou.com Limited (non-GAAP) *	\$1.41	\$1.45	\$1.35	(3%)	4%	\$1.33~1.38
Balance in cash and cash equivalents and short-term investments	\$470.4m	\$462.3m	\$464.9m	2%	1%	N/A
Restricted time deposits (current and non-current)	\$333.3m	\$278.0m	N/A	20%	N/A	N/A
Bank loans (short term and long-term)	\$323.0m	\$270.5m	N/A	19%	N/A	N/A
Cash inflow from operations	\$96.6m	\$82.4m	\$82.5m	17%	17%	N/A

\* Non-GAAP results exclude share-based compensation expense, goodwill impairment, impairment of intangibles via acquisitions of businesses and related tax impact, non-cash tax benefits from excess tax deductions related to share-based awards and income/expense from the adjustment of contingent consideration previously recorded for acquisitions. Please refer to our earnings release, which is posted on the IR section of Changyou's website at <http://ir.changyou.com/>, for GAAP numbers.



# Thank you!

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## Investor Relations Team

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## Shareholder Services

Depository Bank –  
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