

# NetDragon Websoft Holdings Limited

Stock Code: 777 HK



2018 Annual Results Presentation

March 27, 2019



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# Opening Remarks

Group Vice Chairman – Dr. Simon Leung

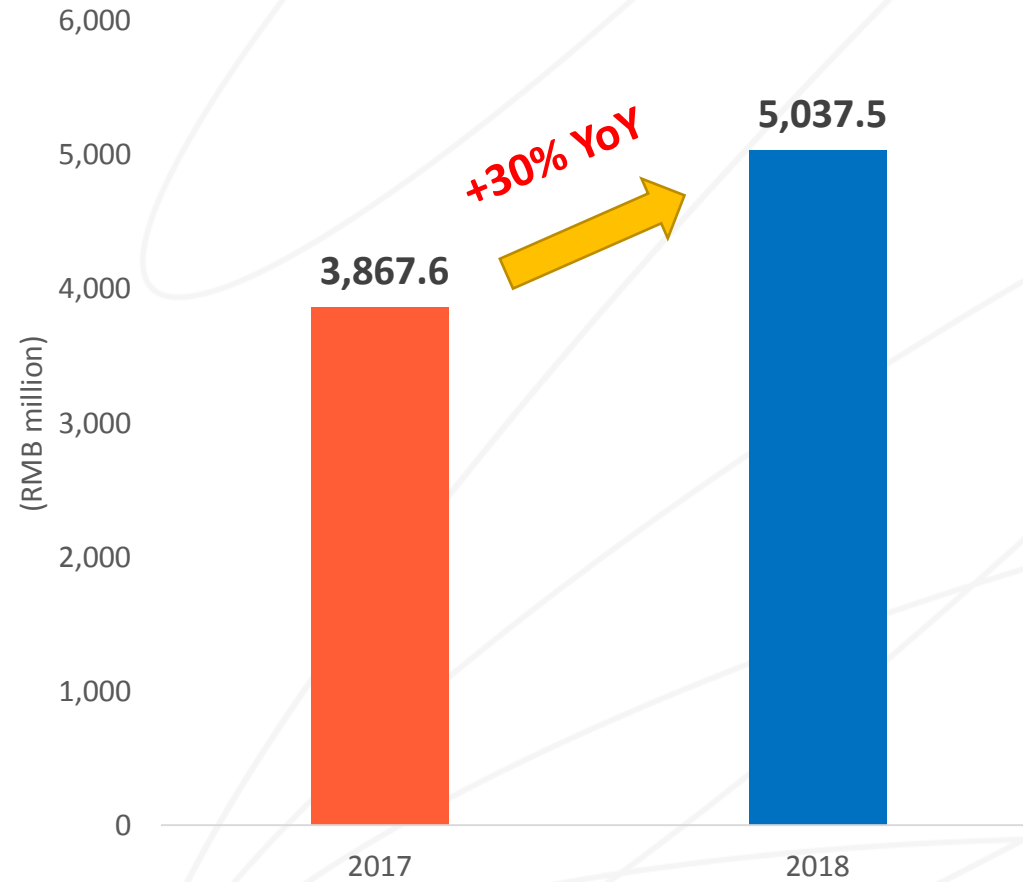
# Agenda

Topic	Speaker
2018 Highlights	Dr. Simon Leung, Group Vice Chairman
Edmodo Highlights	Dr. Simon Leung, Group Vice Chairman
Promethean Highlights	Vin Riera, CEO – Promethean
“Purpose-Built Innovation, Inspired.”	Ravi Angadi, CPO – Promethean
Gaming Highlights	Lin Xin, Gaming Operations CEO
2018 Financials	Ben Yam, Group CFO
2019 Outlook	Dr. Simon Leung, Group Vice Chairman
Q&A	

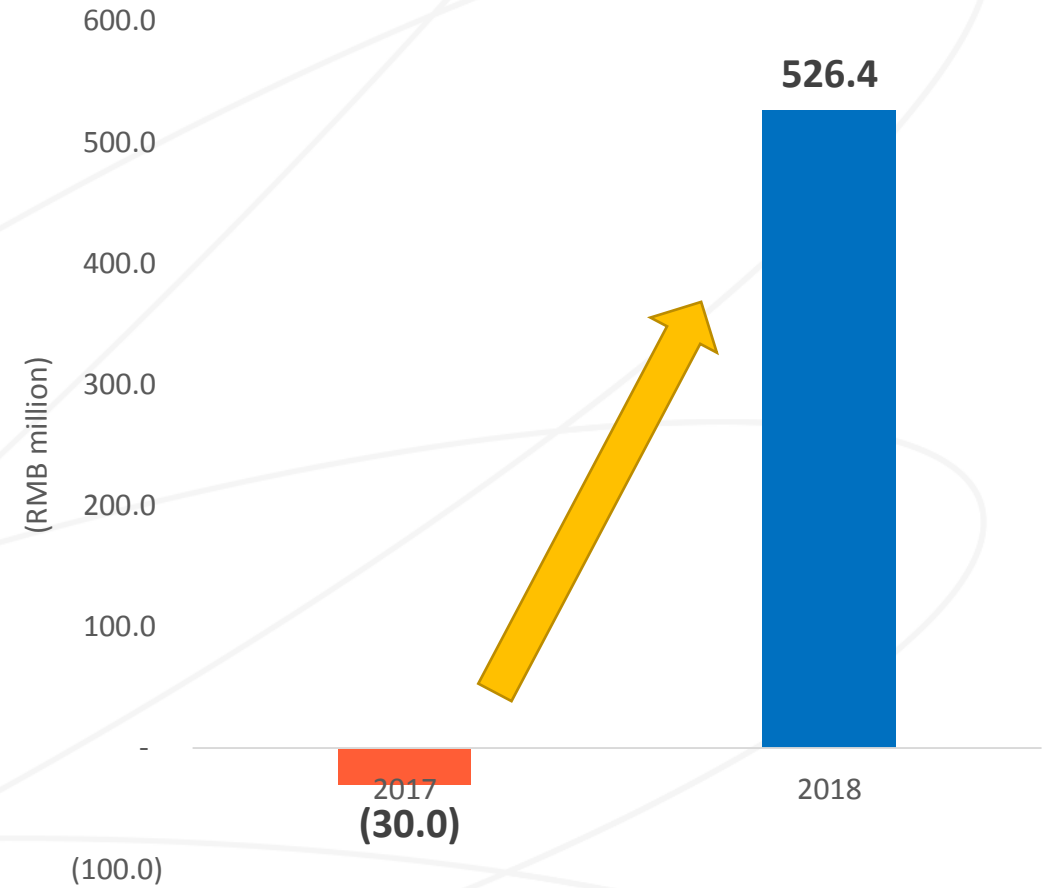


# 2018 Results

Revenue: RMB5.0 Billion



Operating Profit: RMB526.4 Million



## 2018 Highlights – Overall

- Record High Revenue for both Gaming and Learning
- Record High Operating Profit at RMB526 million
- Gained Market Share
- Completed Acquisition of Edmodo
- Continuing Growth of Community



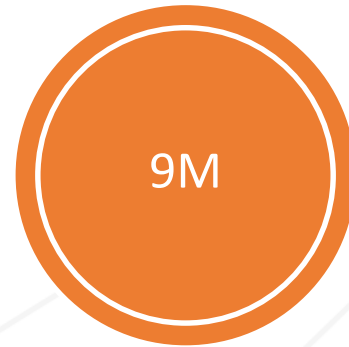
## 2018 Highlights – Gaming

- Record-High Revenue +42% YoY
- Mobile Games Revenue +49% YoY
- Segmental Profit +92% YoY
- Continue to Monetize our Flagship IPs (PC and Mobile)
- Continue to Expand Game Genre
- Successfully Launched first HTML5 game (魔域来了)

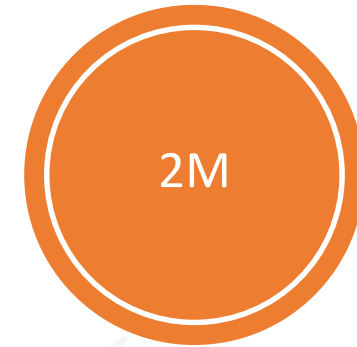
# Snapshot – Gaming



Monthly ARPU



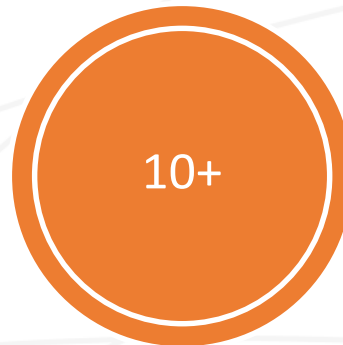
MAU



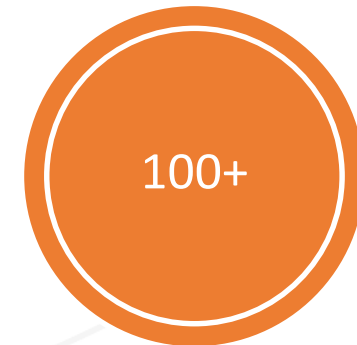
DAU



Active Paying  
Accounts (APA)



No. of Titles



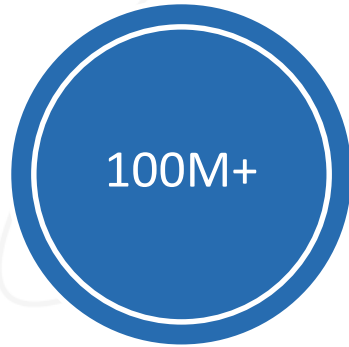
Countries



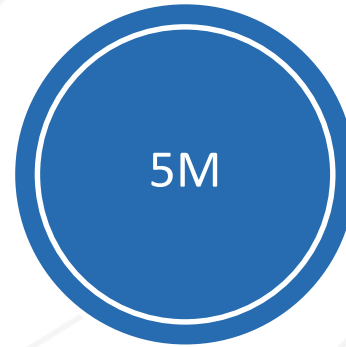
# 2018 Highlights – Learning

- Overall Education Revenue +22% YoY
- Continued Market Share Gain
- Continued Operational Excellence
- Completed and Integrated Edmodo
- Edmodo's Registered Users exceeded 100M
- Accelerated Product Innovation
- Foundation for Monetization of Contents and Services

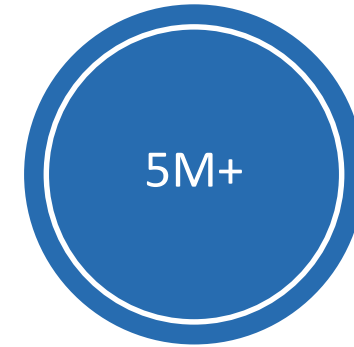
# Snapshot – Learning



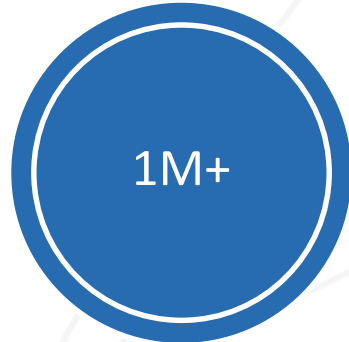
Registered Users



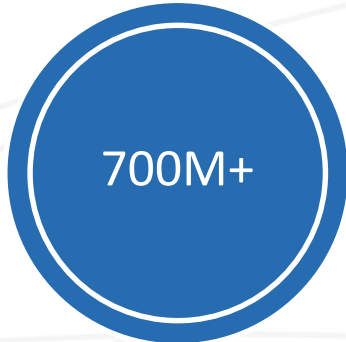
Teachers Installed Base  
(101 Edu PPT platform – China)



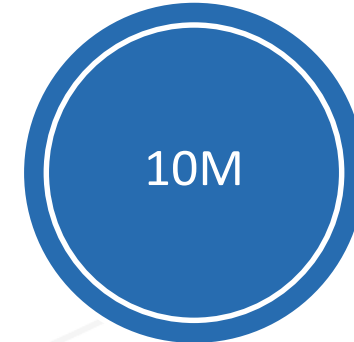
MAU\*



Classrooms



Learning resources  
created and shared



Students taught by Teachers WAU  
(lesson delivery - International)\*\*

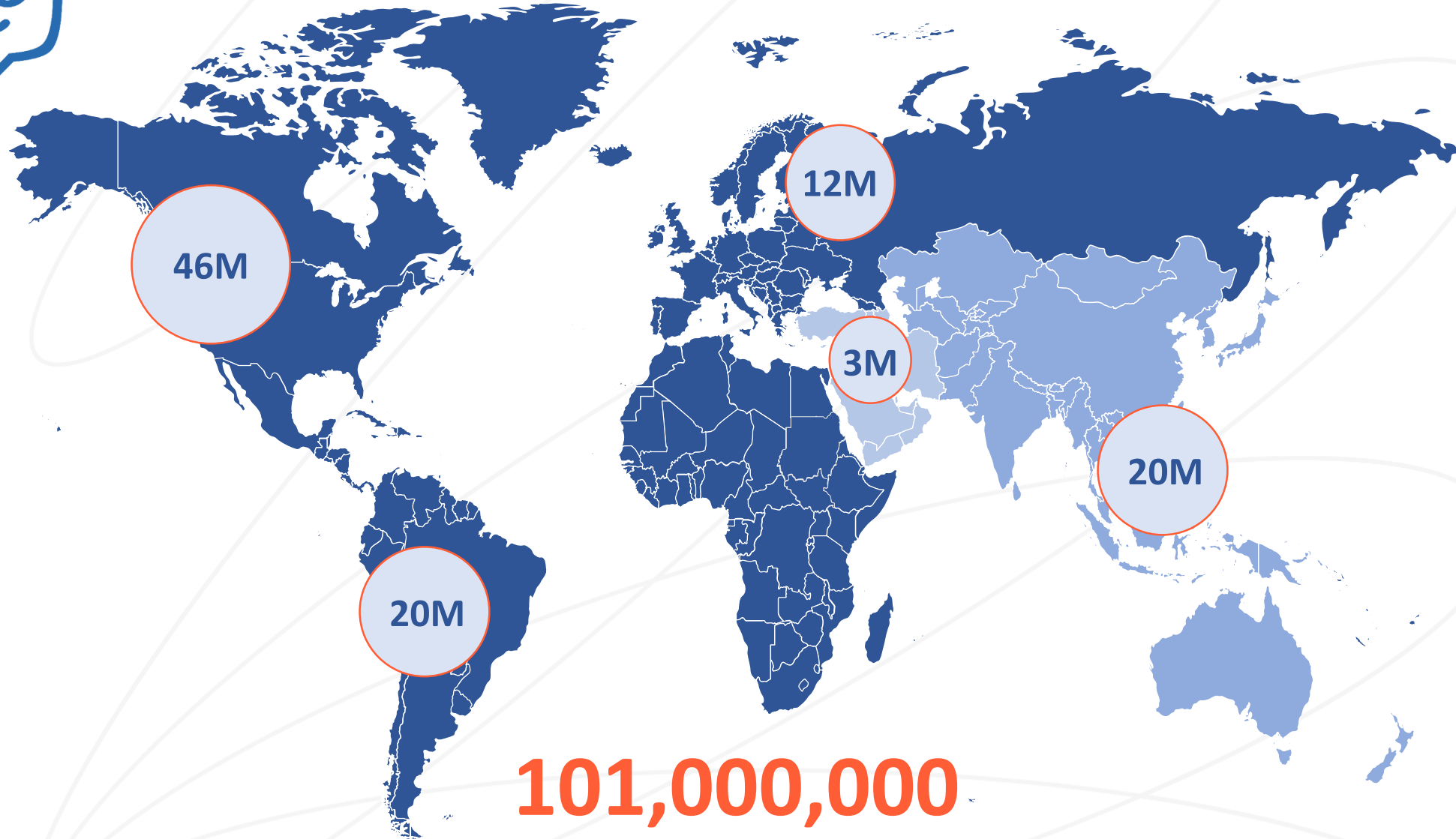
\* Based on data since start of school year after our acquisition of Edmodo, i.e. from August to December

\*\* Estimated weekly active teachers of 640,000 using our ActivInspire lesson delivery software based on a third party survey conducted by Hanover Research in May 2018 (estimated with 95% confidence level); Students coverage are estimated based on approx. 1:15 teacher-to-student ratio





**Edmodo**

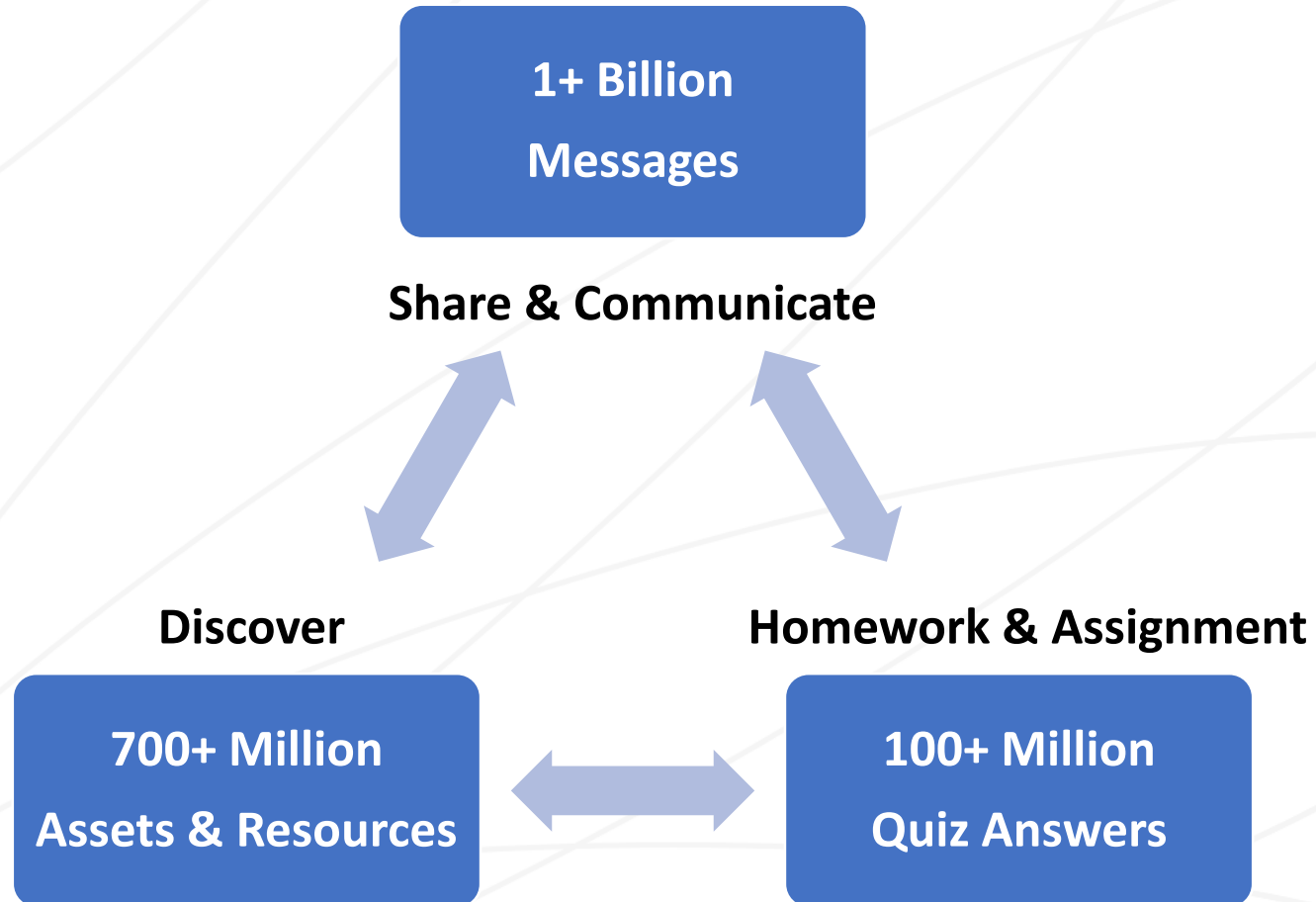


**101,000,000**  
**Registered Users**





# Core Value Proposition





## Edmodo – Completing our Ecosystem



- Well-established education brand globally, with over 100M users
- Extension from Promethean's Classroom Presence into Homes and Mobile
- Provides direct reach to students with over 80M student users
- Opening up significant monetization opportunities on students and parents
- Adding average 1+ million new users per month in 2H2018 since our acquisition in May
- Efficient user acquisition cost



# Edmodo – Monetization Plan

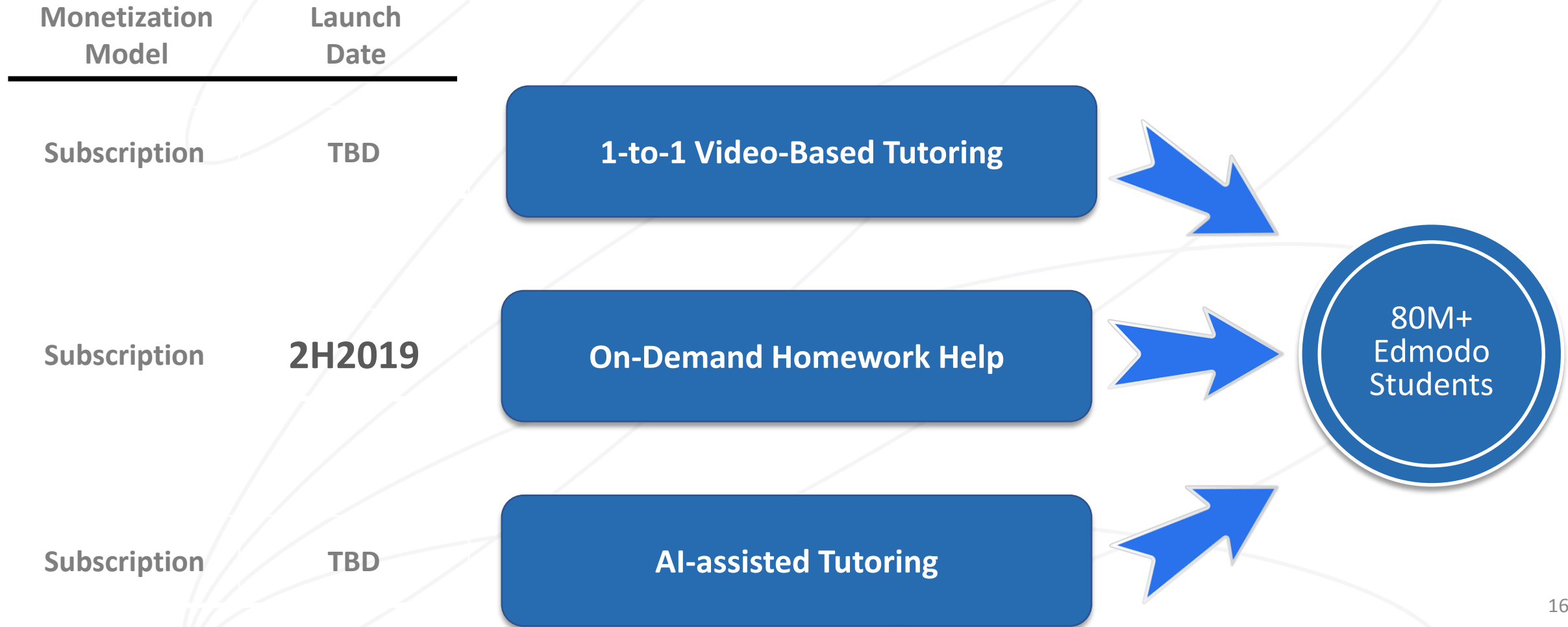


- Integrating Services and Contents on Edmodo for Monetization
- Services and Contents to be acquired through Partnerships and M&A
- Service/Content Partners to leverage the User Traffic in Edmodo to reach and monetize users



# Tutoring Monetization

Homework being a major use case on Edmodo, leading to opportunity to integrate tutoring service





The background of the slide features a large, stylized heart shape in the center, filled with a white-to-yellow gradient. The heart is surrounded by a complex, geometric pattern of overlapping triangles in various shades of orange, yellow, and blue, creating a vibrant, abstract design.

# Promethean<sup>®</sup>

For the  of Learning

**CEO – Vin Riera**



# BETT 2019

## Company of the Year

THE EDTECH  
AWARDS



COOL TOOL  
FINALIST 2018

**//CODiE//**  
2018 SIIA CODiE WINNER

AWARDS  
*of*  
EXCELLENCE  
TECH & LEARNING



## Next-Gen Interactive Displays



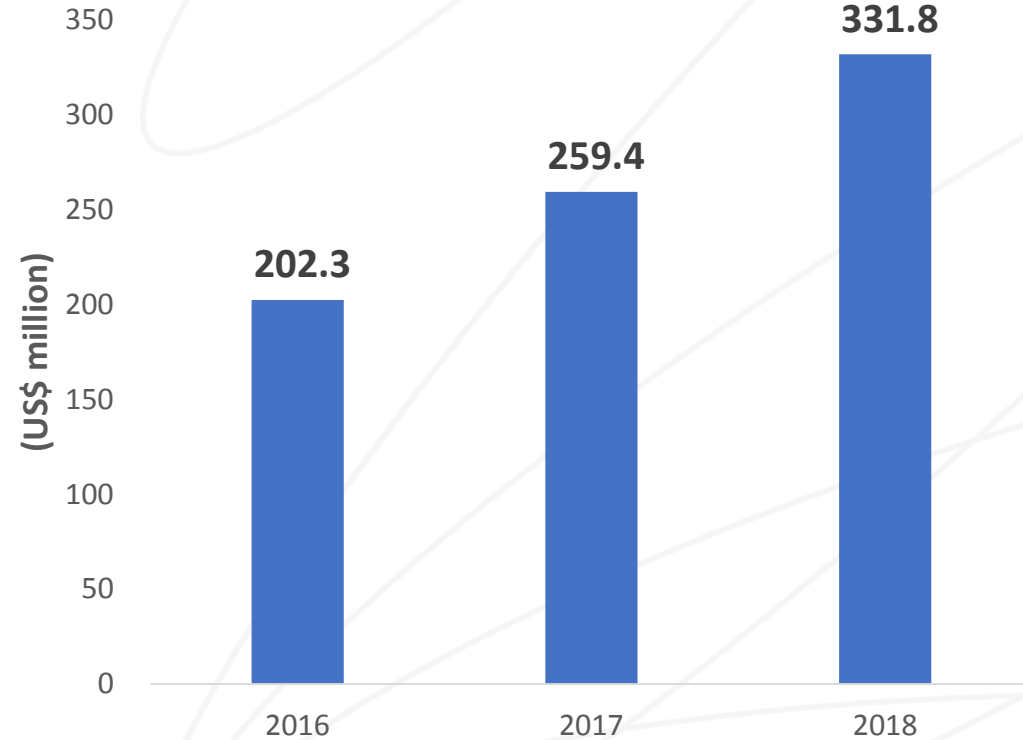
- Three product lines
- Award winning design
- Manufacturing begins in March

- Unified menu
- Vellum™ writing technology
- Extensibility erasing the line between hardware and software

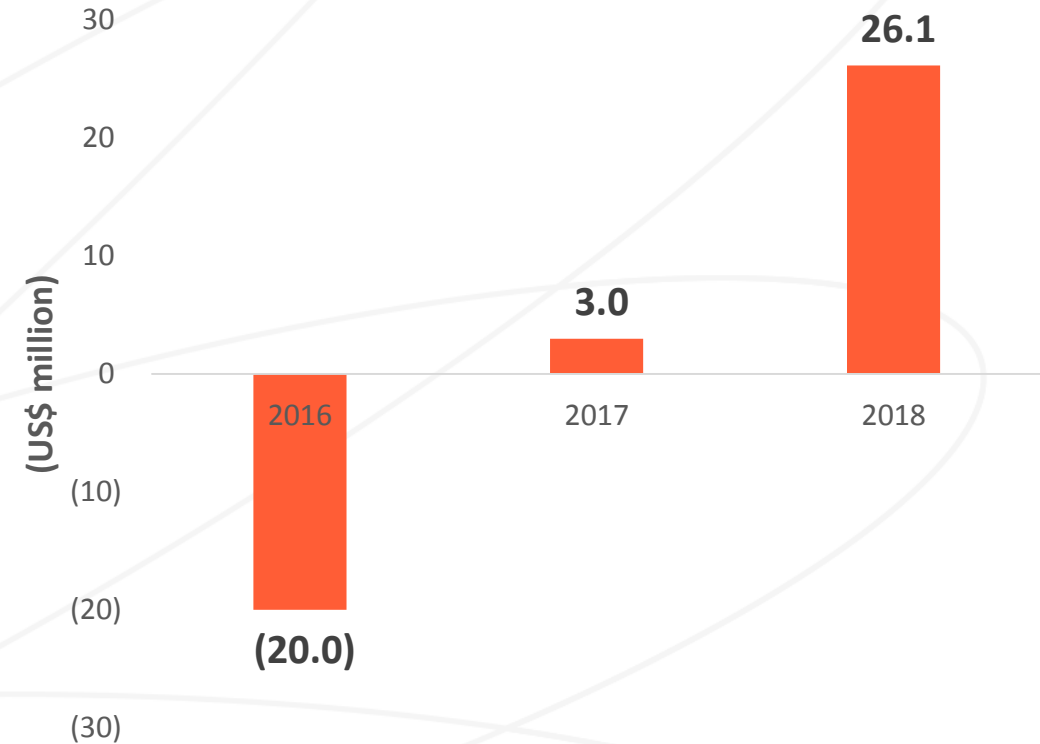
- New applications & software updates
- Purposely built for classroom
- Classroom apps and personalization

# Promethean Growth – Financials

**Revenue**

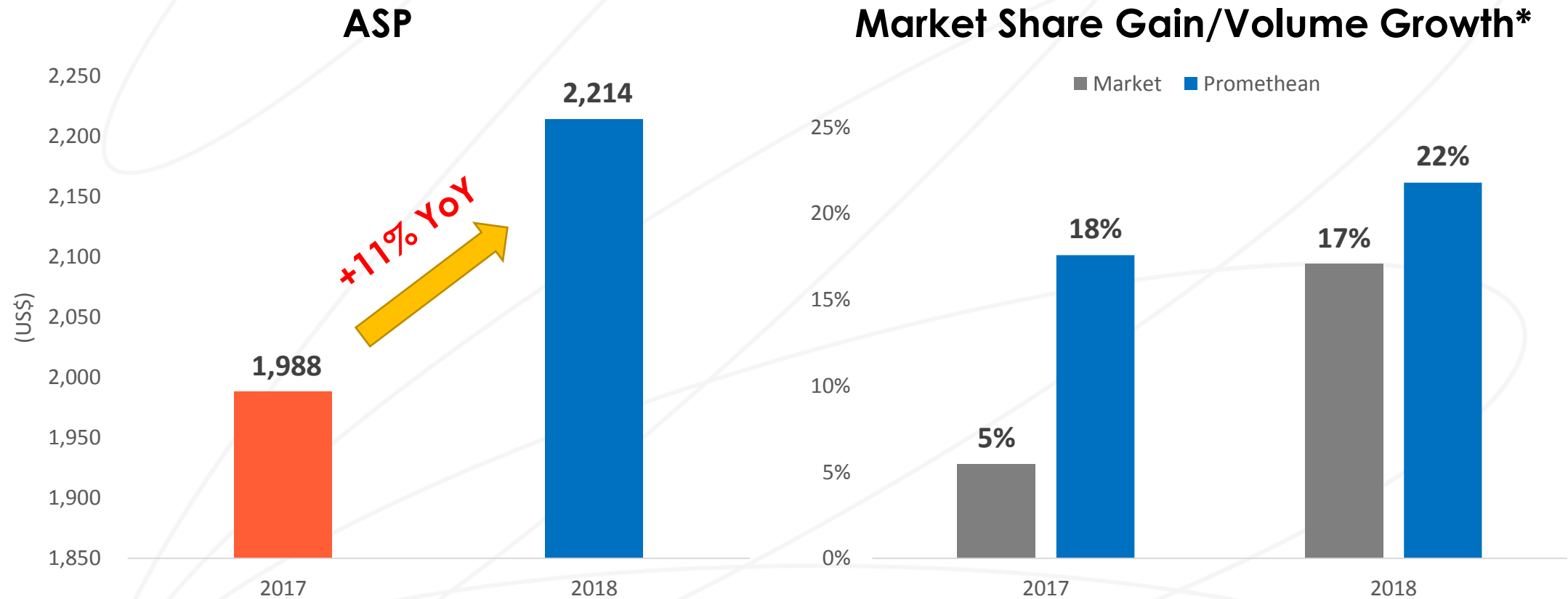


**Operating Profit**





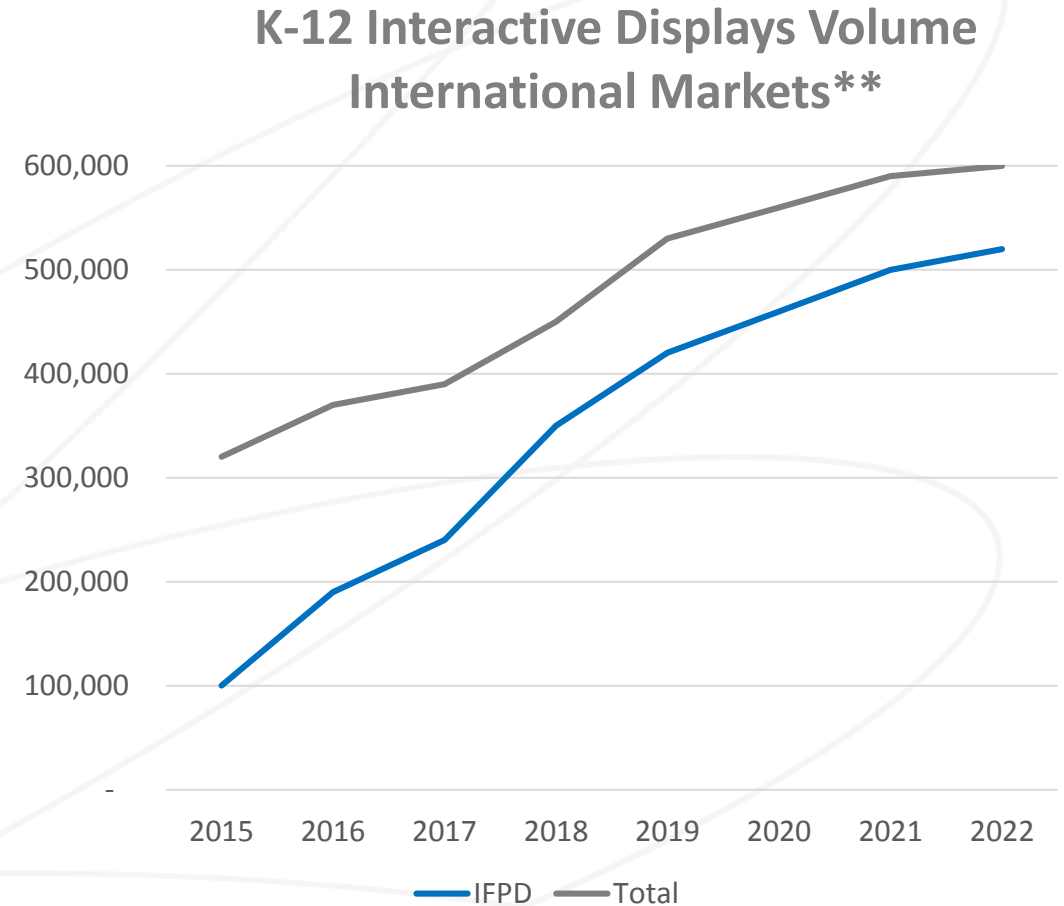
# Promethean Growth – ASP & Market Share



## K-12 Interactive Displays Market



- Worldwide K-12 installed base of Interactive Flat Panel Displays (IFPD) is expected to grow by **70%** over the next four years\*
- Replacement demand driven by IFPD to continue
- Emerging markets' penetration rate remains low

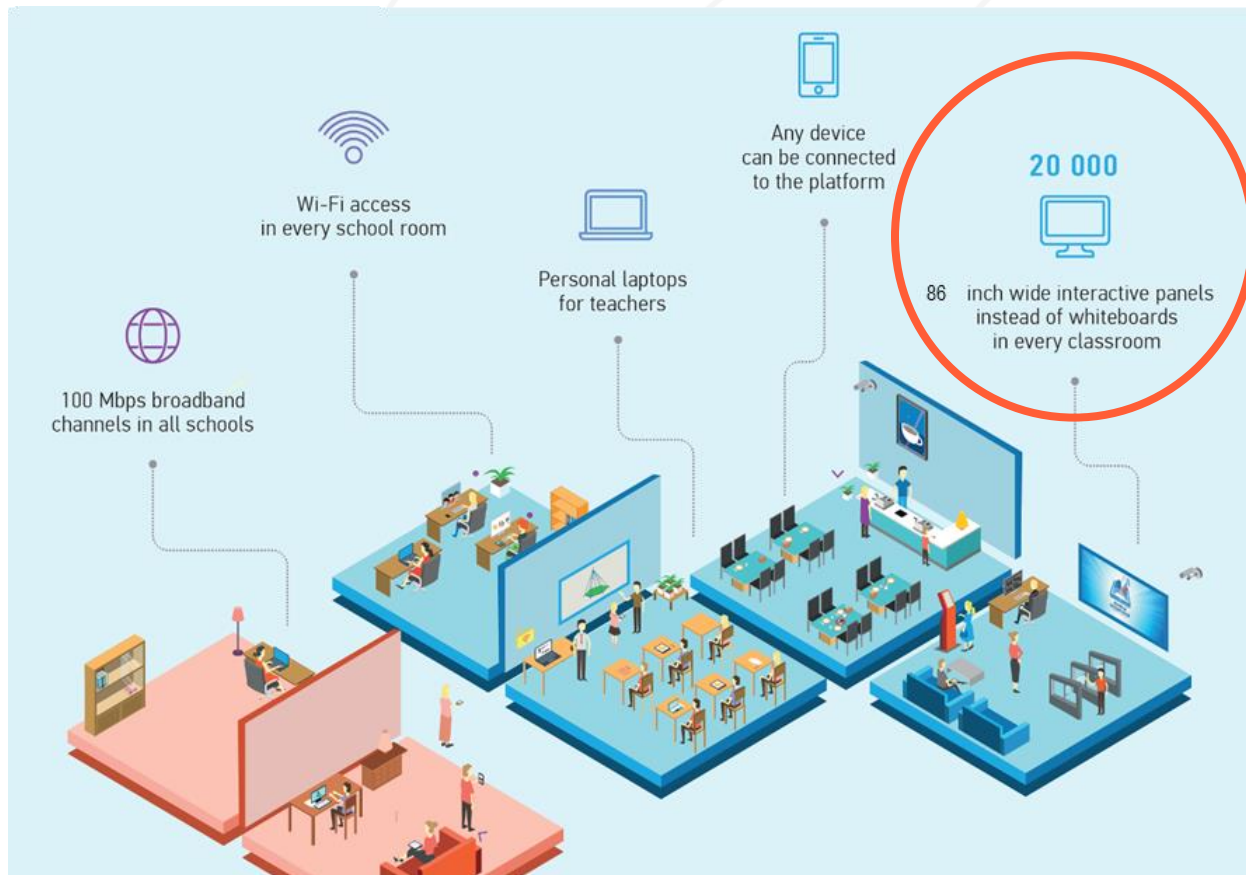


\* Source: Futuresource Consulting

\*\* Excluding China and Turkey



# Moscow “Online School Project” – A Smart-City Initiative



1,457  
Schools in the project



50%  
Lighter School Bags



15%  
Better Academic  
Performance



21,000  
High-Tech Classrooms



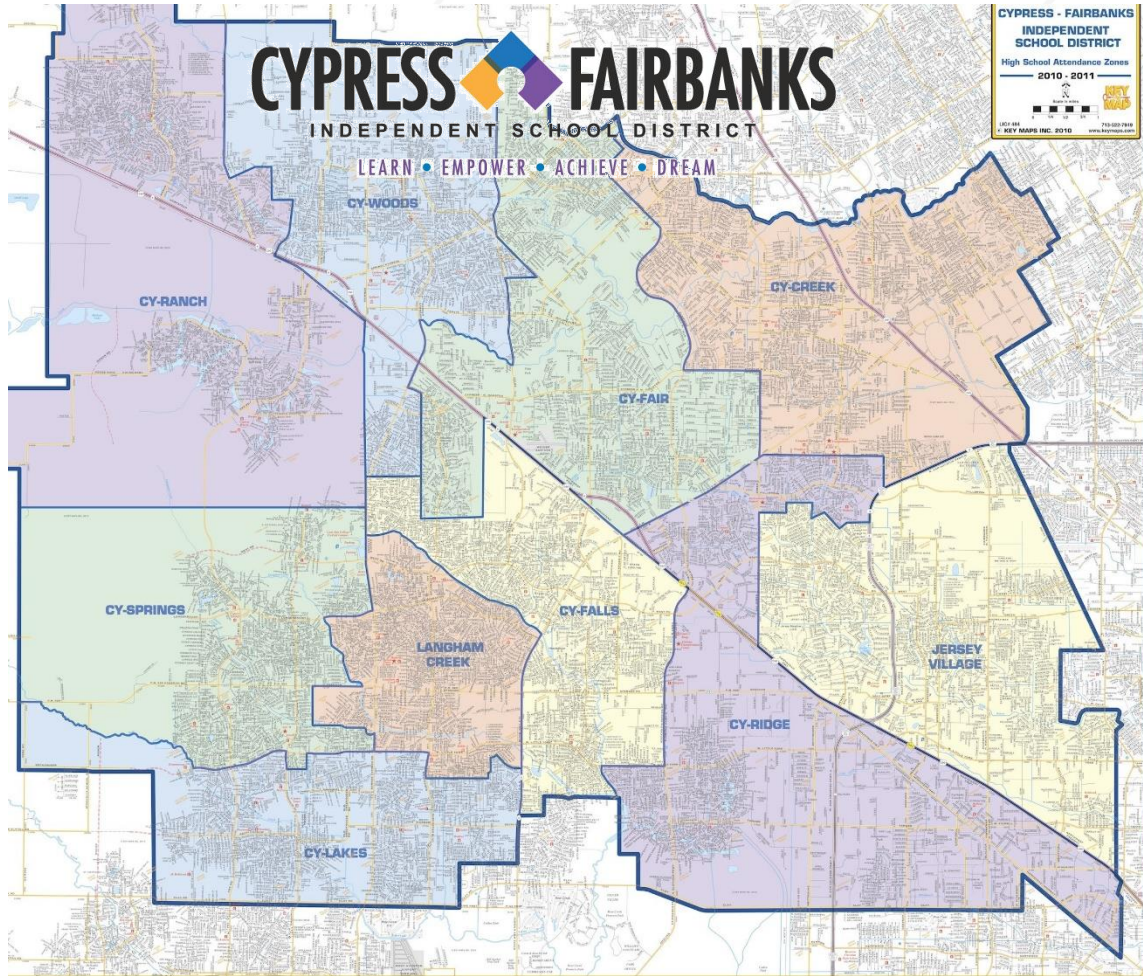
1.5M+  
Users of Online Diary  
and Register



370+  
Teachers Tested  
and Developed System



# Cypress Fairbanks School District Texas, USA



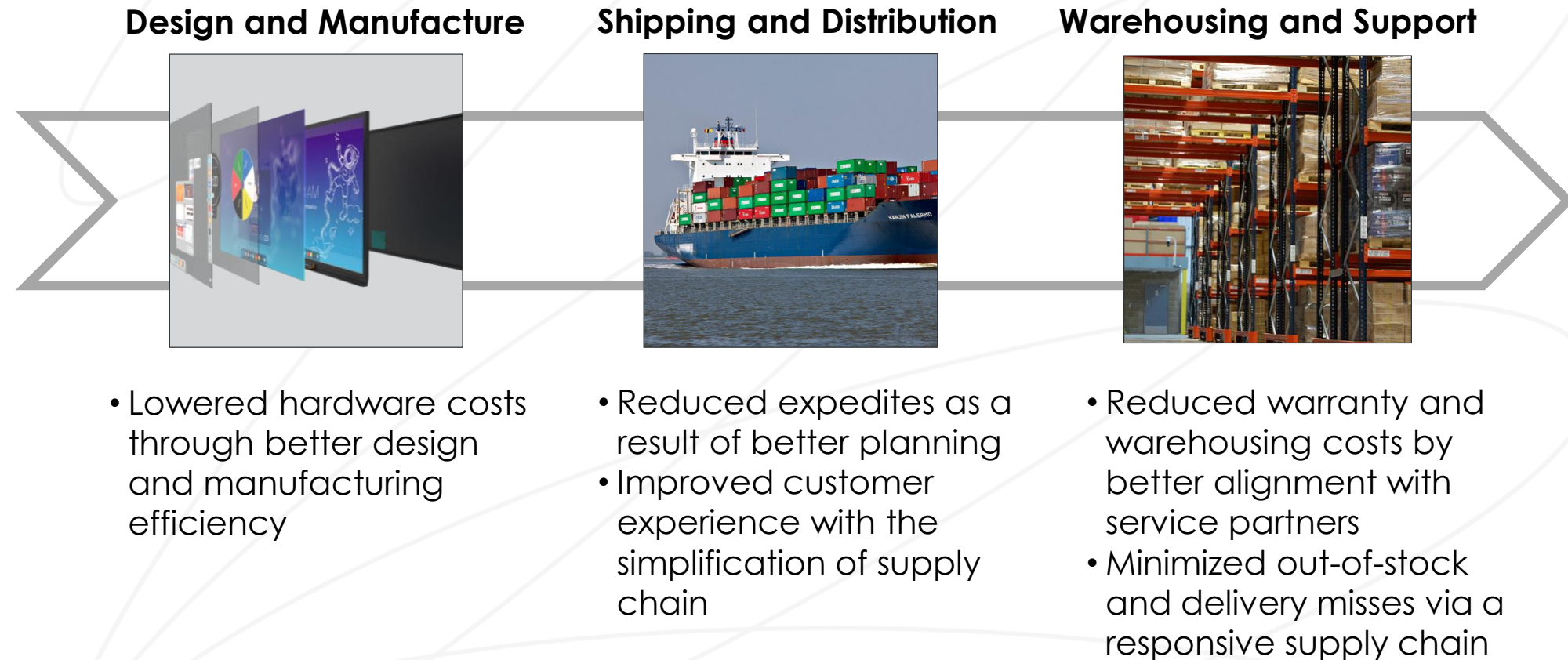
- Independent school district near Houston with 150,000 students and 6,725 teachers across 91 school buildings, rated as “Exemplary” by the State of Texas
- Selected Promethean as the result of a formal tender where we demonstrated a unique ability to deliver a solution comprised front of classroom device (panel), lesson delivery software (ActivInspire & ClassFlow), and implementation services (Professional Development and installation)
- Competitive Advantage – Promethean supported active creation of a large district-wide teacher community sharing best practices that enhances in-classroom use of technology
- Win: 7,500 Interactive Flat Panels worth **US\$23 million** purchased and deployed over 3 years



## Operational Excellence

Operating Metrics	Movement YoY
Market Share	↑
Revenue	↑
Gross Profit Margin	↑
Average Selling Prices	↑
Opex as a % of Revenue	↓
Operating Profit	↑

## Operational Excellence (Cont'd)



# Outlook

- Continue to outgrow the market in terms of revenue and unit volume in core markets
- Focus on profitable growth and responsible investment in people and products
- Maintain our global market leader position
- Optimistic outlook on large tenders in emerging markets and developed markets

The Promethean logo is displayed in a large, bold, white sans-serif font. The letter 'P' is significantly larger than the other letters, and a registered trademark symbol (®) is positioned at the top right of the word. The background is a vibrant orange with abstract geometric shapes in shades of blue and yellow at the corners.

# Promethean<sup>®</sup>

Purpose-Built Innovation, Inspired.

Ravi Angadi

Chief Product and Strategy Officer

## Introducing the ActivPanel® Elements Series



Teacher-Centric  
Industrial Design

Powerful, Yet Easy  
to Use Interface

Manageable and  
Secure

All-in-One and  
Connected

Exclusive Vellum™  
Technology

Extensible and  
Integrated



**red dot**  
**design award**

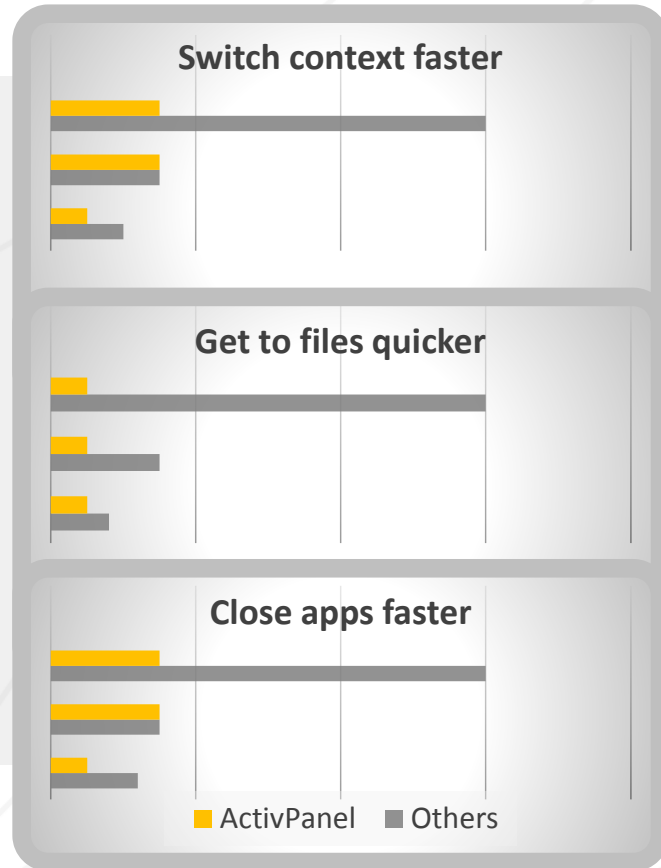
Promethean



## Purpose-Built Innovation for Educators and IT



For Educators



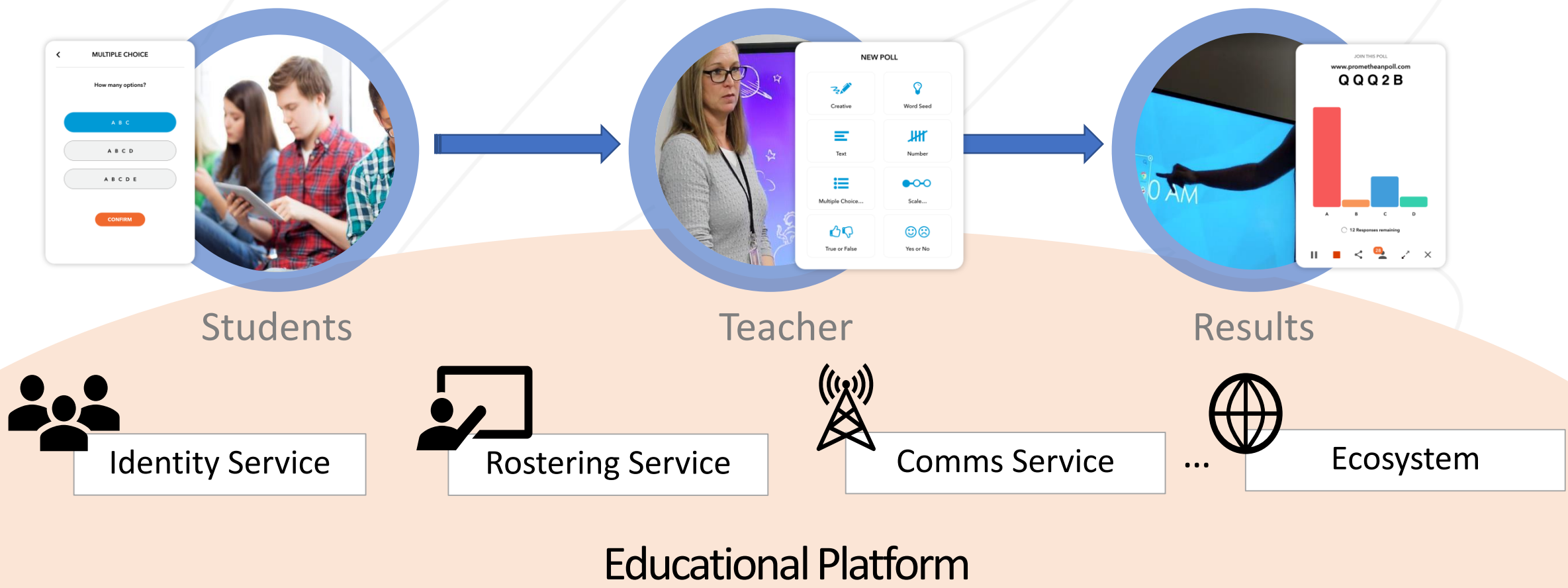
For IT



-  Remotely Manageable
-  Always Up to Date
-  Identity-driven Personalization

# Anatomy of the Promethean Experience

Creating Interactive Instructional Moments



## Innovation-Driven Business Outcomes



Maintain and grow market leadership



Drive engagement and active usage



Lay foundation for long-term value creation

# Gaming Highlights

Gaming Operations CEO – Lin Xin

# 2018 Gaming Highlights

- Revenue +42% YoY (Record-High)
- PC Games Revenue +40% YoY
- Mobile Games Revenue +49% YoY
- Continued to Maximize IP Values



# Eudemons Online

One of China's Most Valuable IPs



Diversified Full-Category Coverage  
Gross Billings of US\$500M+ in 2018

PC

魔域PC  
(Eudemons PC)

互通版  
(PC-Mobile  
Cross Platform Version)

WEB

魔域永恒  
(Eudemons Eternity)

魔域世紀  
(Eudemons Century)

MOBILE

魔域口袋版  
(Pocket Version)

魔域手遊  
(Eudemons Mobile)

風暴魔域  
(Eudemons Storm)

HTML5

魔域來了  
(Eudemons Here We Come)

魔域傳說  
(Eudemons Legends)



# Sustained Growth in PC/Mobile Version



Mutually  
Connected

New Cultivation  
System

Multiple Major  
Version Updates

Competitive  
Promotion System

# Heroes Evolved

#2 MOBA Game in China; 300M Registered Users



2M DAU Around the World

MOBA

SLG

TCG

英魂PC版  
(PC Version)

Heroes of Ages

英魂王座  
(Heroes Evolved "Thrones")

英魂口袋版  
(Pocket Version)



# Heroes Evolved – Seasonal IP Linkage

Cross-Industry IP Collaboration; New Gameplays/Elements

- To launch “Season Pass” payment model
- To launch quarterly updates in combination of new heroes, new gameplays and new skins



2017.10



2019.01



2019.08

# Gaming Pipeline by Category

## MMO/JRPG

《終焉誓約》  
Vow of Heroes  
(JRPG Mobile)

《魔域II》  
Eudemons II  
(Open World MMO Mobile)

## MOBA

Cyber Legends  
(Open World Multiplayer Mobile)

《英魂王座》  
Heroes Evolved “Thrones”  
(TCG Battle Mobile)

《決戰巨神峰》  
Battle of Giants  
(HTML5)

《尋寶英雄》  
Treasure Hunt Heroes  
(HTML5/Micro)

## SLG

Heroes of Ages  
(Real-Time Battle Strategic Mobile)

Legends of Ocean  
(Grand Naval Strategic Mobile)





RPG

《終焉誓約》  
Vows of Heroes



## Vows of Heroes

### Tribute to JRPG Original Classics

- Dozens of independently explorable maps and copies
- 100+ NPCs and 80+ monster models and drawings
- A new next-generation JRPG mobile game in a world of adventures with a sense of immersion



RPG

《終焉誓約》  
Vows of Heroes

## Vows of Heroes

Multi-Hero Strategy Battle; Next-Gen JRPG Innovation Battle

- 30+ combat designs for each hero
- Brand new semi-instant card strategy combat mechanism
- Customized style, unique gameplay, exclusive experience



RPG

## 《終焉誓約》 Vows of Heroes

### Vows of Heroes

Ultimate Production; Immersive Experience;  
Joined-Hands by Global World-class Designers

- 200+ original character and card paintings drawn by Japanese “Painting Hall”, including famous artists such as Nishihara, TEDDY and CHOBI
- CG animation created by famous animation director Yang Tingmu
- Theme song created by Japanese music production house "being", and guitar master Kobayashi Shinichi served as music guide

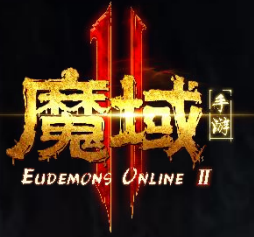


G  
A  
M  
B  
E



RPG

《魔域II》  
Eudemons II



# Eudemons Online II

Open World; Original “RLN-AI” Mechanism

- Expands the world of Eudemons, with a brand new plot
- Creates an open world, Explore customized endings
- Imaginative AI, More Realistic NPCs



## Eudemons Online II

### Recasting Classic Eudemons Systems with Battles Upgrade

- Inherits the classic Eudemons system of “Eudemons Online”
- Upgrades on scenes and graphics; Enhanced action effect of characters and Eudemons
- Large RvR battlefield, new army battles



# Cyber Legends

## Open World MOBA

- Future Cyberpunk World
- New battle mode allowing players to fully scan into a virtual world
- New MOBA competitive mode featuring open scene interaction and free skills combination





MOBA

《英魂王座》  
Heroes Evolved  
“Thrones”

## Heroes Evolved “Thrones”

### Innovative Card Gameplay

- Features 3-5 minutes light combats
- New modes including asymmetric combat, MOBA resources snatching



MOBA

《決戰巨神峰》  
Battle of Giants

妮蔻

盖伦

艾希

## Battle of Giants

First Mini-Game by League of Legends

- League of Legends HTML5 3D game, highly innovative gameplay
- Combine League of Legends heroes, casual agility, team formation, and light social attributes

孙悟空

阿卡西

索拉卡

LEAGUE OF  
LEGENDS

決戰  
巨神峰



邀请好友



英雄联盟无敌 X

889



主 决战巨神峰

597



未加入



MOBA

《尋寶英雄》  
Treasure Hunt  
Heroes

寻宝英雄

# Treasure Hunt Heroes

LowPoly Style HTML5 Card Game

- Experience a different world of treasures via LowPoly style
- Innovative gameplays using dice and cards, making it simple, fun and tactical



# HEROES OF AGES



SLG

Heroes of Ages

## Heroes of Ages

Dedicated Army with Rich Skills and Hero System

- World civilization “Sand Table” strategy game with different virtual cities
- RTS + SLG
- Rich variety of skills and hero systems to satisfy every players’ desire to build dedicated armies
- Incorporates replicas, arenas and national wars



SLG

Legends  
of Oceans

LEGENDS  
of  
OCEAN

# Legends of Ocean

World's First Real-Time Strategy Navigation SLG Game

- Maritime life dictated by three major professions
- Freestyle marching and fingertip strategy
- Build strongest alliance by opening up unexplored land





# 2019 A New Adventure for ND Gaming



《終焉誓約》

Vows of Heroes



《決戰巨神峰》

Battle of Giants



Heroes of Ages



《英魂王座》

Heroes Evolved "Thrones"



《魔域傳說》

Eudemons Legends

# Financials

Group CFO – Ben Yam

# Condensed Income Statement

(RMB million)	2018	2017	YoY
Revenue	5,037.5	3,867.6	+30.2%
<i>Education</i>	2,565.6	2,105.3	+21.9%
<i>Gaming</i>	2,367.4	1,672.9	+41.5%
Gross Profit	3,047.2	2,179.8	+39.8%
Selling & Marketing Expenses	697.9	624.7	+11.7%
<i>as a % of Revenue</i>	13.9%	16.2%	-2.3 pts
Administrative Expenses	853.2	734.6	+16.1%
<i>as a % of Revenue</i>	16.9%	19.0%	-2.1 pts
R&D Expenses	922.9	844.1	+9.3%
<i>as a % of Revenue</i>	18.3%	21.8%	-3.5 pts
Net Profit/(Loss) attributable to Shareholders	545.6	(20.8)	N/A

# Segmental Financial Highlights

(RMB million)	Education			Gaming		
	2018	2017	YoY	2018	2017	YoY
Revenue	<b>2,565.6</b>	2,105.3	+21.9%	<b>2,367.4</b>	1,672.9	+41.5%
Gross profit	<b>766.1</b>	589.7	+29.9%	<b>2,262.4</b>	1,565.4	+44.5%
Gross profit margin (%)	<b>29.9%</b>	28.0%	+1.9 pts	<b>95.6%</b>	93.6%	+2.0 pts
Core Segmental profit (loss) <sup>1</sup>	<b>(420.7)</b>	(423.3)	-0.6%	<b>1,299.9</b>	675.1	+92.5%
Segmental operating expenses <sup>2</sup>						
- Research and Development	<b>(449.3)</b>	(386.9)	+16.1%	<b>(458.9)</b>	(439.8)	+4.3%
- Selling and Marketing	<b>(440.7)</b>	(415.4)	+6.1%	<b>(239.3)</b>	(200.0)	+19.7%
- Administrative	<b>(239.5)</b>	(159.2)	+50.5%	<b>(296.0)</b>	(277.7)	+6.6%

Note 1 : Core segmental profit (loss) figures are derived from the Company's reported segmental profit (loss) figures (presented in accordance with Hong Kong Financial Reporting Standard 8 ("HKFRS 8")) but exclude non-core/operating, non-recurring or unallocated items including government grants, fair value change and finance cost of financial instruments and fair value change of convertible preferred shares.

Note 2: Segmental operating expenses exclude unallocated expenses such as depreciation and amortisation that have been grouped into SG&A categories on the Company's reported consolidated financial statements but cannot be allocated to specific business segments for purpose of calculating the segmental profit (loss) figures in accordance with HKFRS 8.

# Outlook

Group Vice Chairman – Dr. Simon Leung



# 2019 Outlook

- **Very strong game pipeline, including Games with new IP**
- **Promethean revenue growth at above market rate**
- **Continue to Innovate in both Hardware and Software**
- **To launch Tutoring Monetization on Edmodo in 2H2019**
- **Continue to drive user engagement at Edmodo**
- **Promethean China Strategic Launch**

# Q&A

Investor Relations Contact  
[ir@netdragon.com](mailto:ir@netdragon.com)

