

NetDragon Websoft Holdings Limited

Stock Code: 777 HK



2019 Interim Results Presentation

August 29, 2019

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Opening Remarks

Group Vice Chairman – Dr. Simon Leung

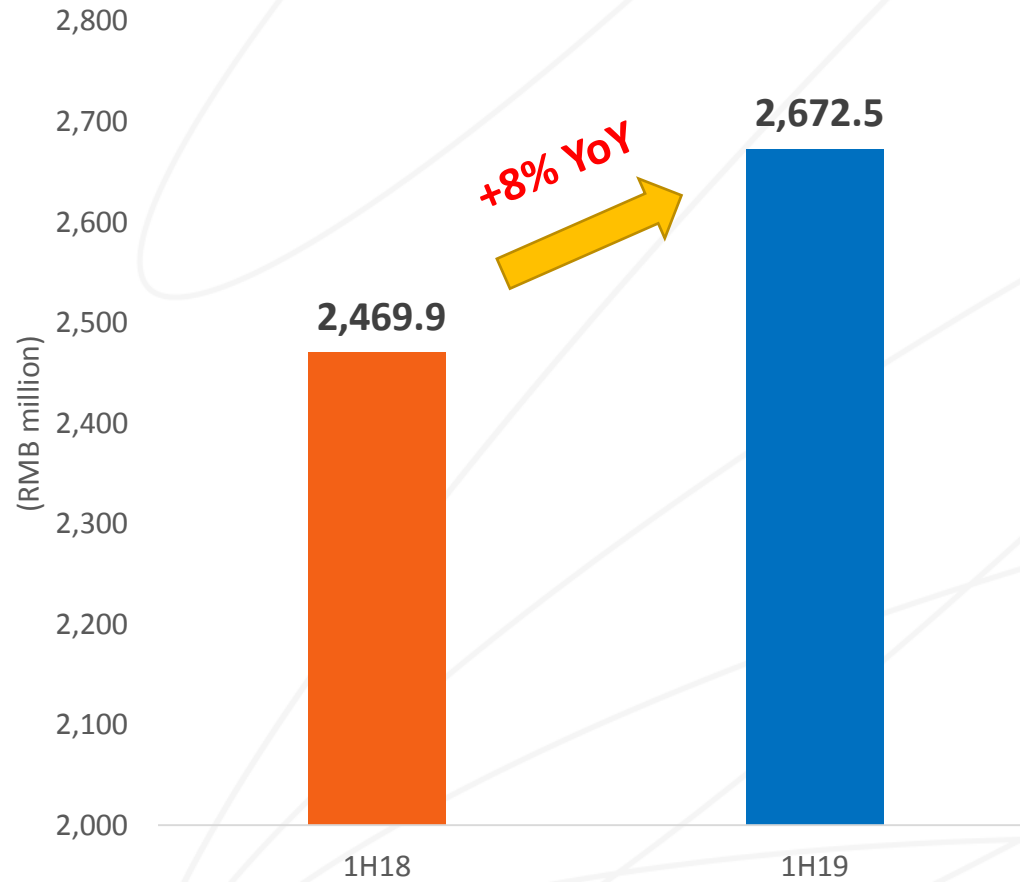
Agenda



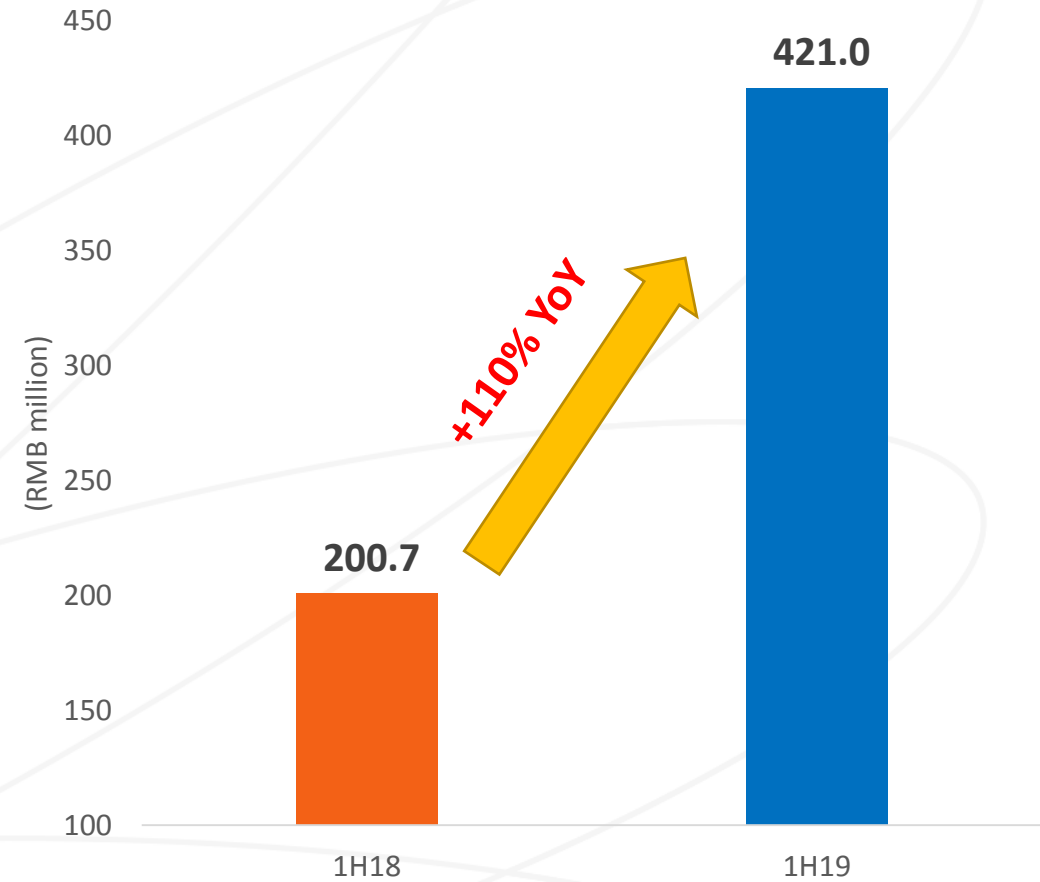
Topic	Speaker
1H19 Highlights	Dr. Simon Leung, Group Vice Chairman
1H19 Financials	Ben Yam, Group CFO
Gaming Highlights	Lin Xin, Gaming Operations CEO
Promethean Highlights	Vin Riera, Promethean CEO
Edmodo Highlights	Garwin Chan, Edmodo CSO
2H19 Outlook	Dr. Simon Leung, Group Vice Chairman
Q&A	

1H19 Results

Revenue: RMB2,672.5 million



Net Profit: RMB421.0 million



1H19 Highlights – Overall

- **Revenue First Half Record High**
- **Profit First Half Record High**
- **Strong Gaming Business Growth**
- **Promethean Maintained Market Leadership**
- **Edmodo on its way to Monetization**

1H19 Highlights – Gaming

- Record High First Half Revenue +52% YoY
- Mobile Games Revenue +76% YoY
- Overseas Revenue +52% YoY
- Segmental Profit +85% YoY
- Continued to Monetize our Flagship IPs

1H19 Highlights – Learning

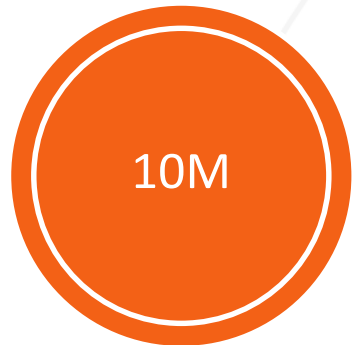
- Overall Education Revenue +5% YoY ex-Russia
- Promethean
 - Shipment +28% YoY
 - Maintained K12 Learning Technologies Market Leadership
 - ActivPanel Elements Series (Titanium Model) earned Red Dot Design Award
- Edmodo
 - Foundation for SaaS Monetization of Contents and Services
 - Online tutoring service, Edmodo Study, ready to go, starting with AskMo, an on-demand homework tutoring app

1H19 Highlights – China

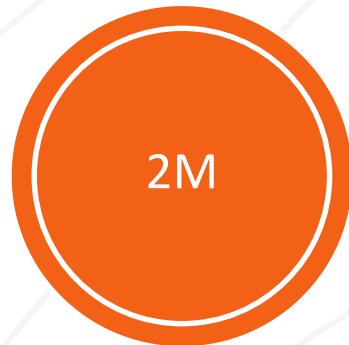
- **Started to Implement our Strategy**
- **Promethean Product Ready for Deployment in China**
- **Won Phase 1 of a Major Rollout in Fuzhou**
- **Established Go-to-Market Channels**
- **Focus on SaaS Monetization on our existing Software Platforms**

Operating Metrics

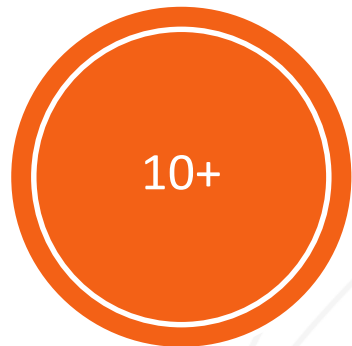
Gaming



MAU



DAU

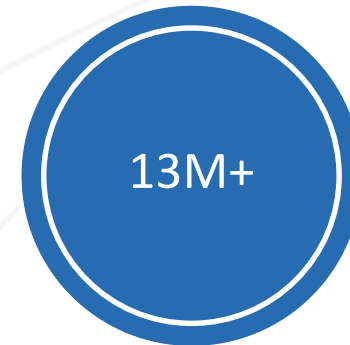


Current Titles

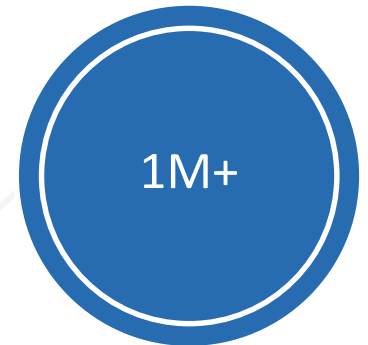


Upcoming Titles

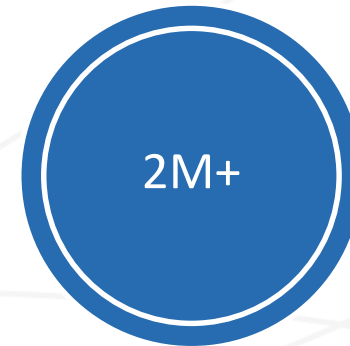
Learning



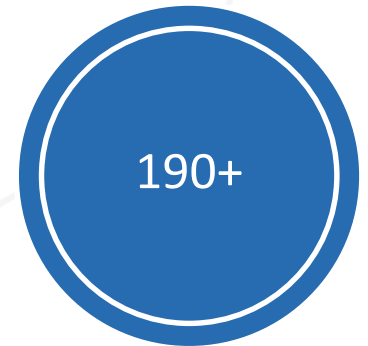
MAU



DAU



Classrooms



Countries

Financials

Group CFO – Ben Yam

Condensed Income Statement

(RMB million)	1H19	1H18	YoY
Revenue	2,672.5	2,469.9	+8.2%
<i>Gaming</i>	1,575.8	1,039.3	+51.6%
<i>Education</i>	1,048.5	1,384.1	-24.2%
Gross Profit	1,865.0	1,402.1	+33.0%
Selling & Marketing Expenses	421.8	332.6	+26.8%
<i>as a % of Revenue</i>	15.8%	13.5%	+2.3 ppts
Administrative Expenses	431.7	409.5	+5.4%
<i>as a % of Revenue</i>	16.2%	16.6%	-0.4 ppts
R&D Expenses	502.4	442.2	+13.6%
<i>as a % of Revenue</i>	18.8%	17.9%	+0.9 ppts
Net Profit attributable to Shareholders	421.0	200.7	+109.7%

Segmental Financial Highlights

(RMB million)	Education			Gaming		
	1H19	1H18	YoY	1H19	1H18	YoY
Revenue	1,048.5	1,384.1	-24.2%	1,575.8	1,039.3	+51.6%
Gross profit	351.9	421.5	-16.5%	1,513.0	978.5	+54.6%
Gross profit margin (%)	33.6%	30.5%	+3.1 ppts	96.0%	94.1%	+1.9 ppts
Core Segmental profit (loss)	(308.9)	(158.7)	+94.7%	972.1	524.4	+85.4%
Segmental operating expenses						
- Research and Development	(239.0)	(214.5)	+11.4%	(255.2)	(222.4)	+14.7%
- Selling and Marketing	(252.0)	(224.2)	+12.4%	(163.8)	(102.6)	+59.7%
- Administrative	(128.3)	(113.0)	+13.6%	(147.4)	(143.8)	+2.5%

Education

- **Revenue** up 5% YoY ex-Russia tender (tender revenue is irregular in timing but our tender business is very strong going into 2H)
- **Core Segmental Loss** up 95% YoY due to timing of Russia tender mentioned above, and consolidation of Edmodo for full 6-months (vs 2 months last year)

Gaming

- **Revenue** up 52% YoY due to broad-based revenue increase from all 3 major IPs
- **Core Segmental Profit** up 85% YoY due to positive operating leverage

Gaming Highlights

Gaming Operations CEO – Lin Xin

1H19 Gaming Highlights

- Revenue Growth from all 3 major IPs – *Eudemons, Heroes Evolved & Conquer Online*
- Broad-based Increase in Active Users and Paying Accounts, driven by:
 - Significant number of “Return” Users
 - Vigorous Content Enhancement – Launched multiple Expansion Packs
 - New Playing Features, e.g. 自走棋
 - IP Crossover Collaboration effect
- 10+ Games in Pipeline – under development or in testing stage

Eudemons Online

One of China's Most Valuable IPs



Diversified Full-Category Coverage
Record High Gross Billings in 1H19

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)

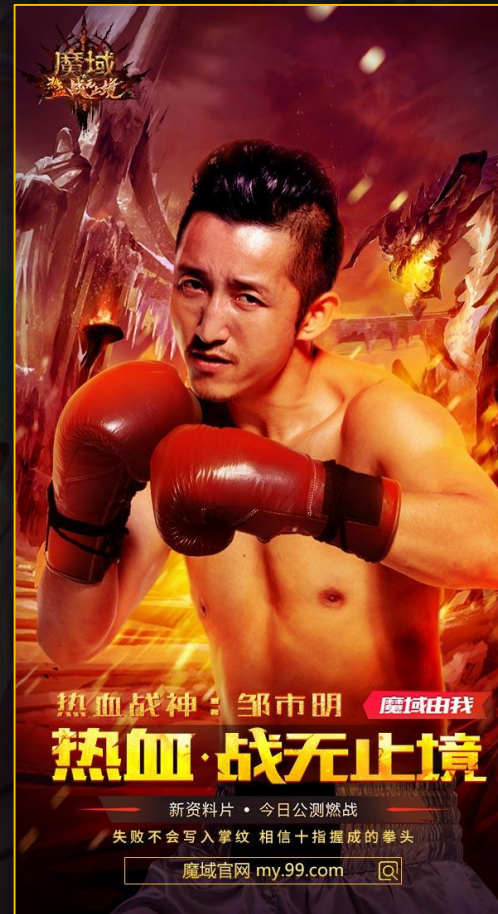
HTML5

魔域來了
(Eudemons Here We Come)

魔域傳說
(Eudemons Legends)

Eudemons IP Crossover Collaboration

Driving Sustained Revenue Growth



Heroes Evolved

#2 MOBA Game in China; 300M Registered Users



2M DAU Worldwide

Growing Gross Billings in 1H19

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 IP Crossover Collaboration

Injecting New Vitality



Heroes Evolved Global Contests Leading to Record High Activity



Gaming Pipeline



Promethean[®]

For the  of Learning

Vin Riera
Chief Executive Officer

Agenda

1 1H19 Highlights

2 Market Landscape

3 New Initiatives

4 Outlook

1H19 Highlights

- Launch of Promethean's New Elements Series
 - 3 diverse hardware product lines
- 28% Unit Growth 1H18 to 1H19*
- 6% revenue growth in our Core Business*
- Maintained our Market Leadership in Education**

*Excluding Russia tender

**Global K12 market, excluding China

Launch of ActivPanel Elements Series



Purpose-Built for the Classroom

- Teacher-centric interface reduces learning curves and encourages adoption
- Preloaded teaching tools including mobile app for untethered teaching
- New level of speed, security and reliability
- Exclusive Vellum™ technology delivers the industry leading natural writing experience
- Award-winning lesson delivery software with ActivInspire and ClassFlow
- Connected devices allowing over-the-air updates with built-in telemetry
- Software, apps and platform designed for ongoing enhancements



BETT 2019
Company of the Year



TECH & LEARNING
BEST of SHOW
AT ISTE 2019
WINNER



AWARDS
EXCELLENCE
TECH & LEARNING

THE EDTECH
AWARDS

COOL TOOL
FINALIST 2018

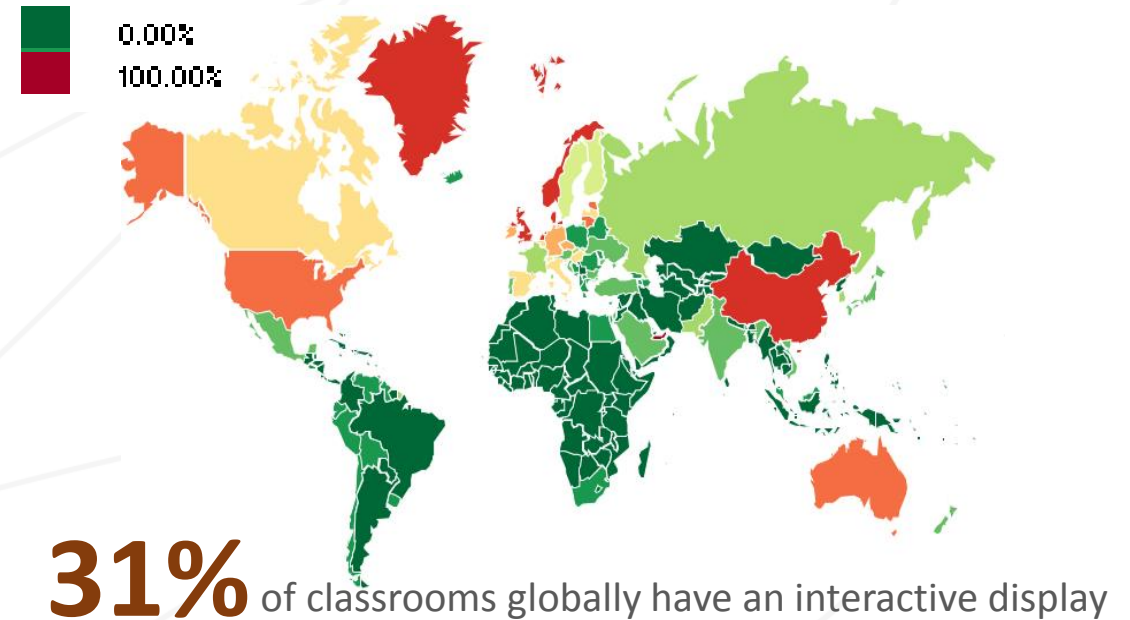
//CODiE//
2018 SIIA CODiE WINNER

Best Educational Software Awards
* Winner of 24th ANNUAL *
BESSIE AWARDS
Computer Gazette, Carlisle, CA

Interactive Displays – Education

Room for Growth

- 43 million teaching spaces globally
 - 2/3rd of market still available
- Interactive Flat Panel sales into education forecast to remain the largest for the next 5 years
 - 57% of total interactive displays in 2023



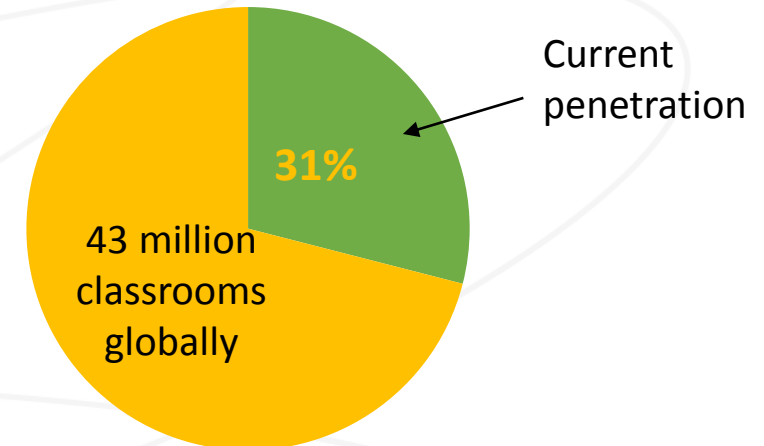
Interactive Displays – Education

Interactive White Board (IWB) Replacement Market

- Robust outlook on IWB replacement markets as many of the early IWBs in use are over 10 years old
 - 1.8 million of IWBs still installed in US classrooms
 - 2/3rd of all sales to be replacements

1.8 million

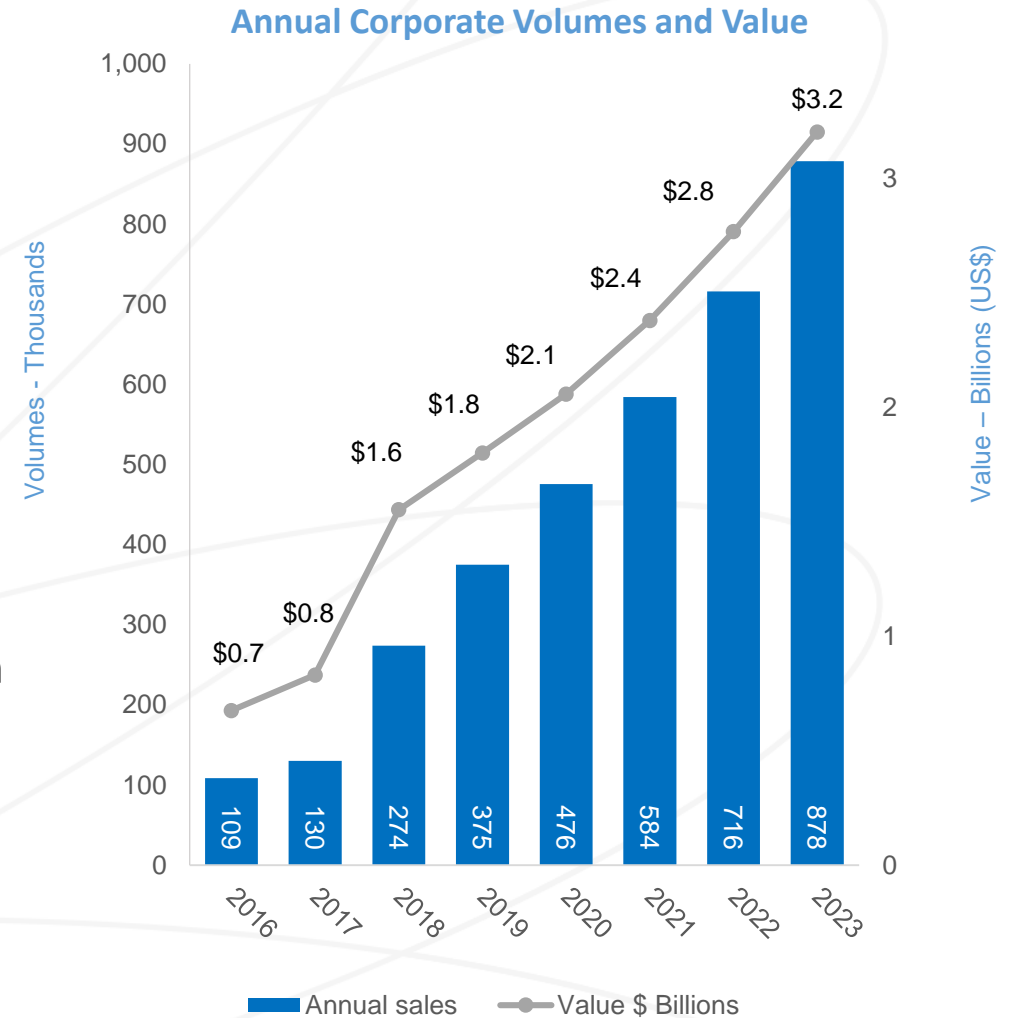
IWBs are still installed in US classrooms, providing a big potential for replacements with IFPDs



Interactive Displays – Corporate

Market Expansion Opportunity

- Corporate sales forecast
 - Increase from 7% in 2016 to 35% of all sales by 2023
 - Over 22 brands promoting interactive flat panels into corporates
 - 32 million meeting rooms globally
 - Current penetration of interactive displays under 3%
- Meeting room collaboration continues to be key area of growth



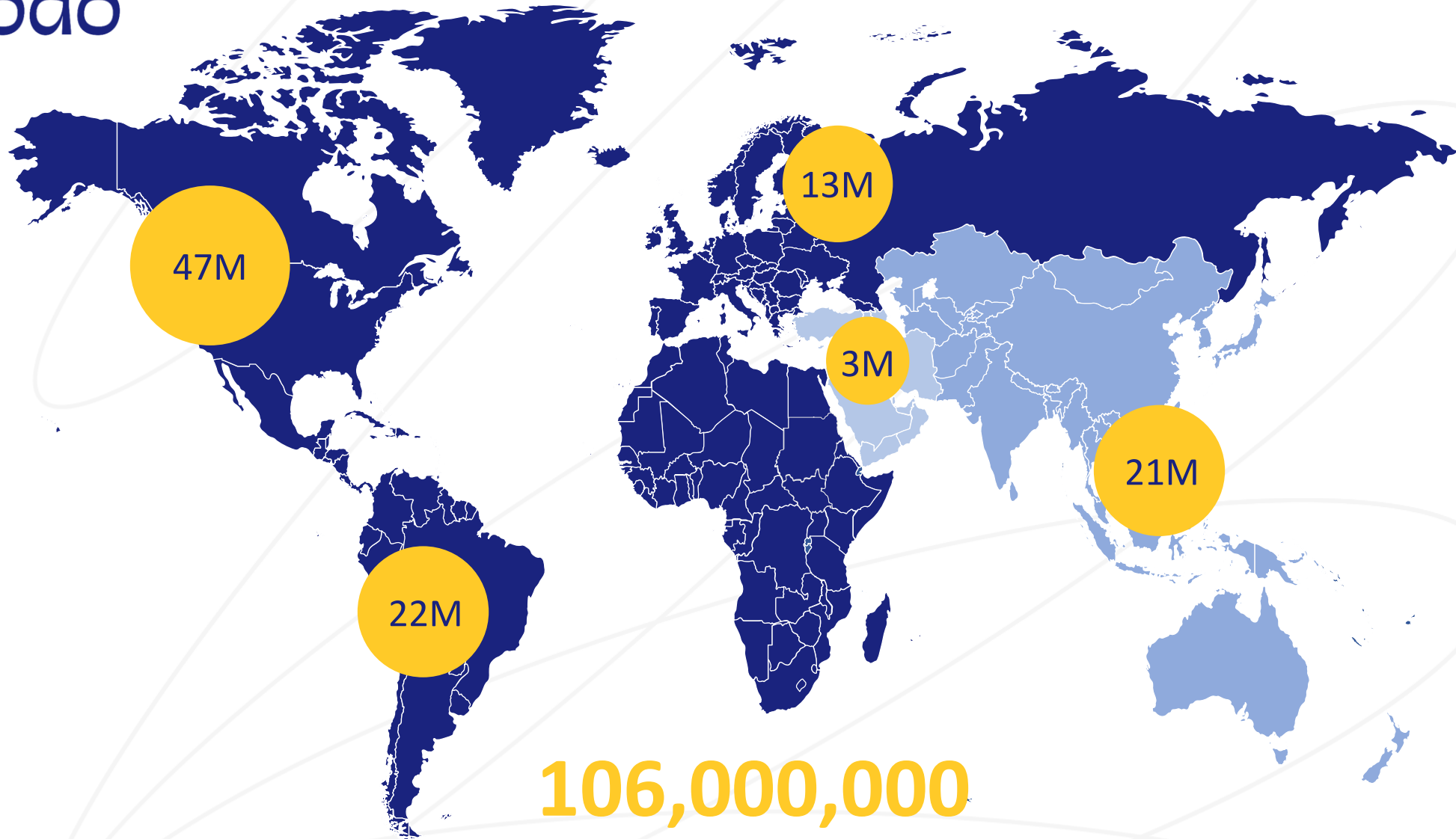
Outlook

- Continue to grow at a healthy pace in Core markets (NA and Europe)
- Tender business activity continues to be high, expect increased activity on customized products in 2H19 and 2020
- Volume indicates that our brand resonates, and our product is relevant
- Continue to win new business in highly competitive environments
- Entering into the corporate market



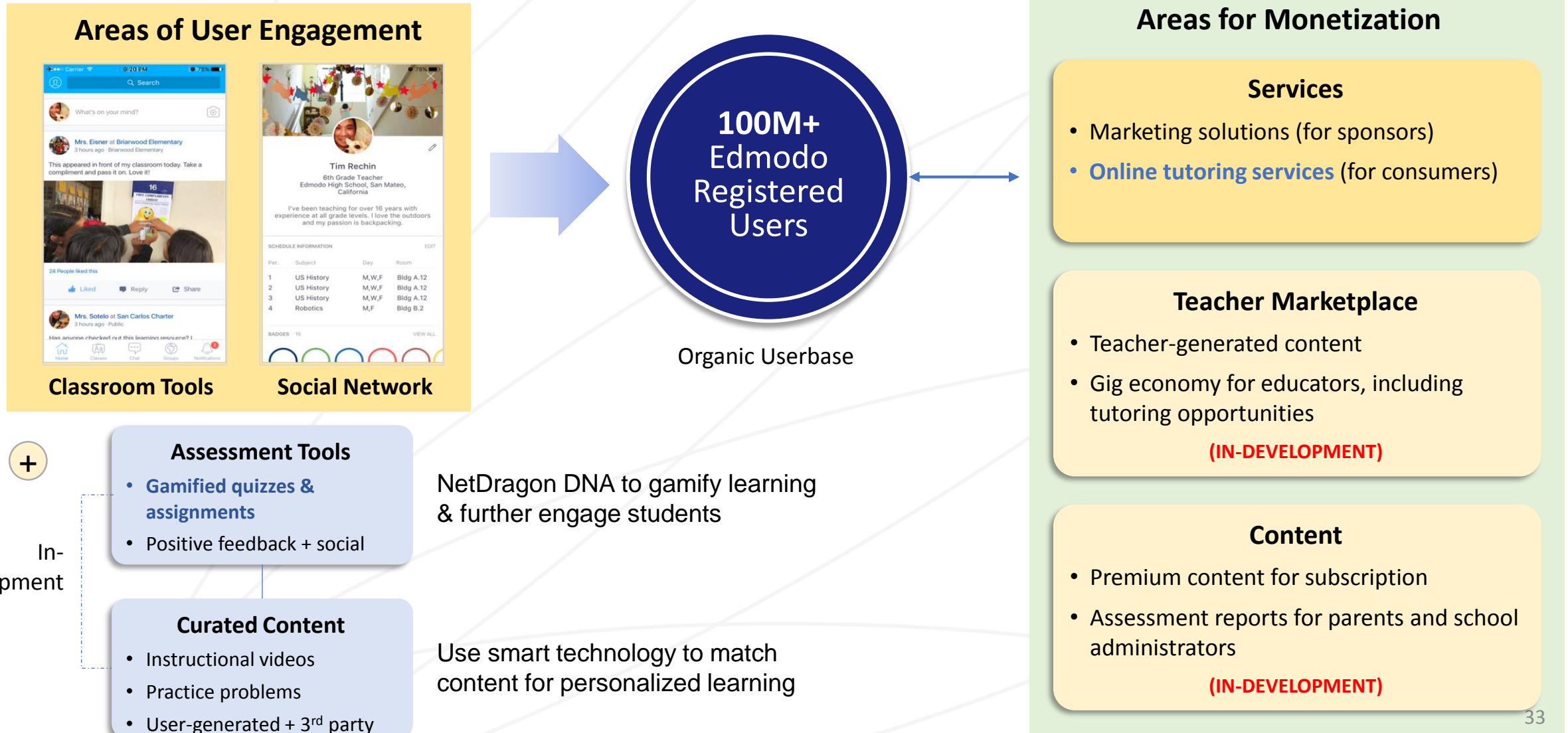
edmodo

Edmodo Chief Strategy Officer – Garwin Chan



106,000,000
Registered Users

Strategy for Monetization



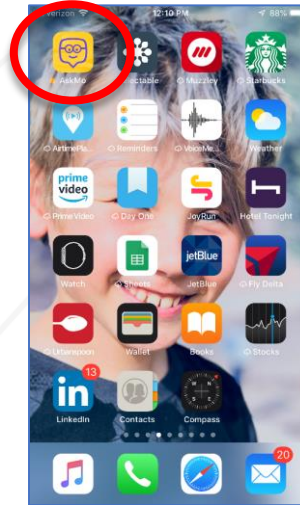
edmodo

On-Demand Homework Help

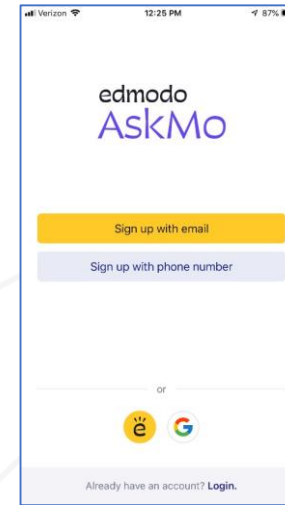


Coming very soon...

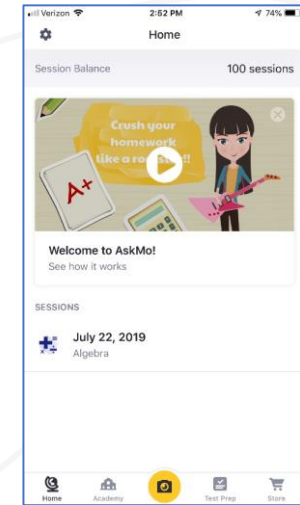
AskMo



AskMo App



Login

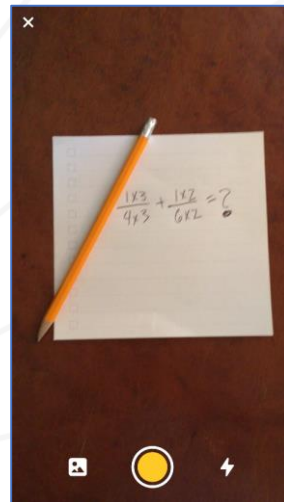


AskMo Home

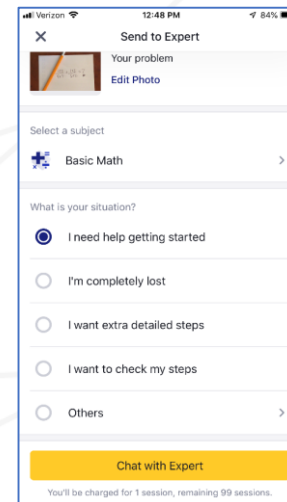
AI-assisted studying
+ live tutor

10-15 minute
sessions

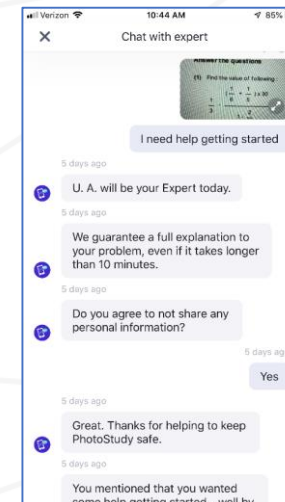
Mobile interface



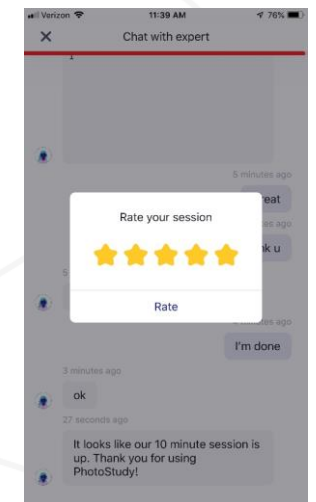
Snap Problem Pic



Problem Details

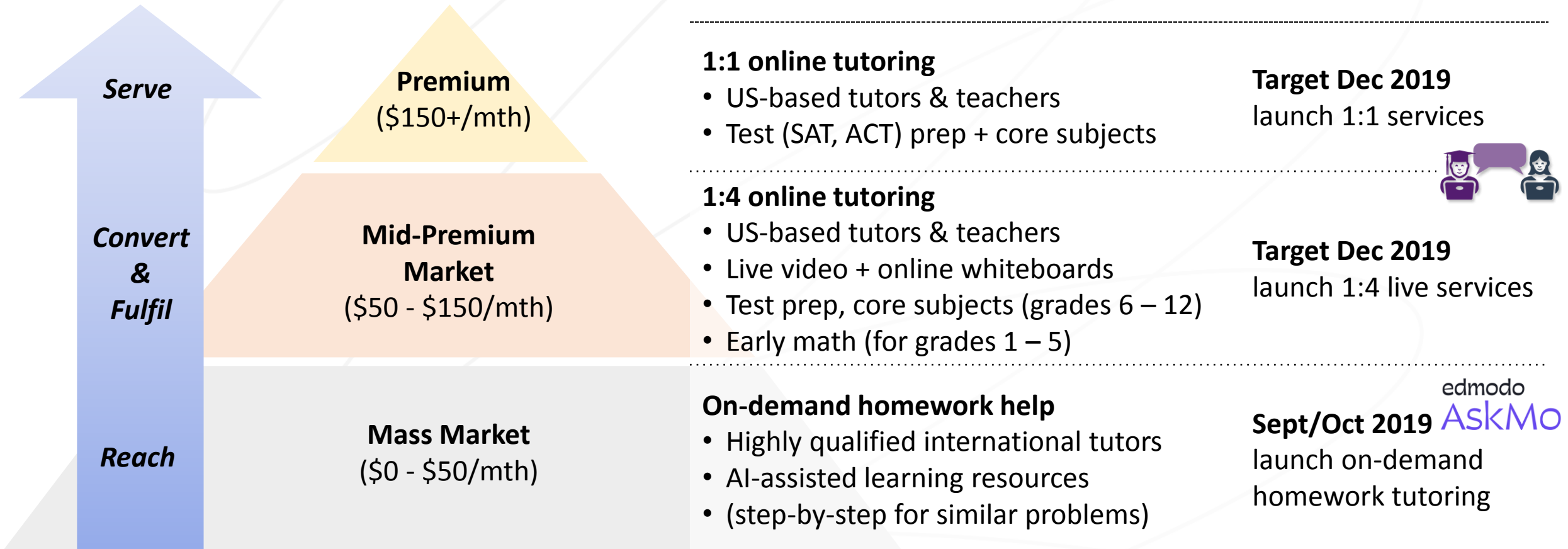


Start Chat Session



Rate Chat Session

Tutoring Product Development Roadmap



Outlook

Group Vice Chairman – Dr. Simon Leung

New Leadership

Susan Kim, CEO of Edmodo (as of 3 September 2019)



- Previously CEO at EatWith, a global marketplace for communal dining. Accelerated growth, cut expenses, and managed a successful exit
- Also was CEO at Plum District, one of the largest ecommerce platforms and media properties dedicated to Moms. Under Susan's leadership, the company achieved profitability within 12 months and was acquired
- Was Head of Global Commerce Operations at Google, as well as Head of Consumer Apps User Operations
- At eBay, Susan excelled as she progressed from her positions Product Marketing, to becoming Chief of Staff of North America eBay Marketplaces
- Susan received her undergrad degree from Harvard University, and her MBA from Harvard Business School

2H19 Outlook

- **New Game Launches with Existing and New IP**
- **Promethean Expecting a Strong 2H**
 - Growth in Core Markets
 - Traction with Emerging Market Tenders
 - China Ramp-up
 - Enterprise Product Launch
- **Edmodo Online Tutoring Service Launch**
- **Kindergarten Learning Products in the Pipeline**

Q&A

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ir@netdragon.com

