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Results Presentation

2017 Annual Results

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NETDRAGON

March 22, 2018

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The background of the slide is a dynamic, artistic photograph of a powder explosion. A large, dense cloud of magenta and red powder dominates the left side, billowing outwards. To the right, there are smaller, more dispersed clouds of yellow, green, and blue powder, creating a vibrant, multi-colored effect against a dark background.

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Q4 Highlights

Q4 Highlights

- Over **RMB1 billion** revenue for **three consecutive quarters**
- Learning
 - **Robust growth** in all major markets
 - Record quarter in China with revenue of **RMB194.9 million, more than double YoY**
 - **International Market** revenue up **31.4% YoY** to **RMB380.4 million**
 - Sustained **user Growth** of our flagship platform 101 Education PPT
 - **Social Commerce** – soft launch in US markets
- Gaming
 - Strong momentum in both **new player acquisition** and **monetization**
 - **ARPU** and **APA** increased by **15% and 27% YoY** respectively
 - **MAU** increased by **38% YoY**
 - Eudemons Online Mobile ranked “**top five most outstanding app by billings**” on Tencent Open Platform

2017 Report Card

Learning – International Markets

- As predicted, business grew faster than 2016 at **32% YOY**
- **Robust growth** in both **incumbent and new markets**
- Gained **Number One Market share in International Markets***
- Won Moscow tender in 2017 and currently front runner of multiple large tenders
- Promethean returned to full year **profitability** in 2017
- Panels with **in-glass writing** technology sets new standard for the market
- Relocated **HQ to Seattle**, closer to the talents and our strategic partners
- **A Robust product line** featuring our V5 panels

Learning – China

- Contracted sales up **108.3% YoY**, Recorded revenue up **82.2% YoY**
- End-of-year sales **backlog at RMB279.3 million** on hand
- Achieved **1.2 million** users target as at end of 2017
- Named as the exclusive partner of **National Centre for Schooling Development Program** under the **MOE** to foster **VR development**
- Kicked off commercialization of **VR Editor**

Gaming

- Finished strong with **38.2% revenue growth YoY** on the back of our dual strategy
 - **IP value maximization** and **mobile extension**
- Eudemons Online
 - **Eight months** of monthly gross billings over **RMB100 million** during the year
 - Pocket version （口袋版） ranked as the “**top ten most outstanding app by billings**” on Tencent Open Platform in August and September
 - Eudemons Online Mobile （魔域手游）, ranked as one of the “**top five most outstanding app by billings**” on Tencent Open Platform
- Heroes Evolved
 - Revenue of pocket version **more than doubled in second half** versus first half
 - Pocket version ranked as “**top three downloaded mobile games**” on Tencent Open Platform for **nine consecutive months**

Financial Highlights

Financial Highlights

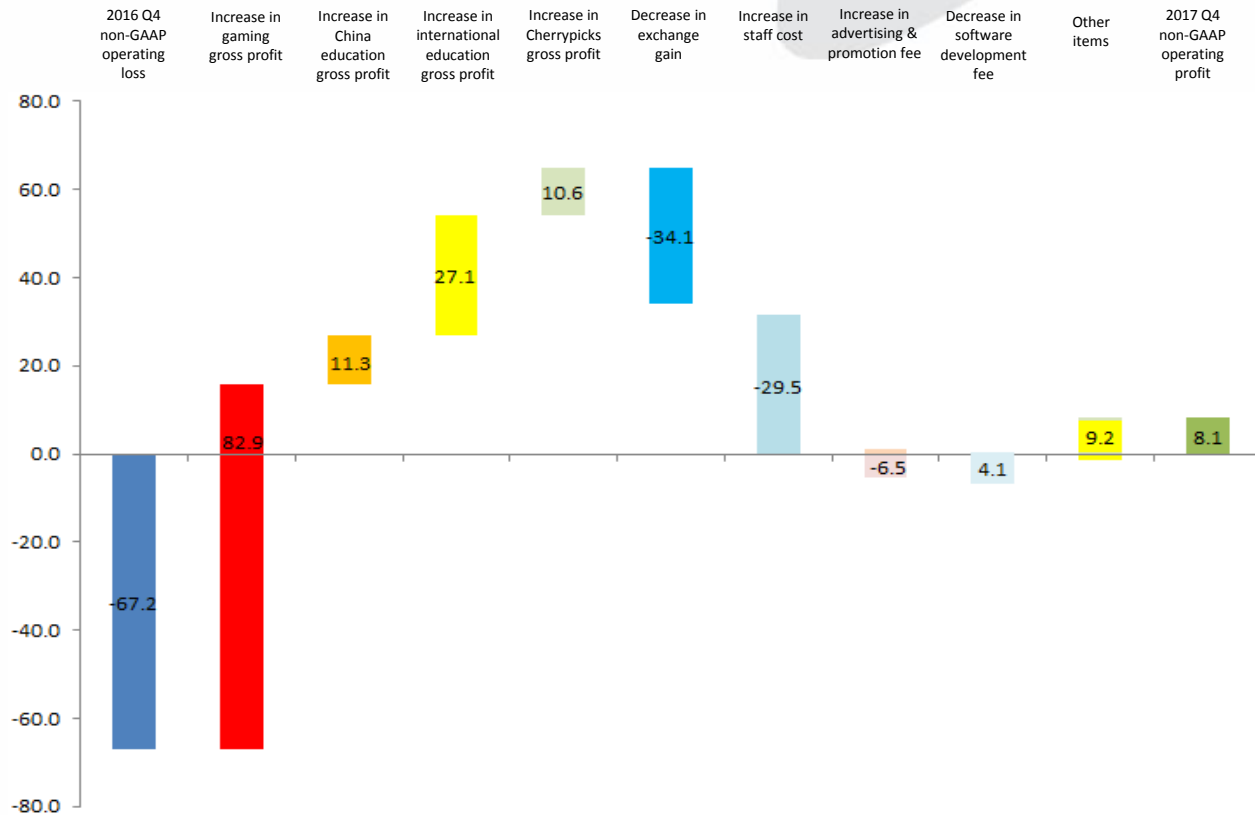
<i>(RMB million)</i>	2017 Q4	2017 Q3	2016 Q4
Revenue	1,031.8	1,060.6	740.0
Gross profit	561.6	584.9	421.0
Operating loss	(48.8)	(0.7)	(162.7)
Profit (loss) attributable to owners of the Company	(51.7)	5.1	(94.4)
Non-GAAP operating profit (loss) ¹	8.1	12.6	(67.2)
Cash, cash equivalents and liquid investments	1,743.9	1,902.4	1,084.2
Cash per share ² (RMB)	3.3	3.6	2.2

Note 1: Non-GAAP operating profit of the Company excludes share-based compensation expense, amortization of intangible assets arising on acquisitions of subsidiaries, impairment loss on available-for-sale investments and provision related to discontinued product.

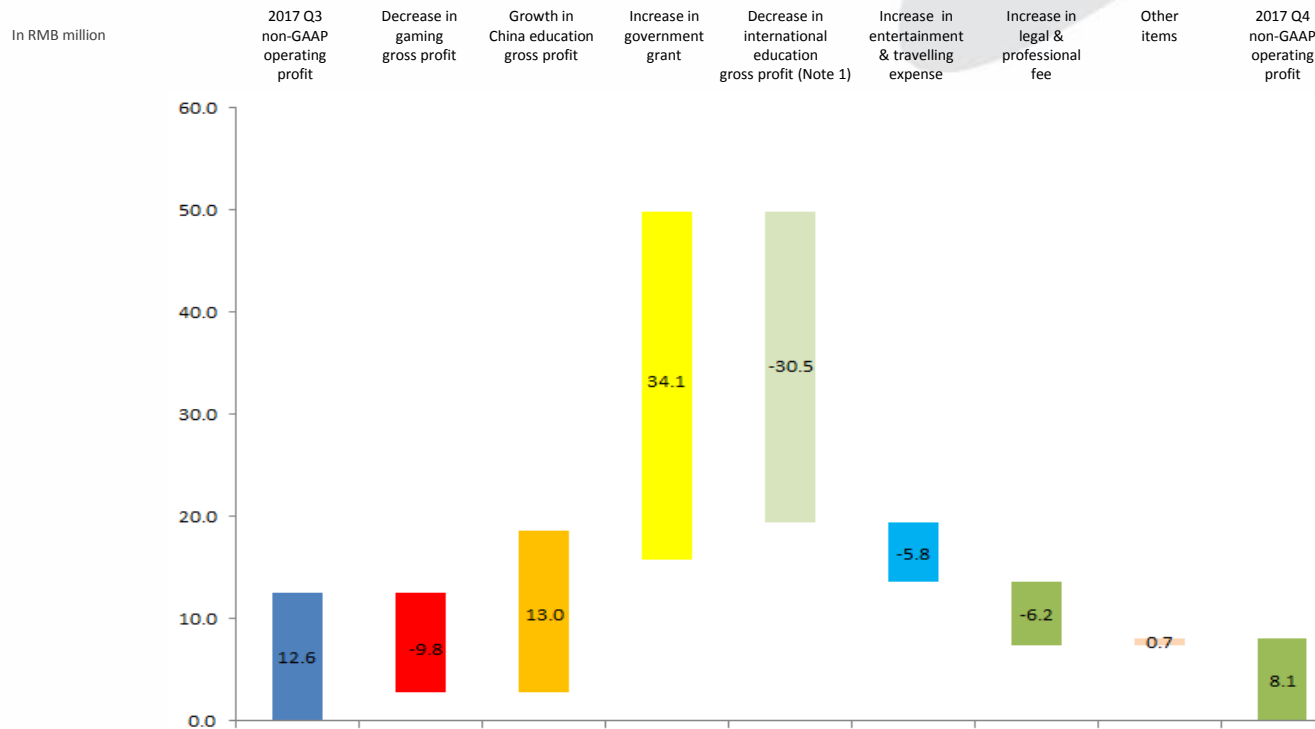
Note 2: Cash refers to cash, cash equivalents and liquid investments.

Non-GAAP Operating Profit Bridge – YoY

In RMB million



Non-GAAP Operating Profit Bridge – QoQ



Note 1: International education revenue and gross profits decreased quarter-over-quarter due to expected seasonality in Q4. This is consistent with the seasonality trend in the past many years, as Q1 and Q4 are typically the lowest revenue quarters of the year. It should also be noted that our Q4 international education revenue and gross profits increased by 31.4% and 32.3% year-over-year, respectively.

Segmental Financial Highlights

	2017 Q4		2017 Q3		2016 Q4	
(RMB '000)	Gaming	Education	Gaming	Education	Gaming	Education
Revenue	430,224	575,278	440,229	595,935	342,711	374,029
Gross profit	400,189	148,328	409,997	168,175	317,256	101,256
Gross profit margin (%)	93.0%	25.8%	93.1%	28.2%	92.6%	27.1%
Core segmental profit (loss) ¹	161,946	(126,266)	179,061	(107,850)	97,898	(157,737)
Segmental operating expenses ² :						
- Research and development	124,006	95,779	112,645	107,346	107,229	109,949
- Selling and marketing	49,015	115,668	53,838	107,673	44,623	93,710
- Administrative expenses	73,111	47,601	70,675	42,753	73,307	41,584

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

Note 2: Segmental operating expenses exclude unallocated expenses such as depreciation and amortization 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.

Financial Highlights – Learning

- International
 - Revenue grew by 31.4% and 32.0% YoY in Q4 and FY17 respectively
 - Gross margin (ex-Russia) increased by 2.1 and 0.2 percentage point YoY to 31.1% and 31.0% for Q4 and FY17
 - Q4 to Q3 variance in international revenue due to expected seasonality
 - Promethean achieved positive EBITDA of RMB53.0 million in FY17, reversing from negative RMB50.6 million last year
- China
 - Revenue surged by 130.3% and 82.2% YoY in Q4 and FY17 respectively
 - Backlog of RMB279.3 million as at the end Q4 2017
 - Achieved contracted sales of RMB99.8 million and RMB425.8 million in Q4 and FY17 respectively

Financial Highlights – Gaming

- Revenue increased by 25.5% and 38.2% YoY in Q4 and FY17 respectively
- Mobile gaming revenue jumped by 85.2% and 92.2% YoY in Q4 and FY17 respectively
- Segmental profit increased by 65.4% and 81.6% YoY in Q4 and FY17 respectively
- Monthly Average Revenue Per User (“ARPU”) in Q4 increased by 14.9% YoY to RMB424
- Active Paying Accounts (“APA”) increased by 27.2% YoY to 752,000
- Monthly Active Users (“MAU”) in Q4 increased by 37.8% YoY to approximately 13,321,000

2018 Outlook

Outlook for 2018

- Profitability for company on full year basis
- Gaming continue to grow in double digits
- Learning will enjoy another banner year
- Investment in AI and Big Data

Learning – Overseas Market

- **Continue the growth trend** in 2018
- Continue inroads with WINS in **One Belt One Road** countries
- **Robust product line** with the newly launched ActivPanel V6
- Continue to drive **Engagement** of user community
- Continuing Rollout of **Social Commerce**

City of Moscow

- Won Phase 2 tender to equip over **13,000 Classrooms** (Phase 1 was 7,600)
- Part of a **multi-year rollout plan** of the Mayor of Moscow
- **Latest technologies** that embrace both hardware and software
- Delivery of products will concentrate in **Q2 2018**
- Starting delivery **this week**



Learning – China

- Continue to **acquire and engage** teachers community
- Starting to build **student** community
- Execute **Promethean China Strategy**
- Large-scale **commercialization of VR Editor**

Gaming

- Continuing with current **IP Strategy**
- Expand **HTML5** games
- Very strong pipeline with multiple **new games** target in 2018
- **Mobile** game will drive growth in 2018





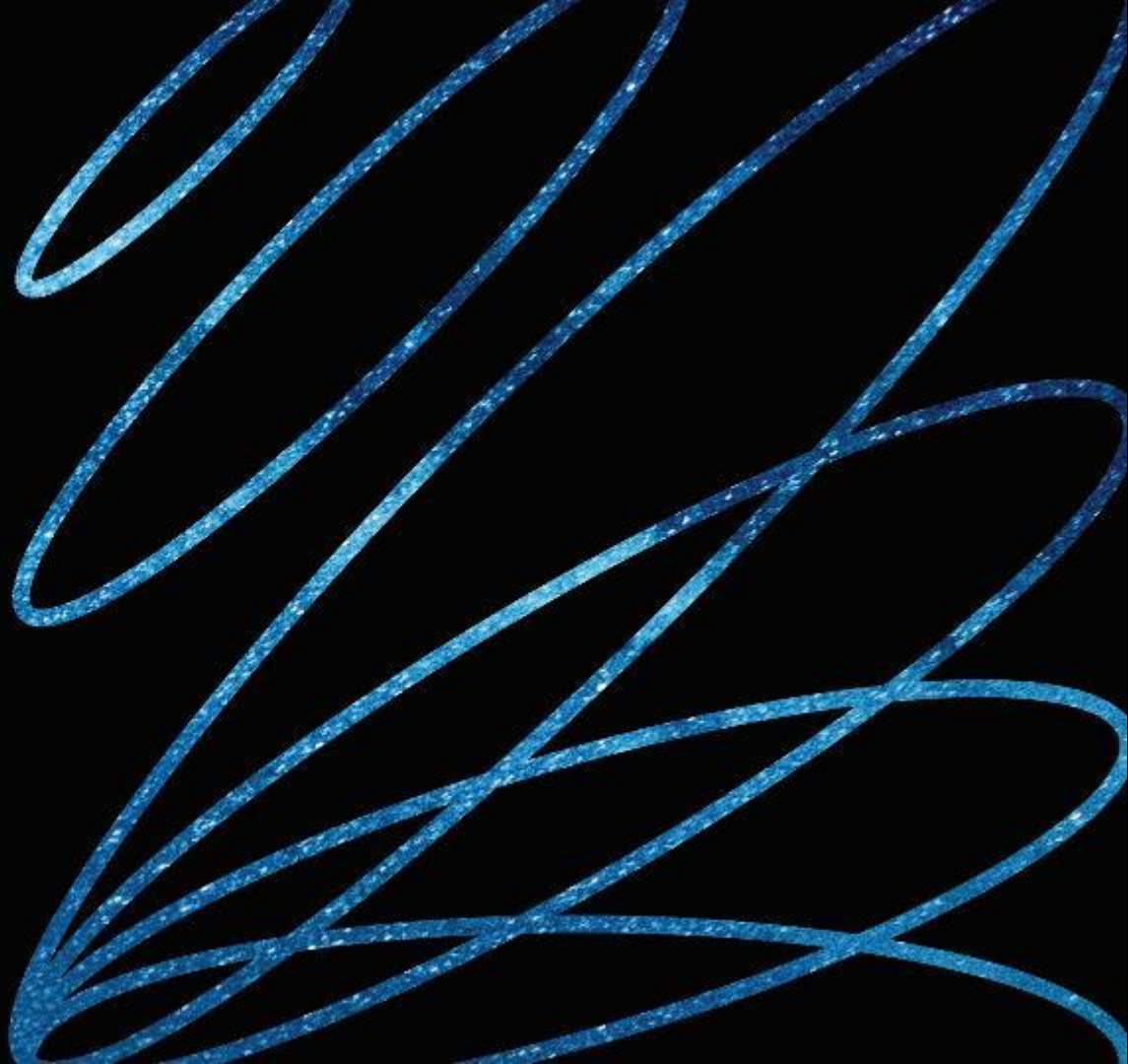
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Q&A

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