



NetDragon Websoft Holdings Limited

Stock Code: 777 HK

2021 1H Interim Results Presentation

August 27, 2021

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Opening Remarks

Dr. Simon Leung

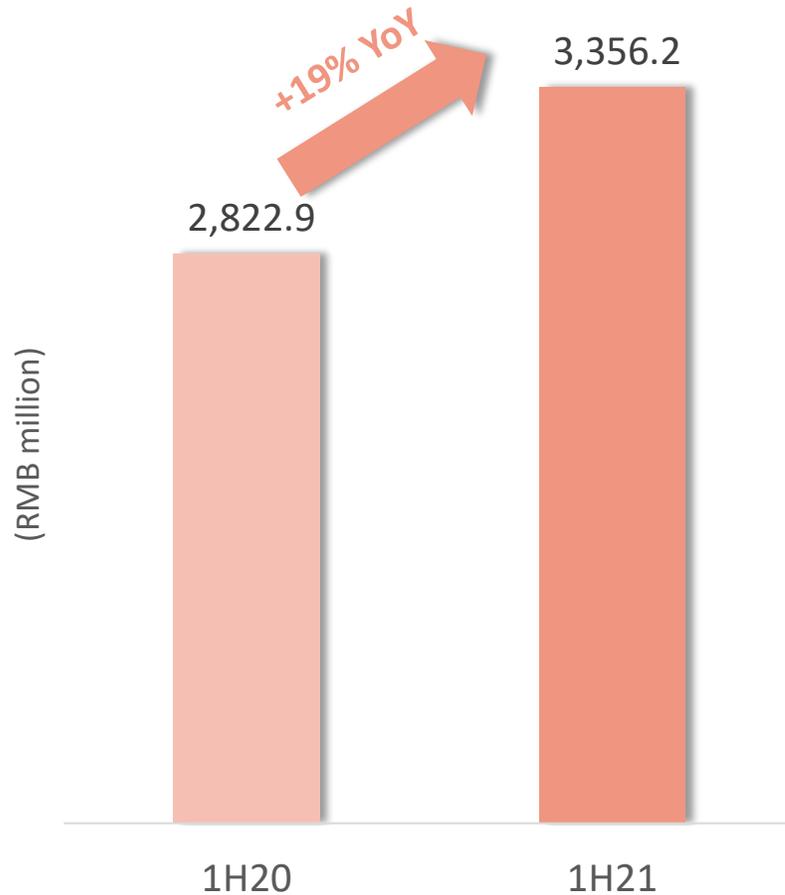
Group Vice Chairman

Agenda

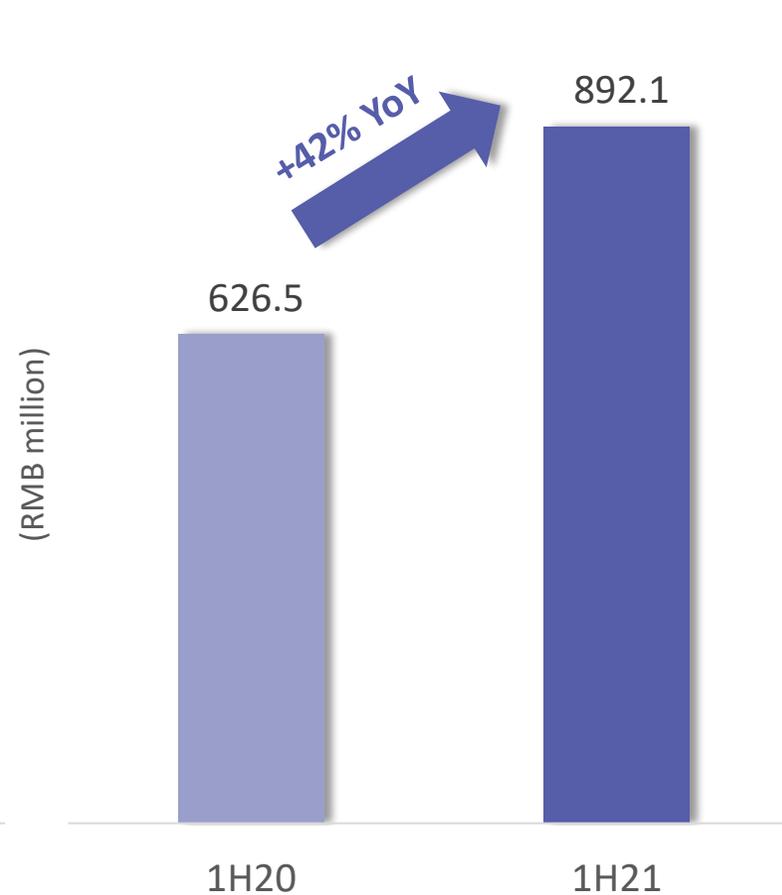
Topic	Speaker
2021 1H Highlights	Dr. Simon Leung, Group Vice Chairman
China Perspectives	Dr. Simon Leung, Group Vice Chairman
Education	Vin Riera, Promethean CEO
Gaming	Lin Chen, Group Senior VP
2021 1H Financials	Ben Yam, Group CFO
Shareholder Value Enhancement	Ben Yam, Group CFO
2021 2H Outlook	Dr. Simon Leung, Group Vice Chairman
Q&A	

Net Profit Increased by 28% YoY as We Continue to Drive Consistent Growth

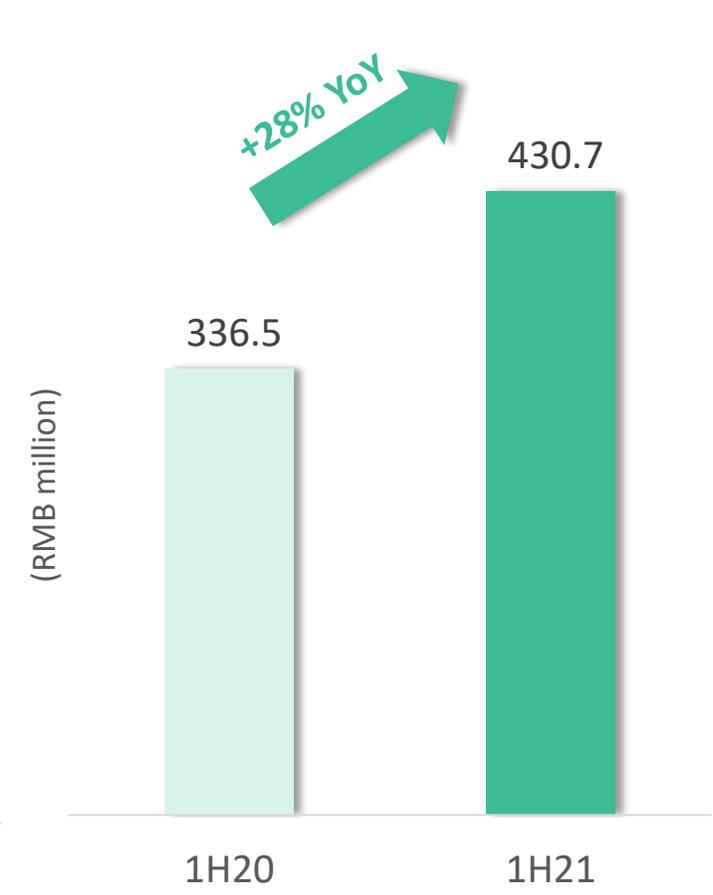
Revenue: RMB 3.4 billion



EBITDA: RMB 892 million



Net Profit: RMB 431 million



Key Highlights

Continuing Growth Momentum of Gaming Business

Strong Revenue Growth of Education Business with Improved Bottom Line

Execution of Country Strategy Picking up Traction in Multiple Countries

Announcing Capital Measures to Enhance Shareholder Value

A photograph of a classroom in China. Several young students, mostly boys, are seated at desks, focused on writing in their notebooks. They are wearing grey school uniforms with red accents. The boy in the foreground is wearing glasses and holding a pink pen. The desks are cluttered with various items, including a pink box with the text "Oh~ Happy day!" and a white cup. The background shows a green chalkboard and a bright window. The text "China Perspectives" is overlaid in white on the right side of the image.

China Perspectives

Our 2G+2B China Strategy is Perfectly in Line with New Policy Trends

New Policies

Our Positioning

Longer in-Campus Study Time and Strengthened Role of Public School in Learning¹



Pure GTM Strategy of 2G+2B

Banning For-Profit After-School Tutoring Institutions²



No After-School Tutoring Business

Promoting Unified IT Infrastructure across K12 Schools³



Our Blended Learning Solutions

Promoting Unified Online Educational Contents⁴



Complete Content Portfolio Covering all Subjects

Note 1 and 2: Opinions on Further Alleviating the Burden of Homework and After School Tutoring for Students in Compulsory Education, dated July 24th, 2021 and issued by the General Office of the Communist Party of China Central Committee and the General Office of the State Council

Note 3 and 4: Guiding Opinions on the Promotion of New Infrastructure for Education to Build a High Quality Education Support System, dated July 1st, 2021 and issued by Ministry of Education, Cyberspace Administration of China, National Reform and Development Commission, Ministry of Industry and Information Technology, Ministry of Finance, and People's Bank of China

We will Execute Our China Strategy with Higher Focus and Cost Discipline

Building Blocks of Our Strategy

Complete Blended Learning
Product Portfolio

2G + 2B GTM Channel Built
Over Many Years

Government Policies
in Line with Our Vision



Our Execution Plan

Drastically Increase our
Product Focus

Significant OPEX Cut
in China

Education



Students will be able to...

MID-LEVEL VACATION

A vacation is when you take a trip to some distant place with your happy family. Usually you go to some place that is near a hotel or up on a cliff. A good vacation place is one where you can ride roller coasters or play golf or go hunting for rabbits. I like to spend my time reading books or listening to music. When parents go on a vacation, they spend their time eating there at a restaurant, a day, and fathers play golf, and mothers sit around at a table. Last summer, my little brother fell in a pool and got poison from a snake all over his back. My family is going to go to (the) beach and I will practice surfing. Parents need vacations more than kids because parents are always very tired to pay

Video call interface showing two participants: a girl with curly hair wearing blue headphones and a girl with straight hair wearing white headphones. The interface includes a top bar with zoom and refresh icons, and a bottom bar with mute, volume, chat, and close buttons.

Very Strong Market Demand – Highest Growth in Recent Years

Market Growth Drivers

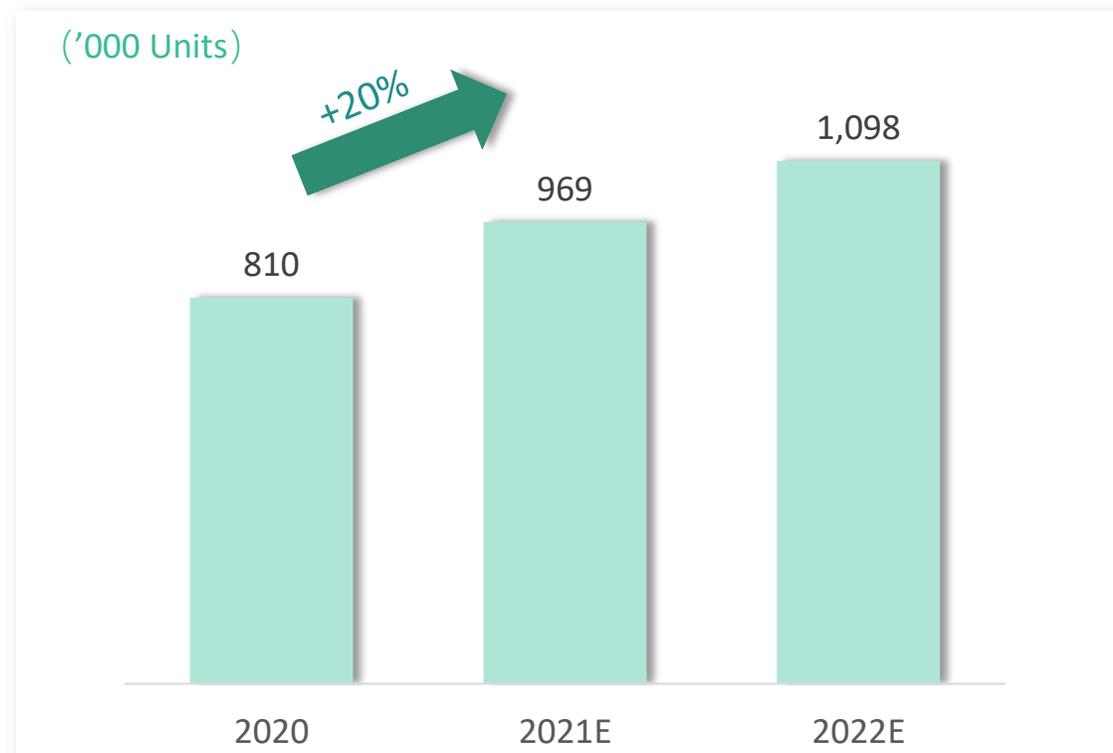
COVID Leading to Inelastic Demand for Blended Learning

Interactive Classroom Technology is a Core Part of Blended Learning

Low Penetration Globally - Only 1/3 of Classrooms have Interactive Displays

General Market Belief - New Normal of Learning will Continue post COVID

Market Shipment Growth Outlook



Source: FutureSource Consulting Quarter 1 Interactive Display Global Report, May 2021

Note: Market outlook data referring to volume of interactive display systems in global (excluding China) markets

Our Market Share Continues to Increase in 1H

Drivers

Our Brand Equity

**Premium Product
at the Right Price Points**

Unique Blended Learning Focus

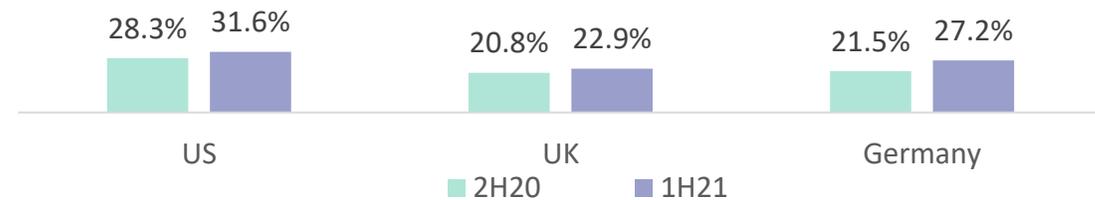
**Expanding
Sales Channel Network**

Results – Expanding Market Share

Global(ex-China) Market Share



Market Share Growth – Our Top 3 Markets

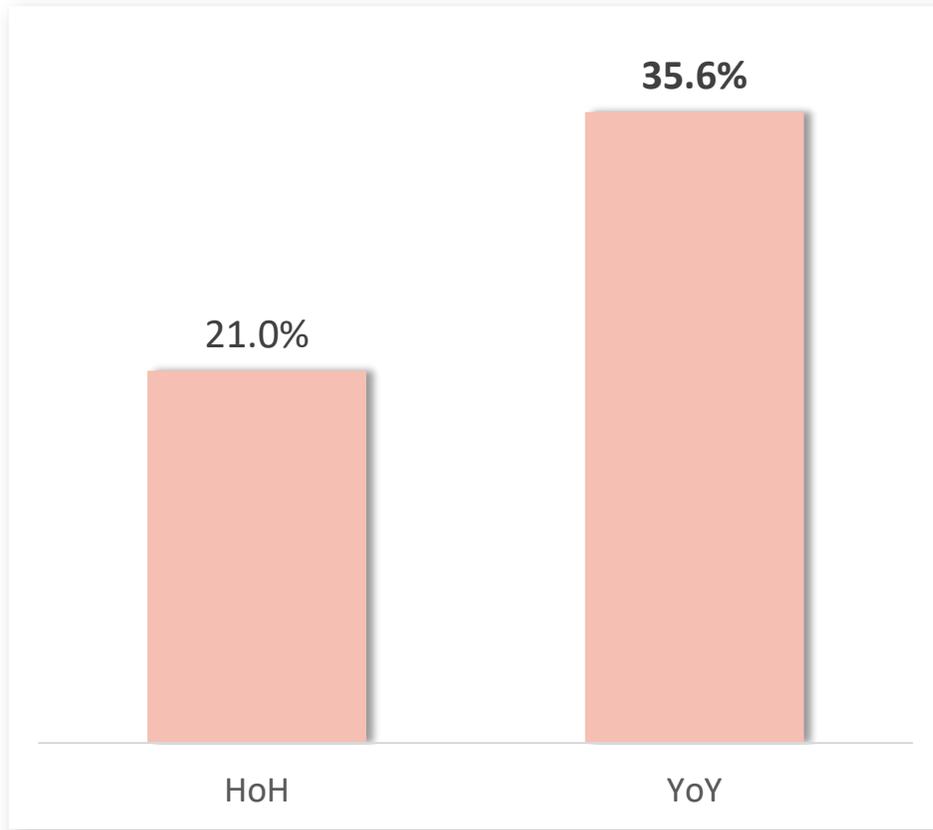


Source: FutureSource Consulting Quarter 2 Interactive Display Global Report, Aug 2021

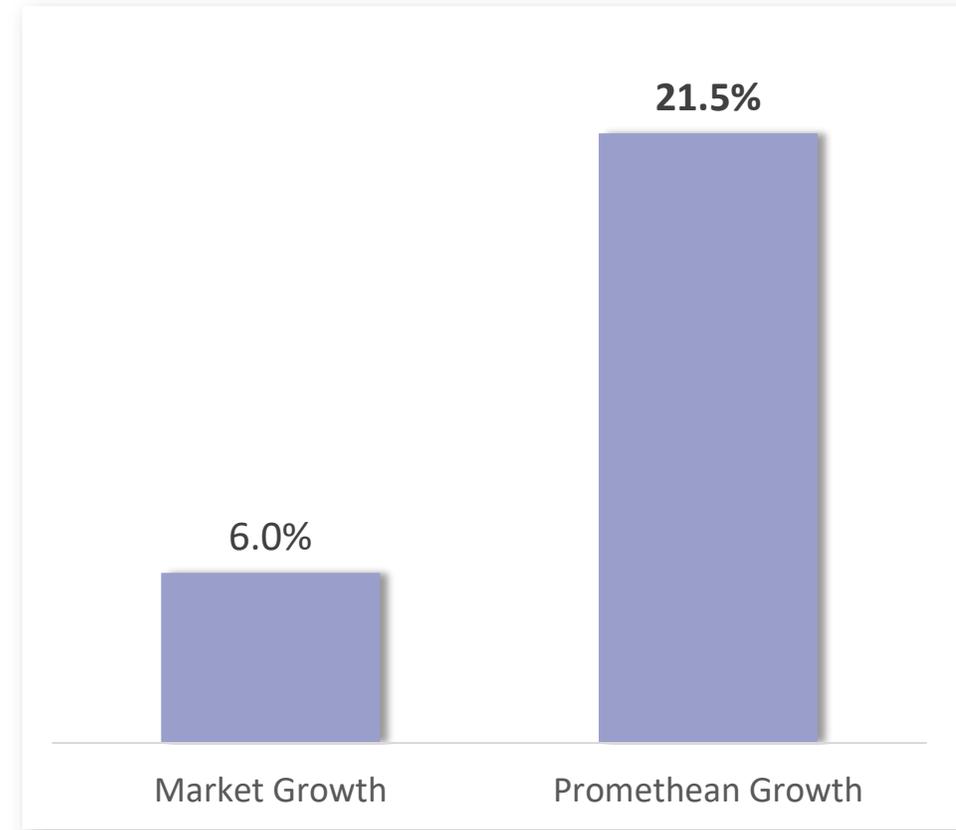
Note: Market share numbers are based on K-12 interactive flat panels

Resulting in Significant Revenue and Volume Growth

Revenue Growth



Volume Growth (HoH)



Source: FutureSource Consulting Quarter 2 Interactive Display Global Report, Aug 2021

Note: Volume growth data referring to shipments of K-12 interactive flat panels in global (excluding China) markets, the revenue growth is based on USD denominated numbers

Continuing to Execute with Operational Excellence

		<u>1H20</u>		<u>1H21</u>
Product Mix	ASP (USD)	1,988		2,227
Cost Discipline	Gross Margin*	27.1%		33.0%
Operating Efficiency	OPEX as % of Revenue	27.2%		23.6%

* Gross margin also increased to 37.6% from 32.1% on a tariff-neutral basis



Gaming

LIN Chen

Group Senior Vice President

Achieved Double-Digit Growth, Exceeding Market Average

● Revenue Growth by IP

	↑	+14%
	↑	+2%
	↓	-10%
	↑	+1%
Total	↑	+12%

● Highlights

- ✓ Revenue up 12% YoY, continuing momentum from 2H 2020
- ✓ Continuing consistent growth performance of Eudemons IP
- ✓ Overseas revenue increased by 29% YoY
- ✓ Execution of long-term growth initiatives on track for our other flagship IPs

● Opportunities

- ✓ “Rejuvenation” initiative of Eudemons to release tremendous IP value potential
- ✓ Expansion of new revenue stream with new IPs and new genre (eg. Under Oath, our new ACGN game to be launched)
- ✓ Penetration into overseas market

Core Game IP - Key Metrics



Eudemons

- MMORPG
- Since 2006
- 3 languages
- Existing titles: 5
- MAU: 3.63m
- % of revenue: >80%



Conquer

- MMORPG
- Since 2004
- 4 languages
- Existing titles: 4
- MAU: 1.02m
- % of revenue: <10%



Heroes Evolved

- MOBA
- Since 2012
- 14 languages
- Existing titles: 4
- MAU: 2.32m
- % of revenue: < 5%



Neopets

- Casual
- Since 1999
- 8 languages
- Existing titles: 1
- MAU: 0.96m
- % of revenue: < 1%

Eudemons IP – Increasing User Engagement Leading to Solid Growth



● Highlights

Revenue YoY

14%

MAU YoY

6%

- ✓ Revenue of Eudemons IP returned to double-digit growth in 1H21 as expected, up 14% YoY
- ✓ *Eudemons Online Pocket Version* experienced significant growth in active users with MAU/DAU up 68%/34% YoY

Eudemons IP – Enhanced User Experience with Multi-pronged Content Strategy

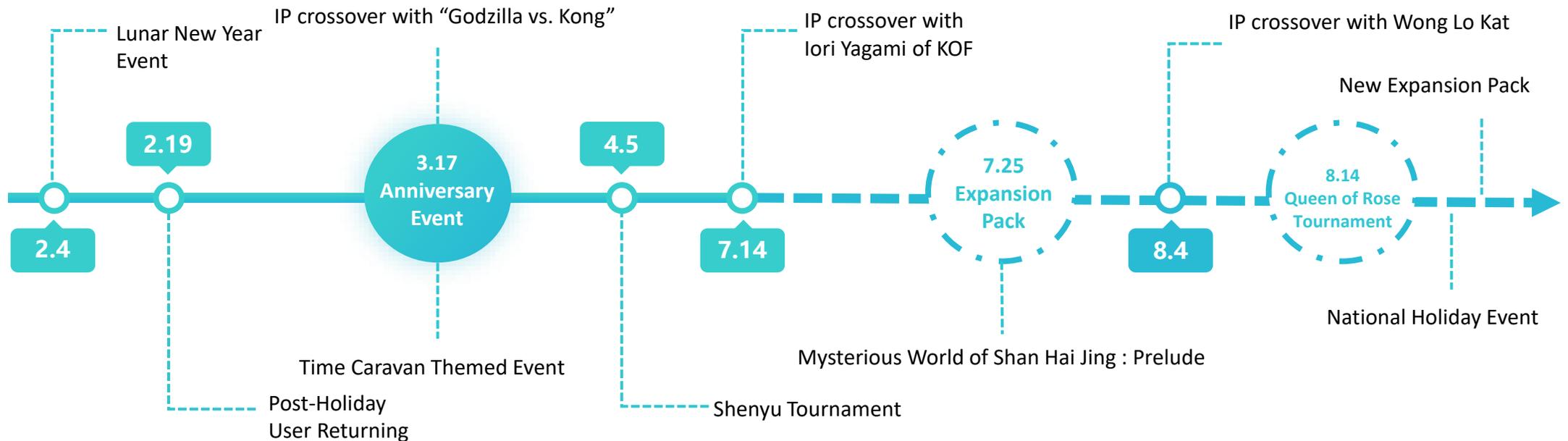
Rejuvenation

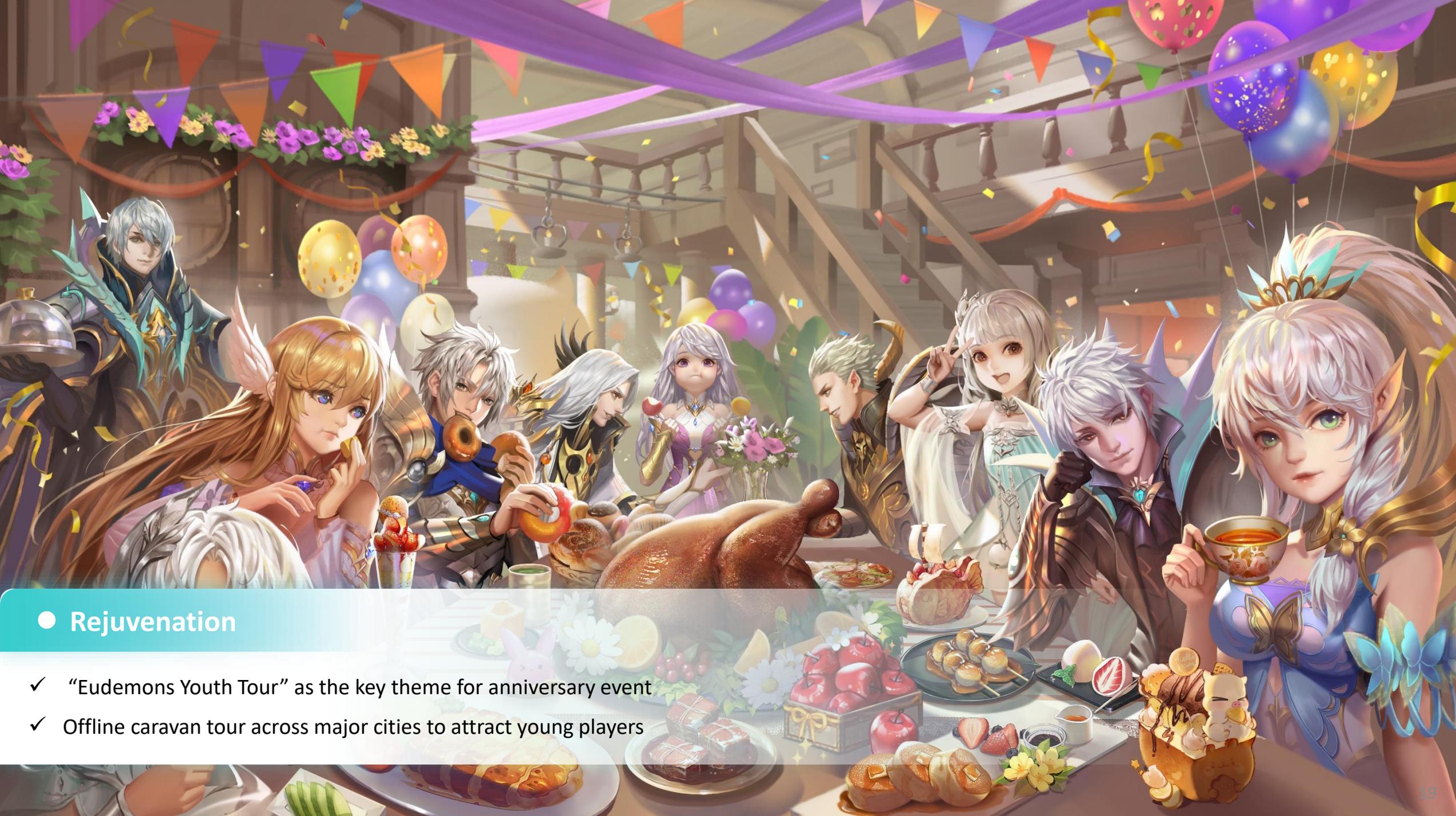
Chinese Culture Elements

IP Crossovers

CG Upgrades

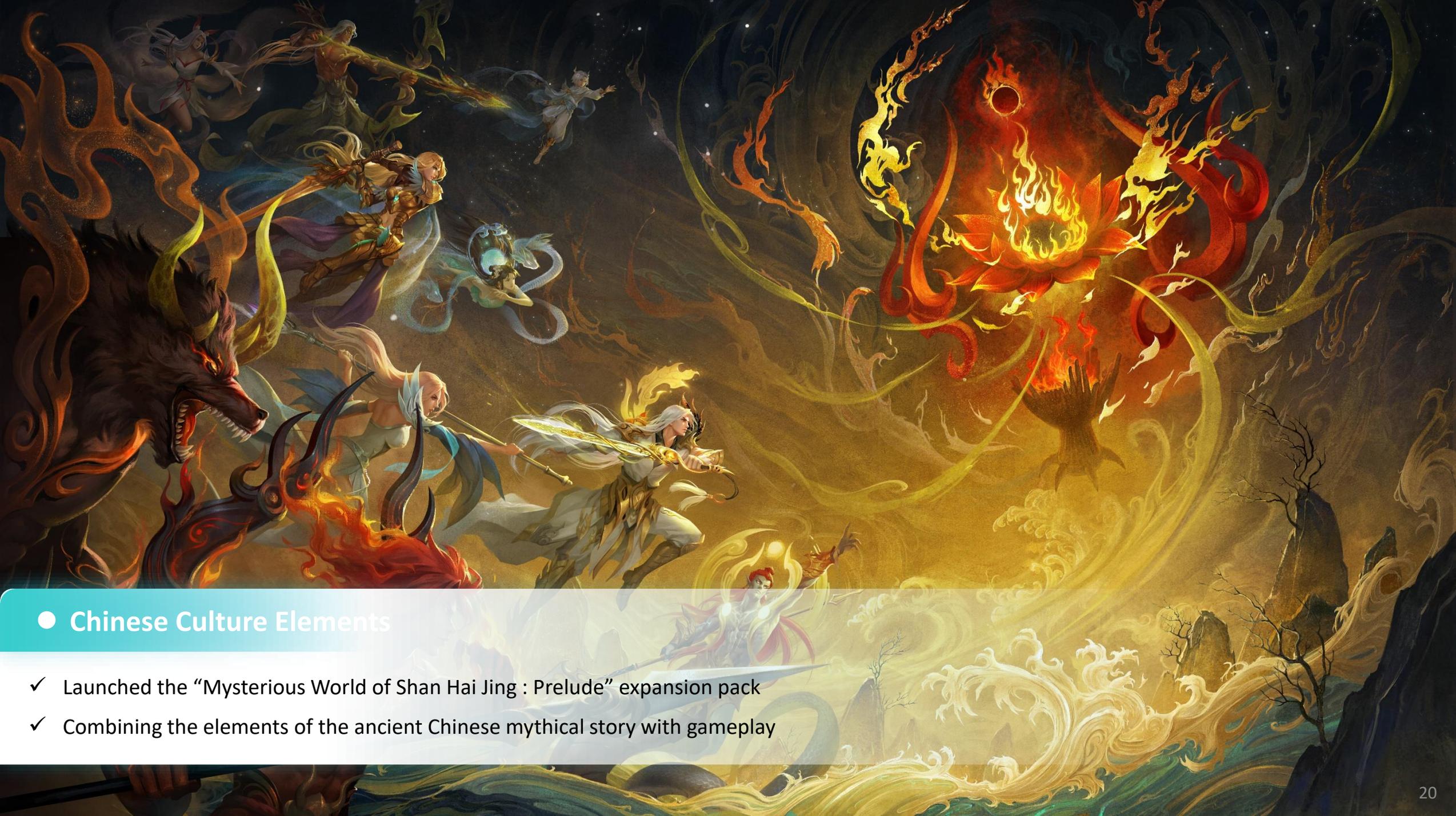
Diversified Content Updates with Higher Frequency





● Rejuvenation

- ✓ “Eudemons Youth Tour” as the key theme for anniversary event
- ✓ Offline caravan tour across major cities to attract young players



● Chinese Culture Elements

- ✓ Launched the “Mysterious World of Shan Hai Jing : Prelude” expansion pack
- ✓ Combining the elements of the ancient Chinese mythical story with gameplay



哥斯拉大战金刚

地表最强怪兽 317 上线即领

● IP Crossovers

- ✓ IP crossovers with “Godzilla vs. Kong” and Iori Yagami from “The King of Fighters”
- ✓ Launched special-themed eudemons and exclusive activities to spur user engagement



● CG Upgrades

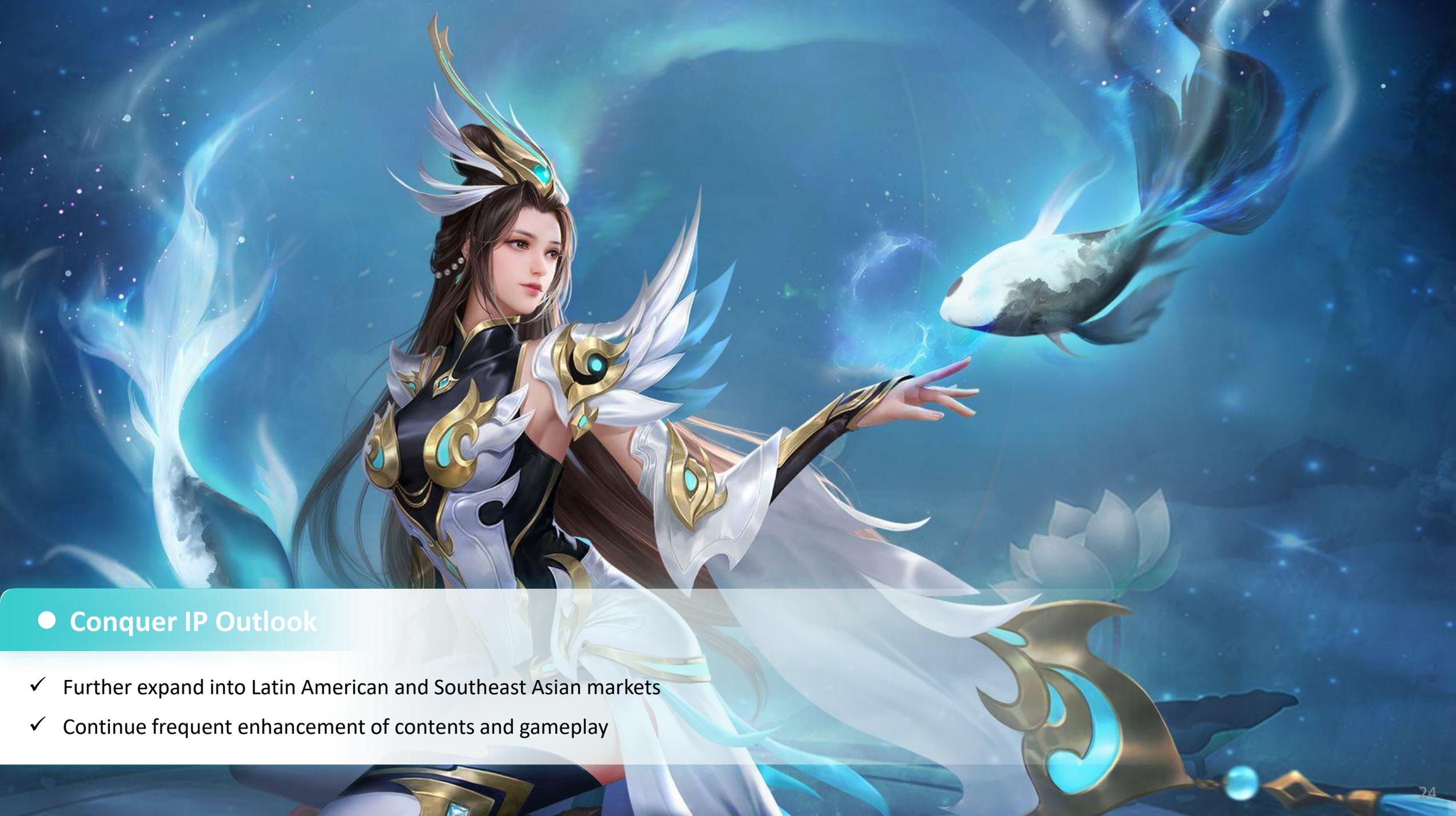
- ✓ Upgrade of self-developed engine to bring in brand new 3D features
- ✓ Laying foundation for richer 3D gameplay and contents in future versions

Conquer IP – Expanding into More Countries with Enhanced Content



● Highlights

- ✓ Extension of our successful business model in Egypt to several countries - Philippines, U.S., Canada, and Saudi Arabia in 1H21
- ✓ Launched new expansion pack <Almighty Warrior> in 1H21, bringing new features for the “warriors” role in the game, as well as new storyline and monetization schemes, driving user engagement and revenue growth



● Conquer IP Outlook

- ✓ Further expand into Latin American and Southeast Asian markets
- ✓ Continue frequent enhancement of contents and gameplay

Heroes Evolved IP – Integrating RPG Gameplay + IP Crossover



● Highlights

MOBA + MMORPG

- ✓ Integrating MMORPG gameplay features with MOBA, capitalizing on sizable market demand of RPG experience

IP Crossover

- ✓ Launched the second round of IP crossover with *<That Time I Got Reincarnated as a Slime>*, continuing to attract users from ACGN fan base

Heroes Evolved: PC

23%

Gross Billing HoH

29%

Gross Billing YoY



● Heroes Evolved IP Outlook

- ✓ To replicate the MOBA + MMORPG model into mobile version
- ✓ Crossovers with top-tier IPs to drive new users and sales of heroes and skins

Our Pipeline – Progressing Towards Open-beta Launch



Eudemons Mobile 2

- ✓ Progressing with enhancement of gameplay and CG design towards meeting open-beta requirement
- ✓ New round of testing to be launched in 2H21



Under Oath

- ✓ Implemented multiple optimizations of gameplay, and completed 3-day/7-day retention testing in 1H21
- ✓ Expected to complete paid testing and launch in 2H21



Neopets Match-3

- ✓ Combining classic elements of “Neopets” with Match-3 features, leveraging 20+ years of story background and character settings
- ✓ Appeal to 150 million+ Neopets fans globally, expected to launch in 2H21

Our Position vs. Current Regulatory Environment

Current Regulatory Trend

Our Business

Implementing Strict Measures to Protect Minors (<18 yr)

Minors Contribute
Less than 1% of Our Revenue

Promoting More Chinese Cultural Elements in Games

Increase Frequency of Updates
with Chinese Cultural Elements

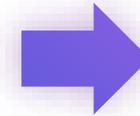
Actively Expand Overseas to Enhance "Soft Power"

Overseas Revenue up 29% YoY

Fostering Alignment with Government Policies in
Esports, Cultural and Creative Industries

Co-hosted "2021 Strait Digital
Sport Convention"

Second Half Outlook



New IP



An aerial photograph of a combine harvester working in a vast, golden field during sunset. The harvester is positioned in the lower center, moving from right to left, leaving a trail of harvested grain behind it. The sky is a warm, golden yellow, and the field is a rich, golden brown. The overall scene is peaceful and productive.

Financial Highlights

Ben Yam

Group CFO

Income Statement

(RMB million)	1H21	1H20	YoY
Revenue	3,356.2	2,822.9	+18.9%
Gaming	1,847.5	1,647.3	+12.2%
Education	1,407.6	1,137.9	+23.7%
Gross Profit	2,233.9	1,869.3	+19.5%
Selling & Marketing Expenses	438.0	427.0	+2.6%
as a % of Revenue	13.1%	15.1%	-2.0 pts
Administrative Expenses	485.2	441.6	+9.9%
as a % of Revenue	14.5%	15.6%	-1.1 pts
R&D Expenses	594.9	568.9	+4.6%
as a % of Revenue	17.7%	20.2%	-2.5 pts
Net Profit attributable to Shareholders	430.7	336.5	+28.0%
EBITDA	892.1	626.5	+42.4%
Non-GAAP Operating Profit	753.9	509.2	+48.1%
Non-GAAP Net Profit	566.7	449.5	+26.1%
Net Cash and Cash Equivalent	4,105.7	3,632.8	+13.0%

Segmental Financial Highlights

(RMB million)	Education			Gaming		
	1H21	1H20	YoY	1H21	1H20	YoY
Revenue	1,407.6	1,137.9	+23.7%	1,847.5	1,647.3	+12.2%
Gross profit	431.1	285.2	+51.1%	1,765.9	1,583.5	+11.5%
Gross profit margin (%)	30.6%	25.1%	+5.5 pts	95.6%	96.1%	-0.5 pts
Core segmental profit (loss)	(265.8)	(377.3)	-29.6%	1,069.2	943.6	+13.3%
Segmental operating expenses						
- Research and Development	(272.1)	(258.2)	+5.4%	(322.6)	(305.8)	+5.5%
- Selling and Marketing	(235.2)	(242.6)	-3.1%	(200.1)	(178.8)	+11.9%
- Administrative	(172.2)	(141.5)	+21.6%	(170.9)	(157.8)	+8.4%

Education

- **Revenue** up 23.7% YoY, with gross profit margin increase by 5.5 pts
- **Core Segmental Loss** down 29.6% YoY due to operating leverage and continued cost control measures

Gaming

- **Revenue** up 12.2% YoY, on the back of frequent content updates and effective marketing and promotion initiatives
- **Core Segmental Profit** up 13.3% YoY with stable OPEX

A photograph of a man and a young boy planting a tree in a park. The man, wearing a red and blue plaid shirt and blue jeans, is kneeling on the right side of the frame, holding the base of a small sapling. The boy, wearing a striped shirt, is kneeling on the left side, holding the upper part of the sapling. They are both looking up at the tree with expressions of hope and anticipation. The background is a lush green park with many trees and a grassy area.

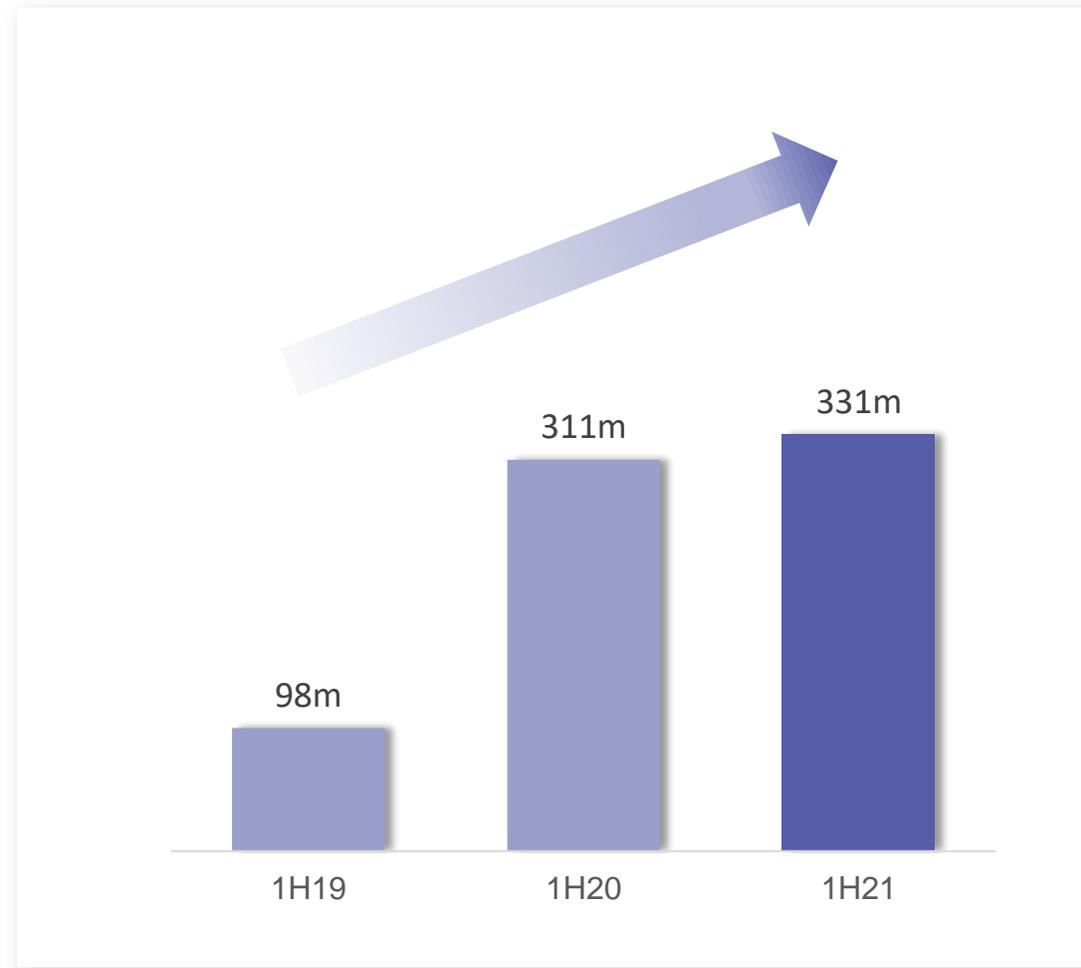
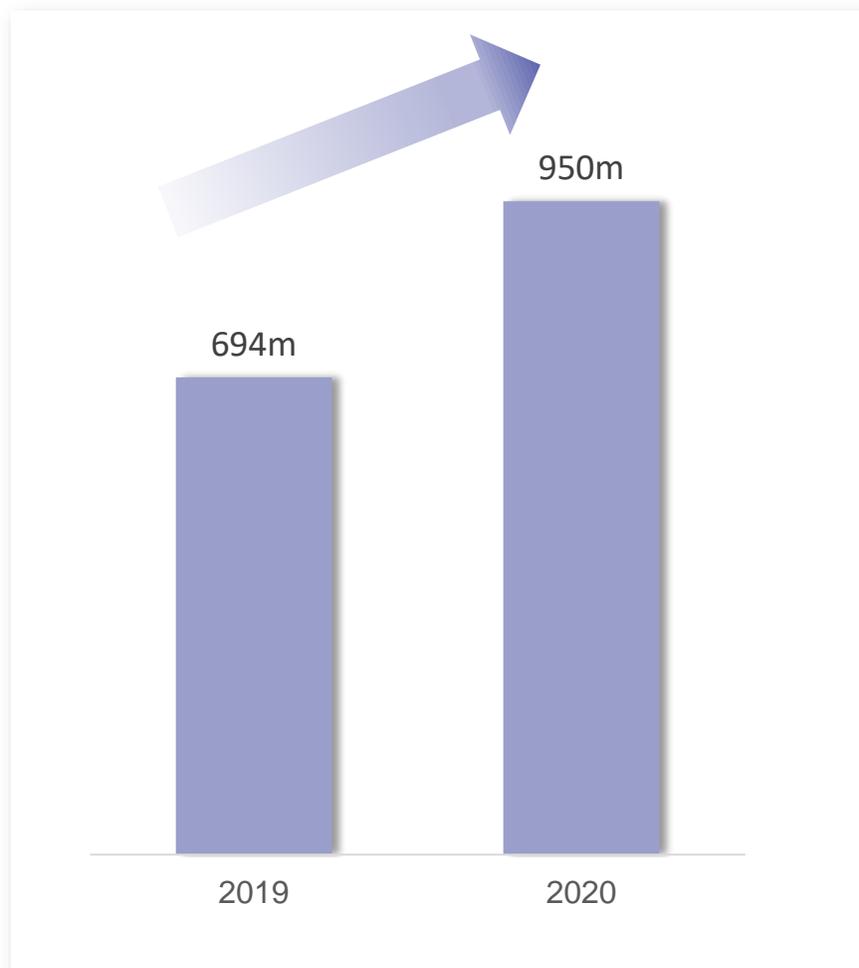
Shareholder Value Enhancement

Ben Yam

Group CFO

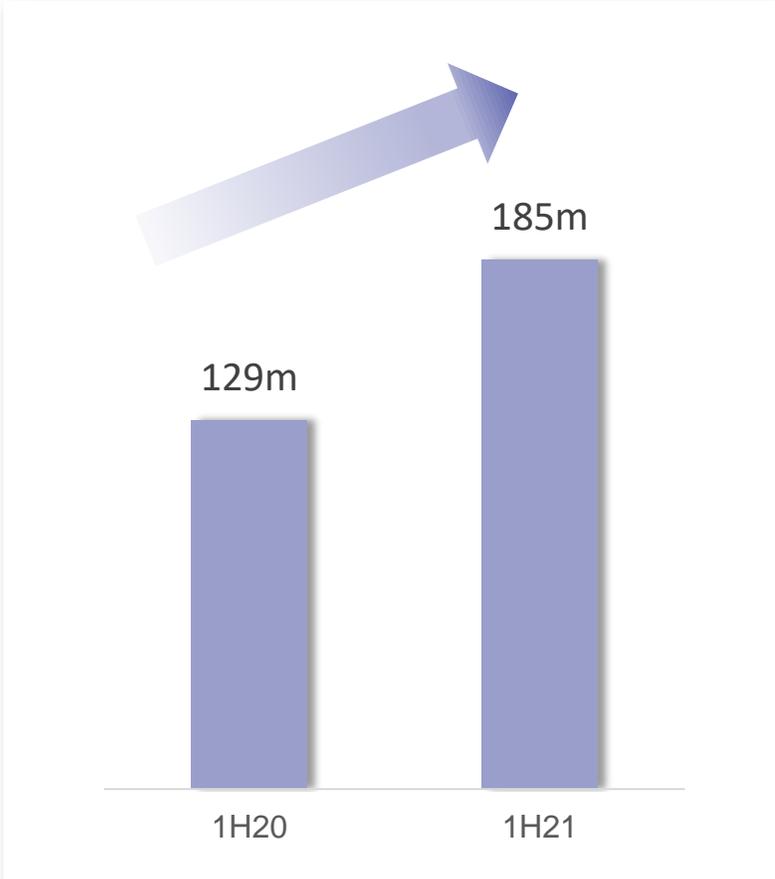
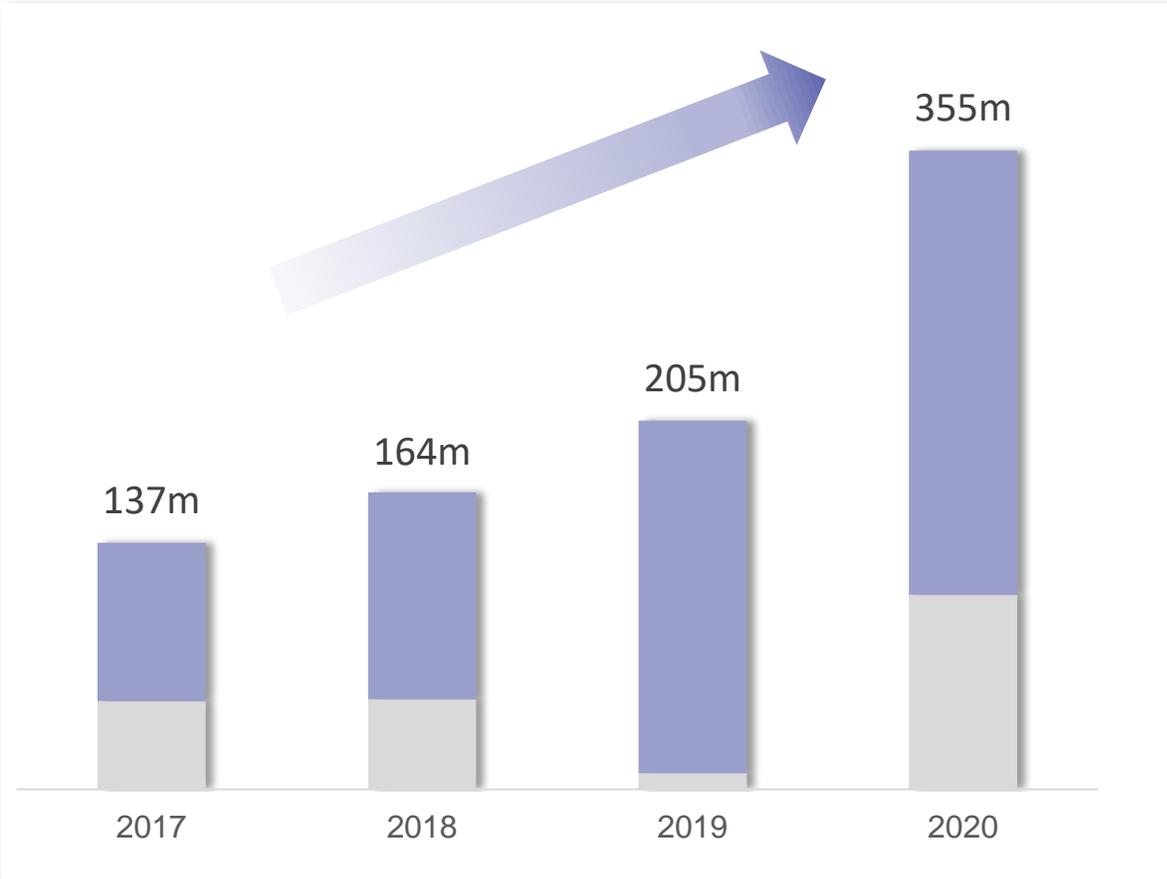
Consistently Generating Increasing Free Cash Flow

Free Cash Flow (RMB)



Continuing to Increase Cash Return via Dividends and Share Repurchase

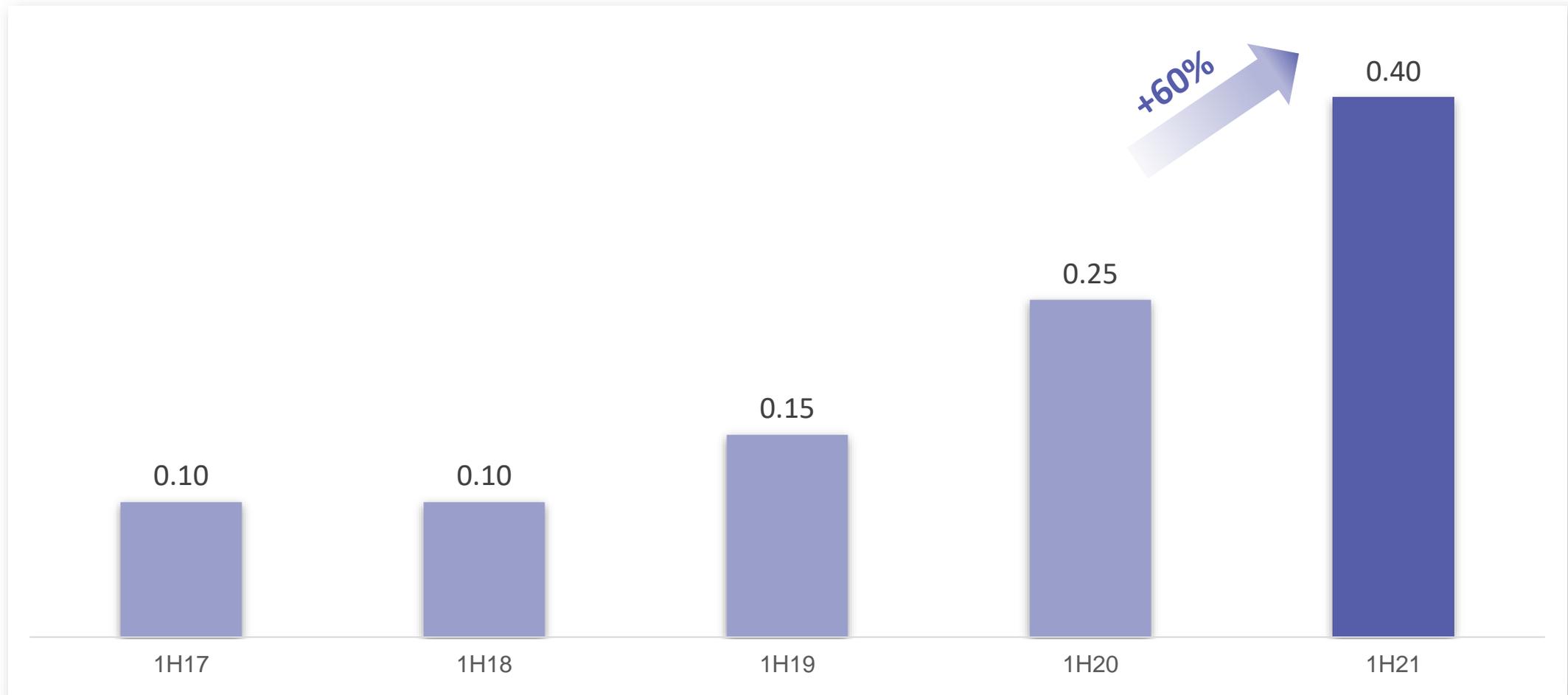
Cash Return (HKD)



■ Share Repurchase ■ Dividends

Increasing Our Interim Dividends by 60% in 1H21

Interim Dividends (HKD/share)



Announcing a Committed USD 300m 3-Year Stock Buy-back Program



A close-up photograph of two hands, one from a person wearing a white knitted hat and the other from a person in a brown sweater, forming a heart shape. The background is a bright sunset over a landscape, with the sun low on the horizon, creating a warm, golden glow. The hands are positioned in the center of the frame, with the fingers pointing towards each other to create the heart's outline.

Outlook

Dr. Simon Leung

Group Vice Chairman

Outlook

New Game Launches in 2H to Drive Revenue Growth

Confident in Education 2H Revenue due to Strong Sales Backlog

Commence Planning of Listing Our Education Business

Begin Execution of USD 300m Stock Buy-back Program



Q&A

Investor Relations Contact
ir@netdragon.com

