

NetDragon Websoft Holdings Limited (777.HK)

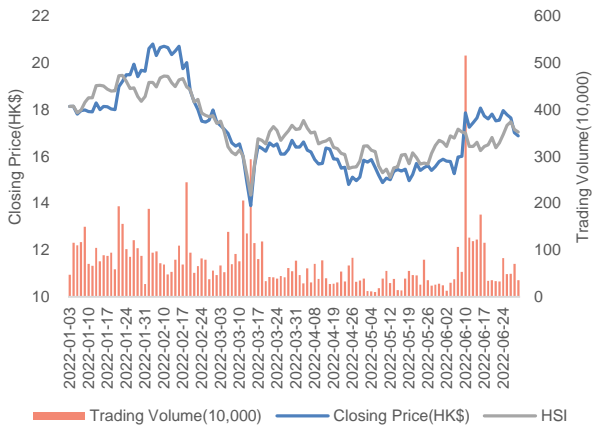
Investor Newsletter

June 2022

Stock Information (As at 30 June 2022)

Stock Code ----- **777.HK**
 Stock Price ----- **HK\$16.88**
 52-Week Stock Price Range -- **HK\$11.93-20.10**
 Market Cap ----- **HK\$9.13 billion**
 Issued Share Capital ----- **541 million shares**

YTD Share Prices And Trading Volume (Since 2022)



About NetDragon

NetDragon Websoft Holdings Limited (HKSE: 0777) is a global leader in building internet communities with a long track record of developing and scaling multiple internet and mobile platforms that impact hundreds of millions of users.

Established in 1999, NetDragon is one of the most reputable and well-known online game developers in China with a history of successful game titles including *Eudemons Online*, *Conquer Online*, *Heroes Evolved* and *Under Oath*. In recent years, NetDragon has also started to scale its online education business on the back of management's vision to create the largest global online learning community, and to bring best-in-class integrated blended learning solutions to every school around the world. For more information, please visit ir.netdragon.com.



Analyst Reports

Date	Firm	Rating	Target Price (HK\$)
Apr 2022	CITIC Securities	Buy	34.00
Apr 2022	Southwest Securities	Buy	37.75
Apr 2022	First Shanghai Securities	Buy	29.00
Apr 2022	Essence International	Buy	28.30
Apr 2022	CCB International	Outperform	24.50
Apr 2022	GF Securities	Buy	23.73
Mar 2022	BOCOM International	Buy	25.00

NetDragon Websoft Holdings Limited

Investor Relations Department

Email: ir@netdragon.com

(WeChat Video Account)



Disclaimer

This presentation is prepared by NetDragon Websoft Holdings Limited (the "Company") solely for information purposes and is not to be construed as a solicitation of an offer to buy or sell any securities of the Company in any jurisdiction. Information is given in summary form and does not purport to be complete. This presentation is prepared without taking into account the investment objectives, financial situation or particular needs of any particular person. In this connection, information in this presentation is not investment advice and is not intended to be used as a basis for making an investment decision. This presentation may contain forward-looking statements that are based on current expectations of the Company's management about future events and past performance. These expectations are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company, and may involve significant elements of subjective judgment and assumptions as to future events that may or may not be correct. Past performance is no guarantee of future performance. Therefore, there is no assurance that actual results or performance will not differ materially from future results or performance expressed or implied by the forward-looking statements. Information in this presentation is made only as at the date of this presentation unless otherwise stated and subject to change without notice. None of the Company's directors, employees or agents undertakes any obligation to correct or update information in this presentation as a result of new information, future events or otherwise.



Achievements & Accolades

NetDragon won “The Best Innovation” award at the 5th China IR Excellence Awards Ceremony

(January 2022) NetDragon won “The Best Innovation” award at the 5th China IR Excellence Awards Ceremony, demonstrating the recognition from the investor community on the Company’s diversified and innovative IR communication by applying various new media and visualized channels.

NetDragon was named “The Best Value Education Company” at Golden Hong Kong Stocks Awards 2022

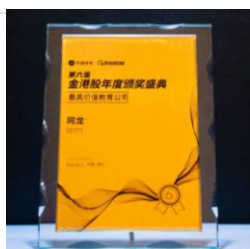
(January 2022) NetDragon was named the “The Best Value Education Company” at the Sixth Golden Hong Kong Stocks Awards Ceremony, recognizing the Company’s achievements in education business.

Promethean’s ActivPanel won multiple Ed-tech awards

(January 2022) Promethean’s ActivPanel was named a winner of the “Best of 2021” in the Tech & Learning Award of Excellence in January and was also recognized as the 2022 “Student Engagement Solution of the Year” by EdTech Breakthrough in June for two consecutive years.

NetDragon was included in CSI Hong Kong Connect Internet Index

(June 2022) According to the revision announced by China Securities Index Co., Ltd, NetDragon has become a constituent of the CSI Hong Kong Connect Internet Index. The change has been made after market closed on June 10, 2022. As one of the indices that various exchange-traded funds (“ETFs”) have been tracking, NetDragon’s inclusion in the Index highlighted its recognition as one of the vertical industry leaders.



HKC互联网



Shareholder Value Enhancement Measures

USD
300M

3-year share buy-back program
(Up to US\$300 million)

+60%

2021 recurring dividend YoY growth

~5%

Dividend yield TTM
(Exclude special dividend)

15%+

ROE in the past two years

- After the announcement of the share buy-back program, as of June 2022, NetDragon has bought back a total of over 16 million shares, amounting to HK\$300 million (approx. US\$38 million). Our share buy-back activities have temporarily paused in recent months to ensure compliance with relevant listing rules.
- In the board meeting on 31 January 2022, the Board approved the declaration and payment of a **special interim dividend of HK\$1.43 per share**. On 29 March 2022, NetDragon announced its 2021 annual results and a **proposed final dividend of HK\$0.4 per share**. The company’s recurring dividend for 2021 amounted to HK\$0.8 per share, representing an increase of 60% YoY.
- In 2021, NetDragon returned a total of **US\$186 million** to shareholders via a combination of share repurchase and dividends declared, including a US\$100 million special interim dividend announced in January 2022. The total dividends for 2021 (including special interim dividend) amounted to HK\$2.23 per share, representing approximately 94% of its total profit attributable to owners for 2021.



Gaming Business

Business Development



- In February, *Eudemons Online Pocket Version* launched a crossover with Yongding Hakka Earth Buildings.
- In March, *Eudemons Online Mobile* launched new expansion pack **“Returning of the King”**, introducing new Eudemon characters to celebrate the anniversary.
- In May, new fantasy MMORPG *Eudemons Mobile 2* started **close beta testing** and is expected to launch in H2 2022.
- In June, both *Eudemons Online Pocket Version* and *Eudemons Online* launched new expansion packs, namely **“Reign of Night King”** and **“In the Name of Family”**, respectively.



- In H1 2022, 3 new versions of *Under Oath* were released, namely “Bat Shadow from the Abyss”, “Hunting Feast in the Forest” and “Nightmare and Forgemaster”, bringing new characters and gameplays to players.
- We **signed partnership agreement with a well-known global 3A game publisher**, aiming to launch *Under Oath* overseas version in multiple countries.



- In June, *Conquer Online* launched the new expansion pack **“Chasing Pirate”** with upgrades of new system, skills and gameplays under the theme of nautical adventure.



- In April, NetDragon’s **first casual Match-3 game** *Neopets: Faerie’s Hope* started paid testing in North America.
- NetDragon started developing of its **first blockchain-based metaverse game** under its well-known overseas IP — Neopets. Alpha launch is scheduled in Q3 2022.



- NetDragon’s self-developed e-sports IP mobile game *Heroes Evolved Pocket Version* was named **“The most popular action game of M.H.A. in 2021”** at Black Stone Award, one of the most influential gaming awards amongst Android channels, for the third time.

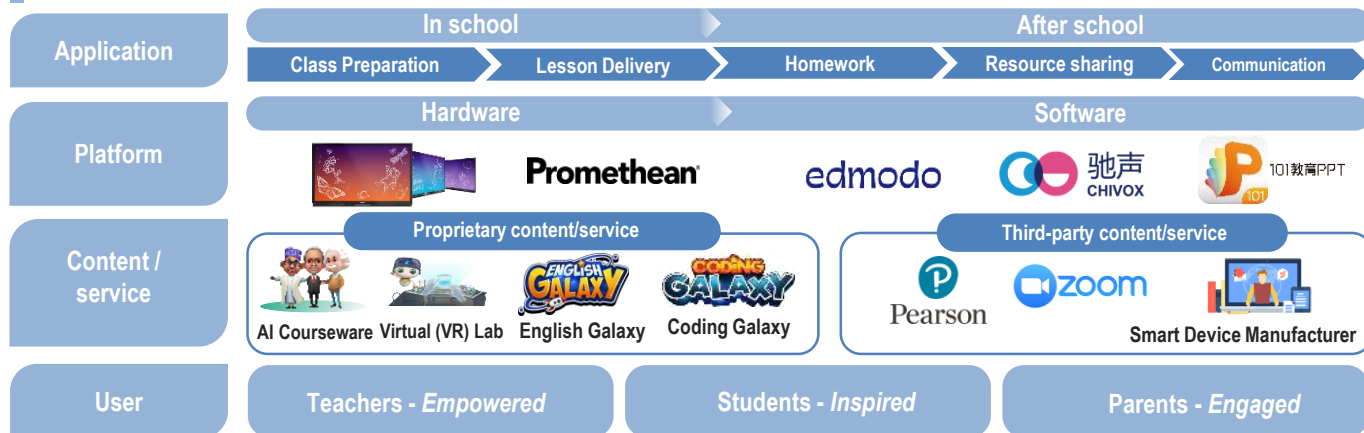
New Game Pipeline





Education Business

The Value Chain We Covered



Business Development

NCET organized the pilot application for the mass adoption of “NCET Virtual Lab Platform” across the nation

(April 2022) National Center for Educational Technology (“NCET”) organized the pilot application of “NCET Virtual Lab Platform” to promote its mass adoption in primary and secondary schools across the nation. As of June 2022, the NCET Virtual Lab Platform covered more than 11,000 schools in 31 provinces across the country with distribution partnership established in more than 10 provinces.

Promethean maintained its leadership as the No.1 education brand in global K-12 IFPD market (ex China) in Q1 2022

According to the Futuresource Consulting’s Q1 2022 report on the World IFPD market, Promethean achieved a 23.8% market share from April 2021 to March 2022. In the same 12-month period, Promethean maintained its leading position in the U.S., U.K.&Ireland, and Germany. Promethean held a strong lead in the U.S. market with 32.8% market share of the IFPD market in Q1 2022.

Promethean reached strategic cooperation with Merlyn Mind

(June 2022) NetDragon’s subsidiary Promethean has entered into a US-based exclusive distribution agreement with Merlyn Mind. According to the collaboration, Promethean will distribute Merlyn Mind’s voice-activated artificial intelligence (AI) solution - Symphony Classroom™ in the US market. Symphony Classroom enables teachers to use voice commands or a remote to control their laptops, interactive displays, internet browsers, apps, and more, which allows teachers to move around the classroom to improve student interaction and overall efficiency.

Promethean introduced the All-New ActivPanel 9

(June 2022) Promethean introduced ActivPanel 9 that delivers the most robust, seamless, and secured user experience yet. The all-new ActivPanel offers two models, ActivPanel 9 and ActivPanel 9 Premium, and it includes new features with enhanced simplicity, connectivity, security, adaptability, and longevity, to address the key needs of educators.

Robust Pipeline for Country-level Roll-out

-  **Egypt**
 - Signed definitive contract with Egypt Ministry of Education in Q1 2022 to provide **94,000** Promethean interactive panels in the coming 2-3 years
 - Expect Edmodo **software monetization** in 2022 with nationwide adoption in Egypt
 - Next step – Expand to new initiatives including educational content and metaverse

-  **Thailand**
 - Signed MOU with Thailand Ministry of Education to set up English Smart Classroom Labs for schools in Thailand
 - Pilot in 3 regions successfully completed in Q4 2021 with significant quantifiable increase in learning outcomes
 - Moving toward **paid pilot** on a nationwide scale in H2 2022

-  **Ghana**
 - Edmodo selected by Ghana Ministry of Education as the only official online learning platform for the country’s K12 education system
 - Signed MOU with Ghana Ministry of Education in Sep 2021
 - Developing a sustainable and robust nation-wide Blended Learning Platform for the 9.3 million K-12 students in Ghana



Metaverse



NetDragon's first blockchain game *Neopets Metaverse* scheduled alpha launch in Q3 2022

NetDragon scheduled the alpha launch of its first blockchain game *Neopets Metaverse* in Q3 2022. *Neopets Metaverse* will be a free-to-play, community-driven Web3 game with a "Play-and-Earn" ecosystem, targeting both blockchain and mainstream players.



NetDragon held its annual party in Metaverse

In January 2022, NetDragon held its annual party in the Metaverse, a "parallel universe" modeled after its Digital Education Town containing NetDragon's iconic buildings, where users can customize their avatars, participate in interactive games, prize draw and singing contests, etc.



NetDragon and Fujian Media Group jointly launched "Metaverse Interview"

Fujian Media Group and NetDragon jointly launched "Metaverse Interview" for China's "Two Sessions" in 2022, integrating core technologies such as XR, AI, 3D, motion capturing, blockchain, big data, cloud computing, etc. It brought participants and audiences an immersive experience with live broadcast and media interviews, while allowing communication with hosts and netizens in the Metaverse conference room through smart devices.

Growth Drivers

Education Business

- Growing global penetration of classroom interactive display technology and demand for blended learning model boosted by the pandemic, which will be a driver of our Promethean classroom solution revenue (Promethean is a global market leader in this business with distribution channels covering over 100 countries around the world)
- Growing traction of our unique toG top-down model to drive country-wide adoption of our one-stop blended learning solutions in multiple countries (including Egypt, Thailand, Ghana, etc.) with extremely low customer acquisition costs; Aiming towards a multi-pronged revenue model to drive long-term exponential growth, with long-tail education content and service revenue
- Executing our go-to-market strategy of "2G+2B" which is highly compatible with the new policy environment in China to seize the strategic opportunity of "New Education Infrastructure" *
- Country-wide rollout of the primary and secondary school NCET virtual experiment teaching project through a distributorship model to achieve SaaS monetization for our proprietary VR Lab product, as well as a broader partnership with NCET in AI, online learning, and gamified education (Note: The National Center for Educational Technology, or NCET, is a unit directly affiliated to the Chinese Ministry of Education)
- Increase in our product focus resulting in substantial cost cutting measures for our domestic education business, together with the strategic integration of our key overseas subsidiaries Promethean and Edmodo, to effectively reduce the costs of our education business and narrow its segmental loss

*New Education Infrastructure in China, which is an important part of the country's new infrastructure, is led by informatization and focusing on information networks, platform systems, digital resources, smart campuses, innovative applications and credible security, etc.

Gaming Business

- MMORPG, NetDragon's core game category (96% of game revenue in 2021), is a top 3 genre in terms of China TAM, which is estimated to grow at a CAGR of 16% from 2020 to 2024
- Maximization of IP values by leveraging current combined registered user base of over 700 million, and expanding its game and IP portfolio through content updates and category diversification.
- New revenue stream generated from our new IP *Under Oath*, along with sustainable revenue growth supported by our strong pipeline
- Expansion of our IPs into key strategic overseas markets
- New opportunities brought by expansion into blockchain games

Metaverse

- Expansion into blockchain games following the successful sale of our Neopets NFTs in November 2021, and alpha launch of a Neopets metaverse game scheduled in the third quarter of 2022
- Capitalize on metaverse opportunities by leveraging our broad portfolio of metaverse-enabling technologies (including VR, AI, fintech, speech, hologram, etc.), as well as our existing products with metaverse features such as VR lab and AI courseware



ESG

NetDragon announced its commitment to ESG

(March 2022) NetDragon announced its sustainability vision and launched its brand-new ESG website sections, which disclosed in great details our internal policies focusing on business ethics, data privacy and security, minor internet user protection and human capital management. The new ESG sections are now available at: <http://ir.nd.com.cn/en/sustainable-development-en>

NetDragon and Tsinghua University jointly developed mini games for 2022 Winter Olympics

(February 2022) With the technical support from NetDragon and the academic support from Center for Development of Sports Industry of Tsinghua University, People's Daily Online launched the "Winter Sports Challenge" mini games. As a domestic Internet company that has been deeply involving in the gaming and education fields, NetDragon has utilized its know-how and called for more people to follow 2022 Winter Olympics through the mini games, as a fulfillment of its social responsibility.

Promethean achieved carbon neutrality and improved transportation efficiency for the second consecutive year

(March 2022) Promethean has improved its transportation efficiency and achieved carbon neutrality for the second consecutive year, highlighting its commitment to the environment by seeking out innovative ways to reduce its carbon footprint. Promethean supported the Rimba Raya Biodiversity Conservation Project in Indonesia through carbon offset purchases. Meanwhile, Promethean improved its transportation efficiency by 61% from 0.00036 tCO₂e to 0.00022 tCO₂e kilograms of transported goods from 2019 to 2020.

Promethean actively participated in volunteering for non-profit organizations

(March 2022) For the past eight years, each Promethean's employee received two paid days every year to use toward volunteering at a local charity or non-profit organization. In 2021, Promethean's employees volunteered for 178 hours as individuals or in small teams, supporting schools and social organizations. Meanwhile, Promethean also committed to a donation of US\$10 to charities for every hour volunteered.

NetDragon's subsidiary JumpStart hosted a charity auction of Neopets art collection

(May 2022) NetDragon's subsidiary JumpStart hosted a charity auction of 25 rare artworks from its Neopets IP, and has subsequently donated the proceeds to the World Wildlife Fund (WWF), Trevor Project, Project HOPE and Eden Reforestation Projects.

Eudemons and China Tiger Park jointly launched the "Tiger Roaring in Mountain" public welfare activity

(May 2022) NetDragon and China Tiger Park jointly launched the "Tiger Roaring in Mountain" public welfare activity. *Eudemons* launched Panthera Tigris related gameplay and eudemons. By integrating content of Panthera Tigris into the game, *Eudemons* encouraged players to learn about its habits and breeding knowledge. Proceeds from the sale of public welfare gift packs will also be donated to the China Tiger Park.

Dr. Liu Dejian, Chairman of NetDragon, delivered live remote lectures for Red Army primary schools in China

(May 2022) Dr. Liu Dejian, Chairman of NetDragon, was invited by the non-profit organization "Happiness Approaching Intelligence Arriving" Education Center to deliver live remote lectures on the topic of "Little Designers" for 15 Red Army primary schools in China. The innovative teaching method and education model combined AI courseware with real teachers, helping children to gain a deeper understanding of design-related knowledge and expand their logical thinking and practical skills.

The "E-Library for teachers" platform jointly developed by UNESCO IITE and NetDragon was officially launched

(June 2022) UNESCO IITE and NetDragon officially launched the "E-Library for teachers" platform. This platform represents a hub that serves as a resource, training, communication, and networking center for teachers around the globe with open education resources in English and Russian. NetDragon will also cooperate with UNESCO IITE to explore Metaverse education related training courses and competition to support educational innovation and reform.

NetDragon continues to implement anti-addiction measures

(June 2022) Since the promulgation and implementation of the newly revised "Law of the People's Republic of China on the Protection of Minors" in 2021, NetDragon continued to explore effective technical measures, including launching an online parental supervision platform and strictly enforcing the real-name registration system, in order to further implement the "anti-addiction" policy. As one of the earliest initiators and participants of the anti-addiction system, NetDragon will continue to take the initiative to fulfill its corporate social responsibility, and build a more comprehensive protection for minors on network safety.

