



NetDragon Websoft Holdings Limited

Stock Code: 777 HK

2022 Annual Earnings Presentation

March 28, 2022

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Opening Remarks

Dr. Simon Leung

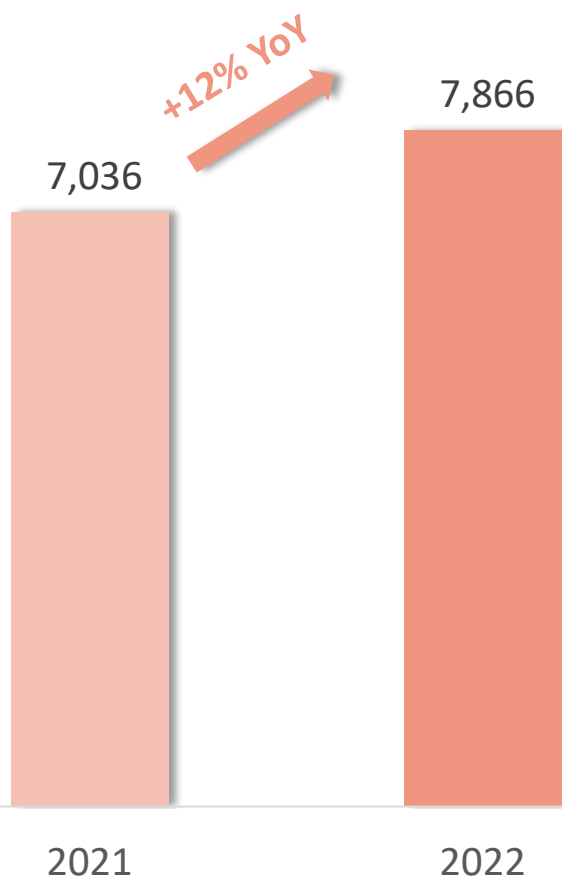
Group Vice Chairman

Agenda

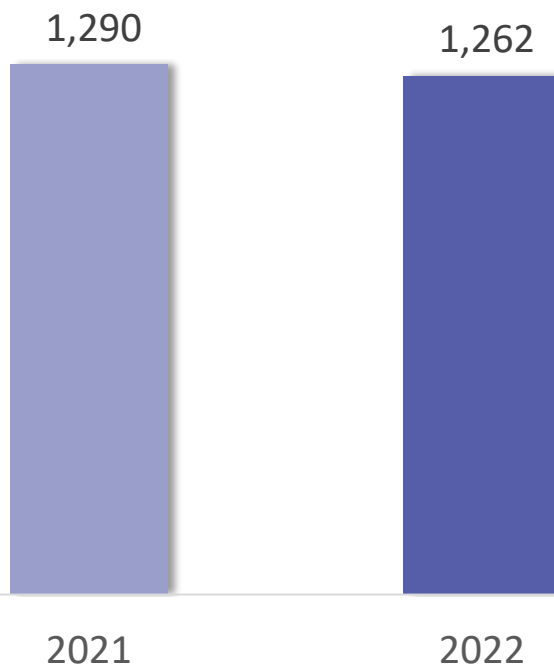
Topic	Speaker
2022 Highlights	Dr. Simon Leung, Group Vice Chairman
2022 Financials	Ben Yam, Group CFO
Gaming	Lin Chen, Group Senior VP
Education	Vin Riera, Promethean CEO
Path to Integrate AI	Vin Riera, Promethean CEO
2023 Outlook	Dr. Simon Leung, Group Vice Chairman
Q&A	

Solid Revenue Growth | Invest in the Future | Stable Cash Flow

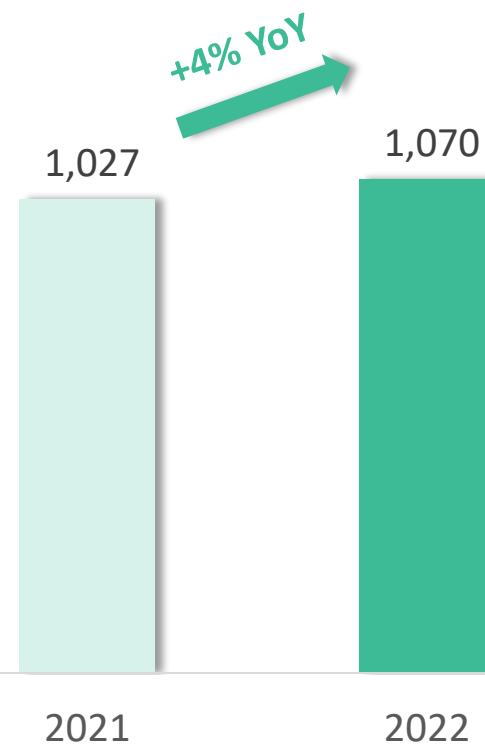
Revenue:
RMB 7.9 billion



Non GAAP Profit*:
RMB 1.3 billion



Operating Cash Flow:
RMB 1.1 billion



* Profit attributable to owners of the Company

(RMB millions)

Key Highlights



Education

- Delivered solid revenue growth
- Maintained #1 global market share (ex. China)*
- Developed roadmap to embrace the integration of AI to transform learning



Gaming

- Outperformed the market despite macro downturn
- Significantly step up our R&D effort to put us in a position to expand future pipeline and capitalize on macro recovery in 2023

* Futuresource Consulting <Q4 2022 World Interactive Display Report>, Mar 2023

Financial Highlights

Ben Yam
Group CFO

Key Financial Highlights

(RMB million)	2022	2021	YoY
Revenue	7,866	7,036	+11.8%
Gaming	3,430	3,642	-5.8%
Education	4,336	3,231	+34.2%
Gross Profit	4,315	4,523	-4.6%
Selling & Marketing Expenses	945	956	-1.0%
<i>as % of Revenue</i>	12.0%	13.6%	-1.6 pts
Administrative Expenses	975	956	+2.0%
<i>as % of Revenue</i>	12.4%	13.6%	-1.2 pts
R&D Expenses	1,224	1,160	+5.5%
<i>as % of Revenue</i>	15.6%	16.5%	-0.9 pts
Non-GAAP EBITDA	1,651	1,850	-10.8%
Non-GAAP Operating Profit	1,315	1,507	-12.7%
Non-GAAP Profit attributable to owners of the Company	1,262	1,291	-2.2%
Operating Cash Flow	1,070	1,027	+4.2%
Cash and Cash Equivalent	3,701	3,717	-0.4%

Segmental Financial Highlights

(RMB million)	Education			Gaming		
	2022	2021	YoY	2022	2021	YoY
Revenue	4,336	3,231	+34.2%	3,430	3,642	-5.8%
Gross profit	1,007	995	+1.2%	3,280	3,474	-5.6%
Gross profit margin (%)	23.2%	30.8%	-7.6 <i>ppts</i>	95.6%	95.4%	+0.2 <i>ppts</i>
Core segmental profit (loss)	(299)	(412)	-27.4%	1,821	2,120	-14.1%
Segmental operating expenses						
- Research and Development	(446)	(501)	-11.0%	(768)	(658)	+16.7%
- Selling and Marketing	(532)	(530)	+0.4%	(398)	(419)	-5.0%
- Administrative	(387)	(351)	+10.3%	(292)	(318)	-8.2%

Education

- **Revenue** up 34.2% on the back of accelerated market penetration and broader product adoption
- **Gross margin** dropped by 7.6 ppt, mainly due to tariff accounting and currency impact (strong U.S. dollar); Adjusted gross margin (ex-tariff and forex-neutral) is 29.2% (2021 – 30.7%)

Gaming

- **Revenue** decrease of 5.8% was macro-driven as in-game spending softened amidst Covid restrictions in 2022
- We **strengthened our R&D team** with 300+ headcount increase in 2022, leading to 16.7% increase in R&D expense



Gaming

Lin Chen

Group Senior Vice President

We outperformed the market* on revenue growth and stepped up our effort to strengthen our R&D in a year of macro challenges

YOY ↓

-5.8%

Total Revenue

Domestic economy was impacted during 2022 due to Covid; however, our overall revenue outperformed the market (market revenue down 10.3%*)

YOY ↑

+6.5%

Overseas Revenue

Overseas revenue accounted for 15.7% of total revenue, achieving five consecutive years of growth

YOY ↑

+16.4%

APA** (PC)

Effective content updates and gameplay innovation drove increase of paying users

YOY ↑

+300

R&D Headcounts

With a larger and more focused R&D team, we strengthened our ability to bring more high-quality new games to the market

* According to the China Game Industry Group Committee ("CGIGC") & Gamma Data <China Gaming Industry Report in 2022>, Jan 13th, 2023

** APA stands for average paying accounts

Short-term Covid impact across both PC and Mobile games

-6.9%

PC/Cross-Platform

83% of total revenue

- Domestic covid restrictions during 2022 has caused a short-term impact on the spending power of core players; We fully expect to return to a normal growth trajectory in 2023
- Overseas PC revenue maintained 7.0% growth YoY



(RMB million)

-0.2%

Mobile

17% of total revenue

- Effective integration of our user acquisition and marketing strategies led to resilient performance on mobile
- Our mobile game revenue growth outperformed the industry average (industry down 14.4% YoY)*



(RMB million)

* According to the China Game Industry Group Committee ("CGIGC") & Gamma Data <China Gaming Industry Report in 2022>, Jan 13th, 2023



Eudemons IP*: We focused on driving user engagement and expanding payer base to set ourselves up for growth recovery in 2023

1 PC revenue **down 7.9% YoY**

Short term Covid impact on players' spending

2 Eudemons Online PC APA** **up 28.4% YoY**

Despite the revenue decrease, we took steps to enhance our in-game spending mechanism, leading to a substantial increase of our paying user base

3 Eudemons Online Cross Platform version DAU **up 26.1% YoY**

We also enhanced mobile playability for the game, leading to higher user engagement and stickiness

4 Mobile revenue **up 3.6% YoY**

Driven by high quality content upgrade and an user acquisition strategy that focuses on both IP branding and ROI for long term sustainability

5 Eudemons Pocket Version gross billing **up 6.2% YoY**

Annual gross billing reached new high

6 Launched **6** expansion packs

* Eudemons IP revenue represented over 85% of our gaming revenue in 2022

** APA stands for average paying accounts



Eudemons IP: Relentless focus on user experience via a multi-pronged content strategy

Quality Content

User Retention

IP-Crossovers

ROI Optimized Marketing

Frequent and Diversified Content Updates

Year of Eudemon - Tiger

South China Tiger Welfare

Expansion Pack - In the Name of Family

ICH Collaboration - Chinese Seal

IP Collaboration - Septwolves

IP Collaboration - A Chinese Odyssey

IP Collaboration - Sunner Chicken

Awakening of All Classes



ICH Collaboration - Yongding Tulou

Family Fun 2.0

Family War 2.0

Expansion Pack - Dark Lord

South China Tiger Protection

Shadow Knight Awakening

IP Collaboration - A Chinese Odyssey

ICH Collaboration - Shadow Puppetry

Mage & Sword Master Awakening



魔域
口袋版

全职免费觉醒

12.15竞技场新赛季燃情开战

御剑师&魔法师 觉醒时刻 即将揭晓

Post-launch performance of the expansion pack of
Awakening: Rebuild the Legends:

Revenue up 20% MoM

Paying User # up 10%

Post-launch performance of the expansion pack of
Duo Deity Awakened:

New Users up 50% MoM

Activity level up 15%, Revenue up 16%



× 大话西游



× 大话西游

Official IP Crossover with the famous movie : *A Chinese Odyssey*,
for both our core *Eudemon* titles across PC and Mobile

金秋全能宠——青霞仙子

域您再赴 仙履奇缘

金秋全能宠——紫霞仙子

《大话西游》电影正版授权

Post-launch performance of IP crossover between
A Chinese Odyssey and *Eudemons Online* :

Total spending up 30% YoY

万年 也如约

全新金秋资料片

Post-launch performance of our IP crossover between
A Chinese Odyssey and *Eudemons Pocket Version* :

Total spending up 163% YoY

Paying ratio reached 29%, up >3.0x YoY

Eudemons Mobile II: Successful Open Beta Launch on March 23, 2023



- 1 Most anticipated Eudemons mobile title since launch of *Eudemons Mobile* in 2017
- 2 First day gross billings of open beta launch exceeded RMB 10M
- 3 Cumulative appointment across all channels surpassed 6M players

Our Eudemons IP Strategy

Retain
the classical gameplay

Eudemons Online (CN)

Eudemons Mobile

Eudemons Pocket

Eudemons Mobile II

Remake
with new players' experience

PC Remake

New PC Eudemons

Eudemons Pocket 2.0

Rejuvenate
With new genres

New Mobile Game
(Open View)

Eudemons Metaverse

Eudemons
(Open World)



Conquer IP: Both Revenue and User Growth on Track



1 Revenue up 9.5%

On the back of our successful localized MMO+ gameplay

2 MAU up 7.0%

Driven by strong execution of content updates and marketing events given our deep understand of the player base

3 Expand into new markets

Launched new language versions in multiple languages and expand into new markets including the Philippines, USA, Canada, Saudi Arabia, Kuwait and Morocco



Our strategy to drive overseas growth



Strategic Partnership

- Partnering with a world renowned 3A gaming publisher for our ACGN game *Under Oath* in the overseas market
- First overseas game to be launched in Japan, followed by SEA, Korea, etc.



Scale with Proven Model

- Replicate our successful Egypt model for *Conquer Online* (heavy localized strategy through on-the-ground channel) and expand into other markets with similar user profile and huge growth potential



Expand with Localized Content / Gameplay

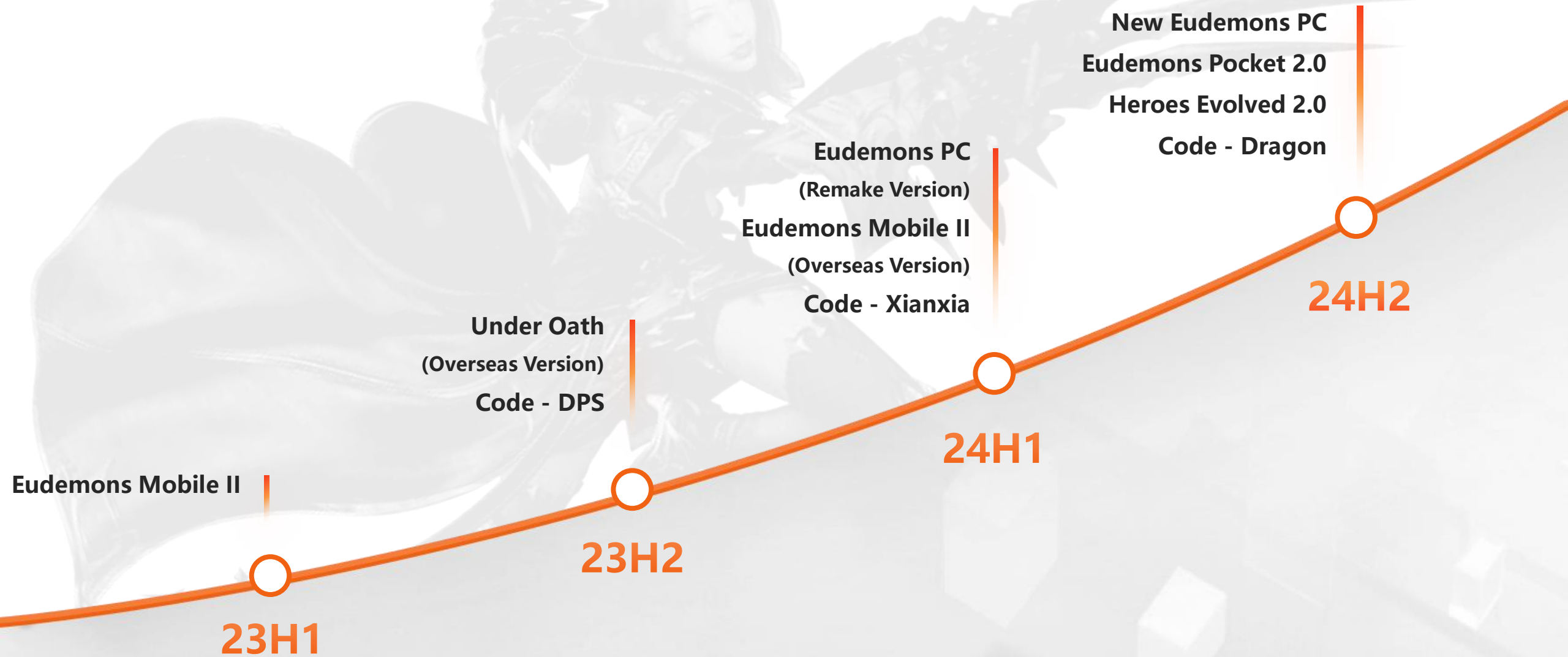
- Expanding our *Heroes Evolved* IP into Vietnam and Pakistan with stronger gameplay adaptivity for local players as well as localized contents (eg. heroes)



M&A

- To actively pursue global M&A opportunities to extend our overseas presence and drive growth

Our plan in 2023 is to significantly expand our pipeline of new games





STRONG AND COURAGEOUS

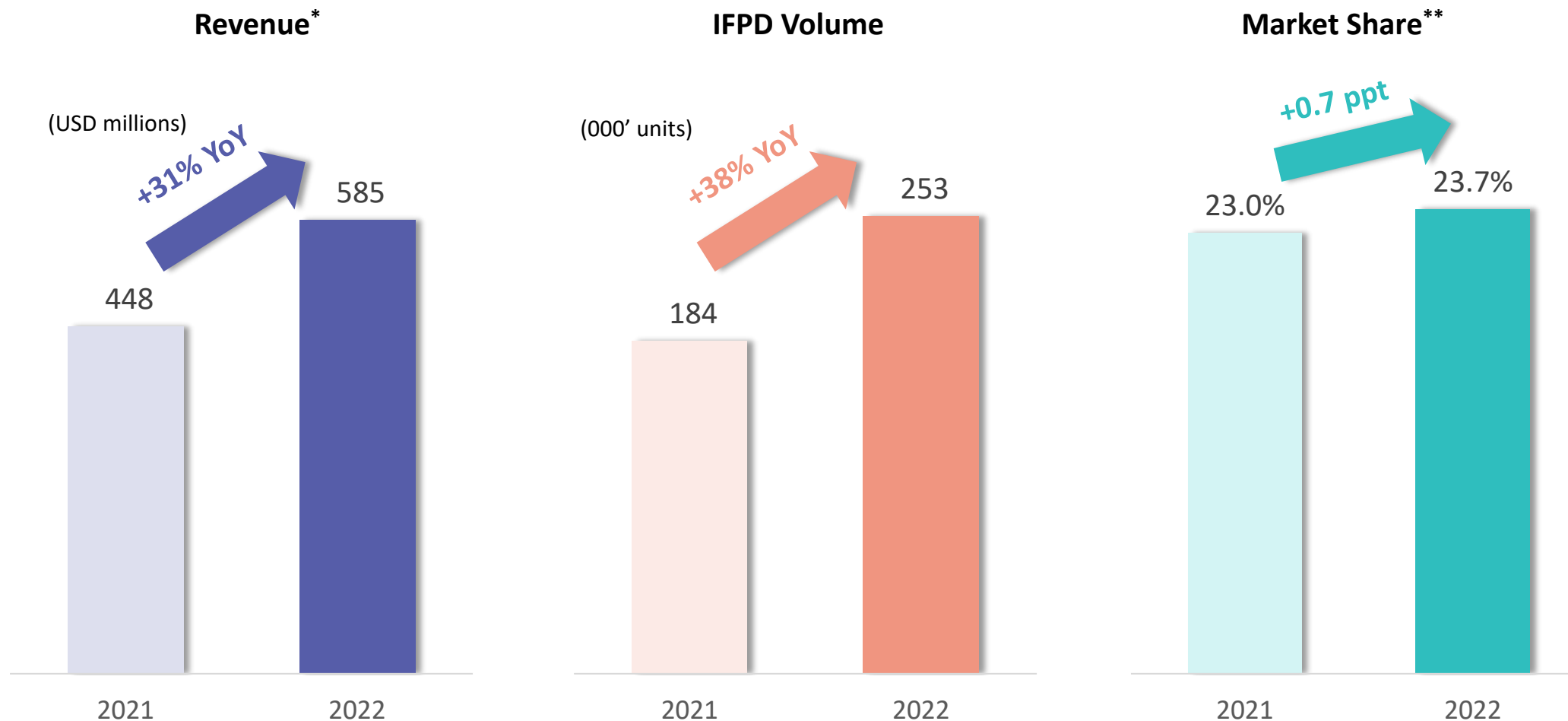
1. Be kind
2. Obey your teacher

Education

Vin Riera

Promethean CEO

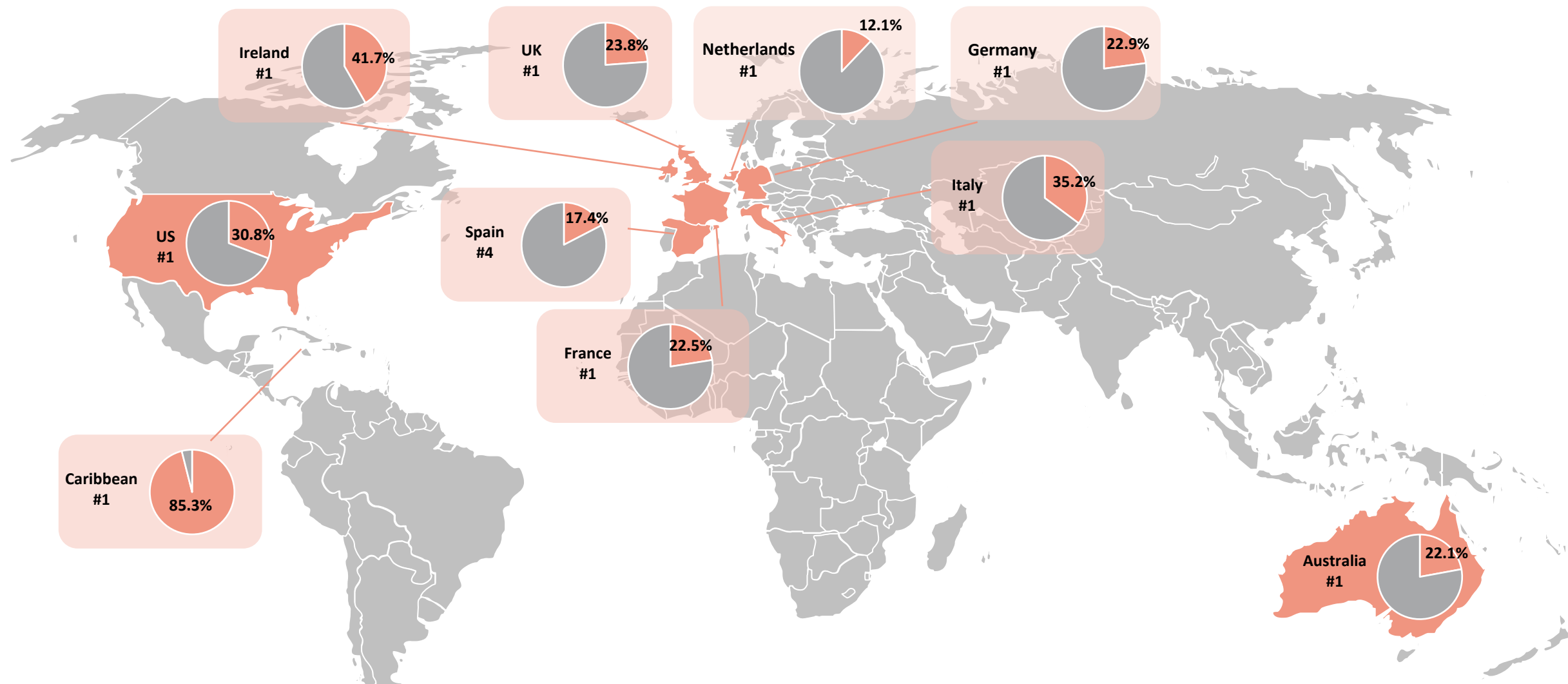
Delivering Consistent Revenue and Volume Growth as #1 Market Leader



* Promethean only, representing 86% of our education revenue

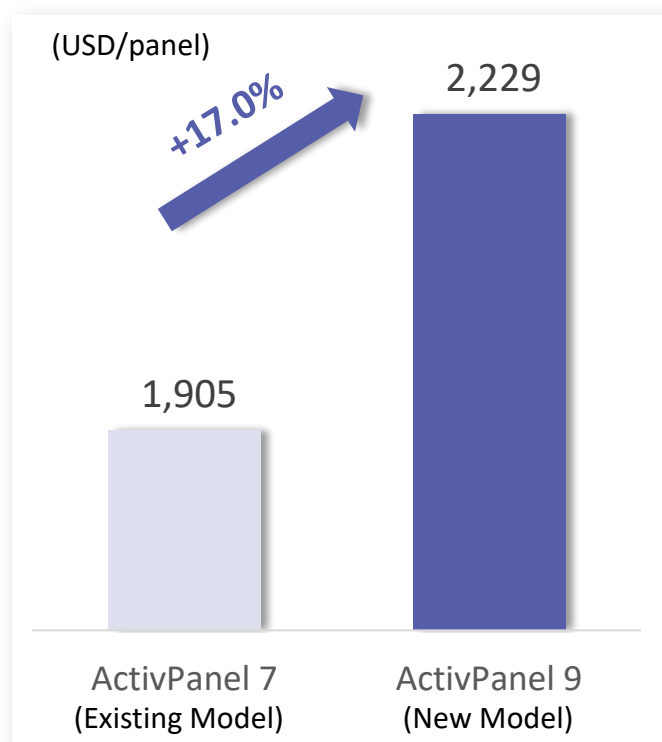
** Futuresource Consulting <Q4 2022 World Interactive Display Report>, Mar 2023

We are #1* in 9 of our Top 10 Markets by Revenue Contribution



Launched New ActivPanel 9 in June with Higher ASP

ASP in 2022



New ActivPanel 9 is faster, more powerful and comes with industry-leading new features, hence driving a 17% higher ASP compared to the older model.

The transition from previous technology to Promethean was effortless due to the ActivPanel's intuitive interface. Teachers were particularly impressed with the ability to annotate directly on the screen and the multiple touchpoints.

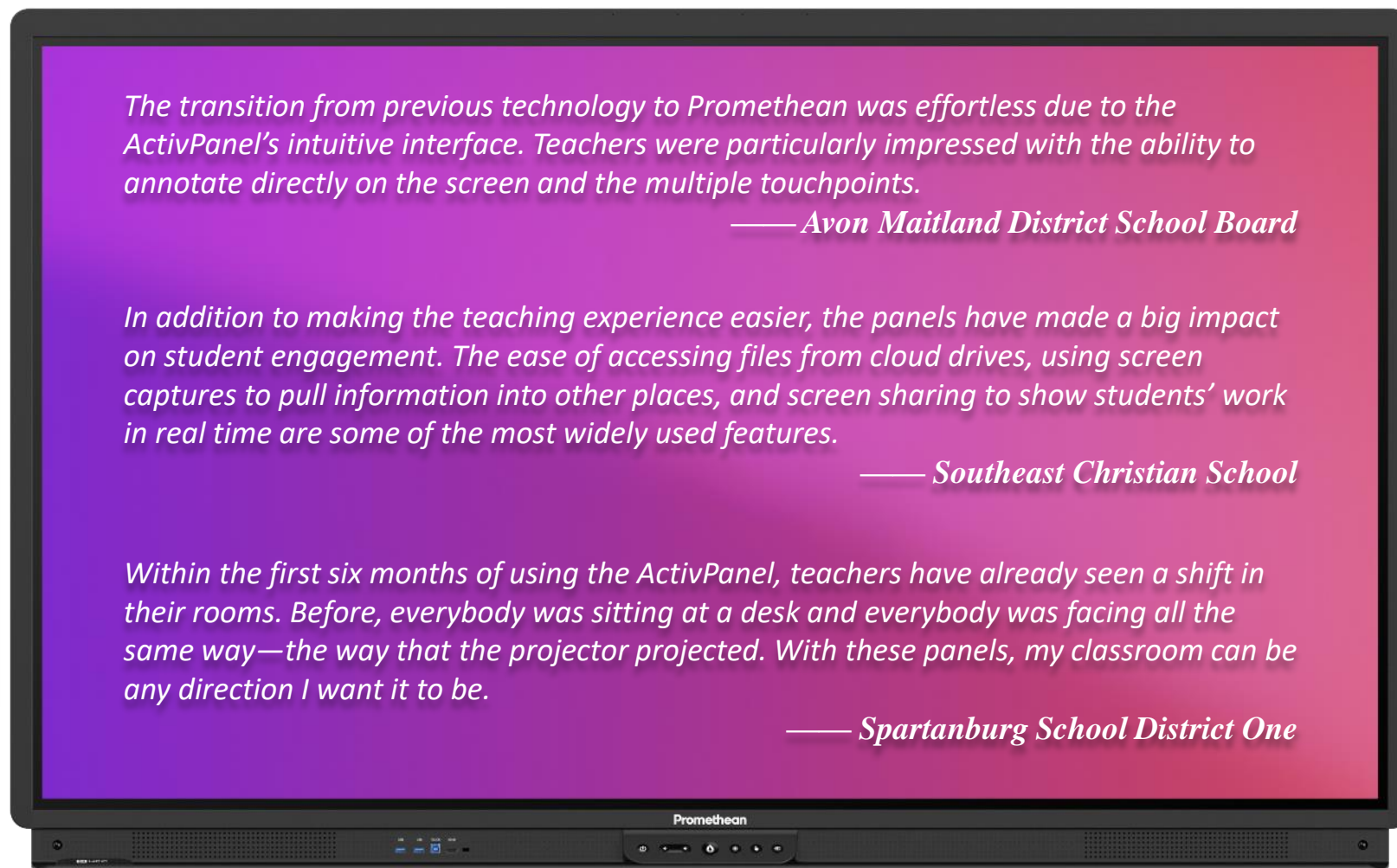
— *Avon Maitland District School Board*

In addition to making the teaching experience easier, the panels have made a big impact on student engagement. The ease of accessing files from cloud drives, using screen captures to pull information into other places, and screen sharing to show students' work in real time are some of the most widely used features.

— *Southeast Christian School*

Within the first six months of using the ActivPanel, teachers have already seen a shift in their rooms. Before, everybody was sitting at a desk and everybody was facing all the same way—the way that the projector projected. With these panels, my classroom can be any direction I want it to be.

— *Spartanburg School District One*



Promethean Acquired Explain Everything to Establish SaaS Revenue

"The best online whiteboard for recording videos and real-time collaboration."

Use Case

"Whiteboard" is the #1 most used software application on the ActivPanel, 95% of our panels access the whiteboard at least once a month.

Differentiation

Explain Everything is the leading whiteboard application in the market with full range of features proven to address teachers' needs, and industry-leading interoperability with broad range of integration with Google, Microsoft and existing LMS.

Monetization

Explain Everything started commercializing the platform in 2015 and is generating SaaS revenue.

Integration

Promethean will integrate Explain Everything into its interactive classroom offerings to further enhance user experience and capitalize on the network effect of Promethean's hardware platform.



Promethean Continues to Win Industry Accolades as the Global Leader



Path to Integrate AI

Vin Riera

Promethean CEO

Strategic Partnership to combine the strengths of two complementary leaders

We are seeking to rollout an AI-enabled integrated interactive flat panel for education and establish ourselves as the dominant leader in a new product category



Leader in Interactive classroom lesson delivery



Global installed base of ~1.9M current classrooms¹



MERLYN MIND

Leader in AI assistant for education



Recurring SaaS revenue and AI differentiation

(1) Future Source Consulting, "Quarter 4 2022 World Interactive Displays" report, March, 2022. Pg. 17. Promethean has #1 global market share for volume in interactive classroom display market, excluding China. ~1.9M installed base from accompanying data source, excluding China.

Merlyn is the leader in AI powered teaching voice assistant unlocking a new level of productivity & safe and secured access to ChatGPT style services with education focus

MERLYN MIND



“Hey Merlyn...”

“Open a new whiteboard on Nearpod”

“What were the causes of the Civil War, as explained in class last week”

“Create a presentation on photosynthesis based on our curriculum”

“Mark Leon absent”

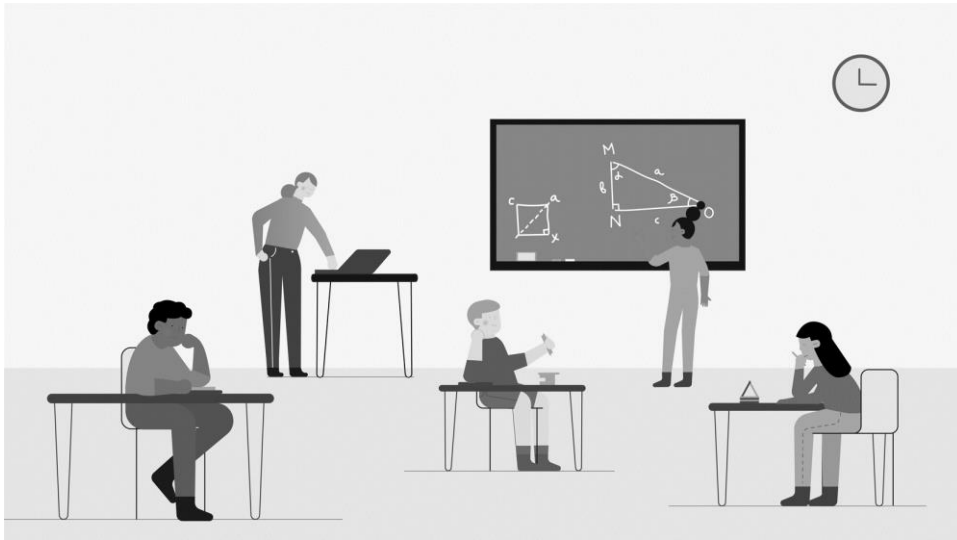
“Share Susan’s computer on the big screen”

“Set a timer for ten minutes”

	Avg. User	Top 17%	Top 6%	Amazon Alexa
Merlyn	>30 actions / day	>50	>100	<5

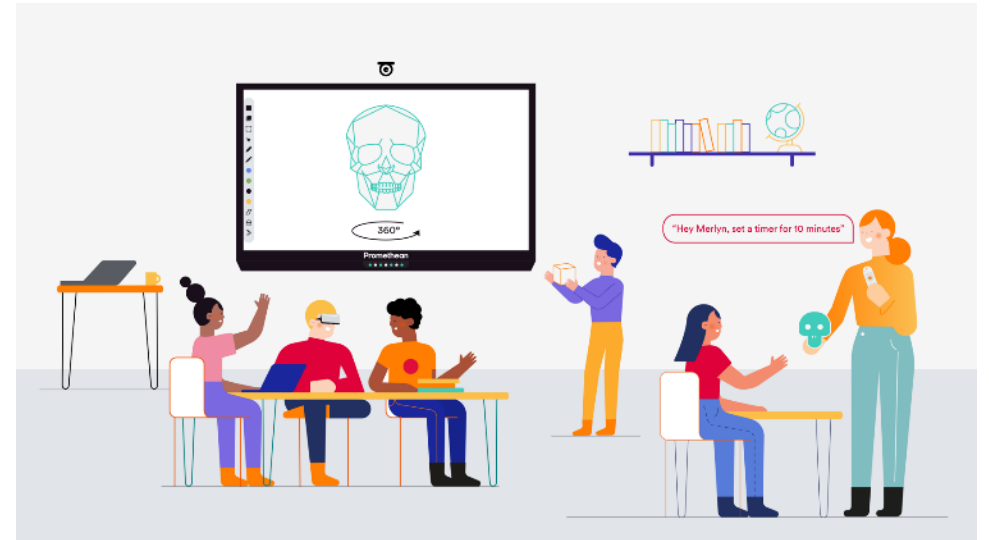
Promethean ActivPanel + Merlyn AI turns classrooms into interactive spaces with AI-enabled interactivity purpose-built for education

Today's classroom



- ✗ Siloed devices
- ✗ No integration of AI in a classroom setting
- ✗ Teachers “tethered” to the blackboard / panel
- ✗ Too many applications = teacher fatigue and burnout

Our future AI-enabled classroom



- ✓ Devices and applications connected with AI
- ✓ Integrated with generative AI for use in classrooms
- ✓ Un-tether” teachers and engage students
- ✓ Natural interaction with tech for teachers and students

Our roadmap to become a category dominant leader in providing AI-enabled classroom solutions

Deliver panels with AI integration: leverage existing channels and installed base

1



Deliver **AI-enabled Integrated Panel** in next panel release

Introduce our installed base of **1.9M¹ classrooms** to AI powered classroom technology

Leverage **275 sales professionals** and **2,000+ channel partners** to accelerate penetration of our new AI solutions in the market

Expand offerings with generative AI solutions for education

2



Bring aligned generative AI **solutions in the classroom to** facilitate teacher productivity and student learning

Expand generative AI solutions to out of class experiences **for teachers, students, and admins**

Enterprise control and customizations of AI for state and local education agencies

3



Provide curriculum and standards aligned generative AI solutions **that give control to purchasing education agencies and teachers in classrooms**

Outlook

Dr. Simon Leung

Group Vice Chairman

2023 Outlook



Gaming

- ◆ Revenue growth expected to get back on track this year
- ◆ Expecting revenue growth from all our 3 major IPs
- ◆ 3 new game launches this year
- ◆ To step up our effort in M&A
- ◆ Targeting to double overseas revenue in 2 years



Education

- ◆ Launch AI-enabled integrated panel in next panel release
- ◆ Open up SaaS monetization opportunities
- ◆ Expand panel product offering to the “value segment” to capture a wider audience and grow market share



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Q&A

