



NetDragon Websoft Holdings Limited

Stock Code: 777 HK

2023 Annual Earnings Presentation

March 28, 2024



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.

Opening Remarks

Dr. Simon Leung

Group Vice Chairman



Agenda

Topic	Speaker
2023 Highlights	Dr. Simon Leung, Group Vice Chairman
2023 Financials	Ben Yam, Group CFO
Gaming	Lin Chen, Group Senior Vice President
Mynd.ai	Dr. Simon Leung, Group Vice Chairman
2024 Outlook	Dr. Simon Leung, Group Vice Chairman
Q&A	

Key Highlights



Gaming*

- Revenue up 9.6% YoY
- Delivered revenue growth in 9 out of the past 10 years, with revenue up 3.9x
- Growth driven by our strategy to focus on content quality to drive long term sustainability
- AIGC adoption driving cost efficiency and innovation
- Stepping up our investment in new gaming pipeline



Mynd.ai

- Landmark year – Completed the spin-off listing of our overseas education business in Dec 2023
- Entity renamed “Mynd.ai”
- Hardware sales returned to a normalized post-pandemic level in 2023
- Revenue representing continuous upward trend compared to pre-pandemic (2020 and earlier)
- Launched Explain Everything Advanced, our integrated SaaS offering

*: Gaming represents 90% of “Gaming and Application Services” segment in our P&L segmentation

Financial Highlights

Ben Yam

Group CFO

Key Financial Highlights

(RMB million)	2023	2022 (Restated)	YoY
Revenue	7,101	7,866	-9.7%
Gaming and Application Services	4,189	3,931	+6.6%
Mynd.ai	2,910	3,919	-25.7%
Gross Profit	4,398	4,315	+1.9%
Selling & Marketing Expenses	807	945	-14.6%
as % of Revenue	11.4%	12.0%	-0.6ppts
Administrative Expenses	1,199	975	+23.0%
as % of Revenue	16.9%	12.4%	+4.5ppts
R&D Expenses	1,382	1,224	+12.9%
as % of Revenue	19.5%	15.6%	+3.9ppts
EBITDA	1,325	1,450	-8.7%
Operating Profit	821	1,150	-28.6%
Profit Attributable to Owners of the Company	550	834	-34.1%
Operating Cash Flow	1,115	1,070	+4.2%
Non-GAAP Operating Profit	1,148	1,315	-12.7%
Non-GAAP Profit Attributable to Owners of the Company	962	1,281	-24.9%

Segmental Financial Highlights

(RMB million)	Gaming and Application Services			Mynd.ai		
	2023	2022 (Restated)	YoY	2023	2022 (Restated)	YoY
Revenue	4,189	3,931	+6.6%	2,910	3,919	-25.7%
Gross profit	3,708	3,375	+9.9%	728	927	-21.5%
Gross profit margin (%)	88.5%	85.9%	+2.6 pts	25.0%	23.7%	+1.3 pts
Core segmental profit (loss)	1,399	1,239	+12.9%	(93)	30	n/a
Segmental operating expenses						
- Research and Development	(1,186)	(1,019)	+16.4%	(196)	(204)	-3.9%
- Selling and Marketing	(463)	(514)	-9.9%	(327)	(419)	-22.0%
- Administrative	(649)	(618)	+5.0%	(267)	(263)	+1.5%

Gaming and Application Services

- **Revenue** from gaming represents 90% of our revenue in Gaming and Application Services segment
- **Gross Margin** improved by 2.6 pts driven by server cost rationalization to increase efficiency
- **Higher R&D** due to increased headcount to drive development of new games

Mynd.ai

- **Revenue** dropped 25.7% driven by the normalization of the education market returning to pre-pandemic levels
- **Gross Margin** improved by 1.3 pts due to lower materials and freight cost, and forex fluctuation impact
- **Segmental operating expenses** decreased by 10.8% driven by lower variable sales expense partially offset by public-readiness reorg

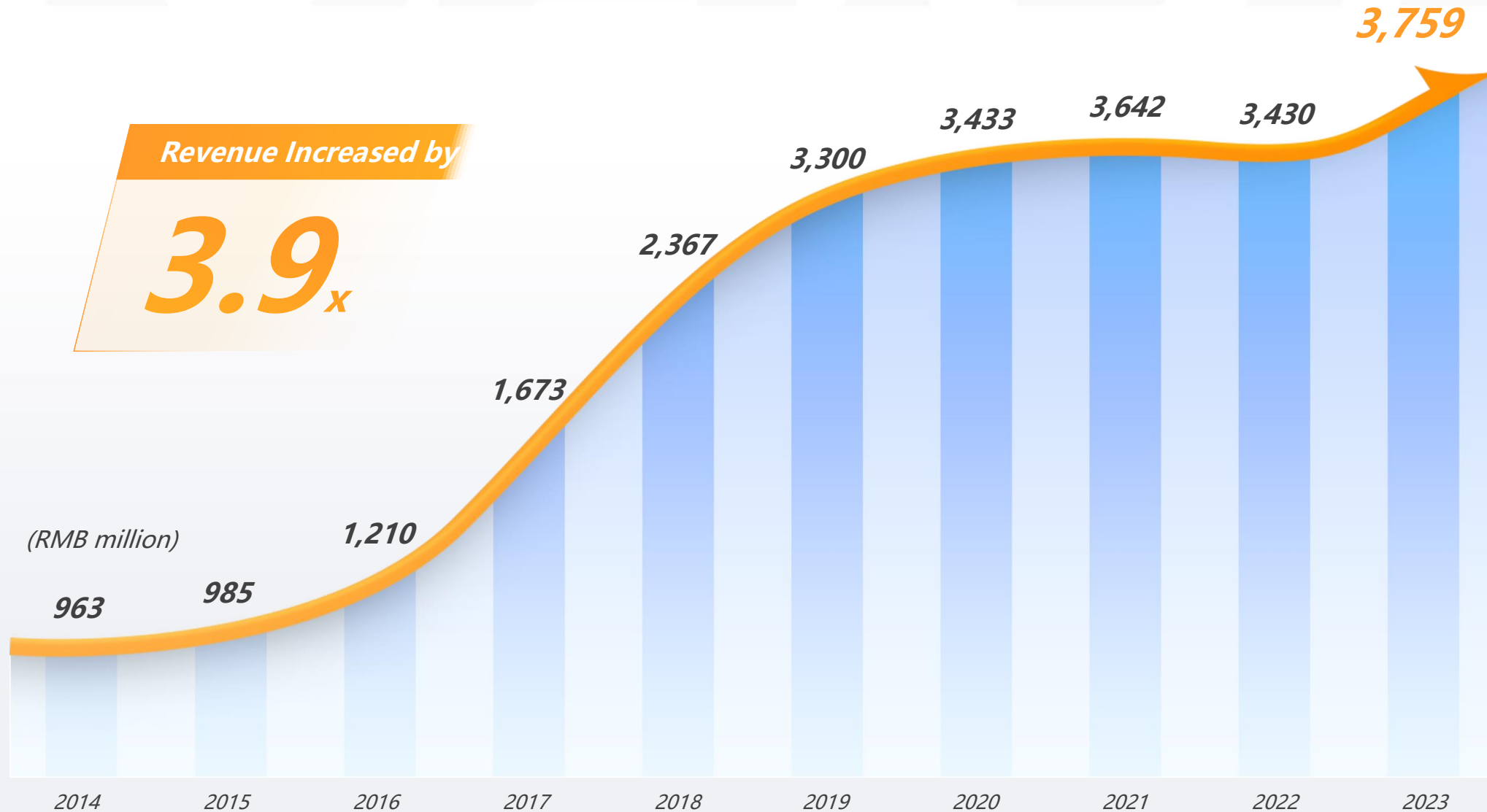


GAMING

LIN Chen

Group Senior Vice President

3.9x growth of gaming revenue in the past 10 years



Strong revenue performance across the board in 2023

Total Revenue

9.6% YoY ↑

Total revenue reached record high

Domestic Revenue

10.5% YoY ↑

Strong turnaround driven by gamers' spending ability and willingness as industry growth normalized post Covid

Overseas Revenue

4.5% YoY ↑

Overseas revenue increased for 6th consecutive years

PC Revenue

11.1% YoY ↑

Driven by focus on quality of contents

Mobile Revenue

2.0% YoY ↑

Sustained mobile revenue growth as we get ready for launch of multiple mobile games in 2024



Execution on track with long-term growth strategy

1

PC revenue up 14.0% YoY

Effective execution of an “evergreen” growth strategy to create long-term value

2

MAU of Cross-Platform (Mobile) version up 50.4% YoY

Mobile cross-platform MAU accounted for 36.2% of total, significantly broadening players’ engagement

3

Average playing time spent up 50.4% YoY

Driven by focus on delivering an immersive gaming experience

4

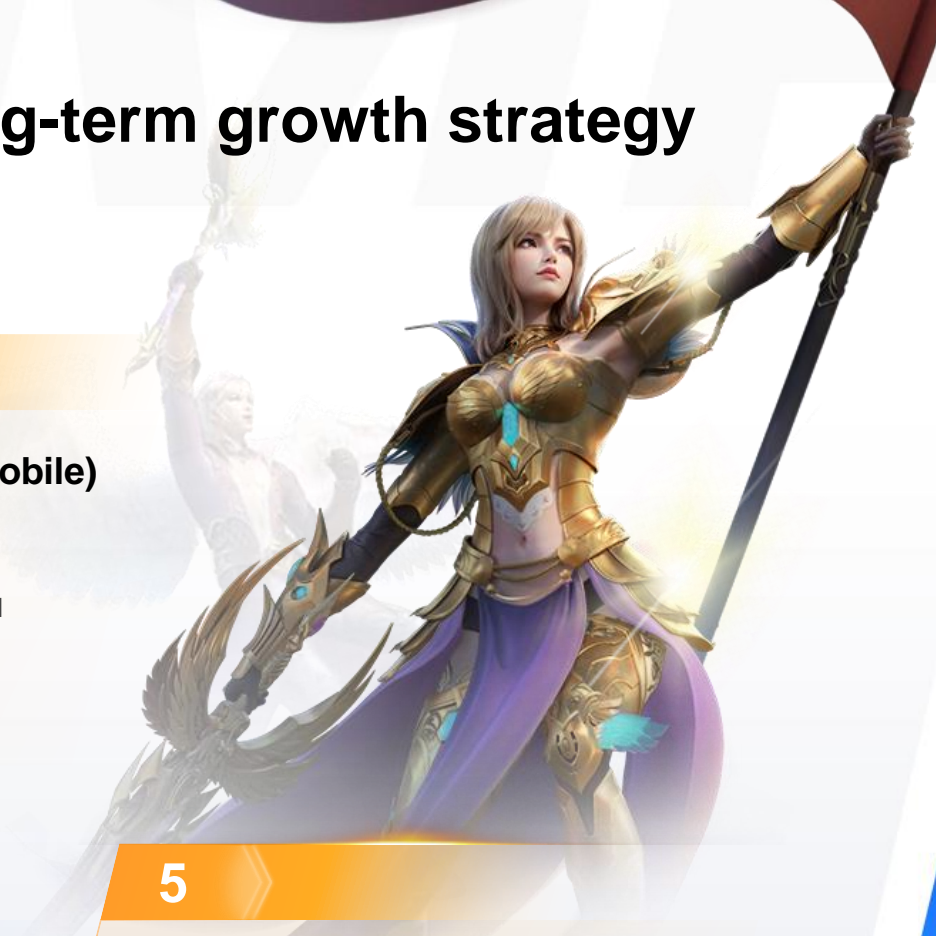
Mobile revenue up 4.6% YoY

Driven by optimization of publishing strategy and constant increase in content quality

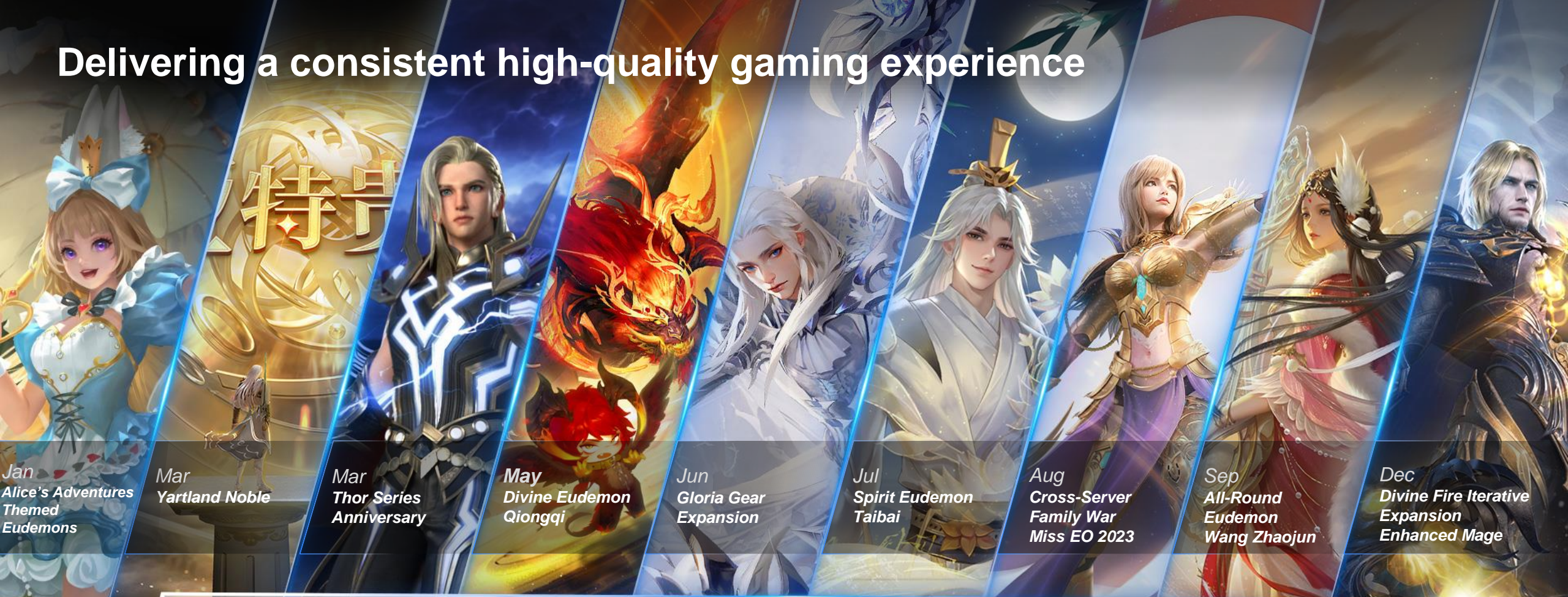
5

Paying conversion rate of new users reached 11.6%, a 1.5x YoY increase

Large scale adoption of AIGC leading to efficient production of high quality content and spending willingness



Delivering a consistent high-quality gaming experience



1

Enhanced Content Quality

New gameplay, new content, and new eudemon* combinations, attracting players with various preferences

2

Enhanced User Experience

Addressing user needs with depth and across multiple dimensions including game fluency and graphic design

3

Enhanced User Service

Stepped up our service level including VIP players in particular

* Eudemons (幻兽): A featured virtual item in our Eudemons ecosystem which players owning the items can "summon" to help them to progress in the game

Enhancing content quality with deep cultural integration

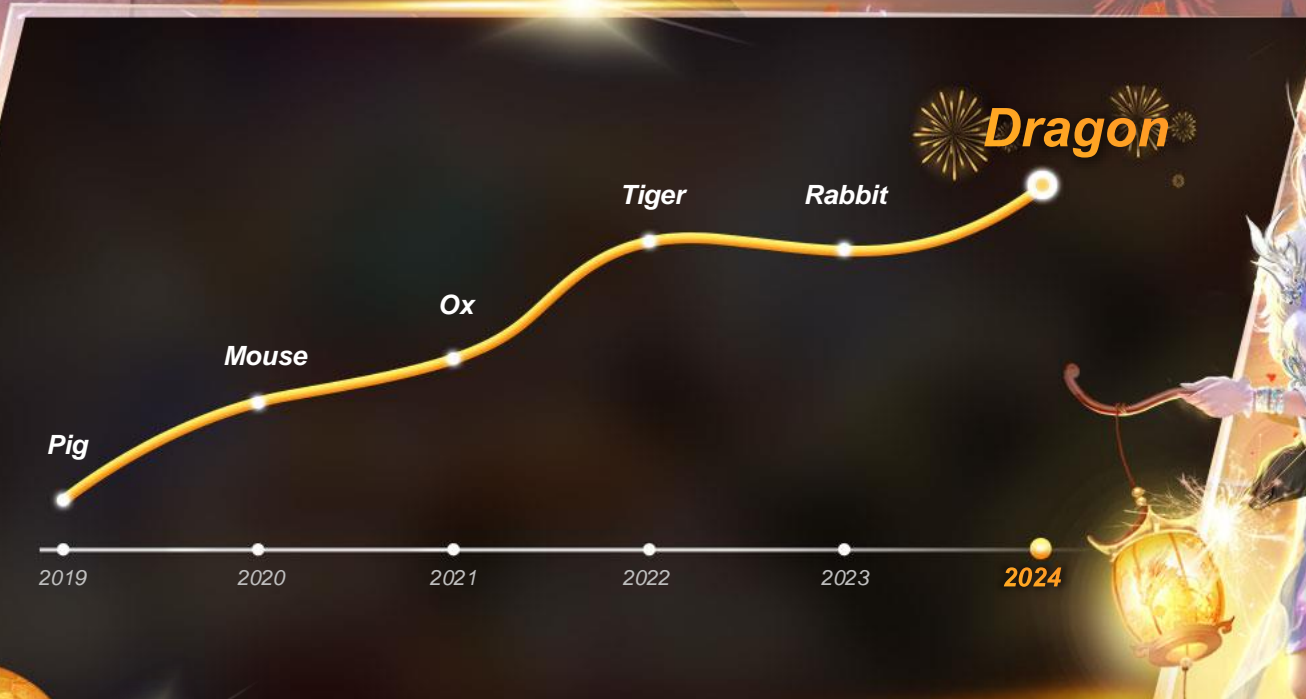


- Content enrichment with deep integration of historical characters

- Contents and gameplay designed to drive higher community engagement and UGC
- Plot quality in different “instances” (areas within the game world) significantly upgraded

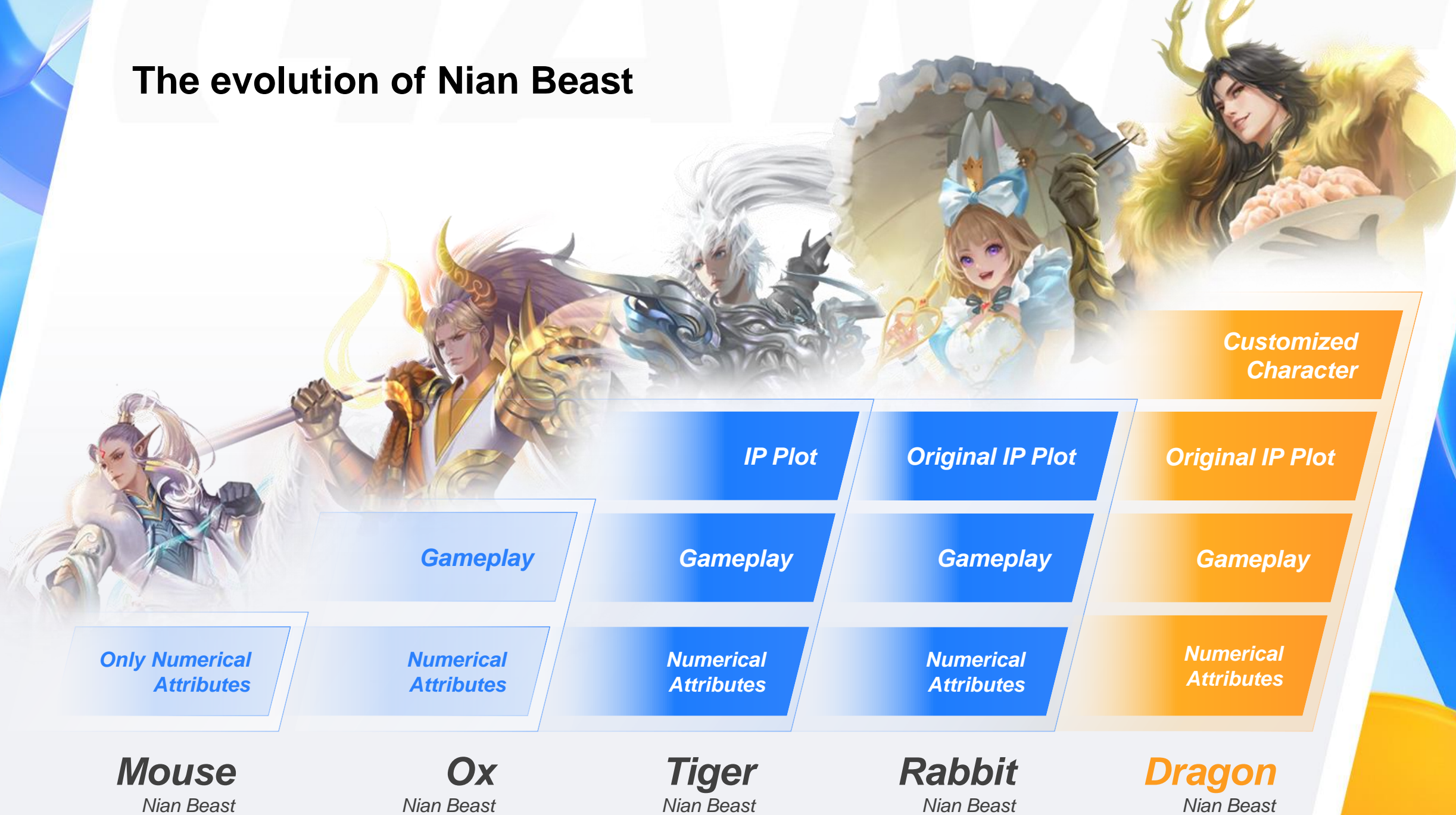
- Collaborated with well known creators (e.g. worked with *Pipa* for traditional music content)

Driving an optimal combination of “content driven” and “numerical attributes driven” spending to achieve sustainability of revenue growth



Our increasing revenue in “Nian Beast” over the years highlights our ability to evolve to a higher “content driven” and “experience-driven” growth model.

The evolution of Nian Beast



Stepping up our service level for paying users



Yartland Noble* launched in 2023

Gameplay Privilege

- Exclusive fashion costume, character titles, and other in-game appearances to boost VIP users' sense of pride

Privileges in customer services & care / events participation, etc.

- Significantly enhanced the user experience of high level VIPs and strengthened customer service/care privileges
- Set up one-on-one WeChat customer service, exclusive real person customer service channels, etc.

* Yartland Noble (亚特贵族): A high recognition customer services system in Eudemons ecosystem



Coming up: Most anticipated new Eudemons game....

Eudemons Remake Version

- Launched the official pre-registration website with early market promotion since early March
- Closed beta planned in 1H24, and open beta in 4Q24
- Overall gaming experience upgraded to a new level with brand new gaming engine and high-quality art design
- Designed by the original Eudemons production team to bring back the core gameplay and classical elements of *Eudemons* IP
- Proven business model + key pain points optimization
- Already submitted *Ban Hao* application



Conquer IP: Exploring new frontiers

Growth in existing markets

Revenue **up 12% YoY** in EGP terms (Egypt is our largest market)

Integrate competition events

Held robust, thematic PK events during various festivals

Integrated PK competitions into various gameplay to drive sustained players' engagement

Competition ecosystem launched

Launched an O2O competition ecosystem to amplify our presence in the market, laying the foundation for large-scale competition events to drive broader coverage of users

Geographical expansion with localization

Continued to strengthen localization effort to expand our geographical markets, including South East Asia, North Africa and the Middle East, etc.

Sustained turnaround of Heroes Evolved IP

Heroes Evolved PC Revenue

+34% YoY

Effective execution of growth strategy around optimization of publishing and e-sports

- Released multiple sets of high-quality “original” skins, driving significant revenue growth coming from skins
- Collaborated with popular anime titles, driving increased revenue from IP cross-over
- Implemented optimization of the PvE model
- Achieved record breaking level of livestreaming audience attending *Heroes Evolved* e-sport events



Building on our success in esports strategy

Heroes Evolved Esports Ecosystem enhanced: League + Tournament

Heroes Evolved Summer Invitational

Held in Aug 2023, accumulated viewership increased **24%** YoY, views per match up **42%** YoY, viewership numbers on WeChat Channels, Douyin, and Bilibili broke historical record

Elite League/Development League Autumn Season

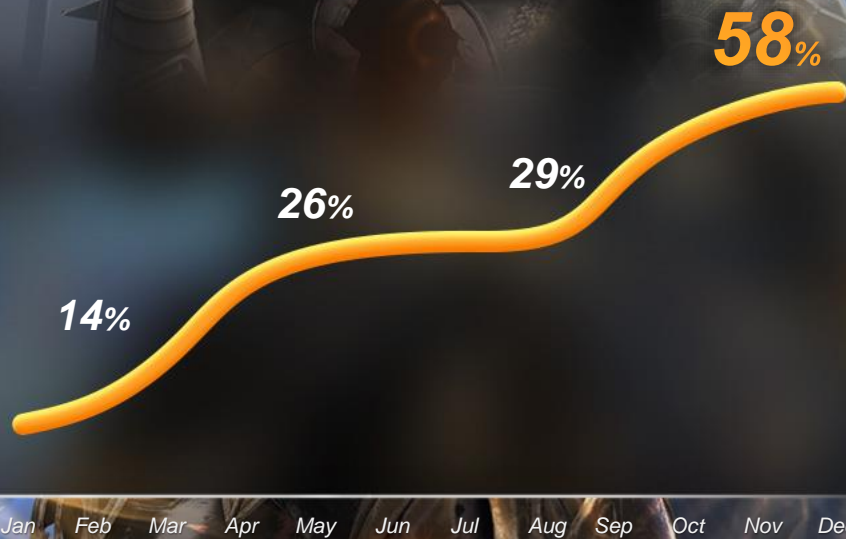
- Elite League – accumulated viewership up **139%** YoY, daily average views up **200%** YoY, total exposure up **143%** YoY
- Development League – participants reached 50.3k, up **30%**, the number of teams up **9%**, compared to the S4 season (both held in Nov 2023)

Elite League Mobile Autumn Season

Held in Nov 2023, Daily average views up **84%** and total exposure up **358%**, compared to the last season



Strong progress in generative AI



AI adoption rate in graphics design increased to **58%** in Q4 from **14%** in Q1

Workload “savings” from AI up by **300%+** during the period



On track with AI model training to deliver increasingly high quality production



- Our application of AI model training specializes in proprietary art style using extensive data from our originally designed artwork resources
- Enabling substantial increase in our content production efficiency, leading to more frequent updates of contents

Increasing players' retention with AI gaming companion



AI gaming companion

- Completed the development of “**human-like behavior**” technology to make AI perform more closely to real human
- Completed the development of “**expert behavior**” technology to allow AI to meaningfully participate in high-level games
- Onboarding experience substantially improved for beginners, increasing the next day retention rate of new users by **6.6%**

Pipeline



Eudemons Remake Version

(MMO PC Game)

Estimated Launch: 24H2

Eudemons Mobile 2: Overseas Version

(MMO Mobile Game)

Estimated Launch: 24H2

New Eudemons PC

(MMO PC Game)

Estimated Launch: 25H1

Eudemons Pocket Version 2.0

(MMO Mobile Game)

Estimated Launch: 25H2



Heroes Evolved Pocket Sci-Fi Version

(MOBA Mobile Game)

Estimated Launch: 24H2

Code – Nirvana

(MOBA Mobile Game)

Estimated Launch: 25H2

Heroes Evolved 2.0

(MOBA Mobile Game)

Estimated Launch: 25H2



Code – Alpha (Overseas Casual)

(Casual Mobile Game)

Estimated Launch: 24H1

New IPs

Code – Dragon

(MMO Mobile Game)

Estimated Launch: 24H2

Code – Ge Cao

(Top-Down Shooter Mobile Game)

Estimated Launch: 24H2

Under Oath Overseas Version

(ACGN Mobile Game)

Estimated Launch: 24H2

Huan Kong Cheng Zhan Ge

(Idle Card RPG Mobile Game)

Estimated Launch: TBD

Mynd.ai

Answers

- 1 pencil; between 3 and 4 pencils
- 56 years old; between 50 and 52 years
- 20–24.99 hours; between 15 and 20 hours

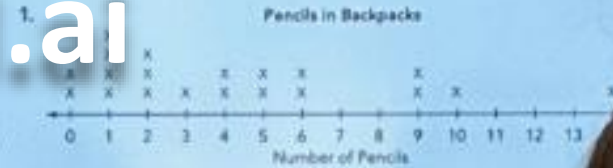
Mode = 1



Getting Started

Describing Data

Analyze each display. Identify the most typical value and estimate the middle value in each.



2. Ages of U.S. First Ladies (20th Century)

3	1
4	0 3 4 5 7 8 9
5	0 2 4 6 6 6 9
6	0 0 3

Key: 6|0 means 60.

Range

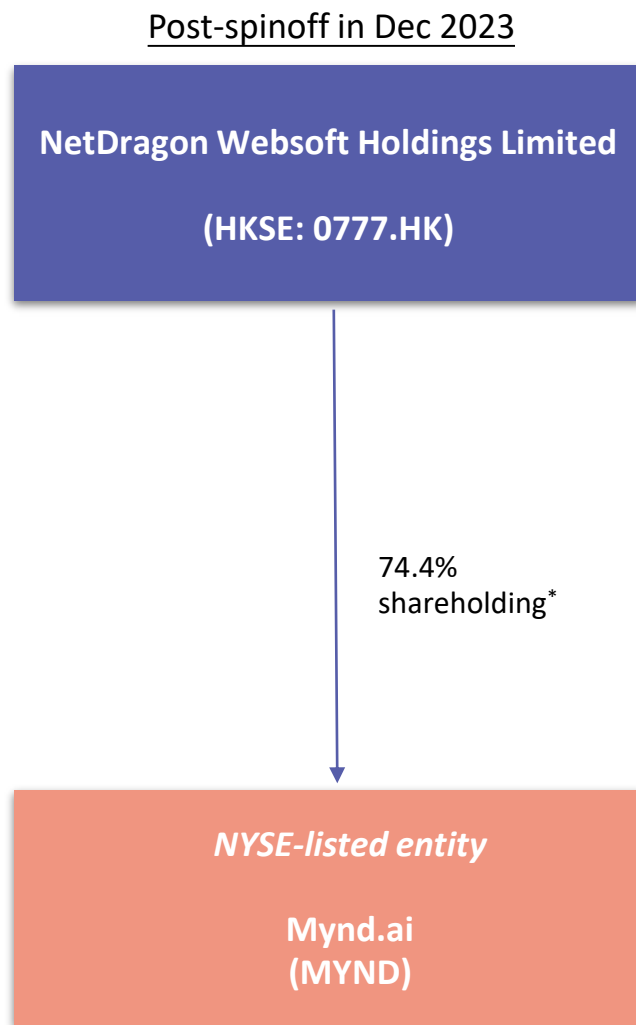
3. Hours Spent Playing Video Games on Weekends



Dr. Simon Leung

Group Vice Chairman

Completed the spin-off listing of overseas education business in Dec



Transaction Overview

- NetDragon successfully completed the spin-off listing of our overseas education business via a merger of the business with NYSE-listed Gravitas Education Holdings Inc. ("GEHI") at a valuation of US\$800 million for the merged entity
- The merged entity was renamed to Mynd.ai, Inc. ("Mynd")
- Prior to the closing of the merger, GEHI divested all of its existing businesses, with the exception of its Singapore education business (which represented ~8% of Mynd pro forma revenue in 2023)
- NetDragon continue to consolidate the 2023 financial statements of Mynd in its financials, holding 74.4% of the issued share capital of Mynd as of December 31, 2023

Maintained K-12 market leadership globally and in our key markets

Global leadership

17.4%

#1 Global (ex China) 2023

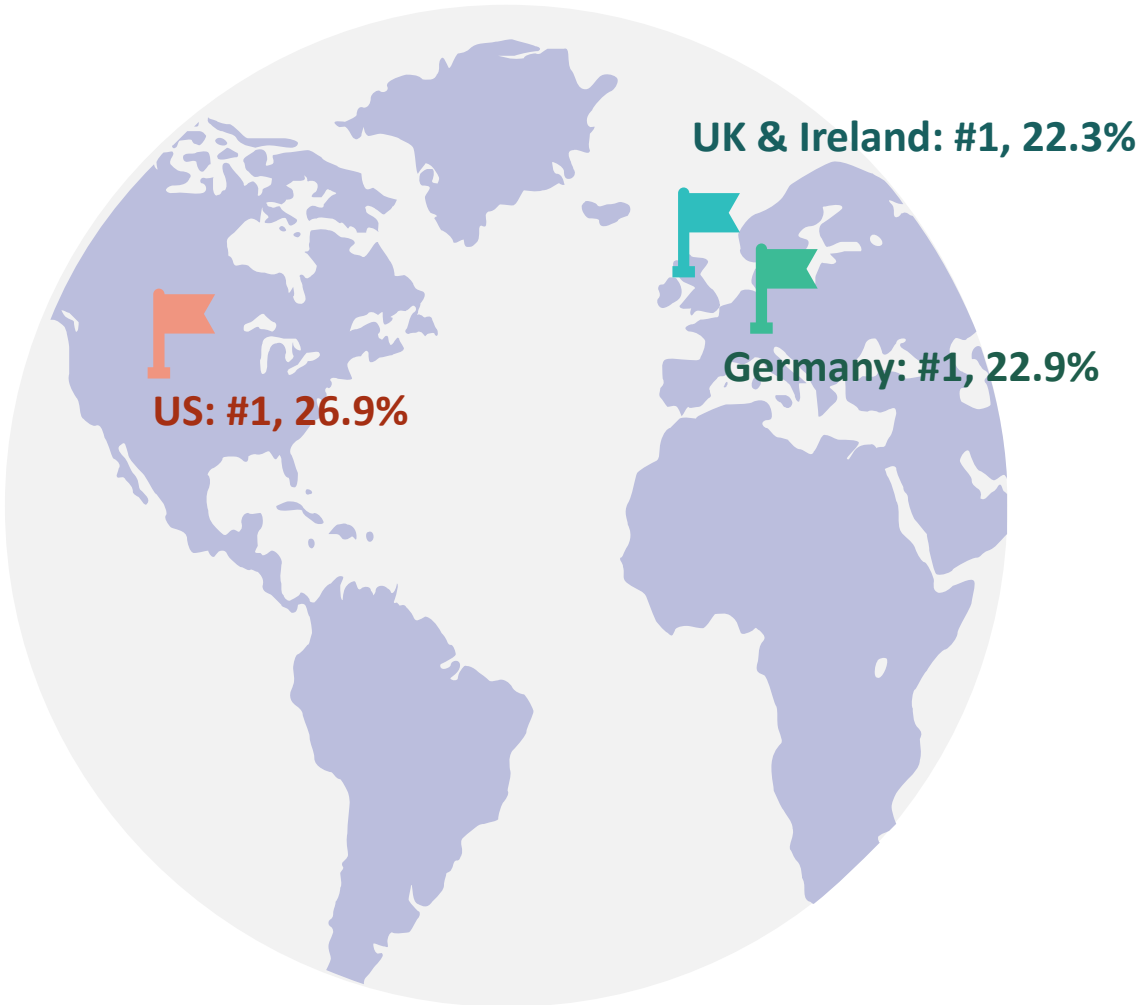


21.1%

#1 Global (ex China) 4Q23



#1 position in our top three markets in 2023



Note: Above 2023 market share and ranking are based on K12 IFPD (Interactive Flat Panel Display) shipment volume statistics, as per Futuresource Consulting's Q4 2023 report on the global IFPD market

Our key product drivers for growth

ActivPanel 9



Flagship panel in the high-end market, with higher ASP

ActivPanel LX



Panel positioned in the low-to-mid end market, with significantly lower ASP

SaaS (Explain Everything)



SaaS offering recently launched, integrated with our hardware panels

Introducing our integrated SaaS offerings – Explain Everything Advanced



Seamless integration

Explain Everything +  Promethean

2015

Founded in 2015, as one of the earliest digital whiteboard app in the market

24M+

Accumulated over 24M registered users of the Explain Everything Whiteboard App; new version can be integrated with all mainstream LMS

4,000+

Now riding on Promethean's GTM channel of more than 4,000 distributors/resellers worldwide

Selected User Reviews*:

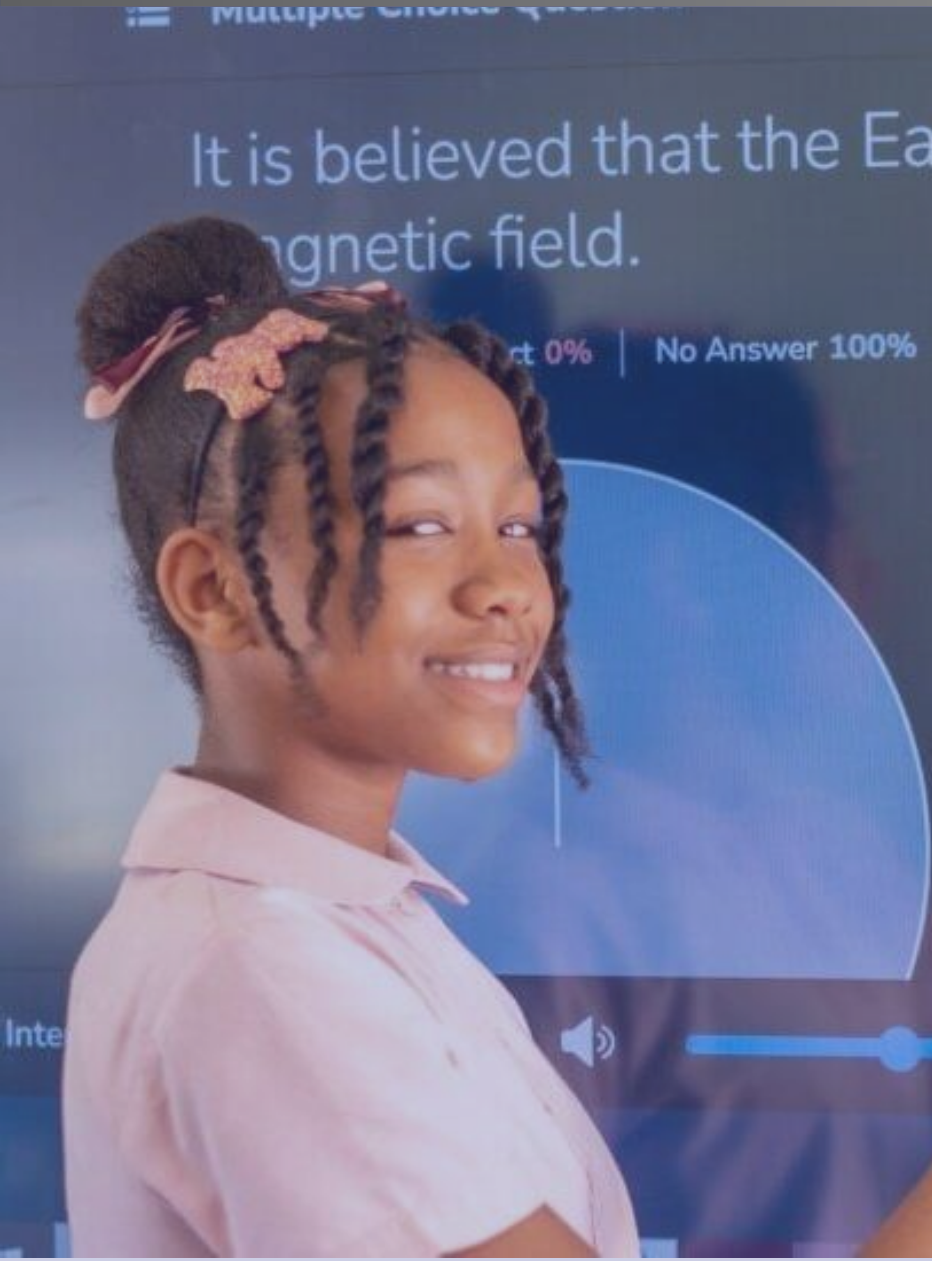
"Explain Everything has been a godsend for our teachers and students in our district. Each department uses it and enjoys the features of the program."

"In the Whiteboard territory, Explain Everything is by far, the best option. It has to be one of the 7 wonders of the world, it works almost perfectly. I really want to use it, by all the time, that I have."

"I love this software because it can import media from a variety of sources, and that makes the work more easy. That used to cost me a lot of extra hours. But with Explain Everything I do not take more than 5 minutes. The work never was so easy and fun, with this software I can collaborate in real time with my partners by voice chat. And the last but not least important, it save presentations to the cloud. And that is a huge help to all my crew."

*: <https://www.g2.com/products/explain-everything/reviews>

Our Differentiation in the Market Puts Us in Position to Win Market Share



- ✓ **Huge installed base** of existing Promethean users as the market leader, which is conducive for replacement sales and SaaS software sales
- ✓ **Unparalleled focus in education** with a deep understanding of the needs of schools
- ✓ **Unique ability to understand and meet the needs** of schools/teachers in different use cases with professional training by our inhouse team of education consultants
- ✓ **Comprehensive support structure post-sales** to ensure seamless integration into teachers' workflow
- ✓ **Well-established global network** of over 4,000 distributors/resellers built over 20 years with deep understanding of the value of Promethean panels
- ✓ **Promethean's market reputation and its long history** as the market leading brand lead to confidence that we can be a long-term technology partner

Future catalysts for success



Growth of hardware revenue currently driving the business



Investing in development of software to scale SaaS revenue



Integration of Explain Everything with our hardware



Expanding market leadership in hardware + software space

Outlook

Dr. Simon Leung
Group Vice Chairman



Gaming

- ◆ Drive revenue growth with focus on quality contents
- ◆ Aiming to launch several new games
- ◆ Expand our genres, including social casual games, idle games and ACGN
- ◆ Step up our application of AIGC



Mynd.ai

- ◆ Well positioned to grow our market share
- ◆ Continue to invest in software R&D
- ◆ Drive sales of SaaS offering with our channel
- ◆ Explore “new horizon”



Q&A



Ben Yam
Group CFO



Dr. Simon Leung
Group Vice Chairman



Lin Chen
Group Senior Vice President



Investor Relations Email: ir@netdragon.com