



NetDragon Websoft Holdings Limited

Stock Code: 777 HK

2022 Interim Earnings Presentation

August 31, 2022

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Opening Remarks

Dr. Simon Leung

Group Vice Chairman

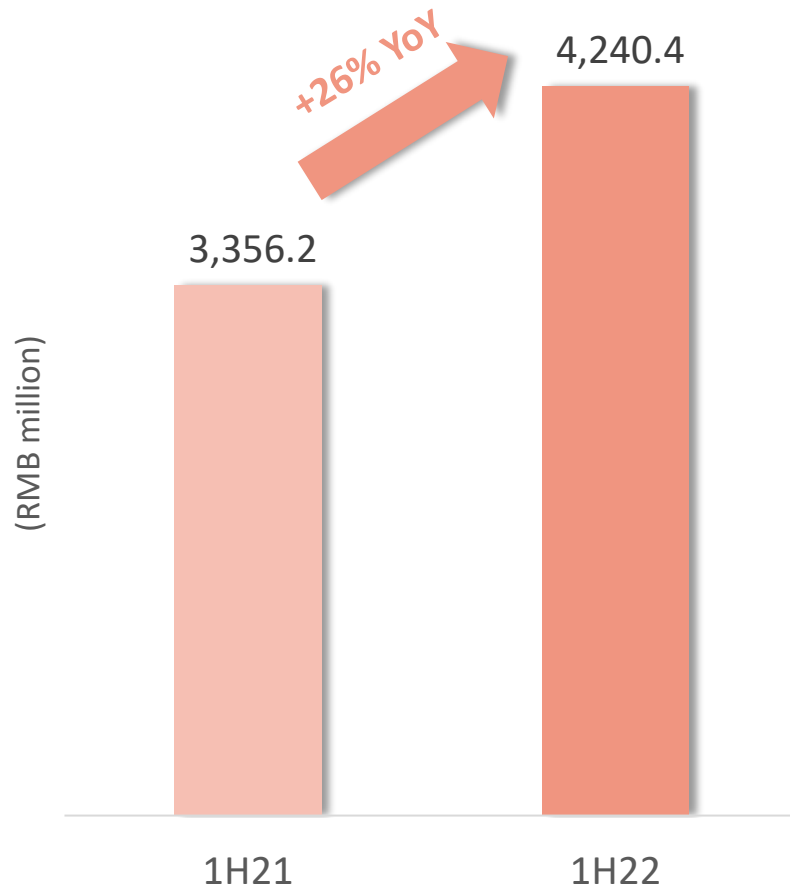


Agenda

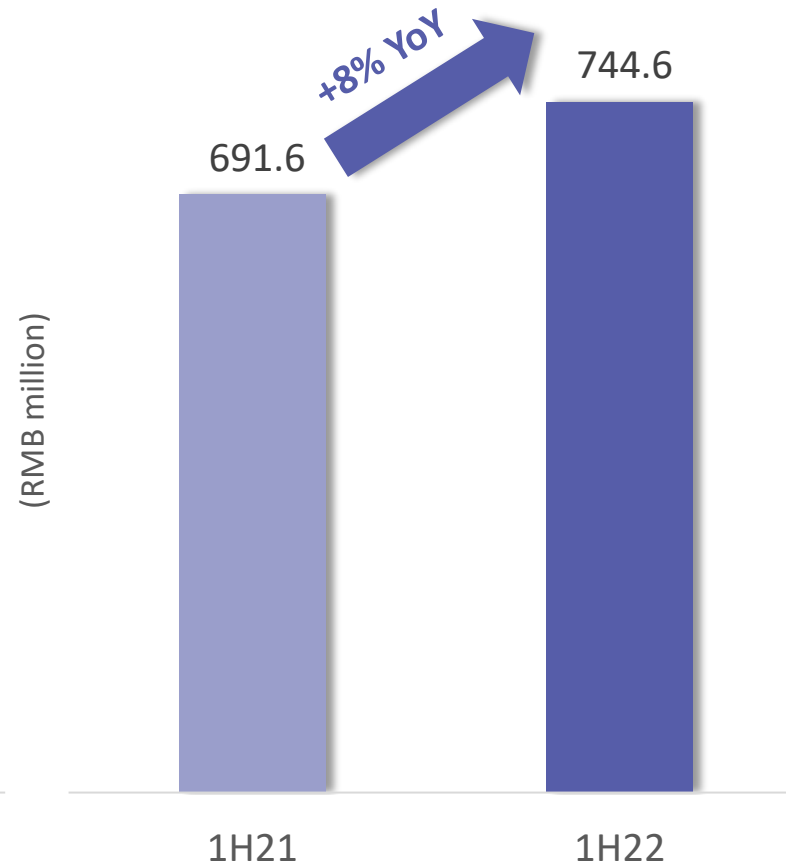
Topic	Speaker
2022 1H Highlights	Dr. Simon Leung, Group Vice Chairman
2022 1H Financials	Ben Yam, Group CFO
Capital Return Measures	Ben Yam, Group CFO
Education	Vin Riera, Promethean CEO
Gaming	Lin Chen, Group Senior VP
Metaverse	Dr. Simon Leung, Group Vice Chairman
Outlook	Dr. Simon Leung, Group Vice Chairman
Q&A	

Delivering Solid Growth Across Top and Bottom Lines

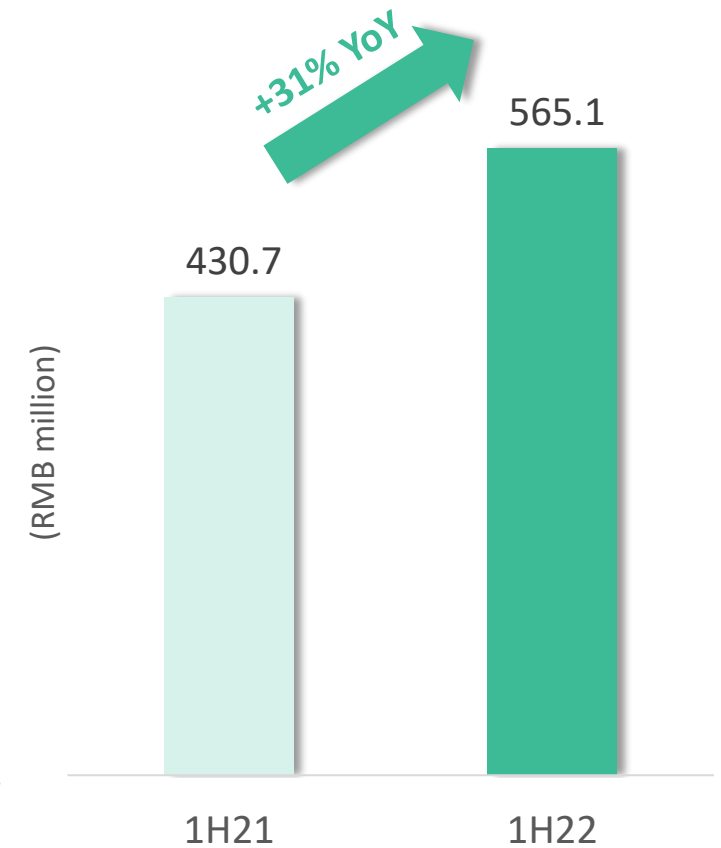
Revenue: RMB 4.2 billion



Operating Profit: RMB 745 million



Net Profit*: RMB 565 million



* Net profit attributable to owners of the company

Key Highlights



Education

Education Business Delivered Record Growth



Gaming

Gaming Business Facing Near Term Macro Headwind



Metaverse

Multiple Metaverse Initiatives Gaining Traction



Shareholder

Announcing Special Interim Dividend



Financial Highlights



Ben Yam

Group CFO

Income Statement Highlights

(RMB million)	1H22	1H21	YoY
Revenue	4,240.4	3,356.2	+26.3%
Gaming	1,775.7	1,847.5	-3.9%
Education	2,409.8	1,407.6	+71.2%
Gross Profit	2,322.8	2,233.9	+4.0%
Selling & Marketing Expenses	442.1	438.0	+0.9%
<i>as % of Revenue</i>	10.4%	13.1%	-2.7 ppts
Administrative Expenses	464.0	485.2	-4.4%
<i>as % of Revenue</i>	10.9%	14.5%	-3.6 ppts
R&D Expenses	585.7	594.9	-1.5%
<i>as % of Revenue</i>	13.8%	17.7%	-3.9 ppts
EBITDA	877.5	891.8	-1.6%
Operating Profit	744.6	691.6	+7.7%
Net Profit attributable to Shareholders	565.1	430.7	+31.2%
Non-GAAP EBITDA	1,025.7	922.3	+11.2%
Non-GAAP Operating Profit	854.4	753.9	+13.3%
Non-GAAP Net Profit	815.8	566.6	+44.0%

Segmental Financial Highlights

(RMB million)	Education			Gaming		
	2022 1H	2021 1H	YoY	2022 1H	2021 1H	YoY
Revenue	2,409.8	1,407.6	+71.2%	1,775.7	1,847.5	-3.9%
Gross profit	609.7	431.1	+41.4%	1,699.1	1,765.9	-3.8%
Gross profit margin (%)	25.3%	30.6%	-5.3 <i>ppts</i>	95.7%	95.6%	+0.1 <i>ppts</i>
Core segmental profit (loss)	(35.7)	(256.3)	-86.1%	1,006.5	1,073.2	-6.2%
Segmental operating expenses						
- Research and Development	(225.7)	(272.1)	-17.1%	(353.3)	(322.6)	+9.5%
- Selling and Marketing	(252.2)	(235.2)	+7.2%	(187.5)	(200.1)	-6.3%
- Administrative	(177.0)	(172.2)	+2.8%	(152.4)	(170.9)	-10.8%

Education

- **Revenue** up 71.2% YoY on the back of strong market demand growth and market share gain
- **Core Segmental Loss** down significantly due to cost management / restructuring measures and operating leverage

Gaming

- **Revenue** down 3.9% YoY due to macro headwind amidst COVID outbreak in China
- **Core Segmental Profit** down 6.2% YoY as we continued to invest in R&D to drive long term growth

Capital Return Measures



Ben Yam

Group CFO

Committed to Strong Capital Return Measures



Completed US\$38M of Share Buyback



Paused our Share Buyback for Listing Rules Compliance



HK\$0.50 Special Dividend* + HK\$0.40 Interim Dividend*

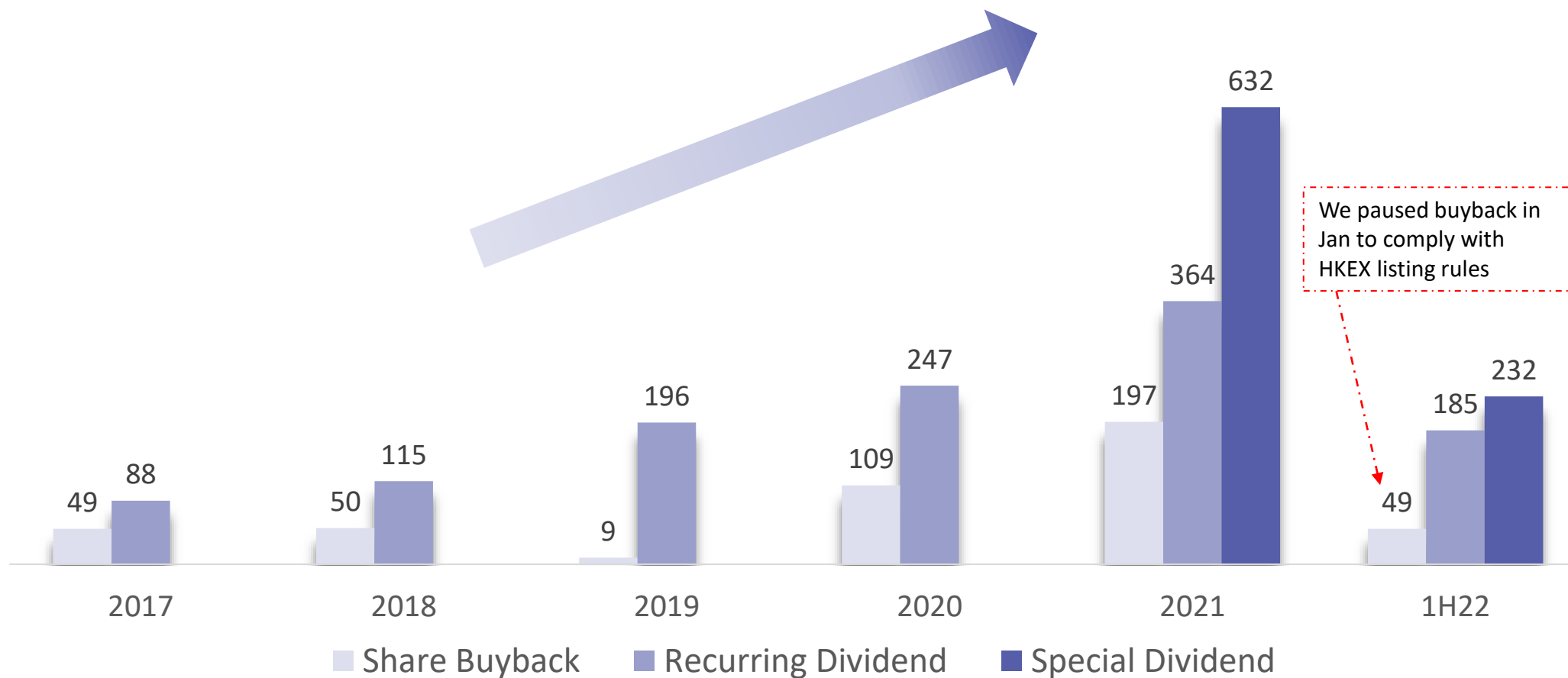


Maintained Strong Net Cash Balance of HK\$4.0B

** Dividend shown on a per share basis; "Special Dividend" was declared as special interim dividend; "Interim Dividend" referring to our recurring interim dividend*

Track Record of Delivering Consistent Capital Return

(RMB million)



Education

Vin Riera

Promethean CEO

AritmeticaPrima-rev2019 (2).pdf - Adobe Reader
File Modifica Vista Finestra ?
5 / 51 125% Firma Commento

4. Elemento Neutro

Nell'addizione lo 0 è chiamato elemento neutro perché addizionato a destra o a sinistra a qualunque numero, dà come risultato il numero stesso. In pratica lo zero è un addendo che "non influisce" nell'addizione.

$$7+0=7$$
$$0+7=7$$
$$a+0=a+a=a$$

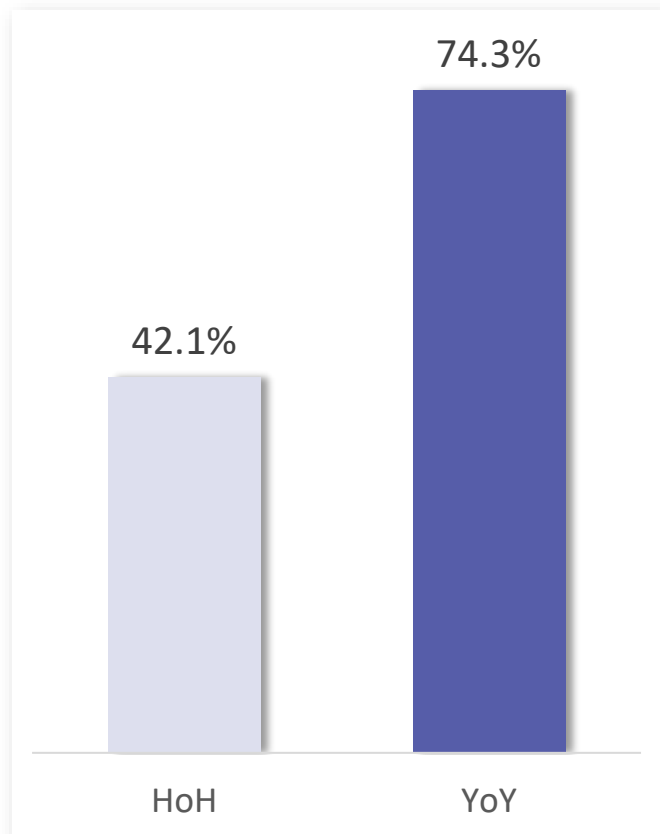
La Sottrazione

Definizione: La sottrazione è un'operazione che fa corrispondere a due numeri (minuendo e sottraendo) un terzo numero chiamato differenza o resto. L'operazione deve dare come risultato il minuendo.

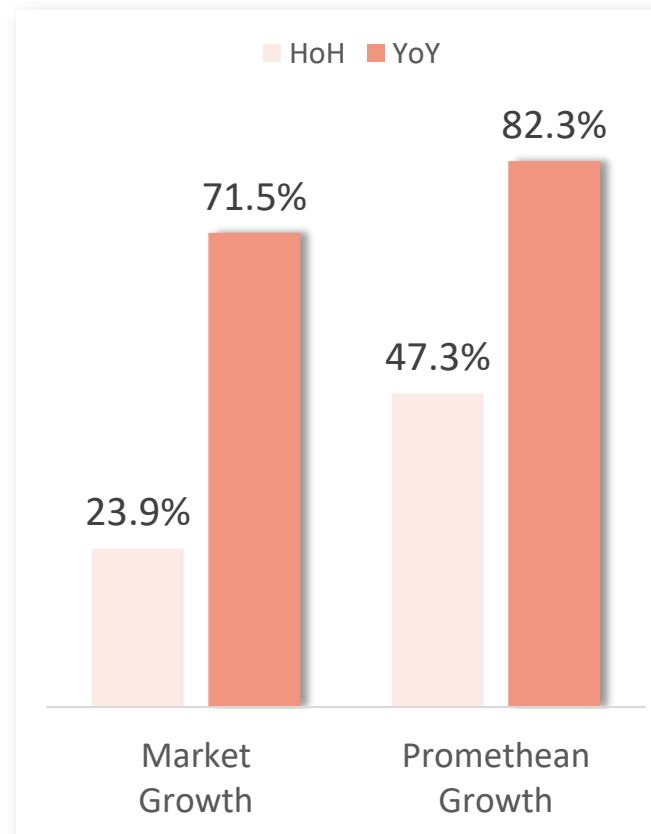
Media Microsoft Excel - L... W Chrome 12:41 26/09/2019 Promethean

Expanding Our Market Share, Riding on the Market Momentum

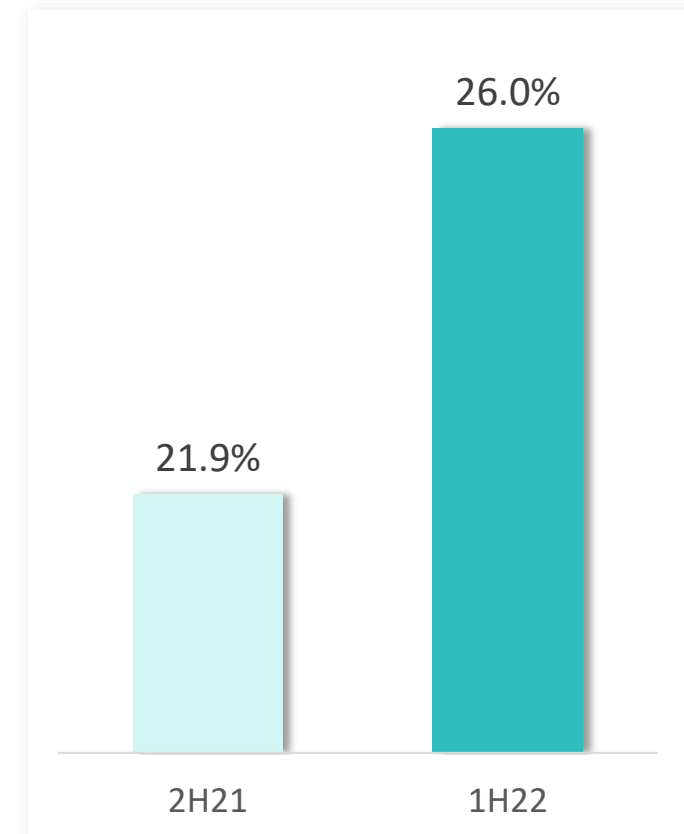
Revenue Growth



Volume Growth



Promethean Market Share Increase

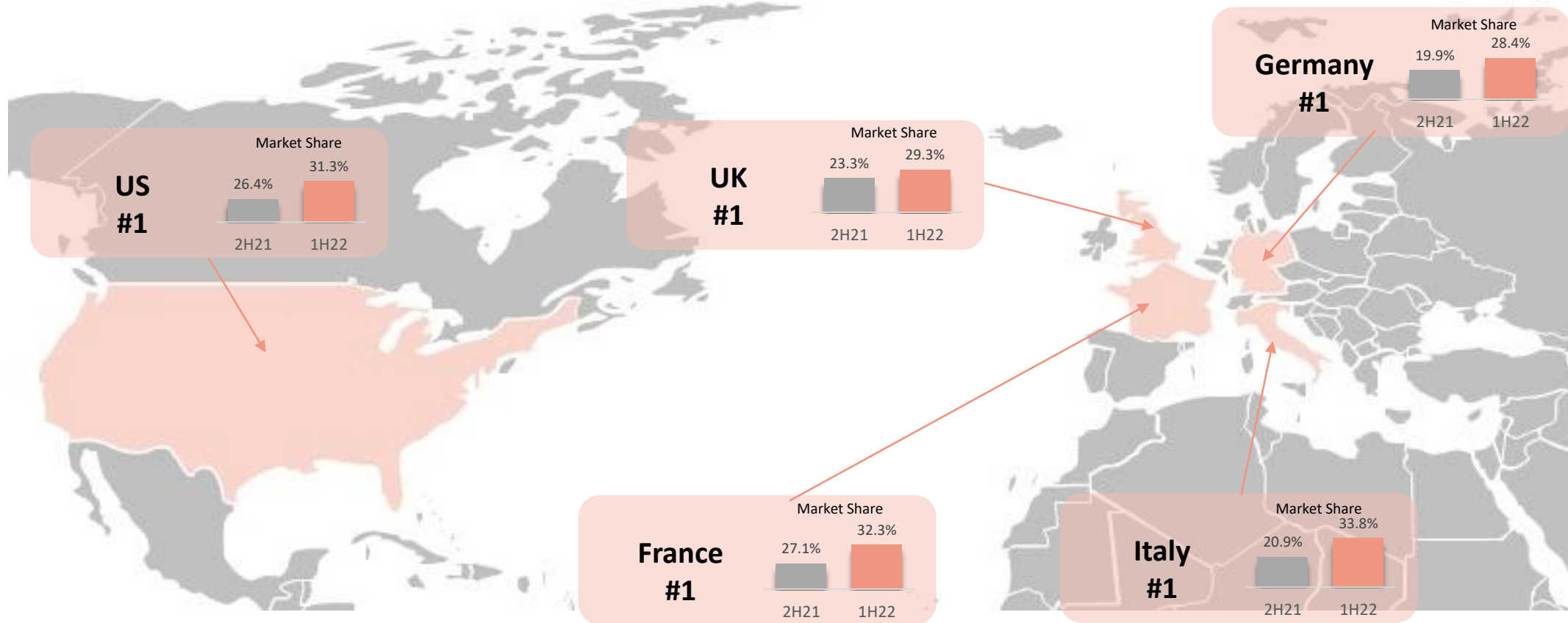


Source: Futuresource Consulting <Quarter 2 2022 World Interactive Displays> report, Aug 2022

Note: Revenue growth is based on RMB denominated numbers, volume growth and market share data referring to shipments of K-12 IFPD in global (ex. China) market

Promethean holds #1 Market Share Globally and in our Top 5 Markets

Our Market Share Increased in All of Our Top 5 Countries by Revenue Contribution



Source: Futuresource Consulting <Quarter 2 2022 World Interactive Displays> report, Aug 2022

Note: Market share numbers are based on Futuresource statistics of 2H21 and 1H22 K12 IFPD shipment volume in respective countries

Delivered Stable Gross Margin Performance Amid Transition to AP9

ASP

Material Cost/Panel

Freight Cost/Panel

Gross Margin
(ex. Tariff)*

↓ **4.5%** HoH
to US\$ 2,186

↓ **1.6%** HoH

↓ **16.7%** HoH

↑ **1.3** **ppts** HoH
from 28.6% in 2H21 to
29.9% in 1H22

ASP reduction was due to a combination of AP7 inventory sell-down (in anticipation of AP9 launch in June) and depreciation of Euro vs USD.

We continued to implement best practice measures on cost management. Market rates of freight and major materials peaked in Q3 2021 and have eased since then.

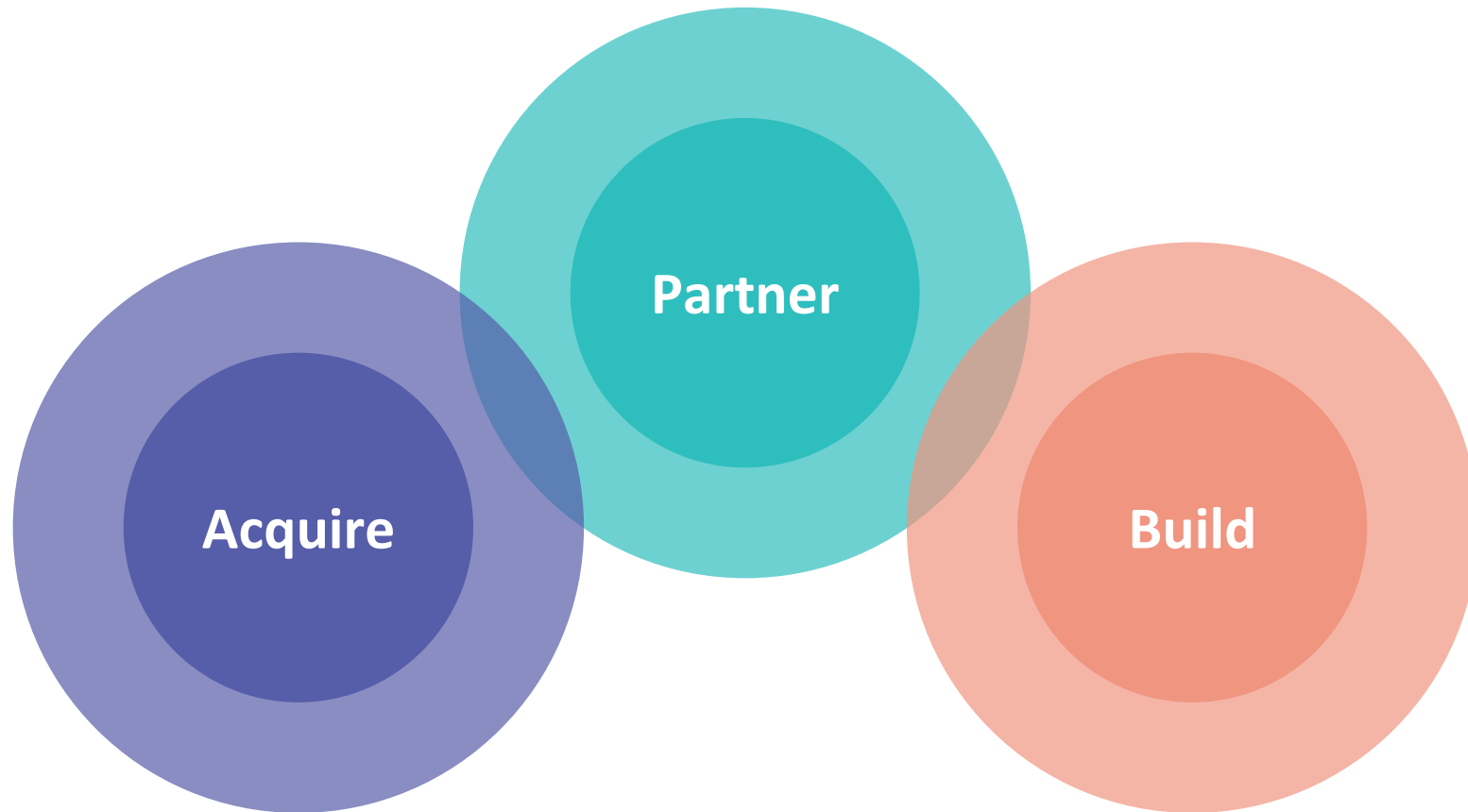
* Gross Margin for Promethean's K12 interactive display business, representing vast majority of our education revenue

Launched New ActivPanel 9 Solution in June

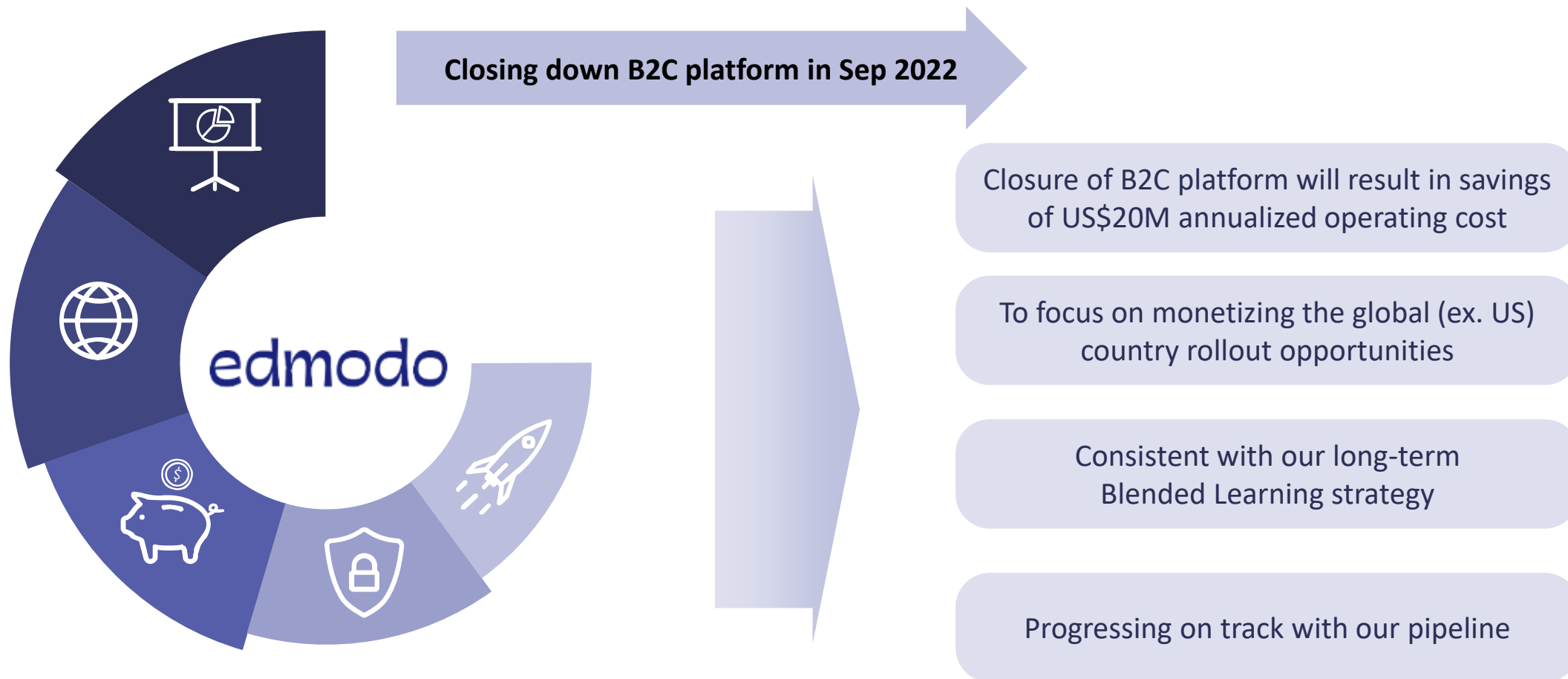


Our Strategy for Software / Content / SAAS Monetization

*Leveraging our market-leading hardware platform and
our global sales network to expand into new revenue streams...*



Edmodo Update – Focusing on Country Rollout





Gaming

Lin Chen

Group Senior Vice President



Focusing on Driving Long-term Growth

Revenue

▼
-3.9%
YoY

- Revenue down overall mainly due to Covid's impact on economy in China

Overseas Revenue

▲
+8.5%
YoY

- Overseas segment continued to deliver
- Overseas revenue accounted for 16% of total revenue

ARPPU*

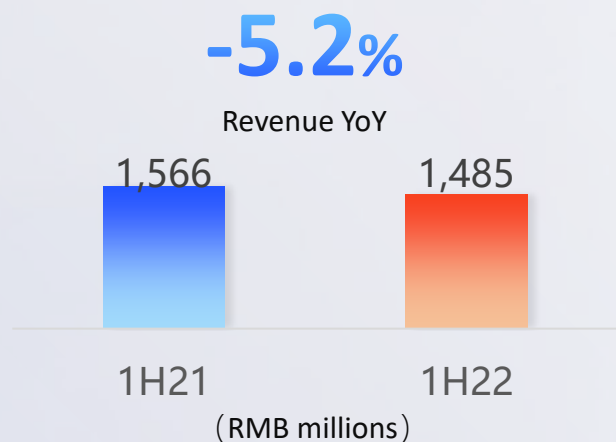
RMB 948
+5% YoY

- Continue to execute a balanced monetization strategy
- ARPU based on MAU remains stable at RMB 43

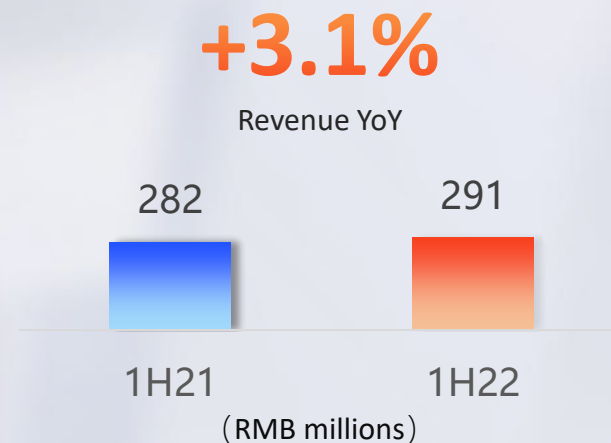
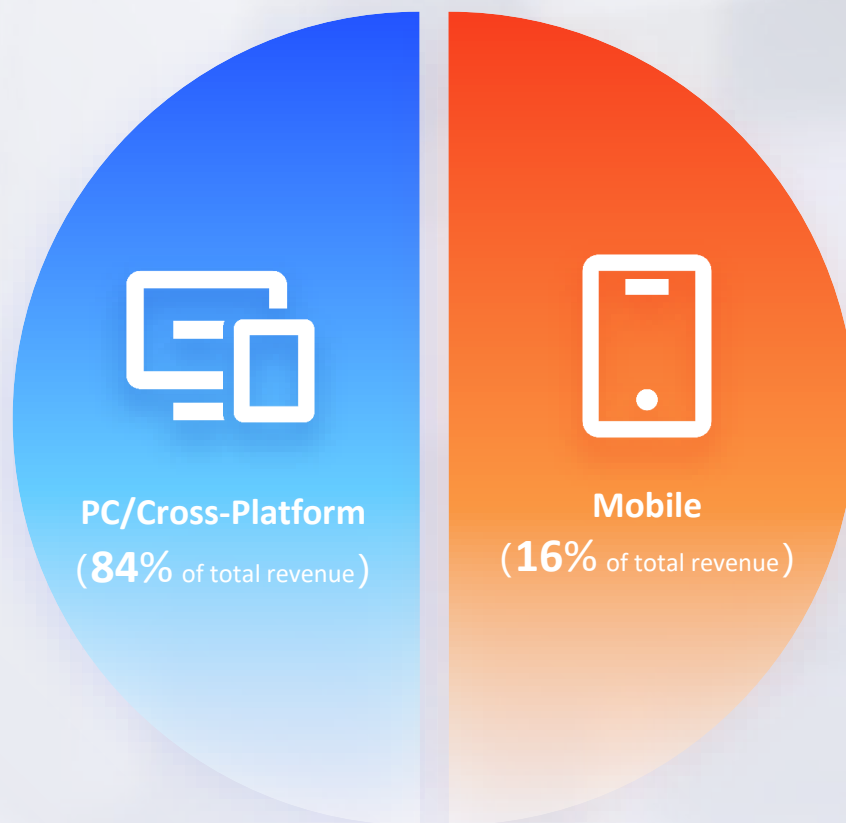
* Average Monthly Revenue per Paying User, calculated based on APA (Active Paying Account)



Near-term Covid Impact on PC Games While Mobile Remains Resilient



- Players' spending was negatively impacted by Covid outbreaks in China
- PC games have relatively larger high-paying cohort (we expect their spending to recover as economy improves)



- Our core mobile titles of Eudemons IP delivered stable growth
- Our mobile revenue growth exceeded market growth*

* According to CGGIC 2022 Jan to Jun China Gaming Industry Annual Report statistics, mobile games revenue down 3.7% YoY across the industry



Eudemons IP – Staying the Course in Execution

PC revenue **down 5.6% YoY**

Mobile revenue **up 6.4% YoY**

Eudemons Online MAU **up 34% YoY**

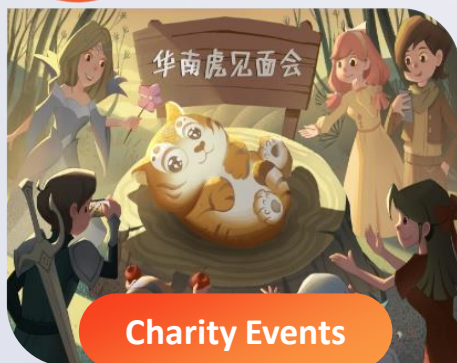
Eudemons Online Cross Platform version* DAU **up 7% YoY**

APA **up 22% YoY**

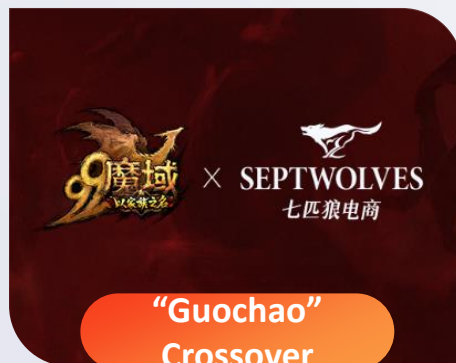




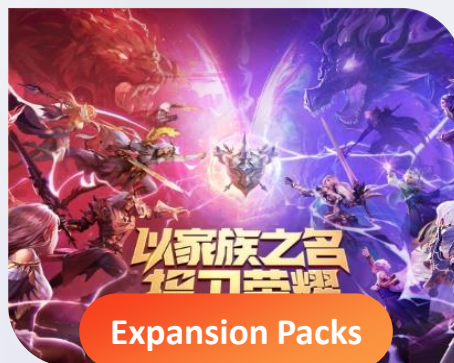
Increase in Engagement Driven by Expansion Packs and Events



Charity Events



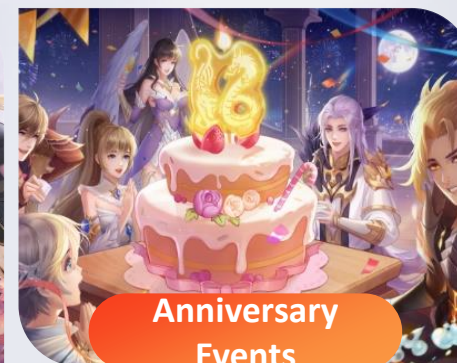
"Guochao"
Crossover



Expansion Packs



"Guofeng"
Themes



Anniversary
Events

Feb

Spring Festival Event

May

Charity Event

Aug

Queen of Rose Tournament

Oct

New expansion pack pre-launch warm-ups

Jan

Nian Beast*
Year of Tiger Event

Mar

Anniversary Event of
"Eudemons Youth"

Jun

"In the Name of Family"
Expansion Pack on Jun 29th

Sep

IP crossover with renowned
movie IPs

Dec

"Awakening of Professions"
Expansion Pack

* Nian Beast is a featured NPC mechanism in Eudemons franchise, which players can battle with and win rewards from
Note: These expansion packs and marketing events are for Eudemons IP only



Stepping up Our Effort in New Games Pipeline for Eudemons IP



Eudemons Mobile II

- Expected open-beta launch: **Q4 2022**
- Current testing data shows the game receives broad-based support from the Eudemons community
- Most-anticipated new Eudemons game since launch of Eudemons Mobile in 2017





Stepping up Our Effort in New Games Pipeline for Eudemons IP (Cont'd)



Eudemons PC – Remake Version

- Scheduled for launch in 2023
- Major Upgrade in CG and gameplay
- Proven business model



Well Positioned to Expand Our Overseas Revenue



- Reached agreement with a renowned global 3A game publisher to launch overseas versions
- First launch in Japan in 2023



- Expansion into more countries via OMO model (achieved 58% YoY revenue growth outside of core market of Egypt)
- Cross platform version to launch in 2H22



- Conducted first testing in Vietnam
- Lite version for Pakistan and Egypt market to launch in 2H22



- Beta test completed in June - key metrics were inline with top 10-15 Match-3 games
- Positive feedback on art design, story and gameplay



Pipeline of New Games

Eudemons Mobile II

Neopets Faerie's Hope

Eudemons Pocket 2.0

22Q4

23H2

24H1

24H2

Under Oath (Japan)

Eudemons PC
(Remake version)

Code – Xianxia

Code – DPS

New PC Eudemons

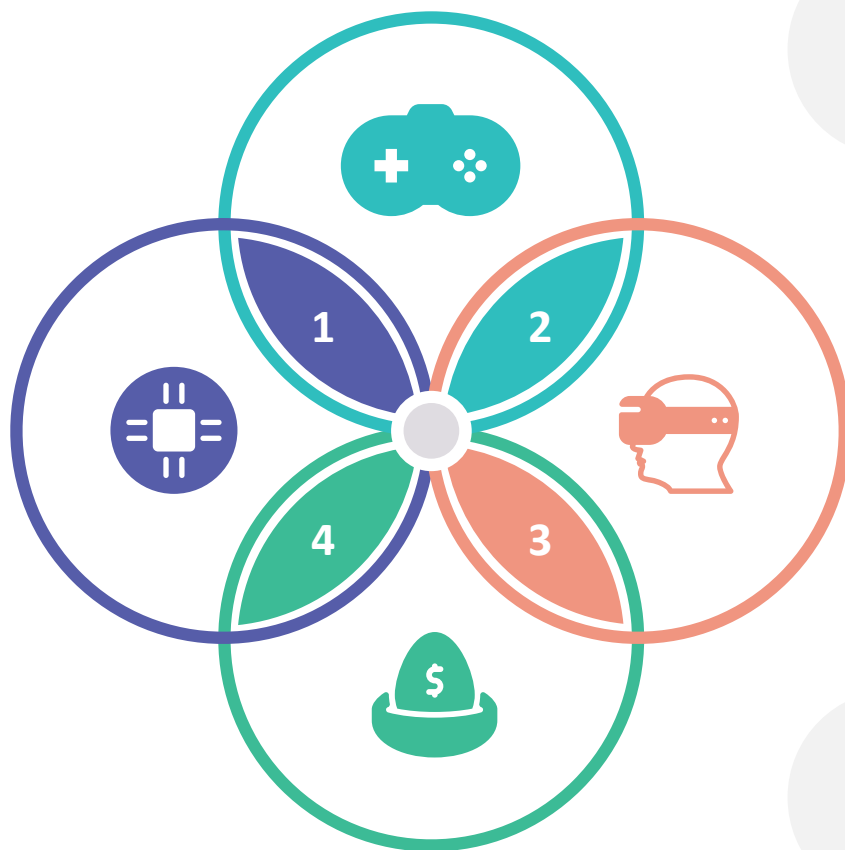
Metaverse

The background of the slide is a composite image. It features a night-time cityscape with illuminated buildings and a complex highway interchange. Overlaid on this is a digital network of numerous vertical lines in various colors (blue, green, red, yellow) that extend from the city up to the top of the frame. At the ends of these lines are small, glowing spheres or nodes, creating a sense of a vast, interconnected digital space or metaverse.

Dr. Simon Leung

Group Vice Chairman

Capitalizing on the Metaverse Opportunity in Gaming + Education



1. AI CEO

Appointed TANG Yu (AI virtual robot) as new Rotating CEO for our key subsidiary, Fujian NetDragon

2. Neopets

Neopets Metaverse game development on track with alpha launch in Q3

3. Fantasy Game

Initiated development of a new blockchain game themed with traditional Asian fantasy stories

4. ROKID

Signed definitive agreements to invest US\$40M in ROKID, a market leader in AR technologies, with exclusive partnership



TANG Yu, our AI-based CEO

- Major milestone towards being a Metaverse organization
- To pioneer use of AI to transform corporate management and leapfrog operational efficiency to a new level
- Will streamline process flow and serve as analytical tool to support decision making in daily operations

Execution of Neopets Metaverse Roadmap On Track



Prior to 1Q22

Q2 2022

Q3 2022

Q4 2022

Planning Stage
NFT Issuance

Trailers Released
First Mini-Game
Turmac Roll

Litepaper
Alpha Launch

Token Issuance
Alpha 2
Game-Play Evolution



Q1 2023

Beta Launch
Desktop App



Q2 2023

Land Sale
3X3 Battle
and Social-Fi



Q3 2023

Mobile App
All Platform



Ongoing

Quarterly Updates
Tournaments



US\$ 40M Investment in ROKID

- Market leader in AR technologies, backed by Temasek, IDG, SenseTime, Walden, etc.
- One of very few AR companies with proprietary full stack technology competencies in hardware, software, OS and solutions offerings
 - 5-year strategic partnership formed to co-develop metaverse applications

Outlook

Dr. Simon Leung

Group Vice Chairman

Outlook

**Maintain our Promethean
Market Leadership Position**

**Execute cost restructuring
measures in China**

**Stepping up efforts in
M&A/Partnerships to speed
up SAAS monetization of
Promethean platform**

**Focus on delivering on our
game pipeline**

Market Leadership

Cost Management

Monetization

Gaming





Q&A

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