



**3Q 2019**

**Investor Presentation**



# SAFE HARBOR STATEMENT

This presentation contains statements of a forward-looking nature. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. These forward-looking statements are based on the current assumptions, expectations and projections of the Company's management about future events. Although the assumptions, expectations and projections reflected in these forward-looking statements represent management's best judgment at the time of this presentation, the Company can give no assurance that they will prove to be correct. Numerous factors, including those related to market conditions and those detailed from time-to-time in the Company's filings with the Securities Exchange Commission, may cause results of the Company to differ materially from those anticipated in these forward-looking statements. Many of the factors that will determine the Company's future results are beyond the ability of the Company to control or predict. These forward-looking statements are subject to risks and uncertainties and, therefore, actual results may differ materially. The Company cautions you not to place undue reliance on these forward-looking statements. The Company undertakes no obligation to revise or update any forward-looking statements, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise. All references to "Company" and "NetEase" as used throughout this presentation refer to NetEase, Inc. and its subsidiaries.

# COMPANY OVERVIEW



Founded in 1997 and listed on NASDAQ since 2000, NetEase, Inc. is a leading China-based internet technology company that develops and operates some of China's most popular online PC and mobile games, and offers other innovative services, including the intelligent learning services of its majority-controlled subsidiary, Youdao, music streaming and its private label e-commerce platform.

As of September 30, 2019, NetEase had around 21,000 employees, with offices globally.

# MARKET SNAPSHOT

*In USD*

\$36.8  
billion

Market Cap  
(11/20/19)

\$130  
million

ADS Outstanding,  
diluted  
(3Q19)

\$13.97

Earnings per ADS  
(Continuing) (GAAP)  
(3Q19)

\$2.0  
billion

Net Revenue  
(3Q19)

\$1,803  
million

Net income attributable to  
the Company's shareholders  
(Continuing) (GAAP)  
(3Q19)

\$8.6  
billion

Cash, time deposits  
and short-term investment  
(09/30/19)

# BUSINESS SEGMENTS



## PC & Mobile Games

Leading developer and operator of self-developed PC and mobile games to internet users in China; Operator of licensed games from Blizzard Entertainment and Mojang AB (a Microsoft subsidiary) in China.



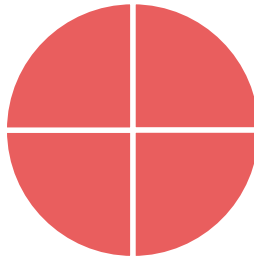
## Online Education

Leading intelligent learning service provider through Youdao, a company dedicated to developing and using technologies to provide learning content, applications and solutions to users of all ages.



## Cloud Music

Leading interactive music streaming service providers in China with more than 800 million users and one of China's most active music platforms in terms of user retention rate, user time spent on the platform and the level of user-generated content.



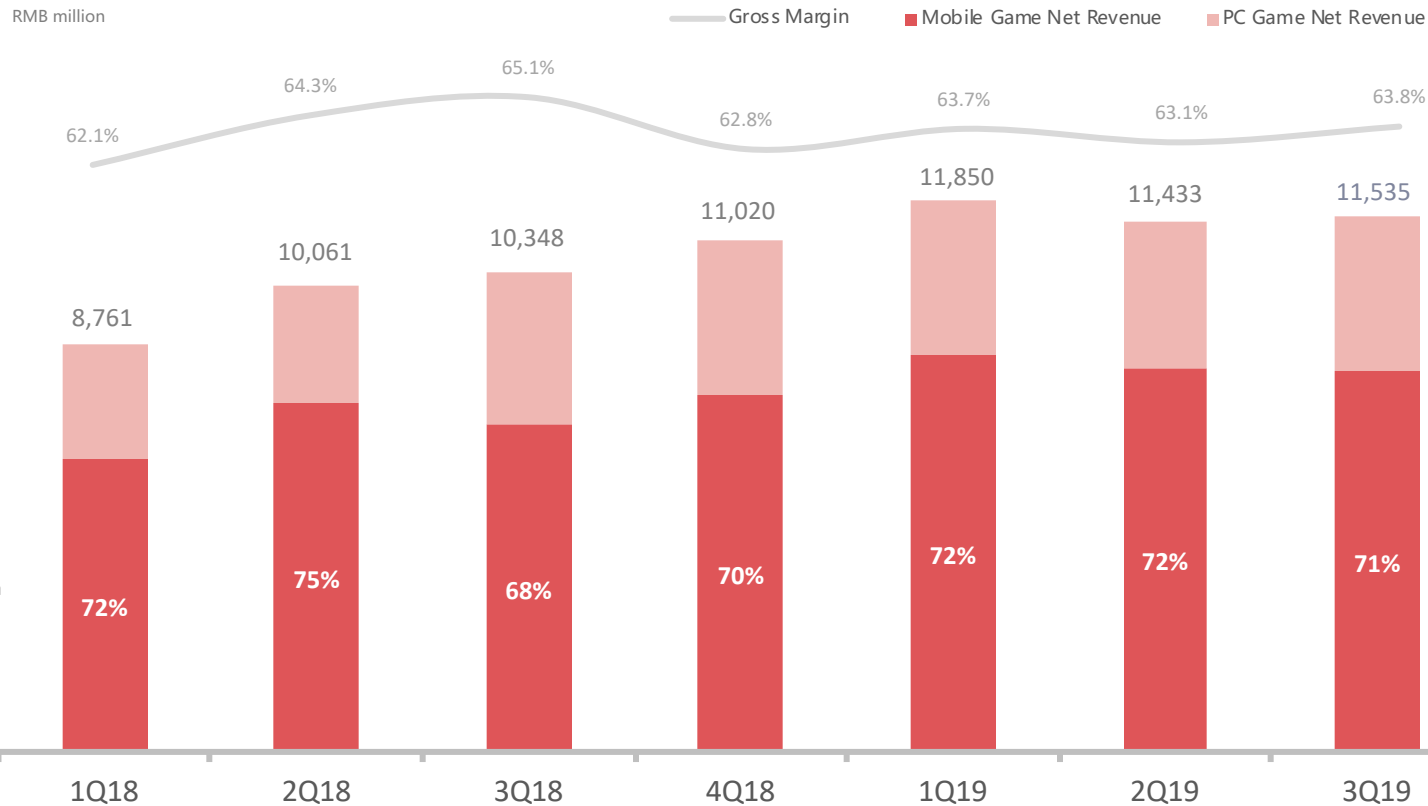
## E-commerce and Others

Leading service provider of private label e-commerce through Yanxuan, a platform offers access to cost effective and high-quality products in China;

Others include one of the largest providers of free e-mail services in China, one of the most popular internet media service providers in China, as well as our CC live-streaming platform.

# ONLINE GAMES

## Online Games Net Revenue and Gross Margin



Mobile Games as a Percentage of Online Games Net Revenue

# ONLINE GAMES - PC GAMES

## Flagship Self-Developed PC titles



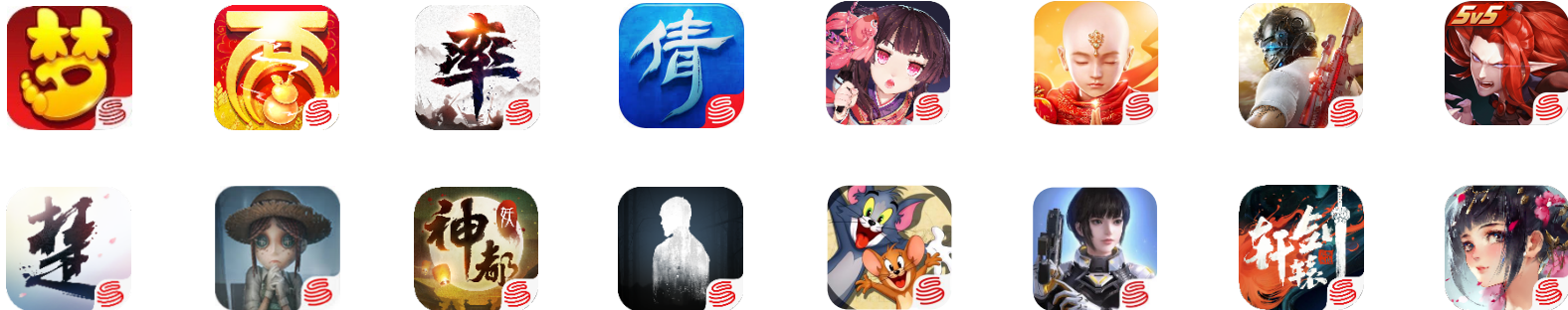
## Flagship Licensed PC titles



# ONLINE GAMES - MOBILE GAMES

- Over 100 mobile games offered in China

## Self-Developed Mobile Games



## Licensed Mobile Games From Overseas Developers





# ONLINE GAMES - MOBILE GAMES

## Launching Mobile Games in Overseas Markets

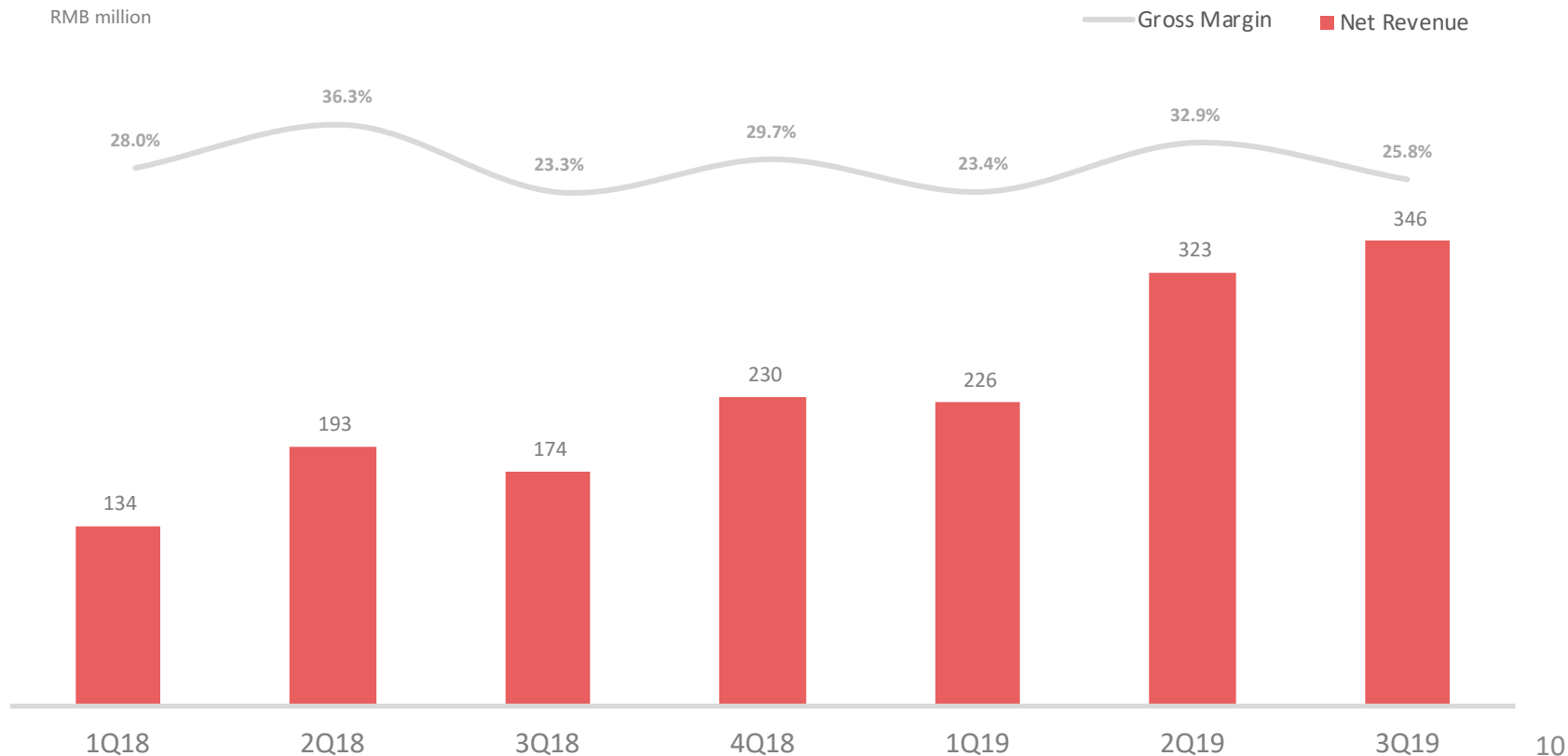


*Overseas games revenue reached a new record high in the third quarter of 2019, accounting for more than 10% of total online games revenue*

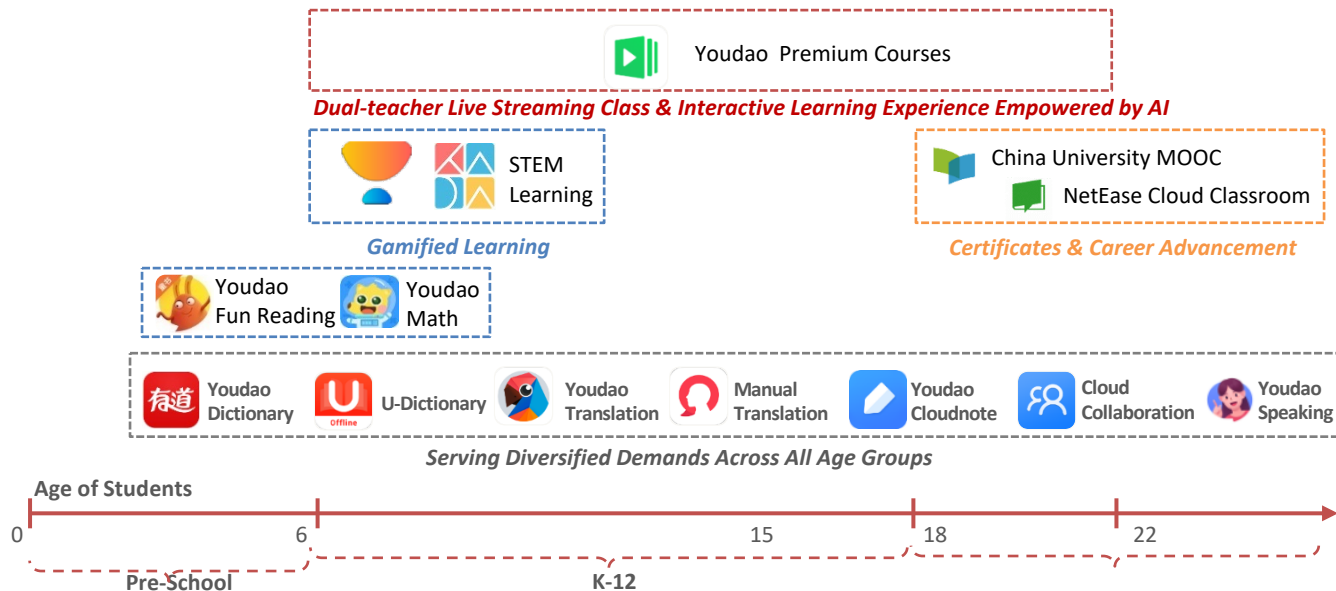
- *Knives Out led Japan's iOS top grossing chart several times in August, September and October*
- *Identity V led Japan's iOS top grossing chart for the first time in September*
- *Life-after, a newer release, is also ramping up in Japan*

# ONLINE EDUCATION

## Online Education Net Revenue and Gross Margin



# ONLINE EDUCATION

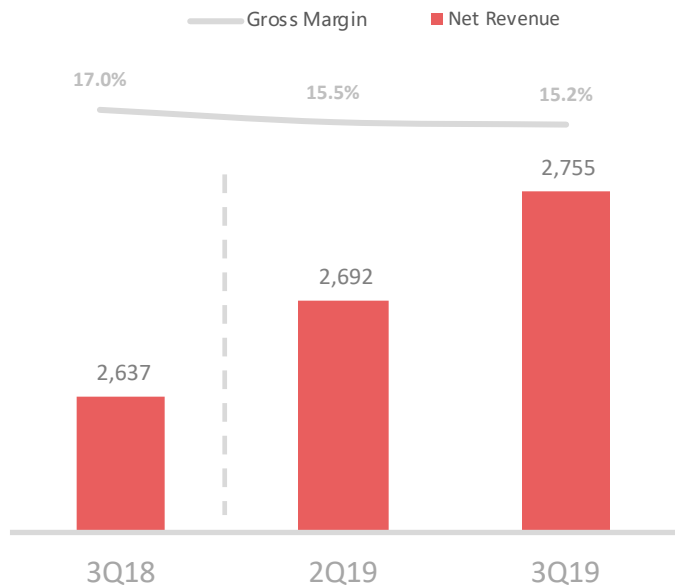


- Youdao is the leading intelligent learning company in China with over 100 million average total MAUs
- K-12 continues to be the primary growth engine for Youdao where we offer online courses via after-school curriculum tutorials and extra-curriculum courses in STEAM subjects

# INNOVATIVE BUSINESS AND OTHERS

## Innovative Business and Others Net Revenue and Gross Margin

RMB million



Cloud Music



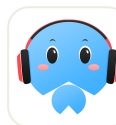
NetEase Yanxuan



NetEase E-mail



NetEase Media



NetEase CC



# INNOVATIVE BUSINESS AND OTHERS



## NetEase Cloud Music

- Launched in April 2013
- One of the largest online music streaming services in China with more than 800 million users
- China's most active music platform, with a market leading user retention rate and user time spent on the platform
- Continues to ramp up the monetization efforts, Cloud Music reached a new record high revenue in the third quarter of 2019



## NetEase Yanxuan

- Our popular private label business, targeting middle-class consumers in China with a strong emphasis on quality of life
- We work with over 500 quality manufactures and provide a premium selection of high-quality and cost-effective lifestyle products to end users, eliminating the extraneous costs and third-party layers of distribution and retail
- During the third quarter, we made additional progress to improve our operating efficiency, continue to maximize our supply chain management and refine our factory relationships, successfully reducing our inventory to a more optimal level

# INNOVATIVE BUSINESS AND OTHERS

## Internet Media



- [www.163.com](http://www.163.com) is one of China's most visited internet portals, with strong user diversity, reach and stickiness
- Mobile News App is one of the most popular news apps in China

## Live Streaming



- CC live streaming platform offers various live streaming content with a primary focus on games

## E-mail Services

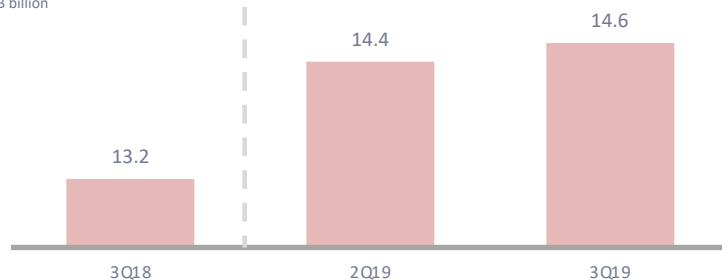


- China's leading e-mail service provider since 1997
- 1.05 billion registered e-mail users as of Sep 30, 2019

# FINANCIAL HIGHLIGHTS

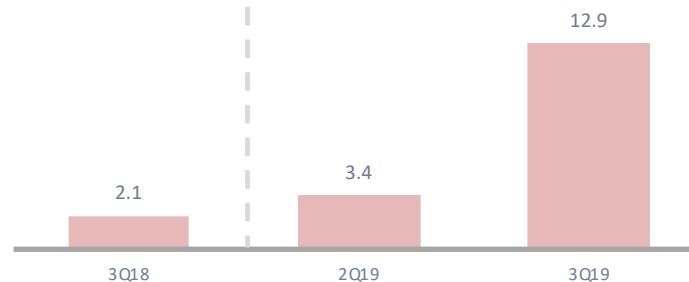
## Net Revenues

RMB billion



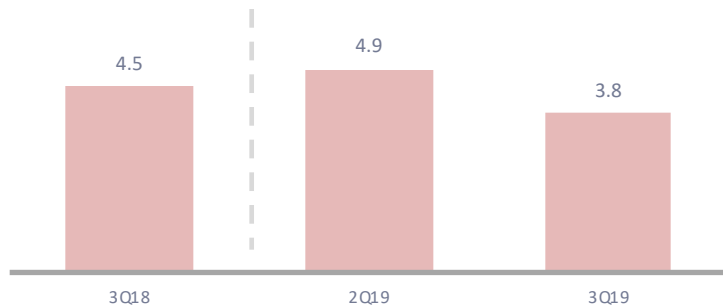
## Net Income (Continuing) (GAAP)

RMB billion



## Operating Cash Flow (Continuing)

RMB billion



## Value Returned to Shareholders

US\$	2018FY	3Q18	4Q18	1Q19	2Q19	3Q19
Dividend per ADS	\$1.77	\$0.45	\$0.48	\$0.69	\$1.04	\$7.59
Share Buyback (during the period)	\$1,178.5m	\$255.7m	\$10.8m	\$0	\$0	\$0.2m

# BALANCE SHEET SUMMARY

	2018	2019	
in millions	Dec 31, RMB	Sep 30, RMB (Unaudited)	Sep 30, USD (Unaudited)
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	4,988	2,741	384
Time deposits	32,900	39,224	5,488
Other current assets	30,828	40,581	5,677
Total current assets	68,716	82,546	11,549
Property, equipment and software	4,673	4,708	659
Other non-current assets	13,579	18,570	2,597
Total assets	86,968	105,824	14,805
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS &amp; SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Deferred revenue	7,718	8,196	1,147
Other current liabilities	27,391	26,415	3,695
Total current liabilities	35,109	34,611	4,842
Total liabilities	35,556	35,818	5,011
Redeemable Noncontrolling Interests	5,386	5,954	833
Total shareholders' equity	46,026	64,052	8,961
Total liabilities and shareholders' equity	86,968	105,824	14,805



# INCOME STATEMENT SUMMARY

	3Q18	2Q19	3Q19	3Q19	QoQ	YoY
	RMB	RMB	RMB	USD	Change	Change
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Total net revenues:</b>	13,160	14,448	14,636	2,048	1.3%	11.2%
<i>Online game services</i>	10,348	11,433	11,535	1,614	0.9%	11.5%
<i>Youdao</i>	174	323	346	48	7.2%	98.4%
<i>Innovative businesses and others</i>	2,638	2,692	2,755	386	2.3%	4.4%
<b>Gross profit</b>	7,224	7,737	7,870	1,101	1.7%	8.9%
<b>Gross profit margin</b>	54.9%	53.5%	53.8%	53.8%		
<b>Operating profit</b>	2,535	3,724	3,335	467	-10.5%	31.5%
<b>Operating profit margin</b>	19.3%	25.8%	22.8%	22.8%		
<b>Net income attributable to the Company's shareholders</b>	1,596	3,071	12,730	1,781	314.5%	697.5%
<b>Diluted earnings per ADS</b>	¥12.37	¥23.64	¥97.80	\$13.68	313.7%	690.6%
<b>Diluted earnings per ADS (Continuing operations)</b>	¥15.98	¥25.82	¥98.99	\$13.85	283.4%	519.5%

# CONTACT US

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**THANK YOU**