



NetEase

# 4Q21 Investor Presentation

Investor Relations  
February 24, 2022

# SAFE HARBOR STATEMENT

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This announcement 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. In addition, statements that are not historical facts, including statements about NetEase’s strategies and business plans, its expectations regarding the growth of its business and its revenue and the quotations from management in this announcement are or contain forward-looking statements. NetEase may also make forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (the “SEC”), in announcements made on the website of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”), in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. The accuracy of these statements may be impacted by a number of business risks and uncertainties that could cause actual results to differ materially from those projected or anticipated, including risks related to: the risk that the online game market will not continue to grow or that NetEase will not be able to maintain its position in that market in China or globally; the risk that COVID-19 or other health risks in China or globally could adversely affect the Company’s operations or financial results; risks associated with NetEase’s business and operating strategies and its ability to implement such strategies; NetEase’s ability to develop and manage its operations and business; competition for, among other things, capital, technology and skilled personnel; potential changes in government regulation that could adversely affect the industry and geographical markets in which NetEase operates, including, among others, initiatives to enhance supervision of companies listed on an overseas stock exchange and tighten scrutiny over data privacy and data security, as well as the risk that NetEase’s ADSs could be barred from trading in the United States as a result of the Holding Foreign Companies Accountable Act and the rules promulgated thereunder; the risk that NetEase may not be able to continuously develop new and creative online services or that NetEase will not be able to set, or follow in a timely manner, trends in the market; competition in NetEase’s existing and potential markets; and the risk that fluctuations in the value of the Renminbi with respect to other currencies could adversely affect NetEase’s business and financial results. Further information regarding these and other risks is included in NetEase’s filings with the SEC and announcements on the website of the Hong Kong Stock Exchange. NetEase does not undertake any obligation to update this forward-looking information, except as required under the applicable law.

# MARKET SNAPSHOT

*In USD*

\$61.4  
billion

Market Cap  
(2/23/22)

3.3  
billion

Shares Outstanding,  
Diluted (4Q21)

\$1.36

Basic net income per ADS  
(GAAP) (4Q21)

\$3.8  
billion

Net Revenues  
(4Q21)

\$894  
million

Net income attributable to the  
Company's shareholders  
(GAAP) (4Q21)

\$16.2  
billion

Cash, time deposits  
and short-term investment  
(12/31/21)

Note:

1 Market Cap is calculated using the closing price on NASDAQ; Our market cap is HK\$484.8 billion (\$ 62.1 billion) based on the closing price on the Hong Kong Stock Exchange.



# NetEase, Inc.

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Founded in 1997, 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 intelligent learning services, online music content, and a private label e-commerce brand.

NetEase, Inc. has been listed on NASDAQ since 2000 under the symbol (NASDAQ: NTES) and completed its dual listing on the Hong Kong Stock Exchange in June 2020 under the ticker (HK: 9999).

Its intelligent learning business, Youdao, has been listed on NYSE since October 2019 (NYSE: DAO).

Its online music business, Cloud Village, has been listed on HKEX since December 2021 (HK: 9899).

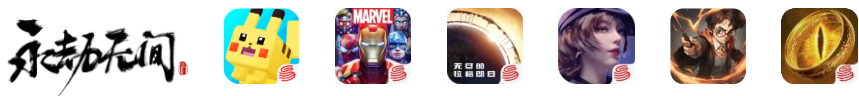
# 4Q21 BUSINESS HIGHLIGHTS

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## Online Games

Leading developer and operator of self-developed PC and mobile games for internet users in China and internationally;

Operator of licensed games from leading game developers internationally



- *Fantasy Westward Journey* and *Westward Journey Online* continue to grow remarkably in terms of revenue
- *Naraka: Bladepoint* hit record-high user base with strong engagement and retention, and is getting ready for its console and mobile versions
- *Harry Potter: Magic Awakened* ranked at the forefront position multiple times on China's iOS top grossing games chart, and plans to bring the overseas version to global players
- Other strong titles in the pipeline include *Dead by Daylight Mobile-NetEase*, *Diablo® Immortal™* and *Ghost World Chronicle*

## Youdao

Leading intelligent learning services operated by Youdao, our majority-controlled subsidiary dedicated to providing learning content, applications and solutions to users of all ages



- Achieved positive Non-GAAP net income for the first time since its IPO, and continuing operating cash inflow of RMB142 million.
- Completed a smooth business transition, and made steady progress with its four pillars of future growth: STEAM courses, adult learning, smart devices and education digitization solutions

## Cloud Music

Leading online music content community

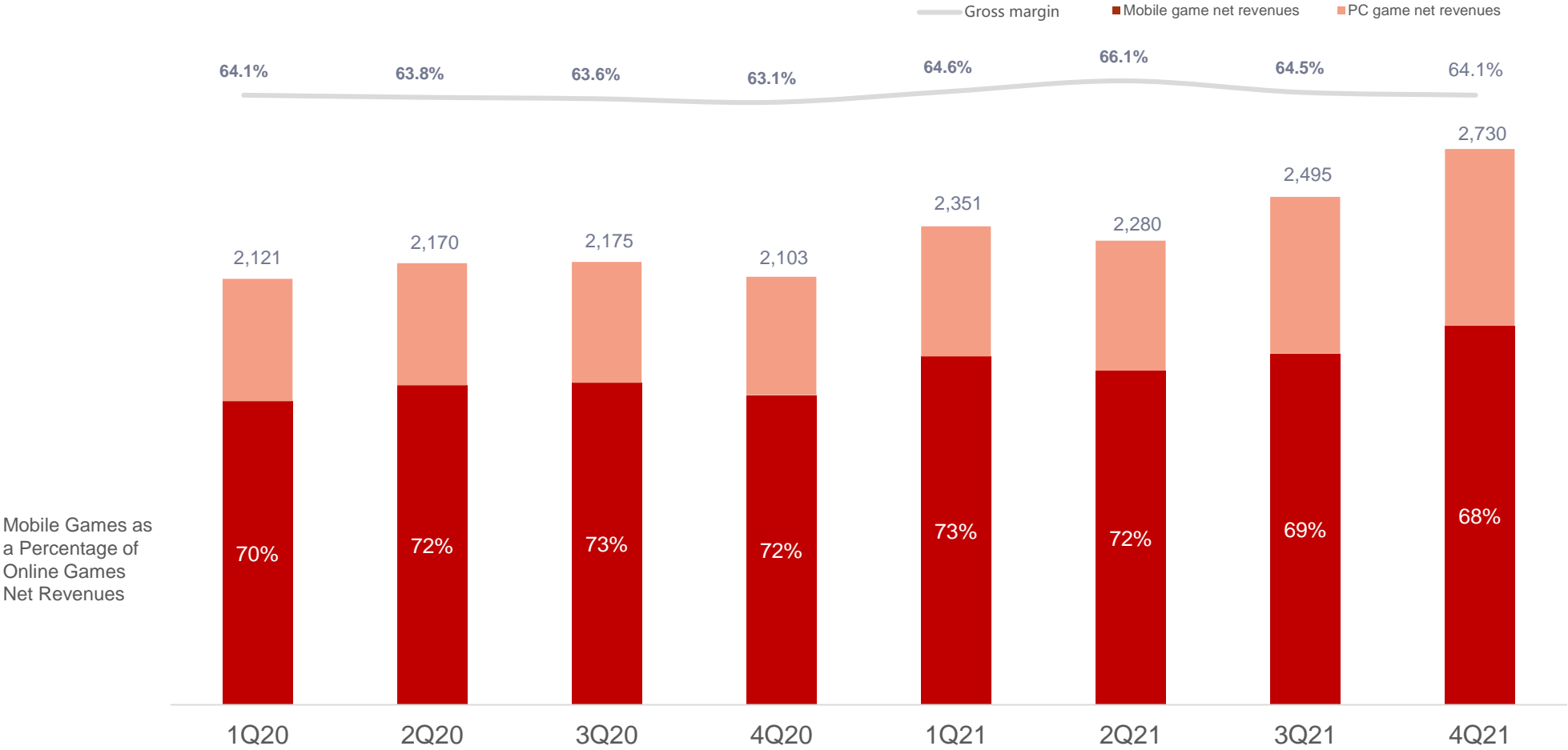
- Achieved positive gross margin for the full-year of 2021
- Continued rise in membership paying ratio
- Home to over 400,000 independent musicians by the end of the fourth quarter



# ONLINE GAME SERVICES

USD million

Online Game Services Net Revenues and Gross Margin



Note:  
1 US\$1.00 = RMB6.3726 on December 30, 2021. Same exchange rate is applied to all years for illustrative purpose

# ONLINE GAME SERVICES

## PC GAMES

### Flagship Self-Developed PC titles

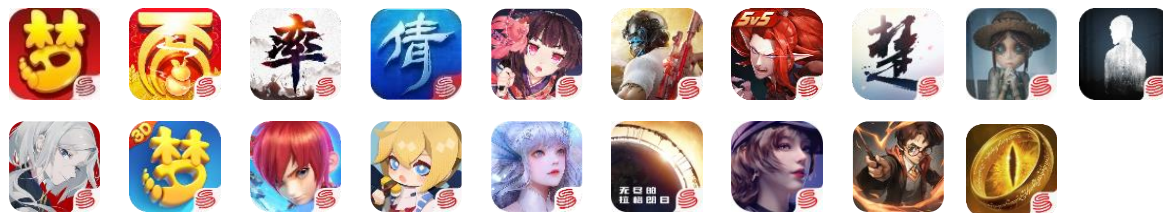


### Flagship Licensed PC titles



## MOBILE GAMES

### Self-Developed Mobile Games



### Licensed Mobile Games From Overseas Developers



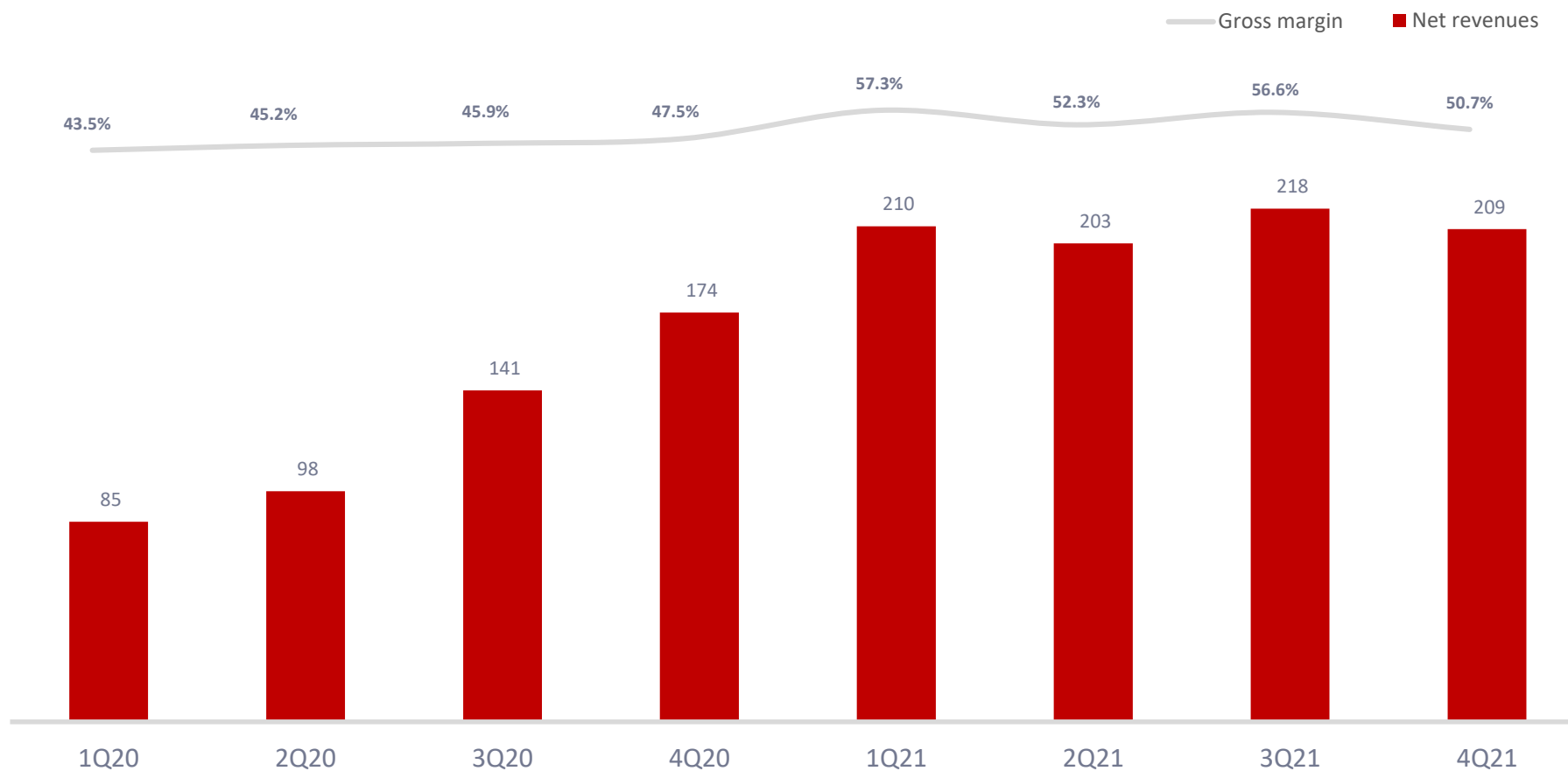
### Launching Mobile Games in Overseas Markets



# YOU DAO

USD million

## Youdao Net Revenues and Gross Margin



Note:

1 US\$1.00 = RMB6.3726 on December 30, 2021. Same exchange rate is applied to all years for illustrative purpose



# YOUDAO

## Learning Products



Youdao Dictionary



Youdao Kids Dictionary



U-Dictionary



Youdao Translation

## Online Courses



Youdao Premium Courses



Netease Cloud Classroom



China University MOOC



Youdao Fun Reading



Youdao Weiqi



Youdao Kids Art



Youdao iCode



Youdao Kada



Dela Science Course

## Smart Learning Devices



Youdao Dictionary Pen



Youdao pocket Translator



Youdao Super Dictionary



Youdao Intelligent Learning Terminal

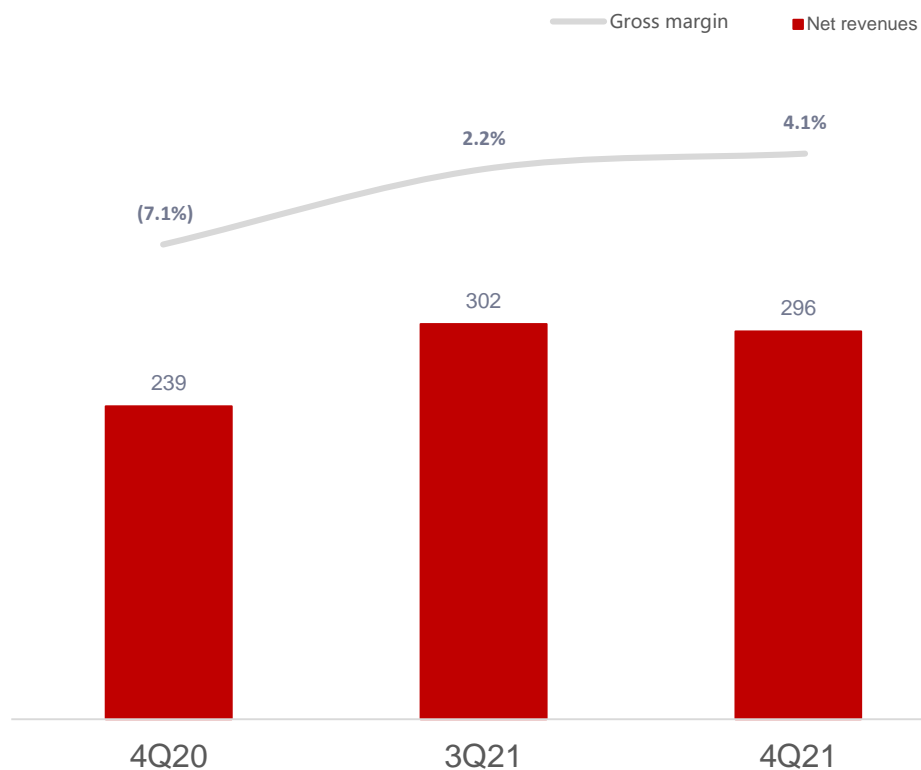
**Completed a smooth business transition in compliance with requirements from the regulator, and achieved steady growth throughout 2021**

- Total net revenues for Youdao were RMB1.3 billion in the fourth quarter, representing 21% year-over-year growth
- Launched the Youdao Boardgame Academy (有道纵横棋院) app, which enables Go and Chess learning through AI or person-to-person matches
- Net revenues of smart devices grew 34% year-over-year to RMB317.7 million; achieved partnership with the Commercial Press, introducing exclusive contents from Xinhua Dictionary and other dictionaries to Youdao's smart devices

# CLOUD MUSIC

USD million

## Cloud Music Net Revenues and Gross Margin



## NetEase Cloud Music

- Net revenues increased 24% year-over-year to RMB1.9 billion, with increasing membership paying ratio
- Continued product innovation initiatives in Q4, including more individual personalization capabilities on the homepage, “musical notation” function and a brand-new Beats trading platform
- Secured more high-quality music from large IP holders, and served over 400,000 independent musicians by the end of the fourth quarter

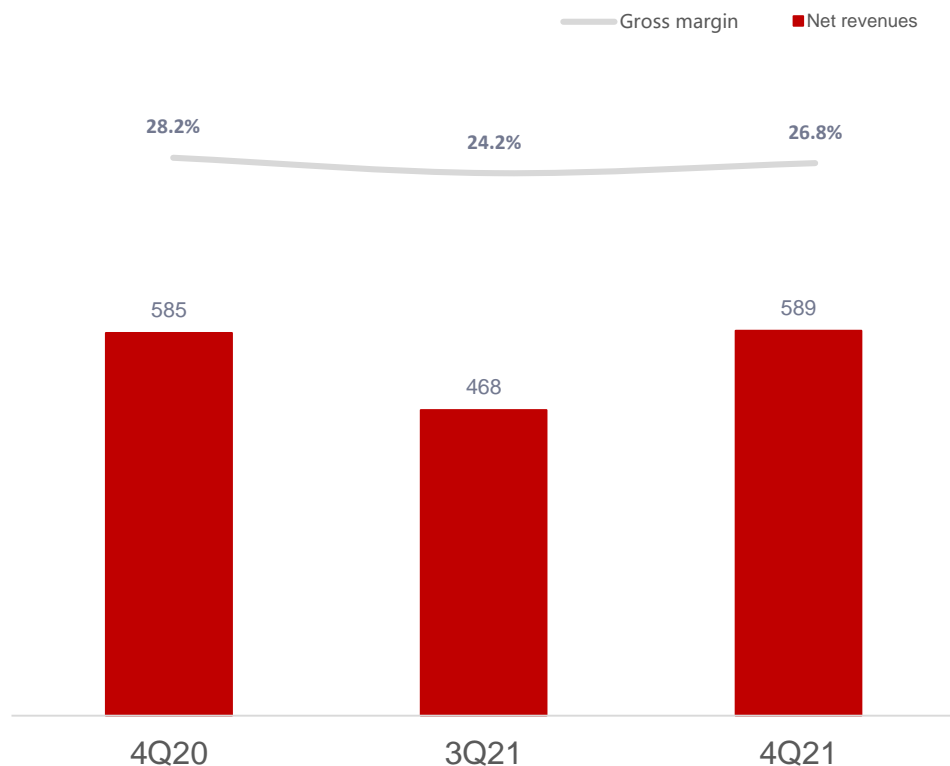
Note:

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# INNOVATIVE BUSINESSES AND OTHERS

USD million

## Innovative Businesses and Others Net Revenues and Gross Margin



Note:

1 US\$1.00 = RMB6.3726 on December 30, 2021. Same exchange rate is applied to all years for illustrative purpose



### NetEase Yanxuan

- Private label consumer brand targeting young professionals in China
- Successively launched a variety of popular products across core categories such as household cleaning



### Live Streaming

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



### Internet Media

- 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

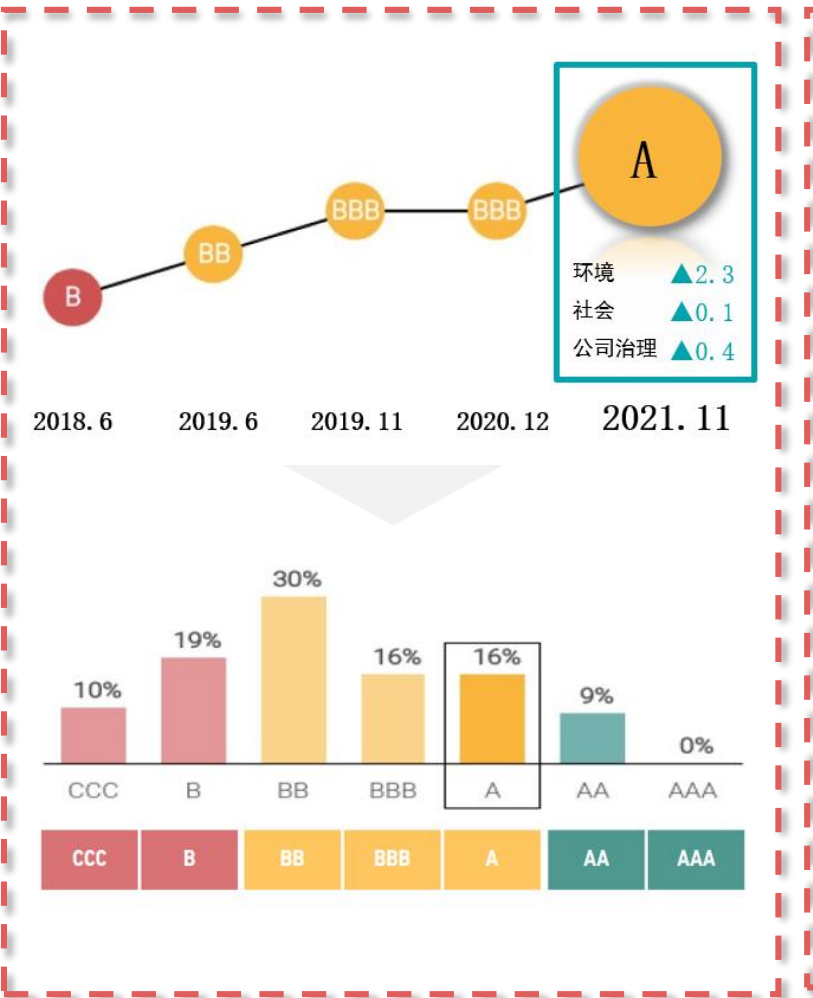


### E-mail Services

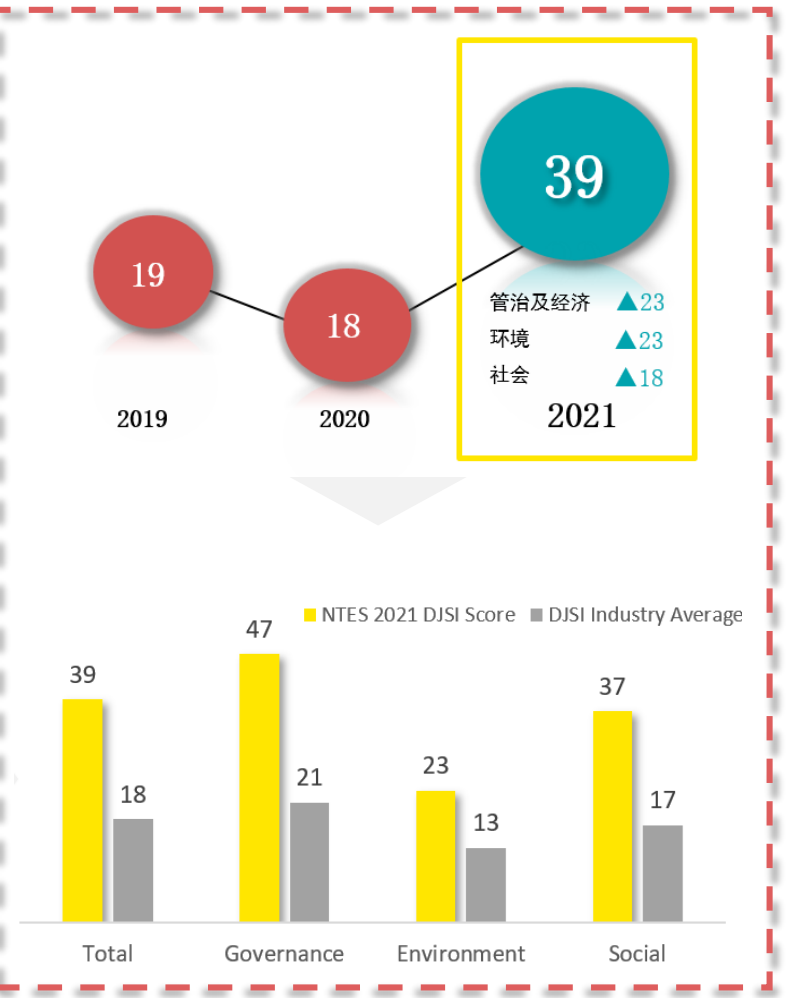
- China's leading e-mail service provider since 1997
- Over 500 million annual active users as of December 31, 2021

# NetEase's ESG Performances

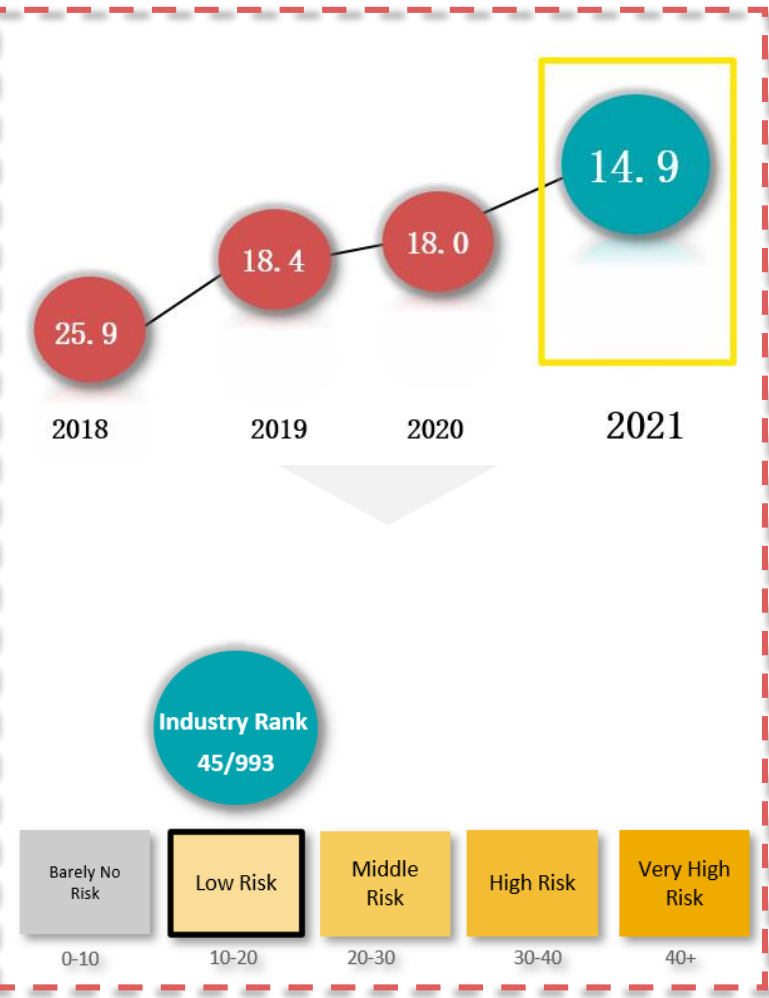
## MSCI Ratings



## DJSI (Dow Jones Sustainability Index) Ratings



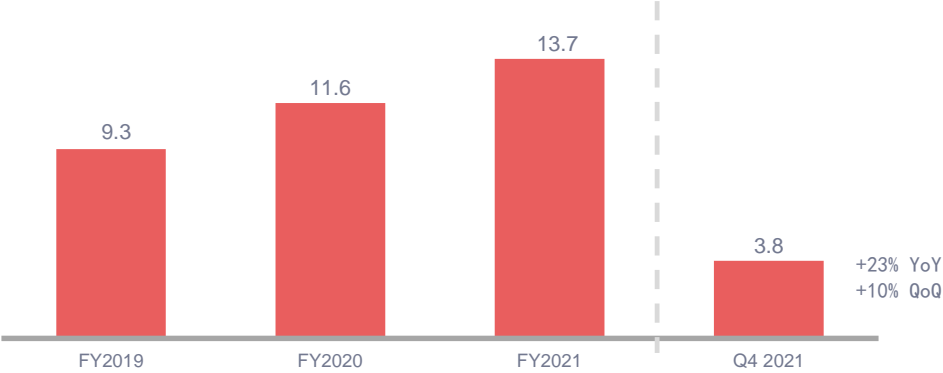
## Sustainalytics Ratings



# FINANCIAL HIGHLIGHTS

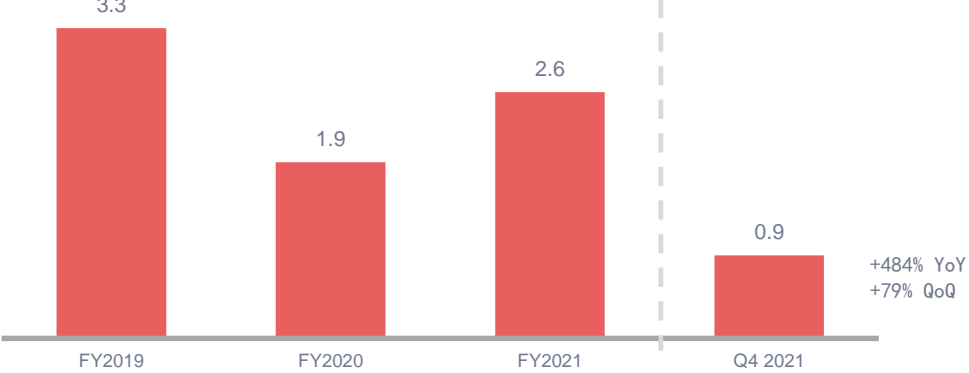
## Net Revenues

USD billion



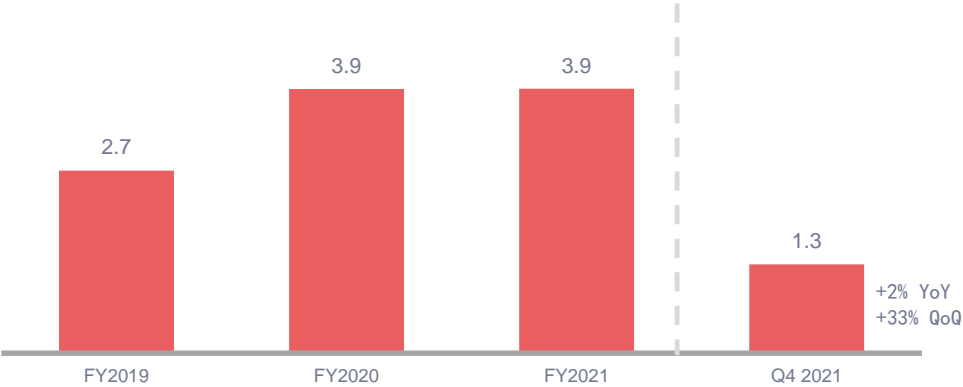
## Net Income attributable to shareholders (GAAP)

USD billion



## Operating Cash Flow

USD billion



## Value Returned to Shareholders

US\$	FY2018	FY2019	FY2020	FY2021	Q4 2021
Dividend per ADS (declared)	\$0.354	\$1.378	\$0.784	\$1.170	\$0.405
Total Dividends (declared)	\$229.1 m	\$887.6 m	\$518.3 m	\$778.3 m	\$265.8 m
Share Buyback (mn)	\$1,178.5 m	\$0.2 m	\$1,624.9 m	\$1,973.8 m	\$482.7 m

Note:  
1 US\$1.00 = RMB6.3726 on December 30, 2021. Same exchange rate is applied to all years for illustrative purpose  
2 Total Dividends (declared) equals to Dividend per ADS (declared) multiplied by each quarter's corresponding Weighted average number of ADS outstanding, basic

# BALANCE SHEET SUMMARY

	2020	2021	
in millions	Dec 31, RMB	Dec 31, RMB (Unaudited)	Dec 31, USD (Unaudited)
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	9,117	14,498	2,275
Time deposits	71,079	70,755	11,103
Other current assets	27,635	27,867	4,373
Total current assets	107,831	113,120	17,751
Property, equipment and software, net	4,550	5,434	853
Other non-current assets	29,494	35,090	5,506
Total assets	141,875	153,644	24,110
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS &amp; SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Deferred revenue	10,399	12,133	1,904
Other current liabilities	36,344	38,368	6,021
Total current liabilities	46,743	50,501	7,925
Total liabilities	48,081	54,220	8,508
Redeemable noncontrolling interests	10,796	145	23
Total shareholders' equity	82,998	99,279	15,579
Total liabilities, redeemable noncontrolling interests and shareholders' equity	141,875	153,644	24,110



# INCOME STATEMENT SUMMARY

	4Q20	3Q21	4Q21	4Q21	QoQ	YoY
in millions except per ADS data & percentage data	RMB	RMB	RMB	USD	Change	Change
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Total net revenues:</b>	19,762	22,191	24,374	3,825	9.8%	23.3%
<i>Online game services</i>	13,400	15,899	17,398	2,730	9.4%	29.8%
<i>Youdao</i>	1,107	1,387	1,334	209	-3.8%	20.5%
<i>Cloud Music</i>	1,525	1,925	1,889	296	-1.9%	23.9%
<i>Innovative businesses and others</i>	3,730	2,980	3,753	590	25.9%	0.6%
<b>Gross profit</b>	9,928	11,811	12,918	2,027	9.4%	30.1%
<b>Gross profit margin</b>	50.2%	53.2%	53.0%	53.0%		
<b>Operating profit</b>	3,012	3,775	4,608	723	22.1%	53.0%
<b>Operating profit margin</b>	15.2%	17.0%	18.9%	18.9%		
<b>Net income attributable to the Company's shareholders</b>	976	3,182	5,694	894	78.9%	483.4%
<b>Diluted net income per ADS</b>	¥1.43	¥4.73	¥8.57	\$1.34	81.2%	499.3%

Note:  
All percentages are calculated based on numbers in millions except per ADS data

# THANK YOU

網易 NETEASE