



NetEase

3Q21 Investor Presentation

Investor Relations
November 16, 2021

SAFE HARBOR STATEMENT

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; potential changes in government regulations, or changes in the interpretation and implementation of government regulations, that could adversely affect the industries and geographical markets in which NetEase and its subsidiaries operate, including, among others, recently announced government initiatives to enhance supervision of overseas-listed, China-based companies and increase scrutiny of data security and cross-border data flow, as well as recent guidelines restricting certain activities in China’s education market; 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; 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.



NetEase, Inc.

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 online education, music streaming and a private label e-commerce platform.

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 majority-owned education business, Youdao, has been listed on NYSE since October 2019 (NYSE: DAO).

As of September 30, 2021, NetEase had over 32,000 employees.

MARKET SNAPSHOT

In USD

\$74.6
billion

Market Cap
(11/15/21)

3.4
billion

Shares Outstanding,
Diluted (3Q21)

\$0.74

Basic net income per ADS
(GAAP) (3Q21)

\$3.4
billion

Net Revenues
(3Q21)

\$494
million

Net income attributable to the
Company's shareholders (GAAP)
(3Q21)

\$15.3
billion

Cash, time deposits
and short-term investment
(9/30/21)

Note:

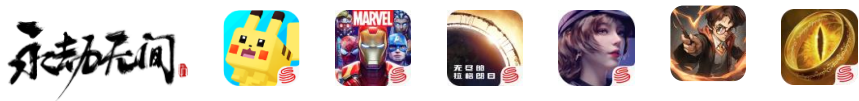
1 Market Cap is calculated using the closing price on NASDAQ; Our market cap is HK\$608.4 billion (\$ 74.6 billion) based on the closing price on the Hong Kong Stock Exchange.

3Q21 BUSINESS HIGHLIGHTS

1 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



- A record quarter for online games with revenue of US\$2.5 billion
- *Naraka: Bladepoint* broke the sales record of 6 million copies, and led the Steam top-sellers chart following its global launch in August
- *Harry Potter: Magic Awakened* led China's iOS top grossing chart and top download chart after its launch in September
- Launched *The Lord of the Rings: Rise to War* in Europe, in the Americas, Oceania, and Southeast Asia
- Rolled out exciting new titles in China such as *Ace Racer*, *Infinite Lagrange* and *Nightmare Breaker*
- Enriched dynamic game development pipeline with exciting advancements to upcoming games including *The Showbiz: Dream Chaser*, the console version of *Naraka: Bladepoint*, *Diablo® Immortal™*, as well as *Ghost World Chronicle*, and *Harry Potter: Magic Awakened* in international markets

2 Online Education

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 excellent progress with our four pillars of future growth: STEAM courses, adult learning, smart devices and education digitization solutions
- Announced its plan to dispose of its after-school tutoring services for academic subjects included in China's compulsory education system on September 30

3 Innovative Businesses and Others

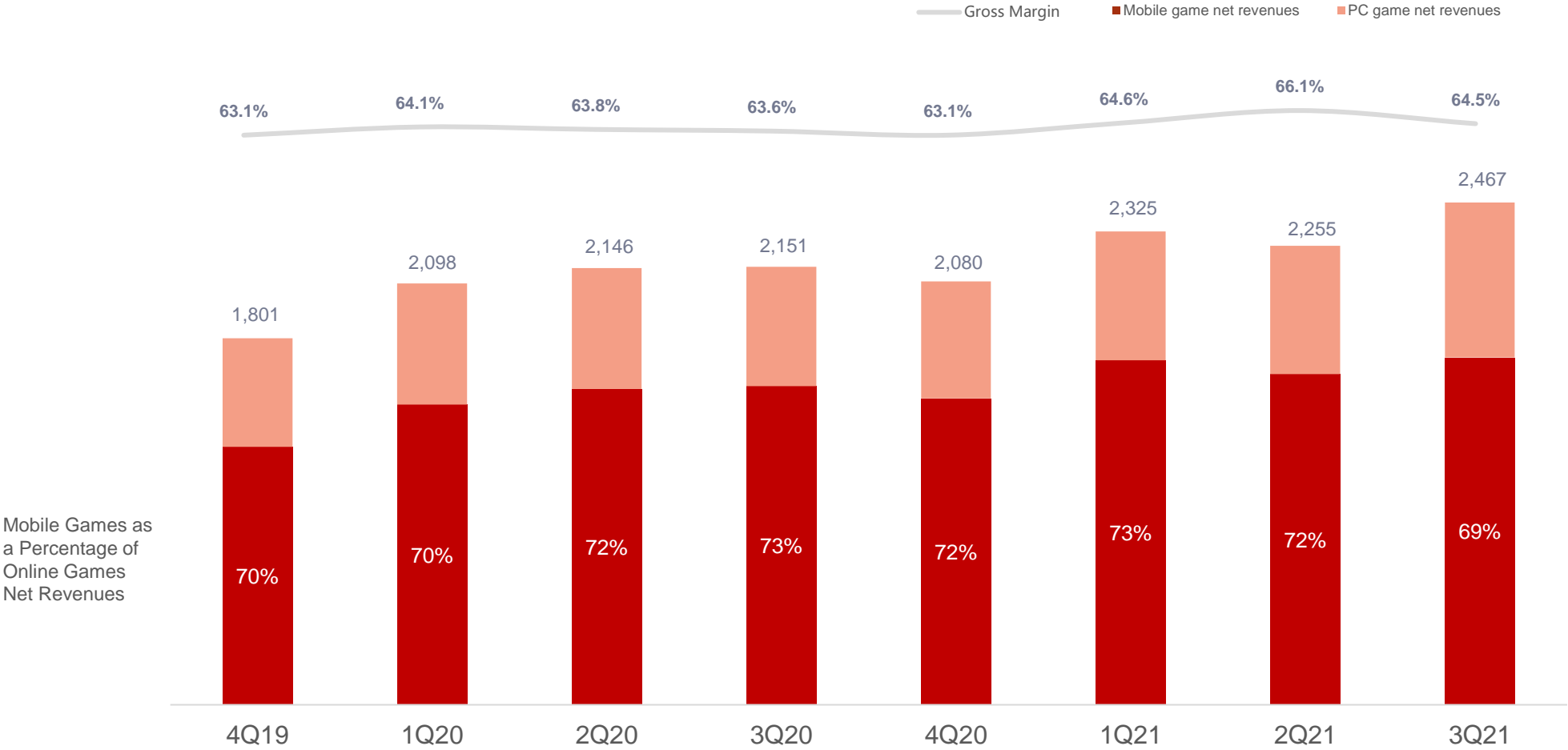


- **NetEase Cloud Music** continued strong top-line growth, and achieved positive gross margin for the second consecutive quarter; maintained solid growth momentum of membership paying ratio
- **Yanxuan** continued to build its brand awareness by regularly launching highly popular products via diversified channels

ONLINE GAME SERVICES

USD million

Online Game Services Net Revenues and Gross Margin



Note:
1 US\$1.00 = RMB6.4434 on September 30, 2021. Same exchange rate is applied to all years for illustrative purpose

ONLINE GAME SERVICES

PC GAMES

Flagship Self-Developed PC titles

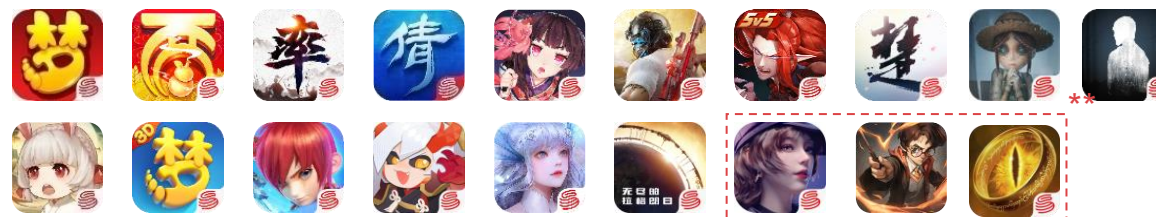


Flagship Licensed PC titles



MOBILE GAMES

Self-Developed Mobile Games



Licensed Mobile Games From Overseas Developers



Launching Mobile Games in Overseas Markets

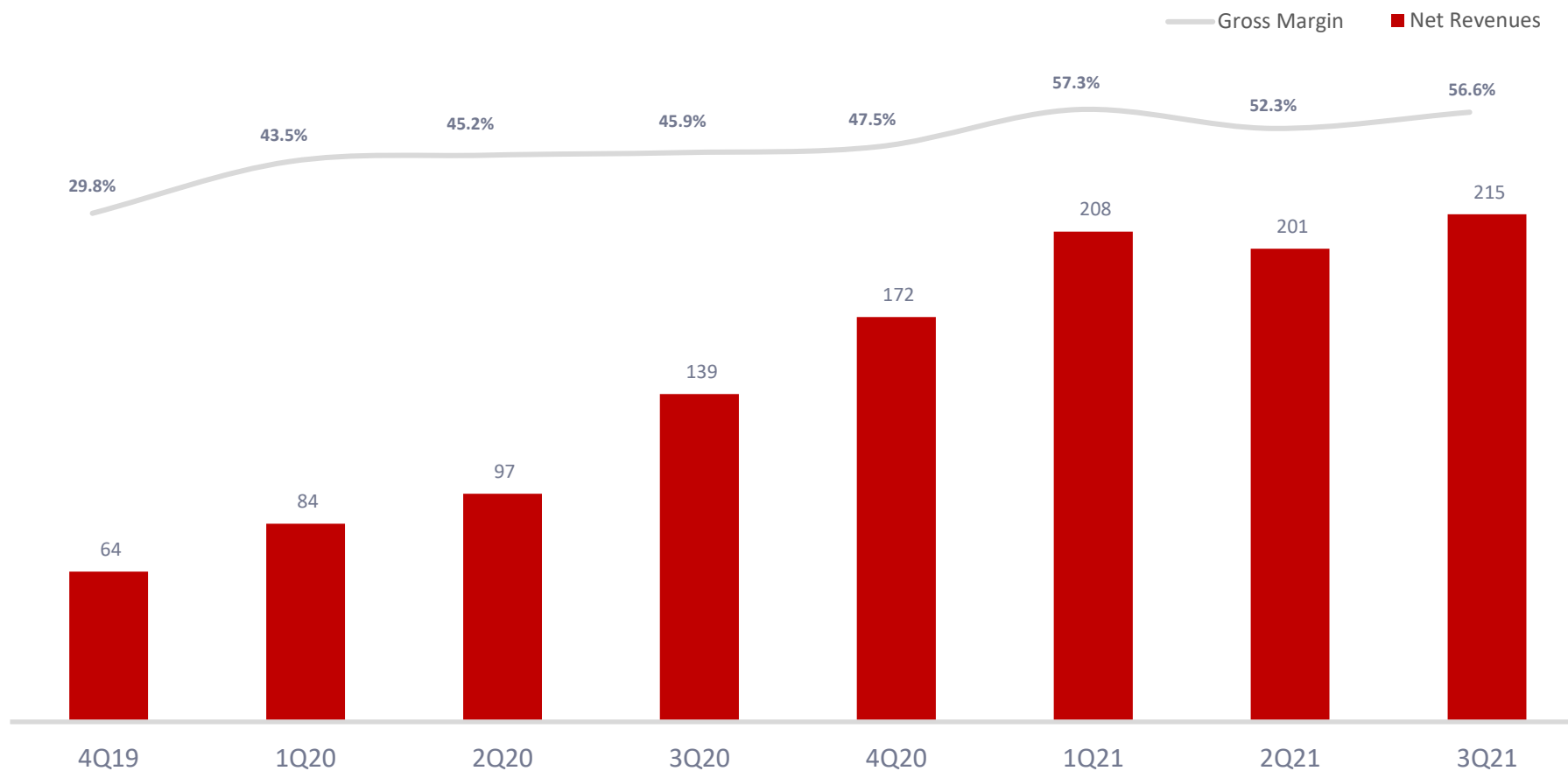


* PC games such as *Naraka: Bladepoint*, and mobile games such as *Infinite Lagrange*, *Ace Racer*, *Nightmare Breaker*, *Harry Potter: Magic Awakened* and *The Lord of the Rings: Rise to War* were launched in 3Q21

ONLINE EDUCATION

USD million

Youdao Net Revenues and Gross Margin

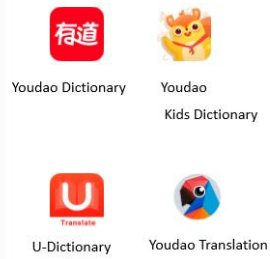


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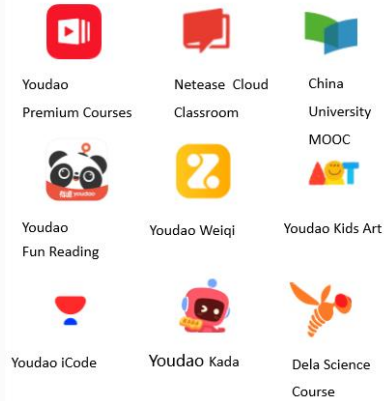
1 US\$1.00 = RMB6.4434 on September 30, 2021. Same exchange rate is applied to all years for illustrative purpose

ONLINE EDUCATION HIGHLIGHTS

Learning Products



Online Courses



Smart Learning Devices



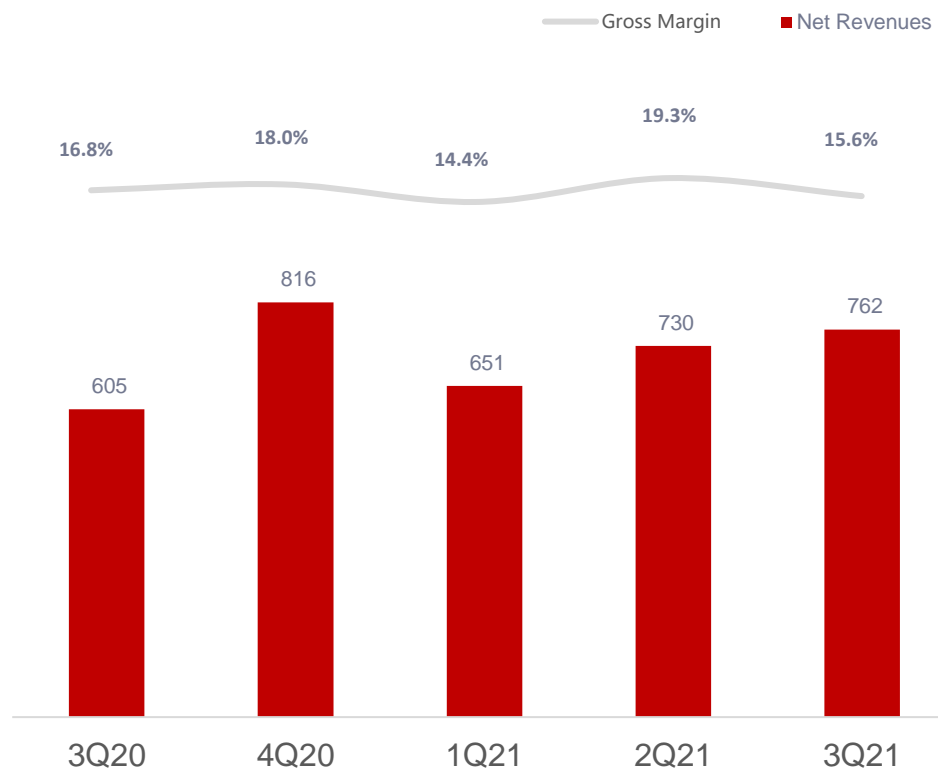
Progressed Youdao's capabilities as an education technology provider, with steady advancements in STEAM courses, adult learning and smart learning hardware devices

- Continued to upgrade the current AI system of Youdao Go (有道围棋) to give our students a more efficient platform for practices
- Recently announced a collaboration with Amazon Web Services to bring its free digital training courses to Chinese users on NetEase Cloud Classroom
- Net revenues of leaning devices reached around US\$40 million, increasing 56% year-over-year, and enriched the product offerings by launching the PEEAP (人教社) version dictionary pen and Youdao Listening Pod

INNOVATIVE BUSINESSES AND OTHERS

USD million

Innovative Businesses and Others Net Revenues and Gross Margin



NetEase Cloud
Music



NetEase Media



NetEase Yanxuan



NetEase E-mail

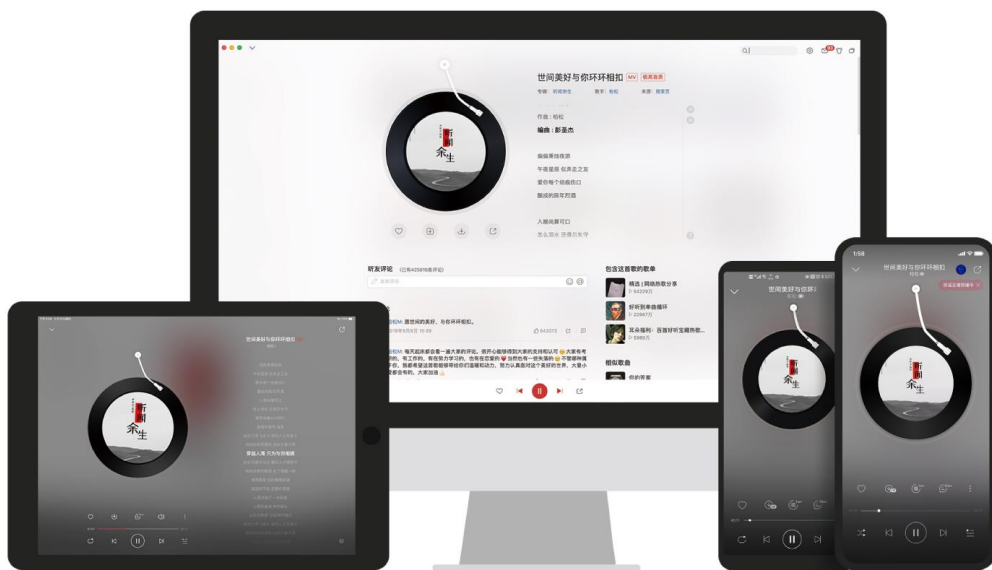


NetEase CC

Note:

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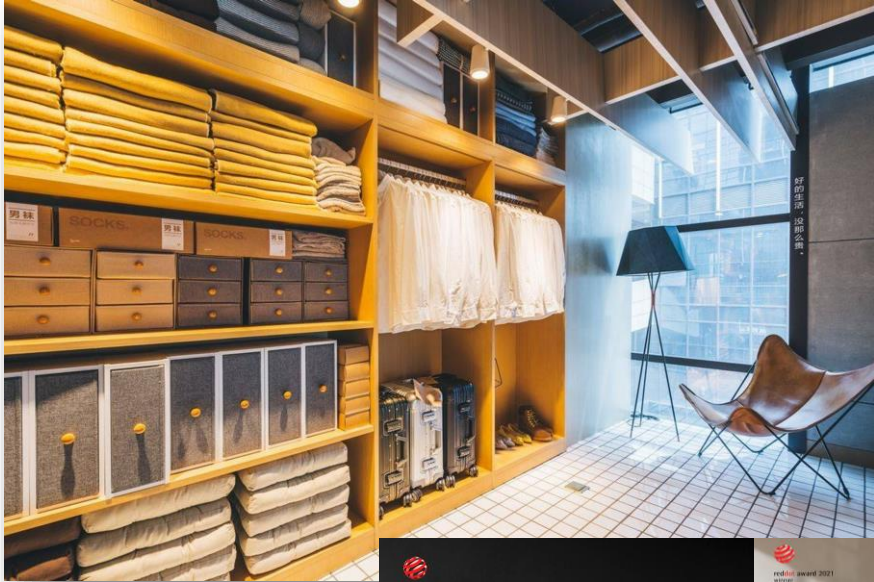
INNOVATIVE BUSINESSES AND OTHERS



NetEase Cloud Music

- Continued strong top-line growth, and achieved positive margin for the second consecutive quarter
- Upgraded our main Cloud Music homepage in August, adding new community features such as “Music Gift Box (音乐罐子)” function
- Completed a direct agreement with Warner Music Group, and added several new copyrights recently, including Modern Sky (摩登天空) and Emperor Entertainment Group (英皇娱乐)

INNOVATIVE BUSINESSES AND OTHERS



NetEase Yanxuan

- Successively launched numerous original design series across categories including clothing, dining and kitchen, home furnishing, and personal hygiene and maternity
- Won two prestigious Red Dot Awards for our “Dear John Bedding Design” and “Yanxuan Dunhuang Museum Tea Packaging Design” for our excellent design and creative style
- During the Double 11 promotion, we recorded over RMB100 million GMV through Taobao and Tmall channels, and on JD (京东), we were also the number one brand for daily goods and products

INNOVATIVE BUSINESSES AND OTHERS

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

Live Streaming



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

E-mail Services

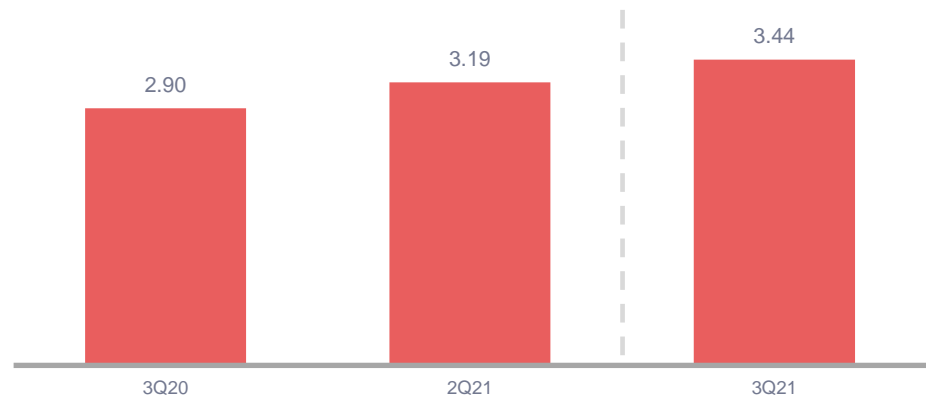


- China's leading e-mail service provider since 1997
- Around 531 million annual active users as of September 30, 2021

FINANCIAL HIGHLIGHTS

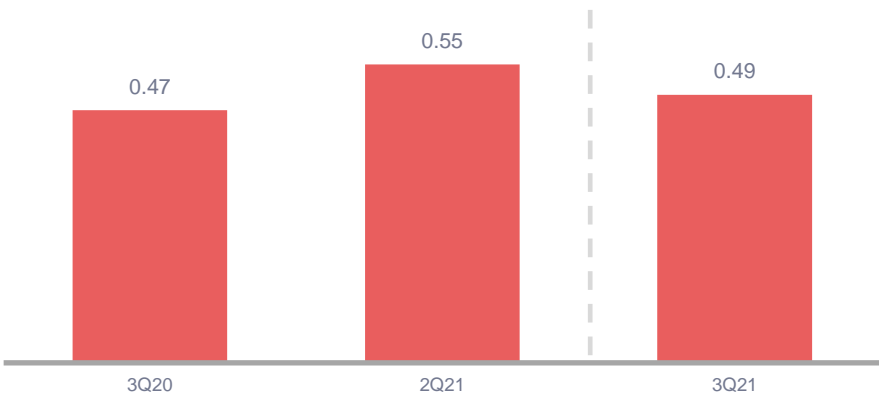
Net Revenues

USD billion



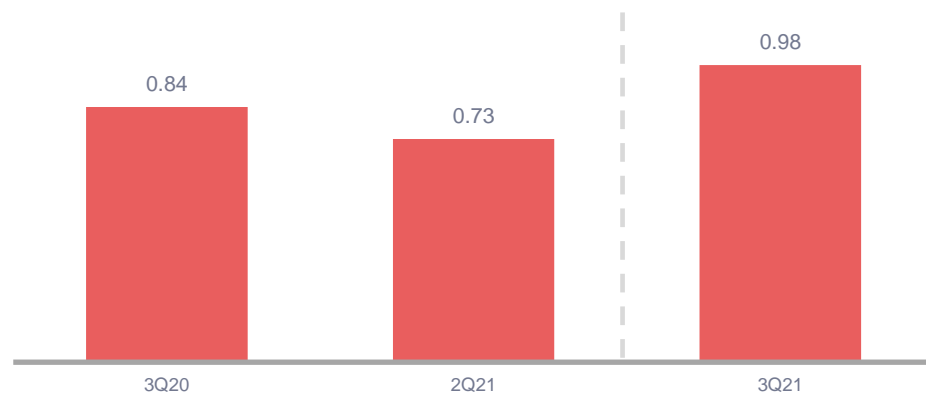
Net Income attributable to shareholders (GAAP)

USD billion



Operating Cash Flow

USD billion



Value Returned to Shareholders

US\$	2020FY	3Q20	4Q20	1Q21	2Q21	3Q21
Dividend per ADS	\$0.784	\$0.195	\$0.060	\$0.300	\$0.240	\$0.225
Dividend paid (during the period)	\$624 m	\$203 m	\$132 m	\$40 m	\$198 m	\$160 m
Share Buyback (during the period)	\$1,625 m	\$355 m	\$514 m	\$330 m	\$359 m	\$802 m

BALANCE SHEET SUMMARY

	2020	2021	
in millions	Dec 31, RMB	September 30, RMB (Unaudited)	September 30, USD (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	9,117	22,267	3,456
Time deposits	71,079	59,412	9,221
Other current assets	27,635	27,265	4,231
Total current assets	107,831	108,944	16,908
Property, equipment and software, net	4,555	4,957	769
Other non-current assets	29,489	33,887	5,259
Total assets	141,875	147,788	22,936
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS & SHAREHOLDERS' EQUITY			
Current liabilities:			
Deferred revenue	10,945	13,571	2,106
Other current liabilities	35,798	35,437	5,500
Total current liabilities	46,743	49,008	7,606
Total liabilities	48,081	51,338	7,968
Redeemable noncontrolling interests	10,796	11,345	1,760
Total shareholders' equity	82,998	85,105	13,208
Total liabilities, redeemable noncontrolling interests and shareholders' equity	141,875	147,788	22,936

INCOME STATEMENT SUMMARY

	3Q20	2Q21	3Q21	3Q21	QoQ	YoY
in millions except per ADS data & percentage data	RMB	RMB	RMB	USD	Change	Change
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Total net revenues:	18,658	20,525	22,191	3,444	8.1%	18.9%
<i>Online game services</i>	13,862	14,528	15,899	2,467	9.4%	14.7%
<i>Youdao</i>	896	1,293	1,387	215	7.3%	54.8%
<i>Innovative businesses and others</i>	3,900	4,704	4,905	762	4.3%	25.8%
Gross profit	9,886	11,190	11,811	1,833	5.5%	19.5%
Gross profit margin	53.0%	54.5%	53.2%	53.2%		
Operating profit	2,870	3,758	3,775	586	0.5%	31.5%
Operating profit margin	15.4%	18.3%	17.0%	17.0%		
Net income attributable to the Company's shareholders	2,998	3,542	3,182	494	-10.2%	6.1%
Diluted net income per ADS	¥4.37	¥5.23	¥4.73	\$0.73	-9.6%	8.2%

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

THANK YOU

網易 NETEASE