

NetEase

3Q22 Investor Presentation

Investor Relations
Nov 17, 2022

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; 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.



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 and longest running mobile and PC games. Powered by industry-leading in-house R&D capabilities in China and globally, NetEase creates superior gaming experiences, inspires players, and passionately delivers value for its thriving community worldwide. By infusing play with culture and education with technology, NetEase transforms gaming into a meaningful vehicle to build a more entertaining and enlightened world.

Beyond games, NetEase service offerings include its majority-controlled subsidiaries *Youdao* (NYSE: DAO), China's leading technology-focused intelligent learning company, and *Cloud Music* (HKEX: 9899), China's leading online music content community, as well as *Yanxuan*, NetEase's private label consumer lifestyle brand.

NetEase's ESG initiatives are among the best in the global media and entertainment industry, earning it a distinction as one of the S&P Global Industry Movers and an "A" rating from MSCI. For more information, please visit: <http://ir.netease.com/>.

MARKET SNAPSHOT

In USD

\$46.8
billion

Market Cap¹
(11/16/22)

3.3
billion

Shares Outstanding,
Diluted (3Q22)

\$1.44

Basic net income per ADS
(GAAP) (3Q22)

\$3.4
billion

Net revenues
(3Q22)

\$942
million

Net income attributable to the
Company's shareholders (GAAP)
(3Q22)

\$13.3
billion

Cash position²
(9/30/22)

A

MSCI ESG Rating³

Note:

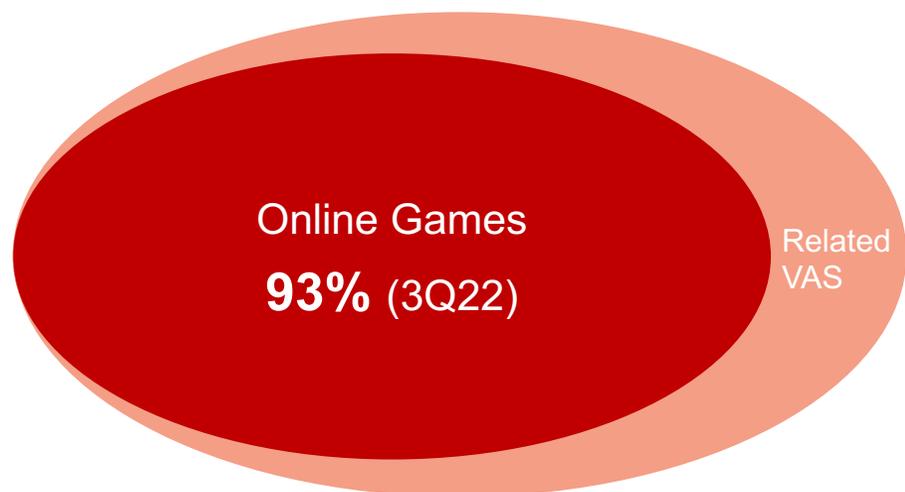
¹ Market Cap is calculated using the closing price on NASDAQ; Our market cap is HK\$373.7 billion (\$47.8 billion) based on the closing price on the Hong Kong Stock Exchange

² Cash position refers to total cash and cash equivalents, current and non-current time deposits and restricted cash, as well as short-term investments balance, minus the outstanding balance of short-term and long-term loans

³ The result is based on the latest update in November 2021

GAMES AND RELATED VALUE-ADDED SERVICES

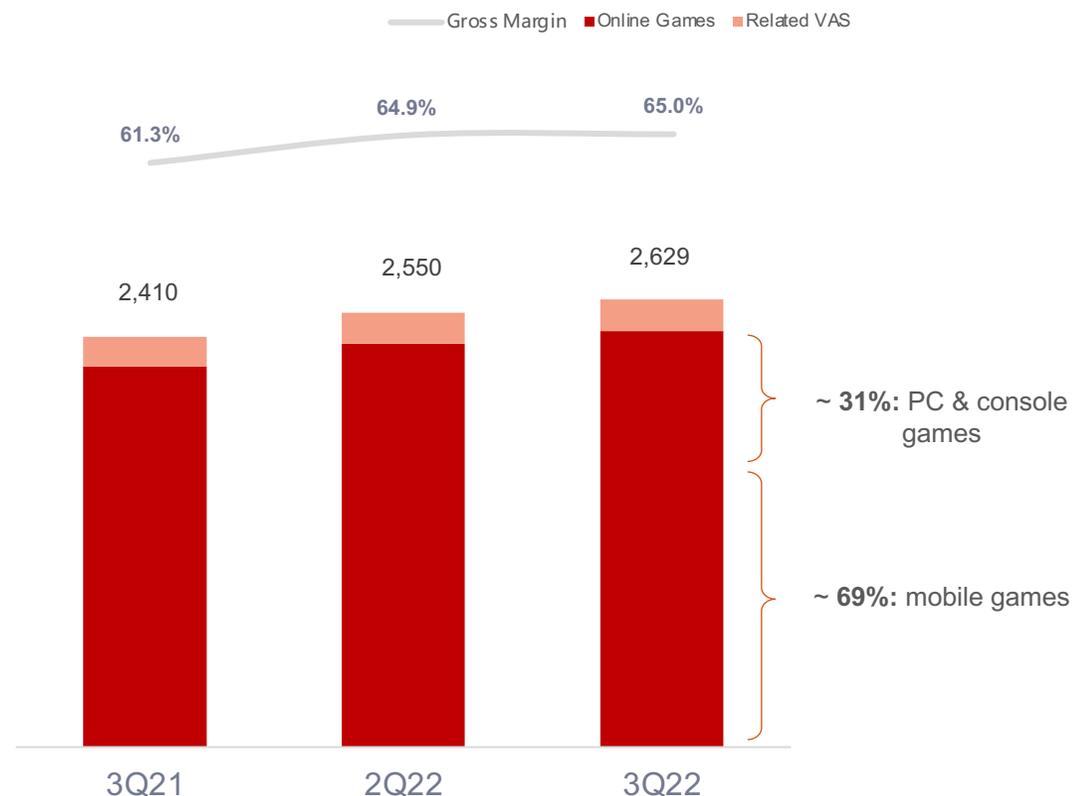
USD million¹



Definition of this segment has been changed to include related value-added services, such as NetEase CC Live streaming service, game-related merchandise and others, since 2Q 2022.



Games and Related Value-added Services Net Revenues and Gross Margin



Note:

¹ US\$1.00 = RMB7.1135 on September 30, 2022. Same exchange rate is applied to all years for illustrative purpose

ONLINE GAMES

PC & CONSOLE GAMES

Flagship Self-Developed Titles



Flagship Licensed Titles



MOBILE GAMES

Self-Developed Mobile Games



Licensed Mobile Games From Overseas Developers



Launching Mobile Games in Overseas Markets

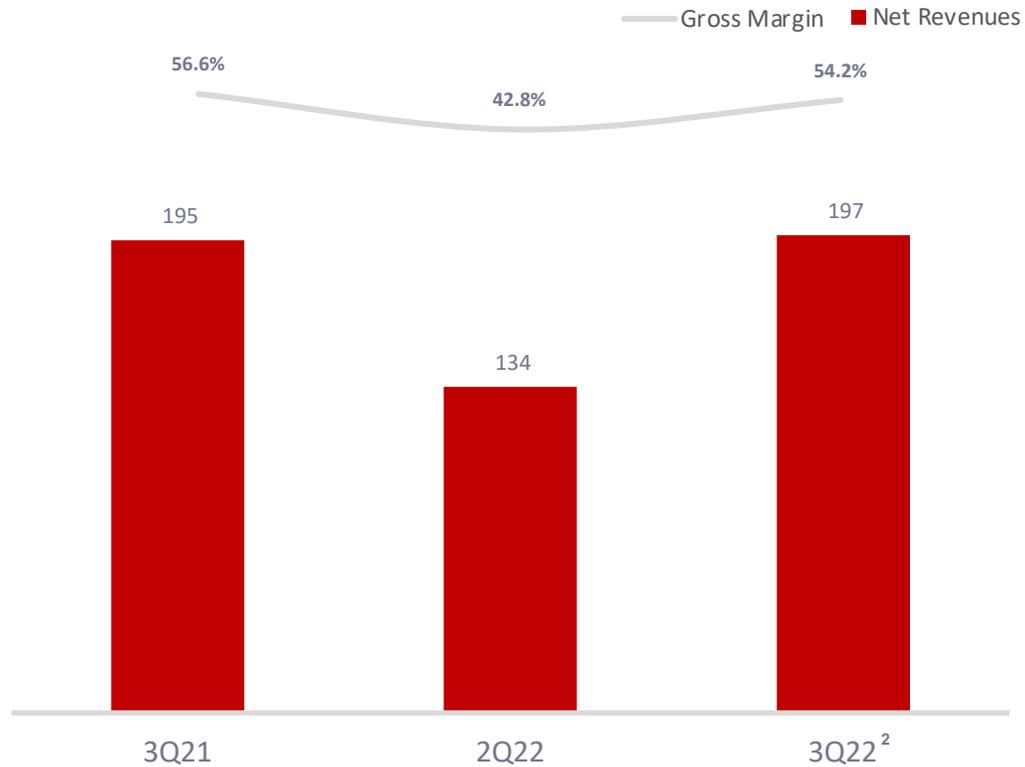


- Extended the longevity of leading franchise titles including *Fantasy Westward Journey* and *Westward Journey Online series*, and other hit titles including *Identity V* and *Infinite Lagrange*
- *Naraka: Bladepoint*: delivered exciting anniversary content updates in August, and the number of its active users hit a record high
- *Diablo® Immortal™*: debuted in Chinese mainland in July, and topped the iOS download chart and grossing charts shortly after its launch
- Announced the acquisition of **Quantic Dream** in August, becoming our first fully-owned studio in Europe, and the establishment of **GPTRACK50** in Japan recently
- Pipeline: *Naraka: Bladepoint* mobile, *Justice* mobile and *Ghost World Chronicle*, as well as *Harry Potter: Magic Awakened* in international markets

YOUDAO

USD million¹

Youdao Net Revenues and Gross Margin



Continued to improve total net revenues and reached a record high RMB1.4 billion led by increased sales of new services and smart devices.

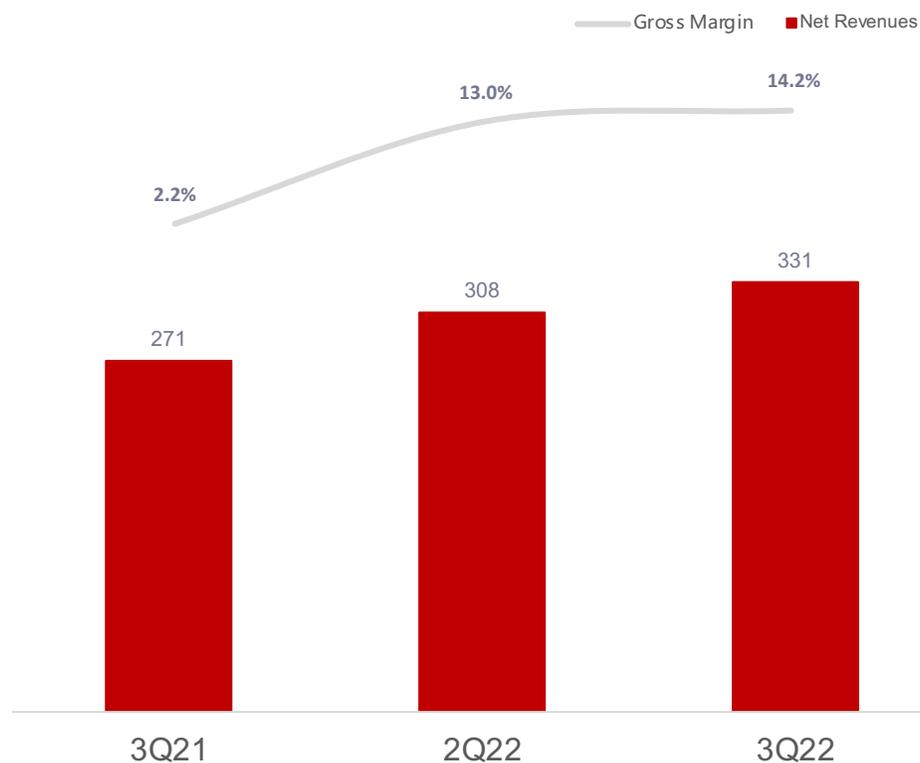
- Expanded Youdao's portfolio with more AI-empowered educational tools, such as:
 - ▣ Youdao Dictionary Pen X5, featuring a self-developed operating system that accommodates a variety of external applications
 - ▣ Youdao Smart Learning Pad X10 released in October
- Net revenues for our STEAM courses more than doubled year-over-year.

Note:
1 US\$1.00 = RMB7.1135 on September 30, 2022. Same exchange rate is applied to all years for illustrative purpose

CLOUD MUSIC

USD million¹

Cloud Music Net Revenues and Gross Margin



- Maintained strong top-line growth of 22% year-over-year despite a challenging macro environment
- Further expanded its gross margin for the fourth quarter in a row, reaching 14.2% in the third quarter
- Continued to nurture aspiring musicians, serving more than 570,000 independent artists as of today
- Continued to diversify our copyright library, including contents from Modern Sky, Emperor Entertainment Group, China Record Group, Feng Hua Qiu Shi, Yuehua Entertainment, Linfair Records, SM Entertainment, TF Entertainment, YG Entertainment and KAO!INC
- Rolled out innovative offerings such as “Star-rated Comment Section,” “Fans Space” and “Dolby Atmos” to further boost our community atmosphere, and to bring more immersive ways to listen to music

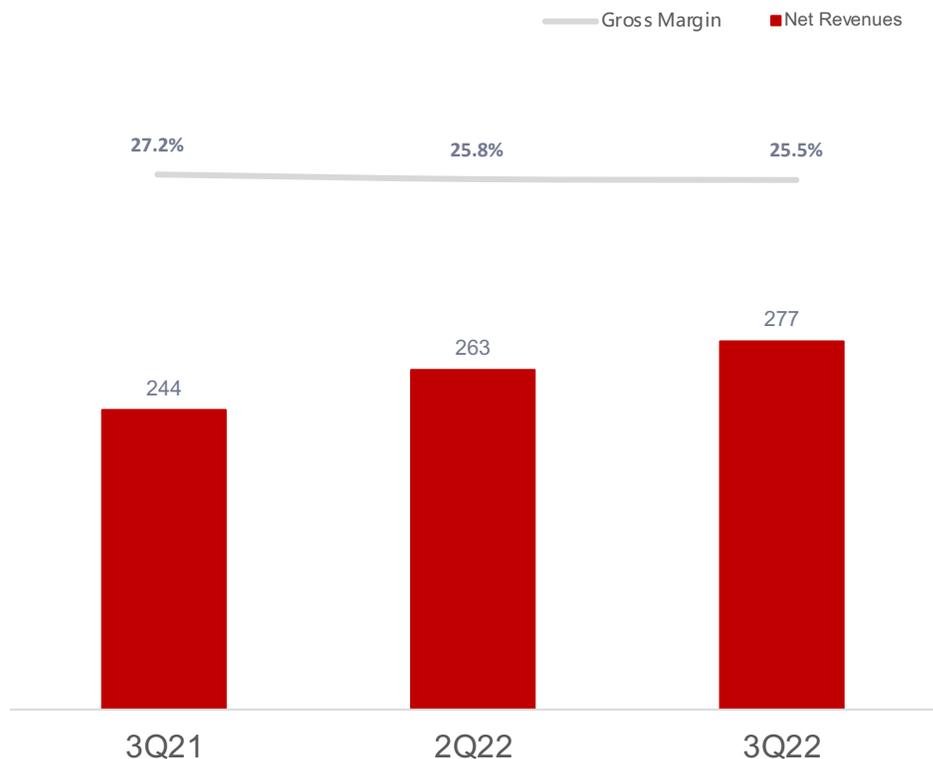
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INNOVATIVE BUSINESSES AND OTHERS

USD million¹

Innovative Businesses and Others Net Revenues and Gross Margin



NetEase Yanxuan

- Leading private label consumer lifestyle brand in China
- Continued to build its brand awareness by consistently creating highly popular products, and saw solid sales growth from external e-commerce channels in the third quarter



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

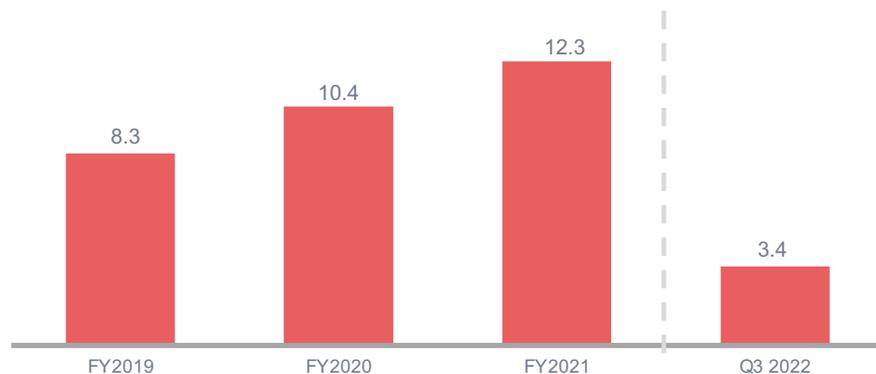
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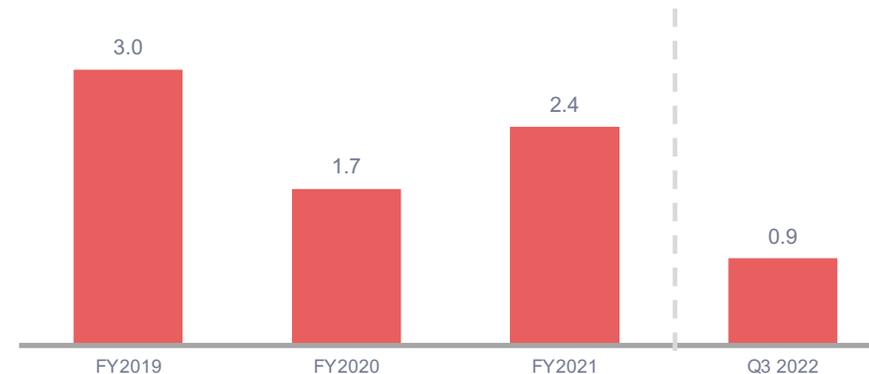
FINANCIAL HIGHLIGHTS

USD billion ¹

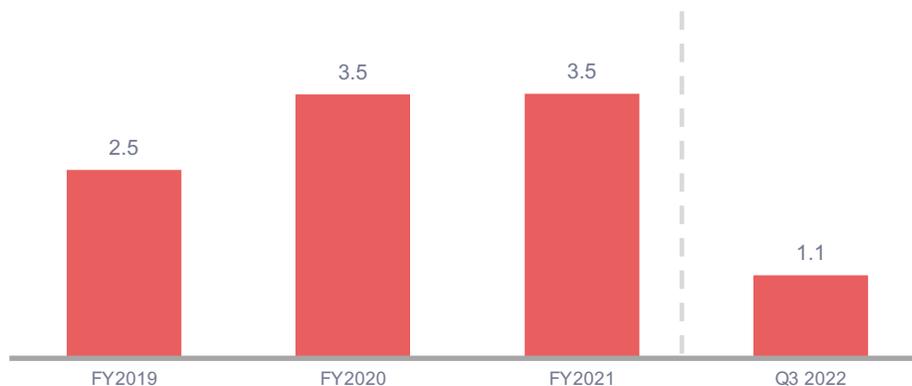
Net Revenues



Net Income Attributable to Shareholders (GAAP)



Operating Cash Flow



Value Returned to Shareholders

US\$	FY2019	FY2020	FY2021	Q3 2022
Dividend per ADS (declared)	\$1.378	\$0.784	\$1.170	\$0.435
Total Dividends (declared) ²	\$1,334 m	\$515 m	\$777 m	\$284 m
Share Buyback (mn)	\$0.2 m	\$1,625 m	\$1,974 m	\$297 m

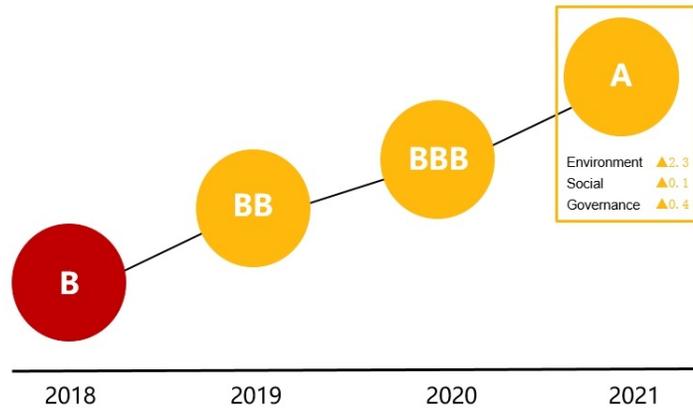
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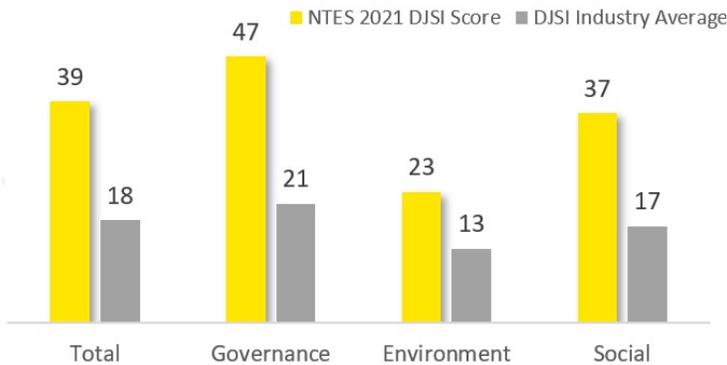
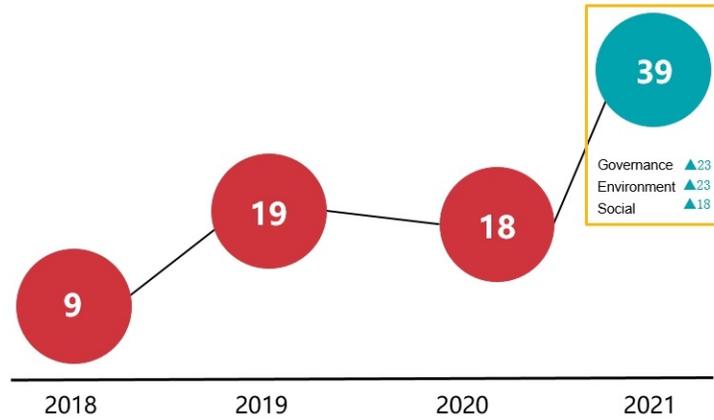
² Total Dividends (declared) equals to Dividend per ADS (declared) multiplied by each quarter's corresponding Weighted average number of ADS outstanding, basic

ESG PERFORMANCE

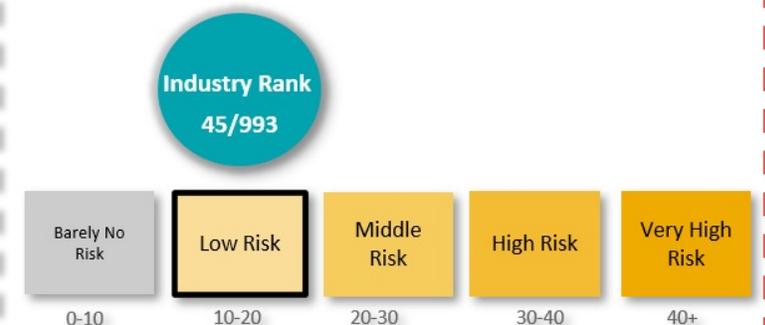
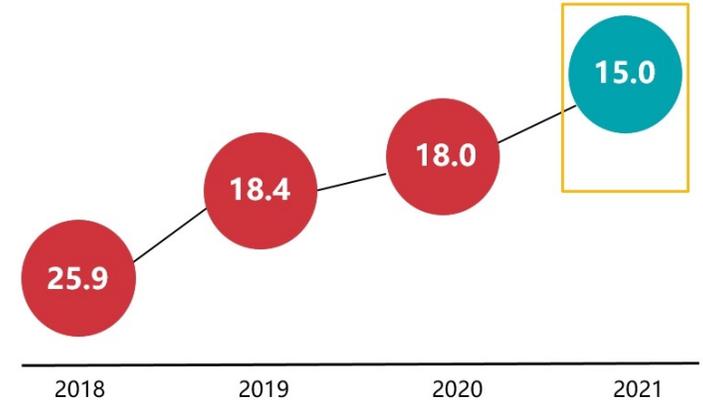
MSCI Ratings



DJSI (Dow Jones Sustainability Index) Ratings



Sustainalytics Ratings



BALANCE SHEET SUMMARY

	2021	2022	
in millions	Dec 31, RMB	Sep 30, RMB (Unaudited)	Sep 30, USD (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	14,498	17,999	2,530
Time deposits	70,755	89,302	12,554
Other current assets	27,867	24,291	3,415
Total current assets	113,120	131,592	18,499
Property, equipment and software, net	5,434	6,165	867
Other non-current assets	35,090	34,951	4,913
Total assets	153,644	172,708	24,279
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS & SHAREHOLDERS' EQUITY			
Current liabilities:			
Contract liabilities	12,133	13,902	1,954
Other current liabilities	38,368	43,127	6,063
Total current liabilities	50,501	57,029	8,017
Total liabilities	54,220	63,059	8,865
Redeemable noncontrolling interests	145	143	20
Total shareholders' equity	99,279	109,506	15,394
Total liabilities, redeemable noncontrolling interests and shareholders' equity	153,644	172,708	24,279

INCOME STATEMENT SUMMARY

	3Q21	2Q22	3Q22	3Q22	QoQ	YoY
in millions except per ADS data & percentage data	RMB	RMB	RMB	USD	Change	Change
		(Unaudited)	(Unaudited)	(Unaudited)		
Total net revenues:	22,191	23,159	24,427	3,434	5.5%	10.1%
<i>Games and related value-added services</i>	17,146	18,140	18,699	2,629	3.1%	9.1%
<i>Youdao</i>	1,387	956	1,402	197	46.7%	1.1%
<i>Cloud Music</i>	1,925	2,192	2,357	331	7.6%	22.5%
<i>Innovative businesses and others</i>	1,733	1,871	1,969	277	5.3%	13.6%
Gross profit	11,811	12,941	13,744	1,932	6.2%	16.4%
Gross profit margin	53.2%	55.9%	56.3%	56.3%		
Operating profit	3,775	4,946	4,742	667	-4.1%	25.6%
Operating profit margin	17.0%	21.4%	19.4%	19.4%		
Net income attributable to the Company's shareholders	3,182	5,291	6,699	942	26.6%	110.6%
Diluted net income per ADS	¥4.73	¥8.00	¥10.17	\$1.43	27.1%	115.0%

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

THANK YOU

網易 NETEASE