NetEase

2Q24 Investor Presentation

Investor Relations
August 22, 2024

網易 NetEase

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 expressions. 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 games market will not continue to grow or that NetEase will not be able to maintain its position in that market in China or globally; 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; 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; risks related to economic uncertainty and capital market disruption; risks related to the expansion of NetEase’s businesses and operations internationally; risks associated with cybersecurity threats or incidents; 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 applicable law.



NetEase, Inc.

NetEase, Inc. (NASDAQ: NTES and HKEX: 9999, "NetEase") is a leading internet and game services provider centered around premium content. With extensive offerings across its expanding gaming ecosystem, the Company develops and operates some of the most popular and longest running mobile and PC games available in China and globally.

Powered by one of the largest in-house game R&D teams focused on mobile, PC and console, 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), an intelligent learning company with industry-leading technology, and Cloud Music (HKEX: 9899), a well-known online music platform featuring a vibrant content community, as well as Yanxuan, NetEase's private label consumer lifestyle brand. For more information, please visit: http://ir.netease.com/.

MARKET SNAPSHOT

In USD

$59.7 billion

Market Cap [1] (08/21/24)

3.2 billion

Shares Outstanding, Diluted (2Q24)

$1.45

Basic Net Income per ADS (GAAP) (2Q24)

$3.5 billion

Net Revenues (2Q24)

$0.9 billion

Net income attributable to the Company's shareholders (GAAP) (2Q24)

$16.0 billion

Net cash [2] (06/30/24)

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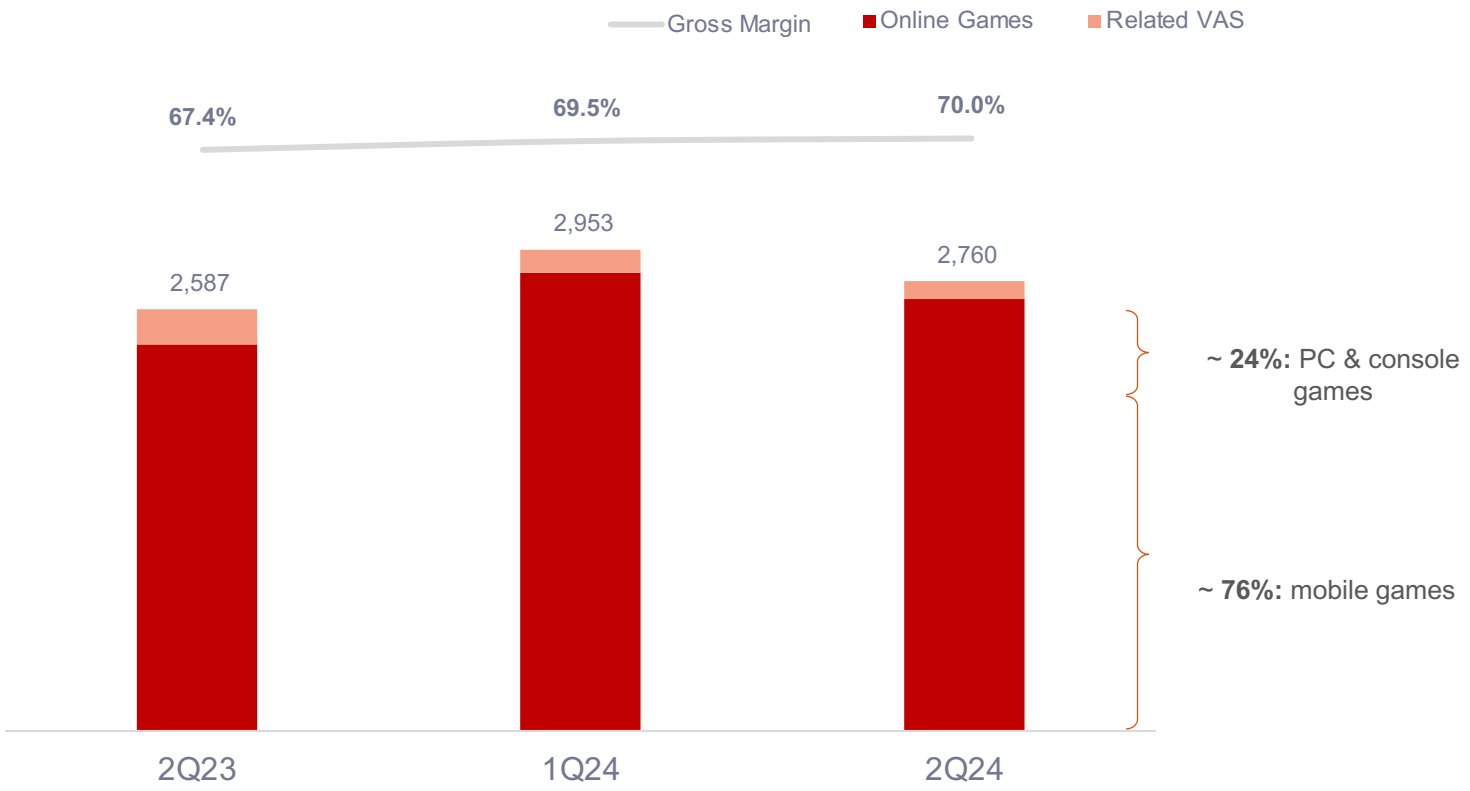
MSCI ESG Rating [3]

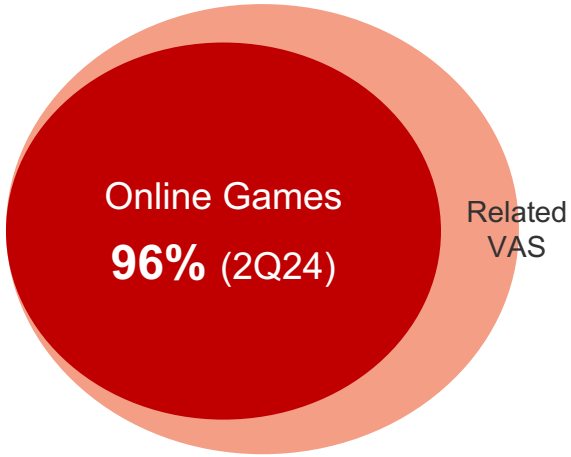
Notes:
1 Market Cap is calculated using the closing price on NASDAQ; Our market cap is HK$495.5 billion based on the closing price on the Hong Kong Stock Exchange
2 Net cash refers to total cash and cash equivalents, current and non-current time deposits and restricted cash, as well as short-term investments balance, minus short-term and long-term loans
3 The result is based on the latest update in October 2023

GAMES AND RELATED VALUE-ADDED SERVICES

USD million[1]

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





Note:
1 US$1.00 = RMB7.2672 on Jun 28, 2024. Same exchange rate is applied to all years for illustrative purposes

ONLINE GAMES

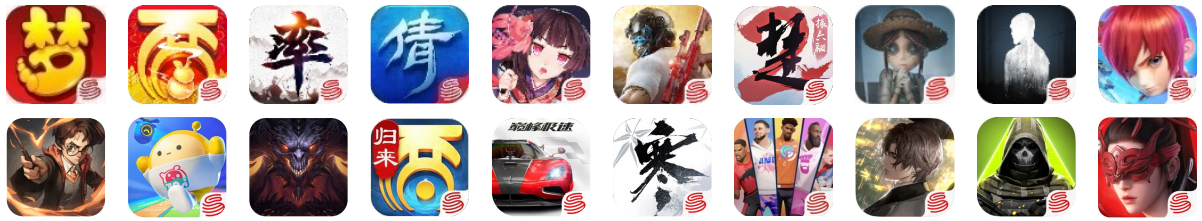
PC & CONSOLE GAMES

Flagship Self-Developed PC & Console Titles



MOBILE GAMES

Self-Developed Mobile Games



Mobile Games in Overseas Markets



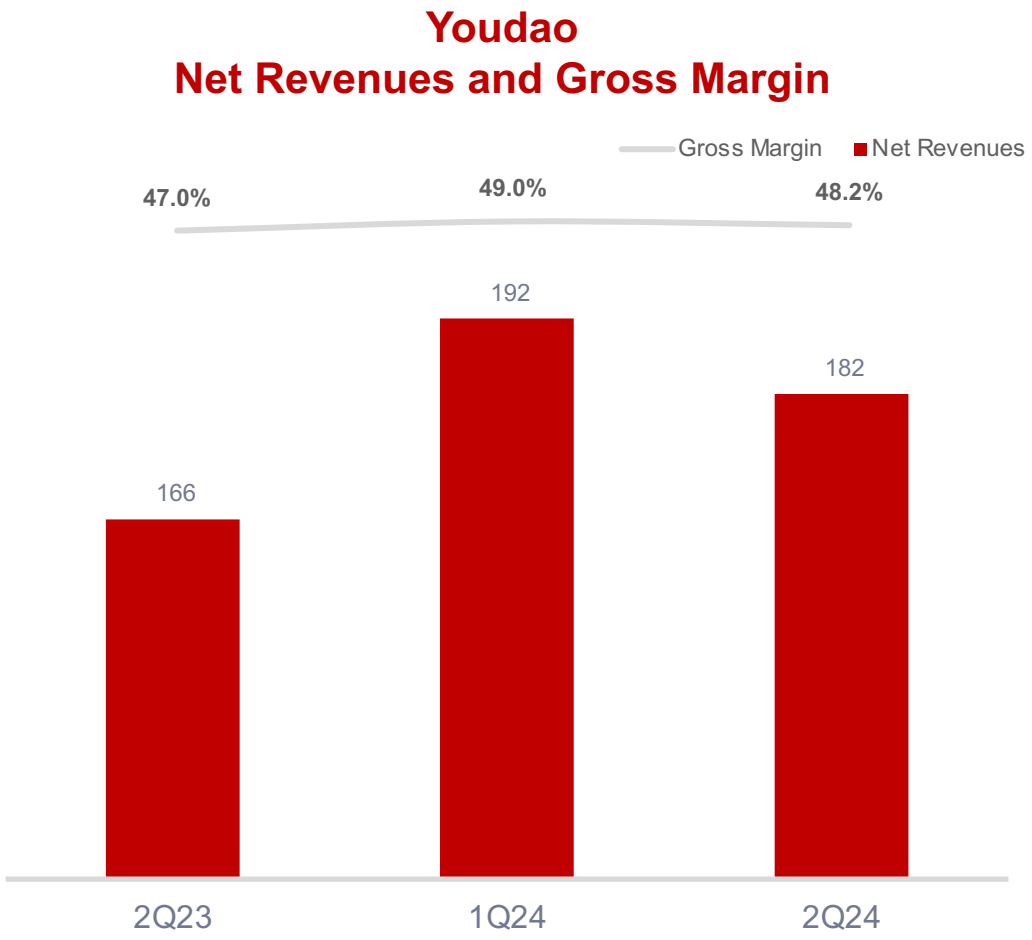
Licensed Mobile Games From Overseas Developers



- Launched popular new titles, further enhancing our appeal in diversified genres. ***Lost Light*** mobile game, a multiplayer tactical shooter game, topped the iOS download charts in China following its June launch. ***Once Human***, a multiplayer open-world survival game, attained over 230,000 peak concurrent users on Steam soon after its launch, ranking among the top 5 most-played games in the world. ***Naraka: Bladepoint*** mobile game hit the top 3 on iOS grossing charts soon after launch in China.
- Generated continued popularity of hit games, with ***Naraka: Bladepoint*** reaching record-high DAUs on its three-year anniversary, and ***Identity V*** continuing its strong performance, hitting record-high DAUs in July and August, consecutively.
- Brought highly anticipated NetEase titles to partners' world-leading gaming platforms. Unveiled plans to bring ***Where Winds Meet*** and ***Marvel Rivals*** to consoles at PlayStation State of Play. Announced ***FragPunk***, a 5v5 first-person hero shooter game, at the Xbox Games Showcase 2024, highlighting its innovative shooting experience. ***Eggy Party*** joined Nintendo Direct with upcoming plans for a worldwide release on Switch.
- Brought ***World of Warcraft*** back to China with players enthusiastically welcoming the unfolding return of Blizzard's game portfolio.

YOUDAO

USD million[1]

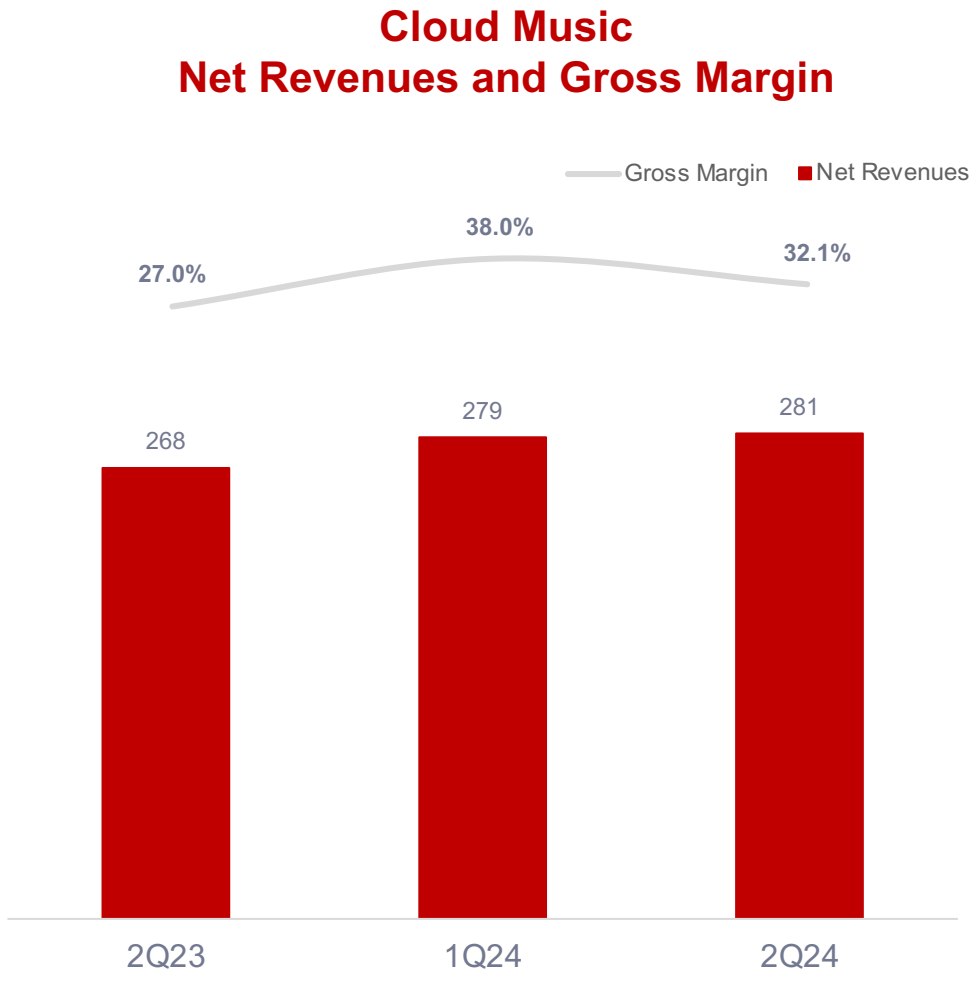


- Youdao achieved historic-high operating cash flow and significantly narrowed its operating loss.
- Digital content services achieved healthy revenue growth, fueled by AI-powered products.
- AI-driven subscription services have experienced six consecutive quarters of rapid sales expansion.
- Online marketing services continued to expand our user base across more industries, maintaining strong growth momentum in the second quarter.
- Smart devices continued to launch new products that received recognition from consumers.

Note:
1 US$1.00 = RMB7.2672 on June 28, 2024. Same exchange rate is applied to all years for illustrative purposes

CLOUD MUSIC

USD million[1]



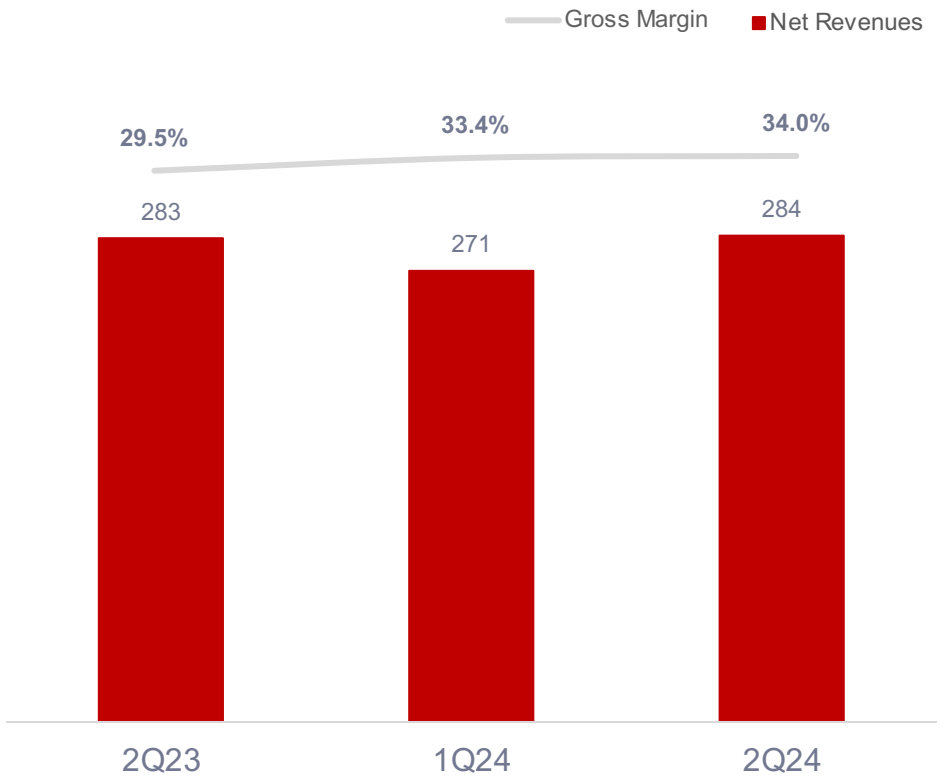
- Cloud Music continued to propel quality development across its music-centric ecosystem.
- Further nurtured our content ecosystem through cooperation with various music labels, supports for independent artists, and enhancements to our in-house music offering.
- Further invigorated our unique community with high-quality music experiences, and fostered connections and resonance within the community.

Note:
1 US$1.00 = RMB7.2672 on June 28, 2024. Same exchange rate is applied to all years for illustrative purposes

INNOVATIVE BUSINESSES AND OTHERS

USD million[1]

Innovative Businesses and Others Net Revenues and Gross Margin



NetEase Yanxuan

- Leading private-label consumer lifestyle brand in China
- Continued to strengthen its brand presence with highly popular products in focused categories
- Various product categories, such as pet products, household cleaning products and office furniture, achieved strong sales growth, securing leading positions in sales on several e-commerce platforms.

Wangyi Xinwen

- www.163.com portal and related mobile app, Wangyi Xinwen: deliver quality information such as news, sports events, technology, fashion trends and online entertainment to our users

E-mail Services

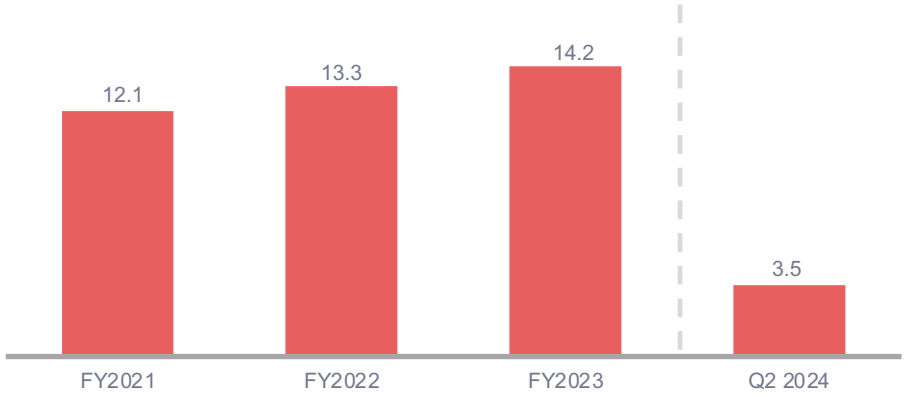
- China's leading e-mail service provider since 1997

Note:
1 US$1.00 = RMB7.2672 on June 28, 2024. Same exchange rate is applied to all years for illustrative purposes

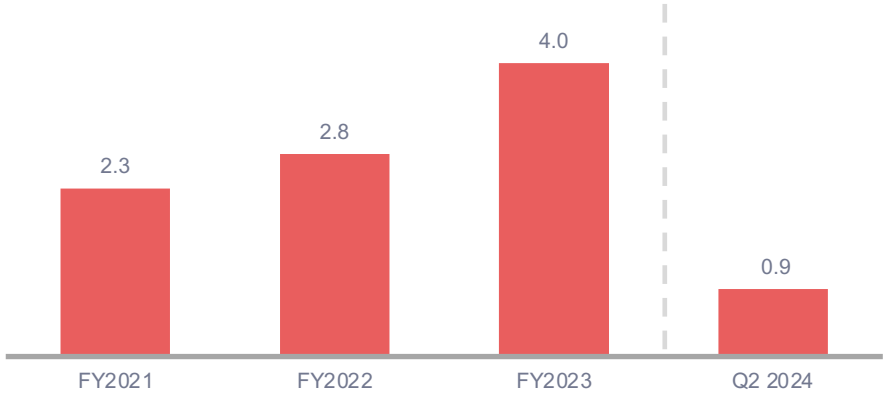
FINANCIAL HIGHLIGHTS

USD billion[1]

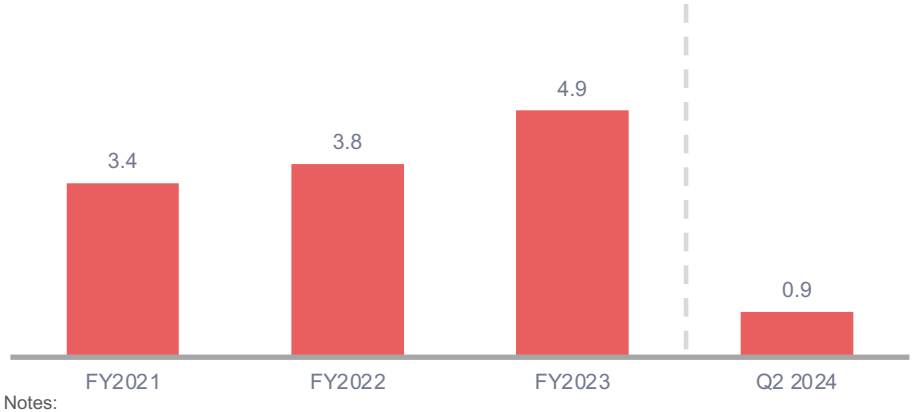
Net Revenues



Net Income Attributable to Shareholders (GAAP)



Operating Cash Flow



Value Returned to Shareholders

US$	FY2021	FY2022	FY2023	Q2 2024
Dividend per ADS (declared)	$1.17000	$1.38700	$2.56485	$0.43500
Total Dividends (declared) [2]	$777 m	$906 m	$1,649 m	$280 m
Share Buyback	$1,974 m	$1,187 m	$687 m	$274 m

Notes:
1 US$1.00 = RMB7.2672 on June 28, 2024. Same exchange rate is applied to all years for illustrative purposes
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

MSCI

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Last Updated: October 2023

NetEase is average among 68 companies in the Media & Entertainment industry

DJSI (Dow Jones Sustainability Index) Ratings

Dow Jones Sustainability Indexes

S&P Global

47

Last Updated: October 2023

NetEase has been selected as a member of the 2022 Dow Jones Sustainability World Index and Dow Jones Sustainability Emerging Markets Index for the first time

Sustainalytics Ratings

SUSTAINALYTICS

a Morningstar company

18.1

Last Updated: April 2023

NetEase is rated as a low-risk company

NetEase has been included in Sustainalytics' latest list of top ESG rated badges for 2023

BALANCE SHEET SUMMARY

in millions	2023 Dec 31, RMB	2024 Jun 30, RMB (Unaudited)	2024 Jun 30, USD (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	21,429	18,982	2,612
Time deposits	100,856	93,456	12,860
Other current assets	20,408	25,715	3,539
Total current assets	142,693	138,153	19,011
Property, equipment and software, net	8,075	8,092	1,114
Other non-current assets	35,157	37,098	5,104
Total assets	185,925	183,343	25,229
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS & SHAREHOLDERS' EQUITY			
Current liabilities:			
Contract liabilities	13,362	13,616	1,874
Other current liabilities	40,480	32,312	4,446
Total current liabilities	53,842	45,928	6,320
Total liabilities	57,841	48,997	6,742
Redeemable noncontrolling interests	116	119	16
Total equity	127,968	134,226	18,470
Total liabilities, redeemable noncontrolling interests and shareholders' equity	185,925	183,343	25,229

INCOME STATEMENT SUMMARY

in millions except per ADS data & percentage data	2Q23 RMB	1Q24 RMB	2Q24 RMB (Unaudited)	2Q24 USD (Unaudited)	QoQ Change	YoY Change
Total net revenues:	24,011	26,852	25,486	3,507	-5.1%	6.1%
Games and related value-added services	18,799	21,460	20,056	2,760	-6.5%	6.7%
Youdao	1,207	1,392	1,322	182	-5.0%	9.5%
Cloud Music	1,949	2,030	2,041	281	0.5%	4.7%
Innovative businesses and others	2,056	1,970	2,067	284	4.9%	0.5%
Gross profit	14,375	17,016	16,042	2,207	-5.7%	11.6%
Gross profit margin	59.9%	63.4%	62.9%	62.9%		
Operating profit	6,063	7,622	6,993	962	-8.3%	15.3%
Operating profit margin	25.2%	28.4%	27.4%	27.4%		
Net income attributable to the Company's shareholders	8,243	7,634	6,759	930	-11.5%	-18.0%
Diluted net income per ADS	¥12.69	¥11.75	¥10.42	$1.43	-11.3%	-17.9%

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

THANK YOU

網易 NETEASE