



# NetDragon Websoft Holdings Limited

Stock Code: 777 HK

2020 Annual Results Presentation

March 26, 2021

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# Opening Remarks

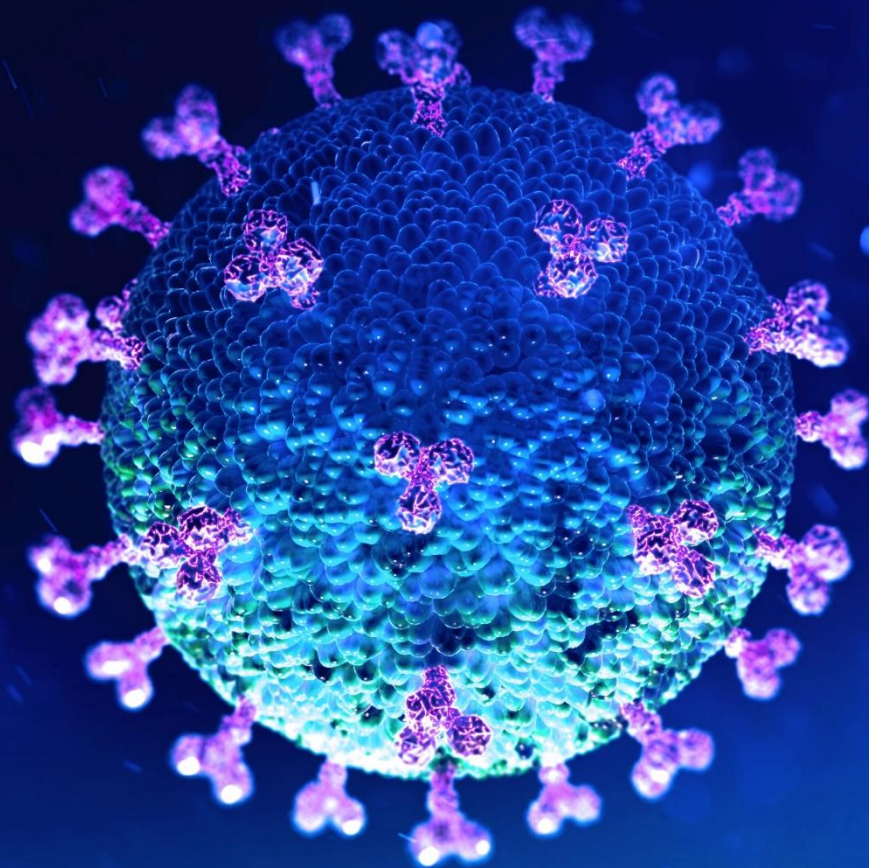
Dr. Simon Leung

Group Vice Chairman

# Agenda

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Topic	Speaker
2020 Highlights	Dr. Simon Leung, Group Vice Chairman
Promethean	Vin Riera, Promethean CEO
Gaming	Lin Chen, Group Senior VP
2020 Financials	Ben Yam, Group CFO
Country Rollout	Dr. Simon Leung, Group Vice Chairman
2021 Outlook	Dr. Simon Leung, Group Vice Chairman
Q&A	



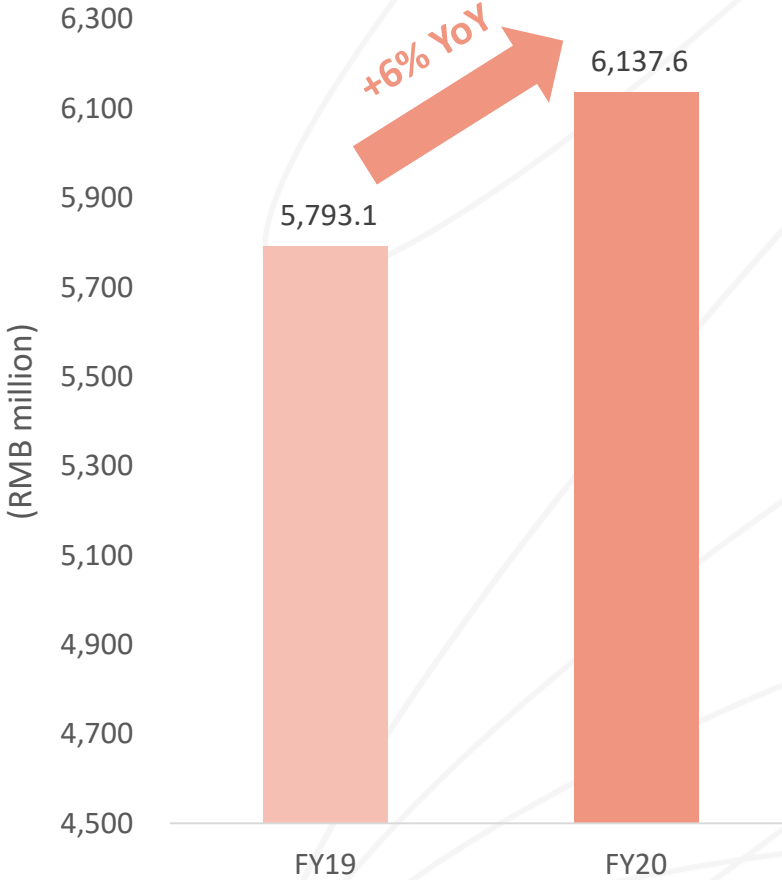
2020

Challenges &  
Opportunities

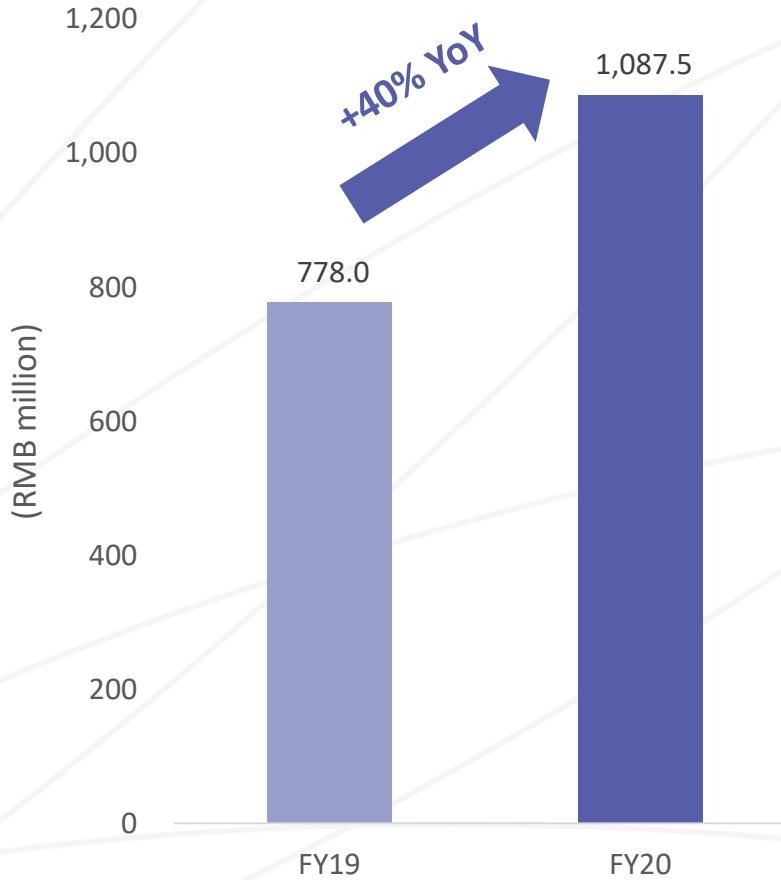
# Operating Profit Rose 40% to Record High of RMB 1.1B



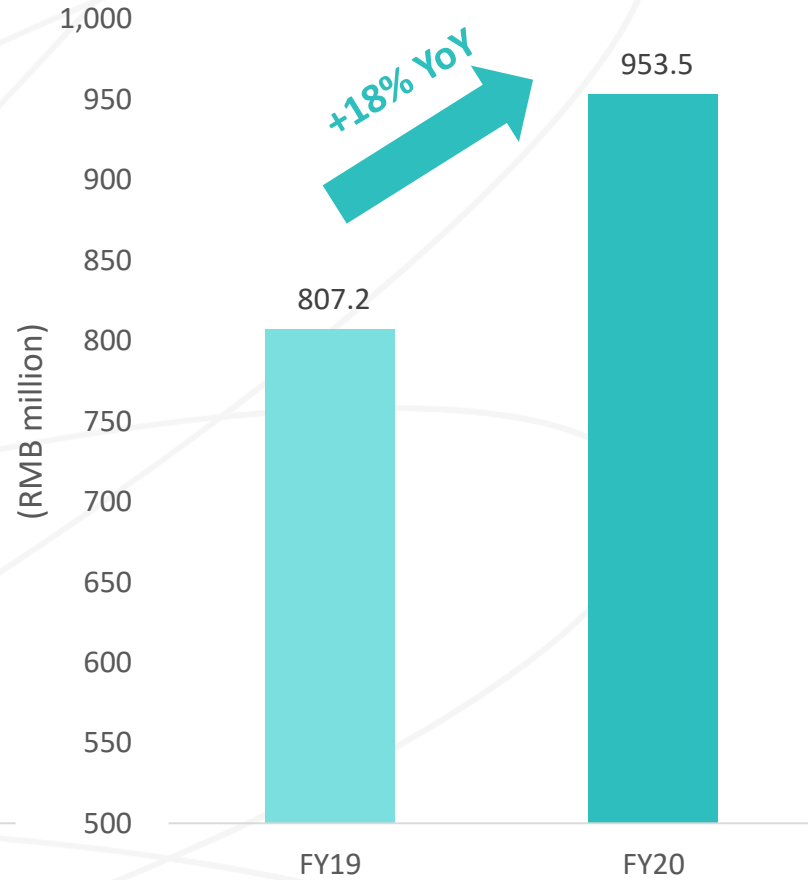
### Revenue: RMB 6.1 billion



### Operating Profit: RMB 1.1 billion



### Net Profit: RMB 954 million



# 2020 Highlights



NetDragon

- **Record performance in both revenue and earnings despite Covid-19**
- **Solid balance sheet with strong cash position (RMB 4.0B net cash, vs. RMB 1.9B in 2019)**
- **Gaming grew continuously for 10 consecutive years**
- **Market embraces our Blended Learning vision**
- **Started country roll-out with Egypt (5 year MOU signed)**

# Blended Learning



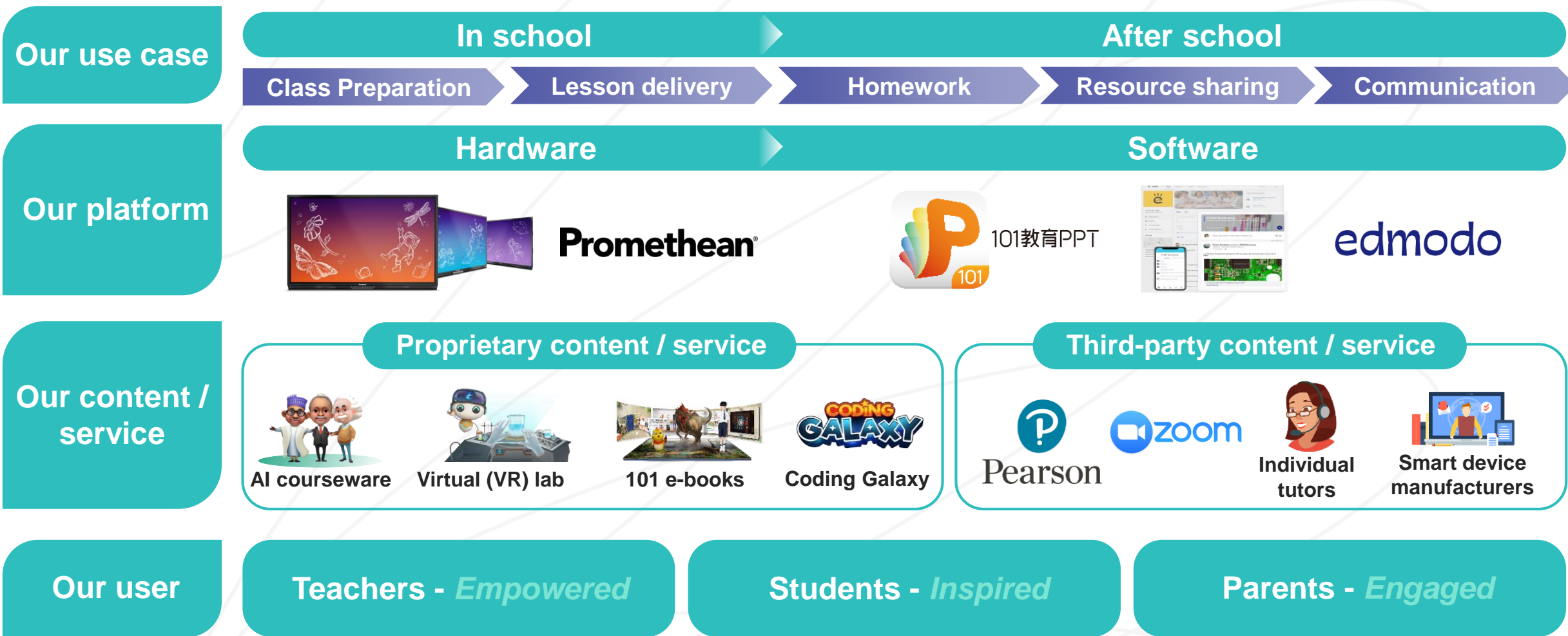


# Leader in one-stop blended learning solutions



NetDragon

The breadth and depth of our offerings make us the partner of choice for education authorities





# Promethean

Vin Riera  
Promethean CEO

# The Market Leader in 2020 with 24.6% Market Share

Promethean®



2020 VOLUME GROWTH RATE (YOY)

**16.4%**

MARKET SHARE

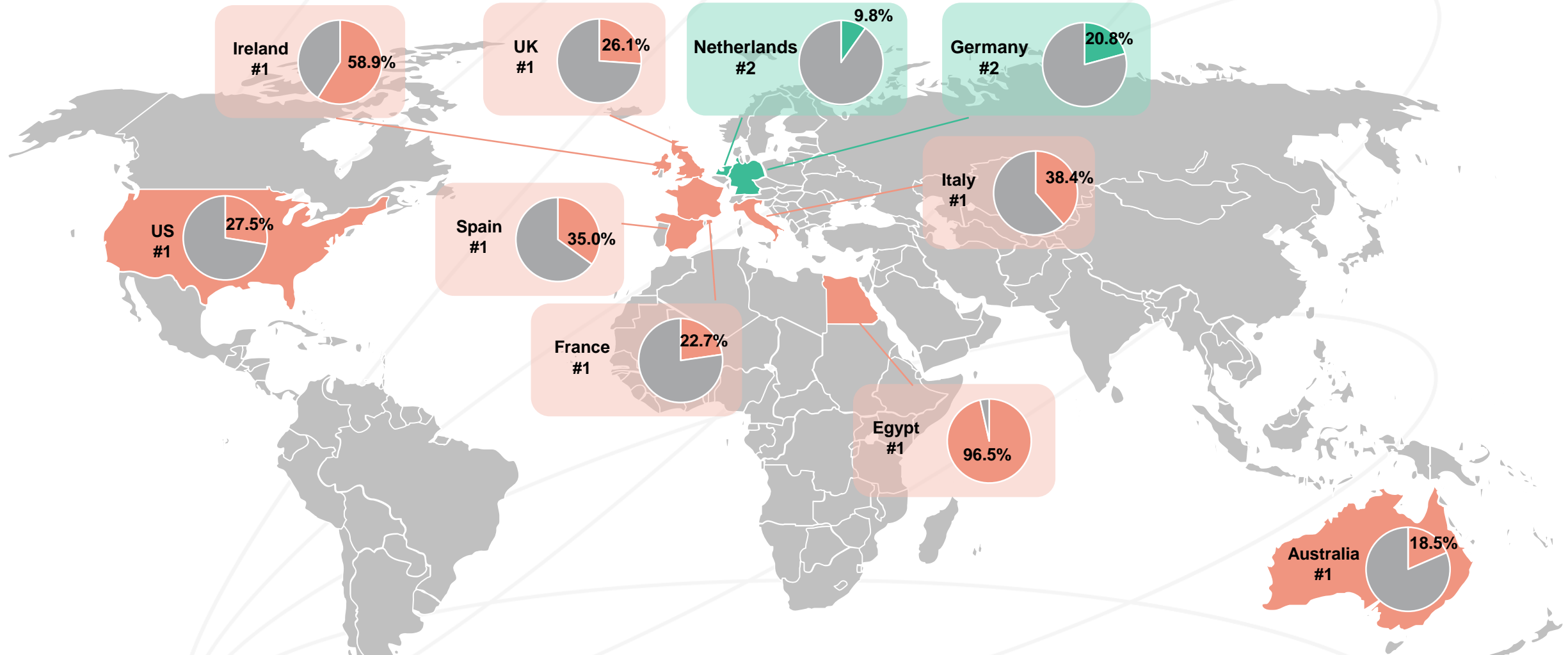
**#1**

Note 1: Above data referring to volume growth of interactive flat panel (representing over 90% of Promethean's revenue in 2020)

Note 2: Market share in terms of K12 interactive flat panels shipment volume in international markets, ie. global market excluding China (Source: Futuresource report, 2020 Qtr4)

# We are #1 in 8 of our Top 10 Markets by Revenue Contribution

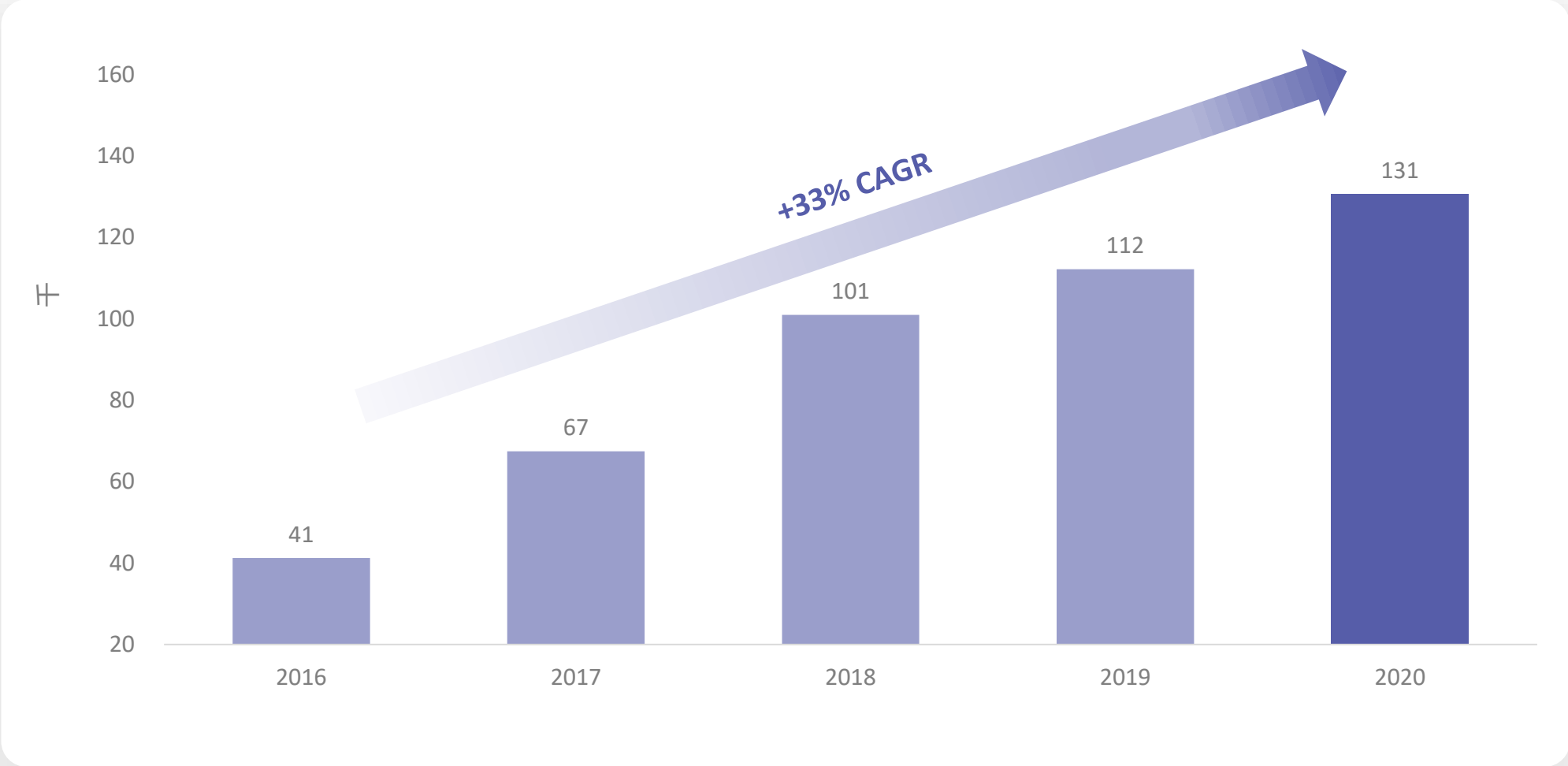
Promethean®



Note: Market share in terms of K12, excl. China, interactive flat panels shipment volume (Source: Futuresource report, 2020 Qtr4)

# Track Record of Consistent Shipment Volume Growth

Promethean®



Note: Above data referring to volume growth of Interactive Flat Panel (representing over 90% of Promethean's revenue in 2020)

# Strong Revenue Momentum

Promethean®



2020 REVENUE GROWTH RATE (YOY)

**5.6%**





2H 2020 REVENUE GROWTH RATE (HOH)

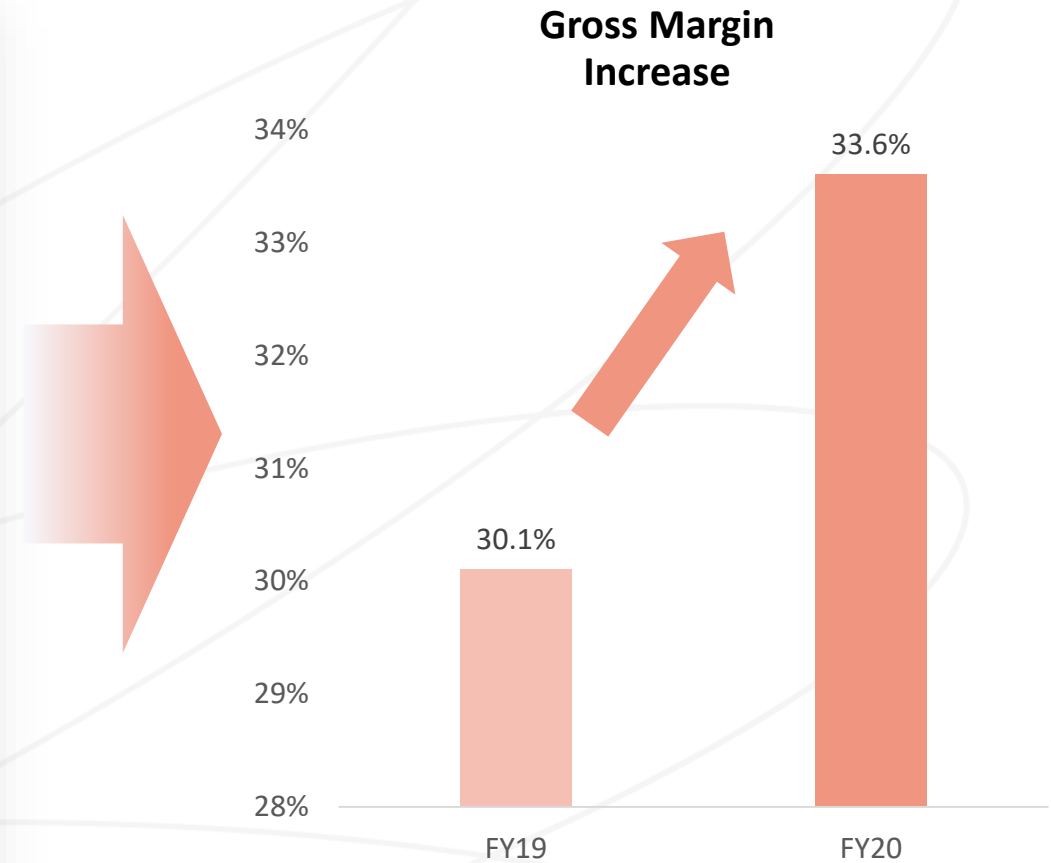
**8.0%**

# Continuing to Execute with Operational Excellence

Promethean®



		% of Revenue		
		2019	2020	
	<b>Materials</b>	<b>54.3%</b>	<b>53.5%</b>	↓
	<b>Freight</b>	<b>4.7%</b>	<b>4.2%</b>	↓
	<b>Warranty</b>	<b>2.2%</b>	<b>1.6%</b>	↓
	<b>Warehousing</b>	<b>1.4 %</b>	<b>1.1%</b>	↓



# With Deep Global Channel Network Built over 20+ Years

Promethean®



**DISTRIBUTORS + RESELLERS**  
WORLDWIDE

**1,000+**

**NEW RESELLERS**  
IN 2020

**100**

**COUNTRIES COVERED**  
WORLDWIDE

**105**



*OUR PRODUCT VALUE PROPOSITION PUTS US IN A  
UNIQUE POSITION TO CAPITALIZE ON*

# Blended Learning Model

Brand  
**Equity**

Product  
**Value**

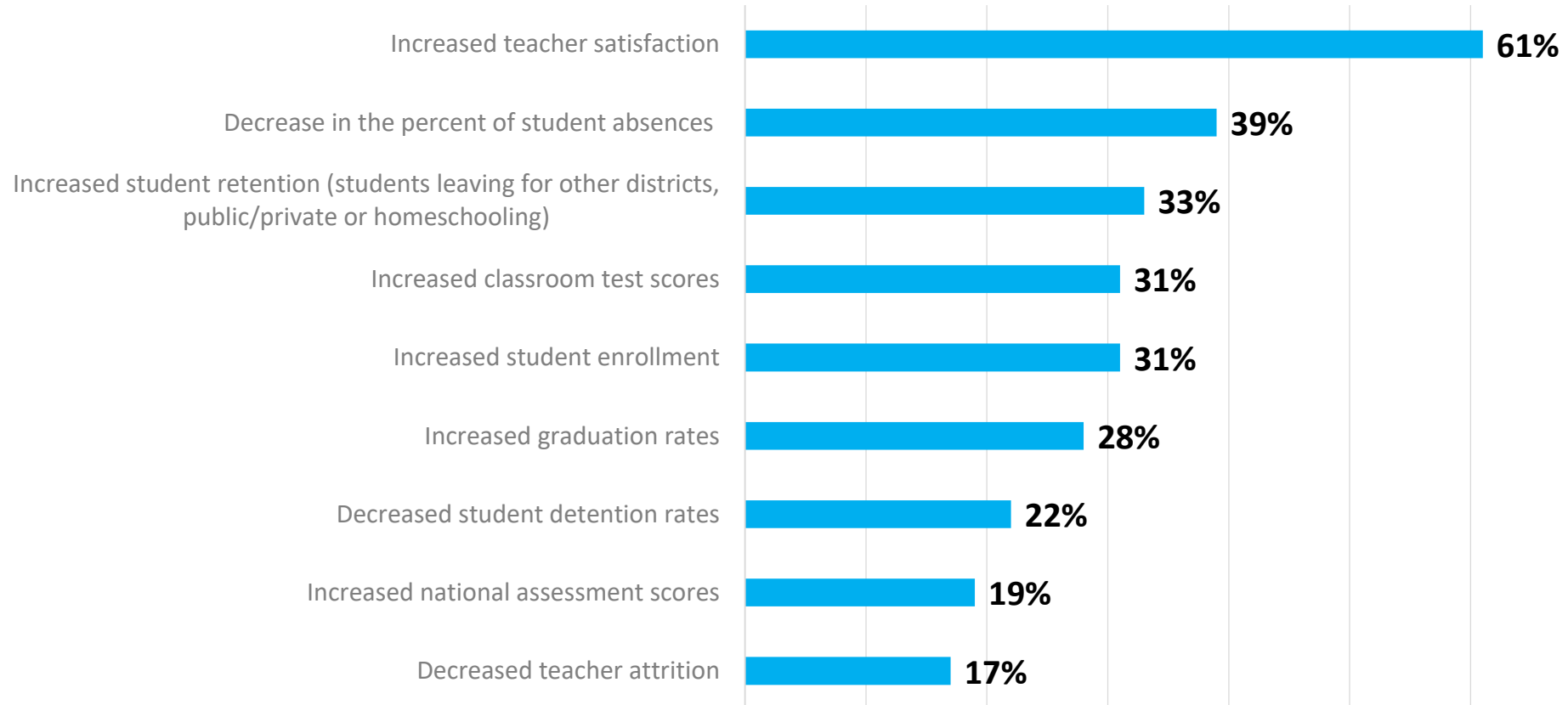
Right  
**Price**

WHAT ALLOWS US TO WIN IN THE MARKETS

# Our Competitive Edge

# Investing in Promethean Technology Delivers Strong Learning Outcomes

Promethean®



# Case Study: Large District-wide Rollout

Promethean®



*A Top 10 US school district chooses Promethean for blended learning solution*

SCHOOLS

STUDENTS

Expected Revenue

**230**

**155K+**

**\$18M**

# 2021 Outlook - Promethean



## Build on

### Build on our global K-12 market leader position

- Unrivalled brand recognition/trust at a global scale
- Growing global sales channels and network to win new markets
- Leveraging long standing partnerships to win new business in emerging markets

## Stay on

### Stay on track to expand market penetration

- FY20 results show resilient demand for our product in our major markets
- Our blended learning solutions resonate with teachers and students in various learning environments
- Continuing with our market leader momentum, augmented by robust digital and virtual marketing

## Capitalize on

### Capitalize on accelerating trend of blended learning due to Covid-19

- Our leadership position on classroom technology propels us in the blended learning space for profitable growth
- Win in large opportunities enabled by accelerating edtech funding around the globe
- Winning large tenders, especially in Egypt







# Gaming Business

LIN Chen

Group Senior Vice President

# Achieving Revenue Growth for 10 Consecutive Years

## ● Revenue Growth by IP

	↑	+4.3%
	↑	+6.3%
	↓	-14.2%
	↑	+3.9%
<b>Total</b>	↑	<b>+4.0%</b>

## ● Highlights

- ✓ Gaming revenue increased by 4.0% YoY
- ✓ Flagship IP Eudemons Online revenue grew six years in a row
- ✓ Conquer Online revenue hit another record high
- ✓ Growth momentum in 2H20, with revenue growing 8.4% HoH

## ● Challenges

- Slowdown in spending growth of high-paying users due to the pandemic, but recovery on track in 2H20
- Impact of real name registration system and anti-addiction measures on revenue of Heroes Evolved
- New game launches delayed to 2021 to enable further enhancement of game quality



# Core Game IP - Key Metrics



## Eudemons

- MMORPG
- Since 2006
- 3 languages
- Existing titles: 5
- Registered users: 300m+
- MAU: 2m
- % of revenue: >80%



## Conquer Online

- MMORPG
- Since 2004
- 5 languages
- Existing titles: 4
- Registered users: 100m+
- MAU: 1m+
- % of revenue: 7%



## Heroes Evolved

- MOBA
- Since 2012
- 14 languages
- Existing titles: 4
- Registered users: 200m+
- MAU: 3.73m
- % of revenue: < 5%



## Neopets

- Casual/Digital Pet
- Since 1999
- 8 languages
- Existing titles: 1
- Registered users: 150m+
- MAU: 1.5m+
- % of revenue: < 1%



# Eudemons IP – 2020 Highlights



NetDragon



## ● Eudemons series

MAU  
YoY Growth

**22%**

DAU  
YoY Growth

**37%**

ACU  
YoY Growth

**8%**

PCU  
YoY Growth

**28%**

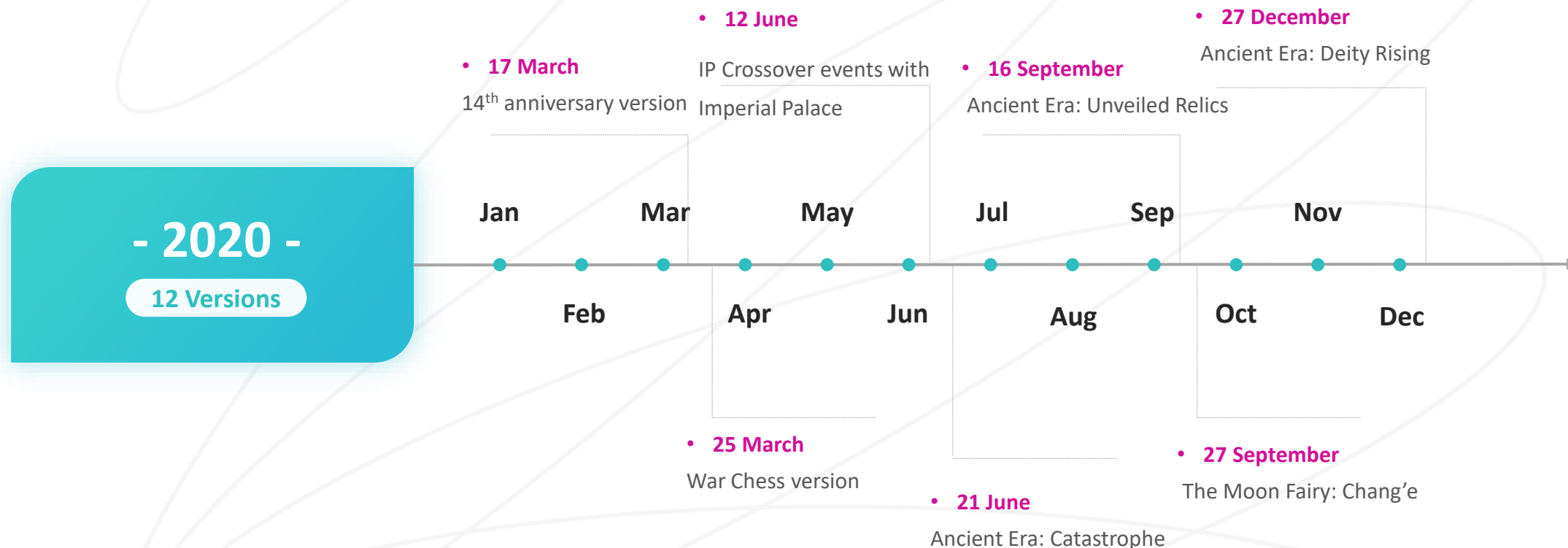
- ✓ Flagship game Eudemons Online MAU & DAU grew 49% and 46% YoY, respectively
- ✓ Eudemons IP revenue recovered in 2H20 as expected with 8.4% HoH increase, as the economy continued to recover from pandemic
- ✓ Eudemons Online monthly revenue hit record high in Q4



# Eudemons Online – Increasing Engagement with More Frequent Content Update

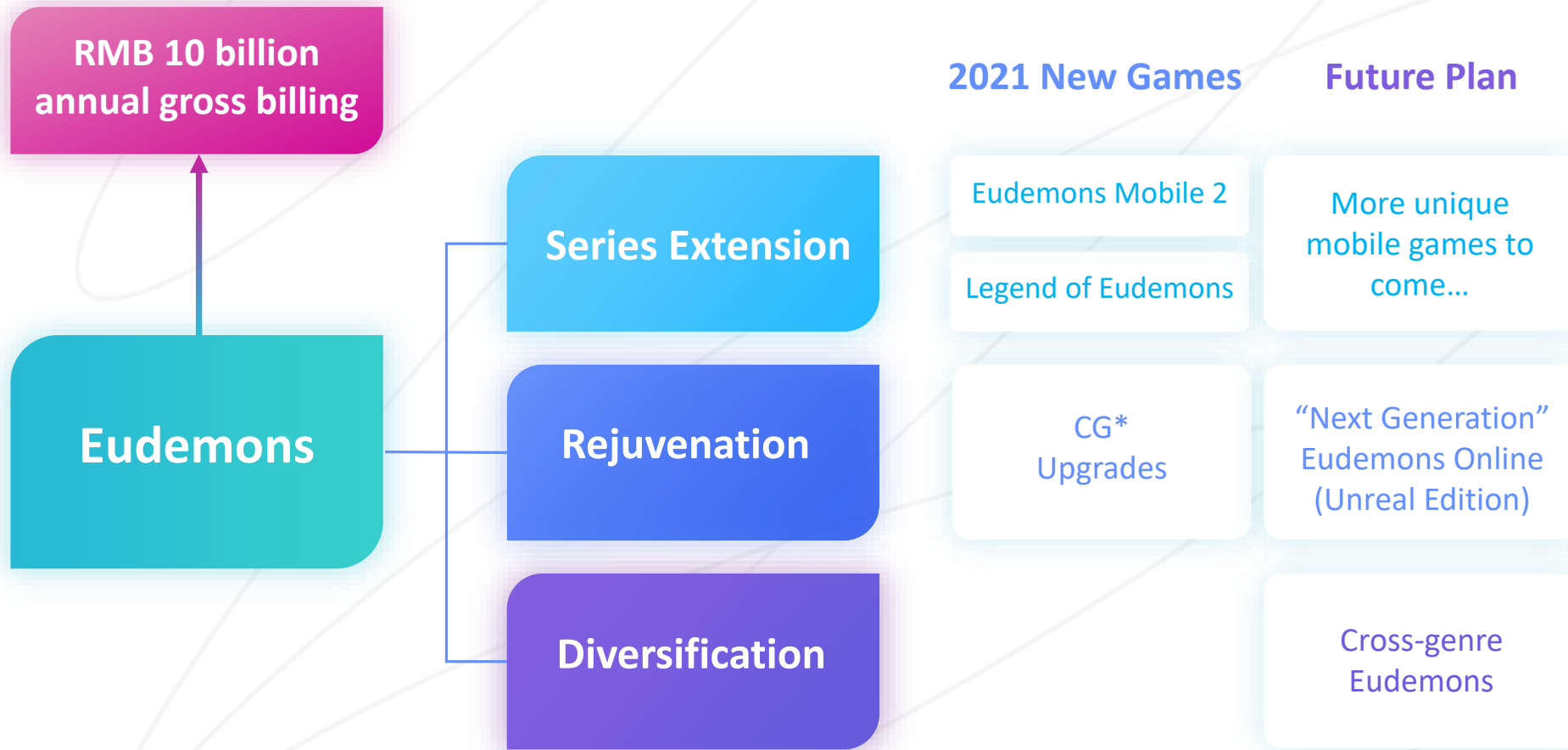


- ▶▶ Aggressive effort on content update with **1 major version per quarter and 1 light version per month** to drive significant increase in user activities ◀◀

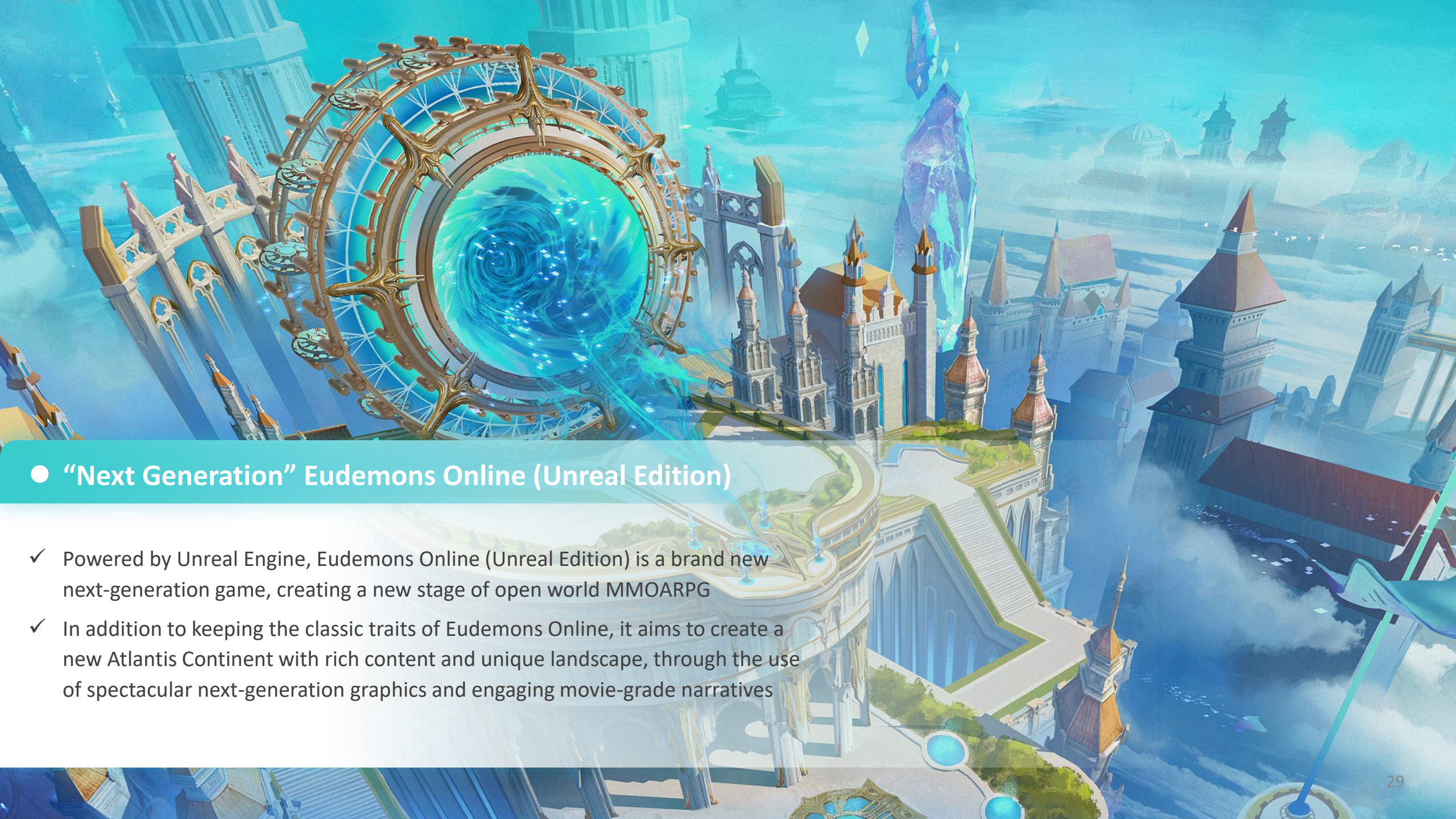




# Eudemons IP Long-term Game Plan



\* CG stands for Computer Graphics



## ● “Next Generation” Eudemons Online (Unreal Edition)

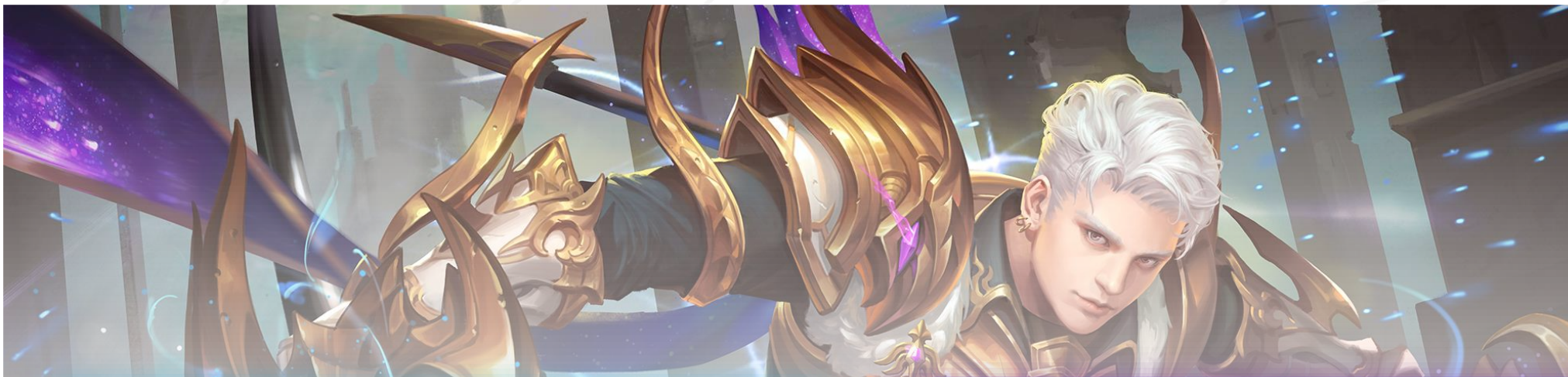
- ✓ Powered by Unreal Engine, Eudemons Online (Unreal Edition) is a brand new next-generation game, creating a new stage of open world MMOARPG
- ✓ In addition to keeping the classic traits of Eudemons Online, it aims to create a new Atlantis Continent with rich content and unique landscape, through the use of spectacular next-generation graphics and engaging movie-grade narratives



# Conquer Online IP - 2020 Highlights



NetDragon



## Extension of Revenue Model



In 2020, Conquer Online in the overseas segment leveraged the stay-at-home economy during the pandemic to maximize its IP value by creating ecommerce platforms and virtual goods exchange platforms, providing players with value-added services as well as creating a token ecosystem.

## Drive Engagement with Innovation



We continued to innovate with new and engaging event activities. For example, a new event format adopted during the anniversary celebration period allowed returning players to win different levels of accounts in lucky draws, successfully drawing a large number of returning players (30% of participants).



# Conquer Online IP – Future Game Plan



NetDragon

## Replicate successful model

- ✓ Leveraging our successful business model in Egypt, we plan to enter into more than 10 countries such as Philippine, Indonesia and Malaysia in 2021.

## Conquer Mobile 2.0

- ✓ We expect to launch Conquer Mobile 2.0 in 2021 to drive acquisition of new users (as well as return users) and maintain high revenue growth.



# Heroes Evolved IP – 2020 Review



## ● Highlights

- ✓ Continued to be favored by young players, with over 50% of the players below age 25
- ✓ Fast growth of ACGN and high-quality users during the year, forming strong monetization foundation
- ✓ Successful crossover with famous IP “That Time I Got Reincarnated as a Slime”; during the same period, the game was recommended by App Store twice and hit the top 10 free gaming app chart

## ● Challenges

- Regulation such as real name verification system and anti-addiction measures led to some negative impact to user growth and user time spent online, but we believe this will help the game itself to grow in a more healthy and sustainable manner over the long run





# Heroes Evolved IP – 2021 Game Plan



## ● Growth Drivers

- ✓ Crossover with top-tier IPs to drive new users as well as virtual item (heroes, skins, etc.) sales
- ✓ Host PC + Mobile competitions to drive eSports ecosystem and user stickiness

2021 to host...

**10+**

Competitions

**350k+**

Participants

**10m+**

Viewers

- ✓ Explore and incubate the development of blockbuster games by integrating our deep MOBA expertise with popular gameplay such as “Auto Chess”

# New Game Pipeline

## Eudemons

### Legend of Eudemons

(HTML5)

Expected Launch: Apr 21

### Eudemons Mobile II

(MMO Mobile)

Expected Launch: 21H2

### Eudemon (UE4)

(Next Gen. MMO)

## Heroes Evolved

### Heroes Evolved Thrones

(TCG Battle Mobile)

Expected Launch: TBD

### Endless Battle

(Fusion Genre)

Expected Launch: TBD

## Neopets

### Neopets Match-3

(Casual Mobile)

Expected Launch: 21Q4

### Neopets Island Builders

(World Builder)

Expected Launch: 21Q2

## New IP

### Under Oath

(ACGN RPG)

Expected Launch: 21Q3

### Project: Xian Xia

(MMO Mobile)

Expected launch: TBD

### Project: Game-Z

(ACGN Mobile)

Expected launch: TBD

### Project: Sword

(Innovative Mobile)

Expected launch: TBD



## ● Under Oath

- ✓ “Under Oath” is a Japanese style fantasy RPG game developed by NetDragon and is to be exclusively published by Bilibili. It aims to create a highly immersive world for brave adventure through storyboard-style battle display, Japanese CG style and Anime level story experience.
- ✓ As the game is undergoing CG upgrade to enhance the overall performance, it is expected to complete paid testing in Q2, with open beta launch planned for Q3. Japanese and South Korean versions are also in progress of undergoing development.

## ● Eudemons Mobile 2

- ✓ Powered by Unity3D engine, Eudemons Mobile 2 will be a perfection re-creation of the classic Eudemons game, bringing a new level of innovative gameplay and immersive experience.
- ✓ Paid testing is expected to complete in Q2, followed by open beta launch.

为战斗而生

3D魔域大世界 极致画面自由探索



## ● Legend of Eudemons

- ✓ Derived from the classic Eudemons IP, “Legend of Eudemons” aims to re-create a remarkably gratifying Eudemons world with the integration of innovative gameplay, fast-paced “growth” experience and a profound social system. The product is based on H5 engines and has completed the framework of different versions such as Mini Program, native app, and PC. Paid testing was conducted in Q1 and open beta testing will take place in Q2. Development of overseas versions such as Southeast Asia and traditional Chinese are also underway.



## ● Neopets Island Builders

- ✓ A unique game that combines the collectability of “Neopets” with world-building / exploration
- ✓ Based on over 20 years of Neopets’ storytelling and characters
- ✓ To be marketed to over 150 million Neopets fans (reg. users) worldwide
- ✓ Launching Q2 2021

# Overseas Game Plan

		2020	2021
Current Games		✓	✓
		✓	✓
		✓	✓
		✓	✓
New Games			✓
			✓
			✓
			✓

# Overseas Growth Strategy

Commercializing Popular Gaming IPs

03

Globalization of new genre for casual games,  
including Match 3 and ACGN

02

Build local distribution capability,  
including in SE Asia and Middle East

01

Strong focus on mobile growth

05

Explore strategic partnership with  
overseas developers and publishers

04



# 2021 Outlook – Driving Revenue Growth



NEW IP



# Financials

Ben Yam

Group CFO

# Condensed Income Statement

<b>(RMB million)</b>	<b>2020</b>	<b>2019</b>	<b>YoY</b>
Revenue	<b>6,137.6</b>	5,793.1	+5.9%
<i>Gaming</i>	<b>3,432.7</b>	3,299.6	+4.0%
<i>Education</i>	<b>2,443.9</b>	2,395.4	+2.0%
Gross Profit	<b>4,171.3</b>	3,855.3	+8.2%
Selling & Marketing Expenses	<b>893.5</b>	915.8	-2.4%
<i>as a % of Revenue</i>	<b>14.6%</b>	15.8%	-1.2 pts
Administrative Expenses	<b>903.1</b>	883.1	+2.3%
<i>as a % of Revenue</i>	<b>14.7%</b>	15.2%	-0.5 pts
R&D Expenses	<b>1,175.9</b>	1,075.4	+9.3%
<i>as a % of Revenue</i>	<b>19.2%</b>	18.6%	+0.6 pts
Net Profit attributable to Shareholders	<b>953.5</b>	807.2	+18.1%
EBITDA	<b>1,621.5</b>	1,245.2	+30.2%
Non-GAAP Operating Profit	<b>1,314.8</b>	1,060.7	+24.0%
Operating Cashflow	<b>1,329.7</b>	1,175.8	+13.1%
Net Cash and Cash Equivalent	<b>3,963.4</b>	1,879.3	+110.9%

# Segmental Financial Highlights

(RMB million)	Education			Gaming		
	2020	2019	YoY	2020	2019	YoY
Revenue	<b>2,443.9</b>	2,395.4	+2.0%	<b>3,432.7</b>	3,299.6	+4.0%
Gross profit	<b>758.6</b>	713.0	+6.4%	<b>3,301.5</b>	3,165.5	+4.3%
Gross profit margin (%)	<b>31.0%</b>	29.8%	+1.2 ppts	<b>96.2%</b>	95.9%	+0.3 ppts
Core Segmental profit (loss)	<b>(585.5)</b>	(524.5)	+11.6%	<b>1,963.5</b>	1,923.3	+2.1%
Segmental operating expenses						
- Research and Development	<b>(536.7)</b>	(491.3)	+9.2%	<b>(634.3)</b>	(557.6)	+13.8%
- Selling and Marketing	<b>(483.2)</b>	(508.1)	-4.9%	<b>(401.1)</b>	(385.9)	+3.9%
- Administrative	<b>(291.1)</b>	(254.9)	+14.2%	<b>(306.6)</b>	(306.4)	+0.1%

## Education

- **Core Segmental Loss** up 12% YoY due to increased server hosting costs attributed to substantially higher user traffic for Edmodo due to Covid 19
- **Core Segmental Loss** narrowed HoH to RMB 208M in 2H

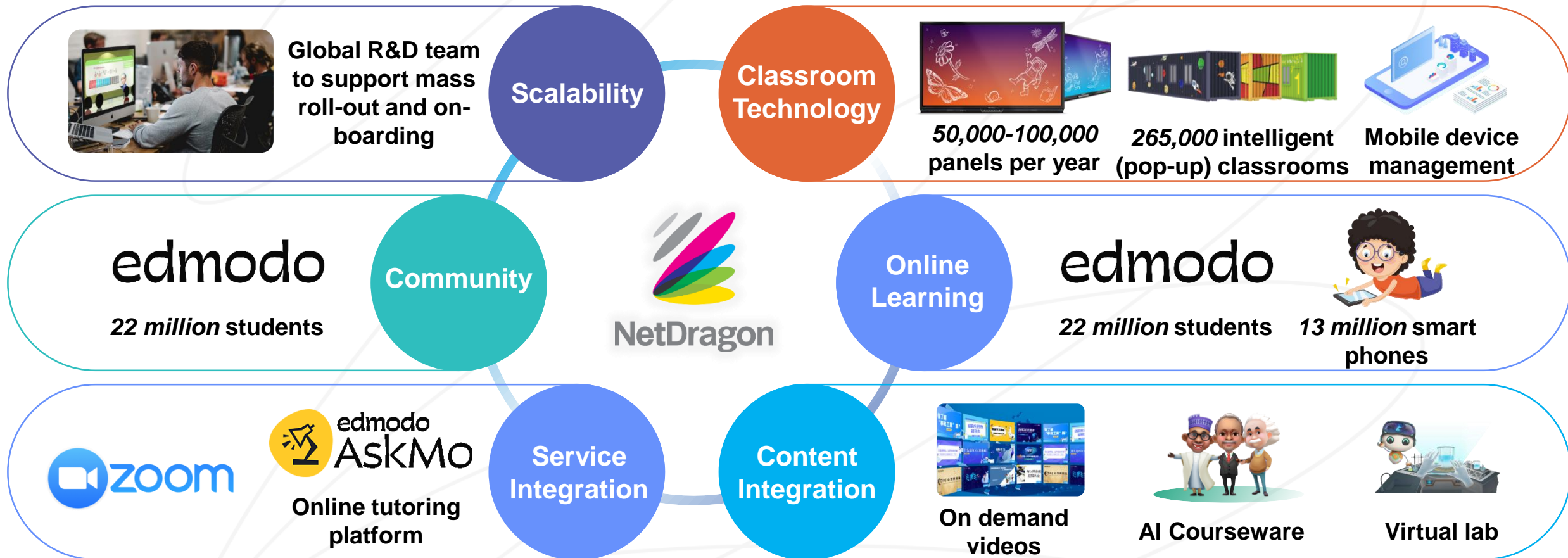
## Gaming

- **Revenue** up 4.0% YoY vs. 8.4% of sequential HoH growth in 2H 2020
- **Research and Development Expense** up 13.8% to drive new pipeline

# Country Rollout



# Nationwide roll-out in Egypt



# Unique country deployment model

 Zero customer acquisition cost as a result of top down 2G adoption

## One-stop Blended Learning Solutions

 District / National level 



One-stop blended learning offerings + ability to understand and meet bespoke requirements with “local” knowledge  
= **Unique position to address government’s EdTech needs**



**First mover to implement this model at scale**, while enlarging our competitive lead with wins in multiple countries



Top-down adoption results in **immediate acquisition of:**  
✓ **millions of teachers;** and  
✓ **tens of millions of students**

# Multi-pronged Revenue Model set to Grow Exponentially



To G/B



To C

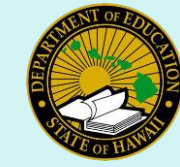


Country/District\*

**Sale of classroom technology**



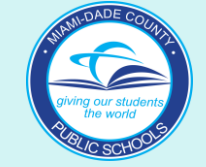
Egypt



Hawaii



Russia



Miami

**Online learning software SAAS / subscription / license**



Egypt



Thailand



Ghana



Vermont

**Education content / service**



Egypt

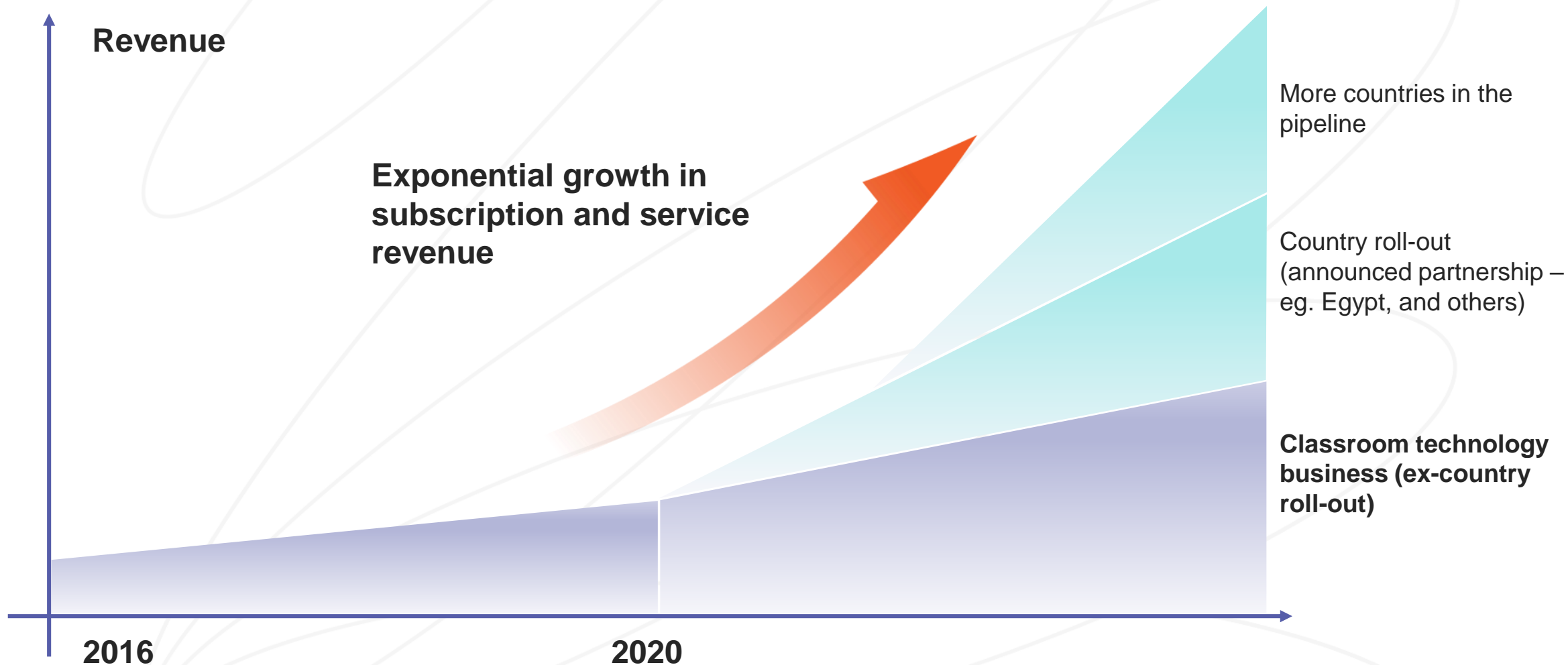


Thailand

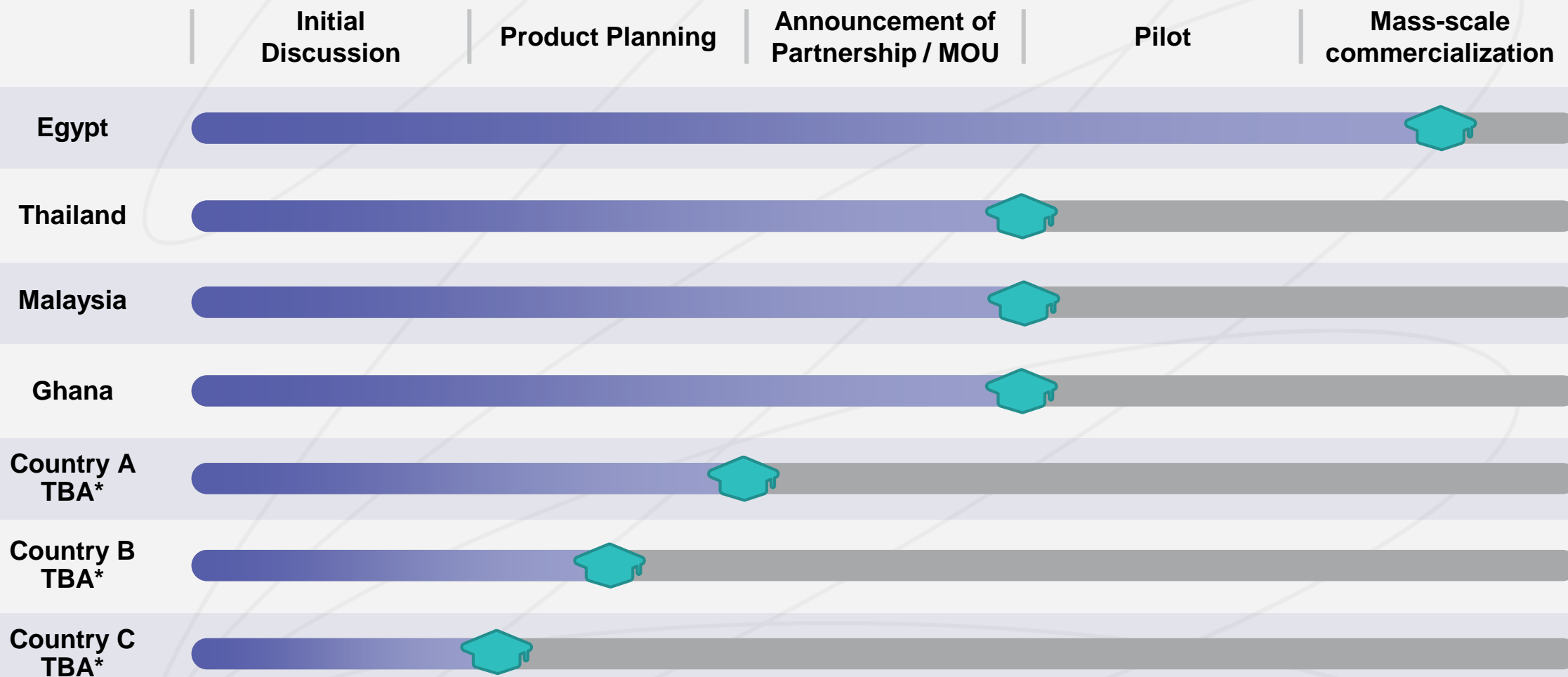
\* Including partnership announced and under planning / pilot stage



# Navigated Past Inflection Point to Capture Significant Upside



# Robust pipeline for country level roll-out



\* To be announced

# Outlook

Dr. Simon Leung

Group Vice Chairman

# 2021 Outlook



NetDragon

- **Continue growth momentum of gaming business leveraging increased user engagement and new game launches**
- **Capitalizing the market momentum of Blended Learning**
- **Country Strategy Execution**
- **Continue Fiscal management**

# Q&A

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