



NetDragon Websoft Holdings Limited

Stock Code: 777 HK

2021 Annual Earnings Presentation

March 30, 2022

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Opening Remarks

Dr. Simon Leung

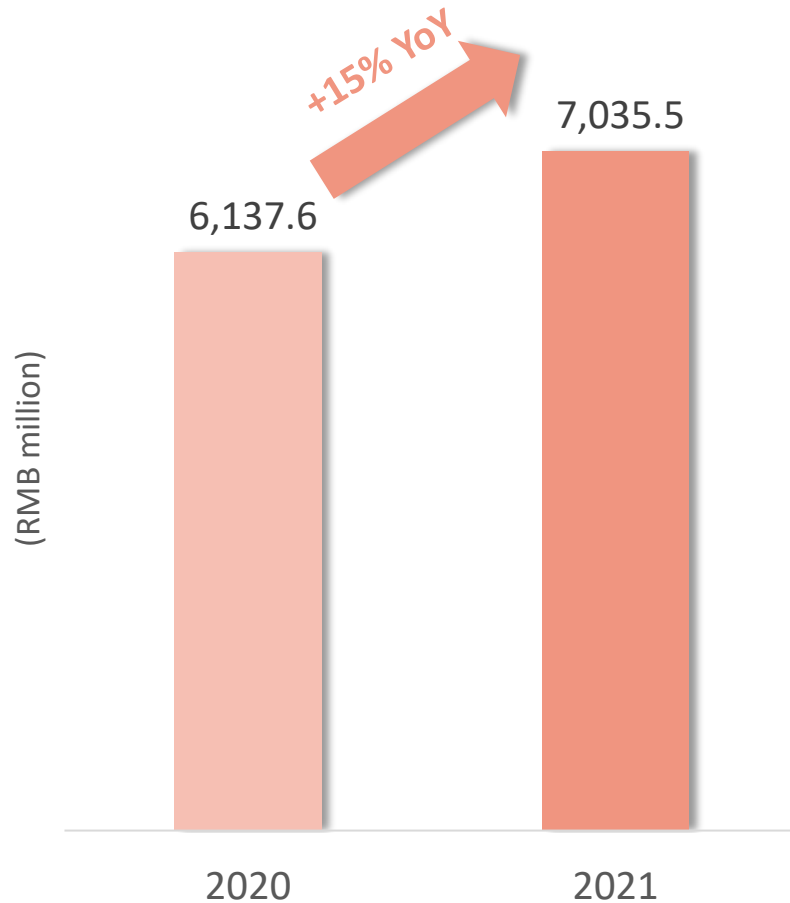
Group Vice Chairman

Agenda

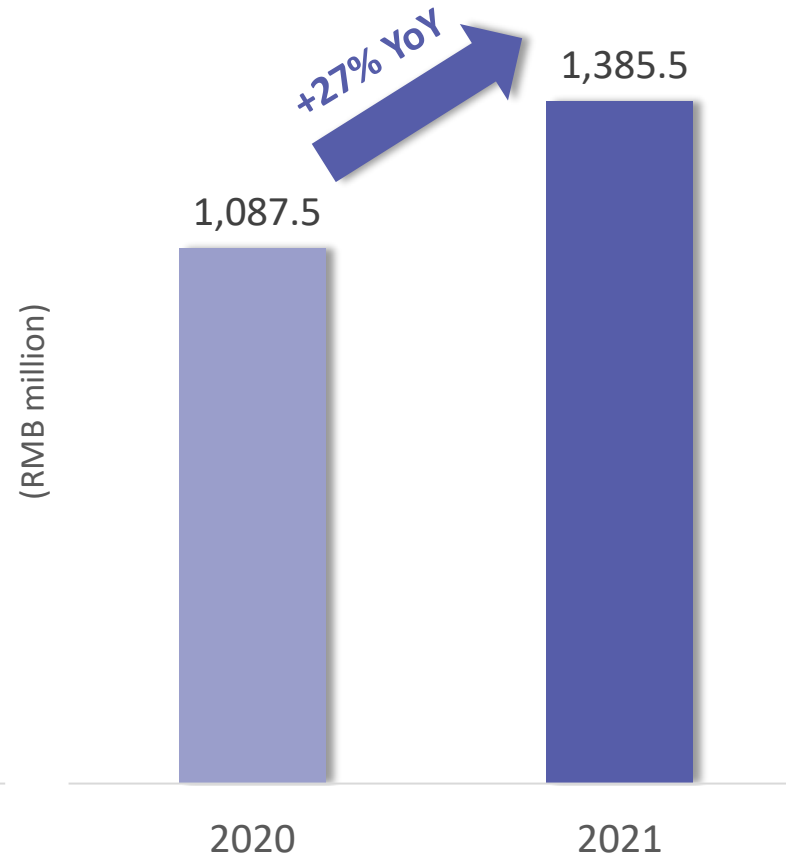
Topic	Speaker
2021 Highlights	Dr. Simon Leung, Group Vice Chairman
2021 Financials	Ben Yam, Group CFO
Shareholder Value Enhancement	Ben Yam, Group CFO
Education	Vin Riera, Promethean CEO
Gaming	Lin Chen, Group Senior VP
Metaverse	Dr. Simon Leung, Group Vice Chairman
2022 Outlook	Dr. Simon Leung, Group Vice Chairman
Q&A	

Strong All-round Performance with +27% YOY Operating Profit Growth

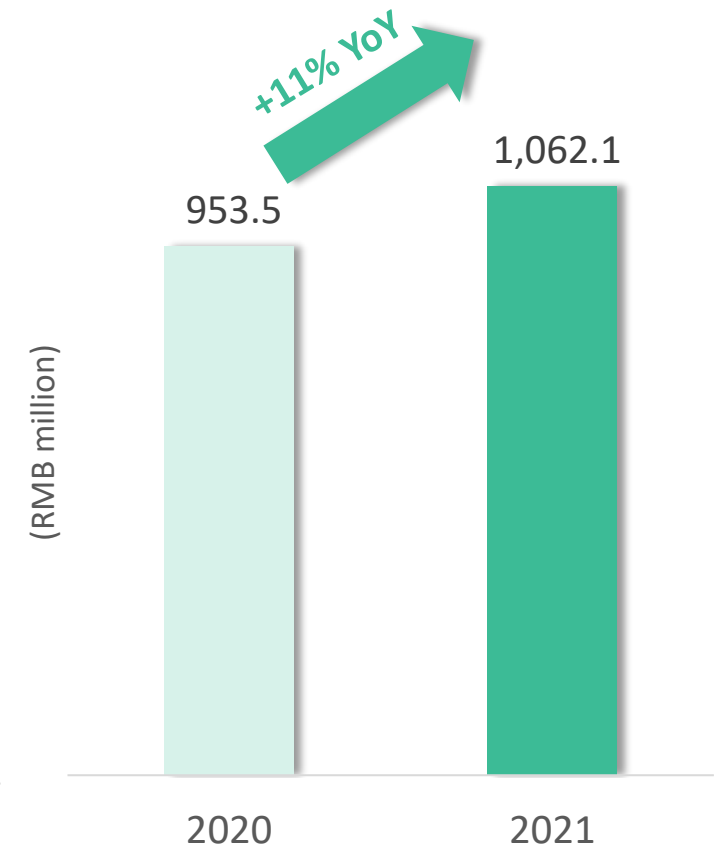
Revenue: RMB 7.0 billion



Operating Profit: RMB 1.4 billion



Net Profit*: RMB 1.1 billion



* Net profit attributable to owners of the company

Key Highlights

Gaming Delivered Sustained Growth

Accelerated Growth for Education Business

Laying the Groundwork for Metaverse Initiatives

Execution of Capital Measures on Track to Enhance Shareholder Value

A futuristic woman with dark hair, wearing glasses and a dark top, is shown in profile, looking intently at a glowing tablet. The tablet displays a 3D-rendered cartoon character of a man in a suit, standing on a stage with a checkered floor. The character is surrounded by glowing circular icons and data points. The background is a dark blue space with various glowing icons and light trails, suggesting a high-tech or data-driven environment.

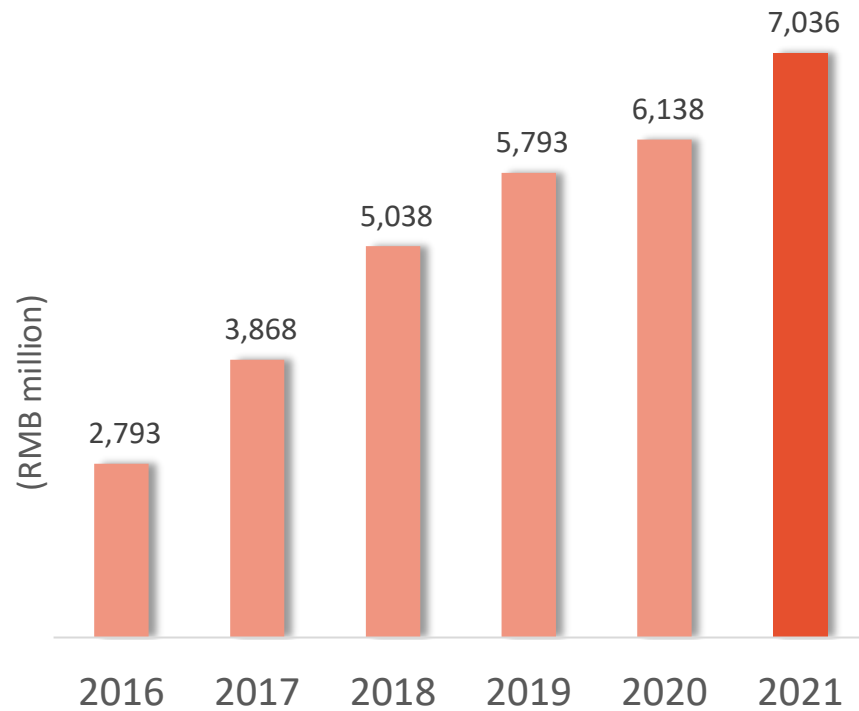
Financial Highlights

Ben Yam

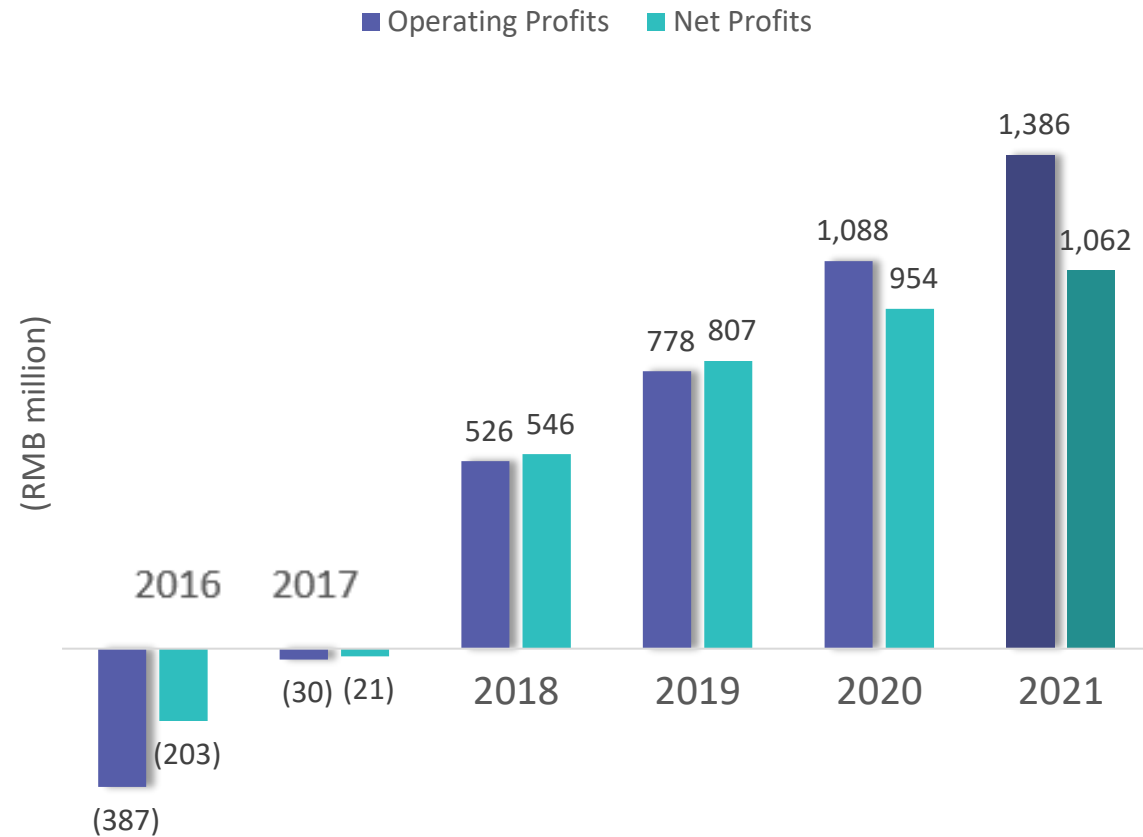
Group CFO

Five Consecutive Years of Revenue and Profits Growth

Revenue



Operating Profits & Net Profits*



* Net profit attributable to owners of the company

Income Statement Highlights

(RMB million)	2021	2020	YoY
Revenue	7,035.5	6,137.6	+14.6%
Gaming	3,641.6	3,432.7	+6.1%
Education	3,231.0	2,443.9	+32.2%
Gross Profit	4,522.6	4,171.3	+8.4%
Selling & Marketing Expenses	955.4	893.5	+6.9%
<i>as % of Revenue</i>	13.6%	14.6%	-1.0 pts
Administrative Expenses	955.7	903.1	+5.8%
<i>as % of Revenue</i>	13.6%	14.7%	-1.1 pts
R&D Expenses	1,159.3	1,175.9	-1.4%
<i>as % of Revenue</i>	16.5%	19.2%	-2.7 pts
Operating Profit	1,385.5	1,087.5	+27.4%
Net Profit attributable to Shareholders	1,062.1	953.5	+11.4%
EBITDA	1,829.4	1,621.7	+12.8%
Non-GAAP Operating Profit	1,507.0	1,314.9	+14.6%
Non-GAAP Net Profit	1,290.3	1,142.1	+13.0%

Segmental Financial Highlights

(RMB million)	Education			Gaming		
	2021	2020	YoY	2021	2020	YoY
Revenue	3,231.0	2,443.9	+32.2%	3,641.6	3,432.7	+6.1%
Gross profit	995.3	758.6	+31.2%	3,473.6	3,301.5	+5.2%
Gross profit margin (%)	30.8%	31.0%	-0.2 pts	95.4%	96.2%	-0.8 pts
Core segmental profit (loss)	(411.7)	(574.8)	-28.4%	2,119.9	1,967.2	+7.8%
Segmental operating expenses						
- Research and Development	(500.9)	(536.7)	-6.7%	(657.5)	(634.3)	+3.7%
- Selling and Marketing	(530.1)	(483.2)	+9.7%	(419.0)	(401.1)	+4.4%
- Administrative	(350.6)	(291.2)	+20.4%	(318.3)	(306.6)	+3.8%

Education

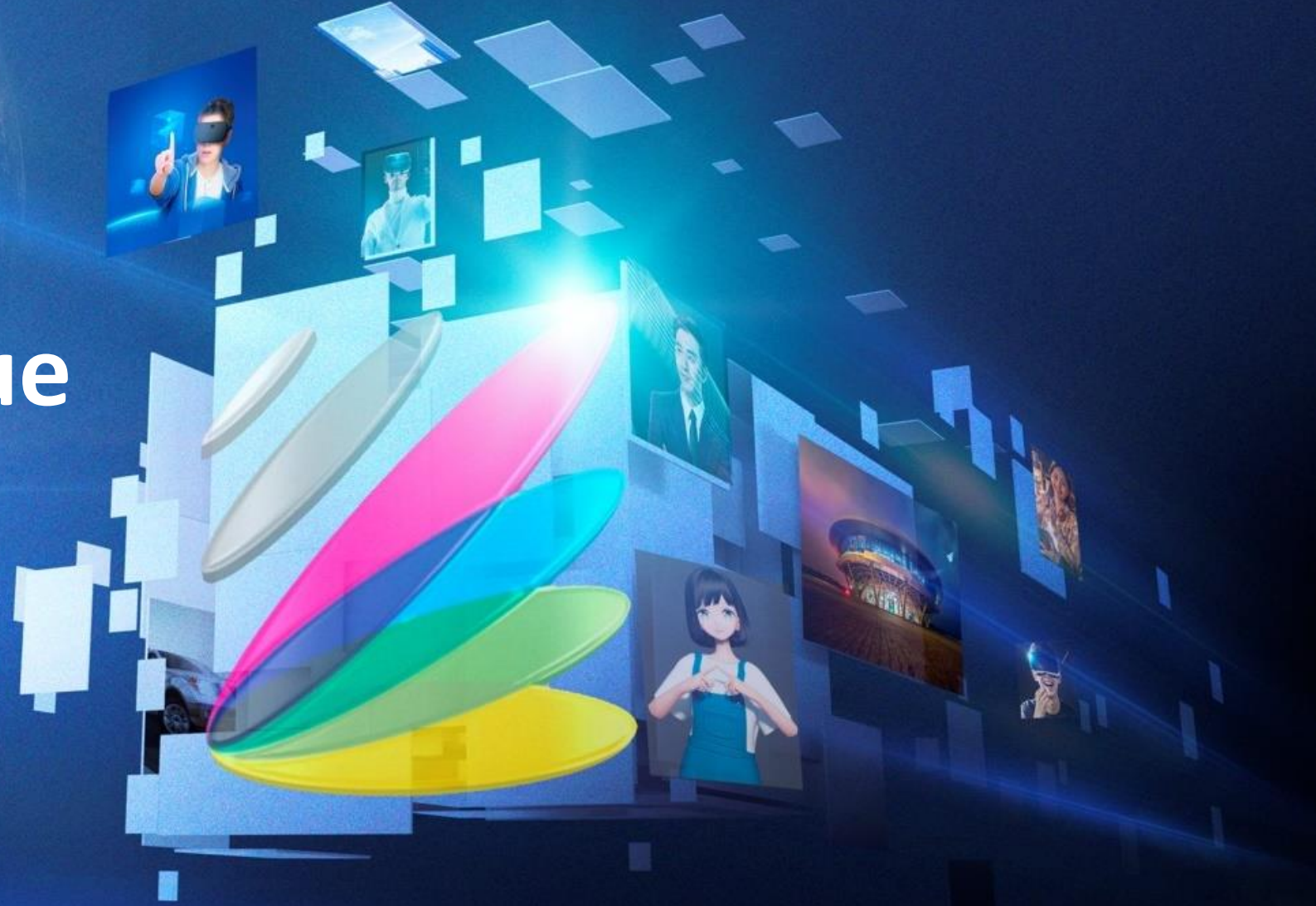
- **Revenue** up 32.2% YoY, our highest growth in the past 4 years
- **Core Segmental Loss** down 28.4% YoY
- Executed **restructuring of incubational business** in Q4 resulting in > RMB 100M reduction in annualized staff and staff-related cost

Gaming

- **Revenue** up 6.1% YoY on the back of our strong IP with a highly engaged community
- **Core Segmental Profit** up 7.8% YoY with an enhanced OPEX structure

Shareholder Value Enhancement

Ben Yam
Group CFO



Committed to Enhance Shareholder Value with Strong Capital Measures

**Cash Return
in Past 5 Years**

(Via Share Repurchase &
"Recurring" Dividends)

1.7B
HKD

**Special Dividends of
HKD 1.43/share**
(Paid in Feb 2022)

0.8B
HKD

**3-Year
Share Buyback Plan**

2.3B^{*}
HKD

**Net Cash Position as
of 2021 Year End**

4.8B^{}**
HKD



Our Commitment is built on the foundation of our consistently strong operating performance



Confident in our future growth prospects and ability to generate sustained free cash flow



Ample net cash position to provide support for future investments in driving long-term growth

** Share Repurchase Plan announced on 26th August, 2021 with a plan to buy back up to USD 300M over a 3-year period*

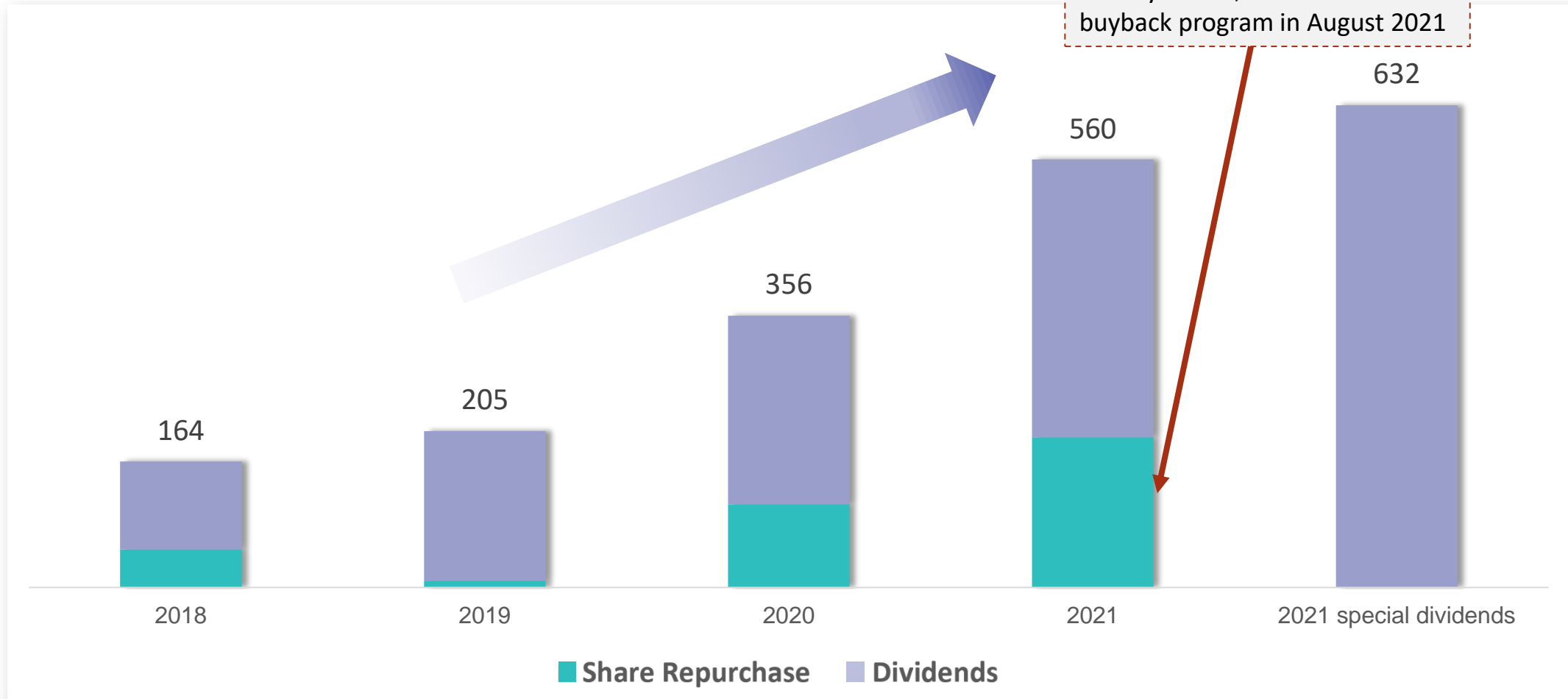
*** Includes Cash + Cash Equivalent – Bank Borrowings*

Note: Numbers denominated in HKD are based on FX rate of 1HKD = 0.8147 RMB = 0.1279 USD

Delivering on Cash Return via Dividends and Share Repurchase

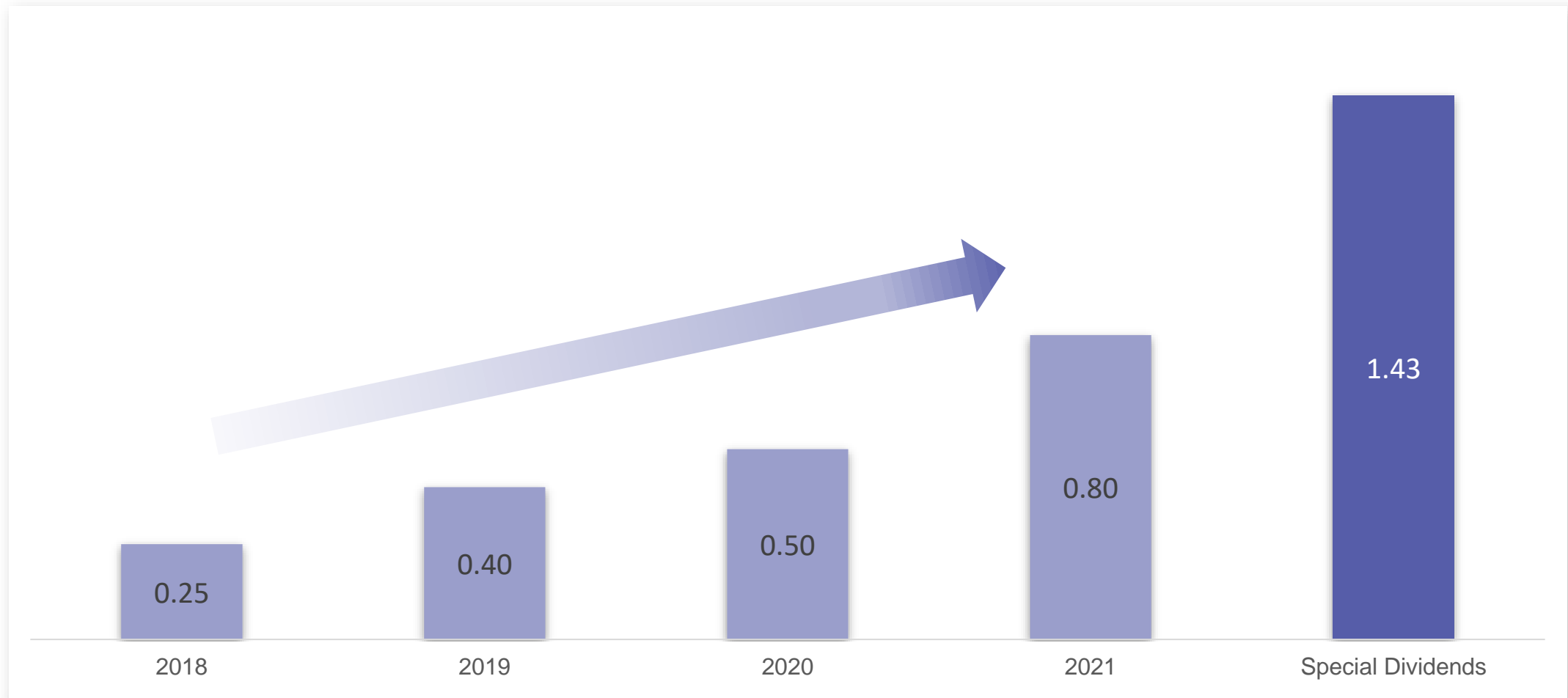
Cash Return (RMB million)

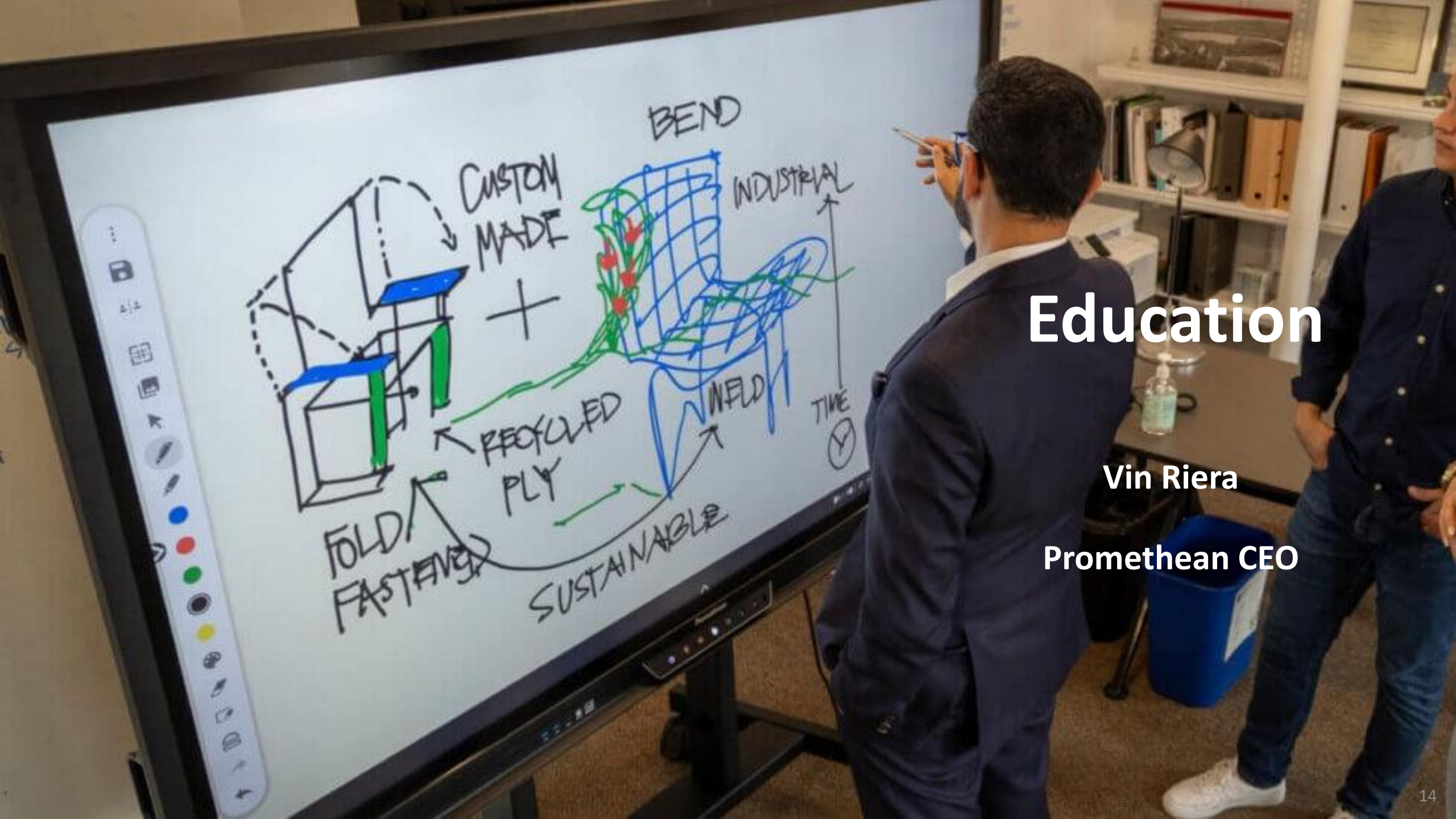
Repurchased 16.2M shares to date since beginning to execute our 3-year US\$300M share buyback program in August 2021



Full Year Recurring Dividends up 60% YoY

Full Year Dividends (HKD/share)





Education

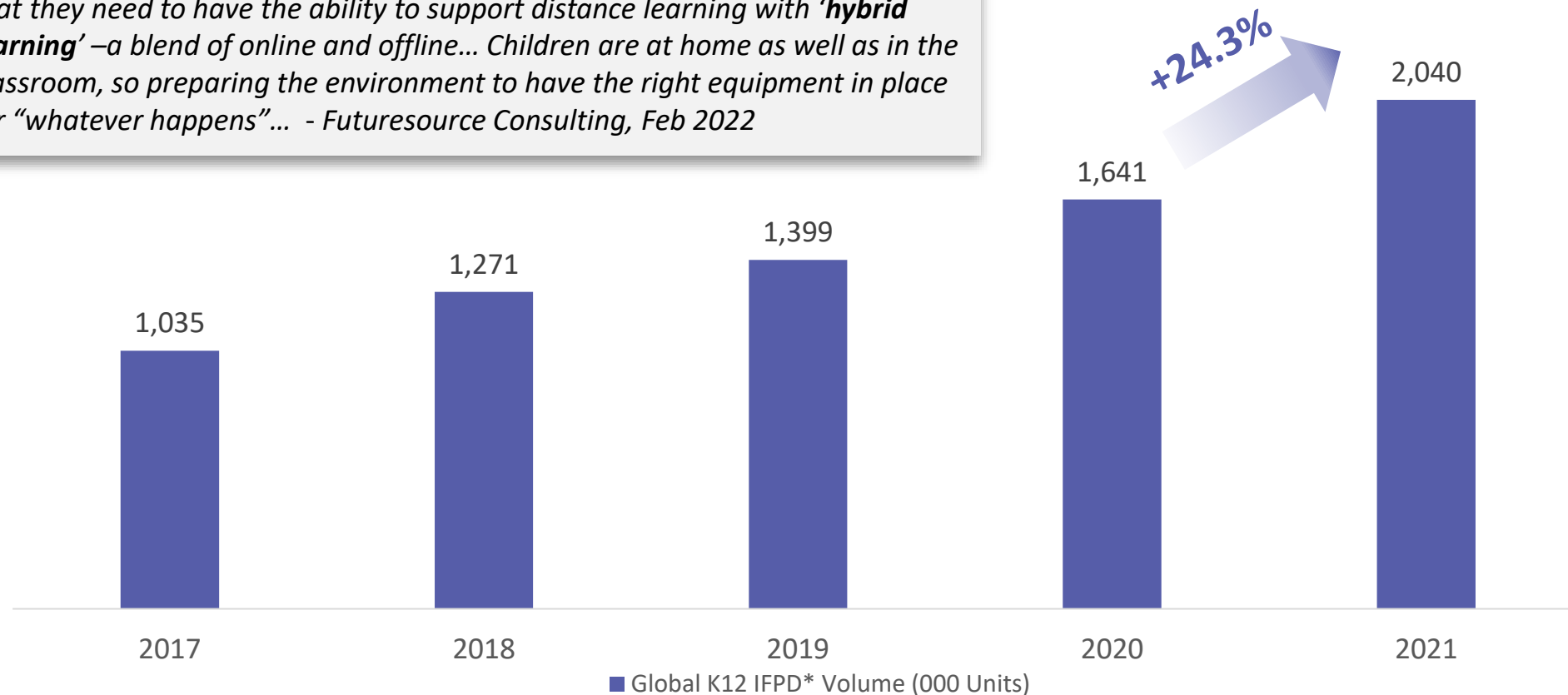
Vin Riera

Promethean CEO

2021 Market Volume Up 24.3% - Highest Growth in Past 5 Years

Blended Learning is the Way Forward

In many countries where most schools are now fully open there is a realization that they need to have the ability to support distance learning with 'hybrid learning' – a blend of online and offline... Children are at home as well as in the classroom, so preparing the environment to have the right equipment in place for “whatever happens”... - Futuresource Consulting, Feb 2022

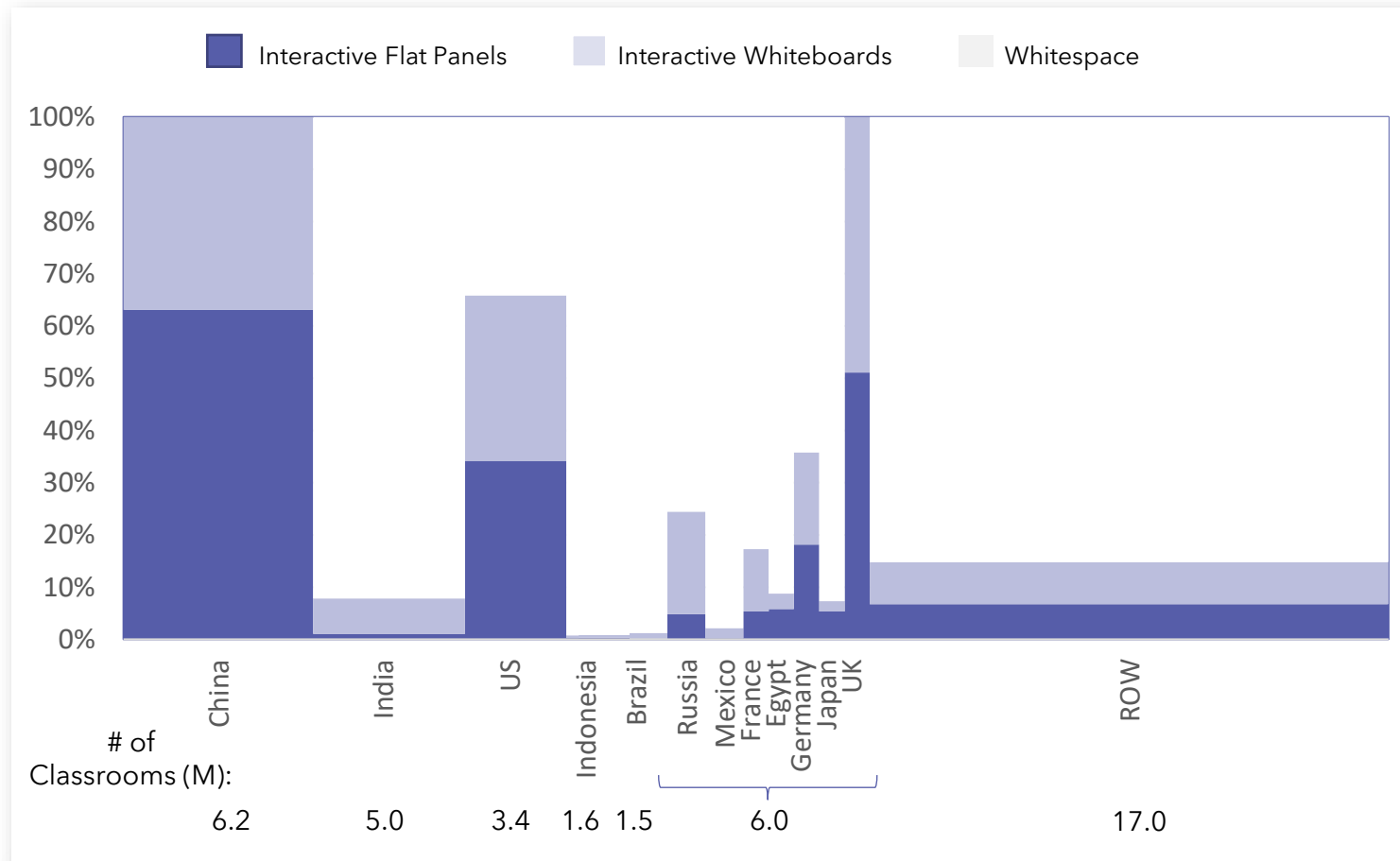


Source: Futuresource Consulting <Quarter 4 2021 World Interactive Displays> report, Feb 2022

*IFPD stands for Interactive Flat Panel Device, which represents 94% of the market value of global K12 interactive displays

> US\$60B Immediate Addressable Market given Low Classroom Penetration

Global K12 Classroom Penetration of Interactive Display



~**42M** global # of classrooms



~ **82%** un-penetrated



~**\$2,000 ASP*** of Interactive Classroom Display per Classroom



Immediate Addressable Market of ~\$69B

+ Upside Addressable Market from software, services, and contents...

Source: Futuresource Consulting <Quarter 4 2021 World Interactive Displays> report, Feb 2022

* This ASP is for illustrative purpose only

We Continue to be the #1 Market Share Leader in our Major Markets

US: #1, 28.7%

- 84% volume growth YoY in Americas, exceeding market growth of 71%
- IFPD seen as the “futureproof” technology to support hybrid learning
- Significant increase in large, multi-year rollouts

UK: #1, 23.1%

- #1 in market share for 5th consecutive year
- Strong 42% volume growth YoY
- Expected penetration >110% in 2025 as some classrooms will be equipped with >1 panels

Germany: #1, 23.0%

- Largest country market in EMEA in 2021
- Government plans to digitalize all K12 schools with hybrid learning devices

France: #1, 23.8%

- Fast-growing market with 31% CAGR on market volume from 2020 to 2023
- Sizable market (4th largest in EMEA in 2022) with only ~5% IFPD penetration rate

Iberia : #2, 24.8%

- Balanced growth strategy with 28% YoY revenue growth
- Dominates Portugal market with 70%+ market share

Our Top 5 Countries Represent Over 75% of Our 2021 Revenue

Source: Futuresource Consulting <Quarter 4 2021 World Interactive Displays> report, Feb 2022

Note: All market share numbers are based on Futuresource statistics as of 2021 full year IFPD shipment volume, penetration and market growth are based on Futuresource study

Enhanced Product Mix and Cost Discipline to Overcome Supply Chain Challenges

ASP

+5.6% YoY
to US\$ 2,287

ASP increase due to **favorable product mix** driven by:

- ✓ Strategic approach to market segmentation
- ✓ Long-standing trusted relationship with channel partners

Freight Cost/Panel

Surged **2.8x** YoY
vs 6.8x market freight rate
increase*

Optimally **mitigated pressure on freight cost** by:

- ✓ Best in class teams and processes enabled us to navigate supply chain challenges
- ✓ Expanded ocean freight partnerships to minimize overall logistics costs

Gross Margin**

Relatively stable @
32.8%
vs 33.8% in 2020

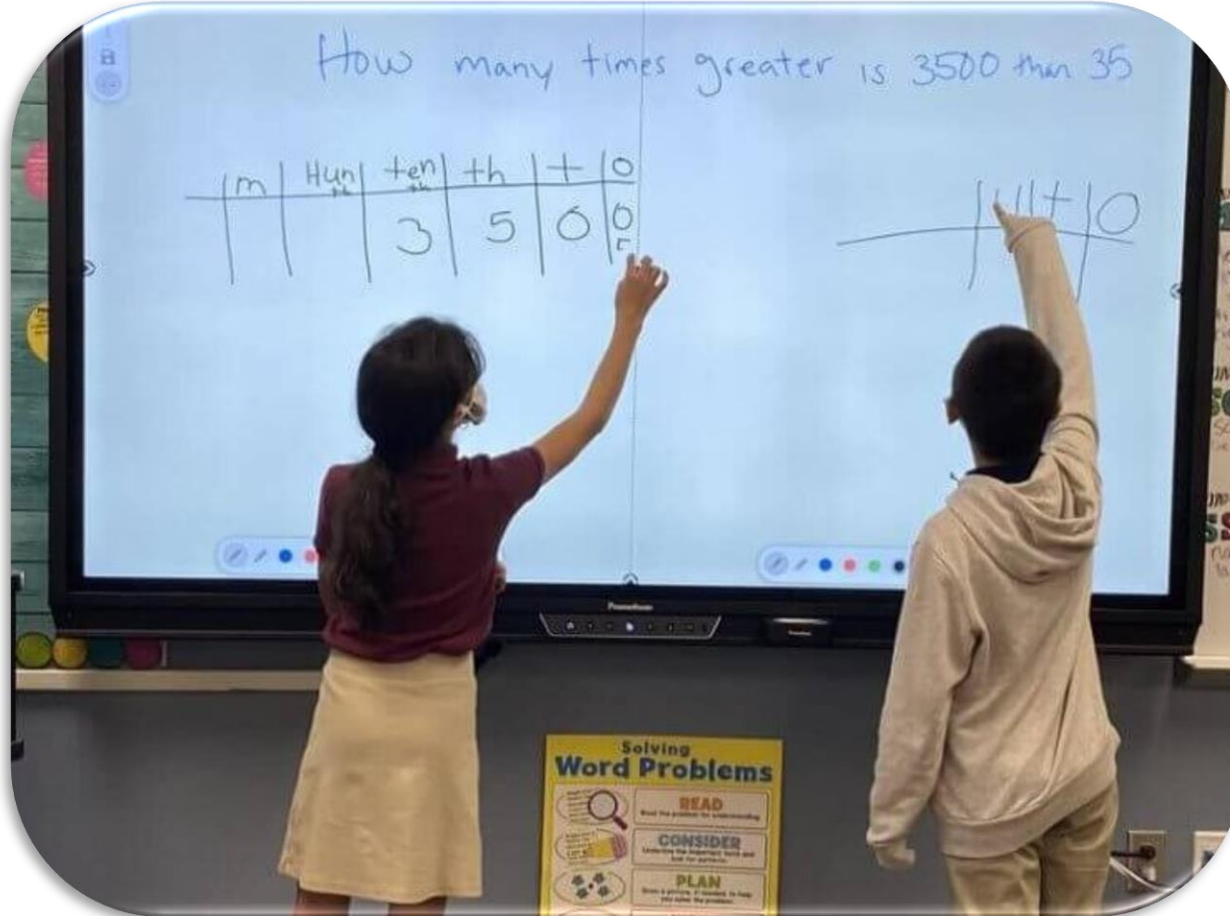
* Based on Global Freight Rate Index (40ft, Spot Rates) from Jan 2020 to Dec 2021

** Gross Margin for Promethean's K12 interactive display business, representing 88% of our education revenue

Significant Reference Wins in 2021

- **New South Wales Department of Education** | 802,776 students | Australia
- **New York City Department of Education** | 1,150,000 students - largest school system in the US
- **Miami - Dade County Public School District** | 356,086 student district - 4th in the nation | Florida
- **Chicago Public School District 299** | 340,658 student district | Illinois
- **Puerto Rico Department of Education** | 276,413 students | Puerto Rico
- **Dallas Independent School District** | 153,000 student district | Texas
- **Charlotte - Mecklenburg School District** | 143,856 student district | North Carolina
- **Cypress - Fairbanks Independent School District** | 113,256 student district | Texas
- **Lee County School District** | 95,613 student district | Florida
- **Loudoun County Public School District** | 82,251 student district | Virginia
- **Greenville County School District** | 75,741 student district | South Carolina
- **Milwaukee Public Schools** | 71,000 | Wisconsin
- **Durham County Council** | 66,390 | England

Customer Success Story – Lee County School District, US



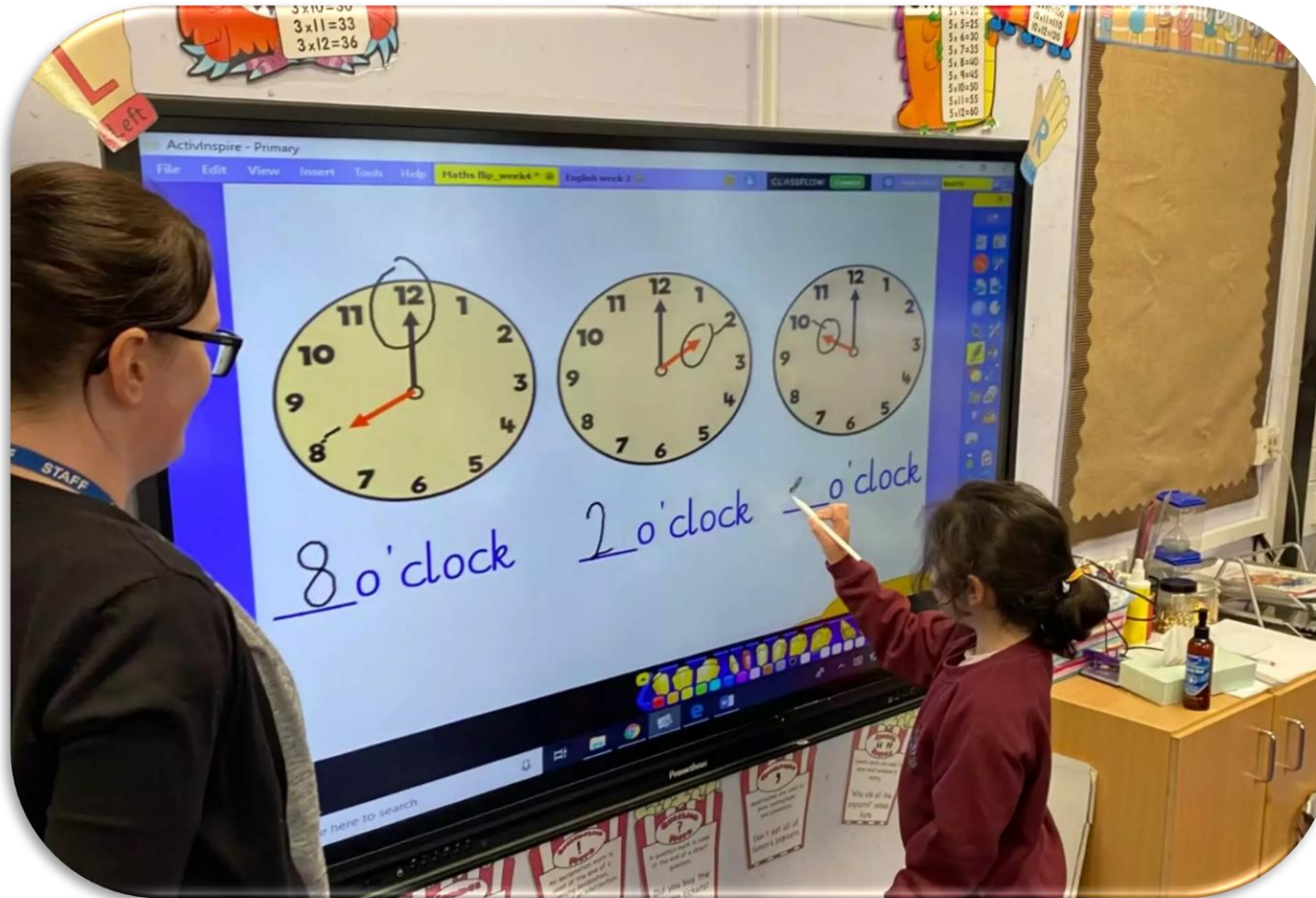
Why Promethean:

- Strong and reliable support structure
- Comprehensive training and solid support
- Professional development plan
- Lesson-delivery software included with every ActivPanel
- Promethean's dedicated consultants are unique in the industry

"Promethean really stepped up. They did their research. They were breaking down every barrier that we could have to transition from SMART."

Dwayne Alton
Chief Information Officer
The School District of Lee County

Customer Success Story - Cidari Multi Academy Trust, UK



Why Promethean:

- Seamless integration with existing edtech across the environment
- Compatible with Google software and devices to create interconnected and collaborative classrooms
- Comprehensive training and support

“Our ICT strategy is built around several technology partners that can help elevate our delivery. As a trust, we wanted to select an established education technology partner that we could forge a long-term relationship with, for financial stability but also access to industry-leading hardware and knowledge that align with our strategy for the future.”

Peter Ashworth
Chief Executive
Cidari Multi Academy Trust

Gaining Industry-Wide Recognition as Key Tool for Blended Learning



Making Solid Progress on Country Rollout Opportunities



Egypt

- Recently signed definitive contract to deliver 94,000 Promethean panels
- Expect Edmodo software monetization in 2022
- Next step – Expand to new initiatives including content and metaverse



Thailand

- Pilot in three regions completed with significant quantifiable increase in learning outcomes
- Moving toward a paid pilot on a nationwide scale in 2022



Ghana

- Signed MOU with Ghana Ministry of Education in Sep 2021
- Developing a sustainable and robust nation-wide Blended Learning Platform for the 9.3 million K-12 students in Ghana

Gaming



LIN Chen

Group Senior Vice President

Pursuing a Balanced, Sustainable Growth Strategy

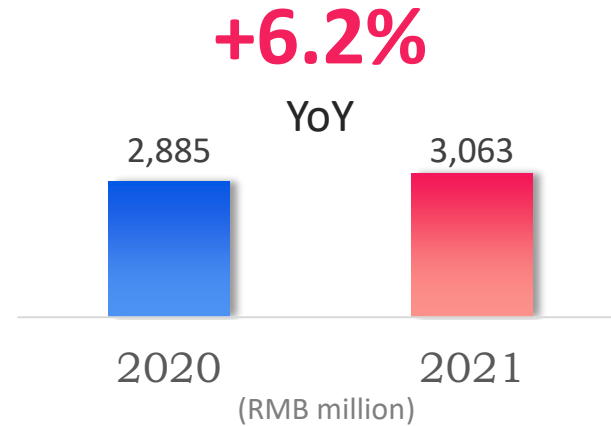


* Average Revenue per Paying User, calculated based on APA (Active Paying Account)

Achieved Revenue Growth Across Platforms



PC/Cross-Platform

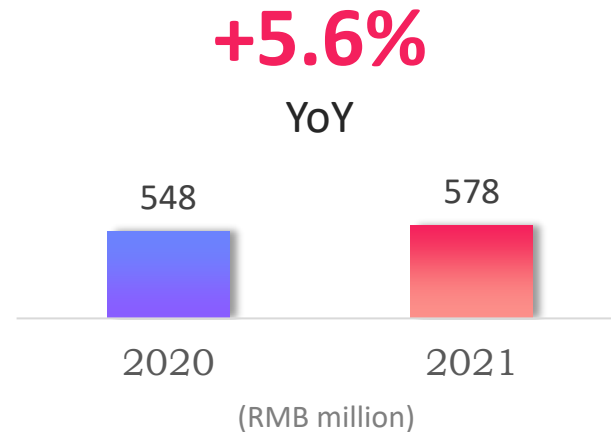


84%
of total revenue

- Achieved revenue growth for all three of our flagship games: *Eudemon Online*, *Conquer Online* and *Heroes Evolved*
- Exceeding PC gaming market growth of 5.2%*



Mobile



16%
of total revenue

- Revenue of mobile games under *Eudemons* IP increased by 15.0% YoY
- New mobile game *Under Oath* launch in Dec 2021

* According to CGGIC 2021 China Gaming Industry Annual Report statistics

Core Game IP – Key Metrics



Eudemons

- MMORPG
- Since 2006
- 3 languages
- Existing titles: 5
- MAU: 3.5m
- % of revenue: >85%



Conquer

- MMORPG
- Since 2003
- 4 languages
- Existing titles: 4
- MAU: 1.0m
- % of revenue: <10%



Heroes Evolved

- MOBA
- Since 2012
- 14 languages
- Existing titles: 4
- MAU: 2.2m
- % of revenue: < 5%



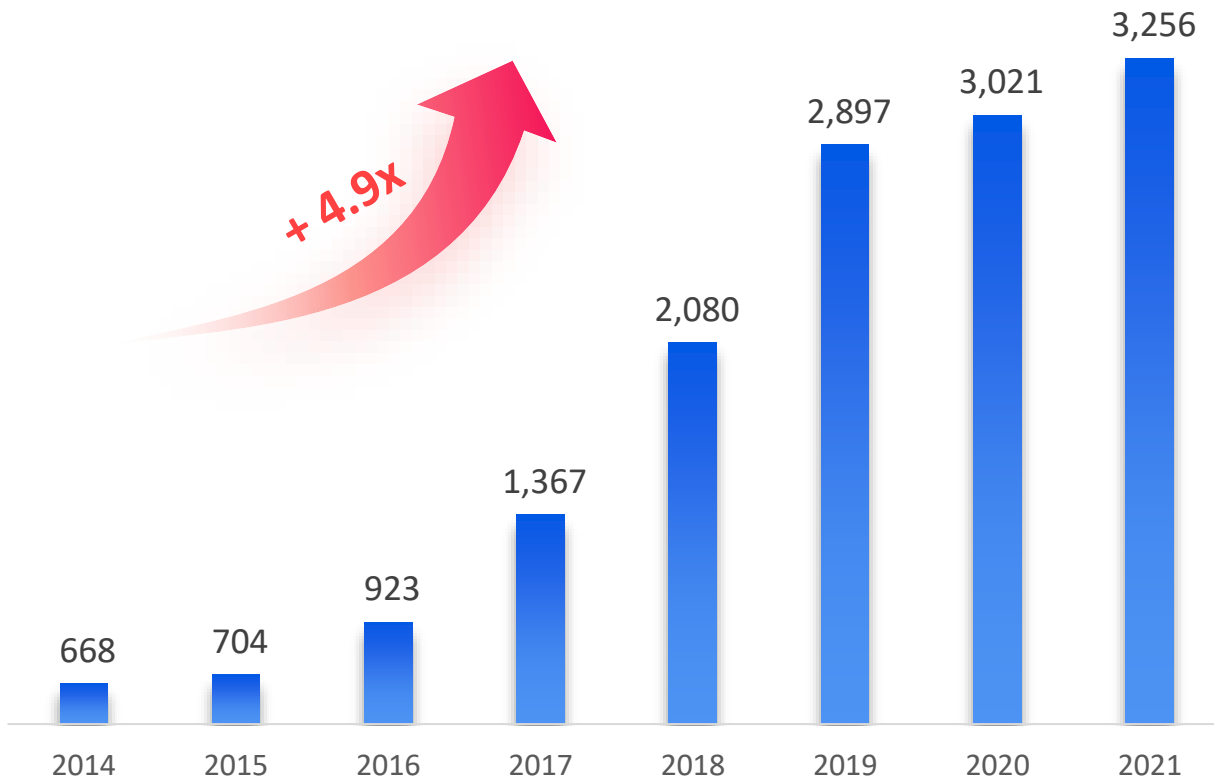
Under Oath

- Turn based CCG
- Since 2021
- 1 language
- Existing titles: 1
- MAU: 1.0m
- % of revenue: < 1%*

* Under Oath open beta launched in Dec 2021

Eudemons IP: Continuing Upward Growth Trajectory

Eudemons IP Revenue 2014-2021 (RMB million)



Revenue +7.8% YoY

Eudemons Online Cross-Platform Version*
DAU +20% YoY

APA +23% HoH
Reaching 181,000 in 2H21

* Eudemons Online is the game with the highest revenue contribution within the Eudemons IP portfolio, and Eudemons Online Cross-Platform Edition is played on mobile device and interoperates with the PC version

Expansion of Contents to Drive Revenue Growth

PC/Cross-Platform



- Two major expansion packs launched in 2021
- Chinese culture elements to boost gaming experiences
- Motivational gameplay to boost MAU/DAU

Mobile



- Four major expansion packs launched in 2021
- User acquisition cost down 29% YoY

IP Crossover to Enhance User Experience



Chinese Culture Themed Content



IP Crossover to Expand Presence



New Users Rushing In



Effective Operations to Ensure Retention

Integrate popular cultural themes with a series of IP crossover campaigns to:

- ✓ Increase publicity exposure that brings user traffic
- ✓ Enhance user experience with unique blending of multiple IP elements
- ✓ Strengthen our brand image to drive user acquisition in the long run

Feb

Spring Festival Event

Jun

Launch of IP Crossover with "The King of Fighters"

Aug

Queen of Rose Tournament
IP Crossover with Wong Lau Kit

Oct

New Eudemon introduced:
"The Almighty Empress"

Jan

Year of Ox Event
Bull Demon King Challenge

Mar

Anniversary Event of "Eudemons Youth Tour"
IP Crossover with "Godzilla vs Kong"

Jul

"The Mysterious World of Shan Hai Jing: Prelude" Expansion Pack

Sep

IP Crossover with PEAK

Dec

"The Mysterious World of Shan Hai Jing: Divine Eudemon Rising" Expansion Pack



Integrating “Guochao” with New Expansion Pack

- “The Mysterious World of Shan Hai Jing: Divine Eudemon Rising” expansion pack launched in 2H21
 - Seamless integration of Chinese classic culture and MMORPG gameplay



五虎神将 · 黄忠

五虎神将 · 关羽

五虎神将 · 赵云

五虎神将 · 张飞

五虎神将 · 马超

五虎神将 威武现世

Diversifying our content monetization

- Launched promotion campaign of Year of Ox Nian Beast* with the popular traditional Peking Opera character designs
- Successfully drive growth in Nian Beast related revenue, up 30%+ YoY, exceeded RMB 100M for the first time in history
- Will continue to expand on our creation of innovative contents to enhance in-game experience and drive monetization

* Nian Beast is a featured NPC mechanism in Eudemons franchise, which players can battle with and win rewards from

Pan-entertainment Expansion to Promote IP Influence



Motion Comic

Eudemons motion comic series were released on Kuaishou.com in Nov 2021, receiving 30M+ views and 600K+ followers by the end of Feb 2022

Stage Play

Combining western fantasy with Chinese contexts, the Eudemons stage play is expected to premiere in Aug 2022 in Beijing in cooperation with top domestic stage play artists

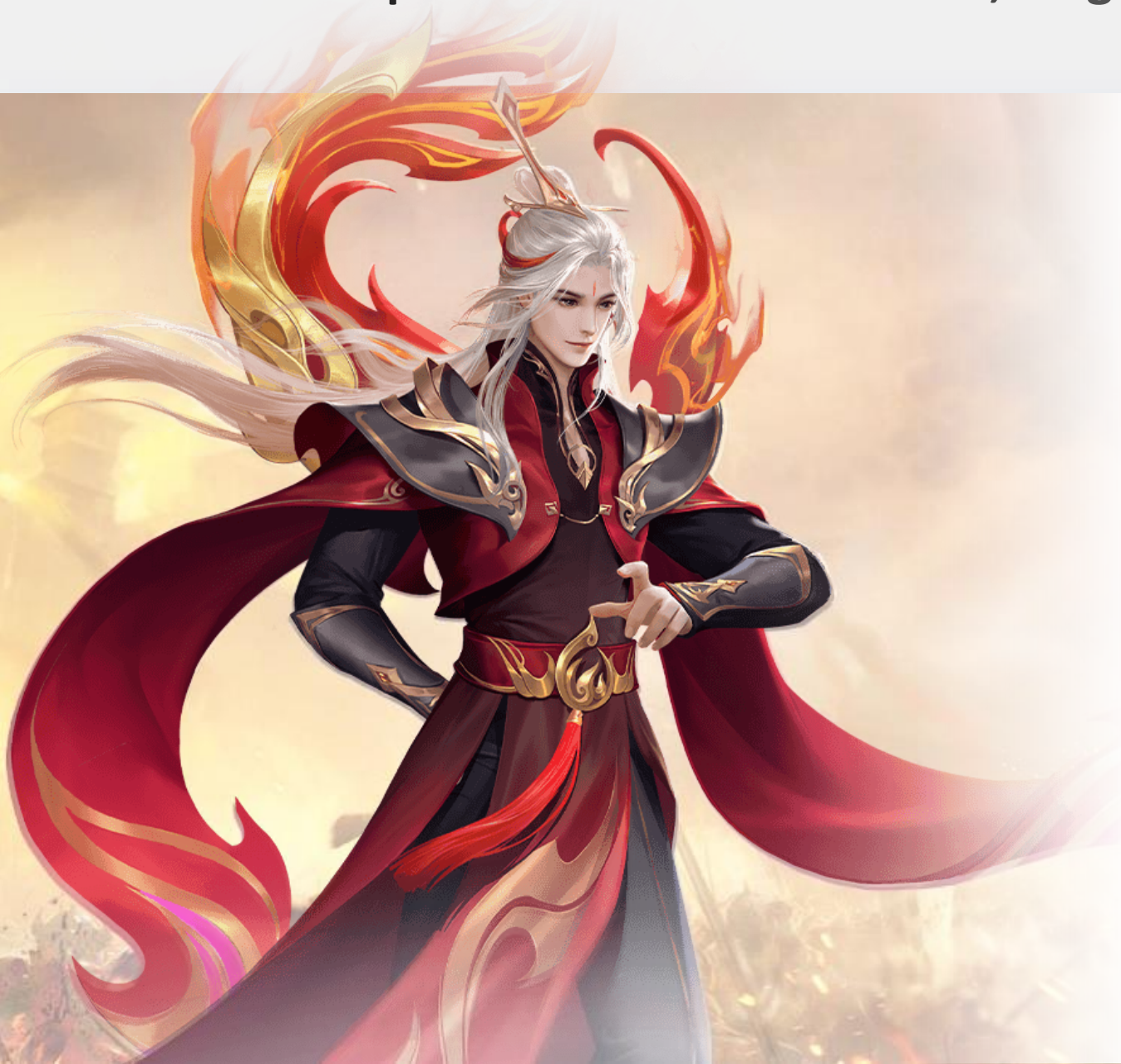
Mini Play, LARP

Eudemons Mini Plays and Live Action Role Playing ("LARP") games are expected to be released in 2H2022, further expanding our IP influence into pop culture

Future Plan

Our long-term future plan is to roll out Eudemons IP-based movies, anime and TV series to achieve a full-scale pan-entertainment reach

Conquer IP: Execution on Track, Targeting Overseas Expansion

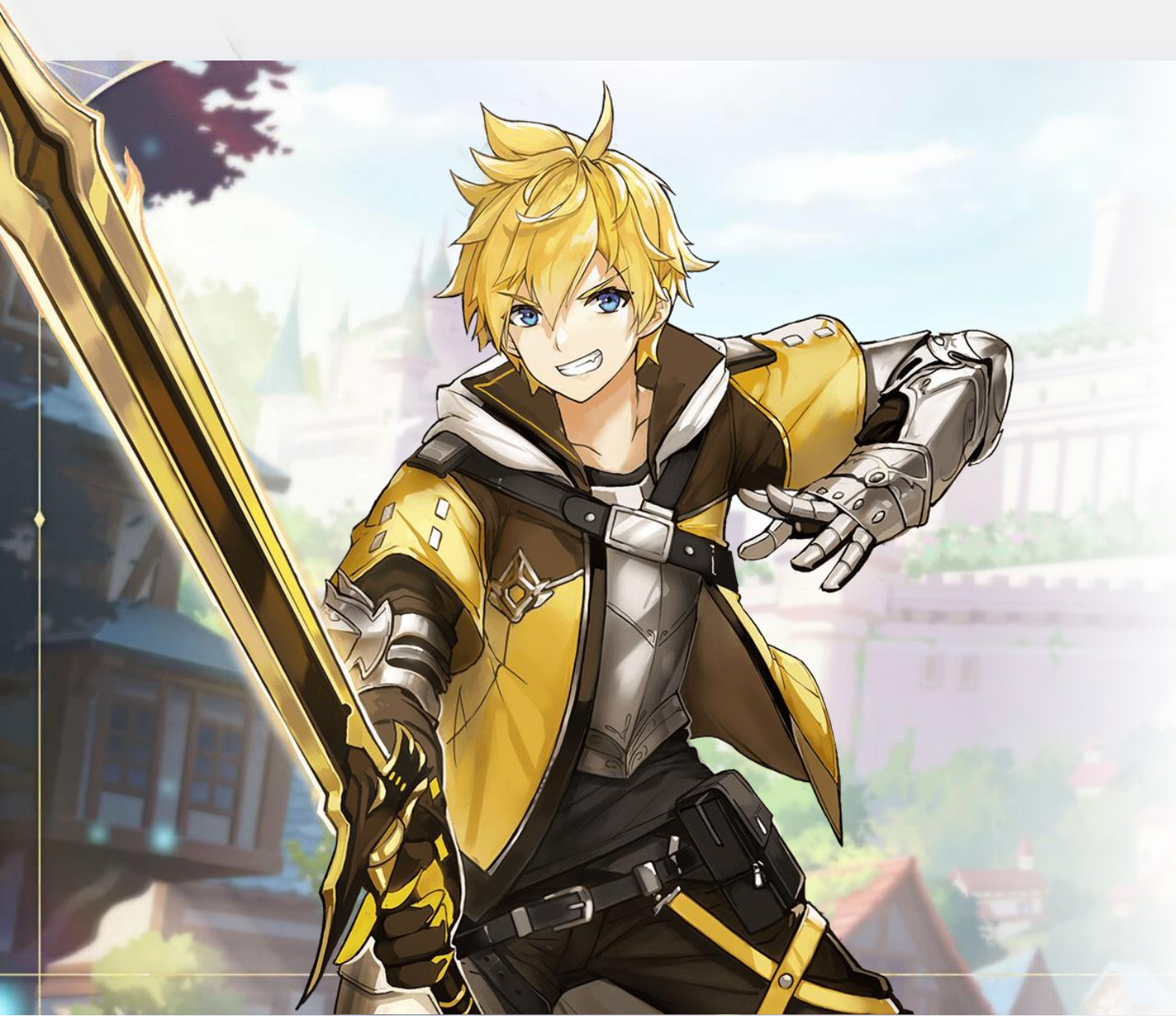


Stable revenue growth on the back of content enhancements and enrichment of gameplays

Extension of our successful model in Egypt to new countries in 2021 – the Philippines, US, Canada and Saudi Arabia

Exploring new distribution partners in North America and MENA to further drive revenue growth

Under Oath IP: Laying Foundation for Scaling of Monetization



MAU

1.0M+

Next Day
Retention

55%+

Commenced open-beta in Dec 2021 with great retention and payment rate performances

Two major expansion packs to be launched in 2022

Well positioned to expand overseas to capitalize on huge ACGN TAM



Overseas Market Expansion for Under Oath on Track

- Business contracts are in negotiation with several renowned international publishers
- Open-beta launch in overseas market expected in 2022

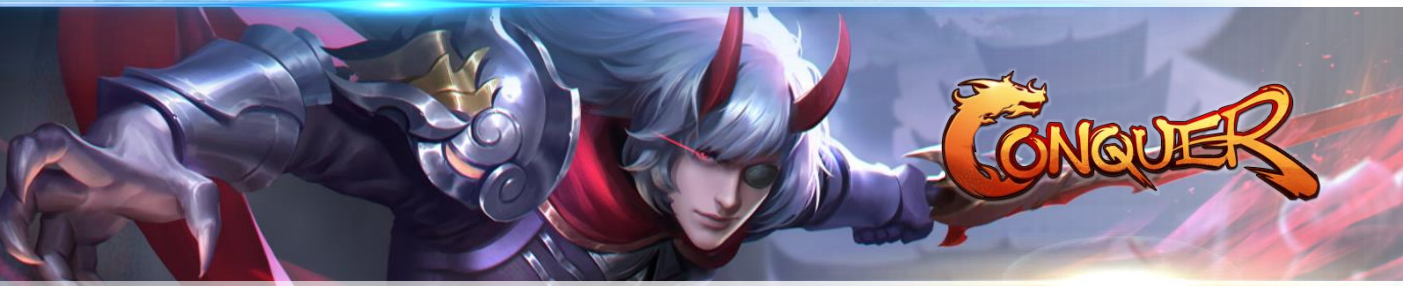
2022 Outlook



Drive Stable Revenue Growth
for Existing Games



Monetize Our New IP *Under Oath*

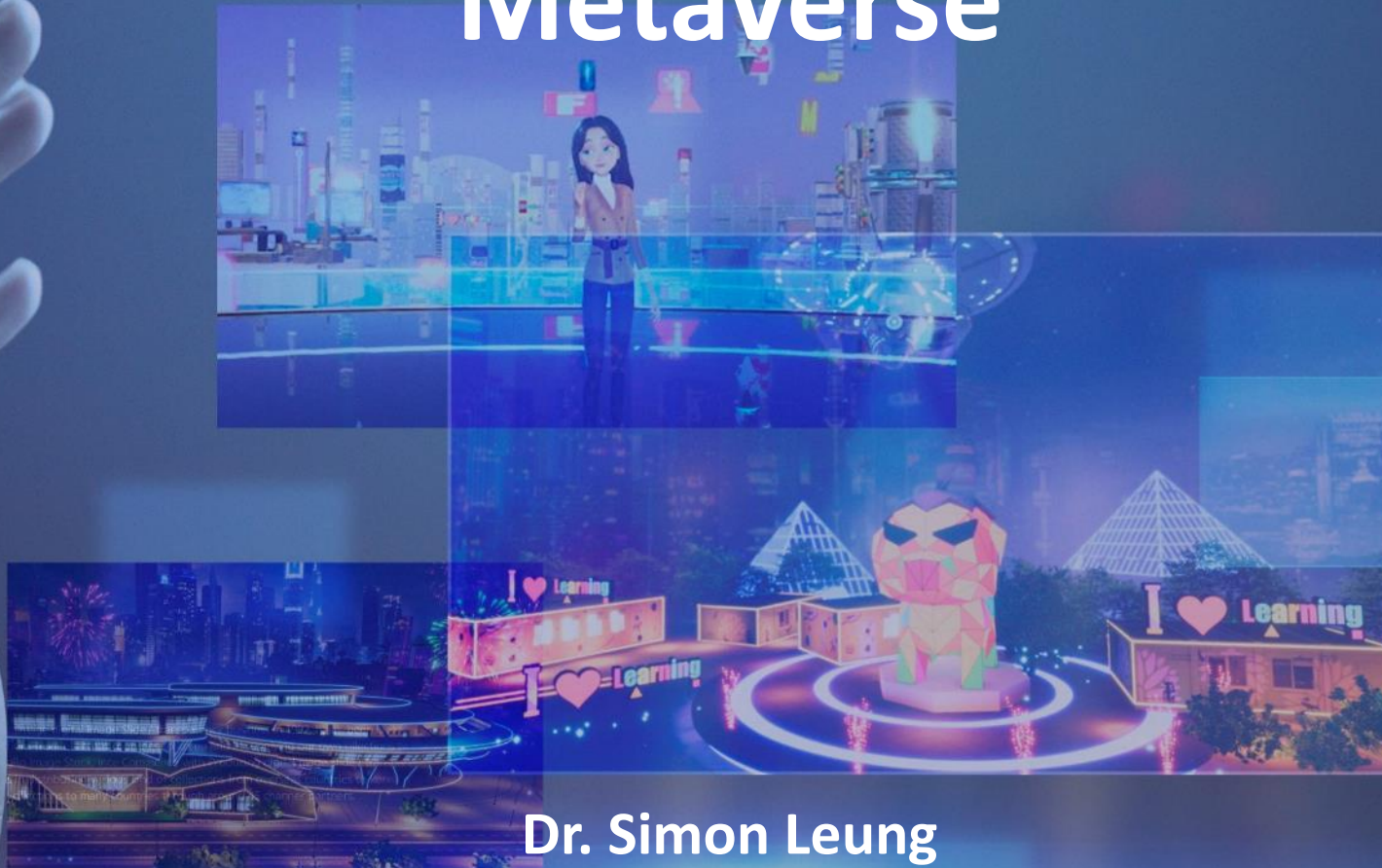


Overseas Expansion



Pursue Blockchain Gaming Opportunities

Metaverse



Dr. Simon Leung

Group Vice Chairman

Capitalizing on the Metaverse Opportunity in Gaming + Education

Building Our Web 3.0 Ecosystem

Neopets Metaverse Game

- Launched successful NFT sale in Q4 2021
- Targeting to launch our first Neopets blockchain game in 2H 2022

Future Blockchain Based Games

- Actively conducting evaluation/testing on the blockchain-based gaming opportunity for our existing gaming IPs, as well as new IPs

New Verticals

- Expand beyond gaming into other verticals by leveraging:
 - ✓ Our metaverse-enabling technologies (VR, AI, Fintech, speech, hologram, etc.)
 - ✓ Our core competencies in gaming and education

Investment & Partnerships

- Create a network of strategic partnerships through investments
- Access blockchain technologies and product/operation know-how
- Expect to ramp up investments in 2022

Building a fully fledged Web 3.0 Neopets Metaverse based on the classic IP



Neopets is a legendary virtual pet game that has captivated and inspired more than **150 million players**.

1. First Major IP in the Blockchain Gaming Space
2. Proven Gameplay & Community
3. Free-to-Play, Play-and-Earn Model to Attract Gamers

Outlook



Dr. Simon Leung

Group Vice Chairman



Outlook

Execute a Balanced Growth Strategy on Gaming

Capitalize on Blended Learning Market Demand Momentum

Investing to Enable Software and Content Monetization on Promethean

Ramping up Metaverse Initiatives



Q&A



Investor Relations Contact
ir@netdragon.com

