



NetEase

# 4Q22 Investor Presentation

Investor Relations  
Feb 23, 2023

# 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 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; 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; 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. (NASDAQ: NTES and HKEX: 9999) 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 market-leading ESG initiatives are among the most recognized in the global media and entertainment industry, earning it inclusion in 2022 Dow Jones Sustainability World Index, 2022 Dow Jones Sustainability Emerging Markets Index, and 2023 Bloomberg Gender Equality Index, as well as receiving an "A" rating from MSCI. For more information, please visit: <http://ir.netease.com/>.

# MARKET SNAPSHOT

*In USD*

\$56.5  
billion

Market Cap<sup>1</sup>  
(2/22/23)

3.3  
billion

Shares Outstanding,  
Diluted (4Q22)

\$0.88

Basic net income per ADS  
(GAAP) (4Q22)

\$3.7  
billion

Net revenues  
(4Q22)

\$573  
million

Net income attributable to the  
Company's shareholders (GAAP)  
(4Q22)

\$13.9  
billion

Cash position<sup>2</sup>  
(12/31/22)

A

MSCI ESG Rating<sup>3</sup>

Note:

<sup>1</sup> Market Cap is calculated using the closing price on NASDAQ; Our market cap is HK\$438.7 billion (\$55.9 billion) based on the closing price on the Hong Kong Stock Exchange

<sup>2</sup> 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 short-term and long-term loans

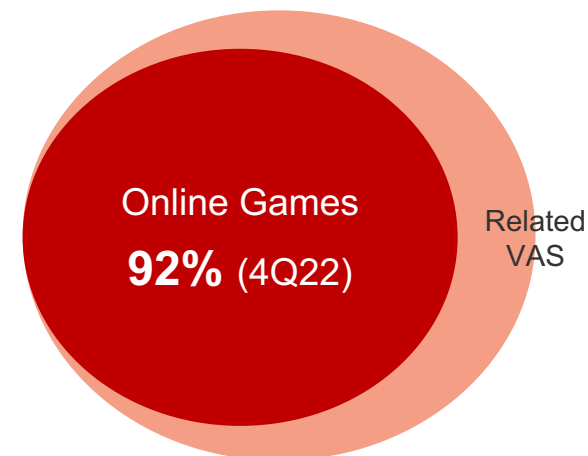
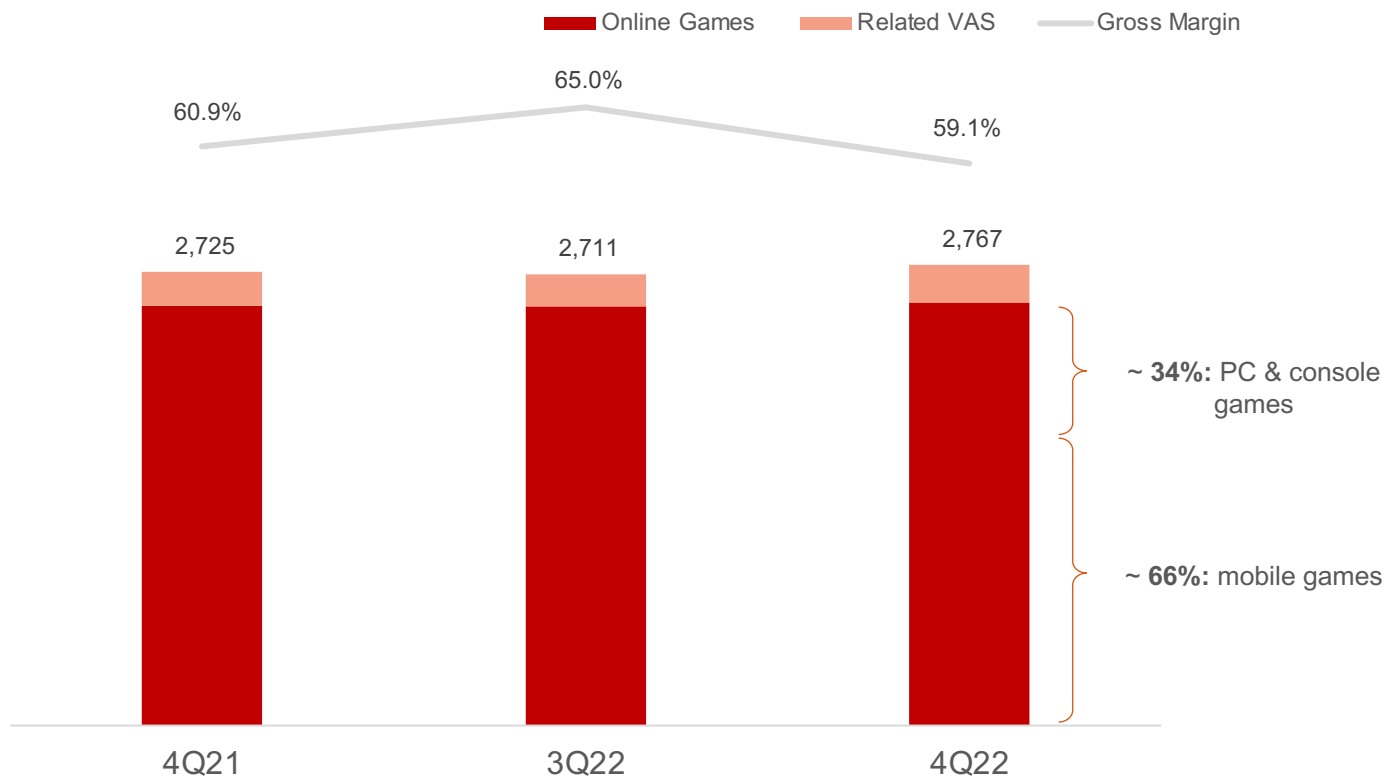
<sup>3</sup> The result is based on the latest update in December 2022



# GAMES AND RELATED VALUE-ADDED SERVICES

USD million<sup>1</sup>

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



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.



Note:

<sup>1</sup> US\$1.00 = RMB6.8972 on Dec 30, 2022. Same exchange rate is applied to all years for illustrative purpose

# ONLINE GAMES

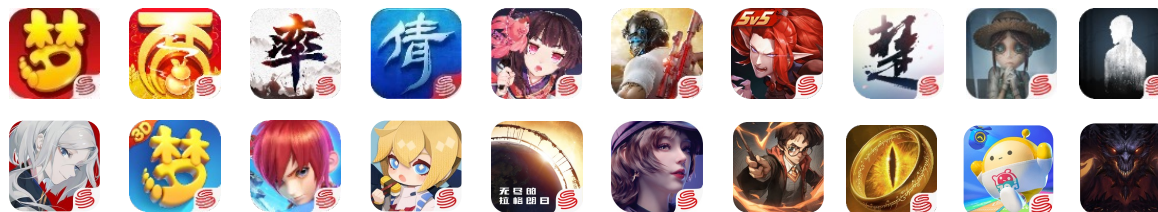
## PC & CONSOLE GAMES

### Flagship Self-Developed PC & Console Titles



## MOBILE GAMES

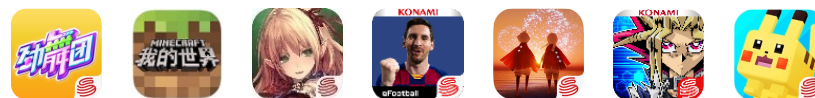
### Self-Developed Mobile Games



### Mobile Games in Overseas Markets



### Licensed Mobile Games From Overseas Developers

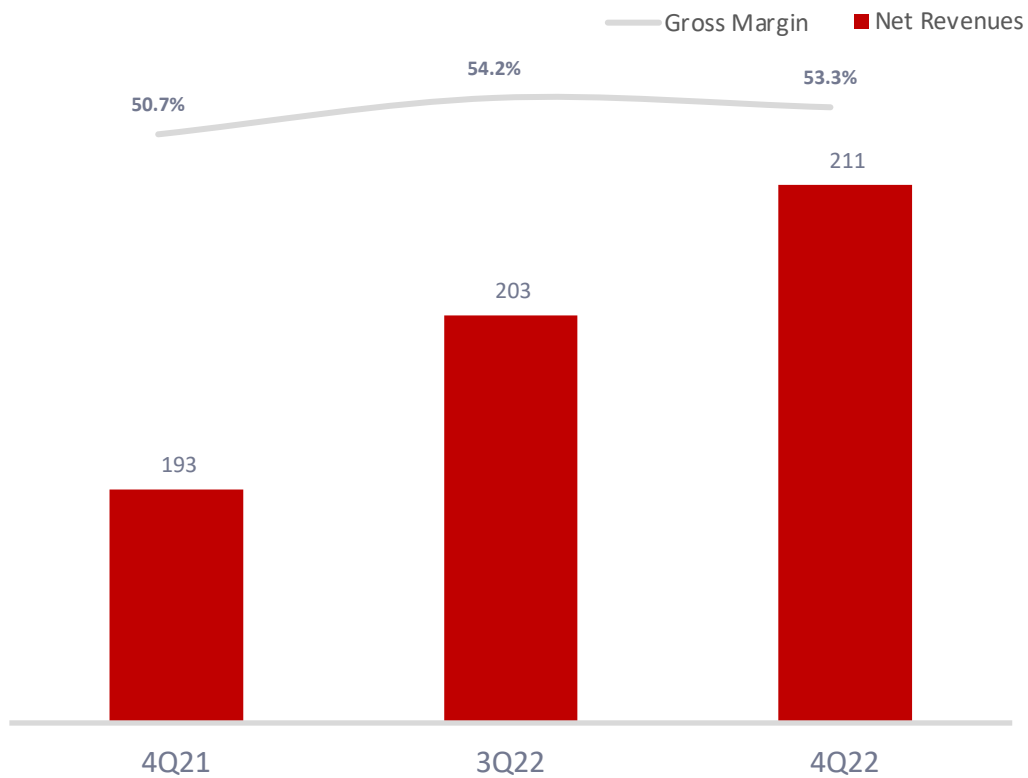


- Extended the popularity of leading franchise titles including *Fantasy Westward Journey* and *Westward Journey Online series*, and other hit titles such as *Sky*, *Invincible* and the mobile version of *New Ghost*
- *Eggy Party*: a casual party mobile game initially launched in the Chinese mainland, drove strong revenue and user growth, accumulating the highest daily active users of any game in the history of NetEase Games
- Overseas NetEase studios: acquired **SkyBox Labs**, a Canadian-based game studio, and announced the establishment of a new game studio called **Spliced**
- Pipeline: *Westward Journey Returns*, *Justice mobile game*, *Racing Master*, *Badlanders* and *Naraka: Bladepoint mobile*, as well as *Harry Potter: Magic Awakened* for the international markets

# YOUDAO

USD million <sup>1</sup>

## Youdao Net Revenues and Gross Margin



Note:

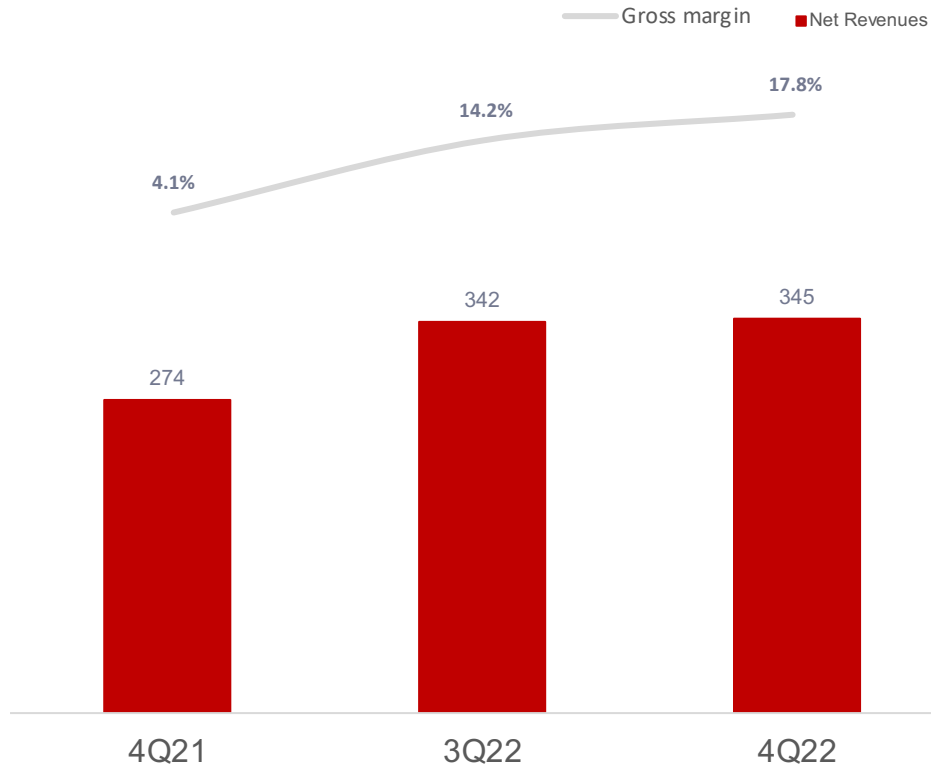
<sup>1</sup> US\$1.00 = RMB6.8972 on Dec 30, 2022. Same exchange rate is applied to all years for illustrative purpose

- In Q4, we achieved record-breaking quarterly net revenues of USD211 million and reported a positive income from operations for the first time
- The successful launch of smart devices iterations garnered robust demand from customers:
  - ❑ **Youdao Dictionary Pen P5**, featuring extensive terms library and advanced recognition accuracy
  - ❑ **Youdao Smart Learning Pad X10**, boasting an improved “Learning Dashboard” supported by AI for better personalized learning experiences
- STEAM courses continued strong growth as a result of highly-acclaimed advancements empowered by AI technologies and innovative course offerings

# CLOUD MUSIC

USD million<sup>1</sup>

## Cloud Music Net Revenues and Gross Margin



Note:

<sup>1</sup> US\$1.00 = RMB6.8972 on Dec 30, 2022. Same exchange rate is applied to all years for illustrative purpose

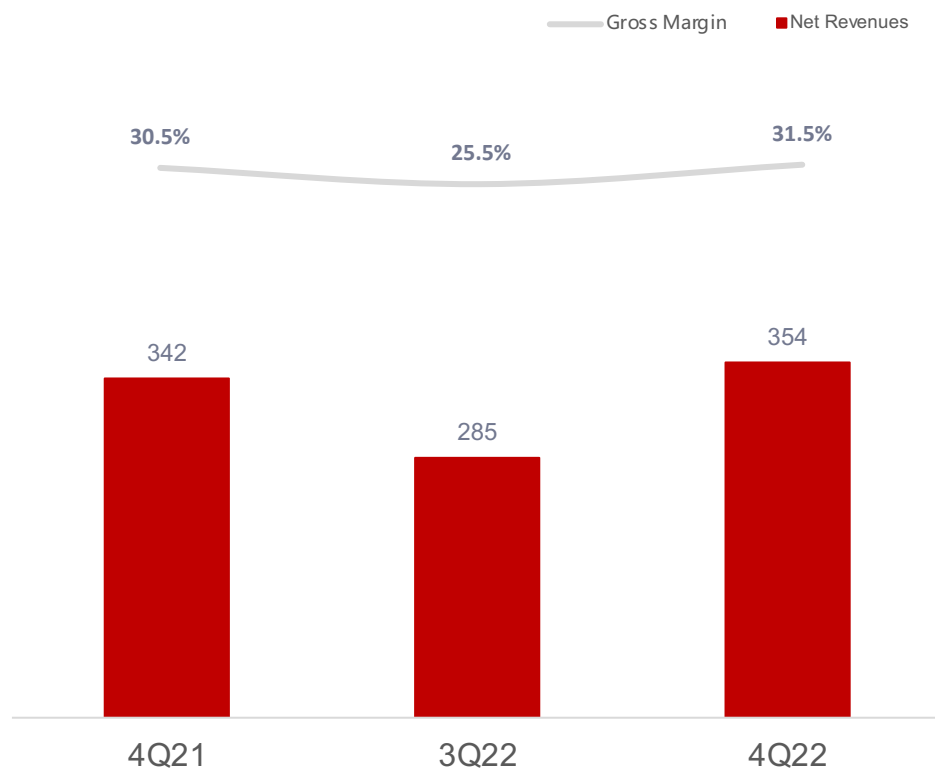
- Registered robust top-line growth of 29% year-over-year to reach USD1.3 billion in 2022. Considerably improved profitability, gross profit margin expanded to 14.4% for the year and 17.8% in Q4, up from just 2.0% and 4.1% respectively
- Continued to heighten user engagement and boost paying willingness, paying ratio rose to 20.2% in 2022, up from 15.8% in 2021
- Digital albums witnessed impressive sales in Q4, particularly those from well-known artists such as Chenyu Hua and (G)I-DLE
- Steadily expanded our music library and engaged with leading labels such as B'in Music, Pony Canyon and Avex in Q4. By the end of the year, has established partnerships with leading Asian labels including SM Entertainment, YG Entertainment, Emperor Entertainment Group, China Record Group, Feng Hua Qiu Shi, Modern Sky and Yuehua Entertainment
- Encouraged and nurtured creativity in musicians with several supportive initiatives, including the launch of “Music Talk”, “The Original Music Zone” and “The Local Zone”



# INNOVATIVE BUSINESSES AND OTHERS

USD million<sup>1</sup>

## Innovative Businesses and Others Net Revenues and Gross Margin



Note:

<sup>1</sup> US\$1.00 = RMB6.8972 on Dec 30, 2022. Same exchange rate is applied to all years for illustrative purpose



### NetEase Yanxuan

- Leading private label consumer lifestyle brand in China
- Continued to build its brand awareness by consistently creating highly popular products through diversified channels



### 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



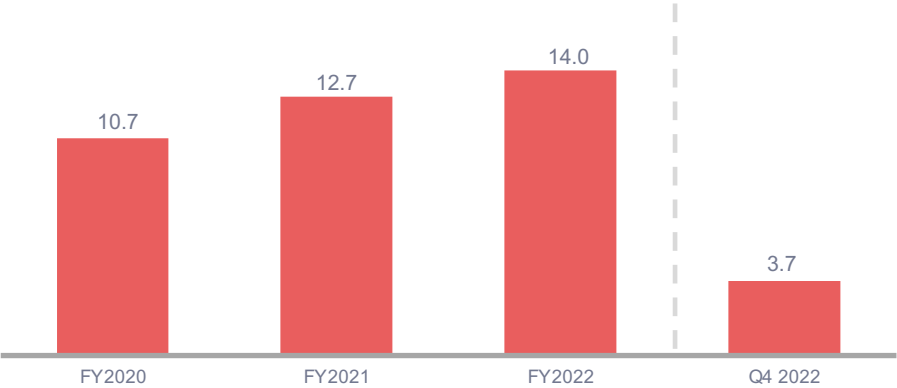
### E-mail Services

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

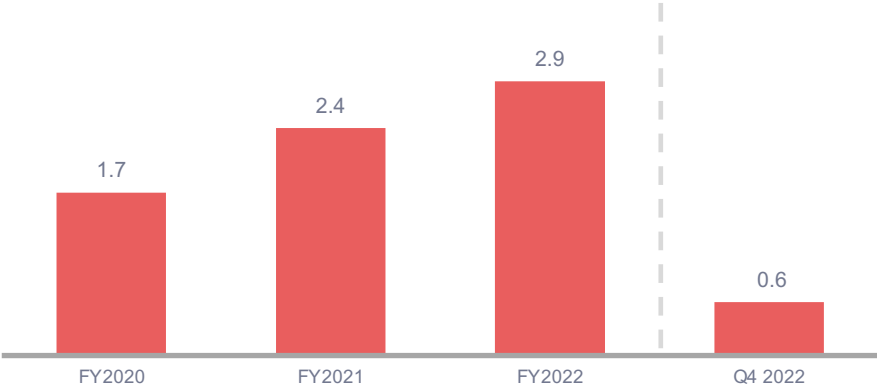
# FINANCIAL HIGHLIGHTS

USD billion <sup>1</sup>

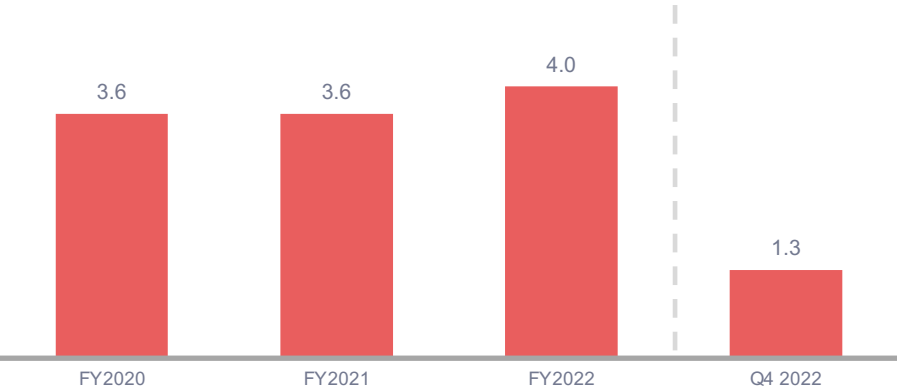
Net Revenues



Net Income Attributable to Shareholders (GAAP)



Operating Cash Flow



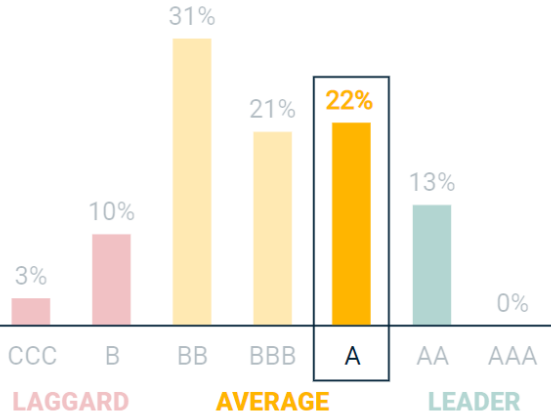
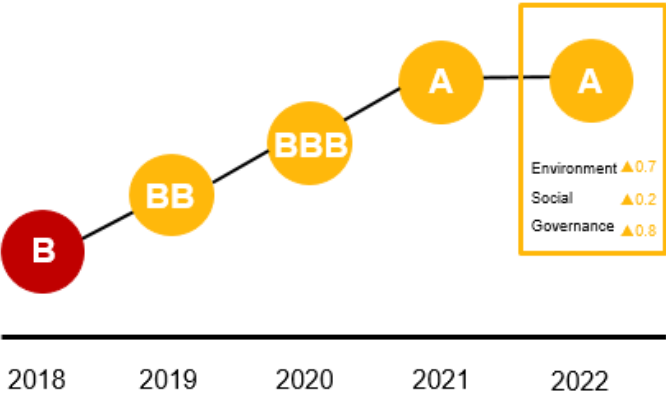
Value Returned to Shareholders

US\$	FY2020	FY2021	FY2022	Q4 2022
Dividend per ADS (declared)	\$0.784	\$1.170	\$1.387	\$0.270
Total Dividends (declared) <sup>2</sup>	\$515 m	\$777 m	\$906 m	\$175 m
Share Buyback	\$1,625 m	\$1,974 m	\$1,187 m	\$417 m

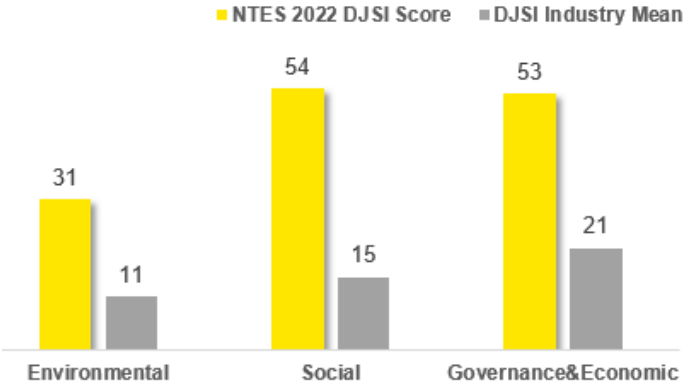
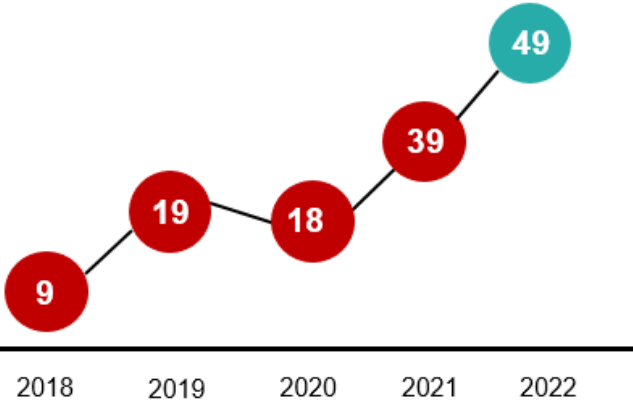
Note:  
1 US\$1.00 = RMB6.8972 on Dec 30, 2022. Same exchange rate is applied to all years for illustrative purpose  
2 Total Dividends (declared) equals to Dividend per ADS (declared) multiplied by each quarter's corresponding weighted average number of ADS outstanding, basic

# ESG PERFORMANCE

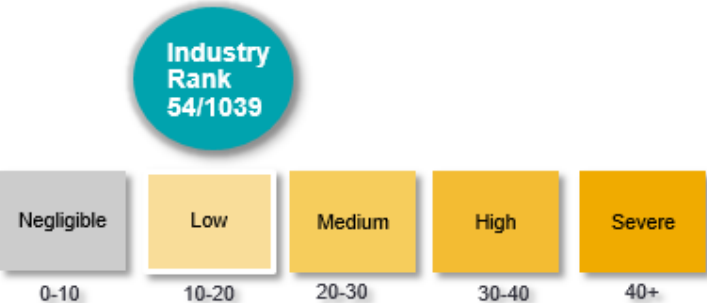
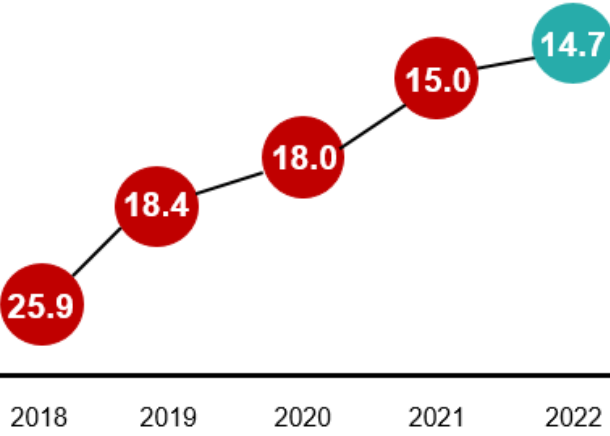
MSCI Ratings



DJSI (Dow Jones Sustainability Index) Ratings



Sustainalytics Ratings



# BALANCE SHEET SUMMARY

	2021	2022	
in millions	Dec 31, RMB	Dec 31, RMB (Unaudited)	Dec 31, USD (Unaudited)
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	14,498	24,889	3,609
Time deposits	70,755	84,948	12,316
Other current assets	27,867	21,766	3,156
Total current assets	113,120	131,603	19,081
Property, equipment and software, net	5,434	6,342	920
Other non-current assets	35,090	34,816	5,047
Total assets	153,644	172,761	25,048
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS &amp; SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Contract liabilities	12,133	12,519	1,815
Other current liabilities	38,368	44,310	6,424
Total current liabilities	50,501	56,829	8,239
Total liabilities	54,220	63,888	9,263
Redeemable noncontrolling interests	145	136	20
Total shareholders' equity	99,279	108,737	15,765
Total liabilities, redeemable noncontrolling interests and shareholders' equity	153,644	172,761	25,048

# INCOME STATEMENT SUMMARY

	4Q21	3Q22	4Q22	4Q22	QoQ	YoY
in millions except per ADS data & percentage data	RMB	RMB	RMB	USD	Change	Change
		(Unaudited)	(Unaudited)	(Unaudited)		
<b>Total net revenues:</b>	24,374	24,427	25,354	3,676	3.8%	4.0%
<i>Games and related value-added services</i>	18,792	18,699	19,086	2,767	2.1%	1.6%
<i>Youdao</i>	1,334	1,402	1,454	211	3.7%	9.0%
<i>Cloud Music</i>	1,889	2,357	2,376	345	0.8%	25.8%
<i>Innovative businesses and others</i>	2,359	1,969	2,438	353	23.8%	3.3%
<b>Gross profit</b>	12,918	13,744	13,244	1,920	-3.6%	2.5%
<b>Gross profit margin</b>	53.0%	56.3%	52.2%	52.2%		
<b>Operating profit</b>	4,608	4,742	4,433	643	-6.5%	-3.8%
<b>Operating profit margin</b>	18.9%	19.4%	17.5%	17.5%		
<b>Net income attributable to the Company's shareholders</b>	5,694	6,699	3,953	573	-41.0%	-30.6%
<b>Diluted net income per ADS</b>	¥8.57	¥10.17	¥6.05	\$0.88	-40.5%	-29.4%

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



# THANK YOU

網易 NETEASE