

NetEase

4Q23 Investor Presentation

Investor Relations
Feb 29, 2024

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.

NetEase's market-leading ESG initiatives are among the most recognized in the global media and entertainment industry, earning it inclusion in the 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

\$72.4
billion

Market Cap¹
(02/28/24)

3.3
billion

Shares Outstanding,
Diluted (4Q23)

\$1.44

Basic Net Income per ADS
(GAAP) (4Q23)

\$3.8
billion

Net Revenues
(4Q23)

\$0.9
billion

Net income attributable to the
Company's shareholders
(GAAP) (4Q23)

\$15.6
billion

Cash position²
(12/31/23)

A

MSCI ESG Rating³

Notes:

1 Market Cap is calculated using the closing price on NASDAQ; Our market cap is HK\$569.6 billion based on the closing price on the Hong Kong Stock Exchange

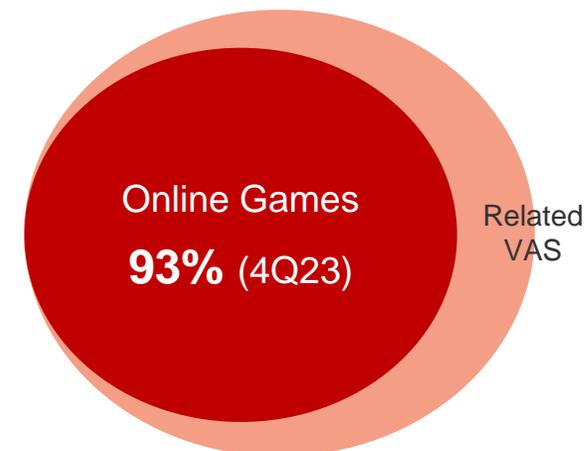
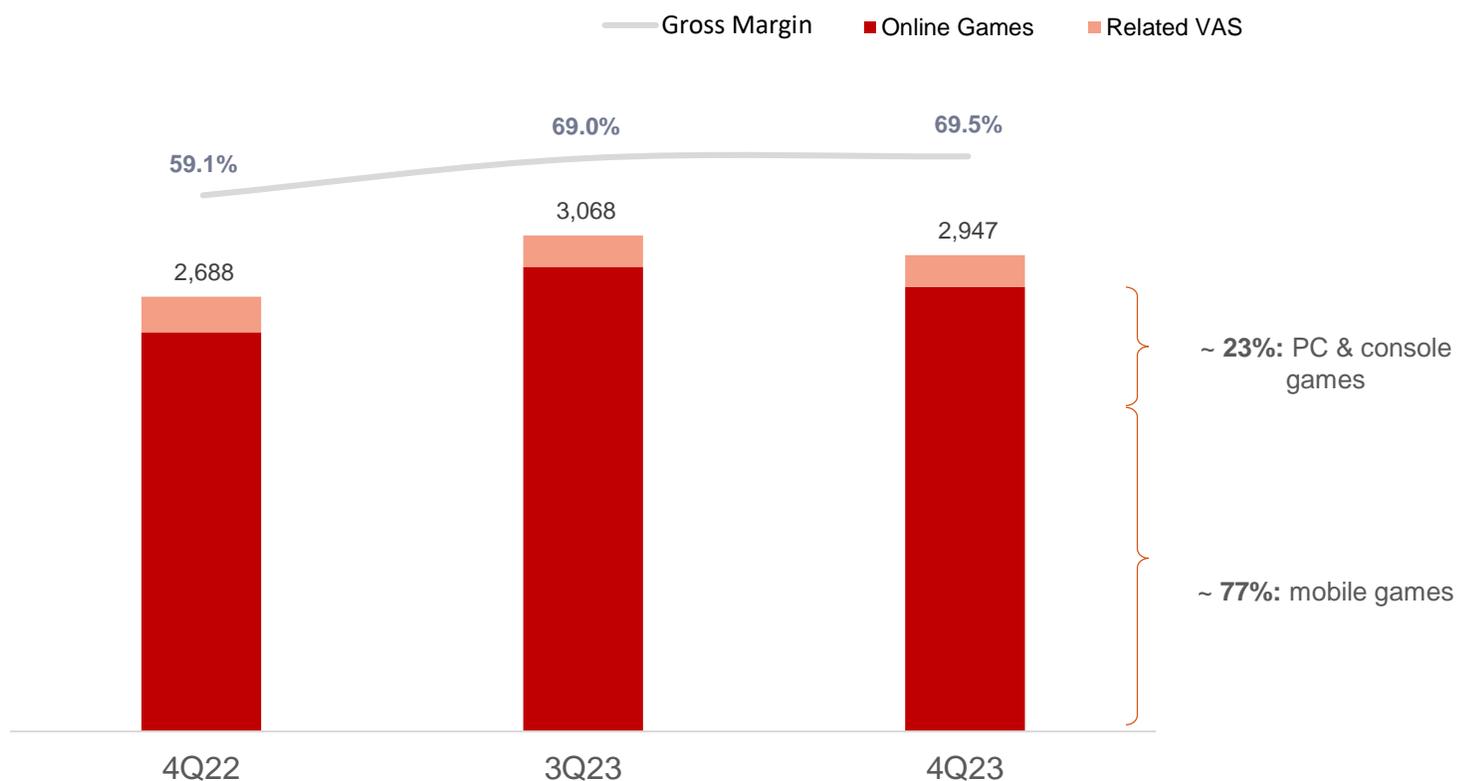
2 Cash position refers to total cash and cash equivalents, current and non-current time deposits and restricted cash, as well as short-term investments balance, minus short-term and long-term loans

3 The result is based on the latest update in December 2022

GAMES AND RELATED VALUE-ADDED SERVICES

USD million¹

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



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



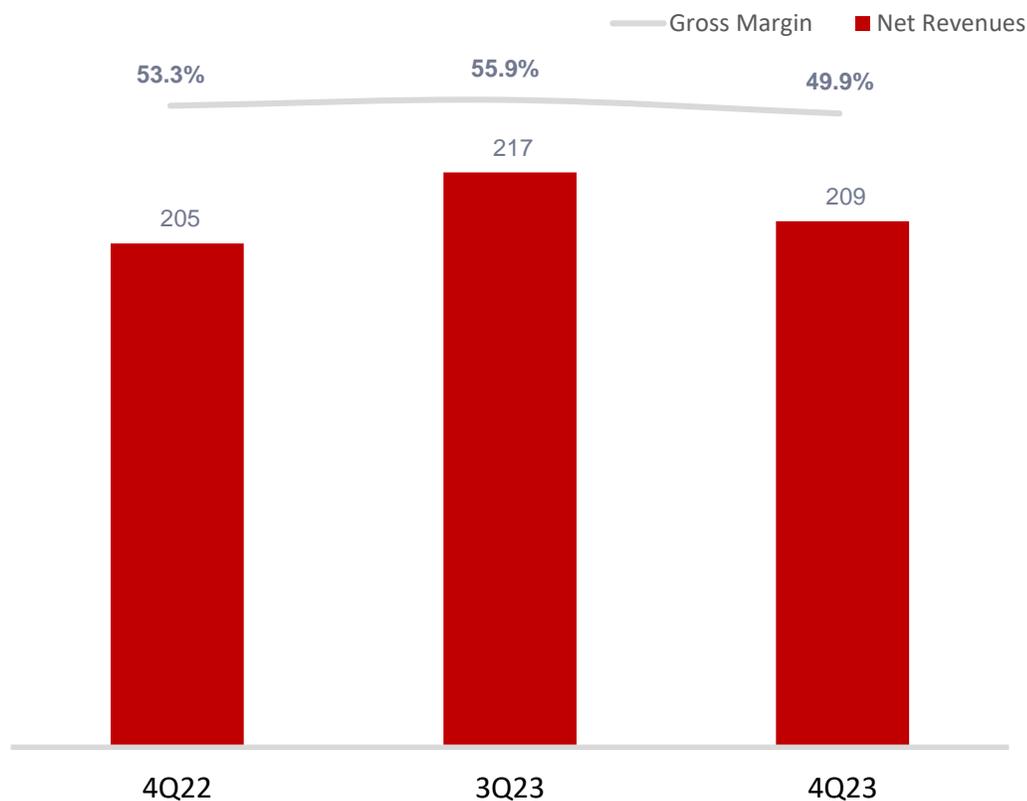
Note:

¹ US\$1.00 = RMB7.0999 on December 29, 2023. Same exchange rate is applied to all years for illustrative purposes

YOUDAO

USD million¹

Youdao Net Revenues and Gross Margin



- Youdao continued to propel technological innovation and product development, further improving profitability and cash flow
- Learning services consistently raised the quality of its unique courses, and digital content services kept healthy growth momentum in the fourth quarter.
- Online marketing services achieved record-breaking revenues through the utilization of our cutting-edge AI technology
- Youdao continued to advance proprietary large language model and accelerate the development of large language model applications since the fourth quarter

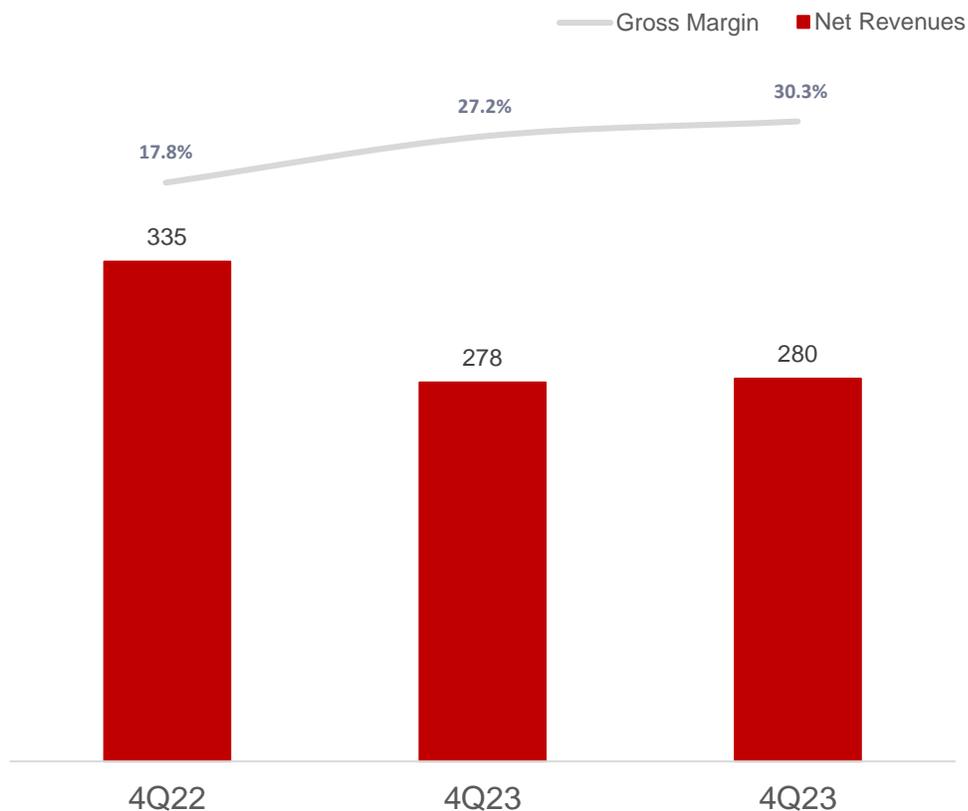
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CLOUD MUSIC

USD million¹

Cloud Music Net Revenues and Gross Margin



Note:

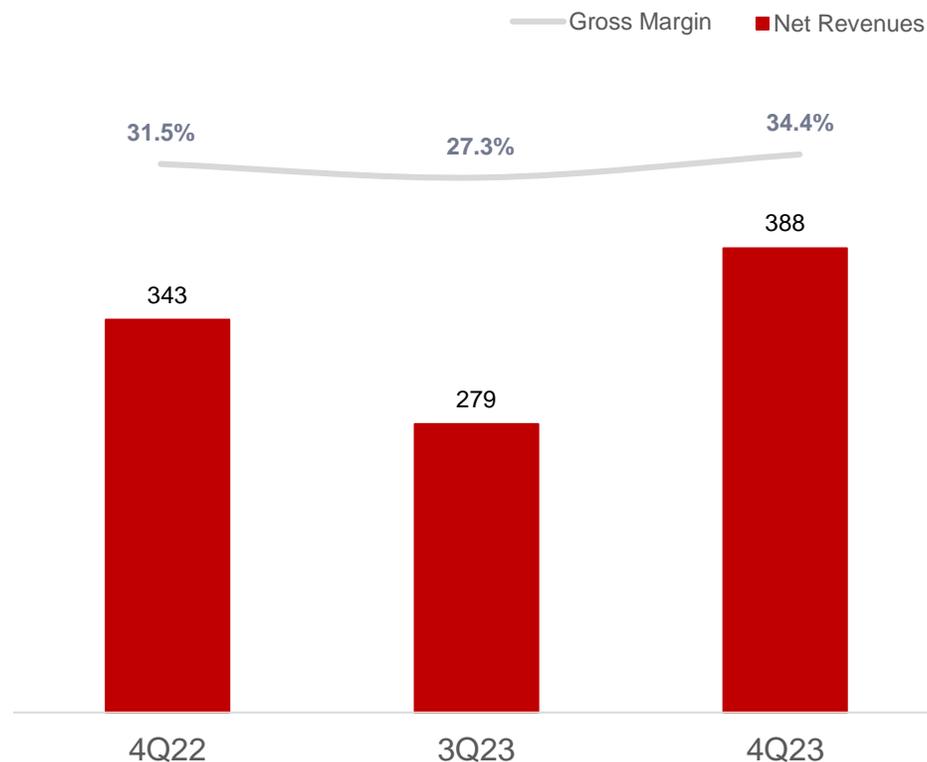
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- Cloud Music continued to navigate quality development across music-centric ecosystem
- Further extended robust monetization momentum in the core online music business, as a result of an increase in the number of subscribers, along with moderate improvement in ARPPU
- Committed to fostering strong partnerships with music copyright holders and are actively working toward deepening these collaborations to expand our catalog of music label content, promote advantageous music genres and increase album sales in cooperation with top artists
- Considerably improved profitability throughout 2023

INNOVATIVE BUSINESSES AND OTHERS

USD million¹

Innovative Businesses and Others Net Revenues and Gross Margin



Note:

¹ US\$1.00 = RMB7.0999 on December 29, 2023. Same exchange rate is applied to all years for illustrative purposes



NetEase Yanxuan

- Leading private-label consumer lifestyle brand in China
- Continued to strengthen its brand presence with highly popular products in focused categories
- Sales growth remained steady in 2023, with a double-digit increase in specific e-commerce channels year-over-year



NetEase 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



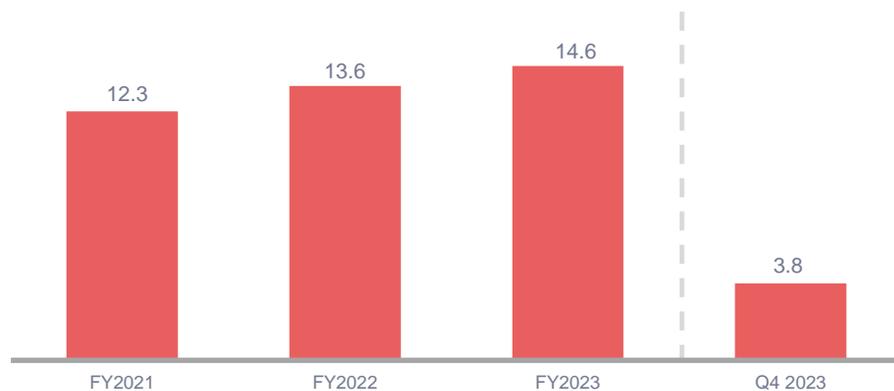
E-mail Services

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

FINANCIAL HIGHLIGHTS

USD billion¹

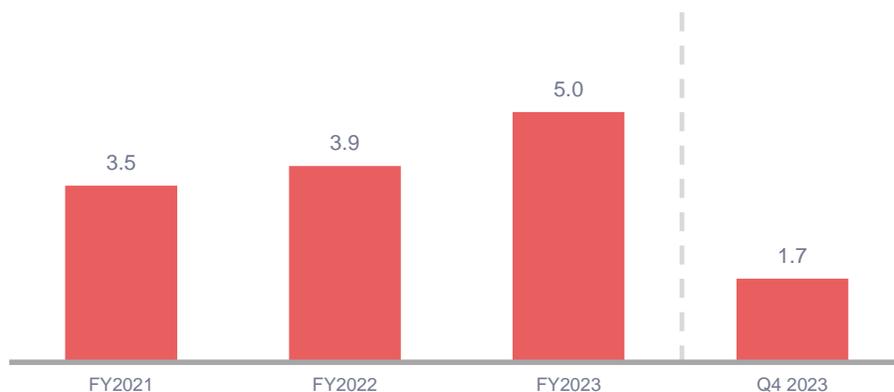
Net Revenues



Net Income Attributable to Shareholders (GAAP)



Operating Cash Flow



Value Returned to Shareholders

US\$	FY2021	FY2022	FY2023	Q4 2023
Dividend per ADS (declared)	\$1.17000	\$1.38700	\$2.56485	\$1.07985
Total Dividends (declared)²	\$777 m	\$906 m	\$1,649 m	\$694 m
Share Buyback	\$1,974 m	\$1,187 m	\$687 m	\$56 m

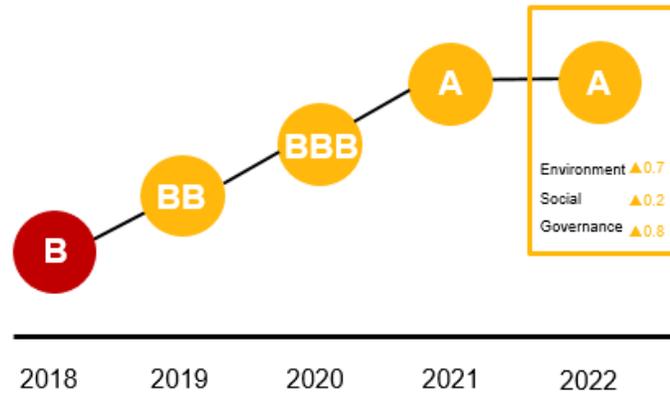
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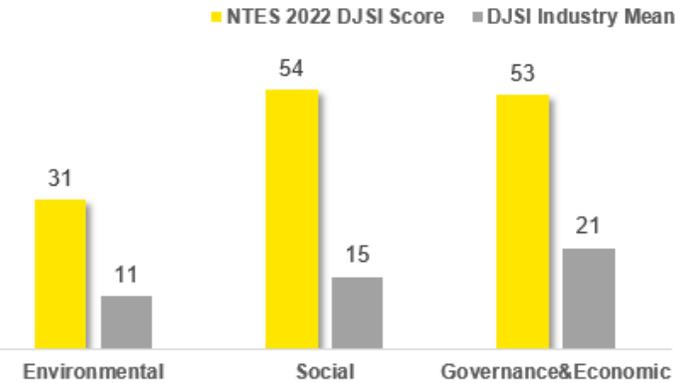
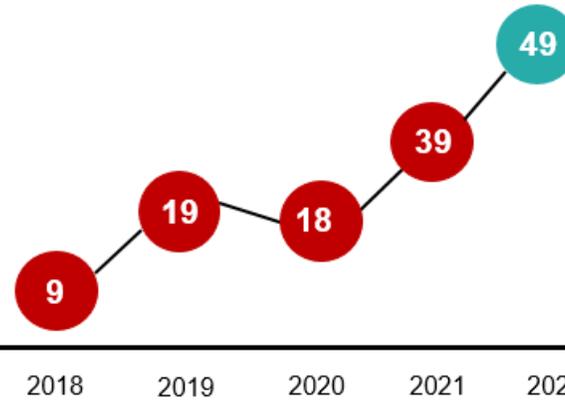
² Total Dividends (declared) equals to Dividend per ADS (declared) multiplied by each quarter's corresponding weighted average number of ADS outstanding, basic

ESG PERFORMANCE

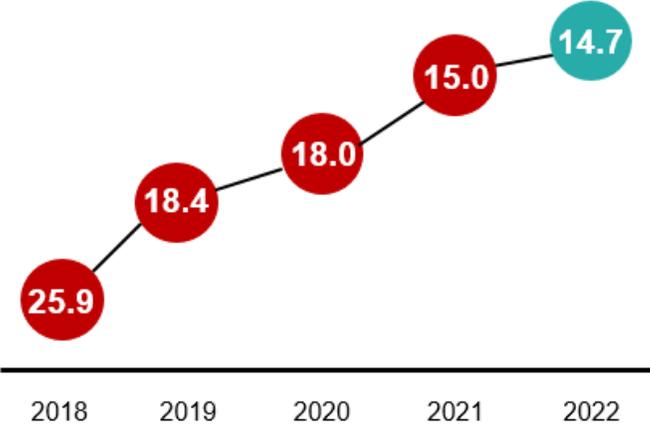
MSCI Ratings



DJSI (Dow Jones Sustainability Index) Ratings



Sustainalytics Ratings



BALANCE SHEET SUMMARY

in millions	2022		2023	
	Dec 31, RMB	Dec 31, RMB (Unaudited)	Dec 31, RMB (Unaudited)	Dec 31, USD (Unaudited)
ASSETS				
Current assets:				
Cash and cash equivalents	24,889	21,429		3,018
Time deposits	84,948	100,856		14,205
Other current assets	21,766	20,408		2,875
Total current assets	131,603	142,693		20,098
Property, equipment and software, net	6,342	8,075		1,137
Other non-current assets	34,816	35,157		4,952
Total assets	172,761	185,925		26,187
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS & SHAREHOLDERS' EQUITY				
Current liabilities:				
Contract liabilities	12,519	13,362		1,882
Other current liabilities	44,310	40,480		5,702
Total current liabilities	56,829	53,842		7,584
Total liabilities	63,888	57,841		8,147
Redeemable noncontrolling interests	136	116		16
Total equity	108,737	127,968		18,024
Total liabilities, redeemable noncontrolling interests and shareholders' equity	172,761	185,925		26,187

INCOME STATEMENT SUMMARY

in millions except per ADS data & percentage data

	4Q22	3Q23	4Q23	4Q23	QoQ	YoY
	RMB	RMB	RMB	USD	Change	Change
		(Unaudited)	(Unaudited)	(Unaudited)		
Total net revenues:	25,354	27,270	27,140	3,823	-0.5%	7.0%
<i>Games and related value-added services</i>	19,086	21,780	20,921	2,947	-3.9%	9.6%
<i>Youdao</i>	1,454	1,539	1,481	209	-3.8%	1.9%
<i>Cloud Music</i>	2,376	1,973	1,986	280	0.7%	-16.4%
<i>Innovative businesses and others</i>	2,438	1,978	2,752	387	39.1%	12.9%
Gross profit	13,244	16,966	16,825	2,370	-0.8%	27.0%
Gross profit margin	52.2%	62.2%	62.0%	62.0%		
Operating profit	4,433	7,558	6,868	967	-9.1%	54.9%
Operating profit margin	17.5%	27.7%	25.3%	25.3%		
Net income attributable to the Company's shareholders	3,953	7,837	6,582	927	-16.0%	66.5%
Diluted net income per ADS	¥6.05	¥12.06	¥10.12	\$1.42	-16.1%	67.3%

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

THANK YOU

網易 NETEASE