



**2Q 2019**

**Investor Presentation**



# SAFE HARBOR STATEMENT

This presentation 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. These forward-looking statements are based on the current assumptions, expectations and projections of the Company's management about future events. Although the assumptions, expectations and projections reflected in these forward-looking statements represent management's best judgment at the time of this presentation, the Company can give no assurance that they will prove to be correct. Numerous factors, including those related to market conditions and those detailed from time-to-time in the Company's filings with the Securities Exchange Commission, may cause results of the Company to differ materially from those anticipated in these forward-looking statements. Many of the factors that will determine the Company's future results are beyond the ability of the Company to control or predict. These forward-looking statements are subject to risks and uncertainties and, therefore, actual results may differ materially. The Company cautions you not to place undue reliance on these forward-looking statements. The Company undertakes no obligation to revise or update any forward-looking statements, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise. All references to "Company" and "NetEase" as used throughout this presentation refer to NetEase, Inc. and its subsidiaries.

# COMPANY OVERVIEW



Founded in 1997 and listed on NASDAQ since 2000, NetEase, Inc. is a leading China-based internet technology company that develops and operates some of China's most popular online PC and mobile games, runs one of the largest and fastest growing cross-border and private label e-commerce businesses in China and provides comprehensive internet services including online advertising, innovative businesses and others.

As of June 30, 2019, NetEase had over 21,000 employees, with offices globally.

# MARKET SNAPSHOT

*In USD*

\$28.6  
billion

Market Cap  
(08/07/19)

130  
million

ADS Outstanding,  
diluted  
(2Q19)

\$3.47

Earnings per ADS (GAAP)  
(2Q19)

\$2.7  
billion

Net Revenue  
(2Q19)

\$447  
million

Net income attributable to  
the Company's shareholders  
(2Q19)

\$8.1  
billion

Cash, time deposits  
and short-term investment  
(06/30/19)

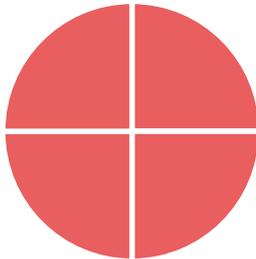
# BUSINESS SEGMENTS

## PC & Mobile Games

- Leading provider and operator of self-developed PC and mobile games to internet users in China
- Licensing, publishing and co-development of leading games by world-renowned companies including Blizzard and Mojang AB (a Microsoft subsidiary)

## Internet Media

- Through NetEase News App and other NetEase mobile and PC products, our internet media services provide not only content, but also social communities to our users, creating a massive interactive marketing platform for NetEase's advertising clients



## E-commerce

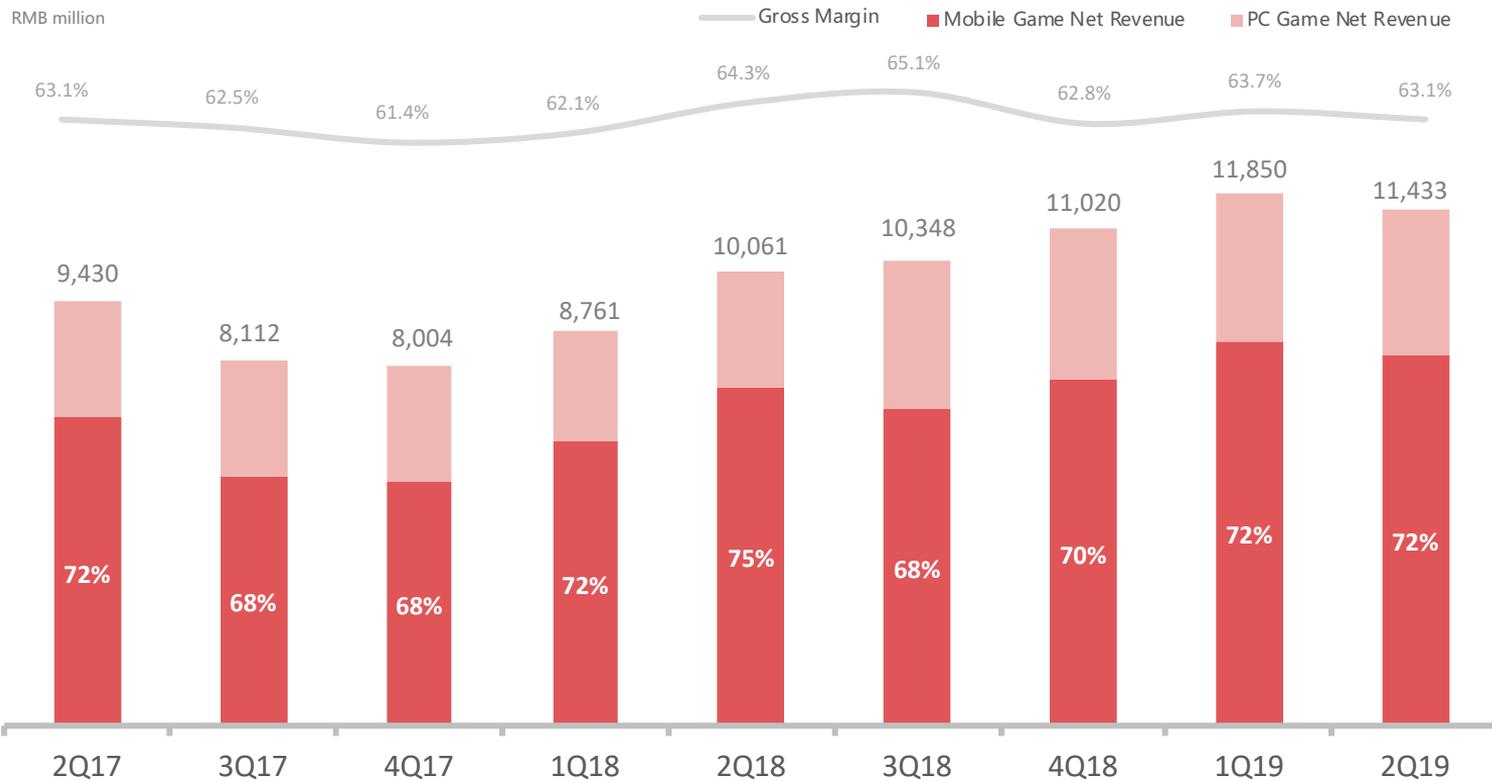
- Leading service provider of cross-border and private label e-commerce through Kaola and Yanxuan. Both platforms offer access to cost effective, high-quality and trustworthy products and they are the go-to platforms for the rising middle-class consumers in China

## Innovative Businesses and Others

- This segment reflects our heightened focus on developing incubated businesses, including live video streaming, cloud music, online education, and other cloud application services, among others

# ONLINE GAMES

## Online Games Net Revenue and Gross Margin



Mobile Games as a Percentage of Online Games Net Revenue

# ONLINE GAMES - PC GAMES

## Flagship Self-Developed PC titles



## Flagship Licensed PC titles



# ONLINE GAMES - MOBILE GAMES

- Over 100 mobile games offered in China

## Self-Developed Mobile Games



## Licensed Mobile Games From Overseas Developers



# ONLINE GAMES - MOBILE GAMES

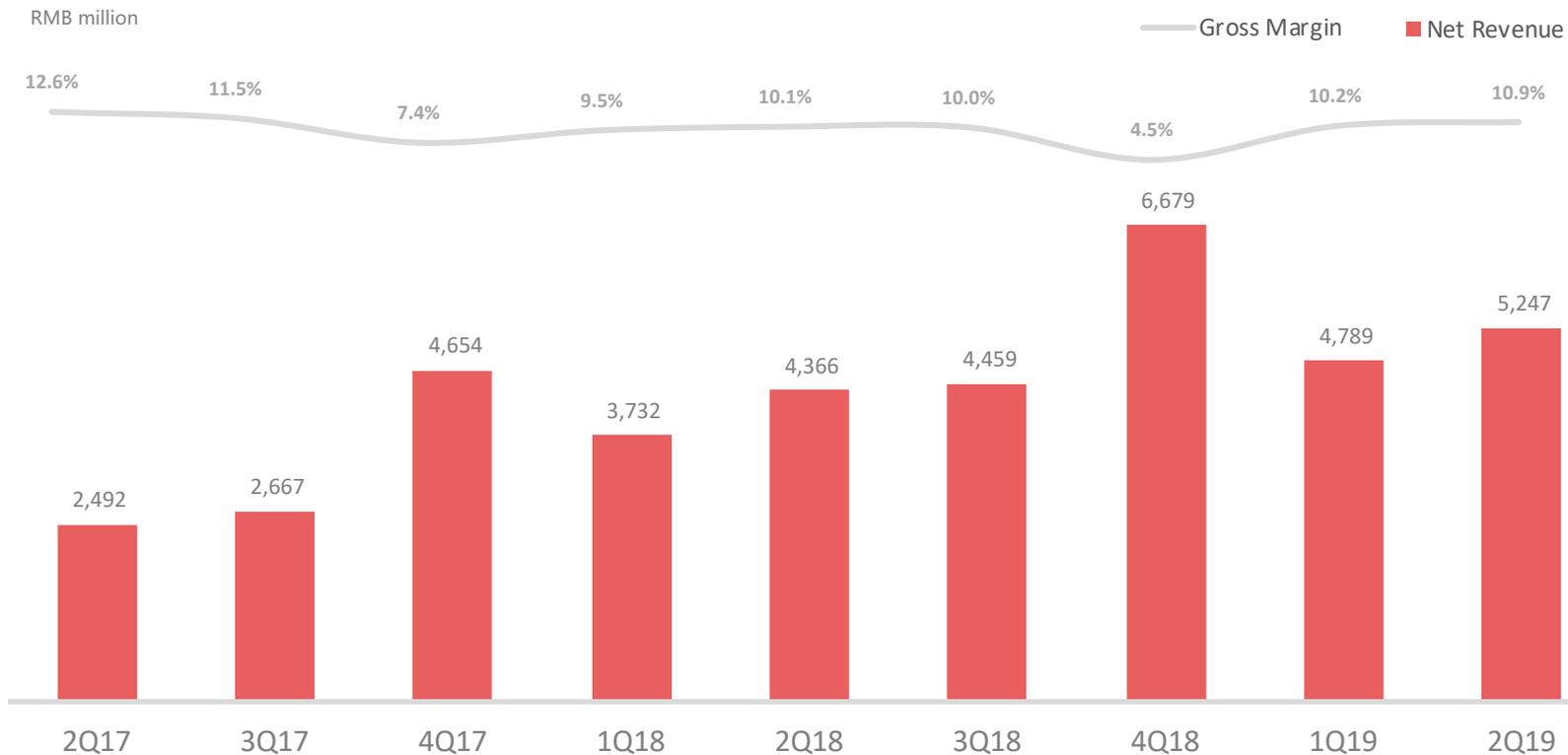
## Launching Mobile Games in Overseas Markets



- *Knives Out* remains a household name for game players in Japan, frequently topping the charts
- *Identity V* made Japan's top 3 iOS grossing chart for the first time in July
- New launches in April reached No.1 on Japan's download chart :
  - *Life After* (previously known as *Night Falls: Survival*)
  - *Cyber Hunter*
  - *Super Mecha Champions*

# E-COMMERCE

## E-commerce Net Revenue and Gross Margin



# E-COMMERCE



NetEase Kaola

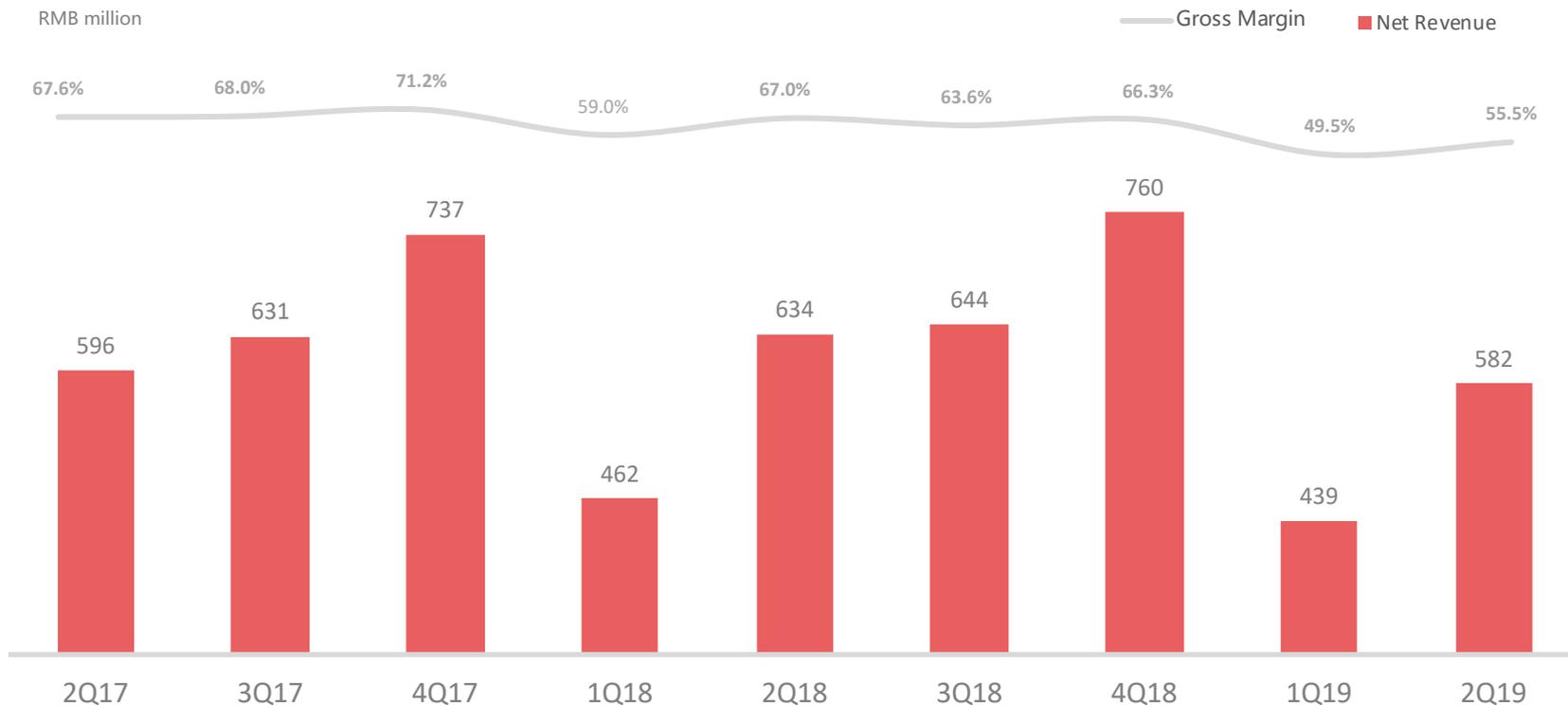


NetEase Yanxuan

- Kaola and Yanxuan are synergistic components of our e-commerce business, Kaola is our platform, and Yanxuan is our private-label brand
- Both sites offer access to cost effective, high-quality and trustworthy products tailored towards the rising middle class consumers in China, enabled by our 1P business model
- During the second quarter, we made additional progress to improve our operating efficiency, as we optimized our internal structure, enhanced our warehouse and logistics operations, and upgraded our supply chain management

# INTERNET MEDIA

## Advertising Services Net Revenue and Gross Margin



# INTERNET MEDIA

## Media



- [www.163.com](http://www.163.com) is one of China's most visited internet portals, with strong user diversity, reach and stickiness



NetEase News

- Mobile News App is one of the most popular news apps in China

## Tools



Youdao Dictionary

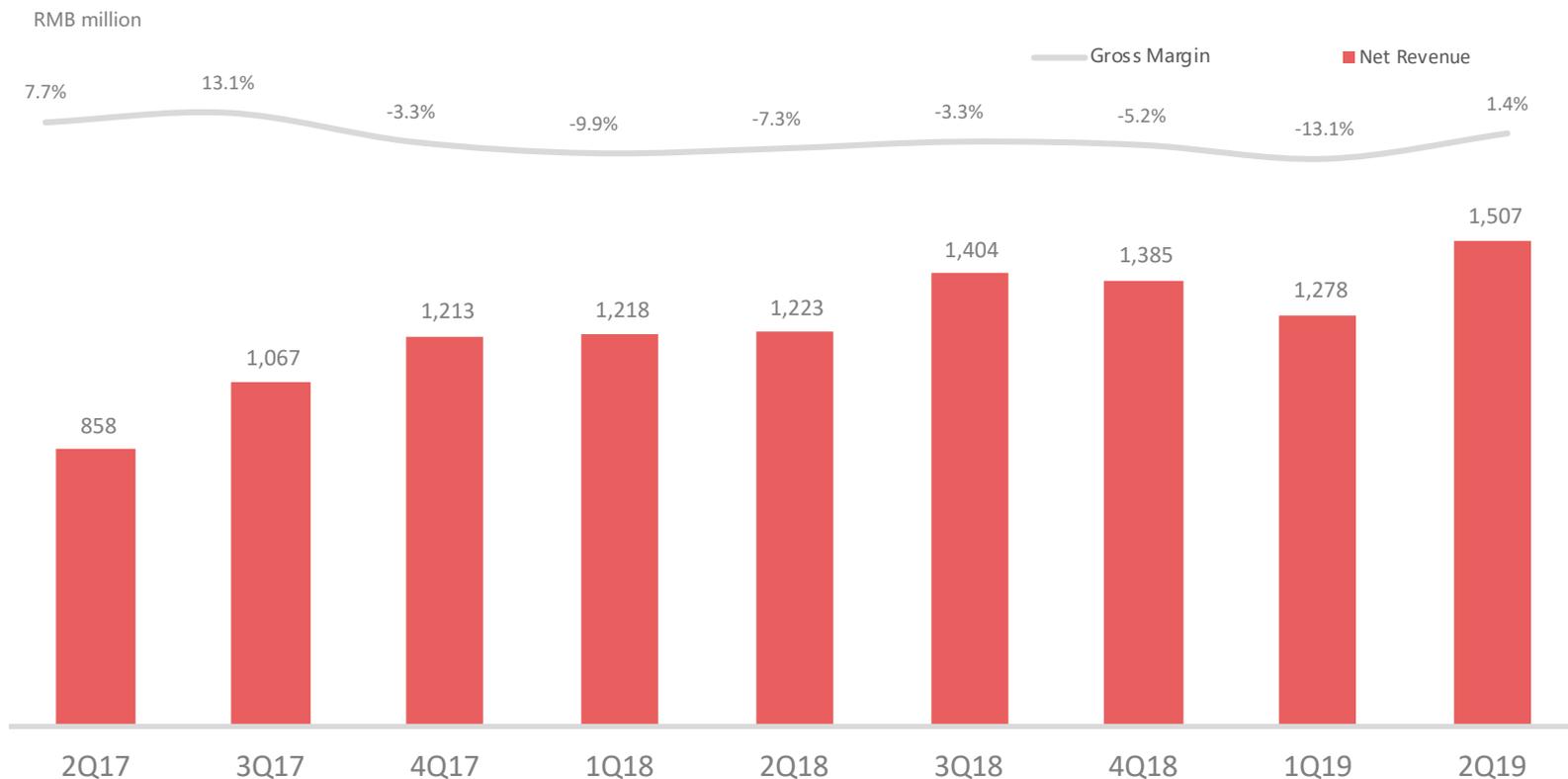


Youdao Cloudnote

- Internet products that provide enriching services to NetEase users such as online dictionary and cloud note-taking services

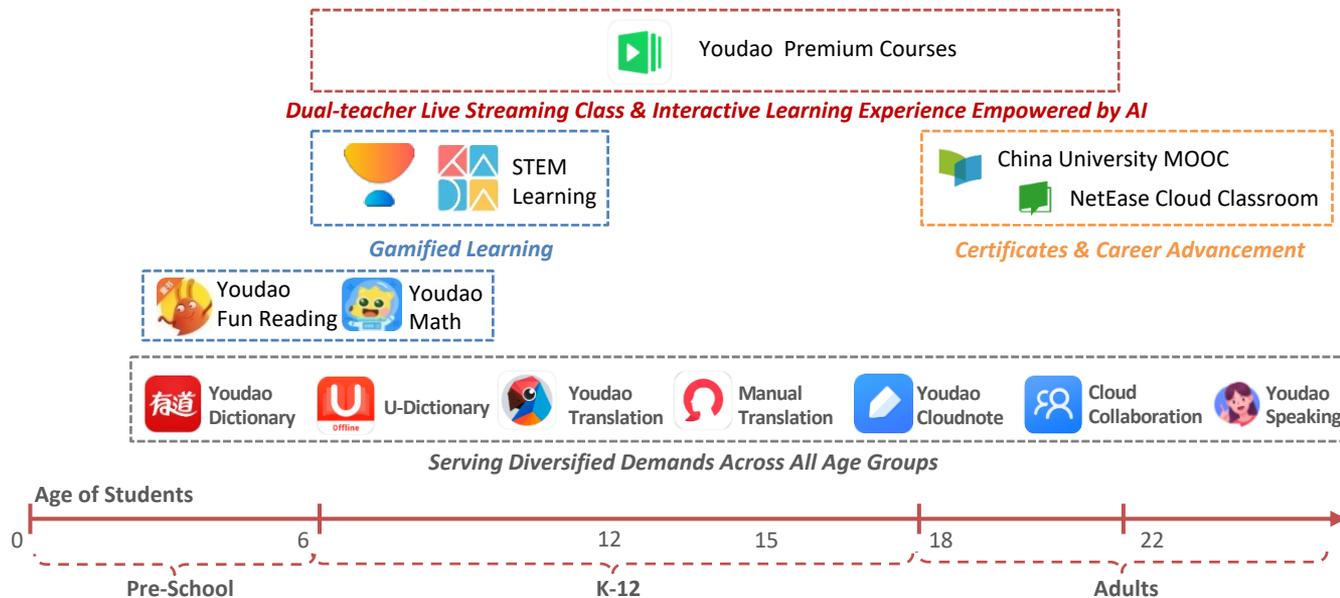
# INNOVATIVE BUSINESSES AND OTHERS

## Innovative Businesses and Others Net Revenue and Gross Margin



# INNOVATIVE BUSINESSES AND OTHERS

## Youdao Online Education



- Youdao is the leading intelligent learning company in China with over 100 million average total MAUs in the second quarter of 2019
- K-12 continues to be the primary growth engine for Youdao where we offer online courses via after-school curriculum tutorials and extra-curriculum courses in STEAM subjects

# INNOVATIVE BUSINESSES AND OTHERS II

## Cloud Music



- One of the largest and fastest-growing music applications in China, with over 800 million users
- With excellent operational capabilities and the unparalleled music community atmosphere, we have helped create a great deal of popular original music which has been played billions of times on our platform
- Launched a new, highly popular community module called “Cloud Village.” This is a music community that exchanges discussion, creation and sharing, and emotional expression around music

## Others



CC



E-mail



EaseRead



Snail Reading

- CC live streaming platform offers various live streaming content with a primary focus on games
- NetEase e-mail, China’s leading e-mail service provider, had over 1.04 billion registered e-mail users as of Jun 30, 2019

# FINANCIAL HIGHLIGHTS

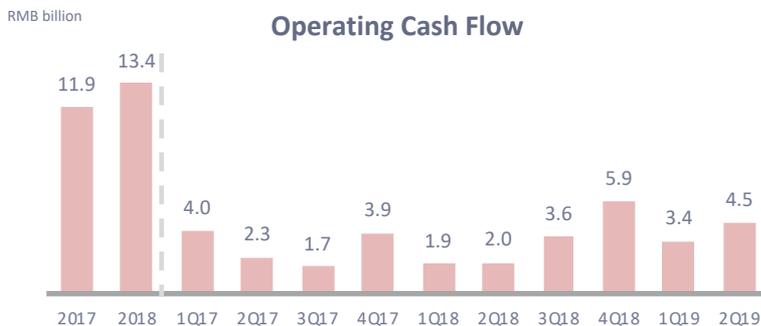
## Net Revenues



## Net Income (GAAP)



## Operating Cash Flow



## Value Returned to Shareholders

US\$	2018FY	2Q18	3Q18	4Q18	1Q19	2Q19
<b>Dividend per ADS</b>	\$1.77	\$0.61	\$0.45	\$0.48	\$0.69	\$1.04
<b>Share Buyback (during the period)</b>	\$1,178.5m	\$536.0m	\$255.7m	\$10.8m	\$0	\$0

# BALANCE SHEET SUMMARY

in millions	2018	2019	
	Dec 31, RMB	Jun 30, RMB (Unaudited)	Jun 30, USD (Unaudited)
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	5,389	4,832	704
Time deposits	32,900	31,280	4,556
Other current assets	30,427	36,931	5,380
Total current assets	68,716	73,043	10,640
Property, equipment and software	5,379	5,478	798
Other non-current assets	12,873	14,279	2,080
Total assets	86,968	92,800	13,518
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS &amp; SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Deferred revenue	7,953	7,563	1,102
Other current liabilities	27,156	26,370	3,841
Total current liabilities	35,109	33,933	4,943
Total liabilities	35,556	35,310	5,144
Redeemable Noncontrolling Interests	5,386	5,823	848
Total shareholders' equity	46,026	51,667	7,526
Total liabilities and shareholders' equity	86,968	92,800	13,518

# INCOME STATEMENT SUMMARY

	FY 18	2Q18	1Q19	2Q19	2Q19	QoQ	YoY
	RMB	RMB	RMB	RMB	USD	Change	Change
			(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Total net revenues:</b>	67,156	16,284	18,356	18,769	2,734	2.2%	15.3%
<i>Online game services</i>	40,190	10,061	11,850	11,433	1,665	-3.5%	13.6%
<i>E-commerce</i>	19,235	4,366	4,789	5,247	764	9.6%	20.2%
<i>Advertising services</i>	2,501	634	439	582	85	32.6%	-8.3%
<i>Innovative businesses and others</i>	5,230	1,223	1,278	1,507	220	17.9%	23.2%
<b>Gross profit</b>	28,403	7,245	8,091	8,126	1,184	0.4%	12.2%
<b>Gross profit margin</b>	42.3%	44.5%	44.1%	43.3%	43.3%		
<b>Operating profit</b>	7,893	2,334	3,409	3,486	508	2.3%	49.4%
<b>Operating profit margin</b>	11.8%	14.3%	18.6%	18.6%	18.6%		
<b>Net profit attributable to the Company's shareholders</b>	6,152	2,107	2,382	3,071	447	28.9%	45.8%
<b>Diluted earnings per ADS</b>	¥47.26	¥16.13	¥18.43	¥23.64	\$3.44	28.3%	46.6%

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**THANK YOU**