

NetEase

# 3Q24 Investor Presentation

Investor Relations  
November 14, 2024

# SAFE HARBOR STATEMENT

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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.

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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 NetEase 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. For more information, please visit: <http://ir.netease.com/>.

# MARKET SNAPSHOT

In USD

\$49.2  
billion

Market Cap <sup>1</sup>  
(11/13/24)

3.2  
billion

Shares Outstanding,  
Diluted (3Q24)

\$1.46

Basic Net Income per ADS  
(GAAP) (3Q24)

\$3.7  
billion

Net Revenues  
(3Q24)

\$0.9  
billion

Net income attributable to the  
Company's shareholders (GAAP)  
(3Q24)

\$17.0  
billion

Net cash <sup>2</sup>  
(09/30/24)

AA

MSCI ESG Rating <sup>3</sup>

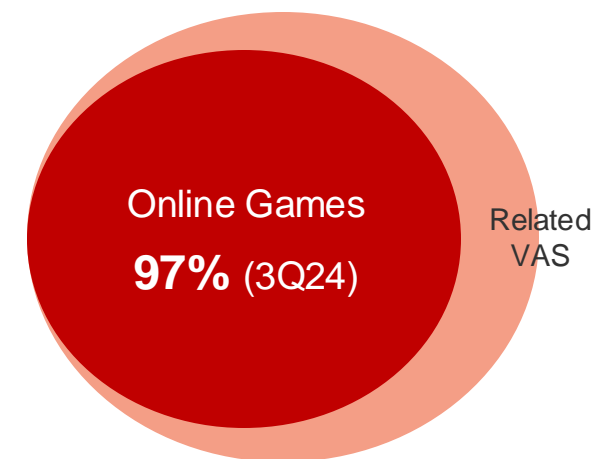
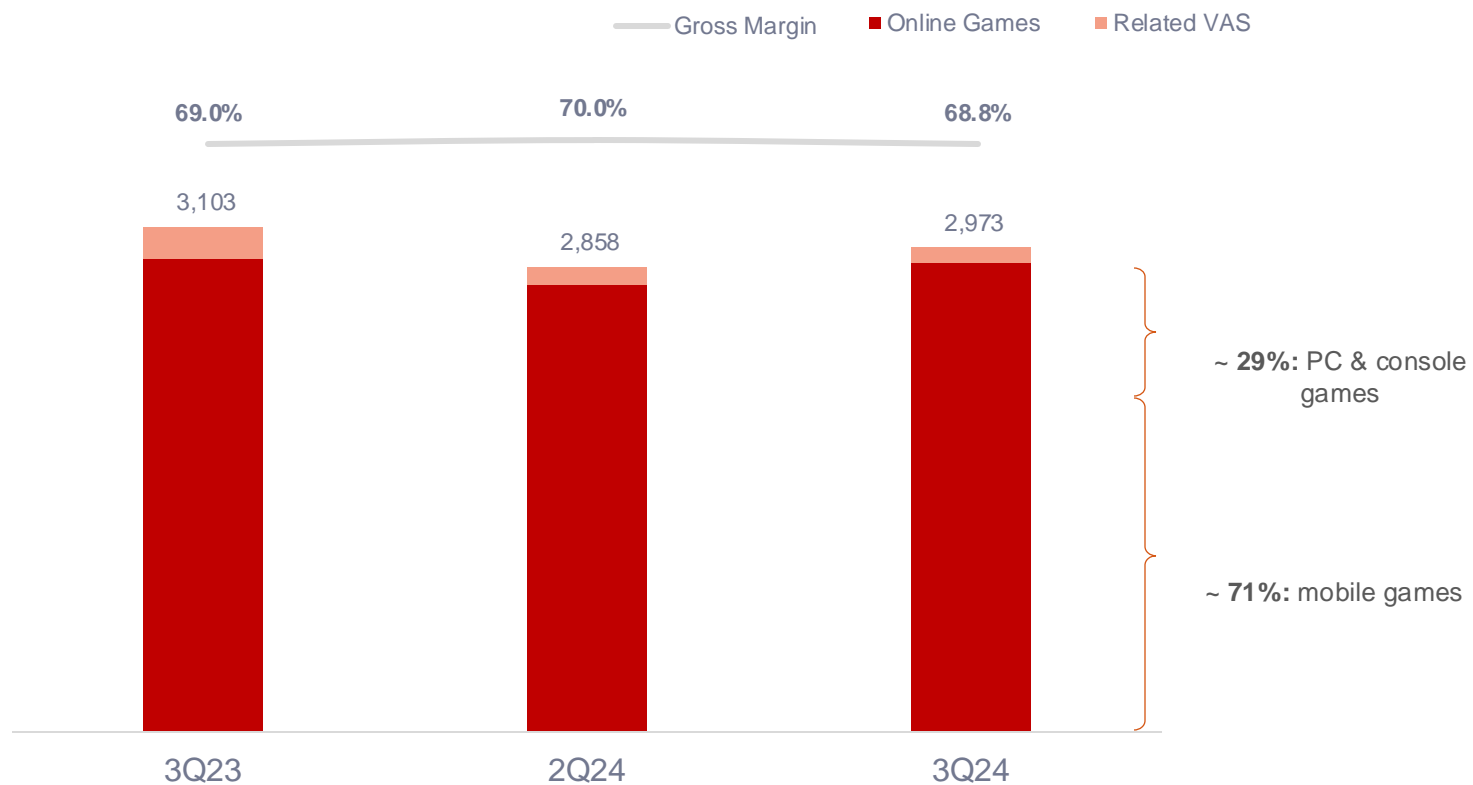
Notes:

- 1 Market Cap is calculated using the closing price on NASDAQ; Our market cap is HK\$388.9 billion based on the closing price on the Hong Kong Stock Exchange
- 2 Net cash 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 October 2024

# GAMES AND RELATED VALUE-ADDED SERVICES

USD million<sup>1</sup>

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



Note:

<sup>1</sup> US\$1.00 = RMB7.0176 on September 30, 2024. Same exchange rate is applied to all years for illustrative purposes

# 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

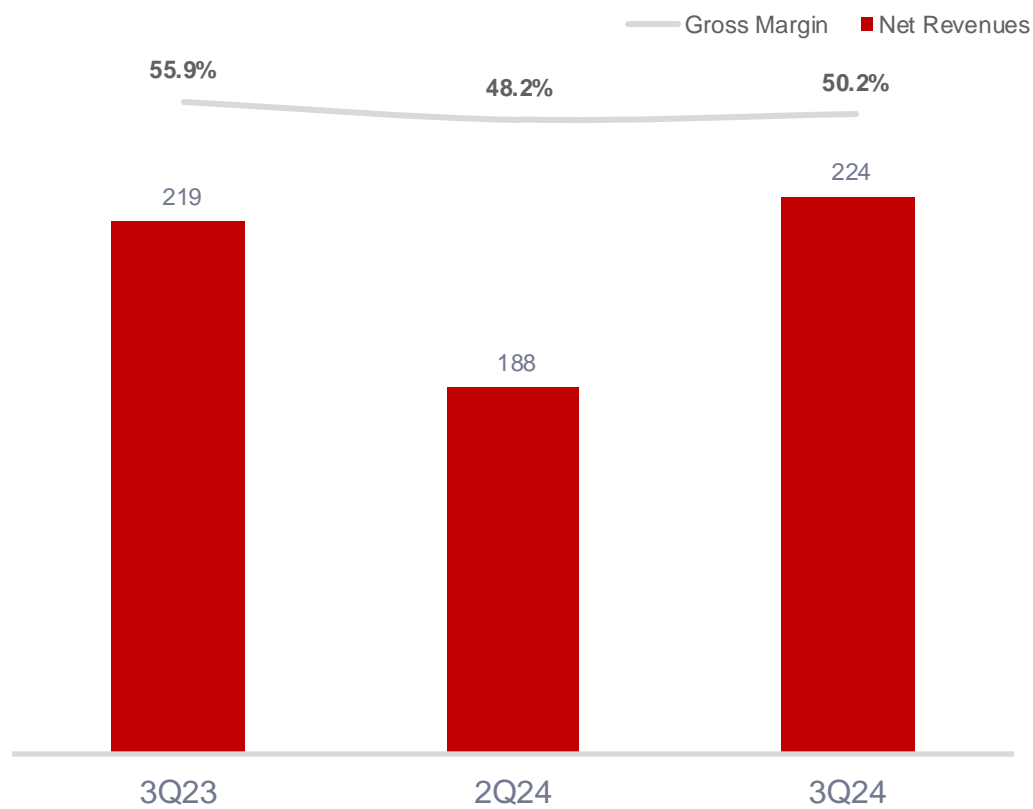


- Launched popular new titles and expanded established games in new regions, strengthening NetEase's competitive edge across more markets in diversified genres.
- **Naraka: Bladepoint** mobile game gained significant popularity since its launch in July, ranking No. 3 on the iOS top-grossing chart shortly after its release.
- **Racing Master** topped the App Store and Google Play free-to-play charts in Japan following its launch in August.
- **World of Warcraft** and **Hearthstone**'s return to China reignited historic level of player community enthusiasm. Following their relaunch, **World of Warcraft** saw a 50% increase in daily active players as compared to levels before the shutdown, while **Hearthstone** achieved over 150% growth.
- Generated continued popularity of hit games **Identity V** and **Naraka: Bladepoint**, showcasing NetEase's long-term operation capabilities for online games.
- Strengthened diversified portfolio, announcing more exciting titles in the making, including **Destiny: Rising** and **MARVEL Mystic Mayhem**, and new games, such as **Marvel Rivals** and **Where Winds Meet**, set for launch in December.

# YOUDAO

USD million<sup>1</sup>

## Youdao Net Revenues and Gross Margin



- Youdao significantly improved its profitability, achieving its first-ever third quarter operating profit and a record-high quarterly operating profit, compared with a loss in the same period last year.
- Continued to enhance product experience for digital content services.
- Maintained strong growth momentum in AI-driven subscription services, fueled by its AI-powered tools.
- Online marketing services saw rapid growth.
- Smart devices segment registered solid year-over-year growth, showcasing its commitment to product innovation.

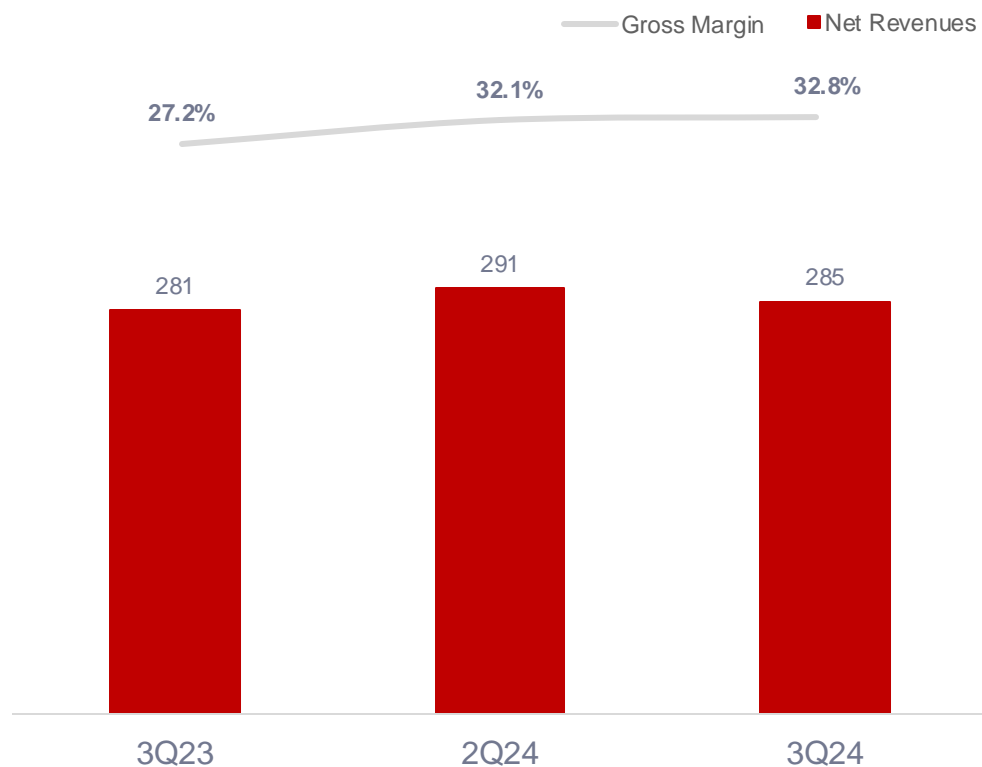
Note:

<sup>1</sup> US\$1.00 = RMB7.0176 on September 30, 2024. Same exchange rate is applied to all years for illustrative purposes

# NETEASE CLOUD MUSIC

USD million<sup>1</sup>

## NetEase Cloud Music Net Revenues and Gross Margin



- NetEase Cloud Music continued to drive quality development across its music-centric ecosystem, further expanding its subscriber base and sustaining healthy revenue growth momentum in its online music services.
- Expanded its music offerings to meet diverse audience demands, especially trending interests from the younger generation.
- Continued strengthening its music-focused monetization capabilities, providing distinctive features that unleash creativity and express individuality.

Note:

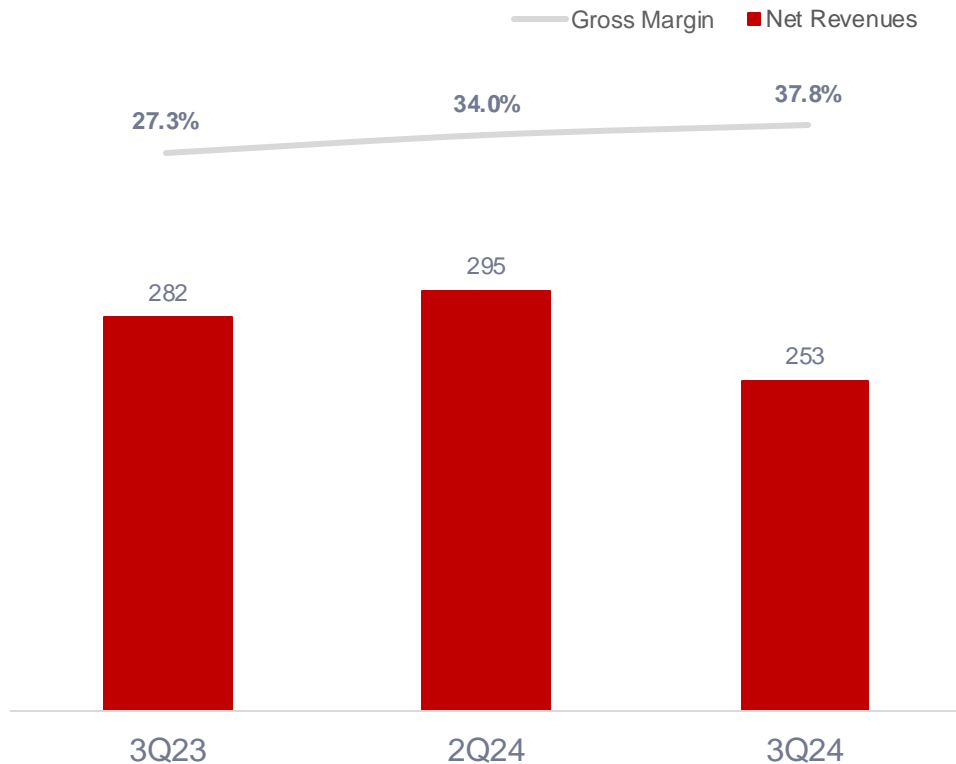
<sup>1</sup> US\$1.00 = RMB7.0176 on September 30, 2024. Same exchange rate is applied to all years for illustrative purposes



# 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 = RMB7.0176 on September 30, 2024. 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
- Various product categories, such as pet products, household cleaning products and office furniture, achieved strong sales growth, securing leading positions in sales on several e-commerce platforms.



## Wangyi Xinwen

- www.163.com portal and related mobile app, Wangyi Xinwen: deliver quality information such as news, sports events, technology, fashion trends and online entertainment to our users



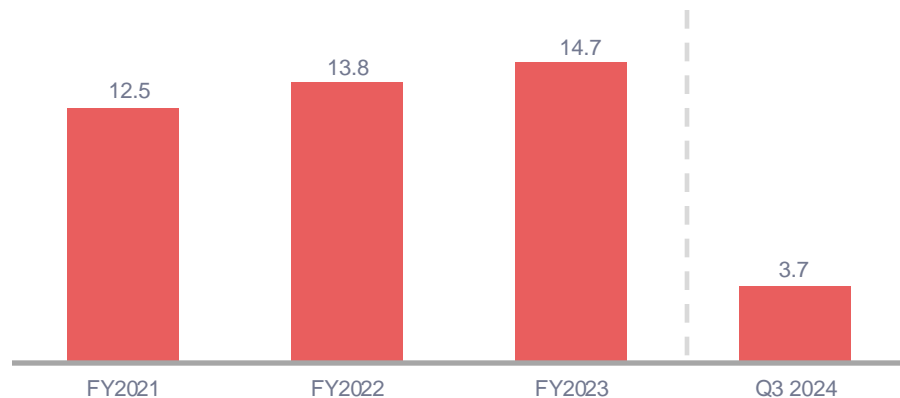
## E-mail Services

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

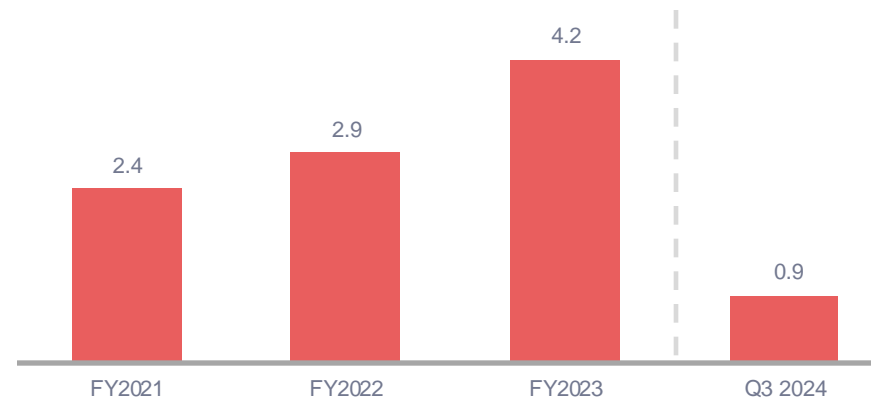
# FINANCIAL HIGHLIGHTS

USD billion<sup>1</sup>

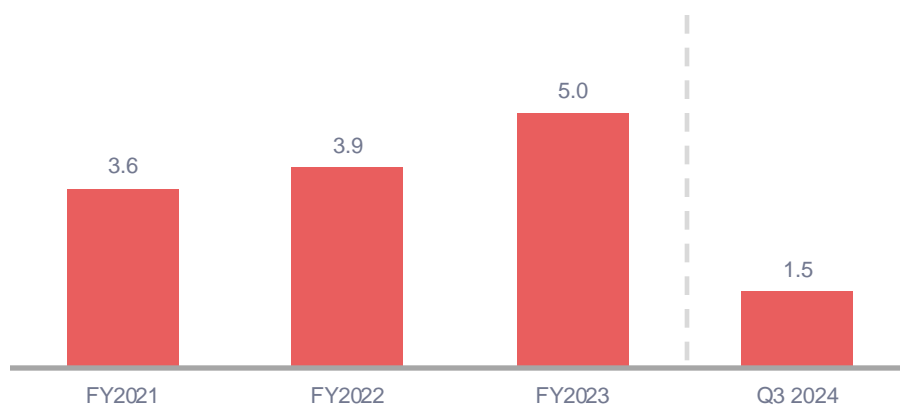
## Net Revenues



## Net Income Attributable to Shareholders (GAAP)



## Operating Cash Flow



## Value Returned to Shareholders

US\$	FY2021	FY2022	FY2023	Q3 2024
Dividend per ADS (declared)	\$1.17000	\$1.38700	\$2.56485	\$0.43500
Total Dividends (declared) <sup>2</sup>	\$777 m	\$906 m	\$1,649 m	\$278 m
Share Buyback	\$1,974 m	\$1,187 m	\$687 m	\$543 m

Notes:

1 US\$1.00 = RMB7.0176 on September 30, 2024. Same exchange rate is applied to all years for illustrative purposes

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



AA

Last Updated: October 2024

According to MSCI's evaluation, NetEase is a leader among 233 companies in the media & entertainment industry

## S&P Global ESG Score



52

Last Updated: September 2024

NetEase has been selected as a member of the 2022 Dow Jones Sustainability World Index and Dow Jones Sustainability Emerging Markets Index for the first time

## Sustainalytics Ratings



15.9

Last Updated: October 2024

NetEase is rated as a low-risk company

NetEase has been included in Sustainalytics' list of top ESG rated badges for 2023

# BALANCE SHEET SUMMARY

	2023		2024
in millions	Dec 31, RMB	Sep 30, RMB	Sep 30, USD
		(Unaudited)	(Unaudited)
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	21,429	20,184	2,876
Time deposits	100,856	91,195	12,995
Other current assets	20,408	29,200	4,161
Total current assets	142,693	140,579	20,032
Property, equipment and software, net	8,075	8,200	1,169
Other non-current assets	35,157	36,117	5,147
Total assets	185,925	184,896	26,348
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS &amp; SHAREHOLDERS' EQUITY</b>			
Current liabilities:			
Contract liabilities	13,362	15,543	2,215
Other current liabilities	40,480	30,169	4,299
Total current liabilities	53,842	45,712	6,514
Total liabilities	57,841	49,168	7,006
Redeemable noncontrolling interests	116	122	17
Total equity	127,968	135,606	19,324
Total liabilities, redeemable noncontrolling interests and shareholders' equity	185,925	184,896	26,348

# INCOME STATEMENT SUMMARY

	3Q23	2Q24	3Q24	3Q24	QoQ	YoY
in millions except per ADS data & percentage data	RMB	RMB	RMB	USD	Change	Change
			(Unaudited)	(Unaudited)		
<b>Total net revenues:</b>	27,270	25,486	26,210	3,735	2.8%	-3.9%
<i>Games and related value-added services</i>	21,780	20,056	20,864	2,973	4.0%	-4.2%
<i>Youdao</i>	1,539	1,322	1,573	224	19.0%	2.2%
<i>NetEase Cloud Music</i>	1,973	2,041	1,999	285	-2.1%	1.3%
<i>Innovative businesses and others</i>	1,978	2,067	1,774	253	-14.2%	-10.3%
<b>Gross profit</b>	16,966	16,042	16,477	2,348	2.7%	-2.9%
<b>Gross profit margin</b>	62.2%	62.9%	62.9%	62.9%		
<b>Operating profit</b>	7,558	6,993	7,147	1,018	2.2%	-5.4%
<b>Operating profit margin</b>	27.7%	27.4%	27.3%	27.3%		
<b>Net income attributable to the Company's shareholders</b>	7,837	6,759	6,538	932	-3.3%	-16.6%
<b>Diluted net income per ADS</b>	¥12.06	¥10.42	¥10.14	\$1.44	-2.7%	-15.9%

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

THANK YOU

網易 NETEASE