NetDragon Websoft Holdings Limited

Stock Code: 777 HK

2018 Interim Results Presentation

August 30, 2018

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Opening Remarks

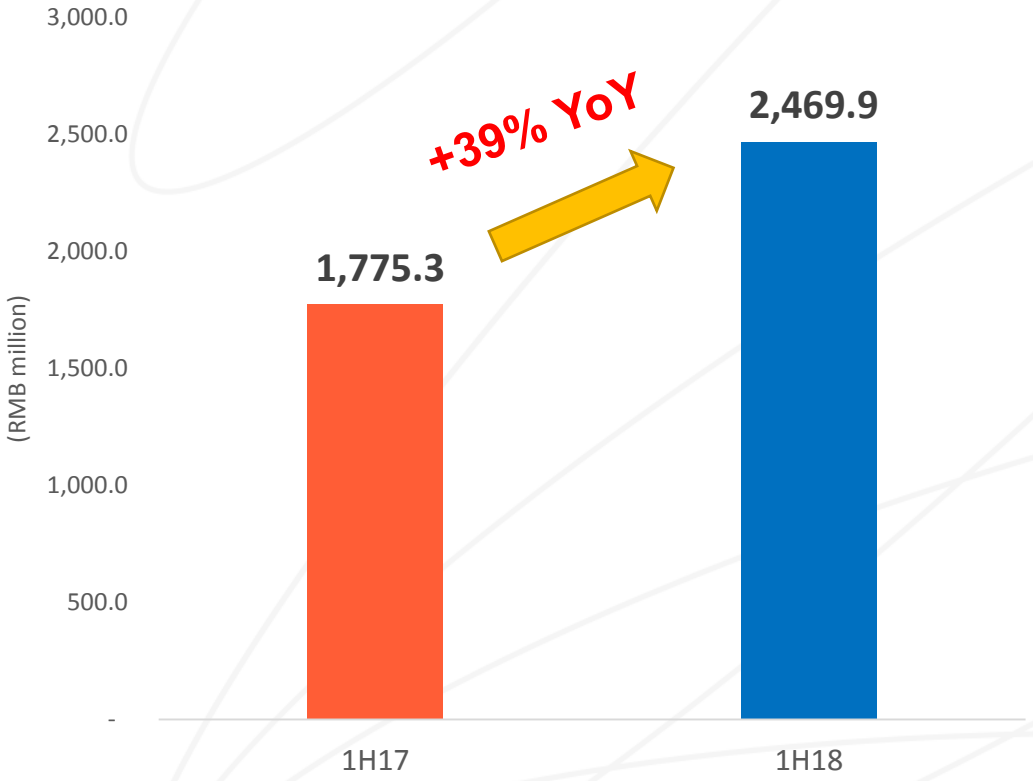
Group Vice Chairman – Dr. Simon Leung

Agenda

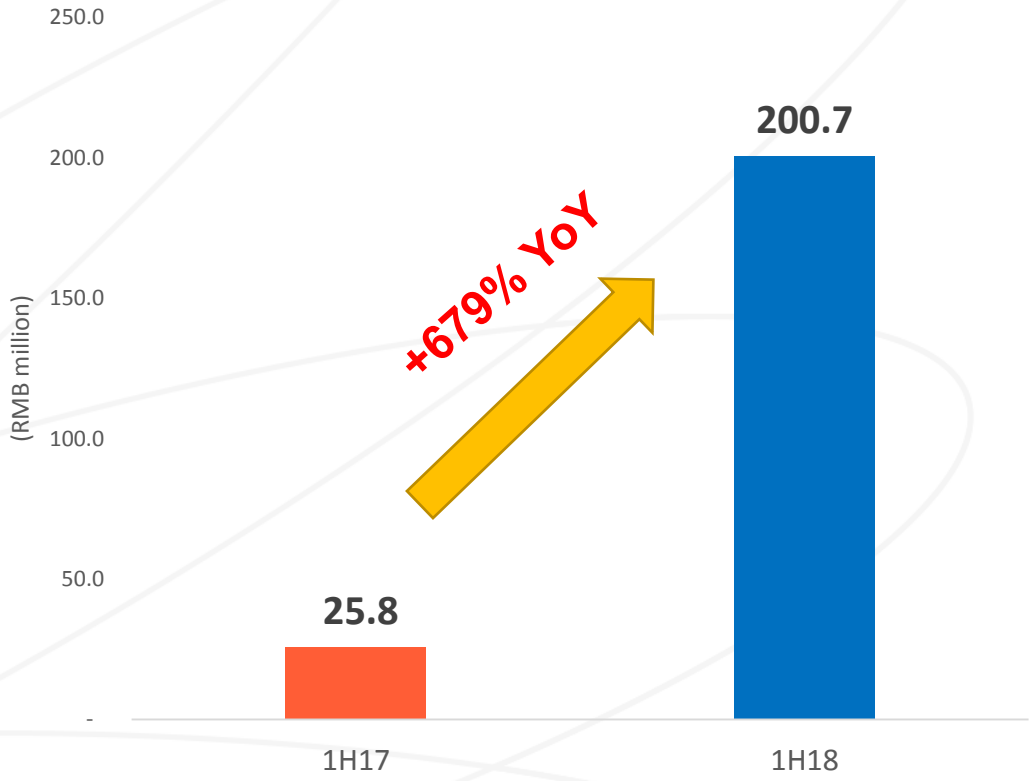
Topic	Speaker
2018 First Half Highlights	Dr. Simon Leung, Group Vice Chairman
Promethean Highlights	Vin Riera, CEO – Promethean
“Future Platform” – Connecting Learning Experiences	Ravi Angadi, CPO – Promethean
Edmodo – Fitting into the Ecosystem	Dr. Vibhu Mittal, CEO – Edmodo
2018 First Half Financials	Ben Yam, Group CFO
2018 Second Half Outlook	Dr. Simon Leung, Group Vice Chairman
Q&A	

1H18 Results

Revenue: RMB2.5 Billion



Net Profit: RMB201 Million



1H18 Highlights – Overall

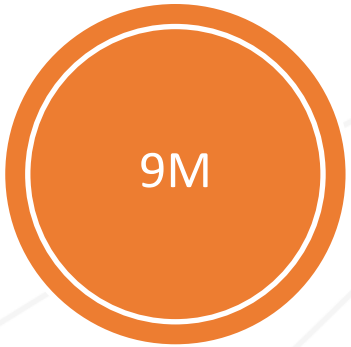
- Record Revenue all around
- Improved Metrics all around
- Significantly Improved Profitability
- Continue our M&A Strategy

1H18 Highlights – Gaming

- Record High Revenue +30% YoY
- Record High Revenue Amidst a Slow Market
- Continue to Monetize our Flagship IPs (PC and Mobile)
- Mobile Games Revenue grew +53% YoY
- Profit Grew +57% YoY

Snapshot – Gaming

Monthly ARPU



MAU

DAU

Active Paying Accounts (APA)

No. of Titles

Countries

1H18 Highlights – Learning

- Overall education revenue grew +48% YOY
- Promethean revenue/volume outgrew the market
- Operational Excellence – improved metrics all around
- Accelerating Product Innovation and Integration
- Completed Edmodo acquisition in May & significantly expanding our Community
- Installed base of 101 Education PPT in China close to doubling to 2.3 million teachers (from end of 2017)

Snapshot – Learning

90M+

Registered Users

2.3M+

Teachers Installed Base
(101 Edu PPT platform – China)

5M+

MAU

1M+

Classrooms

650M+

Learning resources
created and shared

10M

Students taught by Teachers WAU
(lesson delivery - International)*

** Estimated weekly active teachers of 640,000 using our ActivInspire lesson delivery software based on a third party survey conducted by Hanover Research in May 2018 (estimated with 95% confidence level); Students coverage are estimated based on approx. 1:15 teacher-to-student ratio*

Promethean

CEO – Vin Riera

Promethean

20 YEARS

DEDICATED TO THE EDUCATION MARKET

Designed for the Education Market
Recognized worldwide as a leader & innovator in award-winning interactive educational technologies

Designed by Teachers for Teachers
Award-winning Interactive Flat Panels and lesson-delivery software

worlddidac AWARD 2016

COOL TOOL AWARD 2017 FINALIST edtech digest

TECH&LEARNING BEST of SHOW AT ISTE 2017 WINNER

AWARDS of EXCELLENCE 2014 winner! TECH&LEARNING

//CODiE// 2016 SIIA CODiE FINALIST

Global Leader in K12 Interactive Learning Technologies

1+ MILLION
Classrooms

#1 MARKET LEADER
#1 in USA and in EMEA

10 MILLION
Students taught weekly*

150+ COUNTRIES
Utilizing Promethean Technology

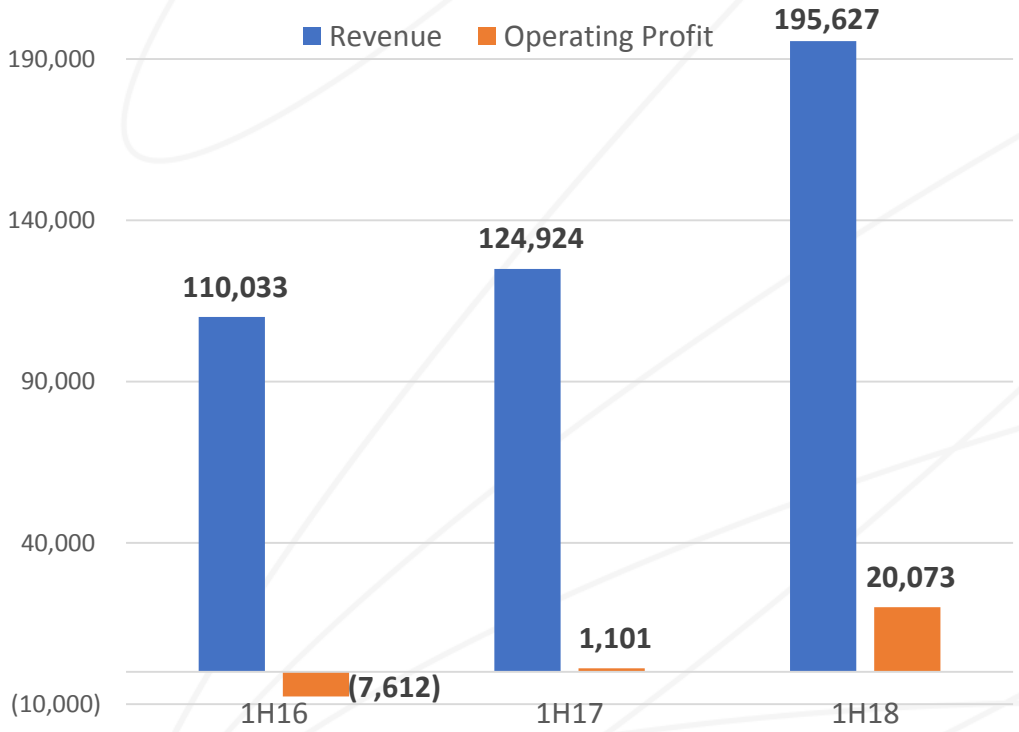
** Estimated students based on (1) weekly active teachers of 640,000 using our ActivInspire lesson delivery software based on a third party survey conducted by Hanover Research in May 2018 (estimated with 95% confidence level), and (2) approx. 1:15 teacher-to-student ratio*

Operational Excellence

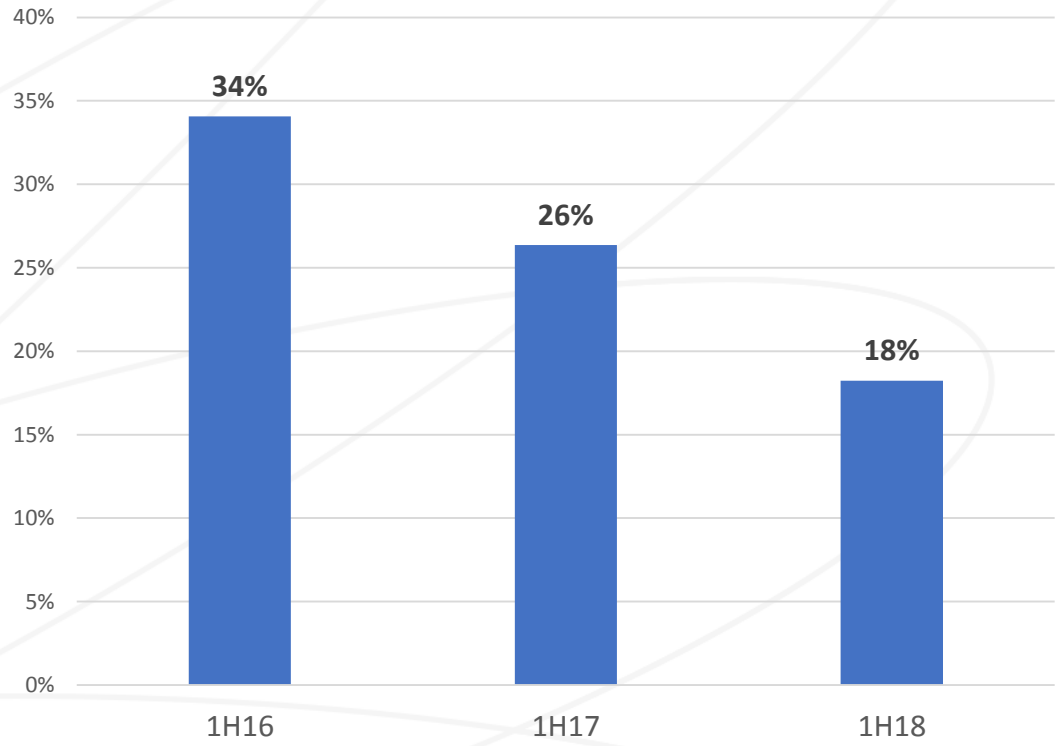
Operating Metrics	Movement YoY
Market Share	↑
Revenue	↑
Gross Profit Margin	↑
Average Selling Prices	↑
Opex as a % of Revenue	↓
Operating Profit	↑

Promethean Growth – Financials

Revenue & Operating Profit (US$ ’000)

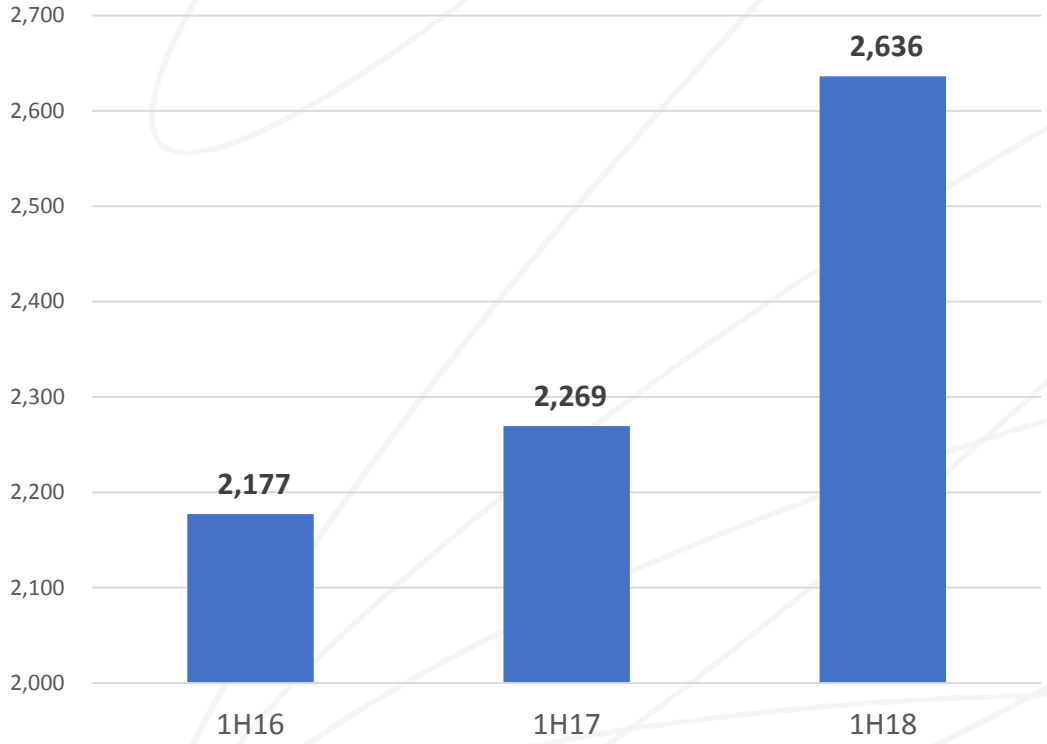


Operating Expenses as a % of Revenue

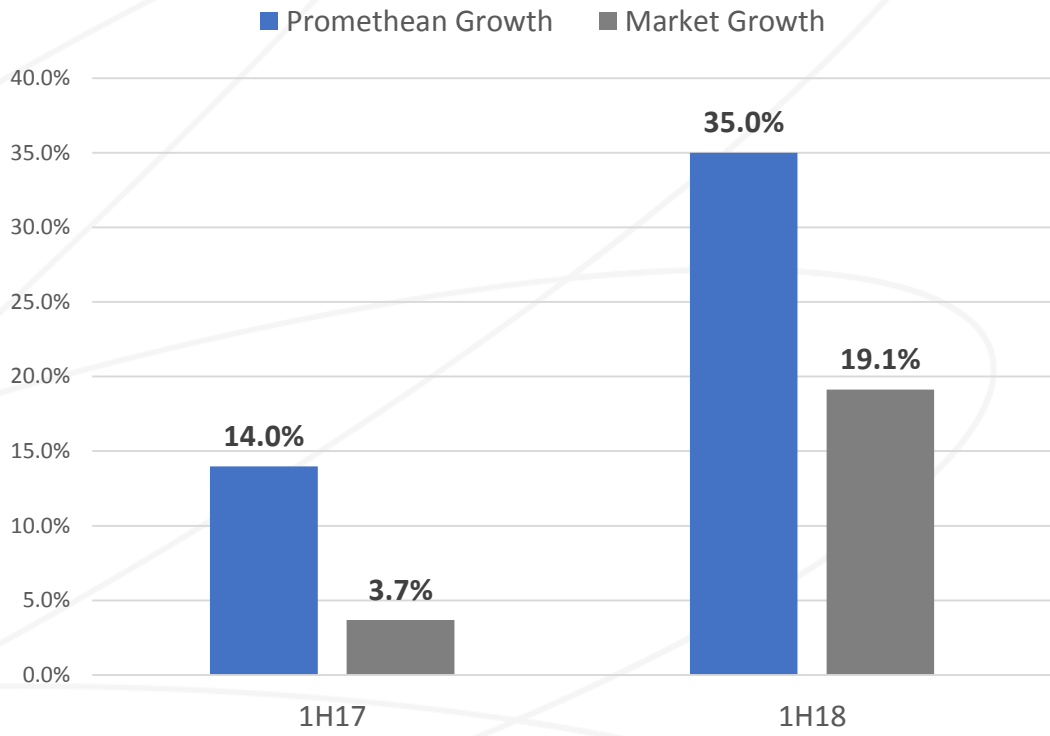


Promethean Growth – Metrics & Market Share

ASP (US$)



Market Share Gain*



** In Global K-12 Markets, excluding China and Turkey, according to our own shipment volume and report issued by Futuresource*

Global Distribution Strategy

Growing our Core and Tender Business

- We sell to schools and governments
- Successful track record of large scale implementations at both school and government level
- Ability to leverage past wins to influence future business

Global Reach through Channel Partners

- Long standing channel relationships
- Active pipeline of new channel partners
- Work with customer and channel in the sales process
- We own the customer after the sale
- We can now enter a classroom and upsell other ND solutions

Taking Product Innovation to the Next Level

Current V6 hardware and software products lead the market

- Superior touch
- Exceptional resolution
- Durability to withstand the modern classroom
- Community engagement
- Priced competitively for the education market

Promethean will launch V7

- Innovative and differentiated
- Expect to launch in 1H19

Promethean®

Future Platform – Connecting Learning Experiences

CPO – Ravi Angadi

Today, we have best-in-class software and devices

With both ActivInspire and ClassFlow being the Swiss Army knives of lesson building and the v6 panel having the best touch and writing experience in K-12

ActivInspire

CLASSFLOW™

Our goal is to create confident teachers and engaged students

We are transitioning from building front of classroom **panels & large software applications...**

ActivInspire

CLASSFLOW™

Our goal is to create confident teachers and engaged students

We are transitioning from building front of classroom panels & large software applications to an **ecosystem with purpose-built apps…**

Our goal is to create confident teachers and engaged students

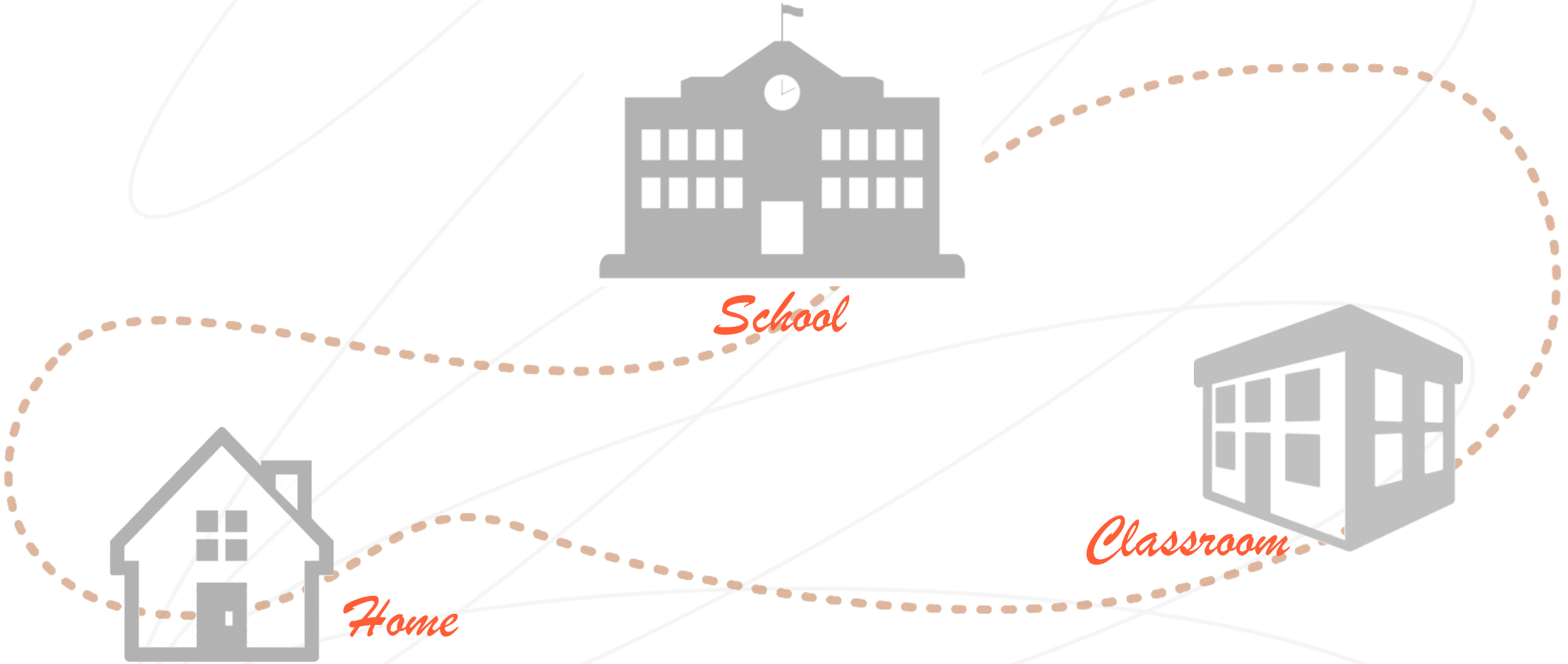
We are transitioning from building front of classroom panels & large software applications to an ecosystem with purpose-built apps **tightly integrated to devices…**

Our goal is to create confident teachers and engaged students

We are transitioning from building front of classroom panels & large software applications to an ecosystem with purpose-built apps tightly integrated to devices **used by teachers AND students.**

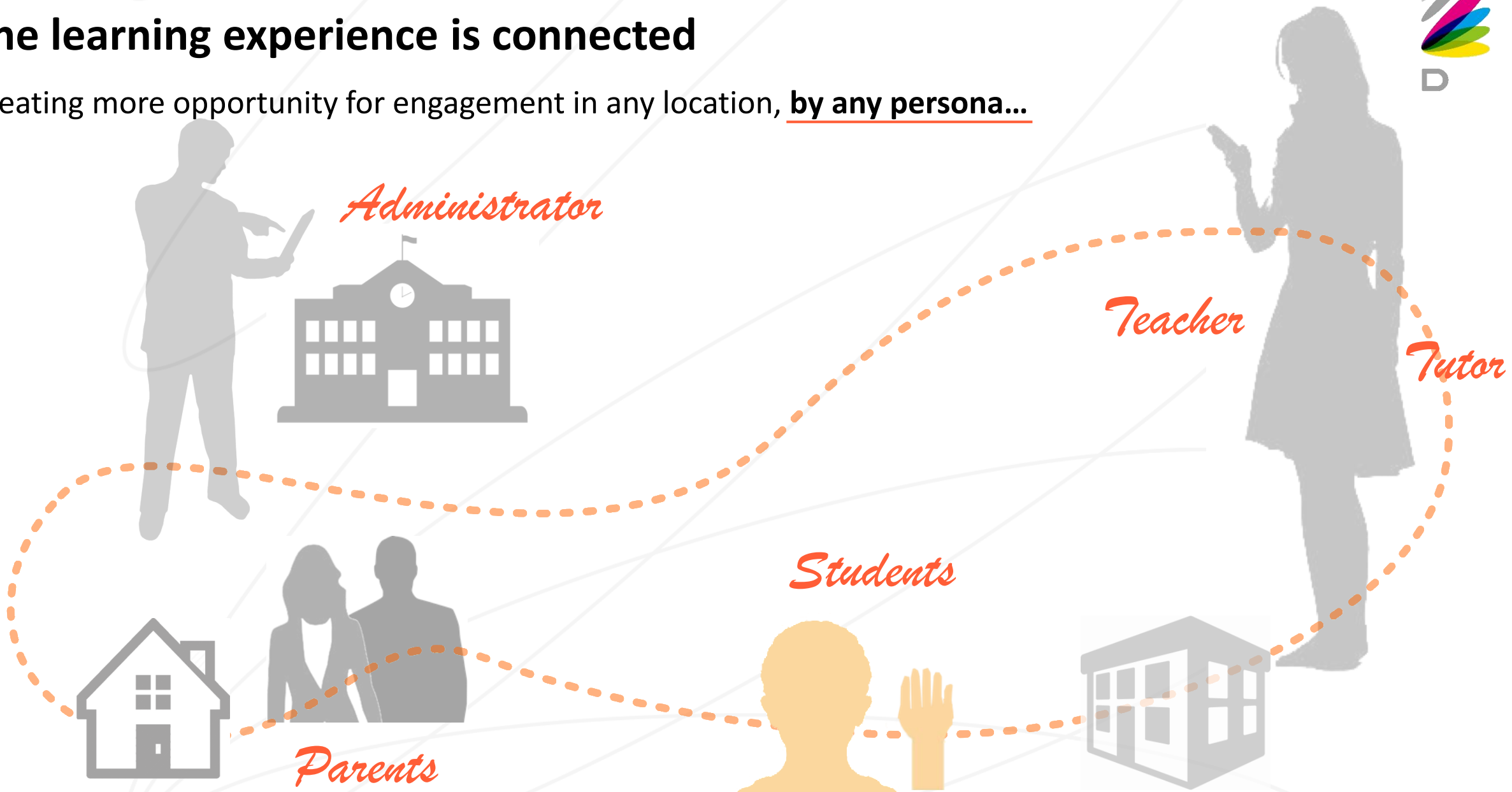
The learning experience is connected

Creating more opportunity for engagement **in any location...**



The learning experience is connected

Creating more opportunity for engagement in any location, **by any persona…**



The learning experience is connected

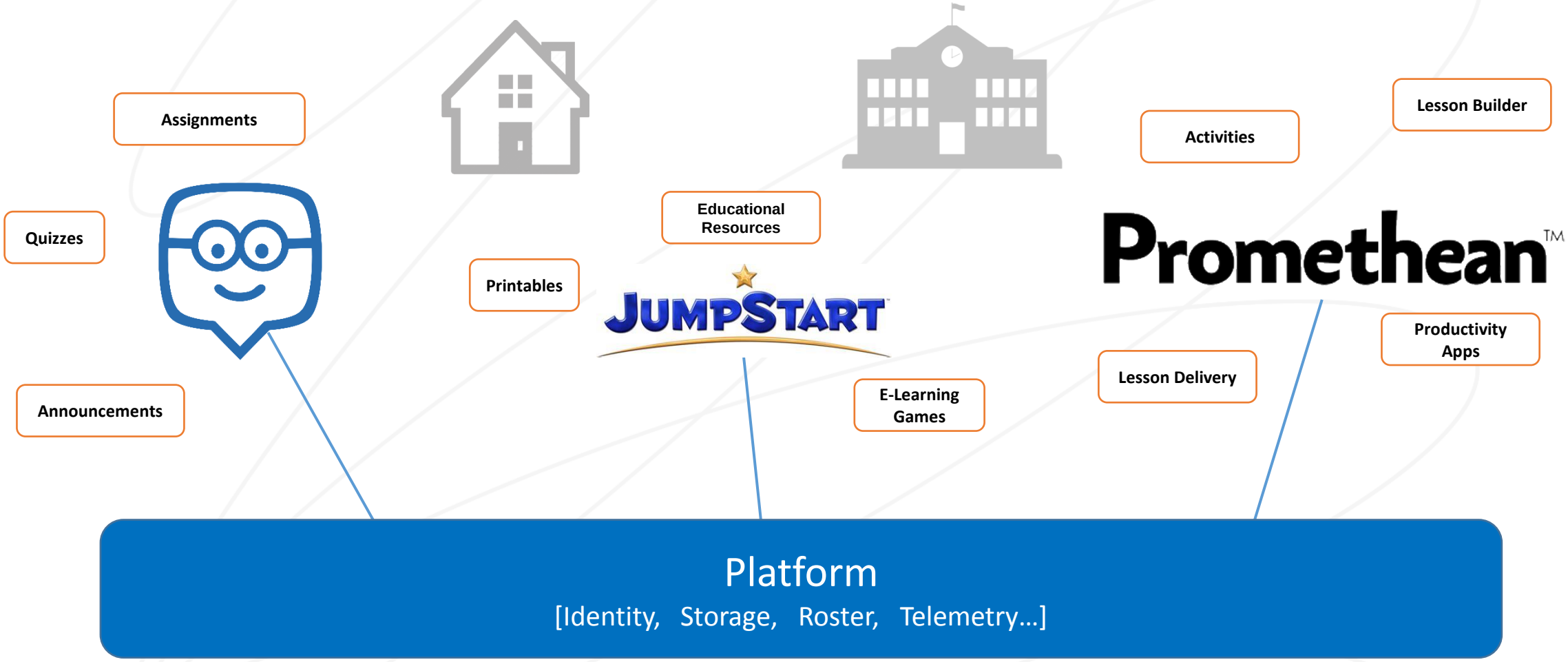
Creating more opportunity for engagement in any location, by any persona, **on any device...**

The learning experience is connected

Creating more opportunity for engagement in any location, by any persona, on any device, **running content seamlessly everywhere.**

The PLATFORM is the glue that connects these experiences

It creates a consistent user experience across personas, apps and devices – in school and at home – and allows large-scale onboarding of new content and resources.



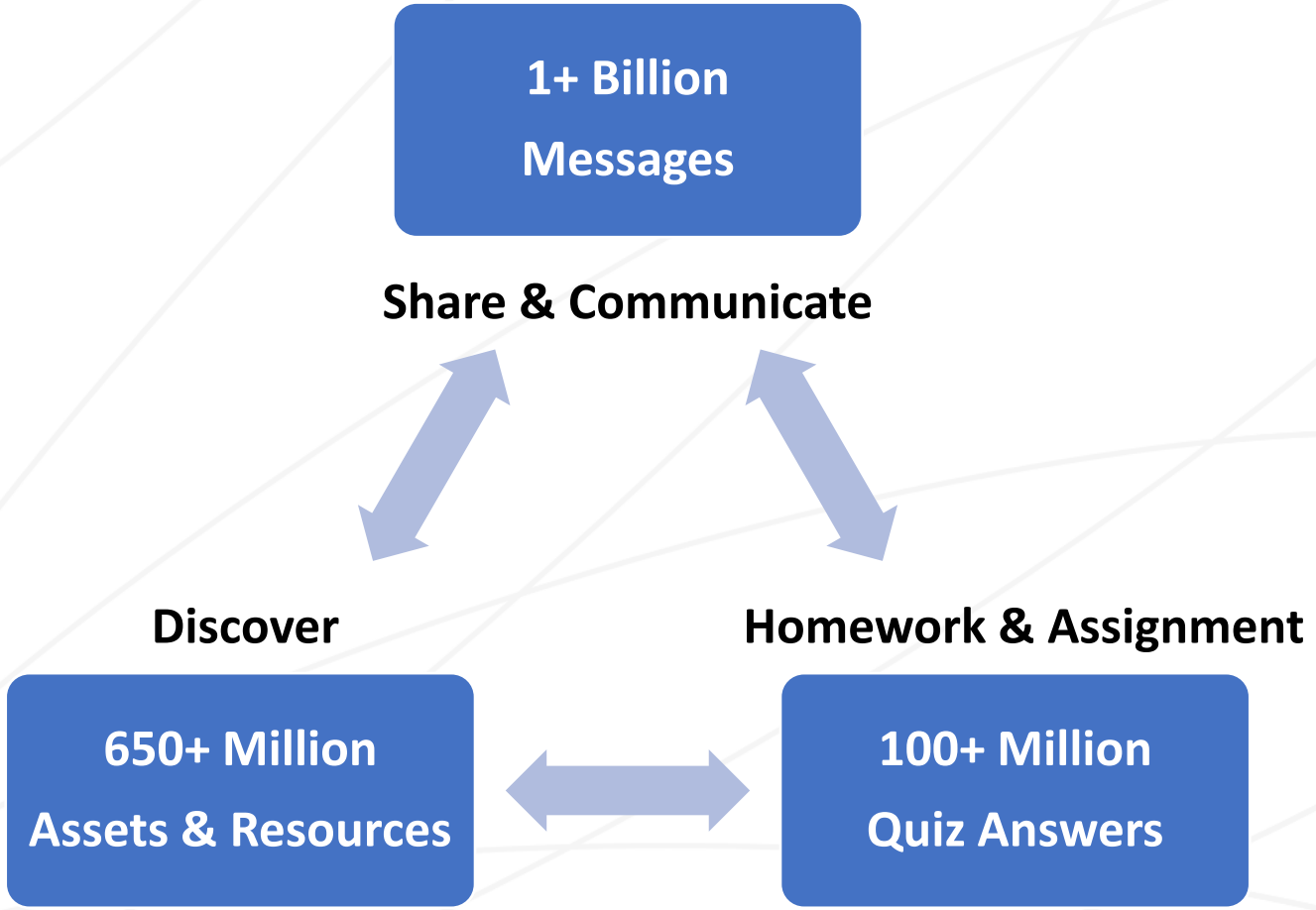
Edmodo

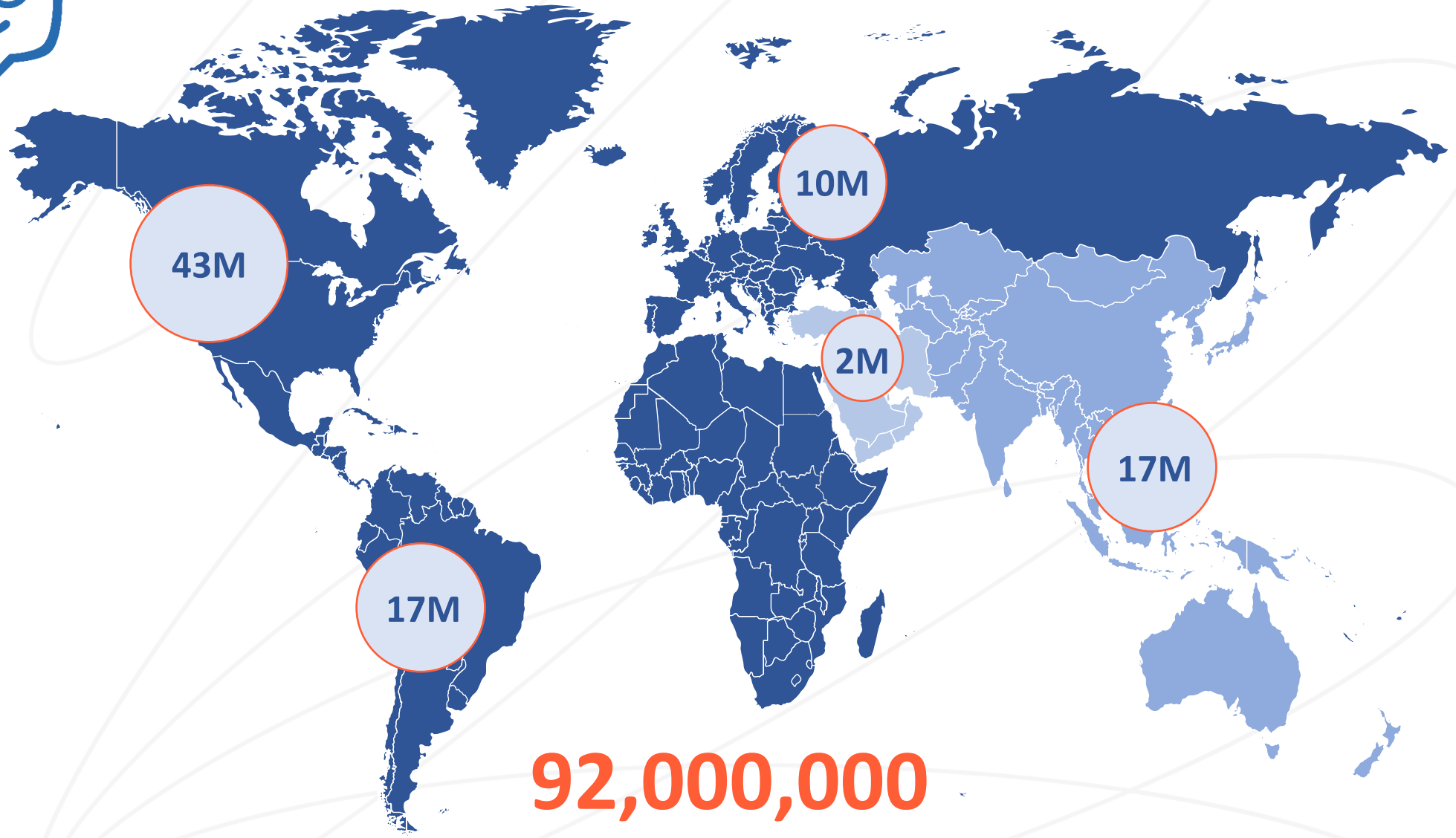
CEO – Dr. Vibhu Mittal

Why Edmodo?

- The largest online learning community in the world
- Complete our platform capabilities to cover home, classroom and mobile usage
- Accelerate our path to B2C monetization

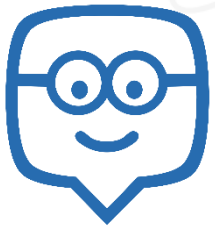
Core Value Proposition





92,000,000

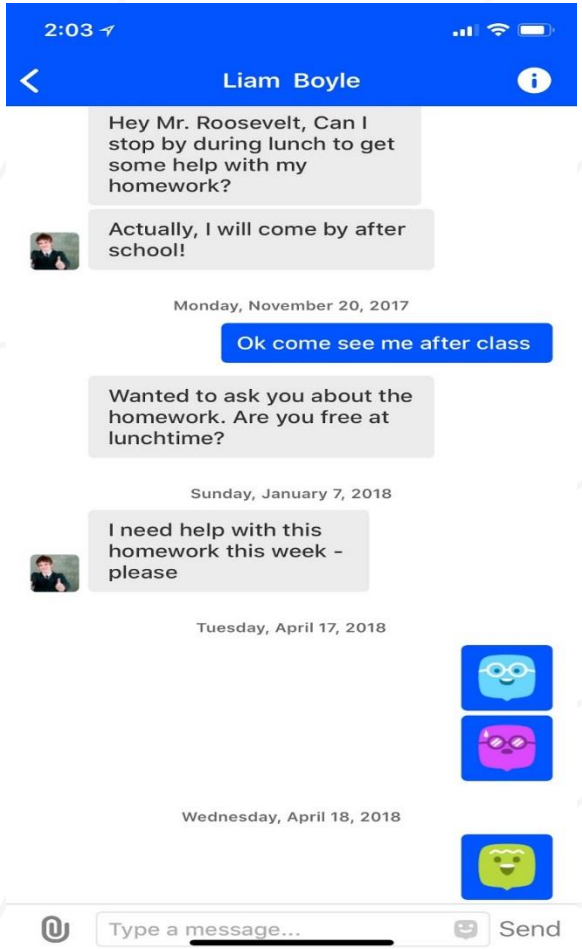
Registered Users



Growing Active Users by Driving Engagement

- Build easy-to-use native MOBILE experiences
- Expand S2S and P2P communication capabilities
- Use Machine Learning to enhance sharing and consumption of learning resources
- Integrate JumpStart games and 101 Education PPT widgets

Launching in 2H18 – Chat and Groups for Students



S2S chats

Student-created Groups

Monetization – Advertising

- Scale next year with new advertising models
  - E.g. US Army, FDA that are more than just CPM-based sales
  - Focus on a few large segments: Higher Education, Consumer Products (CPG), Entertainment

Future Monetization using Machine Learning

Recommendation

- Beta-launched **AskMo** – Free/Paid resource recommendations to teachers & students
- In the stream, tailored to the conversations

Tutoring

- Partnership with IBM Watson Education for AI-based Micro-Tutoring
- Scalable lead-gen for 1-to-1 tutoring

Financials

Group CFO – Ben Yam

Condensed Income Statement

(RMB million)	1H18	1H17	YoY (%)
Revenue	**2,469.9**	1,775.3	+39.1%
Education	***1,384.1***	*934.1*	*+48.2%*
Gaming	***1,039.3***	*802.4*	*+29.5%*
Gross Profit	**1,402.1**	1,033.3	+35.7%
Selling & Marketing Expenses	**332.6**	292.5	+13.7%
as a % of Revenue	***13.5%***	*16.5%*	*-3.0 ppts*
Administrative Expenses	**409.5**	344.9	+18.8%
as a % of Revenue	***16.6%***	*19.4%*	*-2.8 ppts*
R&D Expenses	**442.2**	396.3	+11.6%
as a % of Revenue	***17.9%***	*22.3%*	*-4.4 ppts*
Net Profit attributable to Shareholders	**200.7**	25.8	+678.8%

Segmental Financial Highlights

(RMB million)	Education			Gaming		
	1H18	1H17	YoY (%)	**1H18**	1H17	YoY (%)
Revenue	**1,384.1**	934.1	48.2%	**1,039.3**	802.4	29.5%
Gross profit	**421.5**	273.2	54.3%	**978.5**	755.2	29.6%
Gross profit margin (%)	**30.5%**	29.2%	+1.3 ppts	**94.1%**	94.1%	-
Core Segmental profit (loss)[1]	**(158.7)**	(189.2)	-16.2%	**524.4**	334.1	56.9%
Segmental operating expenses[2]						
- Research and Development	**(214.5)**	(183.8)	16.7%	**(222.4)**	(203.2)	9.5%
- Selling and Marketing	**(224.2)**	(192.1)	16.7%	**(102.6)**	(97.1)	5.7%
- Administrative	**(113.0)**	(68.8)	64.2%	**(143.8)**	(133.9)	7.4%

Note 1：Core segmental profit (loss) figures are derived from the Company's reported segmental profit (loss) figures (presented in accordance with Hong Kong Financial Reporting Standard 8 ("HKFRS 8") but exclude non-core/operating, non-recurring or unallocated items including government grants, fair value change and finance cost of financial instruments and fair value change of convertible preferred shares.

Note 2: Segmental operating expenses exclude unallocated expenses such as depreciation and amortisation that have been grouped into SG&A categories on the Company's reported consolidated financial statements but cannot be allocated to specific business segments for purpose of calculating the segmental profit (loss) figures in accordance with HKFRS 8.

Outlook

Group Vice Chairman – Dr. Simon Leung

2H18 Outlook

- A pipeline of new games to be launched
- Readiness to launch series of H5 games
- Integration strategy execution of Edmodo
- Continue to grow Edmodo community and increase engagement
- Begin monetization
- Continue to execute in Promethean

COMMUNITY

Virtual Reality

Augmented Reality

Big Data

Artificial Intelligence

東京書籍

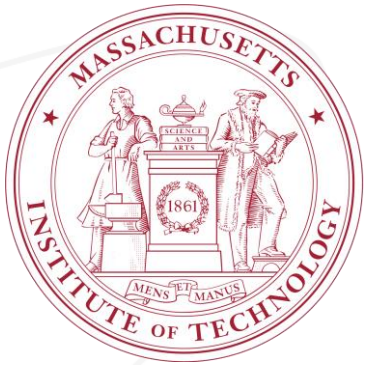
OXFORD
UNIVERSITY PRESS

ND

CBS

BBC

VE
RI
TAS
HARVARD


MASSACHUSETTS
INSTITUTE OF TECHNOLOGY
1861
MENS ET MANUS

DREAMWORKS

HMH

Smithsonian

BEIJING NORMAL UNIVERSITY
1902

LELAND STANFORD JUNIOR UNIVERSITY
ORGANIZED 1891

In The Classroom

At Home

On The Go - Mobile

airbnb

Q&A

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