

網易 NETEASE 有道 youdao

2Q24

Investor Presentation



youdao



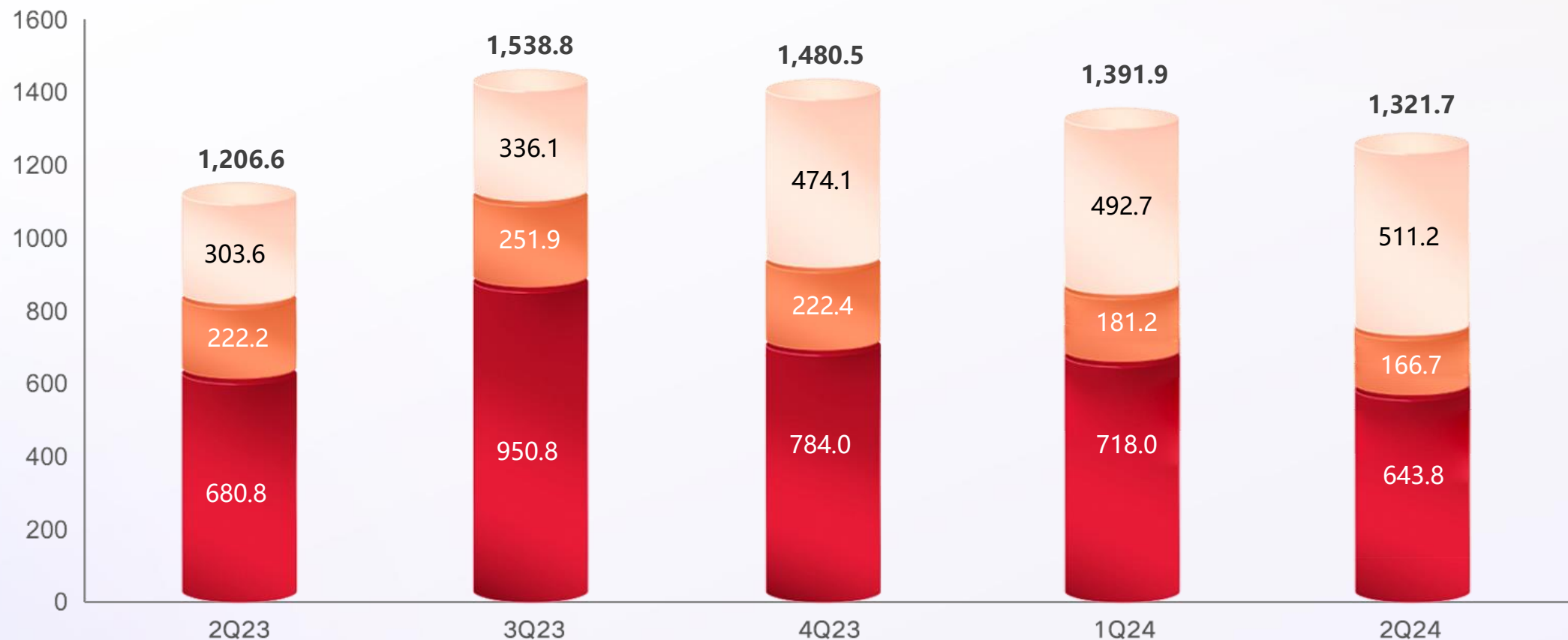
SAFE HARBOR STATEMENT

This presentation contains forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. Statements that are not historical facts, including statements about the Company’s beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties, and a number of factors could cause actual results to differ materially from those contained in any forward-looking statement. In some cases, forward-looking statements can be identified by words or phrases such as “may,” “will,” “expect,” “anticipate,” “target,” “aim,” “estimate,” “intend,” “plan,” “believe,” “potential,” “continue,” “is/are likely to” or other similar expressions. The Company may also make written or oral forward-looking statements in its reports filed with, or furnished to, the U.S. Securities and Exchange Commission, in its annual reports to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Further information regarding such risks, uncertainties or factors is included in the Company’s filings with the SEC. The announced results of the second quarter of 2024 are preliminary and subject to audit adjustments. All information provided in this press release is as of the date of this press release, and the Company does not undertake any duty to update such information, except as required under applicable law.



Net Revenues: 9.5% YoY Growth in 2Q24

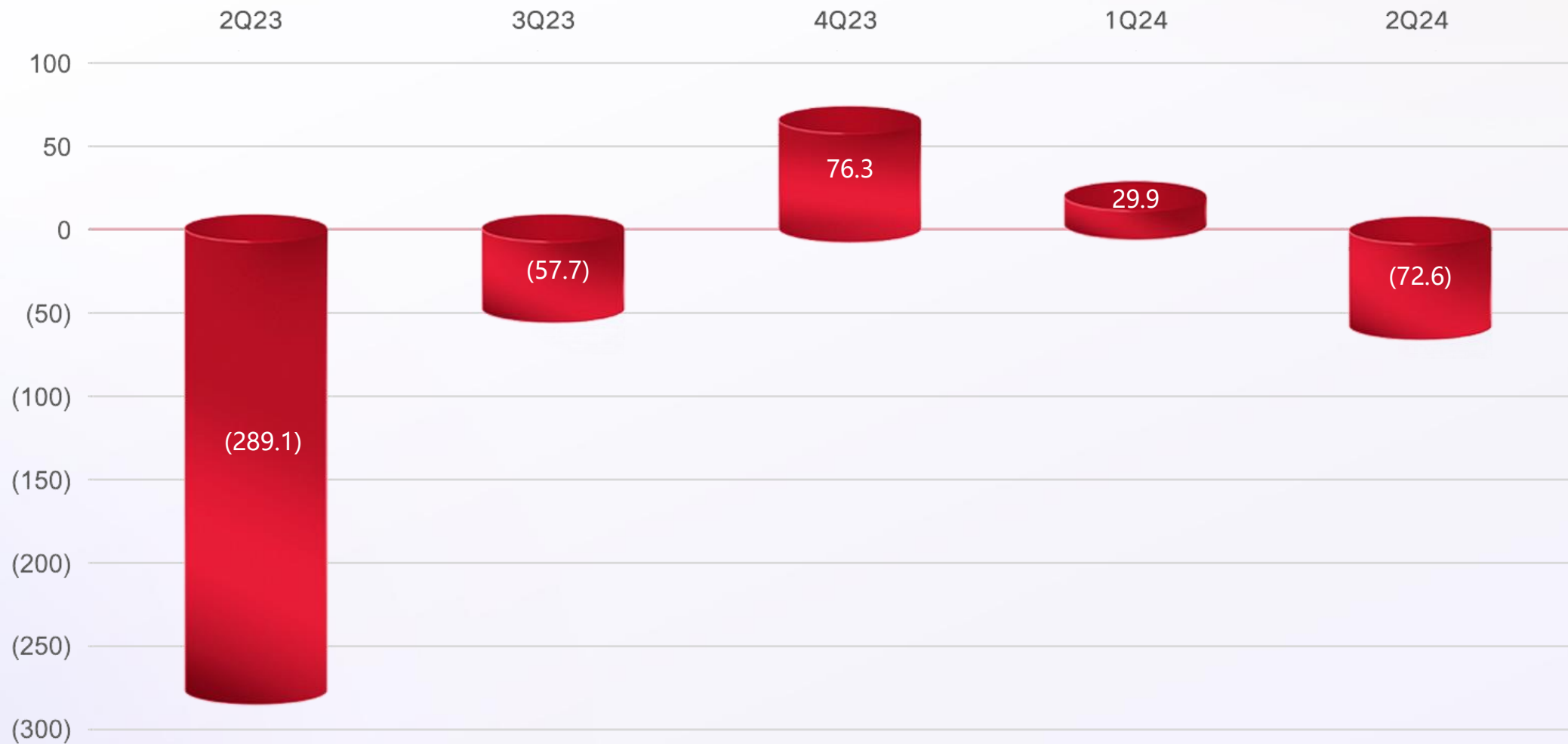
RMB Millions



■ Learning Services ■ Smart Devices ■ Online Marketing Services

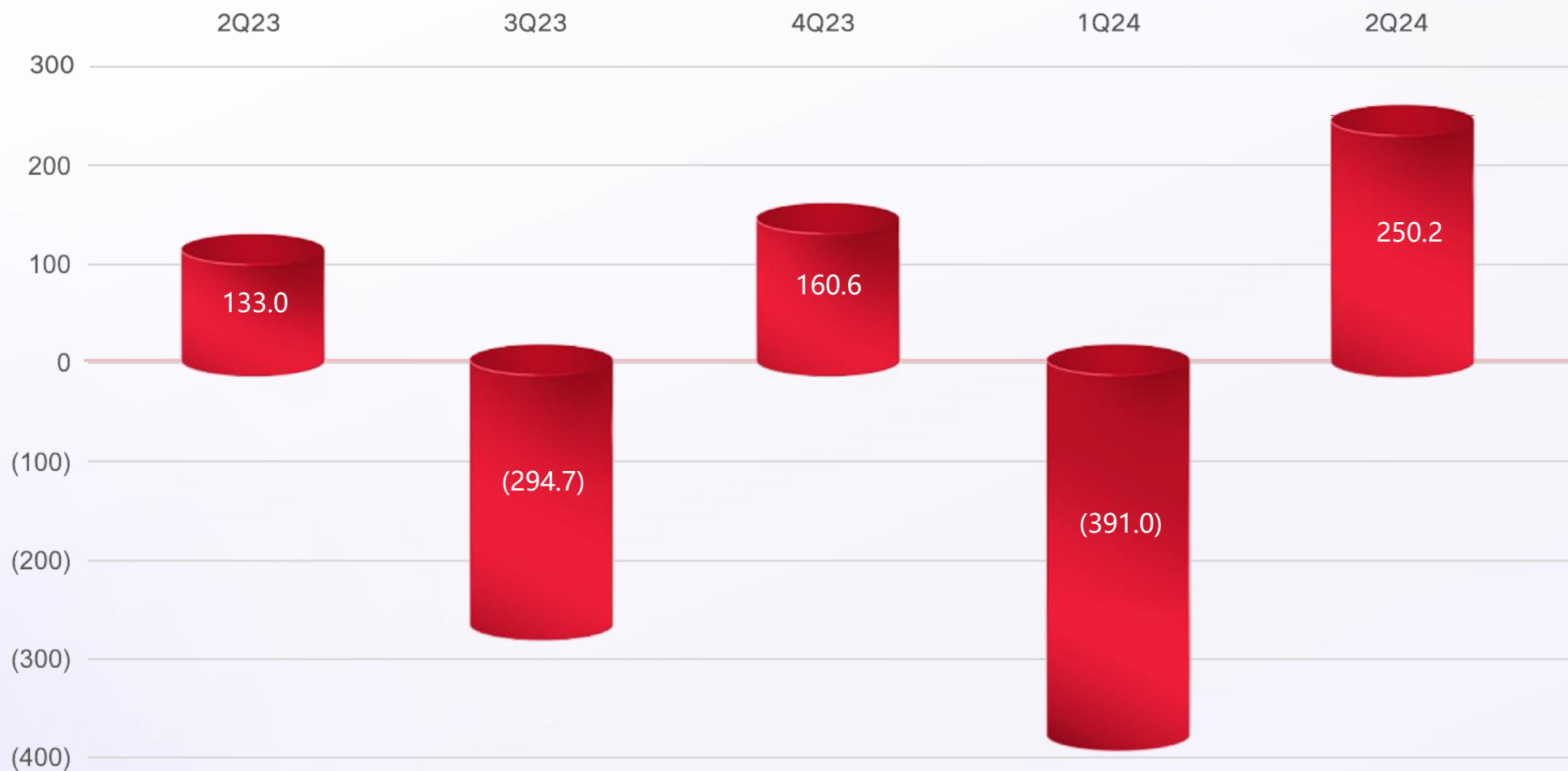
Income (Loss) From Operations: Operating Loss Narrowed by 74.9% YoY in 2Q24

RMB Millions



Operating Cash Flow: Net Inflows Hit Record High in 2Q24

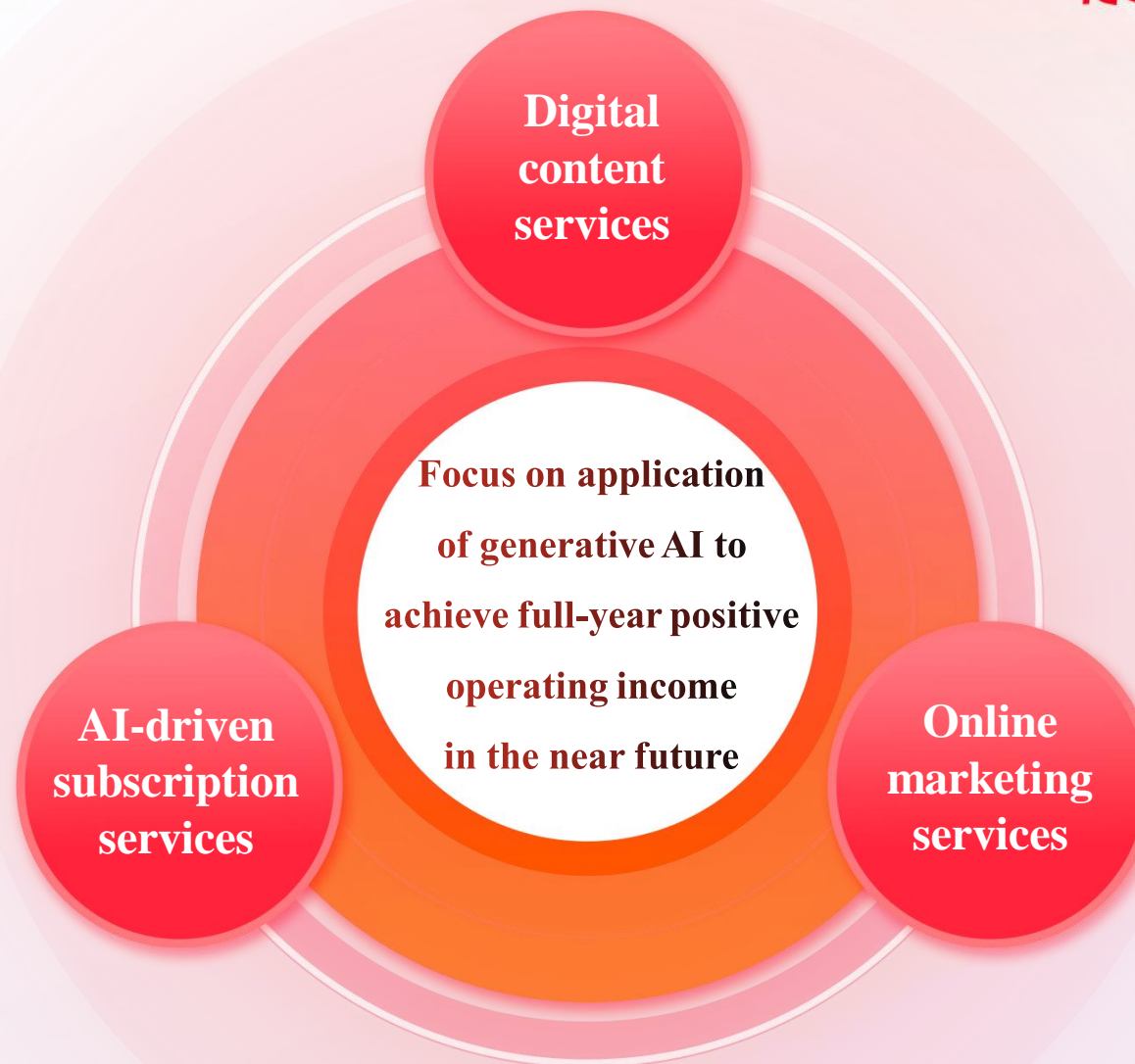
RMB Millions



2024 Operating Strategy

AI

**Driving force behind
development of three
businesses**



Monetization

AI+Courses

AI+Subscription Services

AI+Online Marketing Services

AI+Smart Devices

AI

Technology

LLM Ziyue

Mr.P AI Tutor Technology

Hi Echo Technology

Advertising LLM

Digital Content Services

Net revenues from digital content services: RMB403.3 million, up 6.8% year-over-year in 2Q24

RMB Millions



Digital Content Services: Youdao Lingshi

Products & Services

Learning diagnosis

Personalized learning path recommendation

Watch learning points video (tiered learning)

AI quiz recommendation

AI-based college admission advisers (upgraded in 2Q24)

Marketing

Increased localized live broadcasts and operations through our WeChat Video Accounts, providing users with services such as local policy updates and garnering positive user feedback.

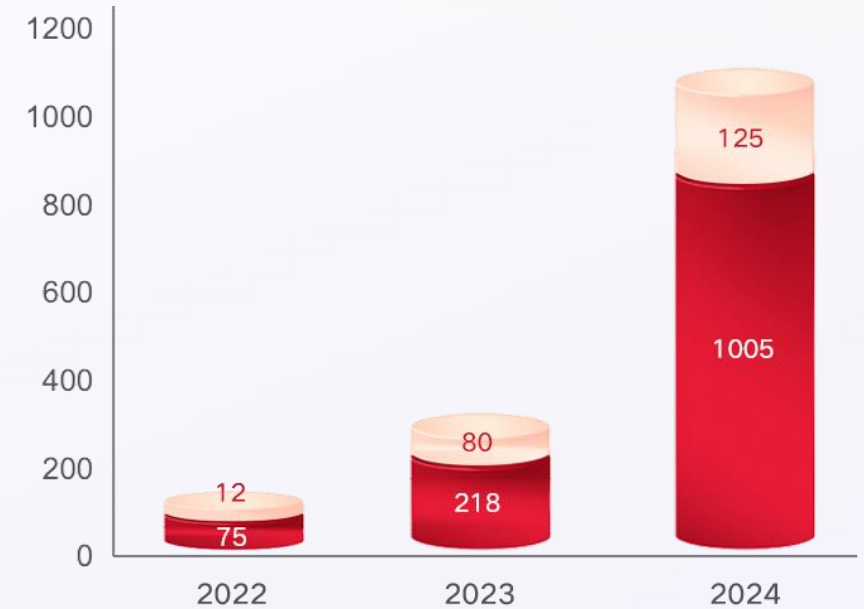
Record-high Retention Rate

Continuous product and service upgrades and improved marketing approach led to a record-high retention rate in 2Q24

- ✔ Over 70%
- ✔ An increase of more than 10 percentage points year-over year

Improved Learning Outcomes

Person



Light orange: Tsinghua University/Peking University enrollments

Red: Top Chinese Universities (official released in May 1998) enrollments

AI-driven Subscription Services

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Total sales of AI-driven subscription services: over RMB60 million in 2Q24
Year-over-year growth: nearly 200%, quarter-over-quarter growth: over 30%



Youdao Dictionary



Youdao Desktop Translation



Hi Echo



Mr. P AI Tutor



U-Dictionary



iRecord



LectMate



iArch



Baby Genius



One Translate Translator

Youdao Dictionary: The language learning tool of choice with accumulated users of 1 billion+;
AI translation

Youdao Desktop Translation: AI translation; leading dictionary tool in domestic market

Hi Echo: the world's 1st digital human language coach

Mr. P AI Tutor: the first all-subject AI tutor in China

U-Dictionary: Translation tool for overseas markets; support translation among 108 languages

iRecord: An audio transcription tool based on LLM capabilities; Rank among the top two in the North American audio recording tracks

LectMate: Simultaneous interpretation software for study-abroad lecture scenarios

iArch: AI home design software targeting the North American market launched in 2Q24

Baby Genius: AI Baby Generator targeting the North American market launched in 2Q24

One Translate Translator: Translation services for travelers launched in 2Q24

Online Marketing Services: Record-high Net Revenues in 2Q24

RMB millions



Online Marketing Services

RTA (Real-Time API)

- ✓ RTA (Real-Time API) application was the one of the main drivers for the net revenue growth of online market services in 2Q24, with 100%+ year-over-year increase.
- ✓ At the end of 2Q24, RTA covered over 10+ industries.

Strengthened Synergy with NetEase Group

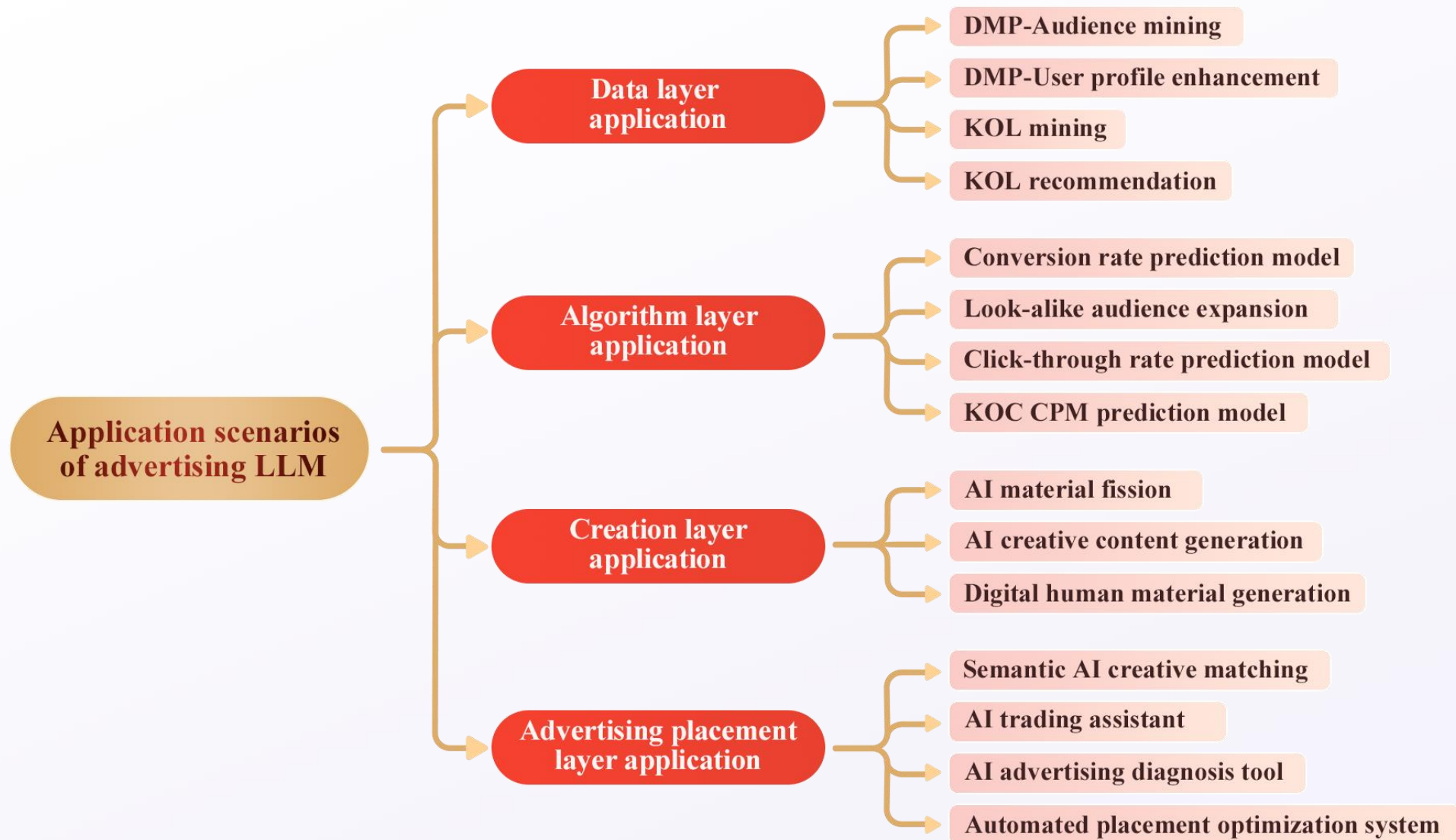
- ✓ Youdao's data application yielded notable results, driving an increase of over 100% in NetEase's traffic conversion rate in 2Q24.
- ✓ Less than 10% of Youdao's online marketing services net revenue originated from NetEase as our client in 2Q24, indicating significant future growth potential.

Expanding Customer Base



- ✓ Youdao has seized the opportunity of large language models promotion since 4Q23, collaborated with leading players and expanded our customer base. In 2Q24, net revenues from AI tools advertising grew by more than 100% quarter-over-quarter.

Advertising Large Language Model



Smart Devices



Youdao Dictionary Pen X7

Youdao's Smart Devices Takes Center Stage at World AI Conference



Mr. P AI Tutor

Hi Echo

AI Translation

72-million-word database



Net revenues from Youdao Dictionary Pen increased nearly 10% year-over-year in 2Q24.

Condensed Consolidated Balance Sheets

Summary of Key Financial Information (in RMB'000)

Key balance sheet items	June 30, 2024	December 31, 2023
Cash Assets*	565,313	527,056
Accounts Receivable, Net	393,111	354,006
Inventories	195,726	217,067
Total Current Assets	1,399,135	1,299,951
Total Assets	1,781,509	1,666,195
Contract Liabilities	1,038,676	1,052,622
Short-term Loans from NetEase Group	878,000	878,000
Total Current Liabilities	3,087,099	3,099,287
Long-term Loans from NetEase Group	905,553	630,360
Total Liabilities	4,051,796	3,795,298

*Cash assets include cash and cash equivalents, restricted cash, time deposits and short-term investments.

Condensed Consolidated Income Statements

Summary of Key Financial Information (in RMB'000, except for percentages)

Key Income Statement Items	2Q24	1Q24	2Q23
Net Revenues	1,321,721	1,391,859	1,206,634
Learning Services	643,762	717,996	680,920
Smart Devices	166,722	181,198	222,157
Online Marketing Services	511,237	492,665	303,557
Cost of Revenues	(684,942)	(710,356)	(639,459)
Gross Profit	636,779	681,503	567,175
Gross Margin	48.2%	49.0%	47.0%
Operating Expenses	(709,332)	(651,579)	(856,306)
Net (Loss)/Income	(100,414)	14,485	(303,224)
Net (Loss)/Income Attributable to Ordinary Shareholders of the Company	(99,475)	12,432	(299,159)

THANK YOU



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