

網易 NETEASE 有道 youdao

4Q24

Investor Presentation



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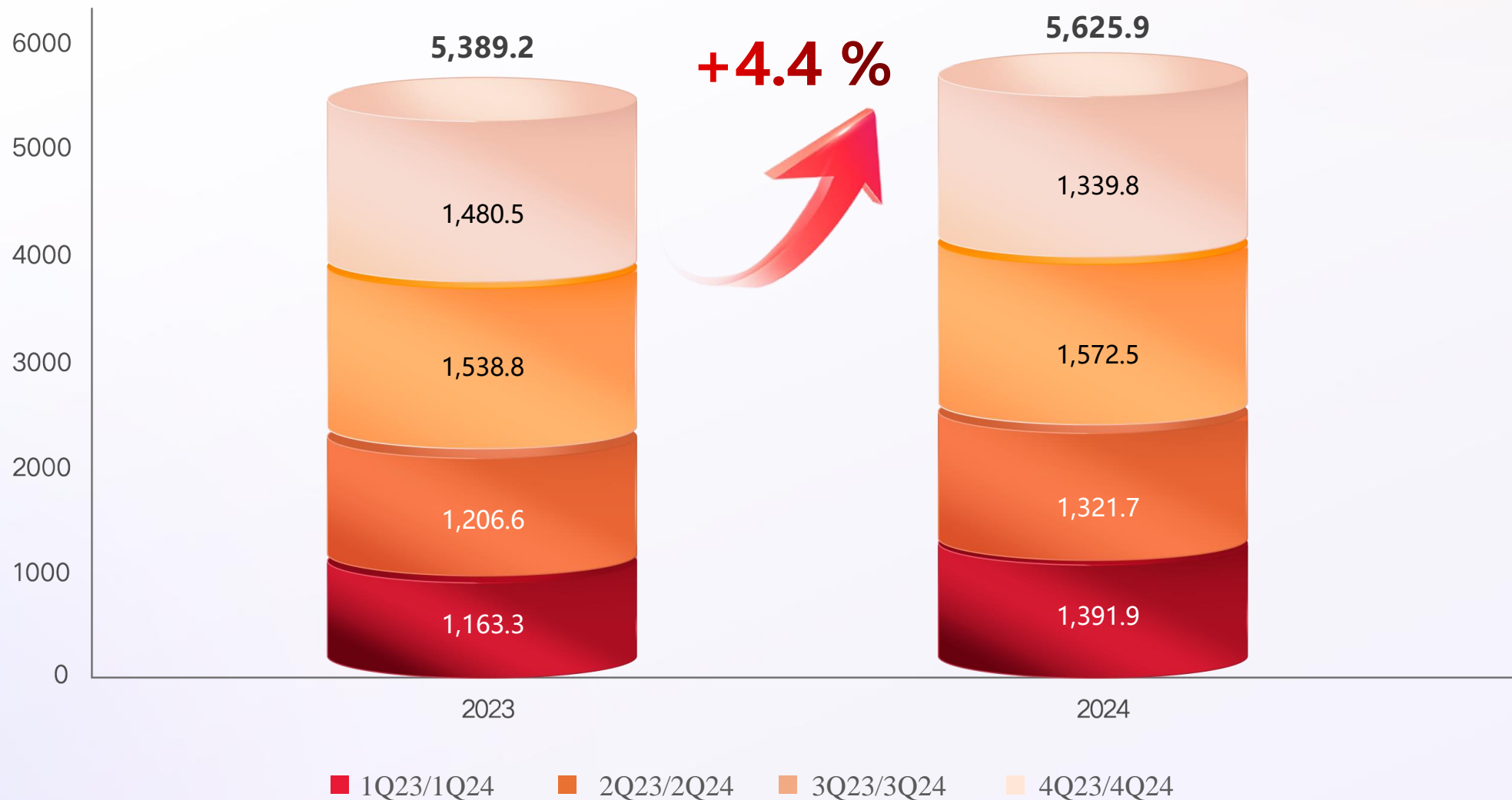
SAFE HARBOR STATEMENT

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 fourth 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.

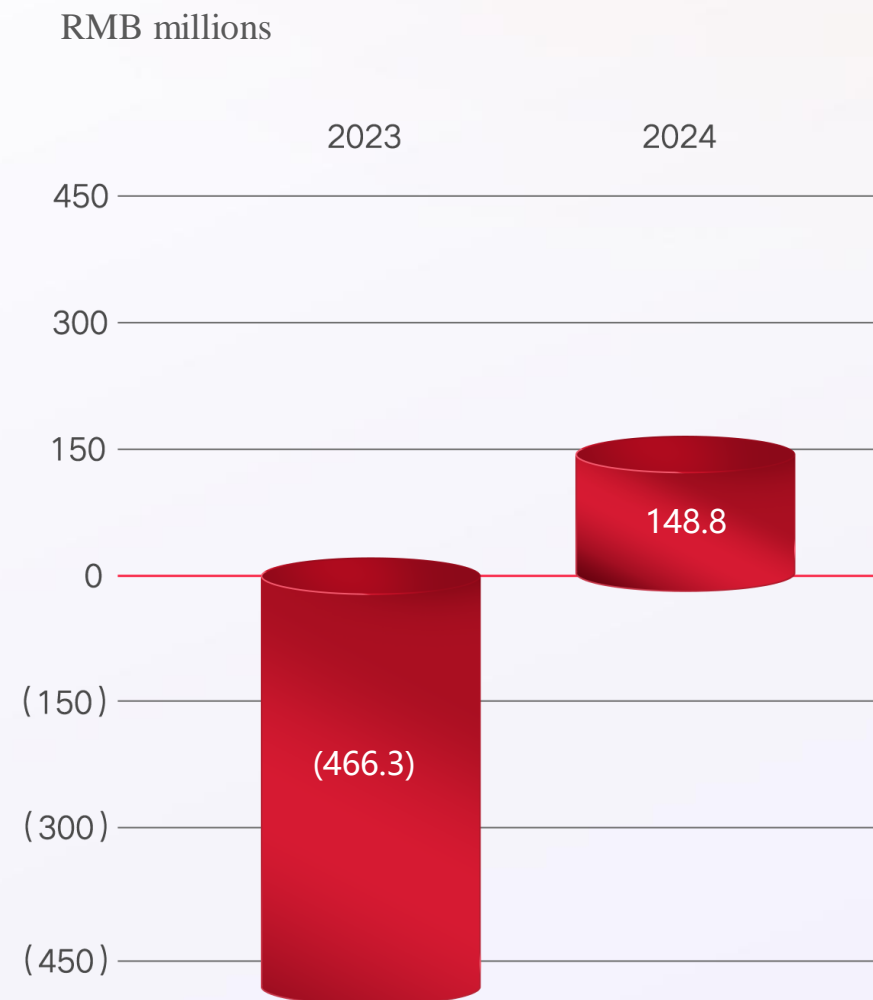
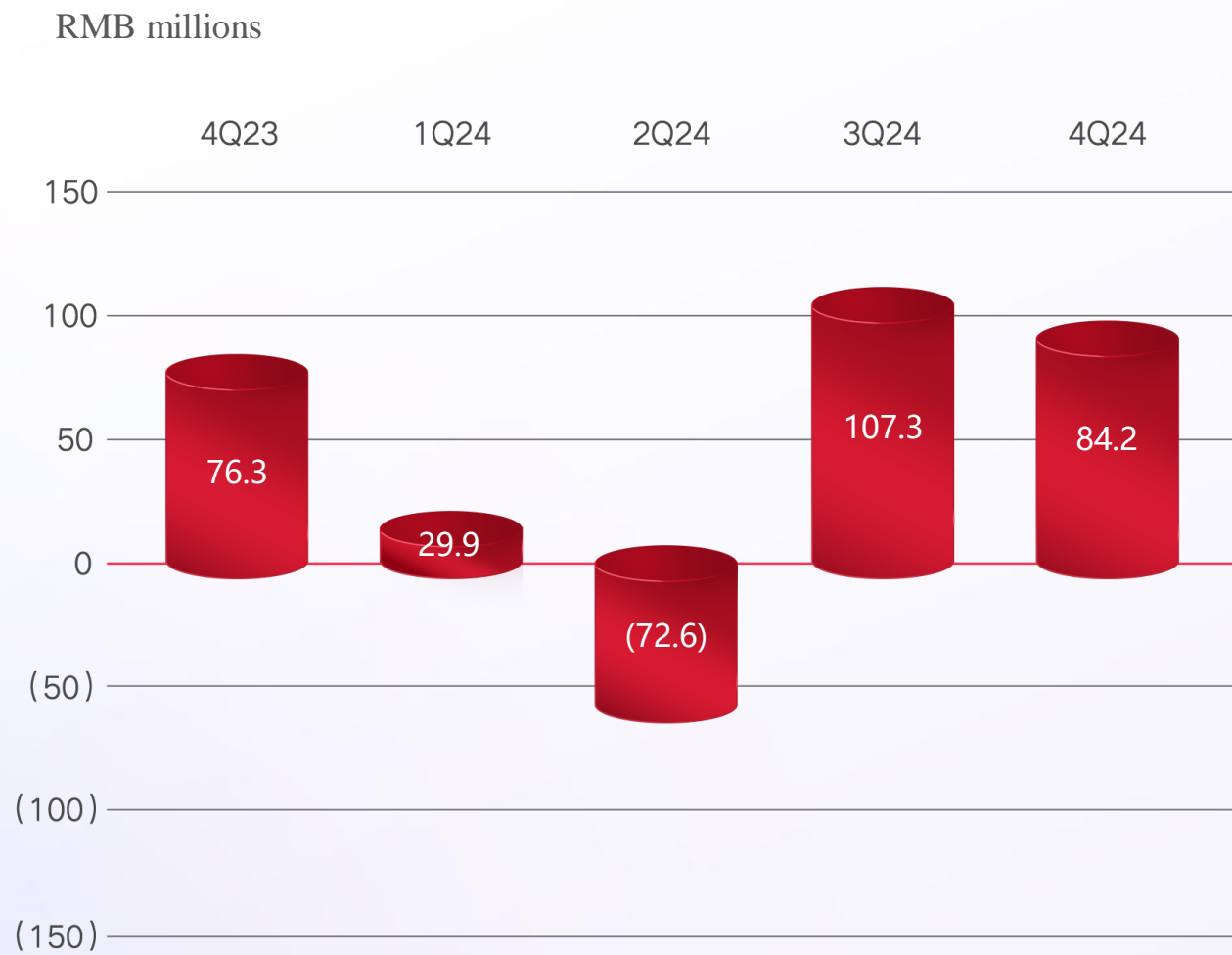


Net Revenues: 4.4% YoY Growth in 2024

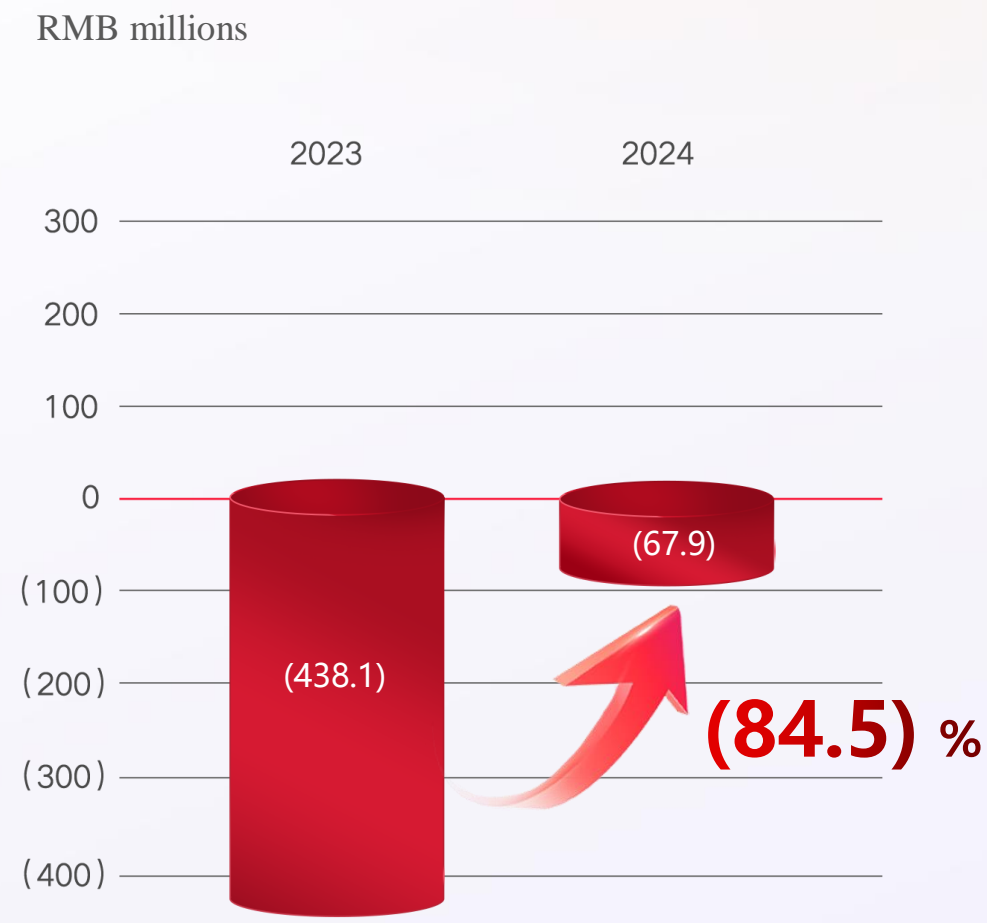
RMB millions



First-Ever Full Year Income from Operations in 2024



Operating Cash Flow: Net Outflows Narrowed by 84.5% in 2024

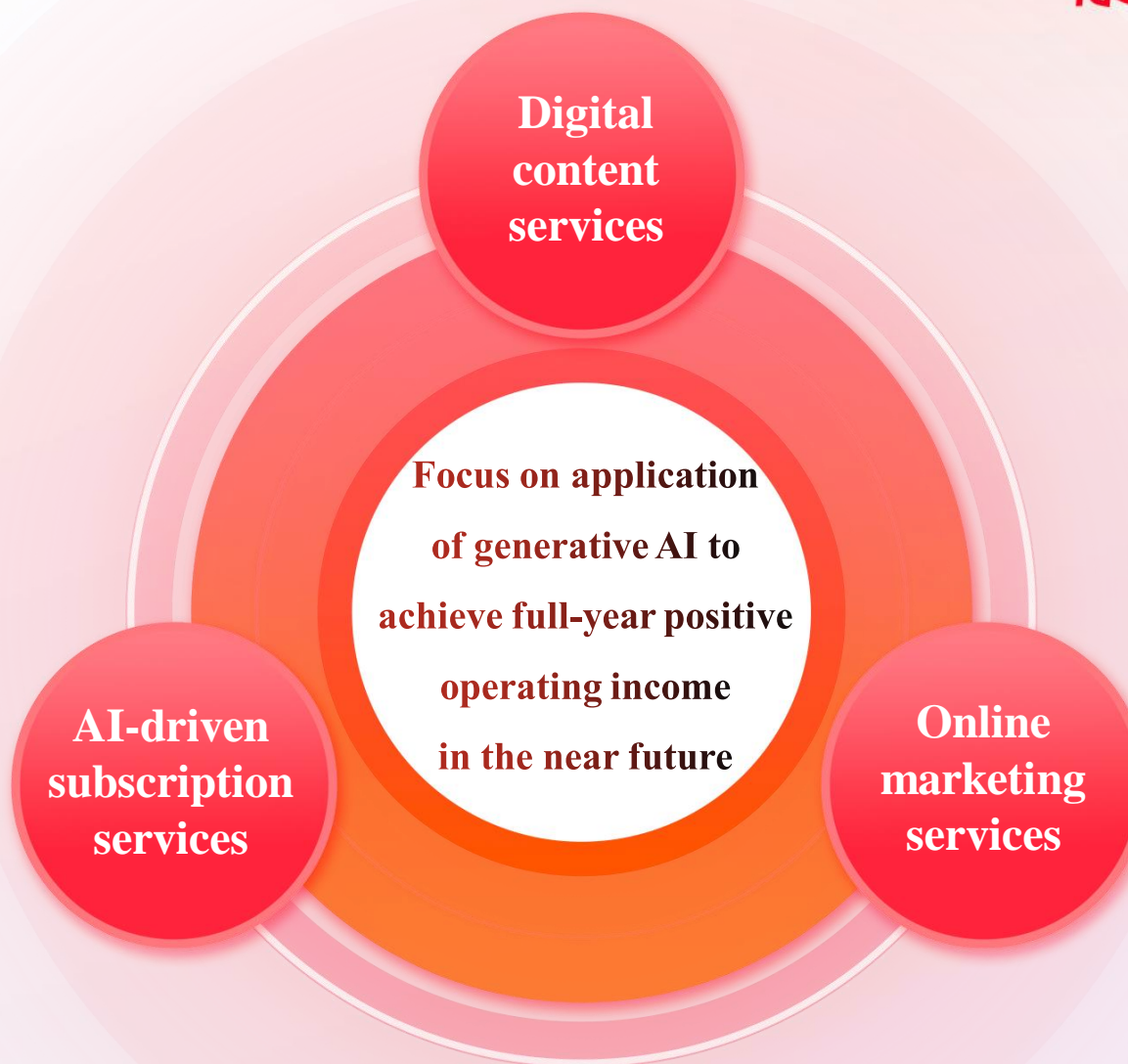


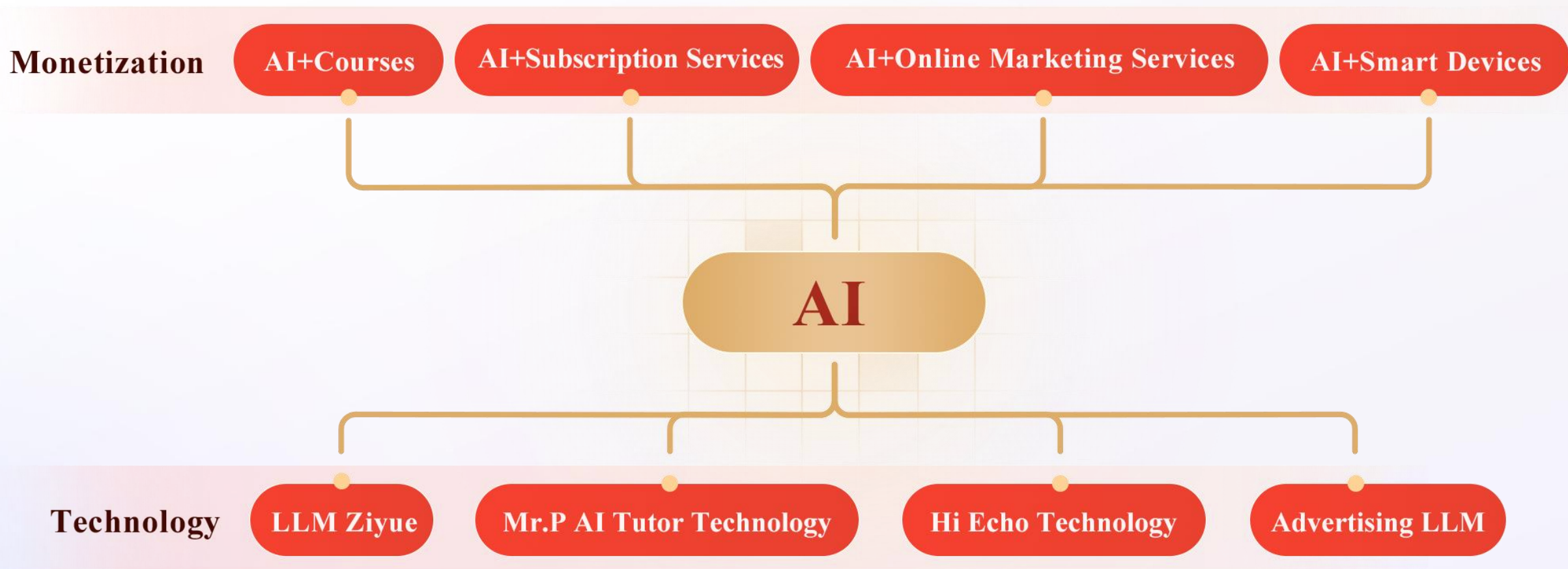
2024 Operating Strategy

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AI

**Driving force behind
development of three
businesses**

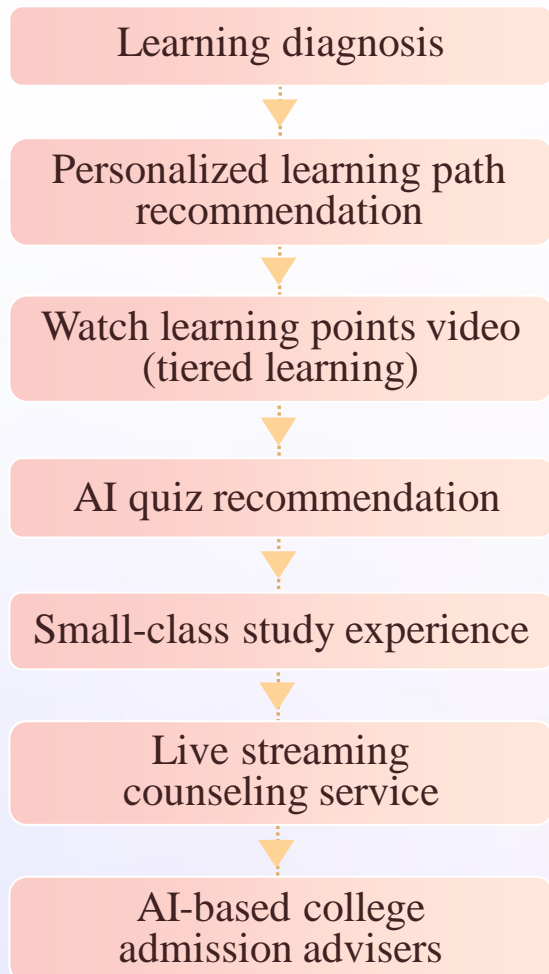




Digital Content Services: Youdao Lingshi



Products & Services



Highlights for Youdao Lingshi

Sophisticated and Differentiated Products

- AI + pre-recorded & tiered learning + comprehensive services

Optimized Customer Acquisition Channels

- Leading to over 10% year-over-year increase of gross billings in 4Q24

Enhanced Customer Loyalty

- Retention rate: over 70% in 4Q24, an improvement of more than five percentage points year-over-year

AI-driven Subscription Services

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Total sales of AI-driven subscription services
Over RMB200 million in 2024, over 130% year-over-year growth



Youdao Dictionary



Youdao Desktop Translation



Hi Echo



Mr. P AI Tutor



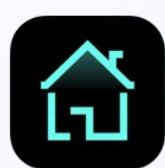
U-Dictionary



iRecord



LectMate



iArch



Baby Genius



One Translate Translator

Youdao Dictionary: The language learning tool of choice with accumulated users of 1 billion+;
AI translation & AI-powered simultaneous interpretation

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

Hi Echo: the world's 1st digital human language coach; one of the Top 9 Apps of 2024 by
LeiTech

Mr. P AI Tutor: the first all-subject AI tutor in China; over 100 million cumulative uses since
the product launch; recently integrated with DeepSeek

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

Baby Genius: AI Baby Generator targeting the North American market

One Translate Translator: Translation services for travelers

Mr. P AI Tutor: DeepSeek-R1 Integration

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User Home Page From
Upgraded Mr. P AI Tutor



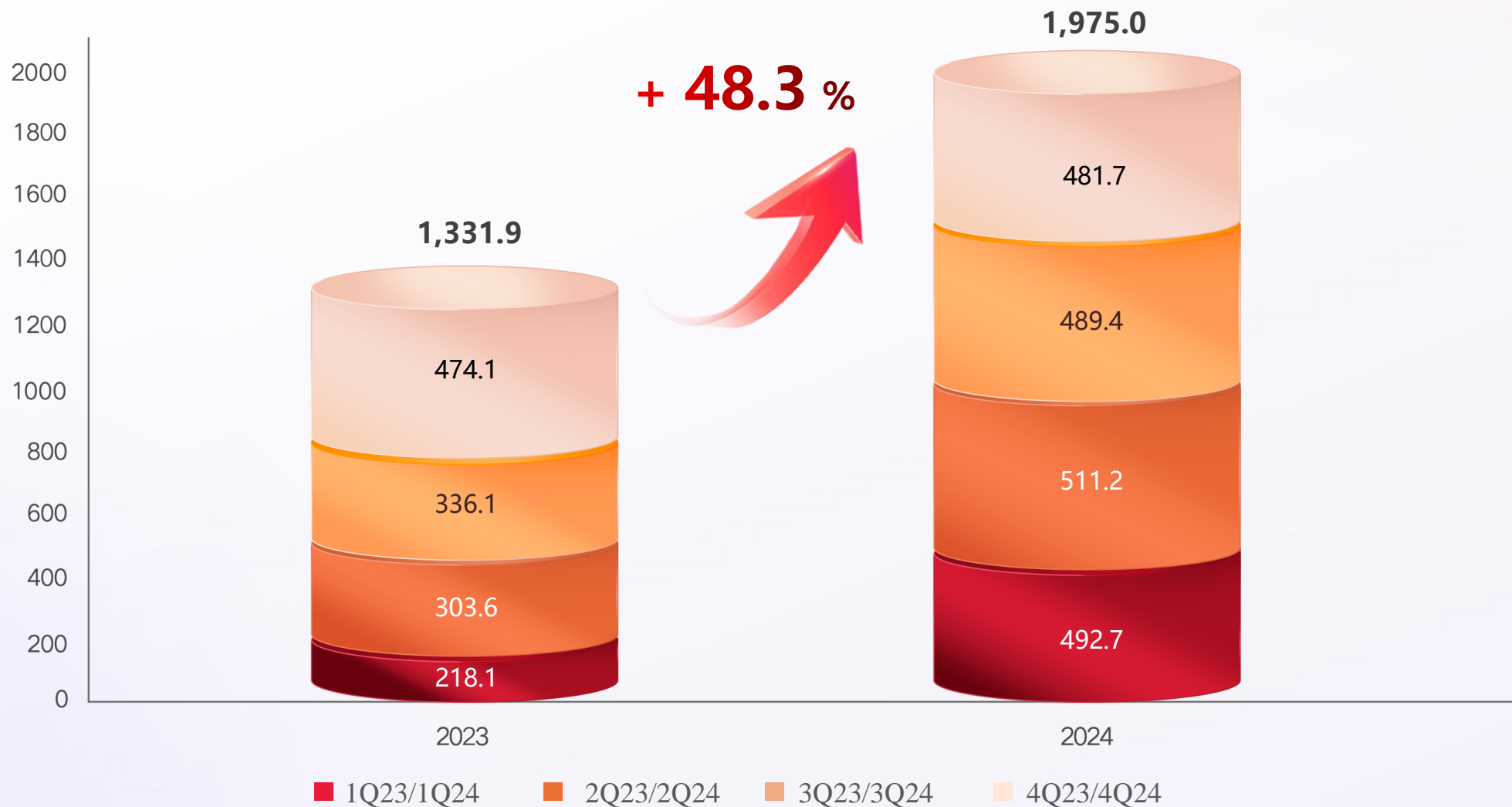
In-depth analytical reasoning capabilities
with DeepSeek-R1



Online Marketing Services: Net Revenues Increased 48.3% in 2024

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RMB millions



Domestic Performance-Based Advertising

Record-breaking 4Q24 revenues in the following industries :

- ✓ Gaming
- ✓ AI Tools

International Advertising

- ✓ Developed an evaluation model for KOL video conversion effectiveness.
- ✓ Recently established an official partnership with Google.

Enhanced Synergy with NetEase Group

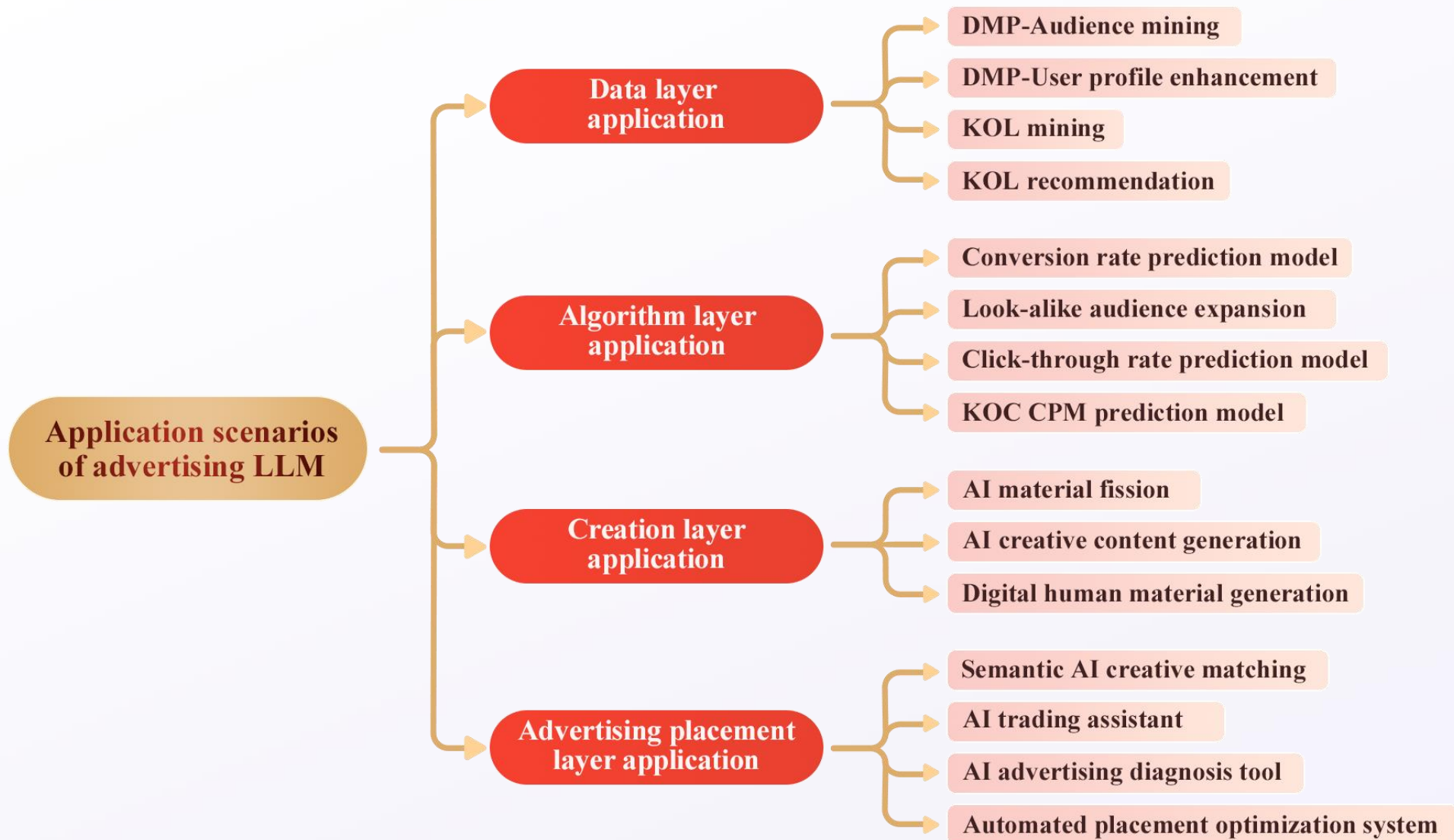
- ✓ Youdao played a pivotal role in the global promotion of the game Marvel Rivals.
- ✓ In the first two weeks after the game's launch, we successfully facilitated the release of nearly 200 pieces of KOL content, resulting in over 80 million impressions across the internet.



Solid Advertising Client Base in Gaming Industry



Advertising Large Language Model



Smart Devices

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Net Revenues from Smart Devices

- RMB240.4 million in 4Q24, up 8.1% year-over-year.

Youdao Dictionary Pen: Our Core Product

- Net revenues from dictionary pen series increased around 20% year-over-year in 4Q24.
- Leading position during the Nov 11th Shopping Festival.
- Recently launched SpaceOne and A7 Pro.

Leading Position During the Nov 11th Shopping Festival



Youdao Dictionary Pen SpaceOne



Incorporate DeepSeek
Deliver in-depth analytical reasoning capabilities
Provide clearer guidance for complex problem-solving scenarios

Condensed Consolidated Balance Sheets

Summary of Key Financial Information (in RMB'000)

Key balance sheet items	December 31, 2024	December 31, 2023
Cash Assets*	659,352	527,056
Accounts Receivable, Net	418,644	354,006
Inventories	174,741	217,067
Total Current Assets	1,486,768	1,299,951
Total Assets	1,814,395	1,666,195
Contract Liabilities	961,024	1,052,622
Short-term Loans from NetEase Group	878,000	878,000
Total Current Liabilities	2,946,952	3,099,287
Long-term Loans from NetEase Group	913,000	630,360
Total Liabilities	3,903,707	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	4Q24	3Q24	4Q23
Net Revenues	1,339,798	1,572,541	1,480,521
Learning Services	617,673	767,859	784,012
Smart Devices	240,444	315,305	222,407
Online Marketing Services	481,681	489,377	474,102
Cost of Revenues	(699,045)	(783,085)	(741,720)
Gross Profit	640,753	789,456	738,801
Gross Margin	47.8%	50.2%	49.9%
Operating Expenses	(556,577)	(682,182)	(662,518)
Net Income	72,298	88,857	56,117
Net Income Attributable to Ordinary Shareholders of the Company	83,003	86,253	56,482

THANK YOU



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