

網易 NETEASE 有道 youdao

1Q23

Investor Presentation

Investor Relations, May 25, 2023

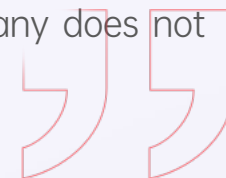
A decorative graphic on the right side of the slide. It features a large, light-colored rounded square with a white border. Inside this square is a smaller, slightly offset rounded square with a red-to-white gradient. The word "youdao" is written in red lowercase letters on the red part of this inner square. There are also two small red circles, one at the top right and one at the bottom left, partially overlapping the main graphic.

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. 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. Further information regarding such risks, uncertainties or factors is included in the Company’s filings with the SEC. The announced results of the first quarter of 2023 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.

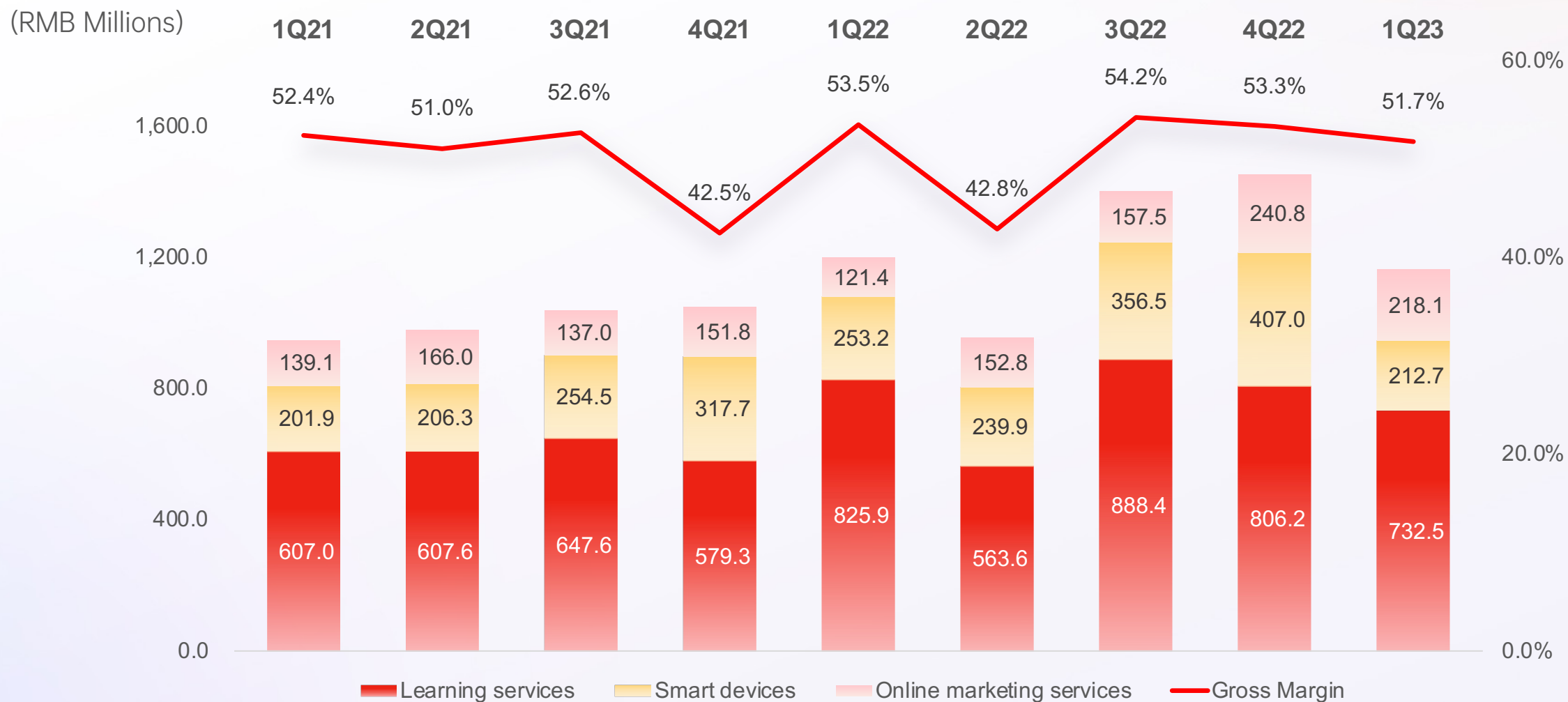


Youdao makes learning happen.

We are a leading technology-focused intelligent learning company in China. Youdao was founded in 2006 as part of NetEase, a leading internet technology company in China, dedicated to providing online services centered around content, community, communication and commerce. Since its inception, Youdao has developed and used technologies to provide learning applications, content, devices and solutions to users of all ages. Today, for tens of millions of people, Youdao is the go-to destination for looking up a word, translating a foreign language, preparing for an exam, or picking up a new skill. Through technology, we enrich the lives of people of all ages every day, guiding them on their journey of pursuing knowledge and sharing ideas.

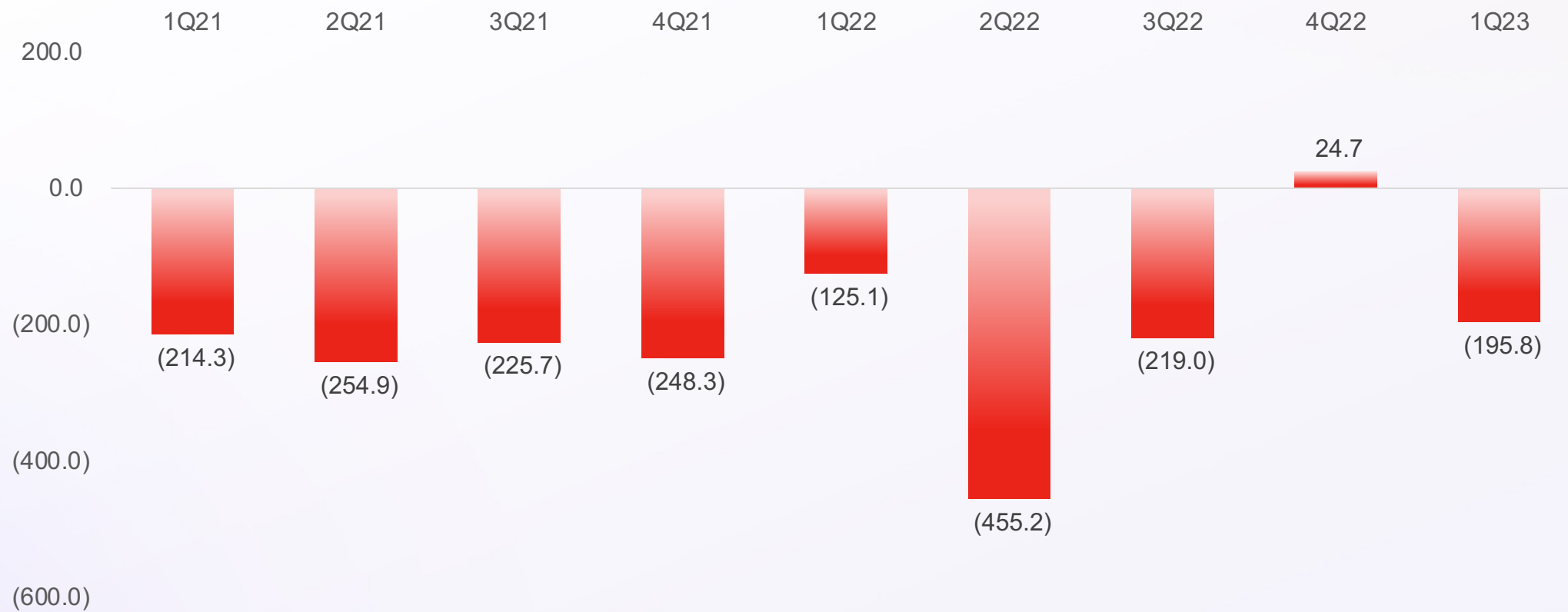
Youdao, Inc. has been listed on NYSE since 2019 under the symbol (NYSE: DAO).

Net Revenues and Gross Margin



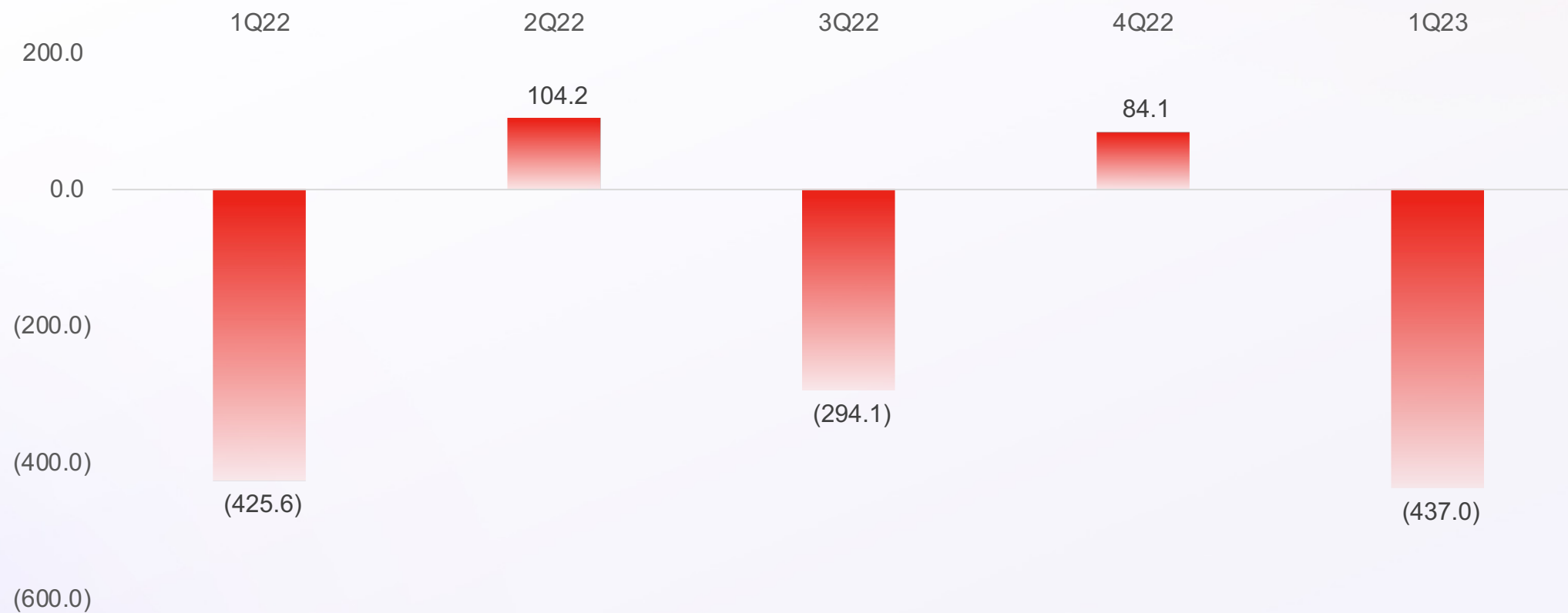
(Loss)/Income from Operations

(RMB Millions)



Operating Cashflow

(RMB Millions)



Youdao's Milestone of R&D on Transformer

In 2018, Youdao NMT was upgraded and based on Transformer.

In 2019, the second generation of dictionary pen was equipped with offline Transformer NMT for the first time.

In 2020, Youdao put Transformer ASR into business.

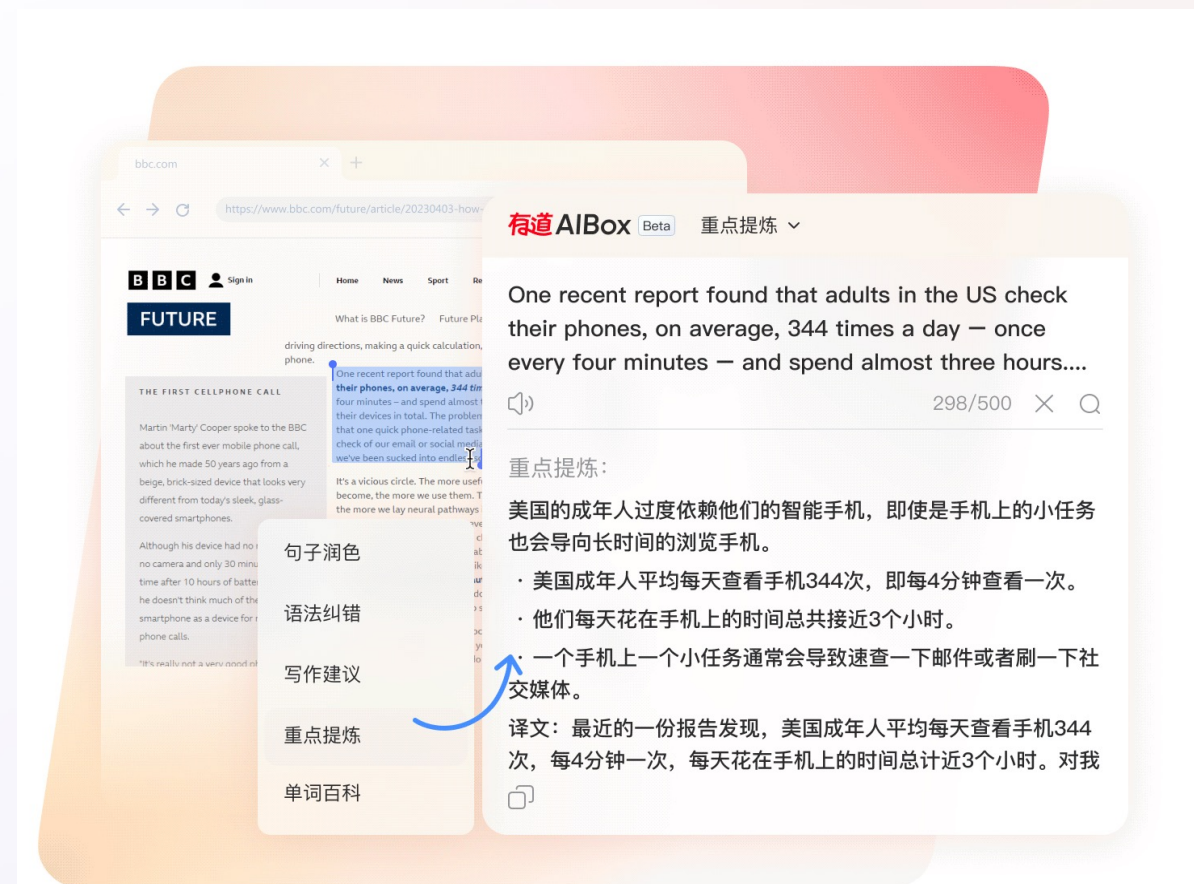
In 2021, the streaming ASR technology based on Transformer was implemented.

In 2022, the dictionary pen P5 launched was equipped with self-developed off-line ASR, which has also been upgraded to Transformer technology.

Youdao Desktop Translation

We recently launched Youdao Desktop Translation with three major AI functions

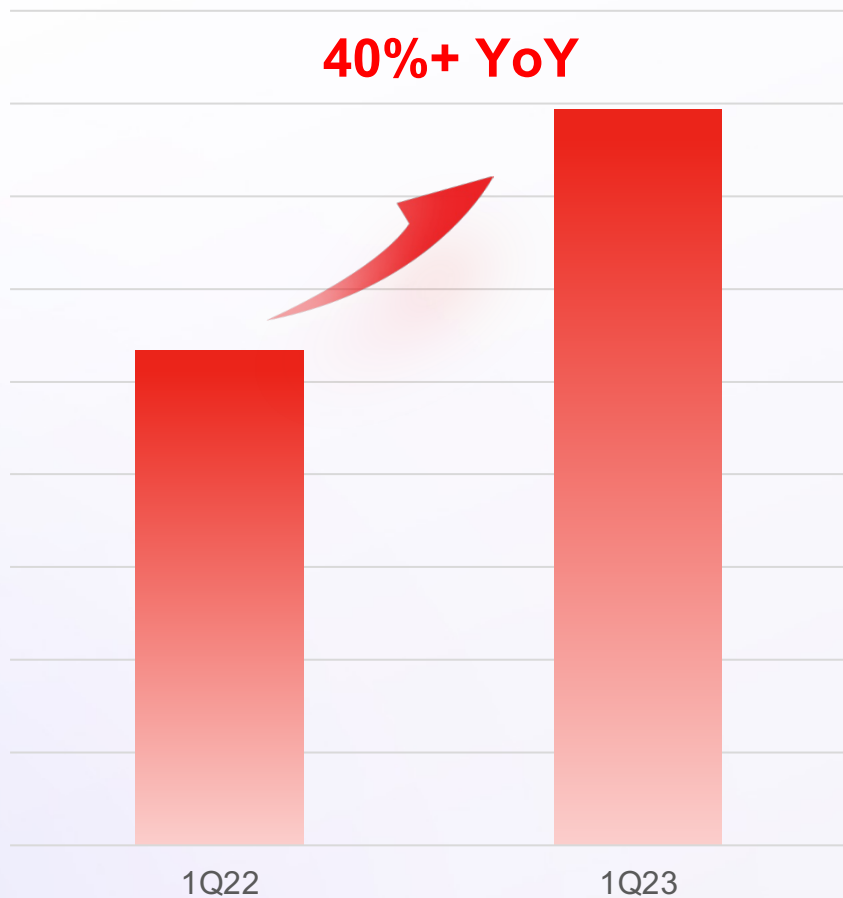
- **AIBox:** provides sentence polishing, grammar correction, writing suggestions, and key point extraction
- **AI Document Translation:** supports multiple file formats including doc, docx, ppt, pdf, xlsx, etc.
- **English Writing Correction:** caters to the diverse learning needs of our users



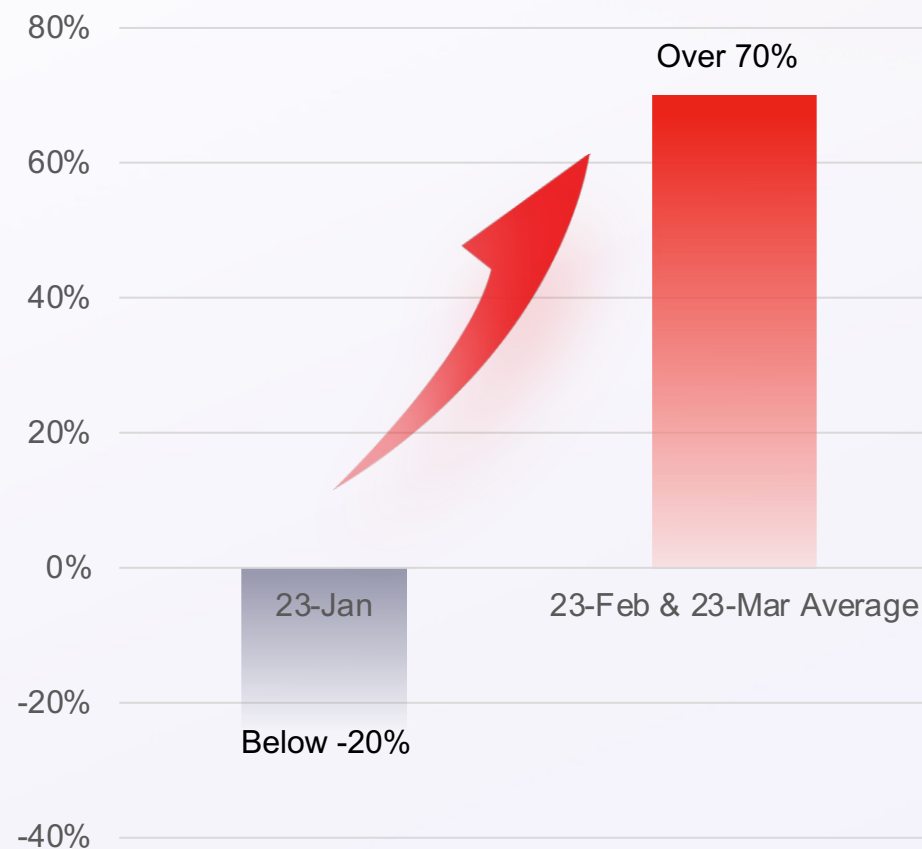
AIBox

Learning Services

Gross billings from learning services
(excluding adult courses)



Year-over-year growth of
gross billings from learning services
(excluding adult courses)



Learning Services

Digital Content Services

- Gross margin: **approaching 70%** in 1Q23
- Net revenues from digital content services could cover the cost and operating expenses for

3 consecutive quarters

Youdao Go

- A student from our “Champion Class”, released in 4Q22, gained the top spot in the youth group championship at the British Junior Go Championship in 1Q23

Learning Services

Youdao Fun Reading

A child-focused digital online reading service

Gross billings: rose by approaching 40% YoY in 1Q23

Features

- Intelligent grading and content recommendation
- Interactive Q&A during the reading process
- Tailor-made learning reports



Online Marketing Services

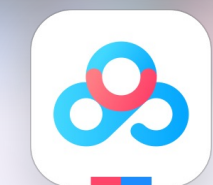
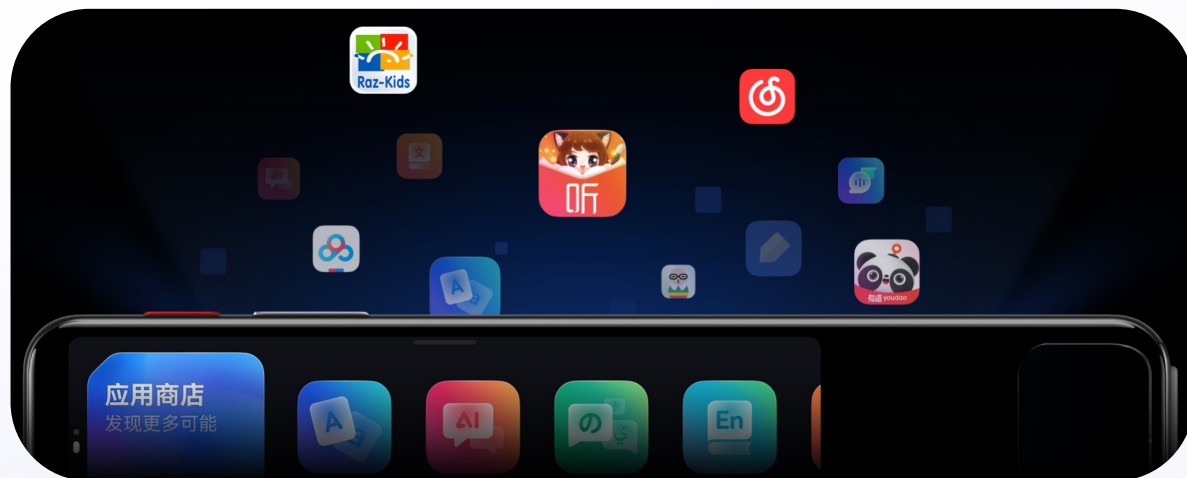
(RMB Millions)



- The increase in net revenues was mainly attributable to the increased demand for performance-based advertisements through third parties' internet properties

Dictionary Pen

New Apps in Youdao Dictionary Pen OS



Baidu NetDisk



Chinese Children's Encyclopedia

Activation volume

The activation volume indicates the actual delivery of the products to users and the adoption as active users

Over 20% year-over-year growth in activation of Youdao dictionary pens in March 2023

Dictionary Pen

Youdao Dictionary Pen X5 and P5 accomplished the first batch of standard tests by China Academy of Information and Communications Technology with solid performance

- Achieved 100% accuracy in 12 complex application scenarios
- Showcasing our pioneering and leading position in the industry



Condensed Consolidated Balance Sheets

Summary of Key Financial Information (in RMB'000)

Key balance sheet items	March 31, 2023	December 31, 2022
Cash Assets*	601,038	1,016,909
Accounts Receivable, Net	260,049	405,139
Inventories	219,324	232,260
Total Current Assets	1,264,394	1,869,973
Total Assets	1,658,319	2,276,156
Contract Liabilities	832,244	1,067,285
Short-term Loans from NetEase Group	878,000	878,000
Long-term loans from NetEase Group – current**	549,736	-
Total Current Liabilities	3,298,813	3,178,618
Long-term Loans from NetEase Group	-	522,345
Total Liabilities	3,350,542	3,753,430

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

**The outstanding balance of long-term loans from NetEase Group, with maturity dated March 31, 2024, was reclassified to current liabilities as of March 31, 2023.

Condensed Consolidated Income Statements

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

Key Income Statement Items	1Q22	4Q22	1Q23
Net Revenue	1,200,541	1,453,982	1,163,270
Learning Services	826,011	806,270	732,421
Smart Devices	253,160	406,956	212,749
Online Marketing Services	121,370	240,756	218,100
Cost of Revenues	(558,719)	(679,295)	(561,420)
Gross Profit	641,822	774,687	601,850
Gross Margin	53.5%	53.3%	51.7%
Operating Expenses	(766,926)	(750,015)	(797,641)
Net (Loss)/Income from Continuing Operations	(96,168)	3,035	(206,083)
Net (Loss)/Income	(102,273)	3,035	(206,083)

THANK YOU



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