

Tencent 腾讯

***2024 First Quarter
Results Presentation***

May 14, 2024

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This presentation may contain forward-looking statements relating to the forecasts, targets, outlook, estimates of financial performance, opportunities, challenges, business developments, business plans and growth strategies of Tencent Holdings Limited (the “Company” or “Tencent”) and its group companies. These forward-looking statements are based on information currently available to Tencent and are stated here on the basis of the outlook at the time that this presentation was produced. The Company undertakes no obligation to publicly update any forward- looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise. The forward-looking statements are based on certain expectations, assumptions and premises, some of which are subjective or beyond our control. The forward-looking statements may prove to be incorrect and may not be realised in the future. Underlying the forward-looking statements are a large number of risks and uncertainties. Therefore you should not rely on any of these forward-looking statements. Please see our various other public disclosure documents for a detailed discussion of those risks and uncertainties.

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The reporting currency of the company is Renminbi. For the purpose of this presentation, all figures quoted in US dollars are based on the exchange rate of US\$1 to RMB7.0950 for 1Q2024.

1. *Overview*

2. *Business Review*

3. *Financial Review*

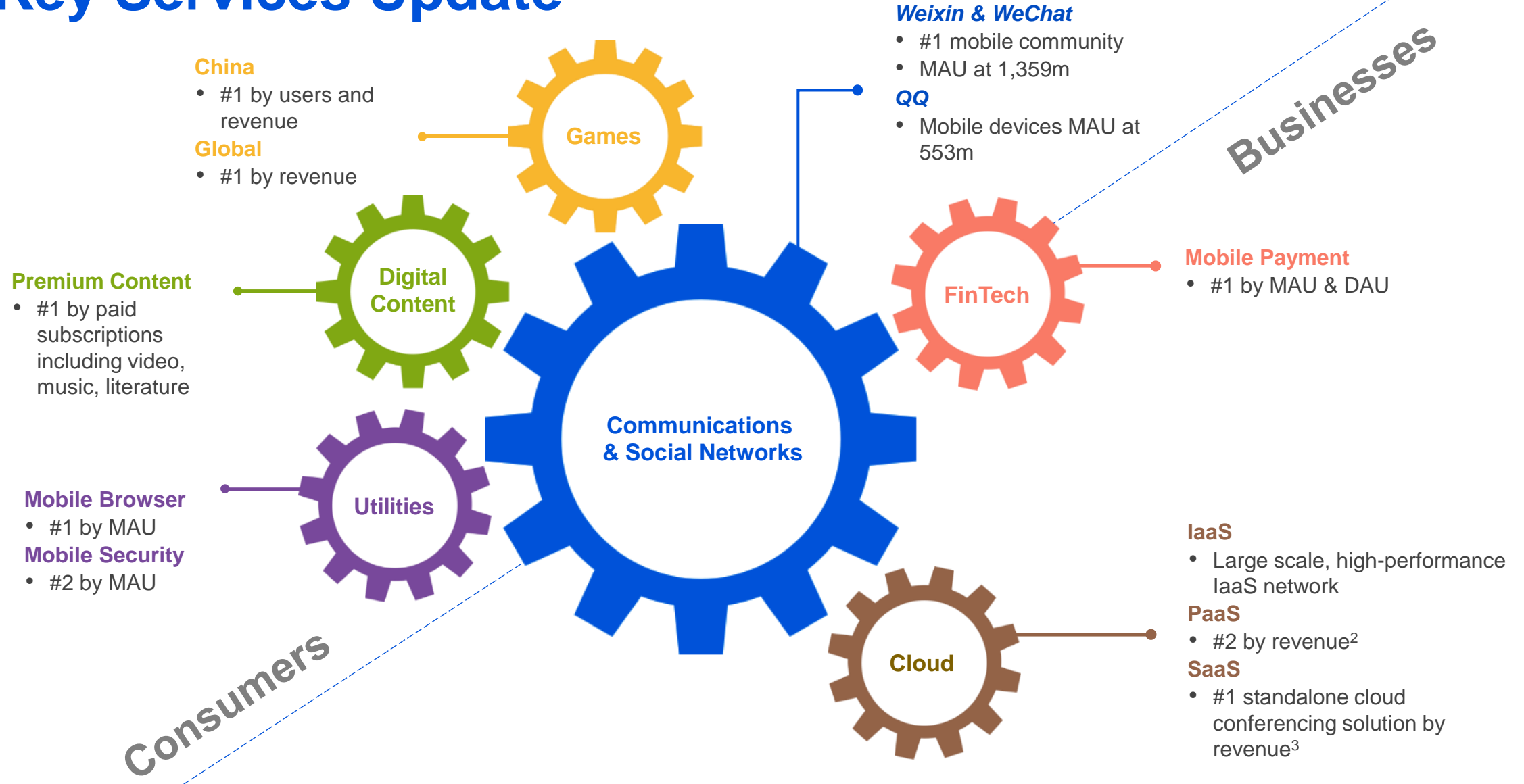
4. *Q&A*

Financial Highlights

In billion RMB	1Q2024	1Q2023	YoY	4Q2023	QoQ
Total Revenue	159.5	150.0	+6%	155.2	+3%
Value-added Services	78.6	79.3	-0.9%	69.1	+14%
Social Networks	30.5	31.0	-2%	28.2	+8%
Domestic Games	34.5	35.1	-2%	27.0	+28%
International Games	13.6	13.2	+3%	13.9	-3%
Online Advertising	26.5	21.0	+26%	29.8	-11%
FinTech and Business Services	52.3	48.7	+7%	54.4	-4%
Others	2.1	1.0	+110%	1.9	+6%
Gross Profit	83.9	68.2	+23%	77.6	+8%
<u>Non-IFRS</u>					
Operating Profit	58.6	45.0	+30%	49.1	+19%
Operating Margin	36.8%	30.0%	+6.8ppt	31.7%	+5.1ppt
Net Profit Attributable to Equity Holders	50.3	32.5	+54%	42.7	+18%

Domestic Games refers to our games business in the PRC excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan

Key Services Update



1. All rankings above refer to China market, unless otherwise stated. Company data as of Mar 31, 2024

2. IDC Quarterly Public Cloud Services Tracker, 4Q23

3. IDC China Cloud Conferencing Market Share report, 1H23

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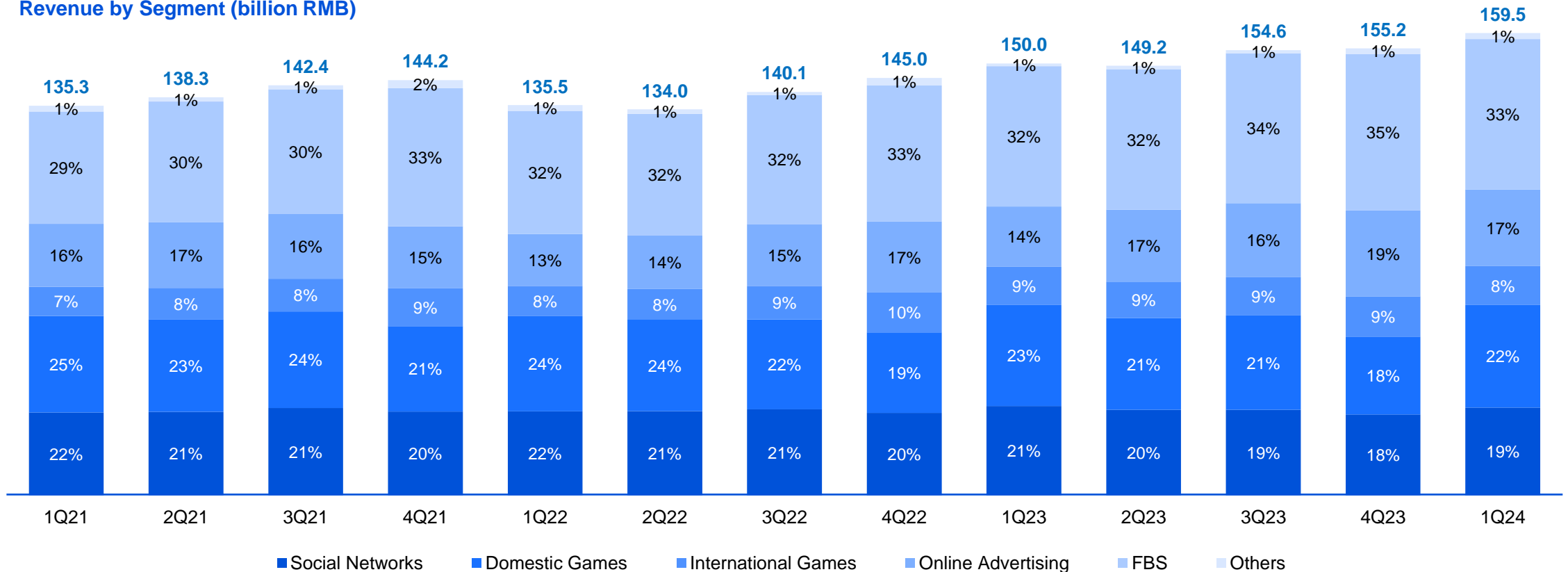
4. *Q&A*

Revenue

Revenue Growth (YoY %)



Revenue by Segment (billion RMB)

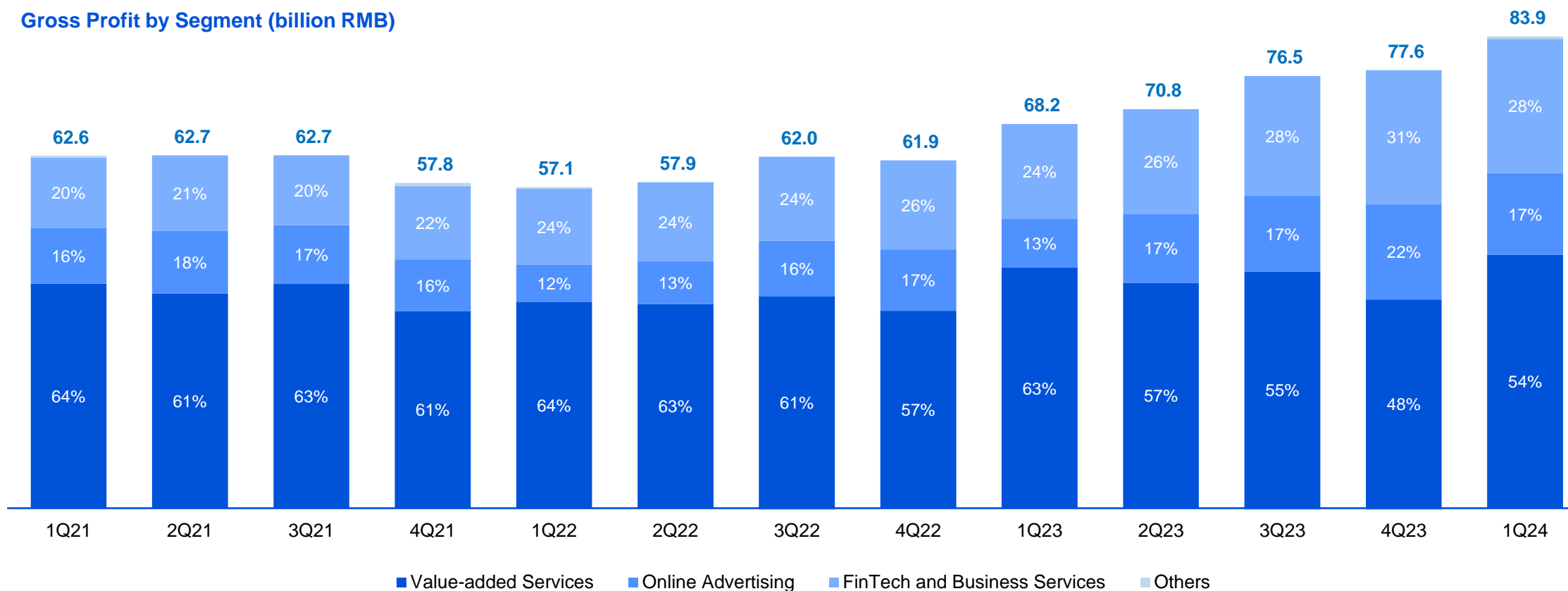


Gross Profit

Gross Profit Growth (YoY %)

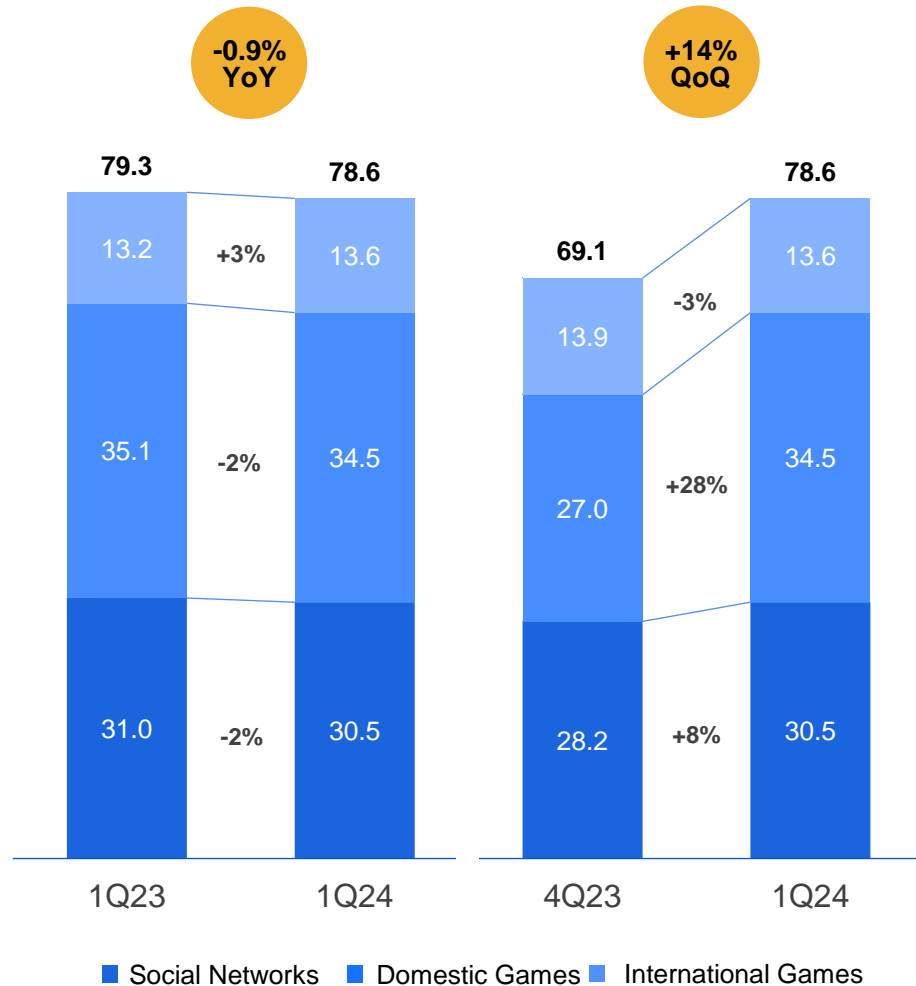
+19% +18% +11% -2% -9% -8% -1% +7% +19% +22% +23% +25% +23%

Gross Profit by Segment (billion RMB)



Value-added Services

In billion RMB



1. The average daily number of subscriptions for 1Q24

Social Networks

- Revenue was down 2% YoY. Revenue from music and video subscriptions, *Video Accounts* live streaming service and mini games increased, while revenue from music- and games-related live streaming services declined sharply
- Long-form video subscription revenue increased 12% YoY. Average daily video subscriptions increased 8% YoY to 116 million¹, benefitting from popular self-commissioned drama series and animated series
- Music subscription revenue increased 39% YoY, reflecting growth in subscriptions and ARPU. TME strengthened collaboration with *Tencent Video* and released original soundtrack of a popular drama series *The Legend of Shen Li*

Domestic Games

- Revenue was down 2% YoY, as growth from *VALORANT*, *Fight of the Golden Spatula* and *Lost Ark* was offset by decrease from *HoK* due to high base in CNY 2023, and decrease from *Peacekeeper Elite* reflected weak monetisable content in recent quarters. However, 1Q24 gross receipts increased 3% YoY

International Games

- Revenue increased 3% YoY, or stable in constant currency, temporarily lagging gross receipts increase of 34% YoY, due to long deferral periods for Supercell's games
- Gross receipts grew sharply driven by *PUBG MOBILE* and Supercell's games

Communications & Social Networks



Official Accounts

- Enable creators to share insights under their own accounts with interested followers
- Page views resumed healthy YoY growth, as AI-powered recommendation algorithms allow us to provide targeted high-quality content more effectively



Mini Programs

- Facilitate merchants and content providers to engage user base, online and offline
- Total user time spent increased over 20% YoY in 1Q24
- Daily activations of non-game *Mini Programs* increased at double-digit rate YoY in 1Q24, especially for productivity tools, dining services and transportation
- *Mini Games* gross receipts increased 30% YoY in 1Q24, with notable growth from new releases as well as games released for over 3 years



Video Accounts

- Total user time spent grew over 80% YoY in 1Q24
- As *Weixin* users increasingly consume more algorithm-recommended content in addition to social graph content, time spent on *Video Accounts* is now over 2x of *Moments*
- Strengthened live streaming eCommerce ecosystem by diversifying merchandise categories and enabling more content creators to monetise through eCommerce activities

Domestic Games

Top two flagship games gross receipts declined YoY, recovering in March

- Gross receipts of *HoK* in 1Q24 declined YoY due to high base during CNY 2023, but were well above the level in 1Q22
- Gross receipts of *Peacekeeper Elite* declined YoY due to weak monetisable content
- However, gross receipts for both games grew YoY in March due to new monetisation cadence and enhanced content design

Multiple games achieved record high gross receipts

- ***Fight of the Golden Spatula***: popularity of new content resulted in record DAU in 1Q24, while new Chibi Champions and customisable arena boosted ARPU; ranked #3 across all mobile games in China by gross receipts¹
- ***CrossFire Mobile***: new PvE content and enhanced reward system boosted user engagement; paying users and gross receipts reached historical highs in 1Q24
- ***Arena Breakout***: 1) enlarged map with vehicles and 2) armour and weapons inspired by ancient Chinese culture, contributed to new highs in average DAU, paying users and gross receipts in 1Q24

Upcoming high production value games including *DnF Mobile*, *Tarisland*, *Need for Speed Mobile*, *One Piece Mobile*, *Delta Force: Hawk Ops*



Peacekeeper Elite



Arena Breakout



DnF Mobile

1. Source: data.ai, for 1Q24

International Games



PUBG MOBILE

- Average DAU and gross receipts grew by double-digit % YoY in 1Q24 due to popular new modes and featured events
- Evolving from game product to game platform: increasing time spent on new modes beyond original battle royale mode, such as extraction shooter gameplay



Brawl Stars

- Average DAU more than doubled YoY and gross receipts more than quadrupled YoY in 1Q24; ranked #3 mobile game by DAU¹
- Enlarged development team enabled new 5v5 mode, simplified reward system and successful community events, increasing user engagement



Warframe

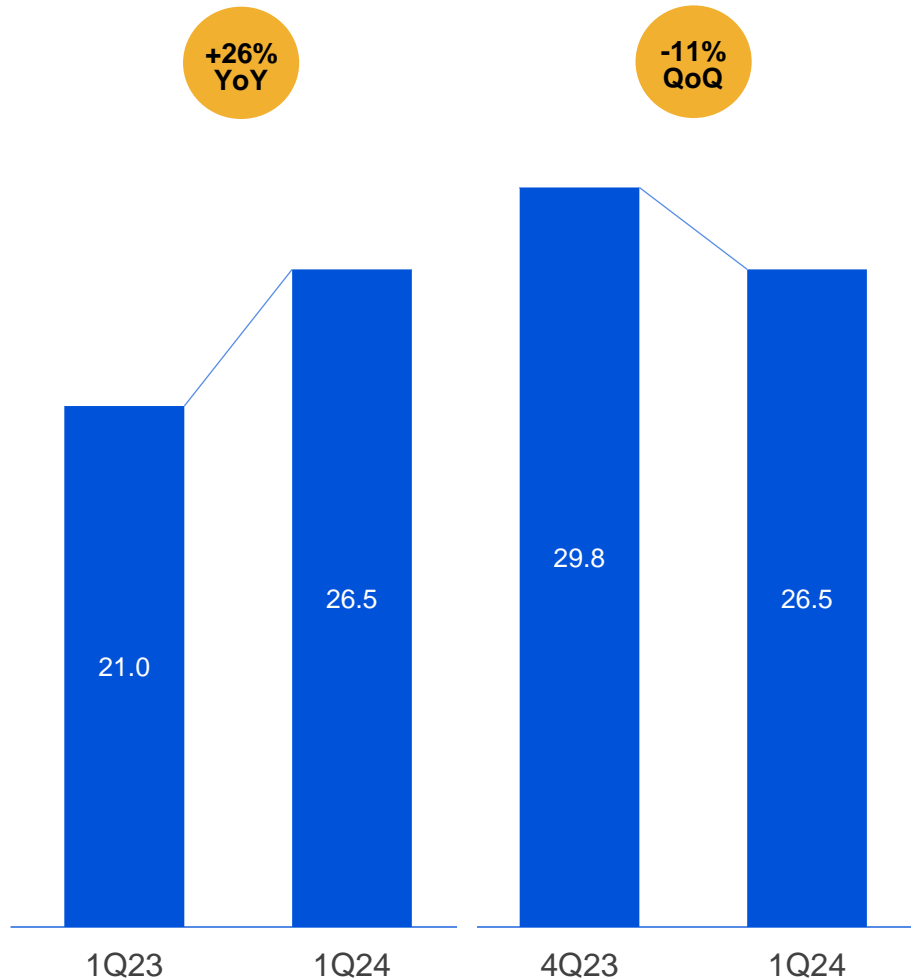
- Gross receipts grew over 70% YoY to new high in 1Q24
- Introduced new fast-moving prime warframe, Gauss Prime



1. Source: ranked #3 mobile game by DAU in international markets in March 2024, according to data.ai

Online Advertising

In billion RMB



Overall

- Revenue grew 26% YoY, benefitting from increased engagement and AI-powered ad targeting
- Ad spend from all major categories except automotive increased YoY, particularly from games, internet services and consumer goods
- Upgraded ad tech platform to help advertisers establish ad campaigns more effectively, and made generative AI-powered ad creation tools available to all advertisers

Weixin

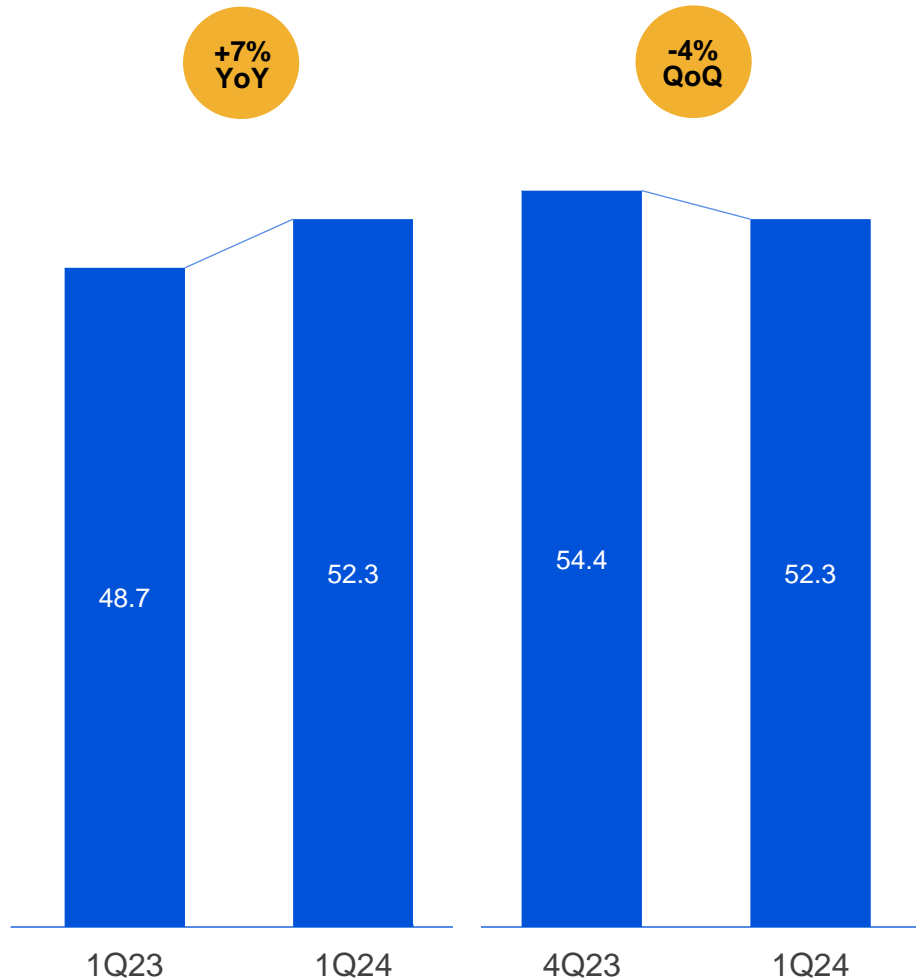
- **Video Accounts** ad revenue grew 100%+ YoY, underpinned by higher click-through rate and video views
- **Mini Programs** ad revenue grew 40%+ YoY, as mini games developers are substantial advertisers, and mini games provide attractive ad inventory

Content Platforms

- Long-form video ad revenue increased double-digit YoY, as popular self-commissioned drama series attracted marketing budgets

FinTech and Business Services

In billion RMB



FinTech Services

- Revenue slowed to single-digit YoY growth rate
- **Commercial payment** growth moderated due to slow offline consumption spending
- **Withdrawal fee** revenue decreased YoY as consumers are increasingly funding commercial transactions with cash balances, and placing cash balances in money market funds, rather than withdrawing
- **Wealth management** fees grew robustly YoY, with rapid increases in number of users and average fund investments per user, primarily from low-risk money market funds

Business Services

- Revenue grew at a teens rate YoY, mainly driven by cloud services revenue and fees collected on *Video Accounts* eCommerce transactions. Gross profit more than doubled YoY due to higher-margin revenue streams and improved efficiency
- Revenue from our Tencent Cloud Media Services for short video/live-streaming processing and delivery grew over 50% YoY, with notable traction from international clients
- **WeCom** revenue tripled YoY, as merchants increasingly willing to pay for use of customer communication functionalities
- **Tencent Meeting** revenue doubled YoY driven by increasing adoption and upselling among enterprise clients; rolled out smart framing and AI-powered speaker tracking

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Income Statement

In billion RMB	1Q2024	1Q2023	YoY	4Q2023	QoQ
Revenue	159.5	150.0	+6%	155.2	+3%
COPS	(75.6)	(81.8)	-8%	(77.6)	-3%
Gross profit	83.9	68.2	+23%	77.6	+8%
Operating expenses	(32.3)	(31.6)	+2%	(38.2)	-15%
Other gains, net ¹	1.0	1.4	-32%	2.0	-48%
Operating profit ¹	52.6	38.0	+38%	41.4	+27%
Net gains/(losses) from investments and others ¹	0.6	(0.6)	N/A	(6.7)	N/A
Interest income ¹	4.2	3.0	+43%	3.9	+8%
Finance costs	(2.8)	(2.6)	+7%	(3.5)	-20%
Share of profit of associates & JVs, net	2.2	0.1	+2633%	2.4	-11%
Income tax expense	(14.1)	(11.5)	+24%	(9.7)	+47%
Net profit	42.7	26.4	+62%	27.8	+53%
Net profit attributable to equity holders	41.9	25.8	+62%	27.0	+55%
Diluted EPS in RMB	4.386	2.639	+66%	2.807	+56%
Non-IFRS					
Operating profit ¹	58.6	45.0	+30%	49.1	+19%
Net profit attributable to equity holders	50.3	32.5	+54%	42.7	+18%
Diluted EPS in RMB	5.263	3.353	+57%	4.443	+18%
Weighted average number of shares in million ²	9,484	9,657	-1.8%	9,546	-0.6%

- Starting 4Q23, we present investment-related gains/(losses), donations and others (previously within "Other gains/(losses), net") and interest income below operating profit line to better reflect results of day-to-day operations
- Weighted average number of shares for calculation of diluted EPS includes the dilutive effect of share options and awarded shares as determined under the treasury stock method.

Non-IFRS Adjustments

In billion RMB	IFRS 1Q2024	SBC	Net (gains)/ losses from investee companies ¹	Amortisation of intangible assets	Impairment provisions ²	SSV & CPP ³	Tax effects	Non-IFRS 1Q2024	YoY change	QoQ change
Operating profit	52.6	4.7	-	1.2	-	0.1	-	58.6	+30%	+19%
Net profit	42.7	6.2	(1.5)	2.8	1.6	0.1	(0.6)	51.3	+54%	+17%
Net profit attributable to equity holders	41.9	6.0	(1.4)	2.6	1.5	0.1	(0.4)	50.3	+54%	+18%
Operating margin	33.0%							36.8%	+6.8ppt	+5.1ppt
Net margin	26.7%							32.2%	+9.9ppt	+4.0ppt

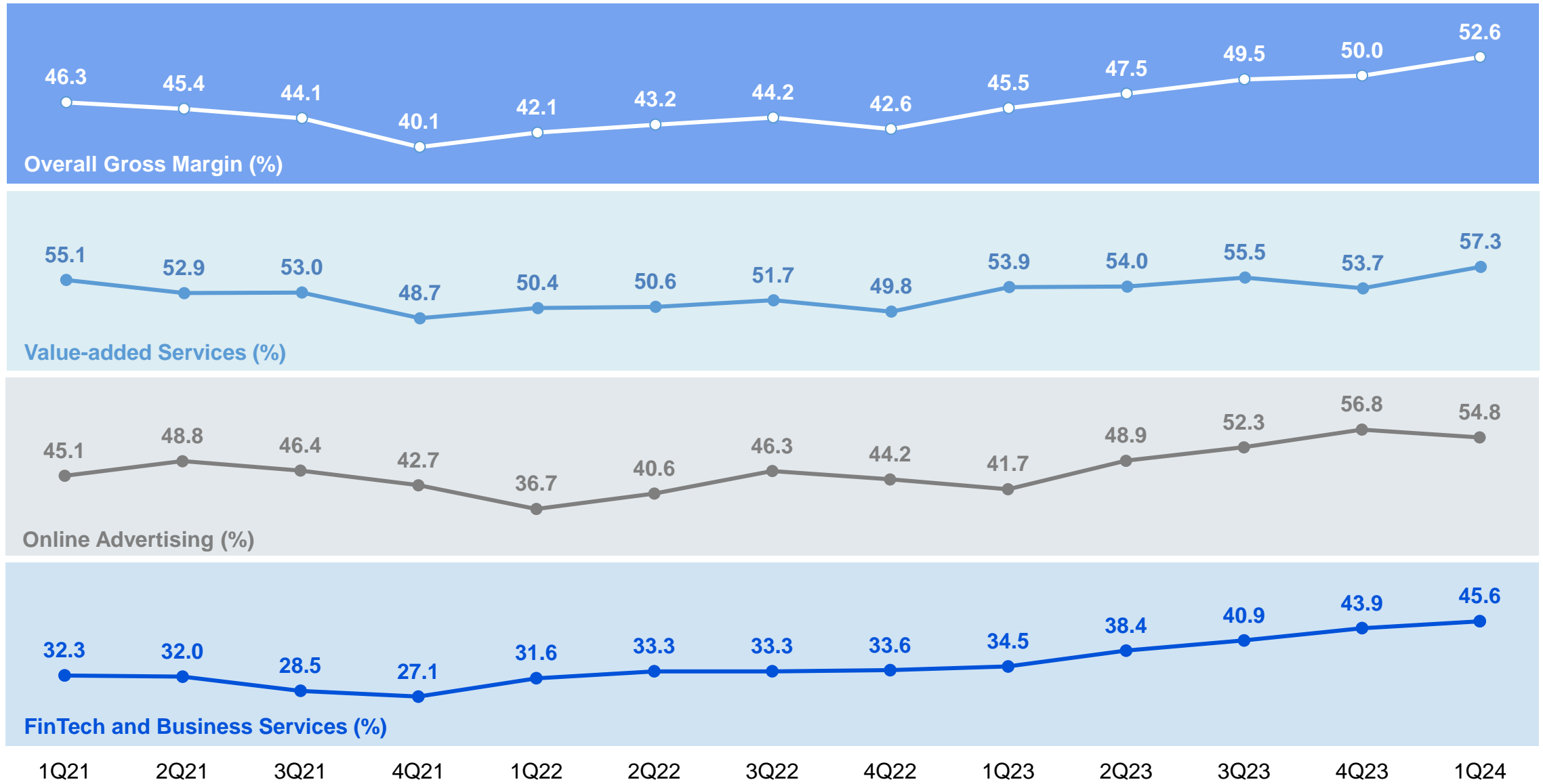
Note:

1. Including net (gains)/losses on deemed disposals/disposals of investee companies, fair value changes arising from investee companies, and other expenses in relation to equity transactions of investee companies.

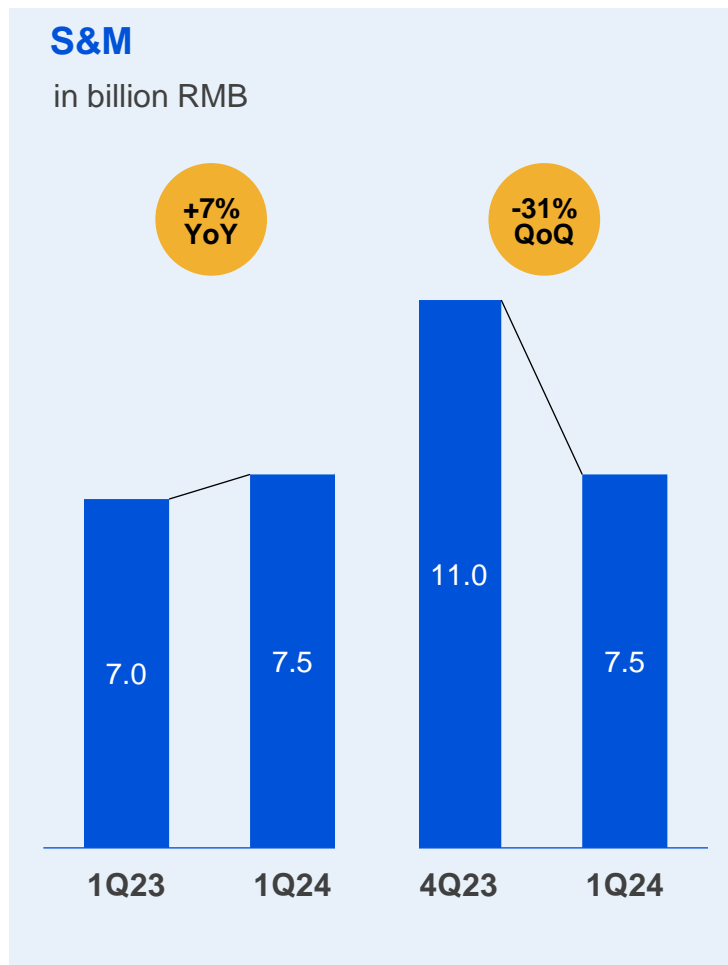
2. Mainly including impairment provisions for associates, joint ventures, goodwill and other intangible assets arising from acquisitions.

3. Mainly including donations and expenses incurred for the Group's Sustainable Social Value & Common Prosperity Programme initiatives.

Gross Margins

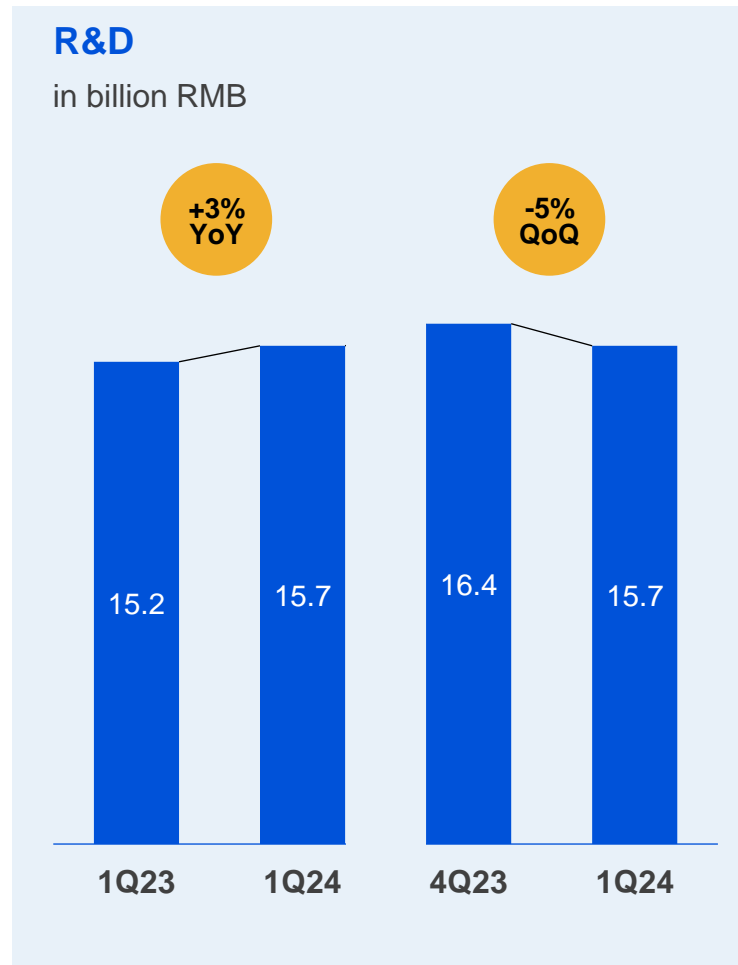


Operating Expenses



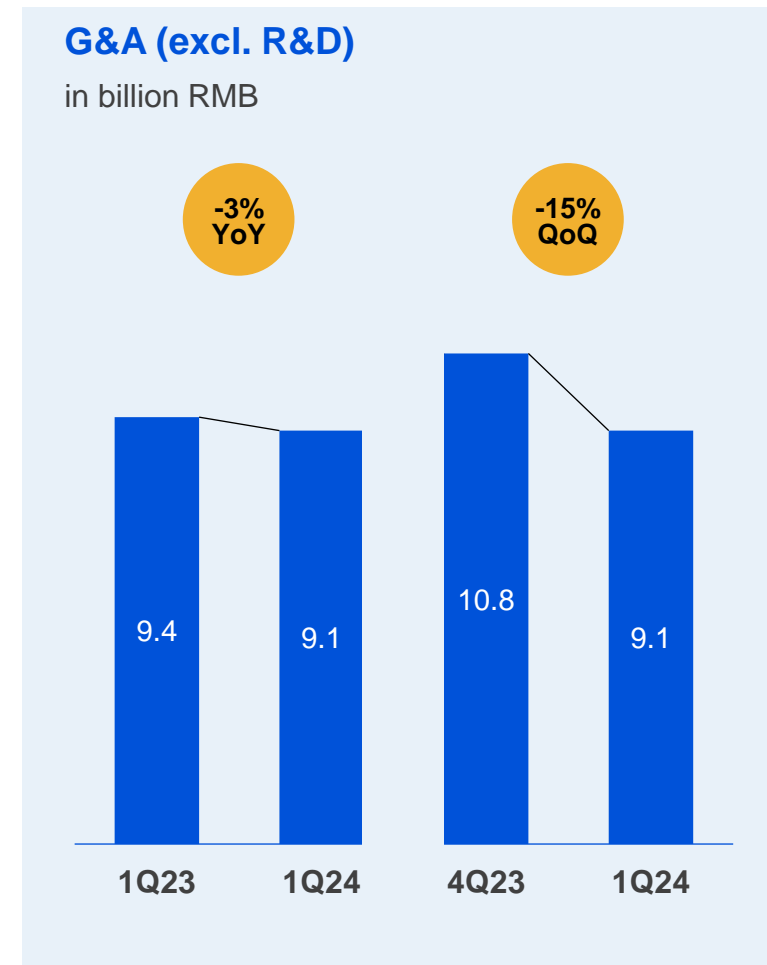
Non-IFRS

1Q24 S&M grew by 10% YoY or declined by 32% QoQ



Non-IFRS

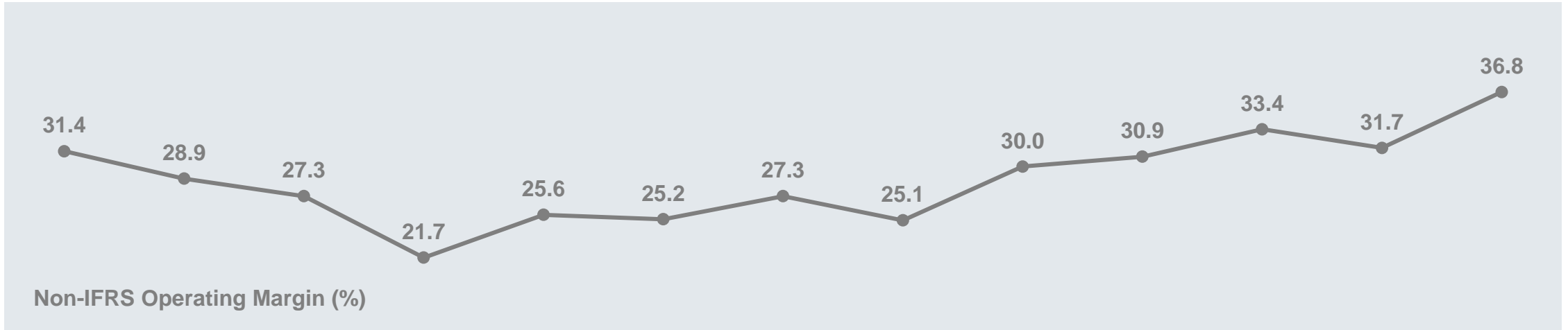
1Q24 R&D grew by 6% YoY or declined by 2% QoQ



Non-IFRS

1Q24 G&A (excl. R&D) grew by 2% YoY or declined by 12% QoQ

Non-IFRS Margin Ratios



1Q21

2Q21

3Q21

4Q21

1Q22

2Q22

3Q22

4Q22

1Q23

2Q23

3Q23

4Q23

1Q24

CAPEX, FCF and Cash Position

In billion RMB	1Q2024	1Q2023	YoY	4Q2023	QoQ
Operating CAPEX	6.6	1.0	+557%	6.7	-1%
Non-operating CAPEX	7.8	3.4	+127%	0.8	+832%
Total CAPEX	14.4	4.4	+226%	7.5	91%
Operating Cash Flow	72.3	62.3	+16%	54.0	+34%
Less: CAPEX Paid	(15.2)	(4.6)	+229%	(9.3)	+62%
Payments for media content	(3.7)	(4.4)	-17%	(7.7)	-52%
Payments for lease liabilities	(1.5)	(1.5)	+2%	(2.8)	-45%
Free Cash Flow	51.9	51.8	+0.4%	34.2	+52%
Total Cash	445.2	370.5	+20%	403.3	+10%
Less: Total Debt	(352.7)	(339.0)	+4%	(348.6)	+1%
Net Cash	92.5	31.5	+194%	54.7	+69%

- Repurchased ~51 million shares with an aggregated cost of ~RMB13.5 billion during 1Q24
- As at 31 Mar 2024, the fair value of our shareholdings¹ in listed investee companies (excluding subsidiaries) was ~RMB522 billion (USD74 billion) and the carrying book value of our unlisted investee companies was ~RMB329 billion (USD46 billion)

1. Including those held via special purpose vehicles, on an attributable basis.

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Tencent Holdings Limited

2024 First Quarter Results Presentation

Thank you!



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