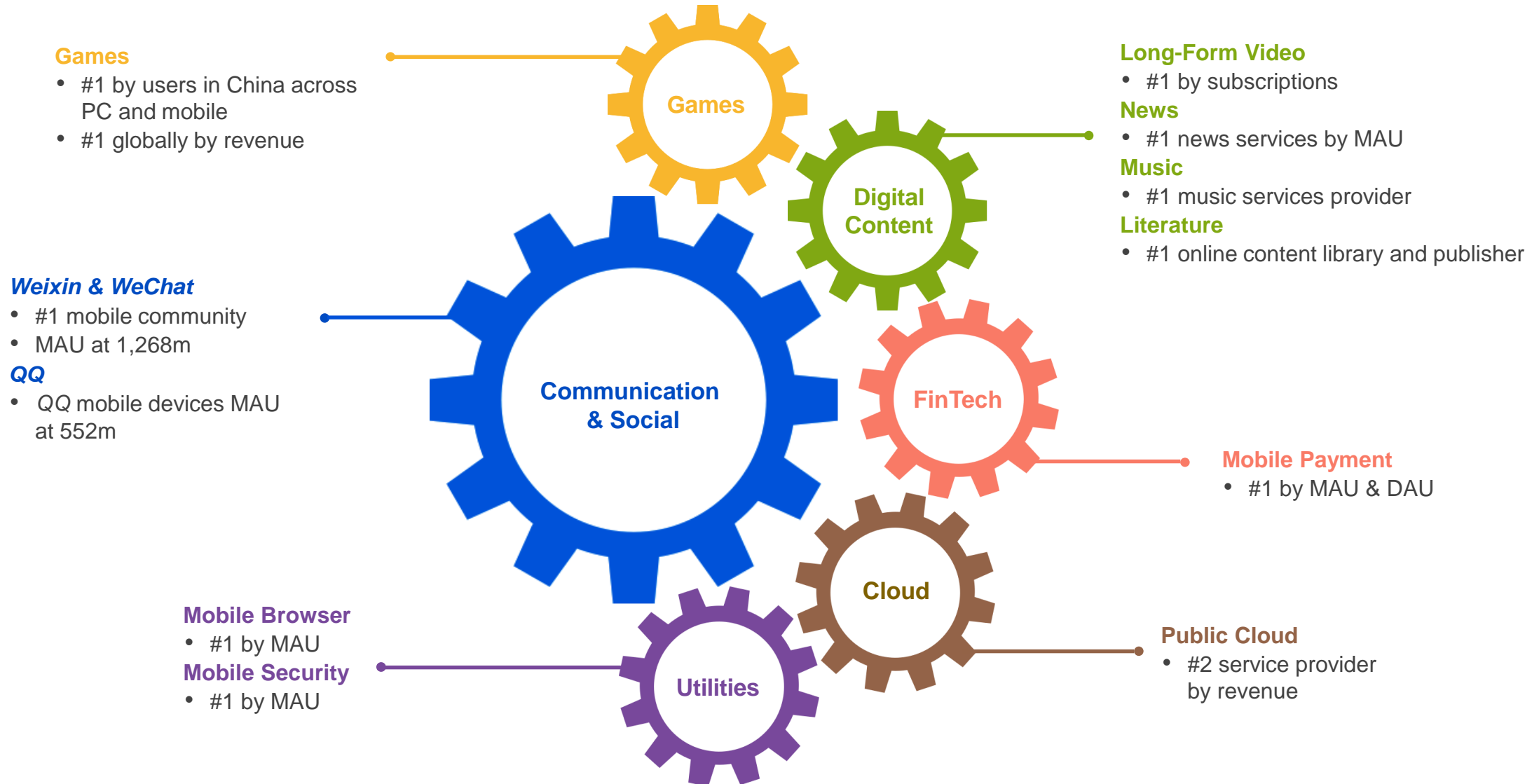


*Tencent* 腾讯

*CORPORATE OVERVIEW*

*March 23, 2022*

# Leading Services with Highly Engaged User Base



# Digital Ecosystem Fulfilling Everyday Needs of Consumers

**1 billion+**

daily average commercial payment transactions on *Weixin Pay* <sup>(1)</sup>

**RMB1.6 trillion+**

total transaction value generated from *Weixin Mini Programs* <sup>(2)</sup>

**236 million**

total fee-based VAS subscriptions <sup>(3)</sup>



1. Since 4Q2019  
 2. Annual transaction value in 2020  
 3. Fee-based VAS subscriptions as of Dec 31, 2021

# Weixin Connects Users, Content and Services in China



## **Chat and Moments**

- *Weixin Chat* provides synchronous communication between mutual contacts
- *Moments* provide asynchronous photo, video and audio sharing

## **Weixin Pay**

- Easy and secured online/offline transactions
- Over 1 billion average commercial transactions per day since 4Q2019

## **Mini Programs**

- Connect over 450 million DAU with products, content and services
- Help independent businesses thrive with their own channels and customer relationships
- 2020 annual transaction value more than doubled YoY

## **Official Accounts**

- Allow individuals, media and businesses to share original content and engage with audience
- Strengthen brand awareness and content management

## **Video Accounts & Live Streaming**

- A separate ID-based content platform for public sharing of video and live streaming content
- Provide unique channel for acquiring and managing customers efficiently
- Composed of both knowledge-based and entertainment content, offered to users via social and algorithmic recommendations

**Largest communication and social service in China for over 1.26 billion MAU <sup>(1)</sup>**

# QQ Caters to Evolving Interactive Needs of Young Generations

## QQ Wallet



Services

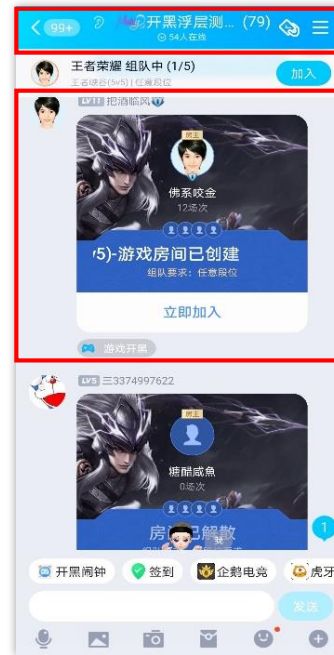
Mobile payment for daily services, transportation, shopping and entertainment services, etc.

## Mini Programs



Connect users with content & services, e.g., animated series provided by third-parties

## Chat & Group

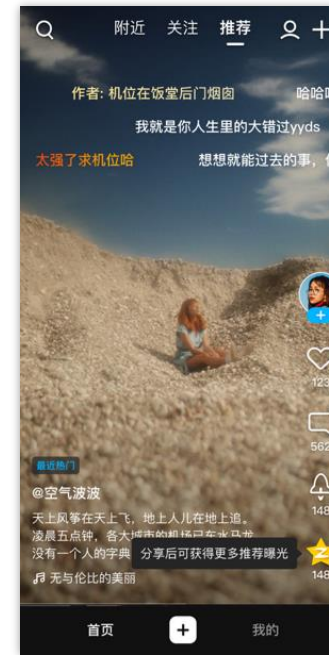


Game interest group

Honour of Kings team-up invite

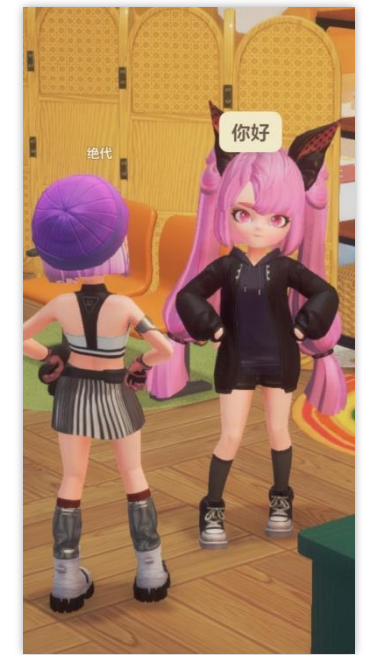
Users discuss game-related topics and form teams in game communities

## Video-focused UGC



UGC creation, sharing and immersive consumption experience

## Super QQ Show



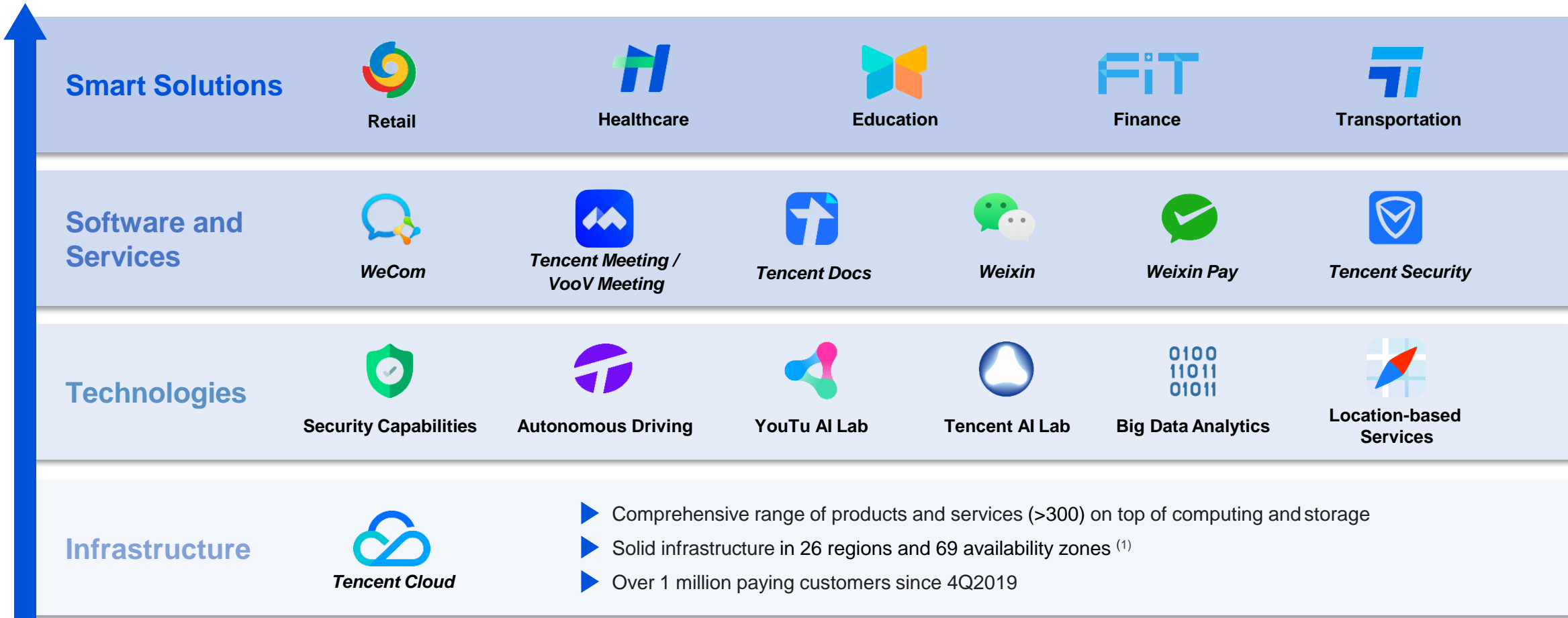
Testing new customisable virtual avatar for use in various social scenarios

552 million QQ MAU <sup>(1)</sup> on mobile devices

1. As of Dec 31, 2021

# Embrace Industrial Internet with Comprehensive Technological Capabilities

- ▶ Extending our strategy of 'Connection' to connecting industries, consumers and business partners
- ▶ Customise smart industry solutions based on Tencent Cloud; leverage our high-DAU products and software, and proprietary technologies to assist enterprises in digital transformation



1. As of Dec 31, 2021



# Our ESG Commitment and Approach

Integrate social responsibility into products and services

Promote technological innovation to create long-term value for all stakeholders

## Environment

To achieve **Carbon Neutrality** in own operations and supply chain, and shift to 100% renewable energy by 2030, via:

- Improving energy efficiency via technology innovations and applications
- Increasing renewable energy use and participating in green power trading
- Carbon offsets for the remaining segments which cannot be reduced otherwise

## Social

- Adapted various apps to provide **elderly-oriented and barrier-free services**
- Adopted industry-leading and effective measures for **Minor protection**
- **Assist SMEs** to reduce operating costs and enhance efficiency by offering subsidies, resources and services via *Weixin Pay*
- Upgraded our **charitable fundraising platform**, extending reach of annual 99 *Giving Day* event to engage 69 million users and 12,000 enterprises

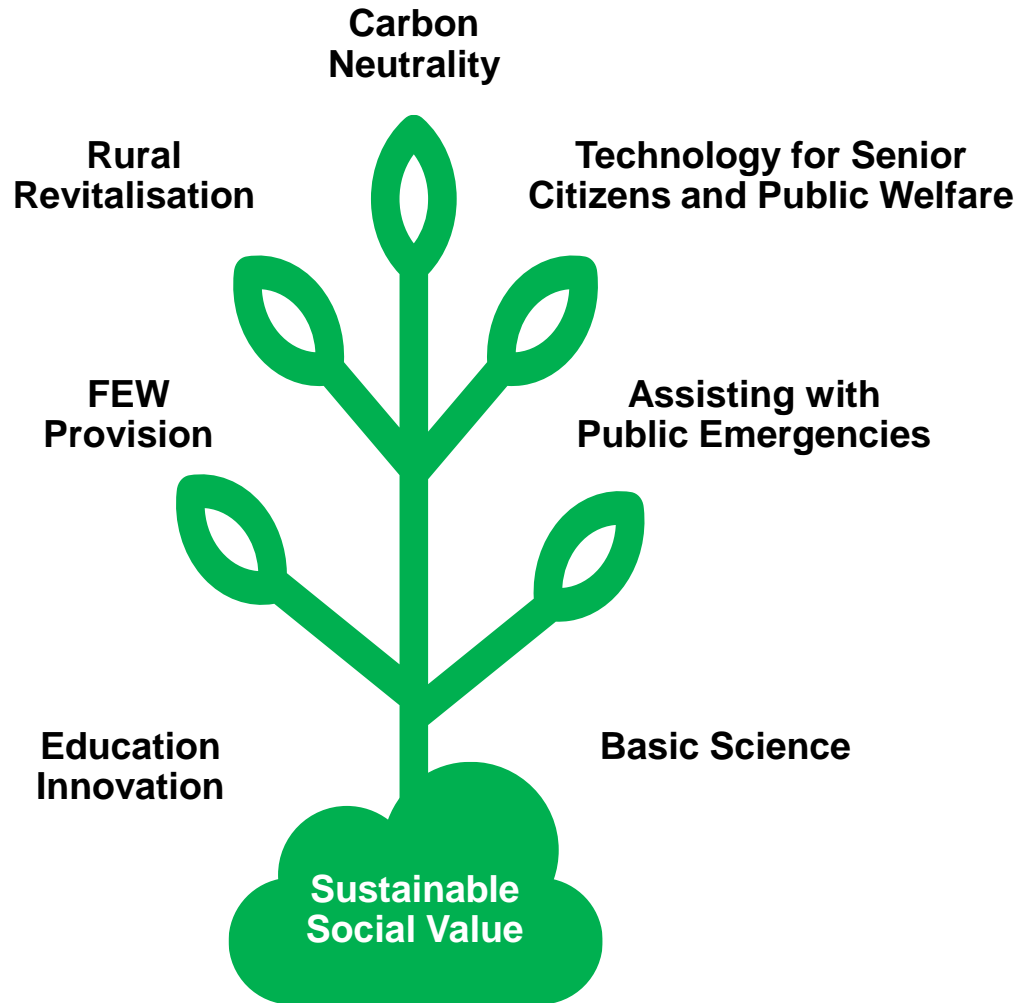
## Governance

- **Enhanced anti-trust compliance** with a dedicated department, updated guidelines for all businesses and strengthened staff trainings
- **Fostering ecosystem** by supporting growth of third-party partners and promoting industry collaboration
- **Support diversity and inclusion**, increasing female representation in managerial roles, and collaborating with UNDP to inspire women in technology industry

MSCI ESG Rating: **BBB** | Sustainalytics ESG risk score: **22.9** <sup>(1)</sup>

1. Out of 100, the lower the better

# Create Sustainable Innovations for Social Value



- Realise our aspiration: bring benefits and value to society sustainably leveraging our technology and products
- Broad undertaking to elevate importance of sustainable social value in making product decisions
- Established Sustainable Social Value Org (SSV) to deploy social value initiatives in a professional and entrepreneurial way
- Incubate projects in various areas, linking with our existing businesses when appropriate
- Promote development of self-sustainable operations in addition to providing donations
- Pursue long-term social value rather than economic profits
- Capital funded by our investment gains



# Leading industry in fostering a healthy gameplay environment in China

- Pioneered a system for parents to manage minors' game activity in Feb 2017. Introduced the strictest measures in the industry with mandatory real-name verification, game time and spending limits in Sep 2018
- Further tightened game time and spending limits beyond regulatory requirement in Aug 2021, reducing daily time limit for users aged under 18 and preventing in-game spending by users aged under 12
- Full compliance with new regulations enforced since Sep 1, 2021: users aged under 18 can only play games between 8-9pm on Fridays, Saturdays, Sundays and statutory holidays.
- Industry-leading effort in combatting minors' usage of adult accounts: 1) upgraded our screening system to identify misused adult accounts; and 2) proactively assist authorities in cracking down on illegal account transactions
- Users aged under 18 accounted for: 1) 0.9% of Domestic Games time spent in 4Q2021, down 88% YoY; 2) 1.5% of our Domestic Games grossing receipts in 4Q2021, down 73% YoY

**Feb 2017**

Pioneered a system for parents to manage minors' game activity

**Sep 2018**

Upgraded Healthy Gameplay System with mandatory real-name verification, game time and spending limit

**Sep 2019**

Took down games incompatible with Healthy Gameplay System

**Aug 2021**

Further tightened game time and spending limits

**Sep 2021**

Full compliance with new regulations enforced since 1<sup>st</sup> Sep

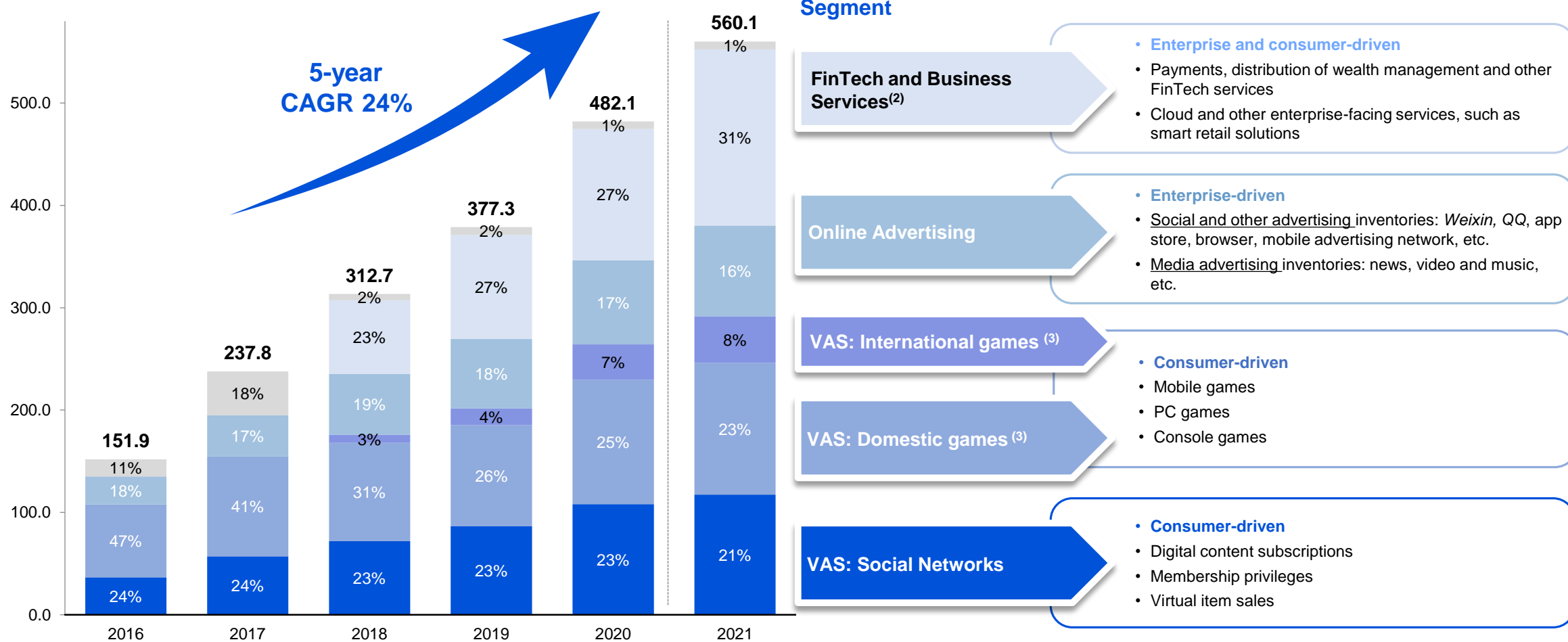
# 1. Business Model

2. Financials

# Resilient Business Model with Diversified Revenue Streams

## Revenues by Business Segment <sup>(1)(2)</sup>

(RMB in billions)



1. "Others" segment revenues is marked in grey. "Others" segment revenues for 2016-2017 include FinTech and Business Services, and the financials of investment in, production of and distribution of, films and television programmes for third parties, copyrights licensing, merchandise sales and various other activities. "Others" segment revenues for 2018 – 2021 included the financials of investment in, production of and distribution of, films and television programmes for third parties, copyrights licensing, merchandise sales and various other activities.
2. Starting 1Q2019, we moved "FinTech and Business Services" revenues out of the "Others" segment to form a new segment, comparative figures in 2018 were restated accordingly.
3. Starting 3Q21, we disclose revenue from Domestic Games and International Games as new sub-segments under VAS, reflecting the increasing scale of our International Games business. For the purpose of preparing financial and operating information, Domestic Games refers to our games business in the PRC, excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan.

# Digital Content Services

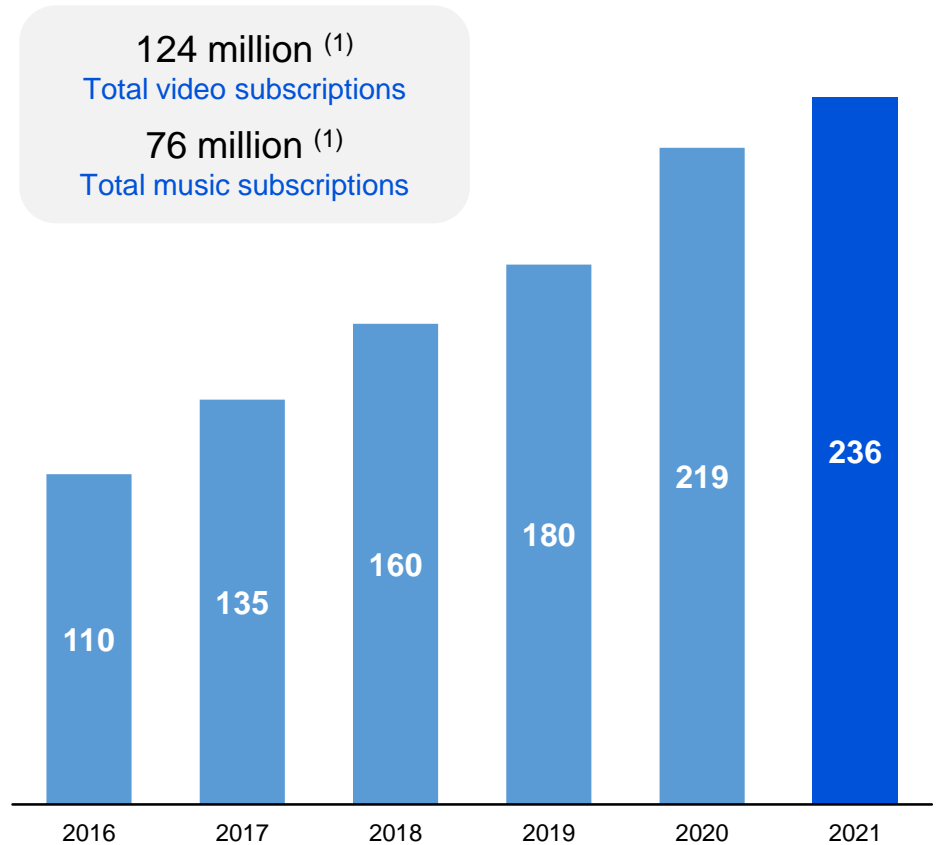
- ▶ Leading digital content platforms offer high quality content in various forms, including literature, anime, video, games and others
- ▶ Expertise in curating popular IP and extending IP influence across various media forms and high-DAU properties
- ▶ Strategic partner of choice for major content producers and owners locally and globally

## High Quality Content



## Growing Fee-based VAS Subscriptions

(in millions)



1. As of Dec 31, 2021

# Games

## Leading global platform for game development, publishing and operation

### Sizable Developer

Owned Studios



Invested External Studios

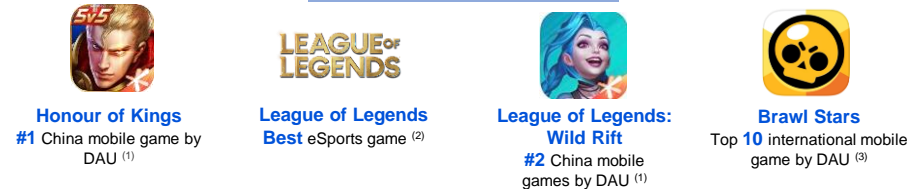


Partnership with External Studios

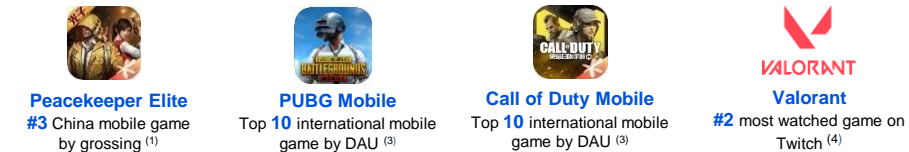


### Deep Portfolio of Massively Popular Titles across Genres

#### Battle Arena



#### Action



#### Turn-based Strategy



#### Emerging Genres



### Expanding international presence

#### Investing in talents & leading studios

- Scaling up talents in owned studios
- Acquiring and nurturing specialist genre-leading studios

#### Global IP portfolio

- Internally - extending IPs to multiple genres, and creating new IPs
- Externally - partnering with IP owners to develop and operate popular games

#### Building capabilities

- New publishing brand Level Infinite
- Fostering player communities via eSports

1. QuestMobile, as of Dec 2021  
 2. The Game Awards 2021  
 3. App Annie, global ex China ranking as of 2021  
 4. Newzoo, as of Dec 2021

# Online Advertising

## Large Share of Time Spent with Significant Headroom for Monetisation

35%

time spent on apps in China is captured by apps of Tencent <sup>(1)</sup>

11.0%

market share of online ads revenue in China <sup>(2)</sup>

## Our Advertising Properties

### Social



Weixin Moments



Weixin Official Accounts



Weixin Mini Programs



QQ

### Media



Tencent Video



Tencent News



QQ Music



Tencent Sports



QQ Reading

### Tools and Others



QQ Browser



Tencent Games



Tencent eSports



Mobile Advertising Network

## Our Technology

### Integrated Advertising Solutions



- Integrated digital marketing solutions provide access to full range of Tencent and third-party advertising inventories

### Leading Advertising Technology

- Offers a range of digital tools including user insight, campaign management, and digital asset management
- Supported by Tencent's AI technology, anonymized data aggregation and data analytics
- Enables us to deliver higher CTR, sales conversion and hence higher ROI for advertisers

**Strong revenue growth (22% CAGR from 2017 to 2021)**

1. According to QuestMobile, in December 2021; including apps with MAU of no less than 10,000.

2. Market share calculated as Tencent Online Advertising revenue in 2020 divided by China online advertising market size in 2020 according to CNNIC adjusted by adding customer management revenue of Alibaba in 2020 as disclosed.



# FinTech and Business Services

## Payment Solutions



**Weixin Pay**

- Over 1 billion average daily commercial payment transactions since 4Q2019
- Take-rate collected from merchants for commercial transactions
- Social and other transactions including red packets, bill sharing and utility payment

## Other FinTech Services



**LiCaiTong**

Offers wealth management services including compliant and inclusive financial products from partners



**WeSure**

Offers insurance services



**WeiLiDai**

Offers a channel for making small-sized, short maturity consumer loans to our users

Receives distribution fees from WeBank with no credit risk or balance sheet exposure <sup>(1)</sup>

## Cloud Services



**Tencent Cloud**



**WeCom**



**Tencent Meeting/  
VooV Meeting**

- IaaS, PaaS, SaaS and technology solutions from enterprise customers
- IaaS: *Star Lake* server and T-block technology enhanced service performance
  - PaaS: #1 in China's video cloud market and increasing adoption of security solutions
  - SaaS: deepened integration among fast growing *WeCom*, *Tencent Meeting/VooV Meeting* and *Tencent Docs*

## Other Business Services



**Smart Retail**



**Smart Healthcare**



**Smart Transportation**



**Smart Education**

- Customised smart industry solutions help partners move their businesses to digital, applied across verticals including retail, healthcare, transportation, education, finance, tourism, etc.

1. WeBank is an affiliate of Tencent and is a licensed bank

1. Business Model

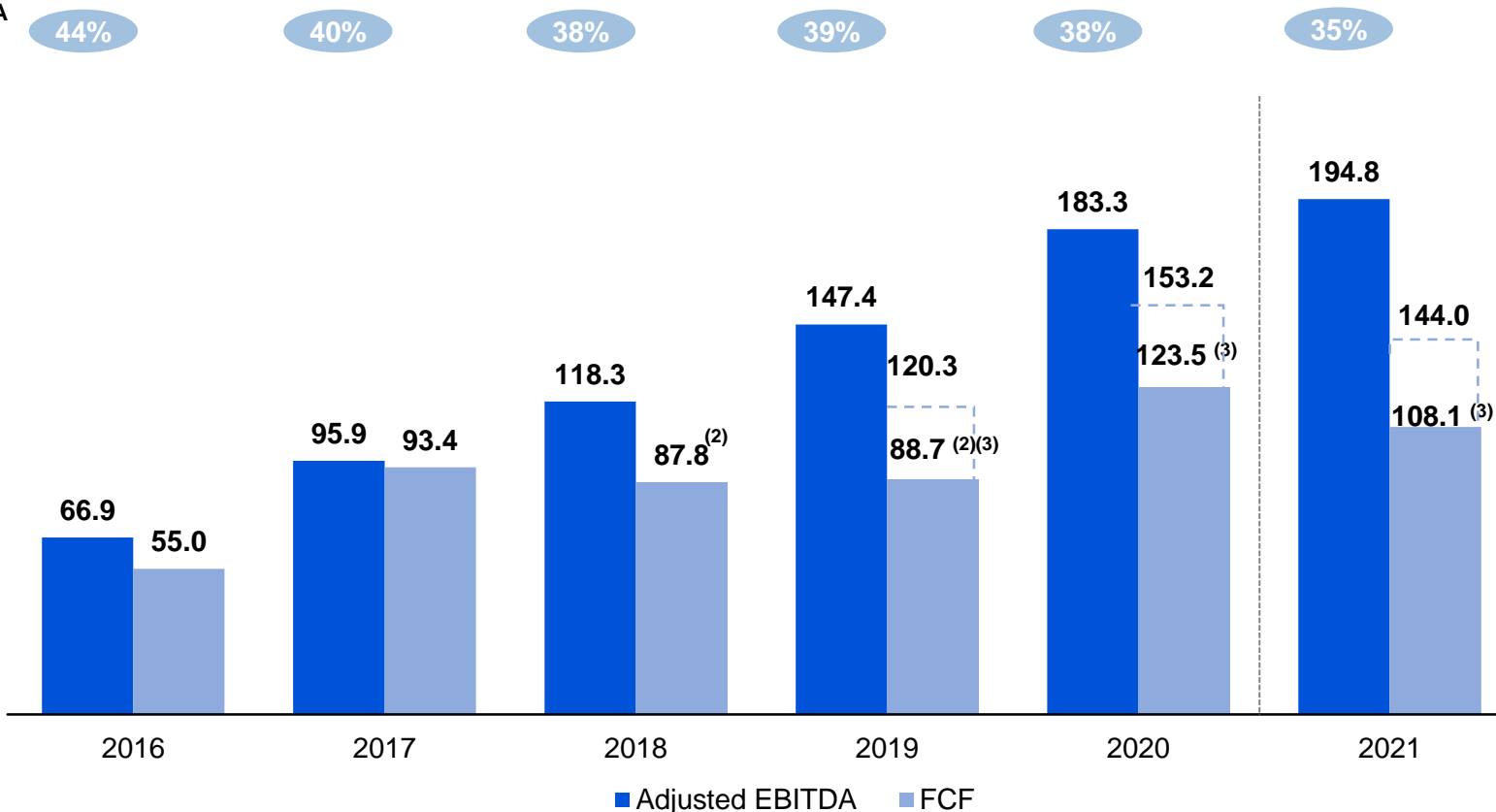
**2. Financial Highlights**

# Highly Profitable and Cash-Generative Business Model

## Adjusted EBITDA <sup>(1)</sup> and Free Cash Flow (FCF) <sup>(2)</sup>

(RMB in billions)

Adj. EBITDA Margin



## Key Metrics

**19%**  
Adj. EBITDA CAGR <sup>(4)</sup>

**35%**  
Adj. EBITDA Margin <sup>(5)</sup>

**55%**  
FCF Conversion <sup>(6)</sup>

1. Adjusted EBITDA consists of EBITDA plus equity-settled share-based compensation expenses

2. Free cash flow calculated as net cash flow generated from operating activities minus payments for capital expenditures. In 2019, interest paid was re-classified from operating to financing cash flows, comparative figures from 2018 were re-stated accordingly

3. Starting from 2020, free cash flow was adjusted by subtracting payments for media contents and lease liabilities, in addition to subtracting payments for capital expenditure from operating cash flow. RMB120.3 billion in 2019, RMB153.2 billion in 2020 and RMB144.0 billion in 2021 are the free cash flow numbers before the adjustments

4. 2017–2021 CAGR

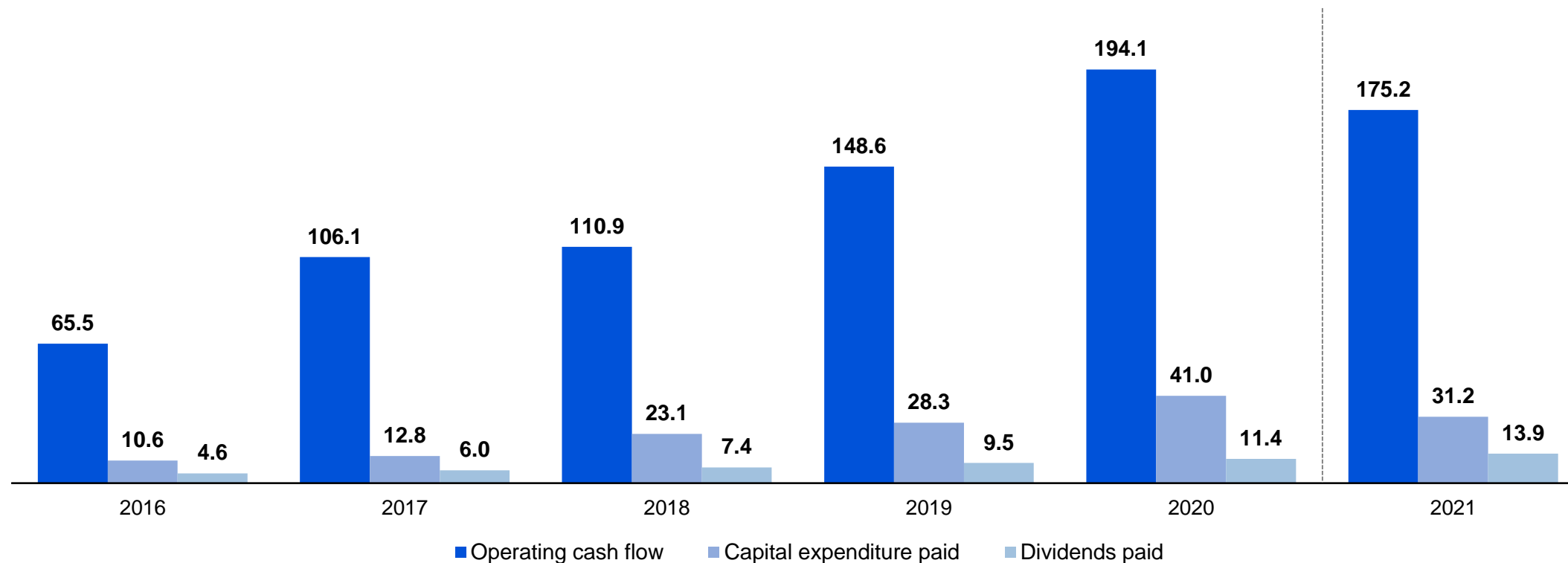
5. 2021 Adjusted EBITDA as % of Revenues

6. FCF Conversion = FCF / Adjusted EBITDA; In 2021

# Stable and Sustainable Cash Generation

Operating Cash Flow (OCF)<sup>(1)</sup>, Capital Expenditure Paid and Dividends Paid<sup>(2)</sup>

(RMB in billions)



Capital expenditure paid (as % of OCF):	16%	12%	21%	19%	21%	18%
Dividends paid (as % of OCF):	7%	6%	7%	6%	6%	8%

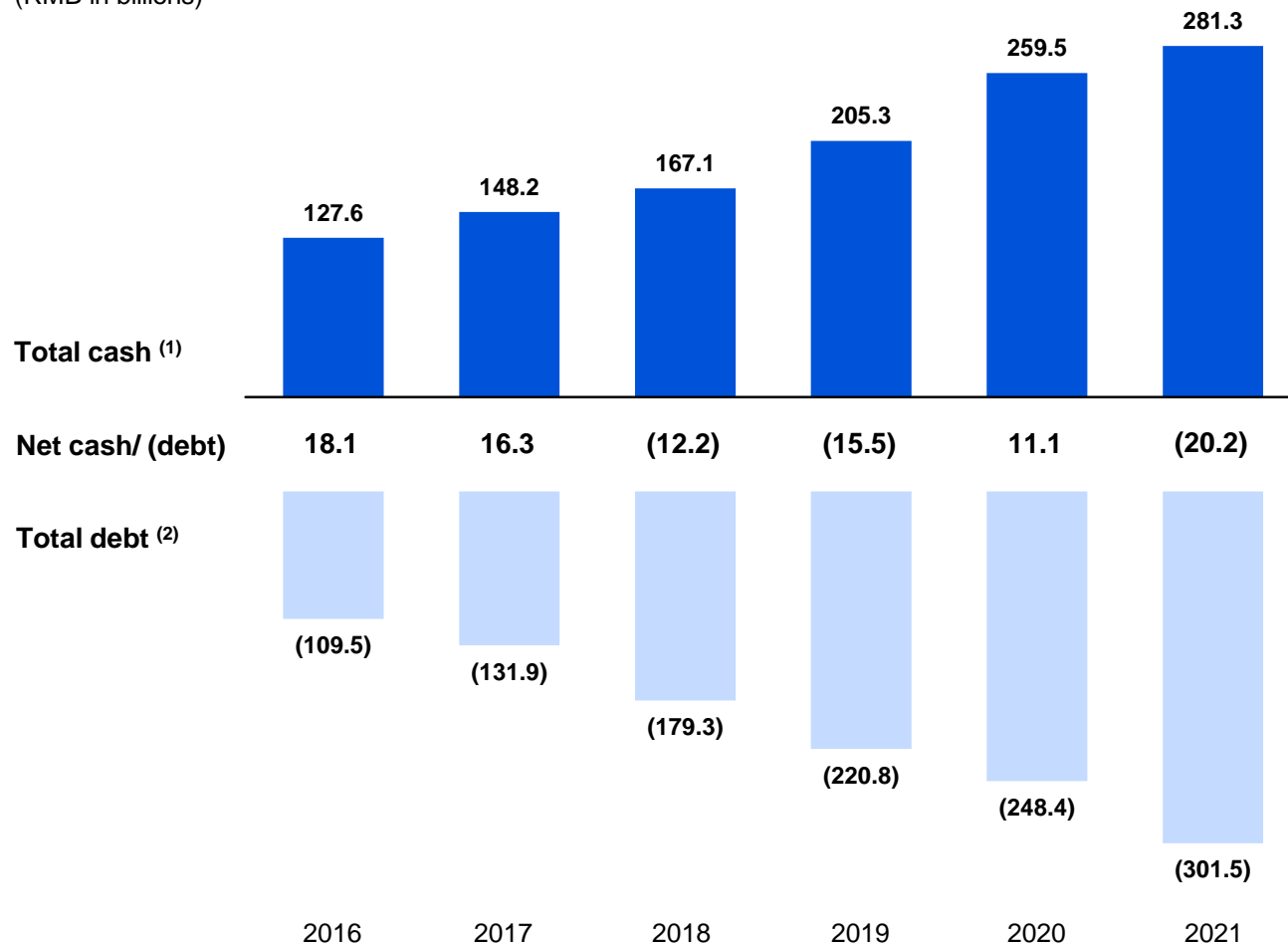
1. In 2019, interest paid was re-classified from operating to financing cash flows, comparative figures from 2018 were re-stated accordingly.

2. Capital expenditure paid includes purchase of property, plant and equipment, constructions in progress and investment properties, payments for land use rights and payments for intangible assets (excluding media contents, game licences and other contents). Dividends paid include dividends paid to both the Company's shareholders and non-controlling interests.

# Solid Balance Sheet Position

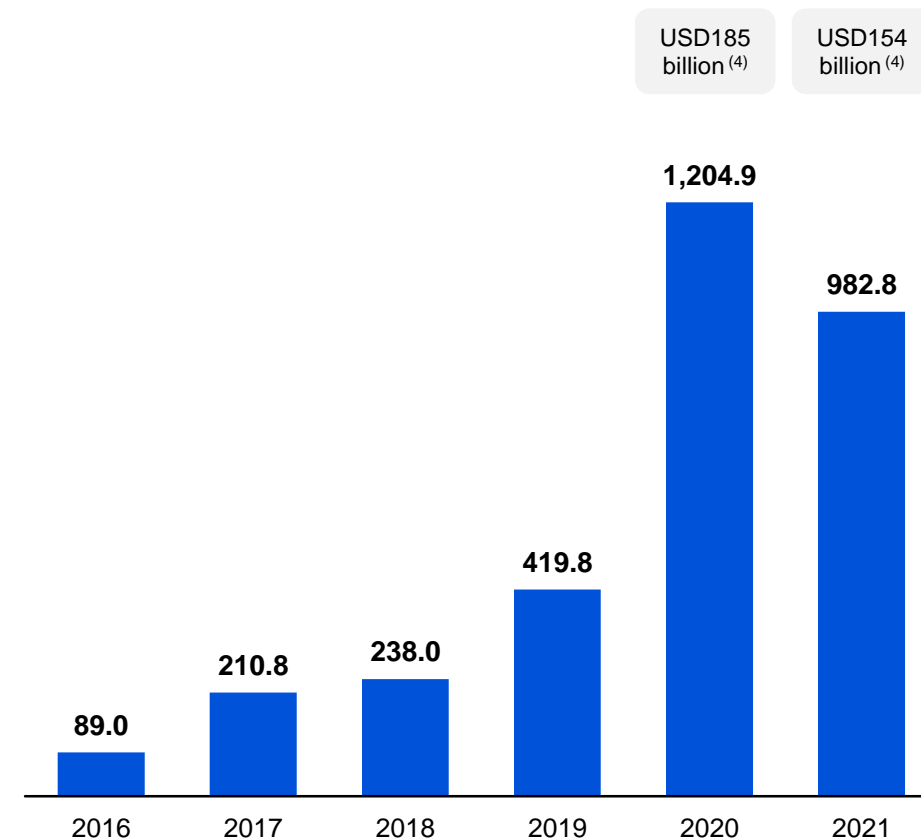
## Net Cash / (Debt) Position

(RMB in billions)



## Fair Value of Shareholdings in Listed Investee Companies <sup>(3)</sup>

(RMB in billions)



1. Based on cash and cash equivalents, and term deposits and others

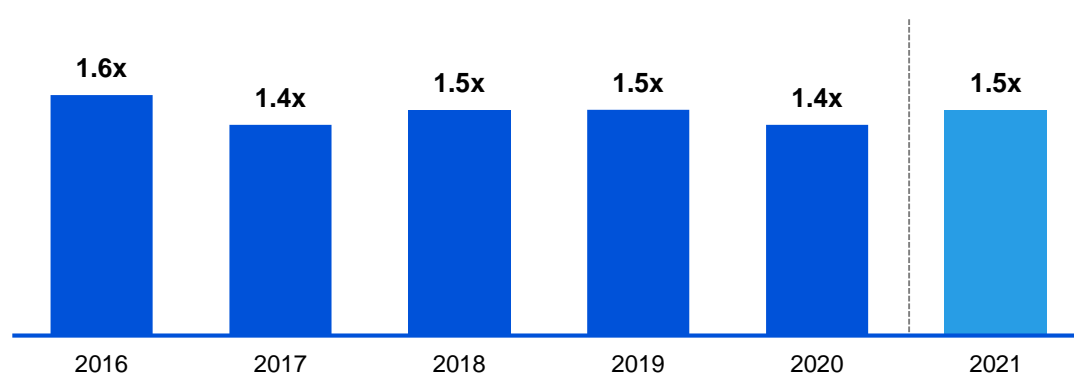
2. Total debt consists of borrowings and notes payable

3. Excluding subsidiaries, including those held via special purpose vehicles, on an attributable basis

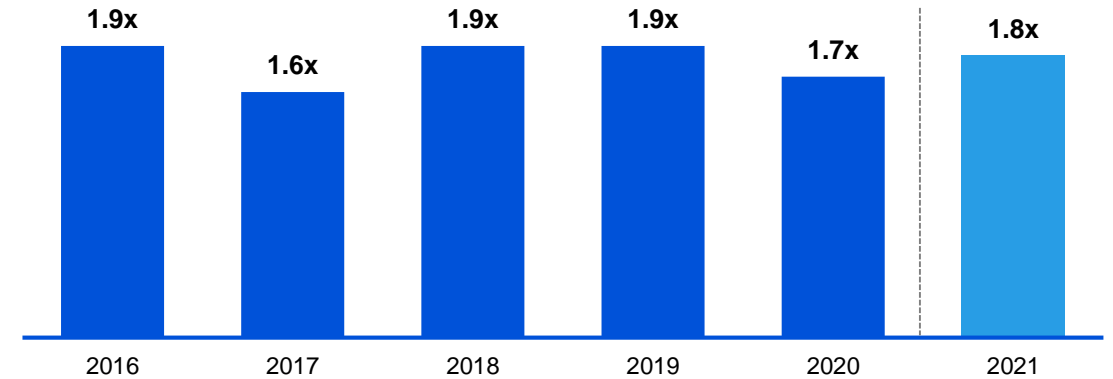
4. 2020 and 2021 figures quoted in US dollars are Based on the exchange rate of US\$1 to RMB6.5249, and US\$1 to RMB6.3757, respectively

# Prudent Capital Management and Robust Credit Metrics

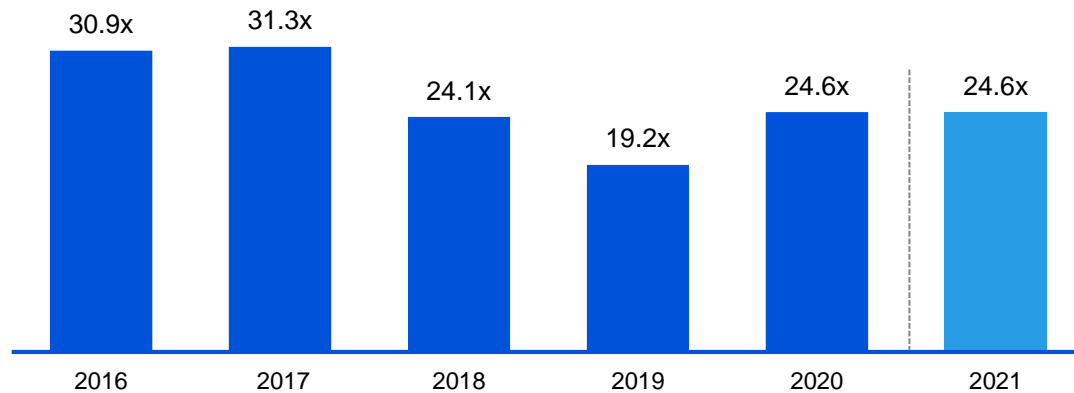
Total debt / Adjusted EBITDA <sup>(1)</sup>



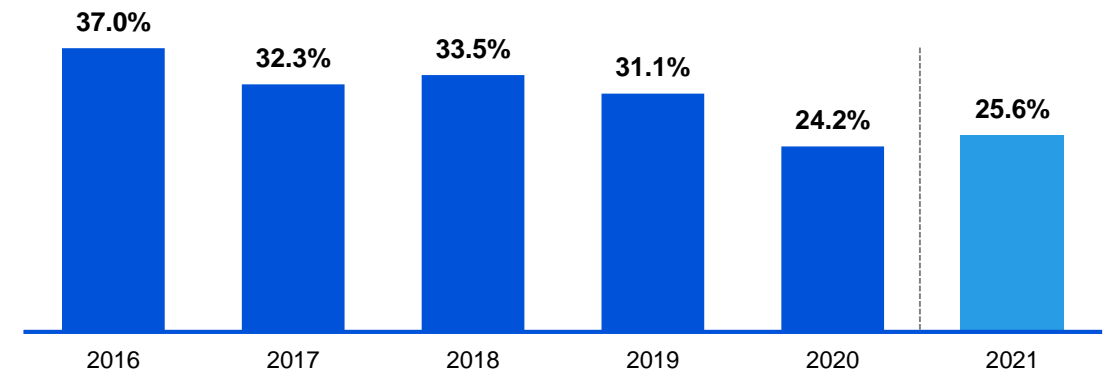
Total debt / (Adjusted EBITDA – CAPEX paid) <sup>(2)</sup>



Adjusted EBITDA / Interest expense



Total debt / Total capitalisation <sup>(3)</sup>



1. Total debt consists of borrowings and notes payable; Adjusted EBITDA consists of EBITDA plus equity-settled share-based compensation expenses

2. Capital expenditure paid includes purchase of property, plant and equipment, constructions in progress and investment properties, payments for land use rights and payments for intangible assets (excluding media contents, game licences and other contents)

3. Total capitalisation consists of total debt plus total equity (book value)





<https://www.tencent.com/ir>