2021 FIRST QUARTER RESULTS PRESENTATION

May 20, 2021
Cautionary Note

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.

This presentation also contains some unaudited non-IFRS financial measures which should be considered in addition to, but not as a substitute for, measures of the Company's financial performance prepared in accordance with IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies. The Company's management believes that the non-IFRS financial measures provide investors with useful supplementary information to assess the performance of the Company's core operations by excluding certain non-cash items and certain impact of acquisitions. For further explanation of our non-IFRS measures and reconciliations between our IFRS and non-IFRS results, please refer to our earnings announcement.

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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 RMB6.5713 for 1Q2021.
1. Overview

2. Strategy Review

3. Business Review

4. Financial Review

5. Q&A
## Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>1Q2021</th>
<th>1Q2020</th>
<th>YoY</th>
<th>4Q2020</th>
<th>QoQ</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenue</strong></td>
<td>135.3</td>
<td>108.1</td>
<td>+25%</td>
<td>133.7</td>
<td>+1%</td>
</tr>
<tr>
<td><strong>Value Added Services</strong></td>
<td>72.4</td>
<td>62.4</td>
<td>+16%</td>
<td>67.0</td>
<td>+8%</td>
</tr>
<tr>
<td><strong>Social Networks</strong></td>
<td>28.8</td>
<td>25.1</td>
<td>+15%</td>
<td>27.9</td>
<td>+3%</td>
</tr>
<tr>
<td><strong>Games</strong></td>
<td>43.6</td>
<td>37.3</td>
<td>+17%</td>
<td>39.1</td>
<td>+12%</td>
</tr>
<tr>
<td><strong>Online Advertising</strong></td>
<td>21.8</td>
<td>17.7</td>
<td>+23%</td>
<td>24.7</td>
<td>-11%</td>
</tr>
<tr>
<td><strong>Media</strong></td>
<td>3.3</td>
<td>3.1</td>
<td>+7%</td>
<td>4.3</td>
<td>-22%</td>
</tr>
<tr>
<td><strong>Social and Others</strong></td>
<td>18.5</td>
<td>14.6</td>
<td>+27%</td>
<td>20.4</td>
<td>-9%</td>
</tr>
<tr>
<td><strong>FinTech and Business Services</strong></td>
<td>39.0</td>
<td>26.5</td>
<td>+47%</td>
<td>38.5</td>
<td>+1%</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>2.1</td>
<td>1.5</td>
<td>+39%</td>
<td>3.5</td>
<td>-43%</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>62.6</td>
<td>52.8</td>
<td>+19%</td>
<td>58.9</td>
<td>+6%</td>
</tr>
<tr>
<td><strong>Non-IFRS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>42.8</td>
<td>35.6</td>
<td>+20%</td>
<td>38.1</td>
<td>+12%</td>
</tr>
<tr>
<td><strong>Operating Margin</strong></td>
<td>31.6%</td>
<td>32.9%</td>
<td>-1.3ppt</td>
<td>28.5%</td>
<td>+3.1ppt</td>
</tr>
<tr>
<td><strong>Net Profit Attributable to Equity Holders</strong></td>
<td>33.1</td>
<td>27.1</td>
<td>+22%</td>
<td>33.2</td>
<td>Stable</td>
</tr>
</tbody>
</table>
Key Services Update

Games
• #1 by users in China across PC and mobile
• #1 globally by revenue

Weixin & WeChat
• #1 mobile community
• MAU at 1,242m

QQ
• QQ mobile devices MAU at 606m

Communication & Social

Digital Content

FinTech

Cloud

Utilities

Mobile Payment
• #1 by MAU & DAU

Public Cloud
• #2 service provider by revenue

Long-Form Video
• #1 by subscriptions

News
• #1 news services by MAU

Music
• #1 music services provider

Literature
• #1 online content library and publisher

* All rankings above refer to China market, unless otherwise stated. Company data as of March 31, 2021.
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## China Internet Undergoing a New Round of Investment

### New market opportunities clearly emerging

- Businesses accelerate movement online; various industries speed up digitalisation
- Game user base expanded; long-term growth driven by new genres and technologies
- Users seek more diverse and nutritious short video content

### Investees’ value appreciates, while incurring wider losses

- Valuation increased: fair value of our listed investees was over USD200 billion
- Several investees at heavy loss stage due to investment in new opportunities: top 5 loss-making associates reduced our 1Q21 non-IFRS net profit by 7%

### Tencent is proactively investing for future

- Business Services: assist in digitalisation
- Games: focus on high-production value games with global appeal
- Short-Form Video Content: cultivate differentiated ecosystems
- Sustainable Social Value: bring technology benefits to society
Invest for Future – Business Services

Achievements

- *Tencent Cloud* resumed above-industry growth rate
- Largest number of servers among cloud service providers in China
- *WeCom*, *Tencent Meeting* and *Tencent Doc* became leading SaaS products

Investment areas

- Invest in talent to complete our product offerings and expand sales capabilities
- Strengthen our productivity SaaS products and security software to extend leadership position
- Grow networks of independent Software Vendors and SaaS partners
- Expand coverage of segments and enhance upsell & cross-sell in healthcare, retail, education and transportation, providing smart solutions for clients and consumer-facing products for users

Market opportunities

- Product and service providers aspire to optimise connection with consumers
- Industries deepen digitalisation across customer engagement, operations, production and supply chain
- Enterprises widely adopt online working and collaboration

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**Invest for Future – Games**

**Market opportunities**
- Mobile platform and stay-at-home period increased TAM for games, which will be further expanded by new genres and Metaverse
- High-production value, innovative and cross-platform games are able to attract large audience and demonstrate longevity
- Chinese game developers are attaining success in global markets

**Achievements**
- High-DAU blockbusters uphold our leadership in major genres
- Rich pipeline supported by numerous China and overseas studios
- Obtained initial success in international markets

**Investment areas**
- Long-term investment in large-scale, high-production value games
- Fund more trials of innovative games in emerging verticals
- Build up IP franchises and develop them across media
- Step up marketing to capture new opportunities
- Nurture cloud-gaming

**Tencent Games**
**Invest for Future – Short-Form Video Content**

**Foster UGC ecosystem for Video Accounts**

- A new infrastructure in Weixin, connecting users with real-life content and bridging high-quality content creators with their customers
- Provide resources as well as handy creation and monetization tools to attract diverse content creators, incubating a unique content portfolio
- Optimise technology to unlock potential of social+algorithmic recommendation and increase exposure of knowledge-based content
- Add servers and bandwidth to support solid organic growth

**Unleash synergies between long-form and short-form content**

- Merged Tencent Video and WeiShi to strengthen viewing experience, enrich content offerings, sharpen algorithmic recommendation
- Escalate self-commissioned production to further expand our IP content library, enabling more video clips produced by creator network to serve emerging needs for high-quality short content
- Leverage our capabilities acquired through building up WeiShi, such as short-form content creation, recommendation, user acquisition and operations, to empower long-form video
Invest for Future – Sustainable Social Value

• Realise our aspiration: bring benefits and value to society sustainably by leveraging our technology and products

• Broad undertaking to elevate importance of sustainable social value in making product decisions

• Established SSV Org 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

* FEW refers to food, energy and water.
3. Business Review
Revenue by Segment

In billion RMB

1Q18 | 2Q18 | 3Q18 | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21
---|---|---|---|---|---|---|---|---|---|---|---|---
73.5 | 73.7 | 80.6 | 84.9 | 85.5 | 88.8 | 97.2 | 105.8 | 108.1 | 114.9 | 125.4 | 133.7 | 135.3

- Social Networks
- Games
- Online Advertising
- FinTech and Business Services
- Others
**Value Added Services**

In billion RMB

- **Social Networks**
  - Revenue was up 15% YoY on moderate growth of digital content subscriptions and in-game item sales.
  - Total VAS subscriptions grew 14% YoY to 226 million. Video subscriptions increased 12% YoY to 125 million, benefitting from adaptation of IPs into animated and live action drama series. Music subscriptions increased 43% YoY to 61 million, primarily driven by better content, effective marketing campaigns and an improved retention rate.

- **Games**
  - Amid normalising user activity, online games revenue grew 17% YoY, driven by mobile games growth in China and higher contributions from international markets. Revenue was up 12% QoQ on seasonality in China.
  - Total mobile games revenue increased 19% YoY from a high base to RMB41.5 billion, benefitting from robust performance of *HuK, PUBG Mobile and Peacekeeper Elite*, in addition to new game releases.
  - PC client games revenue increased 1% YoY to RMB11.9 billion as contributions from *Valorant* and *Warframe*, as well as growth from *CrossFire*, offset *DnF* softness.

*Total mobile games revenue includes mobile games revenue booked under Games and related game distribution/relationship revenue booked under Social Networks.
Social Networks

Weixin: building a vibrant content and service ecosystem

- Attract and cultivate Video Accounts content creators by providing customised onboarding services and ongoing operational support
- Increase Mini Programs penetration among SMEs with enriched capabilities
  - Low-code development platform enhances cost efficiency for long-tail Mini Programs
  - Provided more tools to assist system integrators; number of active Mini Programs served by system integrators more than tripled YoY

QQ: leveraging technology to better appeal to young users

- Provide seamless experiences between instant messaging and games
  - Team up with QQ friends to jump into multi-player battles in games, and chat with in-game contacts via Game Center
  - Stay up-to-date with game events via Mini Programs and Game Center
- New leadership of QQ will pursue upgrade of technology, operations and content
Games

• Enhanced user engagement and consumption despite tough comparison
  ➢ HoK: DAU and paying users reached record highs in Feb due to 1) expanded user community; 2) upgraded graphics and game experiences; and 3) appealing marketing campaigns with top-tier skin releases during Chinese New Year
  ➢ PUBG Mobile: reduced application file size and enhanced local operational expertise, expanding DAU in EMEA countries
  ➢ LoL: distributed bigger and better Lunar Revel content across platforms (PC and mobile) and game modes (core mode and Teamfight Tactics), increasing global revenue YoY

• Cultivate emerging genres with new releases
  ➢ Komori Life and The Walnut Diary ranked among China’s top 10 life simulation mobile games by DAU* in April

• Compelling games pipeline across various genres including Action, MOBA, RPG, Simulation, Strategy and Survival
  ➢ China: Dynasty Warriors Dominate, LoL Wild Rift, Mobile DnF, Joy of Life, Light and Night
  ➢ International: Warhammer 40,000: Darktide, Path of Exile 2, Alchemy Stars, Clash Quest, Don’t Starve: Newhome, Undawn

*Source: QuestMobile

HoK: top-selling skin released during Chinese New Year
Komori Life: simulation of countryside lifestyle
Undawn: open-world survival PC/mobile game by Lightspeed and Quantum
Online Advertising

In billion RMB

Overall

- Revenue grew 23% YoY, underpinned by 1) higher ad spend from eCommerce platforms and education verticals; 2) FMCG and auto-related ad revenue growth primarily due to economic recovery; and 3) Bitauto consolidation
- We enhanced transaction capabilities of our ad properties and marketing solutions for key industries, delivering higher ROIs for advertisers
- For the rest of 2021, industry uncertainties include K-12 education regulations and video content release schedule

Social & Others Ad

- Moments’ impressions and revenue increased, driven by additional ad loads; more advertisers adopted Mini Programs as landing pages, demonstrating growing recognition of Weixin as a transaction-generating environment
- Mobile ad network revenue grew rapidly, reflecting increased video ad inventories; games, online reading and tools were the key inventory drivers

Media Ad

- YoY revenue growth was primarily driven by increased ad inventory and eCPM across music apps
- Self-commissioned variety shows such as Chuang 2021 and Roast Season 5 helped sponsorship ad revenue
FinTech Services

- YoY revenue growth was higher than previous quarter due to stay-at-home impact in 1Q20 and increasing mobile payment usage in China
- Commercial payment volume was up modestly QoQ due to offline transactions increase as people travelled less and consumed more during the Chinese New Year holiday. Growth in retail and dining services offset the seasonal decline in eCommerce

Business Services

- Revenue grew healthily YoY, benefiting from resumed project deployment and robust demand of enterprise software and online video customers
- PaaS and SaaS revenue contribution increased, driven by security and communication PaaS, as well as CRM SaaS
- SaaS partner ecosystem expanded rapidly. Launched Enterprise App Connector, enabling unified login accounts and data flow across various SaaS tools - SaaS providers use Connector to develop and deliver products more efficiently; enterprise clients use Connector to better integrate multiple software solutions
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## Income Statement

<table>
<thead>
<tr>
<th></th>
<th>1Q2021</th>
<th>1Q2020</th>
<th>YoY</th>
<th>4Q2020</th>
<th>QoQ</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td>135,303</td>
<td>108,065</td>
<td>+25%</td>
<td>133,669</td>
<td>+1%</td>
</tr>
<tr>
<td><strong>COPS</strong></td>
<td>(72,668)</td>
<td>(55,271)</td>
<td>+31%</td>
<td>(74,788)</td>
<td>-3%</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>62,635</td>
<td>52,794</td>
<td>+19%</td>
<td>58,881</td>
<td>+6%</td>
</tr>
<tr>
<td><strong>Interest income</strong></td>
<td>1,614</td>
<td>1,636</td>
<td>-1%</td>
<td>1,708</td>
<td>-6%</td>
</tr>
<tr>
<td><strong>Other gains, net</strong></td>
<td>19,521</td>
<td>4,037</td>
<td>+384%</td>
<td>32,936</td>
<td>-41%</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>(27,497)</td>
<td>(21,207)</td>
<td>+30%</td>
<td>(29,812)</td>
<td>-8%</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>56,273</td>
<td>37,260</td>
<td>+51%</td>
<td>63,713</td>
<td>-12%</td>
</tr>
<tr>
<td><strong>Finance costs, net</strong></td>
<td>(1,367)</td>
<td>(1,684)</td>
<td>-19%</td>
<td>(2,253)</td>
<td>-39%</td>
</tr>
<tr>
<td><strong>Share of profit/(loss) of associates &amp; JVs</strong></td>
<td>1,348</td>
<td>(281)</td>
<td>N.A</td>
<td>1,618</td>
<td>-17%</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(7,246)</td>
<td>(5,892)</td>
<td>+23%</td>
<td>(3,709)</td>
<td>+95%</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>49,008</td>
<td>29,403</td>
<td>+67%</td>
<td>59,369</td>
<td>-17%</td>
</tr>
<tr>
<td><strong>Net profit attributable to equity holders</strong></td>
<td>47,767</td>
<td>28,896</td>
<td>+65%</td>
<td>59,302</td>
<td>-19%</td>
</tr>
<tr>
<td><strong>Diluted EPS in RMB</strong></td>
<td>4.917</td>
<td>2.999</td>
<td>+64%</td>
<td>6.112</td>
<td>-20%</td>
</tr>
</tbody>
</table>

**Non-IFRS:**

| **Operating Profit**      | 42,758 | 35,575 | +20% | 38,084 | +12%|
| **Net profit attributable to equity holders** | 33,118 | 27,079 | +22% | 33,207 | Stable|
| **Diluted EPS in RMB**    | 3.415  | 2.817  | +21% | 3.413  | Stable|
## Non-IFRS Adjustments

<table>
<thead>
<tr>
<th></th>
<th>IFRS 1Q2021</th>
<th>SBC</th>
<th>Net (gains)/losses from investee companies(^1)</th>
<th>Amortisation of intangible assets</th>
<th>Impairment provision(^2)</th>
<th>Tax effect(^3)</th>
<th>Non-IFRS 1Q2021</th>
<th>YoY change</th>
<th>QoQ change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating profit</strong></td>
<td>56,273</td>
<td>3,704</td>
<td>(18,331)</td>
<td>1,062</td>
<td>50</td>
<td>-</td>
<td>42,758</td>
<td>+20%</td>
<td>+12%</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>49,008</td>
<td>5,036</td>
<td>(22,231)</td>
<td>2,699</td>
<td>178</td>
<td>(187)</td>
<td>34,503</td>
<td>+23%</td>
<td>Stable</td>
</tr>
<tr>
<td><strong>Net profit attributable to equity holders</strong></td>
<td>47,767</td>
<td>4,855</td>
<td>(21,829)</td>
<td>2,352</td>
<td>178</td>
<td>(205)</td>
<td>33,118</td>
<td>+22%</td>
<td>Stable</td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td>41.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net margin</strong></td>
<td>36.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**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.

\(^2\) Impairment provisions for associates, joint ventures, goodwill and other intangible assets arising from acquisitions.

\(^3\) Income tax effects of non-IFRS adjustments.
Operating Expenses

S&M
in billion RMB

R&D
in billion RMB

G&A (excl. R&D)
in billion RMB

+21% YoY
-15% QoQ

+41% YoY
+1% QoQ

+25% YoY
-11% QoQ

7.0  8.5  10.0  8.5
1Q20 1Q21 4Q20 1Q21

8.0  11.3 11.2 11.3
1Q20 1Q21 4Q20 1Q21

6.2  7.7  8.6  7.7
1Q20 1Q21 4Q20 1Q21
Non-IFRS Margin Ratios

Non-IFRS Operating Margin (%)

Non-IFRS Net Margin (%)
## CAPEX, FCF and Cash Position

<table>
<thead>
<tr>
<th>RMB million</th>
<th>1Q2021</th>
<th>1Q2020</th>
<th>YoY</th>
<th>4Q2020</th>
<th>QoQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating CAPEX</td>
<td>6,581</td>
<td>5,469</td>
<td>+20%</td>
<td>8,031</td>
<td>-18%</td>
</tr>
<tr>
<td>Non-operating CAPEX</td>
<td>1,153</td>
<td>682</td>
<td>+69%</td>
<td>1,628</td>
<td>-29%</td>
</tr>
<tr>
<td>Total CAPEX</td>
<td>7,734</td>
<td>6,151</td>
<td>+26%</td>
<td>9,659</td>
<td>-20%</td>
</tr>
<tr>
<td>Operating Cash Flow</td>
<td>51,004</td>
<td>54,661</td>
<td>-7%</td>
<td>48,866</td>
<td>+4%</td>
</tr>
<tr>
<td>Less: CAPEX Paid</td>
<td>(9,052)</td>
<td>(9,442)</td>
<td>-4%</td>
<td>(12,266)</td>
<td>-26%</td>
</tr>
<tr>
<td>Payments for media content</td>
<td>(7,572)</td>
<td>(5,185)</td>
<td>+46%</td>
<td>(7,778)</td>
<td>-3%</td>
</tr>
<tr>
<td>Payments for lease liabilities</td>
<td>(1,136)</td>
<td>(824)</td>
<td>+38%</td>
<td>(1,158)</td>
<td>-2%</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>33,244</td>
<td>39,210</td>
<td>-15%</td>
<td>27,664</td>
<td>+20%</td>
</tr>
</tbody>
</table>

| Total Cash | 258,818 | 220,584 | +17% | 259,507 | Stable |
| Less: Total Debt | (253,237) | (226,300) | +12% | (248,444) | +2% |
| Net Cash/(Debt) | 5,581 | (5,716) | N.A. | 11,063 | -50% |

Fair value of our shareholdings in listed investee companies, excluding subsidiaries, was approximately RMB1,362 billion (USD207 billion) as at Mar 31, 2021, compared to RMB1,205 billion (USD185 billion) as at Dec 31, 2020 and RMB410 billion (USD58 billion) as at Mar 31, 2020.
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Tencent Holdings Limited

2021 First Quarter Results Presentation

Thank you!

https://www.tencent.com/ir