

*Tencent* 腾讯

*2022 Second Quarter  
Results Presentation*

*Aug 17, 2022*

# 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.

In addition, information relating to other companies and the market in general presented in these materials has been obtained from publicly available information and other sources. The accuracy and appropriateness of that information has not been verified by Tencent and cannot be guaranteed. All materials contained within this presentation are protected by copyright law and may not be reproduced, distributed, transmitted, displayed, published or broadcast without the prior, express written consent of Tencent.

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 RMB6.7114 for 2Q2022.

# 1. *Overview*

2. *Strategy Review*

3. *Business Review*

4. *Financial Review*

5. *Q&A*

# Financial Highlights

In billion RMB	2Q2022	2Q2021	YoY	1Q2022	QoQ
<b>Total Revenue</b>	<b>134.0</b>	<b>138.3</b>	<b>-3%</b>	<b>135.5</b>	<b>-1.1%</b>
<b>Value Added Services</b>	<b>71.7</b>	<b>72.0</b>	<b>-0.5%</b>	<b>72.7</b>	<b>-1.5%</b>
Social Networks	29.2	29.0	+0.6%	29.1	+0.2%
Domestic Games	31.8	32.1	-1.1%	33.0	-4%
International Games	10.7	10.9	-1.4%	10.6	+1.3%
<b>Online Advertising</b>	<b>18.6</b>	<b>22.8</b>	<b>-18%</b>	<b>18.0</b>	<b>+4%</b>
Media	2.5	3.3	-25%	2.3	+8%
Social and Others	16.1	19.5	-17%	15.7	+3%
<b>FinTech and Business Services</b>	<b>42.2</b>	<b>41.9</b>	<b>+0.8%</b>	<b>42.8</b>	<b>-1.3%</b>
<b>Others</b>	<b>1.5</b>	<b>1.6</b>	<b>-1.1%</b>	<b>2.0</b>	<b>-24%</b>
<b>Gross Profit</b>	<b>57.9</b>	<b>62.7</b>	<b>-8%</b>	<b>57.1</b>	<b>+1.4%</b>
<b><u>Non-IFRS</u></b>					
<b>Operating Profit</b>	<b>36.7</b>	<b>42.8</b>	<b>-14%</b>	<b>36.5</b>	<b>+0.4%</b>
Operating Margin	27.4%	31.0%	-3.6ppt	27.0%	+0.4ppt
<b>Net Profit Attributable to Equity Holders</b>	<b>28.1</b>	<b>34.0</b>	<b>-17%</b>	<b>25.5</b>	<b>+10%</b>

Starting 3Q21, we disclose revenues 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.

# Key Services Update

## Games

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

## Weixin & WeChat

- #1 mobile community
- MAU at 1,299m

## QQ

- QQ mobile devices MAU at 569m

## Mobile Browser

- #1 by MAU

## Mobile Security

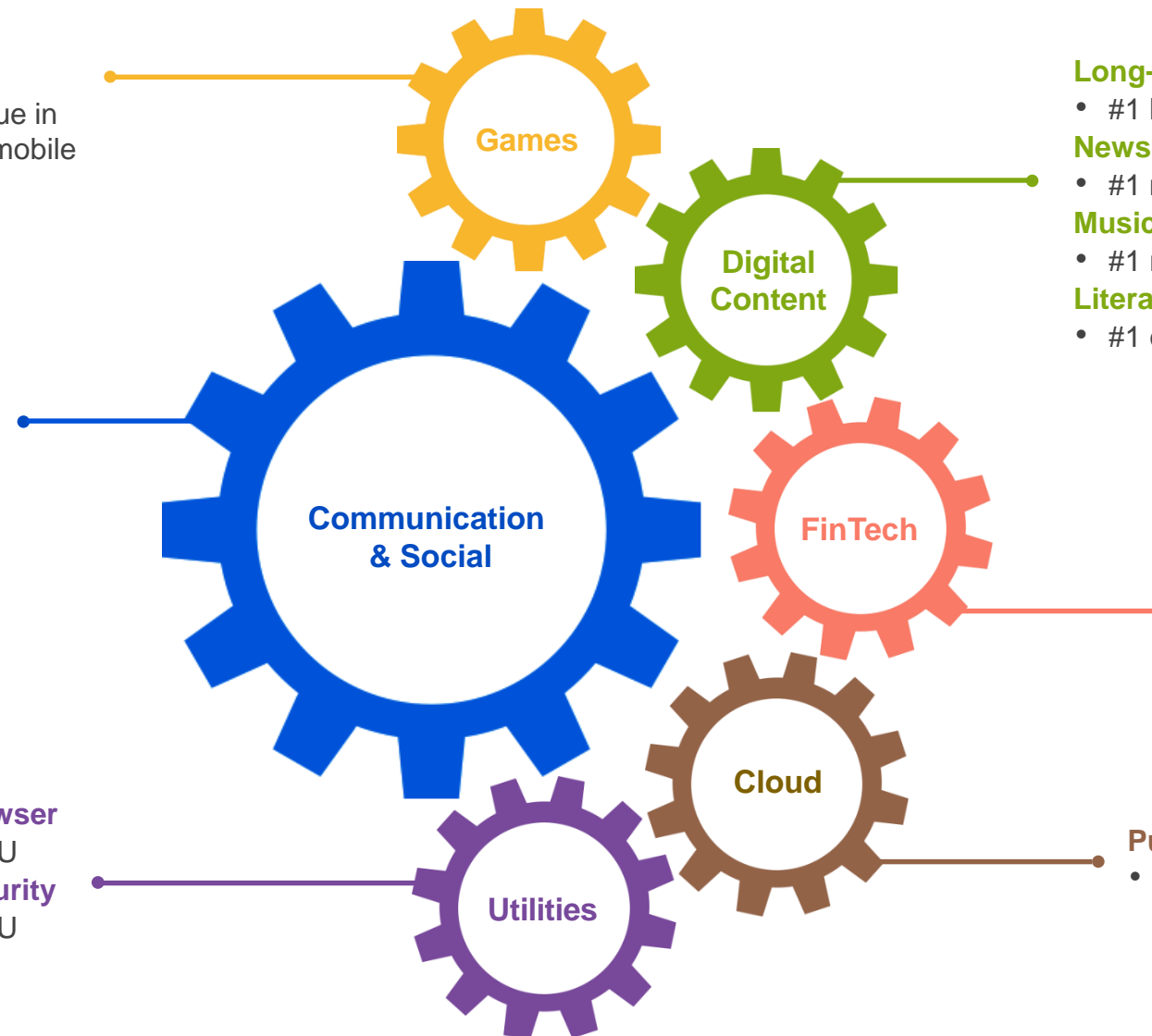
- #2 by MAU

## Mobile Payment

- #1 by MAU & DAU

## Public Cloud

- #2 service provider by revenue



1. *Overview*

**2. *Strategy Review***

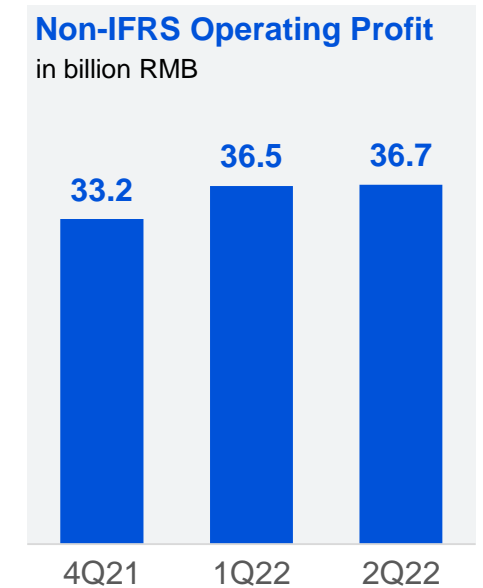
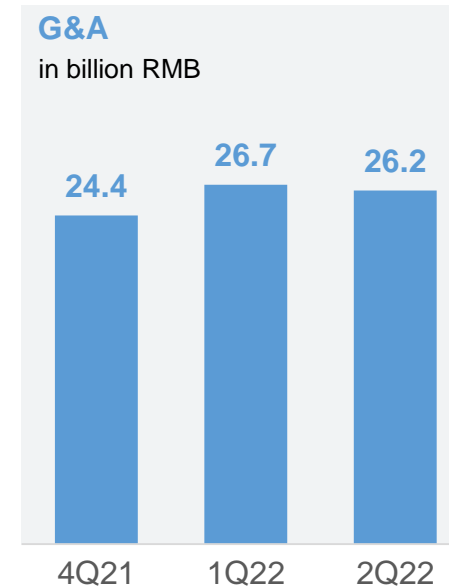
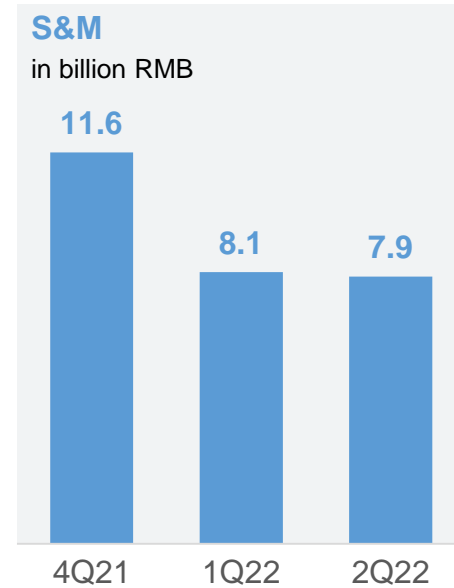
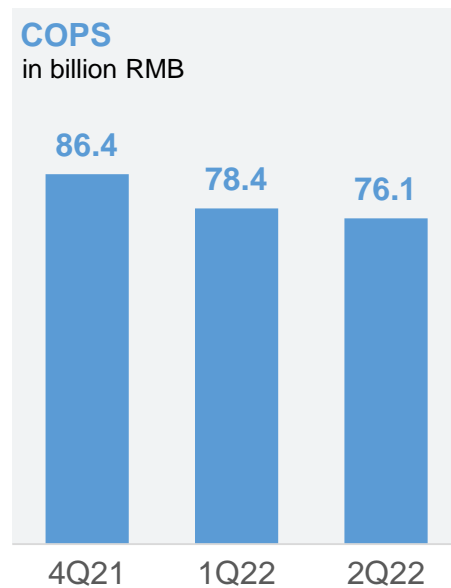
3. *Business Review*

4. *Financial Review*

5. *Q&A*

# Efficiency initiatives reduced costs, stabilising earnings

- **Closed down** certain non-core businesses – online education, eCommerce, game live streaming
- **Rationalised** underperforming businesses – loss-making digital content services, sub-scale social media products
- **Tightened** control on marketing programs – reduced selling and marketing expenses by 21% YoY
- **Migrated** all domestic in-house services to *Tencent Cloud* – enhanced cost efficiency
- **Optimised** workforce and **controlled** staff costs – total headcount down by ~5,000 QoQ



# Additional efficiency initiatives to support earnings recovery, even in complex macro environment



## Cloud

- Scaling back loss-making activities to improve margins
- Sharpening our focus on internally developed products, particularly PaaS and SaaS, to drive quality of growth



## Payment

- Managing funding channels to lower unit transaction costs
- Focusing our development and operational efforts on higher value services



## Long-form video

- More discipline in content spending and strong focus on ROI
- Harmonising our subscription pricing to optimise ARPUs



## Video Accounts

- Reducing content procurement as the ecosystem gains critical mass
- Optimising bandwidth and server utilisation to lower video view unit costs



# Revenue initiatives to underpin medium-term earnings growth – Video Accounts in-feed ads



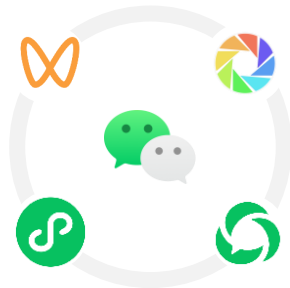
## Substantial user engagement

- Total time spent exceeded 80% of *Moments*
- Total video views increased over 200% YoY

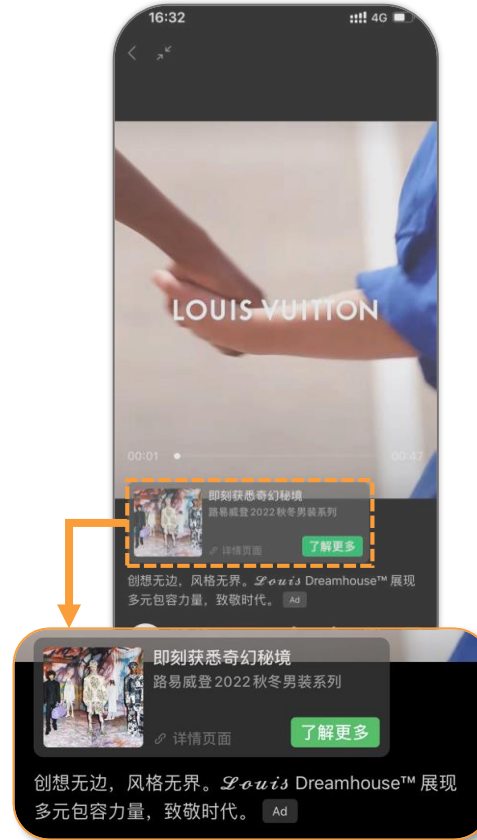


## Leveraging unique ecosystem

- Full-funnel solutions with effective conversion tools (e.g. *Mini Program* and *WeCom*)
- Deep user insight
- Social graph empowers user reach and engagement



## Launching *Video Accounts* in-feed ads



### Expand our ad market share

- Advertisers already spending aggressively on multiple short video platforms
- Opportunity to capture more ad budget, engage with more advertisers

### Improve our profitability

- Layer new revenue stream with high incremental margin onto existing cost base

### Path forward for monetisation

- Launched contract ads in mid-July, to be followed by bidding ads by the end of August
- Similar progressive monetisation framework to *Moments*, steeper ramp curve given size of traffic and existing advertiser demand

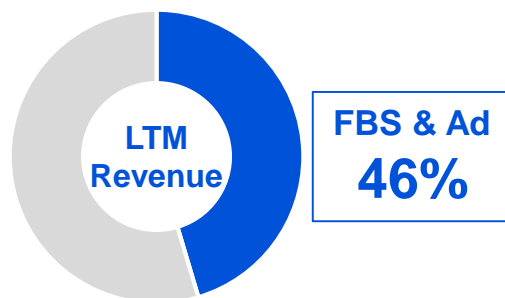
# Positioned for broader revenue upturn when macro environment improves

## Regulations progressing from rectification to normalisation

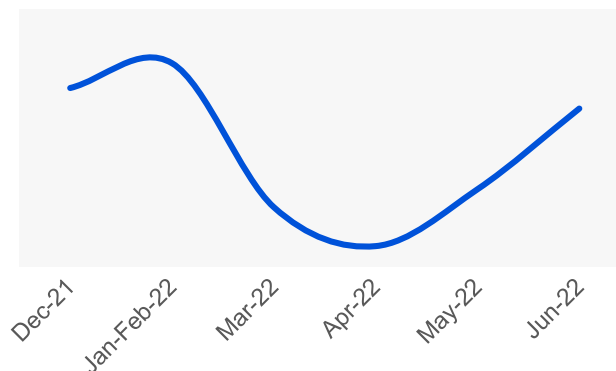
- Recent regulatory direction trending more positive for platform economy: 1) to promote well-regulated, healthy and sustainable development; 2) to complete rectification; and 3) to carry out regular supervision
- Issuance of new Banhao should help overall game industry renew growth
- We expect to receive Banhao in the future, benefitting our domestic game business

## Geared to China's economic upturn

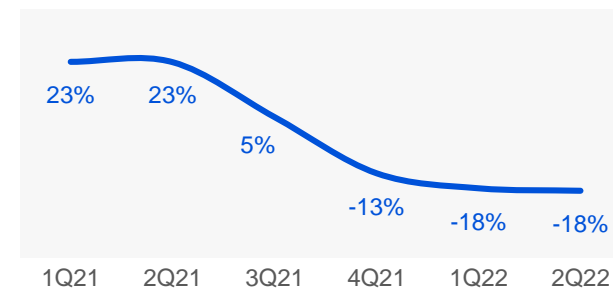
- Approximately half of our revenues closely contribute to, and benefit from, China's economic activity
- Commercial payment volume recovered to high-teens YoY growth in June
- Ad revenue decline rate stabilised in 2Q22, before launch of *Video Accounts* in-feed ads and under current macro



Commercial TPV YoY%



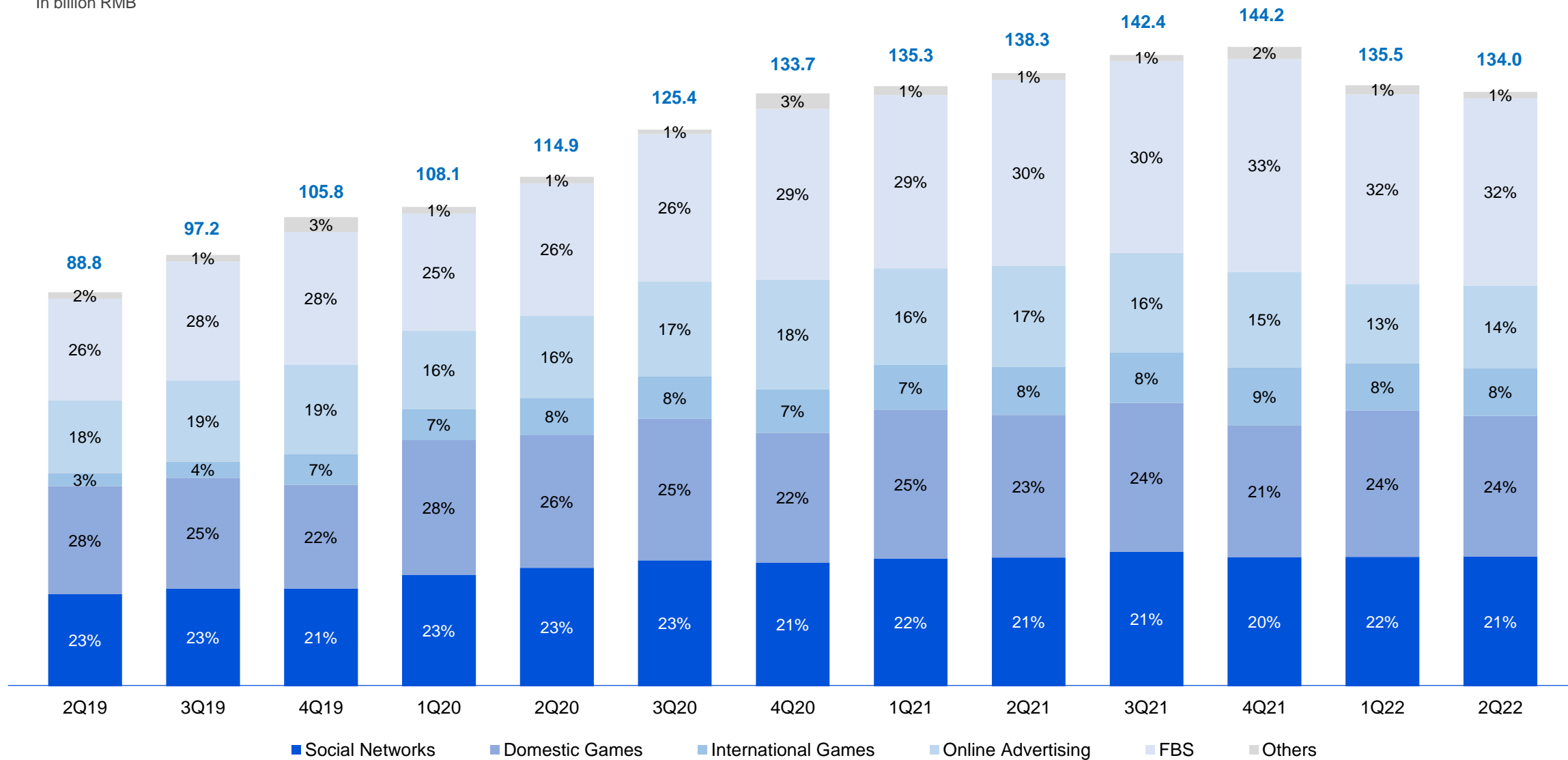
Ad revenue YoY%



1. *Overview*
  2. *Strategy Review*
  - 3. *Business Review***
  4. *Financial Review*
  5. *Q&A*
- 

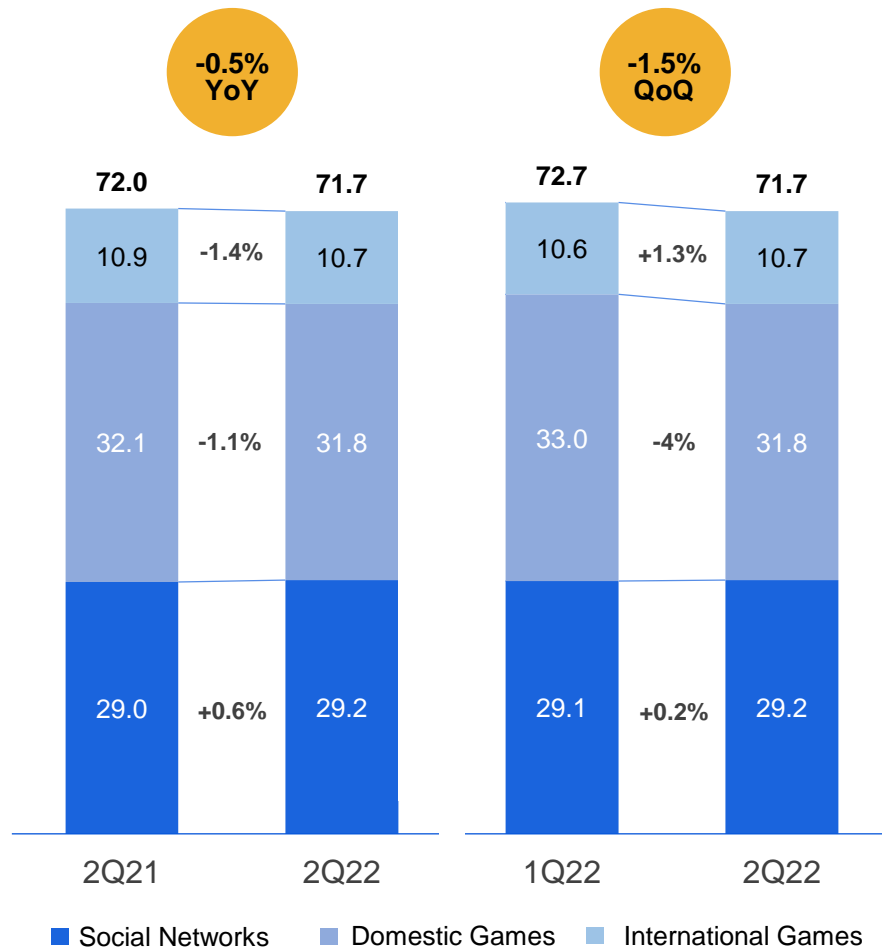
# Revenue by Segment

In billion RMB



# Value Added Services

In billion RMB



## Social Networks

- 2Q22 revenue was up 1% YoY to RMB29.2 billion. Revenue from *Video Accounts* live streaming service increased; revenue from music- and games-related live streaming services decreased
- Video subscription revenue increased YoY, as less aggressive promotions resulted in lower subscriptions (122 million) but higher ARPU. *Tencent Video* released popular self-commissioned drama series such as *A Dream of Splendor* which ranked #1 industry-wide\* in June. Per QuestMobile, *Tencent Video* widened its lead, with mobile DAU 20%+ higher than its closest peer in June
- Music subscription count and subscription revenue increased YoY. In July, TME sold over 6 million units of Jay Chou's digital album, reflecting pent-up demand for user engagement with artists

## Domestic Games

- Revenue down 1% YoY to RMB31.8 billion, reflecting transitional industry challenges (fewer big game releases, lower user spending and minor protection measures). Revenue from existing games *HoK*, *LoL* and *Moonlight Blade Mobile* decreased; *Fight of The Golden Spatula*, *LoL: Wild Rift* and *Return to Empire* contributed incremental revenue

## International Games

- Revenue decreased 1% YoY to RMB10.7 billion due to industry-wide normalisation in user spending on mobile games post-COVID. PC game revenue increased because of growth in *VALORANT* and the successful launch of *V Rising*

Mobile games VAS revenue declined 2% YoY to RMB40.0 billion. PC client games revenue increased 5% YoY to RMB11.6 billion

\*Source: Enlightent, by video views across all online platforms in China for June 2022

# Social Networks



## Video Accounts sustained strong growth momentum in user engagement and content

- Leverage social sharing and enhanced algorithms to grow total video views by 200%+ YoY; AI-recommended content consumption grew even faster, by 400%+ YoY, in video views
- Daily active creators and video uploads increased by 100%+ YoY, driving rich and diverse content
- Increased *Video Accounts* mindshare among live streaming users with highly successful live concerts



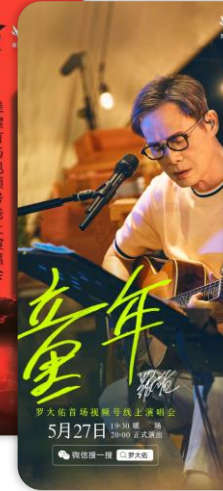
## Enriching virtual experience in Super QQ Show

- Introduced shared virtual spaces where users can make friends and engage in community activities
- Provided more immersive conversational experience, such as inviting friends to chat over live audio using avatars

Video Accounts live concerts



Cui Jian  
46 million viewers



Tayo Lo  
42 million viewers



Backstreet Boys  
46 million viewers



Community activity in shared virtual space



# Domestic Games

## Clear leadership in key genres

**Battle arena:** *HoK* #1 game by total time spent across all games, adult players total time spent increased slightly YoY; *LoL: Wild Rift* ranked #6

**Action/shooter:** *Peacekeeper Elite* ranked #2 by total time spent industry-wide, adult players total time spent grew substantially YoY



HoK

## Growing success in newest genres

**Management simulation:** *LoL Esports Manager* topped grossing receipts among all simulation games year-to-date

**Extraction shooter:** *Arena Breakout* achieved #8 by total time spent in July

**Auto-battler:** *Fight of The Golden Spatula* ranked #4 by total time spent



LoL Esports Manager

# International Games



**Sustaining  
robust growth**

Achieved record high MAU and quarterly grossing receipts in 2Q22

The most successful PC game launched globally since 2020 with competitive gameplay, creative content and vibrant user community



**Expanding leadership  
in casual games**

Miniclip acquired SYBO, developer of evergreen runner game *Subway Surfers*, #1 most-downloaded\* mobile game globally over last decade

*Subway Surfers* boosts Miniclip's DAU by 30 million to 70 million - Miniclip in top-tier of mobile game studios globally



**Breakthrough in  
emerging genre**

Original SOC game integrating real-time combat, developed by in-house Swedish studio Stunlock

Sold 2 million copies in its first month of Early Access on Steam

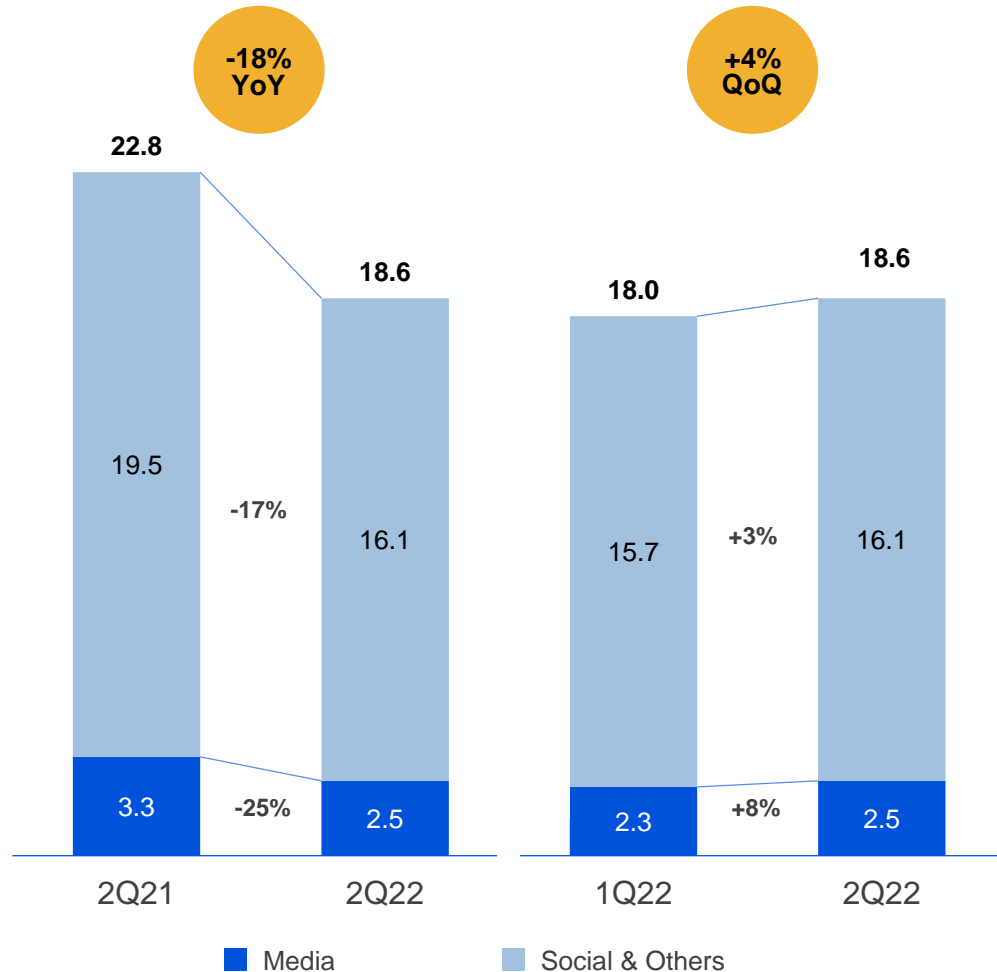


\* Source: data.ai, Jan 2012- Jun 2022



# Online Advertising

In billion RMB



## Overall

- 2Q22 revenue declined 18% YoY, reflecting notable weakness in Internet services, education and finance sectors
- Ad spend was hardest hit in the first two months of 2Q. In June, YoY decline magnitude narrowed as large eCommerce platforms increased ad spend for 618 promotion, and underlying ad demand recovered moderately

## Social & Others

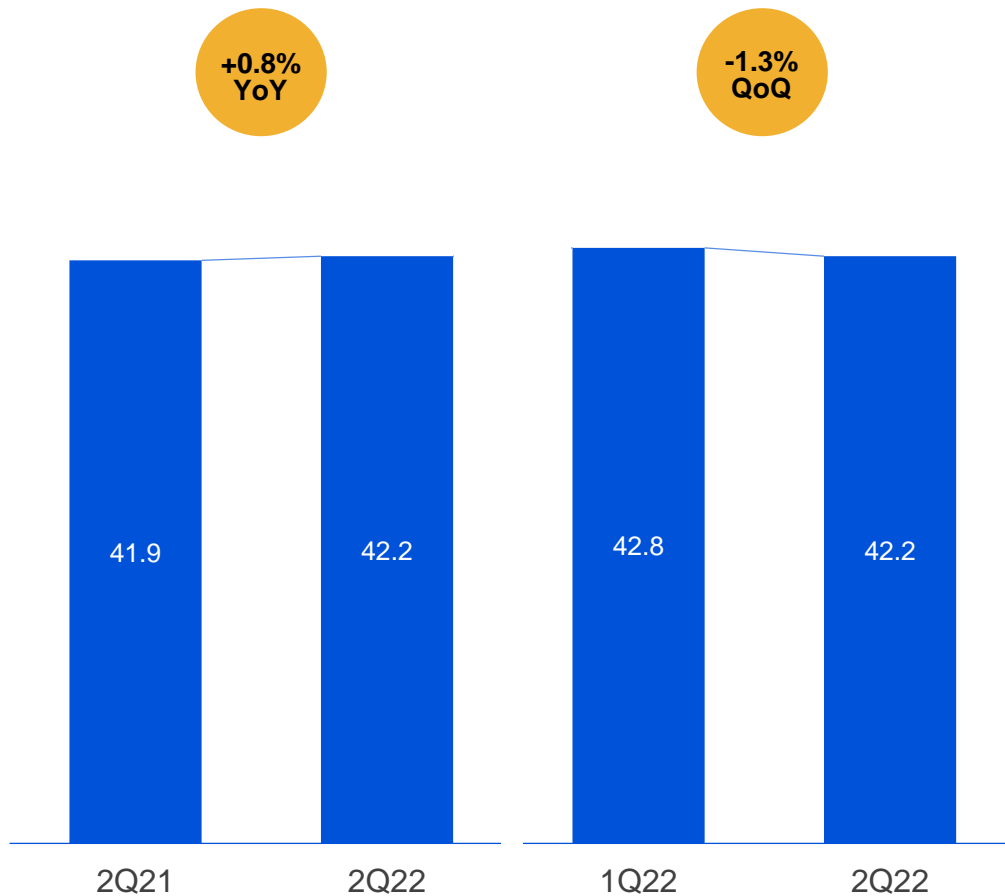
- *Moments* introduced an immersive display ad format, frame-breaking ad, which gained traction from brand advertisers
- *Video Accounts* started showing in-feed ads to active users in July, and selling on a contract basis to brand advertisers

## Media

- Video ad revenue increased sequentially due to stronger content release and positive seasonality in 2Q22, despite tough comparison in 1Q22 which benefitted from Beijing 2022 Winter Olympics

# FinTech and Business Services

In billion RMB



## FinTech Services

- YoY revenue growth was slower than previous quarters as COVID-19 resurgence temporarily impacted commercial payment activities
- Commercial payment volume slowed to low single-digit growth in April and resumed to high-teens growth in June

## Business Services

- Revenue declined slightly YoY mainly due to reduction in loss-making activities, in particular projects with high proportion of subcontracts. Internally developed products revenue grew sequentially. Hence, gross margin recovered QoQ on an improved revenue mix and reduced cost base
- *TDSQL* database: 1) contributed over 5% of our Cloud revenue, growing over 30% YoY; 2) increased on-premise deployments in key financial institutions; 3) upgraded cloud-native solution *TDSQL-C* to deliver a 2x performance at lower cost compared to traditional cloud databases
- *Tencent Meeting* launched a marketplace for plug-ins to enrich meeting experiences in different use cases, such as digital contracting, note-taking and customer management

1. *Overview*
2. *Strategy Review*
3. *Business Review*
- 4. *Financial Review***
5. *Q&A*

# Income Statement

In billion RMB	2Q2022	2Q2021	YoY	1Q2022	QoQ
<b>Revenue</b>	<b>134.0</b>	<b>138.3</b>	<b>-3%</b>	<b>135.5</b>	<b>-1.1%</b>
<b>COPS</b>	<b>(76.1)</b>	<b>(75.6)</b>	<b>+0.9%</b>	<b>(78.4)</b>	<b>-3%</b>
<b>Gross profit</b>	<b>57.9</b>	<b>62.7</b>	<b>-8%</b>	<b>57.1</b>	<b>+1.4%</b>
Interest income	1.9	1.6	+19%	1.7	+12%
Other gains, net	4.4	20.8	-79%	13.1	-66%
Operating expenses	(34.1)	(32.6)	+5%	(34.7)	-2%
<b>Operating profit</b>	<b>30.1</b>	<b>52.5</b>	<b>-43%</b>	<b>37.2</b>	<b>-19%</b>
Finance costs, net	(1.8)	(1.9)	-7%	(1.9)	-7%
Share of profit/(loss) of associates & JVs, net	(4.5)	(3.9)	+16%	(6.3)	-29%
Income tax expense	(4.6)	(3.7)	+25%	(5.3)	-13%
<b>Net profit</b>	<b>19.2</b>	<b>43.0</b>	<b>-55%</b>	<b>23.7</b>	<b>-19%</b>
<b>Net profit attributable to equity holders</b>	<b>18.6</b>	<b>42.6</b>	<b>-56%</b>	<b>23.4</b>	<b>-20%</b>
Diluted EPS in RMB	1.915	4.387	-56%	2.404	-20%
<b><u>Non-IFRS</u></b>					
<b>Operating Profit</b>	<b>36.7</b>	<b>42.8</b>	<b>-14%</b>	<b>36.5</b>	<b>+0.4%</b>
<b>Net profit attributable to equity holders</b>	<b>28.1</b>	<b>34.0</b>	<b>-17%</b>	<b>25.5</b>	<b>+10%</b>
Diluted EPS in RMB	2.896	3.504	-17%	2.620	+11%

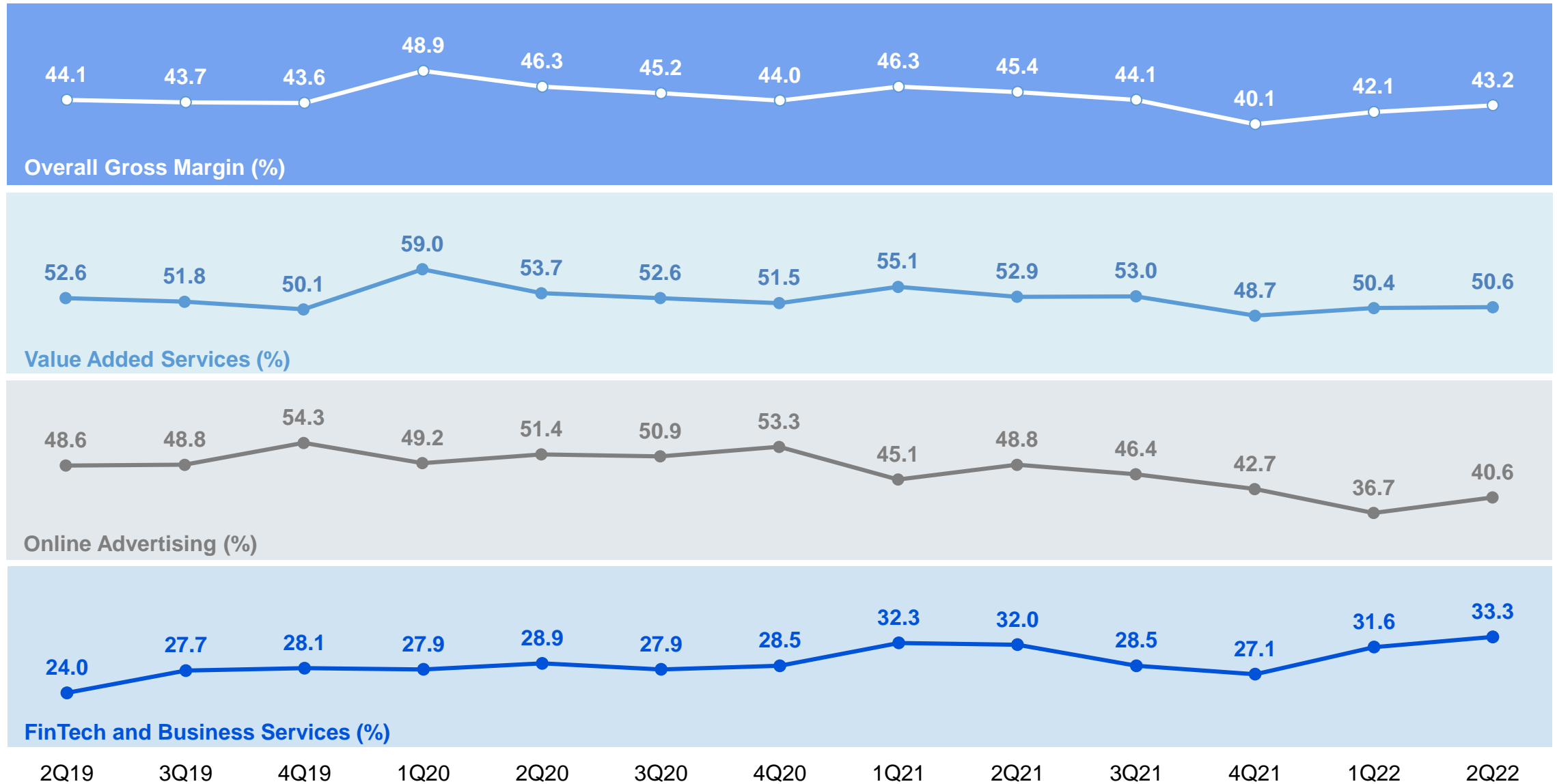
# Non-IFRS Adjustments

In billion RMB	IFRS 2Q2022	SBC	Net (gains)/ losses from investee companies <sup>1</sup>	Amortisation of intangible assets	Impairment provisions/ (reversals) <sup>2</sup>	SSV & CPP <sup>3</sup>	Others <sup>4</sup>	Tax effect	Non-IFRS 2Q2022	YoY change	QoQ change
<b>Operating profit</b>	<b>30.1</b>	6.5	(5.5)	1.2	2.8	1.4	0.2	-	<b>36.7</b>	-14%	+0.4%
<b>Net profit</b>	<b>19.2</b>	8.4	(6.1)	3.0	3.2	1.4	0.2	(0.3)	<b>29.0</b>	-18%	+10%
<b>Net profit attributable to equity holders</b>	<b>18.6</b>	8.3	(6.0)	2.7	3.2	1.4	0.2	(0.3)	<b>28.1</b>	-17%	+10%
<b>Operating margin</b>	<b>22.4%</b>								<b>27.4%</b>	-3.6ppt	+0.4ppt
<b>Net margin</b>	<b>14.3%</b>								<b>21.6%</b>	-3.8ppt	+2.2ppt

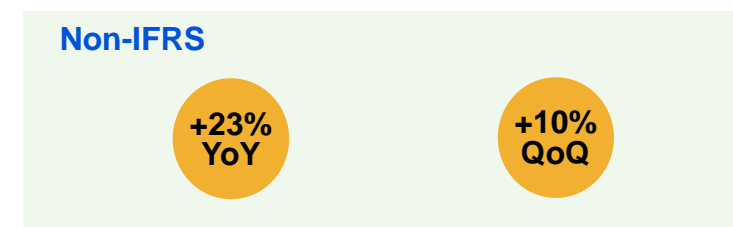
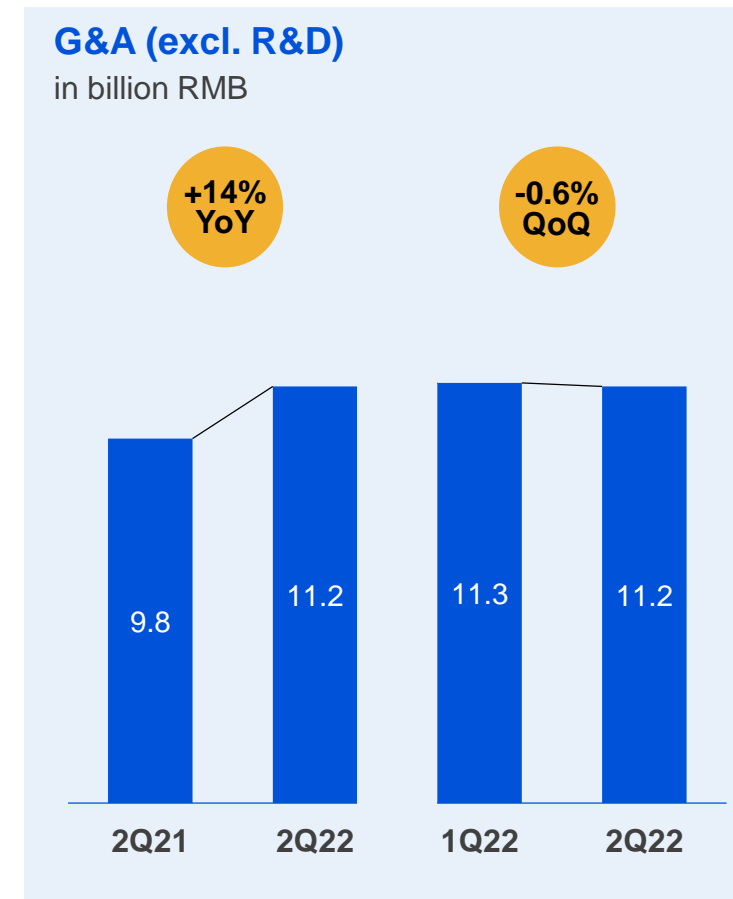
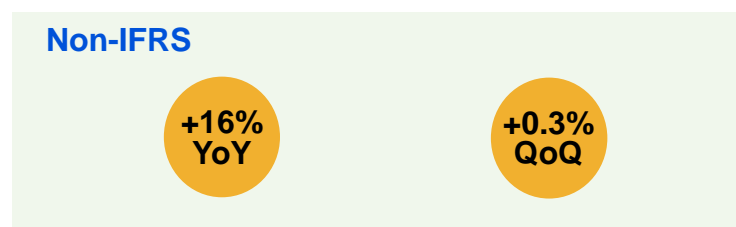
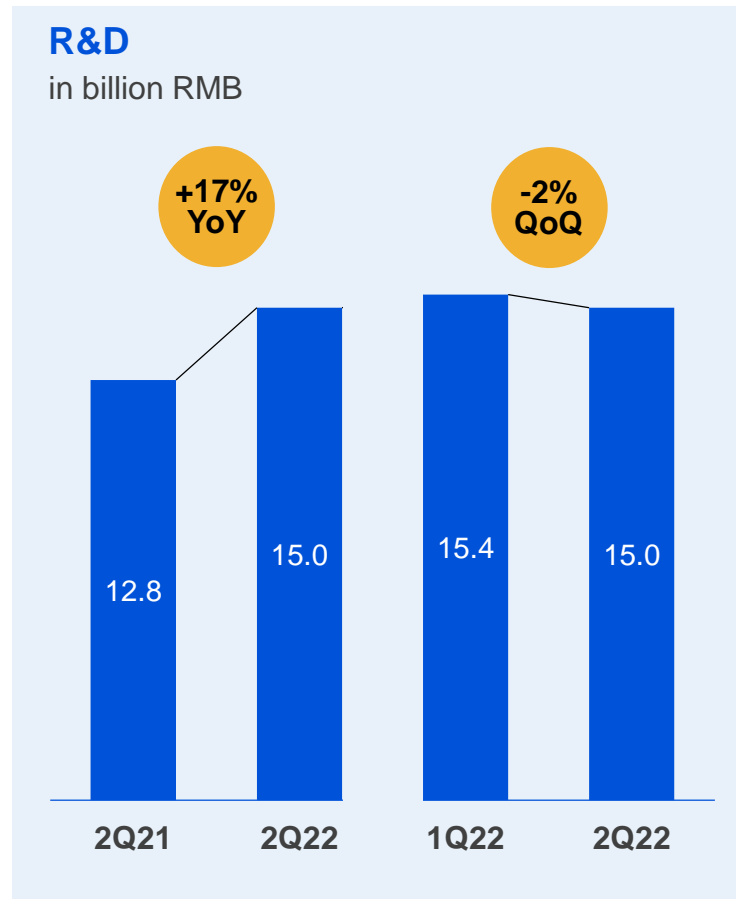
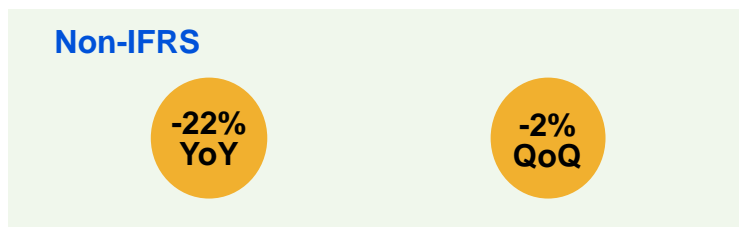
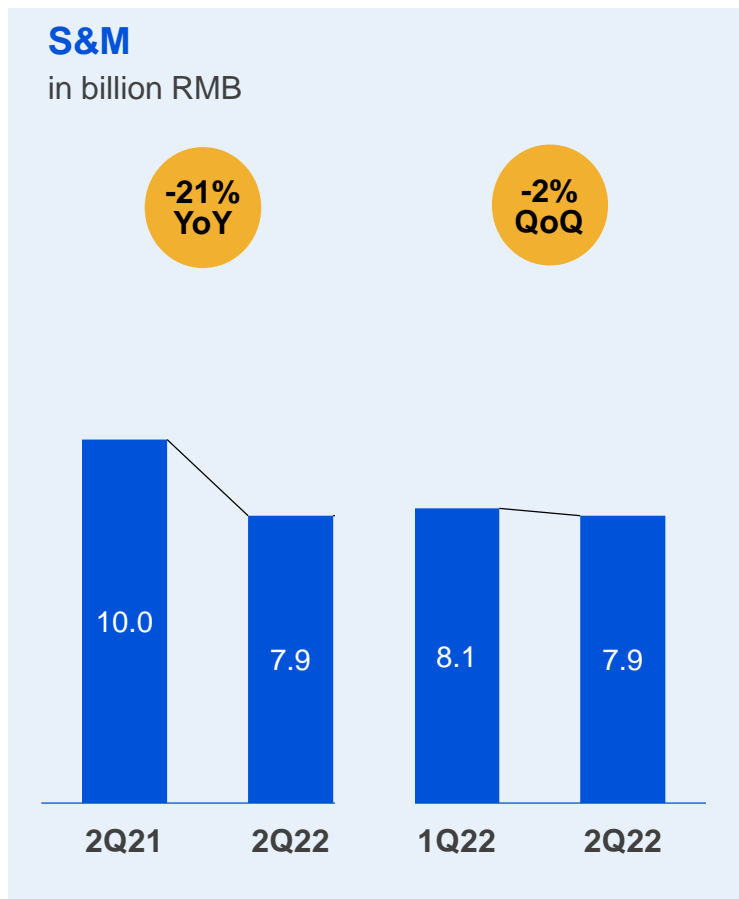
Note:

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/(reversals) 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 (excluding share-based compensation expenses)
4. Mainly including expenses incurred for regulatory fines in the Mainland of China and certain litigation settlements

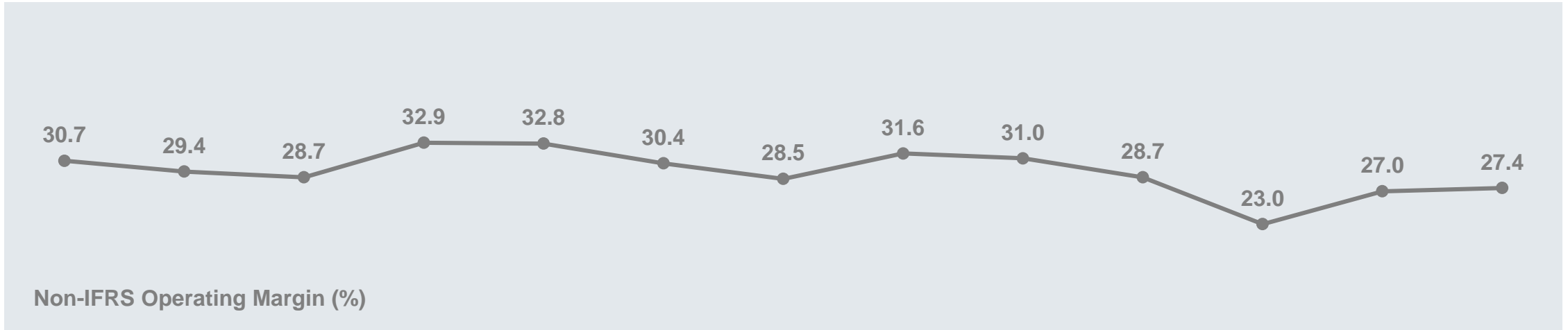
# Gross Margins



# Operating Expenses



# Non-IFRS Margin Ratios



2Q19 3Q19 4Q19 1Q20 2Q20 3Q20 4Q20 1Q21 2Q21 3Q21 4Q21 1Q22 2Q22



# CAPEX, FCF and Cash Position

In billion RMB	2Q2022	2Q2021	YoY	1Q2022	QoQ
Operating CAPEX	2.1	5.9	-65%	5.2	-60%
Non-operating CAPEX	0.9	1.0	-8%	1.8	-46%
<b>Total CAPEX</b>	<b>3.0</b>	<b>6.9</b>	<b>-57%</b>	<b>7.0</b>	<b>-57%</b>
Operating Cash Flow	35.7	32.0	+12%	33.8	+6%
Less: CAPEX Paid	(5.6)	(7.1)	-22%	(8.2)	-32%
Payments for media content	(5.8)	(6.4)	-9%	(8.9)	-34%
Payments for lease liabilities	(1.8)	(1.2)	+53%	(1.5)	+24%
<b>Free Cash Flow</b>	<b>22.5</b>	<b>17.3</b>	<b>+30%</b>	<b>15.2</b>	<b>+47%</b>
Total Cash	315.9	255.2	+24%	304.1	+4%
Less: Total Debt	(336.3)	(276.2)	+22%	(315.1)	+7%
<b>Net (Debt)/Cash</b>	<b>(20.4)</b>	<b>(21.0)</b>	<b>-3%</b>	<b>(11.0)</b>	<b>+85%</b>

- Repurchased approximately 9.7 million shares with an aggregated cost of RMB3.1 billion during 2Q22
- Paid cash dividend of RMB13 billion during 2Q22
- As at 30 Jun 2022, the fair value of our shareholdings<sup>1</sup> in listed investee companies (excluding subsidiaries) was approximately RMB602 billion (USD90 billion)

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

1. *Overview*

2. *Strategy Review*

3. *Business Review*

4. *Financial Review*

**5. Q&A**

*Tencent Holdings Limited*

*2022 Second Quarter Results Presentation*

*Thank you!*



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