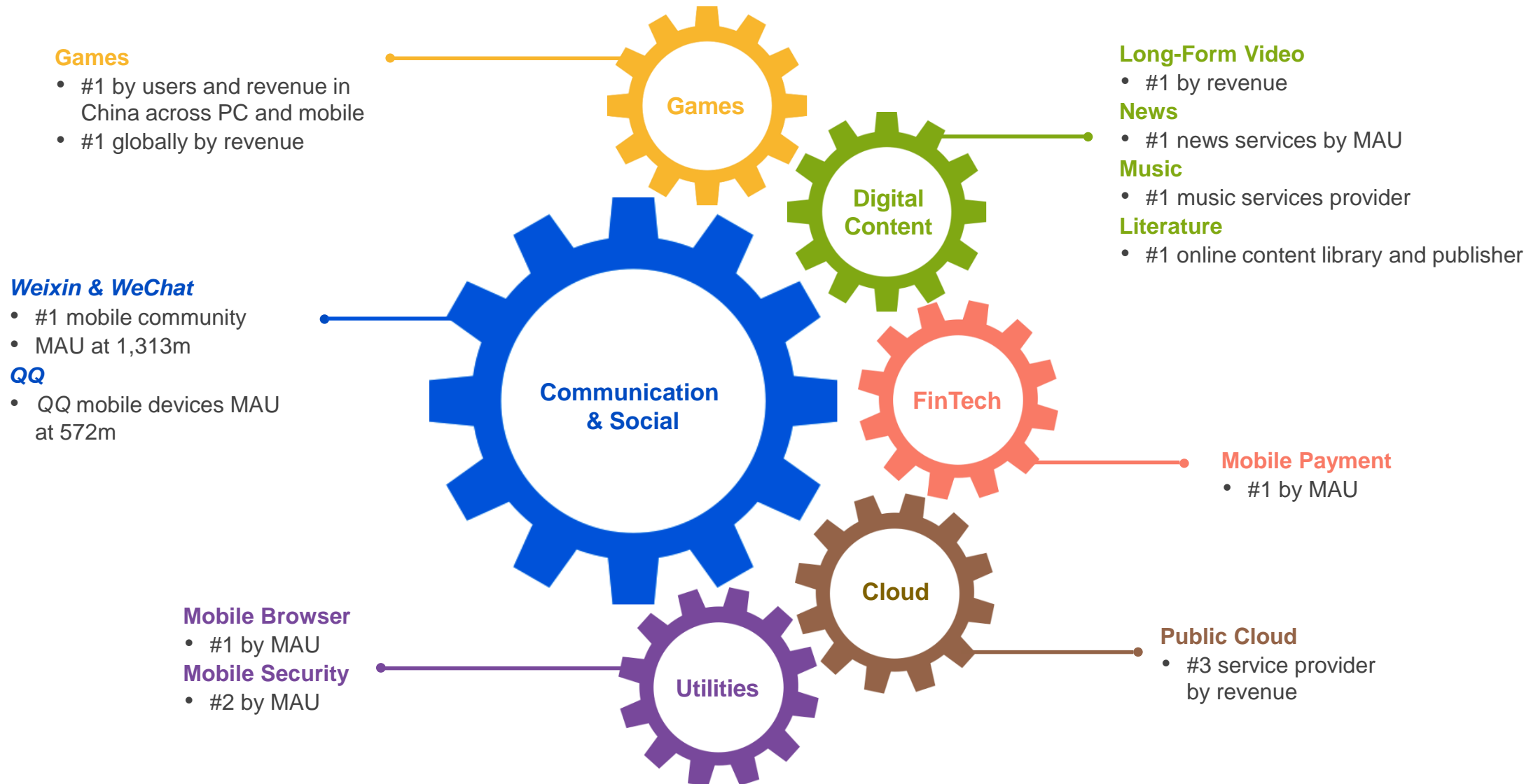


Tencent 腾讯

CORPORATE OVERVIEW

Mar 22, 2023

Leading Services with Highly Engaged User Base



Digital Ecosystem Fulfilling Everyday Needs of Consumers

1 billion+

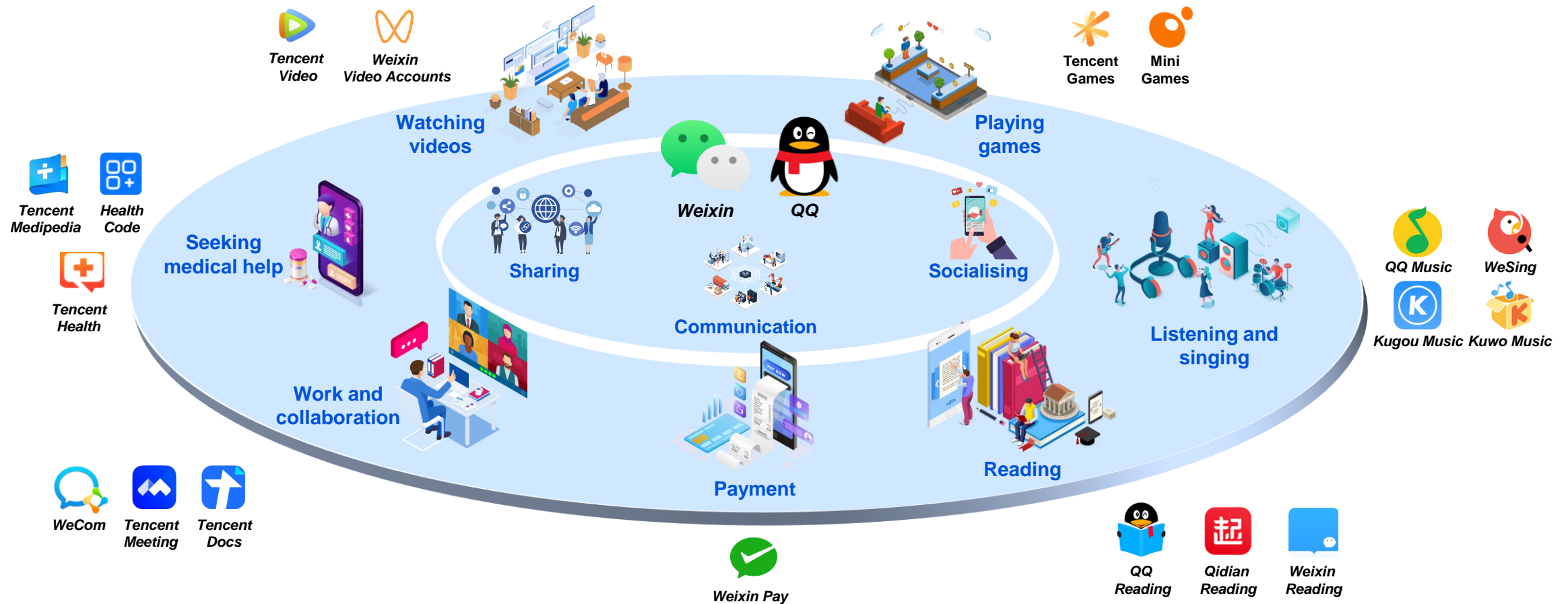
daily average commercial payment transactions on *Weixin Pay* ⁽¹⁾

~600 million

daily active user accounts on *Weixin Mini Programs* ⁽²⁾

234 million

total fee-based VAS subscriptions ⁽²⁾



1. Since 4Q2019
2. As of Dec 31, 2022

Weixin Connects Users, Content and Services



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
- Exceeded 1 billion average commercial transactions per day since 4Q2019

Mini Programs

- Connect users with products, content and services
- Help independent businesses thrive with their own channels and customer relationships
- Mini Programs has become a leading transaction platform in China

Video Accounts

- A separate ID-based content platform for public sharing of video and live streaming content
- Composed of both knowledge-based and entertainment content, offered to users via social and algorithmic recommendations
- Total time spent on *Video Accounts* reached 1.2x that of *Moments*
- Ramping up monetisation via in-feed ads, live streaming tipping and eCommerce

Official Accounts

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

Largest communication and social platform in China for 1.3 billion MAU ⁽¹⁾

QQ Caters to Evolving Interactive Needs of Young Generations

Mini Programs



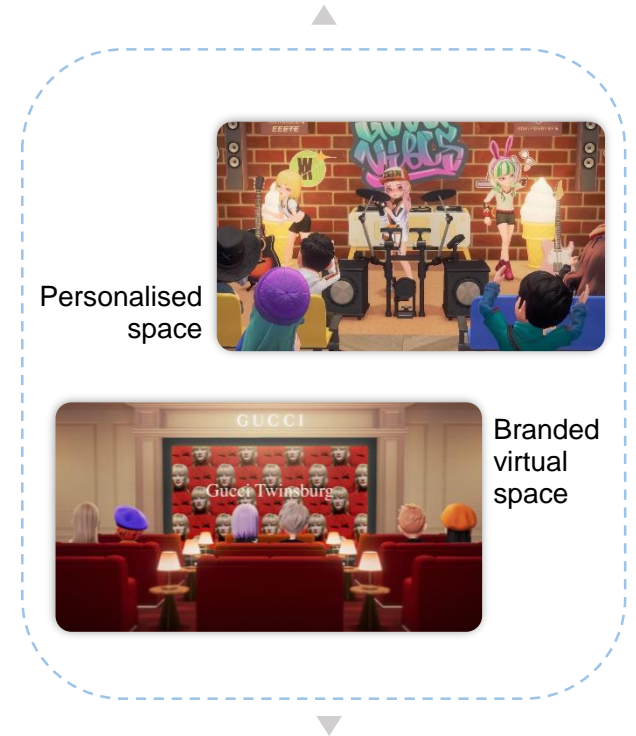
Connect users with content & services, e.g., animated series provided by third-parties

Mini World



Short-form video creation, sharing and consumption

Super QQ Show



Socialise in various scenarios using customisable virtual avatars

572 million QQ MAU ⁽¹⁾ on mobile devices

1. As of Dec 31, 2022

Support Real Economy with Strong Technological Capabilities

- ▶ Extending our strategy of 'Connection' to connecting industries, consumers & business partners; focusing on customer value creation and quality of growth
- ▶ Leverage our high-DAU products and software, and proprietary technologies to help non-Internet industries, e.g., financial services, industrials, retail and automotive, to assist in digital transformation
- ▶ Concentrate our resources on SaaS/PaaS solutions such as enterprise communication software, video cloud and cybersecurity solutions

Software and Services



WeCom



Tencent Meeting



Tencent Docs



Weixin



Tencent Security

Technologies



Video Cloud Solutions



Security Capabilities



Tencent AI Lab



Big Data Analytics



Tencent Cloud Enterprise (TCE)



Hunyuan Foundation Model

Infrastructure



Tencent Cloud

- ▶ Solid infrastructure in 26 regions and 70 availability zones ⁽¹⁾
- ▶ No. 1 in China by Communication PaaS revenues ⁽²⁾
- ▶ No. 1 in Asia Pacific by integrated competitiveness for Video Cloud solutions ⁽³⁾
- ▶ No. 2 in China by market share for relational database software ⁽⁴⁾

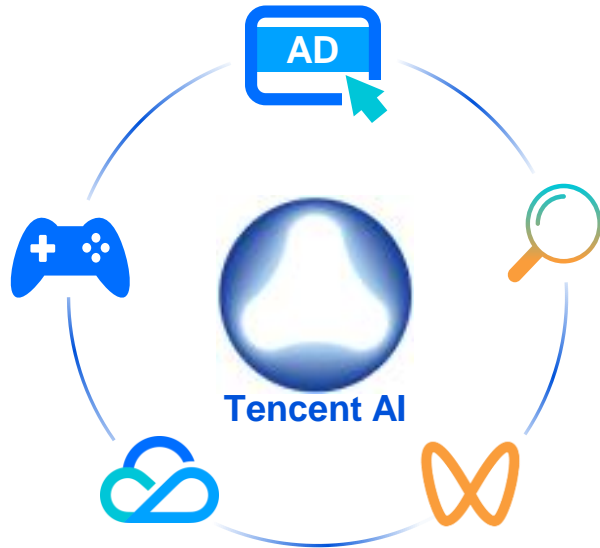
1. As of Dec 31, 2022

2. "Market Share: All Software, Markets, Worldwide, 2021", Gartner

3. "Sharing of Asia-Pacific Media Service Market Report, 2022", Frost & Sullivan

4. "China Relational Database Software Market, 2H2021", IDC

Leverage Artificial Intelligence technologies to enhance our product innovations, monetisation, and operational efficiency



Benefiting from AI advancements

- Long-standing experience in developing and adopting AI technologies, amplifying our growth across multiple businesses
- Recent industry breakthroughs in foundation models and generative AI applications are significant new boost to our growth potential
- Our core user-to-user services are unaffected or empowered by AI technology enhancements, while foundation models facilitate our introduction of user-to-machine services

Rollout strategies for AI

- Gradually rolling out our own foundation models at the back end, while enhancing front-end use cases
- Leverage AI technologies to enhance product innovations, monetisation and operational efficiency

Strengths across the AI value chain

- Broad range of use cases via applications with deep user engagement
- Long-term investments in machine learning
- Breadth and depth in data for model training
- Scale in advanced cloud infrastructure
- Rapid advancement in proprietary foundation model *HunYuan*

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

- Encourage more **philanthropic participation**
- Published our **diversity, equity, and inclusion statement** (“DEI”), demonstrating our commitment to providing a congenial, creative and collaborative workplace
- **Assist SMEs** to reduce operating costs and enhance efficiency by offering subsidies, resources and services via *Weixin Pay*

Governance

- **Enhanced anti-trust compliance** with a dedicated department, updated guidelines for all businesses and strengthened staff trainings
- **Updated anti-money laundering and sanctions compliance** to closely follow domestic and global regulatory requirements and trends
- **Enhanced board independence and diversity** with 25% female and 63% INED representation ⁽²⁾

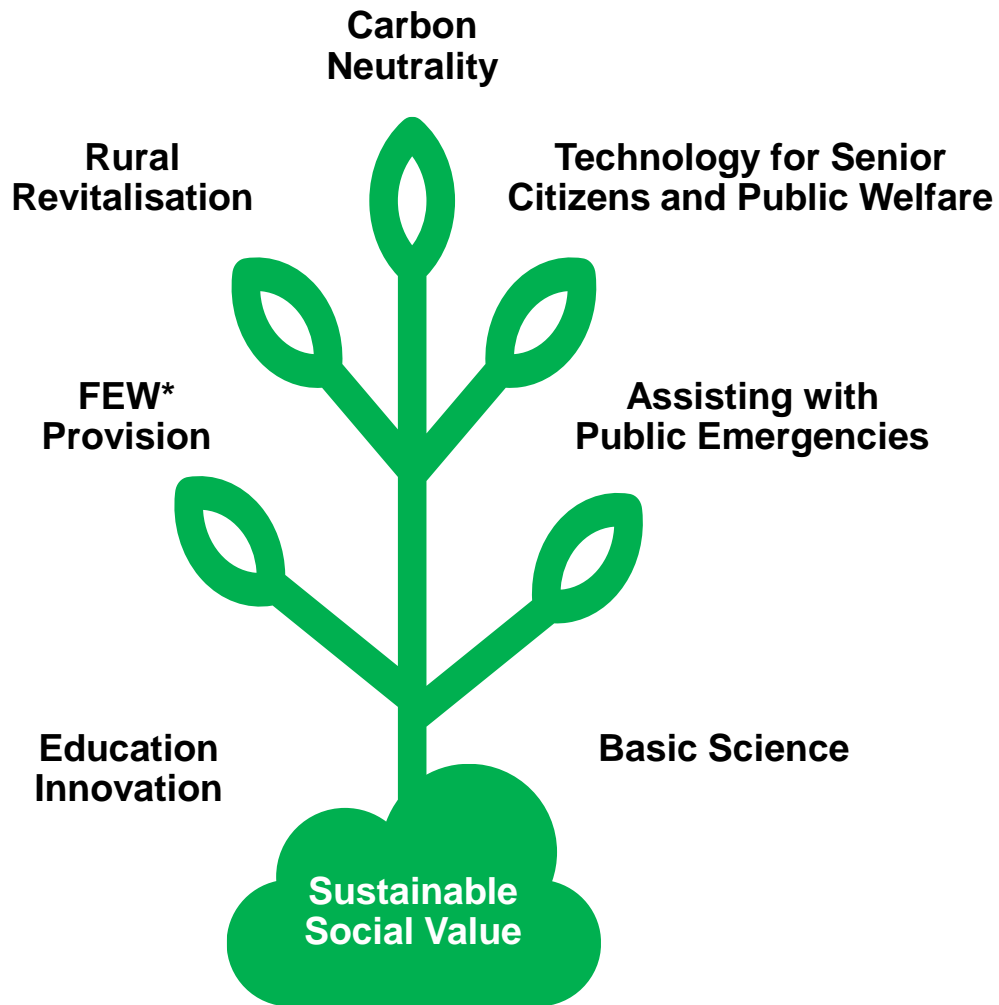
MSCI ESG Rating: BBB | Sustainalytics ESG risk score: 21.8 ⁽³⁾

* For more details about Tencent’s ESG approach, please refer to our [2021 ESG Report](#).

1. Upon Mr. Martin Lau’s rotation after the 2023 annual general meeting

2. Out of 100, the lower the better

Create Sustainable Innovations for Social Value



Established Sustainable Social Value Org (SSV) in Apr 2021, to deploy social value initiatives in a professional and entrepreneurial way

Contributed to common prosperity with new commitment in Aug 2021

Pursue long-term social value leveraging our technology and products:

- **Facilitate philanthropic digitalisation** by providing capital, technology and resources
- **Fund basic scientific research** with a commitment of RMB10 billion over 10 years via New Cornerstone Investigator Project
- Building a **public AED emergency response platform** leveraging IoT solutions and *Weixin Mini Programs*
- **Support rural revitalisation** by nurturing administrative and business talents in rural areas
- Utilise advanced technologies, such as AI, AR, VR and 3D for **cultural preservation and popularisation**

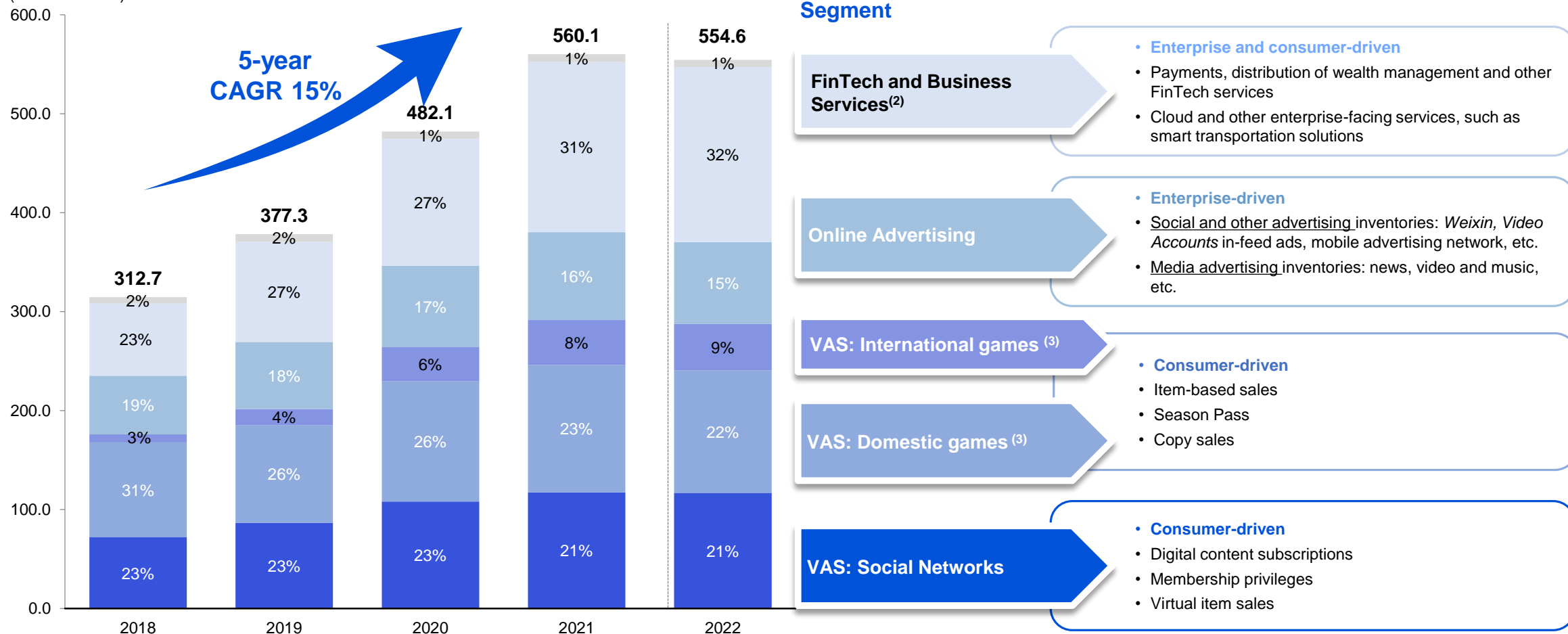
1. Business Model

2. Financials

Resilient Business Model with Diversified Revenue Streams

Revenues by Business Segment ⁽¹⁾⁽²⁾

(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 3Q2021, 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

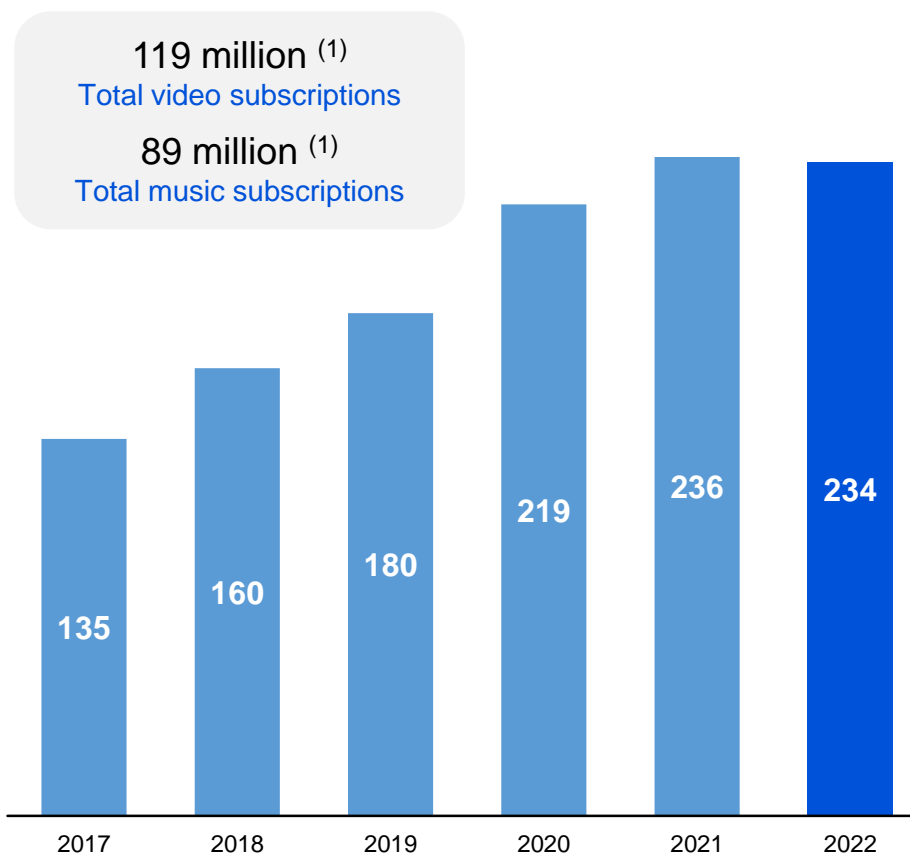
- ▶ Leading digital content platforms offer high quality content in various forms, including literature, anime, long and short-form video, games and others
- ▶ Expertise in curating popular IP and extending IP influence across various media forms and high-DAU properties
- ▶ Strategic partner of choice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

High Quality Content



Stable Fee-based VAS Subscriptions

(in millions)



1. As of Dec 31, 2022

Games

Leading global platform for game development, publishing and operation

Sizable Developer

Owned Studios



Invested External Studios



Partnership with External Studios



Global IP Portfolio

Key franchises



League of Legends (LoL)
#6 international PC game by MAU ⁽³⁾



LoL: Wild Rift
Top 10 China mobile games by DAU ⁽¹⁾



Fight of the Golden Spatula
Top 10 China mobile game by DAU ⁽¹⁾



Honour of Kings
#1 China mobile game by DAU ⁽¹⁾



Clash of Clans
Top 10 international mobile game by DAU ⁽²⁾



Clash Royale
Top 10 international mobile game by DAU ⁽²⁾



CrossFire
Leading FPS PC game in China 14 years after launch



CrossFire Mobile
#13 China mobile game by DAU ⁽¹⁾



Peacekeeper Elite
#3 China mobile game by DAU ⁽¹⁾



PUBG Mobile
Top 10 international mobile game by DAU ⁽²⁾



VALORANT
Top 10 international PC game by MAU ⁽³⁾



V Rising
2 million copies sold in its 1st month on Steam Early Access

Strong Operating & Publishing Capabilities

Game-as-a-Service (GaaS)

Expertise in technology, production, operation

- Game infrastructure scale
- Anti-cheat system
- eSports integrations



LoL World Championship



VALORANT Champions

Level Infinite

- Successful global publishing across genres



Tower of Fantasy
MMORPG

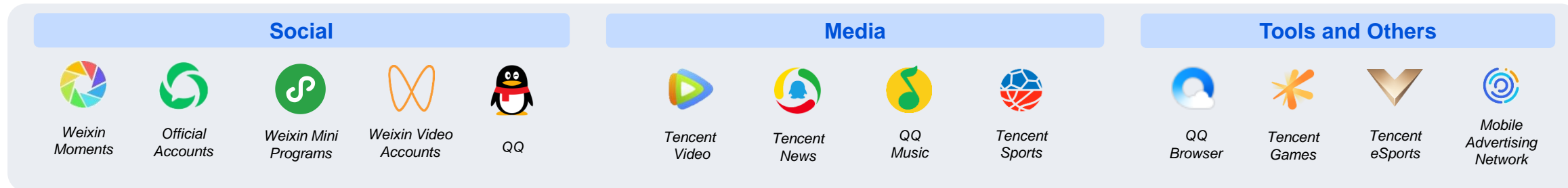


GODDESS OF VICTORY: NIKKE
Sci-fi RPG Shooter

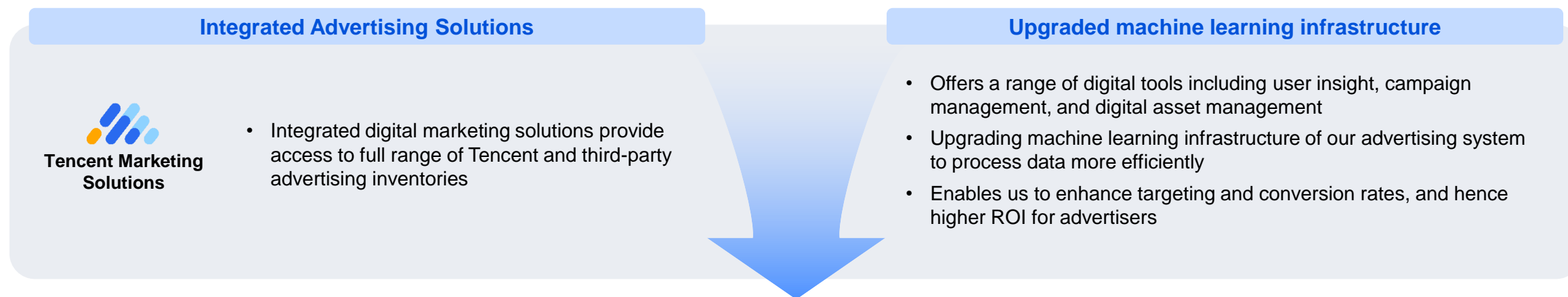
1. QuestMobile, as of Dec 2022
2. data.ai, as of Dec 2022
3. Newzoo, as of Dec 2022
4. data.ai, Feb 23-Mar 8, 2023

Online Advertising

Our Advertising Properties



Our Technology



Expanding advertising inventories to capture growing demand in the market, as well as improving our capabilities in enhancing conversion for advertisers

FinTech and Business Services

FinTech Solutions



Weixin Pay



LiCaiTong



WeiLiDai



WeSure

Leveraging synergies with Mini Programs

- *Mini Programs* is a leading transaction platform in China, generating several trillions RMB of GMV in 2022
- Online + offline solutions reduce transaction friction and drive repeat sales for merchants
- *Mini Programs* contributing high teens percentage of commercial payment volume

Further opportunities amid regulatory normalisation

- Expanding wealth management user base via investor education, better services and a broadening product line
- Exploring new opportunities in consumer loans and online insurance services via close cooperation with licensed financial institutions under a new regulatory framework

Business Services



WeCom



Tencent Meeting



Video Cloud Solutions



Tencent Cloud Enterprise (TCE)

- Assist non-Internet industries and public services for digital transformation
- Focus on internally developed products, particularly PaaS and SaaS, to drive quality of growth and margin improvement
- PaaS: #1 in China by Communication PaaS revenue ⁽¹⁾ and increasing adoption of security solutions
- SaaS:
 - *WeCom* (enterprise communication & productivity software) connects 10+ million companies and organisations ⁽²⁾
 - *Tencent Meeting* crossed 100+ million MAU ⁽³⁾
- *Tencent Cloud Enterprise* enables customers to integrate and deploy our public cloud products within their private clouds.

1. "Market Share: All Software, Markets, Worldwide, 2021", Gartner

2. As of March 2022

3. As of Dec 2021

1. Business Model

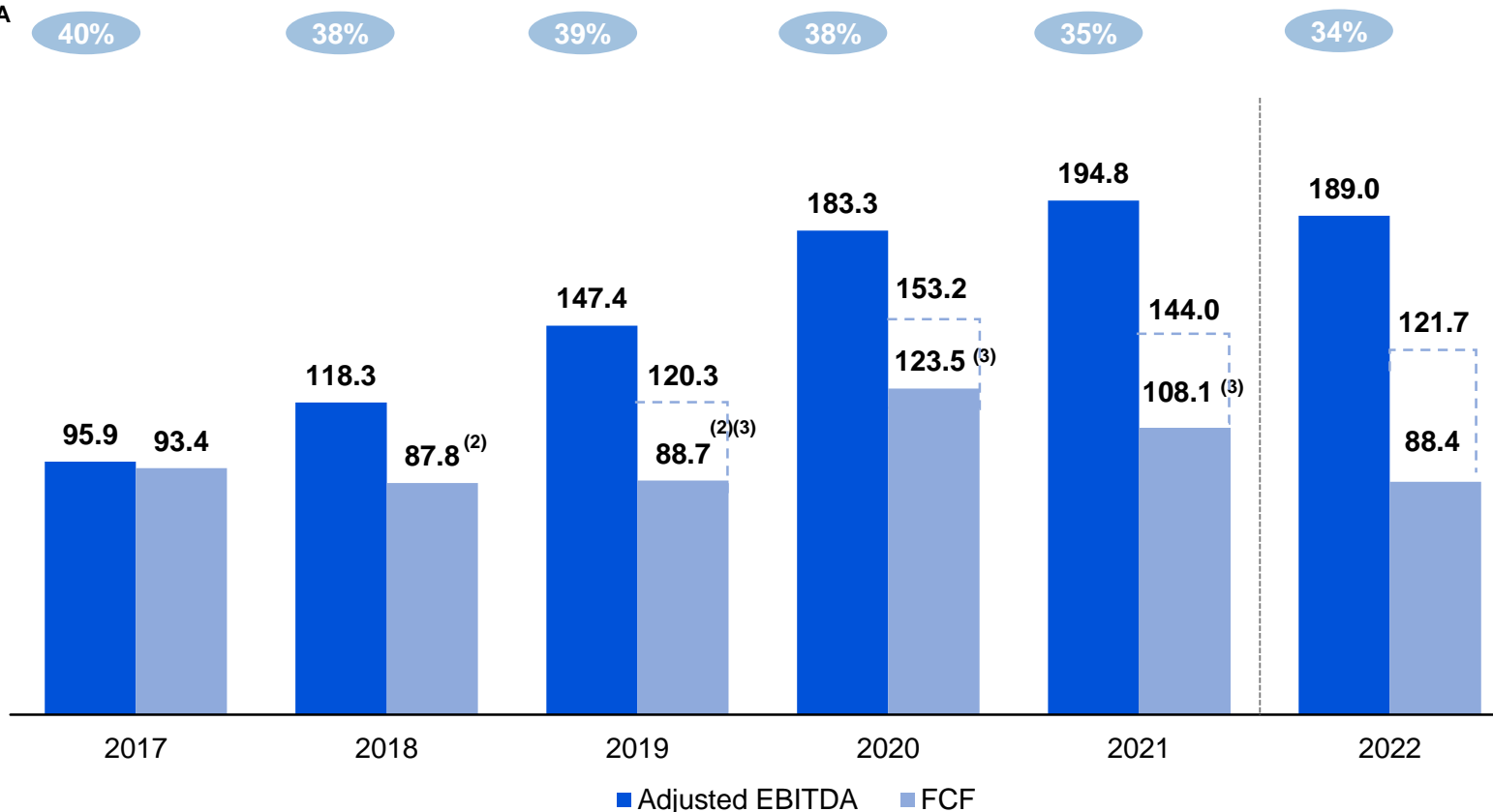
2. Financial Highlights

Highly Profitable and Cash-Generative Business Model

Adjusted EBITDA ⁽¹⁾ and Free Cash Flow (FCF) ⁽²⁾

(RMB in billions)

Adj. EBITDA
Margin



Key Metrics

12%

Adj. EBITDA CAGR ⁽⁴⁾

34%

Adj. EBITDA Margin ⁽⁵⁾

47%

FCF Conversion ⁽⁶⁾

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, RMB144.0 billion in 2021 and RMB121.7 billion in LTM Dec 2022 are the free cash flow numbers before the adjustments

4. 2018–2022 CAGR

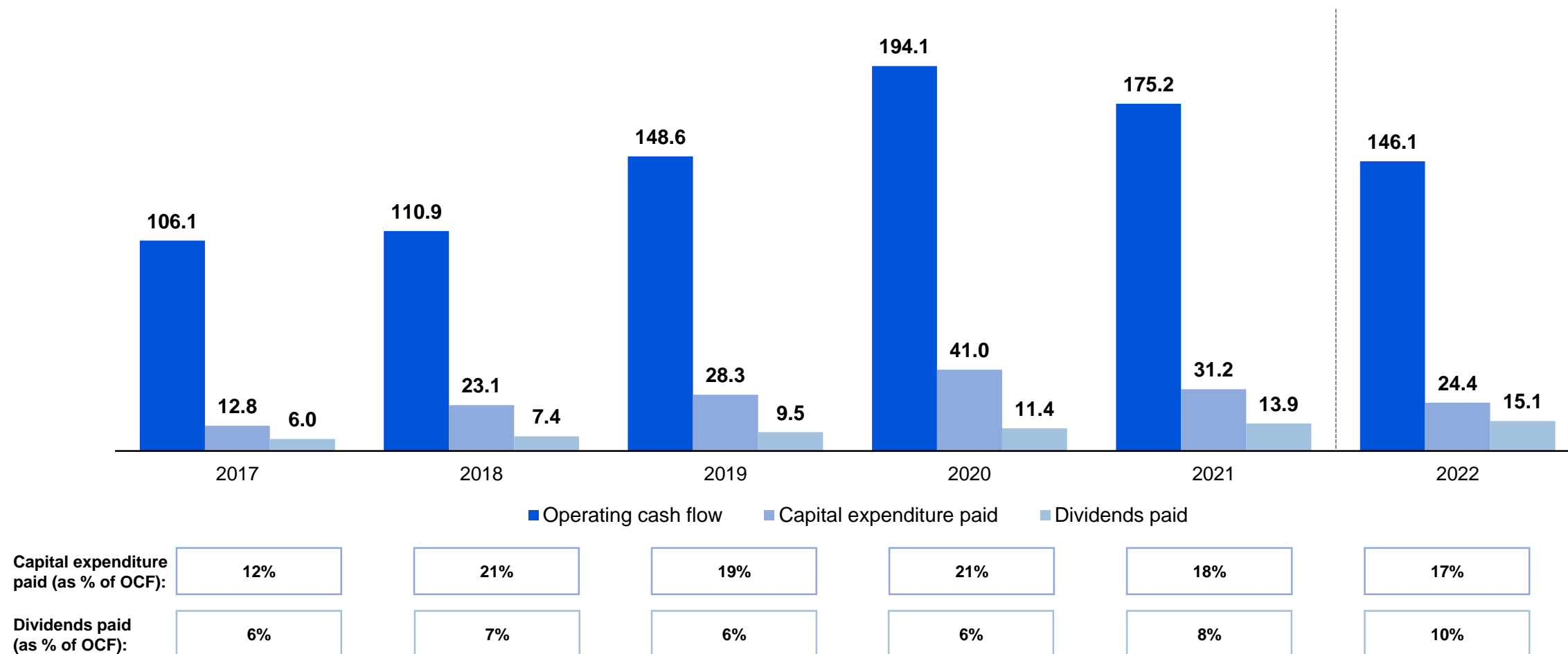
5. 2022 Adjusted EBITDA as % of Revenues

6. FCF Conversion = FCF / Adjusted EBITDA; In 2022

Stable and Sustainable Cash Generation

Operating Cash Flow (OCF)⁽¹⁾, Capital Expenditure Paid and Dividends Paid⁽²⁾

(RMB in billions)



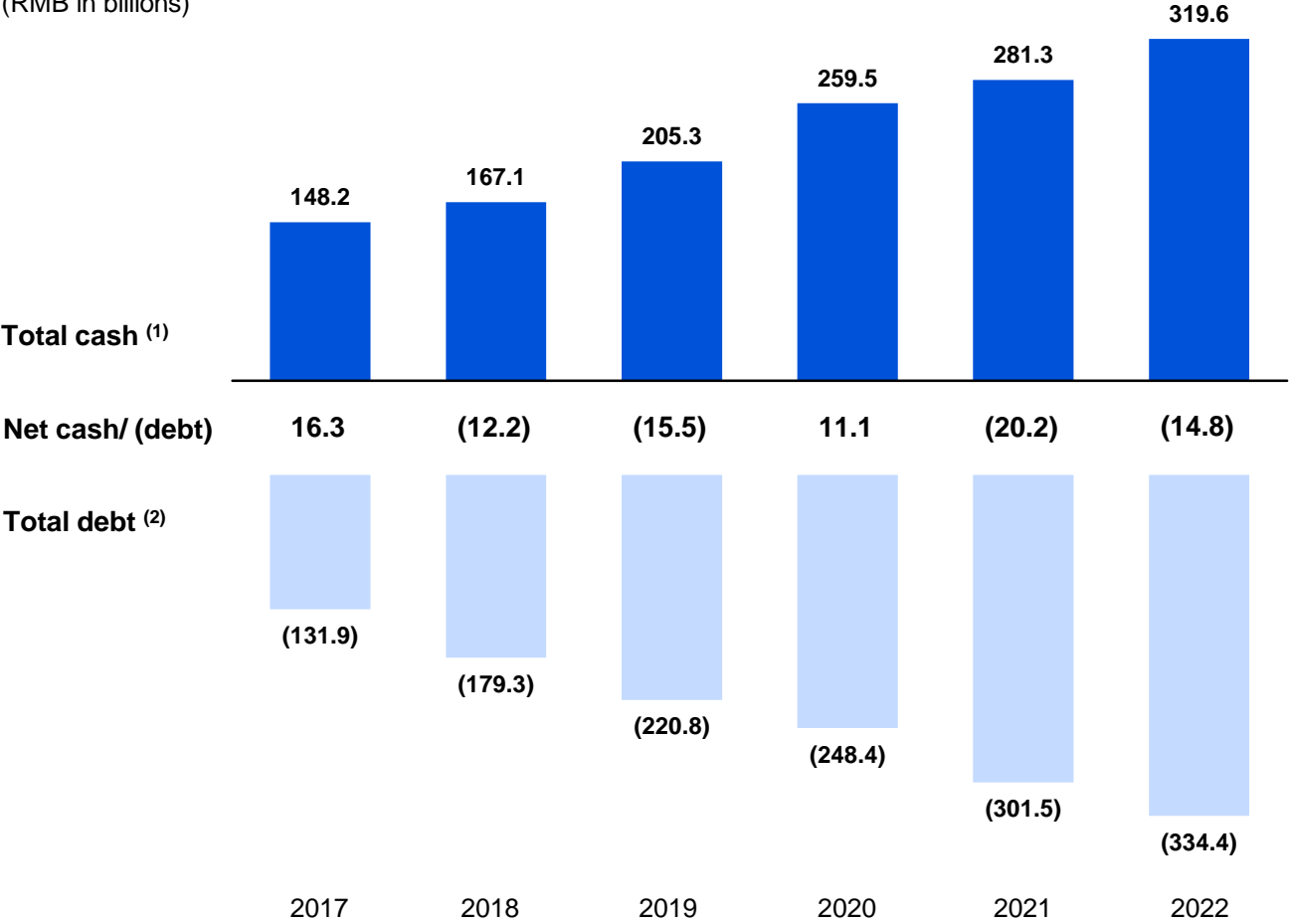
1. In 2019, interest paid was re-classified from operating to financing cash flows, comparative figures from 2018 were re-stated accordingly.

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 Financial Position

Net Cash / (Debt) Position

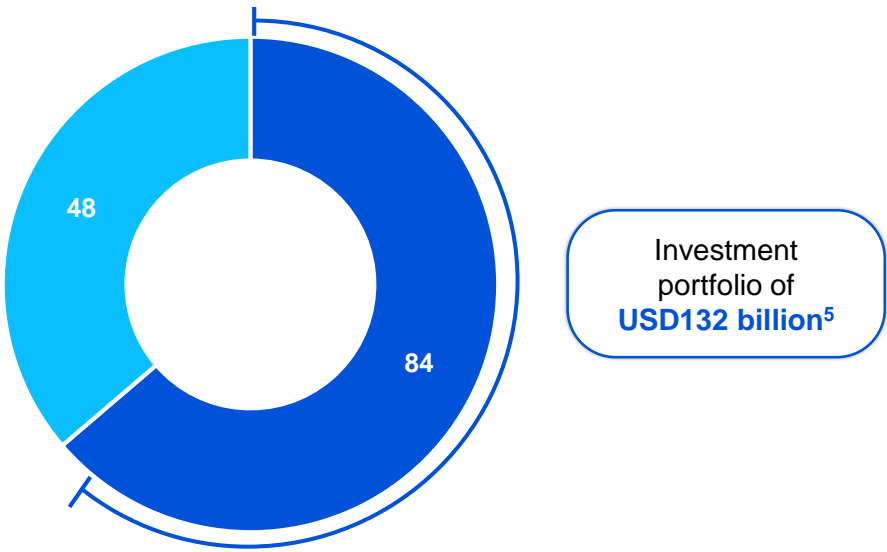
(RMB in billions)



Investment portfolio^{3, 4}

(USD in billions)

- Listed Investees³ – fair value
- Unlisted Investees³ – carrying value



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

2. Total debt consists of borrowings and notes payable

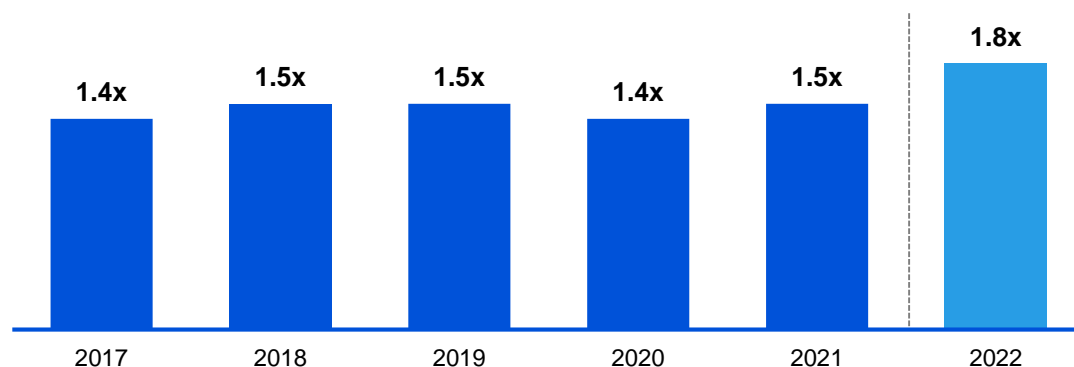
3. Investment portfolio consists of: a) our shareholdings (including those held via special purpose vehicles on an attributable basis) in listed investee companies (excluding subsidiaries) (defined as "Listed Investees"); and b) unlisted investees companies (defined as "Unlisted Investees")

4. 4Q22 figures quoted in US dollars are based on the exchange rate of US\$1 to RMB6.9646

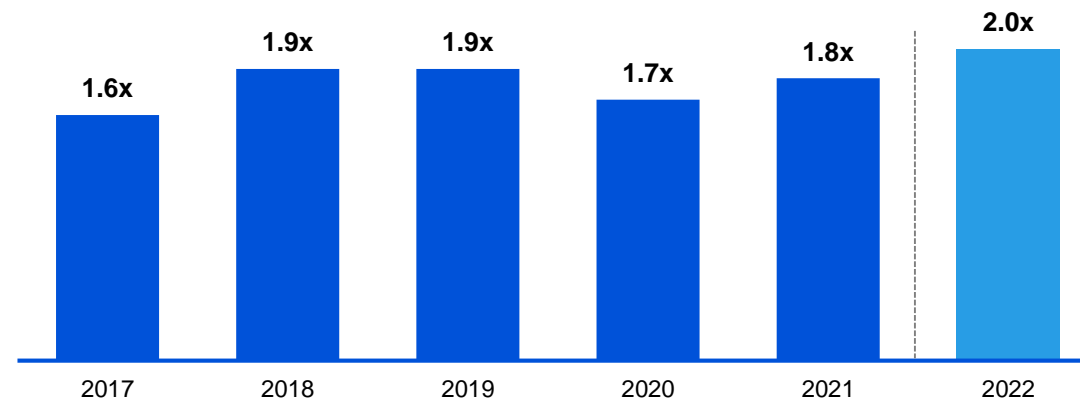
5. Representing the sum of: a) fair value of Listed Investees, and b) carrying value of Unlisted Investees as of 31 Dec 2022

Prudent Capital Management and Robust Credit Metrics

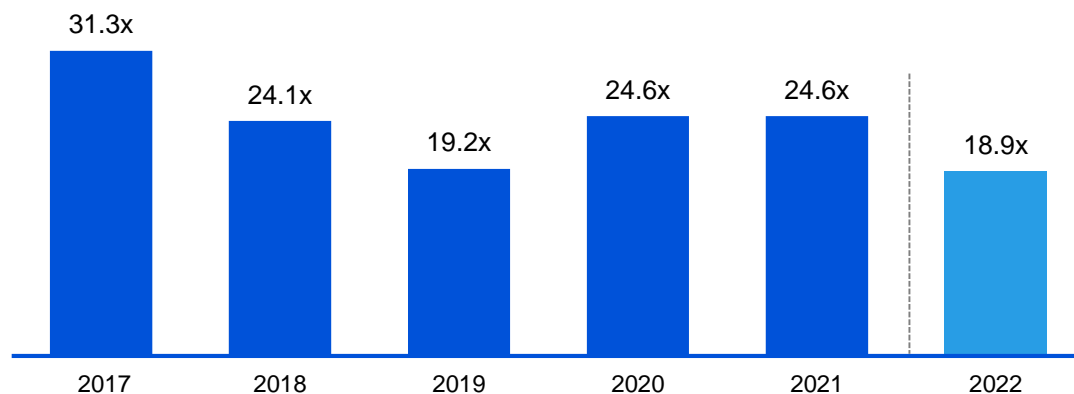
Total debt / Adjusted EBITDA ⁽¹⁾



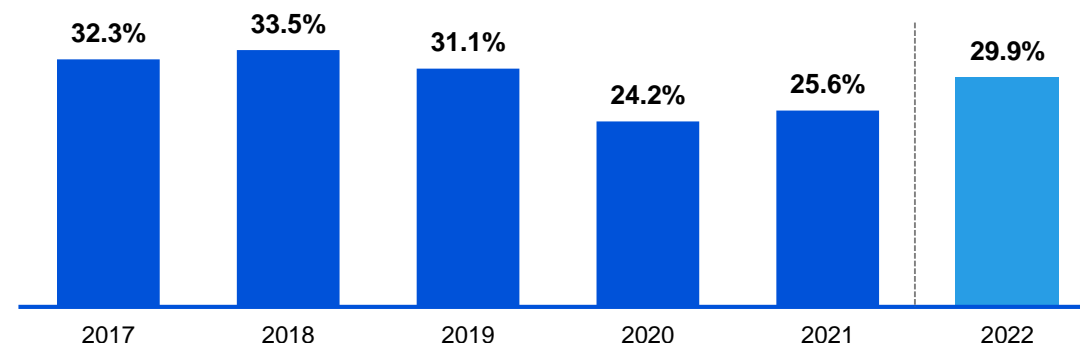
Total debt / (Adjusted EBITDA – CAPEX paid) ⁽³⁾



Adjusted EBITDA / Interest expense



Total debt / Total capitalisation ⁽³⁾



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>