

Tencent 腾讯

CORPORATE OVERVIEW

May 17, 2023

1. *Overview*

2. *Businesses*

3. *Financials*

Digital Ecosystem Fulfilling Everyday Needs of Consumers

1 billion+

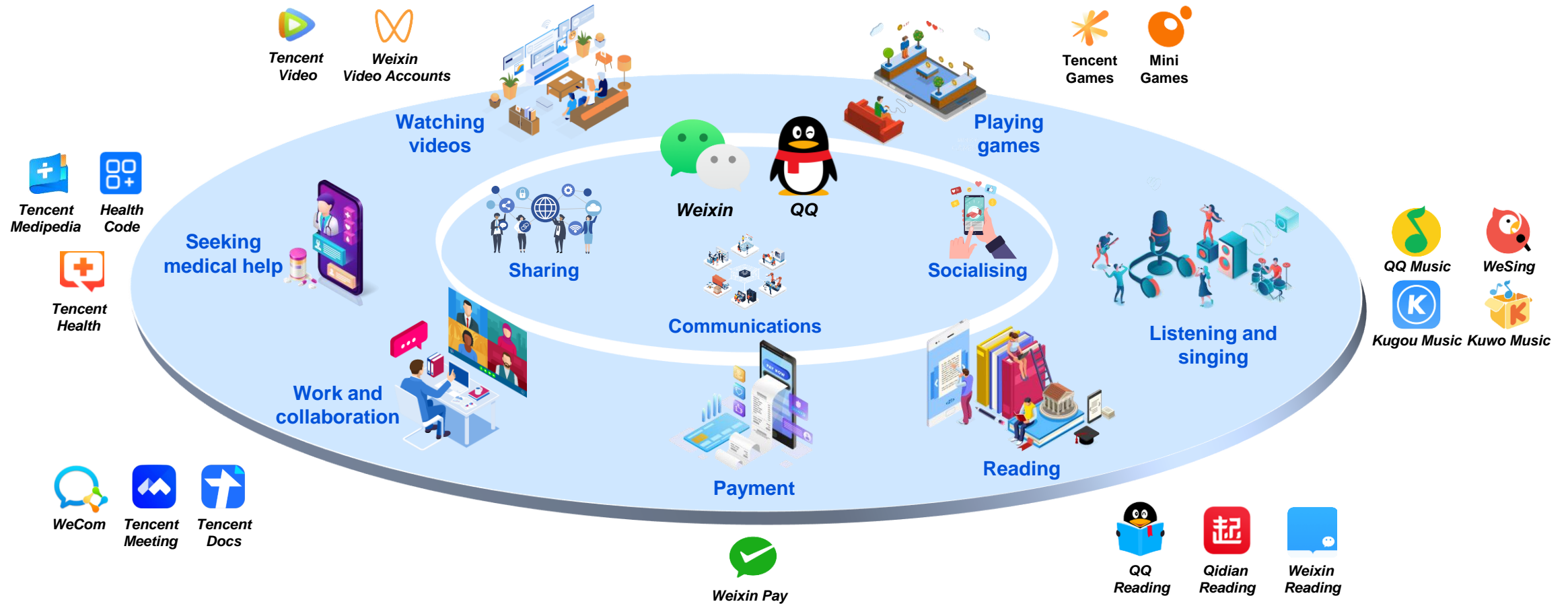
daily average commercial payment transactions on *Weixin Pay* ⁽¹⁾

Several Trillions RMB

GMV generated via *Weixin Mini Programs* in 2022

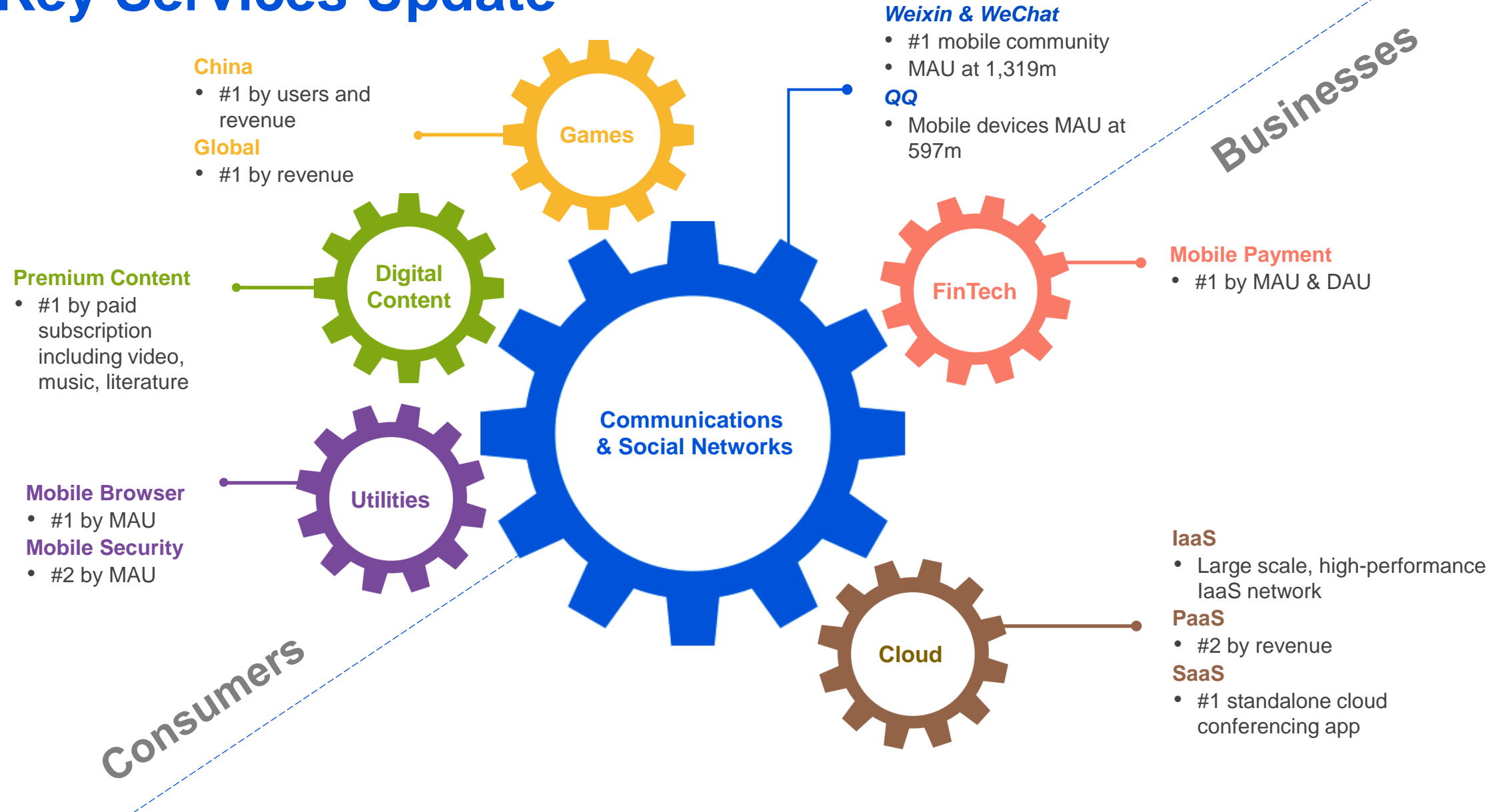
226 million

total fee-based VAS subscriptions ⁽²⁾



1. Since 4Q2019
2. As of Mar 31, 2023

Key Services Update



Weixin Connects Users, Content and Services



Chat and Moments

- Weixin Chat provides synchronous communications 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 with several trillions RMB of annual GMV ⁽¹⁾

Video Accounts

- A leading short-form video and live streaming platform in China
- 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 ⁽²⁾
- Ramping up monetisation via in-feed ads, live streaming tipping and eCommerce

Official Accounts

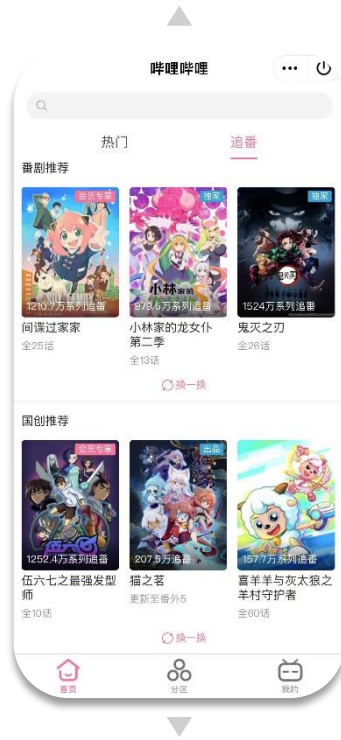
- Allow individuals, media and businesses to share original content and engage with audience
- Strengthen brand awareness and content management

Largest communications and social network platform in China with over 1.3 billion MAU ⁽³⁾

1. In 2022
2. Since 4Q2022
3. As of Mar 31, 2023

QQ Caters to Evolving Interactive Needs of Young Generations

Mini Programs



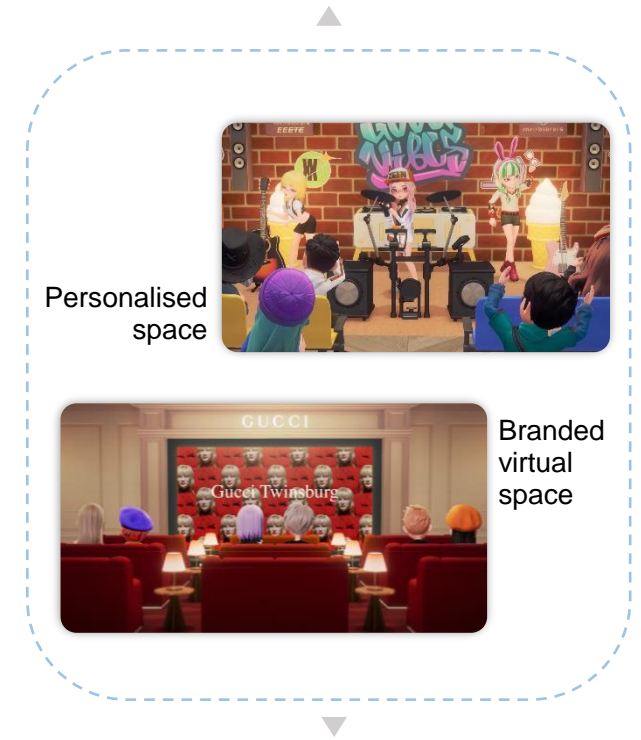
Connect users with content & services, e.g., animated series provided by third-parties

Mini World



Short-form video creation, sharing and consumption

Super QQ Show



Socialise in various scenarios using customisable virtual avatars

597 million QQ MAU ⁽¹⁾ on mobile devices

1. As of Mar 31, 2023

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 assist in digital transformation of non-Internet industries and public services, e.g., financial services, industrials, retail and transportation
- ▶ 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⁾

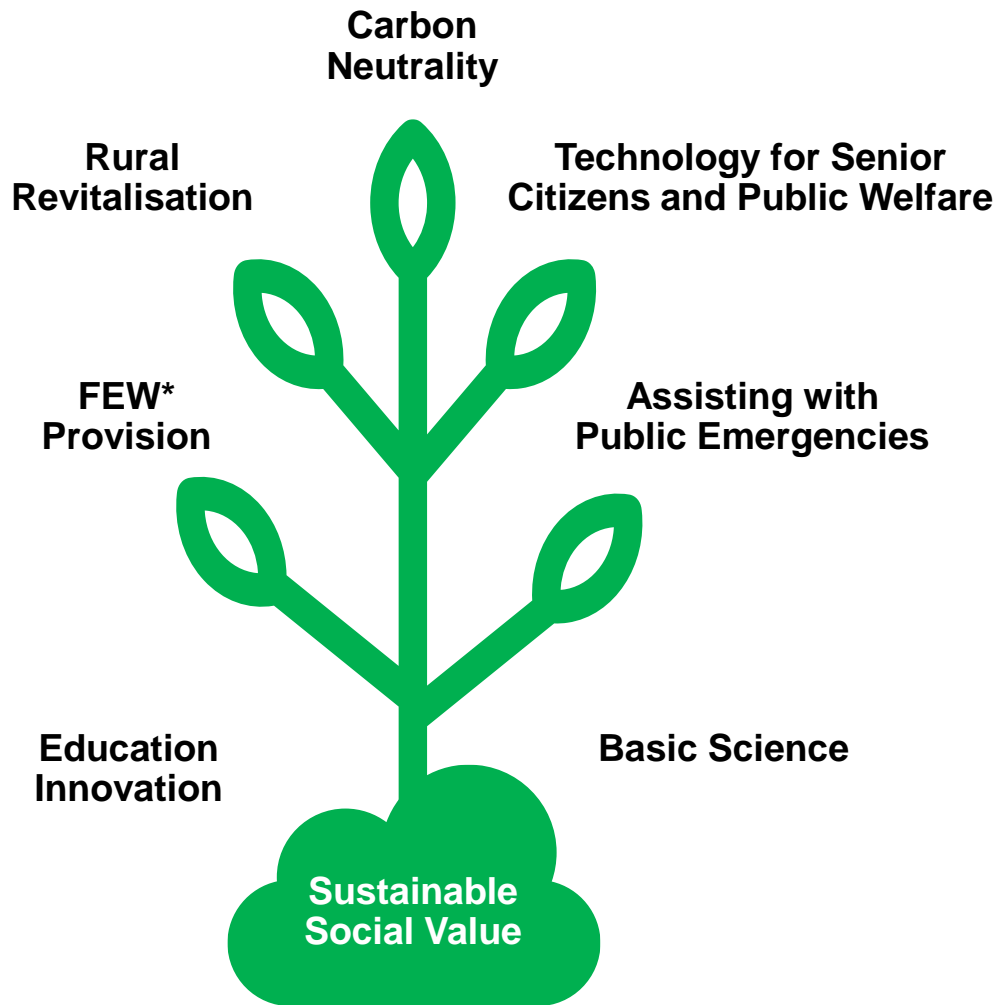
1. As of Mar 31, 2023

2. "Market Share: All Software, Markets, Worldwide, 2022", Gartner

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

4. "IDC China Semiannual Relational Database Management Systems Software Tracker, 2H2022", IDC

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**

* Food, Energy and Water

Our ESG Commitment and Approach

Integrate social responsibility into products and services

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

Environment

- Committed to achieving [Carbon Neutrality](#) in our own operations and supply chain, and shifting to 100% renewable energy **by 2030**:
- Set absolute greenhouse gas emission reduction targets, which are consistent with Paris Agreement and have been validated by SBTi
- Published our [Biodiversity Statement](#), outlining our commitment to developing businesses in an eco-friendly way

Social

- Encourage more **philanthropic participation**, with the total number of participants exceeding 100 million for our 99 Giving Day series of charitable events
- 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* and other digital tools

Governance

- **Enhanced board independence and diversity** with 63% INED and 25% female representation
- **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

MSCI ESG Rating: BBB | Sustainalytics ESG risk score: 22.0 ⁽¹⁾ | S&P Global ESG Score: 48 ⁽²⁾

* For more details about Tencent’s ESG approach, please refer to our [2022 ESG Report](#).

1. Out of 100, the lower the better
2. Out of 100, the higher the better

1. *Overview*

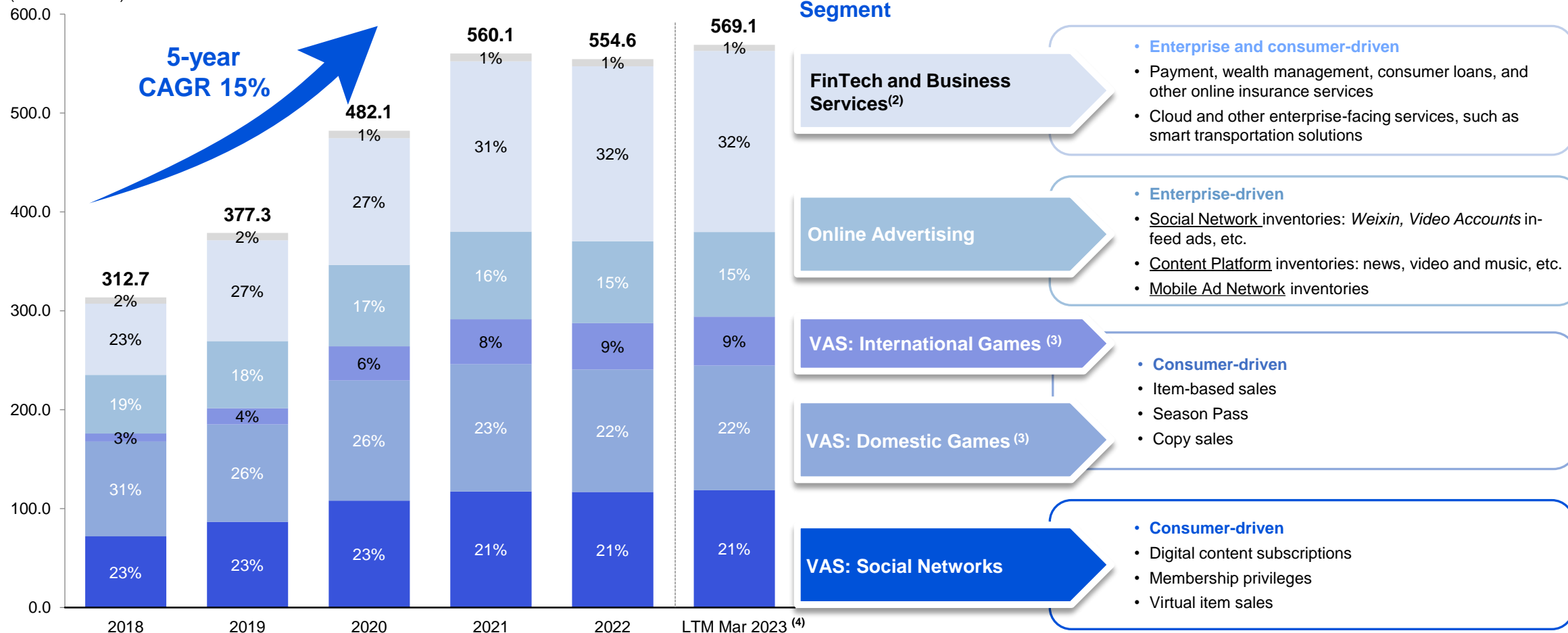
2. *Businesses*

3. *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 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.

4. Last twelve months ended Mar 31, 2023

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

Premium Content

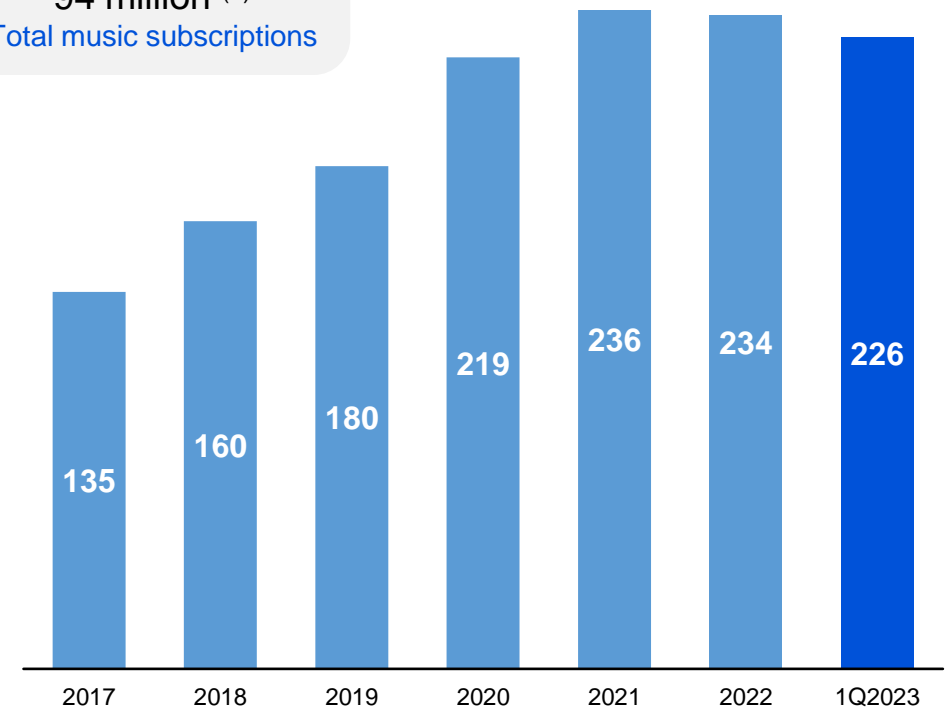


Fee-based VAS Subscriptions

(in millions)

113 million ⁽¹⁾
Total video subscriptions

94 million ⁽¹⁾
Total music subscriptions



1. As of Mar 31, 2023

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) Top 10 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⁾
 Peacekeeper Elite #3 China mobile game by DAU ⁽¹⁾	 PUBG Mobile Top 10 international mobile game by MAU ⁽²⁾	 CrossFire Leading FPS PC game in China 15 years after launch	 CrossFire Mobile #12 China mobile game by DAU ⁽¹⁾
 Clash of Clans Top 10 international mobile game by DAU ⁽²⁾	 Subway Surfers 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 1 st month on Steam Early Access

Strong Operating & Publishing Capabilities

Game-as-a-Service (GaaS)

Expertise in technology, production, operation

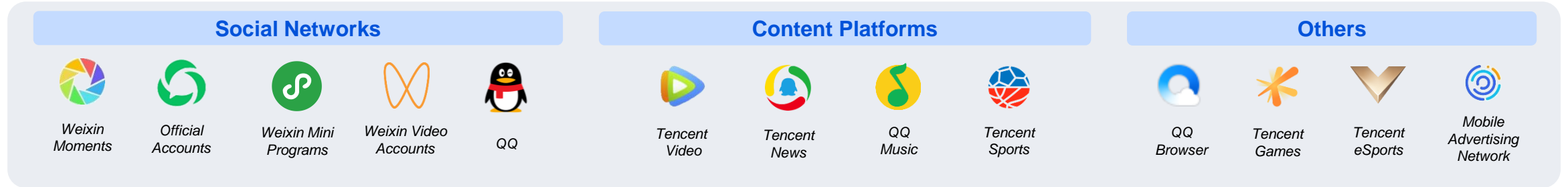
- Game infrastructure scale
- Anti-cheat system
- eSports integrations

 LoL World Championship	 VALORANT Champions
<p>Level Infinite</p> <ul style="list-style-type: none"> Successful international publishing 	
 Tower of Fantasy #3 mobile game released in 2022 ⁽⁴⁾	 NIKKE #1 mobile game released in 2022 ⁽⁴⁾

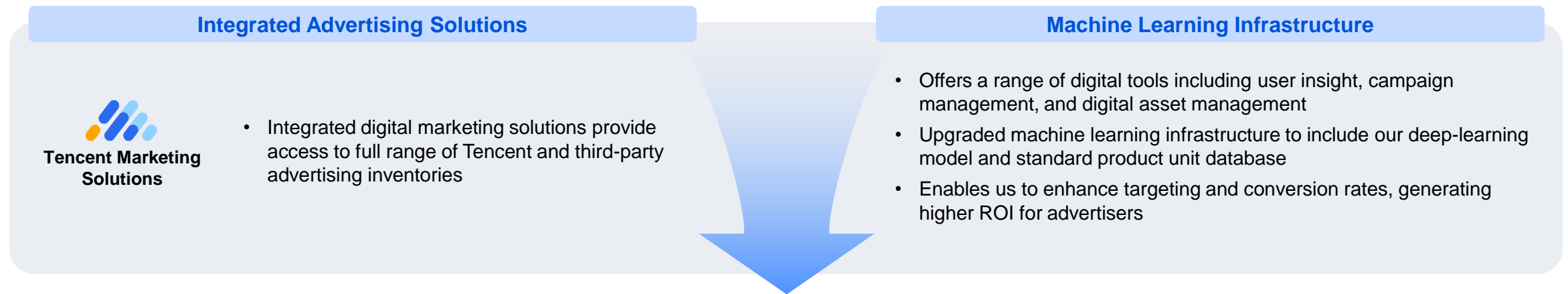
1. QuestMobile, as of Mar 2023
2. data.ai, as of Mar 2023
3. Newzoo, as of Mar 2023
4. data.ai, by first month gross receipts of new releases

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 Services



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* contributed high teens percentage of commercial payment volume⁽¹⁾

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

1. As of Dec 2022

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

3. As of Mar 2022

4. As of Dec 2021

5. As of Dec 2022

Business Services



Tencent Docs



WeCom



Tencent Meeting



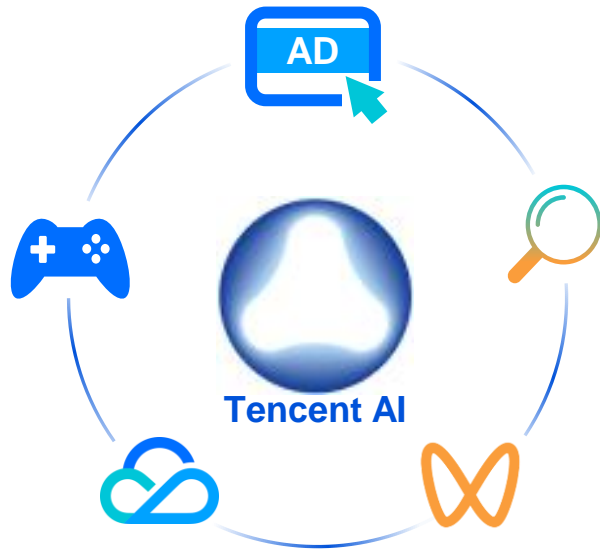
Video Cloud Solutions



Tencent Cloud Enterprise (TCE)

- Assist non-Internet industries and public services in 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 ⁽²⁾ and increasing adoption of security solutions
- SaaS:
 - *WeCom* (enterprise communication & productivity software) connects 10+million companies and organisations ⁽³⁾
 - *Tencent Meeting* crossed 100+ million MAU ⁽⁴⁾
 - *Tencent Docs* crossed 200+million MAU ⁽⁵⁾
- *Tencent Cloud Enterprise* enables customers to integrate and deploy our public cloud products within their private clouds

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*

1. *Overview*

2. *Businesses*

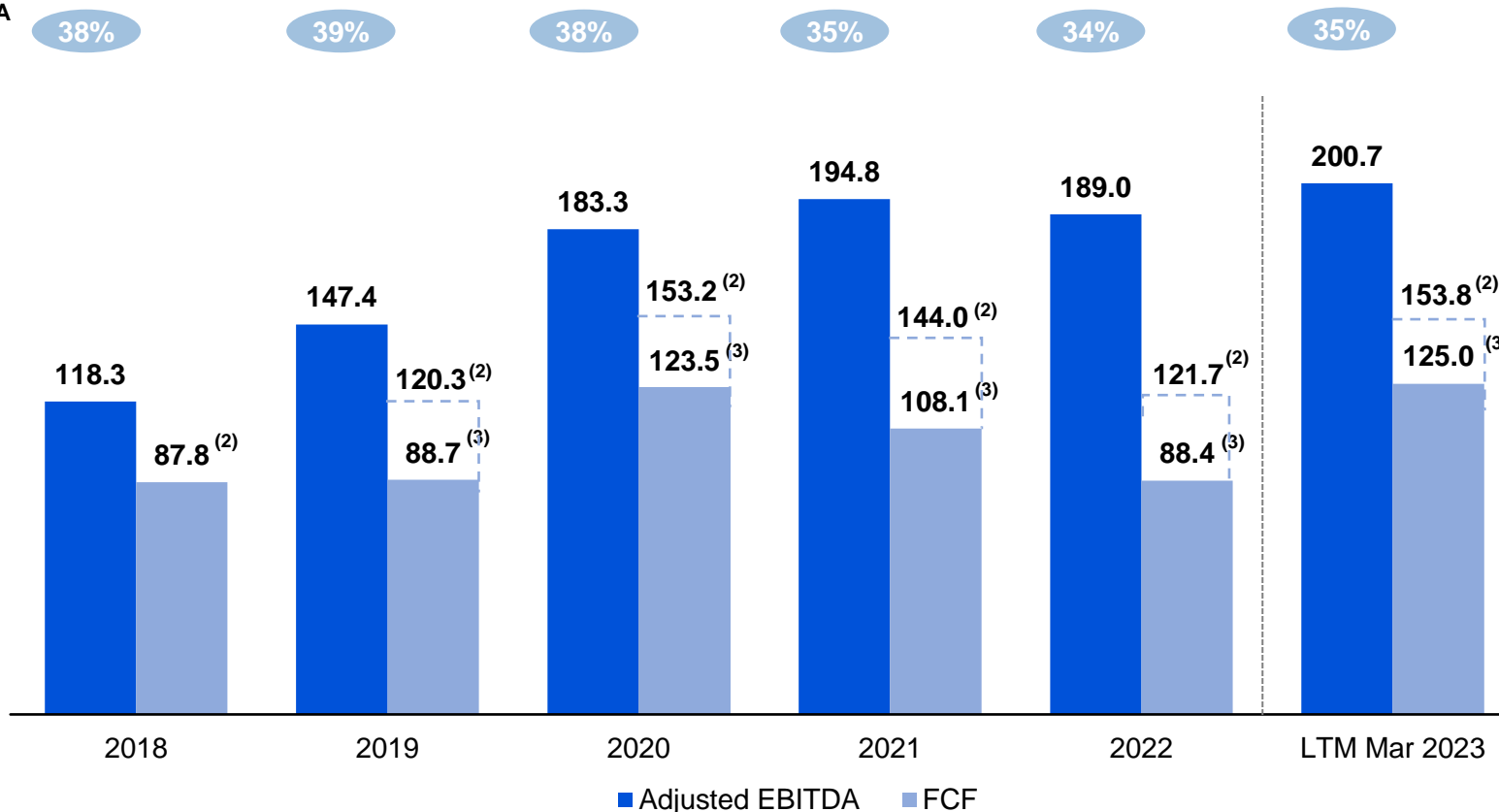
3. *Financials*

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.

4. 2018–2022 CAGR

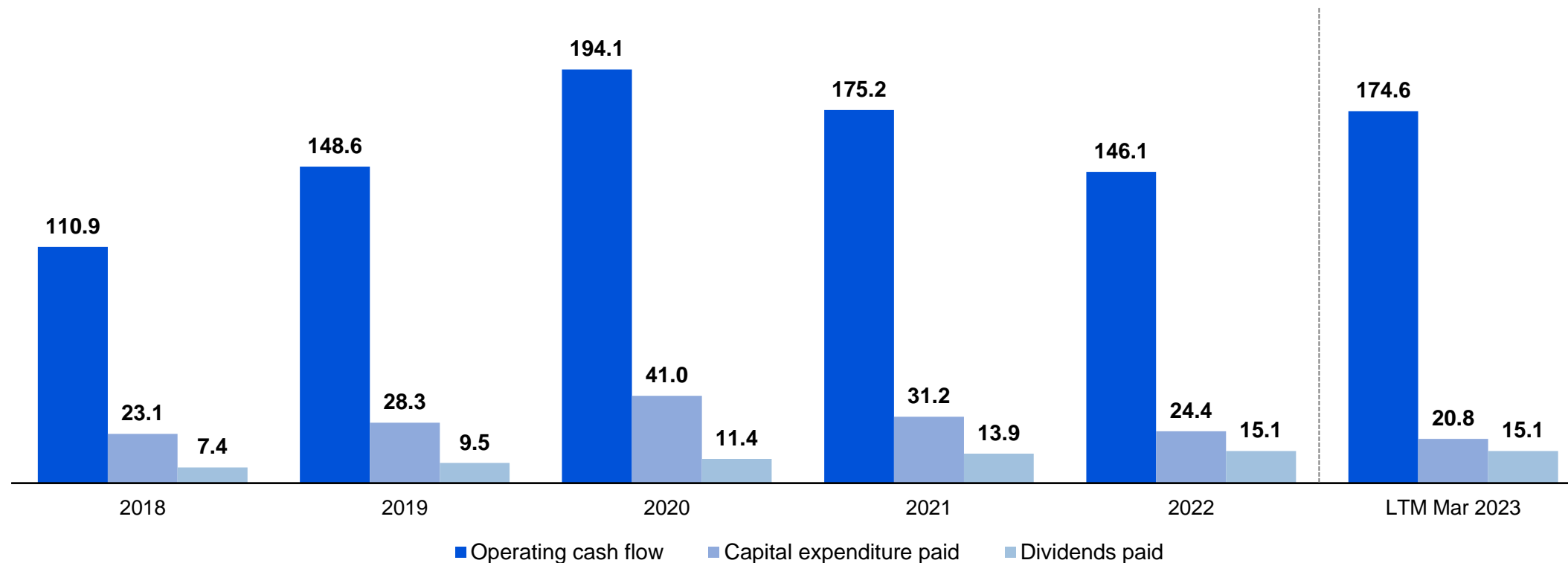
5. 2022 Adjusted EBITDA as % of Revenues

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)



Capital expenditure paid (as % of OCF):	21%	19%	21%	18%	17%	12%
Dividends paid (as % of OCF):	7%	6%	6%	8%	10%	9%

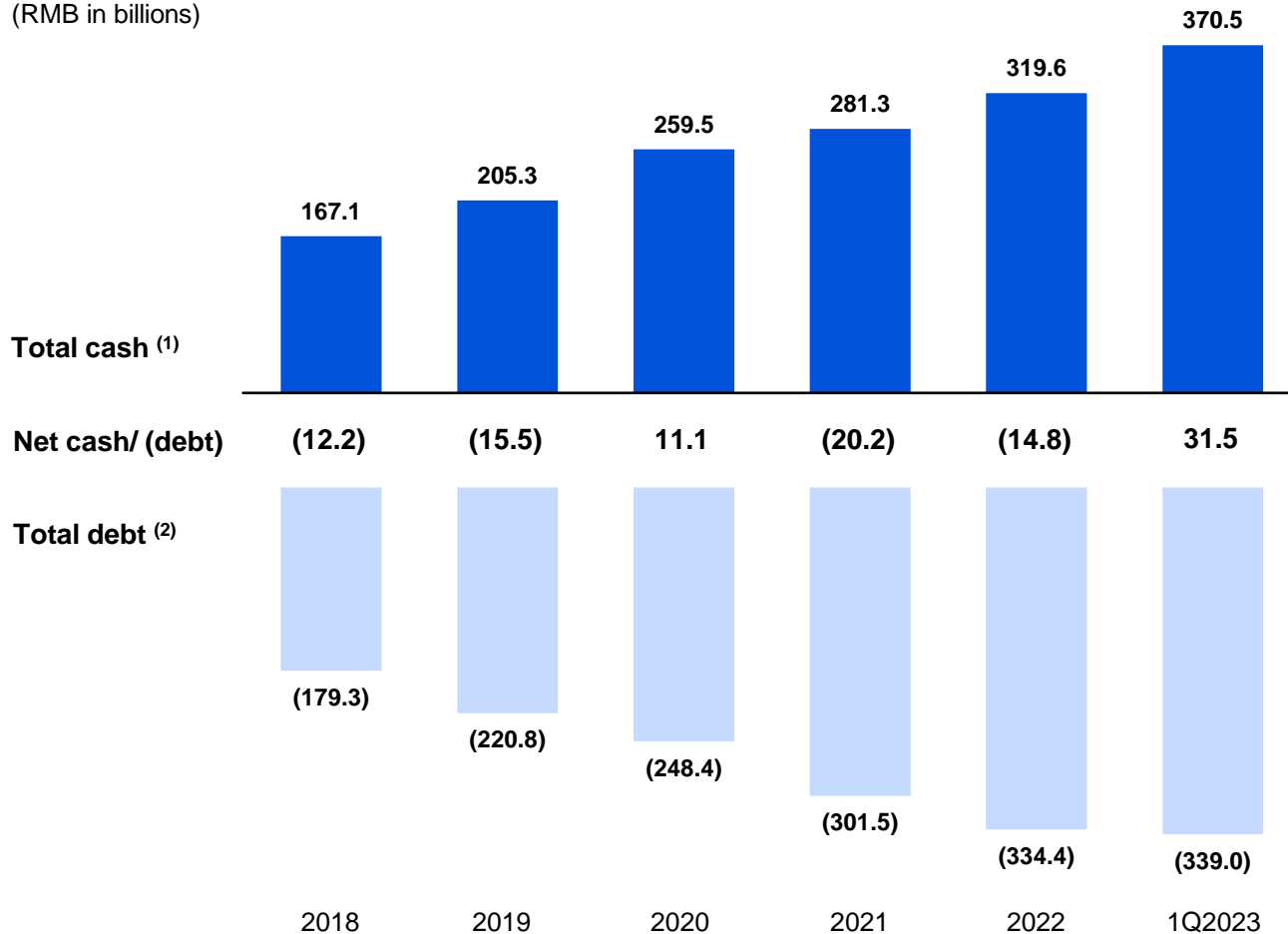
1. In 2019, interest paid was re-classified from operating to financing cash flows, comparative figures from 2018 were re-stated accordingly.

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

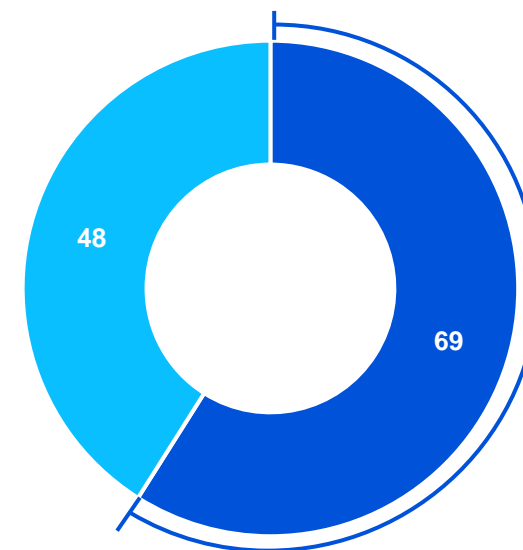
(RMB in billions)



Investment portfolio^{3, 4}

(USD in billions)

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

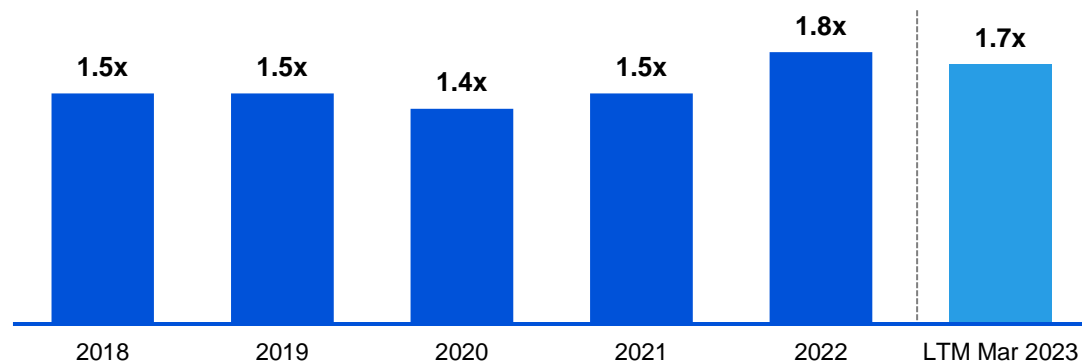


Investment portfolio of **USD117 billion⁵**

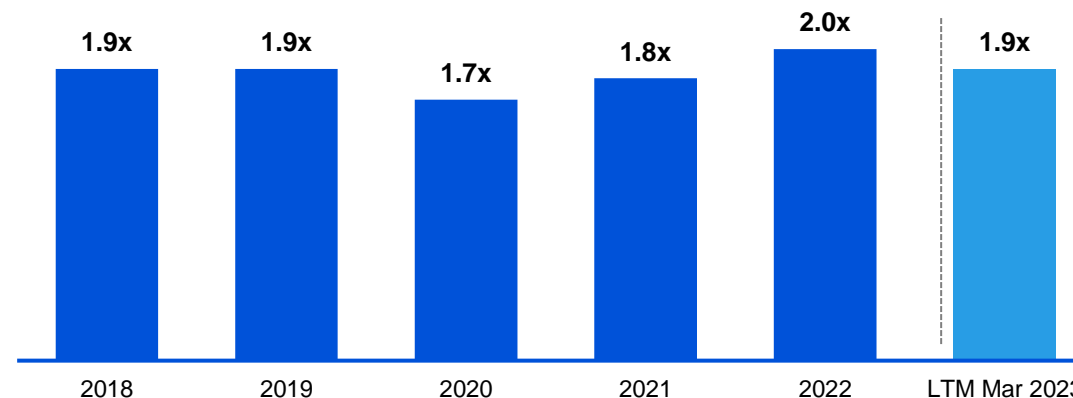
1. Based on cash and cash equivalents, and term deposits and others
 2. Total debt consists of borrowings and notes payable
 3. Investment portfolio consists of: a) our shareholdings (including those held via special purpose vehicles on an attributable basis) in listed investee companies (excluding subsidiaries) (defined as "Listed Investees"); and b) unlisted investees companies (defined as "Unlisted Investees")
 4. 1Q2023 figures quoted in US dollars are based on the exchange rate of US\$1 to RMB6.8717
 5. Representing the sum of: a) fair value of Listed Investees, and b) carrying value of Unlisted Investees as of 31 Mar 2023

Prudent Capital Management and Robust Credit Metrics

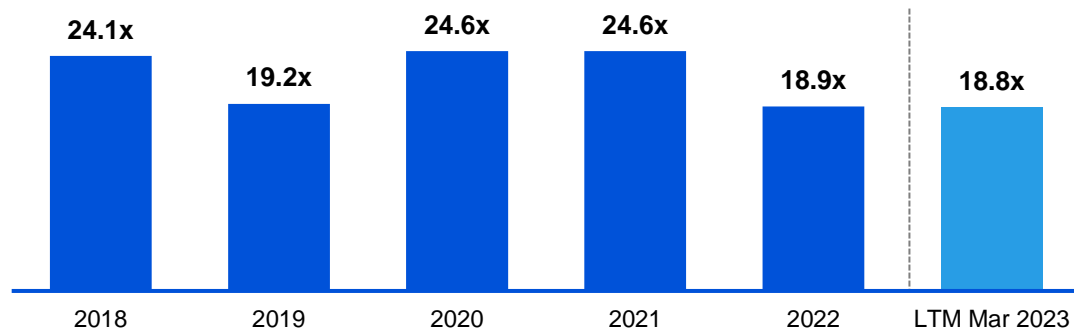
Total debt / Adjusted EBITDA ⁽¹⁾



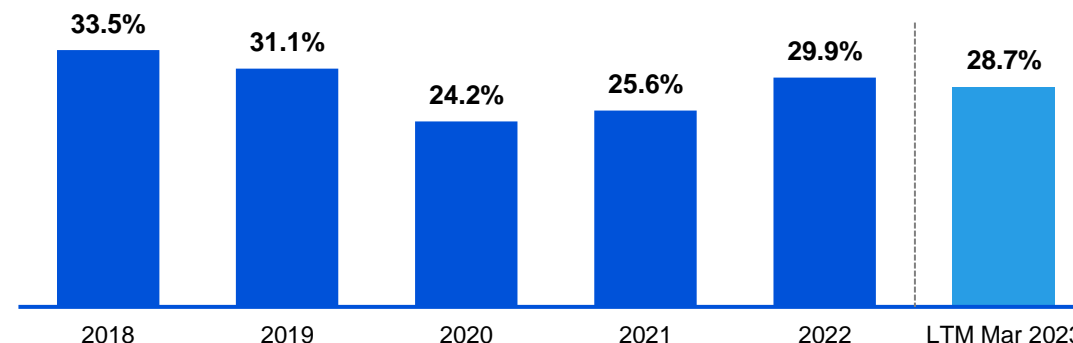
Total debt / (Adjusted EBITDA – CAPEX paid) ⁽³⁾



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)

Tencent Holdings Limited

Corporate Overview

Thank you!



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