

Tencent 腾讯

CORPORATE OVERVIEW

Nov 15, 2023

1. *Overview*

2. *Businesses*

3. *Financials*

Digital Ecosystem Fulfilling Needs of Customers and Enterprises

1 billion+

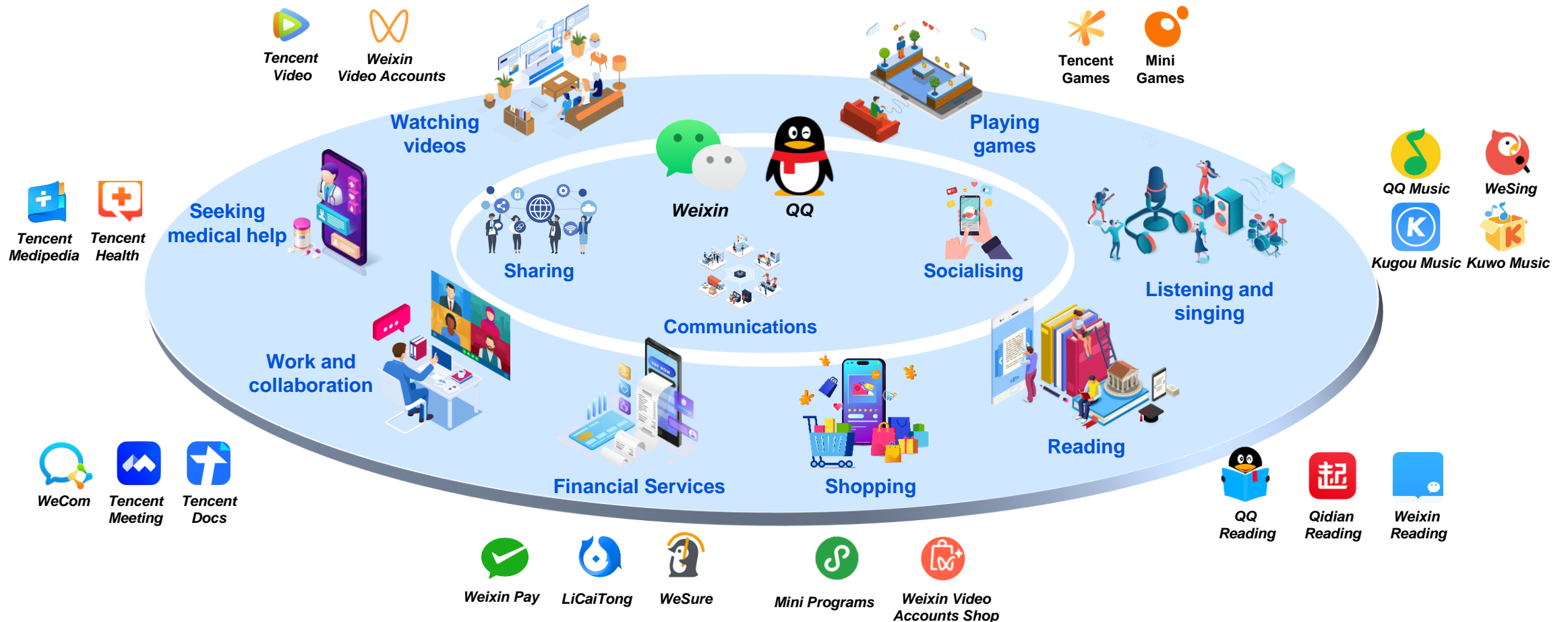
daily average commercial payment transactions on *Weixin Pay* ⁽¹⁾

Several Trillions RMB

GMV facilitated by *Weixin Mini Programs* in 2022

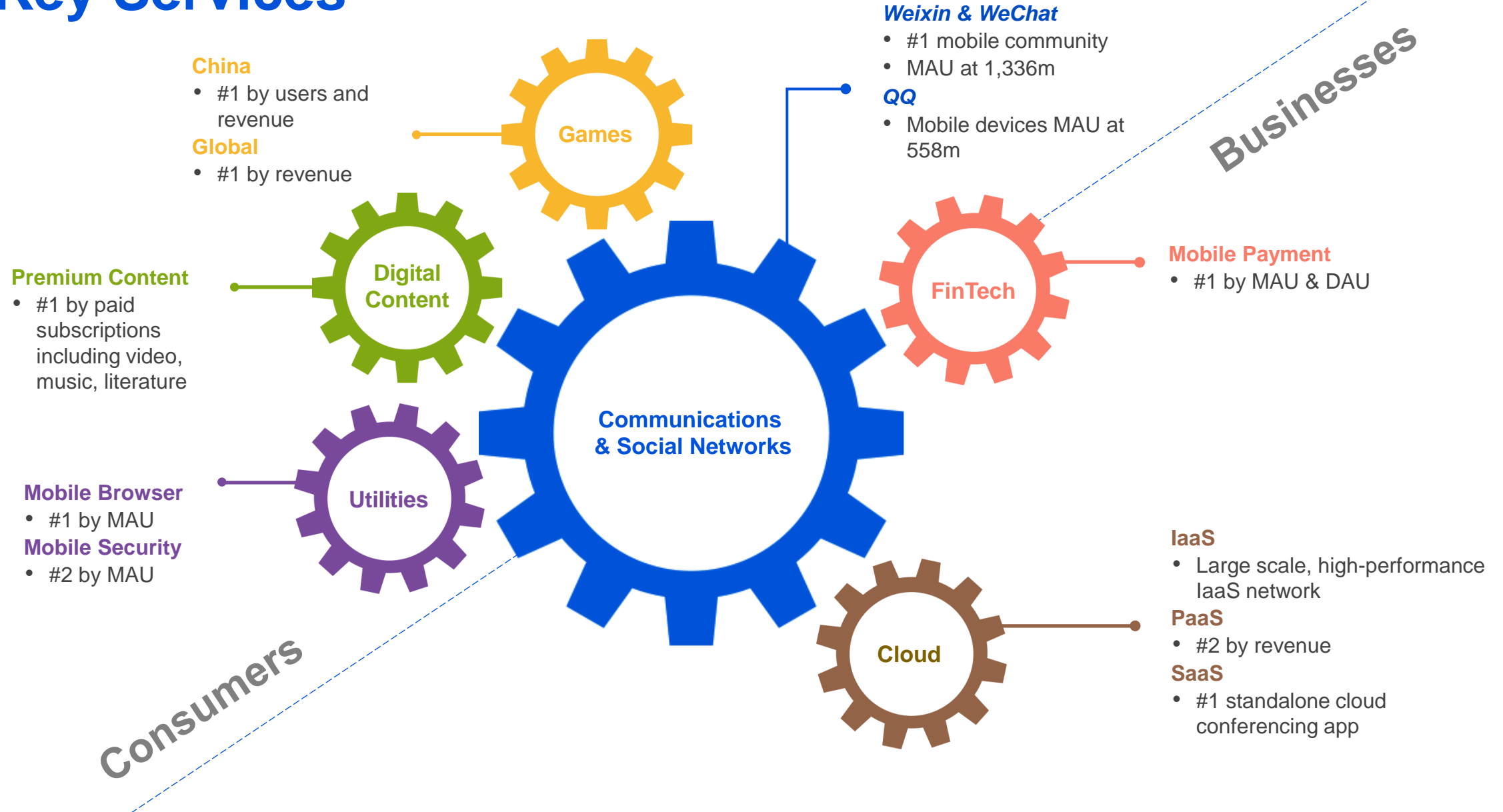
245 million

total fee-based VAS subscriptions ⁽²⁾



1. Since 4Q2019; 2. As of Sep 30, 2023

Key Services



Weixin Connects Users, Content and Services



Chat and Moments

- Weixin Chat is the most indispensable and highest daily user frequency service
- Moments provide asynchronous photo, video and audio sharing

Video Accounts

- A leading short-form video and live streaming platform in China
- Promoting original content through enhanced recommendation algorithms and traffic support programs
- Total time spent on Video Accounts reached 1.2x that of Moments ⁽¹⁾
- Ramping up high margin monetisation via advertising and eCommerce

Mini Programs

- Connect over 1.1 billion MAU with products, content and services ⁽²⁾
- Enable conversions of user interactions into transactions, facilitated over RMB1.5 trillion GMV in 3Q23
- Mini Games is the largest casual game community in China, engaging over 400 million MAU ⁽²⁾

Official Accounts

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

Weixin Pay

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

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

1. Since 4Q2022; 2. In 2Q2023; 3. As of Sep 30, 2023

QQ Caters to Evolving Interactive Needs of Young Generations

QQ Channel



Interest-based communities created within QQ for users with shared hobbies, activities or memberships

Mini World



Short-form video creation, sharing and consumption

Super QQ Show



AI-powered tools for customised avatar outfit design

558 million QQ MAU ⁽¹⁾ on mobile devices

1. As of Sep 30, 2023

Support Real Economy with Strong Technological Capabilities

- ▶ Assist digital transformation of non-Internet industries and public services for customer value creation
- ▶ Concentrate our resources on SaaS/PaaS solutions such as enterprise communication software, relational database software and video cloud and cybersecurity solutions, to pursue quality of growth
- ▶ Expand AI adoption in our service offerings, including chatbot *Mini Programs*, AI-powered SaaS products and enterprise solutions through *Tencent Cloud APIs* or *Model-as-a-Service*

Software and Applications



WeCom



Tencent Meeting



Tencent Docs



Weixin



Tencent Security



Tencent Qidian

Platform and Services



Video Cloud Solutions



Big Data Analytics



Tencent Cloud Enterprise (TCE)



TI Machine Learning Platform



TDSQL Database



Vector Database

Infrastructure and Technologies



StarLake Servers

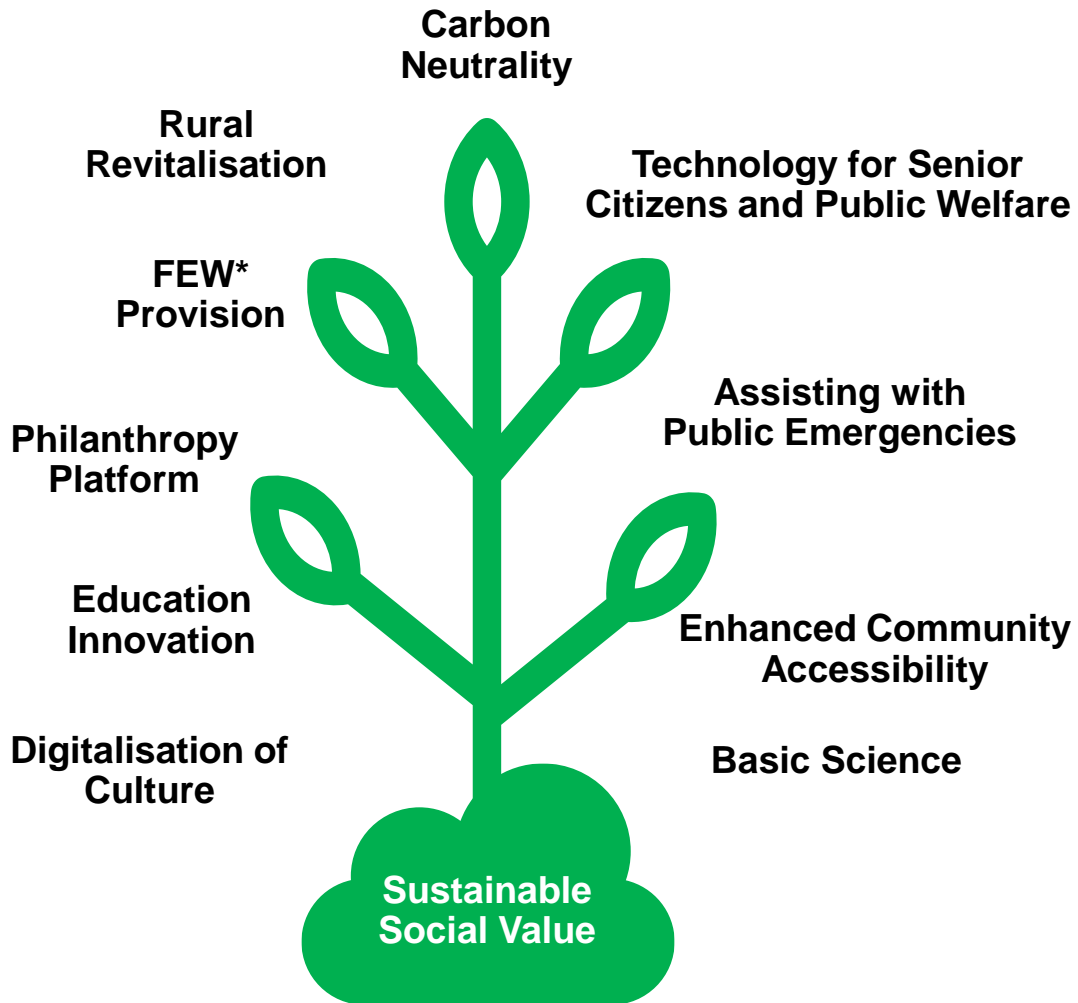


High Performance Computing Cluster 2.0



Tencent Hunyuan foundation model

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 Programme
- 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
- Leverage digital tools and user reach to help preserve cultural heritage

* Food, Energy and Water

Our ESG Commitment and Approach

Integrate social responsibility into products and services

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 validated by SBTi
- Published our **Biodiversity Statement**, outlining our commitment to developing businesses in an eco-friendly way

Social

- Encourage more **philanthropic participation**, with over 120 million users participating in our 99 Giving Day series of charitable events ⁽¹⁾
- Published our **Diversity, Equity, and Inclusion statement** (“DEI”)
- **Assist SMEs** to reduce operating costs and enhance efficiency

Governance

- **Enhanced board independence and diversity** with 63% INED and 25% female representation
- **Uphold corporate integrity** through implementation of Sunshine Code of Conduct and anti-fraud policy
- **Strengthened anti-money laundering and sanctions compliance** to closely follow domestic and global best practices

Sustainability Commitment ▶ Joined the **United Nations Global Compact** as signatory in Aug 2023

Industry Recognition ▶ **1st in Best ESG** ⁽²⁾ for 3 consecutive years and **1st in Best Company Board** ⁽²⁾
▶ Included in the **2023 S&P Global Sustainability Yearbook** and recognised as **the industry mover**

MSCI ESG Rating: BBB | **Sustainalytics ESG risk score: 19.3 – Low Risk** ⁽³⁾ | **S&P Global ESG Score: 49** ⁽⁴⁾

1. During 2023 99 Giving Day series of charitable events, as of Sep 10, 2023; 2. By Institutional Investor in 2023, in Asia (ex-Japan) Internet sector, combined votes from sell-side and buy-side; 3. Out of 100, the lower the better; 4. Out of 100, the higher the better, ranking within top 3% in the industry

1. *Overview*

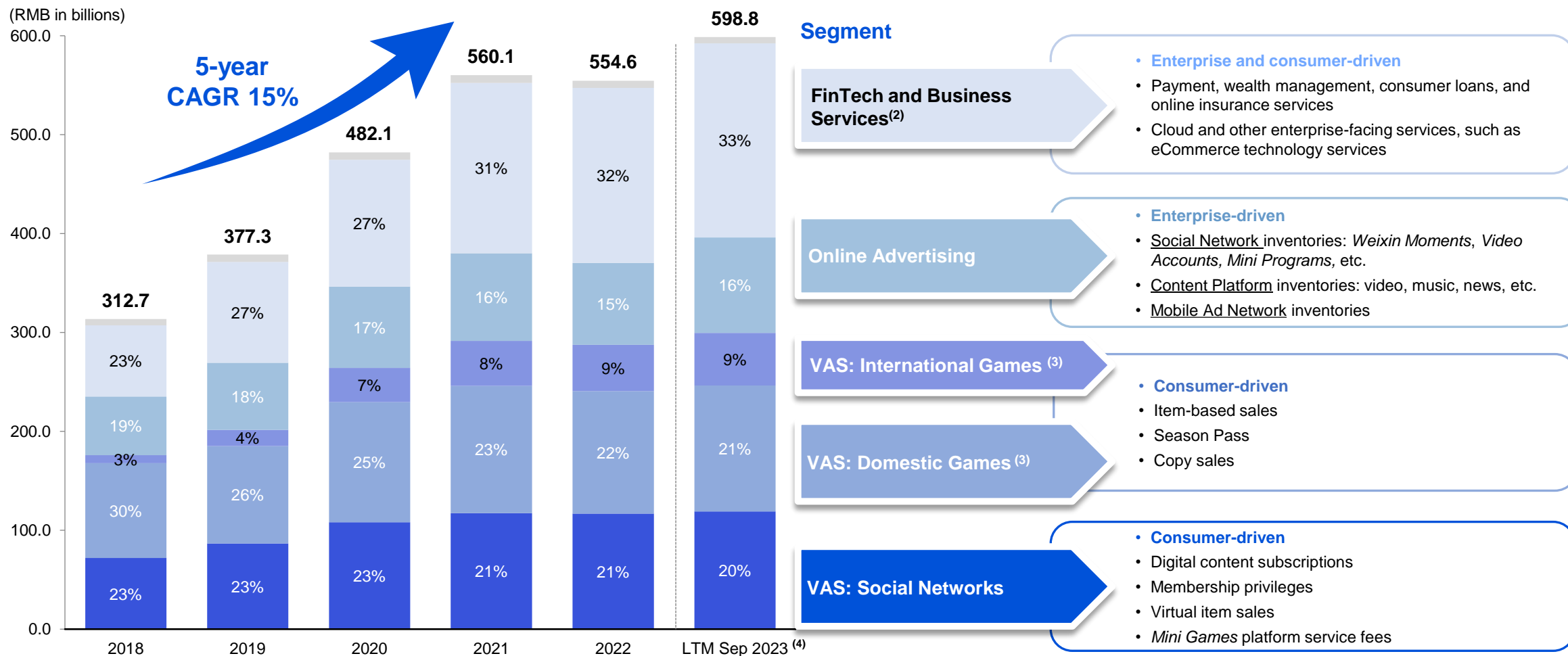
2. *Businesses*

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 2018 – 2022 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 Sep 30, 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

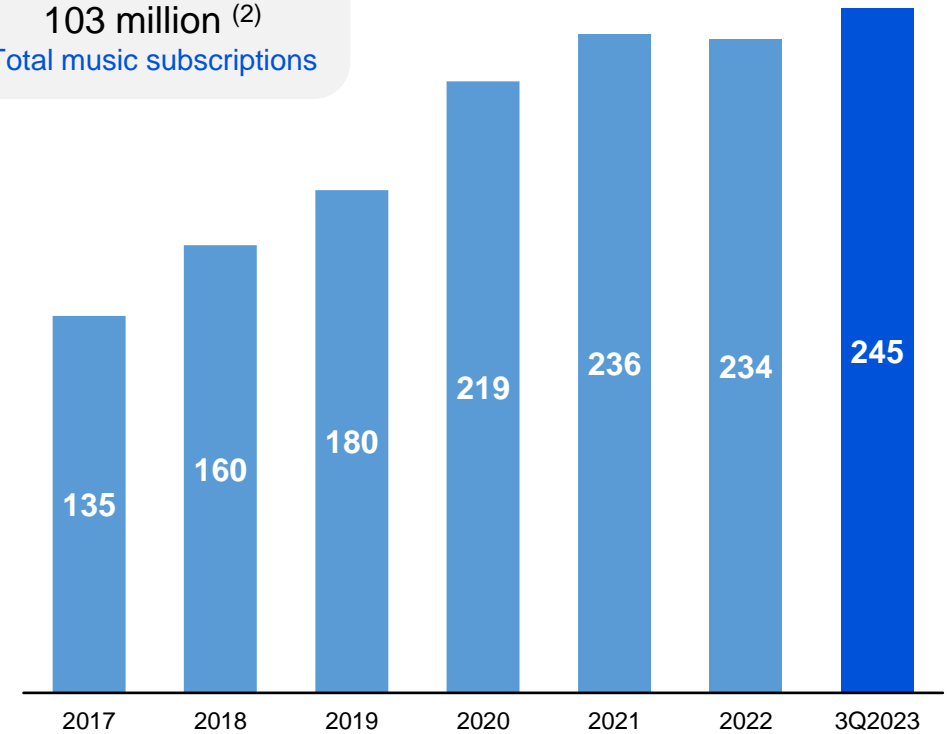


Fee-based VAS Subscriptions

(in millions)

117 million ⁽¹⁾
Total video subscriptions

103 million ⁽²⁾
Total music subscriptions



1. As of Sep 30, 2023; 2. The average number of paying users as of the last day of each month during 3Q2023

Games

Leading global platform for game development, publishing and operation

Sizable Developer

Owned Studios



Invested External Studios



External Partners



Global IP Portfolio

Proven evergreen games

<p>League of Legends (LoL) #5 international PC game by MAU ⁽³⁾</p>	<p>Honour of Kings #1 China mobile game by DAU ⁽¹⁾</p>	<p>Peacekeeper Elite #3 China mobile game by DAU ⁽¹⁾</p>	<p>PUBG Mobile #1 international FPS mobile game by gross receipts ⁽²⁾</p>
<p>Clash of Clans Top 10 international mobile game by DAU ⁽²⁾</p>	<p>CrossFire A leading FPS PC game in China 15 years after launch</p>	<p>Subway Surfers Top 10 international mobile game by DAU ⁽²⁾</p>	<p>Naruto Mobile #1 fighting game in China by gross receipts ⁽²⁾</p>

Cultivating new evergreen games

<p>VALORANT Top 10 international PC game by MAU ⁽³⁾</p>	<p>Fight of the Golden Spatula Top 10 China mobile game by DAU ⁽¹⁾</p>	<p>Wild Rift Top 10 China mobile games by DAU ⁽¹⁾</p>	<p>Arena Breakout Top 10 China mobile game by total time spent ⁽¹⁾</p>
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Strong Operating & Publishing Capabilities

eSports Leadership

- Domestic: publish **4 of 7** titles selected for the 19th Asian Games eSports medal event
- International: **LoL World Championship #1** esports tournament by hours watched ⁽⁵⁾



LoL World Championship

Level Infinite

- Successful international publishing



Tower of Fantasy
#3 mobile game released in 2022 ⁽⁴⁾



GODESS OF VICTORY: NIKKE
#1 mobile game released in 2022 ⁽⁴⁾

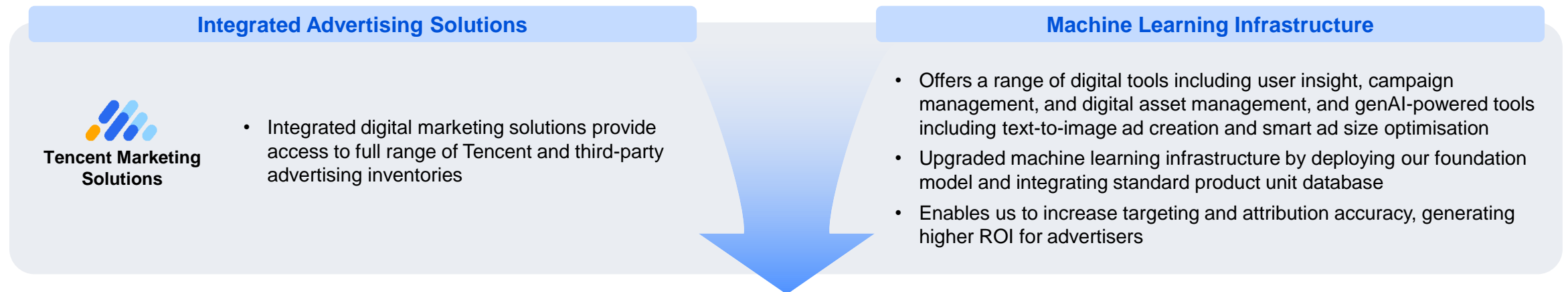
1. QuestMobile, in 3Q2023; 2. data.ai, in 3Q2023; 3. Newzoo, in Sep 2023; 4. data.ai, by first month gross receipts of new releases; 5. esports charts, in 2023

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 Services



Weixin Pay



LiCaiTong



WeiLiDai



WeSure

Leveraging synergies with Mini Programs

- *Mini Programs* is a leading transaction platform in China, facilitating several trillions RMB of GMV in 2022
- Online + offline solutions reduce transaction friction and drive repeat sales for merchants

Progressing business and providing innovation under the supportive regulatory framework

- 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

Business Services



Tencent Docs



WeCom



Tencent Meeting



Video Cloud Solutions



Tencent Cloud Enterprise (TCE)

SaaS:

- *WeCom* (enterprise communication & productivity software) connects 12+ million companies and organisations ⁽¹⁾
- The number of *Tencent Meeting* registered users exceeded 400 million ⁽²⁾
- *Tencent Docs* crossed 200+million MAU ⁽³⁾

PaaS:

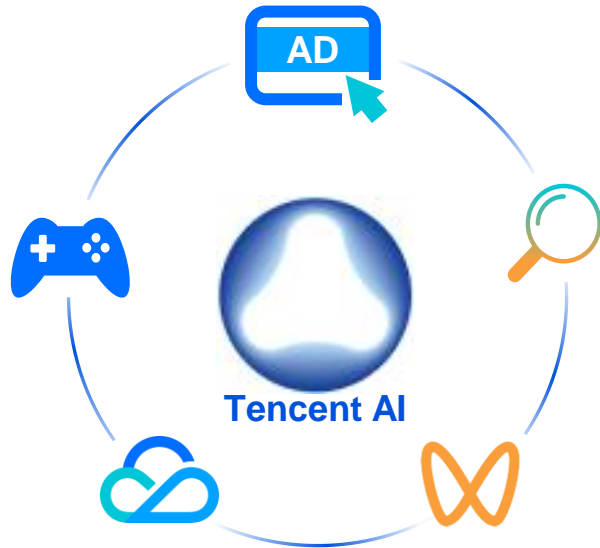
- No. 1 in China by Communication PaaS revenues ⁽⁴⁾
- No. 1 in Asia Pacific by integrated competitiveness for Video Cloud solutions ⁽⁵⁾
- No. 2 in China by market share for relational database software ⁽⁶⁾

IaaS:

- Solid infrastructure in 26 regions and 70 availability zones ⁽²⁾

1. As of Mar 2023; 2. As of Sep 2023; 3. As of Dec 2022. 4. "Market Share: All Software, Markets, Worldwide, 2022", Gartner; 5. "Sharing of Asia-Pacific Media Service Market Report, 2022", Frost & Sullivan; 6. "IDC China Semiannual Relational Database Management Systems Software Tracker, 2H2022", IDC

Artificial Intelligence – Growth Multiplier & Value Provider



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

Strategies for AI development

- Upgrade *Tencent Hunyuan* foundation model and integrate it into our services
- 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 *Tencent Hunyuan*

1. *Overview*

2. *Businesses*

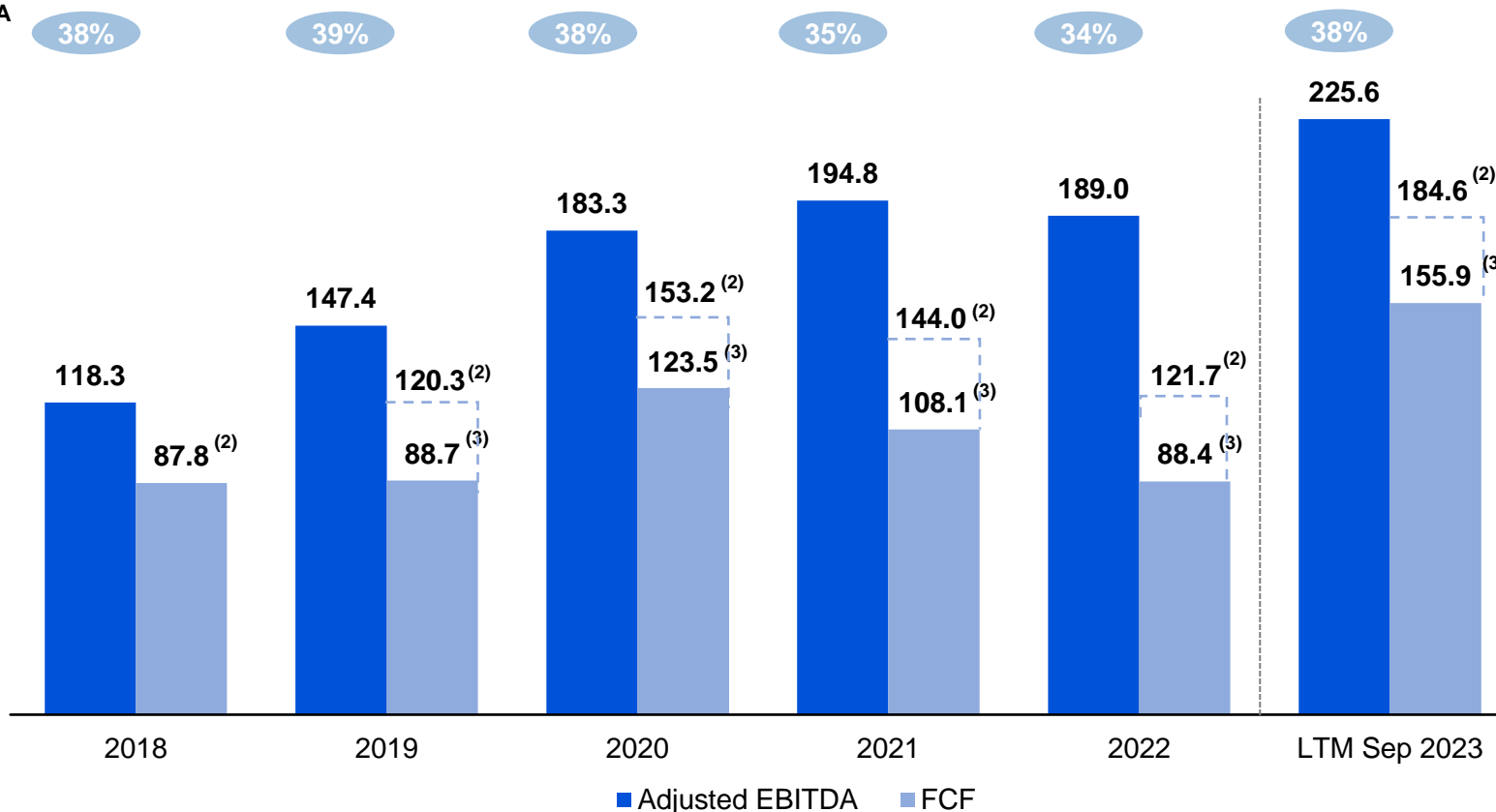
3. *Financials*

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

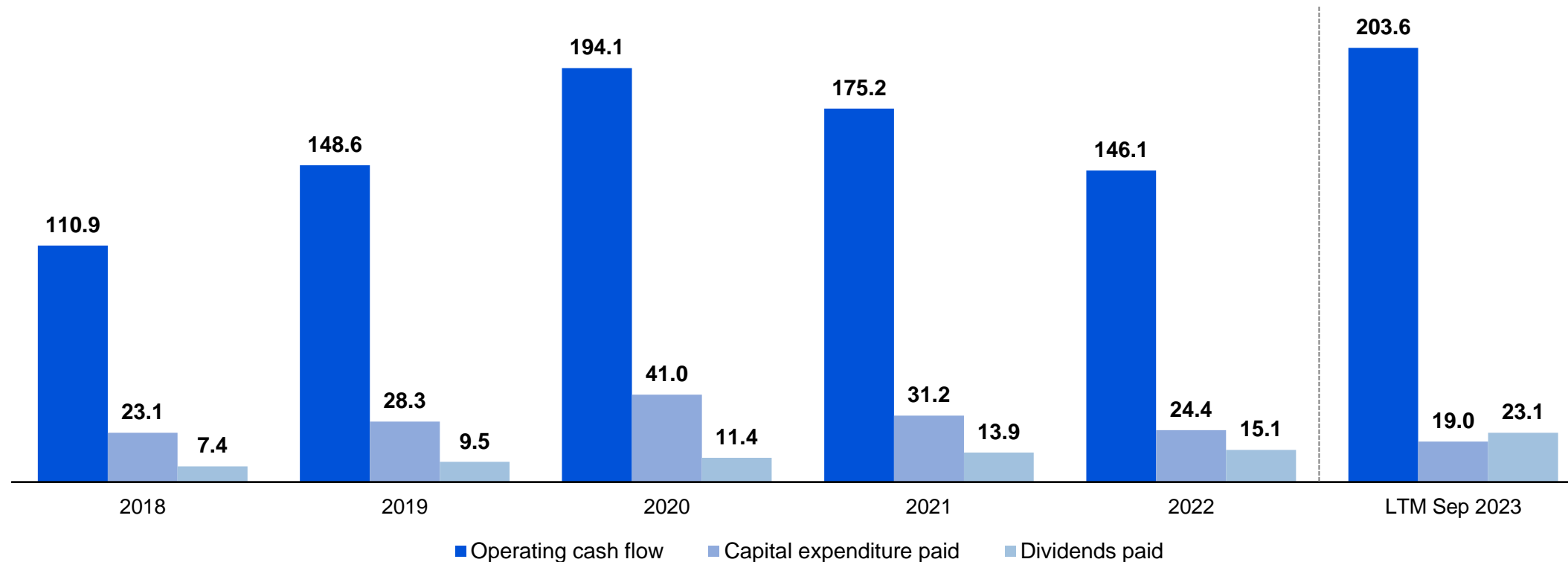
5. 2022 Adjusted EBITDA as % of Revenues

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%	9%
Dividends paid (as % of OCF):	7%	6%	6%	8%	10%	11%

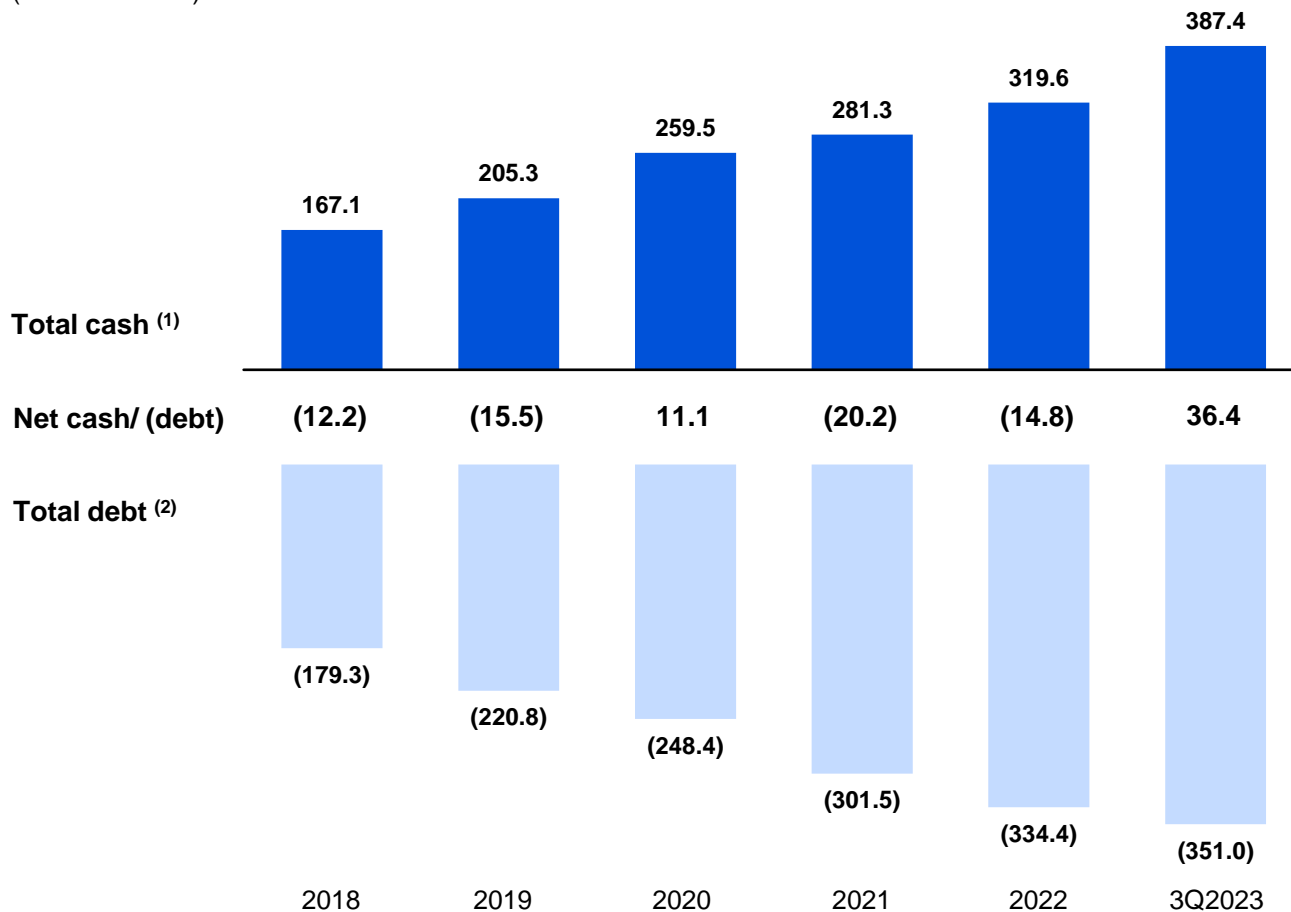
1. In 2019, interest paid was re-classified from operating to financing cash flows, comparative figures from 2018 were re-stated accordingly.

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

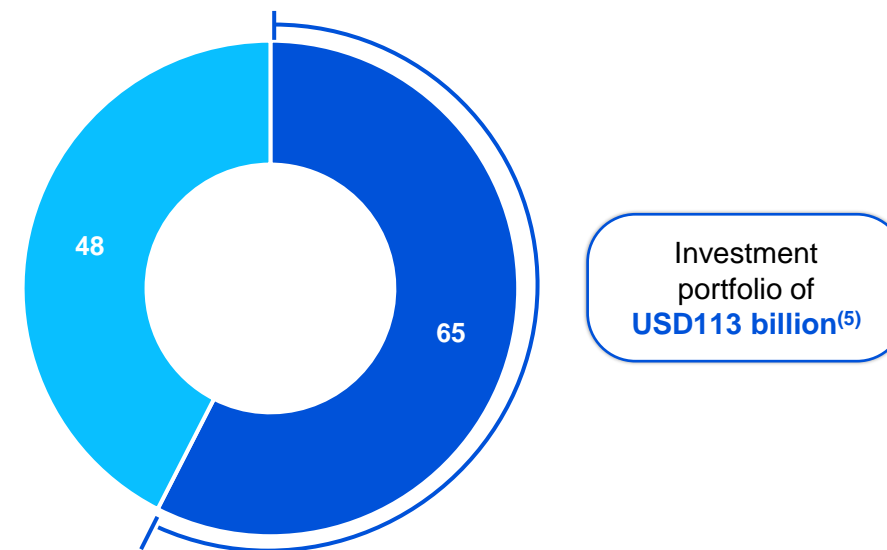
(RMB in billions)



Investment portfolio⁽³⁾⁽⁴⁾

(USD in billions)

- Listed Investees⁽³⁾ – fair value
- Unlisted Investees⁽³⁾ – carrying value



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

2. Total debt consists of borrowings and notes payable

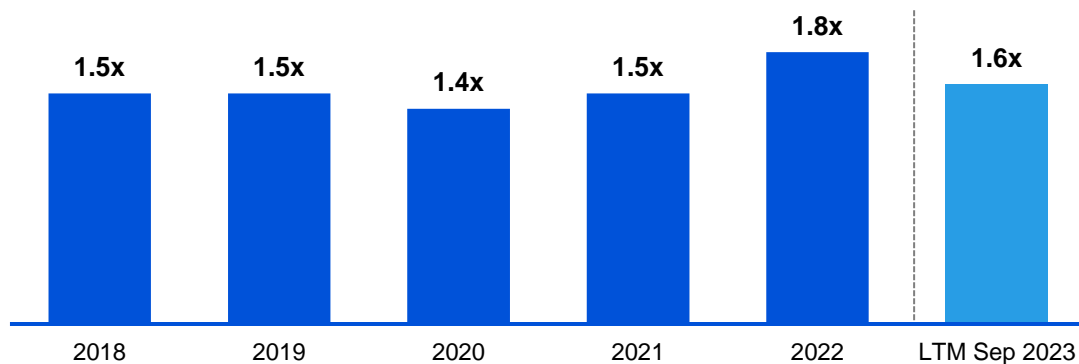
3. Investment portfolio consists of: a) our shareholdings (including those held via special purpose vehicles on an attributable basis) in listed investee companies (excluding subsidiaries) (defined as "Listed Investees"); and b) unlisted investees companies (defined as "Unlisted Investees")

4. 3Q2023 figures quoted in US dollars are based on the exchange rate of US\$1 to RMB7.1798

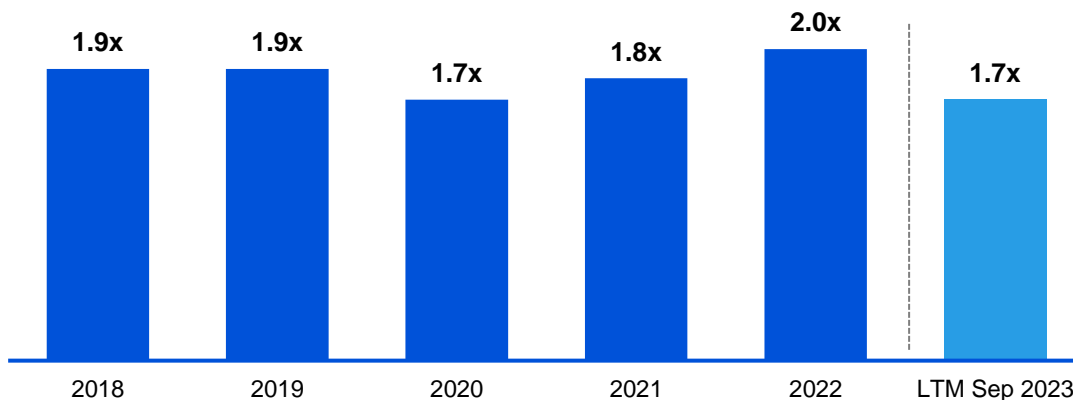
5. Representing the sum of: a) fair value of Listed Investees, and b) carrying book value of Unlisted Investees as of 30 Sep 2023

Prudent Capital Management and Robust Credit Metrics

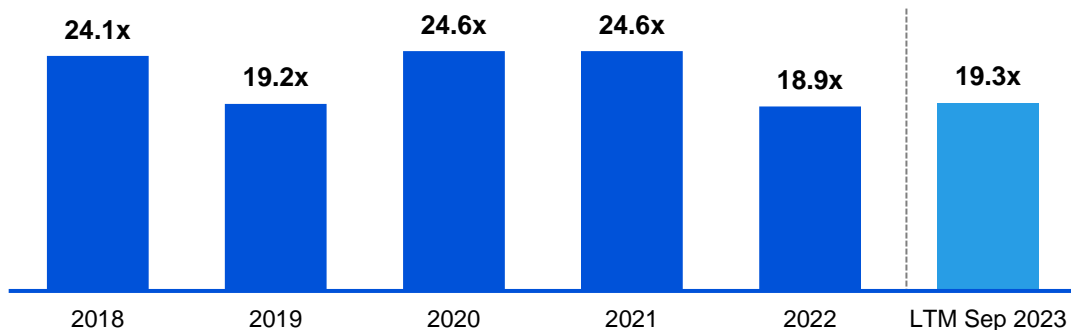
Total debt / Adjusted EBITDA ⁽¹⁾



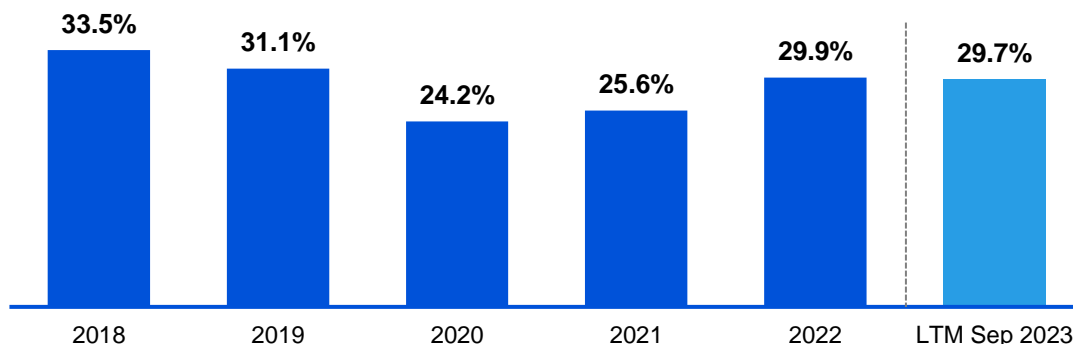
Total debt / (Adjusted EBITDA – CAPEX paid) ⁽²⁾



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>