Tencent 腾讯

CORPORATE OVERVIEW

3Q2023
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

China
- #1 by users and revenue
- #1 by revenue

Global
- #1 by revenue

Premium Content
- #1 by paid subscriptions including video, music, literature

Mobile Browser
- #1 by MAU

Mobile Security
- #2 by MAU

Weixin & WeChat
- #1 mobile community
- MAU at 1,336m

QQ
- Mobile devices MAU at 558m

Mobile Payment
- #1 by MAU & DAU

Communications & Social Networks

Digital Content

Games

Utilities

FinTech

Cloud

Businesses

IaaS
- Large scale, high-performance IaaS network

PaaS
- #2 by revenue

SaaS
- #1 standalone cloud conferencing app

All rankings above refer to China market, unless otherwise stated. Ranking for PaaS is based on IDC Quarterly Public Cloud Services Tracker report. Company data as of Sep 30, 2023.
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

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

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

<table>
<thead>
<tr>
<th>Software and Applications</th>
<th>Tencent Meeting</th>
<th>Tencent Docs</th>
<th>Weixin</th>
<th>Tencent Security</th>
<th>Tencent Qidian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platform and Services</td>
<td>Video Cloud Solutions</td>
<td>Big Data Analytics</td>
<td><em>Tencent Cloud Enterprise (TCE)</em></td>
<td>TI Machine Learning Platform</td>
<td>TDSQL Database</td>
</tr>
<tr>
<td>Infrastructure and Technologies</td>
<td><em>StarLake Servers</em></td>
<td><em>High Performance Computing Cluster 2.0</em></td>
<td><em>Tencent Hunyuan</em> foundation model</td>
<td></td>
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</tbody>
</table>
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

*Sustainable Social Value

- Carbon Neutrality
- Rural Revitalisation
- Technology for Senior Citizens and Public Welfare
- Assisting with Public Emergencies
- Enhanced Community Accessibility
- Basic Science
- Philanthropy Platform
- Digitalisation of Culture
- FEW* Provision

* 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: BB  |  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)

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

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.
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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**

- Tencent Video
- Tencent Video and Anime
- Tencent Animation and Comics
- QQ Reading
- Qidian Reading
- Weixin Reading
- Huya Live Streaming

**Fee-based VAS Subscriptions**

(in millions)

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

- 117 million (1)
  - Total video subscriptions
- 103 million (2)
  - Total music subscriptions

135 160 180 219 236 234 245

2017 2018 2019 2020 2021 2022 3Q2023
**Games**

Leading global platform for game development, publishing and operation

<table>
<thead>
<tr>
<th>Sizable Developer</th>
<th>Global IP Portfolio</th>
<th>Strong Operating &amp; Publishing Capabilities</th>
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<tbody>
<tr>
<td>Owned Studios</td>
<td></td>
<td>eSports Leadership</td>
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<tr>
<td>TIMI</td>
<td></td>
<td>Domestic: publish 4 of 7 titles selected for the 19th Asian Games eSports medal event</td>
</tr>
<tr>
<td>Digital Extremes</td>
<td>League of Legends (LoL) #5 international PC game by MAU (2)</td>
<td>International: LoL World Championship #1 eSports tournament by hours watched (5)</td>
</tr>
<tr>
<td>RIOT GAMES</td>
<td>Honour of Kings #1 China mobile game by DAU (1)</td>
<td>LoL World Championship</td>
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<tr>
<td>MINICLIP</td>
<td>Peacekeeper Elite #3 China mobile game by DAU (1)</td>
<td>Level Infinite</td>
</tr>
<tr>
<td>AURORA GAMES</td>
<td>PUBG Mobile #1 international FPS mobile game by gross receipts (2)</td>
<td>• Successful international publishing</td>
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<tr>
<td>LIGHTSPEED GAMES</td>
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<td>SUMO GAMES GROUP</td>
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<td>Aurora Studios</td>
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<tr>
<th>Invested External Studios</th>
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<tbody>
<tr>
<td>EPIC GAMES</td>
<td>Clash of Clans Top 10 international mobile game by DAU (2)</td>
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<tr>
<td>UBISOFT</td>
<td>CrossFire A leading FPS PC game in China 15 years after launch</td>
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<tr>
<td>FROM SOFTWARE</td>
<td>Subway Surfers Top 10 international mobile game by DAU (2)</td>
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<tr>
<td>KRAFTON</td>
<td>Naruto Mobile #1 fighting game in China by gross receipts (2)</td>
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<td>RBILOBX</td>
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<tr>
<th>External Partners</th>
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<tbody>
<tr>
<td>Nintendo</td>
<td>VALORANT Top 10 international PC game by MAU (2)</td>
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<tr>
<td>NEXON</td>
<td>Fight of the Golden Spatula Top 10 China mobile game by DAU (1)</td>
<td></td>
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<tr>
<td>CAPCOM</td>
<td>Wild Rift Top 10 China mobile games by DAU (1)</td>
<td></td>
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<tr>
<td>T2</td>
<td>Arena Breakout Top 10 China mobile game by total time spent (1)</td>
<td></td>
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<tr>
<td>EA</td>
<td></td>
<td></td>
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<tr>
<td>ACTIVISION</td>
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</table>

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
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)

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

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. 2019-2022 CAGR
5. 2022 Adjusted EBITDA as % of Revenues
6. FCF Conversion = FCF / Adjusted EBITDA; In 2022

Profitable and Cash-Generative Business Model

Fiscal years: 2018-2022
LTM Sep 2023

(RMB in billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted EBITDA</th>
<th>FCF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>118.3</td>
<td>87.8</td>
</tr>
<tr>
<td>2019</td>
<td>147.4</td>
<td>120.3</td>
</tr>
<tr>
<td>2020</td>
<td>183.3</td>
<td>123.5</td>
</tr>
<tr>
<td>2021</td>
<td>194.8</td>
<td>144.0</td>
</tr>
<tr>
<td>2022</td>
<td>189.0</td>
<td>121.7</td>
</tr>
<tr>
<td>LTM Sep 2023</td>
<td>225.6</td>
<td>184.6</td>
</tr>
</tbody>
</table>

Adjusted EBITDA Margin:
- 2018: 38%
- 2019: 39%
- 2020: 38%
- 2021: 35%
- 2022: 34%

FCF Conversion:
- 2018: 38%
- 2019: 39%
- 2020: 38%
- 2021: 35%
- 2022: 34%
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.

110.9
28.3
41.0
175.2
146.1
203.6

Operating cash flow
Capital expenditure paid
Dividends paid

110.9
28.3
41.0
175.2
146.1
203.6

Capital expenditure paid (as % of OCF): 21% 19% 21% 18% 17% 9%
Dividends paid (as % of OCF): 7% 6% 6% 8% 10% 11%
Solid Financial Position

Net Cash / (Debt) Position
(RMB in billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Cash</th>
<th>Net Cash/ (Debt)</th>
<th>Total Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>167.1</td>
<td>(12.2)</td>
<td>(179.3)</td>
</tr>
<tr>
<td>2019</td>
<td>205.3</td>
<td>(15.5)</td>
<td>(220.8)</td>
</tr>
<tr>
<td>2020</td>
<td>259.5</td>
<td>11.1</td>
<td>(248.4)</td>
</tr>
<tr>
<td>2021</td>
<td>281.3</td>
<td>(20.2)</td>
<td>(301.5)</td>
</tr>
<tr>
<td>2022</td>
<td>319.6</td>
<td>(14.8)</td>
<td>(334.4)</td>
</tr>
<tr>
<td>3Q2023</td>
<td>387.4</td>
<td>36.4</td>
<td>(351.0)</td>
</tr>
</tbody>
</table>

Investment portfolio (USD in billions)

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

Investment portfolio of USD113 billion

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 investee 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)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total debt / Adjusted EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1.5x</td>
</tr>
<tr>
<td>2019</td>
<td>1.5x</td>
</tr>
<tr>
<td>2020</td>
<td>1.4x</td>
</tr>
<tr>
<td>2021</td>
<td>1.5x</td>
</tr>
<tr>
<td>2022</td>
<td>1.8x</td>
</tr>
<tr>
<td>LTM Sep 2023</td>
<td>1.6x</td>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Total debt / (Adjusted EBITDA – CAPEX paid)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>1.9x</td>
</tr>
<tr>
<td>2019</td>
<td>1.9x</td>
</tr>
<tr>
<td>2020</td>
<td>1.7x</td>
</tr>
<tr>
<td>2021</td>
<td>1.8x</td>
</tr>
<tr>
<td>2022</td>
<td>2.0x</td>
</tr>
<tr>
<td>LTM Sep 2023</td>
<td>1.7x</td>
</tr>
</tbody>
</table>

Adjusted EBITDA / Interest expense

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted EBITDA / Interest expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>24.1x</td>
</tr>
<tr>
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<td>19.2x</td>
</tr>
<tr>
<td>2020</td>
<td>24.6x</td>
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<td>2022</td>
<td>18.9x</td>
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<tr>
<td>LTM Sep 2023</td>
<td>19.3x</td>
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</table>

Total debt / Total capitalisation (3)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total debt / Total capitalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>33.5%</td>
</tr>
<tr>
<td>2019</td>
<td>31.1%</td>
</tr>
<tr>
<td>2020</td>
<td>24.2%</td>
</tr>
<tr>
<td>2021</td>
<td>25.6%</td>
</tr>
<tr>
<td>2022</td>
<td>29.9%</td>
</tr>
<tr>
<td>LTM Sep 2023</td>
<td>29.7%</td>
</tr>
</tbody>
</table>

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