2023 Fourth Quarter and Annual Results Presentation

Mar 20, 2024
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 RMB7.0827 for 4Q2023.
1. Overview

2. Strategy Review

3. Business Review

4. Financial Review

5. Q&A
2023 Annual Highlights

Sharpened focus on major products and shifting towards high-quality revenue growth model

- **Video Accounts** total user time spent more than doubled, with enriched content ecosystem and expanded monetisation
- **Mini Games** gross receipts increased over 50%, reinforcing position as largest casual game platform in China
- **Number of major hit games** (high average DAU and substantial monetisation) in China increased from 6 in 2022 to 8 in 2023
- **International games** revenue achieved double-digit growth, rising to 30% of games revenue
- **Tencent Music** at 107 million paid subscribers, **Tencent Video** at 117 million, both increased ARPU
- **WeCom** and **Tencent Meeting** strengthened enterprise software leadership, and increased monetisation

Rapid advancement in technology and generative AI deployment

- Launched proprietary foundation model, **Tencent Hunyuan**, now among top-tier models in China, with powerful Chinese content generation capabilities and advanced logical reasoning
- Upgraded **advertising AI model**, delivering better ad targeting and higher revenue

Harnessing our technology and platform to create social value

- **Digital philanthropy platform** helped raise record RMB3.8 billion in public donations during 99 Giving Day campaign, up 15% YoY
- **New Cornerstone Investigator Program** supported 104 scientists in basic science research
## Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>4Q2023</th>
<th>YoY</th>
<th>QoQ</th>
<th>FY2023</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenue</strong></td>
<td>155.2</td>
<td>+7%</td>
<td>+0.4%</td>
<td>609.0</td>
<td>+10%</td>
</tr>
<tr>
<td><strong>Value-added Services</strong></td>
<td>69.1</td>
<td>-2%</td>
<td>-9%</td>
<td>298.4</td>
<td>+4%</td>
</tr>
<tr>
<td><strong>Social Networks</strong></td>
<td>28.2</td>
<td>-2%</td>
<td>-5%</td>
<td>118.5</td>
<td>+1%</td>
</tr>
<tr>
<td><strong>Domestic Games(^1)</strong></td>
<td>27.0</td>
<td>-3%</td>
<td>-18%</td>
<td>126.7</td>
<td>+2%</td>
</tr>
<tr>
<td><strong>International Games</strong></td>
<td>13.9</td>
<td>+0.6%</td>
<td>+5%</td>
<td>53.2</td>
<td>+14%</td>
</tr>
<tr>
<td><strong>Online Advertising</strong></td>
<td>29.8</td>
<td>+21%</td>
<td>+16%</td>
<td>101.5</td>
<td>+23%</td>
</tr>
<tr>
<td><strong>FinTech and Business Services</strong></td>
<td>54.4</td>
<td>+15%</td>
<td>+4%</td>
<td>203.8</td>
<td>+15%</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>1.9</td>
<td>-26%</td>
<td>+75%</td>
<td>5.3</td>
<td>-25%</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>77.6</td>
<td>+25%</td>
<td>+1%</td>
<td>293.1</td>
<td>+23%</td>
</tr>
</tbody>
</table>

### Non-IFRS

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Profit(^2)</strong></td>
<td>49.1</td>
<td>+35%</td>
<td>-5%</td>
<td>191.9</td>
<td>+34%</td>
</tr>
<tr>
<td><strong>Operating Margin(^2)</strong></td>
<td>31.7%</td>
<td>+6.6ppt</td>
<td>-1.7ppt</td>
<td>31.5%</td>
<td>+5.7ppt</td>
</tr>
<tr>
<td><strong>Net Profit Attributable to Equity Holders</strong></td>
<td>42.7</td>
<td>+44%</td>
<td>-5%</td>
<td>157.7</td>
<td>+36%</td>
</tr>
</tbody>
</table>

---

1. Domestic Games refers to our games business in the PRC excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan
2. Starting 4Q23, we present investment-related gains/(losses), donations and others (previously within "Other gains/(losses), net") and interest income below operating profit line to better reflect results of day-to-day operations
1. Overview

2. Strategy Review

3. Business Review

4. Financial Review

5. Q&A
High Quality Revenue Growth Model Powers Sustainable Value Creation

- Reigned healthy revenue growth since 1Q23, by adding high quality revenue streams, while reducing low quality streams
- Structural outperformance of gross profit growth vs. revenue growth given margins of incremental revenue much higher than company average; value-added revenue on platforms whose costs already paid for
- Gross profit growth is a key proxy for organic growth

Gross Profit Growth Structurally Outpacing Revenue Growth

Operating Profit Growth Exceeds Gross Profit Growth

- Additional operating leverage consists of:
  - streamlined operations and cut back in overly aggressive marketing spending, which is more one-time
  - our commitment to cost discipline, which will have ongoing effect
**Weixin – New Services Fuel Platform and Gross Profit Growth**

- *Weixin’s* DAU and daily time spent per user have shown a consistent upward trend
- *Video Accounts, Mini Games* and *Weixin Search* enhance user value by creating seamless connections with products, services and content while presenting exciting revenue opportunities
- Generating high margin revenue streams from own traffic, with platform costs already paid for

**Video Accounts**
- Total user time spent more than doubled in 2023, propelled by strong growth in DAU and time spent per DAU
- Surge in ad revenue fuelled by significant increase in organic traffic, affluent users and high conversion, while keeping ad load much lower than industry peers

**Mini Games**
- Gross receipts increased over 50% in 2023, driven by DAU and ARPU
- Retention rate and average time spent per DAU significantly outperform peers’, due to our highly sticky platform, well-developed ecosystem, and advanced technological infrastructure for games

**Weixin Search**
- Big user base of over 100 million DAU growing at over 20% YoY in 2023
- Content QV grew over 30% YoY by leveraging our platform’s distinctive content, features, and services
- Revenue grew multiple times YoY, as we just started to ramp up on monetisation
FinTech – Value-added Services Grow Gross Profit with Comprehensive Risk Management

- Completed self-inspection and corresponding rectification for Tenpay, with upgraded operational compliance for our payment business
- Fortified our payment ecosystem by amplifying user security, upgrading Mini Program-based transactions and SME tools
- Deepened cooperations with licensed financial institutions to expand our wealth management and consumer loans services with an unwavering focus on risk management

**Wealth Management**

- Robust YoY increase in aggregated customer assets, driven by growth in users and average investment size per user
- Focused on providing high quality products and convenience in user experience
- Key offerings on our platform are money market funds and low risk fixed income mutual funds

**Consumer Loans**

- Work closely with WeBank to offer cash loans at scale while maintaining low default rates
- Achieved early success in our installment payment services with rapid growth in originated loan balances and low default rates
- Generating high margins on low user acquisition costs and strong control on credit risks
Domestic Games – Brewing Future Growth via Rejuvenating Top Two Games, Emerging Franchises and New Titles

Enhancement for Top Two Flagship Games

- **Peacekeeper Elite**'s user base fairly stable, but monetisation has been unimaginative. We have changed leadership of monetisation team; optimistic for revival given PUBG Mobile monetisation team's experience
- **Honour of Kings** user base stable, overall monetisation healthy. During 2023, monetisation activities were concentrated during Chinese New Year period, which resulted in volatile quarterly financial performance; whereas in 2024, activities will be more distributed through the year

Recent Year Releases Steadily Developing into Enduring Franchises

- Number of major hits in China increased from 6 in 2022 to 8 (defined as games surpassing average quarterly DAU of 5m for mobile / 2m for PC, and annual gross receipts of RMB4 billion). We believe these games are already, or are becoming, evergreen hits
- **Fight of the Golden Spatula**: one of the most popular mobile games in China, ranked top 5 by DAU and total time spent\(^1\)
- **LoL Wild Rift**: ranked top 5 by total time spent\(^1\) and gross receipts\(^2\)

Upcoming Mobile Titles with High Potential

- Highly popular action RPG, featuring captivating side-scrolling combat and user-friendly design tailored for mobile devices
- Successful closed-beta test since Feb, official launch scheduled for 2Q24

DnF

Honour of Fight
PvP fighting game based on HoK

Need for Speed
Open-world racing game based on Need for Speed

One Piece
Story-driven fighting game based on One Piece

---

1. Source: QuestMobile, for 4Q23
2. Source: Data.ai, for 4Q23
Technology – Making Long-Term Investment in Growth Multiplier

**Tencent Hunyuan**

Upgraded Foundation Model

- Top-tier performance in Chinese, based on comprehensive benchmark, particularly in numerical reasoning, logical inference, and multi-turn conversations
- Achieved trillion-parameter model scale through Mixture of Experts (MoE) architecture, delivering enhanced performance
- Developing multi-modal models to bolster our text-to-picture and text-to-video services

Launched Use Cases

- **Tencent Meeting**: deployed new AI Assistant to interpret meeting content in real-time
- **Tencent Docs**: implemented AI features to foster prompt-based document creation and multifaceted data processing

Enhancing Content Production Efficiency through New GenAI Solutions

**Leveraging AI Technologies**

Significant Boost to Advertising Business

- Our upgraded ad-targeting model is driving significant revenue growth
- Substantial future potential:
  - Continued improvement in targeting technology through AI
  - Expanding ad inventory via traffic growth and increase in ad load from low base
  - Empowerment through *Tencent Hunyuan*

Advancing Cloud Business through New Offerings

- Tailored Industry Solutions: provide industry-specific LLMs to supercharge efficiency in AI-backed tools
- Vector Database: industry-leading database solution for AI applications
Raising Return of Capital to Shareholders

Total return of capital to shareholders\(^1\)

In billion USD

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash dividend</td>
<td>1.0</td>
<td>1.9</td>
<td>2.9</td>
<td>&gt;12.8</td>
</tr>
<tr>
<td>Share repurchase</td>
<td>4.3</td>
<td>6.3</td>
<td>&gt;12.8</td>
<td></td>
</tr>
<tr>
<td>Distribution in kind</td>
<td>13.3</td>
<td>16.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Raising Return of Capital

- Dividend: proposing cash dividend of HKD3.4 per share, up 42\% YoY
- Share repurchase: committing to over HKD100 billion for FY24, up over 100\% YoY
- Distribution in kind: made special distribution in FY22 and FY23

Gross cash and investment portfolio\(^2\)

In billion USD

<table>
<thead>
<tr>
<th></th>
<th>Gross cash</th>
<th>Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed investees – fair value</td>
<td>57</td>
<td>78</td>
</tr>
<tr>
<td>Unlisted investees – carrying value</td>
<td>126</td>
<td></td>
</tr>
<tr>
<td>Gross cash</td>
<td>48</td>
<td></td>
</tr>
</tbody>
</table>

Robust Free Cash Flow and Asset Strength

- Strong free cash flow of USD24 billion, supported by cash-generative business model and solid growth
- Total gross cash amounted to USD57 billion
- Large investment portfolio of USD126 billion, of which USD78 billion were listed investments

---

1. For the year ended 31 Dec
2. As at 31 Dec 2023
1. Overview
2. Strategy Review
3. Business Review
4. Financial Review
5. Q&A
Revenue by Segment

In billion RMB

<table>
<thead>
<tr>
<th>Segment</th>
<th>1Q21</th>
<th>2Q21</th>
<th>3Q21</th>
<th>4Q21</th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
<th>1Q23</th>
<th>2Q23</th>
<th>3Q23</th>
<th>4Q23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Networks</td>
<td>29%</td>
<td>16%</td>
<td>7%</td>
<td>25%</td>
<td>22%</td>
<td>21%</td>
<td>21%</td>
<td>22%</td>
<td>21%</td>
<td>20%</td>
<td>19%</td>
<td>18%</td>
</tr>
<tr>
<td>Domestic Games</td>
<td>30%</td>
<td>17%</td>
<td>8%</td>
<td>23%</td>
<td>24%</td>
<td>21%</td>
<td>20%</td>
<td>22%</td>
<td>21%</td>
<td>21%</td>
<td>21%</td>
<td>22%</td>
</tr>
<tr>
<td>International Games</td>
<td>33%</td>
<td>15%</td>
<td>9%</td>
<td>24%</td>
<td>24%</td>
<td>22%</td>
<td>21%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>19%</td>
<td>18%</td>
</tr>
<tr>
<td>Online Advertising</td>
<td>32%</td>
<td>14%</td>
<td>8%</td>
<td>24%</td>
<td>22%</td>
<td>19%</td>
<td>23%</td>
<td>21%</td>
<td>21%</td>
<td>21%</td>
<td>21%</td>
<td>22%</td>
</tr>
<tr>
<td>FBS</td>
<td>32%</td>
<td>14%</td>
<td>9%</td>
<td>23%</td>
<td>21%</td>
<td>21%</td>
<td>19%</td>
<td>21%</td>
<td>19%</td>
<td>18%</td>
<td>18%</td>
<td>19%</td>
</tr>
<tr>
<td>Others</td>
<td>33%</td>
<td>17%</td>
<td>9%</td>
<td>21%</td>
<td>18%</td>
<td>21%</td>
<td>19%</td>
<td>18%</td>
<td>19%</td>
<td>19%</td>
<td>19%</td>
<td>21%</td>
</tr>
</tbody>
</table>

FY2022: 554.6 billion RMB
FY2023: 609.0 billion RMB
Value-Added Services

Social Networks
- 4Q23 revenue was down 2% YoY. Revenue from music- and games-related live streaming services declined while revenue from Video Accounts live streaming service, music subscriptions and mini games increased.
- Long-form video subscription revenue increased 1% YoY, driven by higher ARPU. Video subscriptions declined slightly YoY to 117 million1. Our self-commissioned drama series Blossoms Shanghai ranked #1 industry-wide2 year-to-date, extending Tencent Video’s lead in terms of mobile DAU3.
- Music subscription revenue increased 45% YoY. Music subscriptions grew 21% YoY to 107 million4 and ARPU was up 20% YoY.

Domestic Games
- 4Q23 revenue was down 3% YoY, as growth from recently launched hits VALORANT and Lost Ark was offset by decreases from Honour of Kings and Peacekeeper Elite.

International Games
- 4Q23 revenue increased 1% YoY, or down 1% in constant currency, as Supercell was repositioning some of its games; however, PUBG MOBILE extended its recovery and VALORANT sustained solid growth.
Communications & Social Networks

**Video Accounts continued strong momentum**

- Total user time spent increased over 80% YoY in 4Q23, driven partly by DAU and mostly by time spent per user due to enhanced recommendation engine.
- Daily video uploads and creators with 10K+ followers grew rapidly YoY with more targeted traffic support for creators in key categories and enhanced recommendation algorithms to prioritise original content.
- Number of creators that directly generated revenue from Video Accounts more than tripled YoY in 4Q23.

**Expanded QQ Channels and launched QQ 9.0 version**

- Fostering interest-based user interactions and engagement with content creators via QQ Channels and QQ groups. Number of active Channels increased at double-digit rate QoQ.
- Launched QQ 9.0 version with refreshed user interface and enriched functionalities, including personalised display of status and relationships.
Domestic Games

**Fight of the Golden Spatula**
- Release of Set 10 and popularity of limited-time game mode drove average DAU to double YoY in 4Q23 to new high
- Broke into top 5 across all mobile games by average DAU and total time spent¹

**Arena Breakout**
- Gross receipts and average DAU increased by over 30% YoY in 4Q23, driven by new competitive PvPvE modes, upgraded Battle Pass, and more appealing virtual items
- Ranked #7 by total time spent industry-wide¹

**Naruto Mobile**
- 8-year old in-house game achieved record high gross receipts and average DAU in Jan, benefitting from extensive content offerings including the release of highly anticipated character and popular themed events

**Dream Stars**
- During CNY, added new game modes, such as 1v4 asymmetrical battle arena and extraction shooter
- Ranked among top 10 mobile games by average DAU²

---
1. Source: QuestMobile, for 4Q23
2. Source: QuestMobile, during CNY
**International Games**

**PUBG MOBILE**

- DAU and gross receipts increased YoY in 4Q23, benefitting from Frozen Kingdom themed mode and innovative top-tier outfit with upgradable weapon

**NIKKE**

- Average DAU achieved year-high level in 4Q23, due to new storyline and new characters

**Brawl Stars**

- 5-year old game achieved all-time high gross receipts and average DAU in Feb 2024, due to improved friend-invitation system, new 5v5 game mode, and fully redesigned Battle Pass
- Demonstrated the franchise value of evergreen titles to unleash new growth
Online Advertising

In billion RMB

Overall
- 4Q23 revenue grew 21% YoY, primarily driven by Video Accounts and ongoing upgrade of advertising platform
- Ad spend from all categories except automotive increased YoY, with notable step-ups in spending by Internet services, healthcare and consumer goods categories
- We strengthened AI-powered ad targeting with real-time data on user interests and commercial intent, broadly benefitting our own ad properties and mobile ad network

Weixin
- Video Accounts ad revenue more than doubled YoY on higher click-through rate and impressions
- Weixin Search ad revenue rose significantly YoY, driven by strong growth in commercial queries and RPM
FinTech and Business Services

**FinTech Services**
- Revenue sustained teens YoY growth in 4Q23, driven by increased commercial payment volume, wealth management fees and consumer loan fees. Gross profit grew at a higher rate due to shift from social to commercial payments.
- We enhanced *Mini Program*-based, QR code and palm payment solutions, driving repeat sales for offline merchants.

**Business Services**
- Revenue grew around 20% YoY in 4Q23 and gross profit more than quadrupled YoY.
  - Cloud services revenue benefitted from restructuring undertaken in prior periods and higher spending by retail and finance industries.
  - Fees collected on *Video Accounts* eCommerce transactions contributed high-margin revenue.
- Our SaaS products enhanced functionalities and monetisation, including:
  - *Tencent Meeting* and *Tencent Docs* upgraded AI features for real-time content comprehension and prompt-based document generation; *WeCom* enhanced analytic functionalities to help merchants engage with customers and rolled out a paid customer acquisition tool.
  - Deepened SaaS penetration among domestic and multinational companies.
  - SaaS enterprise productivity toolkit (*WeCom, Tencent Meeting, Tencent Docs*) revenue more than doubled YoY.

---

In billion RMB

<table>
<thead>
<tr>
<th>4Q22</th>
<th>4Q23</th>
<th>3Q23</th>
<th>4Q23</th>
<th>FY2022</th>
<th>FY2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>47.2</td>
<td>54.4</td>
<td>52.0</td>
<td>54.4</td>
<td>177.1</td>
<td>203.8</td>
</tr>
</tbody>
</table>

+15% YoY  
+4% QoQ  
+15% YoY

FY2022  
FY2023
1. Overview
2. Strategy Review
3. Business Review
4. Financial Review
5. Q&A
# Income Statement

<table>
<thead>
<tr>
<th></th>
<th>4Q2023</th>
<th>YoY</th>
<th>QoQ</th>
<th>FY2023</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>155.2</td>
<td>+7%</td>
<td>+0.4%</td>
<td>609.0</td>
<td>+10%</td>
</tr>
<tr>
<td><strong>COPS</strong></td>
<td>(77.6)</td>
<td>-7%</td>
<td>-0.6%</td>
<td>(315.9)</td>
<td>Stable</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>77.6</td>
<td>+25%</td>
<td>+1%</td>
<td>293.1</td>
<td>+23%</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>(38.2)</td>
<td>+14%</td>
<td>+12%</td>
<td>(137.7)</td>
<td>+1%</td>
</tr>
<tr>
<td><strong>Other gains/(losses), net(^1)</strong></td>
<td>2.0</td>
<td>+158%</td>
<td>-2%</td>
<td>4.7</td>
<td>-41%</td>
</tr>
<tr>
<td><strong>Operating profit(^1)</strong></td>
<td>41.4</td>
<td>+42%</td>
<td>-7%</td>
<td>160.1</td>
<td>+44%</td>
</tr>
</tbody>
</table>

\[\text{Net gains/(losses) from investments and others}\(^1\)]

<table>
<thead>
<tr>
<th></th>
<th>4Q2023</th>
<th>YoY</th>
<th>QoQ</th>
<th>FY2023</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net gains/(losses) from investments and others(^1)</strong></td>
<td>(6.7)</td>
<td>N/A</td>
<td>N/A</td>
<td>(6.1)</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Interest income(^1)</strong></td>
<td>3.9</td>
<td>+52%</td>
<td>+12%</td>
<td>13.8</td>
<td>+61%</td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td>(3.5)</td>
<td>-3%</td>
<td>+27%</td>
<td>(12.3)</td>
<td>+31%</td>
</tr>
<tr>
<td><strong>Share of profit/(loss) of associates &amp; JVs, net</strong></td>
<td>2.4</td>
<td>N/A</td>
<td>+17%</td>
<td>5.8</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(9.7)</td>
<td>+111%</td>
<td>-12%</td>
<td>(43.3)</td>
<td>+101%</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>27.8</td>
<td>-74%</td>
<td>-24%</td>
<td>118.0</td>
<td>-37%</td>
</tr>
<tr>
<td><strong>Net profit attributable to equity holders</strong></td>
<td>27.0</td>
<td>-75%</td>
<td>-25%</td>
<td>115.2</td>
<td>-39%</td>
</tr>
<tr>
<td><strong>Diluted EPS(^2) in RMB</strong></td>
<td>2.807</td>
<td>-74%</td>
<td>-25%</td>
<td>11.887</td>
<td>-39%</td>
</tr>
</tbody>
</table>

## Non-IFRS

<table>
<thead>
<tr>
<th></th>
<th>4Q2023</th>
<th>YoY</th>
<th>QoQ</th>
<th>FY2023</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Profit(^1)</strong></td>
<td>49.1</td>
<td>+35%</td>
<td>-5%</td>
<td>191.9</td>
<td>+34%</td>
</tr>
<tr>
<td><strong>Net profit attributable to equity holders</strong></td>
<td>42.7</td>
<td>+44%</td>
<td>-5%</td>
<td>157.7</td>
<td>+36%</td>
</tr>
<tr>
<td><strong>Diluted EPS(^2) in RMB</strong></td>
<td>4.443</td>
<td>+46%</td>
<td>-5%</td>
<td>16.320</td>
<td>+38%</td>
</tr>
</tbody>
</table>

\(^1\) Starting 4Q23, we present investment-related gains/(losses), donations and others (previously within "Other gains/(losses), net") and interest income below operating profit line to better reflect results of day-to-day operations.

\(^2\) Diluted EPS is calculated using the weighted average number of outstanding shares in the period incl. the dilutive effect of share options and awarded shares as determined under the treasury stock method.
## Non-IFRS Adjustments

<table>
<thead>
<tr>
<th>In billion RMB</th>
<th>IFRS 4Q2023</th>
<th>SBC</th>
<th>Net (gains)/losses from investee companies</th>
<th>Amortisation of intangible assets</th>
<th>Impairment provisions/(reversals)</th>
<th>SSV &amp; CPP</th>
<th>Tax effects</th>
<th>Non-IFRS 4Q2023</th>
<th>YoY change</th>
<th>QoQ change</th>
<th>Non-IFRS FY2023</th>
<th>YoY change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating profit</strong></td>
<td>41.4</td>
<td>5.7</td>
<td>-</td>
<td>1.6</td>
<td>-</td>
<td>0.4</td>
<td>-</td>
<td>49.1</td>
<td>+35%</td>
<td>-5%</td>
<td>191.9</td>
<td>+34%</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>27.8</td>
<td>6.6</td>
<td>(0.1)</td>
<td>3.0</td>
<td>5.7</td>
<td>1.6</td>
<td>(0.8)</td>
<td>43.8</td>
<td>+43%</td>
<td>-4%</td>
<td>161.7</td>
<td>+36%</td>
</tr>
<tr>
<td><strong>Net profit attributable to equity holders</strong></td>
<td>27.0</td>
<td>6.5</td>
<td>(0.1)</td>
<td>2.8</td>
<td>5.7</td>
<td>1.6</td>
<td>(0.8)</td>
<td>42.7</td>
<td>+44%</td>
<td>-5%</td>
<td>157.7</td>
<td>+36%</td>
</tr>
<tr>
<td><strong>Operating margin</strong></td>
<td>26.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>31.7%</td>
<td>+6.6ppt</td>
<td>-1.7ppt</td>
<td>31.5%</td>
<td>+5.7ppt</td>
</tr>
<tr>
<td><strong>Net margin</strong></td>
<td>17.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>28.2%</td>
<td>+7.1ppt</td>
<td>-1.4ppt</td>
<td>26.6%</td>
<td>+5.1ppt</td>
</tr>
</tbody>
</table>

**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. Mainly including 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 initiatives.
Gross Margins

Overall Gross Margin (%)

Value-added Services (%)

Online Advertising (%)

FinTech and Business Services (%)

FY2021 FY2022 FY2023

1Q21 2Q21 3Q21 4Q21 1Q22 2Q22 3Q22 4Q22 1Q23 2Q23 3Q23 4Q23
Operating Expenses

S&M in billion RMB

- 4Q22: 6.1 billion RMB
- 4Q23: 11.0 billion RMB
- 3Q23: 7.9 billion RMB
- 4Q23: 11.0 billion RMB

- S&M grew by +79% YoY and +39% QoQ
- S&M grew by +17% YoY

R&D in billion RMB

- 4Q22: 15.9 billion RMB
- 4Q23: 16.4 billion RMB
- 3Q23: 16.5 billion RMB
- 4Q23: 16.4 billion RMB

- R&D grew by +3% YoY and -0.1% QoQ
- R&D grew by +4% YoY

G&A (excl. R&D) in billion RMB

- 4Q22: 11.4 billion RMB
- 4Q23: 10.8 billion RMB
- 3Q23: 9.8 billion RMB
- 4Q23: 10.8 billion RMB

- G&A (excl. R&D) declined by -6% YoY and +9% QoQ
- G&A (excl. R&D) declined by -13% YoY

Non-IFRS

- 4Q23 S&M grew by 83% YoY and 43% QoQ
- FY2023 S&M grew by 17% YoY

- 4Q23 R&D grew by 0.5% YoY or declined by 3% QoQ
- FY2023 R&D grew by 6% YoY

- 4Q23 G&A (excl. R&D) declined by 6% YoY or grew by 11% QoQ
- FY2023 G&A (excl. R&D) declined by 10% YoY
Non-IFRS Margin Ratios

Non-IFRS Operating Margin (%)

Non-IFRS Net Margin (%)

Non-IFRS Margin Ratios

1Q21 2Q21 3Q21 4Q21 1Q22 2Q22 3Q22 4Q22 1Q23 2Q23 3Q23 4Q23 FY2021 FY2022 FY2023
<table>
<thead>
<tr>
<th></th>
<th>4Q2023</th>
<th>YoY</th>
<th>QoQ</th>
<th>FY2023</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating CAPEX</td>
<td>6.7</td>
<td>+253%</td>
<td>+1%</td>
<td>17.2</td>
<td>+69%</td>
</tr>
<tr>
<td>Non-operating CAPEX</td>
<td>0.8</td>
<td>-78%</td>
<td>-41%</td>
<td>6.7</td>
<td>-15%</td>
</tr>
<tr>
<td><strong>Total CAPEX</strong></td>
<td>7.5</td>
<td>+33%</td>
<td>-6%</td>
<td>23.9</td>
<td>+33%</td>
</tr>
<tr>
<td>Operating Cash Flow</td>
<td>54.0</td>
<td>+52%</td>
<td>-17%</td>
<td>222.0</td>
<td>+52%</td>
</tr>
<tr>
<td>Less: CAPEX Paid</td>
<td>(9.3)</td>
<td>+67%</td>
<td>+62%</td>
<td>(22.7)</td>
<td>-7%</td>
</tr>
<tr>
<td>Payments for media content</td>
<td>(7.7)</td>
<td>+45%</td>
<td>+23%</td>
<td>(24.7)</td>
<td>-7%</td>
</tr>
<tr>
<td>Payments for lease liabilities</td>
<td>(2.8)</td>
<td>+75%</td>
<td>+49%</td>
<td>(7.6)</td>
<td>+10%</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td>34.2</td>
<td>+48%</td>
<td>-33%</td>
<td>167.0</td>
<td>+89%</td>
</tr>
<tr>
<td>Total Cash</td>
<td>403.3</td>
<td>+26%</td>
<td>+4%</td>
<td>403.3</td>
<td>+26%</td>
</tr>
<tr>
<td>Less: Total Debt</td>
<td>(348.6)</td>
<td>+4%</td>
<td>-0.7%</td>
<td>(348.6)</td>
<td>+4%</td>
</tr>
<tr>
<td><strong>Net Cash/(Debt)</strong></td>
<td>54.7</td>
<td>N/A</td>
<td>+50%</td>
<td>54.7</td>
<td>N/A</td>
</tr>
</tbody>
</table>

- **As at 31 Dec 2023, the fair value of our shareholdings\(^1\) in listed investee companies (excluding subsidiaries) was ~RMB551 billion (USD78 billion) and the carrying book value of our shareholdings in unlisted investee companies was ~RMB337 billion (USD48 billion)**

1. Including those held via special purpose vehicles, on an attributable basis.
Share Repurchase and Annual Dividend

- Repurchased ~152 million shares for a consideration of ~HKD49 billion to shareholders during FY2023

<table>
<thead>
<tr>
<th>In millions</th>
<th>2023</th>
<th>2022</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued shares, at 1 January</td>
<td>9,569</td>
<td>9,608</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Shares issued for employee share option and share award schemes</td>
<td>55</td>
<td>62</td>
<td>-11%</td>
</tr>
<tr>
<td>Shares repurchased and cancelled</td>
<td>(141)</td>
<td>(101)</td>
<td>+40%</td>
</tr>
<tr>
<td>Issued shares, at 31 December</td>
<td>9,483</td>
<td>9,569</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Weighted average number of shares for the calculation of diluted EPS¹ in the period</td>
<td>9,610</td>
<td>9,695</td>
<td>-0.9%</td>
</tr>
</tbody>
</table>

1. Diluted EPS is calculated using the weighted average number of outstanding shares in the period including the dilutive effect of share options and awarded shares as determined under the treasury stock method

- Subject to shareholders’ approval at the 2024 AGM, proposed 2023 annual dividend of HKD3.40 per share (up 42% YoY) or HKD32 billion for the year ended 31 December 2023
1. Overview
2. Strategy Review
3. Business Review
4. Financial Review
5. Q&A
Tencent Holdings Limited

2023 Fourth Quarter and Annual Results Presentation

Thank you!

https://www.tencent.com/ir