

Tencent 腾讯

***2024 Second Quarter
Results Presentation***

Aug 14, 2024

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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 RMB7.1268 for 2Q2024.

1. *Overview*

2. *Business Review*

3. *Financial Review*

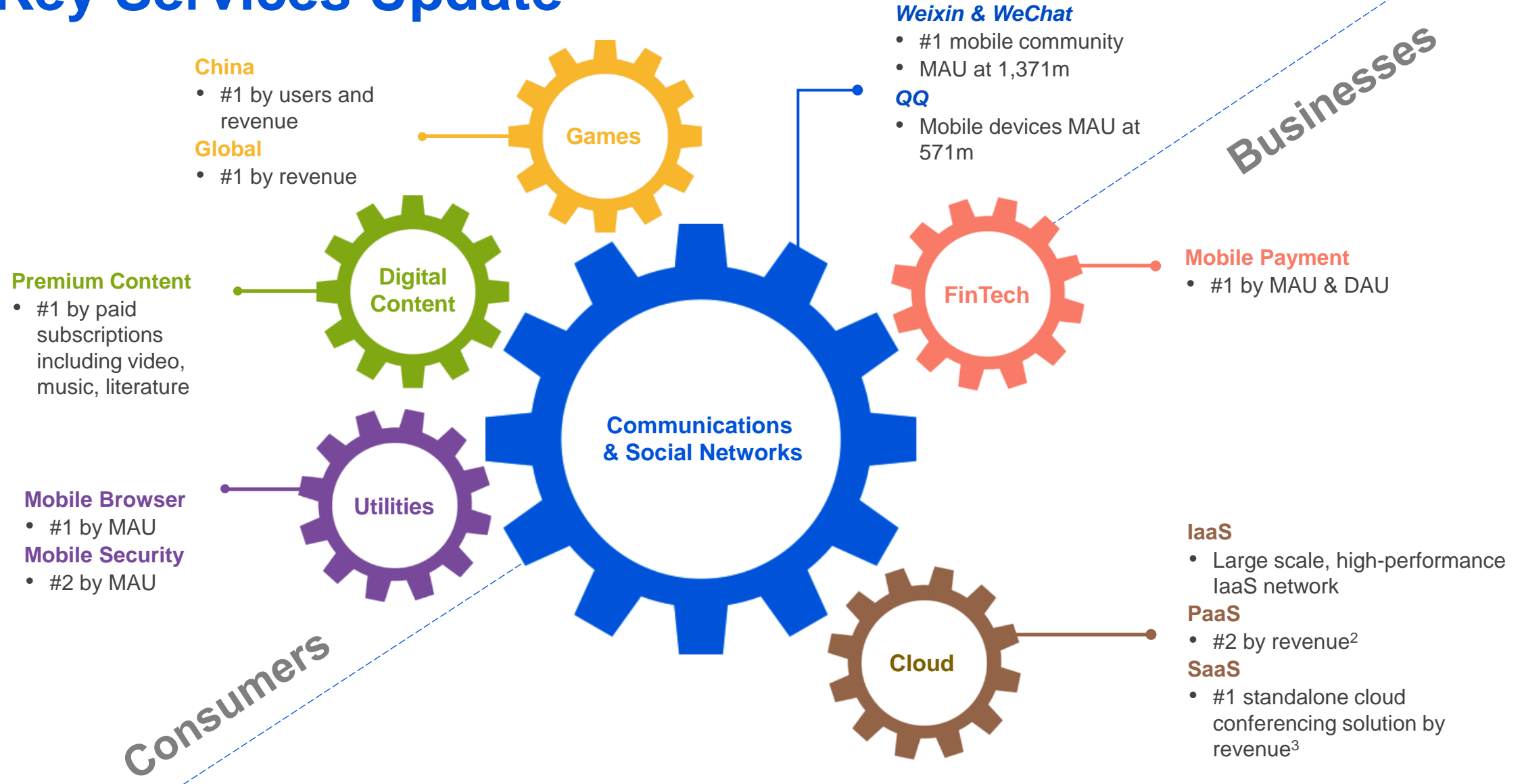
4. *Q&A*

Financial Highlights

In billion RMB	2Q2024	2Q2023	YoY	1Q2024	QoQ
Total Revenue	161.1	149.2	+8%	159.5	+1%
Value-added Services	78.8	74.2	+6%	78.6	+0.2%
Social Networks	30.3	29.7	+2%	30.5	-0.6%
Domestic Games	34.6	31.8	+9%	34.5	+0.2%
International Games	13.9	12.7	+9%	13.6	+2%
Online Advertising	29.9	25.0	+19%	26.5	+13%
FinTech and Business Services	50.4	48.6	+4%	52.3	-4%
Others	2.0	1.4	+46%	2.1	-4%
Gross Profit	85.9	70.8	+21%	83.9	+2%
<u>Non-IFRS</u>					
Operating Profit	58.4	46.1	+27%	58.6	-0.3%
Operating Margin	36.3%	30.9%	+5.4ppt	36.8%	-0.5ppt
Net Profit Attributable to Equity Holders	57.3	37.5	+53%	50.3	+14%

Domestic Games refers to our games business in the PRC excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan

Key Services Update



1. All rankings above refer to China market, unless otherwise stated. Company data as of Mar 31, 2024

2. IDC Quarterly Public Cloud Services Tracker, 1Q24

3. IDC China Cloud Conferencing Market Share report, 2023

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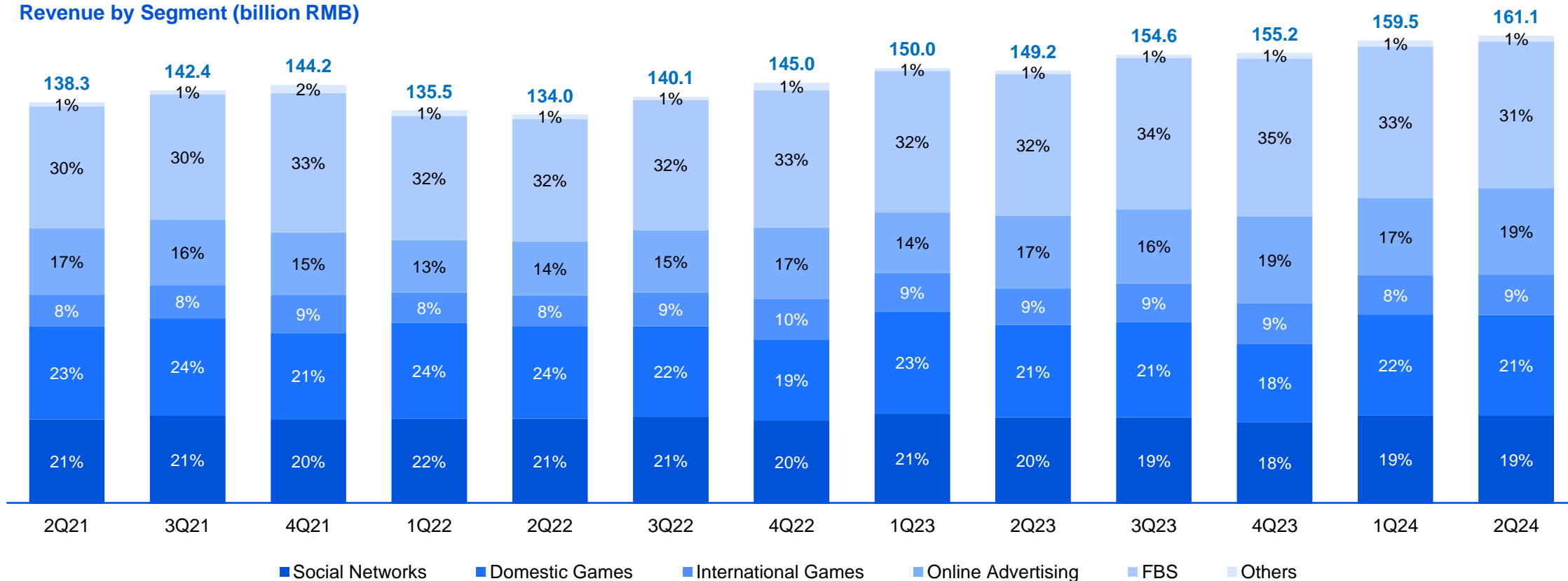
4. *Q&A*

Revenue

Revenue Growth (YoY %)

+20% +13% +8% +0.1% -3% -2% +0.5% +11% +11% +10% +7% +6% +8%

Revenue by Segment (billion RMB)

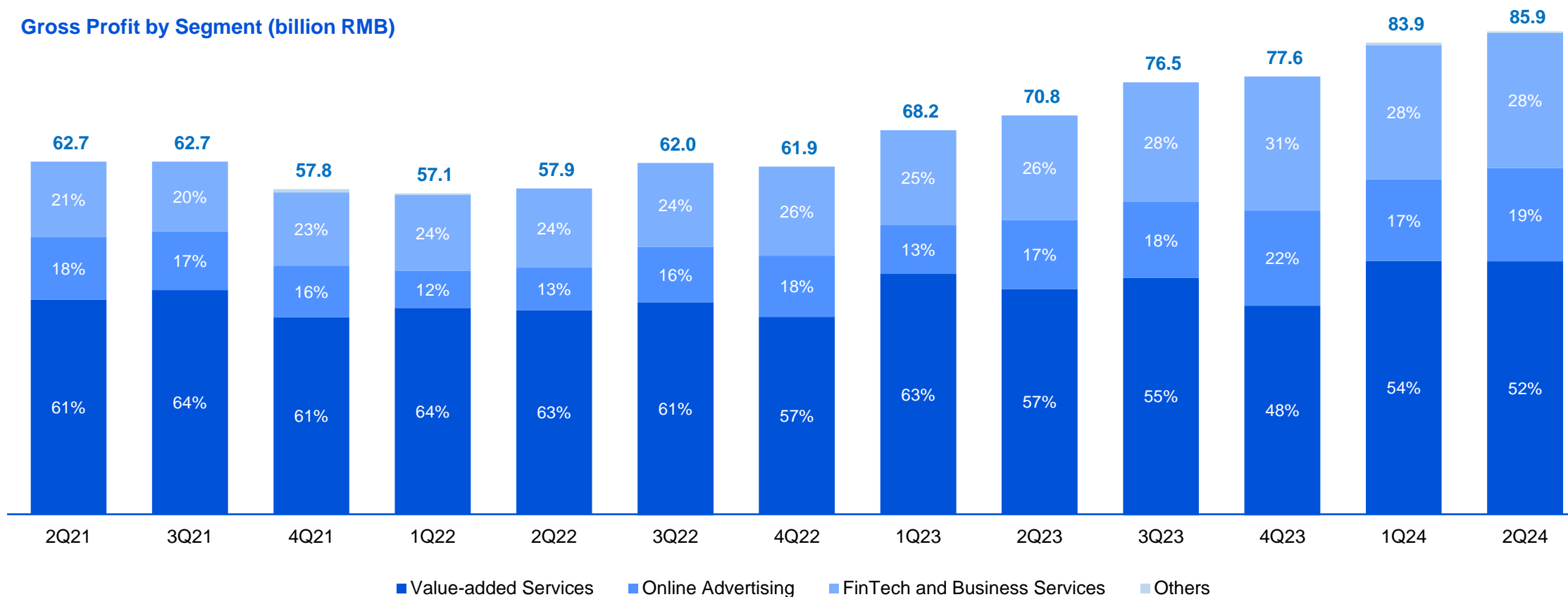


Gross Profit

Gross Profit Growth (YoY %)

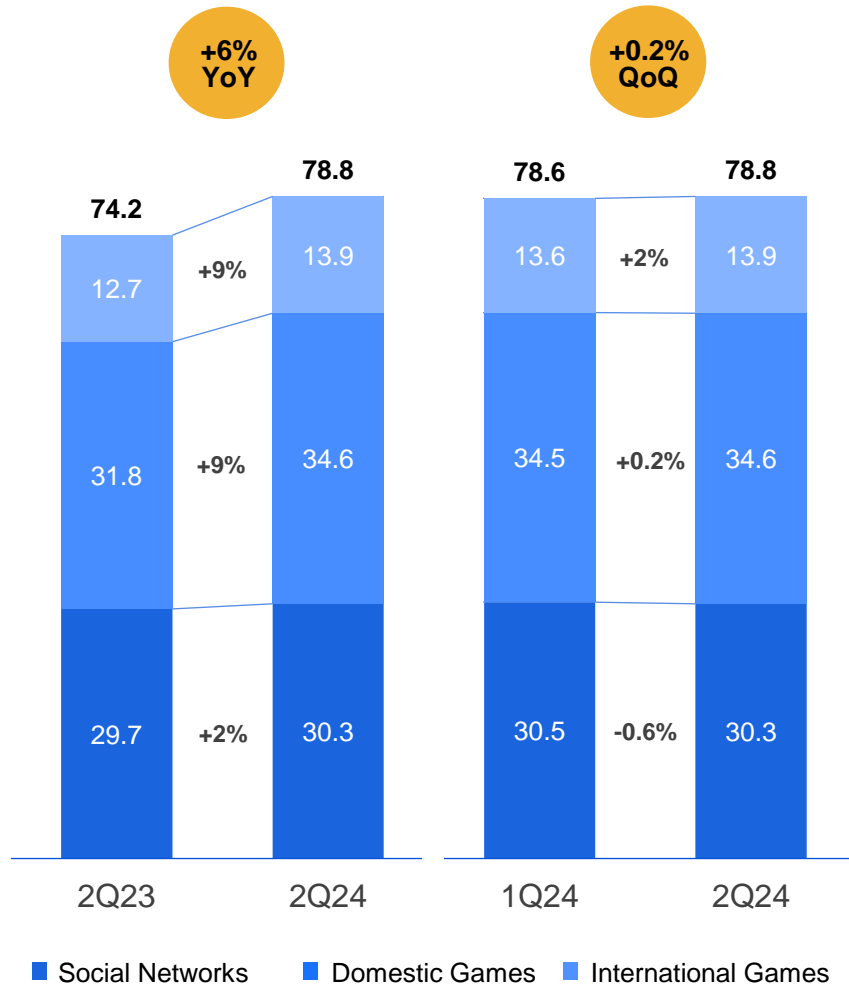


Gross Profit by Segment (billion RMB)



Value-added Services

In billion RMB



1. The average daily number of subscriptions for 2Q24
 2. Source: Enlightent, by video views across all online platforms in China for 1H24

Social Networks

- Revenue returned to positive growth, up 2% YoY, driven by increased revenue from music and video subscriptions, *Mini Games* platform service fees, and app-based games item sales, partially offset by decreased revenue from music- and games-related live streaming services
- Long-form video subscription revenue increased 12% YoY, as average daily video subscriptions increased 13% YoY to 117 million¹. During 1H24, out of the top three most-watched drama series on China online video platforms², the first and second were produced by New Classics Media and broadcast by *Tencent Video*, and all three were based on China Literature web novel IPs
- Music subscription revenue increased 29% YoY, supported by growth in subscriptions and ARPU

Domestic Games

- Revenue resumed growth to 9% YoY mainly driven by *VALORANT* and new title *DnF Mobile*. Gross receipts grew faster than revenue

International Games

- Revenue increased 9% YoY in both RMB and constant currency, driven by *PUBG MOBILE* and Supercell's games. Gross receipts grew substantially faster than revenue

Communications & Social Networks



Video Accounts

- Total user time spent increased substantially YoY, benefitting from enhanced algorithms and more local content
- Number of creators that generated closed-loop revenue from *Video Accounts* more than tripled YoY in 2Q24
- We are enhancing transaction capabilities, systematically, to deliver seamless shopping experience to users and drive sales for merchants



Mini Programs

- Total user time spent increased over 20% YoY in 2Q24
- GMV facilitated by *Mini Programs* grew double-digit % YoY in 2Q24
- *Mini Games* total gross receipts increased over 30% YoY. Over 140 mini games each achieved over RMB10 million gross receipts in 2Q24



Tencent Channels

- Community-based platform (“Channels”) in which moderators can manage and present content & events via customisable tools, while users can interact via text, image and live streaming
- Grew out of QQ, recently upgraded and rebranded, users can now join Channels from *Weixin* and games, as well as QQ
- Gained notable popularity among game players and university students, who are early adopters and promoters of Channels’ advanced functionalities

Domestic Games

Revitalised evergreen titles

- **Peacekeeper Elite** gross receipts grew by double-digit % YoY in 2Q24 on appealing Egyptian- and anime-themed outfits; DAU resumed YoY growth in July, benefitting from new extraction shooter game mode, *Metro Royale*
- **Naruto Mobile** monthly average DAU reached new milestone of 10 million in May: 1) marketing activities with KOLs and short-form video clips boosted new player acquisition, and 2) enriched themed content re-engaged existing user base



Naruto Mobile

Impactful new releases

- **DnF Mobile** emerged as one of the most successful mobile games in China; attracted fans of *DnF* IP with compelling mobile reinterpretation of proven PC gameplay coupled with our operational capabilities, resulting in an expansion of DnF franchise
- **Need for Speed Mobile** attracts millions of DAUs with a range of driving activities within an open-world experience



DnF Mobile

International Games

PUBG MOBILE



Average DAU and gross receipts increased double-digit % YoY in 2Q24, benefitting from new Mecha Fusion mode, Golden Moon event, and lion-themed outfit

Brawl Stars



Gross receipts grew more than tenfold YoY in 2Q24. Average DAU achieved historical high and ranked #3 mobile game¹, due to frequent content updates and social features

VALORANT



MAU grew YoY in 2Q24, benefitting from popular eSports events and high quality content updates such as new agent (Clove) and first VALORANT map with no outer boundaries (Abyss)

Squad Busters

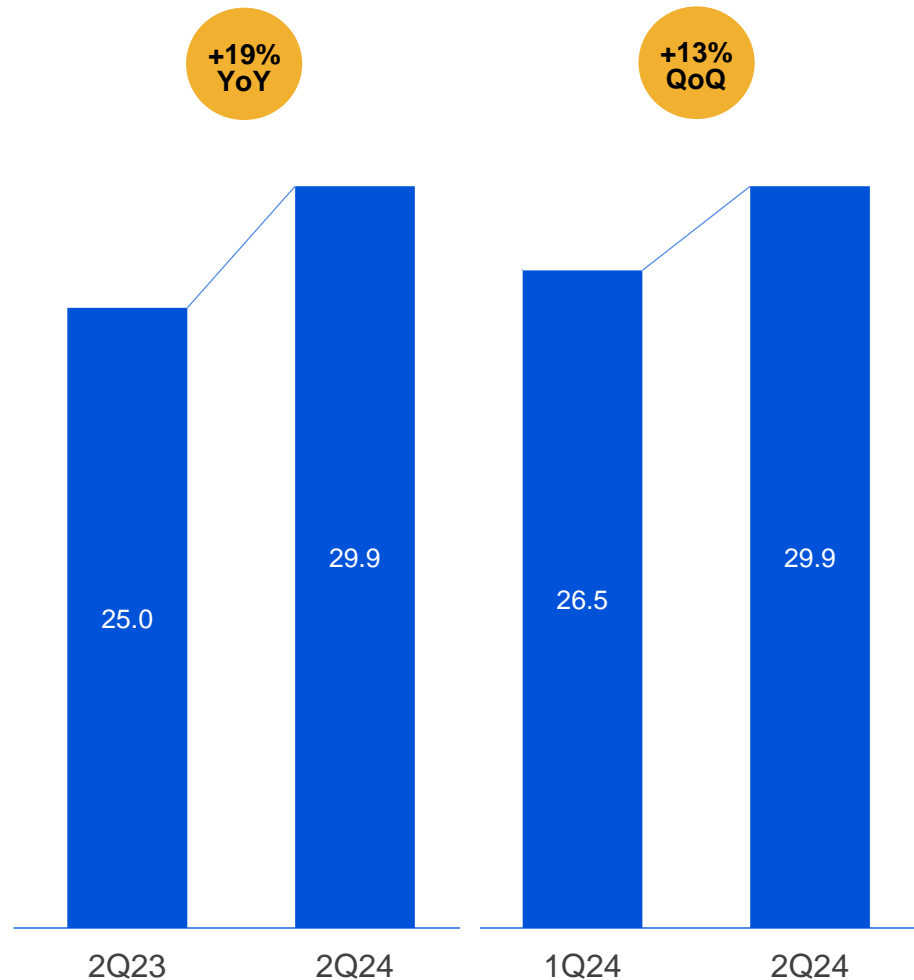


Casual action game with real time strategy elements and Supercell character collection. The game has established critical mass in the key North America and Western Europe regions. Supercell will add new game modes and social features in future

1. Source: by average DAU in 2Q24, Sensor Tower

Online Advertising

In billion RMB



Overall

- Revenue grew 19% YoY, driven by increased ad spend from most categories, particularly games, eCommerce and education
- Upgraded machine learning platform to analyse user interests over a longer time horizon, and to process signals more frequently

Video Accounts

- **Video Accounts** ad revenue increased 80%+ YoY, fueled by rising engagement and strong demand for live streaming promotions

Content Platforms

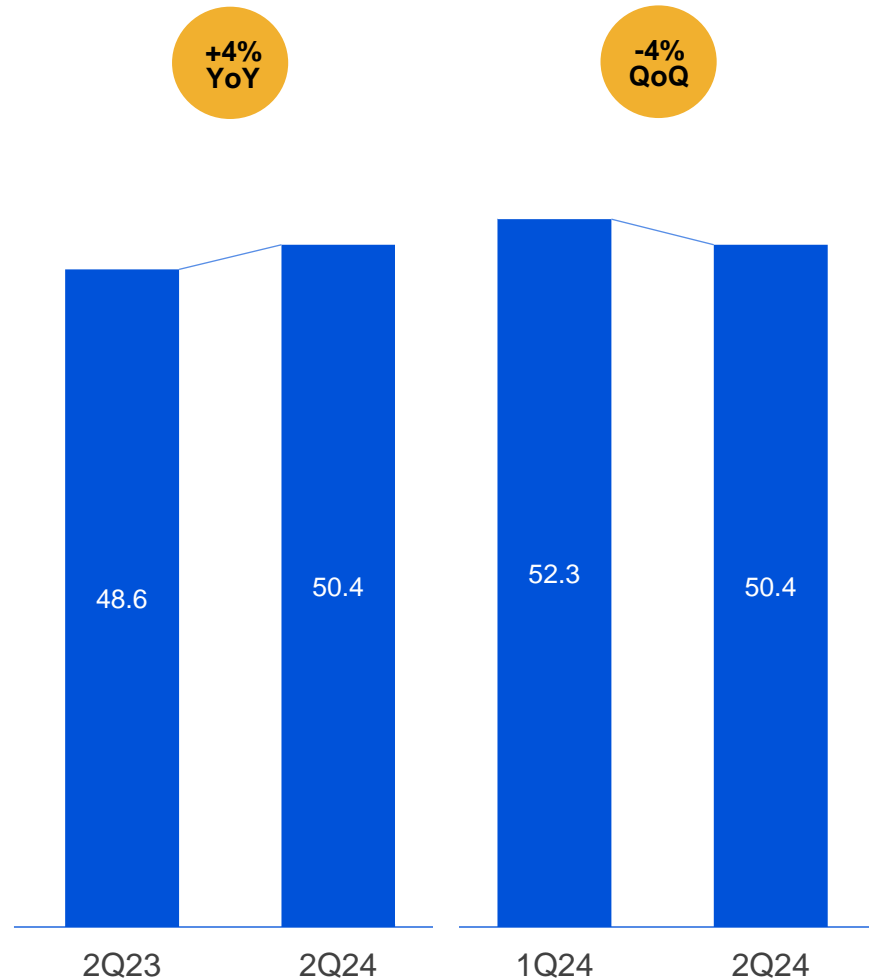
- **Tencent Video** ad revenue grew 30%+ YoY amid weak branded ad spend in the market, as our popular self-commissioned drama series attracted sponsorship ad spend

Mobile Ad Network

- Ad network revenue dropped YoY, as certain internet services companies reduced their overall advertising budgets

FinTech and Business Services

In billion RMB



FinTech Services

- Revenue slowed to low single digit growth YoY
- **Commercial payment** revenue growth moderated as number of transactions continued to increase at healthy rate YoY, but average value per transaction declined YoY
- **Consumer loan services revenue** decreased YoY as WeBank and Tencent adopted more cautious credit extension policies
- **Wealth management** fees grew double-digit % YoY, benefitting from increases in number of users and aggregated customer assets

Business Services

- Revenue grew at a teens rate YoY, mainly driven by cloud services and fees collected on *Video Accounts* eCommerce transactions. Gross profit increased significantly YoY due to increased contribution of higher-margin revenue streams, as well as improved efficiency
- *WeCom* and *Tencent Meeting* each grew revenue robustly YoY
- Generating increasing AI-related revenue through our high performance computing infrastructure, model library services, and AI-powered platform solutions for enterprises

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4. *Q&A*

Income Statement

In billion RMB	2Q2024	2Q2023	YoY	1Q2024	QoQ
Revenue	161.1	149.2	+8%	159.5	+1%
COPS	(75.2)	(78.4)	-4%	(75.6)	-0.5%
Gross profit	85.9	70.8	+21%	83.9	+2%
Operating expenses	(36.7)	(33.7)	+9%	(32.3)	+13%
Other gains/(losses), net ¹	1.5	(0.8)	N/A	1.0	+44%
Operating profit ¹	50.7	36.3	+40%	52.6	-3%
Net gains/(losses) from investments and others ¹	(0.7)	0.6	N/A	0.6	N/A
Interest income ¹	3.9	3.4	+13%	4.2	-9%
Finance costs	(3.1)	(3.4)	-5%	(2.8)	+10%
Share of profit of associates & JVs, net	7.7	1.2	+566%	2.2	+253%
Income tax expense	(10.1)	(11.1)	-9%	(14.1)	-28%
Net profit	48.4	27.0	+79%	42.7	+13%
Net profit attributable to equity holders	47.6	26.2	+82%	41.9	+14%
Diluted EPS in RMB	4.994	2.695	+85%	4.386	+14%
Non-IFRS					
Operating profit ¹	58.4	46.1	+27%	58.6	-0.3%
Net profit attributable to equity holders	57.3	37.5	+53%	50.3	+14%
Diluted EPS in RMB	6.014	3.875	+55%	5.263	+14%
Weighted average number of shares in million ²	9,445	9,625	-1.9%	9,484	-0.4%

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. Weighted average number of shares for calculation of diluted EPS includes the dilutive effect of share options and awarded shares as determined under the treasury stock method.

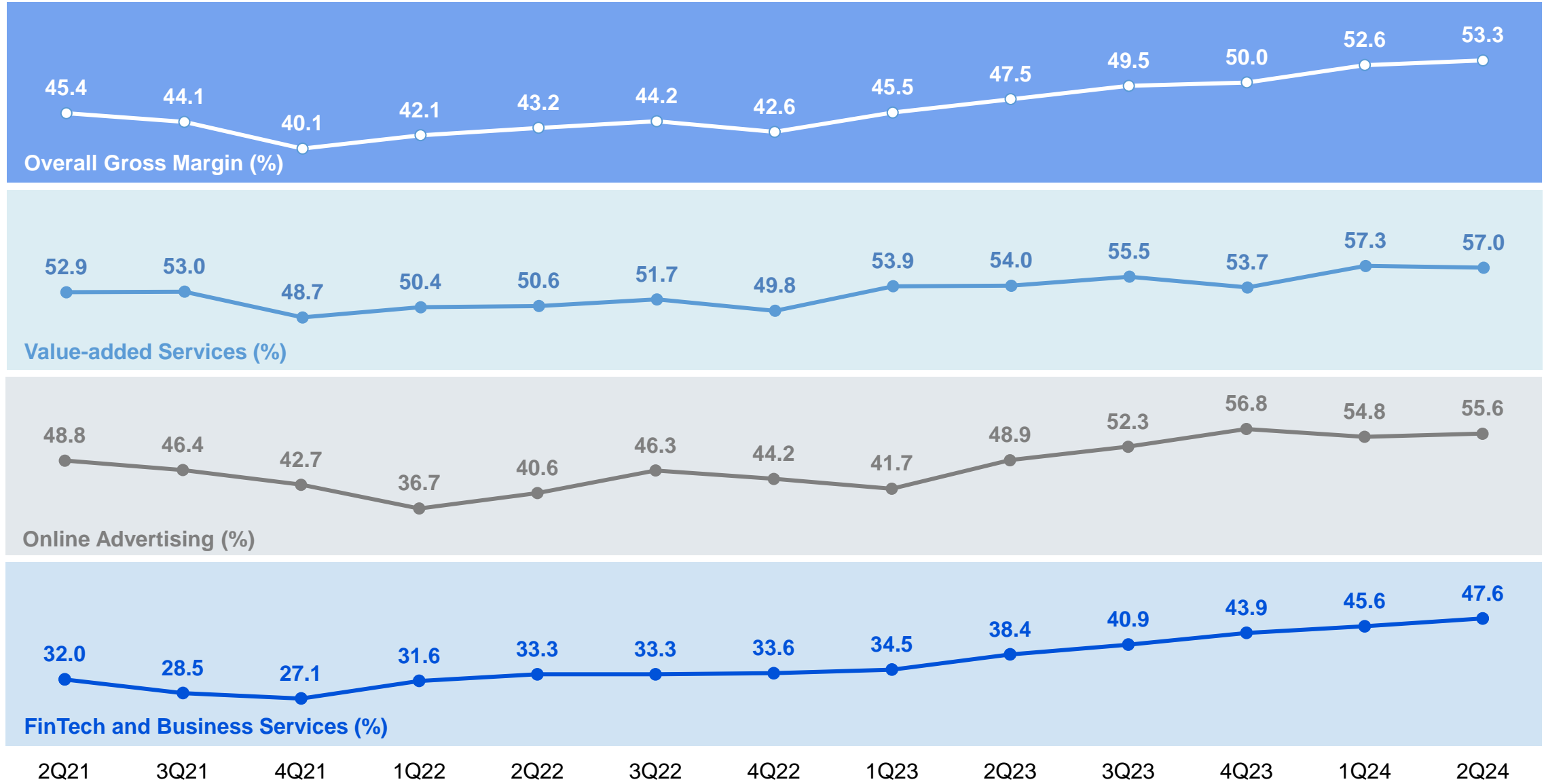
Non-IFRS Adjustments

In billion RMB	IFRS 2Q2024	SBC	Net (gains)/ losses from investee companies ¹	Amortisation of intangible assets	Impairment provisions ²	SSV & CPP ³	Tax effects	Non-IFRS 2Q2024	YoY change	QoQ change
Operating profit	50.7	6.2	-	1.3	-	0.2	-	58.4	+27%	-0.3%
Share of profit of associates & JVs, net	7.7	0.9	(0.1)	1.4	-	-	-	9.9	+156%	+80%
Net profit	48.4	7.1	(3.7)	2.7	3.5	1.0	(0.6)	58.4	+51%	+14%
Net profit attributable to equity holders	47.6	7.0	(3.7)	2.4	3.5	1.0	(0.5)	57.3	+53%	+14%
Operating margin	31.5%							36.3%	+5.4ppt	-0.5ppt

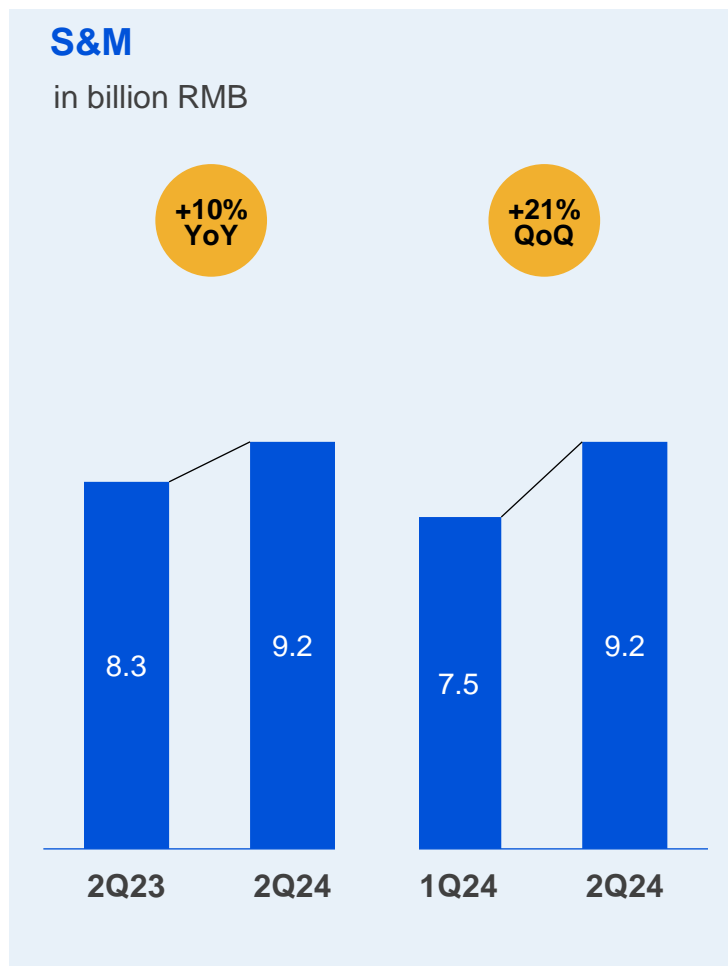
Note:

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 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.

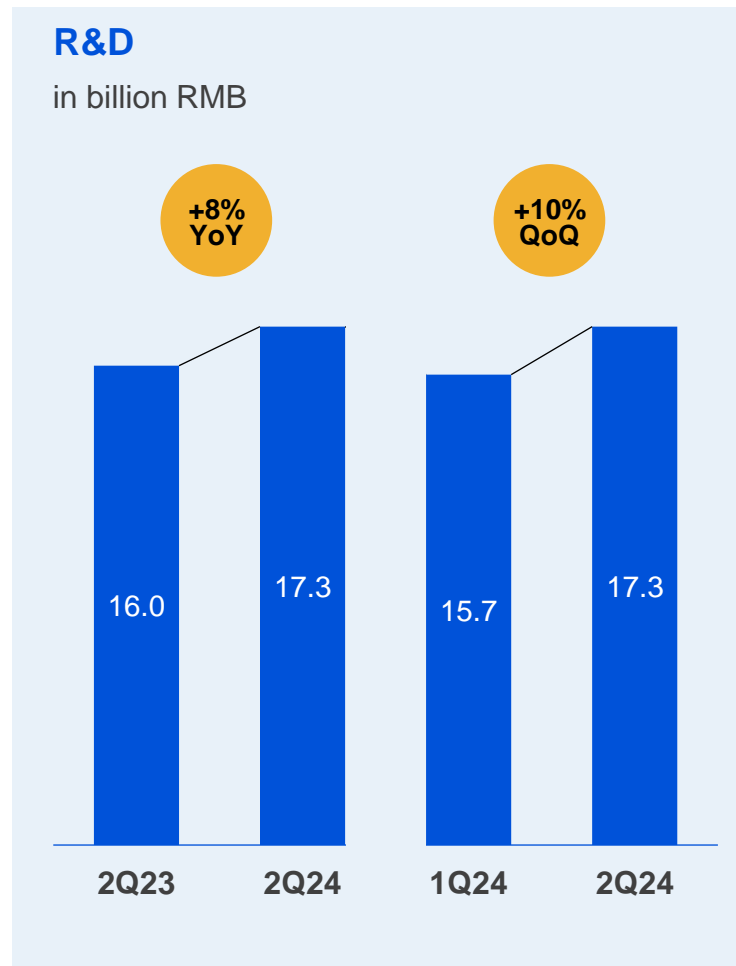
Gross Margins



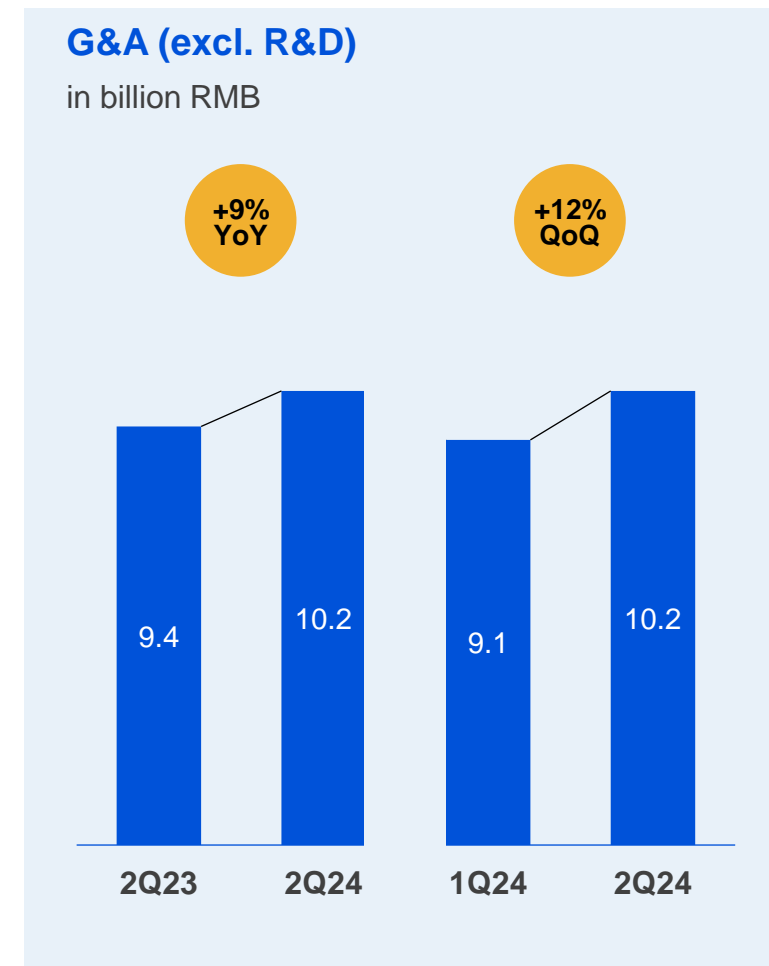
Operating Expenses



Non-IFRS
2Q24 S&M grew by 11% YoY and 21% QoQ

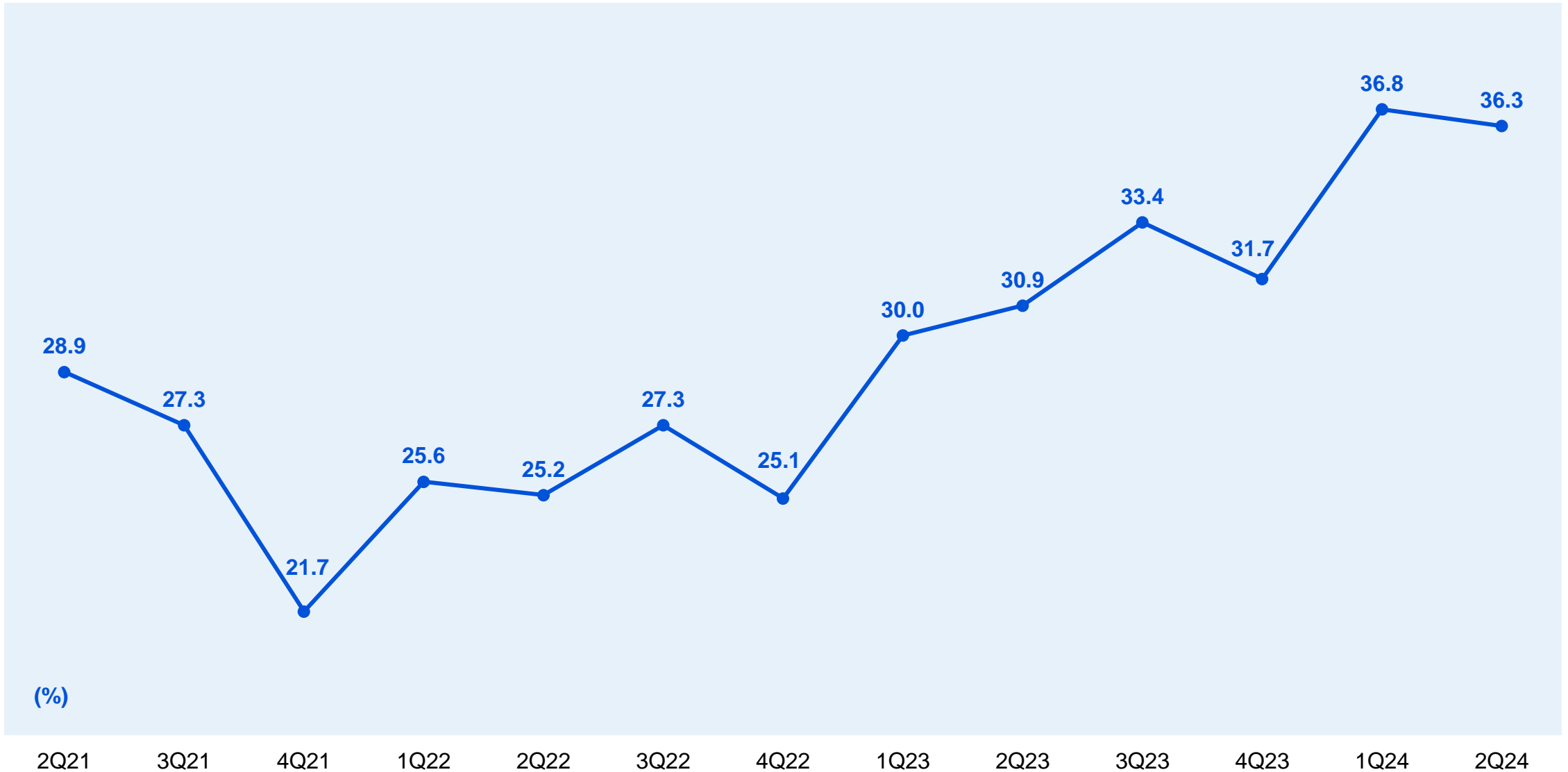


Non-IFRS
2Q24 R&D grew by 7% YoY and 8% QoQ



Non-IFRS
2Q24 G&A (excl. R&D) grew by 3% YoY and 3% QoQ

Non-IFRS Operating Margin



CAPEX, FCF and Cash Position

In billion RMB	2Q2024	2Q2023	YoY	1Q2024	QoQ
Operating CAPEX	7.2	3.0	+144%	6.6	+8%
Non-operating CAPEX	1.5	1.0	+53%	7.8	-80%
Total CAPEX	8.7	4.0	+121%	14.4	-39%
Operating Cash Flow	54.1	40.7	+33%	72.3	-25%
Less: CAPEX Paid	(5.9)	(3.0)	+100%	(15.2)	-61%
Payments for media content	(6.2)	(6.3)	-0.9%	(3.7)	+68%
Payments for lease liabilities	(1.6)	(1.5)	+11%	(1.5)	+9%
Free Cash Flow	40.4	29.9	+35%	51.9	-22%
Total Cash	415.2	371.8	+12%	445.2	-7%
Less: Total Debt	(343.4)	(354.1)	-3%	(352.7)	-3%
Net Cash	71.8	17.7	+305%	92.5	-22%

- Repurchased ~104 million shares with an aggregated cost of ~RMB34.2 billion and paid cash dividend of ~RMB28.9 billion during 2Q24
- As at 30 Jun 2024, the fair value of our shareholdings¹ in listed investee companies (excluding subsidiaries) was ~RMB565 billion (USD79 billion) and the carrying book value of our unlisted investments was ~RMB327 billion (USD46 billion)

1. Including those held via special purpose vehicles, on an attributable basis.

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Tencent Holdings Limited

2024 Second Quarter Results Presentation

Thank you!



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