

Tencent 腾讯

***2024 Third Quarter
Results Presentation***

Nov 13, 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 RMB7.0074 for 3Q2024.

1. *Overview*

2. *Business Review*

3. *Financial Review*

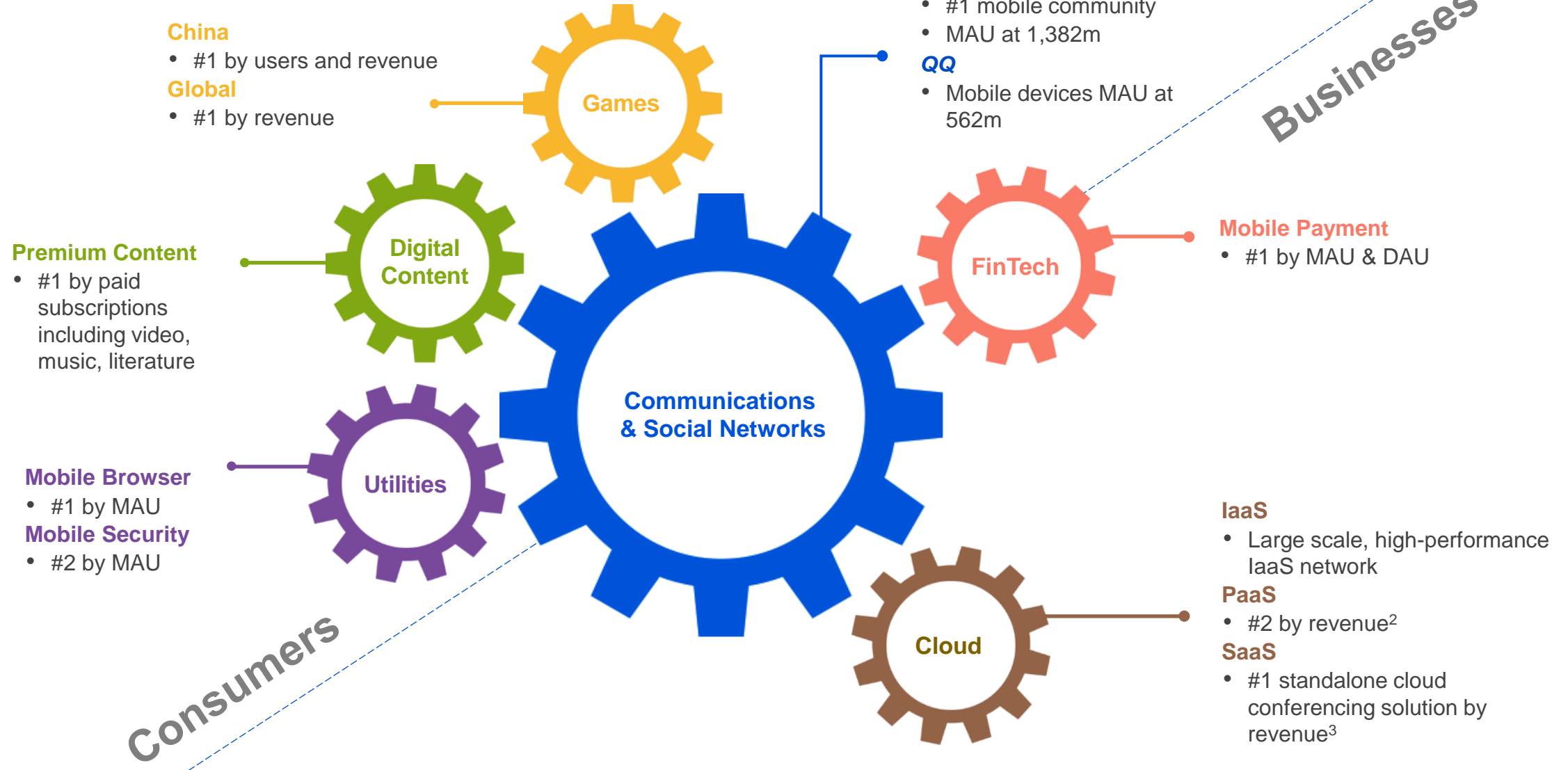
4. *Q&A*

Financial Highlights

In billion RMB	3Q2024	3Q2023	YoY	2Q2024	QoQ
Total Revenue	167.2	154.6	+8%	161.1	+4%
Value-added Services	82.7	75.7	+9%	78.8	+5%
Social Networks	30.9	29.7	+4%	30.3	+2%
Domestic Games ¹	37.3	32.7	+14%	34.6	+8%
International Games	14.5	13.3	+9%	13.9	+5%
Marketing Services²	30.0	25.7	+17%	29.9	+0.4%
FinTech and Business Services	53.1	52.0	+2%	50.4	+5%
Others	1.4	1.2	+28%	2.0	-29%
Gross Profit	88.8	76.5	+16%	85.9	+3%
<u>Non-IFRS</u>					
Operating Profit	61.3	51.7	+19%	58.4	+5%
Operating Margin	36.6%	33.4%	+3.2ppt	36.3%	+0.3ppt
Net Profit Attributable to Equity Holders	59.8	44.9	+33%	57.3	+4%

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 this quarter, we have renamed this revenue segment from 'Online Advertising' to 'Marketing Services' to better represent the breadth of our marketing solutions and accompanying technology services across our online marketing properties.

Key Services Update



1. All rankings above refer to China market, unless otherwise stated. Company data as of Sep 30, 2024

2. IDC Quarterly Public Cloud Services Tracker, 2Q24

3. IDC China Cloud Conferencing Market Share report, 2023

1. *Overview*

2. *Business Review*

3. *Financial Review*

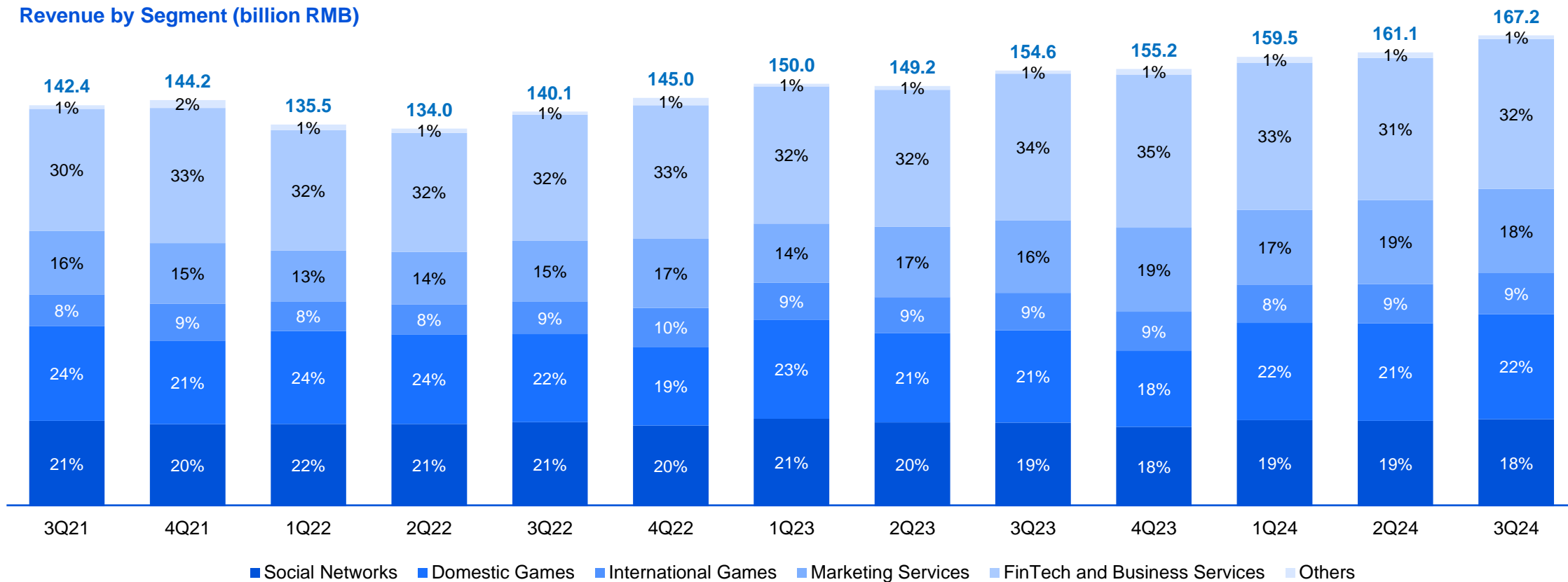
4. *Q&A*

Revenue

Revenue Growth (YoY %)

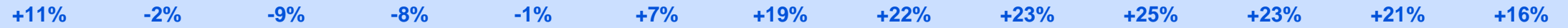
+13% +8% +0.1% -3% -2% +0.5% +11% +11% +10% +7% +6% +8% +8%

Revenue by Segment (billion RMB)

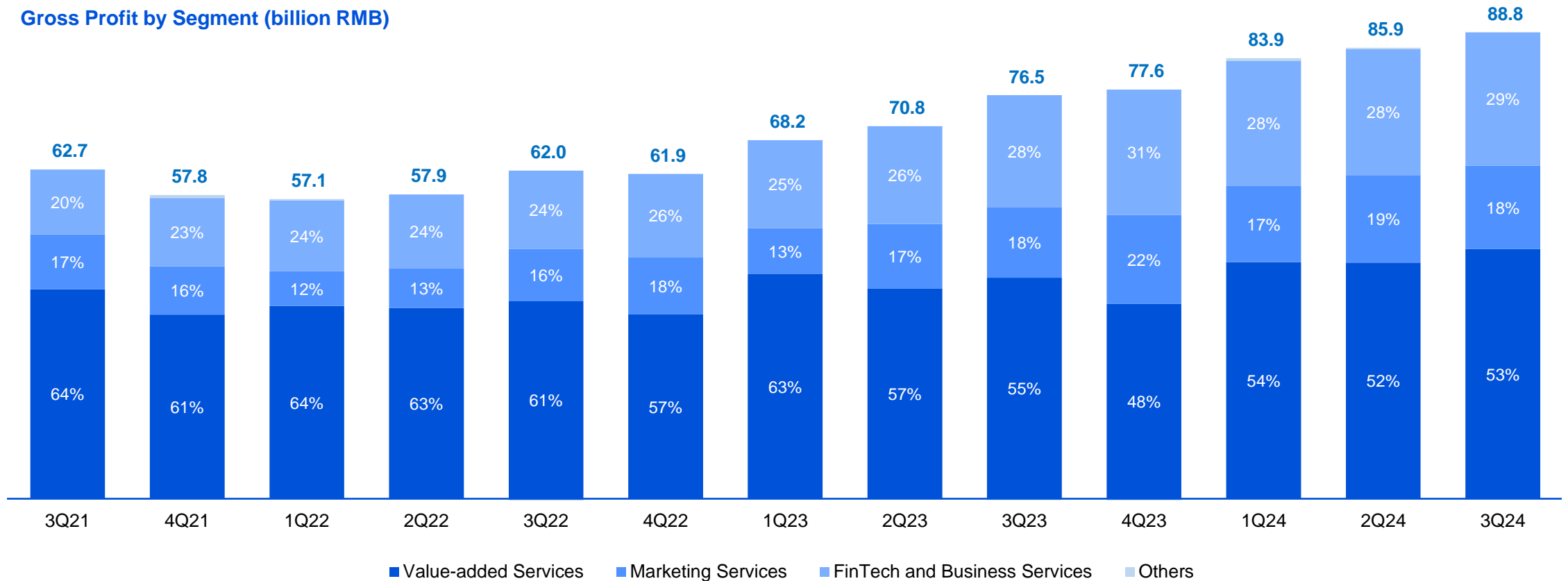


Gross Profit

Gross Profit Growth (YoY %)

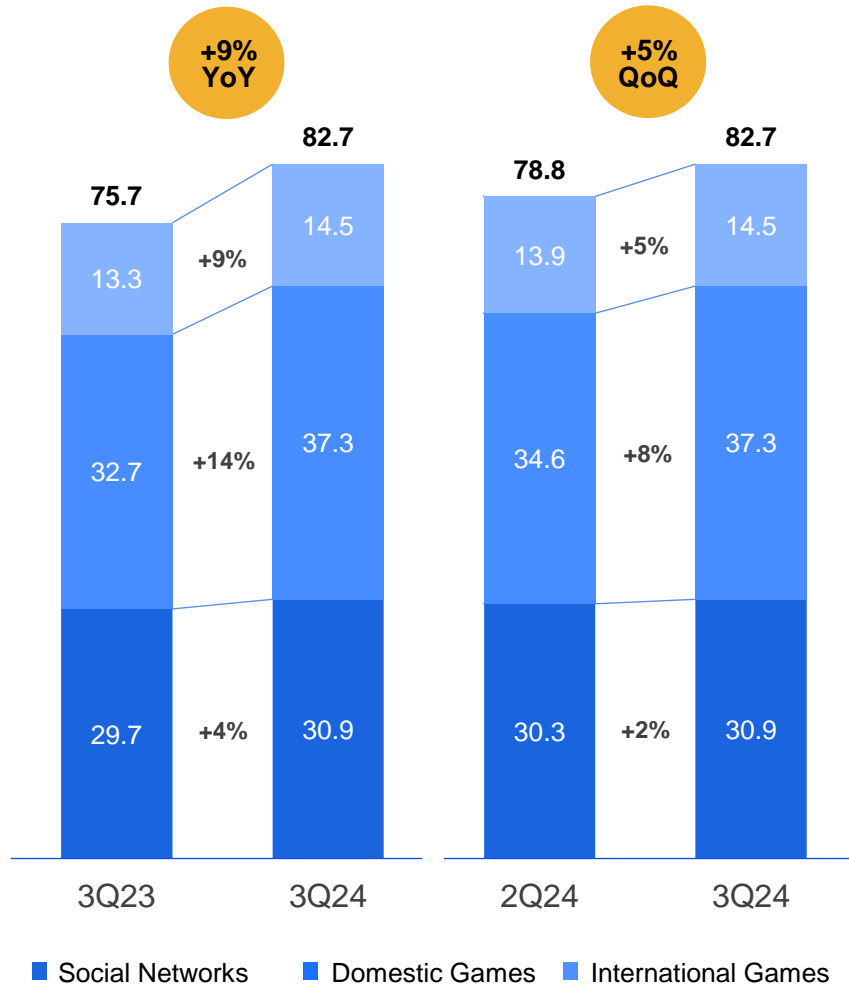


Gross Profit by Segment (billion RMB)



Value-added Services

In billion RMB



Social Networks

- Revenue was up 4% YoY, driven by increased revenue from music subscriptions, app-based games item sales and *Mini Games* platform service fees, partially offset by decreased revenue from music- and games-related live streaming services
- Music subscription revenue increased 20% YoY, benefitting from enhanced recommendation algorithms, enriched content offerings and upgraded audio quality. Music subscriptions grew 16% YoY to 119 million¹
- Long-form video subscription revenue increased 4% YoY. Video subscriptions grew 6% YoY to 116 million, benefitting from popular animated and drama series. Our exclusive drama series *She And Her Girls* became the highest-rated² domestic drama series industry-wide since 2015

Domestic Games

- Revenue grew 14% YoY, reflecting growth from *HoK* and *Peacekeeper Elite*, record-setting performance from *VALORANT*, and full-quarter contribution of *DnF Mobile*

International Games

- Revenue increased 9% YoY, or 11% in constant currency, driven by *PUBG MOBILE* and *Brawl Stars*. Revenue growth lagged gross receipt growth due to deferral periods, which lengthened for certain games

1. The average number of subscriptions as of the last day of each month during 3Q24
 2. Source: Douban, as of Nov 12, 2024

Communications & Social Networks



Mini Programs

- GMV facilitated by *Mini Programs* grew high teens % YoY and exceeded RMB2 trillion in 3Q24, benefitting from better coverage and solutions for use cases including food ordering, electric vehicle charging, and medical services
- Enriched our content offering beyond *Mini Games* with increasingly popular *Mini Dramas*



Mini Shops

- *Mini Shops* is our platform for indexed and standardised merchandise, where merchants can operate storefronts similar to those in eCommerce marketplaces, while leveraging *Weixin* social interactions, content services, and payment capabilities
- For consumers, we enhanced user interface for order tracking, extended return periods, and provided express refund services
- For merchants, we made onboarding easier by streamlining admission procedure and lowering deposit requirements, and enabled shoppable SKU-level links in *Official Accounts*, *Mini Programs*, *Weixin Search* and *Video Accounts*



QQ

- Mobile device MAU returned to YoY growth in 3Q24
- Comprehensively upgraded back end infrastructure, facilitating faster enhancements to user experience
- Added and popularised powerful new functionalities, such as *Tencent Channels* for interest-based user interactions

Domestic Games

Flagship evergreen games delivered healthy growth

- **HoK:** Gross receipts grew YoY in 3Q24, benefitting from Chinese Valentine-themed event in collaboration with Tencent Comics IP *Fox Spirit Matchmaker*, and top-tier martial arts-themed outfit
- **Peacekeeper Elite:** Gross receipts increased double-digit % YoY in 3Q24, continuing recent rebound, driven by items based on Neon Genesis Evangelion and upgradable outfit inspired by Chinese ink-painting



Honour of Kings

Several proven evergreen games set new records

- **Naruto Mobile:** Average DAU set historical high of over 10 million in 3Q24, as gameplay adapted from a Naruto animated movie and new ninjas attracted millions of new players. Gross receipts grew robustly YoY on higher paying user penetration for season passes
- **VALORANT:** Average DAU and gross receipts reached new highs; largest contributor to our PC game gross receipts and revenue in 3Q24. First victory from a Chinese team in global Valorant Champions tournament attracted new players and boosted sales of eSports-themed items



VALORANT

Launched new games with evergreen potential

- **DnF Mobile:** Ranked #2 by gross receipts¹ among all mobile games in 3Q24. Will release major content update for Chinese New Year to enhance user engagement
- **Delta Force:** Our first multi-platform FPS targeting global market; achieved good average user daily time spent and player retention rates, and several million DAUs. Will add campaign mode and launch internationally in coming months



Delta Force

1. Source: data.ai, 3Q24

International Games



PUBG MOBILE

- Gross receipts grew by double-digit % YoY and achieved record high in 3Q24, benefitting from Egyptian-themed outfits and Lamborghini brand collaboration



Brawl Stars

- Continued among top 3 mobile games by DAU in international markets¹; gross receipts grew several times YoY, benefitting from Mega Boxes and IP collaboration with SpongeBob SquarePants



VALORANT

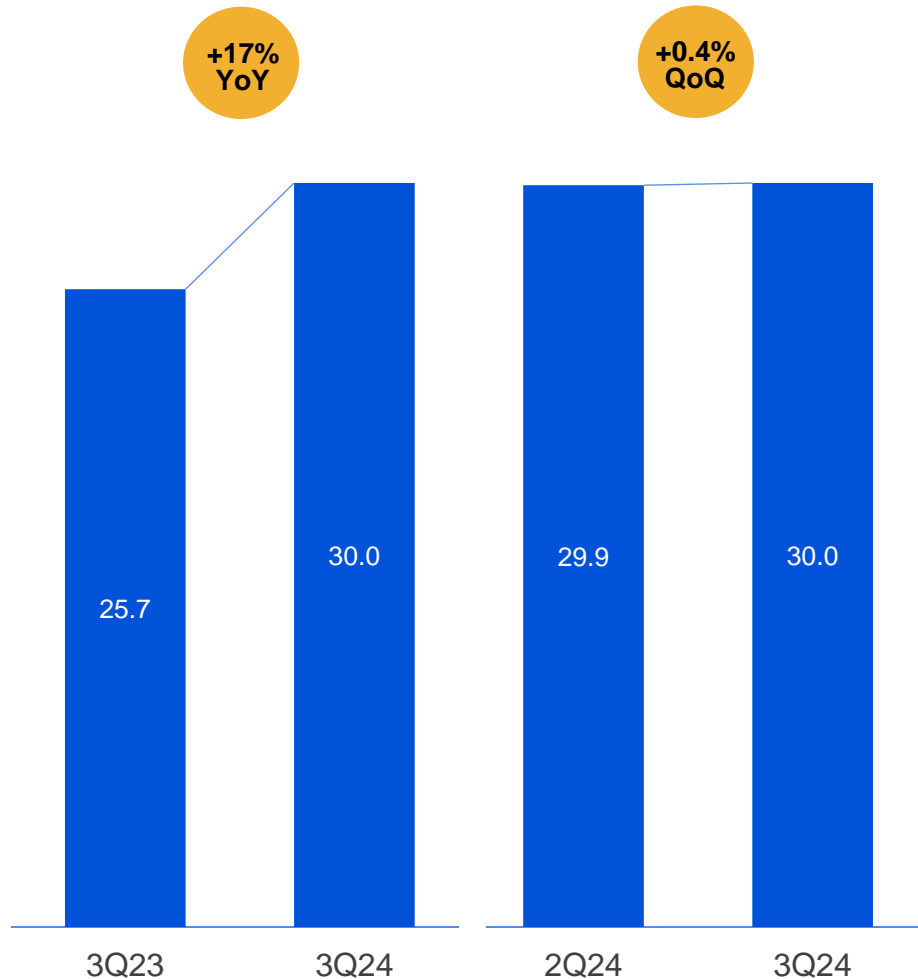
- Gross receipts increased by over 30% YoY in 3Q24, benefitting from launch of console version in 5 key markets and eSports-themed weapon items



1. Source: data.ai, 3Q24

Marketing Services

In billion RMB



Overall

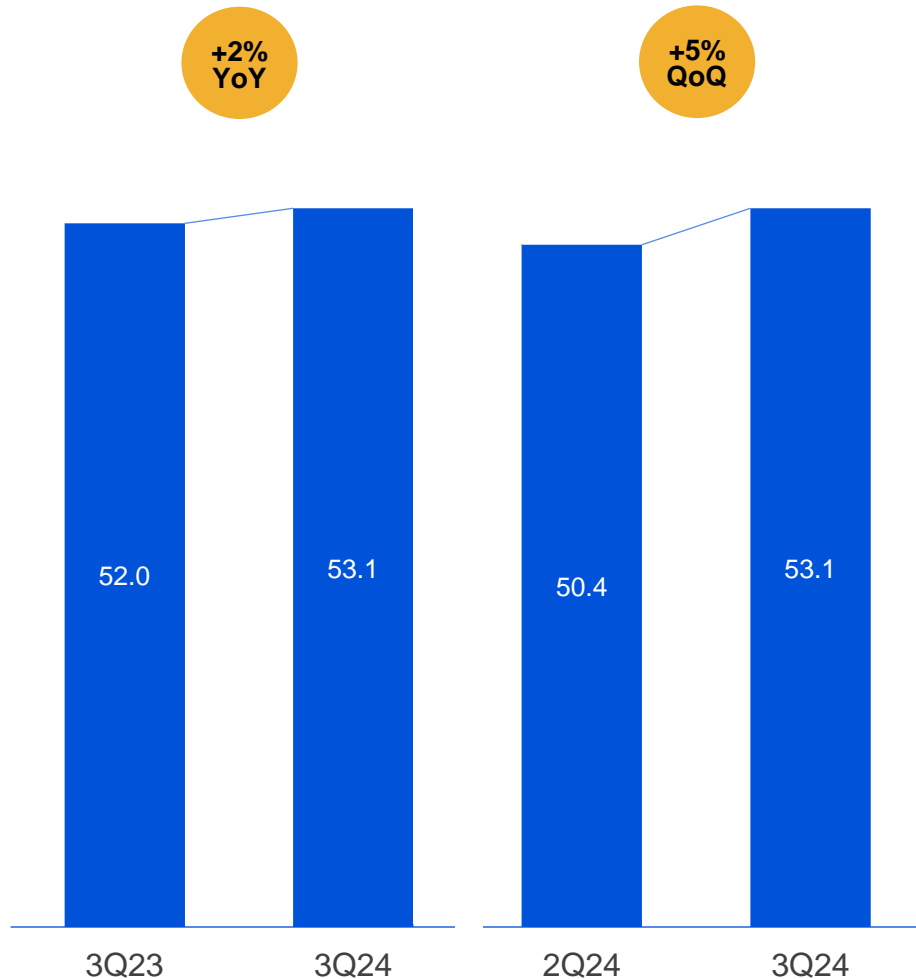
- Revenue grew 17% YoY, with strength in games and eCommerce categories, outweighing weakness in real estate and food & beverage. Paris Olympics cushioned industry-wide weakness in brand ad revenue in 3Q24, but this positive factor will be absent in 4Q24
- Leveraged *Tencent Hunyuan* to facilitate tagging and categorisation of content and ad materials. Upgraded machine learning platform to deliver more accurate ad targeting

Weixin

- **Video Accounts** marketing services revenue increased over 60% YoY. As we systematically strengthen transaction capabilities in *Weixin*, advertisers increasingly utilise our marketing tools to boost content exposure and drive sales conversion
- **Mini Programs** marketing services revenue grew robustly YoY, as our mini games and mini dramas provided high-value rewarded video ad inventory and generated incremental closed-loop demand
- **Weixin Search** revenue more than doubled YoY, benefitting from increased commercial queries and improved CTR. We utilised LLM capabilities to facilitate understanding of complex queries and content, enhancing relevance of search results

FinTech and Business Services

In billion RMB



FinTech Services

- Revenue was flat YoY, decrease in payment revenue offset by increase in wealth management services revenue
- For commercial payment, number of transactions continued to increase at healthy rate YoY while average value per transaction declined YoY
- For wealth management, number of users and aggregated customer assets increased YoY

Business Services

- Revenue grew YoY, mainly driven by cloud services and fees collected on eCommerce transactions. Gross profit increased notably YoY due to increased contribution from higher-margin revenue streams, as well as improved efficiency
- Revenue from GPU-powered services, primarily for AI computing, grew swiftly YoY and represented teens percentage of IaaS revenue
- Released *Tencent Hunyuan Turbo* with heterogeneous MoE¹ architecture, which doubled training and inference efficiency and halved inference cost versus *Hunyuan Pro*
- Tencent Cloud increased international revenue significantly YoY. We leveraged our domain expertise in areas such as games and live streaming to win new customers

1. Mixture of Experts is a deep learning technique that boosts overall performance by using a mixture of multiple expert models and enhances efficiency and scalability of training and inference by dynamically routing inputs to the appropriate experts for processing

1. *Overview*
2. *Business Review*
- 3. *Financial Review***
4. *Q&A*

Income Statement

In billion RMB	3Q2024	3Q2023	YoY	2Q2024	QoQ
Revenue	167.2	154.6	+8%	161.1	+4%
COPS	(78.4)	(78.1)	+0.3%	(75.2)	+4%
Gross profit	88.8	76.5	+16%	85.9	+3%
Operating expenses	(38.5)	(34.2)	+12%	(36.7)	+5%
Other gains, net ¹	3.0	2.0	+47%	1.5	+100%
Operating profit ¹	53.3	44.3	+20%	50.7	+5%
Net gains/(losses) from investments and others ¹	3.1	0.6	+396%	(0.7)	N/A
Interest income ¹	4.0	3.6	+14%	3.9	+4%
Finance costs	(3.5)	(2.8)	+27%	(3.1)	+13%
Share of profit of associates & JVs, net	6.0	2.1	+187%	7.7	-22%
Income tax expense	(8.9)	(11.0)	-19%	(10.1)	-12%
Net profit	54.0	36.8	+47%	48.4	+12%
Net profit attributable to equity holders	53.2	36.2	+47%	47.6	+12%
Diluted EPS in RMB	5.644	3.752	+50%	4.994	+13%
Non-IFRS					
Operating profit ¹	61.3	51.7	+19%	58.4	+5%
Net profit attributable to equity holders	59.8	44.9	+33%	57.3	+4%
Diluted EPS in RMB	6.340	4.657	+36%	6.014	+5%
Weighted average number of shares in million ²	9,360	9,597	-2.5%	9,445	-0.9%

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.

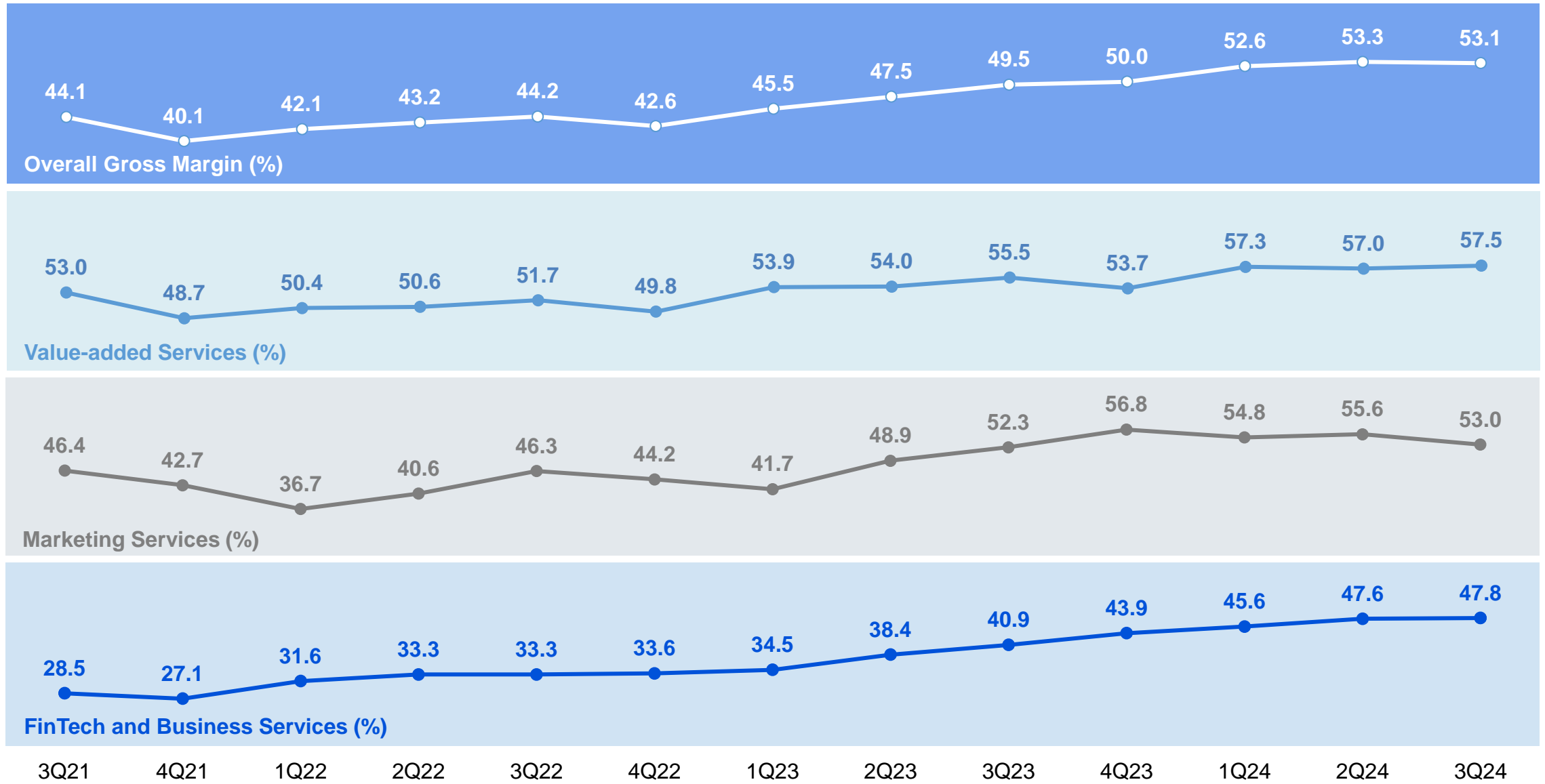
Non-IFRS Adjustments

In billion RMB	IFRS 3Q2024	SBC	Net (gains)/ losses from investee companies ¹	Amortisation of intangible assets	Impairment provisions ²	SSV & CPP ³	Tax effects	Non-IFRS 3Q2024	YoY change	QoQ change
Operating profit	53.3	6.4	-	1.4	-	0.2	-	61.3	+19%	+5%
Share of profit of associates & JVs, net	6.0	1.0	0.1	1.4	-	-	-	8.5	+78%	-14%
Net profit	54.0	7.4	(6.6)	2.8	3.8	0.3	(0.8)	60.9	+33%	+4%
Net profit attributable to equity holders	53.2	7.2	(6.7)	2.6	3.8	0.3	(0.6)	59.8	+33%	+4%
Operating margin	31.9%							36.6%	+3.2ppt	+0.3ppt

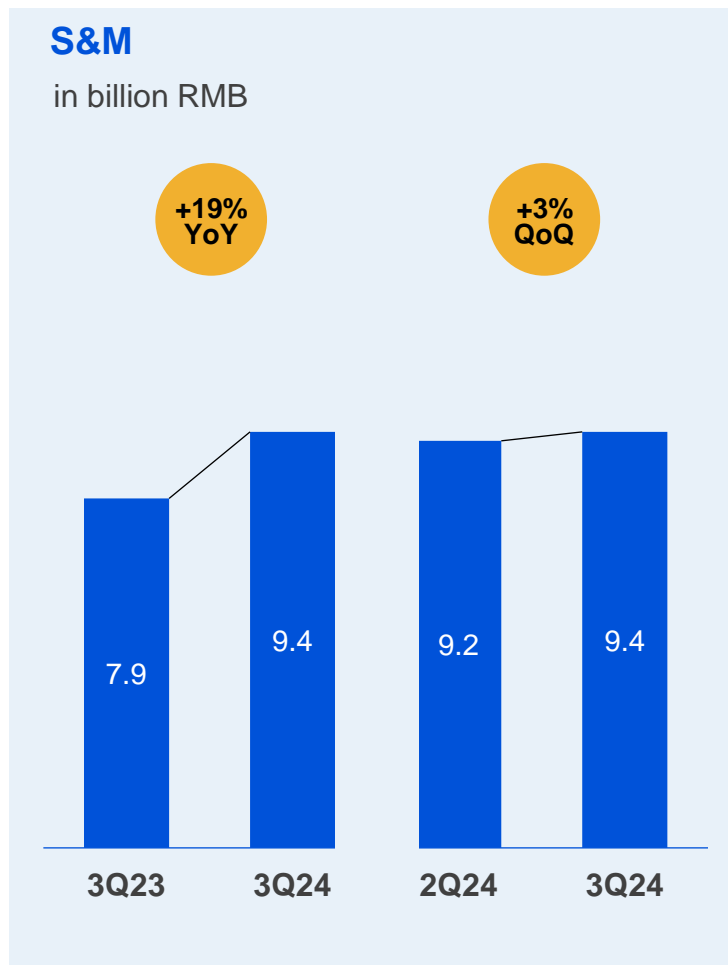
Note:

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.

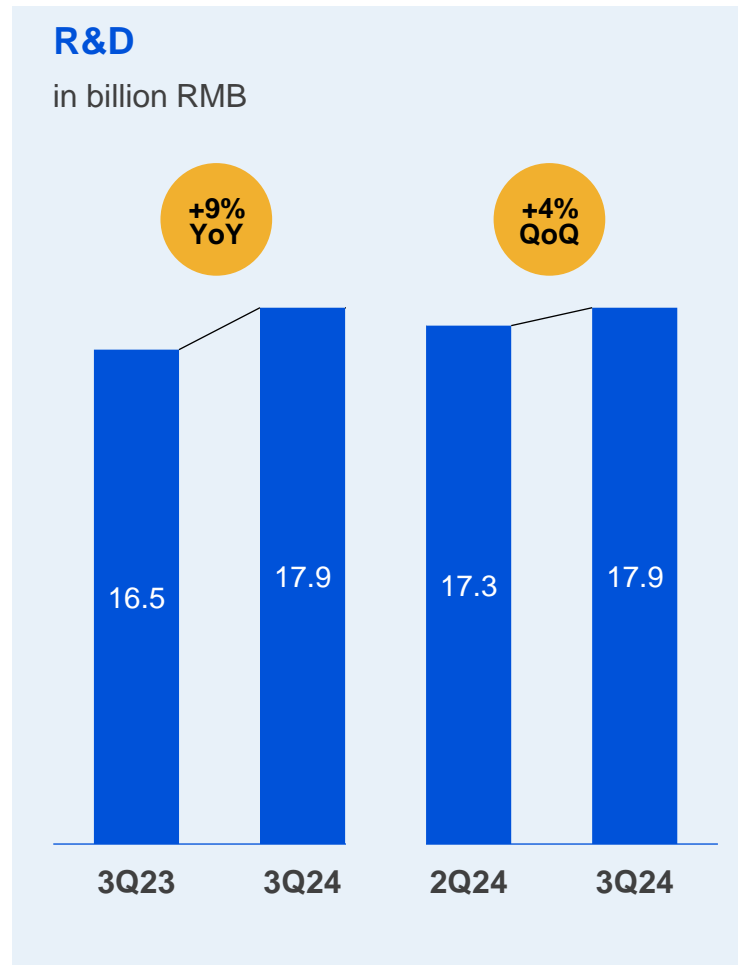
Gross Margins



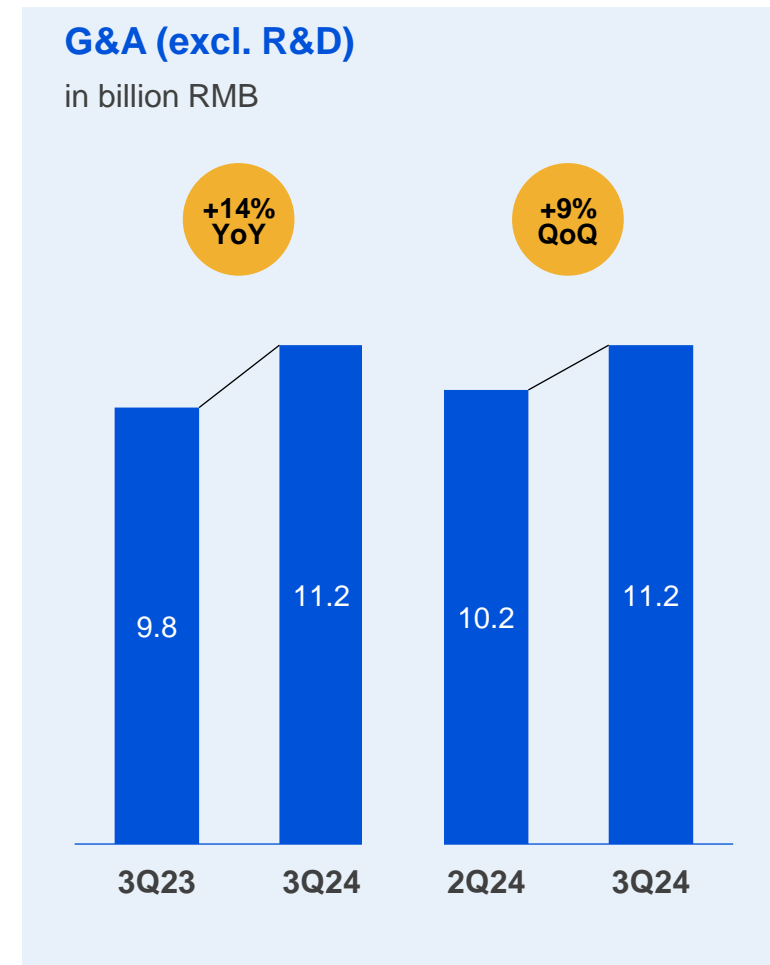
Operating Expenses



Non-IFRS
3Q24 S&M grew by 22% YoY and 4% QoQ

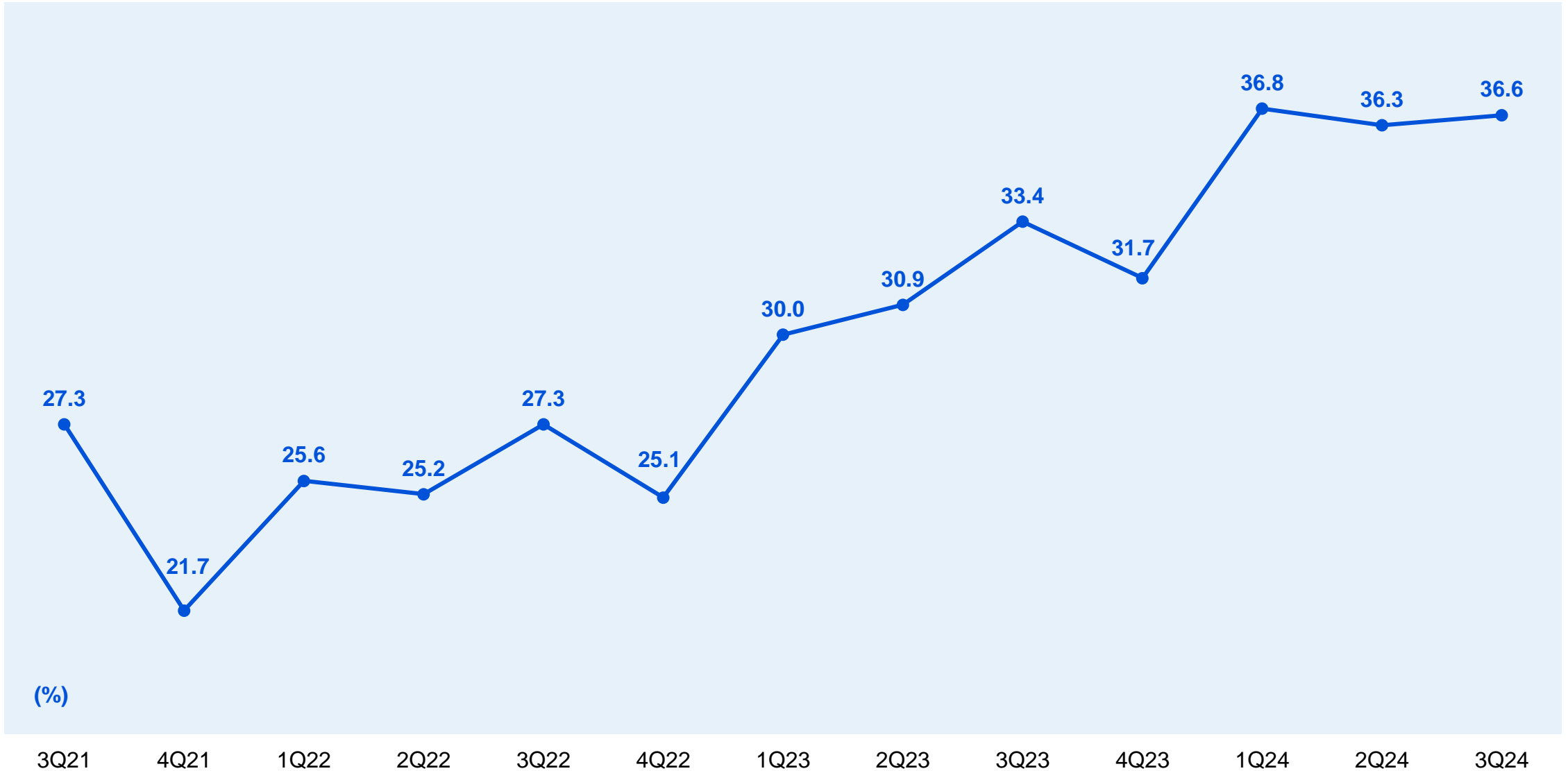


Non-IFRS
3Q24 R&D grew by 9% YoY and 6% QoQ



Non-IFRS
3Q24 G&A (excl. R&D) grew by 5% YoY and 5% QoQ

Non-IFRS Operating Margin



CAPEX, FCF and Cash Position

In billion RMB	3Q2024	3Q2023	YoY	2Q2024	QoQ
Operating CAPEX	14.7	6.6	+122%	7.2	+104%
Non-operating CAPEX	2.4	1.4	+74%	1.5	+57%
Total CAPEX	17.1	8.0	+114%	8.7	+96%
Operating Cash Flow	78.1	65.0	+20%	54.1	+44%
Less: CAPEX Paid	(12.0)	(5.8)	+108%	(5.9)	+103%
Payments for media content	(5.6)	(6.3)	-11%	(6.2)	-10%
Payments for lease liabilities	(2.0)	(1.8)	+3%	(1.6)	+16%
Free Cash Flow	58.5	51.1	+14%	40.4	+45%
Total Cash	425.5	387.4	+10%	415.2	+2%
Less: Total Debt	(330.0)	(351.0)	-6%	(343.4)	-4%
Net Cash	95.5	36.4	+162%	71.8	+33%

- Repurchased ~95 million shares with an aggregated cost of ~RMB32.6 billion (HKD35.9 billion)
- As at 30 Sep 2024, the fair value of our shareholdings¹ in listed investee companies (excluding subsidiaries) was ~RMB612 billion (USD87 billion) and the carrying book value of our shareholdings in unlisted investee companies (excluding subsidiaries) was ~RMB328 billion (USD47 billion)

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

1. *Overview*
2. *Business Review*
3. *Financial Review*
4. **Q&A**

Tencent Holdings Limited

2024 Third Quarter Results Presentation

Thank you!



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