

Tencent 腾讯

CORPORATE OVERVIEW

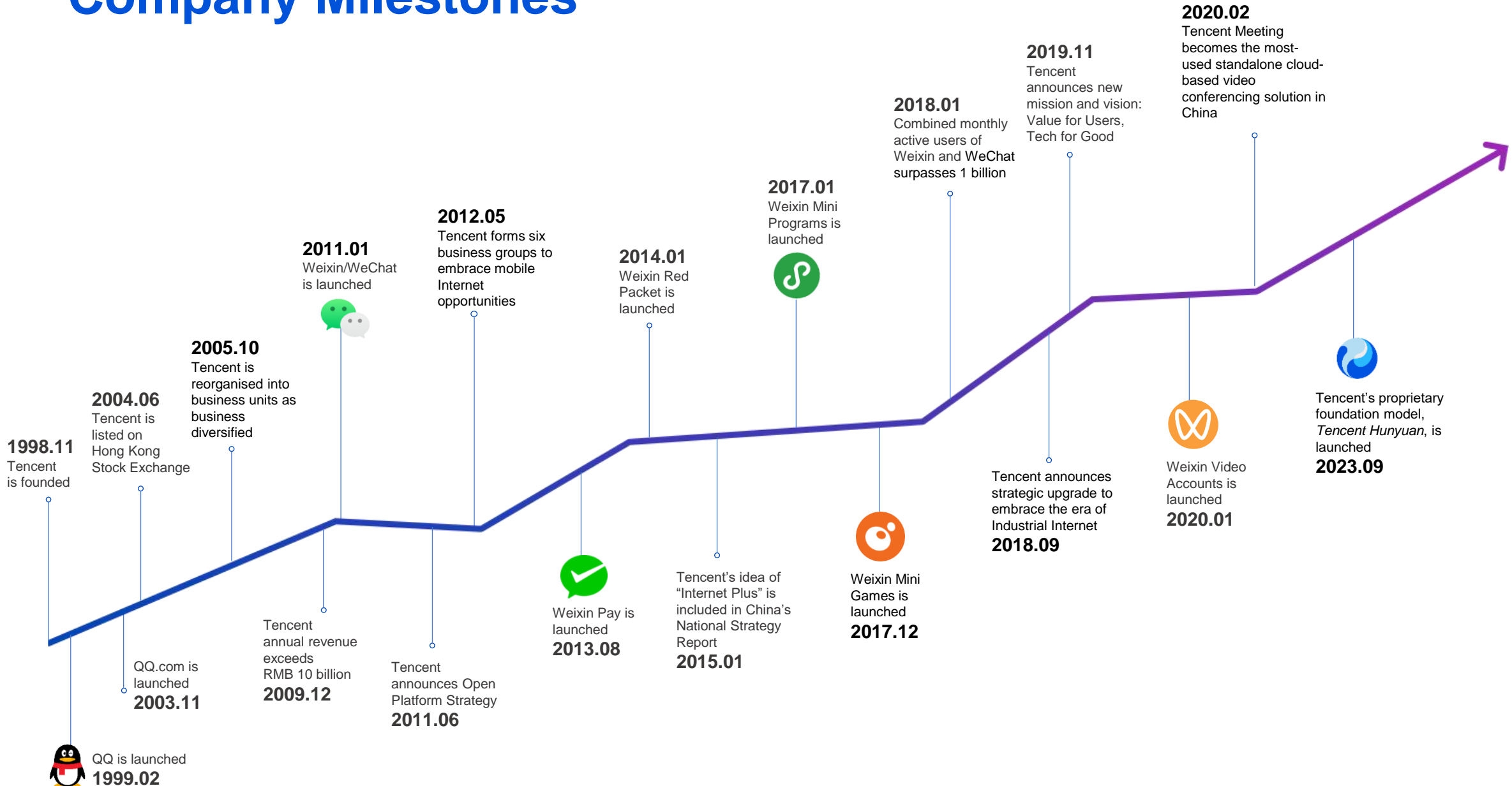
Third Quarter of 2024

1. Business and Financials

2. High Quality Revenue Growth Model

3. Tech for Good

Company Milestones



Digital Ecosystem Fulfilling Needs of Customers and Enterprises

1 billion+

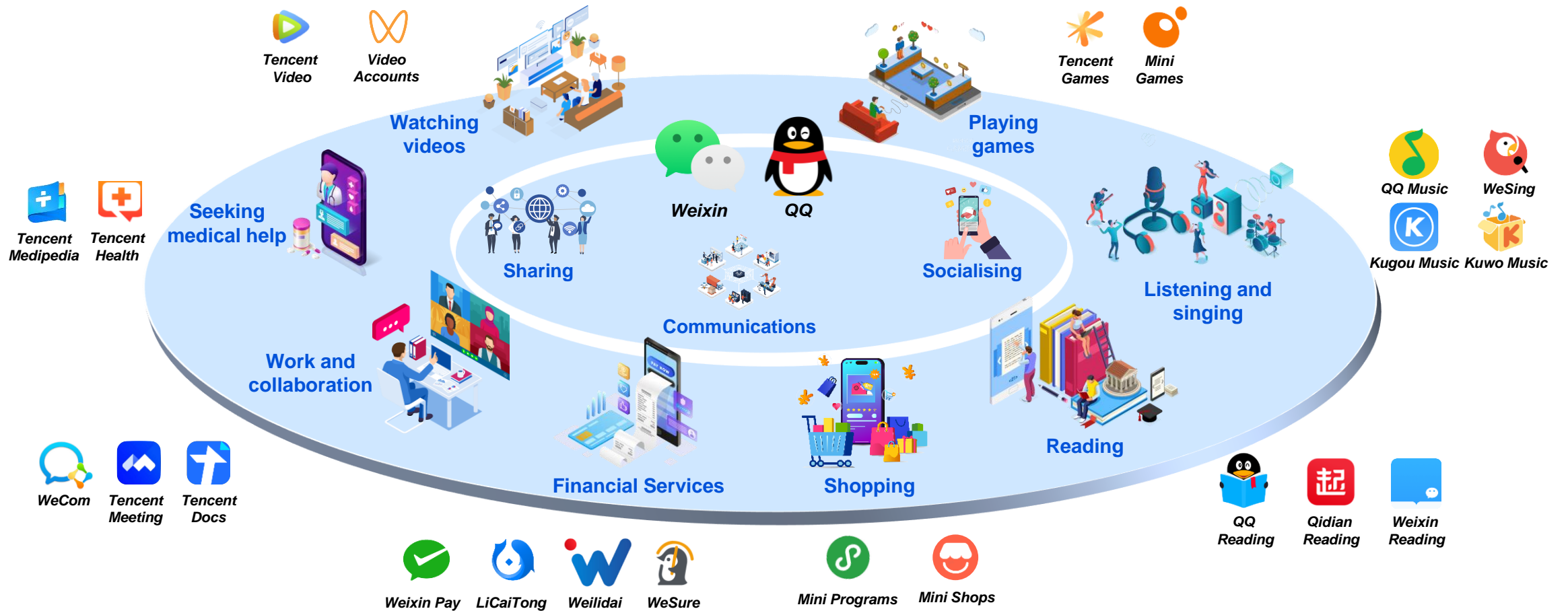
daily average commercial payment transactions on *Weixin Pay* ⁽¹⁾

Several Trillions RMB

GMV facilitated by *Weixin Mini Programs* ⁽²⁾

265 million

total fee-based VAS subscriptions ⁽³⁾

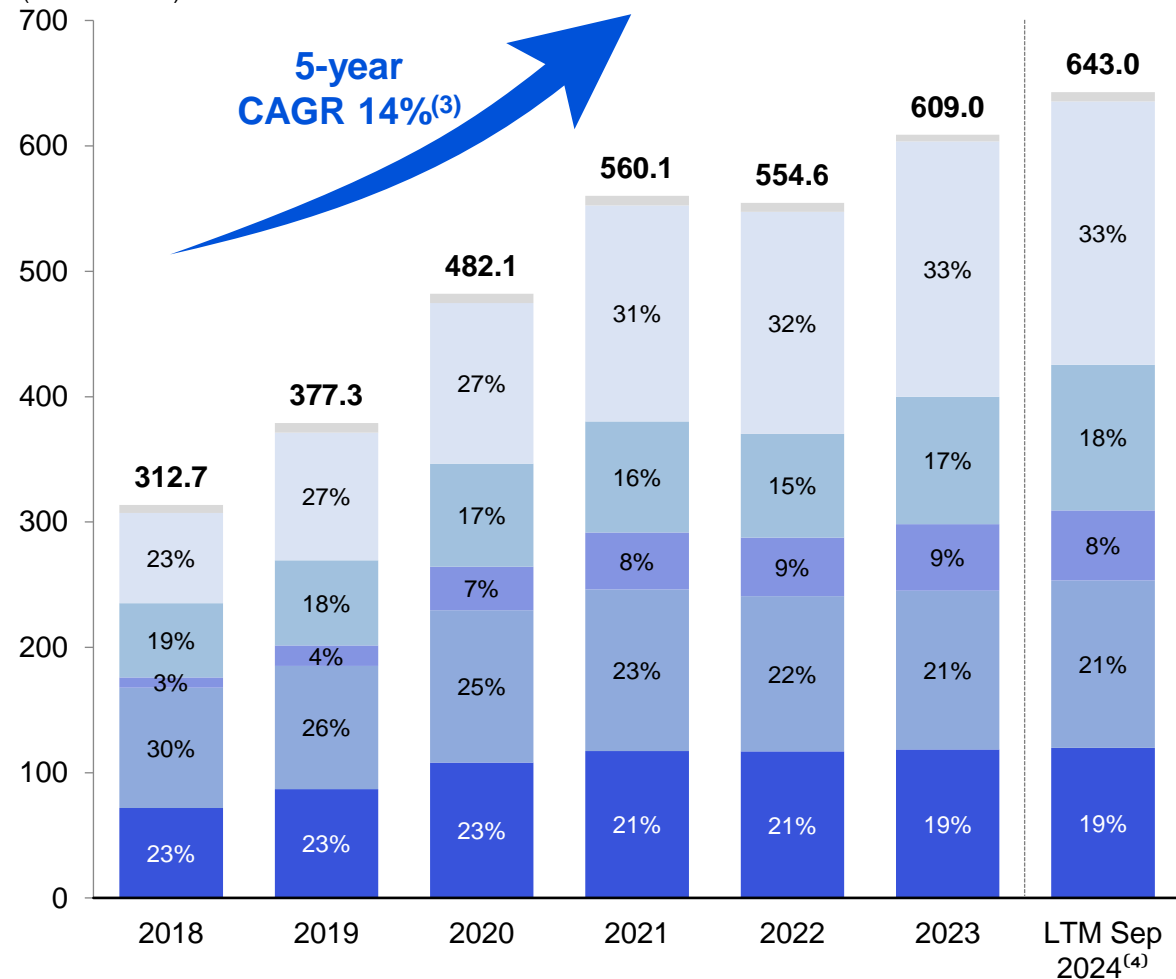


1. Since 4Q19; 2. In 2022; 3. In 3Q24

Resilient Business Model with Diversified Revenue Streams

Revenues by Business Segment ⁽¹⁾⁽²⁾

(In billion RMB)



Segment

FinTech and Business Services

- Enterprise and consumer-driven
- Payment, wealth management, consumer loans, and online insurance services
- Cloud and other business services, such as eCommerce technology services

Marketing Services⁽⁵⁾

- Enterprise-driven
- Social Network inventories: Moments, Video Accounts, Mini Programs, Official Accounts, Weixin Search, etc.
- Content Platform inventories: video, music, news, etc.
- Mobile Ad Network inventories

VAS: International Games ⁽²⁾

- Consumer-driven

VAS: Domestic Games ⁽²⁾

- Item-based sales
- Season Pass
- Copy sales

VAS: Social Networks

- Consumer-driven
- Digital content subscriptions
- Membership privileges
- Virtual item sales
- Mini Games platform service fees

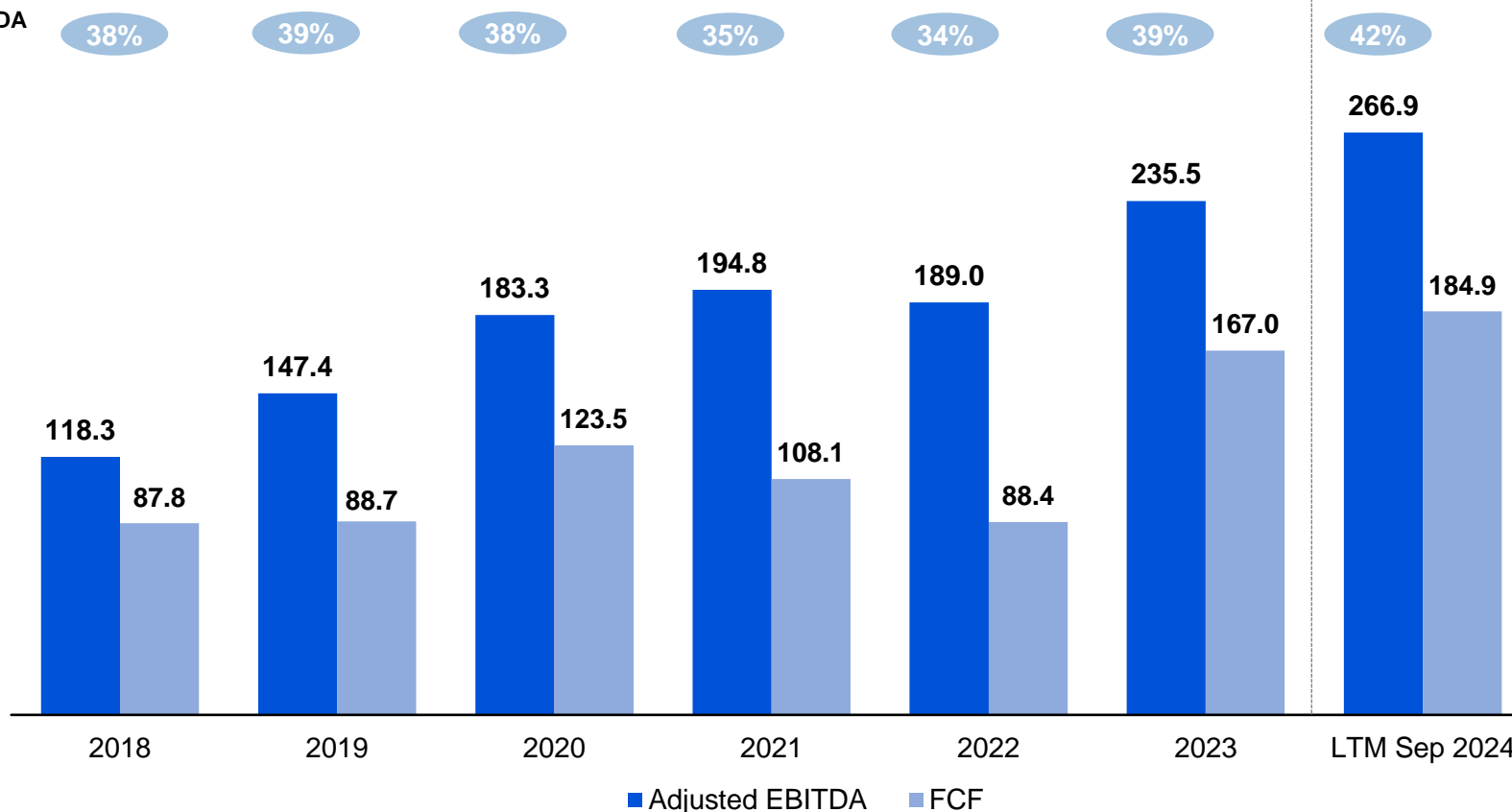
1. "Others" segment revenues is marked in grey. "Others" segment revenues included the financials of investment in, production of and distribution of, films and television programmes for third parties, copyrights licensing, merchandise sales and various other activities.
2. Starting 3Q21, we disclose 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.
3. 2018-2023 CAGR
4. Last twelve months ended Sep 30, 2024
5. Starting 3Q24, we rename 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

Profitable and Cash-Generative Business Model

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

(In billion RMB)

Adj. EBITDA
Margin



Key Metrics

15%

Adj. EBITDA CAGR ⁽³⁾

39%

Adj. EBITDA Margin ⁽⁴⁾

71%

FCF Conversion ⁽⁵⁾

1. Adjusted EBITDA consists of EBITDA plus equity-settled share-based compensation expenses

2. 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

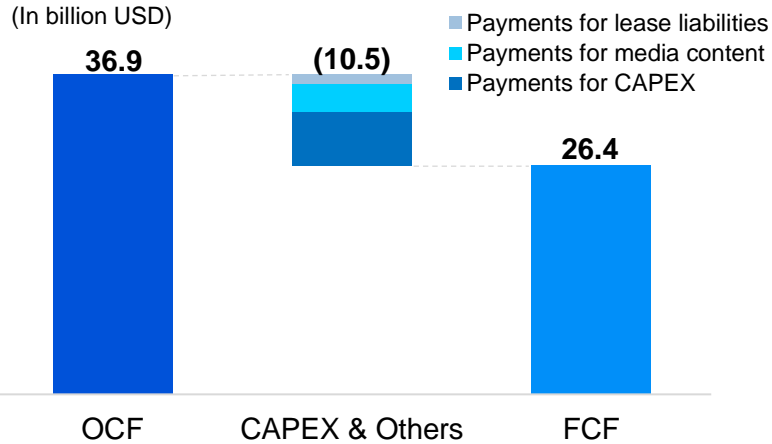
3. 2018–2023 CAGR

4. Adjusted EBITDA as % of Revenues ; In 2023

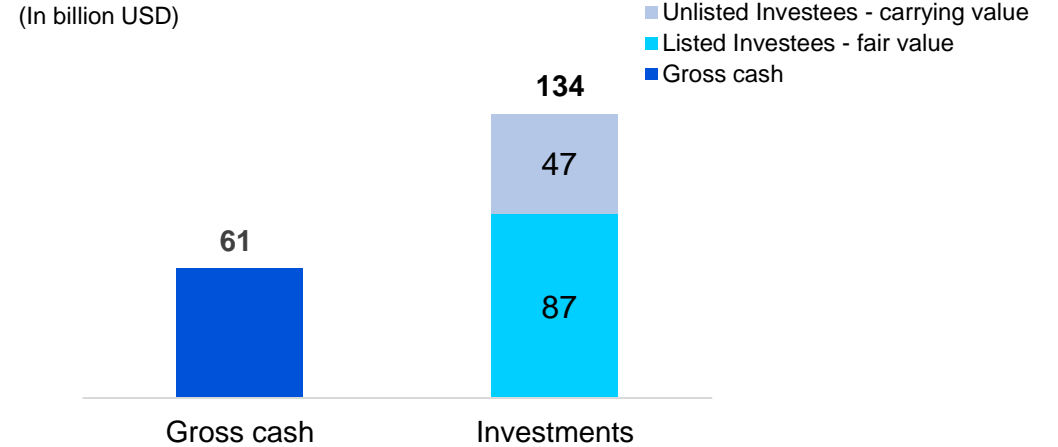
5. FCF Conversion = FCF / Adjusted EBITDA; In 2023

High Shareholder Return Supported by Financial Strength

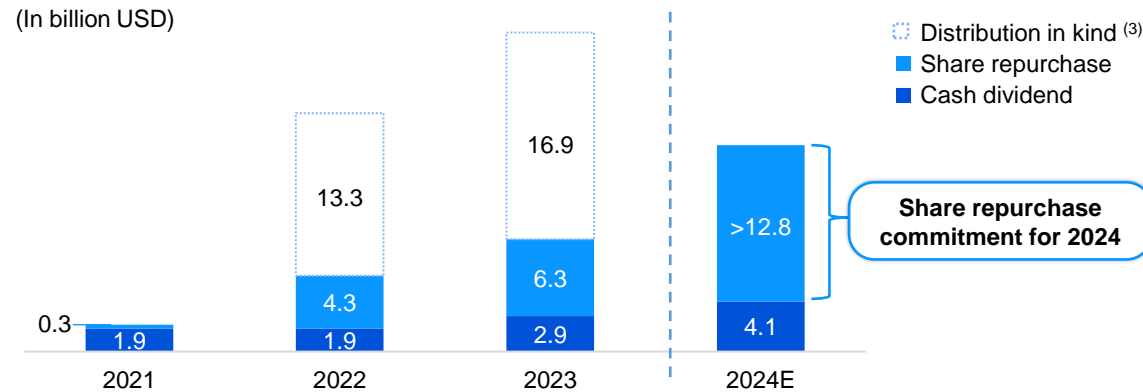
Robust free cash flow (LTM Sep 30, 2024)



Sizeable cash and investment portfolio ^(1,2)



Return of capital to shareholders ⁽¹⁾



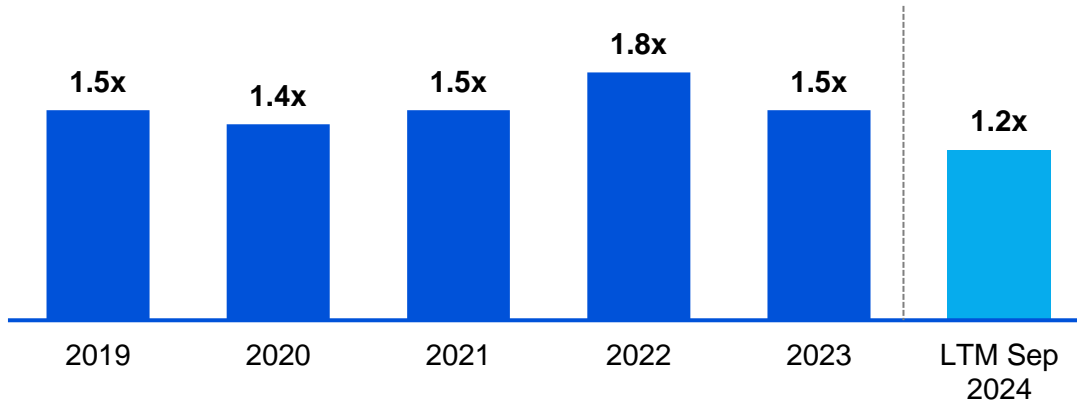
1. As at Sep 30, 2024, USD1 to RMB7.0074

2. 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) our shareholdings in unlisted investees companies (excluding subsidiaries) (defined as "Unlisted Investees")

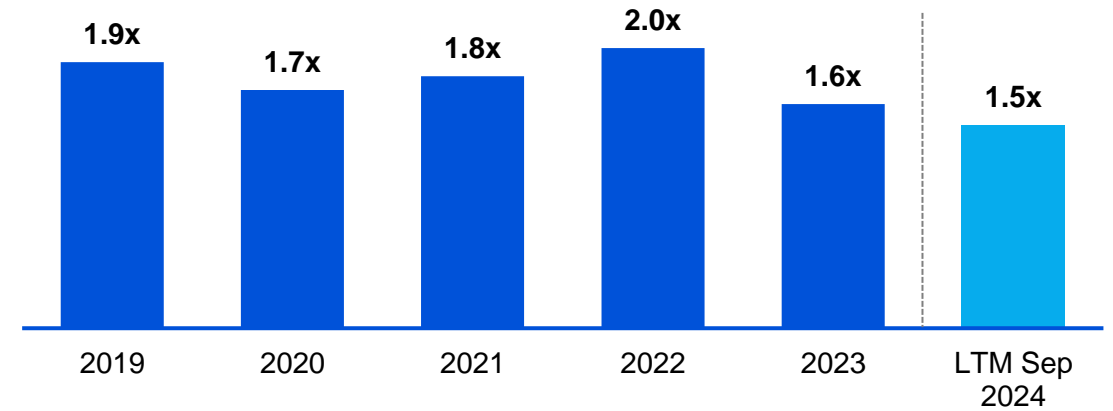
3. Based on closing share price on dispatch date(s) for JD.com (Mar 25, 2022) and Meituan (Mar 24, 2023)

Prudent Capital Management and Robust Credit Metrics

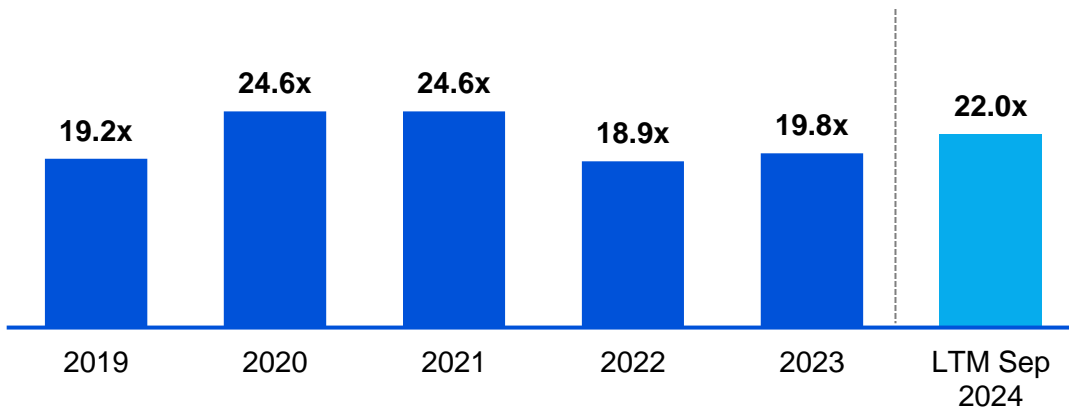
Total debt / Adjusted EBITDA ⁽¹⁾



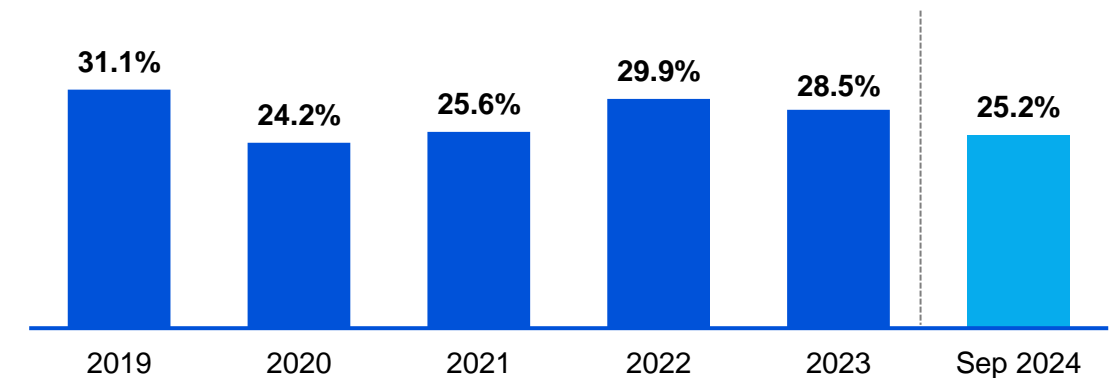
Total debt / (Adjusted EBITDA – CAPEX paid) ⁽²⁾



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)

1. *Business and Financials*

2. *High Quality Revenue Growth Model*

3. *Tech for Good*

Resilient Growth through Economic Cycles (2004-2023)

What we have achieved since our listing in 2004...

533x

Revenue Growth⁽¹⁾

493x

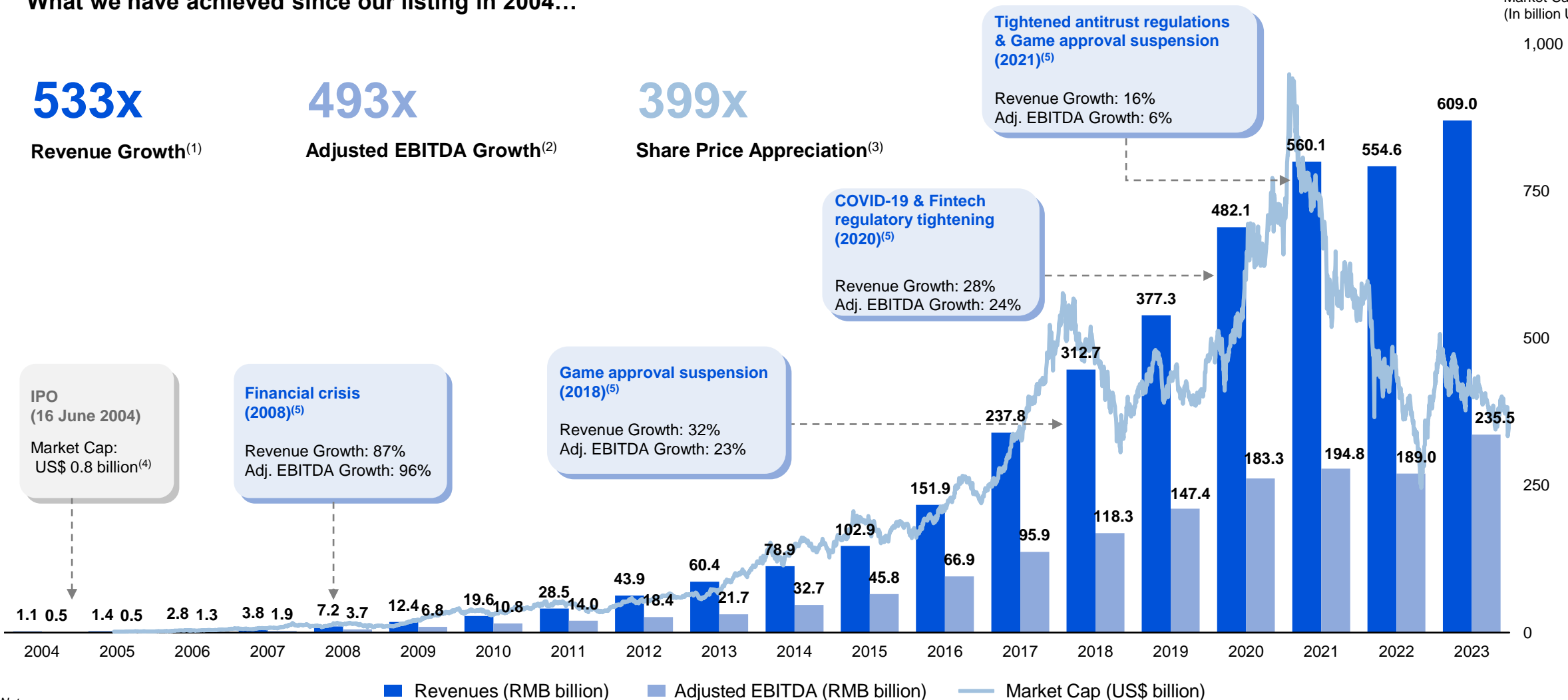
Adjusted EBITDA Growth⁽²⁾

399x

Share Price Appreciation⁽³⁾

Market Cap
(In billion USD)

1,000

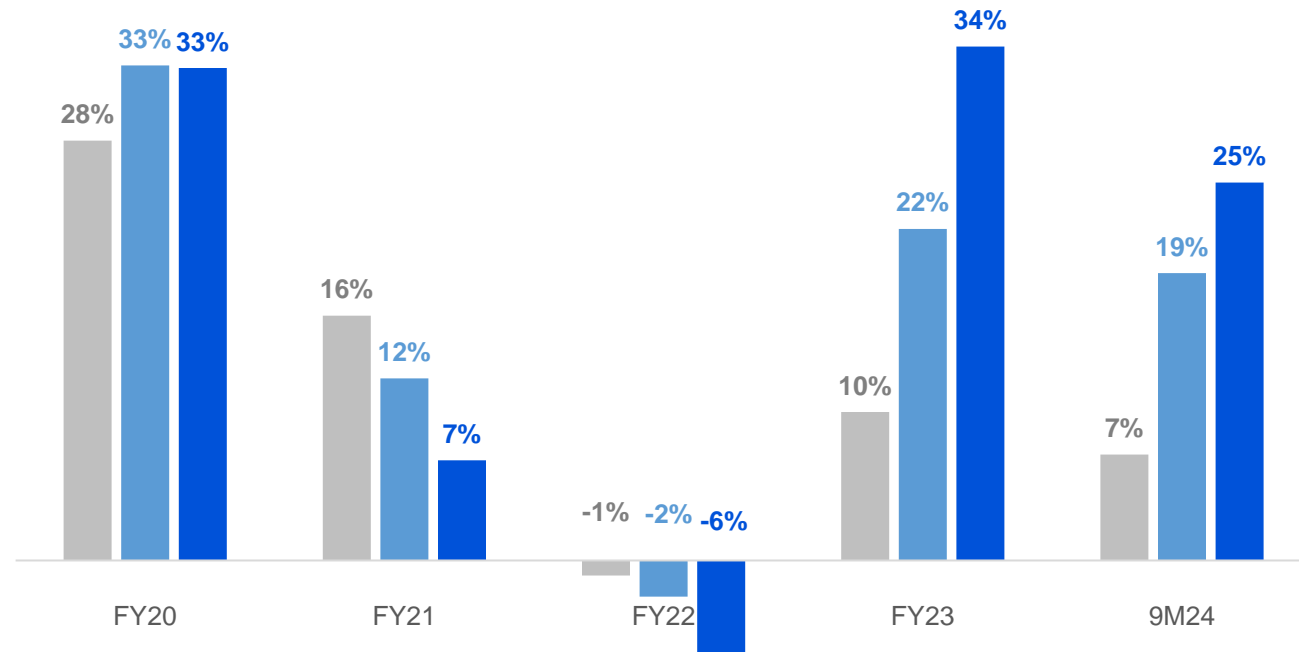


Notes:

- Growth of 2023 revenues over 2004 revenues.
 - Growth of 2023 Adjusted EBITDA over 2004 Adjusted EBITDA. Adjusted EBITDA consists of EBITDA plus equity-settled share-based compensation expenses.
 - Growth of market capitalisation on Dec 29, 2023 over market capitalisation at IPO on Jun 16, 2004.
 - Based on market capitalisation at IPO on Jun 16, 2004.
 - YoY growth from 2007 to 2008 for financial crisis; YoY growth from 2017 to 2018 for game approval suspension; YoY growth from 2019 to 2020 for the COVID-19 pandemic; YoY growth from 2020 to 2021 for tightened antitrust regulations and game approval suspension
- Sources: Company disclosure, Bloomberg

High Quality Revenue Growth Model Powers Sustainable Value Creation

■ Revenue YoY (%) ■ Non-IFRS Gross Profit YoY (%) ■ Non-IFRS Operating Profit YoY (%)⁽¹⁾



Gross Profit Growth Structurally Outpacing Revenue Growth

- Reignited 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

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

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

Weixin – Platform Continuously Enhancing Value to Users



1 Messaging – most indispensable and highest daily user frequency service

- Weixin's DAU and daily time spent per user have shown a consistent upward trend, benefitting from:
 - Perpetual demand to communicate and interact among friends, family members, and colleagues
 - Weixin Chat meeting social networking needs through group functionalities and Moments
 - Weixin Chat enabling new forms of connections, such as with customer support services

2 Open platform – extending connectivity with external services

- Official Accounts: enable creators to share insights under their own accounts with interested followers
- Mini Programs: facilitate merchants and content providers to engage user base, online and offline
 - Several hundred million users interact with over 1 million unique Mini Programs on daily basis
 - Mini Programs enable seamless conversion of user interactions into transactions and drive repeat sales, facilitated over RMB 2 trillion GMV⁽¹⁾
 - Mini Games: representing the largest casual game platform in China, engaging over 500 million MAU⁽²⁾
 - Mini Dramas: enrich content offering in addition to Mini Games
- Mini Shops: a platform for indexed and standardised merchandise, where merchants can operate store fronts, while leveraging Weixin social interactions, content services, and payment capabilities

3 Video Accounts – boosting engagement and incremental revenue

- Short video complementary to our messaging, group chat, and social networking services; does not cannibalise their user time spent
- Substantial monetisation opportunities in marketing and eCommerce services

Weixin – New Services Fuel Platform and Gross Profit Growth

- *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



- 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



- 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



- Big user base of over 100 million DAU growing at over 20% YoY in 2023
- Content QV grew over 30% YoY in 2023 by leveraging our platform's distinctive content, features, and services
- Revenue grew multiple times YoY in 2023, as we just started to ramp up monetisation

Games – Investing for Long Term Growth

Brewing Future Growth via Revival of Top Two Games and Emerging Franchises

- Flagship evergreen franchises, *HoK* and *Peacekeeper Elite*, have maintained leading positions in terms of DAU, and delivered consistent performance following revamped monetization strategies
- Number of **major hits** in China increased from 6 in 2022 to 8 in 2023 (defined as games surpassing average quarterly DAU of 5m for mobile / 2m for PC, and annual gross receipts of RMB4 billion). For example, *Fight of the Golden Spatula* and *LoL Wild Rift*

Investing to expand into content-driven and casual games

- **Content-driven games:** proven success in operating games, such as *Naruto Mobile*, *Lost Ark*, *NIKKE*, bolsters our confidence to continue to invest for bigger hits
- **Casual games:** operating the largest casual game platform via Mini Games; app-based *Dream Stars* leverages industry-leading development to enrich party game experience with diversified competitive game play, such as shooting and racing

Future games to watch include:

Expansion of our own IPs



HoK World



VALORANT Mobile



The Hidden Ones

Bringing new IPs to mobile



Monster Hunter Outlanders



Assassin's Creed



One Piece

New titles in high potential genres



Path of Exile 2



Mo.co



Last Sentinel

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 fund investment per user
- Focused on providing high quality products and convenience in user experience

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

SaaS – Leading Communication and Collaboration Tools

Well-positioned for market opportunities

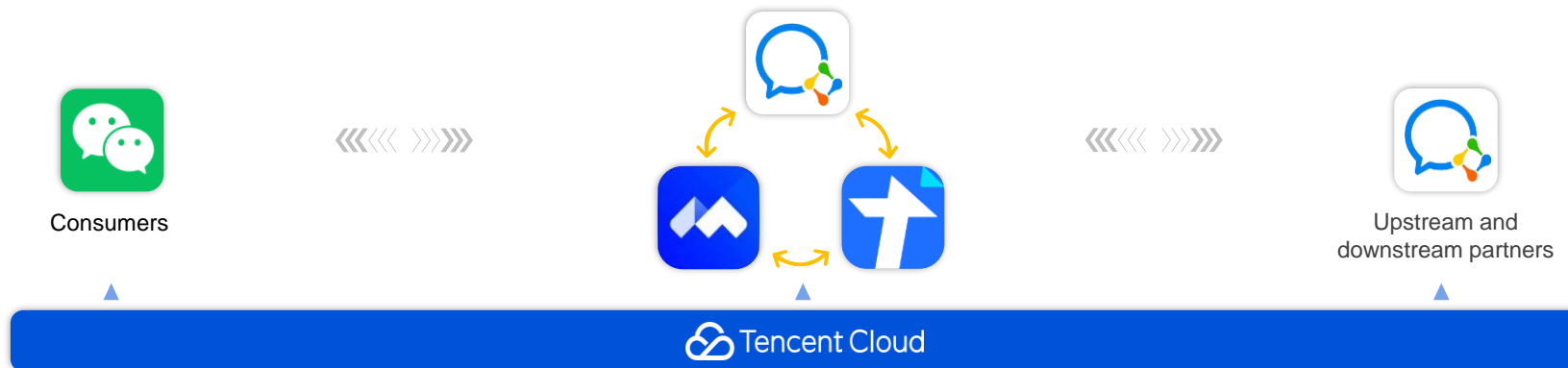
- Rapid growth in SaaS adoption in China
- Our productivity SaaS solutions, *WeCom*, *Tencent Meeting* and *Tencent Docs*, achieved strong user growth and deepened penetration into key verticals

Strengthening competitive edge

- Integration with *Tencent Meeting* and *Tencent Docs* empowers *WeCom* as the core platform for enhanced collaboration and productivity
- Deepening connection with *Weixin* enables differentiated CRM functions in *WeCom*

SaaS monetisation progress

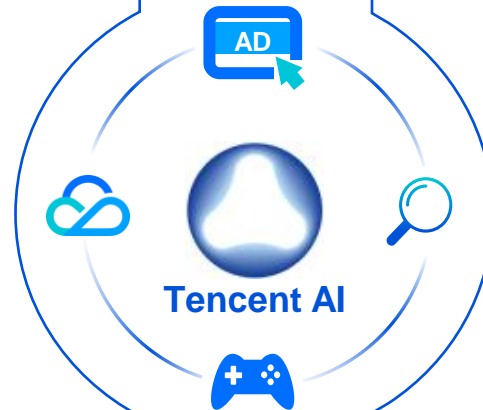
- Proven business models for critical enterprise SaaS internationally
- Monetisation potential validated by market size and growth rate of PaaS spending in China
- Leveraging our proven success in monetising freemium ToC products



Artificial Intelligence – A growth multiplier

Top-tier Foundation Model

- **Tencent Hunyuan**, our foundation model, is particularly strong in Chinese language comprehension and excels in numerical reasoning, logical inference, and multi-turn conversations
- **Tencent Hunyuan Turbo**, based on heterogenous MoE¹ architecture, ranked first among domestic foundation models for its general capabilities by SuperCLUE
- Open source multimodal models:
 - **Tencent Hunyuan Large model** is the largest MoE¹-based open source text-to-text model that has comparable capabilities as leading international peers
 - **Tencent Hunyuan 3D generation model** is the first open source model which supports both text-to-3D and image-to-3D generation
 - **Tencent Hunyuan text-to-image model** is the first Diffusion Transformer based open source text-to-image model fully trained on Chinese corpus



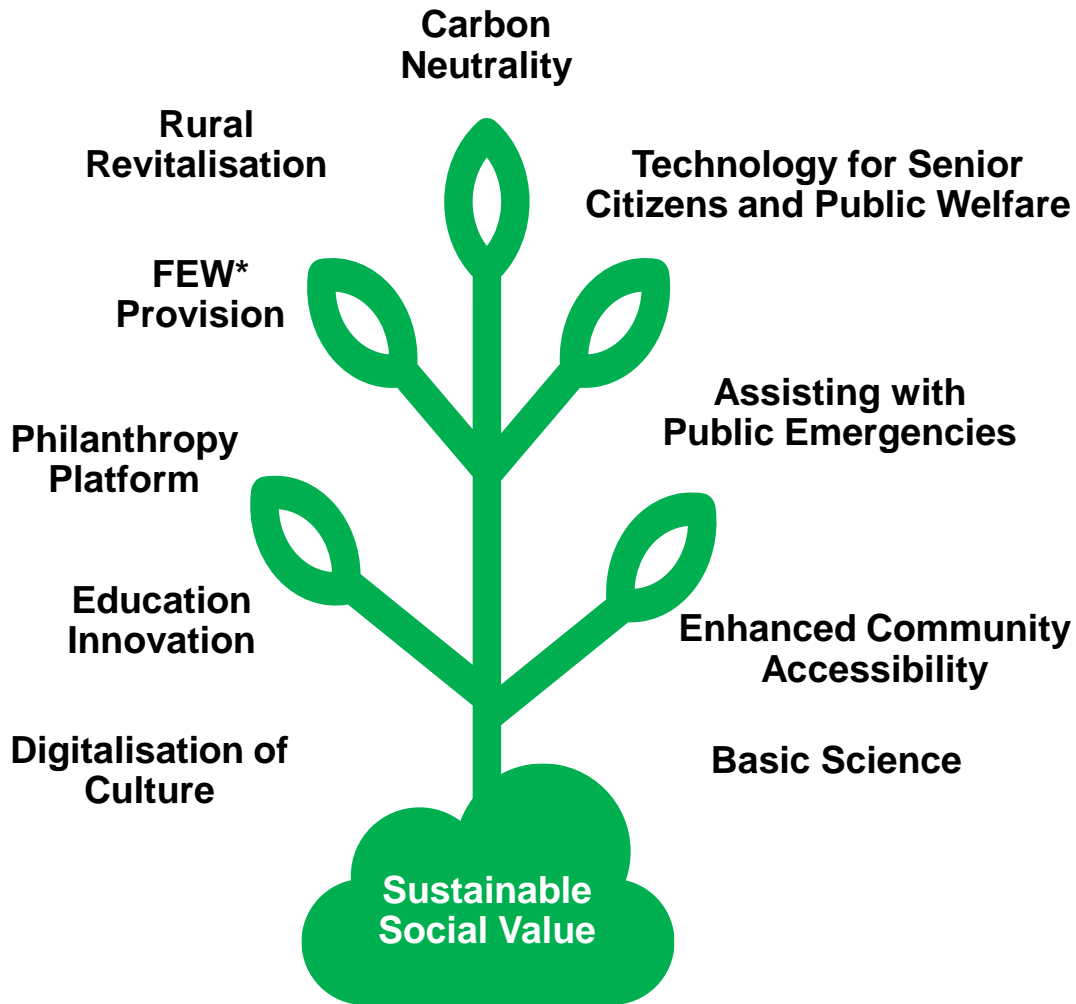
Broad Range of AI Use Cases

- **Significant Boost to Advertising Business:** Leveraged Tencent Hunyuan, to facilitate tagging and categorisation of content and ad materials
- **Expanding Cloud Services Solutions:** Tencent Hunyuan is accessible via APIs for functions such as coding, data analysis and customer service automation
- **Integration of AI in SaaS Products:** Empowered Tencent Meeting and Tencent Docs for real-time meeting content interpretation and document creation
- **Enhancing Content Production Efficiency:** GenAI increasingly facilitating the creation of high-quality game contents, such as S+ level skin special effects for **Honour of Kings**
- **Yuanbao AI Assistant:** can be used for document analysis and summarisation, and gen-AI search leveraging Tencent's content ecosystem, including Weixin Video Accounts, Official Accounts, and TME

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

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Harnessing our Technology and Platform to Create 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

- Celebrated the **10th anniversary** of our annual public philanthropic event, Giving for Good. Over the past decade, **230 million participants** have supported over **20,000 charitable organisations** worldwide
- Signed up to the **Women's Empowerment Principles**
- **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
- **Continue to strengthen 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** ⁽¹⁾ for 4 consecutive years and **1st in Best Company Board** ⁽¹⁾
▶ Included in the **2023 S&P Global Sustainability Yearbook** and recognised as **the industry mover**

MSCI ESG Rating: BB | **Sustainalytics ESG risk score: 18.4 – Low Risk** ⁽²⁾ | **S&P Global ESG Score: 59** ⁽³⁾

1. By Institutional Investor in 2024, in Asia (ex-Japan) Internet sector, combined votes from sell-side and buy-side; 2. Out of 100, the lower the better; 3. Out of 100, the higher the better, score increased from 49 on Sep 2, 2024

Tencent Holdings Limited

Corporate Overview

Thank you!



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