We Build Connections …

For Merchants:
- Access to large user base
- Unified user log-in enables CRM and targeted advertising
- Online payment facilitates transactions

For Users:
- Always connected
- Access to rich mix of content, services, and transactions
- Control multiple smart devices

For Tencent:
- Deepen user stickiness via broadened product offering
- Increase traffic conversion through transactions and advertising
- Tap into new markets unlocked by mobile Internet
…via our Largest Communications and Social Platforms in China

- Successful transition from PC to mobile
  - QQ IM 823 million \(^1\)
  - Mobile QQ 700 million \(^1\)
- Young, entertainment-oriented users
- Open platform + groups
  connect users to online content developers and interest groups

- Mobile-centric creation for smart phones
  - Weixin & WeChat 1,112 million\(^1\)
- White-collar users
- Official Accounts + Mini Programs
  connect users to content and service providers moving onto the mobile platform

\(^1\) Monthly active user accounts as of 31 Mar 2019
\(^2\) For smart devices
Key Platforms Update

**Online Games Platform**
- #1 by users in China, both PC and smartphone
- #1 globally by revenue

**Weixin & WeChat**
- #1 smart phone community
- MAU at 1,112m

**QQ & Qzone**
- QQ smart devices MAU at 700m
- Qzone smart devices MAU at 572m

**Communications & Social**

**Online Games**

**Media**

**Mobile Payment**
- #1 by MAU & DAU

**FinTech**

**Utilities**

**Video**
- #1 by mobile DAU and subscription revenue

**News**
- #1 news services by MAU

**Music**
- #1 music services platform

**Literature**
- #1 online content library and publishing platform

**App Store**
- #1 by MAU

**Mobile Security**
- #1 by MAU

**Mobile Browser**
- #1 by MAU

*All rankings above refer to China market, unless otherwise stated. Company data as of 31 Mar 2019*
We Extend our Technological Strengths to Industrial Internet...

- Extend our “Connection” Strategy from connecting people to people, people to content and services, to connecting industries to consumers and business partners
- Customized smart industry solutions based on Tencent Cloud, leveraging our high-DAU platforms and proprietary technologies, enhance enterprises efficiency on embarking digital transformation

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1. Figures as of 31 Mar 2019
… by Leveraging our Consumer Connections…

- **Mini Programs** facilitates discovery, social sharing and consumption of services and products via Weixin

- **Mini Programs** enables offline and online convergence for merchants via QR Code

- **Official Accounts** strengthens brand awareness online and increase sales via content marketing

- Expedite online/offline transactions in a reliable, secured way

- Multiple means of payment e.g., Scan-to-Buy, QR Code, fit needs of different industries

- #1 mobile payments platform in China; over 500m commercial transactions (1) per day

- Facilitates office administration and internal communications

- Deepens customer engagement and strengthen post-sales capabilities via integration with Weixin and Mini Programs

- Manages customer databases and digitalize user profiles for data analytics

- Multi-tier of quality media and social advertising inventories that reach billions of user

- Enhance ROI via targeted advertising technologies and IP content partnership

- Manage converted customers using Mini Programs, Official Accounts

(1) Figures as of 31 Dec 2018
… and by Strengthening Ecosystem through Investments

Synergistic to our core businesses

- By partnering with category leaders, allows management attention and resources to concentrate on our core platforms
- Enrich IP portfolio including games, video, music and literature via upstream investments
- Broaden user reach and engagement via investments in vertical platforms

Capture emerging opportunities

- Enrich offerings to meet evolving user needs
- Accelerate adoption of enterprise-facing and enterprise-dependent services such as payment, advertising, cloud

Create value for investees

- Access to our large user base
- Provide infrastructure, technology and capital support, as well as experience sharing
• Business Model

• Financials
Our Business Model

VAS: Social Networks
- Digital media subscriptions
- Membership privileges
- Virtual item sales

VAS: Online Games
- Smartphone games
- PC games

Online Advertising
- Media Ads include news, video and music properties
- Social & Others Ads include social properties, app store, browser and mobile ad network

FinTech and Business Services
- FinTech services
- Business services
### Social Networks

<table>
<thead>
<tr>
<th>Communications and Social</th>
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<tbody>
<tr>
<td>Weixin &amp; WeChat: <strong>1,112 million</strong>&lt;sup&gt;(1)&lt;/sup&gt;</td>
</tr>
<tr>
<td>QQ: <strong>823 million</strong>&lt;sup&gt;(1)&lt;/sup&gt;</td>
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<td>Mobile QQ (for smart devices): <strong>700 million</strong>&lt;sup&gt;(1)&lt;/sup&gt;</td>
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<table>
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<tr>
<th>Media and digital content</th>
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<tbody>
<tr>
<td>News Services</td>
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<tr>
<td>Online Music Services</td>
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<tr>
<td>Video Services</td>
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<tr>
<td>News Feeds Services</td>
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<tr>
<td>NOW Live Broadcast</td>
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<tr>
<td>Online Literature</td>
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<tr>
<th>Utilities</th>
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<td>Mobile / PC Manager</td>
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<tr>
<td>App Store</td>
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<tr>
<td>Browser</td>
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</table>

**Massive and engaged user base providing network effects across our ecosystem**

- **Membership privileges**
  - Upgrade to higher privilege membership status to enjoy value added services (on top of free basic services)

- **Digital content subscriptions**
  - Monthly subscription packages for digital media and content services

- **Virtual item sales**
  - Monetising social experience as users buy virtual gifts to support their friends and favorite artists/hosts
  - In-game item sales

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<sup>(1) Monthly active user accounts as of 31 Mar 2019</sup>
# Online Games

<table>
<thead>
<tr>
<th>Leading market share</th>
<th>PC Client Games</th>
<th>Smart Phone Games</th>
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<tbody>
<tr>
<td>• #1 PC games publisher &amp; developer with 62% market share in China (1)</td>
<td></td>
<td>• #1 smart phone games publisher &amp; developer with 47% market share in China</td>
</tr>
<tr>
<td>• Published top 3 of 4 highest grossing PC game titles globally (2)</td>
<td>• Published 9 out of the top 20 grossing smart phone game titles in China on iOS (3)</td>
<td></td>
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<tr>
<td>• Published games from partners including Activision Blizzard, Electronic Arts, Nexon, Take-Two Entertainment</td>
<td>• Published 3 out of the 4 highest grossing Android games in China (4)</td>
<td></td>
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</tbody>
</table>

| Strong developer | | |
|------------------|----------------|----------------
| • #1 global top grossing PC game developed in-house by subsidiary Riot Games – *League of Legends* (2) | • 2 leading popular titles developed in-house: |
|                  | - #1 top grossing (global) – *Honour of Kings / Arena of Valor* (5) | - #1 ranked by MAU (global ex China) – *PUBG MOBILE* (6) |

| Preferred publisher | | |
|---------------------|----------------|----------------
| • Published games from partners including Activision Blizzard, Electronic Arts, Nexon, Take-Two Entertainment | • Published games from partners including Perfect World, Shanda Games, Changyou, Giant Interactive and Kingsoft |

| Diversity of titles (7) | | |
|-------------------------|----------------|----------------
| • Over 40 game titles | • Over 100 game titles | |
| • Multiple genres including battle arena, tactical tournament, racing and role playing games etc. | • Multiple genres including boardgames, tactical tournament, action, strategy, puzzle and role playing games etc. |

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1. According to iResearch, market share based on revenues (both domestic and overseas) of Chinese online game companies in 2018.
2. According to SuperData Research, ranking based on global top grossing PC game titles in December 2018.
3. According to App Annie, ranking based on gross revenues in March 2019 on iOS in China.
4. According to Newzoo, ranking based on revenues across all Android app stores in China in October 2018.
5. According to SuperData, worldwide ranking by December 2018 earnings.
6. According to App Annie, global ex China ranking by MAU as of December 2018.
Media Advertising

Unparalleled user reach

**QQ.com**
**Tencent News App**
**Video Portal**
**Video App**

**Banner**
Embed image ads in apps to direct traffic to advertisers’ website

**In-feed**
Integrate ads relevant to content feed to achieve higher click-throughs

**Video pre-roll**
Play video commercials before users’ selected programme
Social and Others Advertising

More relevant ads via user targeting lead to more click-throughs and higher ad efficiency

- **In-feed ads**
  With customised design for interaction on Qzone

- **Promotional video ads**
  Get in-game rewards by watching ads on Mini game

- **Location based ads**
  Bid for ad space in the “Mini Programs Nearby” list

- **Promotion Coupon ads**
  Insert promotion coupons in moment ads
# FinTech and Business Services

## Widespread payment adoption provide opportunities from other FinTech services

### Payments
- Take-rate on commercial transactions collected from merchants
- Cash withdrawal fee and credit card repayment charges collected from users

- LiCaiTong
- WeiLiDai
- WeSure

### Other FinTech services
- Fees and commissions from financial institution partners

## Substantial infrastructure and technology capabilities assist enterprises digitalization

### Cloud Services
- Usage or services fees on IaaS, PaaS, SaaS and technology solutions from enterprise customers

- Tencent Auto Intelligence
- Tencent Healthcare
- Tencent Smart Retail

### Smart Industry solutions
- Service fees from industry partners e.g., finance, retail, healthcare, municipal services, tourism, transportation etc.
• Business Model
• Financials
Diversified Revenue Streams

VAS (Social Networks + Online Games)  Online Advertising  FinTech and Business Services
Others  eCommerce Transactions

1 Others revenues for 1Q2015 include revenue from eCommerce transactions
2 Effective from 1Q2019, we reported a new segment revenue FinTech and Business Services, and Others revenues is reclassified
3 Effective from 10 Mar 2014, we have divested our B2C and C2C eCommerce marketplaces and deconsolidated such revenues
4 From first quarter of 2019, we separately report the financials of FinTech and Business Services, with comparative figure in 2018 restated accordingly
Sustainable Cash Generation

Operating Cash Flow, Capital Expenditure Paid and Dividends Paid

- **Capex as % of OCF:**
  - 2013: 21%
  - 2014: 14%
  - 2015: 20%
  - 2016: 16%
  - 2017: 12%
  - 2018: 22%
  - 2019 LTM: 18%

- **Dividend as % of OCF:**
  - 2013: 6%
  - 2014: 6%
  - 2015: 7%
  - 2016: 7%
  - 2017: 5%
  - 2018: 7%
  - 2019 LTM: 6%

1 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 content, game licenses and other contents). Dividends paid include dividends paid to both the Company’s shareholders and non-controlling interests.

2 In 2019, we have reclassified interest paid from operating to financing cash flows, with comparative figures restated accordingly.

Source: Company financial reports
Other Financial Metrics

- **Total debt / Adjusted EBITDA**
  - 2016: 1.6x
  - 2017: 1.4x
  - 2018: 1.5x
  - LTM 2019: 1.5x

- **Total debt / (Adjusted EBITDA – CAPEX paid)**
  - 2016: 1.9x
  - 2017: 1.6x
  - 2018: 1.9x
  - LTM 2019: 1.8x

- **Adjusted EBITDA / Interest expense**
  - 2016: 30.9x
  - 2017: 31.3x
  - 2018: 24.1x
  - LTM 2019: 23.1x

- **Total debt / Total capitalization**
  - 2016: 37.0%
  - 2017: 32.3%
  - 2018: 33.5%
  - LTM 2019: 31.6%

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 capitalization consists of total debt plus total equity (book value)
4. LTM 2019 as of 31 Mar 2019

*Source: Company filings and disclosures*
Tencent Holdings Ltd.
Thank you!

https://www.tencent.com/ir