2019 Third Quarter
Corporate Overview
November 13, 2019
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: 731 million
  - Mobile QQ: 653 million
- Young, entertainment-oriented users
- Open platform + groups
  connect users to online content developers and interest groups

- Mobile-centric creation for smart phones
  - Weixin & WeChat: 1,151 million
- White-collar users
- Official Accounts + Mini Programs
  connect users to content and service providers moving onto the mobile platform

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1 Monthly active user accounts as of 30 September 2019
2 For smart devices
Mission 3.0: Value for Users  Tech for Good

- User value is our guiding principle, we strive to incorporate social responsibility into our products and services;
- Promote technology innovation and cultural vitality; help industries digitally upgrade; collaborate for the sustainable development of society.

Values

Integrity  Collaboration  Proactivity  Creativity
Key Platforms Update

Online Games Platform
• #1 by users in China across PC and smart phone
• #1 globally by revenue

Weixin & WeChat
• #1 smart phone community
• MAU at 1,151m

QQ & Qzone
• QQ smart devices MAU at 653m
• Qzone smart devices MAU at 517m

Communications & Social

App Store
• #1 by MAU

Mobile Security
• #1 by MAU

Mobile Browser
• #1 by MAU

Video
• #1 by mobile DAU

News
• #1 news services by MAU

Music
• #1 music services platform

Literature
• #1 online content library and publishing platform

FinTech

Cloud
• #2 service provider

Utilities

* All rankings above refer to China market, unless otherwise stated. Company data as of September 30, 2019
* QQ smart devices MAU declined 6.4% YoY as we proactively cleaned up accounts that engaged in spamming and bots activities
We Extend our Technological Strength 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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**Smart Solutions**

<table>
<thead>
<tr>
<th>Smart Education</th>
<th>Smart Finance</th>
<th>Smart Healthcare</th>
<th>Smart Retail</th>
<th>Smart Tourism</th>
<th>Smart Transport</th>
</tr>
</thead>
</table>

**High-DAU Platforms**

- Weixin
- QQ
- Mini Programs
- Weixin Pay
- WeChat Work
- QQ Browser
- YingYongBao

**Technologies**

- AI
- Tencent Autonomous Driving
- Tencent YouTu Lab
- Tencent AI Lab
- Security
- Big Data Analytics
- LBS

**Infrastructure**

- Tencent Cloud
- Comprehensive range of products and services (>250) on top of computing and storage
- Solid infrastructure in 25 regions(1) and 53 availability zones(1)

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(1) As of 30 September 2019
… by Leveraging our Consumer Connections…

**WeChat Work**

- **Mini Programs** facilitate discovery, social sharing and consumption of services and products via *Weixin*.
- **Mini Programs** enable offline and online convergence for merchants via QR Code.
- **Official Accounts** strengthen brand awareness online and increase sales via content marketing.

**Weixin Pay:**

- Expedites online/offline transactions in a 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 1bn average transactions (1) per day.

**LicaiTong:** aggregated customer assets exceeded RMB800 billion (2)

**FinTech Services**

- 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.

**Tencent Marketing Solution**

- Broad mix of quality media and social advertising inventories that reach billions of user.
- Enhance ROI via targeted advertising technologies and IP content partnership.
- CRM and sales conversion using **Mini Programs**, **Official Accounts**.

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(1) As of 31 December 2018
(2) As of 30 June 2019
... and by Strengthening Ecosystem through Investments

- **Generate synergies with core**
  - Partner with category leaders, allowing management attention and resources to focus on core platforms
  - Expand 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
  - Strengthen enterprise-facing and enterprise-dependent services such as payment, advertising and 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

**Fee-based revenue**
- **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
- **Transaction-based revenue**
  - **FinTech and Business Services**
    - FinTech services
    - Business services
Social Networks

Massive and engaged user base providing network effects across our ecosystem

Communications and Social

- Combined Weixin and WeChat: 1,151 million
- QQ: 731 million
- Mobile QQ (for smart devices): 653 million

Media and digital content

- News Services
- Online Music Services
- Video Services
- News Feeds Services
- Live Broadcast
- Online Literature

Utilities

- Mobile / PC Manager
- App Store
- Browser

Multiple proven monetisation levers

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

(1) Monthly active user accounts as of 30 September 2019
Online Games

Leading market share in China

- #1 PC games publisher & developer with 64% market share in China (1)
- #1 smart phone games publisher & developer with 48% market share in China on iOS (2)

Global Footprint

- Business cooperation or equity investment with 8 out of top 10 companies, expanding our global footprint
- Operated 6 of the top 10 smart phone games by MAU globally, together with our majority owned subsidiaries

Strong Developer

- Global leading popular titles developed in-house:
  - League of Legends – #2 global top grossing PC game (3)
  - Honour of Kings / Arena of Valor – #2 global top grossing smart phone game (3)
  - PUBG MOBILE – #1 global (ex China) smart phone game by MAU (4)
  - Call of Duty Mobile – over 100 million downloads within one month after launch (5)

Diversity of game portfolio (6)

- Over 40 PC game and over 130 smart phone game titles
- Multiple genres across battle arena, tactical tournament, auto-chess, racing, role playing games, boardgames, action, strategy and puzzle.

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1. According to iResearch, market share based on revenues (both domestic and overseas) of Chinese online game companies in 2019 Q1
2. According to App Annie, ranking based on gross revenues in September 2019
3. According to SuperData, worldwide ranking by August 2019 earnings
4. According to App Annie, global ex China ranking by MAU as of September 2019
5. Company data as of 30 September 2019
Media Advertising

Unparalleled user reach

**QQ.com**
Tencent News App

**Video Portal**
Video App

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**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

- QQ KanDian
- Qzone
- Official Accounts
- Mini Programs
- Moments
- QQ Browser
- YingYongBao

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

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

**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

<table>
<thead>
<tr>
<th>Widespread payment adoption provides opportunities for other FinTech services</th>
<th>Strong infrastructure and technology capabilities assist enterprises digitalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Take-rate on commercial transactions collected from merchants</td>
<td>- Usage-based billing or service fees on IaaS, PaaS, SaaS and technology solutions from enterprise customers</td>
</tr>
<tr>
<td>- Cash withdrawal fee and credit card repayment charges collected from users</td>
<td></td>
</tr>
<tr>
<td>Weixin Pay</td>
<td>Tencent Cloud</td>
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<tr>
<td>LiCaiTong</td>
<td>Tencent Auto Intelligence</td>
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<tr>
<td>WeiLiDai</td>
<td>Tencent Healthcare</td>
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<tr>
<td>WeSure</td>
<td>Tencent Smart Retail</td>
</tr>
</tbody>
</table>

## Payments

- Fees and commissions from financial institution partners

## Other FinTech services

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

In billion RMB

<table>
<thead>
<tr>
<th>Year</th>
<th>VAS (Social Networks + Online Games)</th>
<th>Online Advertising</th>
<th>Others</th>
<th>eCommerce Transactions</th>
<th>FinTech and Business Services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>60.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>60.4</td>
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<tr>
<td>2014</td>
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<td>2015*</td>
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<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>312.7</td>
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<tr>
<td>LTM 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>356.4</td>
</tr>
</tbody>
</table>

1. Others revenues for 1Q2015 include revenue from eCommerce transactions
2. Last twelve months as of September 30, 2019
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

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.

3. Last twelve months as of September 30, 2019

Source: Company financial reports
Other Financial Metrics

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

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

- **Adjusted EBITDA / Interest expense**
  - 30.9x (2016)
  - 31.3x (2017)
  - 24.1x (2018)
  - 20.7x (LTM 2019)

- **Total debt / Total capitalization**
  - 37.0% (2016)
  - 32.3% (2017)
  - 33.5% (2018)
  - 31.9% (LTM 2019)

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1. Total debt consists of borrowings and notes payable; Adjusted EBITDA consists of EBITDA plus equity-settled share-based compensation expenses.
2. Last twelve months as of September 30, 2019.
3. 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).
4. Total capitalization consists of total debt plus total equity (book value).

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