We Build Connections

For Enterprises:
- Access to vast user base
- Unified user log-in enables CRM and targeted advertising
- Online payment facilitates transactions
- Integrate capabilities across different products to facilitate digital upgrades, e.g., Weixin, WeChat Work, Tencent Meeting

For Users:
- Always connected
- Enjoy a wide range of integrated social entertainment and content offerings, built upon IPs and tech innovations
- Access to rich mix of services and transact at fingertips

For Tencent:
- Deepen user stickiness via broadened product offerings
- Increase traffic conversion through transactions and advertising
- Tap into new opportunities as the economy digitizes
Largest Communication and Social Platforms in China

• Communication and social platform for PC and mobile
  ➢ QQ 727 million ¹
  ➢ Mobile QQ ² 647 million ¹

• Young, entertainment-oriented users

• Open Platform + Interest Groups
  connect users to content developers and interest groups, and expand use cases in verticals, e.g., online education

• Mobile-centric creation for smart phones
  ➢ Weixin & WeChat ² 1,165 million¹

• White-collar users

• Mini Programs
  connect users and content and service providers moving into the digital space

¹ Monthly active user accounts as of 31 December 2019
² For smart devices
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 1,165m

**QQ & Qzone**
- QQ smart devices MAU at 647m
- Qzone smart devices MAU at 507m

**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

**Communication & Social**

**Utilities**

**Cloud**
- #2 service provider by revenue

**FinTech**

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

*All rankings above refer to China market, unless otherwise stated. Company data as of December 31, 2019*

*QQ smart devices MAU declined 7.5% YoY due to our continued efforts to proactively clean up accounts that engaged in spamming and bots activities*
Extend 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

Smart Solutions

High-DAU Platforms

Technologies

Infrastructure

(1) As of 31 December 2019
...by Leveraging Consumer Connections

- **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; total transaction volume surpassed RMB800 billion in 2019 (1).
- **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, satisfy needs of different industries.
  - #1 mobile payments platform in China; over 1 billion average commercial transactions (2) per day.
  - Wealth management platform LiCaiTong: aggregated customer assets exceeded RMB800 billion (3).

- **WeChat Work**
  - Facilitates internal communication and teamwork via in-app productivity tools and third-party software.
  - Deepens customer engagement and strengthens post-sales capabilities via integration with Weixin, in particular Moments and Mini Programs.
  - Manages customer databases and digitalize user profiles for data analytics.
  - Serving over 50 verticals with substantial penetration in key industries.

- **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 via Mini Programs, Official Accounts.
  - Robust demand for Weixin Moments and Mini Programs ads, as well as Mobile Ad Network.

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(1) Annual transaction volume via Mini Programs in 2019.
(2) In the fourth quarter of 2019.
(3) 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
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.
1. Business Model

2. Financials
Our Business Model

- **VAS: Social Networks**
  - Fee-based revenue
  - Digital media subscriptions
  - Membership privileges
  - Virtual item sales

- **VAS: Online Games**
  - Fee-based revenue
  - Smartphone games
  - PC games

- **Online Advertising**
  - Traffic-based revenue
  - Media Ads: news, video & music properties
  - Social & Others Ads: social properties, app store, browser and mobile ad network

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

Massive and engaged user base providing network effects across our ecosystem

Communication and Social
- Weixin & WeChat
- QQ

Media and digital content
- News
- Online Music
- Video
- News Feeds
- Live Broadcast
- Online Literature

Utilities
- Mobile / PC Manager
- Browser
- App Store

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 31 December 2019
# Online Games

## Clear leader in China
- #1 PC games publisher & developer with 64% market share in China
- #1 smart phone games publisher & developer with 45% market share in China on iOS

## Global Presence
- Business cooperation or equity investment with 8 out of top 10 companies, expanding our global footprint
- International markets contributed to 23% of online games revenue in the fourth quarter of 2019

## Strong Development, Publishing & Operational Capabilities
- Globally popular titles developed in-house:
  - *League of Legends* – #1 global top grossing PC game
  - *Honour of Kings/Arena of Valor* – #1 global top grossing smart phone game
  - *PUBG Mobile* – #1 international smart phone game by DAU
  - *Peacekeeper Elite* – #1 global smart phone game by MAU

## Diversity of game portfolio
- Over 480 game titles for more than 800 million players across the world
- 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, global ranking by gross revenues in 4Q2019
3. According to SuperData, worldwide ranking by January 2020 earnings
4. According to App Annie, global ex China ranking by DAU as of December 2019
5. According to global MAU data from QuestMobile and App Annie, as of December 2019
6. Company data as of 31 December 2019
Social and Others Advertising

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

**Rewarded 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
Media Advertising

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

In-feed / native video ads
Integrate ads relevant to content feed to achieve higher click-throughs

Video pre-roll
Play video commercials before users’ selected programme

Full-screen ads
Show immersive full-screen vertical ads on the landing page
## FinTech and Business Services

### Widespread payment adoption provides opportunities for other FinTech services

#### Payments
- Take-rate on commercial transactions collected from merchants
  - Average daily commercial transactions exceeded 1 billion
- Cash withdrawal fee and credit card repayment charges collected from users

#### Other FinTech Services
- Fees and commissions from financial institution partners
  - LiCaiTong: wealth management platform
  - WeiLiDai: micro-loan product provided by WeBank
  - WeSure: insurance platform

### Strong infrastructure and technology capabilities assist enterprises digitalization

#### Cloud Services
- Usage-based billing or service fees on IaaS, PaaS, SaaS and technology solutions from enterprise customers
  - Number of paying customers surpassed 1 million

#### Smart Industry Solutions
- Service fees from industry partners e.g., education, financial, healthcare, eCommerce, tourism, etc.
  - Assist enterprises in digital upgrades with communication and collaborative tools, e.g., WeChat Work, Tencent Meeting, etc.

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(1) In the fourth quarter of 2019
1. Business Model

2. Financials
Diversified Revenue Streams

In billion RMB

1. Effective from 10 Mar 2014, we have divested our B2C and C2C eCommerce marketplaces and deconsolidated such revenues
2. Others revenues for 1Q2015 include revenue from eCommerce transactions
3. 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

In billion RMB

Capex as % of OCF: 21% 14% 20% 16% 12% 21% 19%
Dividend as % of OCF: 6% 6% 7% 7% 5% 7% 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

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).

Source: Company filings and disclosures
Tencent Holdings Limited

2019 Fourth Quarter and Annual Results Presentation

Thank you!

https://www.tencent.com/ir