

Tencent 腾讯

*2024 Fourth Quarter and
Annual Results Presentation*

Mar 19, 2025

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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 RMB7.1884 for 4Q2024.

1. *Overview*

2. *Investing in AI for Growth*

3. *Business Review*

4. *Financial Review*

5. *Q&A*

2024 Annual Highlights

Reinforcing long-term franchise value of our key services

- Deepened **Weixin** ecosystem via launch of **Mini Shops** and upgrade of **Weixin Search**
- Grew **Video Accounts** user time rapidly YoY, benefitting from enhanced algorithms and more local content; number of creators that generated revenue from **Video Accounts** doubled YoY
- Expanded **evergreen games portfolio**¹ from 12 in 2023 to **14** in 2024; nurturing potential future evergreen games, such as *Delta Force* and *Path of Exile 2*
- **Tencent Video** retained #1 position² in long-form video, with 3 self-commissioned drama series ranked among top 5 industry-wide³ in 2024; **Tencent Music** #1 in music, and grew to 121 million subscribers
- **Marketing Services** delivered 20% revenue growth, benefiting from enhanced ad tech and traffic growth
- Upgraded our risk controls for **FinTech** services and optimised payment funding costs, strengthening franchise and profitability
- Advanced **HunYuan Foundation Model**⁴ capabilities, deployed AI for internal use cases such as ad targeting, and **prepared for breakout growth in consumer AI interactions** in *Yuanbao*, *Weixin*, and other Tencent services

High quality growth, substantial shareholder returns

- Revenue growth generally improved during 2024, achieved **double-digits YoY growth rate** in 4Q24
- **Gross profit and operating profit growth** exceeded revenue growth on mix shift to high quality revenue streams and cost optimisation
- Delivered share buyback of HKD112 billion (+127% YoY) in FY24, and paid cash dividend of HKD32 billion (+39% YoY) in May 24

1. Games surpassing average quarterly DAU of 5 million for mobile or 2 million for PC, and generating over RMB 4 billion annual gross receipts

2. By paying users and subscription revenue

3. Source: Enlightent, by video views across all online platforms in China

4. HunYuan Foundation Model will be referred to as HY Foundation Model

Financial Highlights

In billion RMB	4Q2024	YoY	QoQ	FY2024	YoY
Total Revenue	172.4	+11%	+3%	660.3	+8%
Value-added Services	79.0	+14%	-4%	319.2	+7%
Social Networks	29.8	+6%	-3%	121.5	+2%
Domestic Games ¹	33.2	+23%	-11%	139.7	+10%
International Games	16.0	+15%	+10%	58.0	+9%
Marketing Services²	35.0	+17%	+17%	121.4	+20%
FinTech and Business Services	56.1	+3%	+6%	212.0	+4%
Others	2.3	+18%	+62%	7.7	+44%
Gross Profit	90.7	+17%	+2%	349.2	+19%
Non-IFRS					
Operating Profit	59.5	+21%	-3%	237.8	+24%
Operating Margin	34.5%	+2.8ppt	-2.1ppt	36.0%	+4.5ppt
Net Profit Attributable to Equity Holders	55.3	+30%	-8%	222.7	+41%

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 3Q24, 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.

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Investing in AI for Growth

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1 Building HY Foundation Model: significant investment and progress

2 Adopting multi-model strategy to provide best AI experience to users

3 Accelerating AI integration into enterprise-facing services

4 Unlocking growth multiplier for existing businesses

5 Stepping up investment in AI

Building HY Foundation Model: Significant Investment and Progress

Thesis

- Established AI lab in 2016. Since 2023, investing heavily in our proprietary HY Foundation Model
- Investment in HY allows us to: 1) develop end-to-end foundation model capabilities in terms of infrastructure, algorithm, training, alignment, and data management; 2) fulfill customised internal and external needs

Core LLM

- **Rapid iteration of model architecture: Mixture of Experts (MoE) → Heterogeneous MoE → Hybrid-Mamba-Transformer MoE**
- **Turbo S: fast-thinking** and significantly reduced computational complexity
- **T1: deep-thinking, Long Chain of Thought¹ (CoT)**, comparable performance to leading model

Milestones

Multi-modal foundation models

- **HY image generation models:** ranked #1 by FlagEval² in Dec 2024
- **HY Video Generation:** ranked #1 on Hugging Face³ in Dec 2024
- **HY 3D Generation:** industry's first open-source model supporting text- and image-conditioned 3D asset generation

Open-sourced multiple HY models

- **HY 3D Generation, HY Video Generation, HY Large, HY DiT Text-to-Image**

1. CoT: Chain of Thought is an approach in artificial intelligence that simulates human-like reasoning processes by delineating complex tasks into a sequence of logical steps towards a final resolution.
2. #1 in image generation capabilities on FlagEval
3. #1 in Penguin Video Benchmark on Hugging Face

Adopting Multi-Model Strategy to Provide Best AI Experience to Users

Multi-model strategy

- Seek to provide **best user experience** leveraging all available models
- Different AI models optimised for different capabilities, performance metrics and use cases - **combination of various models can handle complex tasks** better than a single model
- Our experience in software businesses (such as online games) demonstrates **synergies in being a developer and an operator**
- **Investing in our own foundation models** allows us to fully leverage our proprietary data, meet highly customised internal and customer needs
- Open-source ecosystem is gaining momentum, providing many more model options; **making use of external models** allows us to benefit from innovations across the industry

Consumer-facing applications

Yuanbao, breakout AI-native application

- Users can select among **multiple models** (CoT reasoning models, fast thinking models), and whether to integrate **web search** results
- Provides access to **proprietary high-quality content** from Tencent ecosystem
- Processes prompts in **image, voice, and document formats**
- Ensures **stable and uncapped access** to leading models
- DAU increased more than 20-fold in Feb and Mar to become **#3 among AI apps**¹

Testing AI features in Weixin

- AI-powered search, language input, content generation
- Will add additional AI features in the future

Accelerating AI Integration into Enterprise-facing Services

IaaS

- **Hyper Computing Cluster (HCC)** enables enterprises to run high-performance AI training and inference with low latency and elastic scalability
- **Hyper Application Inventor (HAI)** provides “one click” deployment of mainstream foundation models for developers through visual interfaces

PaaS

- **TI Platform** for fine-tuning and running inference on AI models
- **LLM Knowledge Engine** solution helps enterprises build customer support and coding assistants tuned with their own proprietary data
- **Tencent CloudBase** enables developers to generate mini programs and mobile applications through natural language prompts and uploading design mockups

SaaS

- **Tencent Meeting** AI-powered real-time transcription, recording and automated summary functions – MAUs doubled YoY to 15 million
- **Tencent Docs** boosted documentation productivity in content generation and processing

- AI cloud revenue approximately doubled YoY in FY24; however, increasing usage of GPUs for internal use cases has limited our provision of GPUs to external clients, and thus our Cloud Services revenue growth
- We have prioritised GPUs available for external workloads toward high value use cases and clients
- From 4Q24 onward, we have stepped up our purchases of GPUs; as we deploy those GPUs, we expect to accelerate revenue growth for our overall Cloud Services

Unlocking Growth Multiplier for Existing Businesses

AI boosts ad targeting & ad content creation

- **Enhanced our ad system with neural network AI capabilities** since 2015
- **Rebuilt our ad tech platform with large model capabilities** since 2020, enabling:
 - Analysis of long sequence user behaviour across multiple properties
 - Improved ad ranking mechanism, resulting in increased user engagement and higher click through rates
- **Adding LLM capabilities** from 2023, enabling:
 - Faster and more accurate approval of ad content
 - Better understanding of merchandise categories and user commercial intent
 - Automation and acceleration of ad creative production for advertisers
- **Marketing Services revenue increased 20% YoY in 2024**, benefiting from AI targeting and gen-AI created ads

AI enhances entertainment content production & experience

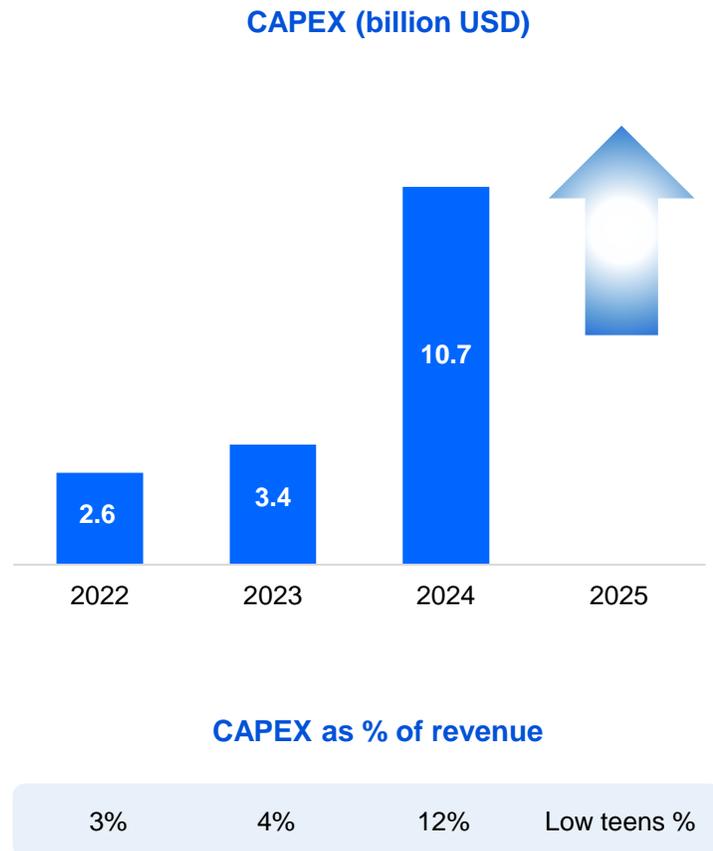
Games

- **Adopted machine learning technology in our PvP games** since 2017:
 - Leveraged AI to optimise matching experience, improve game balance, and power AI coaching
- **Now integrating LLM capabilities into our high production value games:**
 - Enhance production efficiency of 3D content leveraging digital assets and proprietary tools
 - Empower in-game chatbots, which increase user engagement

Video and music

- Improving productivity in animation, live action video, and music content creation
- Providing intelligent recommendation and efficient user discovery of short videos, music, and long-form videos

Stepping Up Investment in AI



Realign teams for AI

- Reorganised our AI teams to sharpen focus on both fast product innovation and deep model research

Deploy CAPEX on AI

- Support internal business needs, such as ad tech, content recommendation and games
- Train foundation models
- Provide inference for new AI applications, such as *Yuanbao* and *Weixin AI*
- Offer Cloud Services to external customers

Allocate more OPEX to AI

- Allocate R&D resources to develop our own models, deploy open-source models, and enable each Business Group to accelerate development of AI applications
- Allocate marketing support to build user awareness and promote adoption of new AI products, including *Yuanbao*

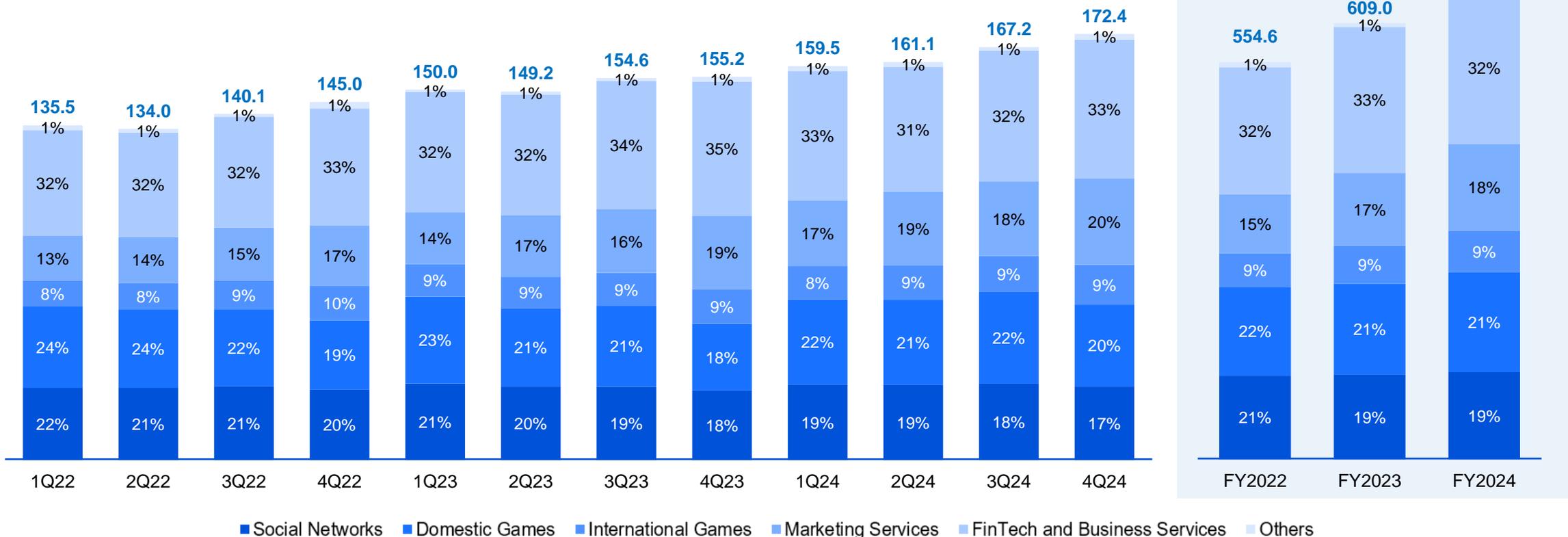
1. *Overview*
2. *Investing in AI for Growth*
- 3. *Business Review***
4. *Financial Review*
5. *Q&A*

Revenue

Revenue Growth (YoY %)



Revenue by Segment (billion RMB)

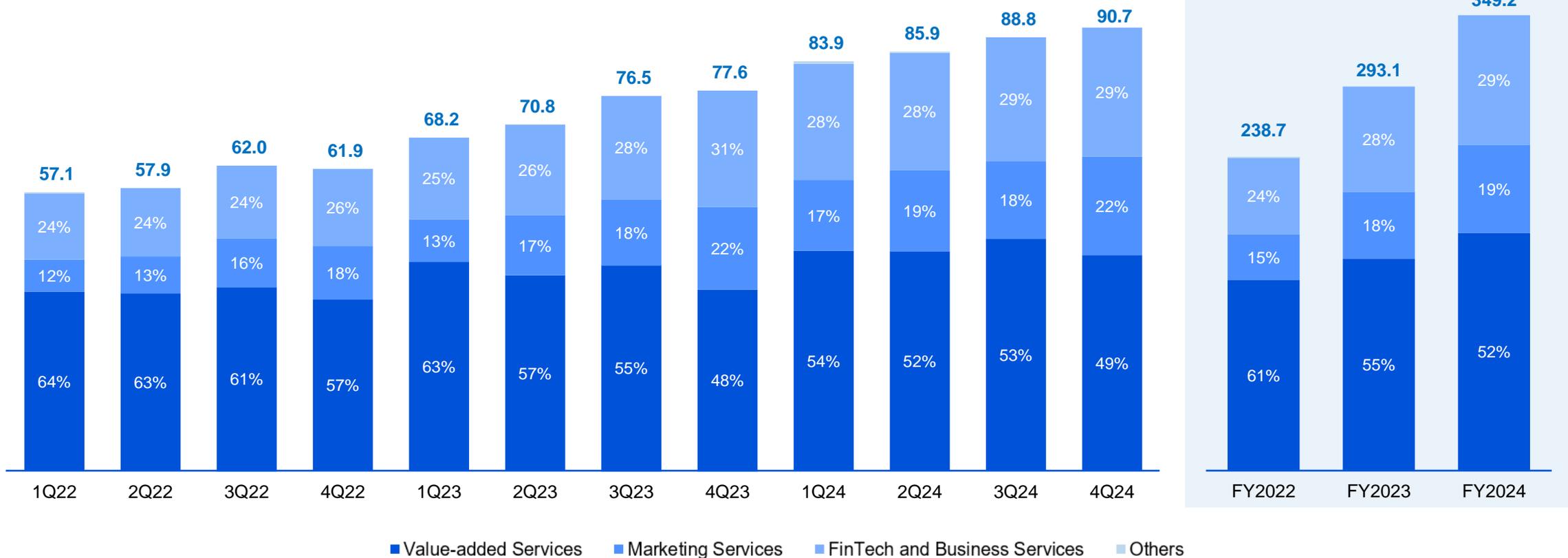


Gross Profit

Gross Profit Growth (YoY %)

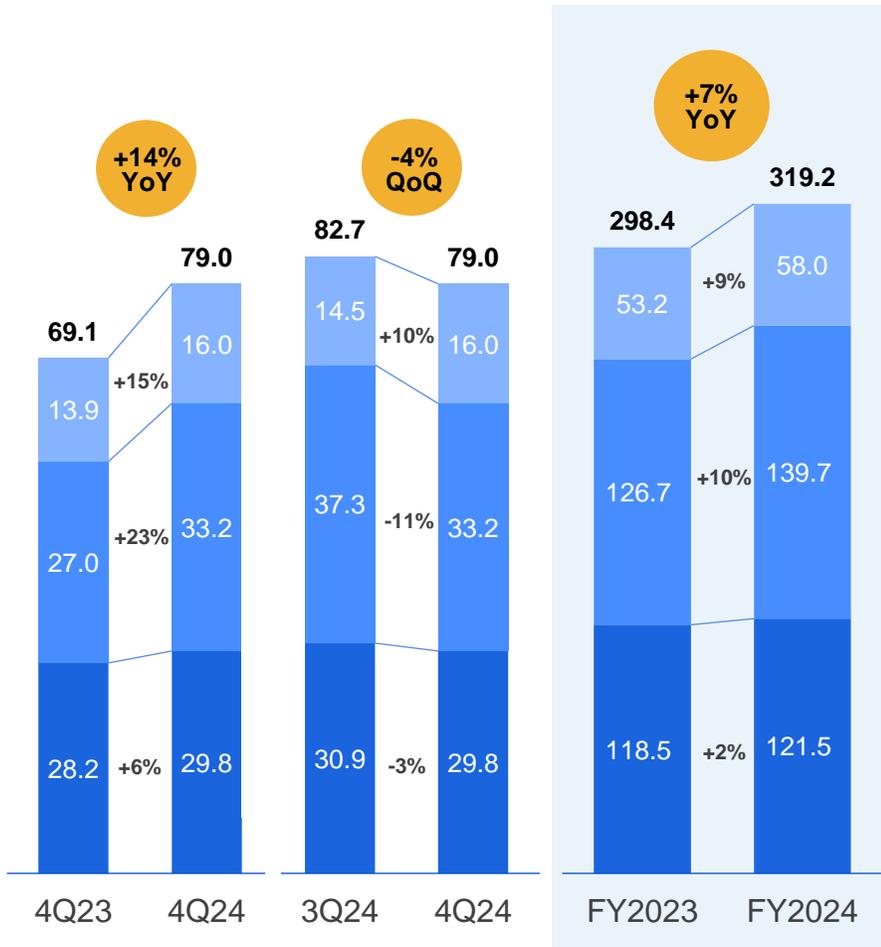


Gross Profit by Segment (billion RMB)



Value-added Services

Revenue in billion RMB



■ Social Networks ■ Domestic Games ■ International Games

Social Networks

- 4Q24 revenue up 6% YoY, driven by increased revenue from app-based games item sales, music subscriptions, and *Mini Games* platform service fees
- Music subscription revenue increased 18% YoY, as subscribers grew to 121 million¹. TME deepened cooperation with labels and artists, and boosted Super VIP membership privileges
- Long-form video subscription revenue increased 3% YoY. Video subscribers grew to 113 million². Self-commissioned drama series, *Love Game in Eastern Fantasy*, ranked #1 industry-wide³ in Nov 24

Domestic Games

- Revenue grew 23% YoY against a low-base quarter, driven by robust growth from evergreen games *HoK*, *Peacekeeper Elite* and *VALORANT*, and contributions from recently released games *DnF Mobile* and *Delta Force*

International Games

- Revenue increased 15% YoY, or 16% in constant currency, on robust performances from *Brawl Stars* and *PUBG Mobile*, and early access release of *Path of Exile 2*

1. The average number of paying users as of the last day of each month during 4Q24
 2. The average daily number of paying users for 4Q24
 3. Source: Enlightent, by video views across all online platforms in China for Nov 2024

Communications & Social Networks



- *Mini Shops*, our platform for indexed and standardised merchandise, is introducing several new features to stimulate new and repeat transactions
- Among which, gifting feature leverages *Weixin's* social interactions and people's desire to gift each other fun or trendy items that they like
- Gifting feature also requires recipients to fill in delivery addresses, facilitating future shopping convenience and delivery efficiency



Recipient fills in delivery address to accept gift



Gifting feature in CCTV Spring Festival Gala live streaming



- *Weixin Search* continued solid growth in QV and revenue
- Integrating *HunYuan* and DeepSeek LLM capabilities enabled us to enhance relevance and quality of search results
- Tencent's own model-powered results now cover over 90% of question-based search QV



Leverage content from Official Accounts

Share search results in Weixin chat or Moments

Domestic Games

Appealing content boosted evergreen games during 4Q24

- **HoK:** Gross receipts grew by double-digit % YoY on higher DAU, IP tie-in with Detective Conan
- **VALORANT:** Gross receipts more than doubled YoY on higher DAU, collaborations with EDG and *Arcane S.2*
- **Fight of the Golden Spatula:** Gross receipts increased by double-digit % YoY on *Arcane S.2*-themed chibi champions



HoK x Detective Conan

Nurturing and developing new games with evergreen potential

- **Delta Force:** PC + mobile gross receipts exceeded RMB1 billion in 4Q24, benefitting from new support character, new map, and new weapon set
- **Highly-anticipated pipeline:** *The Hidden Ones*, *Light of Motiram*, *GODDESS OF VICTORY: NEW HOPE*, *VALORANT Mobile*...



Fight of the Golden Spatula x Arcane S.2

Top 5 games during 2025 Spring Festival period¹ each grew DAU vs. 2024 Spring Festival

- **Peacekeeper Elite:** Tang Dynasty-themed map
- **HoK:** social space featuring personalised fireworks, selfie spots



Delta Force

1. Spring Festival period refers to 7-day period starting from Spring Festival Eve of relevant year

International Games



Brawl Stars

- Ranked #3 mobile game by DAU in international markets in 2024¹
- Gross receipts grew several times YoY in 4Q24, benefitting from content updates and redesigned battle pass



Path of Exile 2

- Action RPG with highly customisable and in-depth character development system
- Ranked #1 pay-to-own game by revenue on Steam for 6 weeks, from early access release in Dec 2024²



Warframe

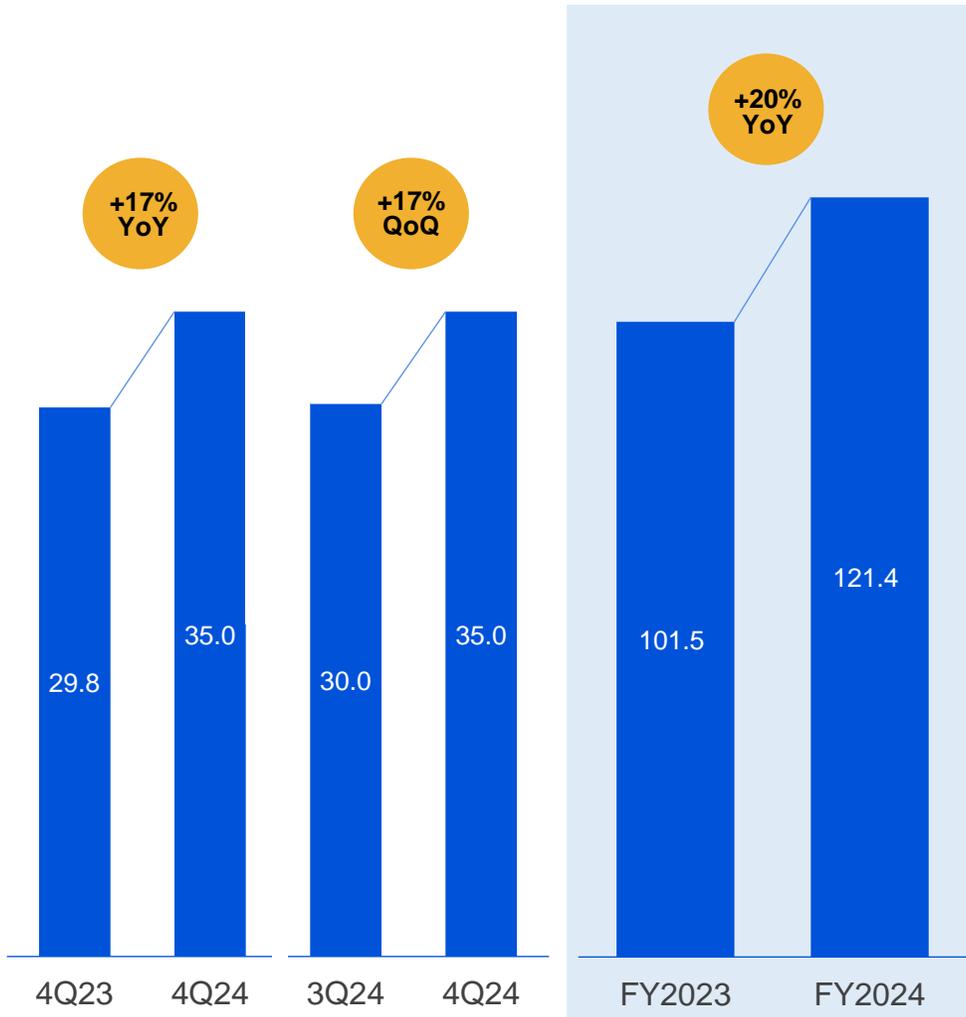
- Major expansion pack *Warframe: 1999* boosted DAU and gross receipts in 4Q24
- FY24 gross receipts up over 30% YoY



1. Source: Sensor Tower
2. Source: Steam

Marketing Services

Revenue in billion RMB



Overall

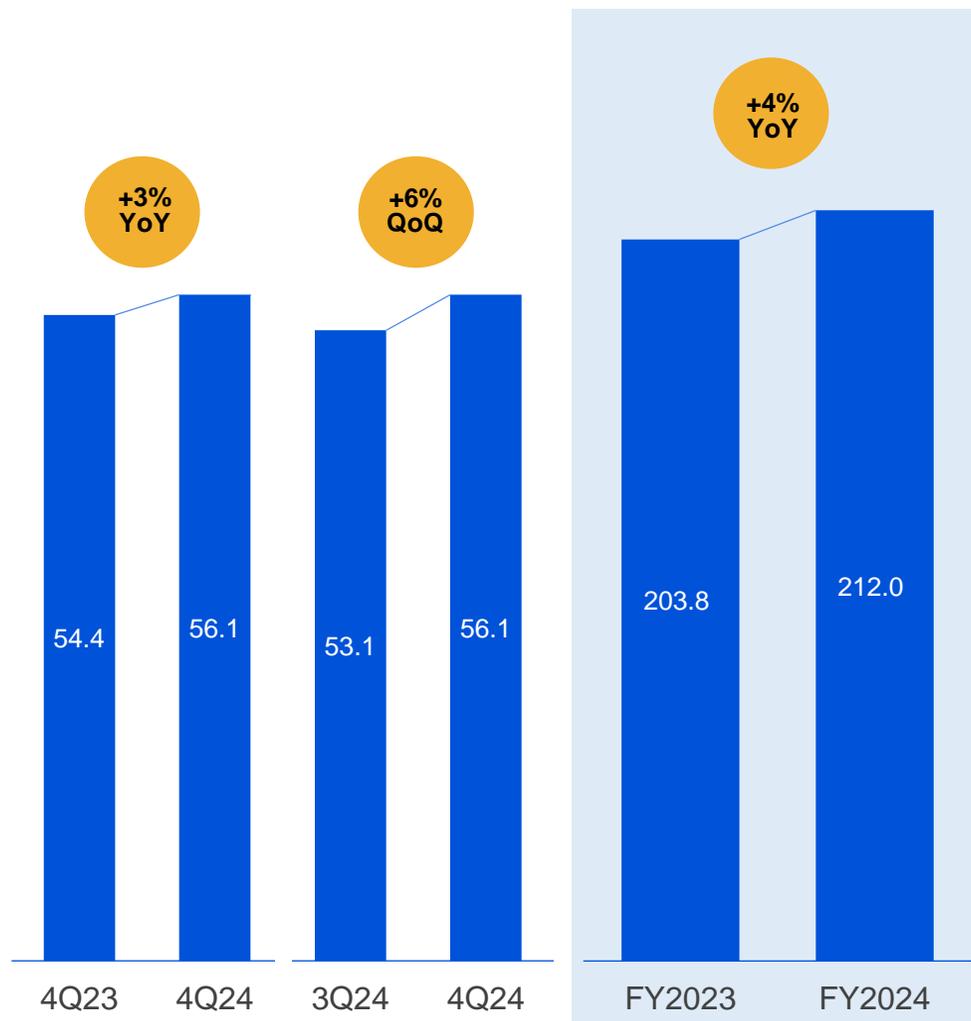
- 4Q24 revenue grew 17% YoY, benefitting from higher user engagement and ongoing AI upgrade of advertising platform
- Enhanced AI models facilitate more holistic understanding of users' interests and how users are responding to ads, enabling more relevant ad recommendations
- Marketing services revenue increased YoY from most industries

Weixin

- **Video Accounts** marketing services revenue grew over 60% YoY, benefitting from higher engagement, AI enhancements, and consumer transactions within Video Accounts
- **Mini Programs** marketing services revenue increased rapidly YoY
- **Weixin Search** revenue more than doubled YoY on more commercial queries and AI optimisations boosting click through rates

FinTech and Business Services

Revenue in billion RMB



FinTech Services

- Revenue resumed low single-digit YoY growth in 4Q24, benefitting from improved commercial payment volume, and increases in wealth management and consumer loan services
- Commercial payment revenue improved to flat YoY. Number of commercial payment transactions grew faster YoY versus previous quarter

Business Services

- Revenue grew modestly YoY in 4Q24, due to Cloud Services and fees collected on eCommerce transactions. Allocating GPUs to our internal use cases was however a constraint on our external Cloud Services revenue. Gross margin increased YoY due to improved efficiency
- *WeCom* revenue more than doubled YoY as enterprises increasingly pay for customer communication functionalities
- *Tencent Meeting* revenue grew over 40% YoY, benefitting from increasing adoption among enterprises

1. *Overview*
2. *Investing in AI for Growth*
3. *Business Review*
- 4. *Financial Review***
5. *Q&A*

Income Statement

In billion RMB	4Q2024	YoY	QoQ	FY2024	YoY
Revenue	172.4	+11%	+3%	660.3	+8%
COPS	(81.7)	+5%	+4%	(311.1)	-2%
Gross profit	90.7	+17%	+2%	349.2	+19%
Operating expenses	(41.7)	+9%	+8%	(149.1)	+8%
Other gains, net	2.5	+27%	-16%	8.0	+70%
Operating profit	51.5	+24%	-3%	208.1	+30%
Net gains from investments and others	1.1	N/A	-64%	4.2	N/A
Interest income	3.9	-0.2%	-2%	16.0	+16%
Finance costs	(2.5)	-29%	-29%	(12.0)	-2%
Share of profit of associates & JVs, net	9.3	+276%	+54%	25.2	+334%
Income tax expense	(11.8)	+22%	+32%	(45.0)	+4%
Net profit	51.5	+85%	-5%	196.5	+66%
Net profit attributable to equity holders	51.3	+90%	-4%	194.1	+68%
Diluted EPS in RMB	5.485	+95%	-3%	20.486	+72%
Non-IFRS					
Operating profit	59.5	+21%	-3%	237.8	+24%
Net profit attributable to equity holders	55.3	+30%	-8%	222.7	+41%
Diluted EPS ¹ in RMB	5.909	+33%	-7%	23.505	+44%

1. Diluted EPS is calculated using the weighted average number of outstanding shares in the period incl. the dilutive effect of share options and awarded shares as determined under the treasury stock method

Non-IFRS Adjustments

In billion RMB	IFRS 4Q2024	SBC	Net (gains)/ losses from investee companies ¹	Amortisation of intangible assets	Impairment provisions ²	SSV & CPP ³	Tax effects	Non-IFRS 4Q2024	YoY change	QoQ change	Non-IFRS FY2024	YoY change
Operating profit	51.5	6.2	-	1.4	-	0.4	-	59.5	+21%	-3%	237.8	+24%
Share of profit of associates & JVs, net	9.3	0.9	(3.8)	1.2	0.1	-	-	7.7	+72%	-9%	31.6	+143%
Net profit	51.5	7.1	(6.9)	2.6	1.8	1.1	(0.7)	56.5	+29%	-7%	227.2	+40%
Net profit attributable to equity holders	51.3	7.0	(6.9)	2.4	1.1	1.1	(0.7)	55.3	+30%	-8%	222.7	+41%
Operating margin	29.9%							34.5%	+2.8ppt	-2.1ppt	36.0%	+4.5ppt

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.

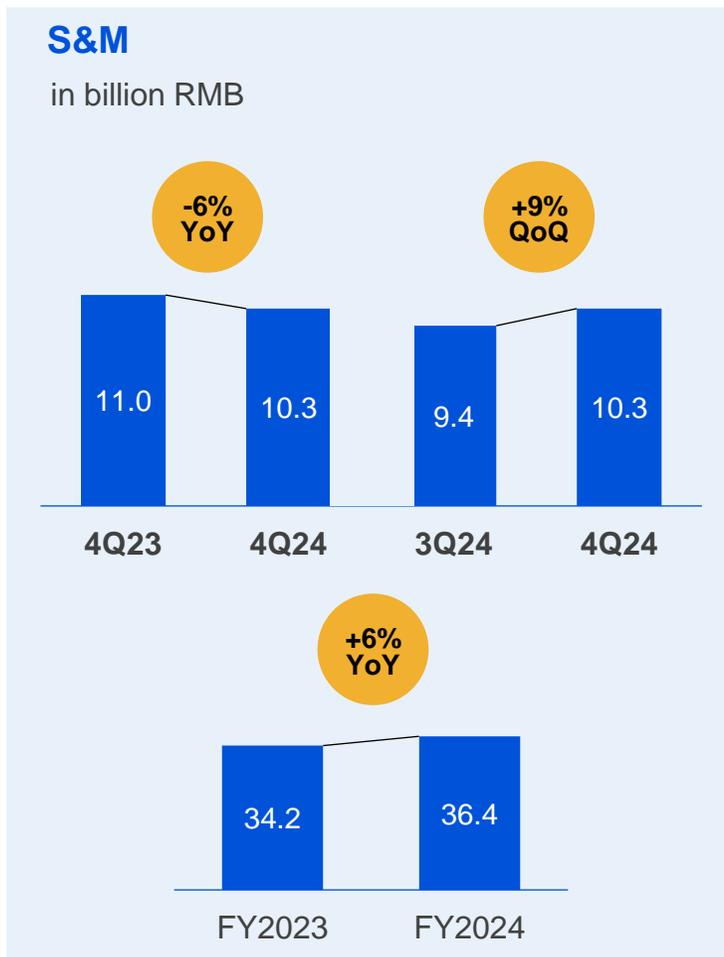
Gross Margins



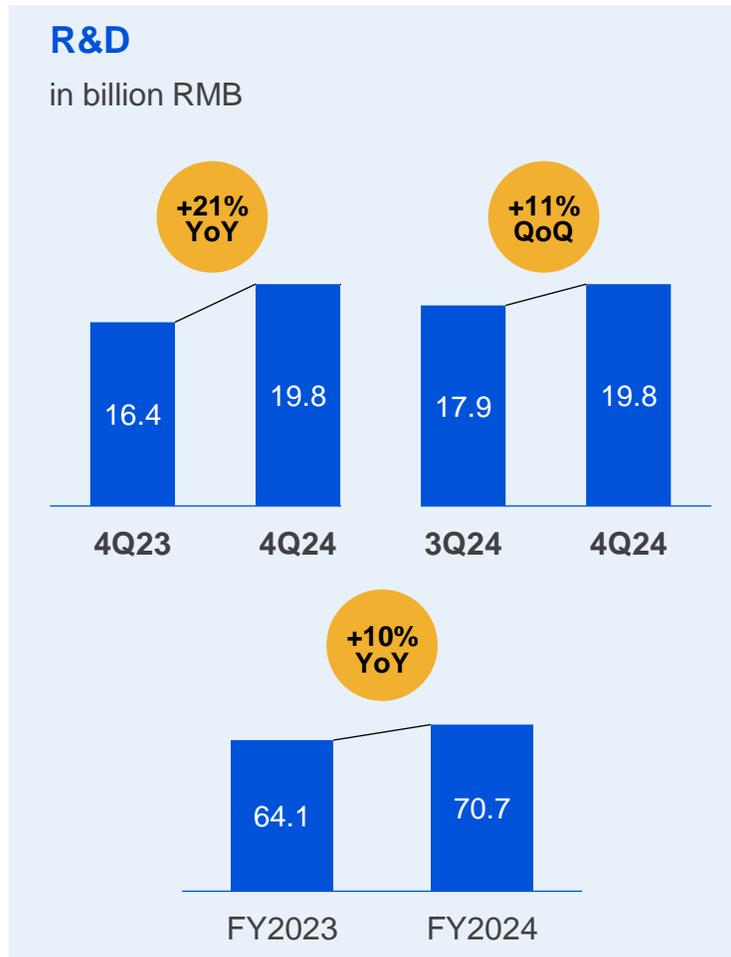
1Q22 2Q22 3Q22 4Q22 1Q23 2Q23 3Q23 4Q23 1Q24 2Q24 3Q24 4Q24

FY2022 FY2023 FY2024

Operating Expenses



Non-IFRS
 4Q24 S&M declined by 7% YoY or grew by 8% QoQ
 FY2024 S&M grew by 7% YoY

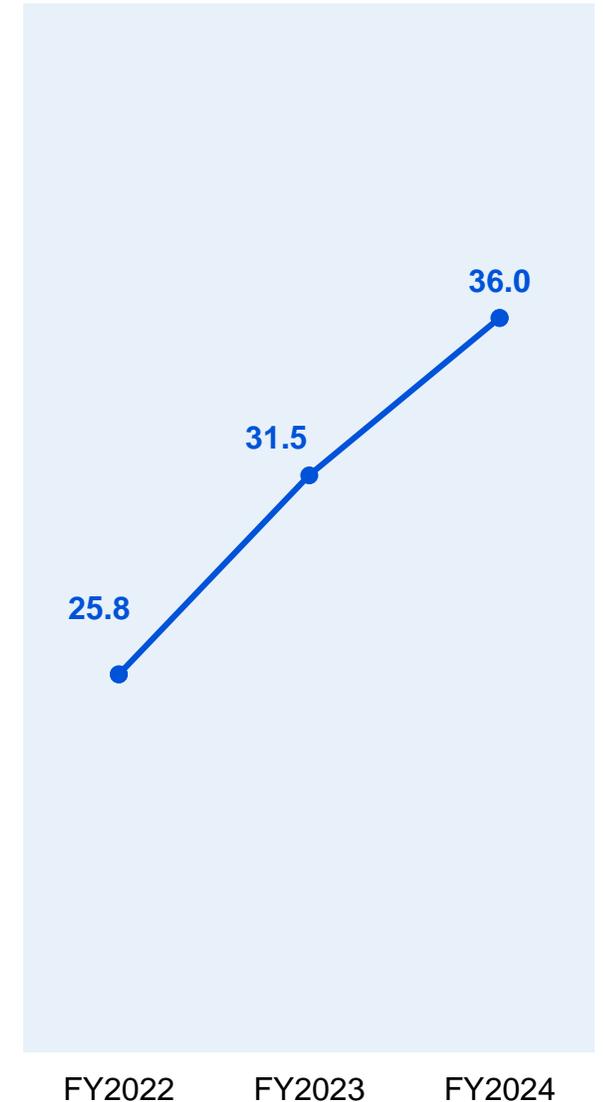
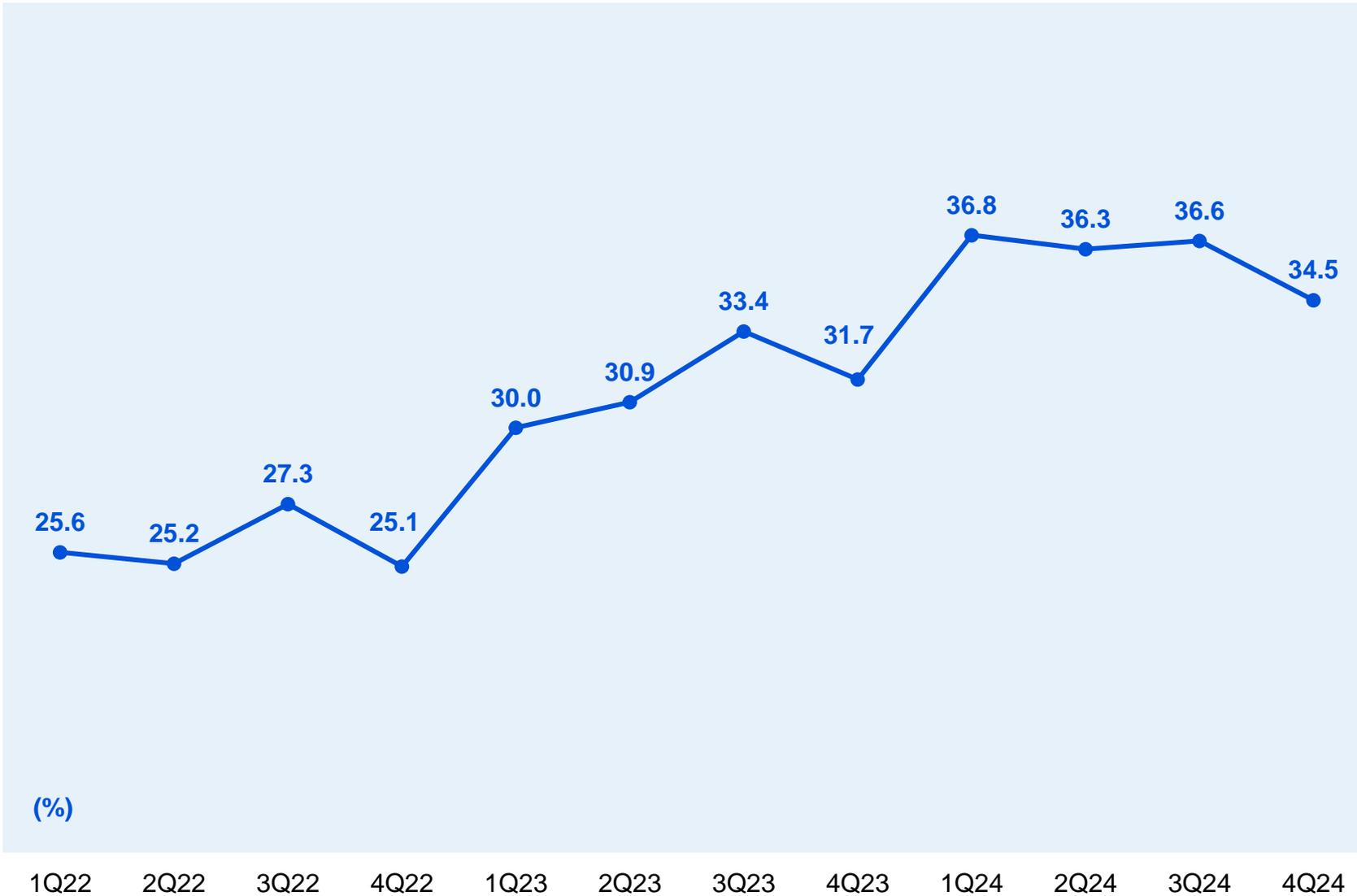


Non-IFRS
 4Q24 R&D grew by 21% YoY and 8% QoQ
 FY2024 R&D grew by 11% YoY



Non-IFRS
 4Q24 G&A (excl. R&D) grew by 15% YoY and 21% QoQ
 FY2024 G&A (excl. R&D) grew by 7% YoY

Non-IFRS Operating Margin



CAPEX, FCF and Cash Position

In billion RMB	4Q2024	YoY	QoQ	FY2024	YoY
Operating CAPEX	34.9	+421%	+138%	63.4	+267%
Non-operating CAPEX	1.7	+103%	-31%	13.4	+102%
Total CAPEX	36.6	+386%	+114%	76.8	+221%
Operating Cash Flow	54.0	+0.2%	-31%	258.5	+16%
Less: CAPEX Paid	(39.0)	+317%	+225%	(72.1)	+218%
Payments for media content	(8.5)	+9%	+51%	(24.0)	-3%
Payments for lease liabilities	(2.0)	-23%	+11%	(7.1)	-5%
Free Cash Flow	4.5	-87%	-92%	155.3	-7%
Total Cash	415.4	+3%	-2%	415.4	+3%
Less: Total Debt	(338.6)	-3%	+3%	(338.6)	-3%
Net Cash	76.8	+40%	-20%	76.8	+40%

- **As at 31 Dec 2024, the fair value of our shareholdings² in listed investee companies (excluding subsidiaries) was ~RMB570 billion (USD79 billion) and the carrying book value of our shareholdings in unlisted investee companies (excluding subsidiaries) was ~RMB336 billion (USD47 billion)**

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

Share Repurchase and Annual Dividend

- Repurchased ~307 million shares for a consideration of ~HKD112 billion to shareholders during FY2024

In millions	2024	2023	YoY
Issued shares, at 1 January	9,483	9,569	-0.9%
Shares issued for employee share option and share award schemes	58	55	+5%
Shares repurchased and cancelled	(316)	(141)	+124%
Issued shares, at 31 December	9,225	9,483	-3%
Weighted average number of shares for the calculation of diluted EPS ¹ in the period	9,408	9,610	-2%

1. Diluted EPS is calculated using the weighted average number of outstanding shares in the period including the dilutive effect of share options and awarded shares as determined under the treasury stock method

- Subject to shareholders' approval at the 2025 AGM, proposed 2024 annual dividend of HKD4.50 per share (up 32% YoY) or HKD41 billion for the year ended 31 December 2024

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3. *Business Review*
4. *Financial Review*
5. **Q&A**

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Thank you!



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