

Tencent 腾讯

*2025 First Quarter
Results Presentation*

May 14, 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 RMB7.1782 for 1Q2025.

1. *Overview*

2. *Business Review*

3. *Financial Review*

4. *Q&A*

Financial Highlights

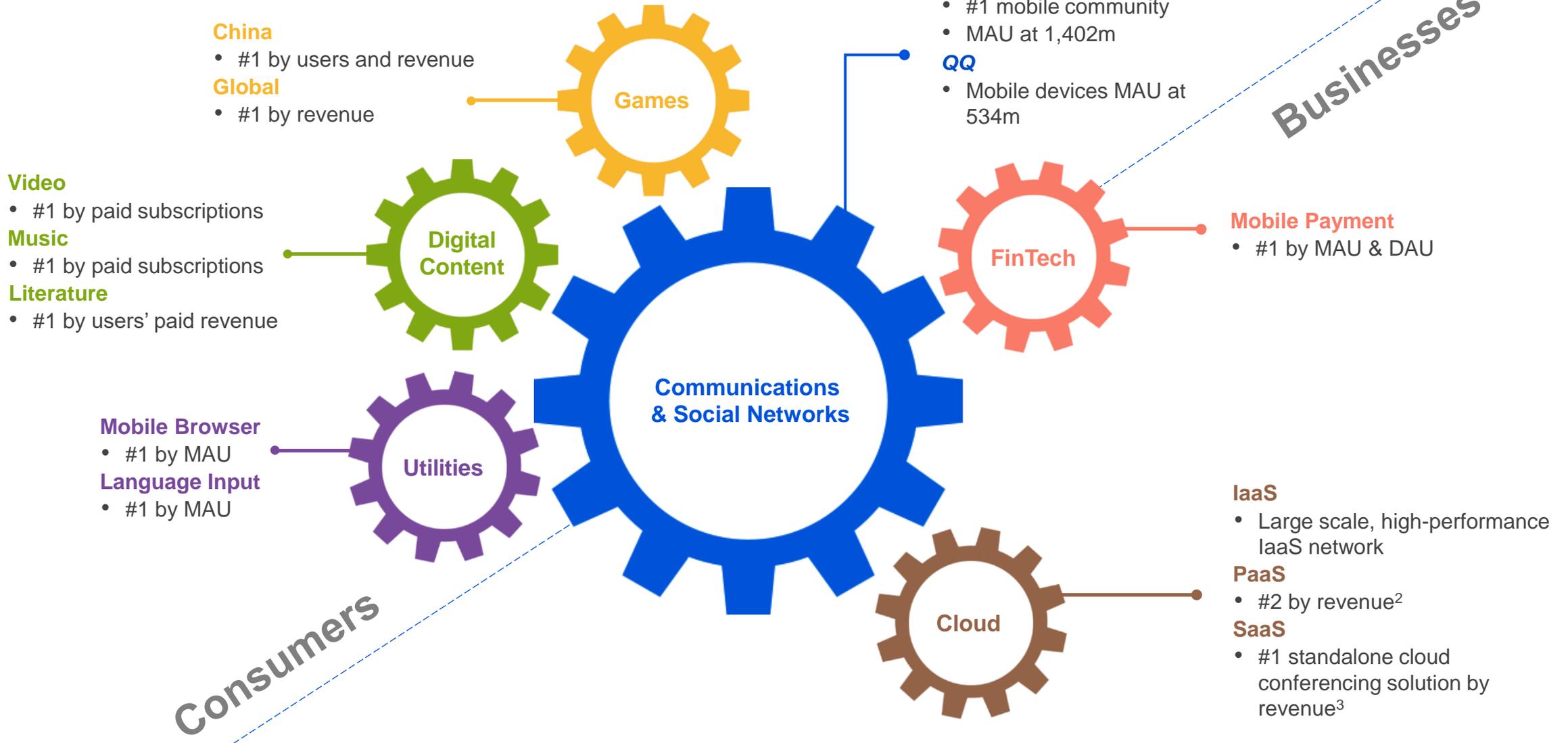
In billion RMB	1Q2025	1Q2024	YoY	4Q2024	QoQ
Total Revenue	180.0	159.5	+13%	172.4	+4%
Value-added Services	92.1	78.6	+17%	79.0	+17%
Social Networks	32.6	30.5	+7%	29.8	+10%
Domestic Games ¹	42.9	34.5	+24%	33.2	+29%
International Games	16.6	13.6	+23%	16.0	+4%
Marketing Services ²	31.9	26.5	+20%	35.0	-9%
FinTech and Business Services	54.9	52.3	+5%	56.1	-2%
Others	1.1	2.1	-45%	2.3	-51%
Gross Profit	100.5	83.9	+20%	90.7	+11%

Non-IFRS

Operating Profit	69.3	58.6	+18%	59.5	+17%
Operating Margin	38.5%	36.8%	+1.7ppt	34.5%	+4.0ppt
Net Profit Attributable to Equity Holders	61.3	50.3	+22%	55.3	+11%

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.

Key Services Update



1. All rankings above refer to China market, unless otherwise stated. Company data as of Mar 31, 2025

2. IDC Quarterly Public Cloud Services Tracker, 4Q24

3. IDC China Cloud Conferencing Market Share report, 2023

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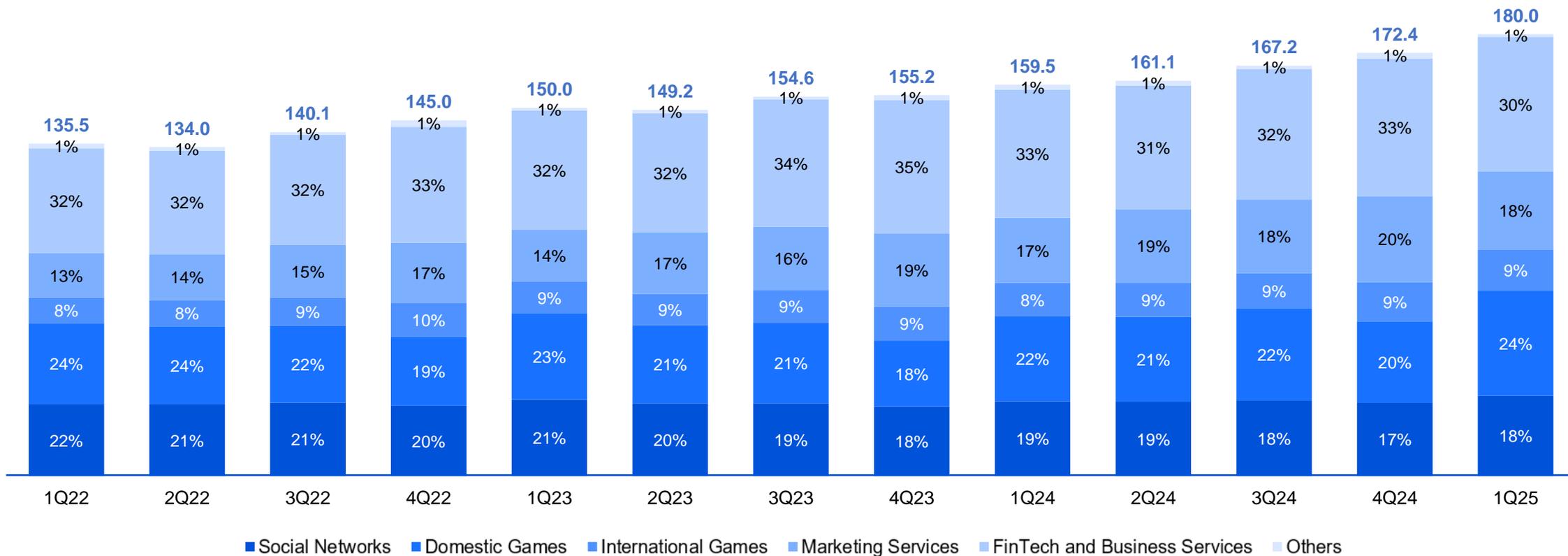
4. *Q&A*

Revenue

Revenue Growth (YoY %)



Revenue by Segment (billion RMB)

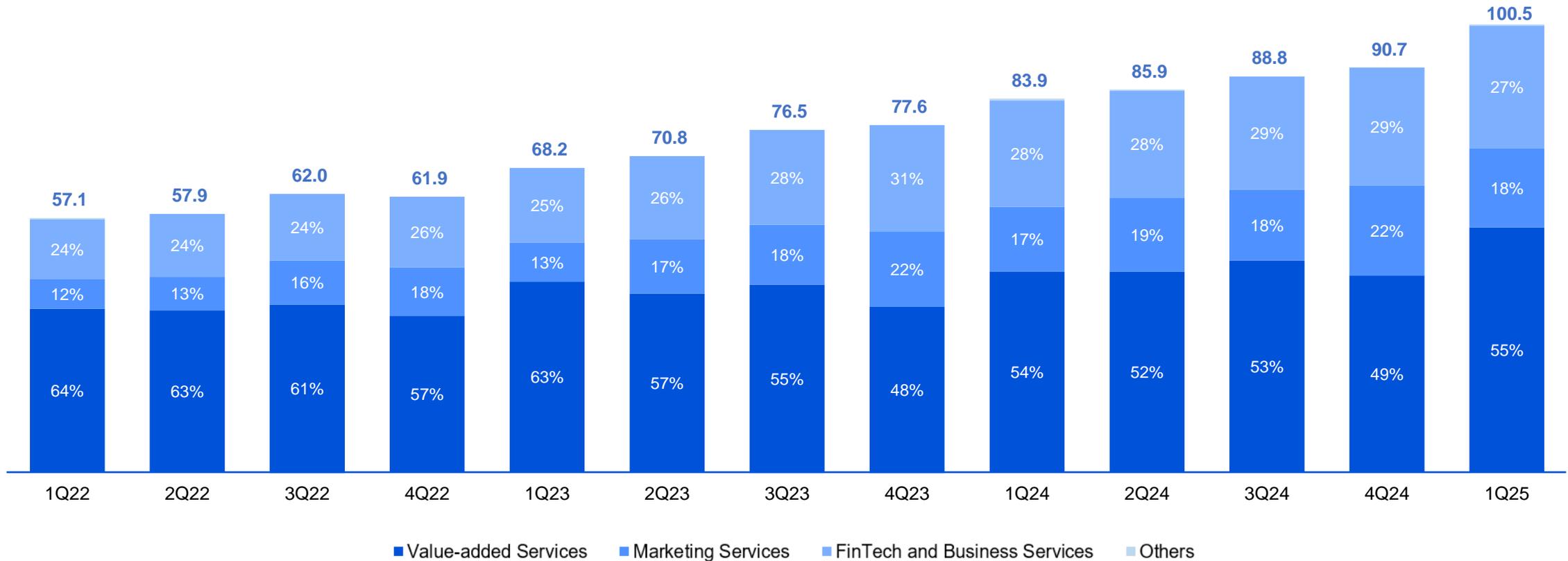


Gross Profit

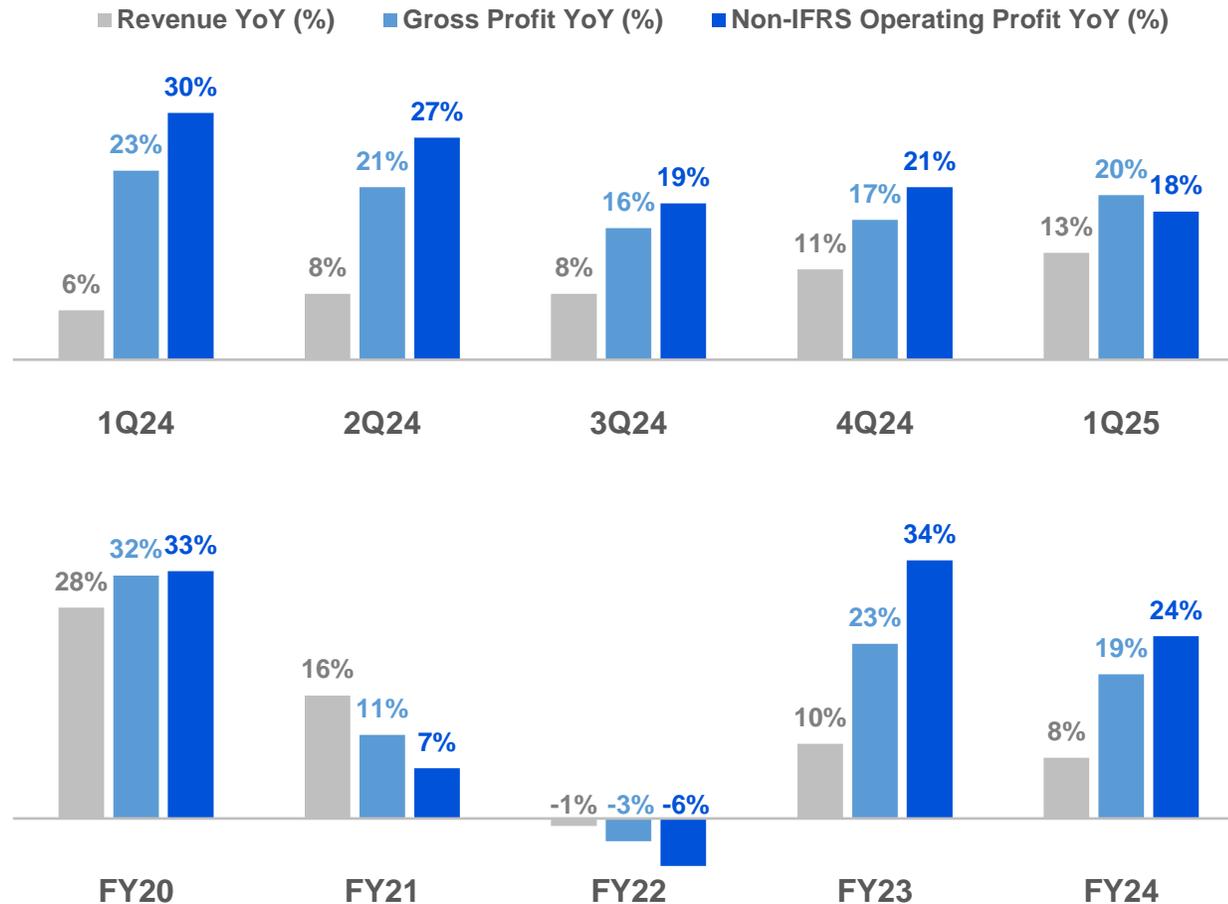
Gross Profit Growth (YoY %)



Gross Profit by Segment (billion RMB)



High Quality Earnings Model to Support AI Investments

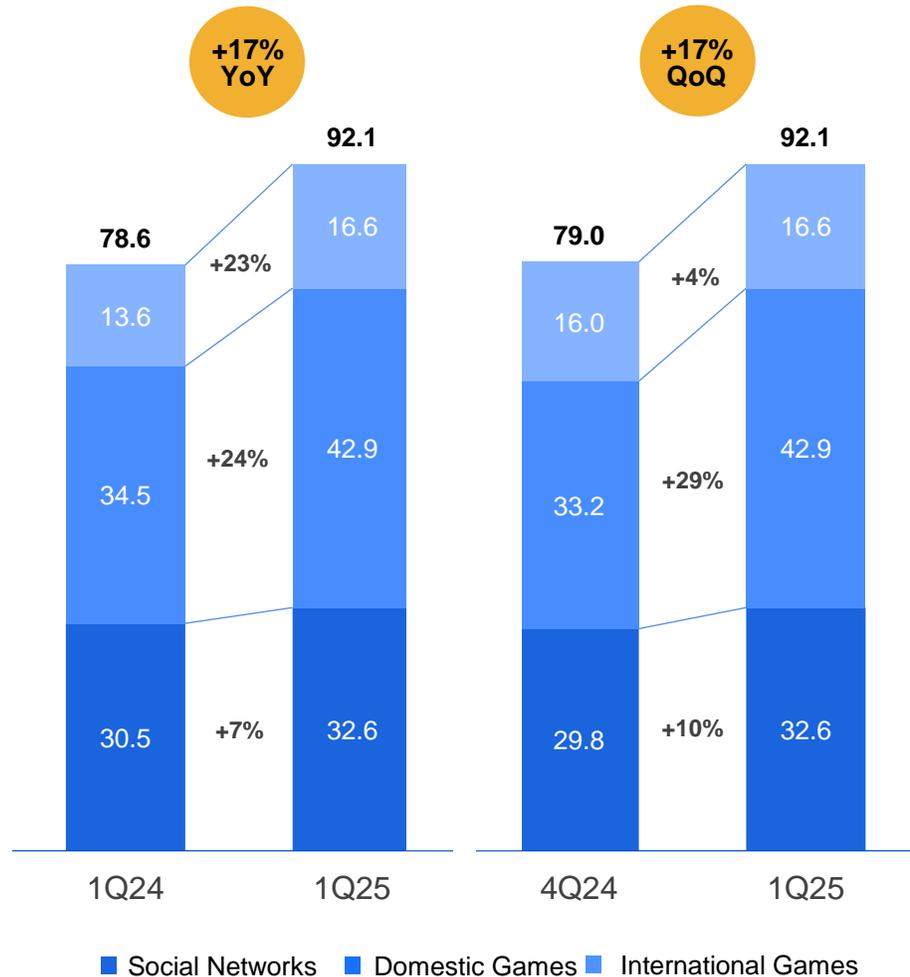


Reinvesting into AI

- Existing businesses continue to generate operating leverage. This provides us the capacity to “reinvest this leverage” for the exciting AI opportunity
- Certain GPU / AI investments already generate revenue, including:
 - Improved ad targeting, and improved content recommendation boosting time spent
 - Increased engagement of evergreen games
 - Computing infrastructure, APIs and platform solutions
- Other GPU / AI investments are long cycle in nature. Natural time lag between making investments and generating substantial incremental return will temporarily result in smaller gap between revenue and operating profit growth:
 - GPU depreciation expenses occur ahead of monetisation for new AI products
 - Marketing support to build user awareness and promote adoption of new AI products
 - Hiring of higher cost technical talent

Value-added Services

In billion RMB



Social Networks

- Revenue was up 7% YoY, driven by increased revenue from app-based games item sales, music subscriptions and *Mini Games* platform service fees
- Music subscription revenue increased 17% YoY, supported by 8% YoY growth in subscribers to 123 million¹, and ARPU improved. TME strengthened content offerings through deepened collaborations with labels and artists, and expanded Super VIP membership benefits
- Long-form video subscription revenue was flat YoY. Video subscribers grew 1% YoY to 117 million². Our self-commissioned drama series, *Guardians of the Dafeng*, ranked #1 industry-wide³ in 1Q25

Domestic Games

- Revenue grew 24% YoY against a low-base quarter, mainly driven by growth from flagship games, *HoK* and *Peacekeeper Elite*, and contributions from recently released games, *DnF Mobile* and *Delta Force*

International Games

- Revenue increased 23% YoY, or 22% in constant currency, driven by *Brawl Stars*, *Clash Royale*, and *PUBG Mobile*

1. The average number of paying users as of the last day of each month during 1Q25
 2. The average daily number of paying users for 1Q25
 3. Source: Enlightent, by video views across all online platforms in China for 1Q25

Communications & Social Networks

Strengthening content ecosystem in Weixin

- **Video Accounts:** Streamlined live streaming setup process and enhanced recommendation algorithms, in order to cultivate and promote more original content. Total user time spent grew rapidly YoY in 1Q25
- **Mini Shops:** Provided more onboarding support for merchants to enrich the range of branded product listings. GMV continued rapid YoY growth in 1Q25
- **Official Accounts:** Enabled users to set up accounts and publish content via mobile devices, in order to expand creator community and encourage more UGC

Rolling out AI features in Weixin

- Integrated **Yuanbao** as Weixin contact in April, providing users with seamless AI interaction within **Weixin Chat**
- Powered **Weixin Search** with fast thinking model, HunYuan Turbo S, and Chain of Thought¹ reasoning models, HunYuan T1 and DeepSeek R1
- Provided AI tools to generate images matching text in **Official Accounts** articles, and to generate video effects for **Video Accounts** videos utilising preset templates
- Reduced **Mini Programs** development time via AI coding assistant that supports natural language prompts and image inputs



1. 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.

Domestic Games

Flagship evergreen games achieved solid growth

- **HoK**: Gross receipts achieved record high in 1Q25, as Year of Snake-themed outfits and targeted promotion activities expanded paying user base
- **Peacekeeper Elite**: Expansion of gameplay from battle royale mode to increasingly popular extraction shooter mode, and Tang Dynasty-themed setting, drove substantial growth in DAU and gross receipts in 1Q25

Evergreen games of various vintages performed robustly

- **CrossFire Mobile**: Gross receipts reached record high and ranked #3 among all mobile games in China¹ in 1Q25, as enhanced rewards system and new PvE mode boosted user engagement and monetisation
- **VALORANT**: Gross receipts and average DAU more than doubled YoY in 1Q25, benefitting from new agents and weapon items. Targeted marketing programs helped VALORANT sustain its position as 2nd most played game in Internet cafés²

New game demonstrating evergreen potential

- **Delta Force**: DAU consistently increased and exceeded 12 million in April. Ranked #6 by average DAU³ in 1Q25, highest among all mobile games released in last three years industry-wide



HoK



CrossFire Mobile



Delta Force

1. Source: by gross receipts among mobile games according to Sensor Tower
2. Source: by number of activations in Internet cafés according to Shunwang Technology; *League of Legends* ranked #1
3. Source: by DAU among mobile games according to QuestMobile

International Games



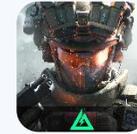
PUBG Mobile

- Gross receipts grew by mid teens % YoY, benefitting from Golden Moon-themed events and outfits, and brand collaborations



Call of Duty Mobile

- Gross receipts grew YoY, benefitting from top-tier outfit and weapon items
- User retention improved with the introduction of a new daily rewards system



Delta Force

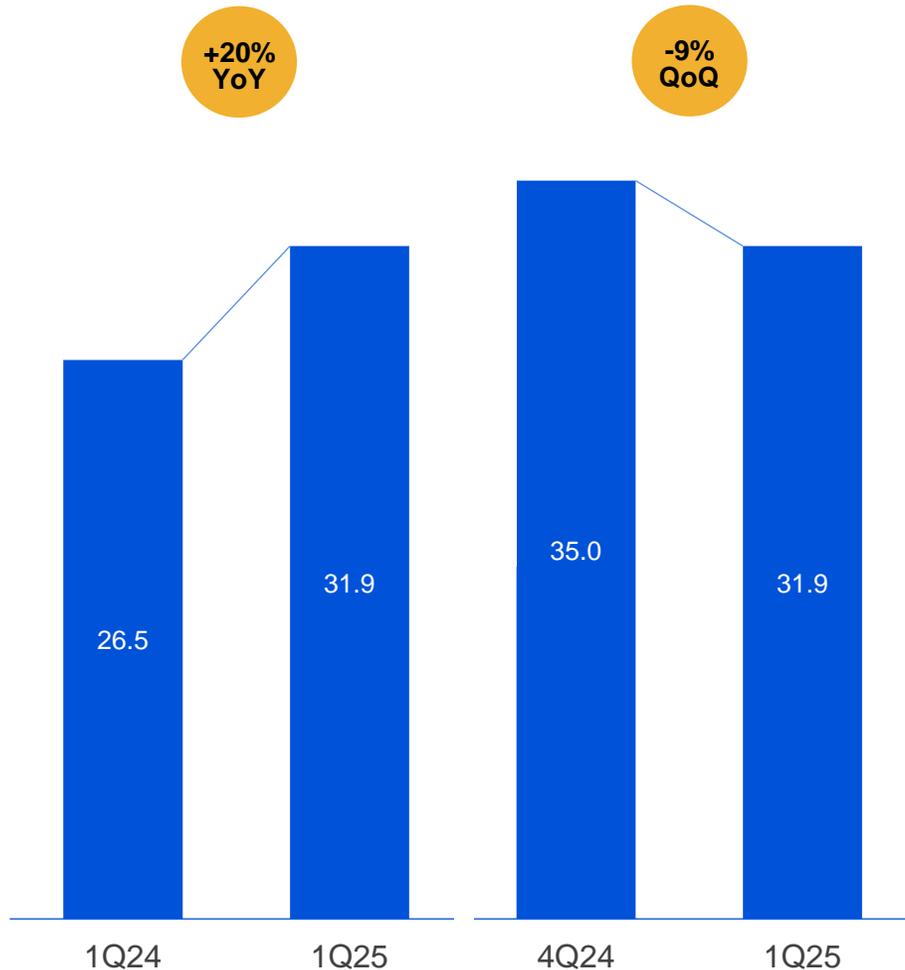
- PC version achieved record concurrent user level ¹ on Steam in May
- Mobile version ranked #2 by downloads² since international launch on April 21
- Console version to launch in 2H25



1. Source: By global peak concurrent users, Steam DB.
2. Source: By total downloads in international markets, Sensor Tower

Marketing Services

In billion RMB



Overall

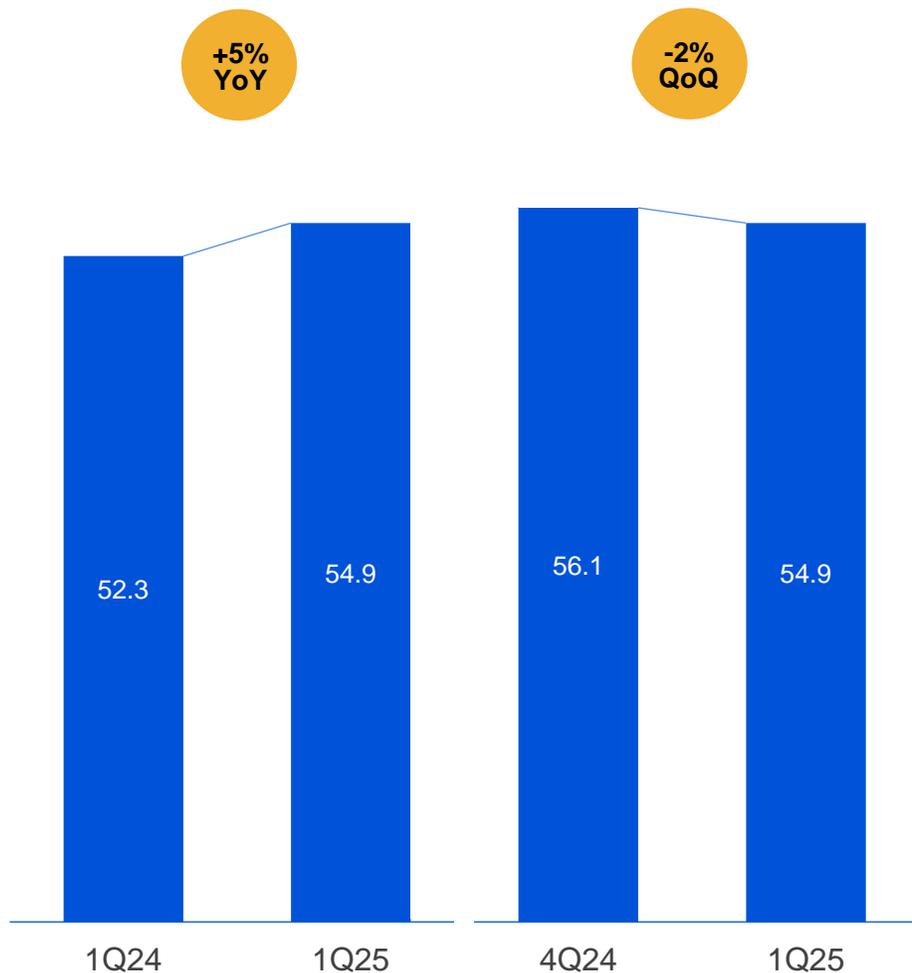
- Revenue grew 20% YoY, benefitting from higher user engagement, ongoing AI upgrades to ad platform, and a strengthening transaction ecosystem within *Weixin*
- Marketing services revenue from all major advertiser industry categories increased YoY
- Upgraded ad platform with enhanced LLM and AIGC capabilities: 1) improved image ad generation and video ad editing; 2) digital human solutions to facilitate live streaming activities; 3) deeper understanding of merchandise and user interests, enabling better ad recommendations

Weixin

- **Video Accounts** marketing services revenue grew over 60% YoY, as advertisers increasingly utilised our marketing tools to boost content exposure, promote live streams, and drive sales conversion
- **Mini Programs** marketing services revenue increased notably YoY, capturing closed-loop marketing demand from mini dramas and mini games
- **Weixin Search** revenue grew rapidly YoY, benefitting from increases in commercial query volume and CTR

FinTech and Business Services

In billion RMB



FinTech Services

- Revenue grew by low single-digit % YoY, benefitting from increases in consumer loan services and wealth management services
- Total commercial payment volume declined slightly YoY in 1Q25, but trend improved in April
- Upgraded financial assistant chatbot in wealth management app, *LiCaiTong*, by integrating LLM capabilities

Business Services

- Revenue returned to teens % YoY growth in 1Q25, driven by cloud services and fees collected on eCommerce transactions. Gross margin increased YoY due to improved efficiency
- Our audio and video solutions, TDSQL database, and general cloud infrastructure are increasingly adopted by leading internet platforms seeking to better manage usage surges and to enhance operational efficiency
- AI-related revenue within Tencent Cloud grew rapidly YoY, driven by increased demand for GPUs, APIs and platform solutions. Our expanded model library, better integration of RAG¹ technology, and optimised resource utilisation enhanced clients' output accuracy and efficiency

1. Retrieval-Augmented Generation (RAG) is a technique that retrieves relevant contextual information from a data source and enhances large language models by augmenting the model's base knowledge to improve the accuracy and reliability of the model's output.

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Income Statement

In billion RMB	1Q2025	1Q2024	YoY	4Q2024	QoQ
Revenue	180.0	159.5	+13%	172.4	+4%
COPS	(79.5)	(75.6)	+5%	(81.7)	-3%
Gross profit	100.5	83.9	+20%	90.7	+11%
Operating expenses	(41.5)	(32.3)	+28%	(41.7)	-0.4%
Other gains (losses), net	(1.4)	1.0	N/A	2.5	N/A
Operating profit	57.6	52.6	+10%	51.5	+12%
Net gains from investments and others	1.4	0.6	+114%	1.1	+26%
Interest income	3.7	4.2	-12%	3.9	-4%
Finance costs	(3.9)	(2.8)	+37%	(2.5)	+54%
Share of profit of associates & JVs, net	4.6	2.2	+110%	9.3	-50%
Income tax expense	(13.7)	(14.1)	-3%	(11.8)	+16%
Net profit	49.7	42.7	+17%	51.5	-3%
Net profit attributable to equity holders	47.8	41.9	+14%	51.3	-7%
Diluted EPS in RMB	5.129	4.386	+17%	5.485	-6%
Non-IFRS					
Operating profit	69.3	58.6	+18%	59.5	+17%
Net profit attributable to equity holders	61.3	50.3	+22%	55.3	+11%
Diluted EPS ¹ in RMB	6.583	5.263	+25%	5.909	+11%
Weighted average number of shares in million ²	9,261	9,484	-2%	9,309	-0.5%

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

2. Weighted average number of shares for calculation of diluted EPS includes the dilutive effect of share options and awarded shares as determined under the treasury stock method

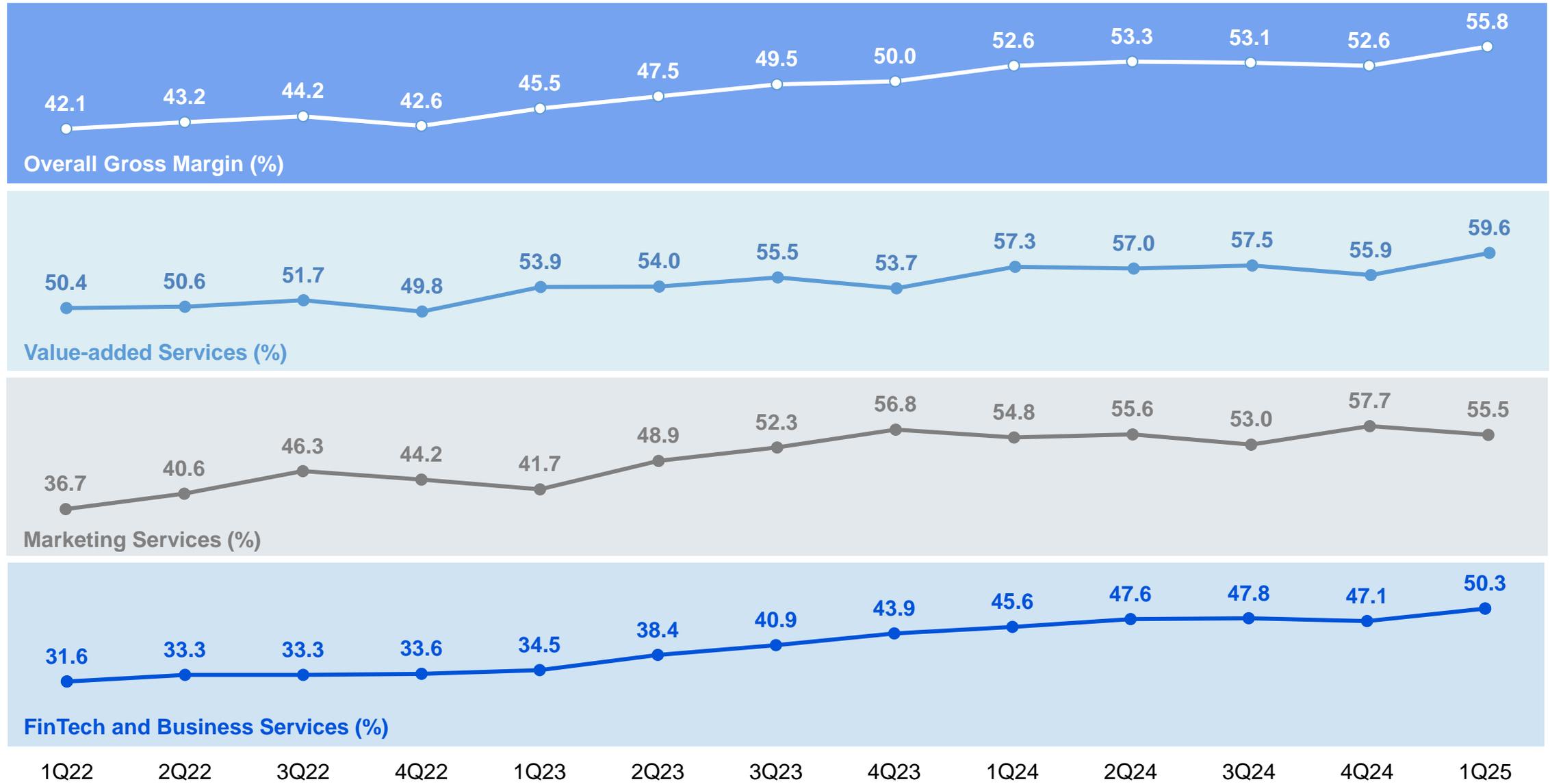
Non-IFRS Adjustments

In billion RMB	IFRS 1Q2025	SBC	Net (gains)/ losses from investee companies ¹	Amortisation of intangible assets	Impairment provisions/ (reversals) ²	SSV & CPP ³	Tax effects	Non-IFRS 1Q2025	YoY change	QoQ change
Operating profit	57.6	10.1	-	1.5	-	0.1	-	69.3	+18%	+17%
Share of profit of associates & JVs, net	4.6	1.0	0.1	1.7	0.2	-	-	7.6	+39%	-1%
Net profit	49.7	11.1	-	3.2	(0.7)	0.2	(0.8)	62.7	+22%	+11%
Net profit attributable to equity holders	47.8	10.8	1.1	2.8	(0.7)	0.2	(0.7)	61.3	+22%	+11%
Operating margin	32.0%							38.5%	+1.7ppt	+4.0ppt

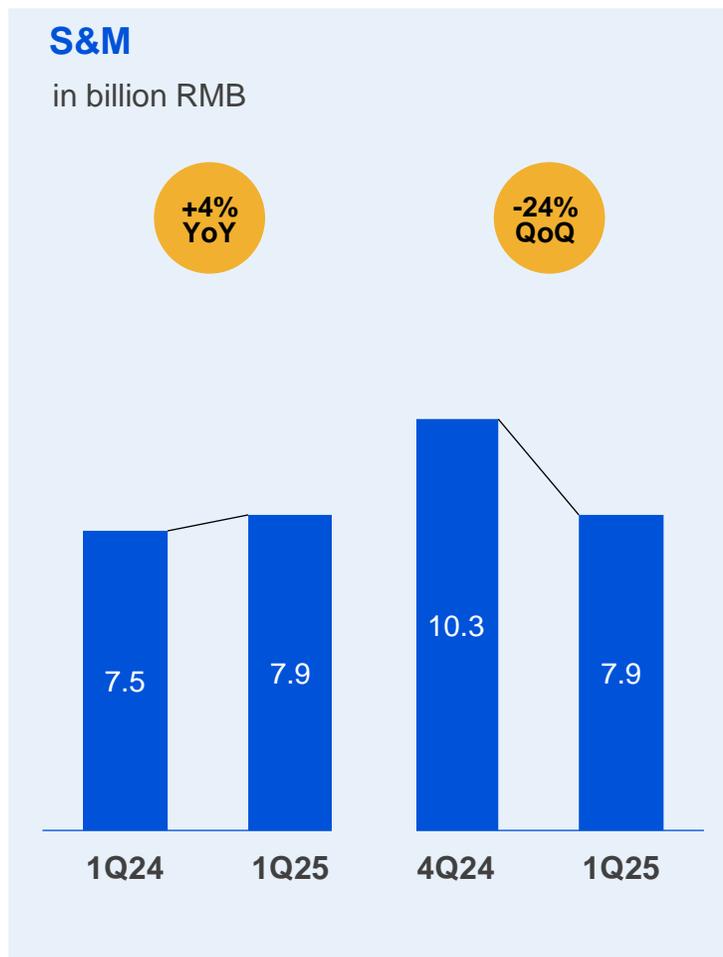
Note:

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/(reversals) 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.

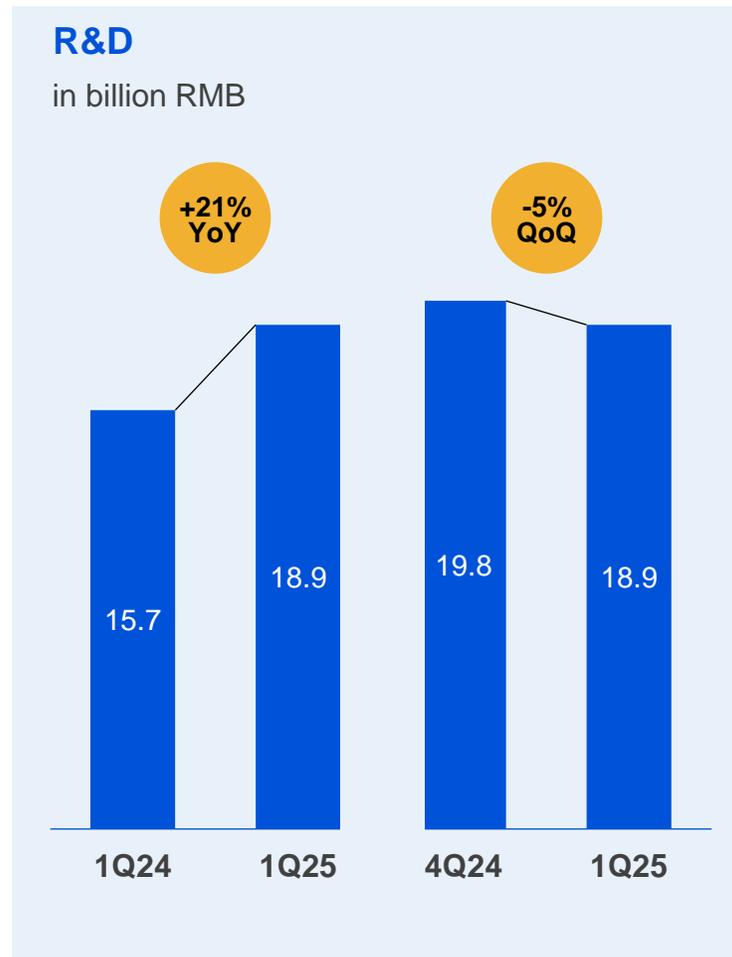
Gross Margins



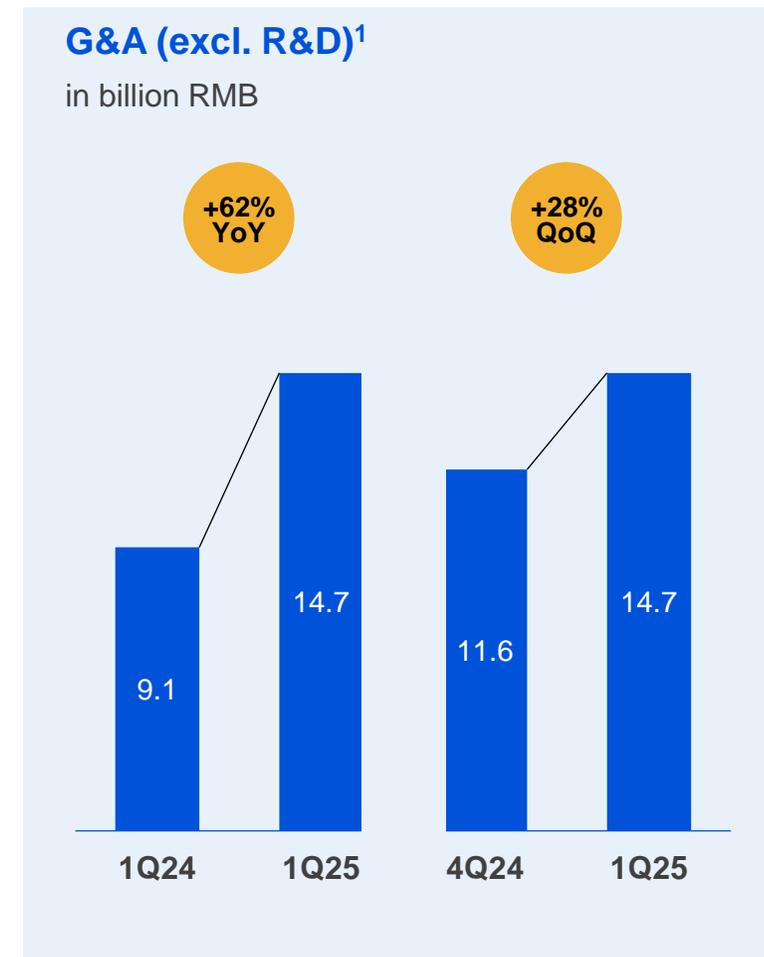
Operating Expenses



Non-IFRS
1Q25 S&M grew by 3% YoY or decreased by 24% QoQ



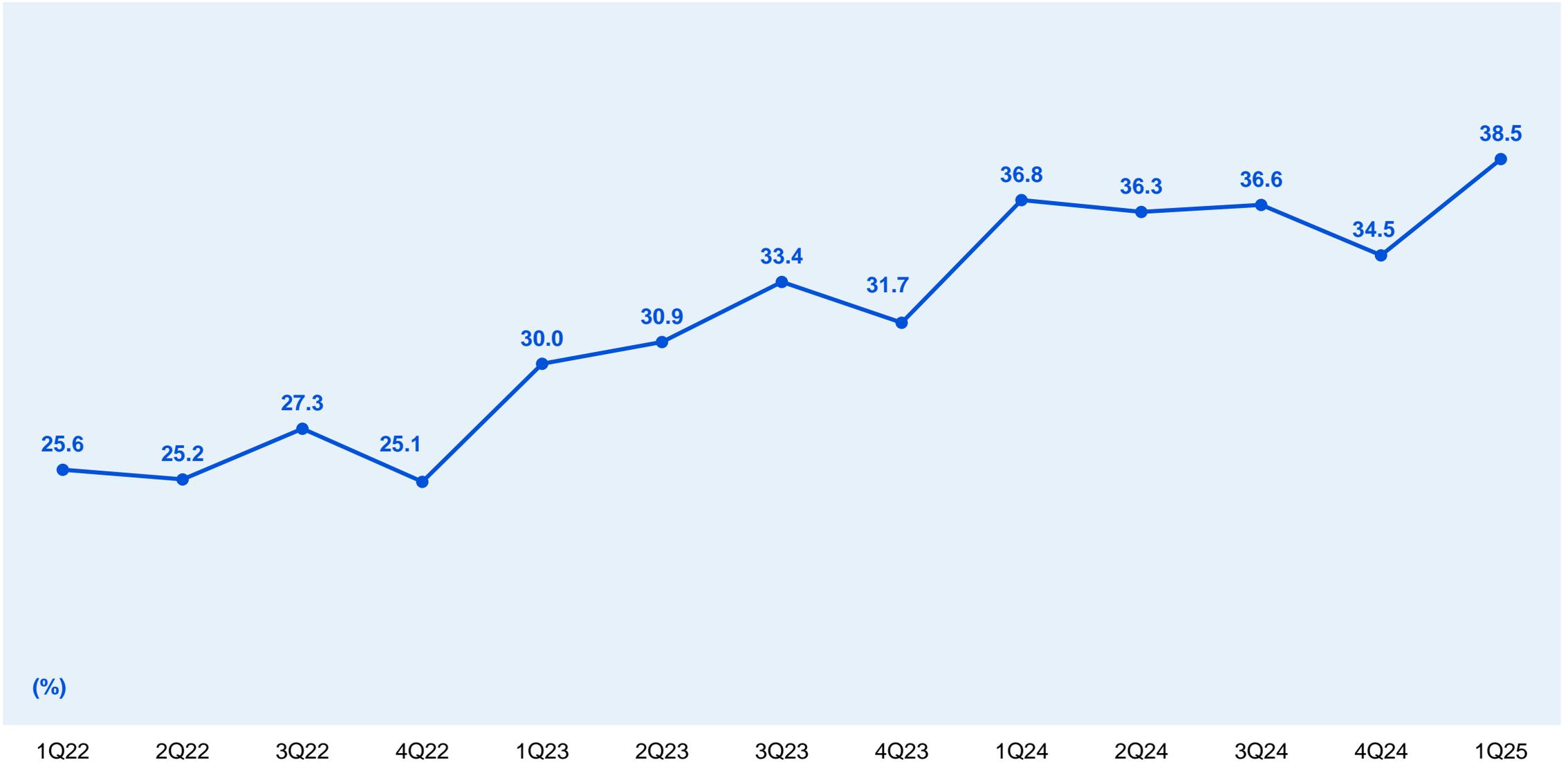
Non-IFRS
1Q25 R&D grew by 20% YoY or decreased by 2% QoQ



Non-IFRS
1Q25 G&A (excl. R&D) grew by 11% YoY or decreased by 15% QoQ

1. 1Q25 IFRS G&A (excl. R&D) expenses included a one-off share-based compensation expense amounting to RMB4.0 billion arising from restructuring of an existing commercial arrangement at an overseas subsidiary

Non-IFRS Operating Margin



(%)

CAPEX, FCF and Cash Position

In billion RMB	1Q2025	1Q2024	YoY	4Q2024	QoQ
Operating CAPEX	26.4	6.6	+299%	34.9	-24%
Non-operating CAPEX	1.1	7.8	-86%	1.7	-35%
Total CAPEX	27.5	14.4	+91%	36.6	-25%
Operating Cash Flow	76.9	72.3	+6%	54.0	+42%
Less: CAPEX Paid	(23.0)	(15.2)	+52%	(39.0)	-41%
Payments for media content	(5.3)	(3.7)	+42%	(8.5)	-38%
Payments for lease liabilities	(1.5)	(1.5)	-0.5%	(2.0)	-29%
Free Cash Flow	47.1	51.9	-9%	4.5	+954%
Total Cash	476.0	445.2	+7%	415.4	+15%
Less: Total Debt	(385.8)	(352.7)	+9%	(338.6)	+14%
Net Cash	90.2	92.5	-2%	76.8	+17%

- Repurchased ~43 million shares with an aggregated cost of ~RMB15.8 billion (HKD17.1 billion)
- As at 31 Mar 2025, the fair value of our shareholdings¹ in listed investee companies (excluding subsidiaries) was ~RMB653 billion (USD91 billion) and the carrying book value of our shareholdings in unlisted investee companies (excluding subsidiaries) was ~RMB338 billion (USD47 billion)

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

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Tencent Holdings Limited

2025 First Quarter Results Presentation

Thank you!



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