



Tencent (TCEHY) 2019 Q1 Earnings Summary

May 2019

*Sign Up For Additional Research From Evolution Media Capital*



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## Tencent Has Built A Loyal User Base And Is Expanding Their Ways Of Monetization Inside Their Ecosystem

### GAMING

- **There's a convergence underway between the China game market and the Western game markets across the rest of the world**
  - Happening with the platform shift to mobile, the business model shifting to the free to play, and the genres of games that people like
  - Closely reviewing future games to assess whether they are suitable for global publishing as opposed to just China publishing
- **Over the long term, hope to derive more value by publishing more appropriate games through that infrastructure globally**
  - Have people in different geographies who are accustomed to enhancing and localizing content for the different geography needs

### SEASON PASSES

- **Starting to launch the Season Pass concept in China for a number of their key games**
  - Have proven very impactful for certain games such as Fortnite in the rest of the world in the past year
  - Can be quite accretive to revenue if they are targeted correctly and have the right content and activities inside them
- **Players engage with the game more because there are more activities for them to complete in order to unlock the rewards**
  - Boosts paying ratio because there are some users who didn't want to pay purely for the in-game items

### ADVERTISING

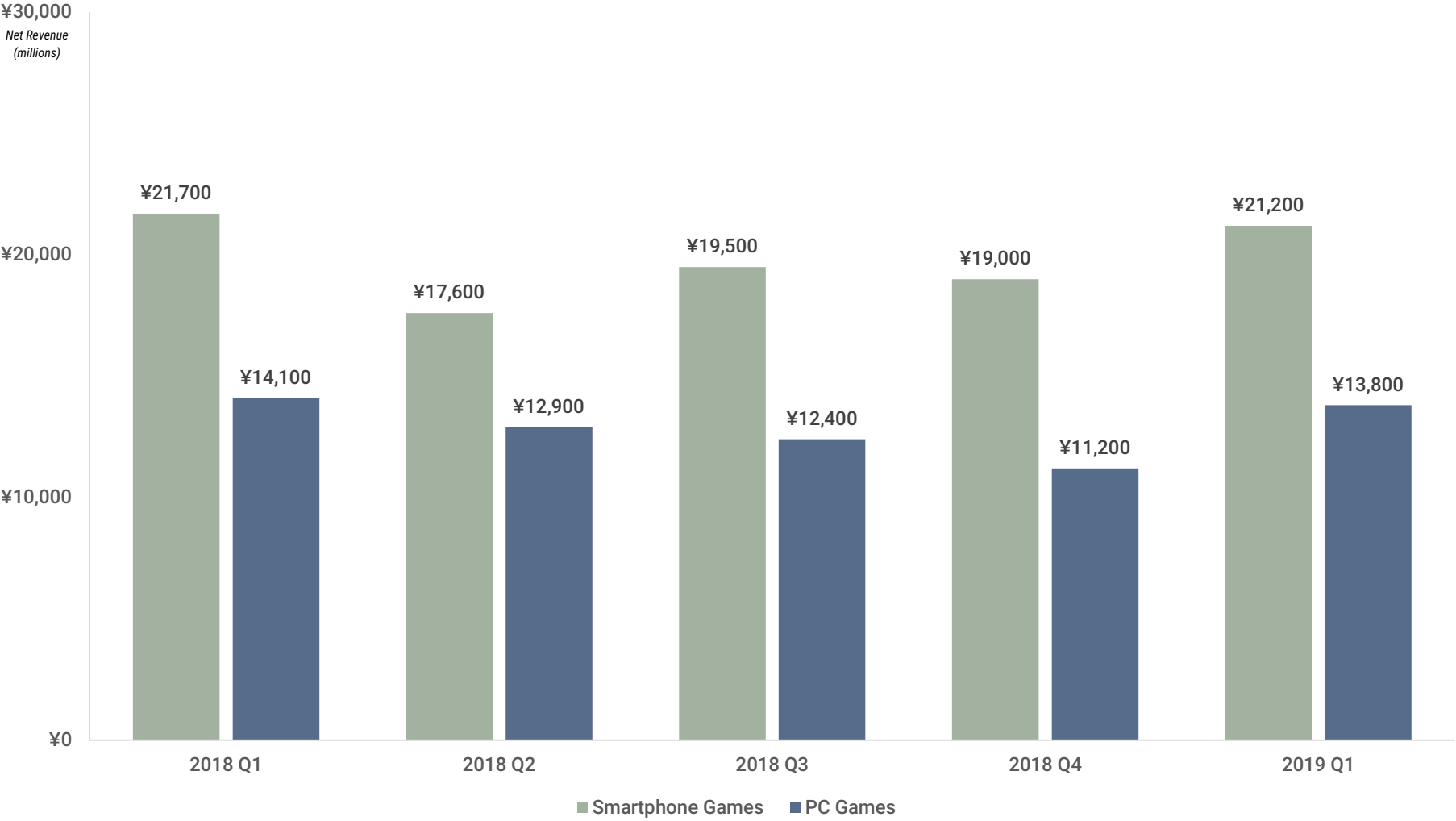
- **Focus on optimizing long-term returns for advertisers as well as sustaining a healthy user experience**
  - There clearly is some flow-through from both the weak economy and also the volatile stock market
- **The inventory deployment plan is more a function of their internal development rather than the external macro situation**
  - Optimize by improving their technology, driving up the click-through rates and delivering a better return to advertisers
  - Add inventory when their platforms and technologies in force are ready to ingest it and serve the appropriate advertising

### CLOUD

- **The challenge is creating solutions that can help companies in different industries embark on this digital transformation**
  - More and more companies realize that all their consumers are connected to the mobile Internet so they need to be there
- **China has less penetration of SaaS solutions and it will take time before they create awareness and capabilities in the ecosystem**
  - Capital expenditure to invest in servers particularly ahead of the demand so that they can actually serve their customers
  - Need to add to their headcount, and that would be in the form of both sales and marketing as well as the delivery of the services

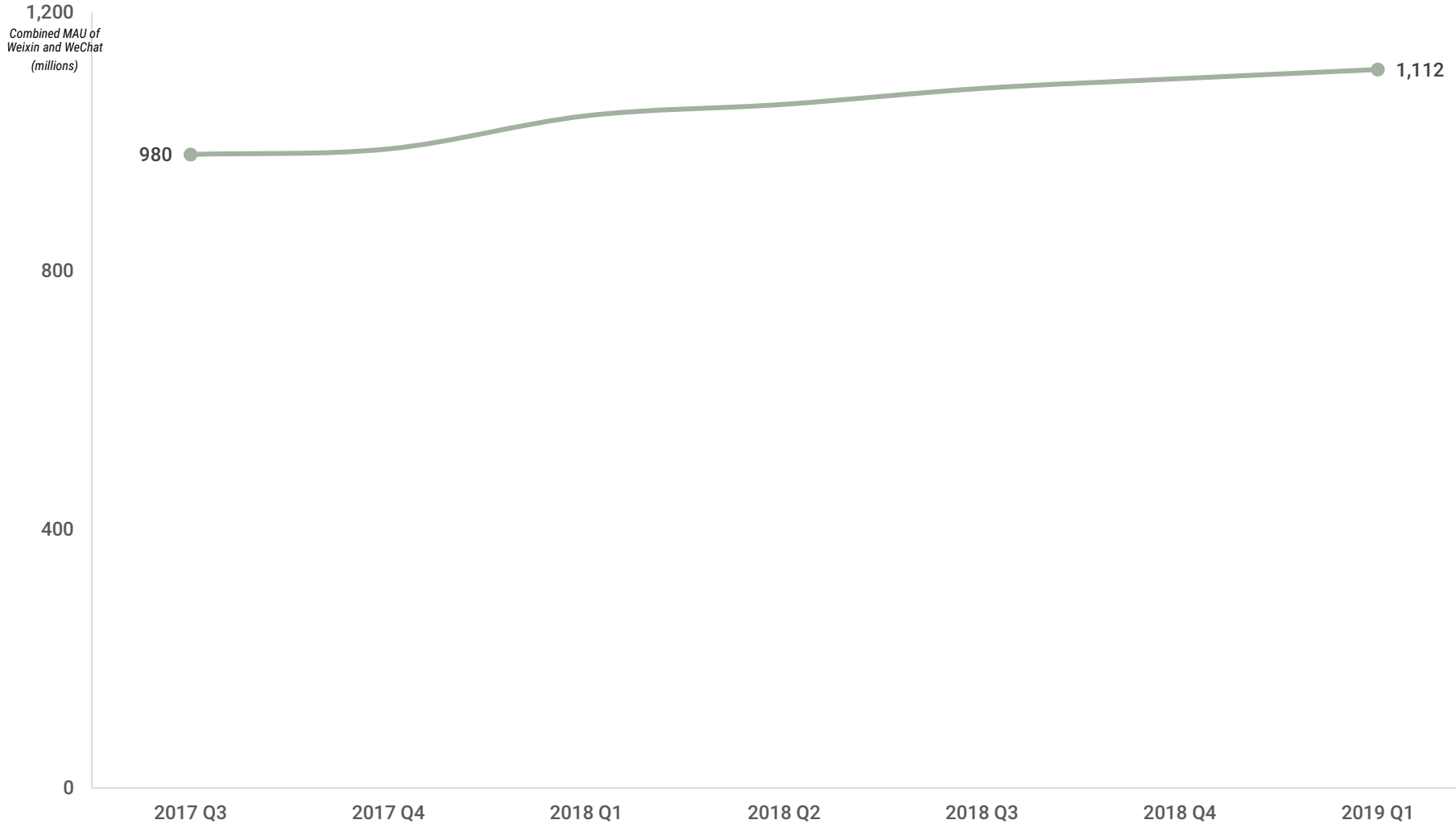
*After forging a path in mobile, they are looking to become the leader in supporting the IoT transformation*

## Gaming Revenues Suffered As Chinese Authorities Temporarily Halted The Release Of New Titles



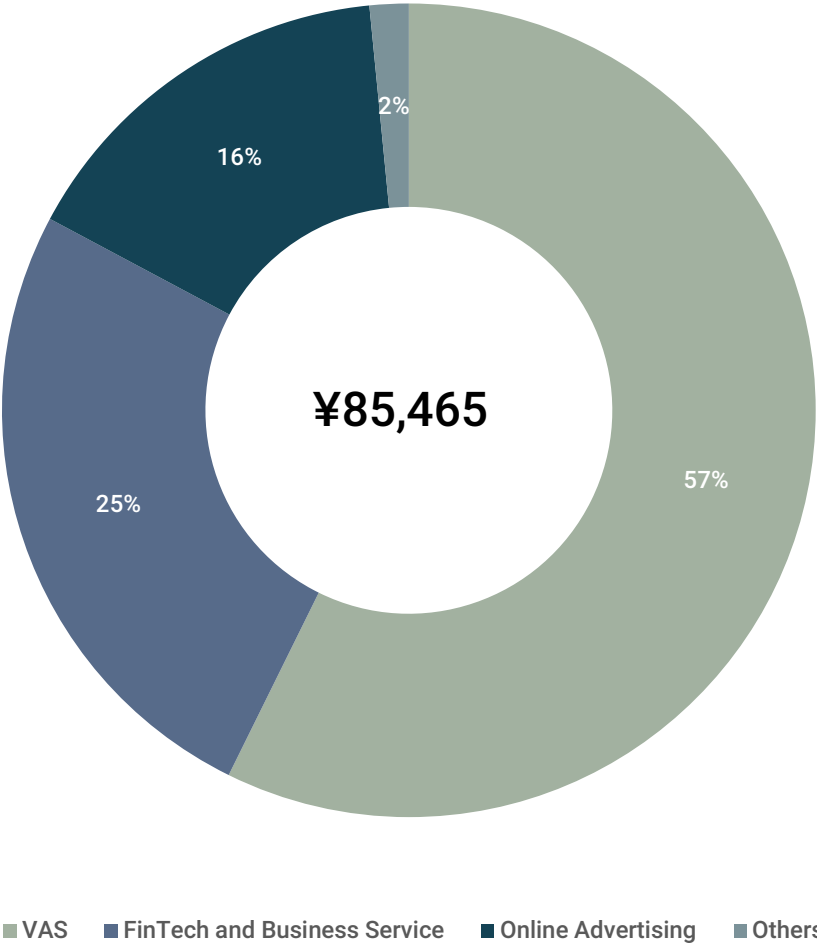
*New technology is helping break down the barriers between the Chinese gaming market and the Western markets*

## The Strategy Focuses On Attracting And Retaining Users First, And Then Developing Monetization Over Time



*With a substantial user base, they can be more selective in their choice of Western publishers they want to partner with*

FinTech Is A New Business Stream Reflecting The Emerging Demand For Digital Payments And Services



The business has steadily grown over the past decade by creating synergies with other parts of their overall ecosystem