

Tencent Music Entertainment Group Investor Presentation

(NYSE: TME & HKEX: 1698)

November 2023

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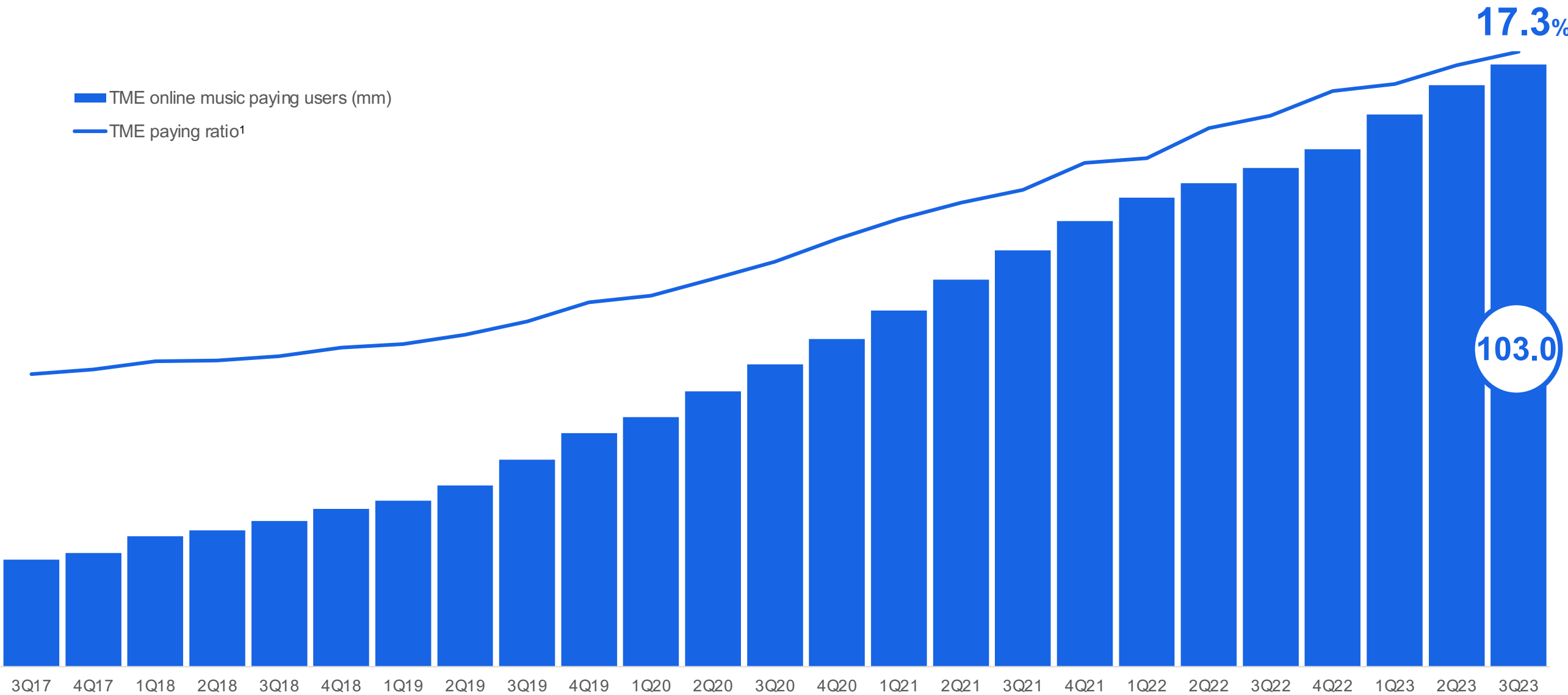
01 COMPANY OVERVIEW



Relentless Commitment to the Healthy Development of China's Online Music Industry

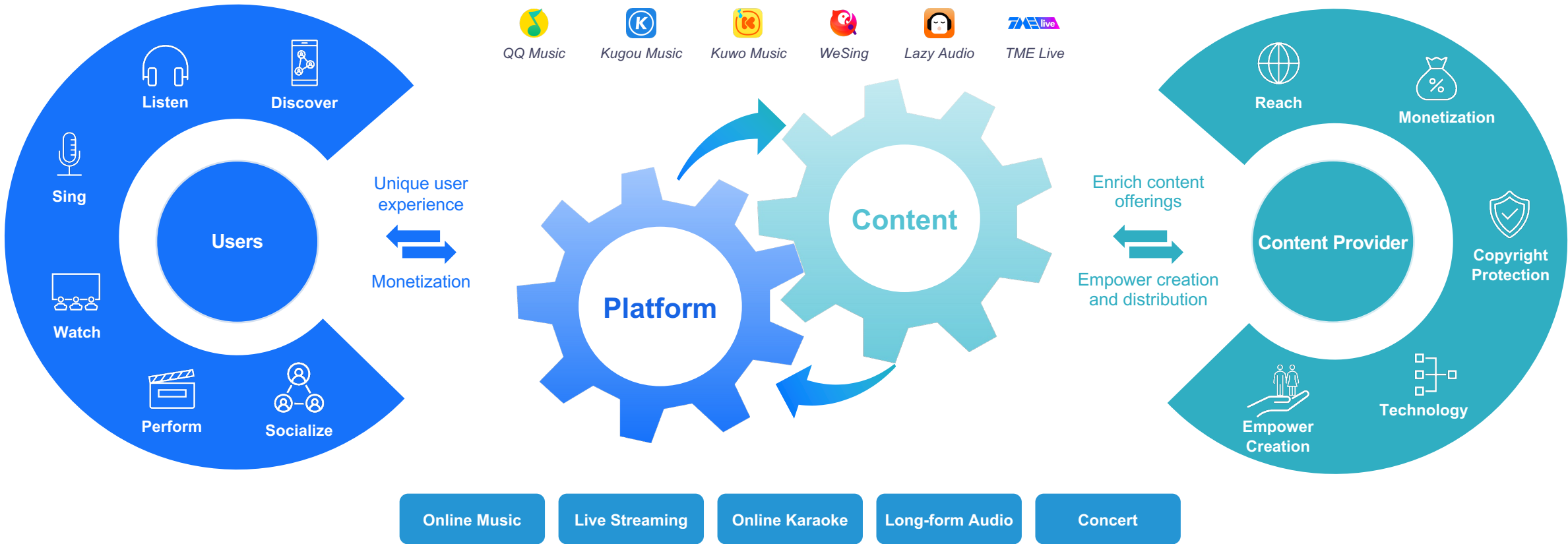


High-quality content and services continuously driving paying user loyalty



Note: 1. Paying ratio is calculated by dividing the number of online music paying users by online music MAUs.

Our Dual Engine Content-and-Platform Strategy



Create Endless Possibilities with Music and Technology

All-in-one Online Music and Audio Entertainment Destination



All-around suite of music and audio entertainment products and services



Leading Online Music and Audio Entertainment Platform in China



Leading Platform



594mm

Online music MAUs¹

Massive User Scale



103.0mm

Online music subscribers¹

20.8%

YoY growth

Extensive Content



150mm+

Total music & audio tracks³

Innovative Technology



Winner

of the world-renowned MIREX global
song recognition technology
competition

Strong Monetization



RMB30.96bn

Total cash, cash equivalents and
term deposits⁴



4 out of Top 5

Music mobile apps in
China¹



129mm

Social entertainment mobile
MAUs²



390k+

Number of indie musicians³



World record

in the MIREX song prediction
technology competition



RMB28.3bn

LTM 2023⁵ total revenues

21.3%

LTM 2023⁵ adj. net margin

Note: 1. Four out of top five music mobile apps in terms of mobile MAUs in 2022; 2. In 3Q2023. For the definitions of the cited key operating metrics, please refer to the introduction section in the Company's 2022 20-F filed on April 25, 2023. Beginning in the first quarter of 2023, "online music MAUs" includes unique mobile and certain IoT devices. "Online music MAUs" for any given period (i) refers to the monthly average of the sum of the MAUs for that period; and (ii) includes QQ Music, Kugou Music, Kuwo Music and other music products, through which such product is accessed at least once in that month; duplicate access of different services by the same device is not eliminated from the calculation; 3. As of December 31, 2022; 4. As of September 30, 2023; 5. Last twelve months as of September 30, 2023.

02

BUSINESS OVERVIEW



Our Content: China's Most Comprehensive Music Library



Labels

Leading music library with diversified genres

- ☒ **Hundreds** of domestic and international music label partners¹ with **150mm+** music and audio tracks¹
- ☒ **Head-start period** partnerships with top domestic and overseas labels and artists
- ☒ **Various trendy genres** including Chinese ancient style, Hip-hop, J-POP, K-POP, ACG, EDM; and diverse **music verticals** such as gaming, classical, and electronic music



Content Production

Advanced technology-driven production capabilities

- ☒ Proprietary technology and deep understanding of music trends to systematically and efficiently **create, evaluate and promote** music
- ☒ **Cooperation with well-known IPs** across various entertainment verticals at home and abroad
- ☒ **AIGC** tools & **full-suite** of resources and services for efficient original content production



Tencent Musician Platform

Cultivate and empower indie musicians & original music

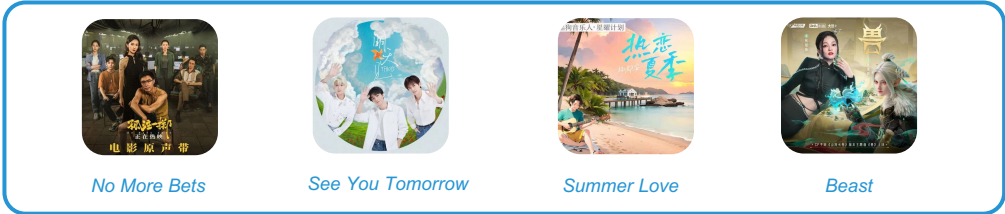
- ☒ **One-stop platform** to empower musicians with comprehensive resources and services as well as holistic support ranging from online and offline promotions to diverse monetization avenues
- ☒ Rich variety of **creation scenarios** and opportunities to explore social and cultural values through music
- ☒ **More expansive and vibrant musician ecosystem** co-built with Weixin to widen artists' exposure



Promotional Capabilities

Integrated internal and external promotion resources

- ☒ **Broader Tencent ecosystem** for music promotion
- ☒ **Varied promotional channels** such as variety shows, films, videos and performance events
- ☒ **Partner with popular brands** to host sponsored music festival



Note: 1. As of December 31, 2022.

Our Platform: Listen, Watch, Sing and Play

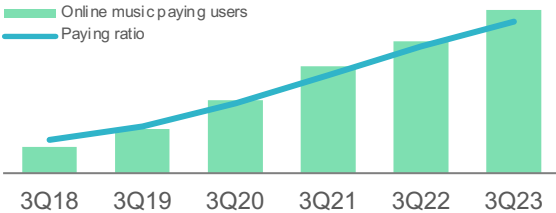


Product matrix caters to the varying needs of music consumers



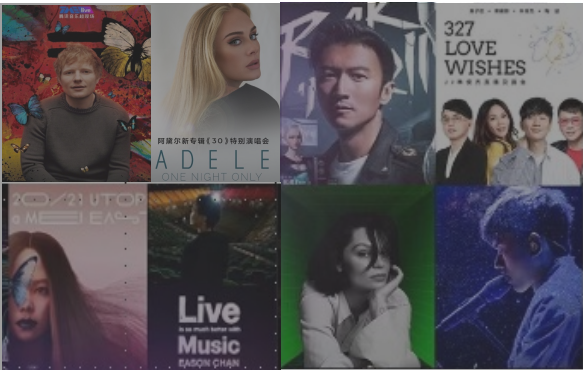
Long-form audio: leading IP + radio drama, to enhance overall user engagement

Music subscriptions exhibit robust growth momentum and potential



103.0mm
17.3%
3Q23 Online music paying users and paying ratio

TME platform capitalizes on the public's growing demands for in-person activities



TME Live integrates offline concerts with online live streaming experience

57

9M23 Online and offline concerts



Collaborate with Wexin Video Accounts to create vibrant music ecosystem and strengthen promotion capabilities



Listen

Innovative and nimble features to elevate listening experience



Watch

Makes music content more visually memorable



Sing

From singing to multi-dimensional performance



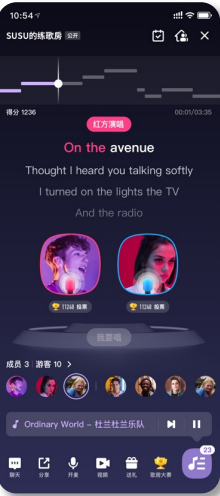
Play

New ways to interact virtually

AI music companion:

Xiaoqin brings interactive and fun experience with newly added music recommendation feature

Engaging song guessing function built upon listening experience



Virtual karaoke rooms to sing & chat with friends



Vocal Producer



Sound optimization feature

Music Pets



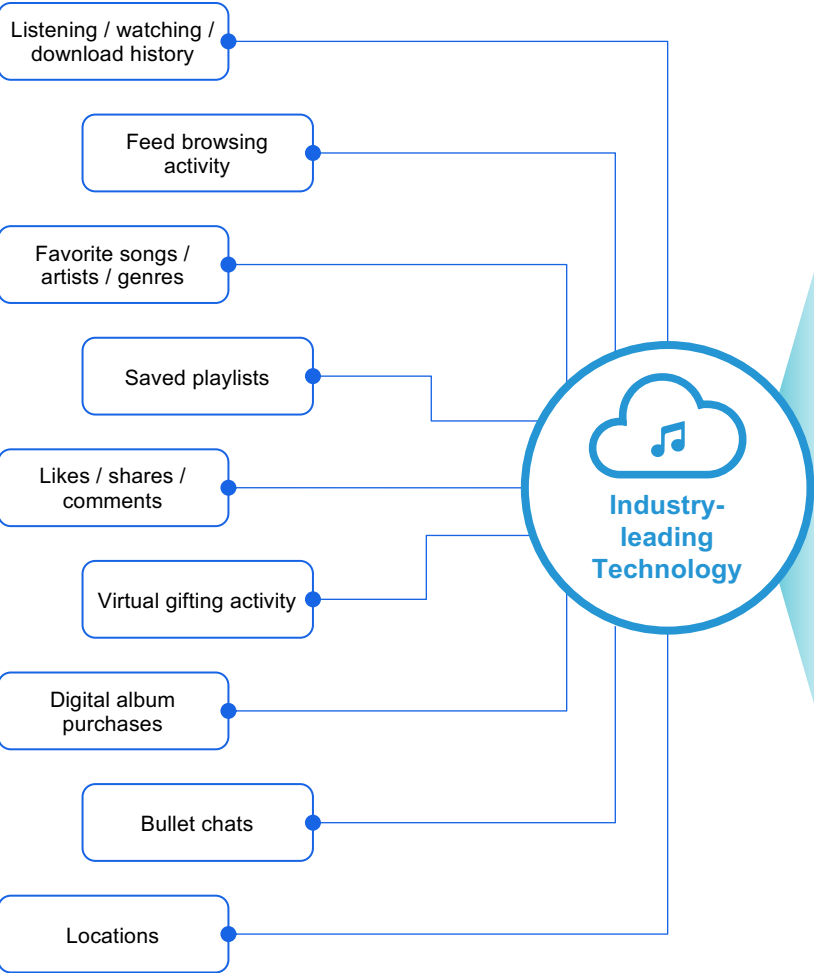
Note: 1. As of December 31, 2022.



Data

Technology

Value Propositions



Data Analytics and Prediction



- ✓ Algorithms and multi-dimensional data insights, recommending music based on users' music tastes
- ✓ Targeted promotion system based on real-time data analysis, helping artists and songs reach the right audience
- ✓ Proprietary PDM predictive model at each key stage of the music production process, enabling creators to quickly make decisions

Song Recognition



- ✓ Identify songs by playing song track samples or short videos
- ✓ Award-winning technology: winner of MIREX¹ 2020 global song recognition technology competition; New world record in MIREX 2020 song prediction technology competition
- ✓ Facilitate user content discovery and searching
- ✓ QQ Music's Quick Listen mode: chorus-focused content discovery feature
- ✓ Kugou Music 12.0: featuring fast discovery of multiple song covers

Superior Sound Quality and Effects



- ✓ Optimized sound quality and effects: Dolby Surround Sound, Adaptive Sound Adjustment, etc.
- ✓ Premium Sound series: QQMUSIC AUDIO, Premium Master Tape, Premium Surround Sound and Premium Sound Quality 2.0, enhancing sound clarity and expressiveness
- ✓ Proprietary sound effects: panoramic, DJ mode, super bass, acoustic clear voice, 4D vibe and many others, Viper Panoramic Surround Sound

AI Capabilities & AIGC Tools



- ✓ AI reading technology
- ✓ Lingyin Engine and LyraSinger Engine: patented AI-based voice synthesis technology
- ✓ Muse Engine: enable automated large-scale music poster production
- ✓ Virtual performers: LUCY (鹿晓希), Xiaoqin (小琴), Shanbao (扇宝) and Anko (安可)
- ✓ Venus: introduced zero-shot AI-powered music production tool
- ✓ AIGC-empowered virtual gifts and functions for live streaming
- ✓ Vocal Producer: create AI-generated music content in multiple languages

Note: 1. MIREX (Music Information Retrieval Evaluation eXchange) is a community-based formal evaluation framework coordinated and managed by the International Music Information Retrieval System Evaluation Laboratory (IMIRSEL) at the University of Illinois at Urbana-Champaign.

Our Diverse Monetization Opportunities



Strong growth of online music paying users driven by premium content and services

Subscription

Advertising

Multi-faceted Models

Premium Membership

尊享豪华VIP专属特权+音乐包特权 23项特权

- 千万曲库
- HIFI音质
- 明星字体
- 启动画面
- 超清MV
- 下载加速

- 付费歌曲下载
- 无损音质
- 评论发K歌作品
- 头像挂件
- 会员皮肤
- 铃声特权
- 直播礼物
- 商城福利
- 专属客服

首月立省3元

连续包月
¥15

连续包季
¥18

连续包年
¥88

之后将15元/月自动续费，随时取消

同一个Apple ID可享受一次优惠，请以实际支付价格为准

开通前请阅读《会员服务协议》及《自动续费服务规则》

¥15 立省3元

确认协议并支付

Super VIP Membership

超级会员 50+项专属特权，总价值2160元/年

4.5折升级 立省10元 仅29.4元/月

升级1个月 ¥18

连续包月 ¥30

季卡 ¥88

数字专辑 免费听

200+张 数字专辑

¥1500/年

100W+ 会员曲库

¥180/年

您的豪华绿钻可升级超级会员，更优惠

开通超级会员立省1812元/年

臻品音质 重磅上线

高采样率及高分辨率技术，配合声场增强

扑淘商城 抢先购

2022首发系列限量，每周限量发售商品

成长值特权 超级加速

动态装饰 与众不同

特殊红名 专属标识

一起听表情 传递心情

专属挂件 任你挑

等级勋章 独家尊享

生日特权 惊喜礼包

心动字符 随心DIY

智能设备 智慧生活

Innovative and Diverse Ad Formats

10:30

推荐：歌曲、歌词

YSL邀您免费听歌 30分钟

看视频免费听歌

开绿钻

Nobody can see and nobody can feel it

夏日限定 酷盖音乐节

MUSIC FESTIVAL

巅峰音乐节


MUSIC FESTIVAL

烧烤音乐会


京东超市 | 酷我音乐


Ad-supported mode

Sponsored music events

 Long-form audio

 Digital albums

 Artist merchandise

 Copyright licensing

...continue to innovate service models



Mobile



IoT

Leading music-centric live streaming platform in collaboration with online music services



Organic Traffic

Music Content Enrichment

Artist Discovery

Monetization



Virtual Interactive Offerings

- ✓ Virtual idol cultivation and AI companion creation
- ✓ AIGC-empowered features, e.g. automatically analyzing and providing personalized advice based on users' singing on WeSing



Overseas Expansion

- ✓ Replicate successful domestic operational experiences in overseas markets
- ✓ ROI-focused M&A strategy

03

FINANCIAL HIGHLIGHTS





Monetization

RMB**10.3**

3Q23 Online music monthly ARPPU¹

Record high, with 6 consecutive quarters of sequential growth

RMB**3.19**_{bn}

42.0% YoY+

3Q23 Subscription revenue

Profitability

35.7%

3.1ppt YoY+

3Q23 Gross margin

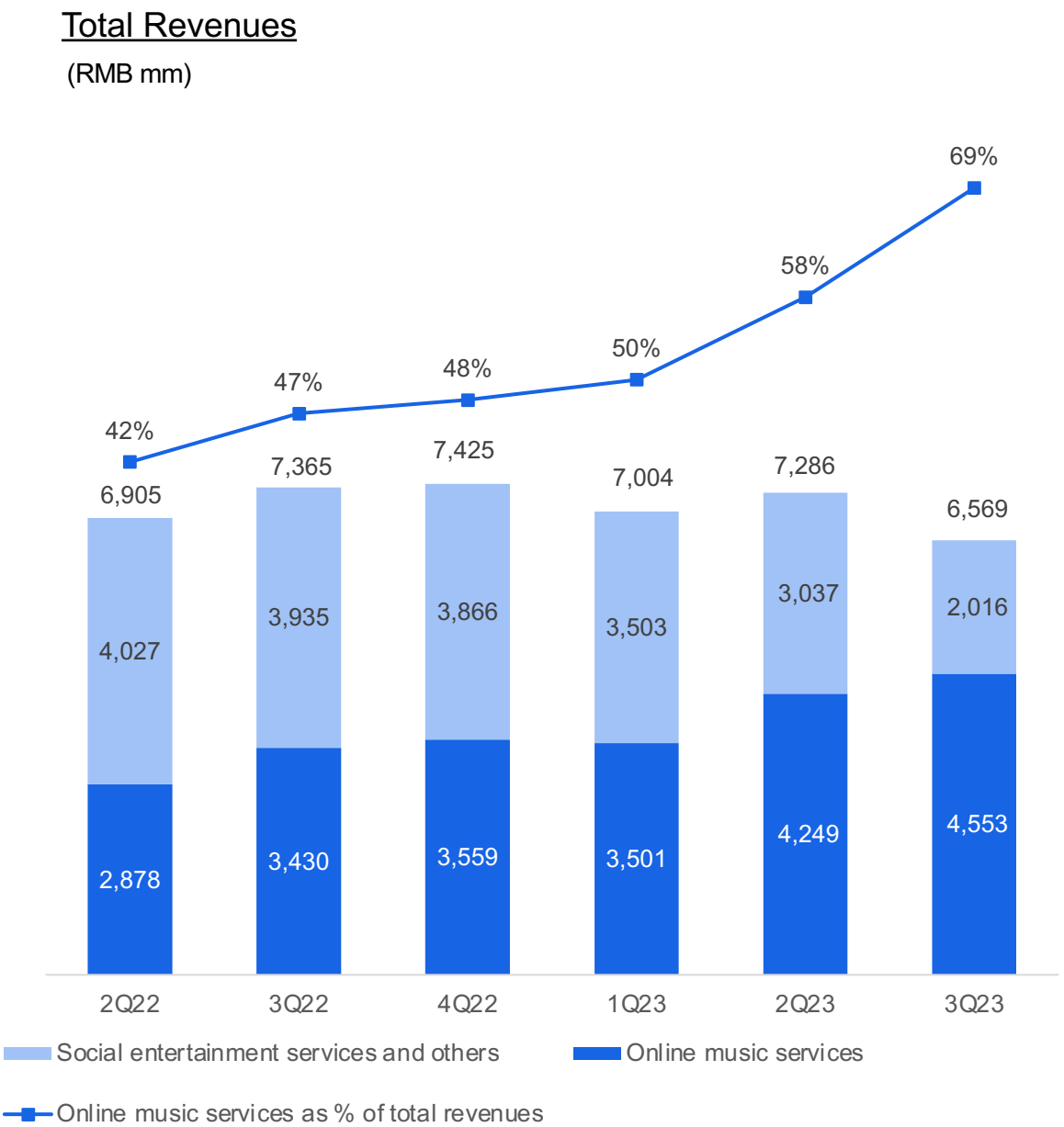
RMB**1.50**_{bn}

6.5% YoY+

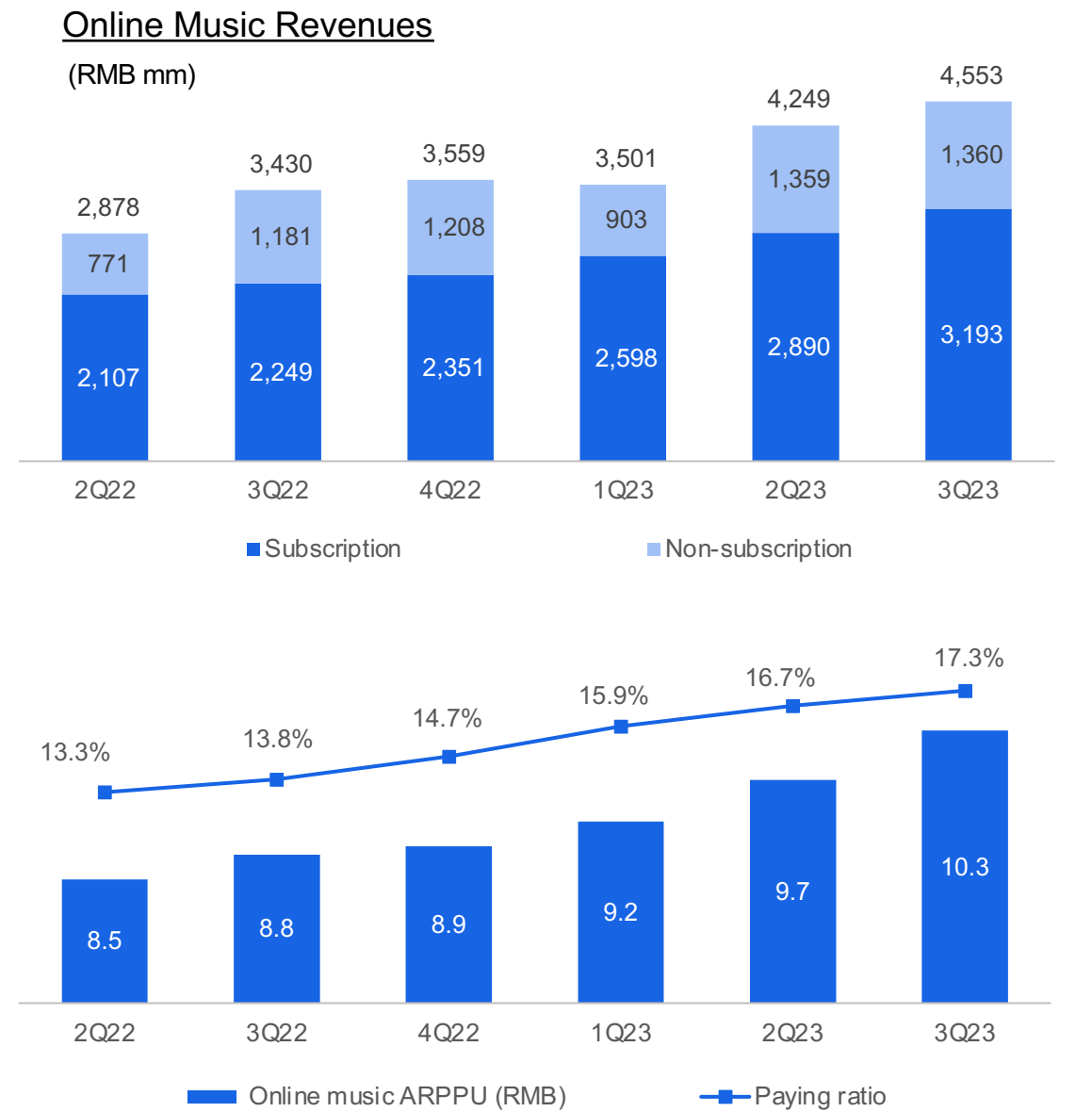
3Q23 Non-IFRS net profit

Note: 1. Refers to the monthly average of (i) the subscription revenues of online music services for 3Q2023 divided by (ii) the number of paying users of online music services for 3Q2023.

Robust online music revenue performance



Subscription as a key growth driver

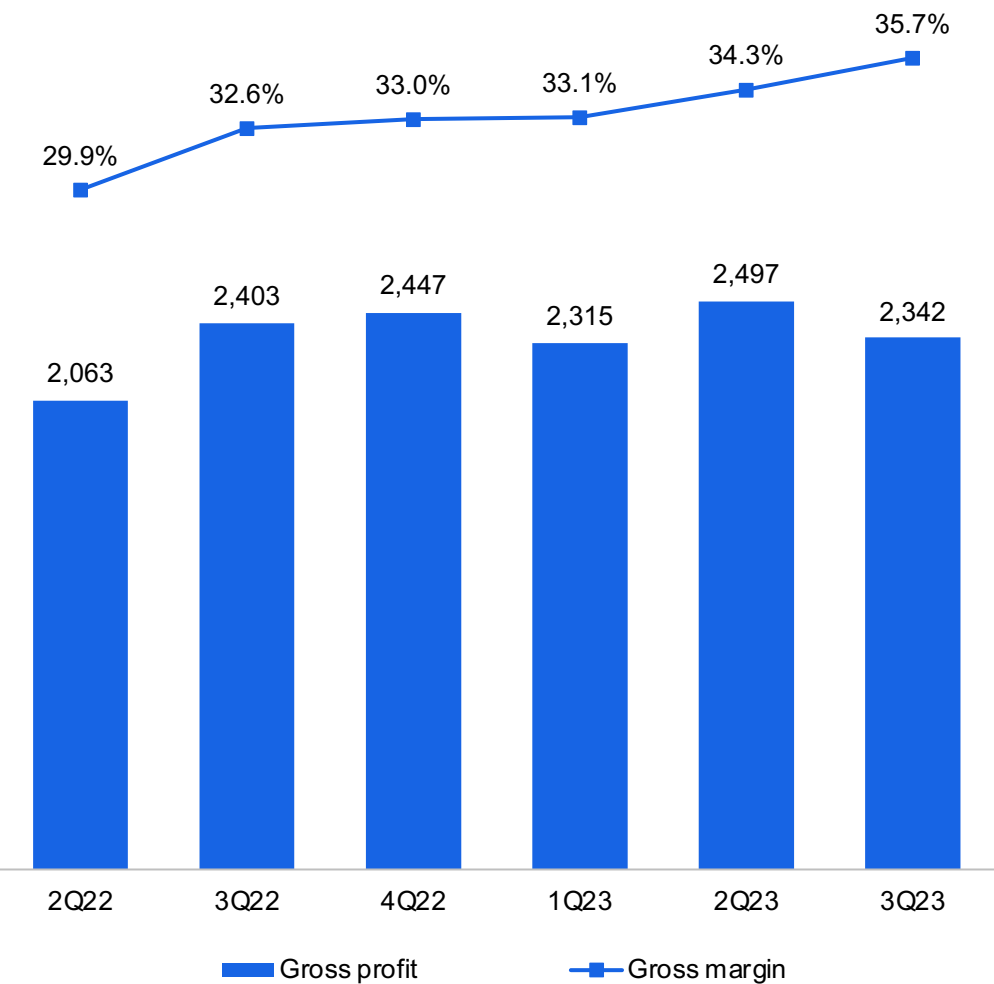


Expanded Gross Margin and Healthy Profitability



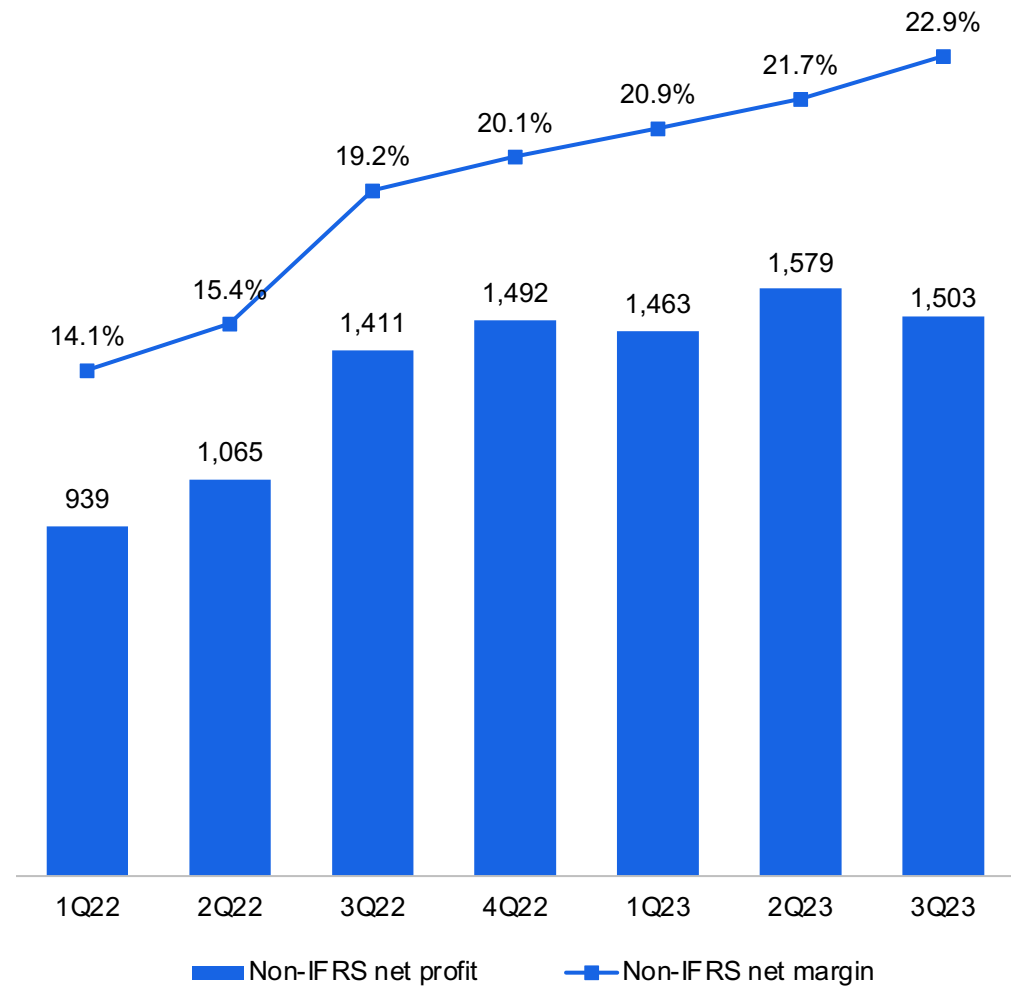
Gross profit and margin

(RMB mm)



Non-IFRS net profit¹ and margin

(RMB mm)



Note: 1. For non-IFRS net profit, please refer to the appendix for reconciliation details.



Strong cash position & cash generation ability

RMB30.96bn

Cash and cash equivalents, term deposits¹

RMB1.44bn

Operating cash flow²

Equity investments

RMB5.50bn

Financial assets at fair value through other comprehensive income¹

RMB4.37bn

Investments accounted for using equity method¹

Share count

1.59bn

ADSs used in computing diluted earnings per ADS²

Unaudited Non-IFRS Financial Measure

	Three Months Ended September 30			Nine Months Ended September 30		
	2022	2023		2022	2023	
	RMB	RMB	US\$	RMB	RMB	US\$
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	(in millions, except per share data)			(in millions, except per share data)		
Profit for the period	1,093	1,263	173	2,634	3,811	522
Adjustments:						
Amortization of intangible and other assets arising from business acquisitions or combinations*	130	101	14	372	334	46
Share-based compensation	226	185	25	656	553	76
Gains from investments**	-	(3)	(0)	(141)	(30)	(4)
Income tax effects***	(38)	(43)	(6)	(106)	(123)	(17)
Non-IFRS Net Profit	1,411	1,503	206	3,415	4,545	623
Attributable to:						
Equity holders of the Company	1,379	1,408	193	3,307	4,348	596
Non-controlling interests	32	95	13	108	197	27
Earnings per share for Class A and Class B ordinary shares						
Basic	0.43	0.45	0.06	1.03	1.39	0.19
Diluted	0.43	0.44	0.06	1.02	1.37	0.19
Earnings per ADS (2 Class A shares equal to 1 ADS)						
Basic	0.87	0.90	0.12	2.05	2.78	0.38
Diluted	0.86	0.89	0.12	2.03	2.74	0.38
Shares used in earnings per Class A and Class B ordinary share computation:						
Basic	3,176,110,236	3,134,975,498	3,134,975,498	3,224,870,392	3,127,809,736	3,127,809,736
Diluted	3,206,799,580	3,173,371,472	3,173,371,472	3,255,991,564	3,172,090,075	3,172,090,075
ADS used in earnings per ADS computation						
Basic	1,588,055,118	1,567,487,749	1,567,487,749	1,612,435,196	1,563,904,868	1,563,904,868
Diluted	1,603,399,790	1,586,685,736	1,586,685,736	1,627,995,782	1,586,045,038	1,586,045,038

* Represents the amortization of identifiable assets, including intangible assets such as domain name, trademark, copyrights, supplier resources, corporate customer relationships and non-compete agreement etc., and fair value adjustment on prepayments for music content (i.e., signed contracts obtained for the rights to access to the music contents for which the amount was amortized over the contract period), resulting from business acquisitions or combination.

** Including the net gains on deemed disposals/disposals of investments, fair value changes arising from investments, impairment provision of investments and other expenses in relation to equity transactions of investments

*** Represents the income tax effects of Non-IFRS adjustments

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THANK YOU!