

Tencent Announces 2021 First Quarter Results

NEWS PROVIDED BY

Tencent →

20 May, 2021, 06:27 ET

HONG KONG, May 20, 2021 /PRNewswire/ -- Tencent Holdings Limited ("Tencent" or the "Company", 00700.HK), a leading provider of Internet value added services in China, today announced the unaudited consolidated results for the first quarter ("1Q2021") ended March 31, 2021.

1Q2021 Key Highlights

Revenues: +25% YoY, non-IFRS^[1] profit attributable to equity holders of the Company: +22% YoY

- **Total revenues** were RMB135.3 billion (USD20.6 billion^[2]), an increase of 25% over the first quarter of 2020 ("YoY").
- **On a non-IFRS basis**, which is intended to reflect core earnings by excluding certain one-time and/or non-cash items:
 - **Operating profit** was RMB42.8 billion (USD6.5 billion), an increase of 20% YoY. Operating margin decreased to 32% from 33% last year.
 - **Profit for the period** was RMB34.5 billion (USD5.3 billion), an increase of 23% YoY. Net margin remained stable at 26%.
 - **Profit attributable to equity holders of the Company** for the quarter was RMB33.1 billion (USD5.0 billion), an increase of 22% YoY.
 - **Basic earnings per share** were RMB3.481. **Diluted earnings per share** were RMB3.415.
- **On an IFRS basis:**
 - Operating profit was RMB56.3 billion (USD8.6 billion), an increase of 51% YoY. Operating margin increased to 42% from 34% last year.
 - Profit for the period was RMB49.0 billion (USD7.5 billion), an increase of 67% YoY. Net margin increased to 36% from 27% last year.
 - Profit attributable to equity holders of the Company for the quarter was RMB47.8 billion (USD7.3 billion), an increase of 65% YoY.
 - Basic earnings per share were RMB5.020. Diluted earnings per share were RMB4.917.
- **Total cash** were RMB258.8 billion (USD39.4 billion) at the end of the quarter.

^[1] Non-IFRS adjustments (formerly referred as non-GAAP) excludes share-based compensation, M&A related impact such as net (gains)/losses from investee companies, amortisation of intangible assets and impairment provision/(reversals), as well as income tax effects.

^[2] Figures stated in USD are based on USD1 to RMB6.5713

Mr. Ma Huateng, Chairman and CEO of Tencent, said, "During the first quarter, we delivered solid growth across our businesses while continuing to enhance our products and services. As we look into the future, we see expanding opportunities in the various verticals in which we operate, enabled by technology innovation and increasing acceptance of digital solutions among users and businesses. As a result, we are stepping up our investment in areas including business services and enterprise software, high-production-value games, and short-form video. In addition, as a technology company serving a broad base of users and enterprises, we recognise our social responsibility and the opportunities to create significant social value through innovations. We believe that our recent strategic upgrade and establishment of a Sustainable Social Value Organisation will allow us to make an even more positive impact to the society, and usher in a new phase of development for Tencent."

1Q2021 Financial Review

Revenues from VAS increased by 16% to RMB72.4 billion for the first quarter of 2021 on a year-on-year basis. Games revenues grew by 17% to RMB43.6 billion, primarily due to revenue growth from our mobile games worldwide, including Honour of Kings, PUBG Mobile, and Peacekeeper Elite, as well as recently launched titles such as Moonlight Blade Mobile. Total mobile games revenues (including mobile games revenues attributable to our social networks business) were RMB41.5 billion and PC client games revenues were RMB11.9 billion for the first quarter of 2021. Social networks revenues increased by 15% to RMB28.8 billion, due to moderate growth from digital content subscriptions, as well as from in-game virtual item sales.

Revenues from Online Advertising increased by 23% to RMB21.8 billion for the first quarter of 2021 on a year-on-year basis, reflecting higher demand from categories such as eCommerce platforms, education and fast-moving consumer goods, as well as consolidation of Bitauto's advertising revenue. Social and others advertising revenues grew by 27% to RMB18.5 billion as we responded to increased advertiser demand for Weixin Moments and our mobile advertising network by offering more inventories. Media advertising revenues increased by 7% to RMB3.3 billion mainly due to higher advertising revenues from our music streaming apps.

Revenues from FinTech and Business Services increased by 47% to RMB39 billion for the first quarter of 2021 on a year-on-year basis. FinTech Services revenue growth partially reflected the stay-at-home impact in the first quarter of 2020 as well as a secular trend toward mobile payment usage. Business Services revenues increased year-on-year at a faster rate than in prior quarter, mainly due to resumed project deployment and rising demand from enterprise software and online video customers, as well as consolidation of Bitauto's Business Services revenue since the fourth quarter of 2020.

Other Key Financial Information for 1Q2021

EBITDA was RMB49.4 billion, up 17% YoY. Adjusted EBITDA was RMB52.9 billion, up 17% YoY.

Capital expenditures were RMB7.7 billion, up 26% YoY.

Free cash flow was RMB33.2 billion, down 15% YoY.

Weixin

Weixin Video Accounts continued to gain user and content creator traction as we build the content ecosystem. We have increased our efforts in attracting and incubating content creators by providing customised onboarding services and ongoing operational support. Mini Programs' ecosystem is thriving with deeper penetration among small and medium-sized businesses. Our low-code development platform enables smaller businesses to develop Mini Programs more cost-effectively. We provided more tools to assist system integrators and the number of active Mini Programs they served more than tripled year-on-year.

QQ and Digital Content

We are leveraging technology to better integrate social and content consumption experiences at QQ, such as seamless experiences between instant messaging and games. Users can team up with QQ friends to start a multi-player game battle with one click. For in-game friends who are not on QQ, users can communicate with them synchronously via Game Center. They can also stay up-to-date with game events via QQ Mini Programs. Looking forward, QQ's new leadership team will seek to upgrade the service's technology, operations and content, and better serve the social and entertainment needs of young users.

Our fee-based VAS subscriptions grew 14% year-on-year to 226 million. Video subscriptions increased 12% year-on-year to 125 million, benefitting from adaptation of certain IPs, such as The Land of Warriors, into animated and live action drama series. Our self-commissioned

variety shows such as *Chuang 2021* and *Roast Season 5* attained popularity. Music subscriptions increased 43% year-on-year to 61 million, primarily driven by better content, effective marketing campaigns and an improved retention rate.

We are merging the Tencent Video and WeiShi teams to upgrade their algorithmic recommendations, bring integrated viewing experiences to users, and enrich short video clips adapted from our long form video library. We have announced leadership changes in Tencent Music Entertainment Group, aiming to enhance the co-operation and synergies between our digital content services, as well as with our social communities.

Games

Our aggregate user engagement and user spending increased year-on-year despite the high base due to stay-at-home impact in the first quarter of 2020. We released *Honour of Kings'* biggest-ever update in January to improve its graphics and game experiences, and then launched appealing marketing campaigns with top-tier skins during the Chinese New Year, which drove the game's DAU and paying users to record highs in February. We reduced the application file size of *PUBG Mobile* and enhanced our local market operational capabilities, boosting *PUBG Mobile's* DAU in EMEA countries. *League of Legends* benefitted significantly from the release of bigger and better Lunar Revel content across PC and mobile devices, as well as across its core game mode and *Teamfight Tactics*.

We are also cultivating emerging genres beyond these large audience games. For example, our new titles *Komori Life* and *The Walnut Diary* ranked among China's top ten life simulation mobile games by DAU in April 2021. Our games pipeline covers a wide spectrum

of genres, including Action, MOBA and Survival. For China, many of the new games are adapted from popular existing game and literature IPs. Internationally, we expect our substantial prior investments in best-in-class PC, console and mobile studios to begin contributing a range of genre-innovating games in the quarters to come.

Online Advertising

We enhanced the transaction capabilities of our advertising properties via linkage with Weixin Mini Programs and upgraded marketing solutions for key industries including games, retail and automobile-related verticals, delivering higher sales conversion and ROIs for advertisers. Advertisers' adoption of Mini Programs as landing pages increased substantially, demonstrating growing recognition of Weixin as a transaction-generating environment. Our mobile advertising network continued to benefit from increased video advertising inventories primarily within games, online reading and tool apps. For the rest of 2021, industry uncertainties include potential regulatory headwinds for K-12 education and potential delays to the release schedule of our video content.

FinTech

Our commercial payments volume benefitted from rising adoption of mobile payment in China due to consumption growth and an expanding digital economy. As people travelled less and consumed more during the Chinese New Year holiday, offline payment transactions increased sequentially, particularly in retail and dining services.

Weixin Pay has been assisting small and medium-sized merchants in China to grow and digitalise their businesses. We are committing significant subsidies, resources and services to small and medium-sized merchants, to further reduce their operating costs and enhance their operational efficiency.

Cloud and Other Business Services

Leveraging our strengths in security, communication and CRM solutions, we expanded our PaaS and SaaS businesses during the quarter. To better position ourselves for the opportunities in China's nascent SaaS market, we have established our SaaS ecosystem program to nurture the growth of SaaS providers and facilitate digitalisation of enterprise clients. We launched our Enterprise App Connector with unified login accounts and data flow across different SaaS products, allowing SaaS providers to develop and deliver their products more efficiently, while facilitating better coordination of multiple SaaS solutions by enterprise clients.

Investments for the Future

We believe that we are still in the early stage of the global digital transformation. The advance of technology will present ample opportunities for our Consumer Internet and Industrial Internet activities. Consequently, we are proactively increasing our rate of investment in new opportunities by investing a portion of our incremental profits for 2021, which we believe will deliver high returns in the long run. Incremental investments will include the following areas - business services, games and short-form video content.

- *Business Services:* We will make further investments in areas such as headcount and infrastructure to support the rapid growth of our business. We will strengthen our productivity SaaS products and security software as well as partnerships with and investments in SaaS providers and Independent Software Vendors, supporting our clients' digital needs. Through enhancing our upsell and cross-sell capabilities in key verticals such as healthcare, retail, education and transportation, we will provide smart solutions for enterprises and consumer-facing products for users.
- *Games:* We are stepping up our investments in game development, and in particular focusing on large-scale and high-production-value games that can appeal to users globally. We are also investing further in new types of games serving more targeted audiences, building up IP franchises and developing them across media, and investing in advanced technologies for next generation game experiences such as cloud games.
- *Short-Form Video Content:* We are now incubating the content ecosystem for Video Accounts which connect users with real-life content and bridge high-quality content creators with their customers. We will provide production and monetisation tools to content creators, optimise social-driven recommendation, enrich knowledge-based content as well as add servers and bandwidth to support Video Accounts' solid growth. We are strengthening the synergies between our long-form and short-form video services. Through the merger of Tencent Video and WeiShi, we will empower long-form video leveraging our short-form capabilities. We will escalate self-commissioned production to further expand our IP content library, and provide video clips that can be adapted by our creator network.

As a technology company serving a broad base of users and enterprises, we recognise our social responsibility and the opportunities for us to create significant social value through innovations. Consequently, we integrated our Corporate Social Responsibility and

charitable activities into a new Sustainable Social Value Organisation. We will invest an initial capital of RMB 50 billion, to be funded by our investment gains, in areas including basic science, education innovation, rural revitalisation, carbon neutrality, food/energy/water provision, assisting with public emergencies, technology for senior citizens and public welfare. This upgrade aims to implement our mission of Tech for Good and marks a new phase of development for the Company.

For other detailed disclosure, please refer to our website <https://www.tencent.com/en-us/investors.html>, or follow us via Weixin Official Account (Weixin ID: Tencent_IR).

About Tencent

Tencent uses technology to enrich the lives of Internet users.

Our communication and social services, Weixin and QQ, connect users with each other and with digital content and services, both online and offline, making their lives more convenient. Our targeted advertising service helps advertisers reach out to hundreds of millions of consumers in China. Our FinTech and business services support our partners' business growth and assist their digital upgrade.

Tencent invests heavily in talent and technological innovation, actively promoting the development of the Internet industry. Tencent was founded in Shenzhen, China, in 1998. Shares of Tencent (00700.HK) are listed on the Main Board of the Stock Exchange of Hong Kong.

Non-IFRS Financial Measures

To supplement the consolidated results of the Group prepared in accordance with IFRS, certain additional non-IFRS financial measures (in terms of operating profit, operating margin, profit for the period, net margin, profit attributable to equity holders of the Company, basic EPS and diluted EPS), have been presented in this press release. These unaudited non-IFRS financial measures should be considered in addition to, not as a substitute for, measures of the Group's financial performance prepared in accordance with IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies.

The Company's management believes that the non-IFRS financial measures provide investors with useful supplementary information to assess the performance of the Group's core operations by excluding certain non-cash items and certain impact of M&A transactions. In addition, non-IFRS adjustments include relevant non-IFRS adjustments for the Group's major associates based on available published financials of the relevant major associates, or estimates made by the Company's management based on available information, certain expectations, assumptions and premises.

Forward-Looking Statements

This press release contains forward-looking statements relating to the business outlook, forecast business plans and growth strategies of the Company. These forward-looking statements are based on information currently available to the Company and are stated herein on the basis of the outlook at the time of this press release. They are based on

certain expectations, assumptions and premises, some of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realised in future. Underlying the forward-looking statements is a lot of risks and uncertainties. Further information regarding these risks and uncertainties is included in our other public disclosure documents on our corporate website.

CONSOLIDATED INCOME STATEMENT

RMB in millions, unless specified

		Unaudited	
		1Q2021	1Q2020
Revenues		135,303	108,065
VAS		72,443	62,429
Online Advertising		21,820	17,713
FinTech and Business Services		39,028	26,475
Others		2,012	1,448
Cost of revenues		(72,668)	(55,271)
Gross profit		62,635	52,794
	Gross margin	46%	49%
Interest income		1,614	1,636
Other gains, net		19,521	4,037
Selling and marketing expenses		(8,530)	(7,049)
General and administrative expenses		(18,967)	(14,158)
Operating profit		56,273	37,260
	Operating margin	42%	34%
Finance costs, net		(1,367)	(1,684)
Share of profit/(loss) of associates and joint ventures, net		1,348	(281)
Profit before income tax		56,254	35,295
Income tax expense		(7,246)	(5,892)
Profit for the period		49,008	29,403
	Net margin	36%	27%
Attributable to:			
Equity holders of the Company		47,767	28,896
Non-controlling interests		1,241	507
Non-IFRS profit attributable to equity holders of the Company		33,118	27,079
Earnings per share for profit attributable to equity holders of the Company			
(in RMB per share)			

- basic

5.020

3.049

- diluted

4.917

2.999

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

RMB in millions, unless specified

	Unaudited	
	1Q2021	1Q2020
Profit for the period	49,008	29,403
Other comprehensive income, net of tax:		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income/(loss) of associates and joint ventures	288	(30)
Transfer of share of other comprehensive income to profit or loss upon disposal and deemed disposal of associates and joint ventures	(3)	-
Currency translation differences	(5,908)	1,315
Other fair value gains/(losses)	1,163	(1,357)
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Share of other comprehensive income of associates and joint ventures	381	-
Net gains/(losses) from changes in fair value of financial assets at fair value through other comprehensive income	18,483	(7,850)
Currency translation differences	207	-
Other fair value losses	-	(54)
	14,611	(7,976)
Total comprehensive income for the period	63,619	21,427
Attributable to:		
Equity holders of the Company	63,756	21,020
Non-controlling interests	(137)	407

OTHER FINANCIAL INFORMATION

RMB in millions, unless specified

	Unaudited		
	1Q2021	4Q2020	1Q2020
EBITDA (a)	49,355	42,872	42,228
Adjusted EBITDA (a)	52,927	46,533	45,190
Adjusted EBITDA margin (b)	39%	35%	42%
Interest and related expenses	1,726	1,766	2,006
Net cash/(debt) (c)	5,581	11,063	(5,716)
Capital expenditures (d)	7,734	9,659	6,151

Note:

(a) EBITDA is calculated as operating profit minus interest income and other gains/losses, net, and adding back depreciation of property, plant and equipment,

investment properties as well as right-of-use assets, and amortisation of intangible assets and land use rights. Adjusted EBITDA is calculated as EBITDA

plus equity-settled share-based compensation expenses.

(b) Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenues.

(c) Net cash/(debt) represents period end balance and is calculated as cash and cash equivalents, plus term deposits and others, minus borrowings and

notes payable.

(d) Capital expenditures consist of additions (excluding business combinations) to property, plant and equipment, construction in progress, investment properties, land use rights and intangible assets (excluding video and music content, game licences and other content).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

RMB in millions, unless specified

	Unaudited	Audited
	As at	As at
	March 31, 2021	December 31, 2020
ASSETS		
Non-current assets		
Property, plant and equipment	61,833	59,843
Land use rights	16,073	16,091
Right-of-use assets	12,904	12,929
Construction in progress	5,118	4,939
Investment properties	563	583
Intangible assets	156,772	159,437
Investments in associates	323,145	297,609
Investments in joint ventures	7,672	7,649
Financial assets at fair value through profit or loss	183,926	165,944
Financial assets at fair value through other comprehensive income	240,237	213,091
Prepayments, deposits and other assets	26,653	24,630
Other financial assets	510	4
Deferred income tax assets	24,052	21,348
Term deposits	33,219	31,681
	1,092,677	1,015,778
Current assets		
Inventories	816	814
Accounts receivable	51,676	44,981
Prepayments, deposits and other assets	49,182	40,321
Other financial assets	645	1,133
Financial assets at fair value through profit or loss	9,286	6,593
Term deposits	67,737	68,487
Restricted cash	2,493	2,520
Cash and cash equivalents	148,621	152,798

Total assets

<u>330,456</u>	<u>317,647</u>
<u>1,423,133</u>	<u>1,333,425</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

RMB in millions, unless specified

	Unaudited	Audited
	As at	As at
	March 31, 2021	December 31, 2020
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	-	-
Share premium	51,853	48,793
Shares held for share award schemes	(4,747)	(4,412)
Other reserves	124,487	121,139
Retained earnings	590,219	538,464
	761,812	703,984
Non-controlling interests	83,334	74,059
Total equity	845,146	778,043
LIABILITIES		
Non-current liabilities		
Borrowings	117,477	112,145
Notes payable	122,942	122,057
Long-term payables	10,895	9,910
Other financial liabilities	8,393	9,254
Deferred income tax liabilities	16,523	16,061
Lease liabilities	10,145	10,198
Deferred revenue	6,629	6,678
	293,004	286,303
Current liabilities		
Accounts payable	102,625	94,030
Other payables and accruals	43,065	54,308
Borrowings	12,818	14,242

Current income tax liabilities	16,369	12,134
Other tax liabilities	2,761	2,149
Other financial liabilities	4,844	5,567
Lease liabilities	3,891	3,822
Deferred revenue	98,610	82,827
	<hr/>	<hr/>
	284,983	269,079
	<hr/>	<hr/>
Total liabilities	577,987	555,382
	<hr/>	<hr/>
Total equity and liabilities	1,423,133	1,333,425
	<hr/>	<hr/>

RECONCILIATIONS OF IFRS TO NON-IFRS RESULTS

<i>RMB in millions, unless specified</i>	As reported	Adjustments			
		Share-based compensation (a)	Net (gains)/losses from investee companies (b)	Amortisation of intangible assets (c)	Impairment Provision/(reversals) (d)
Unaudited three months ended March 31, 2021					
Operating profit	56,273	3,704	(18,331)	1,062	50
Profit for the period	49,008	5,036	(22,231)	2,699	178
Profit attributable to equity holders	47,767	4,855	(21,829)	2,352	178
Operating margin	42%				
Net margin	36%				
Unaudited three months ended December 31, 2020					
Operating profit	63,713	3,744	(34,652)	885	4,394
Profit for the period	59,369	4,896	(36,149)	2,260	4,407
Profit attributable to equity holders	59,302	4,735	(36,928)	1,926	4,407
<i>Operating margin</i>	<i>48%</i>				
<i>Net margin</i>	<i>44%</i>				
Unaudited three months ended March 31, 2020					
Operating profit	37,260	3,435	(5,272)	639	(487)
Profit for the period	29,403	4,198	(6,992)	1,572	(18)
Profit attributable to equity holders	28,896	3,957	(6,976)	1,338	(18)
<i>Operating margin</i>	<i>34%</i>				
<i>Net margin</i>	<i>27%</i>				

Note:

(a) Including put options granted to employees of investee companies on their shares and shares to be issued under investee companies' share-based , acquired by the Group, and other incentives

(b) Including net (gains)/losses on deemed disposals/disposals of investee companies, fair value changes arising from investee companies, and other e transactions of investee companies

(c) Amortisation of intangible assets resulting from acquisitions

(d) Impairment provisions/(reversals) for associates, joint ventures, goodwill and other intangible assets arising from acquisitions

SOURCE Tencent



PRN Top Stories Newsletters

Sign up to get PRN's top stories and curated news delivered to your inbox weekly!

Enter Your Email

Select Country

Submit

By signing up you agree to receive content from us. Our newsletters contain tracking pixels to help us deliver unique content based on each subscriber's engagement and interests. For more information on how we will use your data to ensure we send you relevant content please visit our [PRN Consumer Newsletter Privacy Notice](#). You can withdraw your consent at any time in the footer of every email you'll receive.