



Press Releases

Tencent Music Entertainment Group Announces Third Quarter 2024 Unaudited Financial Results



SHENZHEN, China, Nov. 12, 2024 /PRNewswire/ -- Tencent Music Entertainment Group ("TME," or the "Company") (NYSE: TME and HKEX: 1698), the leading online music and audio entertainment platform in China, today announced its unaudited financial results for the third quarter ended September 30, 2024.

Third Quarter 2024 Financial Highlights

- **Total revenues** were RMB7.02 billion (US\$1.0 billion), representing a 6.8% year-over-year increase, primarily due to strong year-over-year growth in revenues from online music services, and partially offset by a decline in revenues from social entertainment services and others.
- **Revenues from music subscriptions** were RMB3.84 billion (US\$547 million), representing 20.3% year-over-year growth. The number of paying users increased by 15.5% year-over-year to 119.0 million, up by 2.0 million from the second quarter of 2024. ARPPU grew 4.9% year-over-year to RMB10.8.
- **Net profit** was RMB1.71 billion (US\$244 million), representing 35.3% year-over-year growth. **Net profit attributable to equity holders of the Company** was RMB1.58 billion (US\$226 million), representing 35.5% year-over-year growth. **Non-IFRS net profit^[1]** was RMB1.94 billion (US\$276 million), representing 29.1% year-over-year growth. **Non-IFRS net profit attributable to equity holders of the Company^[1]** was RMB1.81 billion (US\$258 million), representing 28.8% year-over-year growth.
- **Diluted earnings per ADS** was RMB1.01 (US\$0.14), up from RMB0.74 in the same period of 2023.
- **Total cash, cash equivalents, term deposits and short-term investments** as of September 30, 2024 were RMB36.04 billion (US\$5.14 billion).
- As of September 30, 2024, the Company had repurchased 42.1 million ADSs in the open market with cash for a total consideration of US\$335.5 million, of which approximately US\$100 million were repurchased in the third quarter.

Mr. Cussion Pang, Executive Chairman of TME, commented, "Our commitment to high-quality growth is

reflected in another solid quarterly performance. The steady expansion of our music subscribers and diversified music services continue to drive overall growth and profitability. We are encouraged by the growing synergies between our platform and well-established content ecosystem, which have become a vital force in empowering us to seize new opportunities for long-term, sustainable growth."

Mr. Ross Liang, CEO of TME, continued, "This quarter's robust music subscription performance, with better-than-expected net subscriber additions and an expanding ARPPU, highlights the effectiveness of our balanced approach to achieve growth, which is important to drive paying user base expansion in the coming years. By offering enriched and differentiated user privileges, our value proposition for more premium memberships has been well accepted, cultivating greater loyalty on our platform."

Third Quarter 2024 Operational Highlights

- Key Operating Metrics

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	3Q24	3Q23	YoY %
MAUs - online music (million)	576	594	(3.0 %)
Mobile MAUs - social entertainment (million)	90	129	(30.2 %)
Paying users - online music (million)	119.0	103.0	15.5 %
Paying users - social entertainment (million)	7.9	7.8	1.3 %
Monthly ARPPU - online music (RMB)	10.8	10.3	4.9 %
Monthly ARPPU - social entertainment (RMB)	64.8	86.2	(24.8 %)

Dynamic and robust content ecosystem enabled us to diversify our offerings and capitalize on emerging trends swiftly.

- Expanded and deepened partnerships with leading record labels: 1) Renewed contracts with YH Entertainment Group and Image Music Group to include early access for new song releases. 2) Strategic alliance with Galaxy Corporation further strengthened our advantage in K-pop content offerings, including digital albums, merchandise, and multi-year hosting rights for G-Dragon's concerts in Asia and other regions.
- Elevated our industry impact through hosting influential and tailored concert events: 1) Successfully staged TME's Zebra Music Festival in September, a two-day live music event attracting nearly 65,000 music fans, featuring performances from leading artists such as Chen Chusheng, Joker Xue, and Zhang Yuan^[2], alongside Tencent musicians and other popular artists Leon Liu, Zhao Lei, and Suede^[2]. 2) Organized pop singer and songwriter Yu Jiayun's live concert, marking his first-ever ticketed show with over 10,000 attendees.
- Produced and promoted chart-topping theme songs for popular Tencent games such as *League of Legends: Wild Rift* and *Peacekeeper Elite*, and elevated engagement by offering in-game benefits to listeners.
- Collaborated with artists and labels to offer Super VIP ("SVIP") members additional privileges, enhancing conversion and loyalty. This includes: 1) Complimentary access to an extensive digital album collection. 2) Proprietary concerts and fan engagement activities, such as pre-sales for ticket concerts by G.E.M., Mariah Carey, and TIA RAY^[2] during the quarter.

Effective operations and expansive privileges led to subscriber base expansion and SVIP adoption, paving a strong foundation for sustained future growth.

- Enhanced recommendation algorithms increased overall subscriber conversion, with recommendation-driven streams reaching a record high.
- Introduced more personalized product features including dynamic player skins, audio players, and

ringtones; collaborated with popular IPs such as Black Myth: Wu Kong, Crayon Shin-chan, and Disney to drive engagement.

- Leveraged expanding LLM capabilities to improve contents production and discovery effectiveness.
- Over 10 million SVIP subscribers as of the end of September 2024, with blended ARPPU and user engagement higher than non-SVIP subscribers.
- For SVIP adoption, premium audio quality and enriched long-form audio offerings were some of the key growth drivers. Features such as QQ Music's Premium Sound, DTS sound quality, and Kugou Music's Viper Ultra Sound helped enhance SVIP member experiences. We also expanded the Viper series privileges to in-vehicle use through strengthened partnerships with Xiaomi, Li Auto, and NIO.

Third Quarter 2024 Financial Review

Total revenues increased by 446 million, or 6.8%, to RMB7.02 billion (US\$1.0 billion) from RMB6.57 billion in the same period of 2023.

- **Revenues from online music services** delivered a strong year-over-year increase of 20.4% to RMB5.48 billion (US\$781 million) from RMB4.55 billion in the same period of 2023. The increase was driven by solid growth in music subscription revenues, supplemented by growth in revenues from advertising services. Revenues from music subscriptions were RMB3.84 billion (US\$547 million), representing 20.3% year-over-year growth compared with RMB3.19 billion in the same period of 2023. This rapid growth was driven by continuous expansion in the online music paying user base and improved ARPPU. The number of online music paying users increased by 15.5% year-over-year to 119.0 million, with a monthly ARPPU of RMB10.8 in the third quarter of 2024. The increase in the number of paying users and monthly ARPPU was primarily due to high quality contents, attractive membership privileges, optimized user operations and effective promotions, as well as the expansion of SVIP membership program. The year-over-year increase in revenues from advertising was primarily due to our more diversified product portfolio and innovative ad formats, such as ad-supported mode. Additionally, increased revenues from offline performances also contributed to the growth in revenues from online music services.
- **Revenues from social entertainment services and others** decreased by 23.9% to RMB1.54 billion (US\$219 million) from RMB2.02 billion in the same period of 2023. The continued decrease was mainly the result of adjustments to certain live-streaming interactive functions and more stringent compliance procedures implemented. Meanwhile, we continue to focus on the healthy growth in advertising and VIP memberships within social entertainment.

Cost of revenues decreased by 4.8% year-over-year to RMB4.02 billion (US\$573 million), mainly due to decreased revenues from social entertainment services that led to less revenue sharing fees, partially offset by increased costs related to offline concerts and music festivals, content costs of royalties and payment channel fees.

Gross margin increased to 42.6% from 35.7% in the same period of 2023, primarily due to strong revenue growth from music subscriptions and advertising services, and the ramp-up of our own content.

Total operating expenses decreased by 3.9% year-over-year to RMB1.22 billion (US\$174 million). Operating expenses as a percentage of total revenues decreased to 17.4% from 19.3% in the same period of 2023.

- Selling and marketing expenses were RMB220 million (US\$31 million), which were relatively stable compared with same period of last year. We continue to maintain ROI focused approach for promotion expenses.
- General and administrative expenses were RMB1.00 billion (US\$142 million), representing a 4.9% year-over-year decrease. This decrease was primarily due to reduced employee-related expenses.

Total operating profit was RMB2.14 billion (US\$306 million) in the third quarter of 2024, representing an increase of 50.5% year-over-year.

The effective tax rate for the third quarter of 2024 was 17.7% compared with 12.2% in the same period of 2023. The increase in the effective tax rate was mainly driven by the accrual of withholding income tax of RMB113 million (US\$16 million) in the third quarter of 2024.

For the third quarter of 2024, **net profit** was RMB1.71 billion (US\$244 million) and **net profit attributable to equity holders of the Company** was RMB1.58 billion (US\$226 million). **Non-IFRS net profit** was RMB1.94 billion (US\$276 million) and **non-IFRS net profit attributable to equity holders of the Company** was RMB1.81 billion (US\$258 million). Please refer to the section in this press release titled "Non-IFRS Financial Measure" for details.

Basic and diluted earnings per American Depositary Shares ("ADS") for the third quarter of 2024 were RMB1.02 (US\$0.15) and RMB1.01 (US\$0.14), respectively; **non-IFRS basic and diluted earnings per ADS** were RMB1.17 (US\$0.17) and RMB1.16 (US\$0.16), respectively. The Company had weighted averages of 1.55 billion basic and 1.57 billion diluted ADSs outstanding, respectively. Each ADS represents two of the Company's Class A ordinary shares.

As of September 30, 2024, the combined balance of the Company's **cash, cash equivalents, term deposits and short-term investments** amounted to RMB36.04 billion (US\$5.14 billion), compared with RMB35.03 billion as of June 30, 2024.

Share Repurchase Program

Under the US\$500 million Share Repurchase Program announced on March 21, 2023, as of September 30, 2024, we had repurchased 42.1 million ADSs in the open market with cash for a total consideration of US\$335.5 million.

Environmental, Social, and Governance ("ESG")

In the third quarter, we published our inaugural ESG report, detailing our practices and achievements across environmental, social, and governance areas. This report underscores our unwavering commitment to sustainable development and corporate social responsibility.

Additionally, the Tencent Musician Platform was recognized as one of China's first model cases for its national copyright powerhouse strategy recently, honoring our contributions to music copyright protection and the advancement of the music industry.

Exchange Rate

This announcement contains translations of certain RMB amounts into U.S. dollars ("USD") at specified rates solely for the convenience of the reader. Unless otherwise stated, all translations from RMB to USD were made at the rate of RMB7.0176 to US\$1.00, the noon buying rate in effect on September 30, 2024, in the H.10 statistical release of the Federal Reserve Board. The Company makes no representation that the RMB or USD amounts referred could be converted into USD or RMB, as the case may be, at any particular rate or at all. For analytical presentation, all percentages are calculated using the numbers presented in the financial statements contained in this earnings release.

Non-IFRS Financial Measure

The Company uses non-IFRS net profit for the period, which is a non-IFRS financial measure, in evaluating its operating results and for financial and operational decision-making purposes. TME believes that non-IFRS net profit helps identify underlying trends in the Company's business that could otherwise be distorted by the effect of certain expenses that the Company includes in its profit for the period. TME believes that non-IFRS net profit for the period provides useful information about its results of operations, enhances the overall understanding of its past performance and future prospects and allows for greater visibility with respect to key metrics used by its management in its financial and operational decision-making.

Non-IFRS net profit for the period should not be considered in isolation or construed as an alternative to

operating profit, net profit for the period or any other measure of performance or as an indicator of its operating performance. Investors are encouraged to review non-IFRS net profit for the period and the reconciliation to its most directly comparable IFRS measure. Non-IFRS net profit for the period presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to the Company's data. TME encourages investors and others to review its financial information in its entirety and not rely on a single financial measure.

Non-IFRS net profit for the period represents profit for the period excluding amortization of intangible and other assets arising from business acquisitions or combinations, share-based compensation expenses, net losses/gains from investments and related income tax effects.

Please see the "Unaudited Non-IFRS Financial Measure" included in this press release for a full reconciliation of non-IFRS net profit for the period to its net profit for the period.

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[1] Non-IFRS net profit and non-IFRS net profit attributable to equity holders of the Company were arrived at after excluding the combined effect of amortization of intangible assets and other assets arising from business acquisitions or combinations, share-based compensation expenses, net losses/gains from investments, and related income tax effects.

[2] Names of artists and bands contained in this press release are sorted according to the following rules: (i) grouped by artists and bands: and (ii) in alphabetical order by full names.

About Tencent Music Entertainment

Tencent Music Entertainment Group (NYSE: TME and HKEX: 1698) is the leading online music and audio entertainment platform in China, operating the country's highly popular and innovative music apps: QQ Music, Kugou Music, Kuwo Music and WeSing. TME's mission is to create endless possibilities with music and technology. TME's platform comprises online music, online audio, online karaoke, music-centric live streaming and online concert services, enabling music fans to discover, listen, sing, watch, perform and socialize around music. For more information, please visit ir.tencentmusic.com.

Safe Harbor Statement

This press release contains forward-looking statements. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties, and a number of factors could cause actual results to differ materially from those contained in any forward-looking statement. In some cases, forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "anticipate," "target," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions. Further information regarding these and other risks, uncertainties or factors is included in the Company's filings with the SEC and the HKEX. All information provided in this press release is as of the date of this press release, and the Company does not undertake any duty to update such information, except as required under applicable law.

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TENCENT MUSIC ENTERTAINMENT GROUP
CONSOLIDATED INCOME STATEMENTS

Three Months Ended September 30

	2023	2024	
	RMB	RMB	US\$
	Unaudited	Unaudited	Unaudited
	(in millions, except per share data)		
Revenues			
Online music services	4,553	5,480	781
Social entertainment services and others	2,016	1,535	219
	6,569	7,015	1,000
Cost of revenues	(4,227)	(4,024)	(573)
Gross profit	2,342	2,991	426
Selling and marketing expenses	(219)	(220)	(31)
General and administrative expenses	(1,049)	(998)	(142)
Total operating expenses	(1,268)	(1,218)	(174)
Interest income	273	299	43
Other gains, net	78	72	10
Operating profit	1,425	2,144	306
Share of net profit of investments accounted for using equity method	49	29	4
Finance cost	(35)	(97)	(14)
Profit before income tax	1,439	2,076	296
Income tax expense	(176)	(367)	(52)
Profit for the period	1,263	1,709	244
Attributable to:			
Equity holders of the Company	1,168	1,583	226
Non-controlling interests	95	126	18
Earnings per share for Class A and Class B ordinary shares			
Basic	0.37	0.51	0.07
Diluted	0.37	0.50	0.07
Earnings per ADS (2 Class A shares equal to 1 ADS)			
Basic	0.75	1.02	0.15
Diluted	0.74	1.01	0.14

Shares used in earnings per Class A and Class B ordinary share computation:

Basic	3,134,975,498	3,092,300,590	3,092,300,590
Diluted	3,173,371,472	3,134,713,201	3,134,713,201
ADS used in earnings per ADS computation			
Basic	1,567,487,749	1,546,150,295	1,546,150,295
Diluted	1,586,685,736	1,567,356,601	1,567,356,601

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	Three Months Enc	
	2023	
	RMB	RM
	Unaudited	Unaudited
	(in millions, except for EPS)	
Profit for the period	1,263	
Adjustments:		
Amortization of intangible and other assets arising from business acquisitions or combinations*	101	
Share-based compensation	185	
(Gains)/losses from investments**	(3)	
Income tax effects***	(43)	
Non-IFRS Net Profit	<u>1,503</u>	
Attributable to:		
Equity holders of the Company	1,408	
Non-controlling interests	95	
Earnings per share for Class A and Class B ordinary shares		
Basic	0.45	
Diluted	0.44	
Earnings per ADS (2 Class A shares equal to 1 ADS)		
Basic	0.90	
Diluted	0.89	
Shares used in earnings per Class A and Class B ordinary share computation:		
Basic	3,134,975,498	3,092,300,590

Diluted	3,173,371,472	3,13
ADS used in earnings per ADS computation		
Basic	1,567,487,749	1,54
Diluted	1,586,685,736	1,56

* Represents the amortization of identifiable assets, including intangible assets such as domain name, trademark agreement etc., and fair value adjustment on music content (i.e., signed contracts obtained for the rights resulting from business acquisitions or combination.

** Including the net gains/losses on deemed disposals/disposals of investments, fair value changes arising from equity transactions of investments.

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



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TENCENT MUSIC ENTERTAINMENT GROUP CONSOLIDATED BALANCE SHEETS

	As at December 31, 2023		As at September 30, 2024	
	RMB	RMB	US\$	
	Audited	Unaudited	Unaudited	
	(in millions)			
ASSETS				
Non-current assets				
Property, plant and equipment	490	704	100	
Land use rights	2,437	2,382	339	
Right-of-use assets	367	312	44	
Intangible assets	2,032	1,996	284	
Goodwill	19,542	19,647	2,800	
Investments accounted for using equity method	4,274	4,571	651	
Financial assets at fair value through other comprehensive income	6,540	11,777	1,678	
Other investments	307	327	47	
Prepayments, deposits and other assets	540	454	65	
Deferred tax assets	352	388	55	
Term deposits	8,719	7,529	1,073	
	45,600	50,087	7,137	
Current assets				
Inventories	0	10	7	

inventories	0	10	0
Accounts receivable	2,918	2,935	418
Prepayments, deposits and other assets	3,438	3,000	427
Other investments	37	48	7
Term deposits	9,937	18,306	2,609
Restricted Cash	31	10	1
Cash and cash equivalents	13,567	10,209	1,455
	<u>29,936</u>	<u>34,526</u>	<u>4,920</u>
Total assets	<u><u>75,536</u></u>	<u><u>84,613</u></u>	<u><u>12,057</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	2	2	0
Additional paid-in capital	36,576	36,702	5,230
Shares held for share award schemes	(302)	(514)	(73)
Treasury shares	(6,996)	(7,538)	(1,074)
Other reserves	9,658	16,727	2,384
Retained earnings	16,969	18,106	2,580
	<u>55,907</u>	<u>63,485</u>	<u>9,047</u>
Non-controlling interests	<u>1,295</u>	<u>1,744</u>	<u>249</u>
Total equity	<u><u>57,202</u></u>	<u><u>65,229</u></u>	<u><u>9,295</u></u>
LIABILITIES			
Non-current liabilities			
Notes payables	5,636	3,481	496
Deferred tax liabilities	239	234	33
Lease liabilities	297	235	33
Deferred revenue	148	163	23
	<u>6,320</u>	<u>4,113</u>	<u>586</u>
Current liabilities			
Accounts payable	5,006	6,523	930
Other payables and other liabilities	3,472	2,786	397
Notes payables	-	2,099	299
Current tax liabilities	567	823	117
Lease liabilities	115	109	16
Deferred revenue	2,854	2,931	418
	<u>12,014</u>	<u>15,271</u>	<u>2,176</u>
Total liabilities	<u><u>18,334</u></u>	<u><u>19,384</u></u>	<u><u>2,762</u></u>
Total equity and liabilities	<u><u>75,536</u></u>	<u><u>84,613</u></u>	<u><u>12,057</u></u>

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TENCENT MUSIC ENTERTAINMENT GROUP
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended September 30			Nine M
	2023	2024		2023
	RMB	RMB	US\$	RMB
	Unaudited	Unaudited	Unaudited	Unaudited
		(in millions)		
Net cash provided by operating activities	1,441	2,165	309	5,3
Net cash used in investing activities	(1,142)	(3,337)	(476)	(1,6
Net cash used in financing activities	(849)	(882)	(126)	(9
Net (decrease)/increase in cash and cash equivalents	(550)	(2,054)	(293)	2,7
Cash and cash equivalents at beginning of the period	12,950	12,251	1,746	9,5
Exchange differences on cash and cash equivalents	(19)	12	2	
Cash and cash equivalents at end of the period	12,381	10,209	1,455	12,3

SOURCE Tencent Music Entertainment Group