

China's Tencent reports jump in Q2 income, misses revenue expectations

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Chinese giant Tencent is one of the biggest tech companies in the world.

Chinese internet giant Tencent announced on Wednesday a 41 percent year-on-year jump in second-quarter net income, but missed analyst forecasts for revenue.

Following a long period of meteoric growth, Chinese tech firms have faced a stringent crackdown by authorities in recent years, which weighed heavily on their profitability.

Tencent's annual increase in net income to 26.17 billion yuan (\$3.6 billion) was the fastest recorded since 2021 by the Shenzhen-based internet giant. It also announced an 11 percent increase in revenue during the second quarter reaching 149.21 billion yuan (\$20.46 billion).

However, that revenue total fell short of analysts' expectations of around 152 billion yuan, according to Bloomberg.

And on a quarter-to-quarter basis, Tencent's latest quarterly net income figure represents an increase of just 1 percent.

In the second quarter of last year, a large-scale lockdown of China's economic powerhouse Shanghai and continued regulatory pressure on the tech sector greatly harmed Tencent's performance.

In 2020, Beijing started tightening the screws on what it saw as out-of-control ballooning of the tech industry, slashing the market capitalization of major players by billions of dollars.

While rival Alibaba was one of the crackdown's main targets, Tencent was not spared from increased oversight, with its WeChat mega-app receiving a nearly 3 billion yuan fine last month.

Tencent said Wednesday that the combined monthly active users of WeChat during the second quarter surpassed 1.3 billion.

The firm last year announced its first decline in quarterly sales since its listing on the Hong Kong stock exchange in 2004.

But China's tech crackdown now appears to be waning as officials voice renewed support for the digital economy, an important source of growth and potential jobs at a time when the broader economy is under pressure.

The country slipped into deflation in July for the first time since 2021, amid a slew of indicators reflecting an economic slowdown.

Tencent is the world's largest video game company in terms of revenue, dominating the Asian market in particular.

Beijing moved against the gaming sector in 2021 as part of the sprawling crackdown on big tech, including a strict cap on the amount of time children could spend playing online.

After a hiatus of more than a year, Tencent last year began regularly receiving video game licenses in China—a prerequisite for marketing titles in the world's largest gaming market.

In recent years, it has looked to expand operations in overseas markets, especially in Europe.

The firm owns Riot Games, maker of the battle royale hit "League of Legends".

Last year, Tencent announced it was taking a stake in major French game developer Ubisoft—the maker of the popular "Assassin's Creed" franchise.

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