

Tencent Q2 earnings beat estimates on gaming growth

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China Internet giant Tencent Holdings' Q2 earnings beat estimates

Chinese internet giant Tencent said Wednesday its net profit jumped 35 percent in the second quarter, as the company continued to wriggle out of Beijing's crackdown on online gaming and build mobile game growth.

Shenzhen-based Tencent said [net profit](#) was 24.1 billion yuan (\$3.5 billion) in the three months ending June 30, beating an average estimate from Bloomberg analysts of 21.1 billion yuan.

Total revenues were up 21 percent at 88.8 billion yuan, primarily driven by mobile game growth, commercial payment services, and digital content businesses.

Tencent's smartphone games revenues climbed 26 percent in the three months.

But Tencent was hammered by a Chinese government crackdown on gaming which launched last year and led to a months-long license approval freeze.

The tech giant maintained revenue growth from the likes of popular game "Honour of Kings", and began charging users for newer title "Peacekeeper Elite"—a toned-down version of its now-dropped hit game "PlayerUnknown's Battlegrounds"—clocking up more than 50 million daily active users since its launch in May.

Tencent said it has dropped the original title entirely and the new version, which won government approval, was developed in conjunction with China's air force.

Although it was showing signs of recovery, the gaming crackdown shaved around \$250 billion off Tencent's stock market value by the end of last year and battered profits towards the end of 2018.

"We expect gaming [revenue](#) to re-accelerate starting from the second quarter onward," David Dai, a Hong Kong-based analyst at Bernstein told Bloomberg News.

Shares in the Hong Kong-listed company rose 1.80 percent Wednesday ahead of the update.

With China's economy slowing down, major tech giants such as Tencent and Alibaba are increasingly looking overseas for growth, often competing with each other in key areas like cloud computing and FinTech.

The company's FinTech business revenues soared 37 percent compared to the [second quarter](#) in 2018, to reach 22.9 billion yuan as payment methods in China become increasingly digital.

Tencent's social networks revenues grew by 23 percent as China's largest social media platform WeChat's monthly active user base of more than one billion continued to climb.

Facing fierce competition from short video operator ByteDance, Tencent has lined up new investment in China's Quora-like online Q&A platform Zhihu. It also announced a five-year partnership extension with [professional sports](#) league the National Basketball Association (NBA), which is extremely popular in China.

But its media advertising revenues were down 7 percent due to "unexpected delays to airing certain top-tier drama series and the absence of the FIFA World Cup this year."

"Amid the evolving macro-economic and competitive challenges, we continue to invest in enhancing our platforms, services and technologies, for better supporting our users and enterprise customers," said Ma Huateng, the company's Chairman and CEO.

Tencent and Alibaba, China's two largest companies, have lost a combined \$140 billion in [market value](#) since the escalation of the trade

war in May, according to Bloomberg News.

Alibaba and Baidu are expected to release their results on Thursday and next Monday, respectively.

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