招銀国际 CMB INTERNATIONAL
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# Tencent (700 HK)

## Solid 2Q26 results; gradually capturing AI benefits in the long run

Tencent announced 2Q26 results: total revenue was up by 11% YoY to RMB204.8bn, 1% ahead of Visible Alpha (VA) consensus estimate, mainly thanks to the solid growth of marketing and games businesses; non-IFRS operating profit grew by 9% YoY to RMB75.6bn, 1% ahead of the consensus estimate; excluding new AI products investment, non-IFRS operating profit increased by 19% YoY to RMB86.1bn, demonstrating resilience of Tencent's core businesses. Free cash flow also remained healthy at RMB37.6bn if excluding prepayments for compute procurement, though total capex was up by 176% YoY to RMB52.8bn in 2Q26. We slightly lower our FY26-28E earnings forecasts by 0-1% in view of the greater-than-expected capex, and trim our SOTP-derived target price to HK$705.0 (previous: HK$735.0 based on SOTP valuation). Despite a slowdown in short-term earnings growth (2Q26/1Q26: +9%/11% YoY), we remain upbeat that Tencent will gradually gain benefits from AI investment in the long term through improved foundation models/productivity AI/consumer AI. Maintain BUY.

- **Topline outperformance across business lines.** In 2Q26: 1) Games revenue increased by 11% YoY to RMB65.9bn. Domestic games revenue delivered a solid growth of 17% YoY to RMB47.3bn, mainly driven by the strong performance of *Delta Force* and *VALORANT PC*, both of which achieved record-high DAUs in 2Q26. Overseas revenue was down by 1% YoY to RMB18.6bn, primarily due to the high revenue base of *Supercell* games. 2) Marketing services revenue grew by 22% YoY to RMB43.6bn, primarily driven by the AI-enhanced conversions and Video Accounts' ad revenue growth. Video Accounts' total time spent rose by over 20% YoY and its ad load also increased, driving rapid YoY growth of ad impressions in 2Q26. 3) Fintech and Business Services revenue was up by 9% YoY to RMB60.3bn. Cloud revenue growth accelerated to low-20% YoY thanks to the strong AI demand and international expansion. Fintech services revenue maintained healthy YoY growth.
- **Solid AI progress.** We expect Tencent to capture value from its AI investment on multiple fronts: 1) foundation model: HY3 daily token usage grew by 7x compared to HY3 preview across all channels thanks to the intelligence improvement. The company plans to launch HY4 later this year, with larger parameter and enhanced multi-modal capabilities; 2) productivity AI: WorkBuddy achieved rapid user growth and healthy user retention rates, ranking top by monthly interactions among China's office agents in Jun 2026; 3) consumer AI: the company will continue to upgrade Xiaowei through enhancing core capabilities, integrating more services and strengthening AI infra.
- **Investing in AI for long-term benefits.** Non-IFRS OPM declined by 0.6ppt YoY to 36.9%, or expanded by c.3ppt YoY to 42% in 2Q26 if excluding new AI products investment. Total capex grew by 176% YoY to RMB52.8bn in 2Q26. Management expects to allocate a major part of the AI compute to its AI-native businesses for long-term returns, rather than merely leveraging them for short-term revenue growth via compute rental.

### Earnings Summary

| (YE 31 Dec) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue (RMB mn)** | 660,257 | 751,766 | 816,510 | 873,828 | 925,213 |
| **Adjusted net profit (RMB mn)** | 222,703.0 | 259,626.0 | 272,181.0 | 286,533.9 | 302,517.9 |
| **EPS (Adjusted) (RMB)** | 23.96 | 28.55 | 29.83 | 31.88 | 34.17 |
| **Consensus EPS (RMB)** | 23.96 | 28.55 | 29.81 | 32.37 | 35.75 |
| **P/E (x)** | 19.0 | 16.0 | 15.3 | 13.7 | 13.3 |

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

| | |
|---|---|
| **Target Price** | **HK$705.00** |
| (Previous TP | HK$735.00) |
| **Up/Downside** | **52.7%** |
| **Current Price** | **HK$461.60** |

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**Stock Data**

| | |
|---|---|
| Mkt Cap (HK$ mn) | 4,151,267.0 |
| Avg 3 mths t/o (HK$ mn) | 14,798.7 |
| 52w High/Low (HK$) | 677.50/411.80 |
| Total Issued Shares (mn) | 8993.2 |

Source: FactSet

**Shareholding Structure**

| | |
|---|---|
| MIH TC | 22.8% |
| Advance Data Services Limited | 7.8% |

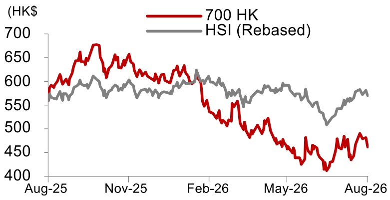
Source: HKEx

**Share Performance**

| | Absolute | Relative |
|---|---|---|
| 1-mth | 0.3% | -4.7% |
| 3-mth | 1.0% | 4.6% |
| 6-mth | -13.8% | -8.4% |

Source: FactSet

**12-mth Price Performance**




Source: FactSet

# Business forecasts update and valuation

## Figure 1: Tencent: forecast revision

| | Current | | | Previous | | | Change (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| (RMB bn) | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E |
| Revenue | 816.5 | 873.8 | 925.2 | 817.8 | 878.6 | 926.3 | -0.2% | -0.5% | -0.1% |
| Gross profit | 469.9 | 507.4 | 537.8 | 467.5 | 506.6 | 536.7 | 0.5% | 0.2% | 0.2% |
| Operating profit | 260.5 | 275.4 | 289.3 | 261.9 | 277.7 | 292.6 | -0.5% | -0.8% | -1.1% |
| Adjusted net profit | 272.2 | 286.5 | 302.5 | 272.6 | 287.5 | 306.7 | -0.2% | -0.3% | -1.3% |
| Adjusted EPS (RMB) | 29.8 | 31.9 | 34.2 | 29.9 | 32.1 | 34.7 | -0.4% | -0.6% | -1.6% |
| Gross margin | 57.5% | 58.1% | 58.1% | 57.2% | 57.7% | 57.9% | 0.4 ppt | 0.4 ppt | 0.2 ppt |
| Operating margin | 31.9% | 31.5% | 31.3% | 32.0% | 31.6% | 31.6% | -0.1 ppt | -0.1 ppt | -0.3 ppt |
| Adjusted net margin | 33.3% | 32.8% | 32.7% | 33.3% | 32.7% | 33.1% | 0.0 ppt | 0.1 ppt | -0.4 ppt |

Source: CMBIGM estimates

## Figure 2: CMBIGM estimates vs consensus

| | CMBIGM | | | Consensus | | | Diff (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| (RMB bn) | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E | FY26E | FY27E | FY28E |
| Revenue | 816.5 | 873.8 | 925.2 | 825.9 | 903.3 | 981.6 | -1.1% | -3.3% | -5.7% |
| Gross profit | 469.9 | 507.4 | 537.8 | 469.1 | 517.4 | 568.1 | 0.2% | -1.9% | -5.3% |
| Operating profit | 260.5 | 275.4 | 289.3 | 267.4 | 292.0 | 323.6 | -2.6% | -5.7% | -10.6% |
| Adjusted net profit | 272.2 | 286.5 | 302.5 | 280.7 | 302.4 | 339.2 | -3.0% | -5.3% | -10.8% |
| Adjusted EPS (RMB) | 29.8 | 31.9 | 34.2 | 29.8 | 32.4 | 35.8 | 0.1% | -1.5% | -4.4% |
| Gross margin | 57.5% | 58.1% | 58.1% | 56.8% | 57.3% | 57.9% | 0.8 ppt | 0.8 ppt | 0.2 ppt |
| Operating margin | 31.9% | 31.5% | 31.3% | 32.4% | 32.3% | 33.0% | -0.5 ppt | -0.8 ppt | -1.7 ppt |
| Adjusted net margin | 33.3% | 32.8% | 32.7% | 34.0% | 33.5% | 34.6% | -0.7 ppt | -0.7 ppt | -1.9 ppt |

Source: Visible Alpha, CMBIGM estimates

## Figure 3: Tencent: quarterly financials

| (RMB bn) | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26 | Cons. | Diff% |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SNS revenue | 30.5 | 30.3 | 30.9 | 29.8 | 32.6 | 32.2 | 32.3 | 30.6 | 31.9 | 32.5 | 32.4 | 0.1% |
| *YoY%* | *-1.4%* | *2.2%* | *3.9%* | *5.8%* | *2.5%* | *6.9%* | *6.1%* | *4.4%* | *2.7%* | *5.0%* | *0.9%* | |
| *QoQ%* | *8.3%* | *-0.7%* | *1.9%* | *-3.5%* | *9.4%* | *-1.4%* | *0.3%* | *-5.1%* | *4.2%* | *1.8%* | | |
| Games revenue | 48.1 | 48.5 | 51.8 | 49.2 | 59.5 | 59.2 | 63.6 | 59.3 | 64.2 | 65.9 | 65.4 | 0.9% |
| *YoY%* | *-0.5%* | *8.9%* | *12.6%* | *20.3%* | *23.7%* | *22.1%* | *22.8%* | *20.5%* | *7.9%* | *11.4%* | *10.4%* | |
| *QoQ%* | *17.6%* | *0.8%* | *6.8%* | *-5.0%* | *20.9%* | *-0.5%* | *7.4%* | *-6.8%* | *8.3%* | *2.7%* | | |
| Marketing revenue | 26.5 | 29.9 | 30.0 | 35.0 | 31.9 | 35.8 | 36.2 | 41.1 | 38.2 | 43.6 | 42.4 | 2.8% |
| *YoY%* | *26.4%* | *19.5%* | *16.6%* | *17.5%* | *20.2%* | *19.7%* | *20.8%* | *17.5%* | *19.8%* | *21.8%* | *18.5%* | |
| *QoQ%* | *-11.0%* | *12.7%* | *0.4%* | *16.7%* | *-9.0%* | *12.3%* | *1.3%* | *13.4%* | *-7.2%* | *14.1%* | | |
| FBS revenue | 52.3 | 50.4 | 53.1 | 56.1 | 54.9 | 55.5 | 58.2 | 60.8 | 59.9 | 60.3 | 60.2 | 0.1% |
| *YoY%* | *7.4%* | *3.7%* | *2.0%* | *3.2%* | *5.0%* | *10.1%* | *9.6%* | *8.4%* | *9.1%* | *8.6%* | *8.4%* | |
| *QoQ%* | *-3.8%* | *-3.6%* | *5.3%* | *5.7%* | *-2.2%* | *1.1%* | *4.8%* | *4.5%* | *-1.5%* | *0.7%* | | |
| **Total revenue** | **159.5** | **161.1** | **167.2** | **172.4** | **180.0** | **184.5** | **192.9** | **194.4** | **196.5** | **204.8** | **202.8** | **1.0%** |
| *YoY%* | *6.3%* | *8.0%* | *8.1%* | *11.1%* | *12.9%* | *14.5%* | *15.4%* | *12.7%* | *9.1%* | *11.0%* | *9.9%* | |
| *QoQ%* | *2.8%* | *1.0%* | *3.8%* | *3.1%* | *4.4%* | *2.5%* | *4.5%* | *0.8%* | *1.1%* | *4.2%* | | |
| **Gross profit** | **83.9** | **85.9** | **88.8** | **90.7** | **100.5** | **105.0** | **108.8** | **108.3** | **111.3** | **118.4** | **115.8** | **2.3%** |
| *YoY%* | *23.0%* | *21.3%* | *16.1%* | *16.9%* | *19.8%* | *22.3%* | *22.5%* | *19.5%* | *10.7%* | *12.8%* | *10.2%* | |
| *GPM (%)* | *52.6%* | *53.3%* | *53.1%* | *52.6%* | *55.8%* | *56.9%* | *56.4%* | *55.7%* | *56.6%* | *57.8%* | *57.1%* | |
| **Non-IFRS net profit** | **50.3** | **57.3** | **59.8** | **55.3** | **61.3** | **63.1** | **70.6** | **64.7** | **67.9** | **68.4** | **68.2** | **0.3%** |
| *YoY%* | *54.5%* | *52.6%* | *33.2%* | *29.6%* | *22.0%* | *10.0%* | *18.0%* | *17.0%* | *10.7%* | *8.5%* | *8.2%* | |
| *Non-IFRS NPM (%)* | *31.5%* | *35.6%* | *35.8%* | *32.1%* | *34.1%* | *34.2%* | *36.6%* | *33.3%* | *34.6%* | *33.4%* | *33.7%* | |

Source: Company data, Visible Alpha, CMBIGM

Our SOTP-derived target price of HK$705.0 comprises, per share:

1) HK$318.3 for the games business, based on a 22x 2026E PE, which is at a premium to the average PE for its global gaming peers (17x), mainly due to Tencent's strong leadership in China's games industry and diversified games portfolio.

2) HK$31.1 for the SNS business, including the market cap of Tencent's stake in its subsidiaries, the valuation of Tencent Video (based on a 3.5x 2026E PS, at a premium to the 1.2x average PS of its peers given its content and user traffic leadership), and the valuation of other membership services (based on a 3.5x 2026E PS).

3) HK$134.9 for the marketing services business, based on a 20x 2026E PE, which is at a premium to the industry average (16x). This reflects Tencent's more resilient ad revenue growth outlook, supported by the solid performance of Weixin Video Account and Mini Program.

4) HK$107.5 for the fintech business, based on a 4.5x 2026E PS, at a premium to the peer average (1.6x). This mainly reflects Tencent's strong leadership in China's digital payment market and its potential to capture other fintech business opportunities.

5) HK$36.0 for the cloud business, based on a 4.5x 2026E PS, at a discount to the industry average (5.7x) as Tencent's current offerings mainly involve the lower-margin IaaS business.

6) HK$72.0 for strategic investments, based on the current market value of Tencent's listed investments and the book value of its unlisted investments. We apply a 30% holding company discount to the fair value of Tencent's equity investments.

7) HK$5.1 for net cash.

**Figure 4: Tencent: SOTP valuation**

| | 2026E net profit (RMBmn) | 2026E revenue (RMBmn) | 2026E PE (x) | 2026E PS (x) | Market cap (RMBmn) | Valuation to Tencent (RMBmn) | As % of total valuation | Per share valuation (HK$) |
|---|---|---|---|---|---|---|---|---|
| Games | 113,912 | | 22x | | | 2,506,053 | 45.1 | 318.3 |
| Social network services (SNS) | | 125,127 | | | | 245,233 | 4.4 | 31.1 |
| Tencent Music (TME) | | | | | 94,768 | 52,217 | 0.9 | 6.6 |
| China Literature | | | | | 18,316 | 10,839 | 0.2 | 1.4 |
| Huya | | | | | 3,924 | 1,860 | 0.0 | 0.2 |
| Online video – subscription | | 20,700 | | 3.5x | | 72,450 | 1.3 | 9.2 |
| Others | | 30,819 | | 3.5x | | 107,867 | 1.9 | 13.7 |
| Marketing services | 53,108 | | 20x | | | 1,062,151 | 19.1 | 134.9 |
| Fintech | | 188,036 | | 4.5x | | 846,162 | 15.2 | 107.5 |
| Cloud (business services) | | 62,941 | | 4.5x | | 283,237 | 5.1 | 36.0 |
| Net cash | | | | | | 39,839 | 0.7 | 5.1 |
| **Valuation of core business** | | | | | | **4,982,674** | | |
| RMB/HK$ | | | | | | 0.86 | | |
| **Valuation of core business (HK$mn)** | | | | | | **5,773,667** | | |
| | | | | | | | | |
| Valuation per share – core business (HK$) | | | | | | **632.8** | | |
| Valuation per share – investments (HK$) | | | | | | 72.0 | 10.2 | |
| **Valuation per share – Tencent (HK$)** | | | | | | **705.0** | | |

Source: Company data, CMBIGM estimates

**Figure 5: Peer comparison: online games and advertising sector**

| | | Price | EPS growth (YoY %) | | PE (x) | |
|---|---|---|---|---|---|---|
| **Companies** | **Ticker** | **(Local)** | **FY26E** | **FY27E** | **FY26E** | **FY27E** |
| **Online games** | | | | | | |
| NetEase | NTES US | 127.9 | 9 | 10 | 13 | 12 |
| Nexon | 3659 JP | 2,499.0 | (2) | 2 | 18 | 18 |
| Bandai Namco | 7832 JP | 5,372.0 | 0 | 12 | 26 | 23 |
| Perfect World | 002624 CH | 11.8 | 116 | 27 | 14 | 11 |
| 37 Interactive | 002555 CH | 19.6 | 2 | 8 | 14 | 13 |
| **Average PE** | | | | | **17** | **15** |
| **Marketing services** | | | | | | |
| Focus Media | 002027 CH | 5.3 | 35 | 4 | 13 | 12 |
| Meta | Meta US | 599.1 | 15 | 9 | 17 | 16 |
| Google | GOOG US | 343.0 | 73 | (12) | 18 | 21 |
| **Average PE** | | | | | **16** | **16** |

Source: Bloomberg, CMBIGM
Note: data as of market close on 11 Aug

**Figure 6: Peer comparison: online video, fintech, and cloud sectors**

| | | Price | Revenue growth (YoY %) | | PS (x) | |
|---|---|---|---|---|---|---|
| **Companies** | **Ticker** | **(Local)** | **FY26E** | **FY27E** | **FY26E** | **FY27E** |
| **Online video** | | | | | | |
| iQiyi | IQ US | 1.4 | (2.9) | 2.5 | 0.3 | 0.3 |
| Mango Excellent Media | 300413 CH | 16.1 | 12.9 | 5.1 | 2.1 | 2.0 |
| **Average PS** | | | | | **1.2** | **1.2** |
| **Cloud** | | | | | | |
| Microsoft | MSFT US | 503.8 | 18.6 | 19.1 | 9.6 | 8.0 |
| Google | GOOG US | 343.0 | 26.8 | 25.9 | 9.7 | 7.7 |
| Salesforce | CRM US | 197.5 | 0.0 | 11.1 | 3.9 | 3.5 |
| Kingsoft Cloud | KC US | 11.8 | 37.2 | 25.5 | 1.9 | 1.5 |
| Amazon | AMZN US | 272.3 | 15.9 | 14.5 | 3.5 | 3.1 |
| **Average PS** | | | | | **5.7** | **4.8** |
| **Fintech** | | | | | | |
| PayPal | PYPL US | 59.0 | 4.3 | 4.3 | 1.5 | 1.4 |
| Block | SQ US | 79.1 | 7.2 | 9.9 | 1.8 | 1.7 |
| **Average PS** | | | | | **1.6** | **1.5** |

Source: Bloomberg, CMBIGM
Note: data as of market close on 11 Aug

Our calculation of the valuation of Tencent's strategic investments is based on the current market value of Tencent's listed investments and the book value of its unlisted investments. We apply a 30% holding company discount to the fair value of Tencent's equity investments.

**Figure 7: Tencent: valuation of strategic investments**

| Name | Ticker | Tencent's stake % | Mkt cap (US$mn) | Value to Tencent (HK$mn) |
|---|---|---|---|---|
| PDD Holdings Inc | PDD US | 13.8 | 128,817 | 138,659 |
| Sea Ltd | SE US | 17.0 | 80,548 | 106,806 |
| Spotify Technology SA | SPOT US | 8.1 | 103,122 | 64,992 |
| Futu Holdings Ltd | FUTU US | 14.9 | 14,743 | 17,134 |
| Kuaishou Technology | 1024 HK | 9.4 | 23,081 | 16,869 |
| Reddit Inc | RDDT US | 6.7 | 30,050 | 15,798 |
| KE Holdings Inc | BEKE US | 8.4 | 19,628 | 12,891 |
| Zhejiang Century Huatong Group | 002602 CH | 10.1 | 15,591 | 12,295 |
| Snap Inc | SNAP US | 14.5 | 9,318 | 10,539 |
| Meituan | 3690 HK | 1.7 | 71,538 | 9,598 |
| JD.com Inc | 9618 HK | 2.5 | 43,167 | 8,417 |
| Krafton Inc | 259960 KS | 13.5 | 7,775 | 8,182 |
| Vipshop Holdings Ltd | VIPS US | 11.8 | 7,199 | 6,626 |
| Tongcheng Travel Holdings Ltd | 780 HK | 20.5 | 4,068 | 6,499 |
| Bilibili Inc | 9626 HK | 10.5 | 7,440 | 6,093 |
| J&T Global Express Ltd | 1519 HK | 6.1 | 12,381 | 5,862 |
| Kanzhun Ltd | BZ US | 8.3 | 7,903 | 5,117 |
| Warner Music Group Corp | WMG US | 4.9 | 13,120 | 5,035 |
| Yixin Group Ltd | 2858 HK | 53.9 | 1,110 | 4,666 |
| XtalPi Holdings Ltd | 2228 HK | 12.9 | 4,442 | 4,473 |
| Netmarble Corp | 251270 KS | 17.5 | 2,327 | 3,181 |
| Tuhu Car Inc | 9690 HK | 21.4 | 1,246 | 2,080 |
| Other listed entities as a whole | | | 57,991 | 16,152 |
| **Listed investments (current value)** | | | | **487,963** |
| **Unlisted investments (book value)** | | | | **449,870** |
| **Total investment value** | | | | **937,833** |
| Holdco discount | | | | 30% |
| **Valuation of strategic investments** | | | | **656,483** |
| **Valuation of strategic investments per share** | | | | **72.0** |

Source: Bloomberg, company data, CMBIGM
Note: data as of the market close on 11 Aug

## Risks

Increased AI investment impacts margin; a slowdown in games revenue growth; slower-than-expected AI monetization.

# Financial Summary

| INCOME STATEMENT | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec (RMB mn)** | | | | | | |
| **Revenue** | **609,015** | **660,257** | **751,766** | **816,510** | **873,828** | **925,213** |
| Cost of goods sold | (315,906) | (311,011) | (329,173) | (346,621) | (366,391) | (387,456) |
| **Gross profit** | **293,109** | **349,246** | **422,593** | **469,889** | **507,437** | **537,756** |
| **Operating expenses** | **(133,035)** | **(141,147)** | **(181,031)** | **(209,407)** | **(232,021)** | **(248,478)** |
| Selling expense | (34,211) | (36,388) | (41,727) | (51,440) | (54,177) | (55,513) |
| Admin expense | (103,525) | (112,761) | (136,127) | (159,220) | (179,135) | (194,295) |
| Others | 4,701 | 8,002 | (3,177) | 1,253 | 1,291 | 1,329 |
| **Operating profit** | **160,074** | **208,099** | **241,562** | **260,483** | **275,415** | **289,278** |
| Gain/loss on financial assets at FVTPL | (6,090) | 4,187 | 10,168 | 16,968 | 13,574 | 10,860 |
| Share of (losses)/profits of associates/JV | 5,800 | 25,176 | 23,740 | 7,291 | 27,328 | 28,148 |
| Interest income | 13,808 | 16,004 | 16,909 | 17,317 | 14,392 | 14,155 |
| Interest expense | (12,268) | (11,981) | (15,130) | (12,975) | (11,879) | (10,692) |
| **Pre-tax profit** | **161,324** | **241,485** | **277,249** | **289,084** | **318,830** | **331,748** |
| Income tax | (43,276) | (45,018) | (47,448) | (50,590) | (55,795) | (58,056) |
| **After tax profit** | **118,048** | **196,467** | **229,801** | **238,494** | **263,035** | **273,692** |
| Minority interest | (2,832) | (2,394) | (4,959) | (5,962) | (6,576) | (6,842) |
| **Net profit** | **115,216** | **194,073** | **224,842** | **232,532** | **256,459** | **266,850** |
| **Adjusted net profit** | **157,688** | **222,703** | **259,626** | **272,181** | **286,534** | **302,518** |
| Gross dividends | 28,485 | 27,965 | 42,645 | 48,134 | 53,087 | 55,238 |

| BALANCE SHEET | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec (RMB mn)** | | | | | | |
| **Current assets** | **518,446** | **496,180** | **595,460** | **577,458** | **700,586** | **865,927** |
| Cash & equivalents | 172,320 | 132,519 | 141,041 | 96,704 | 181,388 | 299,850 |
| Account receivables | 46,606 | 48,203 | 49,930 | 51,693 | 53,663 | 55,114 |
| Inventories | 456 | 440 | 530 | 1,288 | 1,351 | 1,402 |
| Prepayment | 88,411 | 101,044 | 111,270 | 112,411 | 119,790 | 118,690 |
| ST bank deposits | 185,983 | 192,977 | 236,801 | 248,641 | 260,824 | 273,349 |
| Financial assets at FVTPL | 14,903 | 12,913 | 44,710 | 46,946 | 49,293 | 51,757 |
| Other current assets | 9,767 | 8,084 | 11,178 | 19,775 | 34,276 | 65,765 |
| **Non-current assets** | **1,058,800** | **1,284,815** | **1,443,526** | **1,662,747** | **1,803,848** | **1,922,122** |
| PP&E | 53,232 | 80,185 | 149,905 | 293,401 | 380,146 | 432,641 |
| Deferred income tax | 29,017 | 28,325 | 28,618 | 38,383 | 33,321 | 42,599 |
| Investment in JVs & assos | 261,665 | 297,415 | 348,712 | 363,834 | 379,369 | 395,307 |
| Intangibles | 177,727 | 196,127 | 205,999 | 246,329 | 282,571 | 314,782 |
| Financial assets at FVTPL | 211,145 | 204,999 | 207,157 | 207,157 | 207,157 | 207,157 |
| Other non-current assets | 326,014 | 477,764 | 503,135 | 513,643 | 521,283 | 529,636 |
| **Total assets** | **1,577,246** | **1,780,995** | **2,038,986** | **2,240,205** | **2,504,434** | **2,788,049** |
| | | | | | | |
| **Current liabilities** | **352,157** | **396,909** | **412,751** | **437,939** | **462,171** | **488,140** |
| Short-term borrowings | 55,698 | 61,508 | 53,160 | 55,756 | 58,706 | 61,843 |
| Account payables | 100,948 | 118,712 | 121,127 | 128,773 | 135,380 | 143,960 |
| Tax payable | 17,664 | 16,586 | 18,558 | 19,151 | 19,838 | 20,559 |
| Other current liabilities | 171,693 | 194,503 | 214,520 | 228,874 | 242,861 | 256,391 |
| Lease liabilities | 6,154 | 5,600 | 5,386 | 5,386 | 5,386 | 5,386 |
| **Non-current liabilities** | **351,408** | **330,190** | **385,170** | **408,040** | **415,777** | **422,414** |
| Long-term borrowings | 155,819 | 146,521 | 208,369 | 214,620 | 216,552 | 217,136 |
| Bond payables | 137,101 | 130,586 | 126,204 | 126,796 | 127,093 | 127,242 |
| Deferred income | 3,435 | 6,236 | 2,210 | 13,865 | 14,656 | 15,498 |
| Other non-current liabilities | 55,053 | 46,847 | 48,387 | 52,759 | 57,477 | 62,537 |
| **Total liabilities** | **703,565** | **727,099** | **797,921** | **845,979** | **877,949** | **910,553** |
| | | | | | | |
| Retained earnings | 813,911 | 892,030 | 1,010,436 | 1,202,275 | 1,427,958 | 1,672,126 |
| Other reserves | (5,320) | 81,518 | 143,716 | 99,076 | 99,076 | 99,076 |
| **Total shareholders equity** | **808,591** | **973,548** | **1,154,152** | **1,301,351** | **1,527,034** | **1,771,202** |
| Minority interest | 65,090 | 80,348 | 86,913 | 92,875 | 99,451 | 106,294 |
| **Total equity and liabilities** | **1,577,246** | **1,780,995** | **2,038,986** | **2,240,205** | **2,504,434** | **2,788,049** |

| CASH FLOW | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec (RMB mn)** | | | | | | |
| **Operating** | | | | | | |
| **Profit before taxation** | **161,324** | **241,485** | **277,249** | **289,084** | **318,830** | **331,748** |
| Depreciation & amortization | 59,008 | 56,213 | 66,028 | 93,667 | 137,286 | 170,558 |
| Tax paid | (43,276) | (45,018) | (47,448) | (50,590) | (55,795) | (58,056) |
| Change in working capital | 19,233 | 21,881 | 16,484 | 18,337 | 11,183 | 21,709 |
| Others | 25,673 | (16,040) | (9,261) | 0 | 0 | 0 |
| **Net cash from operations** | **221,962** | **258,521** | **303,052** | **350,497** | **411,504** | **465,960** |
| **Investing** | | | | | | |
| Capital expenditure | (23,893) | (76,760) | (79,198) | (195,963) | (174,766) | (166,538) |
| Acquisition of subsidiaries/ investments | (105,332) | (183,983) | (157,834) | (58,067) | (47,146) | (80,046) |
| Net proceeds from disposal of short-term investments | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 4,064 | 138,556 | 31,300 | (81,530) | (85,508) | (88,726) |
| **Net cash from investing** | **(125,161)** | **(122,187)** | **(205,732)** | **(335,560)** | **(307,420)** | **(335,310)** |
| **Financing** | | | | | | |
| Net borrowings | 19,445 | (107) | 52,706 | 14,403 | 10,585 | 9,651 |
| Proceeds from share issues | 1,070 | 1,932 | 2,721 | 0 | 0 | 0 |
| Others | (103,088) | (178,319) | (142,582) | (73,678) | (29,984) | (21,840) |
| **Net cash from financing** | **(82,573)** | **(176,494)** | **(87,155)** | **(59,275)** | **(19,400)** | **(12,188)** |
| **Net change in cash** | | | | | | |
| Cash at the beginning of the year | 156,739 | 172,320 | 132,519 | 141,041 | 96,704 | 181,388 |
| Exchange difference | 1,353 | 359 | (1,643) | 0 | 0 | 0 |
| **Cash at the end of the year** | **172,320** | **132,519** | **141,041** | **96,704** | **181,388** | **299,850** |

| GROWTH | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec** | | | | | | |
| Revenue | 9.8% | 8.4% | 13.9% | 8.6% | 7.0% | 5.9% |
| Gross profit | 22.8% | 19.2% | 21.0% | 11.2% | 8.0% | 6.0% |
| Operating profit | 44.4% | 30.0% | 16.1% | 7.8% | 5.7% | 5.0% |
| Net profit | (38.8%) | 68.4% | 15.9% | 3.4% | 10.3% | 4.1% |
| Adj. net profit | 36.4% | 41.2% | 16.6% | 4.8% | 5.3% | 5.6% |

| PROFITABILITY | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec** | | | | | | |
| Gross profit margin | 48.1% | 52.9% | 56.2% | 57.5% | 58.1% | 58.1% |
| Operating margin | 26.3% | 31.5% | 32.1% | 31.9% | 31.5% | 31.3% |
| Adj. net profit margin | 25.9% | 33.7% | 34.5% | 33.3% | 32.8% | 32.7% |
| Return on equity (ROE) | 15.1% | 21.8% | 21.1% | 18.9% | 18.1% | 16.2% |

| GEARING/LIQUIDITY/ACTIVITIES | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec** | | | | | | |
| Net debt to equity (x) | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 |
| Current ratio (x) | 1.5 | 1.3 | 1.4 | 1.3 | 1.5 | 1.8 |
| Receivable turnover days | 27.9 | 26.6 | 24.2 | 23.1 | 22.4 | 21.7 |

| VALUATION | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec** | | | | | | |
| P/E | 32.6 | 19.0 | 16.0 | 15.3 | 13.7 | 13.3 |
| P/E (diluted) | 33.1 | 19.3 | 16.3 | 15.6 | 13.9 | 13.5 |
| P/B | 4.6 | 3.8 | 3.1 | 2.7 | 2.3 | 2.0 |

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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| | |
|---|---|
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