

# Tencent (700 HK)

## Inline 4Q25 results; increasing AI investment to solidify competitive moat

Tencent announced in-line 4Q25 results: total revenue increased by 13% YoY to RMB194.4bn, and non-IFRS operating income was up by 17% YoY to RMB69.5bn, both in line with Bloomberg consensus estimates. FY25 total revenue/non-IFRS operating income grew by 14%/18% YoY. FY26 will be a key investment year for Tencent AI, and management expected to more than double the investment in new AI products in FY26 (>RMB36bn). Though the AI investment may drag short-term earnings growth, we expect this to strengthen Tencent's core businesses, capture new opportunities like agentic AI, and ease investors' concern that Tencent may lag in the AI competition due to underinvestment. Given the step-up in investment, we lower our FY26-27E earnings forecast by 2-3%, and fine-tune our SOTP-derived target price to HK\$750.0 (previous: HK\$760.0). That said, we remain upbeat on the resilience of Tencent's core businesses and emerging AI opportunities. Maintain BUY.

■ **Core existing businesses maintained solid performance.** By segment, in 4Q25: 1) Games revenue grew by 21% YoY to RMB59.3bn (31% of total revenue), driven by solid growth of both domestic games/international games revenue (+15%/+32% YoY). Looking ahead, highly-anticipated titles *Roco Kingdom: World* and *HoK: World* are lined for launch in 1H26, which shall support the solid games revenue growth in FY26E, in our view. 2) Marketing services revenue grew by 17% YoY to RMB41.1bn (21% of total revenue), mainly attributable to the AI-enhanced ad performance and pricing. Ad impressions grew slightly due to higher user engagement and ad load rate. 3) Fintech and Business Services (FBS) revenue increased by 8% YoY to RMB60.8bn (31% of total revenue). Business services revenue growth accelerated to +22% YoY in 4Q25 (vs. teens% growth in 9M25), thanks to the strong demand for AI-related services and higher e-commerce tech service fees. Tencent Cloud achieved positive adjusted operating profit of RMB5bn in FY25, due to increased AI demand and higher revenue contribution from high-margin SaaS & PaaS products.

■ **Capture emerging AI opportunities.** We expect several catalysts on the AI front in FY26: 1) foundation models: HY 3.0, the first flagship foundation model after the restructuring of Tencent AI team, is now under internal testing and will be available externally starting from April; 2) Weixin AI: Tencent is building the next-gen agentic services in Weixin, which will boost ecosystem activities and may generate revenue itself; 3) productivity AI: the company is introducing a range of autonomous AI agents like WorkBuddy and Qclaw to its social platforms, creating new monetization opportunities.

■ **Double investment in new AI products in FY26E.** Total costs and expenses for the new AI products were RMB18bn in FY25, and Tencent expects to more than double this investment in FY26E (>RMB36bn, c.4% of FY26E total revenue). That said, management expected increased profits from existing businesses to more than offset the incremental investments. We expect non-IFRS OPM to decline by 1ppt YoY to 36% in FY26E, due to AI investment. We forecast sustainable total revenue growth of 10%/7%/5% over FY26-28E; and expect non-IFRS OP growth to decelerate to +6% YoY in FY26E, but then reaccelerate to 10%/8% in FY27/28E.

### Earnings Summary

| (YE 31 Dec)                  | FY24A     | FY25A     | FY26E     | FY27E     | FY28E     |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
| Revenue (RMB mn)             | 660,257   | 751,766   | 823,452   | 883,100   | 927,138   |
| Adjusted net profit (RMB mn) | 222,703.0 | 259,626.0 | 276,246.7 | 300,101.6 | 322,790.4 |
| EPS (Adjusted) (RMB)         | 23.96     | 28.55     | 30.33     | 33.45     | 36.53     |
| Consensus EPS (RMB)          | 23.96     | 28.55     | 31.70     | 35.15     | 40.06     |

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** **HK\$750.00**  
 (Previous TP) **HK\$760.00**  
**Up/Downside** **36.2%**  
**Current Price** **HK\$550.50**

### China Internet

**Saiyi HE, CFA**  
 (852) 3916 1739  
 hesaiyi@cmbi.com.hk

**Wentao LU, CFA**  
 luwentao@cmbi.com.hk

**Ye TAO, CFA**  
 (852) 3850 5226  
 franktao@cmbi.com.hk

**Shuyin GUO**  
 (852) 3916 3716  
 guoshuyin@cmbi.com.hk

### Stock Data

|                          |               |
|--------------------------|---------------|
| Mkt Cap (HK\$ mn)        | 5,005,283.6   |
| Avg 3 mths t/o (HK\$ mn) | 14,718.5      |
| 52w High/Low (HK\$)      | 677.50/435.40 |
| Total Issued Shares (mn) | 9092.3        |

Source: FactSet

### Shareholding Structure

|                               |       |
|-------------------------------|-------|
| MIH TC                        | 23.1% |
| Advance Data Services Limited | 7.7%  |

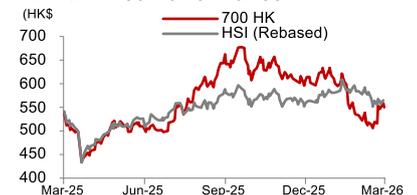
Source: HKEx

### Share Performance

|       | Absolute | Relative |
|-------|----------|----------|
| 1-mth | 3.3%     | 6.0%     |
| 3-mth | -9.0%    | -10.9%   |
| 6-mth | -14.3%   | -12.5%   |

Source: FactSet

### 12-mth Price Performance



Source: FactSet

## Business forecasts update and valuation

Figure 1: Tencent: forecast revision

| (RMB bn)            | Current |       |       | Previous |       |       | Change (%) |          |       |
|---------------------|---------|-------|-------|----------|-------|-------|------------|----------|-------|
|                     | FY26E   | FY27E | FY28E | FY26E    | FY27E | FY28E | FY26E      | FY27E    | FY28E |
| Revenue             | 823.5   | 883.1 | 927.1 | 816.8    | 872.2 | NA    | 0.8%       | 1.3%     | NA    |
| Gross profit        | 468.0   | 506.7 | 536.6 | 466.0    | 499.0 | NA    | 0.4%       | 1.5%     | NA    |
| Operating profit    | 258.0   | 286.8 | 311.3 | 274.9    | 299.3 | NA    | -6.2%      | -4.2%    | NA    |
| Adjusted net profit | 276.2   | 300.1 | 322.8 | 285.6    | 306.6 | NA    | -3.3%      | -2.1%    | NA    |
| Adjusted EPS (RMB)  | 30.3    | 33.5  | 36.5  | 31.2     | 34.0  | NA    | -2.9%      | -1.7%    | NA    |
| Gross margin        | 56.8%   | 57.4% | 57.9% | 57.1%    | 57.2% | NA    | -0.2 ppt   | 0.2 ppt  | NA    |
| Operating margin    | 31.3%   | 32.5% | 33.6% | 33.7%    | 34.3% | NA    | -2.3 ppt   | -1.8 ppt | NA    |
| Adjusted net margin | 33.5%   | 34.0% | 34.8% | 35.0%    | 35.2% | NA    | -1.4 ppt   | -1.2 ppt | NA    |

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

| (RMB bn)            | CMBIGM |       |       | Consensus |       |       | Diff (%) |          |          |
|---------------------|--------|-------|-------|-----------|-------|-------|----------|----------|----------|
|                     | FY26E  | FY27E | FY28E | FY26E     | FY27E | FY28E | FY26E    | FY27E    | FY28E    |
| Revenue             | 823.5  | 883.1 | 927.1 | 831.1     | 909.9 | 987.7 | -0.9%    | -2.9%    | -6.1%    |
| Gross profit        | 468.0  | 506.7 | 536.6 | 473.7     | 524.9 | 572.4 | -1.2%    | -3.5%    | -6.2%    |
| Operating profit    | 258.0  | 286.8 | 311.3 | 282.1     | 316.8 | 346.3 | -8.5%    | -9.5%    | -10.1%   |
| Adjusted net profit | 276.2  | 300.1 | 322.8 | 291.0     | 323.7 | 352.4 | -5.1%    | -7.3%    | -8.4%    |
| Adjusted EPS (RMB)  | 30.3   | 33.5  | 36.5  | 31.7      | 35.1  | 40.1  | -4.3%    | -4.8%    | -8.8%    |
| Gross margin        | 56.8%  | 57.4% | 57.9% | 57.0%     | 57.7% | 58.0% | -0.2 ppt | -0.3 ppt | -0.1 ppt |
| Operating margin    | 31.3%  | 32.5% | 33.6% | 33.9%     | 34.8% | 35.1% | -2.6 ppt | -2.3 ppt | -1.5 ppt |
| Adjusted net margin | 33.5%  | 34.0% | 34.8% | 35.0%     | 35.6% | 35.7% | -1.5 ppt | -1.6 ppt | -0.9 ppt |

Source: Bloomberg, CMBIGM estimates

Figure 3: Tencent: quarterly financials

| (RMB bn)                   | 1Q24         | 2Q24         | 3Q24         | 4Q24         | 1Q25         | 2Q25         | 3Q25         | 4Q25         | Cons.        | Diff%        |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| SNS revenue                | 30.5         | 30.3         | 30.9         | 29.8         | 32.6         | 32.2         | 32.3         | 30.6         | 31.4         | -2.5%        |
| YoY%                       | -1.4%        | 2.2%         | 3.9%         | 5.8%         | 2.5%         | 6.9%         | 6.1%         | 4.4%         |              |              |
| QoQ%                       | 8.3%         | -0.7%        | 1.9%         | -3.5%        | 9.4%         | -1.4%        | 0.3%         | -5.1%        |              |              |
| Games revenue              | 48.1         | 48.5         | 51.8         | 49.2         | 59.5         | 59.2         | 63.6         | 59.3         | 56.9         | 4.2%         |
| YoY%                       | -0.5%        | 8.9%         | 12.6%        | 20.3%        | 23.7%        | 22.1%        | 22.8%        | 20.5%        |              |              |
| QoQ%                       | 17.6%        | 0.8%         | 6.8%         | -5.0%        | 20.9%        | -0.5%        | 7.4%         | -6.8%        |              |              |
| Marketing revenue          | 26.5         | 29.9         | 30.0         | 35.0         | 31.9         | 35.8         | 36.2         | 41.1         | 41.6         | -1.2%        |
| YoY%                       | 26.4%        | 19.5%        | 16.6%        | 17.5%        | 20.2%        | 19.7%        | 20.8%        | 17.5%        |              |              |
| QoQ%                       | -11.0%       | 12.7%        | 0.4%         | 16.7%        | -9.0%        | 12.3%        | 1.3%         | 13.4%        |              |              |
| FBS revenue                | 52.3         | 50.4         | 53.1         | 56.1         | 54.9         | 55.5         | 58.2         | 60.8         | 61.2         | -0.6%        |
| YoY%                       | 7.4%         | 3.7%         | 2.0%         | 3.2%         | 5.0%         | 10.1%        | 9.6%         | 8.4%         |              |              |
| QoQ%                       | -3.8%        | -3.6%        | 5.3%         | 5.7%         | -2.2%        | 1.1%         | 4.8%         | 4.5%         |              |              |
| <b>Total revenue</b>       | <b>159.5</b> | <b>161.1</b> | <b>167.2</b> | <b>172.4</b> | <b>180.0</b> | <b>184.5</b> | <b>192.9</b> | <b>194.4</b> | <b>194.1</b> | <b>0.2%</b>  |
| YoY%                       | 6.3%         | 8.0%         | 8.1%         | 11.1%        | 12.9%        | 14.5%        | 15.4%        | 12.7%        |              |              |
| QoQ%                       | 2.8%         | 1.0%         | 3.8%         | 3.1%         | 4.4%         | 2.5%         | 4.5%         | 0.8%         |              |              |
| <b>Gross Profit</b>        | <b>83.9</b>  | <b>85.9</b>  | <b>88.8</b>  | <b>90.7</b>  | <b>100.5</b> | <b>105.0</b> | <b>108.8</b> | <b>108.3</b> | <b>108.2</b> | <b>0.1%</b>  |
| YoY%                       | 23.0%        | 21.3%        | 16.1%        | 16.9%        | 19.8%        | 22.3%        | 22.5%        | 19.5%        |              |              |
| Gross profit margin (%)    | 52.6%        | 53.3%        | 53.1%        | 52.6%        | 55.8%        | 56.9%        | 56.4%        | 55.7%        |              |              |
| <b>Non-IFRS net profit</b> | <b>50.3</b>  | <b>57.3</b>  | <b>59.8</b>  | <b>55.3</b>  | <b>61.3</b>  | <b>63.1</b>  | <b>70.6</b>  | <b>64.7</b>  | <b>64.9</b>  | <b>-0.4%</b> |
| YoY%                       | 54.5%        | 52.6%        | 33.2%        | 29.6%        | 22.0%        | 10.0%        | 18.0%        | 17.0%        |              |              |
| Non-IFRS NPM (%)           | 31.5%        | 35.6%        | 35.8%        | 32.1%        | 34.1%        | 34.2%        | 36.6%        | 33.3%        |              |              |

Source: Company data, Bloomberg, CMBIGM

Our SOTP-derived target price of HK\$750.0 comprises, per share:

1) HK\$347.4 for the games business, based on 24x 2026E PE, which is at a premium to the average PE for its global gaming peers (19x), mainly due to Tencent's strong leadership in China's games industry and diversified games portfolio.

2) HK\$33.2 for the SNS business, including the market cap of Tencent's stake in its subsidiaries, the valuation of Tencent Video (based on 3.5x 2026E PS, at a premium to the 1.6x 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\$148.5 for the marketing services business, based on 22x 2026E PE, which is at a premium to the industry average (20x). This reflects Tencent's more resilient ad revenue growth outlook, supported by the solid performance of Weixin Video Account and Mini Program.

4) HK\$105.8 for the fintech business, based on 4.5x 2026E PS, at a premium to the peer average (1.3x). This mainly reflects Tencent's strong leadership in China's digital payment market and its potential to capture other fintech business opportunities.

5) HK\$33.4 for the cloud business, based on 4.5x 2026E PS, at a discount to the industry average (5.3x) as Tencent's current offerings mainly involve the lower-margin IaaS business.

6) HK\$72.7 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\$8.7 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                                       | 115,819                  |                       | 24x          |              |                    | 2,779,655                    | 46.3                    | 347.4                      |
| Social network services (SNS)               |                          | 132,788               |              |              |                    | 265,677                      | 4.4                     | 33.2                       |
| Tencent Music (TME)                         |                          |                       |              |              | 121,448            | 66,918                       | 1.1                     | 8.4                        |
| China Literature                            |                          |                       |              |              | 27,277             | 16,143                       | 0.3                     | 2.0                        |
| Huya  |                          |                       |              |              | 4,853              | 2,300                        | 0.0                     | 0.3                        |
| Online video – subscription                 |                          | 20,700                |              | 3.5x         |                    | 72,450                       | 1.2                     | 9.1                        |
| Others                                      |                          | 30,819                |              | 3.5x         |                    | 107,867                      | 1.8                     | 13.5                       |
| Marketing services                          | 54,021                   |                       | 22x          |              |                    | 1,188,469                    | 19.8                    | 148.5                      |
| Fintech                                     |                          | 188,036               |              | 4.5x         |                    | 846,162                      | 14.1                    | 105.8                      |
| Cloud (business services)                   |                          | 59,417                |              | 4.5x         |                    | 267,375                      | 4.5                     | 33.4                       |
| Net cash                                    |                          |                       |              |              |                    | 69,247                       | 1.2                     | 8.7                        |
| <b>Valuation of core business</b>           |                          |                       |              |              |                    | <b>5,416,585</b>             |                         |                            |
| RMB/HK\$                                    |                          |                       |              |              |                    | 0.88                         |                         |                            |
| <b>Valuation of core business (HK\$mn)</b>  |                          |                       |              |              |                    | <b>6,155,210</b>             |                         |                            |
| Valuation per share – core business (HK\$)  |                          |                       |              |              |                    | <b>677.0</b>                 |                         |                            |
| Valuation per share – investments (HK\$)    |                          |                       |              |              |                    | 72.7                         | 9.7                     |                            |
| <b>Valuation per share – Tencent (HK\$)</b> |                          |                       |              |              |                    | <b>750.0</b>                 |                         |                            |

Source: Company data, CMBIGM estimates

Figure 5: Peer comparison: online games and advertising sectors

| Companies                 | Ticker    | Price<br>(Local) | EPS growth (YoY %) |       | PE (x)    |           |
|---------------------------|-----------|------------------|--------------------|-------|-----------|-----------|
|                           |           |                  | FY26E              | FY27E | FY26E     | FY27E     |
| <b>Online games</b>       |           |                  |                    |       |           |           |
| NetEase                   | NTES US   | 118.9            | 3                  | 11    | 13        | 12        |
| Electronic Arts           | EA US     | 200.1            | 31                 | 8     | 23        | 22        |
| Nexon                     | 3659 JP   | 2,933.5          | 16                 | 5     | 18        | 17        |
| Bandai Namco              | 7832 JP   | 4,194.0          | 0                  | 7     | 20        | 19        |
| Perfect World             | 002624 CH | 19.0             | 112                | 16    | 23        | 20        |
| 37 Interactive            | 002555 CH | 23.5             | 7                  | 11    | 16        | 14        |
| <b>Average PE</b>         |           |                  |                    |       | <b>19</b> | <b>17</b> |
| <b>Marketing services</b> |           |                  |                    |       |           |           |
| Focus Media               | 002027 CH | 6.9              | 29                 | 6     | 16        | 16        |
| Meta                      | Meta US   | 622.7            | 5                  | 17    | 20        | 17        |
| Google                    | GOOG US   | 309.4            | 13                 | 15    | 25        | 22        |
| <b>Average PE</b>         |           |                  |                    |       | <b>20</b> | <b>18</b> |

Source: Bloomberg, CMBIGM estimates

Note: data as of market close on 17 Mar

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

| Companies             | Ticker    | Price<br>(Local) | Revenue growth (YoY %) |       | PS (x)     |            |
|-----------------------|-----------|------------------|------------------------|-------|------------|------------|
|                       |           |                  | FY26E                  | FY27E | FY26E      | FY27E      |
| <b>Online video</b>   |           |                  |                        |       |            |            |
| iQiyi                 | IQ US     | 1.3              | (1.6)                  | 3.7   | 0.3        | 0.3        |
| Mango Excellent Media | 300413 CH | 22.1             | 9.8                    | 7.2   | 2.9        | 2.7        |
| <b>Average PS</b>     |           |                  |                        |       | <b>1.6</b> | <b>1.5</b> |
| <b>Cloud</b>          |           |                  |                        |       |            |            |
| Microsoft             | MSFT US   | 399.4            | 15.5                   | 16.6  | 7.8        | 6.7        |
| Google                | GOOG US   | 309.4            | 18.9                   | 16.6  | 9.3        | 7.9        |
| Salesforce            | CRM US    | 195.3            | 0.0                    | 11.2  | 4.3        | 3.9        |
| Kingsoft Cloud        | KC US     | 13.1             | 19.5                   | 18.6  | 2.4        | 2.0        |
| Amazon                | AMZN US   | 215.2            | 12.7                   | 11.7  | 2.9        | 2.6        |
| <b>Average PS</b>     |           |                  |                        |       | <b>5.3</b> | <b>4.6</b> |
| <b>Fintech</b>        |           |                  |                        |       |            |            |
| PayPal                | PYPL US   | 46.1             | 2.4                    | 4.2   | 1.2        | 1.2        |
| Block                 | SQ US     | 59.8             | 9.1                    | 9.4   | 1.4        | 1.2        |
| <b>Average PS</b>     |           |                  |                        |       | <b>1.3</b> | <b>1.2</b> |

Source: Bloomberg, CMBIGM estimates

Note: data as of market close on 17 Mar

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\$m) | Value to Tencent (HK\$m) |
|---|-----------|-------------------|-----------------|--------------------------|
| PDD Holdings Inc                                    | PDD US    | 13.8              | 148,169         | 159,489                  |
| Sea Ltd   | SE US     | 17.6              | 51,855          | 71,227                   |
| Spotify Technology SA                               | SPOT US   | 8.1               | 108,109         | 68,135                   |
| Kuaishou Technology                                 | 1024 HK   | 15.8              | 32,820          | 40,422                   |
| Futu Holdings Ltd                                   | FUTU US   | 14.9              | 20,503          | 23,828                   |
| KE Holdings Inc                                     | BEKE US   | 9.3               | 20,052          | 17,830                   |
| Reddit Inc  | RDDT US   | 6.7               | 27,572          | 14,495                   |
| Zhejiang Century Huatong Group                      | 002602 CH | 10.0              | 18,135          | 14,188                   |
| Tongcheng Travel Holdings Ltd                       | 780 HK    | 20.5              | 5,839           | 9,327                    |
| Bilibili Inc  | 9626 HK   | 10.5              | 11,367          | 9,309                    |
| Snap Inc  | SNAP US   | 14.5              | 7,854           | 8,882                    |
| Yixin Group Ltd                                     | 2858 HK   | 53.9              | 2,061           | 8,661                    |
| Meituan   | 3690 HK   | 1.7               | 62,941          | 8,444                    |
| Vipshop Holdings Ltd                                | VIPS US   | 11.8              | 8,853           | 8,148                    |
| JD.com Inc  | 9618 HK   | 2.5               | 41,570          | 8,106                    |
| Krafton Inc   | 259960 KS | 13.5              | 7,506           | 7,898                    |
| XtalPi Holdings Ltd                                 | 2228 HK   | 12.9              | 5,457           | 5,496                    |
| Warner Music Group Corp                             | WMG US    | 4.9               | 13,832          | 5,308                    |
| J&T Global Express Ltd                              | 1519 HK   | 6.1               | 10,848          | 5,136                    |
| Kanzhun Ltd   | BZ US     | 8.3               | 7,005           | 4,535                    |
| Netmarble Corp                                      | 251270 KS | 17.5              | 2,943           | 4,021                    |
| Tuhu Car Inc  | 9690 HK   | 21.4              | 1,455           | 2,429                    |
| Other listed entities as a whole                    |           |                   | 65,147          | 18,432                   |
| <b>Listed investments (current value)</b>           |           |                   |                 | <b>523,747</b>           |
| <b>Unlisted investments (book value)</b>            |           |                   |                 | <b>406,687</b>           |
| <b>Total investment value</b>                       |           |                   |                 | <b>930,434</b>           |
| Holdco discount                                     |           |                   |                 | 30%                      |
| <b>Valuation of strategic investments</b>           |           |                   |                 | <b>651,304</b>           |
| <b>Valuation of strategic investments per share</b> |           |                   |                 | <b>72.7</b>              |

Source: Bloomberg, company data, CMBIGM

Note: data as of market close on 17 Mar

## Financial Summary

| INCOME STATEMENT                           | 2023A            | 2024A            | 2025A            | 2026E            | 2027E            | 2028E            |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>YE 31 Dec (RMB mn)</b>                  |                  |                  |                  |                  |                  |                  |
| Revenue                                    | 609,015          | 660,257          | 751,766          | 823,452          | 883,100          | 927,138          |
| Cost of goods sold                         | (315,906)        | (311,011)        | (329,173)        | (355,485)        | (376,385)        | (390,504)        |
| <b>Gross profit</b>                        | <b>293,109</b>   | <b>349,246</b>   | <b>422,593</b>   | <b>467,966</b>   | <b>506,714</b>   | <b>536,634</b>   |
| Operating expenses                         | (133,035)        | (141,147)        | (181,031)        | (209,980)        | (219,892)        | (225,294)        |
| Selling expense                            | (34,211)         | (36,388)         | (41,727)         | (49,407)         | (52,103)         | (53,774)         |
| Admin expense                              | (103,525)        | (112,761)        | (136,127)        | (160,573)        | (167,789)        | (171,520)        |
| Others                                     | 4,701            | 8,002            | (3,177)          | 0                | 0                | 0                |
| <b>Operating profit</b>                    | <b>160,074</b>   | <b>208,099</b>   | <b>241,562</b>   | <b>257,986</b>   | <b>286,823</b>   | <b>311,339</b>   |
| Share of (losses)/profits of associates/JV | 5,800            | 25,176           | 23,740           | 6,529            | 6,529            | 6,529            |
| Interest income                            | 13,808           | 16,004           | 16,909           | 4,329            | 4,329            | 4,329            |
| Interest expense                           | (12,268)         | (11,981)         | (3,860)          | (3,941)          | (3,756)          | (3,573)          |
| <b>Pre-tax profit</b>                      | <b>153,606</b>   | <b>221,294</b>   | <b>261,442</b>   | <b>260,574</b>   | <b>289,595</b>   | <b>314,295</b>   |
| Income tax                                 | (43,276)         | (45,018)         | (47,448)         | (52,897)         | (57,472)         | (62,036)         |
| <b>After tax profit</b>                    | <b>110,330</b>   | <b>176,276</b>   | <b>213,994</b>   | <b>207,677</b>   | <b>232,123</b>   | <b>252,259</b>   |
| Minority interest                          | (2,832)          | (2,394)          | (4,959)          | (4,819)          | (5,236)          | (5,652)          |
| <b>Net profit</b>                          | <b>107,498</b>   | <b>173,882</b>   | <b>209,035</b>   | <b>202,858</b>   | <b>226,887</b>   | <b>246,606</b>   |
| <b>Adjusted net profit</b>                 | <b>157,688</b>   | <b>222,703</b>   | <b>259,626</b>   | <b>276,247</b>   | <b>300,102</b>   | <b>322,790</b>   |
| Gross dividends                            | 28,485           | 27,965           | 42,645           | 48,884           | 53,112           | 57,330           |
| <b>BALANCE SHEET</b>                       |                  |                  |                  |                  |                  |                  |
| <b>YE 31 Dec (RMB mn)</b>                  |                  |                  |                  |                  |                  |                  |
| <b>Current assets</b>                      | <b>518,446</b>   | <b>496,180</b>   | <b>595,460</b>   | <b>615,282</b>   | <b>833,120</b>   | <b>1,005,446</b> |
| Cash & equivalents                         | 172,320          | 132,519          | 141,041          | 91,234           | 220,933          | 284,654          |
| Account receivables                        | 46,606           | 48,203           | 49,930           | 52,133           | 54,232           | 55,228           |
| Inventories                                | 456              | 440              | 530              | 1,299            | 1,366            | 1,405            |
| Prepayment                                 | 88,411           | 101,044          | 111,270          | 114,313          | 120,353          | 118,624          |
| ST bank deposits                           | 185,983          | 192,977          | 236,801          | 289,502          | 352,642          | 428,016          |
| 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           | 19,856           | 34,301           | 65,761           |
| <b>Non-current assets</b>                  | <b>1,058,800</b> | <b>1,284,815</b> | <b>1,443,526</b> | <b>1,575,099</b> | <b>1,657,109</b> | <b>1,726,872</b> |
| PP&E                                       | 53,232           | 80,185           | 149,905          | 203,748          | 230,933          | 235,824          |
| Deferred income tax                        | 29,017           | 28,325           | 28,618           | 38,952           | 33,513           | 42,566           |
| Investment in JVs & assos                  | 261,665          | 297,415          | 348,712          | 363,834          | 379,369          | 395,307          |
| Intangibles                                | 177,727          | 196,127          | 205,999          | 247,022          | 284,033          | 316,137          |
| 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          | 514,385          | 522,104          | 529,881          |
| <b>Total assets</b>                        | <b>1,577,246</b> | <b>1,780,995</b> | <b>2,038,986</b> | <b>2,190,381</b> | <b>2,490,229</b> | <b>2,732,318</b> |
| <b>Current liabilities</b>                 | <b>352,157</b>   | <b>396,909</b>   | <b>412,751</b>   | <b>385,915</b>   | <b>446,953</b>   | <b>423,615</b>   |
| Short-term borrowings                      | 55,698           | 61,508           | 53,160           | 61,739           | 65,051           | 67,169           |
| Account payables                           | 100,948          | 118,712          | 121,127          | 89,856           | 133,531          | 98,235           |
| Tax payable                                | 17,664           | 16,586           | 18,558           | 18,708           | 19,412           | 19,737           |
| Other current liabilities                  | 171,693          | 194,503          | 214,520          | 210,226          | 223,572          | 233,088          |
| Lease liabilities                          | 6,154            | 5,600            | 5,386            | 5,386            | 5,386            | 5,386            |
| <b>Non-current liabilities</b>             | <b>351,408</b>   | <b>330,190</b>   | <b>385,170</b>   | <b>408,394</b>   | <b>416,177</b>   | <b>422,536</b>   |
| 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            | 14,219           | 15,055           | 15,620           |
| Other non-current liabilities              | 55,053           | 46,847           | 48,387           | 52,759           | 57,477           | 62,537           |
| <b>Total liabilities</b>                   | <b>703,565</b>   | <b>727,099</b>   | <b>797,921</b>   | <b>794,309</b>   | <b>863,130</b>   | <b>846,151</b>   |
| Retained earnings                          | 813,911          | 892,030          | 1,010,436        | 1,205,263        | 1,431,054        | 1,684,470        |
| Other reserves                             | (5,320)          | 81,518           | 143,716          | 99,076           | 99,076           | 99,076           |
| <b>Total shareholders equity</b>           | <b>808,591</b>   | <b>973,548</b>   | <b>1,154,152</b> | <b>1,304,339</b> | <b>1,530,130</b> | <b>1,783,546</b> |
| Minority interest                          | 65,090           | 80,348           | 86,913           | 91,732           | 96,969           | 102,621          |
| <b>Total equity and liabilities</b>        | <b>1,577,246</b> | <b>1,780,995</b> | <b>2,038,986</b> | <b>2,190,381</b> | <b>2,490,229</b> | <b>2,732,318</b> |

| <b>CASH FLOW</b>                                     | <b>2023A</b>     | <b>2024A</b>     | <b>2025A</b>     | <b>2026E</b>     | <b>2027E</b>     | <b>2028E</b>     |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>YE 31 Dec (RMB mn)</b>                            |                  |                  |                  |                  |                  |                  |
| <b>Operating</b>                                     |                  |                  |                  |                  |                  |                  |
| Profit before taxation                               | 153,606          | 221,294          | 261,442          | 260,574          | 289,595          | 314,295          |
| Depreciation & amortization                          | 59,008           | 56,213           | 63,281           | 86,171           | 110,529          | 126,087          |
| Tax paid   | (43,276)         | (45,018)         | (47,448)         | (52,897)         | (57,472)         | (62,036)         |
| Change in working capital                            | 19,233           | 21,881           | 12,733           | (41,580)         | 48,816           | (25,087)         |
| Others   | 33,391           | 4,151            | 13,044           | 33,296           | 29,694           | 30,351           |
| <b>Net cash from operations</b>                      | <b>221,962</b>   | <b>258,521</b>   | <b>303,052</b>   | <b>285,565</b>   | <b>421,162</b>   | <b>383,609</b>   |
| <b>Investing</b>                                     |                  |                  |                  |                  |                  |                  |
| Capital expenditure                                  | (23,893)         | (76,760)         | (79,198)         | (98,814)         | (88,310)         | (74,171)         |
| Acquisition of subsidiaries/ investments             | (105,332)        | (183,983)        | (157,834)        | (100,321)        | (97,747)         | (142,067)        |
| Net proceeds from disposal of short-term investments | 0                | 0                | 0                | 0                | 0                | 0                |
| Others   | 4,064            | 138,556          | 31,300           | (82,223)         | (86,415)         | (88,910)         |
| <b>Net cash from investing</b>                       | <b>(125,161)</b> | <b>(122,187)</b> | <b>(205,732)</b> | <b>(281,358)</b> | <b>(272,472)</b> | <b>(305,148)</b> |
| <b>Financing</b>                                     |                  |                  |                  |                  |                  |                  |
| Net borrowings                                       | 19,445           | (107)            | 50,903           | 19,944           | 10,963           | 8,236            |
| Proceeds from share issues                           | 1,070            | 1,932            | 0                | 0                | 0                | 0                |
| Others   | (103,088)        | (178,319)        | (138,058)        | (73,957)         | (29,954)         | (22,977)         |
| <b>Net cash from financing</b>                       | <b>(82,573)</b>  | <b>(176,494)</b> | <b>(87,155)</b>  | <b>(54,013)</b>  | <b>(18,991)</b>  | <b>(14,740)</b>  |
| <b>Net change in cash</b>                            |                  |                  |                  |                  |                  |                  |
| Cash at the beginning of the year                    | 156,739          | 172,320          | 132,519          | 141,041          | 91,234           | 220,933          |
| Exchange difference                                  | 1,353            | 359              | (1,643)          | 0                | 0                | 0                |
| <b>Cash at the end of the year</b>                   | <b>172,320</b>   | <b>132,519</b>   | <b>141,041</b>   | <b>91,234</b>    | <b>220,933</b>   | <b>284,654</b>   |
| <b>GROWTH</b>  | <b>2023A</b>     | <b>2024A</b>     | <b>2025A</b>     | <b>2026E</b>     | <b>2027E</b>     | <b>2028E</b>     |
| <b>YE 31 Dec</b>                                     |                  |                  |                  |                  |                  |                  |
| Revenue  | 9.8%             | 8.4%             | 13.9%            | 9.5%             | 7.2%             | 5.0%             |
| Gross profit   | 22.8%            | 19.2%            | 21.0%            | 10.7%            | 8.3%             | 5.9%             |
| Operating profit                                     | 44.4%            | 30.0%            | 16.1%            | 6.8%             | 11.2%            | 8.5%             |
| Net profit   | 69.7%            | 61.8%            | 20.2%            | (3.0%)           | 11.8%            | 8.7%             |
| Adj. net profit                                      | 36.4%            | 41.2%            | 16.6%            | 6.4%             | 8.6%             | 7.6%             |
| <b>PROFITABILITY</b>                                 | <b>2023A</b>     | <b>2024A</b>     | <b>2025A</b>     | <b>2026E</b>     | <b>2027E</b>     | <b>2028E</b>     |
| <b>YE 31 Dec</b>                                     |                  |                  |                  |                  |                  |                  |
| Gross profit margin                                  | 48.1%            | 52.9%            | 56.2%            | 56.8%            | 57.4%            | 57.9%            |
| Operating margin                                     | 26.3%            | 31.5%            | 32.1%            | 31.3%            | 32.5%            | 33.6%            |
| Adj. net profit margin                               | 25.9%            | 33.7%            | 34.5%            | 33.5%            | 34.0%            | 34.8%            |
| Return on equity (ROE)                               | 14.1%            | 19.5%            | 19.6%            | 16.5%            | 16.0%            | 14.9%            |
| <b>GEARING/LIQUIDITY/ACTIVITIES</b>                  | <b>2023A</b>     | <b>2024A</b>     | <b>2025A</b>     | <b>2026E</b>     | <b>2027E</b>     | <b>2028E</b>     |
| <b>YE 31 Dec</b>                                     |                  |                  |                  |                  |                  |                  |
| 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              | 1.6              | 1.9              | 2.4              |
| Receivable turnover days                             | 27.9             | 26.6             | 24.2             | 23.1             | 22.4             | 21.7             |
| <b>VALUATION</b>                                     | <b>2023A</b>     | <b>2024A</b>     | <b>2025A</b>     | <b>2026E</b>     | <b>2027E</b>     | <b>2028E</b>     |
| <b>YE 31 Dec</b>                                     |                  |                  |                  |                  |                  |                  |
| P/E  | 42.6             | 25.9             | 21.0             | 21.4             | 18.8             | 17.8             |
| P/E (diluted)  | 43.3             | 26.2             | 21.4             | 21.7             | 19.1             | 18.1             |
| P/B  | 5.7              | 4.6              | 3.8              | 3.3              | 2.8              | 2.5              |

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

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## CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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