Tencent Holdings

HK$419.80 As of Sun 8 Nov 2026, 12:00 UTC

HKEX:0700	Communication	Country Hong Kong	PE (Fwd Adj) 11.86	TSR 10Y CAGR 8.83%	Div yield 1.33%	ROE 20.93%
Internet Content & Information		Beta (5Y) 0.75	PE TTM 13.88	TSR TTM (32.48%)	Mkt cap HK$3.776T	ROIC 17.69%

SE Grade™	★☆☆
Value	★★★
Quality	★★★
Moat	★★☆
Consensus	Reference
$664	*$916*
58.12%	118.24%
Strong Buy 32|7|3|0|1	



	3Q25	4Q25	1Q26	2Q26
Earnings per share ¥				
	6.78	6.23	6.30	**6.10**
	20.11%	14.08%	22.88%	1.80%
Revenue ¥B				
	192.9	194.4	196.5	**204.8**
	15.36%	12.71%	9.13%	10.99%
Next earnings				18 Nov

TTM	FYE 31 Dec	CNY	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026E	Trend	5Y	10Y	Peers
788.5	Revenue	¥B	151.9	237.8	312.7	377.3	482.1	560.1	554.6	609.0	660.3	751.8	**824.5**		9.29%	19.44%	87
11.97	*Revenue growth*	*%*	–	*56.48*	*31.52*	*20.66*	*27.77*	*16.19*	*(0.99)*	*9.82*	*8.41*	*13.86*	***9.68***		*9.82*	*16.19*	30
56.70	*Gross margin*	*%*	*55.61*	*49.18*	*45.45*	*44.42*	*45.97*	*43.91*	*43.08*	*48.13*	*52.90*	*56.25*	***56.74***		*48.13*	*47.05*	33
33.31	*Operating margin*	*%*	*33.42*	*31.09*	*25.04*	*25.82*	*26.01*	*22.11*	*19.99*	*26.76*	*31.50*	*32.67*	***32.23***		*26.76*	*26.38*	80
29.87	*Net margin*	*%*	*27.05*	*30.08*	*25.17*	*24.73*	*33.16*	*40.14*	*33.95*	*18.92*	*29.39*	*29.91*	***27.19***		*29.91*	*29.65*	87
13.88	P/E ratio (avg)	x	34.92	35.04	38.79	31.56	24.98	19.59	15.51	25.53	15.90	19.50	***12.41**adj*		19.50	25.25	89
12.75	EV/EBIT	x	28.24	34.04	39.57	31.28	32.72	36.62	27.50	18.40	15.32	18.14	***12.45***		18.40	29.76	88
5.15	*FCF yield (avg)*	*%*	*3.98*	*3.75*	*2.99*	*4.27*	*4.01*	*3.31*	*4.23*	*6.83*	*6.34*	*4.92*	***3.59***		*4.92*	*4.12*	80
21.35	*FCF margin*	*%*	*37.59*	*39.55*	*29.16*	*33.35*	*33.20*	*26.05*	*22.25*	*33.00*	*29.62*	*28.68*	***14.19***		*28.68*	*31.31*	47
0.715	FCF / Net income	x	1.390	1.315	1.158	1.348	1.001	0.649	0.656	1.744	1.008	0.959	***0.522***		0.959	1.083	26
17.69	*ROIC*	*%*	*23.49*	*27.60*	*20.89*	*18.92*	*16.55*	*13.00*	*11.14*	*13.89*	*17.45*	*17.72*	***17.73***		*13.89*	*17.58*	63
20.93	*Return on equity*	*%*	*23.53*	*33.21*	*27.16*	*24.68*	*28.12*	*29.77*	*24.64*	*15.06*	*21.78*	*21.13*	***19.20***		*21.78*	*24.66*	48
10.91	*Return on assets*	*%*	*10.38*	*12.89*	*10.88*	*9.78*	*11.99*	*13.94*	*11.93*	*7.30*	*10.90*	*11.03*	***10.08***		*11.03*	*10.96*	55
25.73	EPS	¥	4.33	7.50	8.23	9.72	16.56	23.19	19.42	11.99	20.63	24.32	***28.78**adj*		7.99%	21.14%	–
14.39	*EPS growth*	*%*	–	*73.25*	*9.71*	*18.10*	*70.47*	*39.98*	*(16.26)*	*(38.25)*	*72.06*	*17.91*	***3.23**adj*		*17.91*	*18.10*	40
124.10	Bookvalue per sh	¥	18.39	26.85	33.81	45.06	72.95	83.16	74.41	84.14	103.48	124.85	***131.51***		11.35%	23.71%	–
18.39	FCF per share	¥	6.02	9.86	9.53	13.10	16.59	15.05	12.73	20.91	20.79	23.32	***12.82***		7.05%	16.25%	–
4.76	Dividend per sh	¥	0.55	0.73	0.88	1.07	1.35	1.30	2.12	3.09	4.23	4.76	***5.02***		28.73%	27.20%	–
1.33	*Div yield (avg)*	*%*	*0.36*	*0.28*	*0.28*	*0.35*	*0.33*	*0.29*	*0.71*	*1.01*	*1.29*	*1.00*	***1.41***		*1.00*	*0.36*	64
–	*Payout ratio*	*%*	*12.62*	*9.77*	*10.67*	*11.12*	*8.15*	*5.63*	*10.98*	*25.96*	*20.64*	*19.72*	***20.43***		*19.72*	*11.05*	45
8.995	Shares (diluted)	B	9.494	9.536	9.568	9.603	9.650	9.696	9.695	9.610	9.408	9.244	***9.126***		(0.86%)	(0.30%)	62
1.02	*Buyback yield*	*%*	–	*(0.44)*	*(0.34)*	*(0.37)*	*(0.49)*	*(0.48)*	*0.01*	*0.88*	*2.10*	*1.74*	***1.28***		*0.88*	*(0.34)*	62
0.386	D/E ratio	x	0.588	0.476	0.503	0.477	0.340	0.369	0.459	0.425	0.340	0.327	***0.367***		0.369	0.442	47
3,349	Enterprise value	¥B	1,434	2,516	3,098	3,047	4,102	4,535	3,049	2,998	3,186	4,456	***3,310***		1.67%	13.43%	90
380.0	LT debt	¥B	93.75	111.5	138.7	196.5	246.3	299.4	330.8	309.4	291.0	347.9	***380.0***		7.15%	15.68%	87

Peers (US$481.7B)	Cap (US$)	PE
Alibaba Group Holding…	272.1B	24.42x
NetEase, Inc.	81.83B	17.22x
Baidu, Inc.	27.03B	–
Palantir Technologies…	386.4B	113.0x

Capital	TTM	5Y	10Y
Leverage x	0.044	0.086	0.112
EBIT/Int x	20.40	15.64	16.35
Own earn %	–	25.26	28.09
Sh yield %	2.35	1.89	(0.02)

Owners		
Insiders/Inst %	7.90	24.60
Short interest %		–
SBC / revenue %		3.25

Record	10Y
Profitable years	10/10
Revenue growth years	8/9
EPS growth years	7/9
Dividend streak yrs	3
Op margin range %	20-33
$1 test x	2.6
Incr. ROIC %	15

Tencent's second quarter showed the core franchise compounding while AI spending ramps: revenue rose 11.0% to ¥204.8B, faster than the first quarter, yet diluted EPS gained only 1.8%. Management said non-IFRS operating profit, excluding new AI products, grew 19%. Domestic games were driven by Delta Force, Valorant PC, Valorant Mobile and Roco Kingdom: World, and marketing services by higher eCPM and impressions. With revenue accelerating, the stock looks underpriced: SE fair value of HK$916 is 118.2% above the price.

Management said cloud revenue growth accelerated to the low 20s percent and should ramp further as WorkBuddy cash receipts turn into revenue. A larger-parameter Hunyuan 4 model is due later this year, Xiaowei will roll out in phases across Weixin, and WorkBuddy token production is the priority. Analysts pressed on whether heavy capex pays back; management said compute can be rented out but its own models come first. The President expects "significant return in building a large and valuable AI-native new business for Tencent."

Consensus has adjusted EPS growing 3.2% in FY2026 and 4.7% in FY2027, well behind revenue growth of 9.7% in FY2026, so analysts expect AI costs to absorb much of the top-line gain. That outlook still sits far above the market's: the price implies revenue shrinking 10.5% a year, 20.2pp below consensus. Reported EPS is not comparable with these adjusted forecasts. EPS has beaten estimates in each of the last 8 quarters, which suggests the cautious earnings path may prove conservative.

Profitability has stepped up sharply. Gross margin rose from 43.1% in FY2022 to 56.3% in FY2025, a gain of 13.2pp. Operating margin climbed from 20.0% to 32.7% over the same years and now stands at 33.3%, above its five-year median of 26.8% and at the 87th percentile of the companies nearest in size. ROIC improved from 11.1% to 17.7%, well clear of the cost of capital. What holds Quality back is cash conversion, as heavy AI capex weighs on free cash flow.

On cash flow, SE fair value of HK$916 is 118.2% above the price, at medium confidence. The analysts' weighted target of HK$664 is 58.1% above the price. EV/EBIT of 12.8x sits 57% below its own ten-year median of 29.8x, and P/E is far below its long-run median. For the price to hold, AI capex has to earn returns before it erodes the net cash position. Operating margin slipping back from 33.3% would be the clearest sign it is not.

The SE Score is 1 of 3. Quality earns 3 stars because ROIC of 18% clears its cost of capital by about ten points and the balance sheet carries no net debt. Moat earns 2 stars, with ROIC above 15% in seven of the last ten years, although gross margin has been moderately volatile. Value earns 3 stars on the wide gap to fair value and left the two-star business tier as it was. A rank cap on five-year returns then lowered the overall score from 2.

Q2 2026

Tencent Holdings Limited provides value-added, marketing, fintech, and business services in Mainland China and internationally, serving consumers with instant messaging, social networks, online games, videos, music, mobile payment, and wealth management, and serving enterprises with marketing solutions and cloud services for financial services, education, healthcare, retail, and transport; it also produces films.

Profit by segment	Profit	Trend	Revenue	Rel margin
VAS	65.53%		60.86%	1.08×
FinTech & Business…	34.38%		37.81%	0.91×

Revenue by region	Share	Trend
Mainland China	88.08%	
Other Geographic	11.92%	

Reinvestment returns	10Y median	Trend
Reinvestment rate	8.38%	
Return on capital	17.58%	
Spread over hurdle	10.36%	

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