

Sven Carlin  
Stock Market Research Platform

# TENCENT - RESEARCH REPORT

STOCK: TENCENT (OTC: TCEHY)

SVEN CARLIN

RESEARCH  
PLATFORM



**Date: 27 September 2018**

**Fundamentals**

**PE – 41.33**

**PB - 9.35**

**EPS - \$1.02**

**DIV - 0.17%**

**Buybacks - small**

## KEY FACTORS:

### VALUATION

Growth 30%, PE 20 in 2023 –  
present value \$37.29

Growth 20%. PE 20 in 2023 –  
present value \$24.99

INTRINSIC VALUE/ margin  
of safety

PE ratio of 10 on current  
earnings - \$10.1

### RISKS

- **Uncertainty surrounding partnership with JD**
- **Gaming industry consumer preferences**
- **Non core investments - \$1.78 billion in Tesla**
- **RMB 34 billion in Wanda commercial**
- **Government introducing gaming restrictions to fight myopia**

- Internet services, games content – (Weixin/Wechat, QQ)
- Tenpay + QQ payment
- 800 million QQ MAU and 1 billion for Weixin/Wechat
- Monetization: selling in-game items, virtual items, premium service subscriptions, online advertising, payments, financial products
- Potential: low ad load on Weixin, second largest mobile payment market share (Alipay 54%) (increase financial services products) – monetization of gaming, subscriptions, advertising, payment, financial services and who knows.
- Licaitong AUM (RMB 300 billion)
- Tencent ecosystem is key – huge moat, huge integration, network creation
- MOAT – high switching costs from We ecosystem
- Analysts expect 10-year growth of 30% per year! (hm, hm)
- Internationalization - stakes in Fortnite's maker Epic Games, Assassin's Creed's developer Ubisoft, Call of Duty's owner Activision-Blizzard, and League of Legend's Riot Games, among others

### Conclusion

**Tencent will grow for sure. We will compare it to other Chinese stocks and see how it fits and whether it fits the portfolio.**

