年报其语

TENCENT 0700.HK

Mkt Cap	Stock Price	Book Value	P/E Ratio	P/FCF Ratio	Div Yield
2.7T	298.10	127.77	12.3x	12.6x	1.5%

HOW IT EARNS CASH | BUSINESS CHAIN

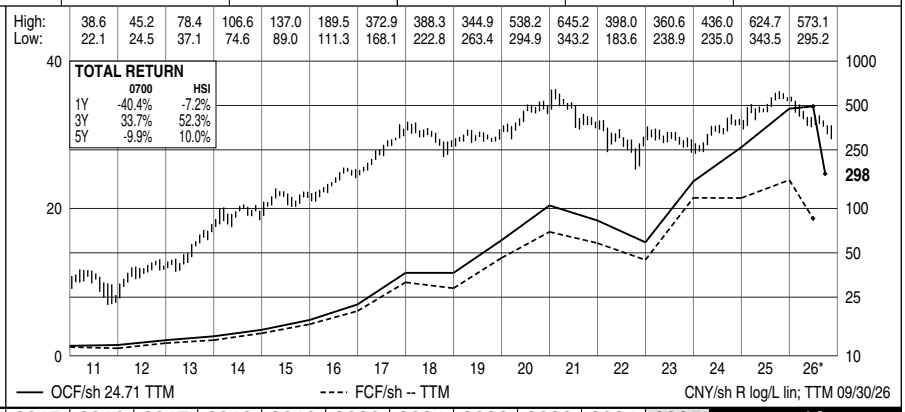
1 Connect: 1,449M Weixin/WeChat MAU (Sep26).
2 Engage: Video Accounts time >20% YoY (Q3).
3 Sell games: Delta Force DAU >50% YoY (Q3).
4 Monetize: Video Accounts ad impressions >50% YoY (Q3).
5 Serve AI: WorkBuddy >10M DAU (Nov 18 update).

BUSINESS MIX | FY25

Revenue	M	Mix	YoY	2Y CAGR
Value-added services	369,281	49.1%	+15.7%	+11.2%
Marketing services	144,973	19.3%	+19.4%	+19.5%
FinTech & business	229,435	30.5%	+8.2%	+6.1%
Others	8,077	1.1%	+4.1%	+22.4%
Total revenue	**751,766**	**100.0%**	**+13.9%**	**+11.1%**

FY25 gross margin: VAS 60%; ads 58%; FBS 51%.

Watch paid AI use and cash returns on compute.



VALUE CREATION	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Nianbao Qiyu 6 Groups	Unit
DISTRIBUTION 1,449M Weixin/WeChat MAU (Sep26). Q3 Video Accounts time >20% YoY.	19646	28496	43894	60437	78932	102863	151938	237760	312694	377289	482064	560118	554552	609015	660257	751766	Revenue	M
	57.9%	45.0%	54.0%	37.7%	30.6%	30.3%	47.7%	56.5%	31.5%	20.7%	27.8%	16.2%	-1.0%	9.8%	8.4%	13.9%	Rev. YoY	%
	67.8%	65.2%	58.5%	54.0%	60.9%	59.5%	55.6%	49.2%	45.5%	44.4%	46.0%	43.9%	43.1%	48.1%	52.9%	56.2%	Gross Margin	%
	9838.2	12254	15479	19194	30542	40627	56117	90302	97648	96501	126197	124656	110827	160074	208099	241562	Op. Income	M
	50.1%	43.0%	35.3%	31.8%	38.7%	39.5%	36.9%	38.0%	31.2%	25.6%	26.2%	22.3%	20.0%	26.3%	31.5%	32.1%	Op. Margin	%
↓ **PARALLEL ENGINES**	8053.6	10203	12732	15502	23810	28806	41095	71510	78719	93310	159847	224822	188243	115216	194073	224842	Net Income	M
	41.0%	35.8%	29.0%	25.6%	30.2%	28.0%	27.0%	30.1%	25.2%	24.7%	33.2%	40.1%	33.9%	18.9%	29.4%	29.9%	Net Margin	%
GAMES Delta Force DAU >50% YoY. Q3 VAS gross margin 64%.	12319	13358	19429	24374	32711	45431	65518	106140	106443	148590	194119	175186	146091	221962	258521	303052	OCF	M
	62.7%	46.9%	44.3%	40.3%	41.4%	44.2%	43.1%	44.6%	34.0%	39.4%	40.3%	31.3%	26.3%	36.4%	39.2%	40.3%	OCF Margin	%
	1.5x	1.3x	1.5x	1.6x	1.4x	1.6x	1.6x	1.5x	1.4x	1.6x	1.2x	.8x	.8x	1.9x	1.3x	1.3x	OCF / Net Inc.	x
	1488.2	4059.7	3656.9	4788.0	4296.0	5440.0	8399.0	12108	19743	22766	34070	29302	22679	21008	62927	87482	Capex	M
	12.1%	30.4%	18.8%	19.6%	13.1%	12.0%	12.8%	11.4%	18.5%	15.3%	17.6%	16.7%	15.5%	9.5%	24.3%	28.9%	Capex / OCF	%
ADS & COMMERCE Q3 ads +19% YoY. Mini Dramas and shops turn views into ad and checkout demand.	10831	9298.4	15773	19586	28415	39991	57119	94032	86700	125824	160049	145884	123412	200954	195594	215570	FCF	M
	55.1%	32.6%	35.9%	32.4%	36.0%	38.9%	37.6%	39.5%	27.7%	33.3%	33.2%	26.0%	22.3%	33.0%	29.6%	28.7%	FCF Margin	%
	1027.2	2238.8	1616.5	1293.0	4254.0	9014.0	10355	19917	37524	34650	47626	54807	40438	34032	40968	36940	Acq. & Other*	M
	8.3%	16.8%	8.3%	5.3%	13.0%	19.8%	15.8%	18.8%	35.3%	23.3%	24.5%	31.3%	27.7%	15.3%	15.8%	12.2%	Acq. & Other / OCF*	%
	495.77	814.77	1012.4	1786.0	2497.0	2841.0	4455.0	6253.0	7900.0	10500	13745	22222	26248	22782	23424	31859	SBC Expense	M
	4.0%	6.1%	5.2%	7.3%	7.6%	6.3%	6.8%	5.9%	7.4%	7.1%	7.1%	12.7%	18.0%	10.3%	9.1%	10.5%	SBC / OCF	%
FINTECH & CLOUD Q3 segment gross margin 50%; cloud sales +35% YoY.	310.22	1047.0	20.23	1325.0	61.00	--	--	--	783.00	1046.0	--	2170.0	29307	43767	102331	73312	Repurchases	M
	2.5%	7.8%	.1%	5.4%	.2%	--	--	--	.7%	.7%	--	1.2%	20.1%	19.7%	39.6%	24.2%	Repurchases / OCF	%
	838.29	1107.9	1468.0	1761.0	2640.0	3699.0	5052.0	6776.0	8315.0	10339	12503	12952	20983	28859	37535	41595	Dividends	M
↓ **REINVEST** Q3 cash capex CNY65.1B. WorkBuddy >10M DAU, >100T tokens/day at Nov update.	6.8%	8.3%	7.6%	7.2%	8.1%	8.1%	7.7%	6.4%	7.8%	7.0%	6.4%	7.4%	14.4%	13.0%	14.5%	13.7%	Dividends / OCF	%
	--	116.4%	94.6%	86.9%	63.7%	41.3%	35.0%	37.4%	28.7%	21.6%	19.7%	15.1%	12.7%	15.7%	20.5%	20.6%	Base ROIC*	%
	47.5%	40.6%	36.5%	31.2%	34.5%	28.8%	27.9%	33.2%	27.2%	24.7%	28.1%	29.8%	24.6%	15.1%	21.8%	21.1%	ROE	%
	30.2%	22.0%	19.3%	17.0%	17.1%	12.1%	11.7%	15.0%	12.3%	11.1%	14.0%	15.3%	11.8%	7.3%	11.6%	11.8%	ROA	%
	9110.8	9110.0	9169.9	9213.0	9282.0	9345.5	9395.0	9428.4	9457.0	9474.6	9512.4	9538.5	9482.8	9373.4	9132.9	9032.8	Shares Out.	M sh
	2.16	3.13	4.79	6.56	8.50	11.01	16.17	25.22	33.06	39.82	50.68	58.72	58.48	64.97	72.29	83.23	Revenue / Sh.	CNY/sh
	.87	1.10	1.37	1.66	2.55	3.06	4.33	7.50	8.23	9.64	16.52	23.16	19.34	11.89	20.49	24.15	Diluted EPS	CNY/sh
	1.35	1.47	2.12	2.65	3.52	4.86	6.97	11.26	11.26	15.68	20.41	18.37	15.41	23.68	28.31	33.55	OCF / Sh.	CNY/sh
	.16	.45	.40	.52	.46	.58	.89	1.28	2.09	2.40	3.58	3.07	2.39	2.24	6.89	9.68	Capex / Sh.	CNY/sh
	1.19	1.02	1.72	2.13	3.06	4.28	6.08	9.97	9.17	13.28	16.83	15.29	13.01	21.44	21.42	23.87	FCF / Sh.	CNY/sh
	.09	.12	.16	.19	.29	.39	.55	.73	.88	1.08	1.34	1.31	2.14	3.07	4.23	4.77	Dividend / Sh.	CNY/sh
	31.6x	28.6x	27.2x	32.1x	36.2x	38.4x	34.8x	33.6x	38.2x	31.6x	25.8x	20.0x	15.3x	25.4x	16.1x	20.6x	Avg. P/E	x
	4.2%	4.0%	4.4%	2.8%	3.4%	3.4%	3.6%	2.9%	3.3%	3.9%	3.5%	4.1%	4.4%	8.1%	5.5%	4.4%	FCF Yield	%
	.3%	.5%	.4%	.2%	.3%	.3%	.3%	.2%	.3%	.3%	.3%	.4%	.7%	1.2%	1.1%	.9%	Dividend Yield	%

RETURN TEST Can paid AI use and in-app commerce raise free cash flow per share after compute costs?

CORE KPI TRACKER

Metric	FY21	FY22	FY23	FY24	FY25
Weixin MAU (M)	1,268	1,313	1,343	1,385	**1,418**
Mobile QQ MAU (M)	552	572	554	524	**508**
Paid VAS subs (M)*	236	234	244	262	**267**
Video subs (M)*	124	119	117	113	**--**
TME music (M)	76.2	88.5	106.7	121.0	**127.4**
Evergreen games	--	--	12	14	**--**

COMPOUND ANNUAL GROWTH RATE

	1Y	3Y	5Y	10Y	15Y
Revenue	13.9%	10.7%	9.3%	22.0%	27.5%
Op. Income	16.1%	29.7%	13.9%	19.5%	23.8%
Net Income	15.9%	6.1%	7.1%	22.8%	24.9%
OCF	17.2%	27.5%	9.3%	20.9%	23.8%
FCF	10.2%	20.4%	6.1%	18.3%	22.1%
Diluted EPS	17.9%	7.7%	7.9%	23.0%	24.8%
FCF / Sh.	11.4%	22.4%	7.2%	18.8%	22.1%

FINANCIAL POSITION | B

	FY21	FY22	FY23	FY24	FY25
Tot. assets	1612	1578	1577	1781	2039
Tot. liabilities	736	795	704	727	798
Net assets	877	783	874	1054	1241
Mkt cap*	3556	2825	2486	3580	2693
Cash + ST	252	262	358	325	378
Liab./assets	45.6%	50.4%	44.6%	40.8%	39.1%

CAPITAL RETURNS: FY11-FY25 CNY OCF 1,860.9B less cash PP&E 342.7B yielded **1,518.2B FCF.** Cash buybacks: **255.2B (16.8%);** paid dividends: **154.8B (10.2%).** Combined 27.0%; 1,108.2B remains before other investing and financing.

NET SHARES: FY10-end 9.111B to FY25-end 9.033B, **down 78M (0.9%).** FY25: 156.3M cancelled, 51.7M issued; award/treasury offsets 4.6M. **Net down 100.1M (1.1%).** FY25 cash payout 51.4% of FCF. Net borrowings +CNY52.7B.

1. Which businesses drive growth? FY25 sales grew 14% and gross profit 21%. In Q3, self-developed games lifted VAS margin to 64%. Ads grew 19% as margin fell from 57% to 52%. FinTech & Business Services grew 9%, with cloud up 35%.

2. Why did cash generation turn? Q3 non-IFRS operating profit fell 6%. The measure excluding new AI grew 8%. Cash capex reached CNY65.1B and compute advances reduced operating cash to CNY2.6B.

Issuer FCF fell to -CNY69.1B. June net cash of CNY58.2B became CNY13.7B net debt. Cash recovery depends on compute utilization.

3. What could derail AI returns? Nov 18: WorkBuddy >10M DAU and >100T tokens/day. Xiaowei reached 30M test DAU. WorkBuddy Q3 sales were >5x Q2. Its >US$500M gross run rate annualizes seven days.

Munger inversion suggests three ways to fail. Weixin loses commerce to outside agents. Paid AI demand falls short of inference cost. Repeat compute commitments absorb cash faster than AI earns it.

Watch checkout, paid retention and compute returns. QuestMobile measured Yuanbao at 78.6 min/user in Sep. WorkBuddy session time is undisclosed.

Nov 19 close HKD348.40. HKD total returns to 2026-10-30. HSI = Hang Seng Gross TRI.
Sep26 TTM OCF CNY223.19B. Comparable FCF Jun26 TTM CNY168.31B. Tencent Sep26 TTM FCF ~CNY7.8B.
Position cap uses FY-end shares; FY25 uses Nov 19 close. Header uses Oct 31 issued shares and FY25 financials.
Base ROIC deducts approved cash/ST; FY10 unavailable. Shares exclude treasury and award trust. Cash payouts use payment year.
MAU includes Weixin/WeChat. *VAS/Video basis varies. TME = Q4 online music paying users.
Sources: Tencent and TME IR, QuestMobile, Eastmoney, Yahoo FX, Webb-site, CFETS and HSI. Calculations & presentation: Nianbao Qiyu.
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