

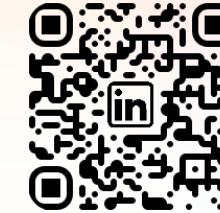
Tencent Holdings

Šimon Havlík

The presentation is non-public, created for educational purposes only within the Investors Club. A large part of the presentation is based on texts from Vineyard Holdings, "The Art of Hitting Bombs" and Not Boring by Packy McCormick

**Company analysis**<https://www.klubinvestoru.com/>**Tencent Holdings Ltd.**
//腾讯OTCMKTS: TCEHY
HKSE: 0700

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01

Introduction

**01**

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**02**

Introduction

Company:

Tencent Holdings Ltd. (Chinese: 腾讯; pinyin: Téngxùn)

Market Cap (USD)

\$560.03B

Market Cap (RMB)

¥4.062B

Number of investments

600+

- **Company Operating Segments** (Q2 2024 % of revenue)
 - **Value-Added Services** (49.11%) – Major revenue driver, including online gaming (mobile, PC, console), digital content (Tencent Video, Tencent Music), and subscriptions.
 - **FinTech & Corporate Services** (32.05%) – WeChat Pay, Tenpay, cloud computing, and enterprise solutions.
 - **Network Advertising** (17.58%) – Ads on WeChat, QQ, and other platforms.
 - Other (1.26%)
- **WeChat**: China's Super App
 - With 1.3B+ users, WeChat combines social media, messaging, payments, streaming, search, and 4M+ mini-programs—all within a single ecosystem.
- **Tencent's Reach**
 - A tech giant spanning social media, gaming, fintech, entertainment, and cloud—akin to Facebook, PayPal, Netflix, AWS, and more in one

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Macroeconomics

02

04

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Macroeconomic aspects

- **Real Estate Bubble Burst (2021 - present):**

- The prolonged downturn in China's property market—exemplified by defaults from giants like Evergrande and Country Garden—has forced capital away from real estate toward high-tech and digital sectors, indirectly benefiting firms such as Tencent.
- Newly built real estate prices caused negative inflation to -0.8% YoY in January of 2023 but now we can see a rebound to 0.5% surpassing the expectation of 0.4% and significantly higher than 0.2% average of 2024.

- **Robust External Balance:**

- In 2024, China recorded a **Current Account surplus of 3.1% of GDP**, underscoring its resilient export performance despite domestic headwinds and ongoing structural challenges.

- **Aggressive Monetary Easing Measures:**

- The People's Bank of China (PBOC) has been on the front foot easing policy:
 - A 20-basis-point cut to the 7-day reverse repo rate has brought it down to 1.5%, while the reserve requirement ratio (RRR) was reduced by 50 basis points, freeing up roughly 1 trillion yuan for new lending.
 - The benchmark one-year Loan Prime Rate is now at a record low of 3.1%, with the five-year LPR at 3.6%, supporting more affordable mortgage rates and stimulating the housing sector.

- **Market and Credit Developments:**

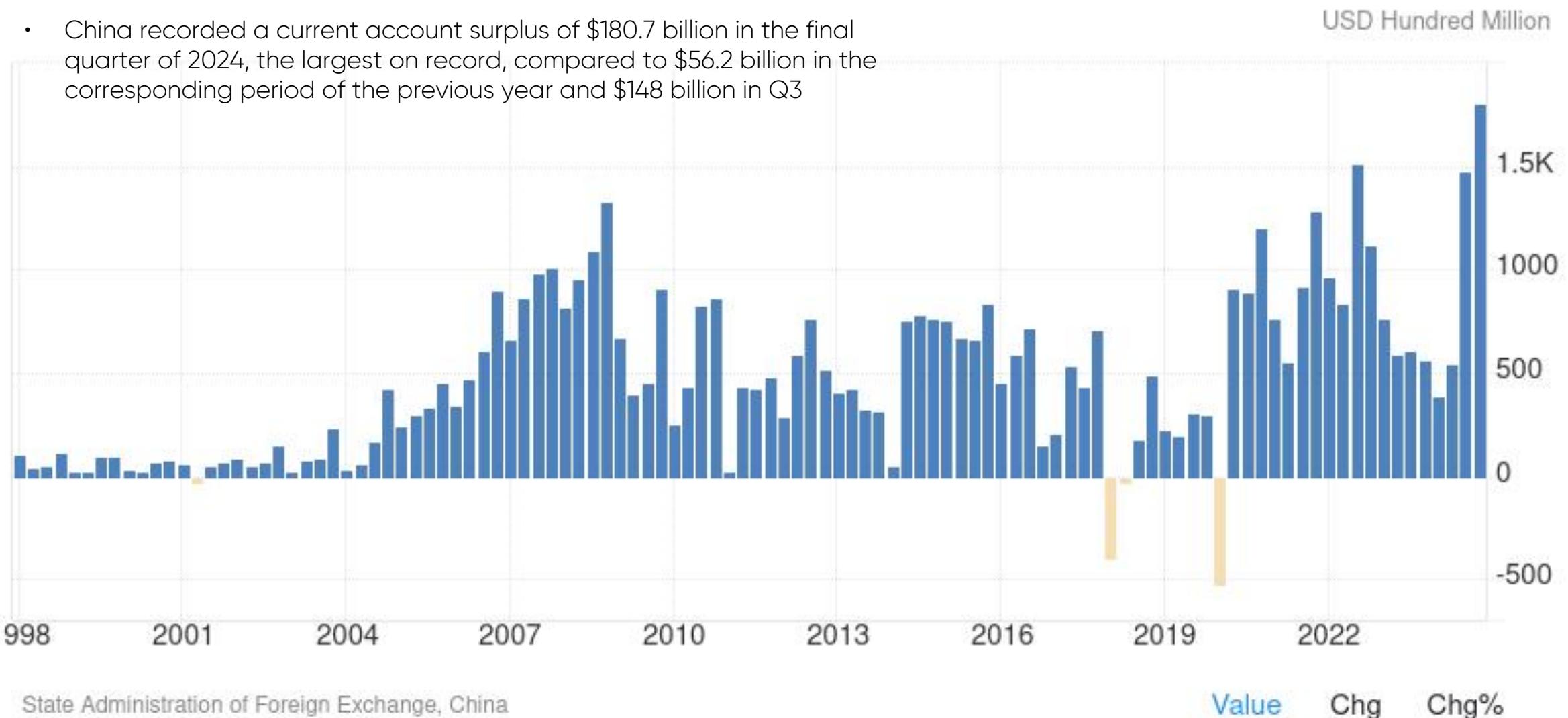
- Record new bank loans of 5.13 trillion yuan in January 2025 signal a significant liquidity injection amid cautious credit demand.
- Equity markets have responded positively—with the CSI 300 index surging by 4.3%—reflecting improved investor sentiment following the stimulus push.

- **Policy Outlook and Forward Guidance:**

- Analysts expect further easing in 2025, with potential additional RRR cuts totaling up to 100 basis points as part of a "moderately loose" stance. This cautious approach aims to counteract external tariff risks while sustaining growth without igniting asset bubbles.

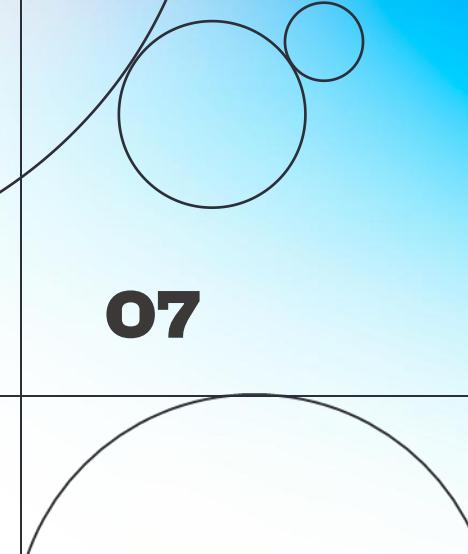
China Current Account (1998-Q4 2024)

- China recorded a current account surplus of \$180.7 billion in the final quarter of 2024, the largest on record, compared to \$56.2 billion in the corresponding period of the previous year and \$148 billion in Q3



History

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**03****07**

Founding, Growth & Early Investments (1998–2014)

- **Founded Nov '98:** Ma Huateng (better known as Pony Ma), Zhang Zhidong, Xu Chenye, Charles Chen, Zeng Liqing; Cayman Islands
- **Brand:** "Tencent" from Tengxun (腾讯, “galloping fast information”)—derived from Ma Huateng
- **Initial VC funding:** Feb '99: OICQ → rebranded as QQ (due to ICQ/AOL lawsuit)
- **Early Losses:** Unprofitable for 3 years
- **2001:** Naspers acquires 46.5% (2023: holds 26.16% via Prosus; stakes in OLX, VK, etc.)
- **IPO & Index:** Listed on HKSE (Jun '04); Hang Seng Index (2008)
- **Revenue Streams:** Ads, QQ premium fees, QQ mobile, penguin licensing, virtual goods
- **2007:** Charity foundation; **2011:** Launch of Weixin/WeChat (>1B MAU)
- **Key Acquisitions/Investments:**
 - Riot Games: 92.78% (Feb '11, ~\$230M, previously 22.34%)
 - Epic Games: Minority stake (Jun '12)
 - ZAM Network (2012); Kingsoft stake to 18% (2013, +US\$46.98M)
 - Sogou.com: \$448M (Sept '13); JD.com, CJ Games, 58.com, LotSynergy, Koudai Gouwu, HBO deal, WeBank launch, NetEase music sublicensing (2014)

Expansion & Market Leadership (2015–2020)

- **Media & Sports:**
 - NBA deal: US\$700M (Jan '15); BYD sponsor
 - Supercell: 84.3% for US\$8.6B (Jun '16); China Music Corp: Majority stake (Jul '16)
- **CCP Integration:**
 - Established CCP branch (7,000+ members, ~23% workforce, >1M yuan/year, 6,000 m² center)
- **Tech & Auto:**
 - Future Mobility co-founded (2016); Tesla: 5% stake for US\$1.78B (Mar '17, plus pen-testing until '19)
- **Digital Ecosystem:**
 - WeChat enhancements: News feed/search integration (May '17, 770M users)
 - eSports town in Wuhu (theme park, university, tech hub; additional in Chengdu)
 - BrandZ ranking: 8th globally (Jun '17); voice assistant Xiaowei, mini-programs, potential Rovio deal
- **Market Cap Milestones:**
 - Q2 2017: Stock surge to US\$429B; later surpasses US\$500B, top 5 global
 - Frontier Developments: 9% stake (Jul '17)
- **Further Deals:**
 - Snap Inc.: 12% stake (Nov '17, gaming pivot)
 - WeChat at 980M MAU; billions for UGC vs. YouTube
 - Lego collaboration, first unmanned shop (Jan '18)
 - US\$5.2B investment in Wanda Commercial; minority in Skydance; Carrefour co-op (Jan '18)
- **Market Volatility:**
 - Aug '18: Q2 profit drop, 3% share fall, US\$50B cap loss; Luckin Coffee deal; designated “AI champion” (2018); RMB 1B charity donation; NBA refunds (Oct '19)
 - May '20: System Shock 3 rights; Jun '20: iflix acquisition; Sept '20: Singapore hub; Jan '21: Lazy Audio (2.7B yuan)

Regulatory & Strategic Shifts (2021–Present)

· Regulatory Actions:

- Jul '21: SAMR blocks Huya Live & DouYu merger (insufficient remedies); DouYu privatization (37% stake)
- Jan '22: Fined RMB 4.5M for 9 unreported M&A deals; talks for Xiaomi-backed Black Shark (~RMB 2.7B/US\$420M) later dropped

· Financial Adjustments:

- Jun '22: Slowest revenue gain since IPO; 15% ad revenue drop (pandemic + tighter regs)
- Sept '22: 49.9% stake & 5% voting rights in Guillemot (Ubisoft parent); Sept '22: Minority stake in Triternion
- Nov '22: Divested majority of US\$20.3B Meituan stake via dividend distribution
- Jan '23: >US\$6.3M spent lobbying U.S.; sold Tesla stake

· Recent Corporate Moves:

- Dec '23: China Literature acquires Tencent Animation & Comics; gaming regs cost \$46B in market cap, followed by +5% rebound; record share buybacks (daily ~HK\$1B, record HK\$10B)
- Mar '24: Q4 2023 revenue up 7% (slightly below expectations)

· Tech & Partnerships:

- Dec '24: Apple in talks with Tencent & ByteDance to integrate AI models into iPhones (China)
- 2025: Launch of AI 3D model generator “Hunyuan3D”
- Jan '25: Watchlisted for alleged ties with China's military (with CATL)

Tencent 腾讯

A short story

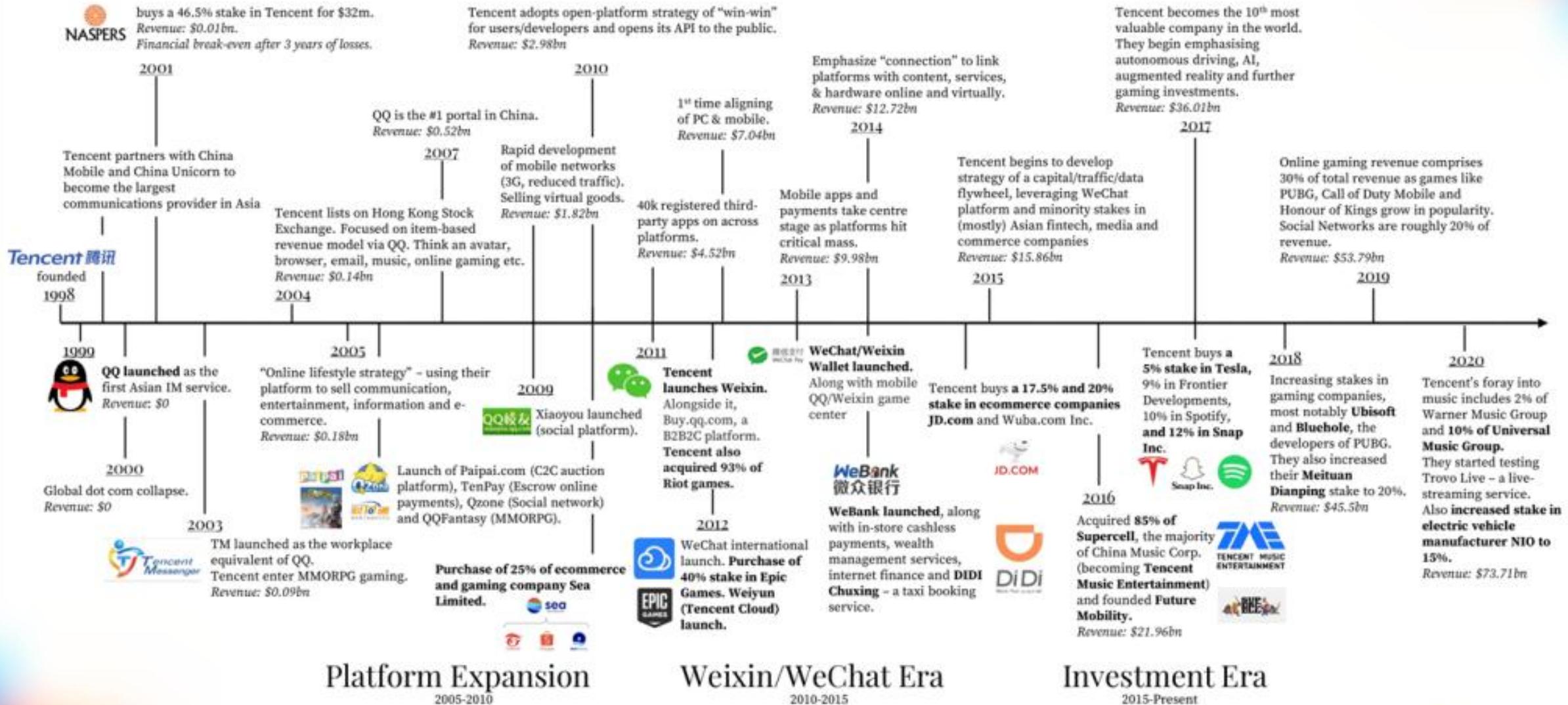


Image TODO: Tencent timeline, you'll need to zoom in for this (1998-2020, Vineyard Holdings)
<https://vineyardholdings.net/tencent/>

Revenue & Acquisitions (1998-2020)

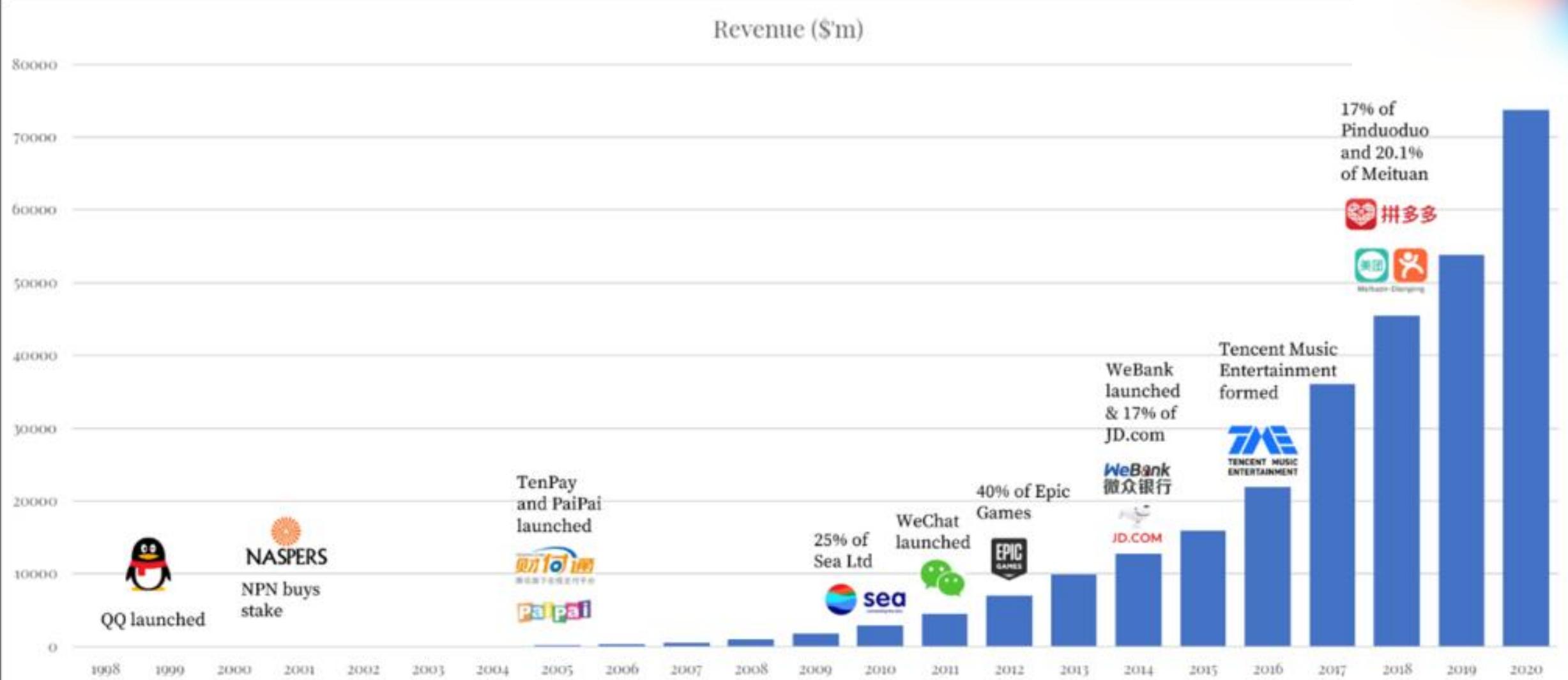


Image TODO: Tencent's historical revenue, major acquisitions, and product development (1998-2020, Vineyard Holdings)
<https://vineyardholdings.net/tencent/>

WeChat The super app

	Facebook (Core + Messenger)	Instagram	WhatsApp	WeChat	TikTok/Douyin
Messaging					
Advertising					
E-Commerce					
Digital Content					
Finance					
Gaming					
Group Payments/Purchases					
Online-to-offline services					
Utilities					

Image TODO: WeChat vs Facebook, Instagram, WhatsApp and Tiktok (2021, Vineyard Holdings) - IMAGE WAS EDITED
<https://vineyardholdings.net/tencent/>

Everything-app growth model

"When your app offers more services, the average customer acquisition cost (CAC) per service goes down, and CAC is the most important cost for Internet businesses... More services lead[s] to higher usage frequency. Higher usage frequency results in higher retention, which in turn leads to higher lifetime value (LTV)... The higher LTV means that acceptable user acquisition cost has also increased." - **Meituan-Dianping** co-founder (*translation from China Playbook [TODO]- edited by Vineyard Holdings*)

- **2024 Data:**
 - **CAC Reduction:** Apps with integrated services saw a 15-20% decrease in CAC per service.
 - **Usage Frequency:** Increased by 25-30% with additional services.
 - **Retention:** Improved by 10-15% due to higher usage frequency.

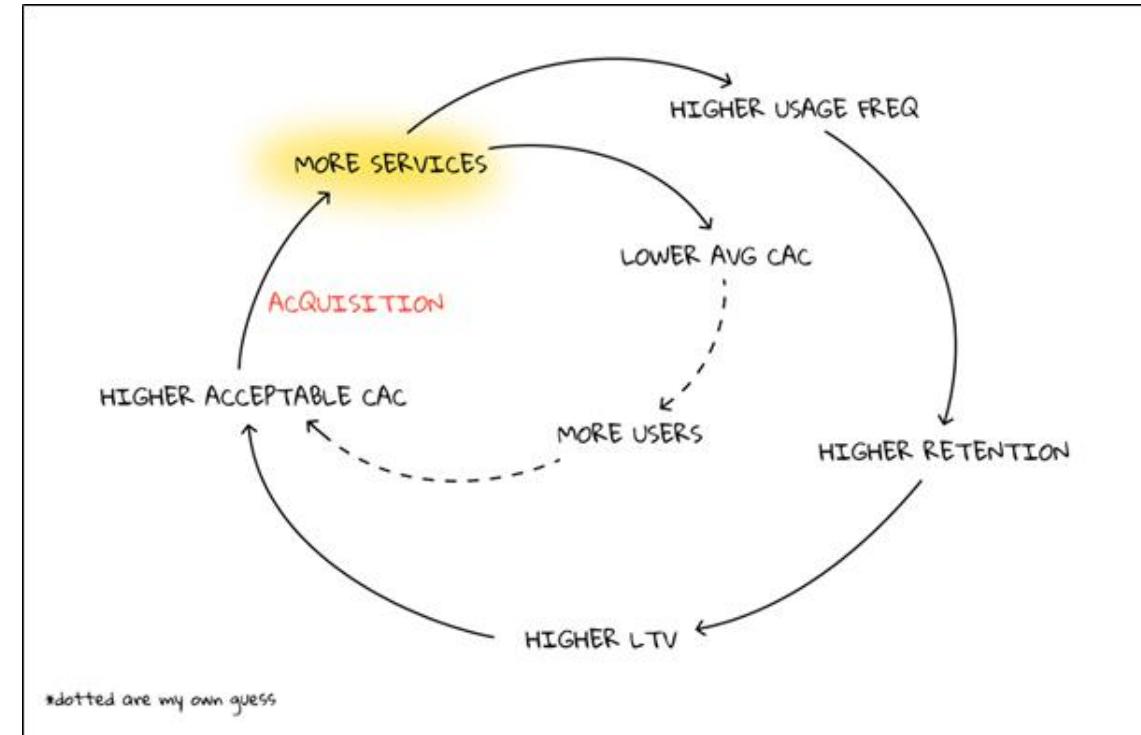


Image TODO: Meituan's Platform Strategy (2020, China Playbook Substack)
<https://chinaplaybook.substack.com/p/pm9>

Management & Ownership structure

04

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Core Leadership & Management Responsibilities

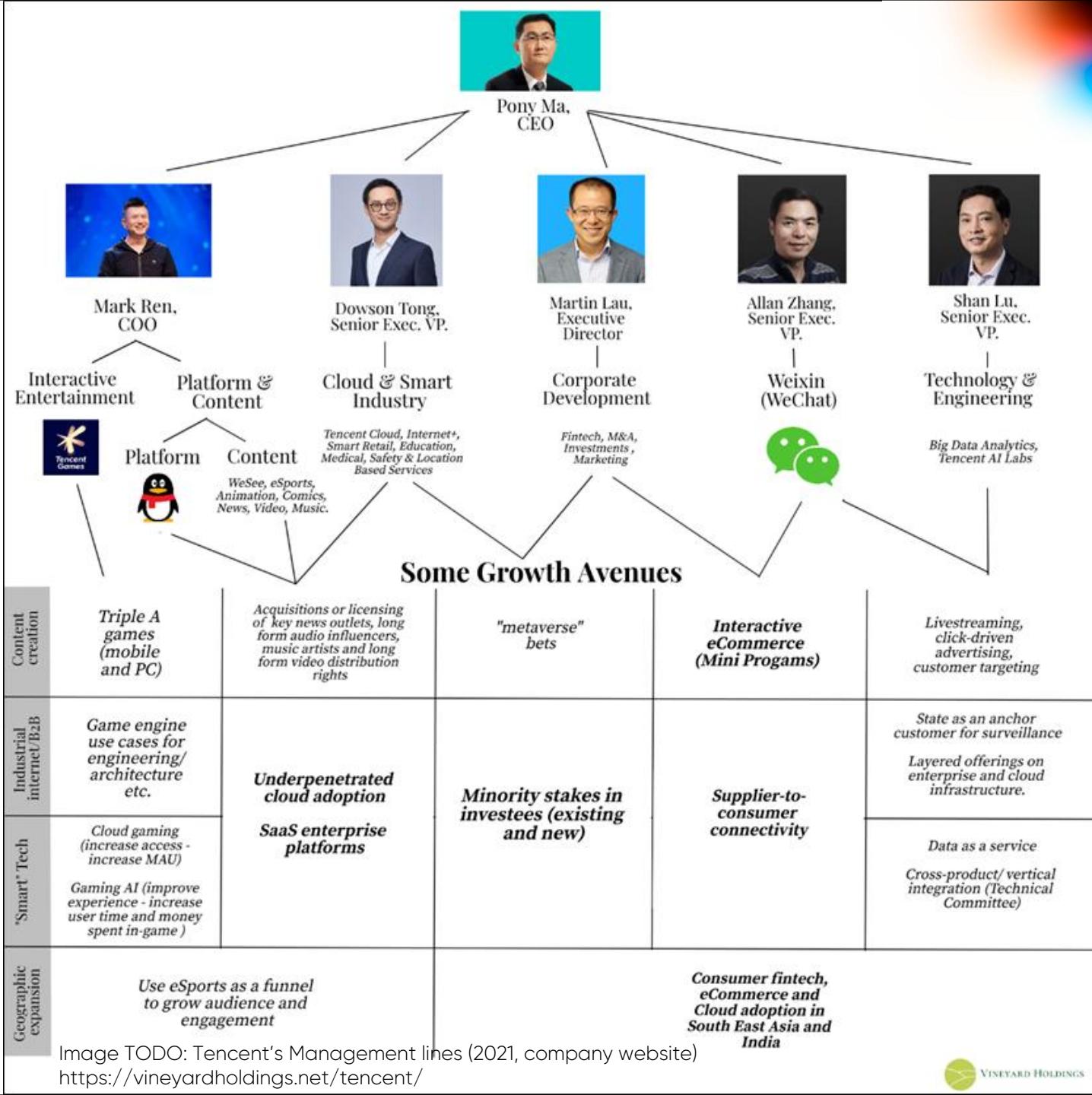
- **Founding Team Continuity**
 - Still led by original founders; 2 of 5 remain as executives (Pony Ma, CEO; Xu Chenye, CIO); 3 on advisory board
 - Majority of execs with company since ~2005; newest: James Mitchell (2011, ex-Goldman, CSO) & Davis Lin (2013, ex-McKinsey, SVP)
 - Execs' average age: late 40s/early 50s; all have significant personal net worth invested
 - Board collectively owns ~\$90B stock (Pony Ma alone: ~\$70B)
- **Management Functions & Philosophy**
 - Responsible for shaping company culture, driving innovation, managing morale, optimal capital allocation, and long-term planning
 - Emphasis on “skin in the game” (ownership) and “soul in the game” (founder-led commitment)
 - Contrast to Buffett’s “ham sandwich” philosophy—today’s tech requires active, strategic management

Management structure



Tencent 腾讯

Image TODO: Technode/ Tencent hires hundreds of content patrols with QQ virtual coins
<https://technode.com/2018/01/04/tencent-content-patrols/>



Restructuring & Strategic Business Alignment

- **Three Key Restructurings**

1. **2005–2012:** Transition from centralized, founder-led control to systematized business units

1. Challenge: e.g., QQ split across R&D, business development, and internet units

2. **2012–2018:** Agile, product-first structure with teams managing entire product lifecycles and organic growth

3. **2018–Present:** Thematic sectors division ("first & second half of the internet")

1. B2B and “smart tech” central; Mark Ren & Allan Zhang continue to manage core “cash cow” products

2. AI initiatives split across Youtu Labs (Cloud & Smart Industry), AI Labs (Tech & Engineering), and WeChat AI, supported by a dedicated Technical Committee

- **Strategic Market Positioning**

- **Cloud & Smart Industry:** Positioned to compete with Alibaba

- **Platform & Content:** Aimed at taking on ByteDance; focus shifted to quality content while investees (Kuaishou, Bilibili) handle direct competition

- Leadership’s pivot toward enterprise customers leverages AI, big data, and cloud computing to connect “consumer internet” with “industrial internet”

- Competitive edge over Baidu and earlier Alibaba entrants through integrated digital solutions and innovative management practices

Major shareholders

Name	Equities	%	Valuation
■ Prosus NV	2,213,761,200	24 %	114 B ¥
■ Hua Teng Ma	804,859,700	8.725 %	41 448 M ¥
■ China Asset Management Co., Ltd.	24,382,631	0.2643 %	1 256 M ¥
★ Fidelity Management & Research (Hong Kong) Ltd.	19,765,599	0.2143 %	1 018 M ¥
■ Fullgoal Fund Management Co., Ltd.	11,664,059	0.1264 %	601 M ¥
★ UBS Asset Management (Hong Kong) Ltd.	11,126,700	0.1206 %	573 M ¥
■ Sjunde AP-fonden	10,227,600	0.1109 %	527 M ¥
■ GF Fund Management Co., Ltd.	8,954,327	0.0971 %	461 M ¥
■ Foresight Fund Management Co., Ltd.	8,273,600	0.0897 %	426 M ¥
■ Invesco Great Wall Fund Management Co. Ltd. (Invt Mgmt)	7,822,335	0.0848 %	403 M ¥

Prosus portfolio

- “Prosus is best known for its investments in Tencent, dating back to a 45% share in 2001. In 2019 the company attempted to acquire Just Eat, but lost the bidding war to Takeaway.com.” - Wikipedia
- Mid 2023 Prosus traded at a ~40% discount to its net asset value (NAV), primarily made up of Tencent, creating a value opportunity.
 - Prosus sold Tencent shares to fund buybacks, effectively buying €1 of Tencent exposure for €0.60, accelerating NAV/share growth.
 - Historical 40%+ NAV gap persisted for years; Buybacks have narrowed it, but timing/execution risks remained.

Net Asset Value Calculation for Prosus - 14 February 2025

Investment	Shares held (m)	Share price - Local currency	Value (US\$'bn)
Listed assets¹			146.1
Tencent	2 196.4	474.8	134.0
Meituan	257.5	169.9	5.6
Swiggy	581.4	340.4	2.3
Delivery Hero	80.5	30.2	2.6
Remitly	37.3	27.1	1.0
Udemy	13.9	10.0	0.1
DoorDash	0.9	213.4	0.2
SimilarWeb	11.2	10.8	0.1
Skillsoft	3.1	29.6	0.1
Unlisted assets - analyst consensus / post-money valuations²			22.8
Food Delivery			6.9
Classifieds			6.2
Payments & Fintech			4.2
Edtech			1.2
Etail ³			1.9
Ventures			2.5
Asset Value			168.9

Image TODO: Prosus/ Net Asset Value Calculation for Prosus - 14 February 2025
<https://www.prosus.com/investors/investing-in-prosus/net-asset-value>

Restructuring & Business Alignment

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Restructuring & Strategic Business Alignment

Three Key Restructurings

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2. **2012–2018:** Agile, product-first structure with teams managing entire product lifecycles and organic growth
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Strategic Market Positioning

- **Cloud & Smart Industry:** Positioned to compete with Alibaba
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- Leadership's pivot toward enterprise customers leverages AI, big data, and cloud computing to connect "consumer internet" with "industrial internet"
- Competitive edge over Baidu and earlier Alibaba entrants through integrated digital solutions and innovative management practices

Policy shift to take on ByteDance

- As of Q4 2024 Kuaishou has 500M+ active users in China while Douyin has over 700 million daily active users
- Livestreaming remains Kuaishou's strength, with expansion into recruitment and real estate. However, it trails Douyin in GMV and supply chain efficiency.
- Kuaishou focuses on lower-tier cities and rural users, unlike Douyin, which dominates urban markets. It thrives on authenticity and community-driven content.

Q2 2020-Douyin vs Kuaishou User base differences

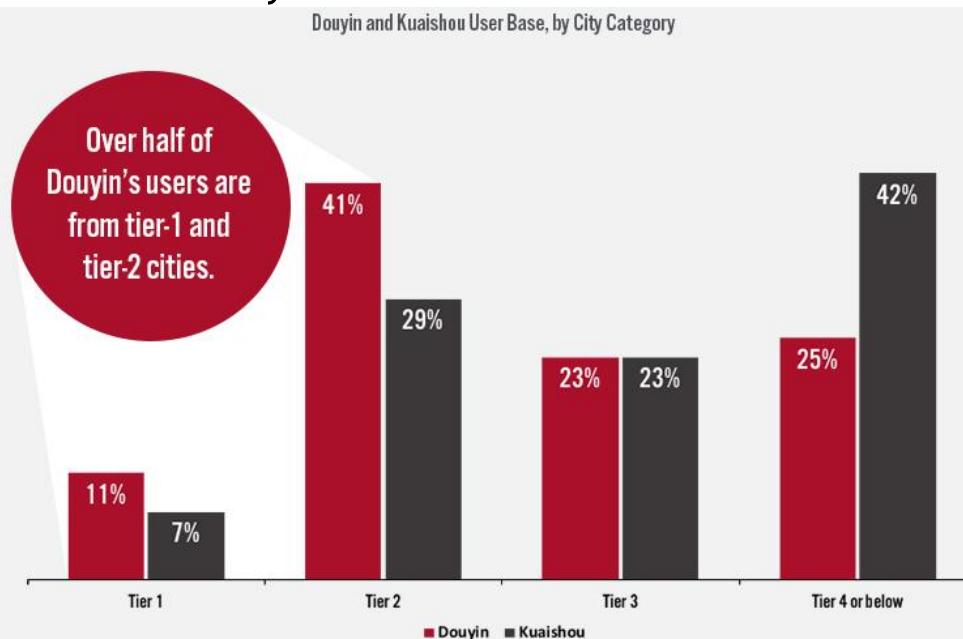
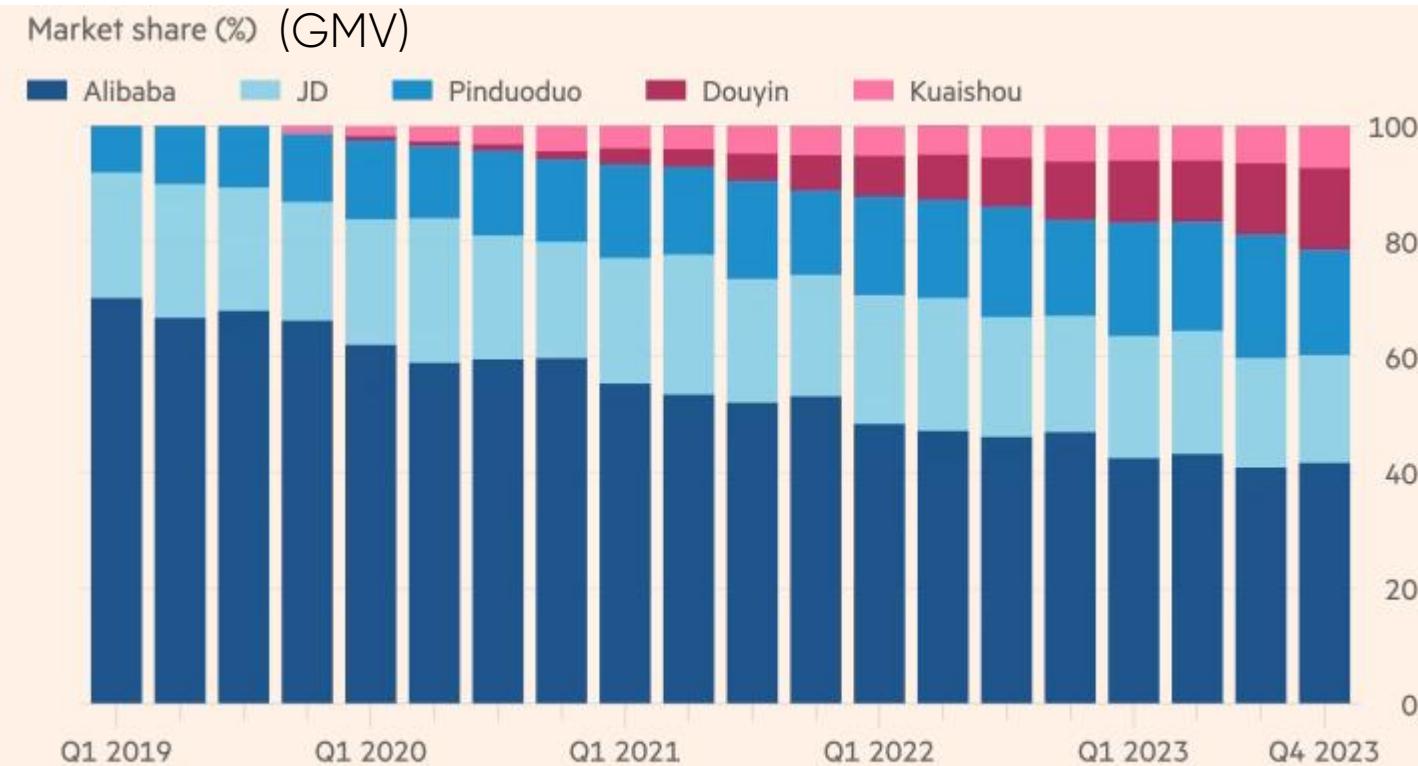


Image TODO: What Is the Key Difference between the User Bases of Chinese Short-Video Platforms Douyin and Kuaishou?
<https://coresight.com/research/what-is-the-key-difference-between-the-user-bases-of-chinese-short-video-platforms-douyin-and-kuaishou/>



Q4 2023 is an estimate
Source: Bernstein Research
© FT

Image TODO: FT/ Alibaba gives way to China ecommerce rivals on Jack Ma Boulevard
<https://www.ft.com/content/45c43257-243c-4313-909f-ac9db0dd7f84>

Policy shift to take on ByteDance

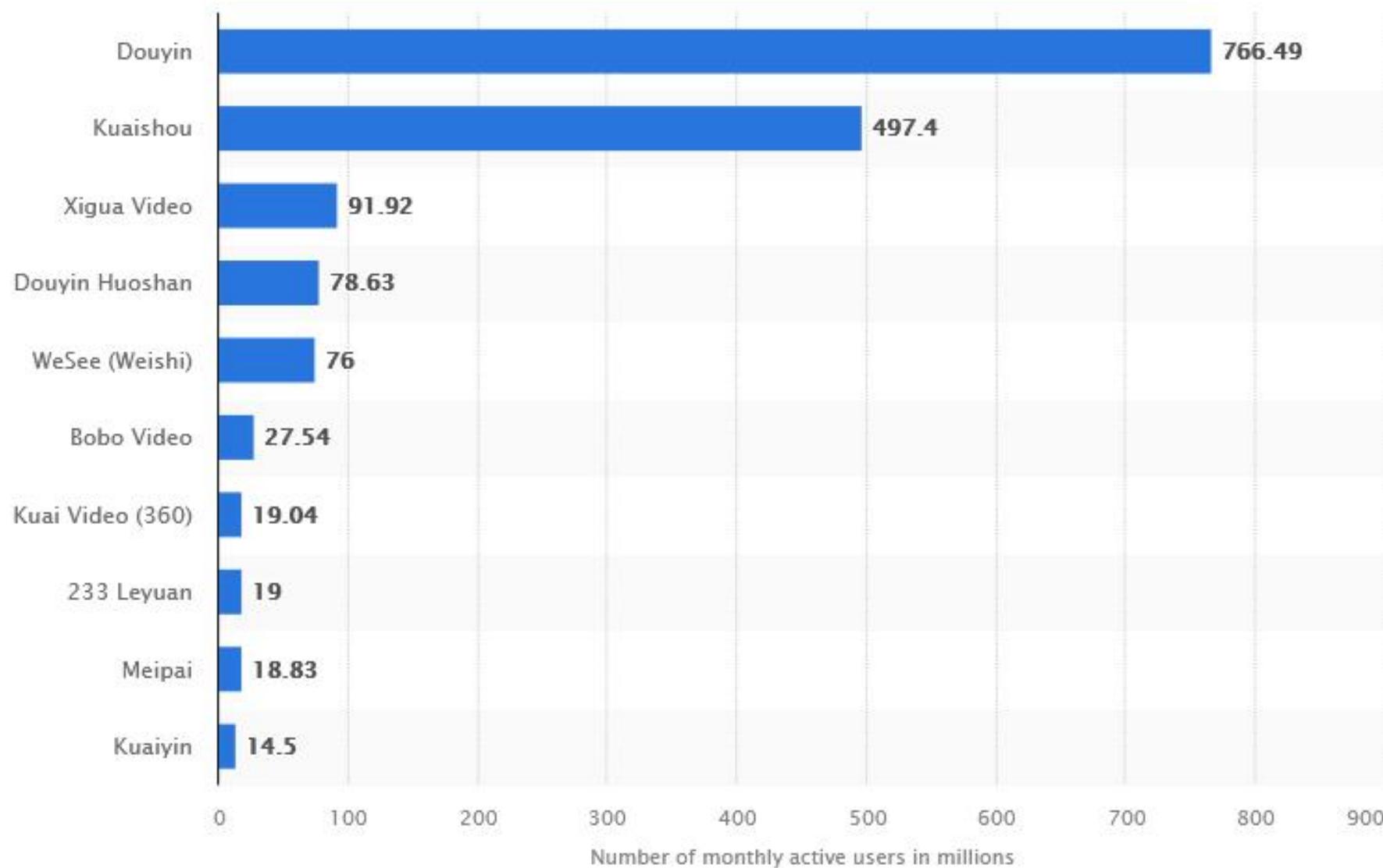


Image TODO: Number of monthly active users of popular short video apps in China in November 2024

https://www.statista.com/statistics/910633/china-monthly-active-users-across-leading-short-video-apps/?__sso_cookie_checker=failed

Holdings

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06

Tencent Holdings Ltd.
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Tencent Holdings Metaversum

- **Diverse Portfolio:** Tencent owns stakes in over 350 companies across sectors like gaming, media, e-commerce, fintech, and cloud services.

- **Venture Capital:** Invested in 800+ companies, with 160 reaching \$1B+ market value.

Key Investments with Ownership Stakes:

- **Gaming:**

- Epic Games: 40%
- Riot Games: 100% (subsidiary)
- Supercell: 84.3%
- Bluehole: 10%
- Roblox: 1.5%

- **Media:**

- Spotify: 9%
- Snap: 12%
- Tencent Music Entertainment: 100% (subsidiary)
- Byju's: 5%

- **E-commerce:**

- JD.com: 18.1%
- Pinduoduo: 16.9%
- Sea Limited: 39% (approx.)

- **Fintech:**

- WeChat Pay/Tenpay: 100% (core services)
- Digital yuan initiatives (strategic partnerships)

- **Social/Streaming:**

- Huya: 50.1%
- Douyu: 38%
- Kuaishou: 20%
- Discord: ~2%

- **Other:**

- Activision Blizzard: 5% (approx.)
- Go-Jek: 10%
- Flipkart: 5%
- Ubtech: 10%

- Investment network of the leading corporate stakeholders in the Chinese start-up landscape. The size of a bubble indicates the number of investments deals. (2018 data)

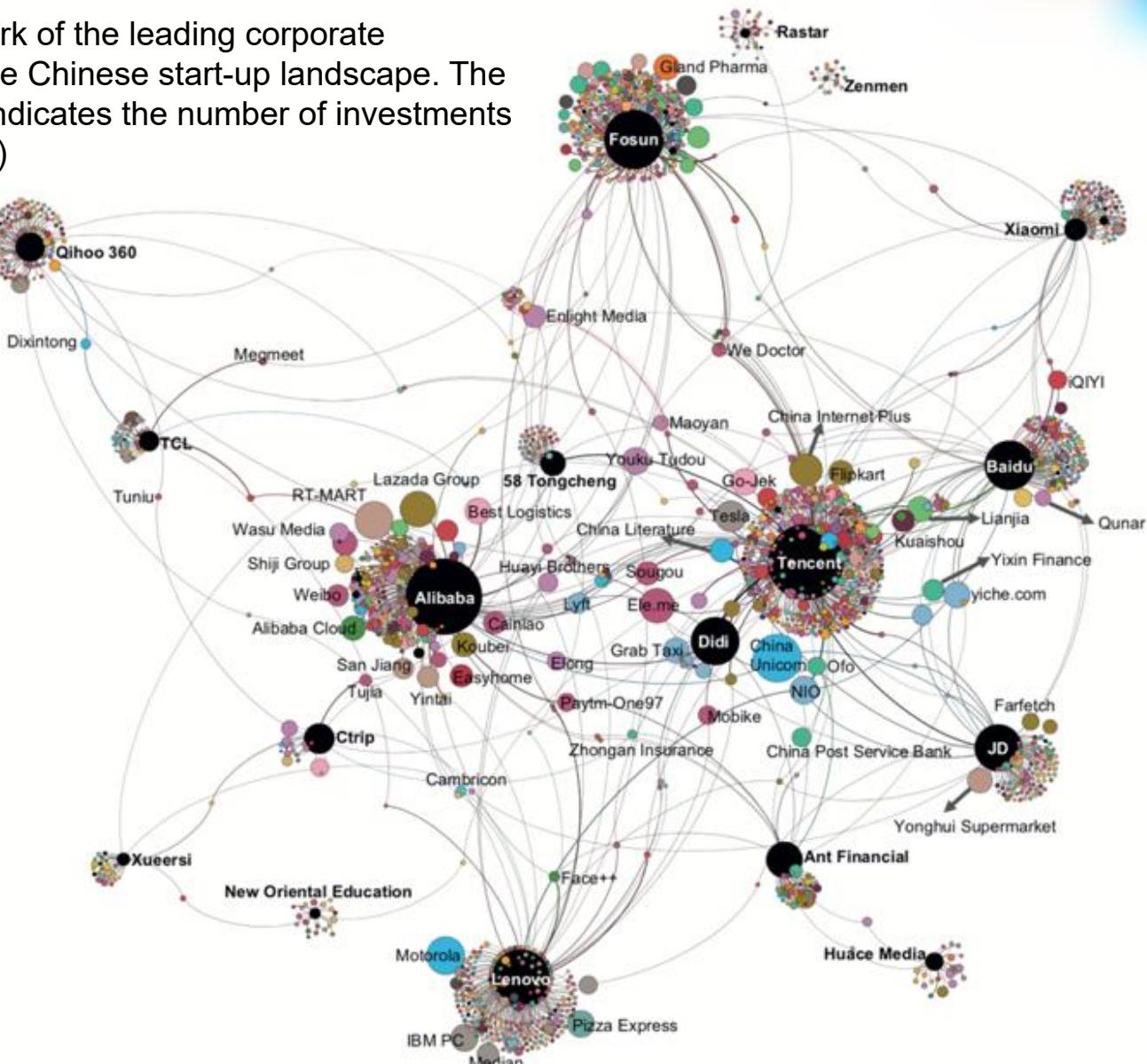
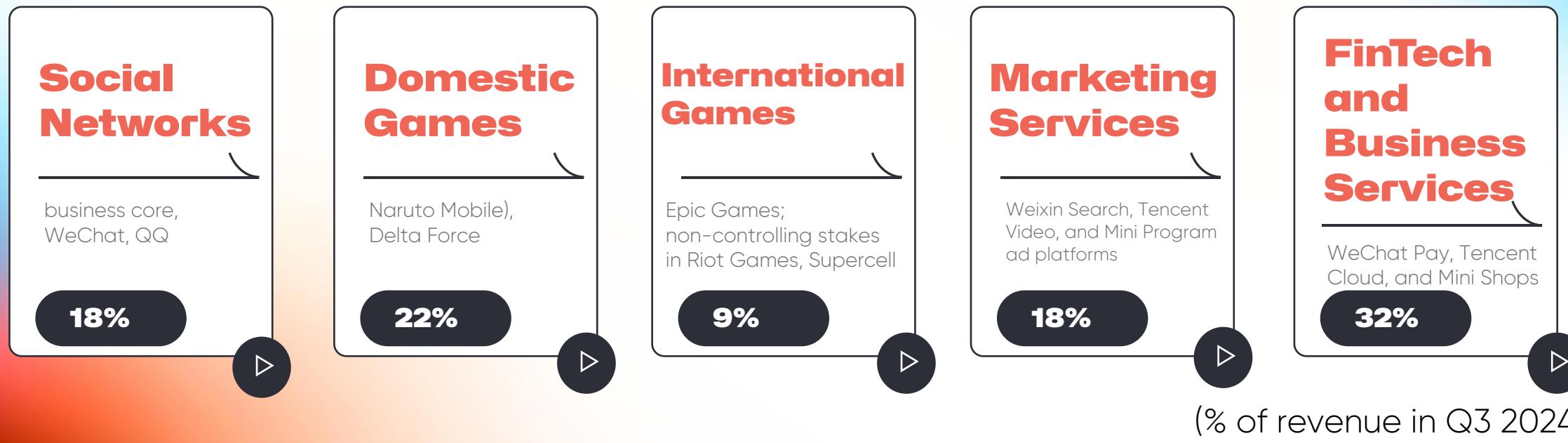


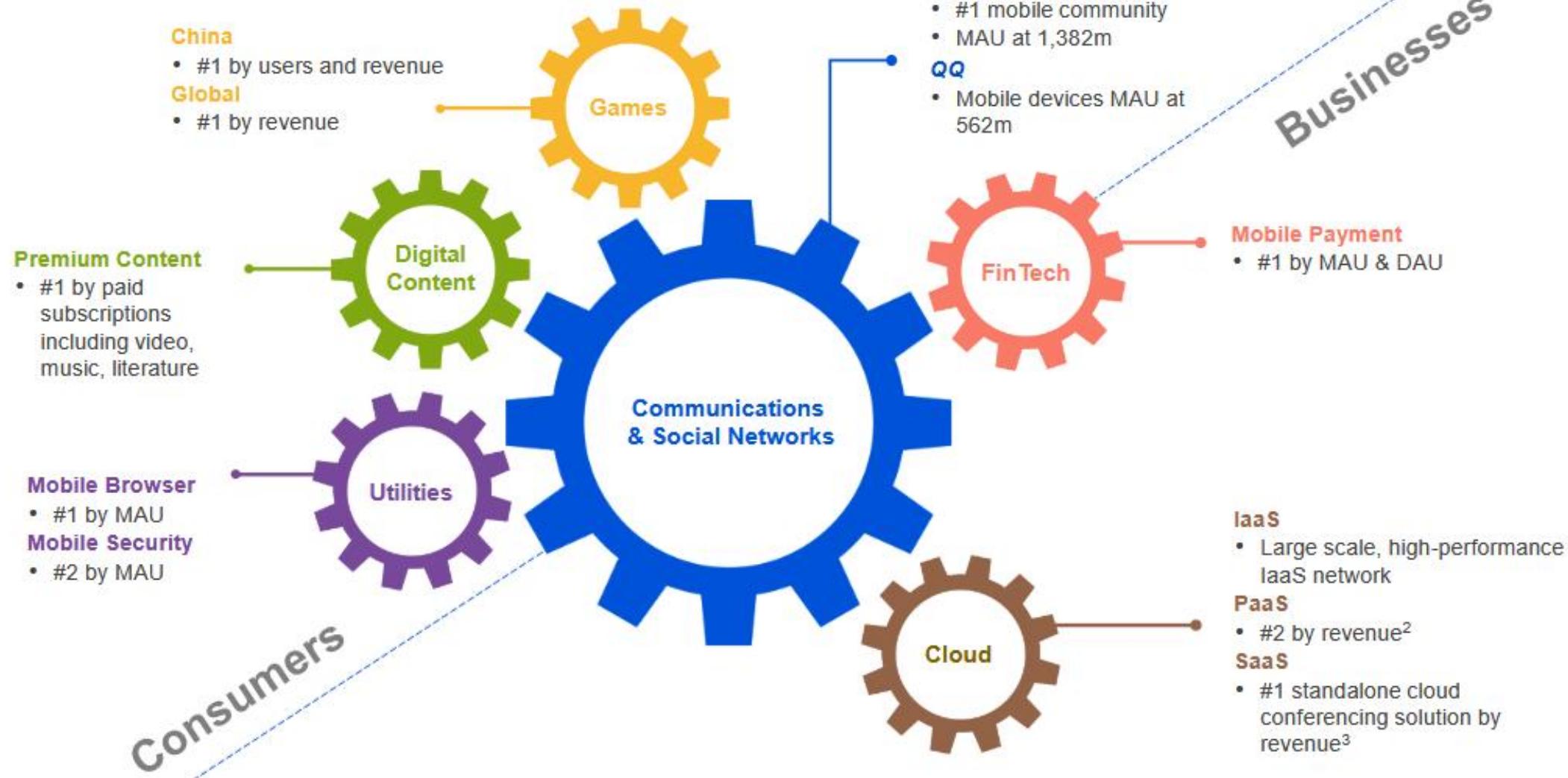
Image TODO: Tomas Larsson/ 9 things to know about China's startup boom

<https://www.linkedin.com/pulse/9-things-know-chinas-startup-boom-tomas-larsson/>

Company Segments



Key Services Update



1. All rankings above refer to China market, unless otherwise stated. Company data as of Sep 30, 2024

2. IDC Quarterly Public Cloud Services Tracker, 2Q24

3. IDC China Cloud Conferencing Market Share report, 2023

Social Networks

• WeChat/Weixin:

- **Central to Tencent's Strategy:** WeChat serves as the central hub for Tencent's digital marketing activities, offering various advertising formats and targeting options. It plays a pivotal role in the company's social media marketing strategy, leveraging its extensive user base and advanced targeting capabilities
- **User Base:** ~1.3 billion monthly active users (MAUs) as of Q3 2024, with a consistent YoY growth rate of 5-7%. This growth is attributed to its **mobile-first approach**, which has allowed Tencent to optimize its marketing campaigns for mobile devices and create a seamless user experience., with 90+ minutes average daily usage.
- **Mini Programs:** Over 4 million Mini Programs, driving 35–71% YoY growth in usage (2024). Key categories include e-commerce, video, and food delivery.
- **High Profitability:** WeChat is a highly profitable platform for Tencent, generating significant revenue through advertising, transactions, and value-added services. Its operating margin is estimated to be around 30%
- **Monetization:** Premium ad pricing due to limited inventory. WeChat Pay facilitates transactions, with ~71% of users female and 60% under 30.
- **Quote:** "WeChat is the operating system of China" (John Huber, Saber Capital Management).
- Integration of AI-driven personalization tools (e.g., chatbots).
- Expansion of livestreaming and group-buying features.
- **2025 Projections:** Continued growth in Tier 3/4 cities and rural areas via community-driven initiatives.

• QQ:

- **User Base:** ~590 million MAUs (Q3 2024), popular among younger demographics.
- **Features:** Gaming integration, virtual avatars, and social entertainment.

• International Expansion:

- Limited success outside China due to regulatory hurdles (e.g., U.S. WeChat ban in 2020). Focus on Southeast Asia via investments in Sea Limited.

WeChat user base is still growing

While WeChat has experienced significant growth, reaching over 1.3 billion monthly active users (MAUs) as of Q3 2024 and continuing to expand its ecosystem, QQ has seen a decline in its user base. QQ's user base peaked at 843 million MAUs in 2012 but has since decreased to 590 million MAUs as of Q3 2024. This decline is primarily due to the rise of WeChat, which has become the preferred platform for many users due to its more comprehensive features and mobile-first approach. However, QQ remains popular among younger demographics, particularly students and gamers, who are drawn to its gaming integration, customizable avatars, and interactive elements. While QQ's user base is lower than its peak, it still serves a niche market and is not as important as WeChat in terms of profitability for Tencent, as WeChat's integration of mobile payments and value-added services makes it a more lucrative platform.

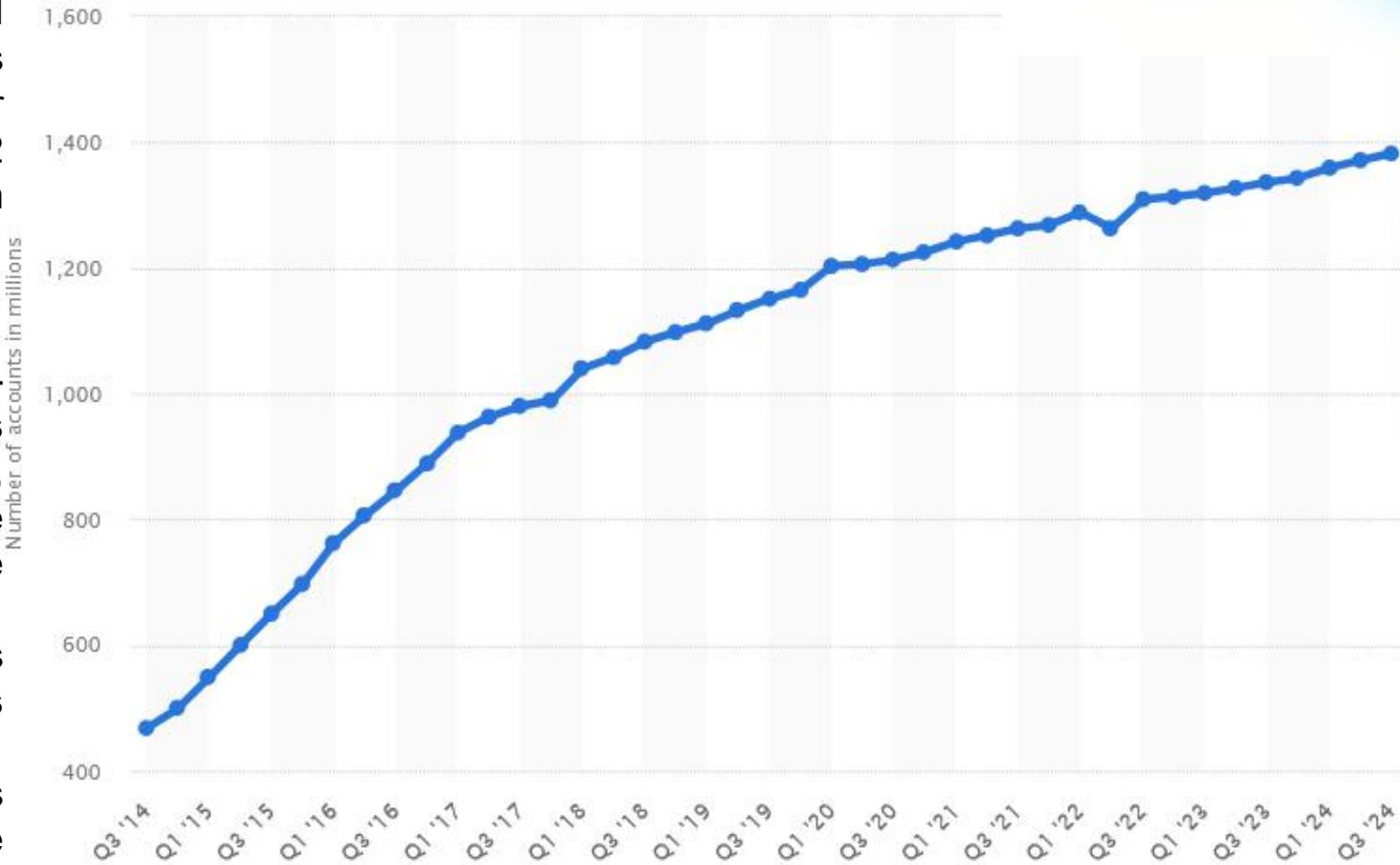


Image TODO: Statista/ Number of monthly active WeChat users from 3rd quarter 2014 to 3rd quarter 2024

https://www.statista.com/statistics/255778/number-of-active-wechat-messenger-accounts/?__sso_cookie_checker=failed

Communications & Social Networks



Mini Programs

- GMV facilitated by *Mini Programs* grew high teens % YoY and exceeded RMB2 trillion in 3Q24, benefitting from better coverage and solutions for use cases including food ordering, electric vehicle charging, and medical services
- Enriched our content offering beyond *Mini Games* with increasingly popular *Mini Dramas*



Mini Shops

- *Mini Shops* is our platform for indexed and standardised merchandise, where merchants can operate storefronts similar to those in eCommerce marketplaces, while leveraging *Weixin* social interactions, content services, and payment capabilities
- For consumers, we enhanced user interface for order tracking, extended return periods, and provided express refund services
- For merchants, we made onboarding easier by streamlining admission procedure and lowering deposit requirements, and enabled shoppable SKU-level links in *Official Accounts*, *Mini Programs*, *Weixin Search* and *Video Accounts*



QQ

- Mobile device MAU returned to YoY growth in 3Q24
- Comprehensively upgraded back end infrastructure, facilitating faster enhancements to user experience
- Added and popularised powerful new functionalities, such as *Tencent Channels* for interest-based user interactions

Domestic Games

- **Market Leadership:**

- ~30% market share in China (2024), competing with NetEase and Bytedance.

- **Key Titles:**

- Honor of Kings (255 million MAUs, ~\$3 billion annual revenue).
 - PUBG Mobile (100 million+ global MAUs).
 - League of Legends (via Riot Games, 150 million+ players).

- **Revenue:**

- Gaming revenue: ~\$30 billion (2024), ~60% from mobile games.
 - Quote: "Gaming is a flywheel" (Graham Rhodes, Longriver Investments).

- **Strategy:**

- Invest in studios (e.g., 40% stake in Epic Games, Unreal Engine).
 - Focus on IP-driven content (e.g., Fortnite as a Metaverse prototype).
 - Regulatory compliance: Adhering to CCP guidelines on game content and monetization.

- **2024 Updates:**

- Launch of Honor of Kings: World (open-world RPG).
 - Increased investment in indie studios (e.g., Leyou Technologies).

- **2025 Projections:**

- Growth in esports (e.g., Honor of Kings World Championship).
 - Expansion of cloud gaming via Tencent Cloud.

International Games

- **Global Reach:**

- ~40% of global mobile gaming revenue (2024).
- Key markets: Southeast Asia (via Sea Limited), Latin America, and India.

- **Key Investments:**

- Epic Games: 40% stake, Unreal Engine powers ~30% of top games.
- Supercell (Clash of Clans), Bluehole (PUBG), Riot Games.
- Call of Duty Mobile (Activision Blizzard partnership, 500 million+ downloads).
- Ubisoft (Assassin's Creed and Far Cry)
- Activision Blizzard (all of Duty, World of Warcraft, Starcraft, and Candy Crush)
- Riot Games (League of Legends)
- Grinding Gear Games (Path of Exile),
- 1.3% share in Roblox

- **Strategy:**

- Co-development with local studios (e.g., PUBG Mobile in India).
- Acquisition of non-controlling stakes to avoid regulatory scrutiny.

- **2024 Updates:**

- Launch of Valorant Mobile (50 million+ downloads in Q3 2024).
- Expansion in Brazil via partnerships with local telcos.

- **2025 Projections:**

- Focus on open-world and Metaverse games (e.g., Fortnite evolution).
- Increased revenue from emerging markets (e.g., Africa, Middle East).

International Games

Games

Leading global platform for game development, publishing and operation

Sizable Developer

Owned Studios



Invested External Studios



Partnership with External Studios



Global IP Portfolio

LEAGUE OF LEGENDS

League of Legends (LoL)
Top 10 international PC game by MAU⁽³⁾



LoL: Wild Rift
Top 10 China mobile games by DAU⁽¹⁾



Fight of the Golden Spatula
Top 10 China mobile game by DAU⁽¹⁾



Honour of Kings
#1 China mobile game by DAU⁽¹⁾



Peacekeeper Elite
#3 China mobile game by DAU⁽¹⁾



PUBG Mobile
Top 10 international mobile game by MAU⁽²⁾



CrossFire
A leading FPS PC game in China 15 years after launch



Arena Breakout
Top 10 China mobile game by total time spent⁽⁴⁾



Clash of Clans
Top 10 international mobile game by DAU⁽²⁾



Subway Surfers
Top 10 international mobile game by DAU⁽²⁾



VALORANT
Top 10 international PC game by MAU⁽³⁾



V Rising
2 million copies sold in its 1st month on Steam Early Access

Strong Operating & Publishing Capabilities

Game-as-a-Service (GaaS)

Expertise in technology, production, operation

- Game infrastructure scale
- Anti-cheat system
- eSports integrations



LoL World Championship



VALORANT Champions

Level Infinite

- Successful international publishing



Tower of Fantasy
#3 mobile game released in 2022⁽⁵⁾



GODDESS OF VICTORY: NIKKE
#1 mobile game released in 2022⁽⁵⁾

Image TODO: Tencent Investor Relations

<https://www.tencent.com/en-us/investors/quarter-result.html>

Marketing Services

- **WeChat Advertising:**

- Premium CPM rates (~\$10–15) due to high user engagement.
- Formats: Moments ads, Mini Program ads, and influencer partnerships.

- **Tencent Video & Music:**

- Tencent Video: 394 million MAUs (2024), 22.3% YoY growth.
- Tencent Music: 30% market share, 9% paid subscribers (vs. Spotify's 45%).

- **Short Video:**

- WeiShi: Integrated with Tencent Video, focusing on PGC (Professionally Generated Content).
- Kuaishou: 20% stake, 300 million DAUs, livestream e-commerce focus.

- **2024 Updates:**

- AI-driven ad targeting (e.g., Youtu Labs for facial recognition).
- Expansion of podcasting and audiobooks.

- **2025 Projections:**

- Growth in livestream shopping (e.g., WeChat Mini Programs).
- Increased ad spend from SMEs via WeChat Pay integration.

FinTech and Business Services

- **WeChat Pay:**

- ~40% market share in China's mobile payments (vs. Alipay's 50%).
- Daily transactions: 1 billion+ (2024).

- **Tencent Financial Services:**

- Cloud: ~16% market share (2024), focusing on fintech and healthcare.
- AI: Applications in intelligent customer service (e.g., Tencent Cloud's AI Lab).

- **Regulatory Landscape:**

- CCP mandates: Increased oversight on fintech (e.g., Ant Group's IPO suspension).

- **Notable investments:**

- Investments into neo-banking - Brazilian Nubank, Indian digital payments platform NiYo and China's largest digital bank, WeBank
- PayU (Netherlands-based payment service provider)

- **2024 Updates:**

- Launch of Tencent Financial Cloud for SMEs.
- Expansion of cross-border payments (e.g., WeChat Pay in Malaysia).

- **2025 Projections:**

- Adoption of blockchain for supply chain finance.
- Integration with digital yuan (e-CNY) for government-led initiatives.

WeChatpay growth

Alipay and Tenpay dominate the third-party mobile payment market

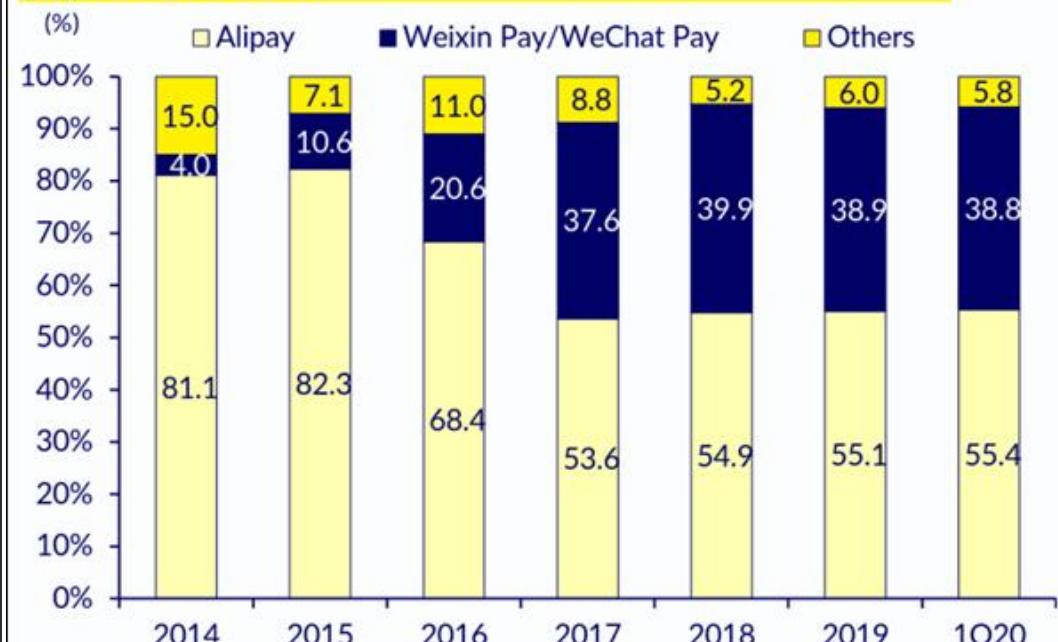


Image TODO: Vineyard Holdings/ Alipay and Tenpay's market share (2020, Longriver)

<https://vineyardholdings.net/tencent/>

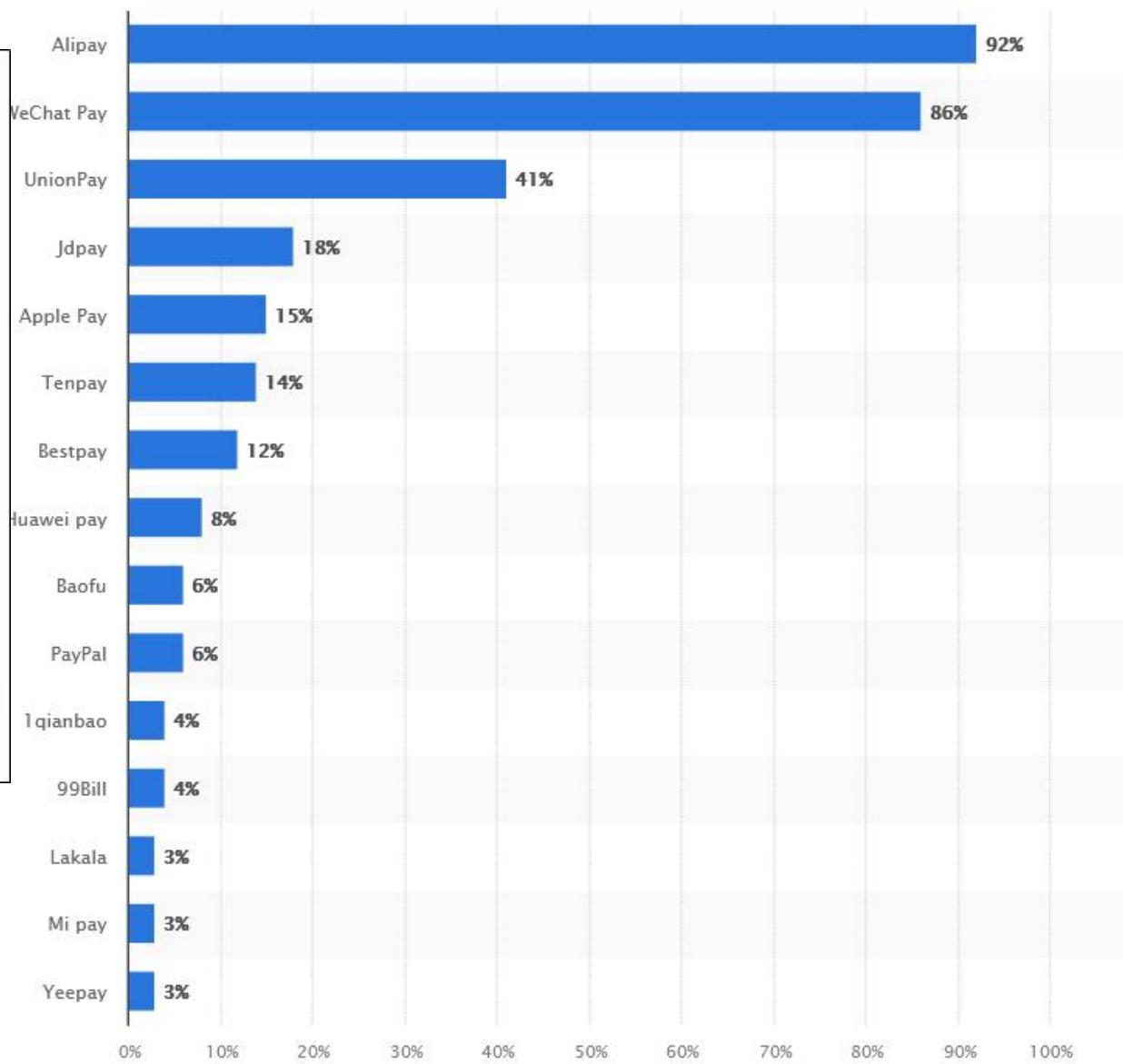


Image TODO: Statista/ Biggest e-commerce payment brands in China as of December 2024

https://www.statista.com/forecasts/1348316/biggest-e-commerce-payment-brands-in-china?__sso_cookie_checker=failed

Other Services

- Entertainment and Media
 - ownership of a stake in Universal Music Group and a partnership with Spotify
- Healthcare
 - 19.5 per cent stake in Xunjie Medical (owns German first aid gear maker Metrax)
- Electric Vehicles:
 - NIO, Li Auto, 5% Tesla (sold)
- Education
 - Udemy Inc., Stack Overflow

Main Competitors

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Competition

Domestic Competitors

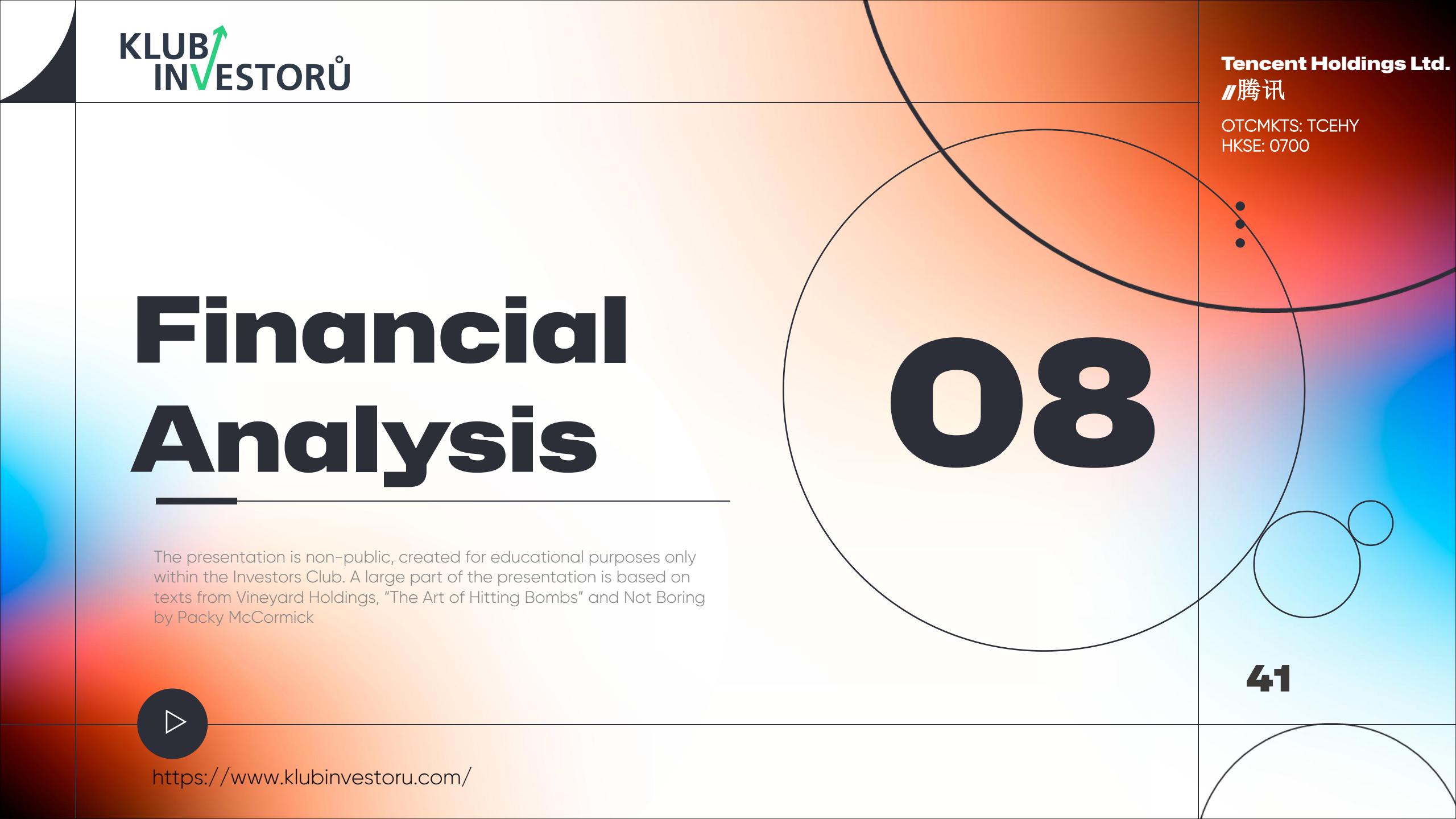
- **Alibaba Group** : A primary competitor in e-commerce, digital payments (Alipay), cloud computing, and other tech - related areas
- **Baidu** : A major player in China's search engine and online advertising market, with investments in AI, autonomous vehicles, and cloud services. In 2023, its renewable energy usage rate was about 5%, lagging behind Alibaba and Tencent
- **ByteDance** : The parent company of TikTok, competing in the social media and short - form video content space with products like Douyin and Toutiao. It was the only one among the companies targeting 100% renewable energy by 2030 that had not disclosed data about its carbon emissions or energy usage
- **NetEase** : A competitor in the gaming industry, developing and publishing online games that compete with Tencent's gaming portfolio

Global Competitors

- **Facebook** : Its suite of apps (Facebook Messenger, WhatsApp, Instagram) competes with Tencent's WeChat and other social media offerings
- **Google** : Competes in the global search engine market and in the development of AI and cloud computing services
- **Amazon** : A global e - commerce giant and cloud services provider, competing with Tencent in the e - commerce and cloud computing sectors
- **Sony** and **Microsoft** : Global competitors in the gaming industry, with Tencent's gaming investments and titles competing with products like the PlayStation and Xbox
- **Netflix** : Tencent competes through its investments in Tencent Video and Tencent Music, as well as its own content creation efforts
- **Apple** : Tencent's WeChat competes with Apple's iMessage and FaceTime in the messaging and video call space
- **PayPal** : In the global digital payments space, Tencent's WeChat Pay competes with PayPal and other mobile payment services.

Financial Analysis

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Company Operating Segments Breakdown (per Q)

Revenue

Revenue Growth (YoY %)

+13% +8% +0.1% -3% -2% +0.5% +11% +11% +10% +7% +6% +8% +8%

Revenue by Segment (billion RMB)



■ Social Networks ■ Domestic Games ■ International Games ■ Marketing Services ■ FinTech and Business Services ■ Others

Image TODO: Tencent 2024 Third Quarter Results Presentation

<https://static.www.tencent.com/uploads/2024/11/13/ccffd154b896b6c3e1ae65c13b73761d.pdf>

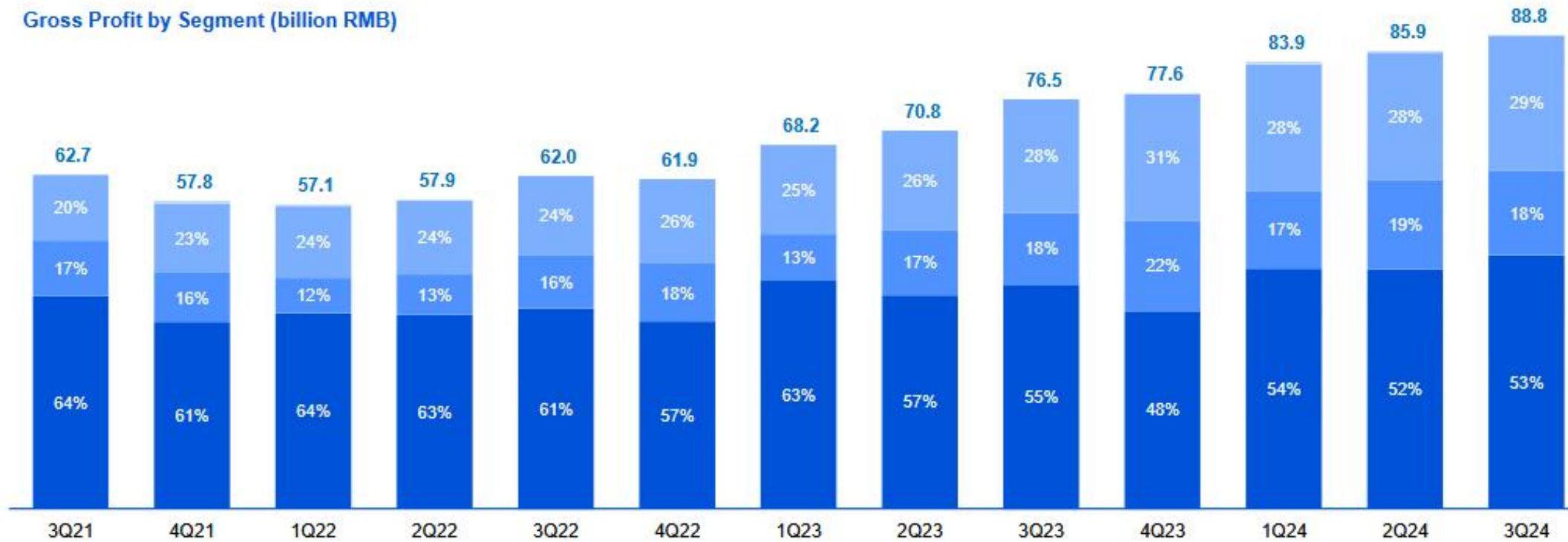
Company Operating Segments Breakdown (per Q)

Gross Profit

Gross Profit Growth (YoY %)

+11% -2% -9% -8% -1% +7% +19% +22% +23% +25% +23% +21% +16%

Gross Profit by Segment (billion RMB)



■ Value-added Services ■ Marketing Services ■ FinTech and Business Services ■ Others

Image TODO: Tencent 2024 Third Quarter Results Presentation

<https://static.www.tencent.com/uploads/2024/11/13/ccffd154b896b6c3e1ae65c13b73761d.pdf>

Company Operating Segments Breakdown (per Q)

Financial Highlights

In billion RMB	3Q2024	3Q2023	YoY	2Q2024	QoQ
Total Revenue	167.2	154.6	+8%	161.1	+4%
Value-added Services	82.7	75.7	+9%	78.8	+5%
Social Networks	30.9	29.7	+4%	30.3	+2%
Domestic Games ¹	37.3	32.7	+14%	34.6	+8%
International Games	14.5	13.3	+9%	13.9	+5%
Marketing Services²	30.0	25.7	+17%	29.9	+0.4%
FinTech and Business Services	53.1	52.0	+2%	50.4	+5%
Others	1.4	1.2	+28%	2.0	-29%
Gross Profit	88.8	76.5	+16%	85.9	+3%
Non-IFRS					
Operating Profit	61.3	51.7	+19%	58.4	+5%
Operating Margin	36.6%	33.4%	+3.2ppt	36.3%	+0.3ppt
Net Profit Attributable to Equity Holders	59.8	44.9	+33%	57.3	+4%

1. Domestic Games refers to our games business in the PRC excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan

2. Starting this quarter, we have renamed this revenue segment from 'Online Advertising' to 'Marketing Services' to better represent the breadth of our marketing solutions and accompanying technology services across our online marketing properties.

Value-added Services

In billion RMB



Social Networks

- Revenue was up 4% YoY, driven by increased revenue from music subscriptions, app-based games item sales and *Mini Games* platform service fees, partially offset by decreased revenue from music- and games-related live streaming services
- Music subscription revenue increased 20% YoY, benefitting from enhanced recommendation algorithms, enriched content offerings and upgraded audio quality. Music subscriptions grew 16% YoY to 119 million¹
- Long-form video subscription revenue increased 4% YoY. Video subscriptions grew 6% YoY to 116 million, benefitting from popular animated and drama series. Our exclusive drama series *She And Her Girls* became the highest-rated² domestic drama series industry-wide since 2015

Domestic Games

- Revenue grew 14% YoY, reflecting growth from *HoK* and *Peacekeeper Elite*, record-setting performance from *VALORANT*, and full-quarter contribution of *DnF Mobile*

International Games

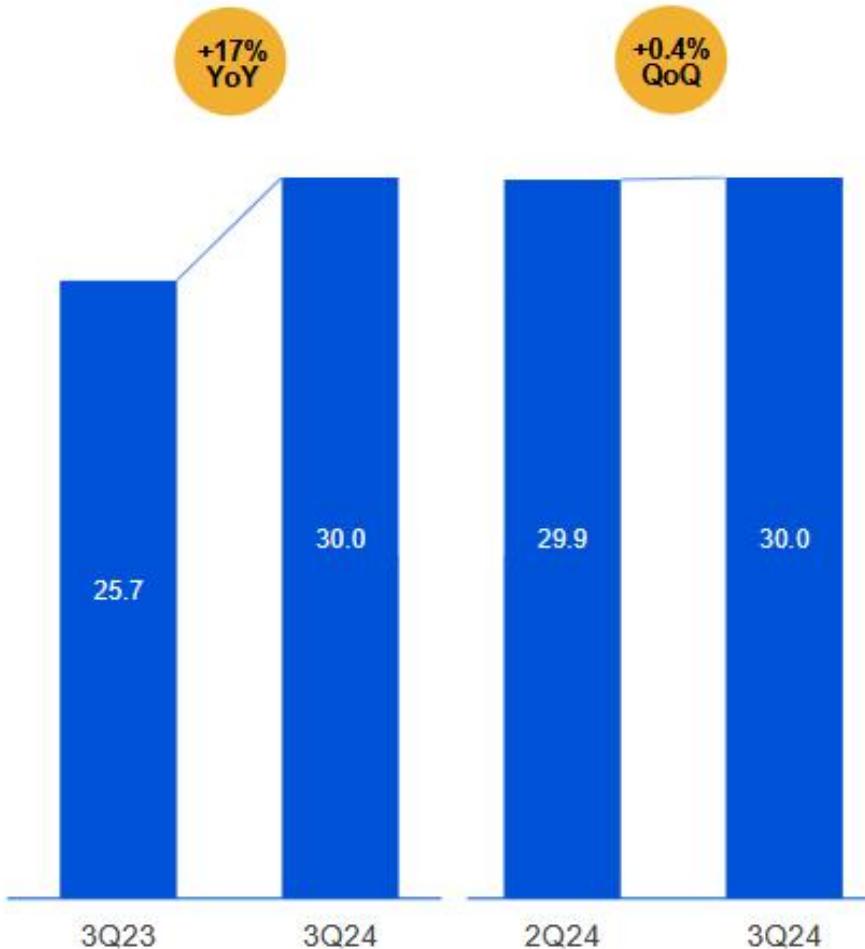
- Revenue increased 9% YoY, or 11% in constant currency, driven by *PUBG MOBILE* and *Brawl Stars*. Revenue growth lagged gross receipt growth due to deferral periods, which lengthened for certain games

1. The average number of subscriptions as of the last day of each month during 3Q24

2. Source: Douban, as of Nov 12, 2024

Marketing Services

In billion RMB



Overall

- Revenue grew 17% YoY, with strength in games and eCommerce categories, outweighing weakness in real estate and food & beverage. Paris Olympics cushioned industry-wide weakness in brand ad revenue in 3Q24, but this positive factor will be absent in 4Q24
- Leveraged *Tencent Hunyuan* to facilitate tagging and categorisation of content and ad materials. Upgraded machine learning platform to deliver more accurate ad targeting

Weixin

- **Video Accounts** marketing services revenue increased over 60% YoY. As we systematically strengthen transaction capabilities in *Weixin*, advertisers increasingly utilise our marketing tools to boost content exposure and drive sales conversion
- **Mini Programs** marketing services revenue grew robustly YoY, as our mini games and mini dramas provided high-value rewarded video ad inventory and generated incremental closed-loop demand
- **Weixin Search** revenue more than doubled YoY, benefitting from increased commercial queries and improved CTR. We utilised LLM capabilities to facilitate understanding of complex queries and content, enhancing relevance of search results

Company Operating Segments Breakdown (per Q)

Gross Margins

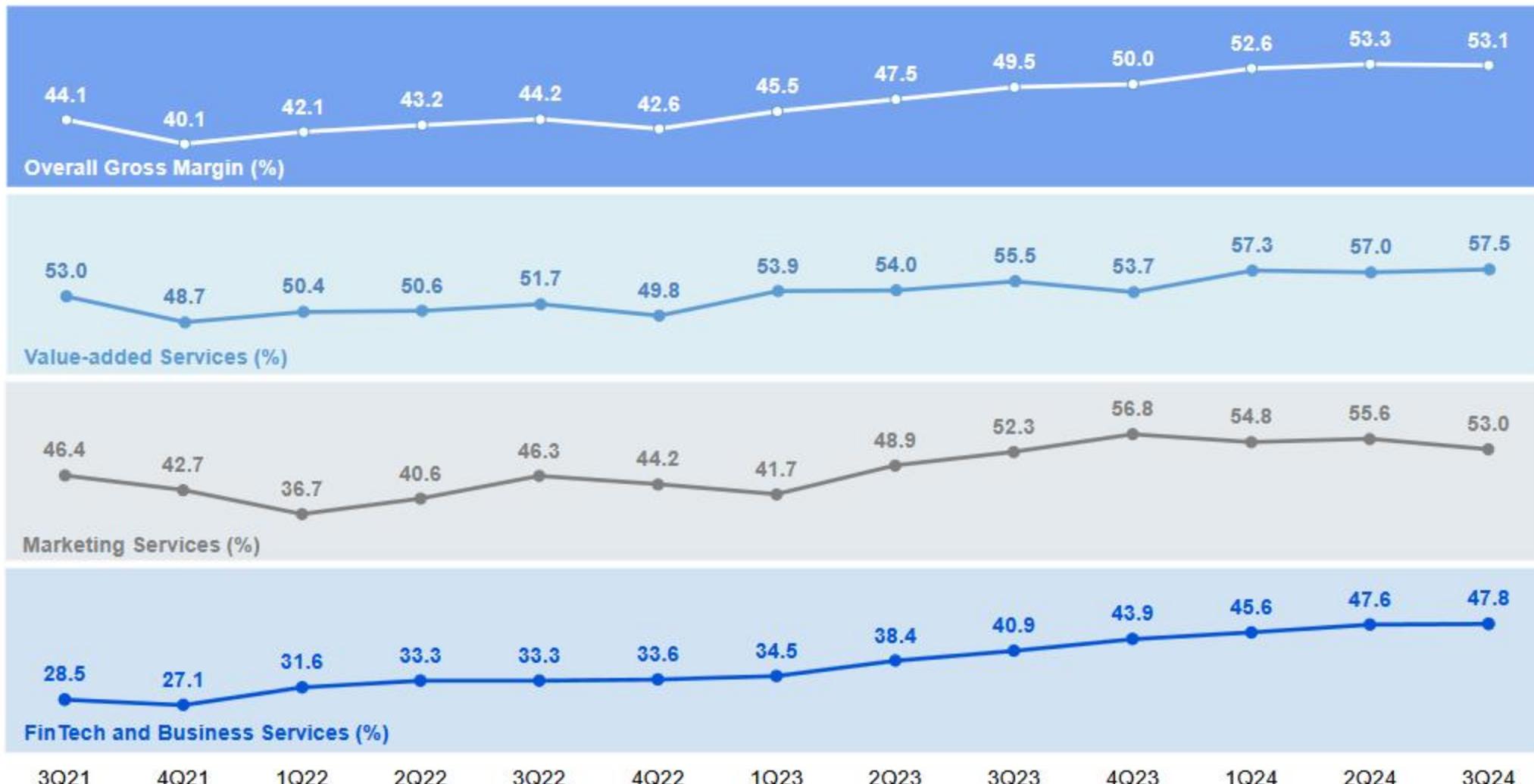
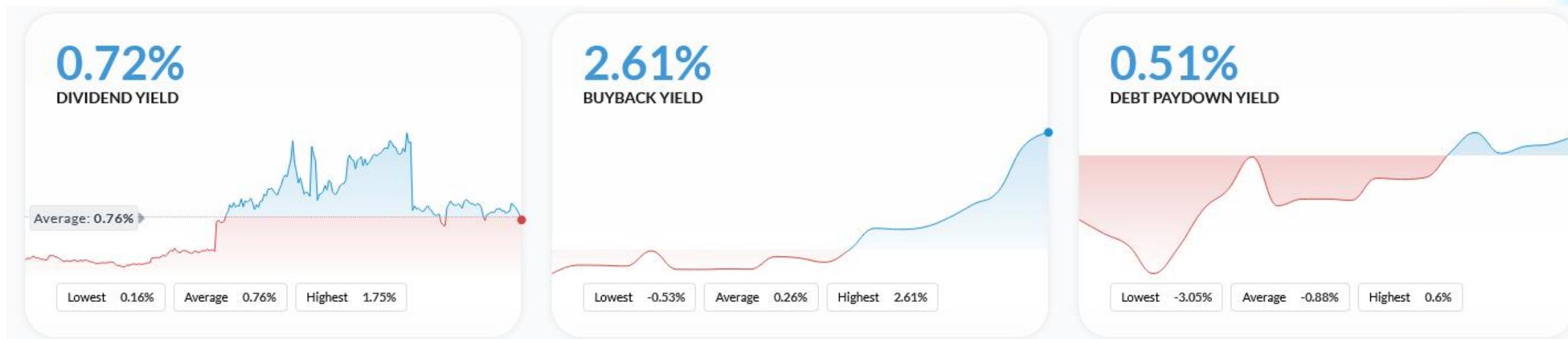


Image TODO: Tencent 2024 Third Quarter Results Presentation

<https://static.www.tencent.com/uploads/2024/11/13/ccffd154b896b6c3e1ae65c13b73761d.pdf>

Shareholder yield (2020-2024)



Tencent Holdings Shareholder Yield vs. Alibaba

- **Dividend Yield:** Tencent's 0.79% (2024) is below the industry average of 1.34% over the past five years. Alibaba does not pay dividends, focusing on growth reinvestment.
- **Buyback Yield:** Tencent's 2.61% (2024) is above the industry average. Alibaba's buyback yield is projected at 3.5% (2024), higher than Tencent's.
- **Debt Paydown Yield:** Tencent's 0.51% (2024) indicates strong debt reduction, while Alibaba's is 0.0%, reflecting rising leverage.
- **Total Shareholder Yield:** Tencent's total yield is 3.0%, with a future dividend yield forecast of 1.4%. Alibaba's aggressive buybacks may offer higher short-term returns but carry higher risk.
- **Investor Appeal:** Tencent attracts income-focused investors with its balanced approach, while Alibaba appeals to growth-oriented investors.
- **Conclusion:** Tencent's diversified strategy provides stable returns, while Alibaba's focus on buybacks and growth may offer higher risk/reward potential.

Image TODO: Alpha Spread/ Tencent Holdings Ltd
<https://www.alphaspread.com/security/hkex/700/dividend>

Buyback yield (2016-2024)



Tencent Holdings

Current buyback yield for — Tencent Holdings Ltd is 2.61%. This indicates a return of 2.61% of its market value to shareholders through stock repurchases. [What is buyback yield?](#)

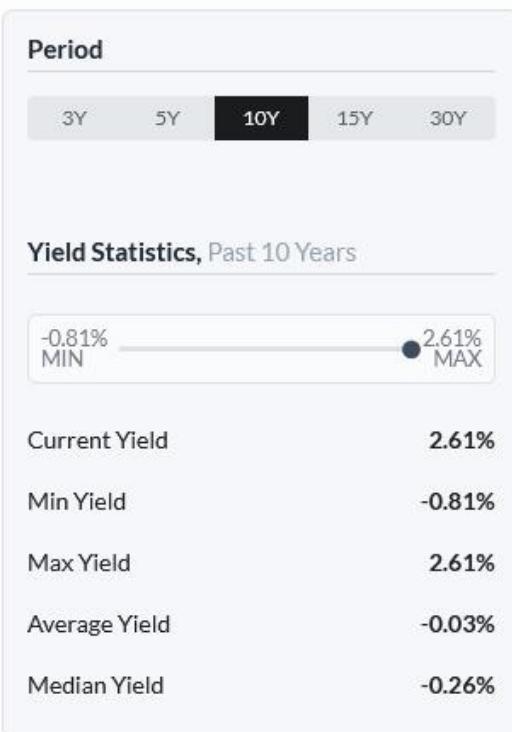


Image TODO: Alpha Spread/ Tencent Holdings Ltd
<https://www.alphaspread.com/security/hkex/700/dividends#dividends>

Valuations

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09

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Tencent Holdings Ltd.
//腾讯
OTCMKTS: TCEHY
HKSE: 0700

Valuation

	Current	6/30/2024	9/30/2023	6/30/2023
Market Cap	554.52B	441.22B	372.28B	404.70B
Enterprise Value	553.06B	440.13B	376.37B	407.84B
Trailing P/E	28.23	28.96	13.87	15.74
Forward P/E	17.33	15.41	15.31	19.65
PEG Ratio (5yr expected)	0.72	0.65	1.45	1.02
Price/Sales	6.80	5.43	4.67	5.25
Price/Book	4.48	3.94	3.45	3.79
Enterprise Value/Revenue	6.40	5.25	4.70	5.20
Enterprise Value/EBITDA	18.96	13.78	11.23	12.87

Image TODO: Yahoo Finance / Tencent Holdings Ltd (TCEHY)
<https://finance.yahoo.com/quote/TCEHY/key-statistics/>

- Tencent's valuation doesn't reflect its dominant market position and growth potential, it remains undervalued relative to long-term growth metrics (PEG Ratio: 0.72). WeChat's search integration and ecosystem expansion offer significant upside, supported by robust profitability (26.40% profit margin, 31.90% operating margin) and strong cash flow (\$258.43B operating cash flow). Low beta (0.50) and institutional ownership (0.12%) suggest limited downside risk.

EV/Ebitda



P/B ratio



Image TODO: TradingView/ Tencent Holdings Ltd (TCEHY)

<https://www.tradingview.com/chart/SB7j1mhO/?symbol=OTC%3ATCEHY>

What I didn't have the energy to integrate...

Random lol :)

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Random1/2

Michael Burry - Scion Asset Management

Period: Q4 2024

Portfolio date: 31 Dec 2024

No. of stocks: 13

Portfolio value: \$77,436,000

[Holdings](#)

[Activity](#)

[Buys](#)

[Sells](#)

[History](#)

History	Stock	% of Portfolio	Recent Activity	Shares	Reported Price*	Value
☰	BABA - Alibaba Group Holdings	16.43	Reduce 25.00%	150,000	\$84.79	\$12,719,000
☰	BIDU - Baidu Inc.	13.61		125,000	\$84.31	\$10,539,000
☰	JD - JD.com Inc.	13.43	Reduce 40.00%	300,000	\$34.67	\$10,401,000
☰	EL - Estee Lauder Cos.	9.68	Buy	100,000	\$74.98	\$7,498,000
☰	MOH - Molina Healthcare Inc.	9.40	Reduce 16.67%	25,000	\$291.04	\$7,276,000
☰	PDD - Pinduoduo Inc.	9.39	Buy	75,000	\$96.99	\$7,274,000
☰	HCA - HCA Healthcare Inc.	5.81	Buy	15,000	\$300.13	\$4,502,000
☰	BRKR - Bruker Corp.	5.68	Buy	75,000	\$58.63	\$4,397,000
☰	VFC - V.F. Corp.	5.54	Buy	200,000	\$21.46	\$4,292,000
☰	MAGN - Magnera Corp.	4.69	Buy	200,000	\$18.17	\$3,634,000
☰	OSCR - Oscar Health Inc.	3.47	Buy	200,000	\$13.44	\$2,688,000
☰	ACIC - American Coastal Insurance C	2.54	Add 46.10%	146,100	\$13.46	\$1,967,000
☰	GOOS - Canada Goose Holdings Inc.	0.32	Buy	24,838	\$10.02	\$249,000

David Tepper - Appaloosa Management

Period: Q4 2024

Portfolio date: 31 Dec 2024

No. of stocks: 37

Portfolio value: \$6,463,902,000

[Holdings](#) [Activity](#) [Buys](#) [Sells](#) [History](#)

History	Stock	% of Portfolio	Recent Activity	Shares	Reported Price*	Value
☰	BABA - Alibaba Group Holdings	15.54	Add 18.43%	11,843,158	\$84.79	\$1,004,181,000
☰	AMZN - Amazon.com Inc.	8.82	Reduce 18.75%	2,600,000	\$219.39	\$570,414,000
☰	PDD - Pinduoduo Inc.	8.04	Add 1.04%	5,356,132	\$96.99	\$519,491,000
☰	MSFT - Microsoft Corp.	6.33		970,000	\$421.50	\$408,855,000
☰	VST - Vista Corp.	5.76	Add 112.53%	2,700,000	\$137.87	\$372,249,000
☰	JD - JD.com Inc.	5.61	Add 43.37%	10,465,885	\$34.67	\$362,852,000
☰	GOOG - Alphabet Inc. CL C	5.54	Reduce 0.00%	1,881,963	\$190.44	\$358,401,000
☰	META - Meta Platforms Inc.	4.44	Reduce 21.60%	490,000	\$585.51	\$286,900,000
☰	ORCL - Oracle Corp.	3.61	Reduce 11.02%	1,400,000	\$166.64	\$233,296,000
☰	FXI - Ishares China Large Cap ETF	3.13	Add 13.75%	6,637,128	\$30.44	\$202,034,000
☰	LYFT - Lyft Inc.	2.69	Reduce 14.29%	13,500,000	\$12.90	\$174,150,000
☰	NRG - NRG Energy Inc.	2.53	Add 81.53%	1,815,000	\$90.22	\$163,749,000
☰	AMD - Advanced Micro Devices	2.24	Add 5.73%	1,200,000	\$120.79	\$144,948,000
☰	KWEB - Kraneshares Csi China Intern	2.07	Add 21.53%	4,575,695	\$29.24	\$133,793,000
☰	BIDU - Baidu Inc.	1.99	Add 7.22%	1,527,909	\$84.31	\$128,818,000
☰	QCOM - QUALCOMM Inc.	1.90		800,000	\$153.62	\$122,896,000
☰	ASML - ASML Holding NV	1.72	Add 106.45%	160,000	\$693.08	\$110,893,000
☰	MU - Micron Technology Inc.	1.56	Add 14.29%	1,200,000	\$84.16	\$100,992,000
☰	FDX - FedEx Corp.	1.52	Reduce 6.67%	350,000	\$281.33	\$98,466,000
☰	ET - Energy Transfer LP	1.49	Reduce 28.02%	4,914,735	\$19.59	\$96,280,000
☰	NVDA - NVIDIA Corp.	1.41	Add 8.80%	680,001	\$134.29	\$91,317,000
☰	LRCX - Lam Research	1.40	Add 25.00%	1,250,000	\$72.23	\$90,288,000
☰	UBER - Uber Technologies Inc.	1.40	Add 6.38%	1,500,000	\$60.32	\$90,480,000
☰	UNH - United Health Group Inc.	1.37		174,500	\$505.86	\$88,273,000
☰	CZR - Caesars Entertainment	1.14	Add 2.33%	2,200,000	\$33.42	\$73,524,000
☰	GLW - Corning Inc.	1.10	Buy	1,500,000	\$47.52	\$71,280,000
☰	TSM - Taiwan Semiconductor S.A.	0.76	Reduce 37.50%	250,000	\$197.49	\$49,373,000
☰	BEKE - KE Holdings Inc.	0.73	Add 18.35%	2,574,074	\$18.42	\$47,414,000
☰	LVS - Las Vegas Sands Corp.	0.72	Reduce 41.11%	900,000	\$51.36	\$46,224,000
☰	WYNN - Wynn Resorts Ltd.	0.67	Reduce 37.50%	500,000	\$86.16	\$43,080,000
☰	EQT - EQT Corp.	0.57	Reduce 55.43%	800,000	\$46.11	\$36,888,000
☰	AR - Antero Resources	0.46	Reduce 51.86%	840,000	\$35.05	\$29,442,000
☰	EXE - Expand Energy Corp.	0.45	Add 78.79%	295,000	\$99.55	\$29,367,000
☰	MPLX - MPLX LP	0.43		578,500	\$47.86	\$27,687,000
☰	CHKEZ - Chesapeake Energy Corp. CL B WTS	0.35		250,000	\$90.92	\$22,729,000
☰	INTC - Intel Corp.	0.31	Reduce 60.00%	1,000,000	\$20.05	\$20,050,000
☰	CHKEL - Chesapeake Energy Corp. WTS	0.20		150,000	\$85.52	\$12,828,000

Random 2/2

Mohnish Pabrai (who suggest Tencent to be superior to Alibaba, sold his stake in Alibaba last year to buy shares in Tencent) describes Tencent's business model (and capital allocation strategy) to be the following:

"Pony Ma has two businesses consisting of two types of resources and he decides in which one he wants to allocate capital:

1. ***Large army of software engineers***
2. ***30 Warren Buffett-like managers***

The order of the strategy (use of free cash flow) then goes in the following steps:

Step 1: See if the army of software engineers have sufficient capital to expand business organically. The rest goes to step 2...

Step 2: 30 Warren Buffett-like managers: They invest remaining free cash flow in 1) whole strategic acquisitions, and/or 2) strategic minority stakes in a number of businesses."

This approach provides an **additional layer of safeguarding for Tencent's business**. In the event that one segment of their operations encounters challenges (or faces new regulations), it *wouldn't* have a detrimental long-term effect on Tencent. They can simply reallocate their resources and refocus on other areas, potentially outside of China. Which is what they are doing.

This capital allocation strategy clearly resonates with **Warren Buffett** quote on the importance of capital allocation:

"Over time, the skill with which a company's managers allocate capital has an enormous impact on the enterprise's value."

Conclusion

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10

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Tencent Holdings Ltd.
//腾讯
OTCMKTS: TCEHY
HKSE: 0700

Conclusion

- Tencent enjoys a distinct competitive moat through its WeChat platform, which unlocks enormous potential. Leveraging this ecosystem, the company is now expanding into new arenas—for instance, by launching its own search engine and enabling third-party developers to create mini applications. This capability has already yielded impressive results, as seen with Pinduoduo, which has also become part of a strategically managed portfolio that continuously expands into emerging industries.
- While the majority of Tencent's value is anchored in its robust ecosystem—the core of its comparative advantage—the rest of its portfolio is also meticulously constructed. Investments range from cutting-edge game development technologies like Epic Games' Unreal Engine to innovative digital platforms such as Kuaishou, which mirrors the growth trajectory of TikTok. Moreover, Tencent's financial services position the company alongside US giants like Mastercard and Visa, a strategic asset that its current valuation does not fully reflect, despite the firm's effective diversification across various sectors.

Thank You for attention

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谢谢

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OTCMKTS: TCEHY
HKSE: 0700



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