

# Tencent: Dismantling its 'walled garden' on regulatory pressure

DIGITAL ENGAGEMENT TEAM

22 OCTOBER 2021

## TRADING MATTERS SERIES: STOCK HIGHLIGHT

Features a single stock and zooms in on its performance in the market

KEY METRICS	
Current Price	505.50
Latest Dividend	1.60
Dividend Ex-Date	24/5/2021
Indicated Dividend Yield	0.32%
RSI	60.84
Analysts 12M Target Price	633.06

REFINITIV STOCKREPORTS+ AVERAGE SCORE
<b>5/10</b> As of 21 Oct 2021

Refer to page 3 for indicator components

### Tencent Holdings (700 HK) Price Chart



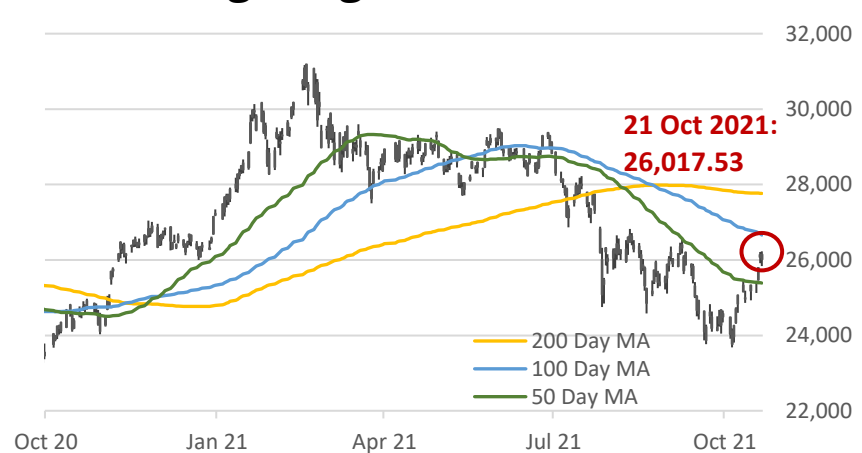
Any red lines drawn on the price charts are trendlines, which are visual representations of support & resistance levels. They are drawn by connecting a series of prices together to help indicate the data's best fit or the presence of any trend over a time frame, and are for illustration purposes only.

As of 21 Oct 2021 closing

### KEY MARKET EVENTS

- 22 Oct** HK CPI Release (Sep)
- 28 Oct** US GDP Release (Q3); HK Futures Roll Date
- 30 Oct** China Manufacturing PMI (Oct)
- 02 Nov** China Caixin Services PMI (Oct)
- 03 Nov** US Fed Interest Rate Decision

### Hang Seng Index Price Chart



As of 21 Oct 2021 closing

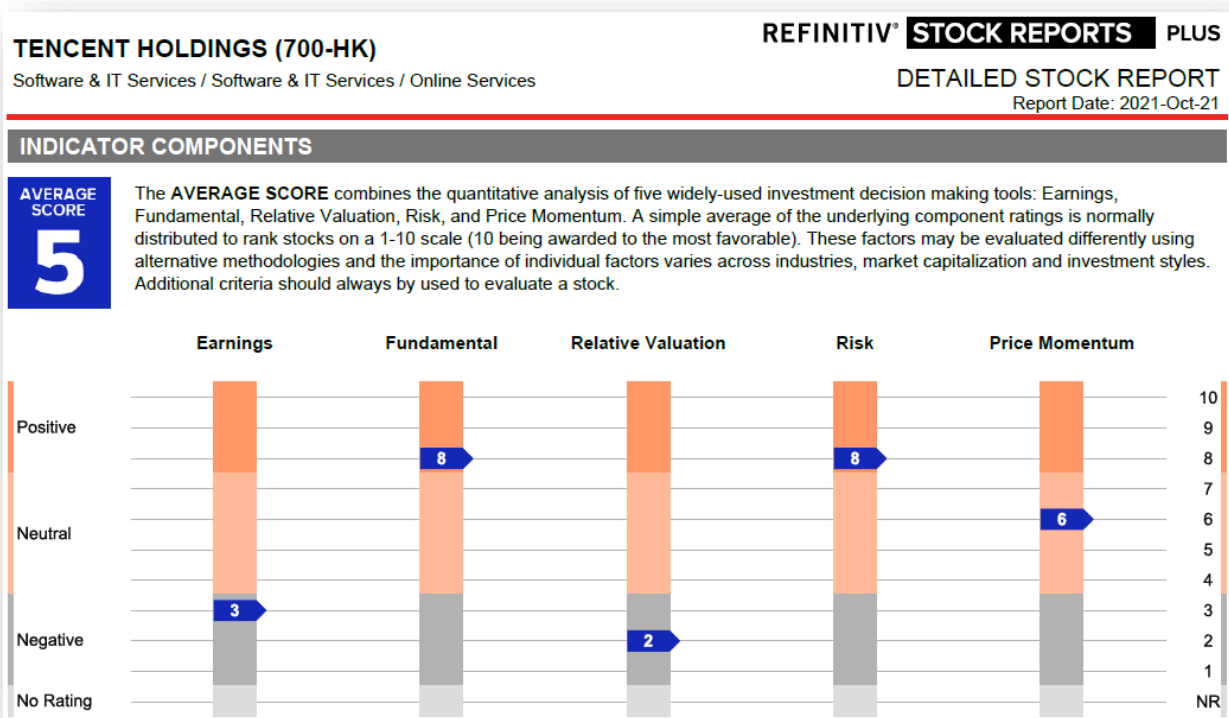
## Headline News & Information

- Tencent Holdings Limited operates as a holding company. The Company, through its subsidiaries, provides social networking, music, web portals, e-commerce, mobile games, Internet services, payment systems, entertainment, artificial intelligence, and technology solutions (Bloomberg)
- Alibaba and Tencent start dismantling 'walled gardens' (17 Oct 2021, Nikkei Asia)
  - Alibaba and Tencent have begun allowing links to rival services in their respective app ecosystems, chipping away at one of the underpinnings of their near-duopoly on China's internet sector
  - Alibaba services such as food delivery platform Ele.me and video streaming site Youku Tudou now accept payment through Tencent's WeChat super app. Other apps, including that of supermarket chain Freshippo, have also applied for WeChat Pay support
  - Tencent last month began letting users link to rivals' content on WeChat, and on 30 Sep, both Tencent and Alibaba said they would add state-owned UnionPay as a payment option. Regulators had recently warned the tech titans against shutting out external services
- It's not just Facebook — China's big tech firms like Alibaba and Tencent are also piling into the metaverse (21 Oct 2021, Business Insider)
  - The tech buzzword refers to shared virtual spaces that people can access via the internet using VR and AR devices, and it has captured the attention of tech titans including Microsoft
  - Tencent is set to sharpen focus on developments in the metaverse space with a new gaming studio, the South China Morning Post reported on 21 Oct 2021. The new studio is hiring for dozens of positions, the Hong Kong newspaper reported
  - It's a race to the forefront of the space, which Bloomberg Intelligence estimates could be worth US\$800 billion by 2024

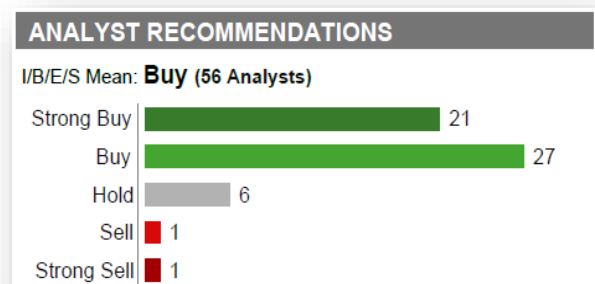
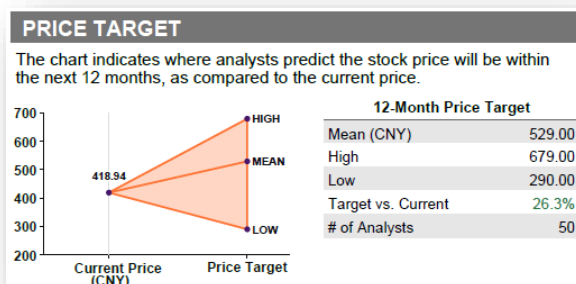
TRADING FLOWS	RESISTANCE LEVELS	SUPPORT LEVELS
<ul style="list-style-type: none"> <li>• Shares rose 4.6% in the past 5 days and are up 12% in the past 30 days</li> </ul>	<ul style="list-style-type: none"> <li>• 529.00 (08 Sep 2021)</li> <li>• 514.20 (100 Day MA)</li> <li>• 579.90 (200 Day MA)</li> </ul>	<ul style="list-style-type: none"> <li>• 472.10 (50 Day MA)</li> <li>• 445.50 (06 Oct 2021)</li> <li>• 412.00 (20 Aug 2021)</li> </ul>

# Fundamental Viewpoint

## An Extract from STOCKREPORTS+



## Analyst Price Target and Recommendations



Source: REFINITIV STOCKREPORTS+, extracted 21 Oct 2021

## HK Peer Analysis (STOCKREPORTS+)

PEER ANALYSIS												Currency in HKD	
Average Score	Ticker	PRICE MOMENTUM				VALUATION			FUNDAMENTAL		ANALYSTS		# of Analysts
		Price (2021-10-20)	1-Mo Return	3-Mo Return	1-Yr Return	Market Cap	Trailing PE	Forward PE	Dividend Yield	Net Margin	LTG Forecast	VB/E/S Mean	
5	700	509.50	12.2%	-6.1%	-9.7%	4.8T	25.4	29.6	0.3%	35.3%	27.3%	Buy	55
3	3690	293.80	25.2%	6.8%	12.7%	1.5T	309.7	--	--	-2.9%	--	Buy	44
3	1024	93.85	-4.1%	-32.4%	--	289.6B	--	--	--	-164.2%	--	Buy	27
1	136	2.90	38.1%	-29.6%	-14.7%	25.2B	170.6	48.3	--	-162.1%	--	Strong Buy	1
3	2400	50.55	15.1%	-21.2%	35.2%	22.9B	2078.0	--	--	-18.5%	--	Buy	12
6	1896	10.06	10.5%	-11.8%	-12.1%	11.8B	--	13.6	--	6.1%	--	Buy	11
3	6988	2.13	-5.3%	-26.6%	-47.1%	4.9B	25.4	11.4	--	15.3%	--	Buy	5
3	2131	3.99	3.1%	-11.7%	--	3.1B	19.2	11.3	--	4.6%	--	Buy	2
4	1739	1.44	-7.7%	-36.0%	-31.8%	1.7B	37.1	--	--	5.5%	--	--	--
6	543	1.44	-2.7%	-21.3%	37.1%	1.6B	8.3	--	10.7%	16.7%	--	--	--
7	3601	1.66	-1.8%	-25.9%	-43.7%	436M	5.5	--	--	14.5%	--	--	--
4	Average	88.30	7.5%	-19.6%	-8.2%	604.5B	297.7	22.9	5.5%	-22.7%	27.3%	Buy	19.6

PEER COMPANIES			
1024	Kuaishou Technology	2400	XD Inc
136	HengTen Networks Group	3601	360 Ludashi Holdings
1739	Qeeka Home (Cayman) Inc	3690	Meituan
1896	Maoyan Entertainment	543	Pacific Online
2131	Netjoy Holdings	6988	Joy Spreader Group Inc

Source: REFINITIV STOCKREPORTS+, extracted 21 Oct 2021

## Global Peer Analysis (Bloomberg)

Ticker	Name	Mkt Cap (USD) (Millions)	Last Px	P/E	P/E 5Yr Avg	P/B	P/B 5Yr Avg	Indicated Yield (%)
<b>Average</b>		<b>159,796</b>	<b>37859.45</b>	<b>61.17</b>	<b>57.80</b>	<b>5.33</b>	<b>6.45</b>	<b>0.44</b>
700 HK	TENCENT HOLDINGS LTD	623,887	505.50	21.02	31.26	4.72	6.80	0.32
MAIL LI	MAIL.RU GROUP-GDR REGS	5,381	22.48	N/A		2.09	2.26	N/A
BABA US	ALIBABA GROUP HOLDING-SP ADR	481,607	177.18	27.14	40.64	3.15	4.82	N/A
NTES US	NETEASE INC-ADR	68,017	101.37	38.40	35.41	5.05	5.22	0.95
3690 HK	MEITUAN-CLASS B	227,510	288.40	N/A		10.76	12.68	N/A
FUTR LN	FUTURE PLC	5,930	3,560.00	54.52	65.66	5.24	3.72	0.04
035420 KS	NAVER CORP	57,306	410,500	38.47	41.02	2.68	4.68	0.10
BIDU US	BAIDU INC - SPON ADR	62,985	180.96	21.82	22.70	1.43	1.78	N/A
4689 JP	Z HOLDINGS CORP	46,562	693.60	52.03	39.21	1.98	2.87	0.80
ROKU US	ROKU INC	45,231	338.93	206.66		17.64	21.51	N/A
JD US	JD.COM INC-ADR	133,340	85.53	90.45	186.53	3.92	4.64	N/A

Source: Bloomberg, extracted 21 Oct 2021 closing

## DISCLAIMER

---

The information provided herein is a compilation or summary of materials and data based from external sources available to OCBC Securities Private Limited ("OSPL"), and does not represent OSPL's view on the matters mentioned. Whilst we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness, and you should not act on it without first independently verifying its contents.

Trading in securities can be very risky, and you may lose all or more than the amount invested or deposited. Where necessary, please seek advice from an independent financial adviser regarding the suitability of any trade or investment product taking into account your investment objectives, financial situation or particular needs before making a commitment to trade or purchase the investment product. You should consider carefully and exercise caution in making any trading decision whether or not you have received advice from any financial adviser.

No representation or warranty whatsoever (including without limitation any representation or warranty as to accuracy, usefulness, adequacy, timeliness or completeness) in respect of any information (including without limitation any statement, figures, opinion, view or estimate) provided herein is given by OSPL and it should not be relied upon as such. OSPL does not undertake an obligation to update the information or to correct any inaccuracy that may become apparent at a later time. OSPL shall not be responsible for any loss or damage howsoever arising, directly or indirectly, as a result of any person acting on any information provided herein.

The information provided herein is intended for general circulation/discussion purposes only and may not be published or circulated in whole or in part without our written consent. All trademarks, registered trademarks, product names and company names or logos mentioned herein are the property of their respective owners, and you agree that you will not do anything to infringe or prejudice those rights. Reference to any products, services, processes or other information, does not constitute or imply endorsement, sponsorship or recommendation thereof by OSPL.