02 Jun 2026 03:03:49 ET | 13 pages

Tencent Holdings (0700.HK)

Assessing Reported News On WeChat AI Agent Testing & Near Launch

CITI'S TAKE

Tencent's share price is up ~10%+ during Asia trading hours on June 2 on reported newsin the FT (2 June 2026) that the company plans to launch an embedded AI agent for WeChat. During the 4Q25 earnings call, Tencent management commented that a new agentic AI in WeChat was under development. We previously commented that the release should enhance Tencent's positioning to ride on the agentic moment that fosters a proliferation of AI agents operating and executing through a decentralized network ecosystem similar to WeChat's Mini Program. While we believe the market should have expected the AI agent in WeChat to be released, we believe the timing (cited by FT article as potentially rolling out as early as this month) was still likely earlier than expected and prompted the positive share price reaction, especially given the underperformance post 1Q26 print. We maintain our Buy rating and TP of HK$763.

Buy	
Short-Term View: Upside	
Price (02 Jun 26 11:59)	HK$469.80
Target price	HK$763.00
Expected share price return	62.4%
Expected dividend yield	1.1%
Expected total return	63.5%
Market Cap	HK$4,283,668M
	US$546,742M

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See Appendix A-1 for Analyst Certification, Important Disclosures and Research Analyst Affiliations

What's new? – According to news articles including the SCMP (2 June 2026), citing an article reported by Financial Times on June 2nd, Tencent has begun testing a prototype for its AI agent on WeChat app. Based on the reported testing, it appears that the agent will allow users to complete tasks within the WeChat app. Public launch could roll out as early as June. Tencent will first test the agent on a group of outside users prior to a phased rollout. The article reported that WeChat users will be able to access the AI agent by swiping right on the app screen, citing a person who has seen an earlier demonstration.

Earlier reported news in March – CnTechPost previously reported (11 March 2026), citing a report by The Information (10 Mar 2026) that Tencent was developing an AI agent for WeChat. The agent is designed to automate tasks such as booking ride-hailing services and ordering food delivery across millions of mini-programs. The article reported that Tencent intended to launch a gray-box testing in the middle of the year and roll out the features to all users in the 3Q26.

Meituan comment on Yuanbao integration – Meituan noted on its 1Q26 call that the partnership between its AI assistant Xiao Zhuang and Tencent AI chatbot Yuanbao will be launched soon. Users can submit a local services related request in Yuanbao for an agent-to-agent communication with Xiao Zhuang; seamlessly connecting users to Meituan's food delivery service. Meituan noted that the collaboration will facilitate a streamlined one-stop local service transaction experience for users.

Tencent's agentic AI comment during 1Q26 call – As highlighted in our prior report, Tencent's agentic AI strategy is centered on: the code-generating AI CodeBuddy, open-source general-purpose AI Claws, and the secure productivity-focused AI WorkBuddy, which are deeply integrated into WeCom and Weixin; showing strong early adoption with high user retention (60-80%+) with a future vision to leverage the Mini Program ecosystem as a source of AI skills. Mgmt also noted that in terms of integration with Weixin workflow, it will be a step-by-step process through upgrade from Hy2 to Hy3. For Mini Program, enterprises can also leverage CodeBuddy and WorkBuddy to benefit from upgrade of Hy3. In future, management seeks to integrate Mini Program skills to allow agents to have the ability to use Mini Programs as tools to improve productivity.

Stepping up buyback since 1Q26 print – Over the past 10 days since its 1Q26 result, Tencent has stepped up its buyback activities with average of 1 to 1.1mn shares or ~HK$500mn per day for an accumulated amount of HK$4.5-5bn or US$580-$640mn, indicating management's confidence on fundamental outlooks and their view that the shares are undervalued.

Additional Citi view – Following our management investor call, we observed the confident tone by management on the Hy3 model performance improvements and management's optimism on its AI progress with plans of scaling Hy3 to larger models and on-going progress of agentic AI for WeChat through leveraging live use cases and feedback from internal business/products.

Adding Upside 30-Day Short-Term View on Tencent Holdings (0700.HK)

Direction:	**Upside**
Duration:	Within 30 Days
Category:	Risk on/off, Thematic driven, and Valuation

If the testing of AI agent in WeChat goes smoothly and if the roll-out to all users proceeds as reported within the next 1-2 months, we see further potential upside to share price performance, especially given the stock is currently trading at 13x/12x our 2026/2027 P/E.

Tencent Holdings

Valuation

Our target price of HK$763 is based on a SOTP approach, which implies 23.0x 2026E and ~21.7x 2027E P/E. Our SOTP is based on the following: 1) Online games – We apply a 12x P/E to our 2027 estimated games net profit of Rmb134bn and yield a valuation of HK$194 per share, or 25% of our target price; 2) Online advertising – We apply a 20x P/E to our 2027 estimated ads profit of Rmb84bn which yields a valuation of HK$202 per share, or 26% of our target price; 3) Social network – While we attribute the non-gaming revs (community platform revs) as overall social network revs, given the WeChat, QQ, and other Tencent apps, we apply a 25x P/E to the estimated profit of Rmb62bn and yield a valuation of HK$187 per share, or 24% of our target price; 4) Fintech – We apply a 15x P/E to our estimated profit of Rmb49bn and yield a valuation of HK$88 per share, or 12% of our target price; 5) Cloud/business services – We apply a 5x P/S (average of China peers) to our 2027 estimated Business services revs of Rmb70bn, which yields a valuation of HK$42 per share, or 6% of our target price; 6) Investment portfolio – We apply a 30% discount to the equity stake in the publicly listed investment portfolio which implies HK$51/share.

Risks

Downside risks that could prevent the Tencent shares from reaching our target price include: i) a faster-than-expected revenue slowdown in core PC games; ii) unsuccessful launches of new mobile games; iii) a decline of Honor of Kings ranking and momentum; iv) a further slowdown in China's economy, which might negatively affect advertising demand; and v) a change in the regulatory environment.

Meituan

(3690.HK; HK$78.25; 1H; 01 Jun 26; 16:10)

Valuation

We use a sum-of-the-parts (SOTP) approach to value Meituan shares.

1) Food delivery and Meituan Instashopping business: Applying 1.4x P/S to Meituan's food delivery and Meituan Instashopping business yields a total value of HK$310bn, or ~HK$52 per share.

2) In-store hotel and travel: Applying an 8x multiple to our adjusted net profit of Rmb16.8bn yields a value of HK$150bn, or ~HK$25 per share.

3) New initiatives excluding grocery retail: Applying 1.0x P/S results in HK$53.8bn, or ~HK$9.0 per share.

4) Grocery retail (including Meituan Select): Applying 1.0x P/S results in HK$87.0bn, or ~HK$14.5 per share.

5) Cash balance: We include cash, cash equivalent and short-term investments, but exclude restricted cash. We use 1Q26 actual net cash balance in our valuation.

Added together, our SOTP valuation for Meituan comes to a target price of HK$113 per share.

Risks

We assign a High Risk rating to Meituan for higher volatility amid intensifying competition. Downside risks to achieving our target price include: 1) intense competition continues and food delivery UE remains loss making; 2) tough competitive landscape for in-store and hotel business that pressures margins; 3) new initiative losses wider than expected; 4) higher-than-expected rider cost; 5) deteriorating macro economy and shift of consumption behavior.

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Appendix A-1

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Tencent Holdings (0700.HK)

Ratings and Target Price History
Fundamental Research

Analyst: Alicia Yap, CFA

	Date	Rating	Target Price	Closing Price
1	01-Aug-23 12:44:09	1	*491.00	354.00
2	16-Aug-23 17:24:35	1	*496.00	328.80
3	15-Nov-23 18:02:07	1	*497.00	322.60
4	25-Jan-24 16:53:37	1	*455.00	290.80
5	20-Mar-24 17:30:22	1	*459.00	288.80
6	15-May-24 11:33:19	1	*515.00	381.80
7	14-Aug-24 16:25:06	1	*527.00	373.80

	Date	Rating	Target Price	Closing Price
8	29-Sep-24 20:19:06	1	*535.00	437.80
9	10-Oct-24 13:59:11	1	*573.00	438.80
10	13-Jan-25 15:52:08	1	*563.00	366.00
11	26-Feb-25 16:59:25	1	*648.00	501.50
12	19-Mar-25 19:00:37	1	*681.00	540.00
13	28-Apr-25 16:14:07	1	*670.00	478.20
14	14-May-25 17:10:11	1	*695.00	521.00

	Date	Rating	Target Price	Closing Price
15	28-Jul-25 17:17:28	1	*699.00	555.50
16	13-Aug-25 17:51:56	1	*735.00	586.00
17	13-Nov-25 18:35:44	1	*751.00	656.00
18	22-Jan-26 17:55:08	1	*783.00	597.50
19	18-Mar-26 18:21:03	1	*787.00	550.50
20	19-Apr-26 21:30:13	1	*783.00	510.50
21	13-May-26 17:53:36	1	*763.00	462.60

*Indicates Change

Rating/target price changes above reflect Eastern Time

Meituan (3690.HK)

Ratings and Target Price History
Fundamental Research

Analyst: Alicia Yap, CFA

#	Date	Rating	Target Price	Closing Price
1	24-Aug-23 18:25:39	1	*214.00	140.00
2	28-Nov-23 18:24:22	1	*179.00	103.00
3	05-Feb-24 14:44:36	1	*113.00	65.05
4	22-Mar-24 17:24:49	1	*128.00	88.25
5	08-May-24 13:07:25	1	*134.00	113.50
6	06-Jun-24 16:11:03	1	*140.00	112.70
7	28-Aug-24 15:48:42	1	*155.00	102.80
8	29-Sep-24 19:58:00	1	*192.00	164.60
9	01-Dec-24 15:26:07	1	*203.00	168.70
10	07-Feb-25 08:08:51	1	*200.00	154.10
11	23-Mar-25 16:25:06	1	*217.00	167.60
12	27-Apr-25 17:10:55	1	*204.00	127.60
13	26-May-25 18:47:34	1	*192.00	129.40
14	04-Aug-25 10:46:42	1	*188.00	123.00
15	27-Aug-25 19:16:23	*2H	*133.00	116.30
16	16-Oct-25 10:16:42	2H	*117.00	98.75
17	30-Nov-25 16:15:59	2H	*115.00	102.50
18	15-Feb-26 15:44:10	2H	*94.00	82.15
19	26-Mar-26 17:54:43	*1H	*110.00	86.70
20	01-Jun-26 17:38:04	1H	*113.00	78.25

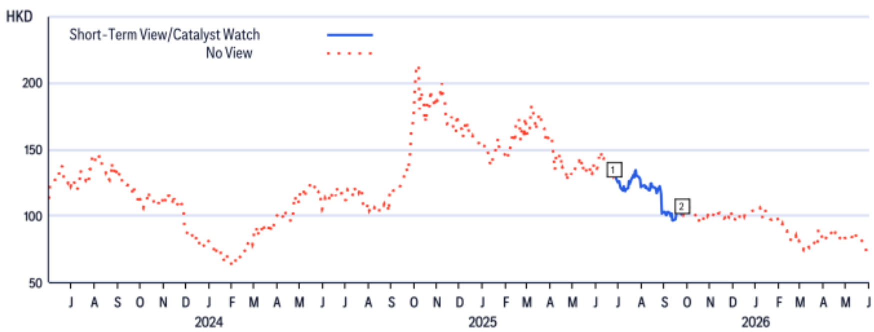
*Indicates Change

Rating/target price changes above reflect Eastern Time

Meituan (3690.HK)

Short-Term View/Catalyst Watch Research

Analyst: Alicia Yap, CFA



#	Date	Action	Expected Direction	Duration	Closing Price
1	26-Jun-25 09:29:42	Add STV	Downside	90 Days	130.00
2	25-Sep-25 00:28:39	Remove STV	Downside	90 Days	102.30

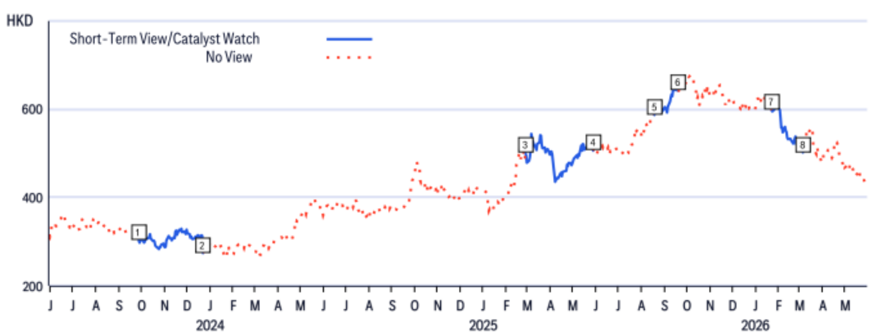
CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time

Tencent Holdings (0700.HK)

Short-Term View/Catalyst Watch Research

Analyst: Alicia Yap, CFA



#	Date	Action	Expected Direction	Duration	Closing Price
1	27-Sep-23 10:00:45	Add CW	Upside	90 Days	302.00
2	26-Dec-23 22:12:21	Remove CW	Upside	90 Days	274.00
3	26-Feb-25 11:59:25	Add CW	Upside	90 Days	501.50
4	28-May-25 00:26:38	Remove CW	Upside	90 Days	506.00
5	18-Aug-25 01:44:53	Add STV	Upside	30 Days	587.00
6	18-Sep-25 00:18:16	Remove STV	Upside	30 Days	642.00
7	22-Jan-26 12:55:08	Add CW	Upside	90 Days	597.50
8	05-Mar-26 02:14:38	Remove CW	Upside	90 Days	502.00

CW - Catalyst Watch , STV - Short-Term View

Rating/target price changes above reflect Eastern Time

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