BERNSTEIN
SOCIETE GENERALE GROUP

China Internet

Tencent Holdings Ltd

Rating

Outperform

Price Target

700.HK **780.00 HKD**


Robin Zhu
+852 2123 2659
robin.zhu@bernsteinsg.com


Charles Gou
+852 2123 2618
charles.gou@bernsteinsg.com


Min-Joo Kang
+852 2123 2644
minjoo.kang@bernsteinsg.com


Hyrum Caesar
+81 3 6777 6979
hyrum.caesar@bernsteinsg.com

Tencent: Weixin agentic AI on the horizon?

Invites to the Weixin agentic AI ecosystem. On Monday, Tencent announced that it would launch access for Mini Program developers to its AI ecosystem. This comes on the heels of Tencent signing Agent2Agent deals with five smartphone makers (Huawei, Honor, Xiaomi, Oppo, Vivo) to enable their respective AI assistants to integrate with Weixin and its various ecosystems. The latter allows Weixin to "recommend and manipulate" enrolled Mini Programs. Taken together, the moves position Weixin as the platform layer Chinese Internet users depend on to access agentic AI services - before they swipe open their phones.

The platform play. These A2A deals aren't exclusive, and there's technically nothing to stop peers from attempting to enlist the smartphone manufacturers to similar agreements. On the other hand, it should be obvious why Tencent has the upper hand here. The average Chinese Internet user opens Weixin over 40 times a day, in large part due to social messaging. Version 2.0 of Bytedance's AI-enabled Doubao phone is expected soon-ish. But the fact Bytedance expansion represents the main competitive threat facing most tier 2 Internet platforms probably conflicts with its ability to pursue a similar strategy to Weixin.

The important questions from here. How quickly can Tencent/WXG iterate the new A2A system from v0.1 to becoming the kind of seamless execution Chinese Internet users expect from Weixin? Will the agentic orchestration run on Tencent's own model, or a third-party (Yuanbao and ima use DeepSeek and GLM-5.1)? How much consumer adoption does Tencent need to see (with associated implications for inference costs) before it feels comfortable monetising ecosystem partners for use of the new traffic funnel? We expect these questions to take time to be fully addressed, but we do expect Tencent to get there.

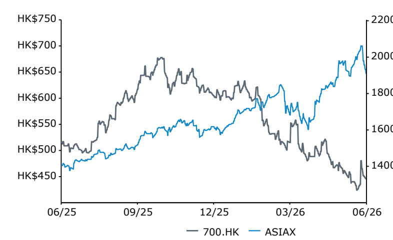
Tencent as the benevolent gatekeeper. In a recent meeting, execs at one of China's other large Internet platforms argued to us that Tencent's willingness to monetise its platform sparingly meant it was the only company in China that peers would trust to orchestrate a multi-platform ecosystem. During Q1 reporting, Meituan spoke of plans to draw traffic from Tencent's Yuanbao agentic AI - we'd imagine the cohort of past and present Tencent investee companies will be among the first to sign up for new AI services on Weixin.

Close Date	8 Jun 2026
700.HK Close Price (HKD)	446.40
Price Target (HKD)	780.00
Upside/(Downside)	75%
52-Week Range	683.00/420.40
ASIAX	1,907.25
FYE	Dec
Div Yield	1.2%
Market Cap (HKD) (B)	4,070.33
EV (HKD) (B)	3,548.78

Performance	YTD	1M	6M	12M
Absolute (%)	(25.5)	(5.3)	(26.2)	(13.3)
ASIAX (%)	16.6	(2.7)	18.6	35.9
Relative (%)	(42.1)	(2.6)	(44.9)	(49.2)

Source: Bloomberg, Bernstein estimates and analysis.

Price Performance, 1YR



Adjusted EPS	F25A	F26E	F27E
700.HK (CNY)	28.09	30.00	34.91

Financials	F25A	F26E	F27E	CAGR
Revenues (M)	751,766	828,757	917,101	--
Gross Profit (M)	422,593	480,299	536,643	--
Operating Earnings (M)	280,656	295,913	333,253	--
Net Earnings (M)	259,626	274,800	316,569	--

Valuation Metrics	F25A	F26E	F27E
Adjusted P/E (x)	13.8	12.9	11.1
EV/Sales (x)	4.1	3.7	3.3
EV/EBIT (x)	11.1	10.5	9.1

*Values shown in billions;Source: Bloomberg, Bernstein estimates and analysis.

The cost of AI-maxxing, and the way back

The main bear case around Tencent right now relates to the "more than doubling" of AI spend this year versus RMB18bn in 2025, and the risk that incremental AI costs will continue to weigh on Tencent earnings growth ad infinitum. An iteration period will probably be required, but (regardless of whether the Weixin agent lands at the end of June, or in H2 2026) progress on AI product roll-outs should argue for light at the end of the negative earnings revisions tunnel.

The level of AI capabilities required to support A2A WeChat orchestration - or Mini Shops monetisation - is probably not rocket science, meaning Tencent's tech becomes "good enough" relatively soon. Internally, we think it's likely Tencent will restructure staff token spend to be more efficient, following a period of rampant tokenmaxxing.

Tencent as a stock feels very oversold to us. The company is too upstanding to report an "Others" segment to house the company's peripheral businesses and investment spend. But the core operating business (excluding listed investments) is probably trading on a 10x multiple of 2027E profits at this point.

Robin Zhu +852 2123 2659 robin.zhu@bernsteinsg.com

INVESTMENT IMPLICATIONS

We rate Tencent Outperform (PT HK$780).

BERNSTEIN TICKER TABLE

			8 Jun 2026		TTM	Adjusted EPS				Adjusted P/E (x)		
			Closing	Price	Rel.							
Ticker	Rating	Cur	Price	Target	Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
700.HK (Tencent)	O	HKD	446.40	780.00	(49.2)%	CNY	28.09	30.00	34.91	13.8	12.9	11.1
ASIAX			1,907.25									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

Source: Bloomberg, Bernstein estimates and analysis.

Robin Zhu +852 2123 2659 robin.zhu@bernsteinsg.com

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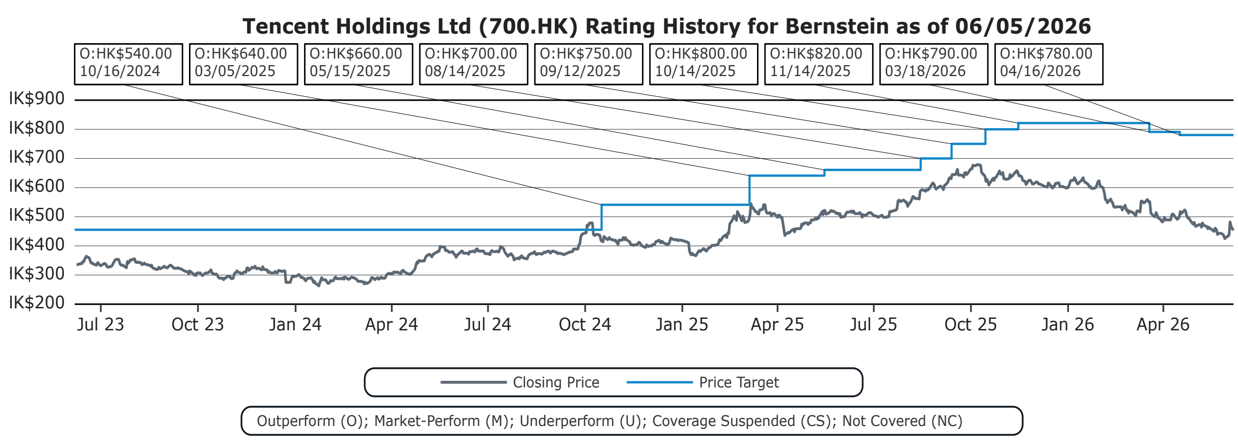

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