

19 March 2015

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四季度业绩符合预期；移动社交广告 商用化进程值得期待

腾讯控股 (700:HK)

Market Data: Mar, 18

Closing Price (HK\$)	135.90
Price Target (HK\$)	142
HSCEI	11,981
HSCCI	4,463
52-week High/Low (HK\$)	581.50/99.76
Market Cap (US\$m)	159,187
Market Cap (HK\$m)	1,273,800
Shares Outstanding (m)	9,373
Exchange Rate (Rmb-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

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Related Reports

"TENCENT HOLDINGS (700:HK)-
Money on the monetisation" Nov
13,2014

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Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (Rmbm)	60,437	78,932	96,666	117,515	138,151
YoY (%)	37.69	30.60	22.47	21.57	17.56
Net income (Rmbm)	15,502	23,810	30,359	38,244	45,809
YoY (%)	21.72	53.49	27.30	25.93	19.75
EPS (Rmb)	1.69	2.58	3.29	4.15	4.97
Diluted EPS (Rmb)	8.30	2.55	3.25	4.09	4.90
ROE (%)	26.62	29.09	27.42	26.05	24.16
Debt/asset (%)	45.48	52.02	45.87	42.17	38.18
Dividend Yield (%)	0.13	0.24	0.31	0.38	0.46
PE (x)	63.72	41.82	32.75	26.00	21.71
PB (x)	23.43	17.03	12.13	8.98	6.77
EV/Ebitda (x)	41.64	26.42	20.81	15.61	12.18

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised. P/E is calculated as closing price divided by each year's EPS.

投资要点:

业绩大致符合预期。腾讯 (700 HK) 公布 14 年四季度业绩, 收入同比增长 23.6% 人民币 209.78 亿元 (vs. 我们预测 205 亿)、利润同比增长 49.8% 至人民币 58.6 亿 (vs. 我们预期 59 亿)。毛利率达 60.28% (vs. 去年四季度 51.69%); 由于高毛利率游戏业务占比提升带来整体毛利率的改善。

游戏收入增速略放缓。来自微信和手机 QQ 的智能机游戏收入环比有所复苏, 毛收入增长至 38 亿元、净收入增长至 29 亿。PC 游戏收入同比增长放缓。整体游戏收入整体同比增长 41.2% 至 119.6 亿元, 仍为公司收入核心来源。

移动支付拓展。作为 O2O 推广战略的重要一环, 腾讯通过战略合作伙伴业务开拓以丰富移动支付使用场景, 积极推动用户对手机 QQ 钱包和微信支付的使用和银行卡的绑定。截止 14 年底, 已有超一亿的用户绑定了银行卡至腾讯移动支付系统; 这将为公司未来互联网金融业务的开展铺路。

网络广告趋势良好; 移动广告增长前景值得期待。四季度, 网络广告手痛同比增长 75%, 收益于网络视频广告和移动社交网络效果广告驱动。2015 年, 腾讯继续加大对视频内容的投入, 与 NBA、HBO 和中国好声音 4 签订了独家官方授权播放权。在微信平台上, 公众号广告和微信朋友圈社交广告将带来 15 年移动广告增长动力。

下调至中性评级。预计公司仍将积极投入 O2O 移动业务推广, 2015/16 年盈利预测由 313/400 亿下调至 305/383 亿; 2017 年盈利预测为 458 亿元。维持目标价港币 142 元; 下调至中性评级, 考虑到相对高的估值以及缺乏短期催化剂。我们认为, 2015 年微信在移动社交广告上的商用化进展将是业绩增长和股价表现的核心催化剂。

催化剂: 移动社交广告进展超预期; 季报业务超预期

风险: 游戏增速放缓快于预期; 营销投入过大

Investment Highlights:

Results broadly in line. Tencent reported 4Q14 revenue of Rmb20.98bn, +23.6% YoY (vs our estimate of Rmb20.5bn) and net profit of Rmb5.86bn, +49.8% YoY (vs our estimate of Rmb5.9bn).

Gaming contribution. Smartphone revenue in the quarter reached Rmb3.8bn on a gross basis during the quarter and Rmb2.9bn on a net basis, slightly lower than our expectation of Rmb3.0bn. Gross margin climbed from 51.69% in 4Q13 to 60.28% in 4Q14, due to a higher contribution from gaming. PC game revenue increased by 3.7% YoY in 4Q14. Overall game revenue remains the most important revenue contributor, reaching Rmb11.96bn, +41.2% YoY.

Mobile payment expansion. As part of its online-to-offline (O2O) strategy, Tencent has aggressively promoted mobile payment adoption by expanding payment franchise and various use cases through strategic partnerships and subsidy spending. *WeChat Payment* and *QQ Wallet* are in aggregate now the second largest mobile payment platform in the country with over 100m mobile accounts bundled to bank cards. We see this development as paving the way for a future online financing business.

Advertising is key driver in 2015. During the quarter, revenue from online advertising increased by 75% YoY, primarily driven by video advertising and performance-based social advertising on mobile platform. In 2015, Tencent has been continuously aggressively spending on video content acquisition to attract more traffic and increase advertising inventories, and has signed exclusive content of from the National Basketball Association (NBA), US television network HBO, and *Voice of China 4*. On the company's social media tool WeChat, we expect increased advertising within its *WeChat Official Accounts* and *WeChat Moments* services in 2015.

Downgrade to Hold. We revise down our earnings forecasts from Rmb31.3bn to Rmb30.5bn in 15E (+27.5% YoY) and from Rmb40.0bn to Rmb38.3bn in 16E (+25.9% YoY) as we expect the company to continue its policy of high spending on O2O and mobile promotions. We forecast 17E earnings of Rmb45.8bn (+19.8% YoY). We maintain our target price at HK\$142. Due to the relatively high valuation and lack of short-term catalysts, our target price has just 4.5% upside, and we downgrade our rating to Hold accordingly. We believe *WeChat* ad monetisation is key to the company's revenue growth as well as stock performance in 2015 and await more positive developments on this front.

Catalysts: solid mobile monetisation progress on *WeChat*; better-than-expected quarterly results

Risks: faster-than-expected slowdown in PC game revenue; slower-than-expected smartphone game growth; heavier expenditure.

Appendix

Fig 1: Consolidated income statement

Rmbm	2013	2014	2015E	2016E	2017E
Revenue	60,437	78,932	96,666	117,515	138,151
Cost of Sales	(27,778)	(30,873)	(37,048)	(45,812)	(53,763)
Gross Profit	32,659	48,059	59,619	71,703	84,388
Other Income	2,389	4,088	3,030	3,668	4,101
Distribution expenses	(5,695)	(7,797)	(8,990)	(9,989)	(11,052)
Administrative expenses	(9,988)	(14,155)	(16,433)	(18,567)	(21,413)
Ebitda	22,800	35,114	43,847	55,826	67,777
EBIT	19,194	30,542	37,226	46,815	56,024
Finance Costs	(84)	(1,182)	(1,450)	(1,763)	(2,072)
Profit before tax	19,281	29,013	35,776	45,052	53,951
Income tax expense	(3,718)	(5,125)	(5,366)	(6,758)	(8,093)
Minority interests	61	78	50	50	50
Profit for the year	15,502	23,810	30,359	38,244	45,809

Source: Company reports, SWS Research

Fig 2: Consolidated cash flow statement

Rmbm	2013	2014	2015E	2016E	2017E
Profit before taxation	19,281	29,013	35,776	45,052	53,951
Plus: Depr. and amortization	3,606	4,572	6,621	9,011	11,753
Finance cost	2,404	3,449	3,336	4,290	5,192
Losses from investments	-	-	-	-	-
Change in working capital	2,187	2,473	(4,722)	2,648	2,596
Others	4	1,632	1,413	1,555	1,710
CF from operating activities	24,374	32,711	35,839	53,419	61,969
CAPEX	(12,903)	(54,305)	(23,790)	(20,874)	(21,436)
Other CF from investing activities	(6,205)	25,917	(2,743)	1,437	274
CF from investing activities	(19,108)	(28,388)	(26,532)	(19,437)	(21,162)
Equity financing	-	-	-	-	-
Net change in liabilities	6,027	2,900	4,700	4,000	3,600
Dividend and interest paid	(1,541)	(1,361)	(2,494)	(3,167)	(3,981)
Other CF from financing activities	(3,086)	16,811	(100)	(100)	(99)
CF from financing activities	1,708	18,350	2,106	733	(480)
Net cash flow	6,974	22,673	11,412	34,715	40,326
FCFF	15,802	(11,593)	20,702	44,358	57,029
FCFE	19,426	(12,142)	22,065	44,068	55,438

Source: Company reports, SWS Research

Fig 3: Consolidated balance sheet

Rmbm	2013	2014	2015E	2016E	2017E
Current Assets	107,235	171,166	204,855	254,230	307,062
Bank balances and cash	20,228	42,713	54,232	88,931	129,243
Trade and other receivables	8,320	12,392	13,835	17,407	20,464
Inventories	1,384	244	98	49	24
Other current assets	23,754	19,972	22,672	25,372	28,072
Long-term investment	24,694	67,412	78,412	84,412	88,912
PP&E	10,734	11,748	13,000	13,620	14,240
Intangible and other assets	5,399	10,513	8,219	9,124	9,867
Total Assets	107,235	171,166	204,855	254,230	307,062
Current Liabilities	33,267	50,035	50,300	60,332	68,686
Borrowings	2,589	3,215	3,589	3,889	3,989
Trade and other payables	16,926	27,806	23,200	28,204	33,156
Other current liabilities	1,911	1,027	1,377	1,727	2,077
Long-term liabilities	15,505	35,529	39,460	42,378	43,703
Total Liabilities	48,772	89,042	93,960	107,209	117,239
Minority Interests	518	2,111	2,611	3,011	3,311
Shareholder Equity	57,945	80,013	108,284	144,009	186,511
Share Capital	0	0	0	0	0
Reserves	5,721	5,951	8,139	10,526	13,292
Retained earnings	52,224	74,062	100,144	133,483	173,219
Total Liabilities and equity	107,235	171,166	204,855	254,230	307,062

Source: Company reports, SWS Research

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