

Tencent Holdings (0700.HK)

Thoughts On QQ's Integration With OpenClaw AI Agent & Implications to Sector

CITI'S TAKE

We believe the latest viral "lobster" trend among China internet users following Tencent's announcement of officially integrating QQ Open platform to OpenClaw's AI agent platform and Tencent Cloud's team offering free support of installing OpenClaw agent to users' device is a potential new inflection point of driving large volume of AI agents usage among ordinary users. We see a few reasons/implications on Tencent's approach: 1) given popularity of QQ and free installation support, it allows Tencent to quickly educate/penetrate users' usage of AI agents, allowing it to accumulate user behavior data to help better assess/evaluate effectiveness of AI agents which would be helpful in future development/evolution of system/platform agents in WeChat ecosystem; 2) by attracting large user adoption through its Lighthouse cloud servers, it would benefit cloud's engagement and potential future monetization opportunity. With more chats/models start integrating with OpenClaw, we believe it might expedite development of AGI in China.

Buy

Price (06 Mar 26 16:10)	HK\$519.00
Target price	HK\$783.00
Expected share price return	50.9%
Expected dividend yield	1.0%
Expected total return	51.9%
Market Cap	HK\$4,726,199M US\$604,169M

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What's new? On Mar 7th, Tencent's QQ Open platform officially announced that all QQ users with real-name registration will be able to gain access to OpenClaw's AI agent with simple installation procedure with Tencent Cloud Lighthouse. By installing the AI intelligent agent to users' device through QQ, users can direct the AI agent to complete a series of automated tasks including writing code, monitoring data, creating content through QQ chat interface. Each QQ account can register 5 independent AI agents and users can freely create/name the agent and assign tasks.

Cost and token usage and security – While usage of OpenClaw is free, since it does not have its own LLM, it requires users to link with external LLMs like DeepSeek, Hunyuan, Kimi, Claude and others to perform tasks. Hence, every task like code generation will require calling external LLM APIs and will consume tokens. Daily costs could be substantial depending on the tasks. Since chip supply constraints remain, model usage could add on cost for Tencent and other model companies. While the usage of agents could translate to potential monetization opportunity for model companies on the consumer end, intense competition among AI model companies could weigh on cost and ultimate profitability. In addition to token usage, security and privacy safety could also arise if any user data is compromised by hackers or unexpected data leakage. We believe any unexpected control of content or security issues could also trigger potential regulatory scrutiny.

OpenClaw – OpenClaw is a free and open-source agent platform developed by Peter Steinberger, (an Austrian developer) that runs on a user's machine and works from the chat apps users already use. The project was originally published in Nov 2025 and became very popular in Jan 2026. Typically, the AI agent can help users read and clear inboxes, send emails, manager user calendar and check in for flights, etc.

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

Tencent Holdings

Valuation

Our target price of HK\$783 is based on a SOTP approach, which implies 22.6x 2026E and ~20.5x 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 Rmb130bn and yield a valuation of HK\$186 per share, or 24% of our target price; 2) Online advertising – We apply a 22x P/E to our 2027 estimated ads profit of Rmb82bn which yields a valuation of HK\$215 per share, or 27% 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 Rmb65bn and yield a valuation of HK\$196 per share, or 25% of our target price; 4) Fintech – We apply a 15x P/E to our estimated profit of Rmb47bn and yield a valuation of HK\$84 per share, or 11% 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 Rmb69bn, which yields a valuation of HK\$41 per share, or 5% 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\$61/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.

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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 22-Mar-23 16:56:11	1	*520.00	347.20
2 19-Apr-23 15:56:27	1	*503.00	357.20
3 17-May-23 17:32:20	1	*506.00	342.80
4 01-Aug-23 12:44:09	1	*491.00	354.00
5 16-Aug-23 17:24:35	1	*496.00	328.80
6 15-Nov-23 18:02:07	1	*497.00	322.60
7 25-Jan-24 16:53:37	1	*455.00	290.80

Date	Rating	Target Price	Closing Price
8 20-Mar-24 17:30:22	1	*459.00	288.80
9 15-May-24 11:33:19	1	*515.00	381.80
10 14-Aug-24 16:25:06	1	*527.00	373.80
11 29-Sep-24 20:19:06	1	*535.00	437.80
12 10-Oct-24 13:59:11	1	*573.00	438.80
13 13-Jan-25 15:52:08	1	*563.00	366.00
14 26-Feb-25 16:59:25	1	*648.00	501.50

Date	Rating	Target Price	Closing Price
15 19-Mar-25 19:00:37	1	*681.00	540.00
16 28-Apr-25 16:14:07	1	*670.00	478.20
17 14-May-25 17:10:11	1	*695.00	521.00
18 28-Jul-25 17:17:28	1	*699.00	555.50
19 13-Aug-25 17:51:56	1	*735.00	586.00
20 13-Nov-25 18:35:44	1	*751.00	656.00
21 22-Jan-26 17:55:08	1	*783.00	597.50

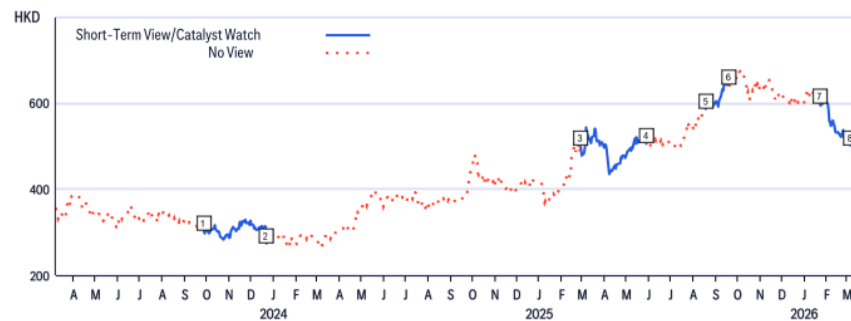
*Indicates Change

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

Date	Action	Expected Direction	Duration	Closing Price
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

Date	Action	Expected Direction	Duration	Closing Price
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

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