

TECHNOLOGY

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Gaming Lifts Tencent’s Revenue

The company’s domestic game division delivered a 23% sales increase

By Sherry Qin

Tencent Holdings nearly doubled its profit on double-digit revenue growth in the final quarter of last year as the Chinese technology giant stepped up its AI investment while continuing to build on the momentum of its gaming business.

The better-than-expected results came as China’s largest company by market capitalization ramped up AI investment to better compete against domestic rivals such as **Alibaba** and **ByteDance** and leverage the new tech to enhance its

wide-ranging consumer and enterprise products.

In a news briefing Wednesday, Tencent President Martin Lau said capital expenditure more than doubled from the third quarter and rose more than 300% from the year-earlier period as the company purchased more graphics processing units to meet its inference needs.

The videogame and social-media company plans to continue expanding its capital spending this year, which Lau said will likely reach a low-teens percentage of revenue.

Tencent reported a 90% surge in fourth-quarter profit to 51.32 billion yuan, equivalent to \$6.61 billion, soundly beating analysts’ estimate of 44.46 billion yuan. Revenue rose 11% from a year earlier to 172.45 billion yuan, its fastest

pace of growth in more than a year.

The Shenzhen-based company said it plans to buy back the equivalent of at least \$10.3 billion of shares for 2025 and proposed a 32% increase in its annual dividend, continuing its sizable capital returns to shareholders.

Tencent has invested in AI for years and developed its own large language model, but its recent adoption of Chinese startup **DeepSeek**’s low-cost yet powerful model could translate to more monetization opportunities.

Last month, Tencent began testing access to DeepSeek’s AI model for searches in its popular Weixin app, in addition to its own Hunyuan model, allowing some users to click on AI Search on the search bar within the app.

Jefferies analysts described the testing as “an important milestone for Weixin in becoming an AI superapp/agent in the future,” as the so-called everything app in China stands out from other AI-powered apps thanks to its vast user base, daily use time and diverse engagement enabled by scenarios through its mini programs.

Weixin and WeChat, the overseas version of the app, had a combined 1.385 billion monthly active users at the end of December.

Tencent has already seen some fruits of its AI push. Despite challenging macro conditions, marketing services revenue rose 20% in 2024 after leveraging AI targeting and generative-AI-created ads.

Tencent also has incorporated the AI startup’s model

into its chatbot Yuanbao, cloud service and other products, which analysts said could lead to higher cloud usage demand and faster revenue growth for various business service apps.

Investors have cheered Tencent’s latest moves, sending its Hong Kong-listed shares up nearly 30% this year.

Tencent’s domestic game division delivered a 23% sales gain in the fourth quarter, benefiting from a low base amid tighter Chinese game regulations last year and the encouraging performance of new games such as “Delta Force,” a first-person shooter game, and continued strength in evergreen titles like “Peacekeeper Elite.” Its international games business revenue rose 15%.

Medical Software Providers To Merge

By Rod James

Berkshire Partners is backing the merger of Forcura and Medalogix, rapidly growing providers of software used in the U.S. home-healthcare and hospice sectors, in a deal expected to provide a significant payoff to some Medalogix investors.

The new business, which doesn’t have a name yet, is valued at just under \$1 billion, according to a person familiar with the deal. Boston buyout shop Berkshire will be the majority owner, with Medalogix backer Vistria Group as the largest minority investor. Vistria’s funds will get a return of 2.3 times their investment from the combination, the person added.

Vistria initially invested in Medalogix in 2021, citing the data science and machine learning technology developed by the Nashville, Tenn., company to advance in-home patient care. Forcura, which has been backed by tech-focused private-equity firm Accel-KKR since 2020, specializes in workflow management applications.

The number of Americans dying at home has risen in the years since the Covid-19 pandemic, according to nonprofit health policy research organization KFF.

The combination of Forcura, Jacksonville, Fla., and Medalogix is designed to benefit caregivers and medical professionals by giving them a single software provider to handle various processes in situations where coordinated action is tricky, according to a statement about the deal.

The goal is to let more patients receive care “where they want it most: at home,” said Medalogix Chief Executive Elliott Wood, who will lead the combined business.

EU’s Antitrust Enforcement on Big Tech Advances

By Edith Hancock

The European Commission moved forward with the enforcement of its digital anti-trust rules on **Apple** and **Alphabet**’s Google amid rising trade tensions with the U.S. over treatment of American tech giants.

The commission said Wednesday it is concerned that Google’s search results display—and its terms for app developers using its Play Store on Android phones—break the rules of the Digital Markets Act by giving Google’s own tech an unfair advantage over others.

Under the DMA, companies the European Union designates as “gatekeepers” aren’t allowed to treat their own services more favorably in ranking than similar services of third parties.

The EU’s competition rules are “hurting consumers and businesses,” Google said in a blog post.

The commission also told Apple what it thinks it should do to make its iOS devices interoperable with rivals’ products to comply with the DMA. That includes obliging Apple to improve smartwatch and headphone manufacturers’ experience on iPhone and iPad operating systems and make it easier for users to pair their devices.

An Apple spokesperson said the decisions “wrap us in red tape, slowing down Apple’s ability to innovate for users in Europe and forcing us to give away our new features for free to companies who don’t have to play by the same rules.”

Apple said it would continue to work with the European Commission to help it understand the concerns.

The bloc’s regulators opened two so-called specification procedures last September to give Apple instructions to make its products more accessible to third-party developers. Apple is



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legally required to implement the measures the commission specified.

Meanwhile, the EU has spent the best part of the year

investigating Apple, Google and **Meta Platforms** over concerns the companies’ ubiquitous products fall foul of the DMA. The commission is ex-

pected to get to the final stages of its Apple and Meta probes next week, having already charged the companies for potentially breaking the rules.

The decisions on Apple and Google have landed in the eye of an escalating trade war between the U.S. and EU. The Trump administration formally imposed tariffs on steel and aluminum imports last week, prompting the EU to hit back with retaliatory tariffs on a broad range of products that include a 50% levy on American whiskey due to kick in next month. President Trump, in turn, threatened to impose a 200% tariff on European wine and spirits.

The bloc’s antitrust enforcement has already drawn ire from Trump over claims that multibillion-euro fines it has handed Alphabet, Apple and Meta in recent years amount to a tax on successful American tech companies.

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