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# THE WALL STREET JOURNAL.

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Originally published June 4, 2017 at 12:00pm

## What Does China's Tencent Want With Silicon Valley?

The internet giant is pouring funds into a variety of ventures from electric cars to space tourism.

HONG KONG—In its quest to expand its global reach, Tencent Holdings Ltd. TCEHY **-0.26%** has quietly become China's top corporate investor in Silicon Valley, pouring money into everything from electric cars to moonshot ventures such as space tourism and asteroid mining.

Tencent's best-known investments are gaming companies, including "Clash of Clans" maker Supercell Oy of Finland and "League of Legends" maker Riot Games Inc. But the internet giant hasn't stopped there.

People close to Tencent, China's most valuable listed company with a market capitalization of \$328 billion, say the approach reflects the company's desire to remain abreast of even the most far-fetched ideas and products out of Silicon Valley—and its fear of missing out on the next big thing.

While several Chinese firms have jumped into hot areas such as artificial intelligence and driverless vehicles, Tencent hopes an active investment arm will offer a window into even more outside-the-box developments in Silicon Valley, people familiar with the company said.

The strategy underscores Tencent's broader ambitions after rising to dominance at home with its ubiquitous WeChat app—which hasn't gained much traction overseas amid competition from the likes of Facebook Inc. The WeChat social-media platform boasted 938 million monthly active users in the first quarter, 23% more than a year earlier.



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“If you want to be a top-10 corporation on a global scale—and Tencent is already a top 10-type of corporation—I don’t think there is any aspect of technology that you should leave behind,” said Sinovation Ventures’s Chris Evdemon, of Tencent’s U.S. approach. Mr. Evdemon is a partner at the venture-capital firm, which has made investments alongside Tencent. Tencent’s top U.S. executive, David Wallerstein, said the active U.S. investing presence is aimed at finding companies tackling big-picture problems. “I deliberately seek to push out on the frontier a little further than the other teams” in Tencent, he said.

Based in the southern Chinese technology hub of Shenzhen, Tencent competes on many fronts with China’s two other tech giants, Alibaba Group Holding Ltd. and Baidu Inc. Each has ventured overseas as part of their appetite for growth outside China, though none has invested as aggressively in the U.S. as Tencent. Since 2011, Tencent has invested in 41 tech startups in the U.S., joining fundraising rounds worth \$3.5 billion. The figure excludes investments in public companies.

That makes it the second-biggest foreign investor in the sector—behind only Korea’s Samsung Group—and tied for 11th biggest corporate investor overall, up from 18th four years ago, according to research firm CB Insights. Google parent Alphabet Inc. is at the top of the list.

In May Tencent reported a 58% rise in first-quarter profit and a cash pile of \$4 billion. Mr. Wallerstein, whose official title is “chief exploration officer,” is a key figure in the company’s overseas push. The California native joined Tencent in 2001 and spent more than a decade shuttling between China and the U.S. before settling full time at the company’s U.S. headquarters in a converted church in Palo Alto, Calif.

People close to Tencent said Mr. Wallerstein and his team of roughly half a dozen executives take a hands-off approach after buying a stake, investing just a few million dollars at a time or less, typically alongside other big companies or well-known Silicon Valley investors. “We get behind the founder and the executive team and help the company become the best company they can become,” Mr. Wallerstein said. “We will work with the company to bring their technology to China when they’re ready, but we do not push the company.”

These investments differ from the handful of big-ticket stakes that Tencent has taken in the U.S. Those deals have been led by the company’s China-based deals team, people familiar with the company said, and include its acquisition of Los Angeles-based Riot Games as well as its \$1.8 billion investment in Tesla Inc. “Chinese companies are now wanting to go global more than ever before,” said Connie Chan, partner at the Menlo Park, Calif., venture-capital firm Andreessen Horowitz.



Among recent investments, Tencent led a \$10 million investment round in Academia.edu, a San Francisco-based company that operates a platform for scientists and academics to publish and review papers online.

Richard Price, the company's founder, said he hopes to give researchers an alternative to the longstanding model of publishing papers in physical journals. "Tencent itself as an organization has made its money through gaming," but it's venturing elsewhere, he said of the previously undisclosed investment.

Other smaller stakes include: a \$3 million investment disclosed earlier this year in Innovega Inc., a Bellevue, Wash.-based company building an "augmented reality" device into a contact lens. A former Tencent executive now sits on the company's board, and Chief Executive Steve Willey says he plans to first launch the final product in China with Tencent's help.

Some of Tencent's early investments paid off big, like its investment in Snap Inc. in 2013, four years before the Snapchat parent went public. But not every investment has taken off. Since 2014 the company has participated in \$25 million worth of fundraising by Kamcord, a San Francisco social-media company. Kamcord has had ambitions to expand in Asia, but last year discontinued its live video-streaming service. Kamcord wasn't available for comment. In March Tencent participated in a \$900 million funding round for Grail Inc., a Menlo Park, Calif., firm aiming to build tests for genetic evidence of cancer. Other investors in the round included Johnson & Johnson and Merck & Co. One investment that went further afield for Tencent: In 2015 it joined in a funding round for Planetary Resources Inc., an asteroid mining venture whose backers include Larry Page and Eric Schmidt, CEO and executive chairman, respectively, of Alphabet. In an email, Planetary Resources CEO Chris Lewicki said there is "mutual respect for each of our pursuits whether it be mobile gaming or asteroid mining."

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