

Kuaishou (1024 HK)

2Q25 results beat; solid AI and core businesses momentum

Kuaishou reported 2Q25 results: total revenue was up by 13% YoY to RMB35.0bn and adjusted net profit grew by 20% YoY to RMB5.6bn, 2% and 11% ahead of Bloomberg consensus estimates, mainly thanks to the solid e-commerce business (GMV +18% YoY) and better-than-expected AI monetization (Kling AI revenue surpassing RMB250mn). For 3Q25E, we expect total revenue to grow by 13% YoY, driven by the strong momentum of e-commerce business and resilient growth of online marketing business. We slightly raise our FY25-27E earnings forecasts by 0-1% to reflect the positive development on the AI front. We raise our SOTP-derived TP to HK\$84.0 (previous: HK\$80.0). We are upbeat on Kuaishou's AI development and monetization, given its SOTA visual generation model, strong product capability, and abundant use cases. Maintain BUY.

- **Accelerating growth of core commercial businesses.** By segment in 2Q25: 1) online marketing revenue grew by 13% YoY to RMB19.8bn. Revenue from external marketing services delivered solid growth driven by strong demand from content-consumption, local services and automobile sectors. Closed-loop marketing service revenue was also up YoY, thanks to the increasing demand for omni-platform marketing solutions; 2) other services revenue increased by 26% YoY to RMB5.2bn, 4% ahead of consensus estimate, mainly driven by both e-commerce and AI revenue contribution. E-commerce GMV grew by 18% YoY to RMB359bn, fuelled by growth of paying users and increase in repeat purchase frequency; 3) live streaming revenue grew by 8% YoY to RMB10.0bn. Looking into 3Q25E, we forecast total revenue to grow by 13% YoY, with online marketing/others/live streaming revenue +13/36/5% YoY respectively.
- **Solid progress on the AI front.** AI continued to drive business growth: 1) Kling AI revenue surpassed RMB250mn in 2Q25, and we expect the full-year revenue from Kling AI to reach c.RMB950mn in FY25E (1% of total revenue); 2) the company launched OneRec, an AI recommendation model which improved user time spent and retention rates through recommending short video content; 3) Kuaishou also leverages AI to better understand users' behaviours and enables generation of marketing materials tailored to users' interests, increasing conversion rates and driving low single-digit growth in online marketing revenue.
- **Steady margin despite step-up of AI investment.** Adjusted NPM improved by 1ppt YoY and 2ppts QoQ to 16% in 2Q25 despite the step-up of AI investment (R&D expenses +21% YoY), mainly thanks to the strong operating leverage. Given the strong monetization of Kling AI, management expects FY25 Kling AI related capex to double from the previous budget at the beginning of the year. That said, management still expects non-GAAP NPM to be largely stable YoY in FY25. The company declared a special dividend of HK\$0.46 per share (c.1% dividend yield), and will continue to give back to shareholders through dividend and share repurchases.

Earnings Summary

| (YE 31 Dec) | FY23A | FY24A | FY25E | FY26E | FY27E |
|------------------------------|----------|----------|----------|----------|----------|
| Revenue (RMB mn) | 113,470 | 126,898 | 142,640 | 154,253 | 165,120 |
| Adjusted net profit (RMB mn) | 10,271.0 | 17,716.0 | 20,409.7 | 23,700.4 | 26,432.6 |
| EPS (Adjusted) (RMB) | 2.38 | 4.12 | 4.74 | 5.51 | 6.14 |
| Consensus EPS (RMB) | 2.38 | 4.12 | 4.60 | 5.44 | 6.48 |
| P/S (x) | 2.5 | 2.2 | 2.0 | 1.8 | 1.7 |
| P/E (x) | 43.9 | 18.5 | 16.0 | 13.6 | 12.1 |

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$84.00**
 (Previous TP) **HK\$80.00)**
Up/Downside **17.1%**
Current Price **HK\$71.75**

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Stock Data

| | |
|--------------------------|-------------|
| Mkt Cap (HK\$ mn) | 308,883.8 |
| Avg 3 mths t/o (HK\$ mn) | 2,997.0 |
| 52w High/Low (HK\$) | 80.00/38.15 |
| Total Issued Shares (mn) | 4305.0 |

Source: FactSet

Shareholding Structure

| | |
|---------|-------|
| Tencent | 15.8% |
| Su Hua | 10.0% |

Source: HKEx

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | 0.4% | 0.0% |
| 3-mth | 42.5% | 35.3% |
| 6-mth | 22.9% | 14.9% |

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: Kuaishou: forecast revision

| (RMB mn) | Current | | | Previous | | | Change (%) | | |
|---------------------|---------|---------|---------|----------|---------|---------|------------|----------|----------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Revenue | 142,640 | 154,253 | 165,120 | 141,738 | 153,460 | 164,048 | 0.6% | 0.5% | 0.7% |
| Gross profit | 79,141 | 87,487 | 95,663 | 78,909 | 87,444 | 95,649 | 0.3% | 0.0% | 0.0% |
| Operating profit | 19,305 | 23,504 | 27,610 | 19,549 | 23,943 | 28,283 | -1.2% | -1.8% | -2.4% |
| Adjusted net profit | 20,410 | 23,700 | 26,433 | 20,115 | 23,702 | 26,425 | 1.5% | 0.0% | 0.0% |
| Adjusted EPS (RMB) | 4.7 | 5.5 | 6.1 | 4.7 | 5.5 | 6.1 | 1.5% | 0.0% | 0.0% |
| Gross margin | 55.5% | 56.7% | 57.9% | 55.7% | 57.0% | 58.3% | -0.2 ppt | -0.3 ppt | -0.4 ppt |
| Operating margin | 13.5% | 15.2% | 16.7% | 13.8% | 15.6% | 17.2% | -0.3 ppt | -0.4 ppt | -0.5 ppt |
| Adjusted net margin | 14.3% | 15.4% | 16.0% | 14.2% | 15.4% | 16.1% | 0.1 ppt | -0.1 ppt | -0.1 ppt |

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

| (RMB mn) | CMBIGM | | | Consensus | | | Diff (%) | | |
|---------------------|---------|---------|---------|-----------|---------|---------|----------|----------|----------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Revenue | 142,640 | 154,253 | 165,120 | 141,496 | 154,565 | 166,429 | 0.8% | -0.2% | -0.8% |
| Gross profit | 79,141 | 87,487 | 95,663 | 78,514 | 87,701 | 95,985 | 0.8% | -0.2% | -0.3% |
| Operating profit | 19,305 | 23,504 | 27,610 | 19,397 | 24,504 | 29,090 | -0.5% | -4.1% | -5.1% |
| Adjusted net profit | 20,410 | 23,700 | 26,433 | 20,208 | 24,088 | 28,079 | 1.0% | -1.6% | -5.9% |
| Adjusted EPS (RMB) | 4.7 | 5.5 | 6.1 | 4.6 | 5.4 | 6.5 | 3.1% | 1.2% | -5.3% |
| Gross margin | 55.5% | 56.7% | 57.9% | 55.5% | 56.7% | 57.7% | 0.0 ppt | 0.0 ppt | 0.3 ppt |
| Operating margin | 13.5% | 15.2% | 16.7% | 13.7% | 15.9% | 17.5% | -0.2 ppt | -0.6 ppt | -0.8 ppt |
| Adjusted net margin | 14.3% | 15.4% | 16.0% | 14.3% | 15.6% | 16.9% | 0.0 ppt | -0.2 ppt | -0.9 ppt |

Source: Bloomberg, CMBIGM estimates

Figure 3: Kuaishou: quarterly financials

| (RMB mn) | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | Cons. | Diff% |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|
| Live streaming revenue | 8,575 | 9,302 | 9,338 | 9,846 | 9,814 | 10,044 | 9,787 | 2.6% |
| yoy% | -8.0% | -6.7% | -3.9% | -2.0% | 14.4% | 8.0% | 5.2% | |
| Online marketing services | 16,650 | 17,515 | 17,634 | 20,620 | 17,977 | 19,765 | 19,670 | 0.5% |
| yoy% | 27.4% | 22.1% | 20.0% | 13.3% | 8.0% | 12.8% | | |
| Other services revenue | 4,183 | 4,158 | 4,159 | 4,918 | 4,817 | 5,237 | 5,015 | 4.4% |
| yoy% | 47.6% | 21.3% | 17.5% | 14.1% | 15.2% | 25.9% | | |
| Total revenue | 29,408 | 30,975 | 31,131 | 35,384 | 32,608 | 35,046 | 34,450 | 1.7% |
| yoy% | 16.6% | 11.6% | 11.4% | 8.7% | 10.9% | 13.1% | | |
| Average DAUs | 394 | 395 | 408 | 401 | 408 | 409 | 407 | 0.4% |
| yoy% | 5.2% | 5.1% | 5.4% | 4.8% | 3.6% | 3.4% | | |
| Gross profit margin (%) | 54.8% | 55.3% | 54.3% | 54.0% | 54.6% | 55.7% | 55.3% | 0.3ppt |
| S&M expense ratio (%) | 31.9% | 32.4% | 33.3% | 32.0% | 30.4% | 30.0% | | |
| R&D expense ratio (%) | 9.7% | 9.1% | 10.0% | 9.8% | 10.1% | 9.7% | | |
| Adjusted net margin (%) | 14.9% | 15.1% | 12.7% | 13.3% | 14.0% | 16.0% | | |
| Adjusted net income | 4,388 | 4,679 | 3,948 | 4,701 | 4,580 | 5,618 | 5,064 | 10.9% |

Source: Company data, CMBIGM, Bloomberg

Our SOTP-derived target price of HK\$84.0 comprises, per share:

- 1) HK\$10.2 for the live streaming business, based on 1.0x 2025E EV/Sales, which is on par with the average EV/Sales for its peers.
- 2) HK\$26.2 for the online marketing business (excl. closed-loop marketing), based on 16x 2025E EV/EBIT, which is on par with the average EV/EBIT for its peers.
- 3) HK\$41.0 for the e-commerce business, based on 0.10x 2025E EV/GMV. The target multiple is a discount to the average EV/GMV for its peers (0.16x 2025E EV/GMV), given the relatively low monetization level of Kuaishou's e-commerce business.
- 4) HK\$6.7 for net cash.

Figure 4: Kuaishou: SOTP valuation

| (RMBmn) | 25E Rev/EBIT/GMV | Methodology | Multiple | Valuation | As % of total valuation | Per share valuation (HK\$) |
|---|------------------|-------------|----------|----------------|-------------------------|----------------------------|
| Live streaming | 39,773 | EV/Sales | 1.0x | 39,773 | 12% | 10.2 |
| Advertising (excl. closed-loop marketing) | 6,409 | EV/EBIT | 16.0x | 102,549 | 31% | 26.2 |
| E-commerce | 1,606,852 | EV/GMV | 0.10x | 160,685 | 49% | 41.0 |
| Enterprise Value | | | | 303,008 | 92% | 77.3 |
| Net cash | | | | 26,114 | 8% | 6.7 |
| Equity Value | | | | 329,122 | | |
| Exchange rate (RMB/HK\$) | | | | 0.92 | | |
| Target Value (HK\$mn) | | | | 359,696 | | |
| Target Price (HK\$) | | | | 84.00 | | |

Source: Company data, CMBIGM estimates

Figure 5: Peer comparison: live streaming, advertising, and e-commerce sectors

| Companies | Ticker | Price (LC) | FY25E | FY26E | FY25E | FY26E |
|-----------------------|-----------|------------|------------------------------|-------|-----------------|-------------|
| Live streaming | | | Revenue growth (YoY%) | | EV/Sales | |
| Bilibili | BILI US | 25.3 | 15 | 9 | 2.1 | 1.9 |
| Hello Group | MOMO US | 8.0 | 1 | 4 | 0.6 | 0.6 |
| Huya | HUYA US | 3.2 | 7 | 5 | 0.3 | 0.2 |
| Average | | | | | 1.0 | 0.9 |
| Advertising | | | EBIT growth (YoY%) | | EV/EBIT | |
| Baidu | BIDU US | 86.8 | (30) | 23 | 3 | 3 |
| Focus Media | 002027 CH | 8.2 | 3 | 11 | 19 | 17 |
| Meta | META US | 747.7 | 22 | 9 | 23 | 21 |
| Alphabet | GOOG US | 200.2 | 17 | 14 | 18 | 16 |
| Average | | | | | 16 | 14 |
| E-commerce | | | GMV Growth (YoY%) | | EV/GMV | |
| Alibaba | BABA US | 119.5 | 7 | 5 | 0.19 | 0.18 |
| Pinduoduo | PDD US | 118.0 | 17 | 11 | 0.14 | 0.12 |
| Average | | | | | 0.16 | 0.15 |

Source: Bloomberg, CMBIGM estimates

Note: Data as of market close on 20 Aug

Financial Summary

| INCOME STATEMENT | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|-------------------------------|----------|---------|---------|---------|---------|---------|
| YE 31 Dec (RMB mn) | | | | | | |
| Revenue | 94,183 | 113,470 | 126,898 | 142,640 | 154,253 | 165,120 |
| Cost of goods sold | 52,051 | 56,079 | 57,606 | 63,499 | 66,766 | 69,458 |
| Gross profit | 42,131 | 57,391 | 69,292 | 79,141 | 87,487 | 95,663 |
| Operating expenses | 54,689 | 50,960 | 54,005 | 59,836 | 63,983 | 68,053 |
| Selling expense | 37,121 | 36,496 | 41,105 | 43,648 | 46,276 | 48,710 |
| Admin expense | 3,921 | 3,514 | 2,916 | 3,423 | 3,548 | 3,608 |
| R&D expense | 13,784 | 12,338 | 12,199 | 14,549 | 15,425 | 16,182 |
| Others | 137 | 1,388 | 2,215 | 1,784 | 1,266 | 447 |
| Operating profit | (12,558) | 6,431 | 15,287 | 19,305 | 23,504 | 27,610 |
| Net Interest income/(expense) | 166 | 539 | 236 | (186) | 131 | 74 |
| Others | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | (12,392) | 6,970 | 15,523 | 19,119 | 23,635 | 27,683 |
| Income tax | 1,158 | 490 | 150 | 1,434 | 2,836 | 4,152 |
| After tax profit | (13,551) | 6,480 | 15,373 | 17,685 | 20,798 | 23,531 |
| Net profit | (13,551) | 6,480 | 15,373 | 17,685 | 20,798 | 23,531 |
| Adjusted net profit | (5,751) | 10,271 | 17,716 | 20,410 | 23,700 | 26,433 |

| BALANCE SHEET | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| YE 31 Dec (RMB mn) | | | | | | |
| Current assets | 45,859 | 60,361 | 62,869 | 81,081 | 94,340 | 112,706 |
| Cash & equivalents | 13,274 | 12,905 | 12,697 | 26,114 | 36,775 | 50,853 |
| Restricted cash | 59 | 128 | 47 | 47 | 47 | 47 |
| Account receivables | 6,288 | 6,457 | 6,674 | 8,086 | 8,396 | 9,247 |
| Prepayment | 4,832 | 4,919 | 4,646 | 6,106 | 6,150 | 6,969 |
| ST bank deposits | 8,318 | 9,874 | 11,522 | 13,445 | 15,689 | 18,308 |
| Financial assets at FVTPL | 13,087 | 26,078 | 27,283 | 27,283 | 27,283 | 27,283 |
| Non-current assets | 43,449 | 45,935 | 77,004 | 87,718 | 96,709 | 106,745 |
| PP&E | 13,215 | 12,356 | 14,831 | 20,991 | 24,007 | 26,320 |
| Right-of-use assets | 10,806 | 10,399 | 8,891 | 8,490 | 8,377 | 8,460 |
| Deferred income tax | 5,095 | 6,108 | 6,604 | 6,604 | 6,604 | 6,604 |
| Investment in JVs & assos | 268 | 214 | 166 | 166 | 166 | 166 |
| Intangibles | 1,123 | 1,073 | 1,059 | 1,050 | 933 | 816 |
| Financial assets at FVTPL | 3,626 | 5,245 | 24,430 | 24,430 | 24,430 | 24,430 |
| Other non-current assets | 9,316 | 10,540 | 21,023 | 25,987 | 32,192 | 39,948 |
| Total assets | 89,307 | 106,296 | 139,873 | 168,798 | 191,050 | 219,451 |
| Current liabilities | 40,710 | 48,778 | 59,828 | 72,323 | 74,030 | 78,415 |
| Account payables | 22,868 | 23,601 | 27,470 | 33,419 | 34,261 | 36,148 |
| Tax payable | 936 | 1,222 | 873 | 981 | 1,061 | 1,136 |
| Other current liabilities | 13,430 | 20,628 | 27,809 | 34,357 | 35,165 | 37,548 |
| Lease liabilities | 3,475 | 3,327 | 3,676 | 3,566 | 3,543 | 3,583 |
| Non-current liabilities | 8,760 | 8,444 | 18,021 | 17,948 | 17,918 | 18,002 |
| Long-term borrowings | 0 | 0 | 11,100 | 11,100 | 11,100 | 11,100 |
| Obligations under finance leases | 8,721 | 8,405 | 6,765 | 6,563 | 6,521 | 6,594 |
| Other non-current liabilities | 39 | 39 | 11,256 | 11,386 | 11,397 | 11,408 |
| Total liabilities | 49,470 | 57,222 | 77,849 | 90,272 | 91,948 | 96,418 |
| Share capital | 0 | 0 | 0 | 0 | 0 | 0 |
| Retained earnings | (263,883) | (257,491) | (242,164) | (224,479) | (203,681) | (180,150) |
| Other reserves | 303,712 | 306,554 | 304,168 | 302,986 | 302,762 | 303,163 |
| Total shareholders equity | 39,830 | 49,063 | 62,004 | 78,507 | 99,081 | 123,013 |
| Minority interest | 8 | 11 | 20 | 20 | 20 | 20 |
| Total equity and liabilities | 89,307 | 106,296 | 139,873 | 168,798 | 191,050 | 219,451 |

| CASH FLOW | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Operating | | | | | | |
| Profit before taxation | (12,392) | 6,970 | 15,523 | 19,119 | 23,635 | 27,683 |
| Depreciation & amortization | 6,573 | 7,202 | 7,140 | 7,189 | 8,011 | 8,454 |
| Tax paid | (990) | (1,223) | (1,021) | (1,196) | (2,745) | (4,067) |
| Change in working capital | 1,234 | 4,859 | 7,510 | 9,625 | 1,296 | 2,600 |
| Others | 7,773 | 2,973 | 635 | 2,725 | 2,902 | 2,902 |
| Net cash from operations | 2,198 | 20,781 | 29,787 | 37,462 | 33,099 | 37,572 |
| Investing | | | | | | |
| Capital expenditure | (50,079) | (66,680) | (104,728) | (10,799) | (8,484) | (8,256) |
| Acquisition of subsidiaries/ investments | 0 | 0 | 0 | 0 | 0 | 0 |
| Net proceeds from disposal of short-term investments | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 32,531 | 46,815 | 68,051 | (6,887) | (8,449) | (10,375) |
| Net cash from investing | (17,548) | (19,865) | (36,677) | (17,686) | (16,933) | (18,631) |
| Financing | | | | | | |
| Net borrowings | 0 | 11,259 | 14,797 | 0 | 0 | 0 |
| Proceeds from share issues | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | (4,482) | (1,364) | 6,714 | (6,359) | (5,504) | (4,864) |
| Net cash from financing | (4,482) | (1,364) | 6,714 | (6,359) | (5,504) | (4,864) |
| Net change in cash | | | | | | |
| Cash at the beginning of the year | 32,612 | 13,274 | 12,905 | 12,697 | 26,114 | 36,775 |
| Exchange difference | 494 | 79 | (32) | 0 | 0 | 0 |
| Cash at the end of the year | 13,274 | 12,905 | 12,697 | 26,114 | 36,775 | 50,853 |
| GROWTH | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Revenue | 16.2% | 20.5% | 11.8% | 12.4% | 8.1% | 7.0% |
| Gross profit | 23.8% | 36.2% | 20.7% | 14.2% | 10.5% | 9.3% |
| Operating profit | na | na | 137.7% | 26.3% | 21.8% | 17.5% |
| Net profit | na | na | 137.2% | 15.0% | 17.6% | 13.1% |
| Adj. net profit | na | na | 72.5% | 15.2% | 16.1% | 11.5% |
| PROFITABILITY | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Gross profit margin | 44.7% | 50.6% | 54.6% | 55.5% | 56.7% | 57.9% |
| Operating margin | (13.3%) | 5.7% | 12.0% | 13.5% | 15.2% | 16.7% |
| Adj. net profit margin | (6.1%) | 9.1% | 14.0% | 14.3% | 15.4% | 16.0% |
| Return on equity (ROE) | (31.9%) | 14.6% | 27.7% | 25.2% | 23.4% | 21.2% |
| GEARING/LIQUIDITY/ACTIVITIES | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Net debt to equity (x) | (0.3) | (0.3) | (0.0) | (0.2) | (0.3) | (0.3) |
| Current ratio (x) | 1.1 | 1.2 | 1.1 | 1.1 | 1.3 | 1.4 |
| Receivable turnover days | 24.4 | 20.8 | 19.2 | 20.7 | 19.9 | 20.4 |
| Payable turnover days | 160.4 | 153.6 | 174.1 | 192.1 | 187.3 | 190.0 |
| VALUATION | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| P/E | ns | 43.9 | 18.5 | 16.0 | 13.6 | 12.1 |
| P/E (diluted) | ns | 43.9 | 18.5 | 16.0 | 13.6 | 12.1 |
| P/B | 7.0 | 5.8 | 4.6 | 3.6 | 2.9 | 2.3 |

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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