Kuaishou (1024 HK)

3Q26 results: core commercial businesses under pressure; headwinds to persist in 4Q26

BUY (Maintain)

Target Price	**HK$32.80**
(Previous TP	HK$63.80)
Up/Downside	**42.4%**
Current Price	**HK$23.04**

Kuaishou announced 3Q26 results. Total revenue declined by 11% YoY to RMB31.6bn, 4% below Visible Alpha (VA) consensus estimate, mainly due to softer-than-expected online marketing business (-11% YoY). Adjusted net profit dropped by 84% YoY to RMB0.8bn on revenue decline and AI investment, but 11% above VA's consensus estimate. Looking ahead in 4Q26E, we expect soft consumption sentiment and macro uncertainty continue to weigh on Kuaishou's core commercial businesses, and the front-loaded AI investment will impact short-term margin. Thus, we lower our FY26-28E earnings forecasts by 4-10%. We roll over our valuation window to FY27E and trim our SOTP-derived TP to HK$32.8 (previous: HK$63.80) on earnings revisions and valuation derating. The company's current valuation offers safety margin, but it takes time for its core commercial businesses to recover amid macro uncertainty. Maintain BUY.

- **Core commercial businesses under pressure.** By segment in 3Q26: 1) online marketing revenue decreased by 11% YoY to RMB17.9bn (7% below consensus estimate), primarily due to the decline in e-commerce marketing revenue under soft consumption sentiment and intensive competition. Non-e-commerce marketing services revenue outperformed the overall marketing revenue growth, mainly supported by the solid YoY revenue growth from content consumption sector. 2) Other services revenue was up by 2% YoY to RMB6.0bn, mainly driven by growth in games and Kling revenue, partially offset by the decrease in e-commerce commission revenue. Despite relatively soft demand, the company continues to strengthen merchant support, with the new merchant retention rate and scaled growth rate of existing merchants improved QoQ. 3) Live streaming revenue declined by 19% YoY to RMB7.8bn. For 4Q26E, management notes that the overall consumption and competition environment will remain challenging and continue to impact revenue growth.
- **Updates on AI progress.** 1) Kling AI gross billings saw solid growth after the launch of Kling 4.0 in Sep 2026, driven by growth in revenue from both enterprise and professional users. Kling AI strengthened its presence in professional filmmaking area via deepening partnership with professional film production teams; 2) Kuaishou established an enterprise AI productivity organization, iWork, in Sep 2026 to advance AI-empowered organizational transformation across the company; 3) Kuaishou also optimized the model inference engine of Kuaishou Vanchin, a one-stop AI infra platform that facilitates internal and external clients with model customization. Revenue from Kuaishou Vanchin grew by nearly 90% QoQ in 3Q26.
- **Margin decline on short play revenue-sharing and AI investment.** GPM was down by 6.5ppts YoY and 3.4ppts QoQ to 48.2% in 3Q26, mainly due to the increased revenue sharing costs related to short plays. Adjusted net margin declined by 11.5ppts YoY to 2.5% in 3Q26. To cope with external challenges and margin pressure, the company will exercise more stringent cost control and improve operational efficiency, as per management.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	126,898	142,776	135,614	145,042	153,314
Adjusted net profit (RMB mn)	17,716.0	20,647.0	8,544.4	10,406.2	12,532.4
EPS (Adjusted) (RMB)	4.12	4.82	1.99	2.42	2.92
Consensus EPS (RMB)	4.12	4.82	2.13	2.34	2.80
P/E (x)	5.5	4.5	16.6	11.5	8.9

Source: Company data, Bloomberg, CMBIGM estimates

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Stock Data

Mkt Cap (HK$ mn)	98,956.8
Avg 3 mths t/o (HK$ mn)	1,278.5
52w High/Low (HK$)	82.95/23.04
Total Issued Shares (mn)	4295.0

Source: FactSet

Shareholding Structure

Su Hua	9.8%
Tencent	9.4%

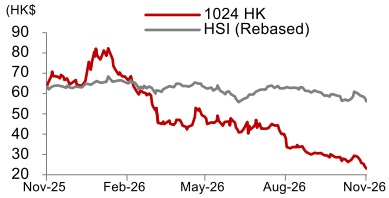
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-21.4%	-16.7%
3-mth	-39.0%	-32.0%
6-mth	-52.9%	-46.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: Kuaishou: forecast revision

	Current			Previous			Change (%)		
(RMB mn)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	135,614	145,042	153,314	137,596	147,135	155,862	-1.4%	-1.4%	-1.6%
Gross profit	67,445	72,984	77,676	69,333	75,005	80,370	-2.7%	-2.7%	-3.4%
Operating profit	7,029	8,803	11,241	7,332	9,927	12,716	-4.1%	-11.3%	-11.6%
Adjusted net profit	8,544	10,406	12,532	8,899	11,470	13,878	-4.0%	-9.3%	-9.7%
Adjusted EPS (RMB)	2.0	2.4	2.9	2.0	2.6	3.2	-2.2%	-7.6%	-8.0%
Gross margin	49.7%	50.3%	50.7%	50.4%	51.0%	51.6%	-0.7 ppt	-0.7 ppt	-0.9 ppt
Operating margin	5.2%	6.1%	7.3%	5.3%	6.7%	8.2%	-0.1 ppt	-0.7 ppt	-0.8 ppt
Adjusted net margin	6.3%	7.2%	8.2%	6.5%	7.8%	8.9%	-0.2 ppt	-0.6 ppt	-0.7 ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
(RMB mn)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	135,614	145,042	153,314	138,175	143,160	151,361	-1.9%	1.3%	1.3%
Gross profit	67,445	72,984	77,676	69,905	72,483	77,305	-3.5%	0.7%	0.5%
Operating profit	7,029	8,803	11,241	8,037	8,871	11,209	-12.5%	-0.8%	0.3%
Adjusted net profit	8,544	10,406	12,532	9,278	10,243	12,257	-7.9%	1.6%	2.2%
Adjusted EPS (RMB)	2.0	2.4	2.9	2.1	2.3	2.8	-6.5%	3.6%	4.3%
Gross margin	49.7%	50.3%	50.7%	50.6%	50.6%	51.1%	-0.9 ppt	-0.3 ppt	-0.4 ppt
Operating margin	5.2%	6.1%	7.3%	5.8%	6.2%	7.4%	-0.6 ppt	-0.1 ppt	-0.1 ppt
Adjusted net margin	6.3%	7.2%	8.2%	6.7%	7.2%	8.1%	-0.4 ppt	0.0 ppt	0.1 ppt

Source: Visible Alpha, CMBIGM estimates

Figure 3: Kuaishou: quarterly financials

(RMB mn)	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	Cons.	Diff%
Live streaming revenue	9,814	10,044	9,574	9,655	8,492	8,690	7,752	7,927	**-2.2%**
yoy%	14.4%	8.0%	2.5%	-1.9%	-13.5%	-13.5%	-19.0%	-17.2%	
Online marketing services	17,977	19,765	20,102	23,618	19,643	20,639	17,871	19,229	**-7.1%**
yoy%	8.0%	12.8%	14.0%	14.5%	9.3%	4.4%	-11.1%	-4.3%	
Other services revenue	4,817	5,237	5,878	6,295	5,581	6,206	5,969	5,788	**3.1%**
yoy%	15.2%	25.9%	41.3%	28.0%	15.9%	18.5%	1.5%	-1.5%	
Total revenue	**32,608**	**35,046**	**35,554**	**39,568**	**33,716**	**35,535**	**31,592**	**32,942**	**-4.1%**
yoy%	10.9%	13.1%	14.2%	11.8%	3.4%	1.4%	-11.1%	-7.3%	
Gross profit margin (%)	**54.6%**	**55.7%**	**54.7%**	**55.1%**	**51.2%**	**51.6%**	**48.2%**	**49.3%**	**-1.1ppt**
S&M expense ratio (%)	30.4%	30.0%	29.3%	28.8%	30.6%	27.9%	30.0%		
R&D expense ratio (%)	10.1%	9.7%	10.3%	10.5%	10.7%	12.9%	16.4%		
Adjusted net margin (%)	14.0%	16.0%	14.0%	13.8%	10.0%	11.0%	2.5%		
Adjusted net income	**4,580**	**5,618**	**4,986**	**5,463**	**3,374**	**3,913**	**790**	**711**	**11.1%**

Source: Company data, Visible Alpha, CMBIGM

Our SOTP-derived target price of HK$32.8 comprises, per share:

1) HK$3.6 for the live streaming business, based on 0.4x 2027E EV/Sales, which is on par with the average EV/Sales for its peers.

2) HK$9.1 for the online marketing business (excl. e-commerce marketing), based on 7x 2027E EV/EBIT. The target multiple is at a discount to the average EV/EBIT for its peers (14x 2027E EV/GMV), given Kuaishou's relatively high ad revenue contribution from SME advertisers which are more vulnerable to the macro uncertainty.

3) HK$13.6 for the e-commerce business, based on 0.03x 2027E EV/GMV. The target multiple is at a discount to the average EV/GMV for its peers (0.09x 2027E EV/GMV), given the relatively low monetization level of Kuaishou's e-commerce business.

4) HK$6.4 for net cash.

Figure 4: Kuaishou: SOTP valuation

(RMBmn)	27E Rev/EBIT/GMV	Methodology	Multiple	Valuation	As % of total valuation	Per share valuation (HK$)
Live streaming	33,404	EV/Sales	0.4x	13,362	11%	3.6
Advertising (excl. e-commerce marketing)	4,772	EV/EBIT	7.0x	33,407	28%	9.1
E-commerce	1,659,889	EV/GMV	0.03x	49,797	41%	13.6
Enterprise Value				**96,565**	80%	26.4
Net cash				23,515	20%	6.4
Equity Value				**120,080**		
Exchange rate (RMB/HK$)				0.85		
Target Value (HK$mn)				**140,774**		
Target Price (HK$)				**32.80**		

Source: Company data, CMBIGM estimates

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

Companies	Ticker	Price (LC)	FY27E	FY28E	FY27E	FY28E
Live streaming			**Revenue growth (YoY%)**		**EV/Sales**	
BiliBili	BILI US	11.4	10%	8%	0.4	0.4
Huya	HUYA US	2.2	4%	4%	0.4	0.4
Average					**0.4**	**0.4**
Advertising			**EBIT growth (YoY%)**		**EV/EBIT**	
Focus Media	002027 CH	5.7	6%	7%	13.0	12.1
Meta	META US	616.4	29%	21%	15.4	12.8
Alphabet	GOOG US	282.4	31%	26%	13.1	10.4
Average					**13.8**	**11.8**
E-commerce			**GMV Growth (YoY%)**		**EV/GMV**	
Alibaba	BABA US	84.4	3%	3%	0.15	0.15
Pinduoduo	PDD US	77.5	8%	7%	0.03	0.03
Average					**0.09**	**0.09**

Source: Visible Alpha, CMBIGM

Note: Data as of market close on 18 Nov

Risks

Macro uncertainty weighs on online marketing and e-commerce businesses; intensifying competition in short video sector; increasing AI investment impacts margin.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**113,470**	**126,898**	**142,776**	**135,614**	**145,042**	**153,314**
Cost of goods sold	56,079	57,606	64,227	68,168	72,059	75,638
Gross profit	**57,391**	**69,292**	**78,549**	**67,445**	**72,984**	**77,676**
Operating expenses	**50,960**	**54,005**	**57,912**	**60,416**	**64,181**	**66,435**
Selling expense	36,496	41,105	42,229	40,006	40,612	41,395
Admin expense	3,514	2,916	3,343	4,068	3,408	3,423
R&D expense	12,338	12,199	14,491	18,986	22,482	23,764
Others	1,388	2,215	2,151	2,644	2,321	2,146
Operating profit	**6,431**	**15,287**	**20,637**	**7,029**	**8,803**	**11,241**
Net Interest income/(expense)	**539**	**236**	**(149)**	**(1,006)**	**(168)**	**(105)**
Others	0	0	0	0	0	0
Pre-tax profit	**6,970**	**15,523**	**20,488**	**6,023**	**8,635**	**11,136**
Income tax	490	150	1,848	964	1,295	1,670
After tax profit	**6,480**	**15,373**	**18,640**	**5,060**	**7,340**	**9,466**
Net profit	**6,480**	**15,373**	**18,640**	**5,060**	**7,340**	**9,466**
Adjusted net profit	**10,271**	**17,716**	**20,647**	**8,544**	**10,406**	**12,532**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**60,361**	**62,869**	**77,549**	**64,963**	**69,778**	**82,830**
Cash & equivalents	12,905	12,697	11,180	3,356	10,516	25,373
Restricted cash	128	47	251	251	251	251
Account receivables	6,457	6,674	8,127	6,634	6,082	5,679
Prepayment	4,919	4,646	7,028	6,348	6,368	6,233
ST bank deposits	9,874	11,522	8,630	6,041	4,229	2,960
Financial assets at FVTPL	26,078	27,283	42,333	42,333	42,333	42,333
Non-current assets	**45,935**	**77,004**	**86,955**	**103,013**	**108,326**	**109,384**
PP&E	12,356	14,831	22,869	41,195	48,196	50,574
Right-of-use assets	10,399	8,891	8,545	7,489	6,957	6,741
Deferred income tax	6,108	6,604	5,585	5,585	5,585	5,585
Investment in JVs & assos	214	166	149	149	149	149
Intangibles	1,073	1,059	986	875	764	654
Financial assets at FVTPL	5,245	24,430	24,100	24,100	24,100	24,100
Other non-current assets	10,540	21,023	24,721	23,620	22,575	21,581
Total assets	**106,296**	**139,873**	**164,504**	**167,977**	**178,104**	**192,214**
Current liabilities	**48,778**	**59,828**	**67,535**	**69,758**	**73,610**	**78,368**
Account payables	23,601	27,470	27,209	28,820	30,406	31,762
Tax payable	1,222	873	388	369	394	417
Other current liabilities	20,628	27,809	35,976	37,076	39,576	43,084
Lease liabilities	3,327	3,676	3,962	3,494	3,233	3,106
Non-current liabilities	**8,444**	**18,021**	**17,385**	**16,573**	**16,189**	**16,006**
Long-term borrowings	0	11,100	11,098	11,098	11,098	11,098
Obligations under finance leases	8,405	6,765	5,977	5,271	4,877	4,686
Other non-current liabilities	39	11,256	11,408	11,303	11,312	11,320
Total liabilities	**57,222**	**77,849**	**84,920**	**86,331**	**89,799**	**94,374**
Share capital	0	0	0	0	0	0
Retained earnings	(257,491)	(242,164)	(224,341)	(219,281)	(211,942)	(202,476)
Other reserves	306,554	304,168	303,899	300,901	300,221	300,290
Total shareholders equity	**49,063**	**62,004**	**79,558**	**81,619**	**88,279**	**97,814**
Minority interest	11	20	26	26	26	26
Total equity and liabilities	**106,296**	**139,873**	**164,504**	**167,977**	**178,104**	**192,214**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**6,970**	**15,523**	**20,488**	**6,023**	**8,635**	**11,136**
Depreciation & amortization	7,202	7,140	7,195	9,285	10,322	10,980
Tax paid	(1,223)	(1,021)	(1,392)	(1,089)	(1,260)	(1,640)
Change in working capital	4,859	7,510	143	6,852	4,619	5,400
Others	2,973	635	282	3,485	3,067	3,067
Net cash from operations	**20,781**	**29,787**	**26,716**	**24,557**	**25,382**	**28,944**
Investing						
Capital expenditure	(4,897)	(8,063)	(14,942)	(24,410)	(14,504)	(10,732)
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	(14,968)	(28,614)	(11,314)	3,690	2,858	2,262
Net cash from investing	**(19,865)**	**(36,677)**	**(26,256)**	**(20,721)**	**(11,646)**	**(8,470)**
Financing						
Dividend paid	0	0	(1,800)	(1,800)	0	0
Net borrowings	11,259	14,797	5,324	(1,968)	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(1,300)	(4,884)	(2,927)	(4,683)	(3,747)	(2,997)
Others	(11,323)	(3,199)	(2,522)	(3,209)	(2,830)	(2,618)
Net cash from financing	**(1,364)**	**6,714**	**(1,925)**	**(11,660)**	**(6,576)**	**(5,616)**
Net change in cash						
Cash at the beginning of the year	13,274	12,905	12,697	11,180	3,356	10,516
Exchange difference	79	(32)	(52)	0	0	0
Cash at the end of the year	**12,905**	**12,697**	**11,180**	**3,356**	**10,516**	**25,373**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	20.5%	11.8%	12.5%	(5.0%)	7.0%	5.7%
Gross profit	36.2%	20.7%	13.4%	(14.1%)	8.2%	6.4%
Operating profit	na	137.7%	35.0%	(65.9%)	25.2%	27.7%
Net profit	na	137.2%	21.3%	(72.9%)	45.1%	29.0%
Adj. net profit	na	72.5%	16.5%	(58.6%)	21.8%	20.4%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	50.6%	54.6%	55.0%	49.7%	50.3%	50.7%
Operating margin	5.7%	12.0%	14.5%	5.2%	6.1%	7.3%
Adj. net profit margin	9.1%	14.0%	14.5%	6.3%	7.2%	8.2%
Return on equity (ROE)	14.6%	27.7%	26.3%	6.3%	8.6%	10.2%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.0)	(0.0)	0.1	0.0	(0.1)
Current ratio (x)	1.2	1.1	1.1	0.9	0.9	1.1
Receivable turnover days	20.8	19.2	20.8	17.9	15.3	13.5
Payable turnover days	153.6	174.1	154.6	154.3	154.0	153.3

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	13.0	5.5	4.5	16.6	11.5	8.9
P/E (diluted)	13.0	5.6	4.6	16.6	11.5	8.9
P/B	1.7	1.4	1.1	1.0	1.0	0.9

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

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