

China Internet Sector

3Q22 industry data trend recap

Our take from 3Q22 MoonFox's industry data release: 1) competition on user time spend intensified in 3Q22, with leading internet giants further consolidating market share; 2) Tencent continues to strengthen leadership in the gaming sector, and narrow its time spend gap against ByteDance leveraging the ramp-up of Video Account; and 3) e-commerce platforms are seeing a continuous improving trend on user stickiness, though macro headwind persists.

- **Competition on user time spend intensified in 3Q22.** Per MoonFox data, in 3Q22, average number of apps installed per capita was 74 in 3Q22, up from 71 in 2Q22 and 66 in 3Q21, while average user time spend per capita per day on apps was 5.4 hours, flat QoQ and declined 0.1 hour YoY, indicating an intensifying competition on user time spend. Leading internet giants are enlarging their shares in user time spend: combined user time spend on apps related to Tencent, ByteDance, Alibaba and Baidu accounted for 69.3% of total user time spend in Sep 2022 (Sep 2021: 68.5%; Jun 2022: 68.4%). Tencent related apps grew its share in user time spend to 28.3% in Sep 2022 (Sep 2021: 26.7%; June 2022: 27.5%), which in our view could be attributed to the robust ramp-up of Video Accounts, indicating additional monetization opportunities ahead.
- **Online entertainment platforms' time spend share shrank YoY.** According to MoonFox, percentage of overall internet user time spend contributed by online entertainment apps dropped by 2.3pp YoY to 56.2% in 3Q22. Mobile-game time spend contribution declined by 0.8pp YoY to 5.5% in 3Q22, mainly due to the implementation of the minor protection measures in Sep 2021. Average mobile-game MAU dropped by 6.7% YoY to 528mn, and average daily time spend on mobile games declined by 2.2% YoY to 92.8 minutes in 3Q22. Tencent continued to solidify its leadership in the mobile gaming market amid sector headwind, with its game titles accounting for 70.5% of the total downloads in the mobile game market in 3Q22 (vs. 61.8% in 3Q21).
- **Short-video platforms gaining share of user time spend.** Short-video platforms' share of the internet user time spend grew by 1.5pp YoY and 1.1pp QoQ to 33.1% in 3Q22, according to MoonFox. Although both user growth and time spend growth for main apps of Douyin and Kuaishou slowed down, Douyin Fast and Kuashou Fast became the new drivers as they continued to penetrate into lower-tier cities. Douyin Fast/Kuaishou Fast MAU increased by 17/26% YoY to 225/242mn in Sep 2022. ByteDance's time spend share of 28.6% in September 2022 still leads other online platforms (Tencent/Alibaba/Baidu: 28.3/7.7/4.7%), but the gap on market share between ByteDance and Tencent is shrinking (0.3pp in Sep 2022, vs 0.9pp in Jun 2022, and peak of 2.9pp in Feb 2022).
- **E-commerce platforms are seeing a continuously improving trend on user stickiness.** Based on MoonFox data, average DAU for PDD/JD reached 250/85mn in 3Q22, up 17/44% YoY, versus a 7/12% YoY increase in MAU in Sep 2022, indicating strengthened user stickiness, which in our view could be attributed to enhanced user operation, and solid progress in category expansion to fast-moving consumer goods (FMCG). For community group buy and food delivery business, total user base enlarged by 5.1% YoY to 512.8mn in Sep 2022, and the implied penetration of group buy and food delivery user in total netizens increased to 48.5% in Sep 2022 (Sep 2021: 45.1%).

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