

Kuaishou (1024 HK)

Another upbeat quarter; 2H22E outlook on track

2Q22 result beat again, with DAU/rev +18.5%/13% YoY (1%/5% above consensus), and bottom line at -RMB1.3bn (vs. consensus at -RMB2.9bn). We view this result as positive, given its resilient topline growth and better-than-expected margin (domestic biz OP breakeven ahead of guidance). 2H22E guidance was largely in line, with 3Q22/4Q22E rev +12%/15% YoY. We forecast its ecommerce GMV +26%/30% YoY in 3Q22/4Q22E, and full-year GMV target at RMB900bn was intact. We forecast ads +12% YoY in 3Q22E, in which internal ecommerce ads & brand ads trend were healthy while external ads flat YoY. Kuaishou might increase S&M efforts in 2H22E, but was well managed. We keep our full-year topline barely changed, with TP at HK\$120. We reiterate our confidence in its resilient growth, share gain and narrowing loss.

- 2Q22 all-round beat, with domestic biz breakeven ahead of guidance.** 2Q22 rev +13% YoY, 5%/5% above consensus/our estimates, attributable to strong livestreaming (+19% YoY) and ecommerce (GMV+31.5% YoY). Non GAAP net loss (RMB1.3bn) beat consensus of -RMB2.9bn. Non-GAAP GPM improved QoQ to 45%, above consensus of 43%. By segment, live streaming +19% YoY (better-than-feared), mainly on rising MPUs. Ads +10% YoY (vs. our estimate of +7% YoY), in which no. of advertisers accelerated to +90% YoY, backed by strong ecommerce ads and brand ads. Ecommerce performed well, with GMV +31.5% YoY (vs. our estimate of +25% YoY).
- 2H22E outlook largely in line.** After 2Q22 topline trough, we expect 2H22E to see solid recovery, with 3Q22/4Q22E rev +12%/15% YoY. 3Q22E DAU would still see sequential growth, estimating at 360mn (+12.5% YoY). We forecast its ecommerce GMV +26% YoY in 3Q22E, in which GMV achieved >30% YoY growth in Jul, then stabilized at mid-twenties YoY in Aug and Sep. Full-year GMV target at RMB900bn was intact, in which 4Q22E +30% YoY. Take rate would slightly improve in 3Q22E. For ads segment, we forecast ads +12% YoY in 3Q22E, in which internal ecommerce ads & brand ads trend were healthy while external ads flat YoY. Despite ads challenges, we keep our positive view on its share gain trend. Live streaming would see 10% YoY growth, with rising MPU. We expect 3Q22 adj. NPM at -10%, with better GPM (slightly improving QoQ) offsetting by higher S&M expenses (estimated at RMB10bn).
- Maintain BUY.** We keep our full-year topline forecast barely changed, with SOTP-based TP at HK\$120.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	58,776	81,082	93,594	110,185	127,165
YoY growth (%)	50.2	37.9	15.4	17.7	15.4
Adj. net income (RMB mn)	(7,864)	(18,852)	(8,820)	(3,727)	3,295
Adj. EPS (RMB)	(8.4)	(4.6)	(2.0)	(0.8)	0.7
YoY growth (%)	NA	NA	NA	NA	NA
Consensus EPS (RMB)	NA	NA	(2.7)	(0.5)	1.9
P/E (x)	NA	NA	NA	NA	83
P/S (x)	4.7	3.4	2.9	2.5	2.2
Yield (%)	0.0	0.0	0.0	0.0	0.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$120**
 (Previous TP **HK\$120**)
 Up/Downside **+59.8%**
 Current Price **HK\$75.1**

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Stock Data

Mkt Cap (HK\$ mn)	318,832
Avg 3 mths t/o (HK\$ mn)	2,218.34
52w High/Low (HK\$)	110.5/53.2
Total Issued Shares (mn)	3,528

Source: Bloomberg

Shareholding Structure

Tencent	20.7%
5Y Capital	16.0%
Employee shareholding Plan	7.4%

Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-10.2%	-6.6%
3-mth	3.9%	8.8%
6-mth	-15.1%	3.8%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PwC

Related Reports

- Stronger DAU and ecommerce ahead– 22 Jul 2022
- Moving into 2H22 recovery– 25 May 2022
- Share gain continued, despite epidemic pressure – 13 May 2022

Figure 1: CMBI estimates vs consensus

RMB mn, Dec-YE	CMBI			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	93,594	110,185	127,165	94,401	115,015	135,251	-0.9%	-4.2%	-6.0%
Gross profit	40,135	50,371	62,240	41,332	54,575	67,910	-2.9%	-7.7%	-8.3%
Operating profit	(18,277)	(13,282)	(5,418)	(17,832)	(8,386)	658	NA	NA	NA
Adj. net profit	(8,820)	(3,727)	3,295	(10,525)	(1,296)	8,224	NA	NA	-59.9%
Adj. EPS (RMB)	(1.97)	(0.82)	0.71	(2.7)	(0.5)	1.9	NA	NA	-62.5%
Gross margin	42.9%	45.7%	48.9%	43.8%	47.5%	50.2%	-0.9ppts	-1.7ppts	-1.3ppts
Operating margin	-19.5%	-12.1%	-4.3%	-18.9%	-7.3%	0.5%	-0.6ppts	-4.8ppts	-4.7ppts
Adj. net margin	-9.4%	-3.4%	2.6%	-11.1%	-1.1%	6.1%	+1.7ppts	-2.3ppts	-3.5ppts

Source: CMBIGM estimates, Bloomberg

Figure 2: Earnings revision

RMB mn, Dec-YE	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	93,594	110,185	127,165	92,761	110,119	127,311	0.9%	0.1%	-0.1%
Gross profit	40,135	50,371	62,240	38,876	49,630	61,872	3.2%	1.5%	0.6%
Operating profit	(18,277)	(13,282)	(5,418)	(19,015)	(13,842)	(5,675)	NA	NA	NA
Adj. net profit	(8,820)	(3,727)	3,295	(9,504)	(4,207)	3,085	NA	NA	NA
Adj. EPS (RMB)	(1.97)	(0.82)	0.71	(2.1)	(0.9)	0.7	NA	NA	NA
Gross margin	42.9%	45.7%	48.9%	41.9%	45.1%	48.6%	+1.0ppts	+0.6ppts	+0.3ppts
Operating margin	-19.5%	-12.1%	-4.3%	-20.5%	-12.6%	-4.5%	+1.0ppts	+0.5ppts	+0.2ppts
Adj. net margin	-9.4%	-3.4%	2.6%	-10.2%	-3.8%	2.4%	+0.8ppts	+0.4ppts	+0.2ppts

Source: CMBIGM estimates

Figure 3: 2Q22 financial review

RMB mn	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	QoQ	YoY	Consensus	Diff %	CMBI	Diff %
Revenue	15,357	18,099	17,019	19,139	20,493	24,430	21,067	21,695	3%	13%	20,718	5%	20,673	5%
Operating Profit	(1,377)	(1,378)	(7,292)	(7,215)	(7,404)	(5,790)	(5,643)	(3,059)	NA	NA	(4,987)	NA	(4,921)	NA
Net profit	(29,280)	(19,264)	(57,750)	(7,035)	(7,086)	(6,202)	(6,254)	(3,176)	NA	NA	(5,136)	NA	(4,374)	NA
Adj. net profit	(1,044)	(459)	(5,896)	(4,770)	(4,616)	(3,569)	(3,722)	(1,312)	NA	NA	(2,908)	NA	(2,519)	NA
Margin (%)														
Gross Margin	43.1%	47.0%	41.1%	43.8%	41.5%	41.5%	41.7%	45.0%			42.6%		41.8%	
Operating Margin	-9.0%	-7.6%	-42.8%	-37.7%	-36.1%	-23.7%	-26.8%	-14.1%			-24.1%		-23.8%	
Adj. net margin	-6.8%	-2.5%	-34.6%	-24.9%	-22.5%	-14.6%	-17.7%	-6.0%			-14.0%		-12.2%	
Growth (%)														
Revenue (YoY)	50.7%	52.7%	36.6%	48.8%	33.4%	35.0%	23.8%	13.4%			8.3%		8.0%	
Revenue (QoQ)	19.4%	17.9%	-6.0%	12.5%	7.1%	19.2%	-13.8%	3.0%			-1.7%		-1.9%	
Operating Profit	NA	NA	NA	NA	NA	NA	NA	NA			NA		NA	
Adj. net profit	NA	NA	NA	NA	NA	NA	NA	NA			NA		NA	

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: 2Q22 revenue breakdown

RMB mn	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	QoQ	YoY
Total revenue	15,357	18,099	17,019	19,139	20,493	24,430	21,067	21,695	3%	13%
Online marketing services	6,181	8,511	8,558	9,962	10,909	13,236	11,351	11,006	-3%	10%
Live streaming	7,960	7,900	7,250	7,193	7,724	8,827	7,842	8,565	9%	19%
Other services	1,215	1,688	1,211	1,983	1,860	2,367	1,873	2,124	13%	7%

Source: Company data, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	58,776	81,082	93,594	110,185	127,165
Live streaming	33,209	30,995	33,630	34,302	34,645
Online marketing services	21,855	42,665	50,259	63,079	76,445
Other services	3,712	7,421	9,706	12,803	16,075
COGS	(34,961)	(47,052)	(59,814)	(64,925)	(71,431)
Gross profit	23,815	34,030	33,781	45,260	55,734
S&M	(26,615)	(44,176)	(41,342)	(44,862)	(46,171)
Admin.Exp.	(1,677)	(3,400)	(3,578)	(3,990)	(4,258)
R&D	(6,548)	(14,956)	(14,241)	(15,683)	(18,247)
Other gains	704	801	749	881	1,017
Operating profit	(10,320)	(27,701)	(24,631)	(18,393)	(11,925)
Other income/(exp)	(106,881)	(51,314)	432	645	1,033
Pre-tax Income	(117,201)	(79,016)	(17,865)	(12,648)	(4,389)
Income Tax	566	1,025	1,557	658	(581)
Net profit	(116,635)	(78,077)	(16,308)	(11,991)	(4,971)
Adj. net profit	(7,863)	(18,852)	(8,820)	(3,727)	3,295

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Net income	(116,635)	(78,077)	(16,308)	(11,991)	(4,971)
D&A	4,863	6,885	5,700	6,699	7,725
Change in WC	6,898	2,444	3,322	3,224	2,530
Others	107,163	63,229	7,488	8,264	8,266
Operating CF	2,289	(5,519)	202	6,197	13,549
Capex	(5,908)	(5,789)	(9,181)	(11,210)	(10,802)
Purchase of investments	5,400	-	-	-	-
Others	(4,359)	(12,572)	47	47	47
Investing CF	(4,867)	(18,361)	(9,134)	(11,163)	(10,755)
Equity raised	-	39,386	-	-	-
Change of Debts	-	-	-	-	-
Cash from CB raised	20,957	-	-	-	-
Others	(1,666)	(2,885)	-	-	-
Financing CF	19,290	36,500	-	-	-
Net change in cash	16,711	12,620	(8,932)	(4,966)	2,795
Cash (beg of yr)	3,996	20,392	32,612	23,680	18,714
FX	(316)	(399)	-	-	-
Cash (end of yr)	20,392	32,612	23,680	18,714	21,509

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	20,619	39,505	42,938	47,402	50,431
Property and equipment	7,206	11,051	11,526	12,350	15,528
Right-of-use assets	5,200	12,562	15,483	19,090	18,912
Intangible assets	1,248	1,172	1,256	1,336	1,413
Others	6,966	14,720	14,673	14,625	14,578
Current assets	31,528	53,011	45,212	41,599	45,682
Cash	20,392	32,612	23,680	18,714	21,509
Prepayments	2,285	3,278	3,725	4,168	4,524
Financial assets at fair value through profit or loss	3,301	1,250	1,298	1,345	1,393
Trade receivables	2,428	4,450	5,137	6,047	6,979
Others	3,122	11,420	11,372	11,325	11,277
Current liabilities	23,185	37,256	41,711	46,288	50,106
Accounts payables	11,544	20,021	22,748	25,451	27,626
Other payables and accruals	5,763	9,123	10,366	11,598	12,589
Advances from customers	3,290	3,503	3,989	4,631	5,282
Others	2,587	4,608	4,608	4,608	4,608
Non-current liabilities	189,012	10,108	10,108	10,108	10,108
Convertible redeemable preferred shares	185,373	-	-	-	-
Others	3,640	10,108	10,108	10,108	10,108
MI	-	-	-	-	-
Total Equity	(160,050)	45,096	36,276	32,549	35,844
Shareholders' equity	(160,050)	45,096	36,276	32,549	35,844

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)					
Live streaming	56.5	38.2	35.9	31.1	27.2
Online marketing services	37.2	52.6	53.7	57.2	60.1
Other services	6.3	9.2	10.4	11.6	12.6
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)					
Revenue	50.2	37.9	15.4	17.7	15.4
Gross profit	68.9	42.9	17.9	25.5	23.6
EBIT	NA	NA	NA	NA	NA
Adj. net profit	NA	NA	NA	NA	NA
P&L ratios (%)					
Operating margin	(38.1)	(42.1)	(26.3)	(16.7)	(9.4)
Pre-tax margin	(199.4)	(97.6)	(19.1)	(11.5)	(3.5)
Adj. net margin	(13.4)	(23.3)	(9.4)	(3.4)	2.6
Effective tax rate	(0.5)	(1.3)	(8.7)	(5.2)	13.2
Returns (%)					
ROE	NA	NA	NA	NA	9.6

Source: Company data, CMBIGM estimates

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