Kuaishou (1024 HK)

3Q25 results: AI empowers all business lines

Kuaishou announced 3Q25 results: total revenue increased by 14% YoY to RMB35.6bn, in line with Bloomberg consensus/our estimate; adjusted net profit grew by 26% YoY to RMB4.99bn, 3/2% ahead of consensus/our estimate, primarily due to enhanced operating efficiency. Revenue from Kling AI exceeded RMB300mn in 3Q25 (+c.20% QoQ), beating our expectation again. Kuaishou highlighted several concrete data points on how AI empowers advertising and e-commerce businesses (e.g. driving additional 4-5% growth in domestic ad revenue), which reinforces our constructive views on Kuaishou's AI development. Looking into 4Q25E, we forecast total revenue to increase by 10% YoY, mainly driven by the solid growth of online marketing and e-commerce businesses. We slightly raise our FY25-27E earnings forecast by 0-2% to reflect better-than-expected efficiency gains. We roll forward our valuation window to FY26E and raise our SOTP-derived TP to HK$88.0 (previous: HK$84.0). Maintain BUY.

- **Solid core business revenue growth.** By segment in 3Q25: 1) online marketing revenue grew by 14% YoY to RMB20.1bn (57% of total revenue), mainly supported by the AI-enhanced ad targeting and incremental ad budget from lifestyle services & content consumption sectors. Kuaishou combined local services with the lead-based marketing business in 3Q25, which further strengthens its positioning to capture more ad budget from local merchants; 2) other services revenue was up by 41% YoY to RMB5.88bn (17% of total revenue), 4% ahead of consensus estimate, primarily thanks to the solid e-commerce business and Kling AI revenue contribution. E-commerce GMV increased by 15% YoY to RMB385.0bn, mainly fuelled by the improved repeat-purchase frequency and user stickiness; 3) live streaming revenue was up by 3% YoY to RMB9.57bn (27% of total revenue). Looking into 4Q25E, we expect total revenue to grow by 10% YoY, with online marketing/others/live streaming revenue +13%/+22%/-3% YoY respectively.
- **AI empowers all business lines.** 1) Kling AI's revenue exceeded RMB300mn in 3Q25, and management now expects the full-year revenue to reach US$140mn in FY25 (c.RMB1bn, 1% of total revenue). 2) Online marketing: leveraging AI models such as *OneRec,* Kuaishou has driven an additional 4-5% growth in domestic online marketing service revenue in 3Q25. 3) E-commerce: the company launched *OneSearch*, generative retrieval architecture that allows more precise product matching, driving c.5% growth in shopping mall search order volume.
- **Margin expansion on efficiency gains.** Adjusted NPM rose by 1.3ppts YoY to 14.0% in 3Q25, mainly attributable to the enhanced efficiency and operating leverage. The company also leverages AI in coding, content review and customer services to improve operating efficiency. Due to AI investment, management expects FY25E capex to grow by mid-to-high double-digit % YoY. Despite the step-up of investment, management remains confident on the YoY expansion of adjusted OPM in FY25E.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	113,470	126,898	142,060	153,692	164,578
Adjusted net profit (RMB mn)	10,271.0	17,716.0	20,777.9	23,730.9	26,740.8
EPS (Adjusted) (RMB)	2.38	4.12	4.85	5.54	6.24
Consensus EPS (RMB)	2.38	4.12	4.72	5.53	6.45
P/E (x)	38.6	16.2	13.8	11.9	10.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$88.00**
(Previous TP	HK$84.00)
Up/Downside	**38.6%**
Current Price	**HK$63.50**

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Stock Data

Mkt Cap (HK$ mn)	273,367.5
Avg 3 mths t/o (HK$ mn)	2,980.4
52w High/Low (HK$)	91.85/38.80
Total Issued Shares (mn)	4305.0

Source: FactSet

Shareholding Structure

Tencent	15.8%
Su Hua	10.0%

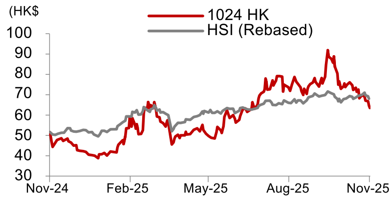
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-13.0%	-14.9%
3-mth	-14.2%	-16.5%
6-mth	27.8%	15.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Business forecasts update and valuation

Figure 1: Kuaishou: forecast revision

	Current			Previous			Change (%)		
(RMB mn)	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	142,060	153,692	164,578	142,640	154,253	165,120	-0.4%	-0.4%	-0.3%
Gross profit	78,275	86,193	94,163	79,141	87,487	95,663	-1.1%	-1.5%	-1.6%
Operating profit	20,355	23,851	28,005	19,305	23,504	27,610	5.4%	1.5%	1.4%
Adjusted net profit	20,778	23,731	26,741	20,410	23,700	26,433	1.8%	0.1%	1.2%
Adjusted EPS (RMB)	4.8	5.5	6.2	4.7	5.5	6.1	2.3%	0.6%	1.6%
Gross margin	55.1%	56.1%	57.2%	55.5%	56.7%	57.9%	-0.4 ppt	-0.6 ppt	-0.7 ppt
Operating margin	14.3%	15.5%	17.0%	13.5%	15.2%	16.7%	0.8 ppt	0.3 ppt	0.3 ppt
Adjusted net margin	14.6%	15.4%	16.2%	14.3%	15.4%	16.0%	0.3 ppt	0.1 ppt	0.2 ppt

Source: CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
(RMB mn)	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	142,060	153,692	164,578	142,707	156,427	169,686	-0.5%	-1.7%	-3.0%
Gross profit	78,275	86,193	94,163	78,888	88,213	97,151	-0.8%	-2.3%	-3.1%
Operating profit	20,355	23,851	28,005	19,252	23,970	28,481	5.7%	-0.5%	-1.7%
Adjusted net profit	20,778	23,731	26,741	20,395	23,668	27,733	1.9%	0.3%	-3.6%
Adjusted EPS (RMB)	4.8	5.5	6.2	4.7	5.5	6.4	2.6%	0.2%	-3.3%
Gross margin	55.1%	56.1%	57.2%	55.3%	56.4%	57.3%	-0.2 ppt	-0.3 ppt	0.0 ppt
Operating margin	14.3%	15.5%	17.0%	13.5%	15.3%	16.8%	0.8 ppt	0.2 ppt	0.2 ppt
Adjusted net margin	14.6%	15.4%	16.2%	14.3%	15.1%	16.3%	0.3 ppt	0.3 ppt	-0.1 ppt

Source: Bloomberg, CMBIGM estimates

Figure 3: Kuaishou: quarterly financials

(RMB mn)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	Cons.	Diff%
Live streaming revenue	8,575	9,302	9,338	9,846	9,814	10,044	9,574	9,786	-2.2%
yoy%	*-8.0%*	*-6.7%*	*-3.9%*	*-2.0%*	*14.4%*	*8.0%*	*2.5%*		
Online marketing services	16,650	17,515	17,634	20,620	17,977	19,765	20,102	19,875	1.1%
yoy%	*27.4%*	*22.1%*	*20.0%*	*13.3%*	*8.0%*	*12.8%*	*14.0%*		
Other services revenue	4,183	4,158	4,159	4,918	4,817	5,237	5,878	5,658	3.9%
yoy%	*47.6%*	*21.3%*	*17.5%*	*14.1%*	*15.2%*	*25.9%*	*41.3%*		
Total revenue	**29,408**	**30,975**	**31,131**	**35,384**	**32,608**	**35,046**	**35,554**	**35,318**	**0.7%**
yoy%	*16.6%*	*11.6%*	*11.4%*	*8.7%*	*10.9%*	*13.1%*	*14.2%*		
Average DAUs	**394**	**395**	**408**	**401**	**408**	**409**	**416**	**416**	**0.0%**
yoy%	*5.2%*	*5.1%*	*5.4%*	*4.8%*	*3.6%*	*3.4%*	*2.1%*		
Gross profit margin (%)	**54.8%**	**55.3%**	**54.3%**	**54.0%**	**54.6%**	**55.7%**	**54.7%**	**55.2%**	**-0.6ppt**
S&M expense ratio (%)	*31.9%*	*32.4%*	*33.3%*	*32.0%*	*30.4%*	*30.0%*	*29.3%*		
R&D expense ratio (%)	*9.7%*	*9.1%*	*10.0%*	*9.8%*	*10.1%*	*9.7%*	*10.3%*		
Adjusted net margin (%)	*14.9%*	*15.1%*	*12.7%*	*13.3%*	*14.0%*	*16.0%*	*14.0%*		
Adjusted net income	**4,388**	**4,679**	**3,948**	**4,701**	**4,580**	**5,618**	**4,986**	**4,831**	**3.2%**

Source: Company data, CMBIGM

Our SOTP-derived target price of HK$88.0 comprises, per share:

1) HK$8.2 for the live streaming business, based on 0.8x 2026E EV/sales, which is on par with the average EV/sales for its peers.

2) HK$29.3 for the online marketing business (excl. closed-loop marketing), based on 16x 2026E EV/EBIT, which is on par with the average EV/EBIT for its peers.

3) HK$44.3 for the e-commerce business, based on 0.10x 2026E EV/GMV. The target multiple is a discount to the average EV/GMV for its peers (0.18x 2026E EV/GMV), given the relatively low monetization level of Kuaishou's e-commerce business.

4) HK$6.1 for net cash.

Figure 4: Kuaishou: SOTP valuation

(RMBmn)	26E Rev/EBIT/GMV	Methodology	Multiple	Valuation	As % of total valuation	Per share valuation (HK$)
Live streaming	40,164	EV/Sales	0.8x	32,132	9%	8.2
Advertising (excl. closed-loop marketing)	7,143	EV/EBIT	16.0x	114,295	33%	29.3
E-commerce	1,730,611	EV/GMV	0.10x	173,061	50%	44.3
Enterprise value				**319,488**	93%	81.9
Net cash				23,953	7%	6.1
Equity value				**343,441**		
Exchange rate (RMB/HK$)				0.92		
Target value (HK$mn)				**375,345**		
Target price (HK$)				**88.0**		

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	26.2	15	9	2.1	2.0
Hello Group	MOMO US	7.0	1	3	0.4	0.4
Huya	HUYA US	2.8	9	10	0.1	0.1
Average					**0.9**	**0.8**
Advertising			**EBIT growth (YoY%)**		**EV/EBIT**	
Baidu	BIDU US	117.1	(40)	14	12.4	10.9
Focus Media	002027 CH	7.7	11	9	15.9	14.6
Meta	META US	597.7	24	5	18.4	17.5
Alphabet	GOOG US	285.0	18	18	25.6	21.7
Average					**18.1**	**16.2**
E-commerce			**GMV Growth (YoY%)**		**EV/GMV**	
Alibaba	BABA US	159.7	7	5	0.27	0.26
Pinduoduo	PDD US	119.6	17	11	0.13	0.11
Average					**0.20**	**0.18**

Source: Bloomberg, CMBIGM estimates
Note: Data as of market close on 18 Nov

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**94,183**	**113,470**	**126,898**	**142,060**	**153,692**	**164,578**
Cost of goods sold	52,051	56,079	57,606	63,785	67,498	70,415
Gross profit	**42,131**	**57,391**	**69,292**	**78,275**	**86,193**	**94,163**
Operating expenses	**54,689**	**50,960**	**54,005**	**57,919**	**62,343**	**66,158**
Selling expense	37,121	36,496	41,105	42,334	44,571	46,905
Admin expense	3,921	3,514	2,916	3,338	3,535	3,596
R&D expense	13,784	12,338	12,199	14,419	15,523	16,129
Others	137	1,388	2,215	2,172	1,286	472
Operating profit	**(12,558)**	**6,431**	**15,287**	**20,355**	**23,851**	**28,005**
Net Interest income/(expense)	**166**	**539**	**236**	**(158)**	**119**	**70**
Others	0	0	0	0	0	0
Pre-tax profit	**(12,392)**	**6,970**	**15,523**	**20,197**	**23,970**	**28,075**
Income tax	1,158	490	150	2,121	3,116	4,211
After tax profit	**(13,551)**	**6,480**	**15,373**	**18,077**	**20,854**	**23,864**
Net profit	**(13,551)**	**6,480**	**15,373**	**18,077**	**20,854**	**23,864**
Adjusted net profit	**(5,751)**	**10,271**	**17,716**	**20,778**	**23,731**	**26,741**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**45,859**	**60,361**	**62,869**	**78,709**	**92,847**	**112,008**
Cash & equivalents	13,274	12,905	12,697	23,846	35,053	50,239
Restricted cash	59	128	47	47	47	47
Account receivables	6,288	6,457	6,674	8,026	8,673	9,209
Prepayment	4,832	4,919	4,646	6,062	6,102	6,923
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**	**90,932**	**99,436**	**109,041**
PP&E	13,215	12,356	14,831	24,215	26,749	28,636
Right-of-use assets	10,806	10,399	8,891	8,481	8,362	8,441
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	1,049	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**	**169,641**	**192,282**	**221,050**
Current liabilities	**40,710**	**48,778**	**59,828**	**72,805**	**74,875**	**79,321**
Account payables	22,868	23,601	27,470	33,694	34,729	36,651
Tax payable	936	1,222	873	977	1,057	1,132
Other current liabilities	13,430	20,628	27,809	34,570	35,551	37,961
Lease liabilities	3,475	3,327	3,676	3,563	3,538	3,576
Non-current liabilities	**8,760**	**8,444**	**18,021**	**17,942**	**17,908**	**17,989**
Long-term borrowings	0	0	11,100	11,100	11,100	11,100
Obligations under finance leases	8,721	8,405	6,765	6,557	6,511	6,582
Other non-current liabilities	39	39	11,256	11,385	11,397	11,408
Total liabilities	**49,470**	**57,222**	**77,849**	**90,747**	**92,783**	**97,310**
Share capital	0	0	0	0	0	0
Retained earnings	(263,883)	(257,491)	(242,164)	(224,087)	(203,233)	(179,370)
Other reserves	303,712	306,554	304,168	302,962	302,713	303,090
Total shareholders equity	**39,830**	**49,063**	**62,004**	**78,875**	**99,480**	**123,720**
Minority interest	8	11	20	20	20	20
Total equity and liabilities	**89,307**	**106,296**	**139,873**	**169,641**	**192,282**	**221,050**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(12,392)**	**6,970**	**15,523**	**20,197**	**23,970**	**28,075**
Depreciation & amortization	6,573	7,202	7,140	7,189	8,460	8,848
Tax paid	(990)	(1,223)	(1,021)	(1,887)	(3,024)	(4,125)
Change in working capital	1,234	4,859	7,510	10,217	1,328	2,975
Others	7,773	2,973	635	2,701	2,877	2,877
Net cash from operations	**2,198**	**20,781**	**29,787**	**38,418**	**33,611**	**38,650**
Investing						
Capital expenditure	(50,079)	(66,680)	(104,728)	(14,023)	(8,453)	(8,229)
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)**	**(20,910)**	**(16,902)**	**(18,604)**
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)	(5,502)	(4,860)
Net cash from financing	**(4,482)**	**(1,364)**	**6,714**	**(6,359)**	**(5,502)**	**(4,860)**
Net change in cash						
Cash at the beginning of the year	32,612	13,274	12,905	12,697	23,846	35,053
Exchange difference	494	79	(32)	0	0	0
Cash at the end of the year	**13,274**	**12,905**	**12,697**	**23,846**	**35,053**	**50,239**
GROWTH	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
YE 31 Dec						
Revenue	16.2%	20.5%	11.8%	11.9%	8.2%	7.1%
Gross profit	23.8%	36.2%	20.7%	13.0%	10.1%	9.2%
Operating profit	na	na	137.7%	33.2%	17.2%	17.4%
Net profit	na	na	137.2%	17.6%	15.4%	14.4%
Adj. net profit	na	na	72.5%	17.3%	14.2%	12.7%
PROFITABILITY	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
YE 31 Dec						
Gross profit margin	44.7%	50.6%	54.6%	55.1%	56.1%	57.2%
Operating margin	(13.3%)	5.7%	12.0%	14.3%	15.5%	17.0%
Adj. net profit margin	(6.1%)	9.1%	14.0%	14.6%	15.4%	16.2%
Return on equity (ROE)	(31.9%)	14.6%	27.7%	25.7%	23.4%	21.4%
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)	(0.2)	(0.3)
Current ratio (x)	1.1	1.2	1.1	1.1	1.2	1.4
Receivable turnover days	24.4	20.8	19.2	20.6	20.6	20.4
Payable turnover days	160.4	153.6	174.1	192.8	187.8	190.0
VALUATION	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
YE 31 Dec						
P/E	ns	38.6	16.2	13.8	11.9	10.4
P/E (diluted)	ns	38.6	16.2	13.8	11.9	10.4
P/B	6.2	5.1	4.0	3.2	2.5	2.0

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

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