20 Aug 2026

CMB International Global Markets | Equity Research | Company Update

# Kuaishou (1024 HK)

## 2Q26 review: Challenging environment; AI monetization on track

Kuaishou reported 2Q26 results: total revenue grew by 1% YoY to RMB35.5bn, in line with Visible Alpha (VA) consensus estimate; adjusted net profit was down by 30% YoY to RMB3.9bn, primarily due to 35% YoY growth in R&D expenses related to the increasing model training expenditures. Total revenue growth decelerated (4Q25/1Q26: +12%/3% YoY) amid macro uncertainty and live streaming business adjustment, while Kling AI monetization remained strong with revenue up by over 200% YoY to RMB850mn in 2Q26. Looking into 2H26E, management expected both revenue and margin to face pressure due to macro challenges and AI investments. We lower our FY26-28E earnings forecasts to RMB8.9/11.5/13.9bn (previous: RMB16.9/20.0/23.3bn), given the topline headwind and AI investment. We cut our SOTP-derived TP to HK$63.8 (previous: HK$70.5). We remain constructive on Kling's leadership and long-term monetization potential, though it takes time for Kling to make incremental earnings contribution. Maintain BUY.

- **Core commercial businesses delivered resilient growth.** In 2Q26: 1) Online marketing revenue increased by 4% YoY to RMB20.6bn (58% of total revenue), primarily driven by solid growth of revenue from content consumption, lifestyle services and AI application sectors. E-commerce marketing services revenue was largely flattish YoY. 2) Other services revenue grew by 19% YoY to RMB6.2bn (17% of total revenue), mainly driven by the strong growth of Kling AI business. E-commerce commission revenue grew by mid-single-digit % YoY, as the company focuses on growing high-quality users and expanding supply. The number of active paying users was largely stable QoQ, and the number of newly onboarded merchants rose by c.10% QoQ in 2Q26. 3) Live streaming revenue decreased by 13% YoY to RMB8.7bn (24% of total revenue). For 3Q26E, we forecast total revenue to decline by 7% YoY to RMB32.9bn, with online marketing/others/live streaming revenue down by 17%/5%/2% YoY.
- **AI monetization on track.** 1) Kling AI revenue surpassed RMB850mn in 2Q26, up by over 200% YoY, and we maintain our FY26 Kling AI revenue forecast of RMB3.6bn, with upside potential supported by better-than-expected model upgrade in 2H26. 2) The company developed agent capabilities for scenario-based marketing materials generation to enhance ROI of marketing solutions. Spending on AIGC short-video marketing materials grew by over 70% YoY in 2Q26. 3) Kuaishou also leveraged proprietary agent product, MyFlicker, to improve operational efficiency, with the ratio of AI-generated code hitting 60% within its R&D team in 2Q26.
- **AI investment weighed on margin.** Overall GPM declined by 4.1ppt YoY to 51.6% in 2Q26, mainly due to increased revenue sharing costs related to short plays and the AI investment. Adjusted net margin dropped by 5.0ppt YoY to 11.0% in 2Q26. For 3Q26E, we expect adjusted NPM to decline by 12ppt YoY to 2%. Management noted that the majority of capex was front-loaded in 1H26, and expected to maintain positive free cash flow in 2H26E.

### Earnings Summary

| (YE 31 Dec) | FY24A | FY25A | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| **Revenue (RMB mn)** | 126,898 | 142,776 | 137,596 | 147,135 | 155,862 |
| **Adjusted net profit (RMB mn)** | 17,716.0 | 20,647.0 | 8,899.0 | 11,469.7 | 13,878.3 |
| **EPS (Adjusted) (RMB)** | 4.12 | 4.82 | 2.06 | 2.66 | 3.22 |
| **Consensus EPS (RMB)** | 4.12 | 4.82 | 3.76 | 4.25 | 4.92 |
| **P/E (x)** | 9.1 | 7.5 | 24.5 | 16.9 | 13.1 |

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

| | |
|---|---|
| **Target Price** | **HK$63.80** |
| (Previous TP | HK$70.50) |
| **Up/Downside** | **68.8%** |
| **Current Price** | **HK$37.80** |

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**Stock Data**

| | |
|---|---|
| Mkt Cap (HK$ mn) | 163,031.4 |
| Avg 3 mths t/o (HK$ mn) | 2,619.4 |
| 52w High/Low (HK$) | 91.85/37.80 |
| Total Issued Shares (mn) | 4313.0 |

Source: FactSet

**Shareholding Structure**

| | |
|---|---|
| Su Hua | 9.8% |
| Tencent | 9.4% |

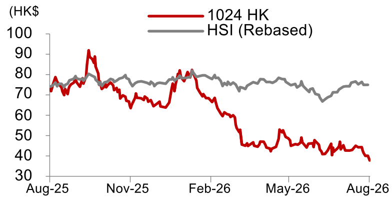
Source: HKEx

**Share Performance**

| | Absolute | Relative |
|---|---|---|
| 1-mth | -12.7% | -15.9% |
| 3-mth | -22.7% | -21.7% |
| 6-mth | -44.7% | -42.1% |

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 | 137,596 | 147,135 | 155,862 | 146,836 | 156,556 | 165,496 | -6.3% | -6.0% | -5.8% |
| Gross profit | 69,333 | 75,005 | 80,370 | 76,565 | 83,165 | 89,768 | -9.4% | -9.8% | -10.5% |
| Operating profit | 7,332 | 9,927 | 12,716 | 17,008 | 19,994 | 23,991 | -56.9% | -50.4% | -47.0% |
| Adjusted net profit | 8,899 | 11,470 | 13,878 | 16,938 | 19,952 | 23,349 | -47.5% | -42.5% | -40.6% |
| Adjusted EPS (RMB) | 2.0 | 2.6 | 3.2 | 3.9 | 4.6 | 5.4 | -48.3% | -43.4% | -41.5% |
| Gross margin | 50.4% | 51.0% | 51.6% | 52.1% | 53.1% | 54.2% | -1.8 ppt | -2.1 ppt | -2.7 ppt |
| Operating margin | 5.3% | 6.7% | 8.2% | 11.6% | 12.8% | 14.5% | -6.3 ppt | -6.0 ppt | -6.3 ppt |
| Adjusted net margin | 6.5% | 7.8% | 8.9% | 11.5% | 12.7% | 14.1% | -5.1 ppt | -4.9 ppt | -5.2 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 | 137,596 | 147,135 | 155,862 | 147,724 | 157,885 | 169,403 | -6.9% | -6.8% | -8.0% |
| Gross profit | 69,333 | 75,005 | 80,370 | 76,897 | 82,913 | 89,797 | -9.8% | -9.5% | -10.5% |
| Operating profit | 7,332 | 9,927 | 12,716 | 16,516 | 18,974 | 22,455 | -55.6% | -47.7% | -43.4% |
| Adjusted net profit | 8,899 | 11,470 | 13,878 | 16,584 | 18,792 | 21,774 | -46.3% | -39.0% | -36.3% |
| Adjusted EPS (RMB) | 2.0 | 2.6 | 3.2 | 3.8 | 4.3 | 4.9 | -45.9% | -38.3% | -35.5% |
| Gross margin | 50.4% | 51.0% | 51.6% | 52.1% | 52.5% | 53.0% | -1.7 ppt | -1.5 ppt | -1.4 ppt |
| Operating margin | 5.3% | 6.7% | 8.2% | 11.2% | 12.0% | 13.3% | -5.9 ppt | -5.3 ppt | -5.1 ppt |
| Adjusted net margin | 6.5% | 7.8% | 8.9% | 11.2% | 11.9% | 12.9% | -4.8 ppt | -4.1 ppt | -3.9 ppt |

Source: Visible Alpha, CMBIGM estimates

### Figure 3: Kuaishou: quarterly financials

| (RMB mn) | 1Q25 | 2Q25 | 3Q25 | 4Q25 | 1Q26 | 2Q26 | Cons. | Diff% |
|---|---|---|---|---|---|---|---|---|
| Live streaming revenue | 9,814 | 10,044 | 9,574 | 9,655 | 8,492 | 8,690 | 8,639 | 0.6% |
| yoy% | *14.4%* | *8.0%* | *2.5%* | *-1.9%* | *-13.5%* | *-13.5%* | | |
| Online marketing services | 17,977 | 19,765 | 20,102 | 23,618 | 19,643 | 20,639 | 21,049 | -2.0% |
| yoy% | *8.0%* | *12.8%* | *14.0%* | *14.5%* | *9.3%* | *4.4%* | | |
| Other services revenue | 4,817 | 5,237 | 5,878 | 6,295 | 5,581 | 6,206 | 5,862 | 5.9% |
| yoy% | *15.2%* | *25.9%* | *41.3%* | *28.0%* | *15.9%* | *18.5%* | | |
| **Total revenue** | **32,608** | **35,046** | **35,554** | **39,568** | **33,716** | **35,535** | **35,543** | **0.0%** |
| yoy% | *10.9%* | *13.1%* | *14.2%* | *11.8%* | *3.4%* | *1.4%* | | |
| **Average DAUs (mn)** | **408** | **409** | **416** | **408** | **413** | **412** | **414** | **-0.3%** |
| yoy% | *3.6%* | *3.4%* | *2.1%* | *1.7%* | *1.2%* | *0.8%* | | |
| | | | | | | | | |
| **Gross profit margin (%)** | **54.6%** | **55.7%** | **54.7%** | **55.1%** | **51.2%** | **51.6%** | **51.6%** | **0.0ppt** |
| S&M expense ratio (%) | *30.4%* | *30.0%* | *29.3%* | *28.8%* | *30.6%* | *27.9%* | | |
| R&D expense ratio (%) | *10.1%* | *9.7%* | *10.3%* | *10.5%* | *10.7%* | *12.9%* | | |
| Adjusted net margin (%) | *14.0%* | *16.0%* | *14.0%* | *13.8%* | *10.0%* | *11.0%* | | |
| **Adjusted net income** | **4,580** | **5,618** | **4,986** | **5,463** | **3,374** | **3,913** | **3,924** | **-0.3%** |

Source: Company data, Visible Alpha, CMBIGM

Our SOTP-derived target price of HK$63.8 comprises, per share:

1) HK$5.2 for the live streaming business, based on 0.6x 2026E EV/Sales, which is on par with the average EV/Sales for its peers.

2) HK$19.0 for the online marketing business (excl. e-commerce marketing), based on 16x 2026E EV/EBIT, which is on par with the average EV/EBIT for its peers.

3) HK$34.5 for the e-commerce business, based on 0.08x 2026E EV/GMV. The target multiple is a discount to the average EV/GMV for its peers (0.13x 2026E EV/GMV), given the relatively low monetization level of Kuaishou's e-commerce business.

4) HK$5.1 for net cash.

**Figure 4: Kuaishou: SOTP valuation**

| (RMBmn) | 26E Rev/EBIT/GMV | Methodology | Multiple | Valuation | As % of total valuation | Per share valuation (HK$) |
|---|---|---|---|---|---|---|
| Live streaming | 32,515 | EV/Sales | 0.6x | 19,509 | 8% | 5.2 |
| Advertising (excl. e-commerce marketing) | 4,471 | EV/EBIT | 16.0x | 71,542 | 30% | 19.0 |
| E-commerce | 1,622,717 | EV/GMV | 0.08x | 129,817 | 54% | 34.5 |
| **Enterprise Value** | | | | **220,869** | 92% | 58.7 |
| Net cash | | | | 19,065 | 8% | 5.1 |
| **Equity Value** | | | | **239,934** | | |
| Exchange rate (RMB/HK$) | | | | 0.86 | | |
| **Target Value (HK$mn)** | | | | **278,993** | | |
| **Target Price (HK$)** | | | | **63.80** | | |

Source: Company data, CMBIGM estimates

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

| Companies | Ticker | Price (LC) | FY26E | FY27E | FY26E | FY27E |
|---|---|---|---|---|---|---|
| **Live streaming** | | | **Revenue growth (YoY%)** | | **EV/Sales** | |
| BiliBili | BILI US | 17.0 | 12 | 10 | 1.0 | 0.9 |
| Huya | HUYA US | 2.3 | 11 | 9 | 0.2 | 0.1 |
| **Average** | | | | | **0.6** | **0.5** |
| **Advertising** | | | **EBIT growth (YoY%)** | | **EV/EBIT** | |
| Focus Media | 002027 CH | 5.0 | 32 | 6 | 9.5 | 9.0 |
| Meta | META US | 543.7 | 6 | 17 | 16.0 | 13.7 |
| Alphabet | GOOG US | 341.3 | 31 | 27 | 23.9 | 18.8 |
| **Average** | | | | | **16.4** | **13.9** |
| **E-commerce** | | | **GMV Growth (YoY%)** | | **EV/GMV** | |
| Alibaba | BABA US | 128.2 | 6 | 4 | 0.19 | 0.18 |
| Pinduoduo | PDD US | 87.3 | 14 | 9 | 0.07 | 0.06 |
| **Average** | | | | | **0.13** | **0.12** |

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

## 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** | **137,596** | **147,135** | **155,862** |
| Cost of goods sold | 56,079 | 57,606 | 64,227 | 68,263 | 72,130 | 75,492 |
| **Gross profit** | **57,391** | **69,292** | **78,549** | **69,333** | **75,005** | **80,370** |
| **Operating expenses** | **50,960** | **54,005** | **57,912** | **62,001** | **65,078** | **67,654** |
| Selling expense | 36,496 | 41,105 | 42,229 | 41,967 | 41,934 | 42,083 |
| Admin expense | 3,514 | 2,916 | 3,343 | 3,578 | 3,634 | 3,657 |
| R&D expense | 12,338 | 12,199 | 14,491 | 19,263 | 21,335 | 23,379 |
| Others | 1,388 | 2,215 | 2,151 | 2,807 | 1,824 | 1,465 |
| **Operating profit** | **6,431** | **15,287** | **20,637** | **7,332** | **9,927** | **12,716** |
| **Net Interest income/(expense)** | **539** | **236** | **(149)** | **(783)** | **(160)** | **(115)** |
| Others | 0 | 0 | 0 | 0 | 0 | 0 |
| **Pre-tax profit** | **6,970** | **15,523** | **20,488** | **6,550** | **9,767** | **12,600** |
| Income tax | 490 | 150 | 1,848 | 819 | 1,465 | 1,890 |
| **After tax profit** | **6,480** | **15,373** | **18,640** | **5,731** | **8,302** | **10,710** |
| **Net profit** | **6,480** | **15,373** | **18,640** | **5,731** | **8,302** | **10,710** |
| **Adjusted net profit** | **10,271** | **17,716** | **20,647** | **8,899** | **11,470** | **13,878** |

| BALANCE SHEET | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec (RMB mn)** | | | | | | |
| **Current assets** | **60,361** | **62,869** | **77,549** | **65,226** | **70,757** | **84,886** |
| Cash & equivalents | 12,905 | 12,697 | 11,180 | 3,208 | 11,539 | 26,980 |
| Restricted cash | 128 | 47 | 251 | 251 | 251 | 251 |
| Account receivables | 6,457 | 6,674 | 8,127 | 6,850 | 6,049 | 5,907 |
| Prepayment | 4,919 | 4,646 | 7,028 | 6,543 | 6,356 | 6,454 |
| 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** | **103,373** | **108,858** | **110,039** |
| PP&E | 12,356 | 14,831 | 22,869 | 41,525 | 48,678 | 51,159 |
| Right-of-use assets | 10,399 | 8,891 | 8,545 | 7,519 | 7,007 | 6,811 |
| 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** | **168,599** | **179,615** | **194,925** |
| | | | | | | |
| **Current liabilities** | **48,778** | **59,828** | **67,535** | **70,006** | **73,670** | **78,268** |
| Account payables | 23,601 | 27,470 | 27,209 | 28,898 | 30,388 | 31,660 |
| Tax payable | 1,222 | 873 | 388 | 374 | 400 | 424 |
| Other current liabilities | 20,628 | 27,809 | 35,976 | 37,229 | 39,629 | 43,049 |
| Lease liabilities | 3,327 | 3,676 | 3,962 | 3,506 | 3,254 | 3,135 |
| **Non-current liabilities** | **8,444** | **18,021** | **17,385** | **16,593** | **16,222** | **16,052** |
| Long-term borrowings | 0 | 11,100 | 11,098 | 11,098 | 11,098 | 11,098 |
| Obligations under finance leases | 8,405 | 6,765 | 5,977 | 5,288 | 4,908 | 4,730 |
| Other non-current liabilities | 39 | 11,256 | 11,408 | 11,305 | 11,314 | 11,323 |
| **Total liabilities** | **57,222** | **77,849** | **84,920** | **86,599** | **89,892** | **94,321** |
| | | | | | | |
| Share capital | 0 | 0 | 0 | 0 | 0 | 0 |
| Retained earnings | (257,491) | (242,164) | (224,341) | (218,610) | (210,308) | (199,598) |
| Other reserves | 306,554 | 304,168 | 303,899 | 300,584 | 300,005 | 300,176 |
| **Total shareholders equity** | **49,063** | **62,004** | **79,558** | **81,974** | **89,697** | **100,578** |
| Minority interest | 11 | 20 | 26 | 26 | 26 | 26 |
| **Total equity and liabilities** | **106,296** | **139,873** | **164,504** | **168,599** | **179,615** | **194,925** |

| CASH FLOW | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec (RMB mn)** | | | | | | |
| **Operating** | | | | | | |
| **Profit before taxation** | **6,970** | **15,523** | **20,488** | **6,550** | **9,767** | **12,600** |
| Depreciation & amortization | 7,202 | 7,140 | 7,195 | 9,312 | 10,390 | 11,074 |
| Tax paid | (1,223) | (1,021) | (1,392) | (936) | (1,430) | (1,858) |
| Change in working capital | 4,859 | 7,510 | 143 | 6,672 | 4,877 | 4,738 |
| Others | 2,973 | 635 | 282 | 3,168 | 3,168 | 3,168 |
| **Net cash from operations** | **20,781** | **29,787** | **26,716** | **24,765** | **26,772** | **29,722** |
| **Investing** | | | | | | |
| Capital expenditure | (66,680) | (104,728) | (145,315) | (24,767) | (14,714) | (10,910) |
| 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 | 46,815 | 68,051 | 119,059 | 3,690 | 2,858 | 2,262 |
| **Net cash from investing** | **(19,865)** | **(36,677)** | **(26,256)** | **(21,078)** | **(11,856)** | **(8,648)** |
| **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) | (2,839) | (2,635) |
| **Net cash from financing** | **(1,364)** | **6,714** | **(1,925)** | **(11,660)** | **(6,586)** | **(5,632)** |
| **Net change in cash** | | | | | | |
| Cash at the beginning of the year | 13,274 | 12,905 | 12,697 | 11,180 | 3,208 | 11,539 |
| Exchange difference | 79 | (32) | (52) | 0 | 0 | 0 |
| **Cash at the end of the year** | **12,905** | **12,697** | **11,180** | **3,208** | **11,539** | **26,980** |

| GROWTH | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec** | | | | | | |
| Revenue | 20.5% | 11.8% | 12.5% | (3.6%) | 6.9% | 5.9% |
| Gross profit | 36.2% | 20.7% | 13.4% | (11.7%) | 8.2% | 7.2% |
| Operating profit | na | 137.7% | 35.0% | (64.5%) | 35.4% | 28.1% |
| Net profit | na | 137.2% | 21.3% | (69.3%) | 44.9% | 29.0% |
| Adj. net profit | na | 72.5% | 16.5% | (56.9%) | 28.9% | 21.0% |

| PROFITABILITY | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec** | | | | | | |
| Gross profit margin | 50.6% | 54.6% | 55.0% | 50.4% | 51.0% | 51.6% |
| Operating margin | 5.7% | 12.0% | 14.5% | 5.3% | 6.7% | 8.2% |
| Adj. net profit margin | 9.1% | 14.0% | 14.5% | 6.5% | 7.8% | 8.9% |
| Return on equity (ROE) | 14.6% | 27.7% | 26.3% | 7.1% | 9.7% | 11.3% |

| 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) | (0.2) |
| Current ratio (x) | 1.2 | 1.1 | 1.1 | 0.9 | 1.0 | 1.1 |
| Receivable turnover days | 20.8 | 19.2 | 20.8 | 18.2 | 15.0 | 13.8 |
| Payable turnover days | 153.6 | 174.1 | 154.6 | 154.5 | 153.8 | 153.1 |

| VALUATION | 2023A | 2024A | 2025A | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|---|
| **YE 31 Dec** | | | | | | |
| P/E | 21.6 | 9.1 | 7.5 | 24.5 | 16.9 | 13.1 |
| P/E (diluted) | 21.6 | 9.3 | 7.7 | 24.8 | 17.1 | 13.3 |
| P/B | 2.9 | 2.3 | 1.7 | 1.7 | 1.6 | 1.4 |

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

# Disclosures & Disclaimers

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