

Kuaishou (01024.HK)

AI-driven end-to-end efficiency improvement
China | Internet

Financial summary

Kuaishou is a leading content community and social platform in China and globally. As a technology company powered by and built upon artificial intelligence, Kuaishou is dedicated to continuously enriching its services and application scenarios through ongoing technological innovation and product upgrades, thereby creating value for its customers. On Kuaishou, users record and share their lives through short videos and live streaming, discover what they need, and showcase their talents. By closely collaborating with content creators and businesses, Kuaishou provides technologies, products, and services that meet users' diverse needs, including entertainment, online marketing services, e-commerce, local lifestyle services, gaming, and more.

Financial performance

In the first quarter of 2025, the company achieved total revenue of RMB 32.6 billion (Chinese yuan, same below), representing a year-over-year increase of 10.9%. In terms of profitability, operating profit reached RMB 4.3 billion, up 6.6% YoY, while adjusted net profit was RMB 4.6 billion, a 4.4% YoY increase. By segment, 1Q25 online marketing services revenue grew 8.0% YoY to RMB 18.0 billion, primarily driven by increased ad spending from marketing clients due to the adoption of AI-powered ad placement solutions. Live streaming revenue rose 14.4% YoY to RMB 9.8 billion, attributed to refined operations and diversified content. Other services revenue increased 15.2% YoY to RMB 4.8 billion, mainly fueled by e-commerce business growth.

In terms of expenses, the company's sales and marketing expenses as a percentage of total revenue decreased to 30.4% in Q1 2025 from 31.9% in the same period last year, primarily due to improved operational efficiency.

In Q1 2025, Kuaishou's average daily active users (DAUs) and monthly active users (MAUs) reached 408 million and 712 million, respectively, up 3.6% and 2.1% YoY. The app's DAUs hit a record high and surpassed 400 million for the third consecutive quarter. Through refined user growth strategies, the average customer acquisition cost (CAC) for new users decreased. Meanwhile, enhanced content consumption experiences—driven by high-quality content, iterative traffic distribution mechanisms, and diverse community engagement features—further improved new user retention rates.

Online Marketing Services: External-loop business as the core growth engine, AI-driven end-to-end efficiency improvement

In the first quarter of 2025, external-loop marketing services served as the primary growth driver, with AI technology deeply enhancing end-to-end operational efficiency. Within the content consumption sector, marketing expenditure for short dramas achieved rapid year-over-year growth. Marketing clients leveraged native pathways to elevate content value and strengthen user engagement, deepening the platform's understanding of user preferences. In the local lifestyle sector, solutions such as native direct messaging and lead form collection boosted conversion rates, driving marketing expenditure growth of over 50.0% YoY.

Meanwhile, AI technology empowered the entire workflow of online marketing service solutions, delivering efficient brand marketing and performance-driven conversions. According to management, Q2 online marketing service revenue is expected to return to double-digit YoY growth, with accelerated ad expenditure growth in the generalized shelf-based advertising space.

17 Jul 2025

Accumulate

CMP HKD 65
(Closing price as of 14 Jul)
Target HKD 73 (+11.9%)

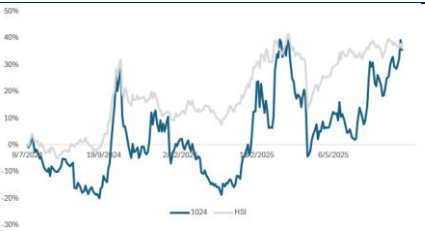
COMPANY DATA

O/S SHARES (MN) :	4,307
MARKET CAP (HKD BN) :	281
52 - WK HI/LO (HKD):	68.90/37.55

SHARE HOLDING PATTERN, %

Tencent Mobility Limited	11.78%
Reach Best Developments Limited	9.95%
Ke Yong Limited	8.91%

PRICE VS. HSI



Source: Phillip Securities (HK) Research

KEY FINANCIALS

CNY mn	FY24	FY25E	FY26E	FY27E
Revenue	365,906	490,627	600,417	703,977
Net profit	23,578	39,684	49,491	59,217
EPS	0.94	1.59	1.98	2.37
P/E ratio, x	51	30	24	20
Dividend Yield, %	0	0	0	0

Source: Company reports, Phillip Securities Est.

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E-commerce: Tripartite Operating Model Drives Continuous Optimization Across Multiple Domains

The company continued to enhance consumers' shopping experience. In Q1 2025, e-commerce GMV grew by 15.4% YoY to RMB 332.3 billion, while the monthly active buyer count reached 135 million, up 7.1% YoY. By continuously developing growth resources and widely applying large-scale models, the company provided merchants with a full suite of AI-powered livestreaming tools, leading to a YoY increase of over 30.0% in new merchants joining Kuaishou during Q1 2025. Through the establishment of a tripartite operating model integrating "livestreaming + mall + short videos," the company drove continuous optimization across multiple domains. In Q1 2025, generalized shelf-based e-commerce contributed approximately 30.0% of total GMV, with the number of daily active merchants growing over 40.0% YoY, while short video-based e-commerce GMV surged by over 40.0% YoY.

Livestreaming: YoY Growth Returns to Positive Territory

The company further refined its operations in key categories such as multi-host livestreaming and group livestreaming. By the end of Q1 2025, the number of signed agencies increased by over 25.0% YoY, while the number of signed streamers grew by over 40.0% YoY.

Company valuation

In April 2025, the company launched Keling AI 2.0, introducing the innovative concept of multimodal vision-language and rolling out multimodal editing features, which have now been widely adopted across various industries including advertising marketing, short dramas, and smart devices. Leveraging AI technology, the company has empowered the entire process of online marketing service solutions, encompassing AIGC marketing material production, intelligent marketing placement agents, and large-scale marketing recommendation models, thereby enhancing clients' marketing conversion efficiency. In Q1 2025, the daily average ad spending on AIGC marketing materials reached approximately RMB 30 million.

Overall, we are optimistic about the company's medium-to-long-term growth prospects and believe its fair valuation should be 17 times the projected 2025 PE, corresponding to a target price of HK\$73 per share. We forecast the company's 2025-2027 operating revenues at RMB 142.4/156.2/170.7 billion, with net profits of RMB 16.8/21.3/26.3 billion, translating to EPS of RMB 3.91/4.94/6.11. The current share price implies PE multiples of 15/12/10x for 2025-2027. In conclusion, we initiate coverage with an "Accumulate" rating.

Risk factors

1) Slower-than-expected progress in AI applications; 2) User growth slowdown; 3) Regulatory risks in the internet industry.

Financials

Consolidated Statement of Profit or Loss

Dec Y/E, RMB mn	2023	2024	2025E	2026E	2027E
REVENUE	113470	126898	142356	156249	170716
Cost of revenue	-56079	-57606	-64623	-70930	-77497
Gross profit	57391	69292	77733	85319	93218
R&D expenses	-12338	-12199	-13685	-15021	-16411
Selling, administrative and general expenses	-40010	-44021	-49383	-52028	-56845
Operating profit	6431	15287	18506	23437	29022
Net finance income/loss	539	236	236	236	236
Profit before income tax and share of results of equity investees	6889	15494	18713	23644	29229
Income tax expenses	-490	-150	-1871	-2364	-2923
Net profit					
– Equity holders of the Company	6396	15335	16832	21270	26296
– Non-controlling interests	3	9	10	10	10

Consolidated Statement of Financial Position

Dec Y/E, RMB mn	FY23	FY24	FY25E	FY26E	FY27E
Current assets					
Accounts receivable	11376	11320	12871	14127	15435
Cash and cash equivalents	12905	12697	14903	20255	29143
Others	36080	38852	37188	37188	37188
Total current assets	60361	62869	64961	71569	81765
Non-current assets					
PPE	12356	14831	17141	19812	22898
Others	33579	62173	62173	62173	62173
Total non-current assets	45935	77004	79314	81985	85071
Total Assets	106296	139873	144275	153554	166837
Current liabilities					
Accounts payable	40193	50583	47347	53115	58299
Others	8585	9245	9415	9415	9415
Total current liabilities	48778	59828	56762	62530	67713
Non-current liabilities					
Long-term debt	0	11100	11100	11100	11100
Others	8444	6921	7598	8342	9160
Total non-current liabilities	8444	18021	18698	19442	20260
Total liabilities	57222	77849	75459	81971	87973
Equity attributable to equity holders of the Company	49063	62004	68796	71563	78843
Non-controlling interests	11	20	20	20	20
Total equity	49074	62024	68816	71583	78863
Total liabilities and equity	106296	139873	144275	153554	166837

Consolidated Statement of Cash Flow

Dec Y/E, RMB mn	2023	2024	2025E	2026E	2027E
CFO	22004	30808	27203	39666	46084
Profit before tax	6889	15494	18713	23644	29229
Depreciation and Amortization	7054	7036	8181	9456	10929
Change in working capital	4859	7510	-1749	4512	3876
Others	3202	768	2058	2054	2051
CFI	-19865	-36677	-23976	-25359	-26958
Short term and long term investment, net	-14968	-28614	-15078	-15074	-15071
Purchase of property, equipment and intangible assets	-4897	-8063	-8899	-10285	-11887
CFF	6714	0	0	0	0
Net Change in Cash	-448	-176	2206	5352	8888
Cash, CE and Restricted cash at Beg	13274	12905	12697	14903	20255
Cash, CE and Restricted cash at Y/E	12905	12697	14903	20255	29143

Key Financial Data

Dec Y/E	FY23	FY24	FY25E	FY26E	FY27E
Valuation Ratio					
P/E ratio	39.7	16.5	15.1	11.9	9.7
Dividend Yield, %	0.00%	0.00%	0.00%	0.00%	0.00%
Per share data(RMB)					
EPS	1.49	3.56	3.91	4.94	6.11
BVPS	11.4	14.4	16.0	16.6	18.3
Growth & Margin					
Growth					
Net Revenue Growth	20.48%	11.83%	12.18%	9.76%	9.26%
Gross Profit Growth	36.22%	20.74%	12.18%	9.76%	9.26%
EBIT Growth	154.98%	124.91%	20.78%	26.35%	23.62%
Net Profit Growth	146.72%	139.76%	9.76%	26.37%	23.63%
Margin					
Gross Profit Margin	50.58%	54.60%	54.60%	54.60%	54.60%
EBIT Margin	6.07%	12.21%	13.15%	15.13%	17.12%
Net Profit Margin	5.64%	12.08%	11.82%	13.61%	15.40%
Key Ratios					
ROE	13.03%	24.72%	24.46%	29.71%	33.34%
ROA	6.02%	10.96%	11.67%	13.85%	15.76%

Current Price as of: Jul 14

Exchange rate: HKD/RMB = 0.91

Source: PSHK Est.

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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