

## INITIATION OF COVERAGE REPORT

### Kuaishou Technology

## AI Emerges as a Mid-to-Long-Term Growth Engine; Kling 2.1 Sets New Standard for Cost-Efficient Video Generation

### KEY POINTS

**Kuaishou: A Leading Short-Video Platform in China with Strong User Engagement and Robust E-commerce Growth.** It operates one of the most prominent content and social platforms globally, striving to become the most customer-centric company in the world. Backed by robust AI capabilities, Kuaishou continues to innovate and expand its service offerings to enhance user experience and value creation. In 1Q25, Kuaishou reported total revenue of RMB 32.6 billion, up 10.9% year-over-year, with adjusted net profit reaching RMB 4.6 billion and an adjusted net margin of 14.0%. Notably, the company achieved its first-ever quarterly operating profit for the overseas segment. Monthly active users (MAUs) reached 712 million, and daily active users (DAUs) stood at 441 million, with an average daily usage time per DAU of 133.8 minutes. E-commerce continued its strong momentum, with gross merchandise volume (GMV) rising 15% year-over-year to RMB 332 billion.

**AI Fuels the Short Video Boom.** China's short video sector remains in a high-growth phase, increasingly driven by AI. The online audiovisual market reached RMB 1.2 trillion in 2024, up 6.1% year-over-year. As of December 2024, short video users in China surpassed 1 billion, with average daily usage per user ranking highest among all internet applications. By capturing fragmented attention spans through compelling visuals, algorithmic distribution, and ease of consumption, short videos quickly command user engagement. Kuaishou is at the forefront of this AI-powered transformation. Kuaishou's proprietary AI video generation platform, "Kling AI" (可灵), is China's first paid AI video tool designed for both consumers and professional creators. The underlying AI infrastructure supports various applications including dynamic ad delivery, AIGC (AI-generated content), AI virtual anchors, and intelligent customer service.

**Kling AI Has Rapidly Become A New Growth Engine in Kuaishou's AI Monetization Strategy.** As China's first paid AI video generation tool for professional users, it has achieved early commercialization success. The product prioritizes model quality and targets the "prosumer" segment—users who combine consumer influence with professional-grade purchasing power, such as content creators and digital marketers. In 1Q25, Kling AI generated over RMB 150 million in revenue, with nearly 70% contributed by paid subscriptions from prosumer users. The platform's global user base has exceeded 22 million, with enterprise clients (via API integration) surpassing 10,000. Kling AI now serves multiple verticals including content creation, advertising, film and animation, gaming, and smart devices—with a high enterprise renewal rate.

**Kling AI Continues Rapid Iteration, Delivering High Visual Quality with Exceptional Cost Efficiency.** Kling AI continues to iterate rapidly, enhancing both quality and efficiency. Following the April launch of Kling 2.0—with major improvements in semantics, motion, and aesthetics—the new 2.1 series raises the bar on cost-effectiveness and speed. Kling 2.1 generates 5-second videos for just 20 Inspiration Points (720p) or 35 Points (1080p)—offering high performance at no added cost. In high-quality mode, videos render in under one minute, well ahead of industry peers. As a global leader in visual AI, Kling now offers a broader, more efficient solution set, meeting diverse content creation needs with superior value and speed.

**MVL Framework Unlocks Broad Commercial Potential.** Kuaishou's newly launched MVL (multi-modal visual language) framework enables richer expression by integrating various input formats—text, images, videos, sounds, and motion data—into the creative workflow. This approach better captures and realizes creative intent compared to text alone. Kling AI 2.0 adopts this framework to support more precise and expressive content creation. Commercial applications span advertising, professional content creation, film and television production, and entertainment. With the official launch of Kling 2.0 on April 15, AI monetization is expected to accelerate significantly in FY2025.

**AI Enhances E-commerce Efficiency.** AI-generated content is also empowering Kuaishou's e-commerce operations. AIGC improves merchant efficiency by reducing operating costs through automated content creation, intelligent matching, and virtual customer service. Using video recognition and DeepSeek's semantic understanding, Kuaishou can automatically generate highlight clips from livestreams to showcase product features and capture long-tail traffic. As of 1Q25, daily GMV from AI-generated livestream clips has increased by over 300% year-over-year.

**Attractive Valuation Supported by AI and E-commerce Momentum.** With continued GMV growth exceeding 15% year-over-year and rapid AI business expansion, Kuaishou's valuation appears attractive. Among its three core segments, "Other Services" is expected to be the fastest-growing, driven by Kling AI and e-commerce synergies. We forecast revenue from "Other Services" to grow 18% year-over-year in FY2025. Kuaishou is typically valued using the EV/EBITDA method. The stock currently trades at HK\$51.65 per share, with a market capitalization of approximately HK\$221.6 billion. Market consensus expects EBITDA of HK\$32.0 billion and HK\$37.7 billion for FY2025 and FY2026, implying EV/EBITDA multiples of 5.5x and 4.7x, respectively—well below the industry average of 9.8x and 8.3x. Please refer to the valuation section for further details.

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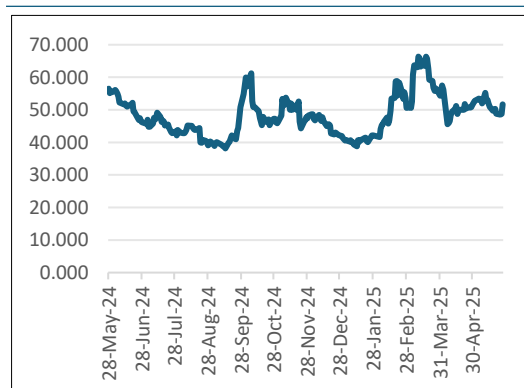
### KEY DATA

Exchange: HKEX  
Ticker: HK:1024  
Current Price: HK\$51.65  
52-Week Range: HK\$37.55-HK\$68.90  
Average Volume (3M): 64.33M  
Shares Outstanding (MM): 5,446  
Market Capitalization (\$MM): HK\$221,649  
Fiscal Year-End: December

### FINANCIALS

In RMB Million	FY23A	FY24A	FY25E	FY26E
Revenue	113,470	126,898	140,104	152,555
Gross Profit	57,391	69,292	77,045	84,426
EBIT	6,431	15,287	17,499	19,834
Non-IFRS				
Net Income	10,268	17,716	19,913	22,455

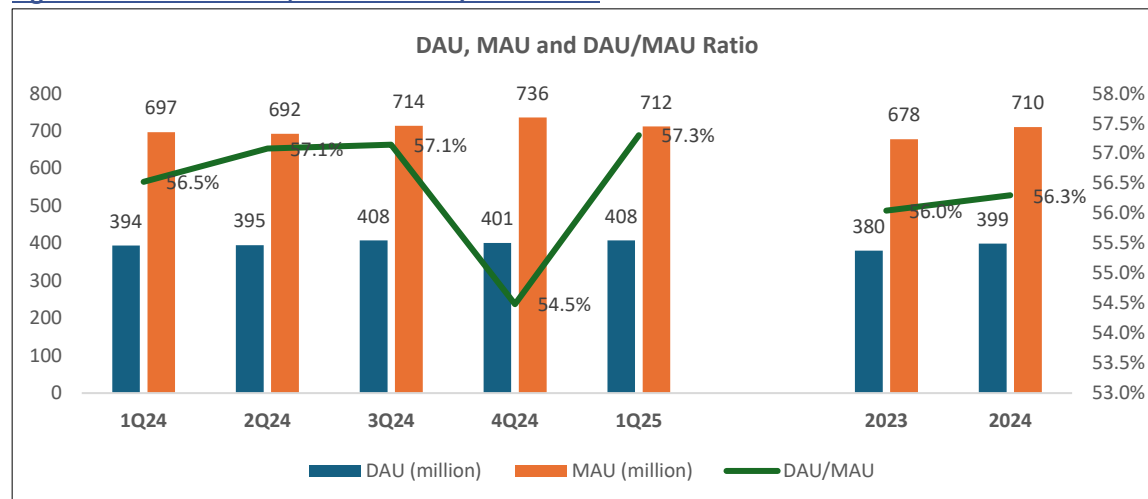
### PRICE PERFORMANCE



Kuaishou is one of the leading short-video and content platforms in China and globally, distinguished by its highly engaged user base and consistent growth in e-commerce. The company is committed to becoming the world's most user-centric platform. Powered by a robust technology infrastructure centered around advanced artificial intelligence, Kuaishou continuously drives innovation, product upgrades, and service expansion to create superior value for users. Through close collaboration with content creators and merchants, Kuaishou provides a wide array of technology, products, and services across entertainment, online marketing, e-commerce, local services, and gaming to meet diverse user needs.

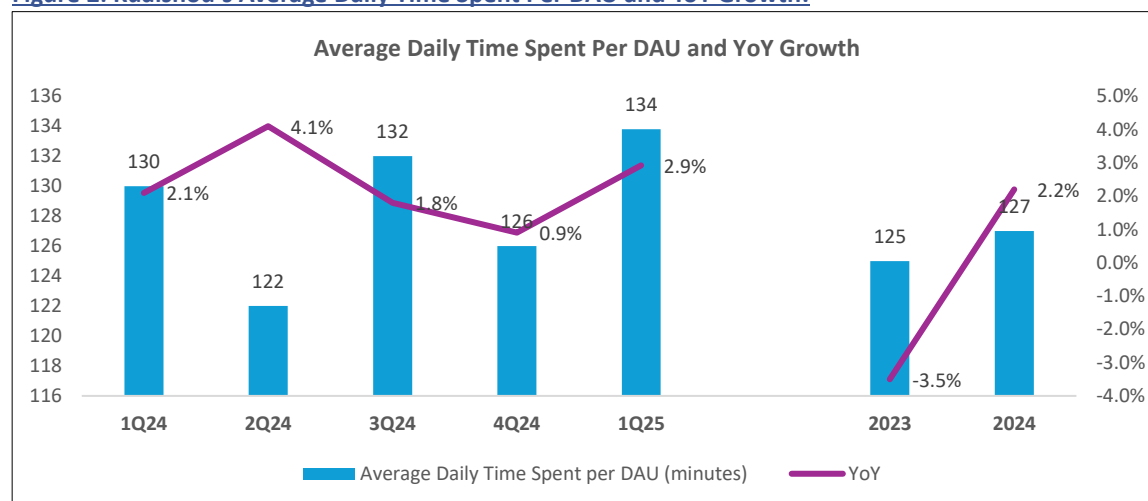
In 1Q25, Kuaishou's monthly active users (MAUs) reached 712 million, while daily active users (DAUs) stood at 408 million. Average daily time spent per DAU reached 133.8 minutes. E-commerce maintained strong momentum, with gross merchandise volume (GMV) rising 15% year-over-year to RMB 332 billion.

**Figure 1: Kuaishou's DAU, MAU and DAU/MAU Ratio.**



Source: GLH Research; Company filings.

**Figure 2: Kuaishou's Average Daily Time Spent Per DAU and YoY Growth.**



Source: GLH Research; Company filings.

## Management

**Cheng Yixiao, Co-founder, Executive Director, Chairman of the Board and CEO.** Mr. CHENG is responsible for formulating the Group's long-term strategies, overseeing the management of the business and operations of the Group, including leading the day-to-day operations, supervising product-related matters and strategic investments and acquisitions of the Group.

**Su Hua, Co-founder, Executive Director.** Mr. SU is responsible for contributing long-term value to the Group. Mr. SU joined the Group in November 2013. Prior to that, Mr. SU worked as an engineer at Google China from December 2006 to October 2008, and Baidu, Inc. from January 2010 to May 2011.

**Jin Bing, CFO.** From August 2010 to March 2014, Mr. Jin worked at Citi's China Investment Banking Department. From March 2014 to April 2017, Mr. Jin served several positions including as the Head of China Technology of Investment Banking and Capital Markets, Asia Pacific, at Credit Suisse, where he worked with many listed and private Chinese technology companies for various financing and mergers and acquisitions transactions.

**Yin Xin, Senior Vice President.** Mr. YIN is primarily responsible for centralized procurement, administration, IT center and infrastructure construction of the Group. He has been in charge of, among others, server-side research and development, software and hardware architecture, system maintenance, and investment and business proposals.

**YANG Yuanxi, Senior Vice President.** Mr. YANG is primarily responsible for corporate social responsibility and content security of the Group. He has been in charge of, among others, Android client-side research and development, internal data platform development, business development for user growth, and overseas new product initiatives.

## BUSINESS SUMMARY

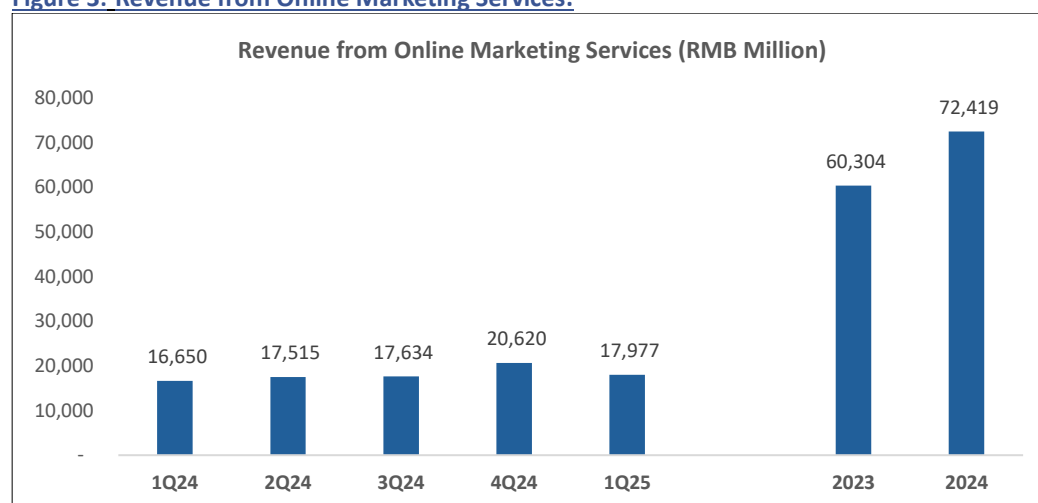
Kuaishou's revenue is derived from three core business segments: (1) Online Marketing Services—including internal circulation (e-commerce ads) and external circulation (non-e-commerce ads); (2) Live-streaming services; and (3) Other Services, which include e-commerce commission income, Kling AI (可灵 AI), and local lifestyle services.

### 1. Online Marketing Services

In 1Q25, revenue from online marketing services reached RMB 18.0 billion, up 8.0% year-over-year. Kuaishou leverages AI to enhance the entire workflow of its marketing solutions, enabling clients across industries to conduct brand promotion and performance marketing more efficiently. The company integrates large language models' content understanding and reasoning capabilities into content recommendation systems and applies chain-of-thought reasoning to better interpret user behavior, thereby improving the conversion efficiency of marketing materials.

In terms of intelligent ad delivery, the share of Universal Auto X (UAX), Kuaishou's fully automated ad delivery solution, rose to over 60.0% of total external circulation ad spend in 1Q25. For internal circulation, the adoption of Stationwide Intelligent Agent 4.0 and intelligent hosting solutions by e-commerce merchants accounted for 60.0% of total internal circulation ad spend during the quarter, supporting more stable and effective full-platform promotions.

**Figure 3: Revenue from Online Marketing Services.**



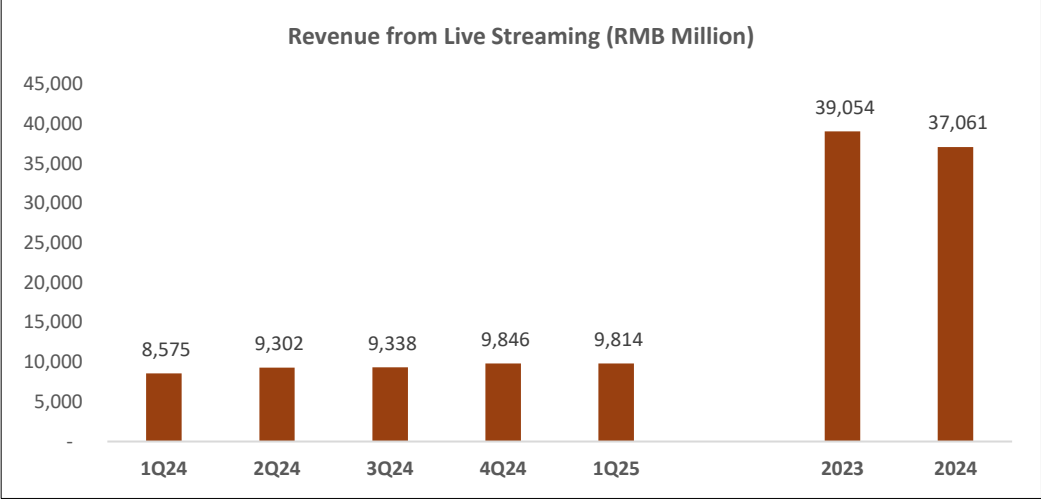
Source: GLH Research; Company filings.

### 2. Live-streaming

Live-streaming revenue reached RMB 9.8 billion in 1Q25, representing a 14.4% year-over-year increase and marking a return to positive growth. The company enhanced its refined operations in high-engagement formats such as multi-host and group-streaming.

By the end of the quarter, the number of contracted agency partners rose over 25% year-over-year, while the number of signed streamers grew by more than 40%. Kuaishou is building a premium live-streaming content ecosystem to help creators accumulate and monetize fan bases efficiently. Tailored support programs and traffic allocation mechanisms are also in place, successfully translating offline entertainment consumption models into the online space.

**Figure 4: Revenue from Live-streaming.**

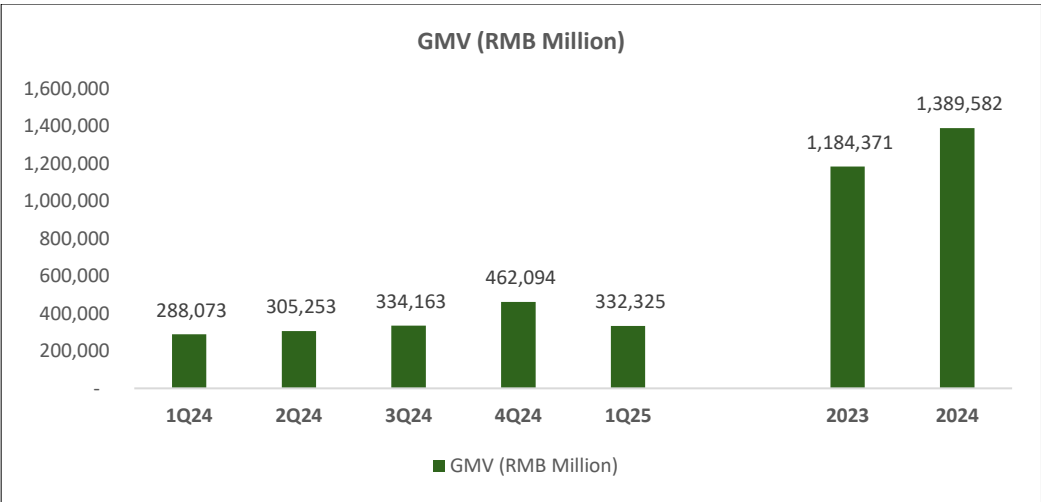


Source: GLH Research; Company filings.

### 3. Other Services

Revenue from other services rose 15% year-over-year to RMB 4.8 billion in 1Q25, including over RMB 150 million generated by Kling AI. E-commerce GMV reached RMB 332.3 billion, up 15.4% year-over-year, with monthly active buyers averaging 135 million. The company continues to enhance the consumer shopping experience through the synergistic integration of content-driven and shelf-based commerce, enabling merchants and creators to scale their business operations on the Kuaishou platform.

**Figure 5: Kuaishou's E-commerce GMV.**



Source: GLH Research; Company filings.

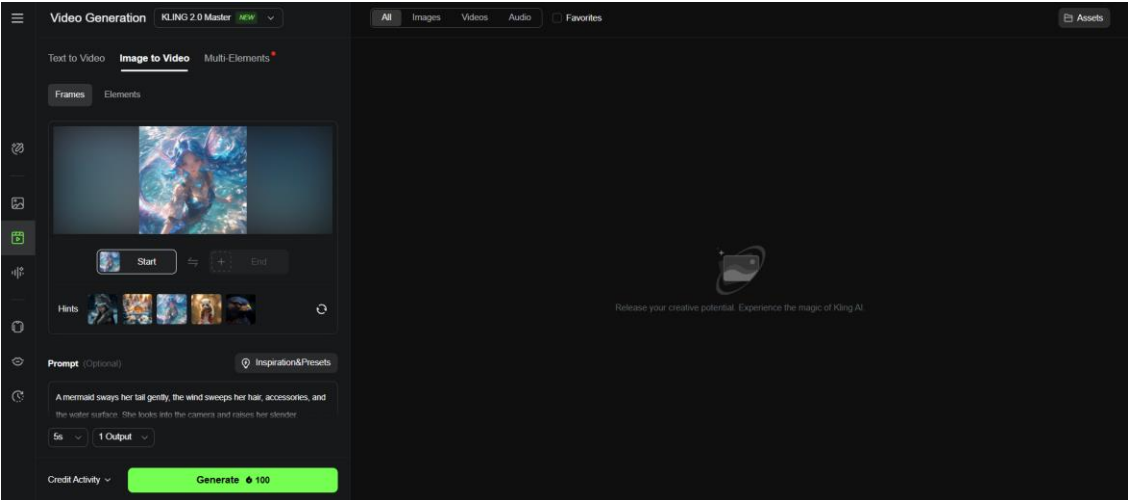
## KLING AI

### Kuaishou Launches Kling 2.0, Reinforcing Global Leadership in AI Video Generation

On April 15, 2025, Kuaishou officially launched Kling 2.0, its upgraded video generation model, and Kolors 2.0, an upgraded image generation model. Kling 2.0, built on a DiT architecture, delivers significant breakthroughs in dynamic rendering, semantic comprehension, and visual aesthetics, maintaining a global leadership position across several benchmark tests. The model also exhibits substantial enhancements in instruction adherence, cinematic rendering quality, and artistic style generation.

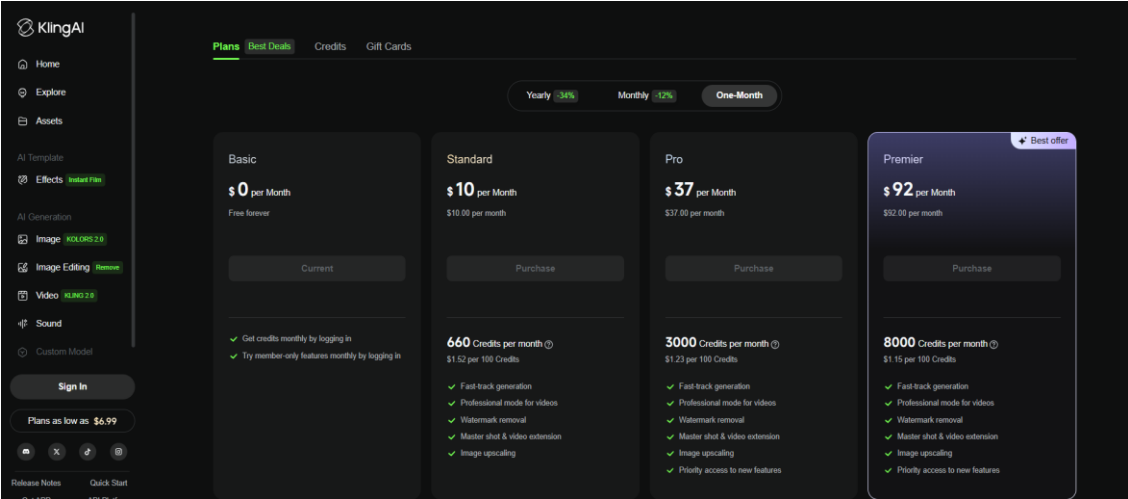
Kling 2.0 introduces the Multimodal Visual Language (MVL) framework, enabling users to intuitively and efficiently express complex, multidimensional creative ideas by flexibly combining text, image references, and video snippets. As of now, Kling AI has amassed over 22 million global users, having generated more than 168 million videos and 344 million images cumulatively.

Figure 6: Kuaishou's Kling AI 2.0.



Source: GLH Research; Company filings.

Figure 7: Kling AI 2.0 Subscription Plans.

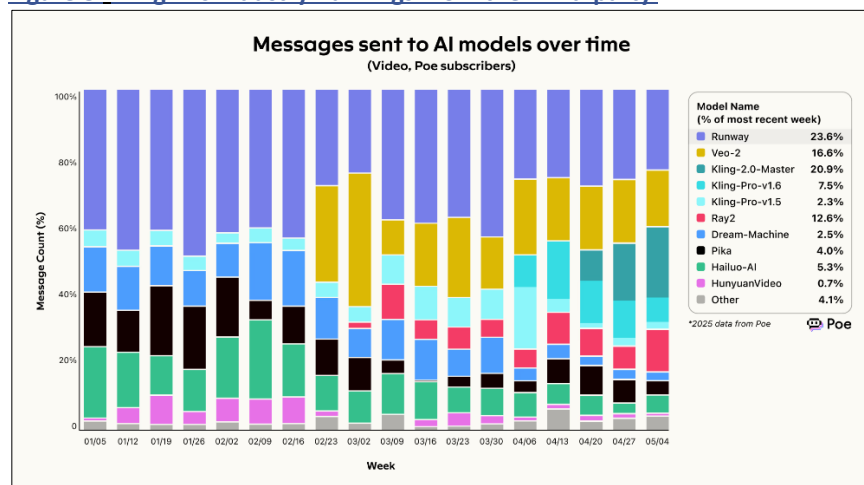


Source: GLH Research; Company filings.

### Kling 2.0 Outperforms in Third-Party Model Rankings

According to the Spring 2025 AI Model Usage Trends Report (January–May) released by global AI platform Poe, Kling AI leads the video generation field with a 30% usage share across multiple models, outperforming competitors such as Runway and Google’s Veo2. Kling 2.0 Master Edition, launched in late April, captured 21% of total video generation usage within three weeks, while Runway’s share declined from 40% to 23.6%. In other domains, GPT-4o, Gemini 2.5 Pro, and Imagen3 continue to lead in language, reasoning, and image models, respectively.

**Figure 8: Kling AI's Industry Rankings From the Third-party.**



Source: GLH Research; Company filings.

### Kuaishou's Kling AI Launches New 2.1 Series Models, Setting a New Standard in Cost-Effective AI Video Generation

Kuaishou's Kling AI, a global leader in visual generation models, has officially launched its new Kling 2.1 series, setting a new benchmark for performance-to-cost ratio in the AI video creation space. The series includes two primary modes—Standard (720p) and High Quality (1080p)—designed for efficiency and affordability. In addition, the high-end Kling 2.1 Master Edition delivers enhanced motion dynamics and stronger semantic responsiveness, representing a significant breakthrough in generative video modeling.

The newly released Kling 2.1 models offer outstanding cost-efficiency. For instance, in Standard Mode (720p), generating a 5-second video requires only 20 Inspiration Points, while the High Quality Mode (1080p) costs just 35 Inspiration Points—matching the pricing of the earlier Kling 1.6 series but with substantially improved capabilities. This “more for the same” model enables broader user accessibility and supports cost-conscious content creation at scale.

Speed is another key advantage. Benchmark testing shows that Kling 2.1's High Quality Mode (1080p) can generate a 5-second video in under one minute, a leading performance in the industry where comparable models typically require 2–3 minutes. This acceleration significantly reduces users' time costs and boosts creative productivity.

In terms of model quality, Kling 2.1 delivers across-the-board improvements and raises the performance ceiling even higher. Enhancements include more detailed and responsive motion rendering, greater physical realism (e.g., human movement accuracy), and refined prompt comprehension for better alignment with user intent—producing content that more accurately meets expectations.

As part of this upgrade, Kling AI also launched the Kling 2.1 Master Edition, which continues its high-end positioning while maintaining the same pricing. This edition further improves motion representation and semantic understanding, with default output at 1080p resolution. While the standard Kling 2.1 is optimized for efficient, high-volume content creation—suitable for short videos, digital advertising, and AI-generated web series—the Master Edition is tailored for professional film production and commercial-grade applications, reinforcing Kling AI's technological leadership in the field.

### NEXTGEN Initiative Empowers the Next Wave of AIGC Creators

Kuaishou continues to enhance Kling AI through technical iteration and engineering innovation, ensuring sustained global leadership in foundational models, while product innovation further improves user experience. The company also expands operational initiatives, particularly overseas, to drive user growth. One key initiative is the NEXTGEN AI Video Creator Program, which supports emerging AIGC talents with both creative and technical expertise. This program provides funding, global promotional resources, IP incubation support, and stable compute infrastructure. It has already delivered meaningful results—the world's first AI-generated



mini-series “Loading New World” has released its trailer, with full episodes to follow shortly. Although Kuaishou promotes the program via paid distribution channels such as in-feed ads, budget allocation remains disciplined and ROI-driven.

### AI Empowers Traditional E-Commerce Infrastructure

Throughout 2025, Kuaishou’s e-commerce arm has continued to leverage global operations to expand category offerings and meet increasingly diversified user needs across multiple consumption scenarios. AI capabilities have been deeply embedded across the merchant operational chain, from AIGC-based content production and precision ad targeting to intelligent customer service and business analytics. These advancements significantly lower the operating cost of content-driven e-commerce platforms. The globalization of operations has further improved merchant efficiency, enabling more tailored responses to user demand.

### AI Virtual Hosts Boost E-commerce Conversion

In March 2024, a women’s apparel brand piloted a livestream featuring an AI-generated virtual host, achieving RMB 223,000 in GMV on the first day of testing. Data indicates that ROI from virtual-host livestream e-commerce exceeds that of traditional livestreams by over 20%, meeting goals of scalable and sustainable monetization. Kuaishou continues to optimize its proprietary “Nüwa” virtual human system, which now supports real-time audience interaction and natural language dialogue, significantly enhancing conversion in livestream commerce settings.

**Figure 9: Nuwa AI Digital Human Can Work 24 Hours a Day.**



Source: GLH Research; Company filings.

### Local Services + AI: Driving Expansion in Emerging Cities

On April 17, 2025, Kuaishou hosted its Local Services 2025 Summit in Shenyang, where it announced that “Emerging Cities + AI” would be the next core growth engine for its local lifestyle business. In 2024, Kuaishou’s local services GMV is expected to grow 200% year-over-year, with GMV from lower-tier cities (Tier 3 and below) rising over 220%. Daily paying users are projected to double year-over-year, with users from lower-tier cities accounting for more than 62%. These markets are becoming a key driver of sustained expansion. In 2025, Kuaishou plans to further deepen its presence in these regions and integrate AI across the full operational cycle for local merchants.

### Intelligent Ad Agent System Enhances Commercial Efficiency

In 4Q24, Kuaishou’s content consumption ecosystem saw rapid expansion. Monetized short dramas recorded over 300% year-over-year growth, with peak daily viewership surpassing 30 million, while casual gaming peaked at over 12 million daily plays. Strong momentum is expected to continue in 2025 across both short dramas and digital novels. In 1Q25, spending on mini-games grew over 30% year-over-year. Kuaishou will continue to apply large model technologies to dynamic ad pricing to improve monetization and advertiser efficiency.

Kuaishou’s one-click intelligent ad system automates the entire advertising cycle—from creative generation and monitoring to optimization and adjustment—substantially improving performance. Compared to platforms with equivalent budgets, the system reduces human resource costs by approximately 17% and lowers redundant costs by around 3%, significantly boosting overall advertising efficiency. The system also enables more precise new-user subsidy strategies, facilitating explosive traffic gains for newly

launched short dramas. Over the long term, coordinated ad delivery is expected to attract a broader user base, increase short drama consumption frequency, and lower user conversion thresholds, leading to stronger platform-wide conversion performance.

## Gearing Up for 618

As part of its preparations for the 618 mid-year shopping festival, Kuaishou is executing a multi-pronged strategy across users, products, and streamers to enhance platform efficiency and transaction volume.

On the user front, the company combines pre-event platform traffic buildup with scheduled streamer reservations to capture early demand. Through engagement mechanisms such as “Follow for Flash Sales,” user interest is locked in ahead of the official sales period. During the main campaign window, Kuaishou increases user reactivation and engagement efforts, while leveraging high-value platform subsidies and incentives—such as coupon draws and “free order” lotteries—to boost conversion rates and purchasing power. This dual approach supports both public-domain user acquisition and private-domain user retention, ultimately driving up the overall user base.

On the product front, the company segments merchandise into four key categories—new releases, high-conversion promotional items, brand-positioned products, and consistent bestsellers—and applies tailored promotional strategies and support resources to each. For example, highly competitive promotional SKUs are promoted via tools such as “Super Links,” explosive item campaigns, and platform-led creator collaboration subsidies to ensure strong visibility and high conversion.

On the streamer front, Kuaishou has rolled out tiered support programs for top-tier, mid-tier, and emerging talent. The product assortment continues to expand, offering greater variety and more competitive pricing. For high-traffic and high-potential streamers, the platform has introduced tailored traffic initiatives such as streamer tournaments, challenge-based campaigns, and timed “red envelope rain” events. Additionally, cross-format operational models—such as short video + livestream integration and bestseller store tagging—are deployed to unlock broader transactional potential across user journeys.

## Overseas Expansion: Focusing on Brazil, the Brazilian Market Internet Traffic Has Grown Steadily

Kuaishou remains firmly committed to its global expansion strategy. In 1Q25, the company achieved a major milestone with its overseas business delivering a first-ever single-quarter operating profit. Brazil remains a key international focus market, where Kuaishou’s international app Kwai has significantly elevated brand visibility through high-profile sponsorships.

During the first half of 2025, Kwai partnered with Brazil’s most-watched reality show, Big Brother Brasil (BBB), sponsored the country’s most popular football team, Flamengo, and became the official video partner of Brazil’s men’s basketball team for the Olympic Games. These strategic sponsorships have materially strengthened Kwai’s brand presence, driving it to sixth place in Brazil by user time spent.

Following the success of its 2024 BBB collaboration, Kwai has once again secured exclusive short video partnership rights for BBB in 2025. This continued partnership is designed to deliver high-quality entertainment content and interactive experiences to Brazilian users, further reinforcing Kwai’s brand awareness and user engagement in the market.

**Figure 10: Kuaishou’s Expansion on Brazilian Market.**



Source: GLH Research; Company filings.



Figure 11: Kwai Sponsors Brazil's Flamengo Team.



Source: GLH Research; Company filings.

## Focus on the Content Ecosystem Development

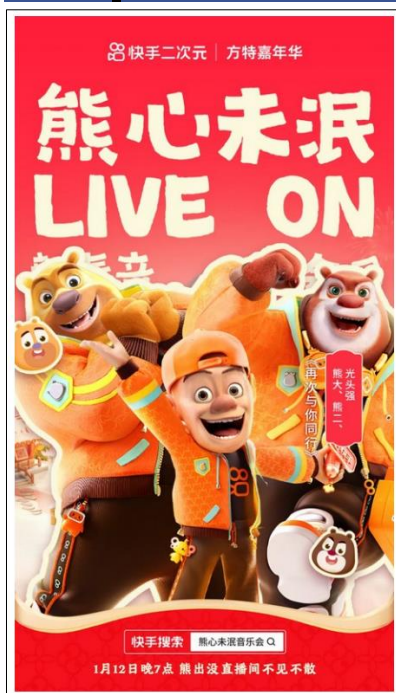
### 1. Chinese Spring Festival Style

During the 2025 Spring Festival, Kuaishou reached a record high in daily active users, reflecting the platform's strong seasonal engagement. Over 200 billion videos related to Spring Festival activities were generated, and live broadcast views surpassed 15 billion. In the "Shake the Fortune Tree" red envelope campaign, users participated enthusiastically, shaking a total of 5.7 billion red envelopes. Kuaishou's local life business recorded a 117% year-over-year growth during the holiday period. Additionally, the platform partnered with more than 150 brands to co-create a digitally enriched Spring Festival experience, presenting a fresh narrative of celebration through the vibrancy of its online community.

### 2. Gathering IP Users and Reentering Film Marketing

Kuaishou marked its return to film marketing by leveraging the "Boonie Bears" IP to drive user engagement. Throughout the promotion of Boonie Bears: Future Reborn, Kuaishou was actively involved across all stages—from exclusive online concerts to short video campaigns and live ticket sales. The platform successfully activated and converted IP audiences through a full-funnel marketing strategy. The concert premiere attracted more than 80 million total views, with peak concurrent viewers exceeding 420,000, demonstrating Kuaishou's growing influence in entertainment marketing and IP-based content monetization.

Figure 12: Kuaishou's Poster on "Boonie Bears".



Source: GLH Research; Company filings.

## INDUSTRY OVERVIEW: The Rise of Short Video and the Next Growth Engine in AI

Short video has emerged as a defining force in the global digital media landscape, fundamentally transforming how users consume content and engage online. Its explosive growth is driven by its ability to capture users' attention in fragmented moments, enabled by visually engaging, algorithmically curated, and easily consumable content. As a result, short video is no longer just a content format—it is a core infrastructure for entertainment, communication, marketing, and commerce.

China has been at the forefront of the global short-video boom. In 2024, the market size of China's online audiovisual industry reached RMB 1.2 trillion, marking a 6.1% year-over-year increase. As of December 2024, the number of short-video users in China exceeded 1 billion, with average daily usage time per user ranking highest among all internet applications. The deepening user engagement is not only enhancing the monetization potential across advertising, live-streaming, and e-commerce, but also expanding the broader commercial landscape of the industry.

Beyond content distribution and user engagement, the next stage of industry transformation is being powered by artificial intelligence. Short video platforms are now leveraging AI not only to enhance content recommendation and personalization, but also to generate content, optimize monetization, and streamline platform operations. AI technologies—including large language models (LLMs), video generation models, and multi-modal interaction frameworks—are enabling unprecedented levels of content creation efficiency and user experience.

Leading platforms such as Kuaishou are at the forefront of this AI-led disruption. With the rollout of Kling AI, Kuaishou has introduced China's first paid AI video generation tool targeting consumers and professional creators. The company's AI infrastructure now supports a wide range of use cases—from dynamic ad targeting and AIGC (AI-generated content) to AI-powered virtual hosts and customer service solutions. Kling AI 2.0, for example, leverages DiT architecture and multi-modal visual language (MVL) to produce cinematic-quality video content, while significantly lowering production costs for marketers and creators.

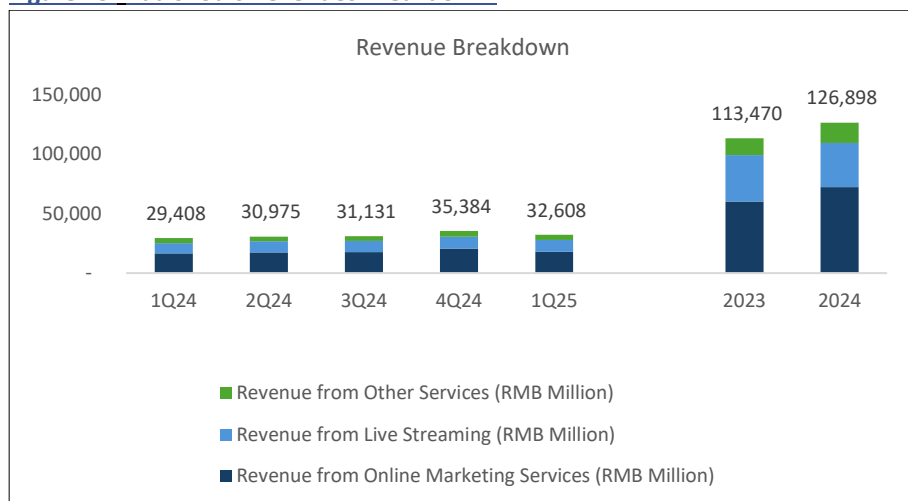
AI is also being deployed across commercial functions. In e-commerce, AI enables intelligent product recommendations, automated content production, and real-time customer interaction—driving user conversion and merchant ROI. In advertising, intelligent delivery systems supported by large models are improving targeting accuracy, reducing manual workloads, and optimizing budget allocation dynamically. These innovations are not only enhancing the user and merchant experience but also strengthening platform monetization efficiency.

Looking forward, short video platforms are poised to become fully integrated AI-powered ecosystems—merging social content, commerce, and automation. Companies that can effectively leverage AI to unlock efficiencies, create differentiated experiences, and scale new business lines will be best positioned to lead the next phase of industry evolution. As AI applications move from the backend to front-end content creation and interaction, platforms like Kuaishou stand at a unique inflection point to redefine the economics of engagement and monetization in the digital economy.

## FINANCIALS and VALUATION

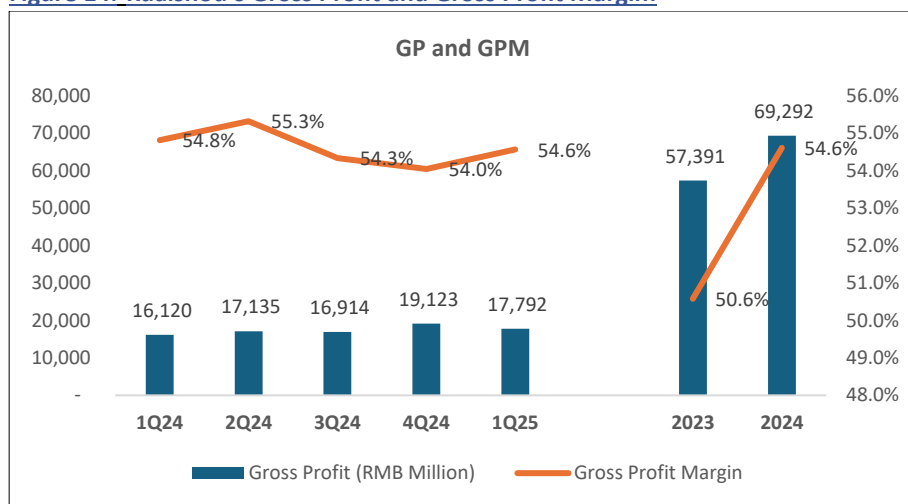
In the first quarter of 2025, Kuaishou's flagship app reached a record-high average of 408 million daily active users (DAUs). Total revenue rose to RMB 32.6 billion, representing a 10.9% year-over-year increase, with a gross margin approaching 55.0%. Adjusted net profit reached RMB 4.6 billion, translating to an adjusted net margin of 14.0%. Notably, the company achieved its first-ever quarterly operating profit for the overall overseas business during this period.

**Figure 13: Kuaishou's Revenues Breakdown.**



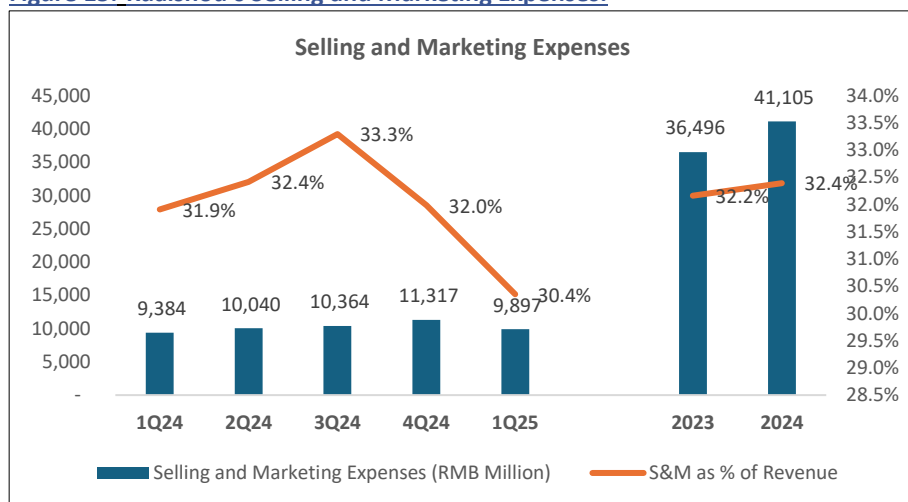
Source: GLH Research; Company filings.

**Figure 14: Kuaishou's Gross Profit and Gross Profit Margin.**



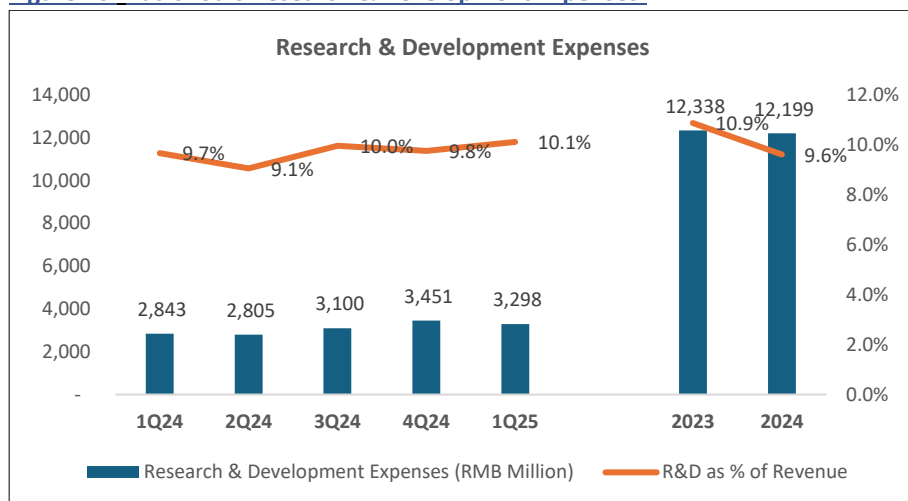
Source: GLH Research; Company filings.

**Figure 15: Kuaishou's Selling and Marketing Expenses.**



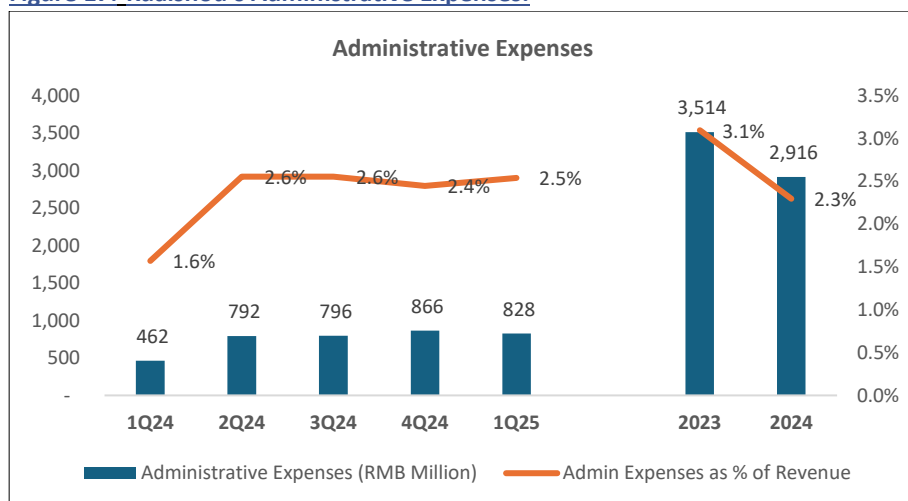
Source: GLH Research; Company filings.

**Figure 16: Kuaishou's Research & Development Expenses.**



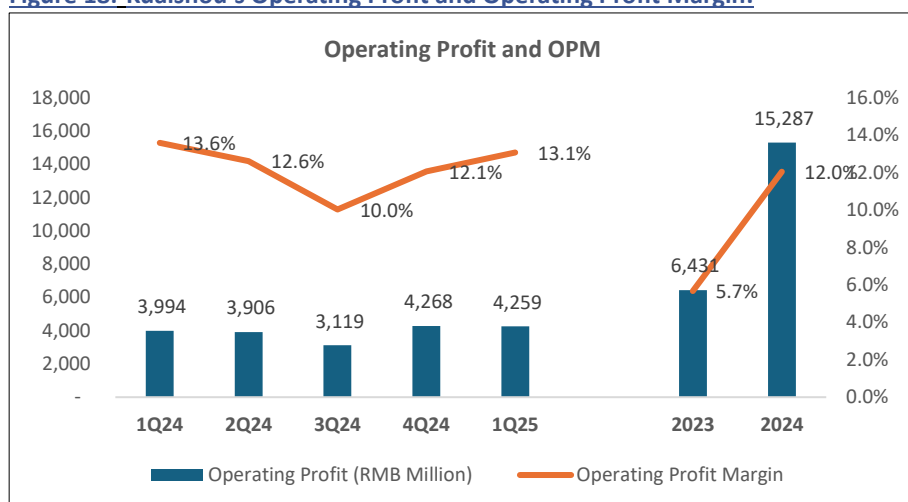
Source: GLH Research; Company filings.

**Figure 17: Kuaishou's Administrative Expenses.**



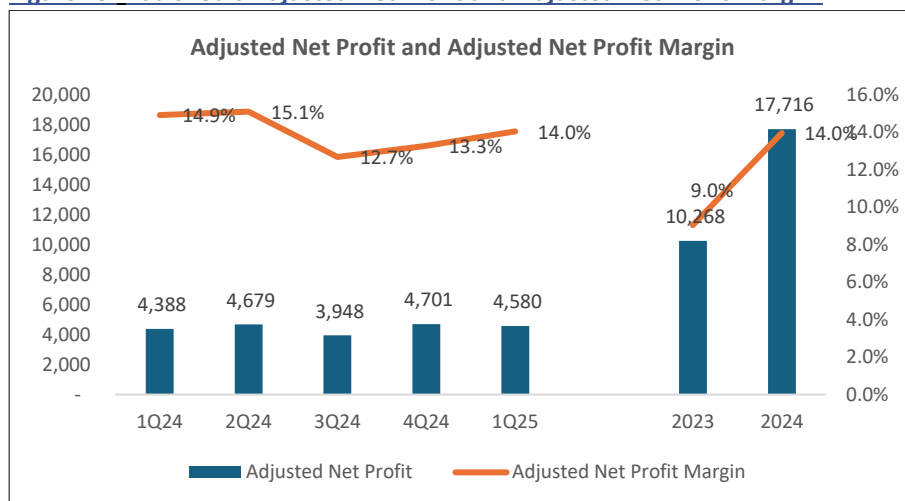
Source: GLH Research; Company filings.

**Figure 18: Kuaishou's Operating Profit and Operating Profit Margin.**



Source: GLH Research; Company filings.

**Figure 19: Kuaishou's Adjusted Net Profit and Adjusted Net Profit Margin.**



Source: GLH Research; Company filings.

We forecast Kuaishou's total revenue for the second quarter of 2025 to reach RMB 34.0 billion, representing a 10% year-over-year increase. Adjusted net profit is expected to be RMB 5.0 billion, with an adjusted net margin of 14.6%.

Looking ahead to full-year 2025, we project that revenue from the "Other Services" segment will grow by 18% year-over-year, driven by the strong performance of Kling AI and sustained growth in e-commerce GMV. Based on the breakdown of Kuaishou's revenue streams, "Other Services" is expected to remain the fastest-growing among the company's three core business pillars.

During the quarterly earnings call, management noted that the company's AI initiatives, including Kling, are expected to contribute a 1–2 percentage point uplift to the Group's overall profit margin in FY2025. Kuaishou has set a full-year revenue growth target of 13%, reflecting continued market share gains within the broader industry.

Meanwhile, management's guidance for mid-teens year-over-year growth in advertising revenue signals a recovery in online marketing services. The live-streaming segment is expected to maintain low single-digit year-over-year growth, contributing to overall business stability.

**Figure 20: Kuaishou's Historical Financials and Our Forecasts.**

Unit: Million RMB	2023	1Q24	2Q24	3Q24	4Q24	2024	1Q25	2Q25E	3Q25E	4Q25E	2025E	2026E
Revenues	113,470	29,408	30,975	31,131	35,384	126,898	32,608	34,165	34,404	38,927	140,104	152,555
Cost of revenues	-56,079	-13,288	-13,840	-14,217	-16,261	-57,606	-14,816	-15,442	-15,482	-17,319	-63,059	-68,130
Gross profit	57,391	16,120	17,135	16,914	19,123	69,292	17,792	18,722	18,922	21,608	77,045	84,426
Selling and marketing expenses	-36,496	-9,384	-10,040	-10,364	-11,317	-41,105	-9,897	-10,933	-11,353	-12,457	-44,640	-48,818
Administrative expenses	-3,514	-462	-792	-796	-866	-2,916	-828	-854	-860	-934	-3,476	-3,478
Research and development expenses	-12,338	-2,843	-2,805	-3,100	-3,451	-12,199	-3,298	-3,075	-3,341	-3,776	-13,489	-14,554
Other income	978	118	34	194	187	533	53	34	206	117	410	458
Other gains, net	410	445	374	271	592	1,682	437	314	275	623	1,649	1,800
Operating profit/(loss)	6,431	3,994	3,906	3,119	4,268	15,287	4,259	4,209	3,850	5,181	17,499	19,834
Finance income, net	539	114	66	37	19	236	-24	68	34	19	98	305
Share of losses of investments accounted for using the equity method	-81	-3	-19	-6	-1	-29	2	-20	-7	-1	-26	-31
Income (loss) before income tax expenses	6,889	4,105	3,953	3,150	4,286	15,494	4,237	4,257	3,878	5,200	17,571	20,108
Income tax benefits/(expenses)	-490	15	27	120	-312	-150	-258	26	147	-364	-449	-201
Profit/(loss) for the period	6,399	4,120	3,980	3,270	3,974	15,344	3,979	4,282	4,025	4,836	17,122	19,907
Non-IFRS Adjustment Items	3,869	268	699	678	727	2,372	601	714	736	740	2,791	2,548
Adjusted Net Income	10,268	4,388	4,679	3,948	4,701	17,716	4,580	4,996	4,761	5,575	19,913	22,455

Source: GLH Research; Company filings.

For short-video platforms, investors typically adopt the EV/EBITDA multiple as a key valuation metric. In this report, we have selected three peer groups with comparable business models and financial characteristics for benchmarking purposes.

As of now, Kuaishou trades at HK\$51.65 per share, with a market capitalization of HK\$221.6 billion. According to consensus estimates, Kuaishou's EBITDA is projected to reach HK\$31.98 billion in 2025 and HK\$37.70 billion in 2026, implying EV/EBITDA multiples of 5.5x and 4.7x, respectively. These valuations represent a significant discount to the peer group average of 9.8x for 2025 and 8.3x for 2026.

Figure 21: Peer valuation analysis.

			EBITDA			EV/EBITDA			
Company	Ticker	EV	2024	2025E	2026E	2024	2025E	2026E	Category
Alibaba Group Holding Ltd	NYSE:BABA	255,311	25,375	25,174	32,116	10.1x	10.1x	7.9x	China E-Commerce Companies
PDD Holdings Inc.	NasdaqGS:PDD	96,266	14,951	13,146	19,332	6.4x	7.3x	5.0x	China E-Commerce Companies
JD.Com Inc	NasdaqGS:JD	32,155	6,641	7,559	8,672	4.8x	4.3x	3.7x	China E-Commerce Companies
Meta Platforms, Inc.	NasdaqGS:META	1,594,292	83,717	111,538	130,357	19.0x	14.3x	12.2x	Online Marketing Companies
Alphabet Inc.	NasdaqGS:GOOGL	2,037,164	129,497	171,940	194,893	15.7x	11.8x	10.5x	Online Marketing Companies
Tencent Music Entertainment Group	NYSE:TME	25,525	1,135	1,538	1,682	22.5x	16.6x	15.2x	China Live-streaming Companies
Hello Group Inc.	NasdaqGS:MOMO	771	218	198	208	3.5x	3.9x	3.7x	China Live-streaming Companies
						Median	10.1x	10.1x	7.9x
						Mean	11.7x	9.8x	8.3x
Kuaishou Technology	SEHK:1024	176,665	18,854	31,976	37,697	9.4x	5.5x	4.7x	

Notes:  
 1. Data as of 05/29/2025.  
 2. For for US stock,EVs and EBITDAs are in US\$ Million; for H-share, EVs and EBITDAs are in HKD Million.  
 3. EBITDAs are in calendar year and estimates are provided by analyst consensus on Capital IQ.

Source: GLH Research; Company filings.



## RISKS

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**User Growth and Retention Risk.** User scale—measured in monthly active users (MAUs) and daily active users (DAUs)—is the cornerstone of Kuaishou’s commercialization model. As the platform’s monetization across online marketing, live-streaming, and e-commerce is fundamentally dependent on traffic volume and engagement levels, any stagnation in user growth or decline in retention could materially impact revenue generation. In a highly competitive and increasingly saturated digital content market, especially in core markets like China, acquiring new users and maintaining engagement with existing users requires constant innovation and resource investment. Failure to adapt content formats, user experiences, or recommendation algorithms to evolving user preferences may lead to traffic erosion and lower advertiser or merchant interest in the platform.

**Regulatory and Copyright Risk.** Kuaishou’s platform relies heavily on user-generated and secondary creation content, which poses both regulatory and intellectual property (IP) compliance challenges. An increase in copyright infringement disputes—particularly involving unlicensed use of music, film, or television clips—could damage the platform’s reputation and content ecosystem. Additionally, as short video and live-streaming content continue to attract scrutiny, tighter regulatory oversight from domestic or international authorities could increase compliance costs, limit certain content formats, or slow down content moderation processes. Such regulatory shifts could disrupt user activity and affect both content supply and monetization efficiency, especially in regions with rapidly evolving digital governance frameworks.

**Macroeconomic Risk and Advertiser Budget Cuts.** Kuaishou derives a significant portion of its revenue—particularly from online marketing services—outside of e-commerce sectors, with advertiser behavior often closely tied to macroeconomic conditions. Similar to peers such as Baidu and Bilibili, Kuaishou is exposed to fluctuations in corporate ad budgets, which tend to contract during periods of economic slowdown, financial market volatility, or weakened consumer sentiment. A deteriorating macro environment may prompt brands to cut digital marketing expenditures or shift budgets to performance-based channels, reducing demand for Kuaishou’s advertising inventory and weakening its revenue growth momentum.

**Execution Risk in AI Commercialization.** As Kuaishou aggressively scales its AI initiatives—such as Kling AI and automated ad delivery systems—the company faces execution risks related to monetization, user adoption, and technological integration. While AI offers significant long-term potential to improve efficiency and open new revenue streams, the pace of commercialization depends on product maturity, competitive positioning, and evolving regulatory frameworks around AI-generated content. If Kuaishou fails to translate its AI capabilities into sustainable monetization models or faces pushback from users, regulators, or creators, it could delay the ROI from its AI investments and impact the company’s overall growth strategy.

**International Expansion Risk.** Kuaishou’s overseas business—particularly in markets like Brazil—is still in an early phase of development. Expanding into new geographies introduces additional layers of complexity, including local regulatory compliance, cultural adaptation, content localization, and competition with entrenched global and regional players. Missteps in brand positioning, marketing strategy, or partnership execution may limit the platform’s ability to scale internationally and dilute management focus away from its core domestic market.

## ABOUT THE ANALYSTS

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Chujie (Jack) Sun is a Senior Research Analyst at Gelonghui Research. Since 2017, Jack has served as the Investment Analyst in China Alpha Fund Management (Hong Kong) Limited, TMT Analyst in First Shanghai Group, and TMT Analyst at Gelonghui Research. Focusing on TMT sector, Chinese companies listed in the US, Hong Kong, and etc., and he specializes in both buy-side and sell-side equity research. Jack holds a B.A. in Economics from Ohio State University (Columbus) and an M.S. in Finance from City University of Hong Kong.

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