Kuaishou Technology (1024 HK)

3Q26: Revenue Misses; 4Q26 Outlook Remains Challenging

Highlights

- Kuaishou's 3Q26 revenue missed expectations, while earnings beat. Revenue fell 11.1% yoy to Rmb31.6b, around 4% below both our estimate and consensus, on weaker online marketing and live-streaming revenue. Gross margin contracted 6.5ppt yoy to 48.2%, reflecting higher revenue-sharing and bandwidth costs. Non-IFRS net profit fell 84.2% yoy to Rmb790m but exceeded both our estimate and consensus. Management expects revenue and margins to remain under pressure in 4Q26.
- Downgrade to SELL with a lower target price of HK$19.00.

3Q26 Results

Year to 31 Dec (Rmbm)	3Q25	2Q26	3Q26	QoQ	YoY	UOBKH	Var	Cons	Var
Total Net revenue	35,554	35,535	31,592	-11%	-11.1%	32,944	-4.1%	32,900	-4.0%
Live streaming	9,574	8,690	7,752	-11%	-19.0%	7,923	-2.2%		
Online marketing	20,102	20,639	17,871	-13%	-11.1%	19,275	-7.3%		
Other services	5,878	6,206	5,969	-4%	1.5%	5,745	3.9%		
COGS	16,120	17,207	16,376	-5%	1.6%	16,806	-2.6%		
Gross profits	19,434	18,328	15,216	-17%	-21.7%	16,138	-5.7%	16,174	-5.9%
GPM	55%	52%	48%	-7%	(6 ppts)	49%	(0.8 ppts)	49%	(1.0 ppts)
Non-IFRS OP	5,950	4,535	773	-83%	-87.0%	960	-19.5%		
Non-IFRS OPM	17%	13%	2%	(10 ppts)	(14 ppts)	3%	(0.5 ppts)		
Non-IFRS net income	4,986	3,913	790	-80%	-84.2%	715	10.5%	709	11.5%
IFRS EPS (RMB)	1.02	0.72	(0.22)	-131%	-121.9%	-0.06	-256.4%		
Non-IFRS Net Margin	14%	11%	3%	(9 ppts)	(12 ppts)	2.2%	0 ppts	2.2%	0 ppts

Source: Kuaishou, UOB Kay Hian

Analysis

- **Weak 3Q26 top-line performance.** Kuaishou Technology's (Kuaishou) online marketing revenue fell 11.1% yoy to Rmb17.9b in 3Q26 (2Q26: +4.4%), as intensifying e-commerce competition weighed on merchant ad spending. E-commerce GMV also declined yoy, reflecting cautious discretionary spending and lower subsidies on selected products. Higher compliance costs led merchants to tighten their advertising budgets and focus more on returns. Ad spending in the content consumption segment more than doubled yoy, supported by strong demand for AI-generated short dramas. Live-streaming revenue declined 19.0% yoy to Rmb7.8b (2Q26: -13.5%). Other services revenue grew 1.5% yoy to Rmb6.0b, as higher games and Kling AI revenue more than offset lower e-commerce revenue.
- **Margin overview.** Gross profit fell 21.7% yoy to Rmb15.2b in 3Q26, with gross profit margin down 6.5ppt yoy to 48.2%. Non-IFRS operating profit declined 87.0% yoy to Rmb773m, with margin down 14.3ppt yoy to 2.4%. R&D expenses rose 41.9% yoy on higher Kling AI investment, partly offset by a 9.0% yoy decline in selling and marketing expenses. Domestic operating profit fell 92.2% yoy to Rmb420m, while overseas operating loss narrowed to Rmb23m from Rmb25m in 2Q26 and Rmb64m in 3Q25.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	126,898	142,776	135,356	134,375	137,352
EBITDA	22,278	27,682	13,907	15,751	18,868
Operating profit	15,287	20,637	6,123	7,115	9,310
Net profit (rep./act.)	15,344	18,624	4,588	5,007	6,183
Net profit (adj.)	17,716	20,647	7,972	8,367	9,617
EPS (Fen)	402.1	469.0	186.2	193.5	220.2
PE	4.9	4.2	10.5	10.1	8.9
P/B	1.4	1.1	1.0	1.0	0.9
EV/EBITDA	2.5	2.0	4.1	3.6	3.0
Dividend yield	0.0	0.0	0.0	0.0	0.0
Net margin	12.1	13.0	3.4	3.7	4.5
Net debt/(cash) to equity	(20.5)	(14.1)	(34.1)	(22.2)	(23.7)
Interest cover (x)	n.a.	185.8	43.0	21.1	14.6
ROE	27.6	26.3	5.7	6.0	6.9
Consensus net profit	-	-	8,845.5	9,766.3	11,499.6
UOBKH/Consensus (x)	-	-	0.90	0.86	0.84

Source: Kuaishou, Bloomberg, UOB Kay Hian

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SELL (Downgraded)

Share Price	HK$23.04
Target Price	HK$19.00
Upside	-17.5%
Previous TP	HK$35.00

Stock Data

Sector	Consumer Services
Bloomberg ticker	1024 HK
Shares issued (m)	3,641.6
Market cap (US$m)	99,078.9
Market cap (US$m)	12,629.1
3-mth avg daily t'over (US$m)	148.5

Price Performance (%)

52-week high/low				HK$85.2/HK$22.6
1mth	3mth	6mth	1yr	YTD
(21.4)	(39.0)	(52.9)	(64.4)	(64.0)

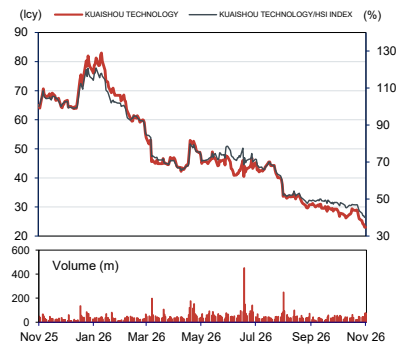
Major Shareholders (%)

Tencent Holdings Ltd	18.52

Balance Sheet Metrics

FY26 NAV/Share (Rmb$)	18.89
FY26 Net Debt/Share (Rmb$)	6.44

Price Chart



Source: Bloomberg

Company Description

Kuaishou Technology operates as a content community and social platform. The company helps users create, upload and watch short videos on mobile devices. Kuaishou Technology offers services worldwide.

- **No disclosure for Kling ARR.** Kling 4.0 drove higher billings, supported by enterprise API usage and professional creator subscriptions, with improving paying-user scale and ARPPU. Management did not provide a revised Kling ARR target, while gross margin and geographic revenue mix were broadly stable.
- **User base expands, but engagement softens.** Average daily active users (DAU) reached 417.3m (+5.0m qoq, +1.1m yoy), while average monthly active users (MAU) rose to 818.5m (+21.2m qoq, +87.4m yoy) in 3Q26. The DAU/MAU ratio declined to 51.0% from 51.7% in 2Q26. Management also cited intensifying competition as the reason behind the yoy decline in average daily time spent per DAU. Average online marketing revenue per DAU declined to Rmb42.8 from Rmb48.3 in 3Q25, reflecting weaker e-commerce ad spending.
- **Kling AI momentum has remained strong following the launch of Kling 4.0,** which supports native video generation of up to 30 seconds and was made available to all users on 15 October. This was followed by global API access on 28 October. Gross billings continued to grow, driven by enterprise API demand and paid creator subscriptions, with healthy trends in both user growth and ARPPU. Gross margin and geographic revenue mix remained broadly stable, while management did not provide an updated ARR guidance. Beijing Kling completed a Rmb19.8b capital raising on 30 October, with Rmb17.9b received in 3Q26 and Rmb15.4b recognised as financial liabilities due to conditional redemption rights. Management expects limited impact from potential US BIS restrictions, given that most compute capacity is located in China.
- **4Q26 revenue and margins remain under pressure.** Management expects cautious consumer and advertiser spending, intense competition and softer traffic to weigh on monetisation, while continued Kling AI investment is likely to pressure near-term profitability. Double 11 delivered a smaller sales uplift than in prior years, with both Kuaishou and merchants keeping subsidies in check.
- **Share repurchases and dividends.** Kuaishou repurchased over 39m shares for more than HK$1.4b in 3Q26 and paid its 2025 final dividend of HK$0.69 per share, totalling HK$3.0b, in Jul 26. Total shareholder returns exceeded HK$5.8b in 9M26, including buybacks and the final dividend.

Valuation/Recommendation

- Downgrade to SELL with a lower target price of HK$19.00, based on 9X 2027F PE, in line with peers. We are concerned about Kuaishou's deteriorating core business fundamentals, intensifying competitive pressures, and limited disclosure transparency.

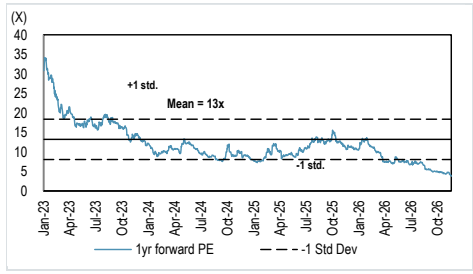
Earnings Revision/Risk

- We cut our 2026/2027 revenue by 1%/4% and earnings forecasts by 0%/5%, respectively, factoring in weaker live-streaming and online marketing revenue, alongside heightened investment in Kling AI. We forecast -5%/1% revenue growth and -65%/5% adjusted net profit growth for 2026/2027 respectively.
- Risks include: a) soft advertisement on weak macro environment, b) increasing competition from Douyin, c) restrictions on the time spent on short-form videos by minors, and d) expanding losses from new initiatives.

Share Price Catalyst

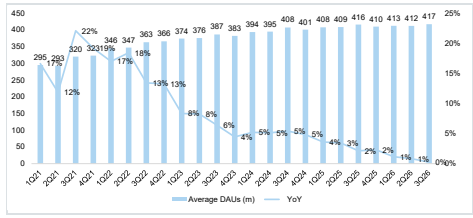
- a) Higher monetisation rates across all categories, b) increased monetisation of Kling AI, and c) lifting of regulations on internet platforms.

12-Month Forward PE Band



Source; Bloomberg, UOB Kay Hian

Average Dau



Source: Kuaishou, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	142,776.0	135,356.4	134,375.0	137,352.5
EBITDA	27,682.0	13,906.9	15,751.3	18,868.1
Deprec. & amort.	7,045.0	7,783.8	8,636.1	9,558.5
EBIT	20,637.0	6,123.1	7,115.2	9,309.6
Total other non-operating income	0.0	0.0	0.0	(0.0)
Associate contributions	(16.0)	(20.0)	0.0	0.0
Net interest income/(expense)	(149.0)	(323.8)	(745.9)	(1,294.8)
Pre-tax profit	20,472.0	5,779.3	6,369.3	8,014.8
Tax	(1,848.0)	(1,191.2)	(1,362.0)	(1,831.8)
Minorities	0.0	0.0	0.0	0.0
Net profit	18,624.0	4,588.1	5,007.3	6,183.0
Net profit (adj.)	20,647.0	7,972.0	8,366.6	9,616.8

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	22,869.0	34,424.0	31,145.9	33,751.0
Other LT assets	64,086.0	59,762.0	83,039.7	96,792.4
Cash/ST investment	11,180.0	27,591.0	18,908.6	22,427.9
Other current assets	66,369.0	83,087.0	82,319.4	82,533.1
Total assets	164,504.0	204,864.0	215,413.6	235,504.4
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	67,535.0	84,097.0	78,014.0	82,553.2
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	17,385.0	39,862.0	52,322.6	58,257.4
Shareholders' equity	79,558.0	80,869.0	85,041.0	94,657.8
Minority interest	26.0	36.0	36.0	36.0
Total liabilities & equity	164,504.0	204,864.0	215,413.6	235,504.4

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	26,716.0	3,125.0	11,179.3	15,872.8
Profit fo the year	20,472.0	5,779.3	6,369.3	8,014.8
Tax	(1,848.0)	(1,191.2)	(1,362.0)	(1,831.8)
Deprec. & amort.	7,045.0	7,783.8	8,636.1	9,558.5
Associates	16.0	20.0	0.0	0.0
Working capital changes	(1,249.0)	(78.2)	(3,491.4)	(1,440.3)
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	2,280.0	(9,188.7)	1,027.4	1,571.6
Investing	(26,256.0)	(23,958.0)	(22,601.9)	(22,222.3)
Capex (growth)	(14,942.0)	(23,281.3)	(22,601.9)	(22,222.3)
Investment	46,115.0	36,811.0	40,505.0	44,199.0
Others	(57,429.0)	(37,487.7)	(40,505.0)	(44,199.0)
Financing	(1,925.0)	21,139.0	18,926.0	9,868.7
Dividend payments	0.0	0.0	0.0	0.0
Proceeds from borrowings	4,422.0	0.0	0.0	0.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(6,347.0)	21,139.0	18,926.0	9,868.7
Net cash inflow (outflow)	(1,465.0)	306.0	7,503.5	3,519.3
Beginning cash & cash equivalent	12,697.1	11,180.1	11,405.1	18,908.6
Changes due to forex impact	(52.0)	(81.0)	0.0	0.0
Ending cash & cash equivalent	11,180.1	11,405.1	18,908.6	22,427.9

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	19.4	10.3	11.7	13.7
Pre-tax margin	14.3	4.3	4.7	5.8
Net margin	13.0	3.4	3.7	4.5
ROA	12.2	2.5	2.4	2.7
ROE	26.3	5.7	6.0	6.9
Growth				
Turnover	12.5	(5.2)	(0.7)	2.2
EBITDA	24.3	(49.8)	13.3	19.8
Pre-tax profit	32.1	(71.8)	10.2	25.8
Net profit	21.4	(75.4)	9.1	23.5
Net profit (adj.)	16.5	(61.4)	4.9	14.9
EPS	16.7	(60.3)	3.9	13.8
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(14.1)	(34.1)	(22.2)	(23.7)
Interest cover (x)	185.8	43.0	21.1	14.6

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