

Kuaishou Technology Announces First Quarter 2021 Unaudited Financial Results

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HONG KONG, May 24, 2021 /PRNewswire/ -- Kuaishou Technology (HK:1024) (the "Company" or "Kuaishou"), a leading content community and social platform, today announced its unaudited consolidated results for the first quarter of 2021 ended March 31, 2021 ("1Q2021").

First Quarter 2021 Key Financial and Operating Highlights

- Average DAUs on our apps and mini programs in China was 379.2 million, representing an increase of 26.4%.
- Average DAUs on Kuaishou APP was 295.3 million, representing an increase of 16.6% from 253.2 million for the same period of 2020.
- Average daily time spent per DAU⁽¹⁾ was 99.3 minutes, representing an increase of 16.5% from 85.2 minutes for the same period of 2020.
- Average online marketing services revenue per DAU⁽¹⁾ was RMB29.0, representing an increase of 124.8% from RMB12.9 for the same period of 2020.
- Total GMV of e-commerce transactions facilitated on our platform⁽²⁾ was RMB118.6 billion, representing an increase of 219.8% from RMB37.1 billion for the same period of 2020.
- **Total revenues** increased by 36.6% to RMB17.0 billion from RMB12.5 billion for the same period of 2020. Among the total revenues, online marketing services increased by 161.5% to RMB8.6 billion from RMB3.3 billion for the same period of 2020. As a percentage of the total revenue, online marketing services contributed 50.3%, while live streaming contributed 42.6%. The remaining 7.1% came from other services.
- Gross profit increased by 64.1% to RMB7.0 billion from RMB4.3 billion for the same period of 2020. Gross profit margin for 1Q2021 increased to 41.1% from 34.2% in the same time of 2020.

Mr. Su Hua, Co-Founder, Chairman and CEO of Kuaishou, said, "We achieved solid results in the first quarter of 2021. Our average DAUs on our apps and mini programs in China reached 379.2 million in the first quarter of 2021, driven by the continuously enriched content, products and services on our platform, as well as the great variety of activities we hosted during the Chinese New Year. Our investments in our advertising algorithm and platform continued to bear fruit. Our revenues from online marketing services showed strong year-over-year growth of 161.5%, rising to RMB8.6 billion, contributing more than 50% to our total revenue for the first time. E-commerce also enjoyed impressive growth during the quarter, with total GMV increasing 219.8% year-over-year, as we further enhanced our closed-loop e-commerce capabilities. Starting in the first quarter of 2021, we continued to improve the value of our content creator's private domains. That, combined with the support from our public domain traffic, has made it possible for us to allocate more exposure to high-quality content creators. By promoting the cultivation of social trust in content creators' private domains, we have been able to effectively encourage active content creation and in-depth interactions, which further enhanced creators' monetization capabilities, while also served to bolster our sustainable growth as a leading content community and social platform. In the first quarter of 2021, we also achieved encouraging results in overseas markets, with average monthly active users exceeding 100 million, and further increasing to over 150 million in April 2021. We have begun seeing that there is real potential for our business model and ecosystem in the overseas markets."

Notes:

- (1): Key operating data are those on Kuaishou App for the periods indicated
- (2): Placed on or directed to our partners through our platform

BUSINESS REVIEW AND OUTLOOK

At Kuaishou, we believe strongly that one shall have peace of mind when he possesses a piece of land, and one possesses a piece of land when he has peace of mind (有恆產者有恆心, 有恆心者有恆產). Starting in the first quarter of 2021, we have put greater emphasis on improving the value of our content creator's private domain, the place on our platform where all content and products of a creator can be found and where creators build and nurture their followings. The social trust cultivated in content creators' private domains, encourages active content creation, in-depth interactions and strong network effects. It is on these types of social trust-based interactions, that the ongoing success of Kuaishou's unique, warm and trustworthy online content community and social platform is built. We are encouraged to see an increasing number of premium content creators and that their works are seen, liked, and understood by our users. At the same time, more social trust has been strengthened between users and content creators in our ecosystem.

As of March 31, 2021, we had over 11 billion pairs of mutual follows cumulatively, defined as two users that follow each other, on Kuaishou App. Through more innovative and comprehensive content offerings and content operation formats, we have successfully made further developments in the depth and breadth of our content library and expansion of content consumption scenes on our platform. Additionally, by leveraging our strong social trust and abundant content, along with our enhanced technological capabilities, we have been able to introduce more high-quality as well as customized products and services to better address the evolving, sophisticated needs of our users. These efforts have been highly effective, evidenced by better-than-expected growth of our user base and user engagement in the first quarter of 2021, many of our key operating metrics hit all-time highs. In the first quarter of 2021, our average DAUs on our apps and mini programs in China reached 379.2 million, representing a year-over-year increase of 26.4% and a quarter-over-quarter increase of 20.0%. Average DAUs and average MAUs on Kuaishou App for the first quarter of 2021 reached 295.3 million and 519.8 million respectively, while average daily time spent per DAU further expanded to 99.3 minutes in the first quarter of 2021, representing a year-over-year increase of 16.5% and a quarter-over-quarter increase of 10.5%.

The increased diversification of our offerings led to enhanced user engagements and continued development and prosperity of our ecosystem. In

addition, our support to the growth of premium content and private domain traffic has empowered our unique content and trust-based business model. We achieved total revenues of RMB17.0 billion for the first quarter of 2021, representing a year-over-year increase of 36.6%. Despite the first quarter of a year is traditionally known as the low season in the advertising industry, our revenues from online marketing services grew by 161.5% year-over-year to RMB8.6 billion in the first quarter of 2021, contributing over 50% of our total revenues for the first time. Revenues from other services including e-commerce showed explosive growth, reaching RMB1.2 billion, a rapid year-over-year increase of 589.1%. Total e-commerce GMV was equally impressive at RMB118.6 billion, representing a year-over-year increase of 219.8%. Our gross margin improved to 41.1% in the first quarter of 2021 from 34.2% in the same quarter of 2020, benefiting from a more favorable revenue mix.

Content

In the first quarter of 2021, we continued to integrate our public domain and private domain to effectively allocate more exposure to high-quality content creators, helping them grow their fan bases, and further solidifying the virtuous cycle of content creation and content consumption on our platform. We also enhanced our Kuaishou Search (快手搜索) functionality to reward high-quality content with greater exposure. In the first quarter of 2021, over 250 million users on Kuaishou App used Kuaishou Search on average every month. We plan to invest more resources to develop Kuaishou Search, because it is a complementary to content distribution and discovery, which not only enables content creators to better understand and provide refined solutions to their user's inquiries, but also drives efficiency in converting random traffic into sticky followers. In the first quarter of 2021, we added over 10 million new content creators to our platform every month on average. In the twelve months ended March 31, 2021, we helped nearly 24 million users earn money in certain form on Kuaishou App.

In the meantime, we have made continuous efforts in content format initiatives as well as content quality improvements. For content format, we enhanced our investment in Kuaishou Playlet (快手短劇) and launched Project Astral (星芒計劃) in December 2020, in order to attract and incentivize semi-professional content creators to produce high-quality short plays covering a broad range of topics. To date, we have attracted over 60,000 content creators under Kuaishou Playlet, and among these, over 8,000 of them have gained followings of over 100,000 fans each. In March 2021, we attracted an average of more than 200 million users watching short plays on Kuaishou Playlet every day. Furthermore, we also established partnerships with leading online literature platforms to obtain copyrights of some premium literatures to encourage content creators to produce short plays.

Every day since 2020, tens of millions of videos were uploaded to our platform on average, from which, we have observed an increasing demand for more diversified and refined contents from various communities. In light of this, vertical expansion and refined operation became our focus on content front in the first quarter of 2021. We continued putting efforts into expanding our content library to cover more categories and verticals, such as local services and sports. Aside from the traditional local services information such as restaurants and bars, our content conveys local services that may require more significant decisions from users, such as travel, real estate and vehicle purchases, all of which benefit from our trust-based content community and social platform. There are many talented users with professional skills and knowledge in our vibrant content community. By leveraging our rich private domain traffic on our broad platform, they are able to showcase their expertise by providing solutions to better serve user needs through short video and live streaming. By the end of the first quarter of 2021, there were over 15 segments under our local services channel, where transactions were completed on a closed-loop basis on our platform. This further demonstrates a commercialized content ecosystem, with participation of users, merchants and content creators, is taking shape.

Online marketing services

We achieved strong growth of online marketing services in the first quarter of 2021 with revenues increasing by 161.5% on a year-over-year basis to RMB8.6 billion, an impressive accomplishment considering that the first quarter of a year is widely known as the low season in the ad industry. We have become the partner of choice for an increasing number of advertisers, and the number of advertisers on our platform in the first quarter of 2021 was more than doubled that of the same period of 2020. All these achievements were driven by our efforts. Firstly, since we launched our online marketing services in 2017 and still to this day, we have been continuously accumulating valuable experience and ad system refinement, in order to achieve optimized algorithm and enhanced distribution precision. Secondly, we have improved the quality of our ad materials and enhanced the content of our ads by expanding our partnerships with content creators to enable them to create customized content for advertisers. This has been a triple-win for our advertising customers, our content creators and ourselves. As of today, our Star Magnet (磁力聚星) has expanded partnerships with an increasing number of content creators, which more than doubled from the end of 2020. The video views of ad content produced by our partner content creators increased by over 100% sequentially in the first quarter of 2021.

Brand advertisement is one of the key areas to the development of our online marketing services in 2021. This year's Chinese New Year season was particularly lively, combined with the variety of user activities hosted on our platform, brand advertisers increased their advertising volume proactively, which drove the growth of our brand ads. In the first quarter of 2021, the year-over-year growth rate of our revenues from brand ads outpaced that of our total online marketing revenues. We featured ourselves by providing a full suite of brand ad solutions with full integration of branding campaigns, performance-based advertising and our digital promotion program. Furthermore, we have been well recognized by brand advertisers as our broad user coverage in China enables us to be the platform that helps brand advertisers to expand their customer reach beyond traditional regions. At the same time, supported by our highly active user engagement as a leading social platform globally and our cutting-edge technological capabilities, we are in a better position to gain in-depth user insights, and empower advertisers through precision marketing to increase their overall return.

Kuaishou Union (快手聯盟) was another area in which we achieved breakthrough in online marketing services in the first quarter of 2021. Unlike other ad unions, our offering is able to refresh the industry by distributing more than just ads, but rather a three-in-one integrated package, which includes advertisement, content and e-commerce products. Through Kuaishou Union, we have empowered our developers with our abundant high-quality content, products and creative ad formats. Not only that, but we have also provided more exposure and generated benefits for our content creators and e-commerce merchants. Kuaishou Union has become increasingly influential to the sector since its launch, and its developer and user coverage has been continuously expanding.

Live streaming

Our live streaming ecosystem became even more active in the first quarter of 2021, with user engagement and interactions continuing to increase. We continued our expansion into new live streaming content genres and live streaming formats in the quarter. Throughout the full month of February 2021, we launched an innovative 26-day official nonstop live streaming series called Super Live (超級播), with abundant content categories and formats, including celebrity talk shows, online concerts, ACG performances, Chinese New Year gala and more. Within one month, Super Live successfully attracted viewership in excess of 1.5 billion, and became one of the super IPs on our platform. The success of Super Live has given us a great deal of

encouragement to continue to pursue innovative content concepts and formats.

Another focus for our live streaming segment in the first quarter of 2021 was the deepening and refinement of our various content verticals. For instance, 2021 is shaping up to be a really big year for sports. In the first quarter we became the official live streaming and short video platform of the China Basketball Association ("CBA"), the top men's professional basketball league in China. Following this, our users can watch live-streamed CBA events in high-definition and enjoy rich interactive features on our platform. Our re-creation copyright to content from CBA events allows us to operate differently from other traditional formats of live sports broadcasting, which usually provide official commentary. Both professional sports commentators and our regular users can lend their unique style to sports commentary from their own live streaming rooms, providing our users with differentiated and lively live streaming experiences. The introduction of such high-quality copyrights has effectively encouraged user activeness in our live streaming content creation and social ecosystem. The number of live streaming users of sports vertical increased by over 200% in late April 2021, compared with that before the launch of CBA live broadcasting.

In the first quarter of 2021, the numbers of both daily active live streaming hosts and daily active live streaming users achieved double-digit growth rates on a quarter-over-quarter basis, showing the powerful flywheel effect of content creation and content consumption on our platform. In the first quarter of 2021, the average MPUs for live streaming on Kuaishou App increased by 3.1% to 52.4 million compared with 50.8 million in the fourth quarter of 2020. While, our monthly ARPPU for live streaming on Kuaishou App was RMB46.1 in the first quarter of 2021, growing by 2.9% from RMB44.8 in the same quarter of 2020. We believe as users and content creators interact more through live streaming, their mutual levels of understanding and trust grow, which in turn helps our content creators to nurture their fan bases, increase the value of their private domain traffic and pursue ways to generate income through a variety of derived avenues including e-commerce and advertisement.

Other services including e-commerce

In the first quarter of 2021, we saw tremendous growth from our other services business with revenue increasing by 589.1% to RMB1.2 billion compared with the same period in 2020, with the increase primarily driven by e-commerce. Our total e-commerce GMV continued its rapid year-over-year growth of 219.8% in the first quarter of 2021, and reached RMB118.6 billion. In the first quarter of 2021, we further enhanced our closed-loop e-commerce capabilities, solidifying our unique position as a social trust and content based e-commerce platform.

On Kuaishou, there is endless creation of content, among which e-commerce related content plays an increasingly important role, and is also one of the key attractions and differentiators for our e-commerce business. We encourage our merchants to produce more premium content, along with their unique and interesting personalities, it could help attract targeted users to spend more time in their private domains where the traffic can be retained for the long-term. Together with high-quality products, we believe this can drive significant improvements in overall conversion rates for transactions. In the first quarter of 2021, a greater portion of average daily time spent per DAU was on e-commerce live streaming, compared with the same period of the previous year on Kuaishou App. Our dedication to private domain and content has helped us to build a social trust-based e-commerce ecosystem. The trust cultivated within private domains naturally gives rise to increased transactions between buyers and their trusted merchants, as the social responsibility that comes with social trust also encourages merchants to deliver better products and services. This in turn improves the overall user experience and further strengthens mutual trust, adding long-term value to our vibrant ecosystem. In the first quarter of 2021, private domains contributed more to our total e-commerce GMV than public domains.

In the first quarter of 2021, we continued to focus on investing in e-commerce infrastructure and introduced more tools and services for Kwai Shop (快 手小店), with these additions being well received by merchants. The contribution from Kwai Shop to the total e-commence GMV for the first quarter of 2021 increased to 85%, compared with 53% in the same period of 2020. As our marketplace matures, quality of products becomes increasingly important. With this in mind, we began to integrate the means of resources on the supply chain side and reinforced Kuaishou Selection (好物聯盟). By doing so, we are able to improve quality of products through enhanced official product selection and foster partnerships between merchants with strong supply chain capabilities and hosts with a loyal following. Beyond this, Kuaishou Selection also empowers hosts with digital tools to analyze the performance of various products and behaviors of their fan bases, helping them to optimize their product selection. This is one of the initial successes we have achieved through building our closed-loop model, and it has greatly improved the overall efficiency of our ecosystem. For the first quarter of 2021, the e-commerce GMV generated on KuaishouSelection to the total e-commerce GMV doubled on a quarter-over-quarter basis.

Overseas

There is no doubt that China has the most developed short video and live streaming market in the world. Indeed, Kuaishou is one of the pioneers of the industry, having started our journey ten years ago. Compared with China, the levels of maturity and penetration for short video and live streaming in overseas markets are relatively low, and we see a great deal of potential and opportunities out there. In the first quarter of 2021, we expanded proactively in the overseas markets and saw some encouraging results for different products such as Kwai, SnackVideo and others. South America and Southeast Asia are the key regions we have targeted in our international expansion. Based on prior experience, we observed that localized content which is more relevant to peoples' daily lives and culture is a key factor for attracting and retaining local users. To these ends, we have prudently invested in user acquisition and motivated users to create more local content in our different targeted markets. We are very pleased to have seen a better-than-expected performance in overseas markets with our average monthly active users exceeding 100 million in the first quarter of 2021, and further increased to more than 150 million in April 2021. Our overseas business is still at an early stage of development. From the initial steps, we are thrilled to see real potential for our business model and ecosystem outside of our domestic market and it is after all, from tiny acorns that mighty oak trees grow.

About Kuaishou

Kuaishou is a leading content community and social platform with its mission to be the most customer-obsessed company in the world. Kuaishou has relentlessly been focusing on serving its customers and creating value for them through the continual innovation and optimization of its products and services. At Kuaishou, any user can chronicle and share their life experiences through short videos and live streams and showcase their talents. Working closely with content creators and businesses together, Kuaishou provides product and service offerings that address various user needs that arise naturally, including entertainment, online marketing services, e-commerce, online games, online knowledge-sharing, and more.

Forward-Looking Statements

Certain statements included in this press release, other than statements of historical fact, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "might", "can", "could", "will", "would", "anticipate", "believe", "continue", "estimate", "expect", "forecast", "intend", "plan", "seek", or "timetable". These forward-looking statements, which are subject to risks,

uncertainties, and assumptions, may include our business outlook, estimates of financial performance, forecast business plans, growth strategies and projections of anticipated trends in our industry. These forward-looking statements are based on information currently available to our Group and are stated herein on the basis of the outlook at the time of this press release. They are based on certain expectations, assumptions and premises, many of which are subjective or beyond our control. These forward-looking statements may prove to be incorrect and may not be realised in future. Underlying these forward-looking statements are a large number of risks and uncertainties. In light of the risks and uncertainties, the inclusion of forward-looking statements in this press release should not be regarded as representations by the Board or the Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements. Except as required by law, we are not obligated, and we undertake no obligation, to release publicly any revisions to these forward-looking statements that might reflect events or circumstance occurring after the date of this press release or those that might reflect the occurrence of unanticipated events.

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