Kuaishou Technology Announces First Quarter 2022 Financial Results

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HONG KONG, May 24, 2022 /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 ended March 31, 2022.

First Quarter 2022 Key Financial and Operating Highlights

- **Average DAUs on Kuaishou APP** were 345.5 million, representing an increase of 17.0% from 295.3 million for the same period of 2021.
- **Average MAUs on Kuaishou APP** were 597.9 million, representing an increase of 15.0% from 519.8 million for the same period of 2021.
- **Average daily time spent per DAU(1)** was 128.1 minutes, representing an increase of 29.0% from 99.3 minutes for the same period of 2021.
- **Average online marketing services revenue per DAU(1)** was RMB32.9, representing an increase of 13.4% from RMB29.0 for the same period of 2021.
- **Total GMV of e-commerce transactions facilitated on our platform(2)** was RMB175.1 billion, representing an increase of 47.7% from RMB118.6 billion for the same period of 2021.
- **Total revenue** increased by 23.8% to RMB21.1 billion from RMB17.0 billion for the same period of 2021. Amongst total revenues, online marketing services increased by 32.6% year-over-year to RMB11.4 billion and Other Services increased by 54.6% year-over-year to RMB1.9 billion. As a percentage of total revenue, online marketing services contributed 53.9%, while live streaming contributed 37.2%. The remaining 8.9% came from other services.
- **Gross profit** increased by 25.7% to RMB 8.8 billion from RMB 7.0 billion for the same period in 2021. Gross margin in the first quarter of 2022 was 41.7%, improving from 41.5% and 41.1% in the fourth quarter and first quarter of 2021 respectively.

Mr. Cheng Yixiao, Co-founder and Chief Executive Officer of Kuaishou said, "In the first quarter of 2022 we achieved satisfactory results across our business operations, amidst a challenging environment. Our multiple growth engines in each business segment, as well as differentiated value propositions, rooted in our trust-based ecosystem, underpinned our market share gains and drove us to new record highs across key operating metrics. We remain committed to creating more value for our users and empowering more industries, advertisers and merchants through short videos and live streams, especially during the pandemic. Looking forward, we will continue to reinforce our flourishing ecosystem and improve our capabilities in monetization and profitability, propelling the sustainable and healthy long-term development of our business."

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

In the first quarter of 2022, our business demonstrated relatively stronger resilience amidst a challenging macro environment and the resurging pandemic. We set new records in terms of our key operating metrics in the first quarter of 2022. Our total user traffic continued to grow at a strong pace in the first quarter of 2022, increasing by over 50% year-over-year on Kuaishou App. We continued to improve monetization capability and optimize cost structure and operating efficiency, delivering a 23.8% year-over-year increase in total revenues of RMB21.1 billion, and achieving year-over-year improvements in across-the-board profitability in the first quarter of 2022. Our gross margin and operating margin improved by 0.6 percentage point and 16.0 percentage points in the first quarter of 2022 compared with the same period of 2021, and our adjusted net loss narrowed significantly to RMB3.7 billion from an adjusted net loss of RMB5.7 billion in the first quarter of 2021.

Ecosystem

In the first quarter of 2022, we further optimized user acquisition efficiency and user retention rate, and continued to implement a differentiated growth strategy to reinforce our unique social attributes, leading content operations and technological capabilities, and other various competitive edges of our business. This resulted in another set of record- setting user metrics in the first quarter of 2022. Our average DAUs and average MAUs on Kuaishou App increased by 17.0% and 15.0% year-over-year, to 345.5 million and 597.9 million, respectively, during the period. As our deeply connected ecosystem and rich content continued to resonate with users, user stickiness and engagement have been improving along with our expanding user base. This is demonstrated by an improved average DAUs to average MAUs ratio on Kuaishou App, which reached 57.8% in the first quarter of 2022, representing a 1.0 percentage point expansion year-over-year. At the same time, our average daily time spent per DAU on Kuaishou App reached 128.1 minutes in the first quarter of 2022, increasing by 29.0% year-over-year and 7.7% quarter-over-quarter.

We have been consistently strengthening the social attributes on our platform and maximizing the power of the multifaceted network effects in our vibrant and trust-based community. As a testament to the increasing bonds among users and their growing stickiness, pairs of mutual followers on Kuaishou App reached nearly 18.8 billion, cumulatively, by the end of March 2022, representing a 68.9% year-over-year increase.

We made outstanding progress in content enrichment and quality improvement in key verticals such as short plays, sports and pan-knowledge, which continuously drove organic growth in user base and user engagement. Our ***Kwai Playlet Astral (快手星芒短劇)***, which aims to provide all-around

assistance for professional short play creators in content themes, traffic support and business cooperation to incentivize them to produce premium short plays, delivered excellent results in the first quarter of 2022. During the first quarter of 2022, ***Kwai Playlet Astral*** contributed to 18 blockbusters with cumulative viewers of over 100 million each, including "***Her Highness, Princess Royal (長公主在上)***" and "***Revenge from Phoenix (萬渣朝凰)***", making us one of the leading platforms producing top-notch short plays. For the sports vertical, we increased our investment in premium content such as the Winter Olympics, and strengthened our operating capabilities in such content. By the end of March 2022, we covered more than 40 sports genres on our platform.

We also iterated and optimized our deep learning models, and fine-tuned our recommendation strategies. Our AI-empowered technology provides users with a better experience, which in turn serves to improve our long-term user retention, and fosters growth in user base and time spent.

Online marketing services

Although we endured a typical slack season for advertising industry, as well as the slowing macroeconomic growth and the resurging pandemic, our online marketing services gained more market share in the first quarter of 2022. This has demonstrated our differentiated value proposition to advertisers. Our online marketing services witnessed a modest year-over-year growth of 32.6% in the first quarter of 2022, with revenue reaching RMB11.4 billion.

Strong traffic growth, as well as the secular tailwind of video-based advertisements, fueled our online marketing business in the first quarter of 2022. We leveraged our closed-loop ecosystem, comprehensive product matrix, leading technology and premium services to provide an optimized experience for our advertisers continuously. As a result, we successfully attracted an increasing number of advertisers to our platform. In the first quarter of 2022, the number of advertisers on our platform increased by over 60% year-over-year.

Revenue from online marketing services provided to our e-commerce merchants maintained healthy growth momentum in the first quarter of 2022, which further enhanced the resilience of our online marketing business. This was attributable to our vigorously developed e-commerce business, improved service capabilities and continuous product iterations for advertisers from our e-commerce business as a natural extension to our platform.

Brand advertising is another area where advertisers can benefit from our high-value user community, closed-loop ecosystem and successful event operations such as the Winter Olympics and Chinese New Year campaigns. In the first quarter of 2022, we made inroads with dozens of world-renowned brand advertisers. Our distinct and differentiated positioning for brand advertisers makes Kuaishou a platform that cannot be overlooked for raising brand awareness across advertisers' targeted populations.

Live Streaming

In the first quarter of 2022, revenue from live streaming reached RMB7.8 billion, increasing by 8.2% year-over-year as we reinforced our live streaming ecosystem from both the supply and demand sides.

Rapid growth in our user base and traffic laid a solid foundation for the healthy development of our live streaming ecosystem. At the same time, our exploration of emerging user needs in an ever-changing environment, and the launch of new content categories attracted both new users and incremental traffic to the platform in the first quarter of 2022, including ***Kwai Recruitment (快招工)***.

On the supply side, we continually improved live streaming content quality by strengthening our cooperation with talent agencies. At the same time, we prioritized platform traffic allocation to motivate streamers to continuously create high-quality content. In the first quarter of 2022, the average daily streaming time per streamer increased by double-digit percentage points year-over-year.

On the demand side, our flourishing creators' community and our continuously enriched premium live streaming content attracted more users, creating a virtuous cycle that maximizes the value of our content creators and strengthening our robust and dynamic live streaming ecosystem. This was evidenced by the sequentially increasing number of both live streaming viewers and live streaming paying users. In the first quarter of 2022, average MPUs for live streaming increased by 7.8% year-over-year to 56.5 million on Kuaishou App. Monthly ARPPU for live streaming on Kuaishou App was RMB46.3 in the first quarter of 2022, compared with RMB46.1 for the first quarter of 2021.

Other services including e-commerce

Our other services delivered a robust performance with revenue of RMB1.9 billion in the first quarter of 2022, representing an increase of 54.6% year-over-year, primarily driven by e-commerce business. Our total e-commerce GMV increased by 47.7% year-over-year to RMB175.1 billion in the first quarter of 2022, among which, over 99% was contributed by ***Kwai Shop (快手小店)***, our closed-loop e-commerce marketplace.

Dedicated efforts to reinforce our trust-based e-commerce model, expand brand e-commerce and enhance our service partner systems, yielded consistent improvements to the overall consumer experience, increased merchandise supply, and fostered live-streaming content creation for e-commerce in the first quarter of 2022. These endeavors, along with our cutting-edge AI-driven recommendation technology, created increasing value for both our users and merchants, promoted consumption and deepened live streaming e-commerce penetration on our platform.

To further differentiate our unique trust-based e-commerce model from peers, we rolled out a comprehensive consumer rights protection system, ***Trusted Purchase (信任購)***, which adds a consumer trust index to our merchant recommendation mechanism to improve their operations and satisfy consumers' needs. This contributed to further year-over-year improvement of the repeat purchase rate on our platform in the first quarter of 2022.

With respect to brand e-commerce, we strive to serve and empower not only well-known brands, but also emerging brands, in particular, ***Kwai Brand (快品牌)***, which grew and flourished in Kuaishou's e-commerce ecosystem. Leveraging our massive traffic, user loyalty and various operating measures, emerging brands further strengthened their ability to gain access to and connect with a broader range of potential buyers, and improved their customer outreach and conversion capabilities. In the first quarter of 2022, the average monthly e-commerce GMV of ***Kwai Brand*** merchants exceeded RMB25.0 million.

Our network of ***Kwai Partners (快手服務商)***, which provides comprehensive and targeted services to merchants in our e-commerce ecosystem, has also begun to take shape. We grew both the quantity of service partners on our platform as well as improved the quality of their services to merchants, as measured by the number of merchants achieving a quantum leap in e-commerce GMV through empowerment by Kwai Partners. We also launched additional policies to help small-and medium-sized merchants enhance their sales efficiency and gain exposure to our user groups. The combination of these efforts drove a double-digit year- over-year increase in the number of monthly active merchants in the first quarter of 2022.

Overseas

In overseas markets, we grew at a healthy pace. During the first quarter of 2022 we maintained tight control of our expenses, strategically consolidating our resources and improving our efficiency in key markets. Further distinguishing our value proposition within today's market landscape, we continued to differentiate our product offerings, refine our targeted user outreach strategy, enrich our content supply, and advance our proprietary algorithms.

More importantly, we continued to improve the quality of our growth in overseas markets. Our average DAUs, user retention rate, as well as average time spent per DAU in overseas market each continued to increase in the first quarter of 2022. For example, average daily time spent per DAU in Brazil reached approximately 60 minutes in the first quarter of 2022.

We are also making solid progress with respect to monetization in overseas markets. During the first quarter of 2022, we continued to improve our capabilities in local operations, as well as strengthen our infrastructure in monetization. These combined efforts have empowered us, as well as the creators on our platform, to further explore monetization opportunities.

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 the 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 realized in the 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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