



## Kuaishou Technology Announces Second Quarter and Interim 2022 Unaudited Financial Results

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HONG KONG, Aug. 23, 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 three months ("Second Quarter") and six months ("Interim") ended June 30, 2022.

### Second Quarter 2022 Key Financial and Operating Highlights

- **Average DAUs on Kuaishou App** were 347.3 million, representing an increase of 18.5% from 293.2 million for the same period of 2021.
- **Average MAUs on Kuaishou App** were 586.7 million, representing an increase of 15.9% from 506.2 million for the same period of 2021.
- **Average daily time spent per DAU on Kuaishou App** was 125.2 minutes, representing an increase of 17.1% from 106.9 minutes for the same period of 2021.
- **Total GMV of e-commerce transactions facilitated on our platform<sup>(1)</sup>** was RMB191.2 billion, representing an increase of 31.5% from RMB145.4 billion for the same period of 2021.
- **Total revenue** increased by 13.4% to RMB21.7 billion from RMB19.1 billion for the same period of 2021. Amongst total revenues, online marketing services increased by 10.5% year over year to RMB11.0 billion and Live Streaming increased by 19.1% year over year to RMB8.6 billion, while other services increased by 7.1% year over year to RMB2.1 billion. As a percentage of total revenue, online marketing services and live streaming contributed 50.7% and 39.5%, respectively. The remaining 9.8% came from other services.
- **Gross profit** increased by 16.5% to RMB 9.8 billion from RMB 8.4 billion for the same period in 2021. Gross margin in the second quarter of 2022 was 45.0%, improving from 41.7% and 43.8% in the first quarter of 2022 and second quarter of 2021 respectively.
- **Operating profit from the domestic segment<sup>(2)</sup>** was RMB93.6 million, compared to an operating loss of RMB1.0 billion for the same period of 2021.

**Mr. Cheng Yixiao, Co-founder and Chief Executive Officer of Kuaishou said,** "In the second quarter of 2022, we achieved breakthrough progress despite the challenging macro environment. Our revenue continued its solid growth momentum and our domestic business realized profitability at the operating level ahead of our expected schedule, strongly demonstrating the health and sustainability of our business model. Both our DAUs and traffic delivered record high in the second quarter, boosting the continuous improvement of our user stickiness and the community's vibrancy. In addition to the monetization enhancement and efficiency improvement, we stay true to our commitment to creating value for our users and the wider society while empowering more industries through video and our technology-driven service capabilities. As we look ahead, we will continue to deepen and expand our trust-based ecosystem, further unlocking the vast potential of our public and private domain traffic. Furthermore, we are dedicated to creating more value for users, content creators, partners and shareholders and driving the company's sustainable development."

Notes:

(1): Placed on or directed to our partners through our platform

(2): Unallocated items, which consist of share-based compensation expenses, other income, and other gains/(losses), net, are not included.

### BUSINESS REVIEW AND OUTLOOK

#### Business Review

The second quarter of 2022 was marked by a breakthrough performance for Kuaishou. Most notably, we achieved a significant profitability milestone in our domestic business with robust growth in our revenue streams. Our efforts to improve operating efficiency continued to prove effective, despite the challenging macro environment.

Our domestic business delivered operating profit by segment in the second quarter of 2022, ahead of our expected timeline and it represented an important progress we made in profitability by segment since we began significantly scaling up user growth investments. This demonstrates the resilience and sustainability of our business model and the fruitful reward of our strategic initiatives to streamline cost structure and enhance operating efficiency. The profitability of our domestic business brought our adjusted EBITDA back to positive territory for the second quarter of 2022, also the first time since the fourth quarter of 2020. In the second quarter of 2022, our adjusted net loss margin reached single digit status at 6.0%, having substantially narrowed by 20.2 percentage points year-over-year and 11.7 percentage points quarter-over-quarter.

Even with much more disciplined cost control, our user base and traffic sustained strong growth momentum in the second quarter of 2022, and once again reached record highs. Our total traffic continued to grow at a strong pace, increasing by 38.7% year-over-year on Kuaishou App in the second quarter of 2022.

## Ecosystem

In the second quarter of 2022, we continued to improve our user acquisition and retention efficiency, deepen the trust-based ecosystem and build our characteristic content verticals. These efforts successfully drove average DAUs on Kuaishou App to a record 347.3 million, up 18.5% year-over-year. The ratio of average DAUs to average MAUs on Kuaishou App also hit a record high, expanding to 59.2% in the second quarter of 2022, reflecting our ability to grow user engagement and increase the vibrancy of our user base at scale.

In terms of user acquisition and retention, first, we improved our user acquisition efficiency by strategically expanding our efficient user acquisition channels while upgrading our operation capabilities for user conversion. Second, we continued to refine our user retention model, aiming to optimize both the retention rate and the maintenance cost per DAU. We also iterated and adjusted our traffic allocation algorithms, so as to leverage our traffic to support our content creators while optimizing user experience more effectively. These consistent measures help increase user time spent on Kuaishou App and improve our users' long-term retention rate. The average daily time spent per DAU on Kuaishou App reached 125.2 minutes in the second quarter of 2022, up 17.1% year-over-year.

Giving rise to stronger network effects and fostering a trust-based ecosystem, social attributes and interactions have always been a paramount focus and one of the most efficient user growth strategies for us. As we aim to cultivate a social environment that "embraces all lifestyles," and growing bonds among users, pairs of mutual followers on Kuaishou App grew by 65.9% year-over-year, reaching more than 20 billion, cumulatively, by the end of June 2022.

We continued to bring more varieties to our users and enhance the quality of content verticals while strengthening our operation capabilities. Leveraging our sharp insights in market trends and user preferences, we continuously rolled out potential blockbuster content of short plays. Our **Kwai Playlet Astral (快手星芒短剧)**, which provides all-around assistance for outstanding short play creators, continued to produce various genres and themes of blockbusters such as "**Love Bravely**" and "**Tale of an Ancient Snake**" to further enrich the content supply and consumption ecosystem on our platform, contributing to our organic user growth and increasing user stickiness. In-depth operation of blockbuster content also contributed positively to user acquisition and the vigor of our ecosystem. Our recent live streaming debut of famous artists such as Jackie Chan and Jay Chou sparked viral interactions online, adding another source of blockbuster content on our platform.

## Online marketing services

Amidst the challenging macro environment, we expanded our online marketing services business by leveraging our strong traffic growth, robust development of closed-loop ecosystem, continuous technology iterations and improved quality of services. Our total revenue from online marketing services in the second quarter of 2022 was RMB11.0 billion, representing a 10.5% year-over-year increase, further gaining market share in the online marketing sector.

We continued to extend our advertiser coverage through a wide range of channels and provided them with differentiated supporting policies. In the second quarter of 2022, the number of advertisers on our platform increased by over 90% year-over-year. Advertiser retention rates were also boosted during the period driven by our consistent improvements in our services, products capabilities and ads performances.

The online marketing services provided to our e-commerce merchants demonstrated healthy expansion trends and strong resilience along with the signs of e-commerce recovery after the slowdown in the recent pandemic outbreak, significantly contributing to the growth of our online marketing services in the second quarter of 2022. In addition to traditional live streaming e-commerce advertisements, we further unlocked the commercial value of our combined public and private domain traffic through short video e-commerce advertisements integrated with our closed-loop transaction system, which further improved the matching efficiency and brought incremental advertising business from merchants on our platform.

We also continued to win more brand advertisers by enabling them to establish meaningful connections with consumers. The growth of our brand advertising in the second quarter of 2022 outpaced that of our overall online marketing services driven by our growing ad spaces, customized solutions that address diverse marketing needs, and our ability to combine brand advertising with performance advertising.

## Live streaming

In the second quarter of 2022, revenue from live streaming reached RMB8.6 billion, increasing by 19.1% year-over-year, and average MPUs for live streaming increased by 21.8% year-over-year to 54.2 million on Kuaishou App. The revenue and paying user growth were primarily due to our improved live streaming content quality and enhanced efficiency in matching user and content, as well as the flourishing user base and the powerful traffic expansion on our platform.

On the supply side, we continually empowered our existing streamers and added new streamers by bolstering our collaboration with talent agencies. As a result, the quality of our live streaming content has significantly improved, along with our content operation capabilities.

At the same time, we launched more innovative interactive features and contextualized content consumption scenarios to invigorate consumption and demand. With algorithm iterations, we improved the timeliness and accuracy of content matching and recommendation. The combination of these initiatives supported growth of our monthly paying ratio for live streaming year-over-year in the second quarter of 2022.

**Kwai Recruitment (快招工)** is a prime example of the extension of use case in our live streaming ecosystem. Leveraging the advantages of our platform traffic and conversion efficiency, we facilitated the expansion of recruitment channels for many enterprises, improving industry-wide hiring efficiency while fulfilling the previously unmet user needs. In the second quarter, monthly active users of **Kwai Recruitment** on Kuaishou App reached 250 million, increasing by 90% compared with first quarter of 2022.

## Other services including e-commerce

In the second quarter of 2022, our total e-commerce GMV increased by 31.5% year-over-year to reach RMB191.2 billion, driven by our continuous construction of the vibrant ecommerce ecosystem. On the supply side, in addition to non-standard products such as apparel and cosmetics in which live streaming e-commerce holds a significant advantage in display and sales conversion, food and beverage, home appliance and digital products

also continued to grow in product breadth and depth on our platform, primarily driven by strong active merchant growth. This further enriched users' purchase choices and fostered their mindsets to shop through our live-streaming e-commerce platform.

At the same time, we continued exploring users' interests and needs, upgrading e-commerce content and optimizing algorithms to improve matching efficiency, which in turn boosted the e-commerce penetration and conversion on our platform. Our monthly active e-commerce paying users continued to increase in the second quarter of 2022. **Kwai Partners (快手服務商)**, which provides comprehensive and targeted services for merchants, empowered merchants to improve their operations and boost their growth in our e-commerce ecosystem, especially those in the start-up phase. In the second quarter of 2022, over 2,000 merchants achieved a quantum leap in e-commerce GMV, empowered by **Kwai Partners**.

Our flourishing e-commerce ecosystem and the rapid growth of our GMV is underpinned by our unique trust-based e-commerce model. To foster more trustworthy e-commerce experience, we launched the **Repeat Customer Recommendation Index (回頭客推薦指數)** and **Repeat Customer Word of Mouth (回頭客說)** so that our users can quantitatively and qualitatively assess merchants' operations through customer feedback and word of mouth. By doing so, we enable an easier decision-making process for consumers while guiding merchants to improve the quality of their goods and services. Our efforts and measures in building the trust on Kuaishou platform contributed to repeat purchase rate expansion year-over-year and quarter-over-quarter in the second quarter of 2022.

In terms of brand e-commerce, both well-known brands and **Kwai Brands (快品牌)**, continued to grow and flourish in our e-commerce ecosystem. **Kwai Brands** achieved particularly rapid development as we connected them with a massive base of target users, and empowered them with an effective environment to nourish their brand images, optimize users' value-experience ratio, and scale and strengthen their private domains. In the second quarter of 2022, the number of monthly active **Kwai Brands** merchants doubled quarter-over-quarter and the number of monthly active brand merchants increased by over two times year-over-year, significantly contributing to higher GMV growth of our brand e-commerce relative to our overall e-commerce GMV growth in the second quarter of 2022.

## Overseas

In the overseas markets, we continued to focus on strategically building up our unique ecosystem and exploring monetization in the key markets.

Our high-quality user growth in the overseas market is the best testament of our differentiated product strategy, in particular our content strategy. Along with our continuous advancements in algorithms and products, we optimized user experience, leading to an improved user retention and higher user engagement. By the end of June 2022, our average daily time spent per DAU in the overseas markets reached a new record of over 60 minutes.

On the monetization side, we delivered positive results in the construction of our overseas live streaming ecosystem by working with more talent agencies, and further strengthened our advertising service capabilities to attract more advertisers. As we move forward with our ROI-based global strategy, we are committed to driving high-quality user growth and strengthening monetization while simultaneously building the path to profitability in the overseas markets. In the second quarter of 2022, our revenue in the overseas market achieved RMB103.4 million, more than doubled quarter-over-quarter. Operating loss in the overseas market narrowed significantly to RMB1,606.1 million in the second quarter of 2022, from RMB4,368.2 million in the second quarter of 2021, and further narrowed from the first quarter of 2022.

## Business Outlook

As we look to the second half of 2022, we will continue to strengthen our dynamic, trust-based ecosystem to provide an efficient and convenient digital platform for more users and industry participants. We believe there is significant potential yet to be unlocked in our integrated private and public domains through ongoing optimizations in our operating capabilities, algorithms and the depth and breadth of our monetization avenues. At the same time, we will continue to drive efficiencies through technology iteration and disciplined cost control throughout our organization in the second half of 2022.

Going forward, underpinned by our compelling differentiated content, thriving ecosystem and effective operating strategies, we are confident in capturing new growth opportunities that will further propel our sustainable development, promote industry prosperity and be a force for the betterment of society.

## 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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