



Kuaishou Technology Announces Third Quarter 2022 Unaudited Financial Results

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HONG KONG, Nov. 22, 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 ("Third Quarter") ended September 30, 2022.

Third Quarter 2022 Key Highlights

- **Average DAUs on Kuaishou APP** were 363.4 million, representing an increase of 13.4% from 320.4 million for the same period of 2021.
- **Average MAUs on Kuaishou APP** were 626.0 million, representing an increase of 9.3% from 572.9 million for the same period of 2021.
- **Average daily time spent per DAU⁽¹⁾** was 129.3 minutes, representing an increase of 8.6% from 119.1 minutes for the same period of 2021.
- **Total GMV of e-commerce transactions facilitated on our platform⁽²⁾** was RMB222.5 billion, representing an increase of 26.6% from RMB175.8 billion for the same period of 2021.
- **Total revenue** increased by 12.9% to RMB23.1 billion from RMB20.5 billion for the same period of 2021. Online marketing services and live streaming contributed 50.1% and 38.7%, respectively, to the total revenue. The other 11.2% came from other services.
- **Gross profit** increased by 25.8% to RMB10.7 billion from RMB8.5 billion for the same period in 2021. Gross profit margin in the third quarter of 2022 was 46.3%, improving from 45.0% and 41.5% in the second quarter of 2022 and third quarter of 2021 respectively.
- **Operating profit from the domestic segment⁽³⁾** was RMB375.1 million, compared to an operating loss of RMB2.5 billion for the same period of 2021.

Mr. Cheng Yixiao, Co-founder and Chief Executive Officer of Kuaishou said, "Our unique trust-based ecosystem with ever deepening bond with users, growing monetization capabilities across verticals and our operation improvement measures worked together to drive solid growth, improve profitability and set new highs of operating metrics in the third quarter of 2022. Amidst ongoing macro headwinds, average DAUs, MAUs and average daily time spent per DAU on Kuaishou App climbed further and adjusted EBITDA grew by 151.3% quarter-over-quarter. Moving forward, we will strive to build a more integrated ecosystem for user, content and commercialization to highlight our value for users, content creators, advertisers and merchants. Through leveraging the power of short video plus live streaming to constantly create new usage scenarios, opportunities and models that integrate digital and real economies, we are committed to delivering long-term shareholder value as well as economic and social benefits for society."

Third Quarter 2022 Financial Review

Revenue from our online marketing services increased by 6.2% to RMB11.6 billion for the third quarter of 2022 from RMB10.9 billion for the same period of 2021, primarily attributable to the growth in the number of advertisers and the increased advertising spending from the advertisers, especially from our e-commerce merchants, driven by our consistent improvements in services, products commercialization capabilities and advertising ROI.

Revenue from our live streaming business increased by 15.8% to RMB8.9 billion for the third quarter of 2022 from RMB7.7 billion for the same period of 2021, as a result of 29.3% year-over-year growth in average MPUs, which was supported by the consistent refinements of our live streaming operations and the continuously evolving collaboration strategy with talent agencies including corresponding increase in the number of active streamers managed by those talent agencies.

Revenue from our other services increased by 39.4% to RMB2.6 billion for the third quarter of 2022 from RMB1.9 billion for the same period of 2021, primarily due to the growth of our e-commerce business, as a result of the growth in e-commerce GMV, which was driven by an increase in the number of active merchants, number of e-commerce paying users and the improved repeat purchase rate.

Other Key Financial Information for the Third Quarter of 2022

Operating loss was RMB2.6 billion, significantly narrowed from RMB7.4 billion for the same period of 2021. **Operating profit from the domestic segment⁽³⁾** was RMB375.1 million, compared to an operating loss of RMB2.5 billion for the same period of 2021. **Adjusted net loss⁽⁴⁾** was RMB 671.9 million, narrowed from RMB4.6 billion for the same period of 2021. **Adjusted EBITDA⁽⁵⁾** was RMB1.0 billion, compared to adjusted EBITDA of negative RMB3.2 billion for the same period of 2021.

Total available funds⁽⁶⁾ reached RMB43.5 billion as of September 30, 2022.

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

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

(4) We define "adjusted net loss" as loss for the period adjusted by share-based compensation expenses, fair value changes of convertible redeemable preferred shares and net fair value changes on investments.

(5) We define "adjusted EBITDA" as adjusted net loss adjusted by income tax expenses/(benefits), depreciation of property and equipment, depreciation of right-of-use assets, amortization of intangible assets, and finance income, net.

(6) Total available funds included but not limited to cash and cash equivalents, time deposit, financial assets and restricted cash. Financial assets mainly included wealth management products and others.

BUSINESS REVIEW

The third quarter of 2022 was full of challenges. Facing multiple headwinds such as the macroeconomic slowdown and pandemic resurgence, we continued to achieve breakthroughs in both business operations and financial performance by making unremitting efforts to overcome external challenges and unleash potential through organizational adjustments. In the third quarter of 2022, average DAUs on Kuaishou App increased by 13.4% year-over-year to a record high of 363.4 million. At the same time, we continued to deliver operating profit in our domestic business segment in the third quarter, achieving a quarter-over-quarter increase of nearly three times after it turned positive in the prior quarter. Our Group's adjusted EBITDA increased significantly compared with the prior quarter.

User and content ecosystem

In the third quarter of 2022, we achieved high-quality user growth. We seized opportunities during the peak user-growth season, including summer vacation, to implement our effective user acquisition and retention strategy, and achieved a healthy ROI. In the third quarter of 2022, average DAUs and average MAUs on Kuaishou App increased by 13.4% and 9.3% year-over-year to 363.4 million and 626.0 million, respectively, and the ratio of average DAUs to average MAUs on Kuaishou App remained at a relatively high level of 58.1%. Average daily time spent per DAU on Kuaishou App increased by 8.6% year-over-year to 129.3 minutes, demonstrating strong user stickiness and community vibrancy on the Kuaishou platform.

Thanks to our refined management and the improved efficiency of our user acquisition through both technological and operational means, we reached our expected user growth target while strictly controlling the investment in user growth. We also refined our algorithm-based operations targeting different user groups and continually lowered

the maintenance costs per DAU. In addition, due to our reinforcement of our differentiated social platform positioning and user mindset, pairs of mutual followers on Kuaishou App grew substantially by 63.1% year-over-year, reaching a cumulative 23.5 billion by the end of September 2022.

We have been actively expanding content supply in various verticals. In the third quarter of 2022, we continued to tap into the potential of short plays and explored more diversified themes, such as *Benevolence (仁心)*, a portrait of the professional lives of medical staff. In the variety show vertical, our self-produced intergenerational interactive experience reality show *Let's Go! Mom (出發吧！老媽)* adopted a narrative and dissemination format that combined long video, short video and live streaming, further satisfying the increasingly diverse content consumption needs of our users.

Online marketing services

In the third quarter of 2022, revenue from online marketing services was RMB11.6 billion, up 6.2% year-over-year. The macroeconomic headwinds compounded by various external factors have placed pressure on the online advertising industry players including Kuaishou, and year-over-year growth of revenue from our online marketing services decelerated. Nevertheless, by attracting more advertisers via multiple channels and implementing supportive policies, we increased our monthly active advertisers by more than 65% year-over-year in the third quarter. Meanwhile, we endeavoured to consistently improve our product commercialization capabilities while catering to users' commercial interests and to accelerate the establishment of a virtuous cycle of user, content and monetization ecosystems. We also continuously improved advertising ROI on our platform through traffic strategy iterations, optimizations of conversion funnel and algorithms, and more. As such, our retention rate of advertisers continued to increase.

Thanks to the massive traffic on our platform and the high conversion efficiency of our closed-loop ecosystem, the advertising services provided to our e-commerce merchants have maintained a healthy growth momentum as the e-commerce business on our platform expands. By guiding live streaming e-commerce advertisers to utilize short videos and simultaneously encouraging short video advertisers to participate in live streaming, we promoted advertisers' combined usage of short video and live streaming to seize opportunities from their additional marketing need. As for brand advertising, we capitalized on customized sales promotion projects tailored to advertisers' specific needs. These projects, aided by our product iterations and enhancements, advantages in traffic, content and the KOL ecosystem, ushered in more possibilities for advertisers to increase their marketing effectiveness.

Live streaming

In the third quarter of 2022, our live streaming business delivered strong results, with a 15.8% year-over-year increase in revenue to RMB8.9 billion, driven by consistent refinements of our live streaming operations. We further diversified and enhanced the interactive features on our live streaming platform to better fulfill users' social needs. Meanwhile, we built an algorithm-based user life cycle management mechanism to improve our live streaming paying ratio. In the third quarter of 2022, the average MPUs for live streaming rose by 29.3% year-over-year to 59.6 million on Kuaishou App, and the monthly paying ratio continued to increase year-over-year.

On the supply side, our collaboration strategy with talent agencies continued to evolve, and we continued to expand the methods of collaboration with such agencies. Adding to the ongoing cooperation with select top talent agencies and streamers, we also proactively explored collaborative training and operating models with talent agencies to better support mid- and long-tail streamers. As such, the number of active streamers managed by talent agencies more than tripled year-over-year in the third quarter of 2022. In addition, we continued to expand the usage scenarios of live streaming, such as *Kwai Hire (快聘)*, *Ideal Housing (理想家)*, *Kwai Date (快相親)*, providing users with richer live streaming content and meeting their needs in more scenarios.

Other services including e-commerce

In the third quarter of 2022, our e-commerce business grew at a faster pace compared to the industry and continued to gain market share. Our e-commerce GMV reached RMB222.5 billion in the third quarter of 2022, up by 26.6% year-over-year. On the supply side, we attracted more merchants by leveraging our traffic advantage, conversion efficiency and promotion policies. In the third quarter, the number of new merchants joining our platform increased by nearly 80% year-over-year. We also enhanced our merchant empowerment system through strengthened merchant services and governance, which in turn improved the merchants' operational capabilities. Meanwhile, the efficacy of our traffic allocation strategies, and improved precision of our merchandise-user matching, allowed us to further optimize the conversion efficiency and business operation environment of our platform. As a result, the number of new active merchants grew at a high double digit rate year-over-year in the third quarter of 2022.

Furthermore, we have been dedicating increased efforts in growing our brand clients in e-commerce. In addition to bringing in more well-known brands, we continued to foster distinctive *Kwai Brands (快品牌)* by bolstering their operational and service capabilities through dedicated traffic and supportive policies, and providing products and services with high value-experience ratio to consumers. Powered by these initiatives, the number of Kwai brands grew by high double digits quarter-over-quarter in the third quarter of 2022, accounting for an increasing share of e-commerce GMV.

We also consistently leverage our trust-based community advantage to elevate users' shopping experiences. With trust as the cornerstone of our e-commerce ecosystem, we have gradually enhanced our user rights protection mechanism and improved the after-sales services fulfillment experience, raising the repeat purchase rate in the third quarter of 2022 by 1.1 percentage points compared to the same period in 2021. On the consumption side, through continuous upgrades of our merchandise supply, content and merchandise-user matching, as well as expanded user consumption scenarios beyond traditional live streaming to short video, we boosted user activity, and further grew our e-commerce penetration and conversion rate in the third quarter of 2022, increasing the number of monthly active e-commerce paying users to over 100 million.

Overseas

In the overseas markets, with a disciplined spending and ROI-based growth strategy, we achieved effective and healthy user growth, and our user retention continued to improve in the third quarter of 2022. Our average daily time spent per DAU in the overseas markets remained high at over 60 minutes. Furthermore, our differentiated content strategy delivered positive results in cultivating user mindset. To build on this success, we are expanding the number of content verticals to further enrich our content ecosystem and reinforcing the virtuous cycle between content generation, consumption and creator monetization.

With respect to monetization, our revenue from online marketing services grew rapidly as a result of the continuous enhancements to our product and services. For live streaming, we have constructed a comprehensive ecosystem, deepened collaboration with talent agencies, further diversified content supply and enhanced content quality. We also hosted diverse operating activities across various regions, which drove the continuous increase in our live streaming revenue. Aiming to grow revenue and control expenses, we endeavor to enhance the operational efficiency of our overseas business, gradually building the path to profitability.

Corporate social responsibilities

Kuaishou is committed to building and maintaining a digital community with inclusiveness as its foundation, featuring high interaction and strong engagement. Leveraging the power of short video plus live streaming as a medium, our digital community is deeply integrated with all walks of life in the real economy, and constantly creates new usage scenarios, new opportunities, and new models to facilitate economic development, integration between digital and real economies and construction of Digital China.

In August this year, Kuaishou officially launched the 2022 *Happy Country KOL Program (幸福鄉村帶頭人計劃)*. First launched by Kuaishou in 2018, the Happy Country KOL Program is a public welfare initiative that aims to support outstanding KOLs across the country with agricultural products sales. The program has approached and supported more than 100 rural KOLs, including Alimu and Mizang Dolma. Reaching nearly 10 million people through promoting rural-based industry development, the program is active in 27 provinces and has driven the revitalization of 16 industries with local characteristics.

Over the next three years, we will dedicate traffic resources equivalent to over RMB100 million to discover and support more than 1,000 rural KOLs, covering 160 key counties receiving assistance for rural revitalization. We will also provide training programs through short video and live streaming for over 1 million rural talents. We believe these initiatives will energize rural talent and industry growth, empower the rural population to take pride in their local cultures, and promote the sustainable development of China's rural market.

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.

For investor and media inquiries, please contact

Kuaishou Technology
Investor Relations
Email: ir@kuaishou.com

CONDENSED CONSOLIDATED INCOME STATEMENT

	Unaudited		
	Three Months Ended		
	September 30, 2022	June 30, 2022	September 30, 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenues	23,128,413	21,695,148	20,492,977
Cost of revenues	<u>(12,425,410)</u>	<u>(11,925,380)</u>	<u>(11,984,377)</u>
Gross profit	10,703,003	9,769,768	8,508,600
Selling and marketing expenses	<u>(9,130,341)</u>	<u>(8,762,445)</u>	<u>(11,016,923)</u>
Administrative expenses	<u>(1,059,353)</u>	<u>(955,717)</u>	<u>(913,050)</u>
Research and development expenses	<u>(3,533,090)</u>	<u>(3,282,353)</u>	<u>(4,217,699)</u>
Other income	<u>687,184</u>	<u>147,020</u>	<u>425,534</u>
Other (losses)/gains, net	<u>(279,595)</u>	<u>24,629</u>	<u>(190,052)</u>
Operating loss	(2,612,192)	(3,059,098)	(7,403,590)
Finance income, net	<u>68,258</u>	<u>2,009</u>	<u>23,420</u>
Share of losses of investments accounted for using the equity method	<u>(31,386)</u>	<u>(44,789)</u>	<u>(36,995)</u>
Loss before income tax	(2,575,320)	(3,101,878)	(7,417,165)
Income tax (expenses)/benefits	<u>(137,081)</u>	<u>(74,171)</u>	<u>330,269</u>
Loss for the period	(2,712,401)	(3,176,049)	(7,086,896)
Attributable to:			
—Equity holders of the Company	<u>(2,713,263)</u>	<u>(3,176,012)</u>	<u>(7,086,041)</u>
—Non-controlling interests	<u>862</u>	<u>(37)</u>	<u>(855)</u>
	<u>(2,712,401)</u>	<u>(3,176,049)</u>	<u>(7,086,896)</u>
Loss per share attributable to the equity holders of the Company (expressed in RMB per share)			
Basic loss per share	<u>(0.64)</u>	<u>(0.75)</u>	<u>(1.71)</u>
Diluted loss per share	<u>(0.64)</u>	<u>(0.75)</u>	<u>(1.71)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited	Audited
	As of September 30, 2022	As of December 31, 2021
	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS		
Non-current assets		
Property and equipment	11,684,838	11,050,654
Right-of-use assets	9,518,969	12,561,745
Intangible assets	1,130,739	1,171,754
Investments accounted for using the equity method	300,585	1,411,141
Financial assets at fair value through profit or loss	4,198,854	3,300,623

Other financial assets at amortized cost	616,626	-
Deferred tax assets	4,774,194	5,405,224
Long-term time deposits	6,620,000	4,000,000
Other non-current assets	479,130	603,367
	<u>39,323,935</u>	<u>39,504,508</u>
Current assets		
Trade receivables	4,442,987	4,450,092
Prepayments, other receivables and other current assets	3,609,261	3,278,318
Financial assets at fair value through profit or loss	10,894,944	8,842,203
Other financial assets at amortized cost	295,179	-
Short-term time deposits	9,206,107	3,825,420
Restricted cash	94,800	2,415
Cash and cash equivalents	14,959,121	32,612,419
	<u>43,502,399</u>	<u>53,010,867</u>
Total assets	<u>82,826,334</u>	<u>92,515,375</u>

	Unaudited	Audited
	As of	As of
	September 30, 2022	December 31, 2021
	RMB'000	RMB'000

EQUITY AND LIABILITIES

Equity attributable to equity holders of the Company

Share capital	145	142
Share premium	274,448,225	274,407,796
Other reserves	28,513,904	20,853,674
Accumulated losses	(262,315,890)	(250,172,236)
	<u>40,646,384</u>	<u>45,089,376</u>
Non-controlling interests	<u>8,019</u>	<u>6,595</u>
Total equity	<u>40,654,403</u>	<u>45,095,971</u>

LIABILITIES

Non-current liabilities

Lease liabilities	7,422,489	10,079,847
Deferred tax liabilities	24,629	28,477
Other non-current liabilities	26,851	55,560
	<u>7,473,969</u>	<u>10,163,884</u>

Current liabilities

Accounts payables	17,966,904	20,021,082
Other payables and accruals	9,332,697	9,123,367
Advances from customers	3,497,810	3,502,642
Income tax liabilities	404,970	1,079,591
Lease liabilities	3,495,581	3,528,838
	<u>34,697,962</u>	<u>37,255,520</u>
Total liabilities	<u>42,171,931</u>	<u>47,419,404</u>

Total equity and liabilities	<u>82,826,334</u>	<u>92,515,375</u>
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Financial Information by Segment

	Unaudited Three Months Ended											
	September 30, 2022				June 30, 2022				September 30, 2021			
	Domestic	Overseas	Unallocated items	Total	Domestic	Overseas	Unallocated items	Total	Domestic	Overseas	Unallocated items	Total
RMB'000												
Revenues	22,939,050	189,363	-	23,128,413	21,591,796	103,352	-	21,695,148	20,473,222	19,755	-	20,492,977
Cost of revenues and operating expenses	(22,563,980)	(1,876,275)	-	(24,440,255)	(21,498,173)	(1,709,427)	-	(23,207,600)	(22,993,506)	(2,873,921)	-	(25,867,427)
Unallocated items	-	-	(1,300,350)	(1,300,350)	-	-	1,546,646	(1,546,646)	-	-	(2,029,140)	(2,029,140)
Operating profit/(loss)	<u>375,070</u>	<u>(1,686,912)</u>	<u>(1,300,350)</u>	<u>(2,612,192)</u>	<u>93,623</u>	<u>(1,606,075)</u>	<u>(1,546,646)</u>	<u>(3,059,098)</u>	<u>(2,520,284)</u>	<u>(2,854,166)</u>	<u>(2,029,140)</u>	<u>(7,403,590)</u>

Reconciliation of Non-IFRS Measures to the Nearest IFRS Measures

	Unaudited		
	Three Months Ended		
	September 30, 2022 RMB '000	June 30, 2022 RMB '000	September 30, 2021 RMB '000
Loss for the period	(2,712,401)	(3,176,049)	(7,086,896)
Add:			
Share-based compensation expenses	1,707,939	1,718,295	2,264,622
Net fair value changes on investments ⁽¹⁾	332,516	145,853	206,012
Adjusted net loss	(671,946)	(1,311,901)	(4,616,262)
Adjusted net loss	(671,946)	(1,311,901)	(4,616,262)
Add:			
Income tax expenses/(benefits)	137,081	74,171	(330,269)
Depreciation of property and equipment	810,387	777,846	1,030,724
Depreciation of right-of-use assets	779,714	837,611	721,717
Amortization of intangible assets	36,307	31,506	43,353
Finance income, net	(68,258)	(2,009)	(23,420)
Adjusted EBITDA	1,023,285	407,224	(3,174,157)

Note:

(1) Net fair value changes on investments represents net fair value (gains)/losses on financial assets at fair value through profit or loss of our investments in listed and unlisted entities, net (gains)/losses on deemed disposals of investments and impairment provision for investments, which is unrelated to our core business and operating performance and subject to market fluctuations, and exclusion of which provides investors with more relevant and useful information to evaluate our performance.

View original content: <https://www.prnewswire.com/news-releases/kuaisou-technology-announces-third-quarter-2022-unaudited-financial-results-301684905.html>

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