Kuaishou Technology

First Take: A profit beat, Kling revenue grow 4x YoY in 1Q26

Neutral

1024.HK, 1024 HK
Price: HK$45.28
27 May 2026
Price Target: HK$48.00
PT End Date: 31 Dec 2026

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- **Our First Take – a generally in line 1Q26 print:** Kuaishou reported in line revenue vs. consensus (+3% YoY) and better profit vs. consensus (-26% YoY), due mainly to investment gains. Kling was the bright spot of 1Q26: revenue reached Rmb650mn (+333% YoY/+91% QoQ), and Kuaishou reported March 2026 ARR of ~US$500mn. This was in line with recent news reports (our read). Kuaishou mentioned in its earnings release that Kling AI was deeply involved in the creation of selected virtual scenes and visual effect shots in a hit Chinese historical drama and in Hollywood TV series.

- **What to do with the result?** We believe investors' focus has shifted to Kling, on its rapid revenue growth and peer AI LLM listco (Zhipu)'s strong share price performance. We await more detail on Kling's latest metrics and future capital market initiatives on the earnings call.

Key Positives

- Kling's revenue reached Rmb650mn (+333% YoY/+91% QoQ), suggesting strong user demand. Kling also reported ARR of US$500mn in March 2026 (US$300mn in Jan 2026).

Key Negatives/Question Marks

- Ad revenue slowed to 9% YoY in 1Q26 from 15% in 4Q25.

- Other services revenue YoY growth slowed to 16% YoY in 1Q26 from 28% YoY in 4Q25, despite Kling revenue growing 4x YoY, indicating a slowdown in eCommerce revenue growth.

Likely Changes to Consensus

- We think management comments on 2026 opex/capex will be important to model 2026E earnings.

See page 3 for analyst certification and important disclosures, including non-US analyst disc m

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Table 1: Kuaishou result review

YE 31 Dec	1Q26			1Q25	4Q25	1Q26	1Q26	YoY	QoQ	Delta
RMBm	**Actual**	**Consensus**	**% delta**	**Actual**	**Actual**	**JPMe**	**Actual**	**%**	**%**	**%**
Net revenues	***33,716***	***33,412***	**1%**	***32,608***	***39,568***	***33,482***	***33,716***	**3%**	**-15%**	**1%**
Live streaming	*8,492*			*9,814*	*9,655*	*8,401*	*8,492*	-13%	-12%	1%
Online marketing services	*19,643*			*17,977*	*23,618*	*19,603*	*19,643*	9%	-17%	0%
Other services	*5,581*			*4,817*	*6,295*	*5,478*	*5,581*	16%	-11%	2%
Gross profit	17,249	17,216	**0%**	17,792	21,819	17,227	17,249	-3%	-21%	0%
Opex	*14,720*			*14,023*	*16,482*	14,732	*14,720*	*5%*	*-11%*	*0%*
R&D	*3,621*			*3,298*	*4,143*	*3,683*	*3,621*	*10%*	*-13%*	*-2%*
S&M	*10,333*			*9,897*	*11,409*	*10,312*	*10,333*	*4%*	*-9%*	*0%*
G&A	*766*			*828*	*930*	*737*	*766*	*-7%*	*-18%*	*4%*
Operating profit (IFRS)	3,595		na	4,259	5,790	2,985	3,595	-16%	-38%	20%
Operating profit (non IFRS)	4,128			4,863	6,459	3,521	4,128	-15%	-36%	17%
PBT	3,409			4,237	5,750	2,985	3,409	-20%	-41%	14%
Net income (IFRS)	2,905	2,482	17%	3,979	5,234	2,457	2,905	-27%	-44%	18%
Net income (Non-IFRS)	3,374	3,031	11%	4,580	5,463	2,993	3,374	-26%	-38%	13%
EPS(IFRS)										
Diluted (RMB)	0.66	0.56	18%	0.91	1.19	0.56	0.66	-28%	-44%	18%
EPS (Non IFRS)										
Diluted (RMB)	0.77	0.69	11%	1.05	1.24	0.68	0.77	-27%	-38%	13%
Margin analysis (%)										
Gross margin	51.2%	51.5%	-0.4%	54.6%	55.1%	51.5%	51.2%	-3%	-4%	0%
Operating margin	10.7%	0.0%	10.7%	13.1%	14.6%	8.9%	10.7%	-2%	-4%	2%
Operating margin (non-IFRS)	12.2%			14.9%	16.3%	10.5%	12.2%	-3%	-4%	2%
Net margin	8.6%	7.4%	1.2%	12.2%	13.2%	7.3%	8.6%	-4%	-5%	1%
Net margin (non IFRS)	10.0%	9.1%	0.9%	14.0%	13.8%	8.9%	10.0%	-4%	-4%	1%

Source: J.P. Morgan estimates, Kuaishou 1Q26, 4Q25 and 1Q25 earnings reports, Bloomberg Finance L.P. (as of May 27, 2026)

Investment Thesis

We are cautious on Kuaishou as 1) we expect Kuaishou core ex-Kling revenue growth to decelerate from 12% in 2025 to 3% in 2026/27E, due to eCommerce regulation impact, weak consumption sentiment and a slowdown in some other growth segments (e.g. short drama, due to competition from Bytedance); and 2) we expect net profit to decline 20% in 2026E due to a hike in capex (Kling and core Kuaishou app AI development capex to rise from Rmb14bn in 2025 to Rmb26bn in 2026E per management), although we model Kuaishou's core adj net profit margin to remain stable. While Kuaishou's YTD share price correction has somewhat factored this weakening financial outlook, we don't see any visible catalyst to support an OW rating.

Valuation

Our Dec-26 HK$48 price target is derived from an SOTP valuation.

SOTP	2026E earnings/revenue (Rmbmn)	Valuation (Rmbmn)	Multiple	Valuation method
Kling	2,722	81,651	30x	P/S
Core short video	17,050	105,711	6x	P/E
Total (Rmb)		187,362		
Total (HKD)		211,719		
Implied PT (HKD)		48		

Source: J.P. Morgan estimates

Risks to Rating and Price Target

- Better / worse than expected competition from Douyin and Video Accounts which impact Kuaishou's time spend share and monetization.
- Tighter / looser than expected content scrutiny and additional measures for the protection of teenagers pose regulatory risks.
- Better / worse-than-expected execution.