Kuaishou Technology (1024.HK): Investor day takeaways: Community resilience, AI optionality, and a more disciplined Capex path

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We attended Kuaishou's investor day on Aug 29 in Wuhan. Kuaishou hosted its annual content creator conference, which showcased community dynamics, while management provided updates on business trends. Key highlights:

- **Core platform:** Kuaishou remains confident in the durability of short video and its differentiated community culture, but the growth focus is to extract greater commercial value from the two hours of daily user time by strengthening connections among users, content, and merchandise.
- **E-commerce:** The near-term outlook is cautious with no sign of recovery yet, due to weak consumption and higher merchant compliance costs. Kuaishou will focus on supporting the long-tail merchant base, as well as applying stricter ROI evaluation across promotional spending/subsidies.
- **AI and Kling:** Kling remains the key strategic upside opportunity, and future product upgrades will focus on content quality and controllability. Independent financing/spin-off of Kling and the shift toward leasing compute by Kling itself could reduce Kuaishou group's capex intensity in future years, while preserving Kuaishou's exposure to AI monetization upside as Kling will remain consolidated within the group.
- **Capital allocation:** Kuaishou has substantial cash resources. It plans to continue investing in AI, while placing greater emphasis on ROI discipline across subsidies, merchant incentives, infrastructure investment, and free-cash-flow generation.

Key takeaways

1. Future growth opportunity in the short video industry

- **Short video remains the strongest content category.** Short video continues to capture user time from other content categories and therefore still has room to grow. Kuaishou's "laotie" community culture is deeply embedded, and the company believes it has a strong commercial ecosystem.
- The priority is to extract greater commercial value from the two hours of daily user time by strengthening connections among users, content, and merchandise.
- AI generated vs. Human generated content: Management believes that at this

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moment, users still prefer authentic, human-created content. Feedback on AI-generated content has so far been mixed. Human creators offer interaction, community warmth, and authenticity that are not easily replaced by AI-generated content.

2. E-commerce strategy and ROI efficiency

- The macro environment remains challenging with consumers becoming more cautious and merchants under pressure. In addition to weaker demand, tighter tax compliance requirements have materially increased merchants' operating and compliance costs, making 2H26 potentially more difficult.
- Key strategic priorities include:

  1) Providing greater support for small and medium-sized merchants and white-label brands. Around 70% of active merchants are mid-tail and long-tail merchants, which form the platform's core merchant base.

  2) Improving merchants' ROI accountability. For example, for a brand such as Li Ning, every marketing dollar must be measured clearly, with returns evaluated across each traffic and transaction scenario.

  3) Management **cannot yet determine when the growth trend will bottom**, but hopes to see early signs of recovery in 2027.

- Kuaishou intends to apply **stricter ROI evaluation** across spending categories. This includes more precise targeting and tagging for user subsidies, consumer-side incentives, and promotional spending, rather than broad-based subsidies.

3. Kling AI outlook and business synergy vs. Kuaishou

- Future product upgrades will focus on solving the real pain points for professional creators. Management believes Kling's advantage stems from its early and differentiated strategic judgment, which has enabled it to remain technologically competitive.
- **Product priorities include:** Improving visual quality and aesthetics; Enhancing camera movement and control; Improving physical-world reasoning and simulation capabilities; Strengthening overall model generalization. Video duration itself is viewed as less important than generation quality and controllability.
- **Domestic and international opportunity**: Adoption among advertisers remains at the early stage, suggesting substantial potential penetration upside.
  - Kling has opportunities in both overseas and domestic markets; approximately 70% of its business is currently overseas. In China, Kling could benefit from emerging AI-native content formats, including AI short dramas and animated dramas. Overseas, management sees opportunities in adverti
    and potentially high-end film and Hollywood-style productio

4. Kling financing and implications for Kuaishou Capex

- Management expects Kling's independent financing to be complete
  1-2 months. Following the financing, a greater portion of Kling's cor



may be funded through its own operating expenses (likely through compute rental), rather than Kuaishou Group's capital expenditure.

- In the future, Kling may increasingly adopt an asset-light, leased-computing model similar to other AI model companies. If executed successfully, this could **reduce Kuaishou Group's future need for high-end AI-related Capex** and ease pressure on Group free cash flow.
- Management views Kling and Kuaishou as having a mutually beneficial, long-term relationship. There are non-compete arrangements in video-generation-related areas, although Kuaishou may continue investing in other AI products and categories. Even after independent financing, Kling is expected to remain consolidated in Kuaishou's financial statements.
- Kling is also expected to continue empowering Kuaishou's merchant ecosystem, potentially helping merchants create content and improve advertising and e-commerce conversion.

5. AI content ecosystem and monetization

- Kuaishou aims to become a platform that helps reshape the content ecosystem through AI.
- Potential AI benefits include: Reducing content-production costs; Improving content recommendation and distribution efficiency; Increasing livestream monetization through AI-powered virtual gifts and enhanced tipping demand; Applying new large-model paradigms, such as "One Rack," to improve engagement time and monetization efficiency on the main app.
- AI is therefore positioned as both a standalone opportunity and an enabler of Kuaishou's core content and commercial ecosystem.

6. Gaming strategy

- Gaming is viewed as an important component of Kuaishou's broader content ecosystem, given that many users watch gaming-related videos and livestreams on the platform.
- Management will continue to monitor the recently launched 'Lord of Mysteries' gaming user data and ROI. If performance trends remain positive, Kuaishou may allocate more resources to gaming.
- Longer term, the Company plans to expand gaming-related livestreaming, esports, and broader content ecosystem initiatives.

Price Target Risks and Methodology - Kuaishou Technology
Valuation methodology: We are Neutral rated on Kuaishou with a 12m target price of **HK$38,** based on P/E valuation (target P/E multiple of 13X applied to our 2027E EPS).

Key upside/downside risks: 1) Slower-than-expected ad budget recovery; 2) Faster/slower-than-expected Kling monetization; 3) Higher/Lower-than-expected profitability; and 4) AI capex and investment.

1024.HK	12m Price Target: **HK$38.00**	Price: **HK$33.46**	Upside: **13.6%**

Neutral

Market cap: HK$144.3bn / $18.4bn
Enterprise value: HK$67.0bn / $8.5bn
3m ADTV: HK$2.7bn / $342.2mn
Hong Kong
China Games, Entertainment & Healthcare Tech
M&A Rank: 3
Leases incl. in net debt & EV?: Yes

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn)	142,776.0	138,297.8	140,659.2	147,982.4
EBITDA (Rmb mn)	30,472.0	20,003.4	23,028.6	26,352.2
EPS (Rmb)	4.69	2.05	2.47	2.96
P/E (X)	12.3	14.0	11.6	9.7
P/B (X)	3.2	1.5	1.3	1.2
Dividend yield (%)	NM	NM	NM	NM
N debt/EBITDA (ex lease,X)	(3.1)	(5.0)	(4.6)	(4.5)
CROCI (%)	(2.3)	26.0	24.0	24.3
FCF yield (%)	3.2	(6.6)	5.2	8.2

	3/26	6/26	9/26E	12/26E
EPS (Rmb)	0.77	0.89	0.17	0.18

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 28 Aug 2026 close.