



2Q23 Management Presentation

August 2023



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CONTENTS

① Overview

② Business Development

③ Financial Results

④ Appendix



1. Overview

1.1 World's 2nd Largest Short Video Platform & China's 3rd Largest App⁽¹⁾



Large and highly engaged user community with **376 million average DAUs** and 117+ mins average daily time spent per DAU in Q2



Continue to enrich content supply, **creating several blockbuster summer entertainment IPs and original sports IPs that the public enjoys**, with Kuaishou Village Basketball Association attracting 300 million total live streaming viewers



Continuous optimization of monetization models, driving **solid revenue growth across business segments and facilitating a change in revenue mix as advertising and e-commerce businesses with higher gross margins contribute larger shares of revenue**



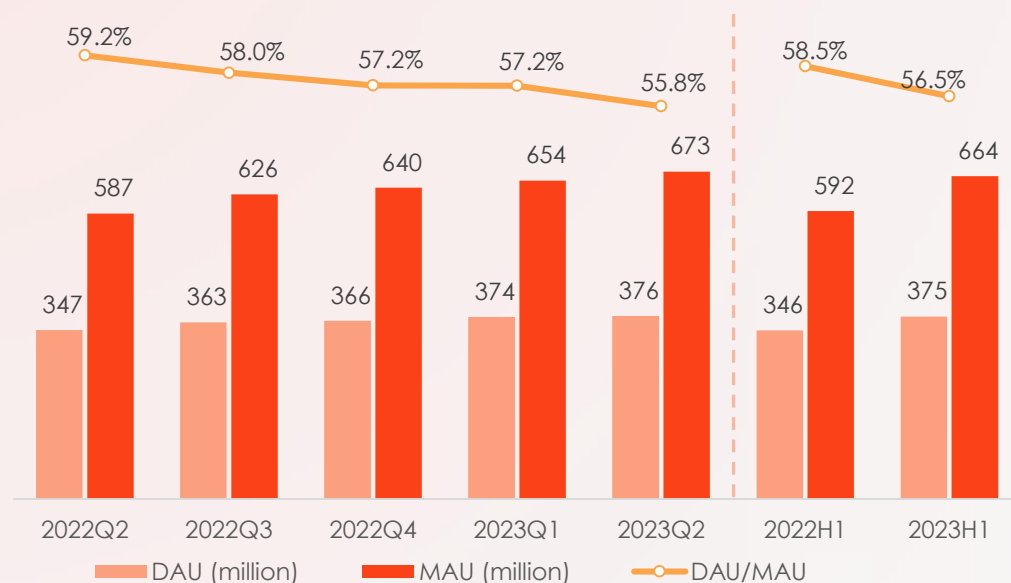
Continuously improved profitability with a **group-level quarterly net profit of RMB1.48 billion for the first time** since our listing, and a QoQ increase of adjusted net profit to RMB2.69 billion



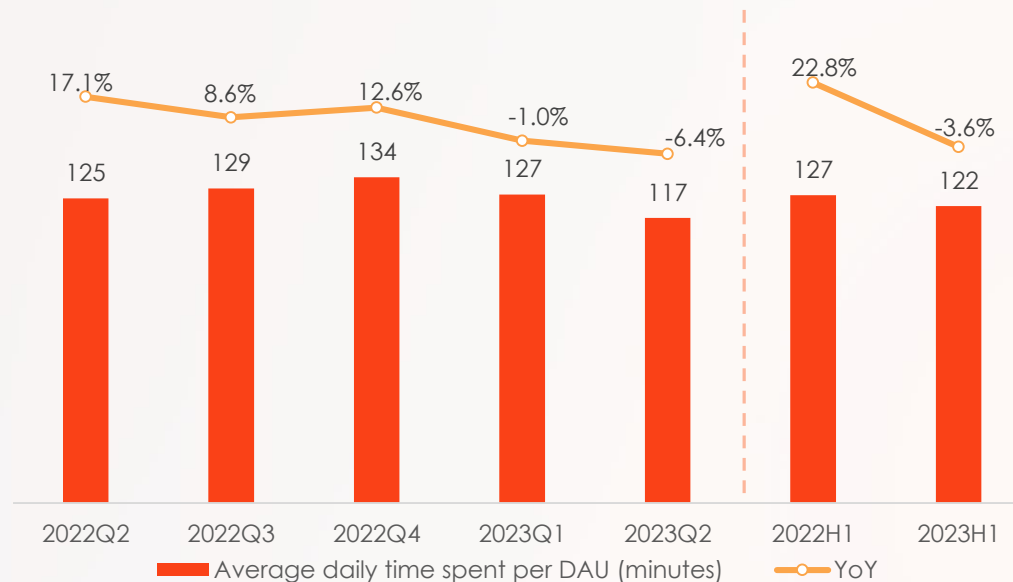
1.2 Setting a New Record in User Community Scale

- Spurred users' high interactivity and engagement, enhanced our user growth strategies and explored new channels for user growth through refined management, technological tools and high-quality content.
- In 2Q23, average **DAUs was 376 million, up 8.3% YoY and 0.5% QoQ**; average daily time spent per DAU was **117.2 minutes**.
- Average MAUs was 673 million, achieving 600+ million average MAUs for 4 consecutive quarters and rising by 14.8% YoY and 2.9% QoQ.

DAU, MAU and DAU/MAU Ratio



Average Daily Time Spent Per DAU and YoY Growth

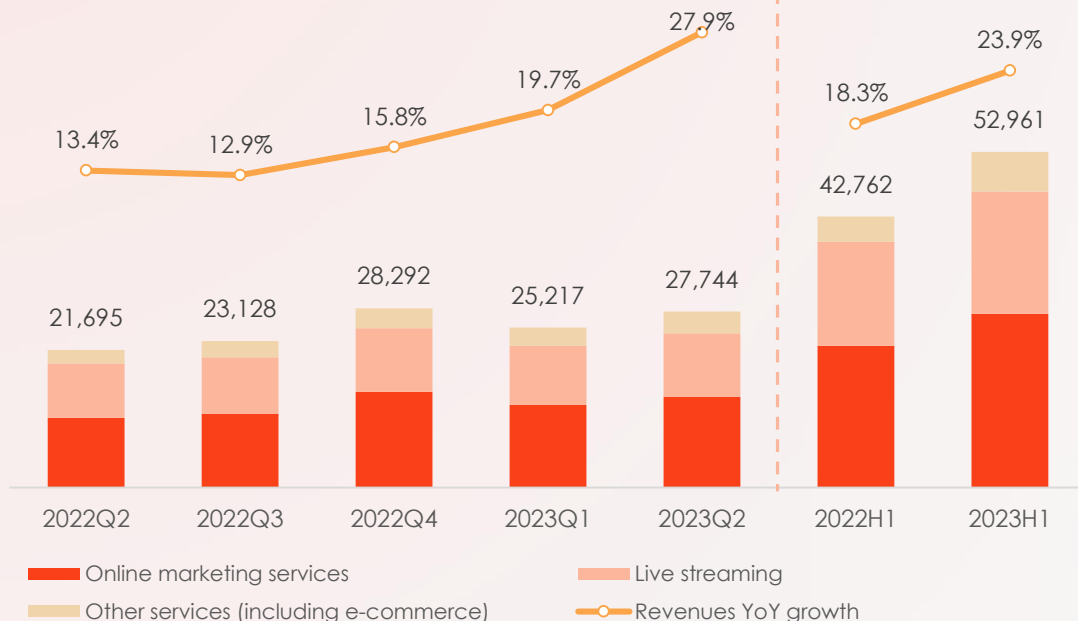


1.3 Tremendous Revenue Growth with Margin Expansion

- 2Q23 revenues grew by 27.9% YoY. Specifically, online marketing services revenue grew by 30.4% YoY, live streaming revenue grew by 16.4% YoY and other services revenue (including e-commerce) grew by 61.4% YoY.
- Domestic business achieved an operating profit for 5 consecutive quarters, primarily due to tremendous revenue growth and enhanced operating efficiency. Operating loss in overseas business decreased significantly YoY.

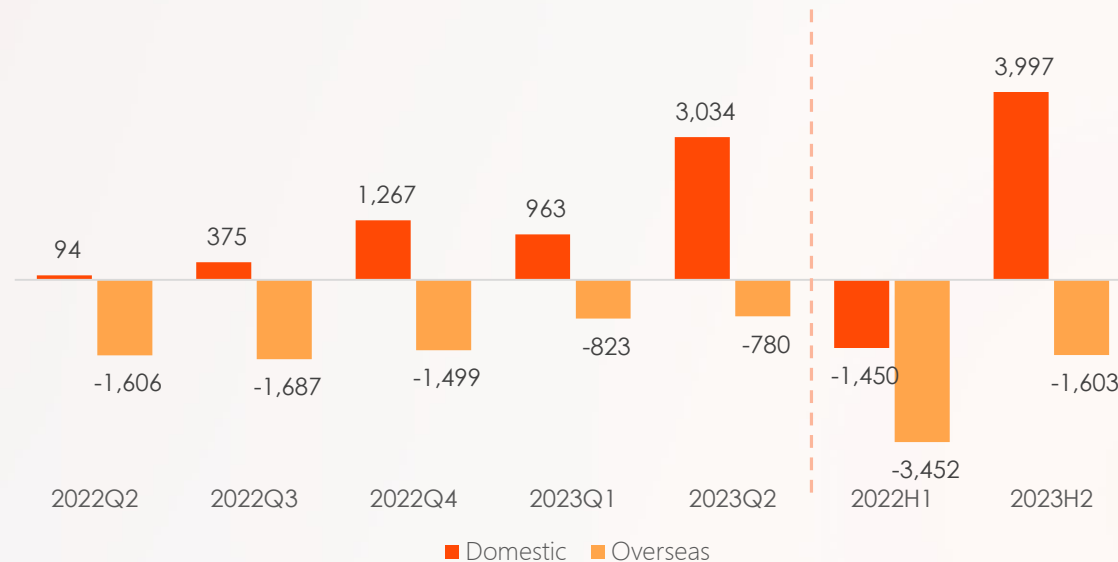
Revenues Breakdown and YoY Growth

RMB million



Operating Profit(loss) by Segment

RMB million





2. Business Development

2.1 Operating Highlights

Massive User Base



376 million
Average DAUs⁽¹⁾

Highly Engaged Community



117.2 minutes
Average Daily Time Spent per
DAU⁽¹⁾

Interactive Platform



8+ billion
average daily short video
interactions⁽¹⁾⁽³⁾



673 million
Average MAUs⁽¹⁾



265.5 billion
Total e-commerce GMV⁽¹⁾⁽⁴⁾



31.1 billion
Pairs of mutual followers⁽²⁾

Notes:

1. Based on data for Kuaishou APP for the three months ended June 30, 2023.
2. Cumulative as of June 30, 2023.
3. Interactions include likes, comments, forwarding, etc.
4. Transactions on our platform or directed to our partners through our platform.



2.2 Rich Content Supply, Optimized Search Function

- Enhanced quality across diverse content verticals including short play and sports content; several blockbuster summer entertainment IPs and original sports IPs that the public enjoys provided users with various “content + interaction” consumption choices.
- Continuous improvement of user satisfaction and retention through optimized search experience and personalized search strategy; continual progress in commercialization.

300m

live streaming views of Kuaishou Village Basketball Association⁽¹⁾

8bn+

average daily short video interactions⁽³⁾

440m+

average monthly users who used Kuaishou's search function⁽²⁾

30%

YoY increase of average daily searches⁽³⁾



Notes:

1. Original sports IP created in June 2023.
2. For the three months ended June 30, 2023.
3. Cumulative as of June 30, 2023.

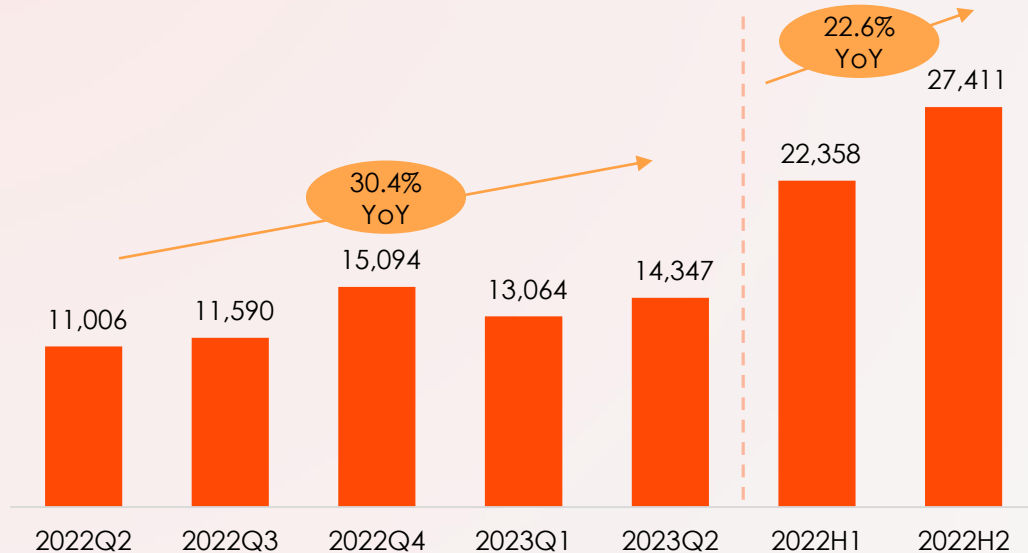


2.3 Outperforming online marketing service with improved monetization efficiency

- Through efforts to further strengthen commercialization data infrastructure, optimize product capabilities and unlock the value of high-quality traffic, online marketing services revenue grew steadily in 2Q23.

Revenue from Online Marketing Services

RMB million



Key Highlights



Robust growth momentum in closed-loop advertising, outpacing GMV growth: Increased demand for ads placement during e-commerce promotional season and strengthened product capabilities, leading to higher ROI and merchants' stronger willingness to place ads; developed a tiered approach, targeting merchants with diverse needs, fostering healthy growth and prosperity across our native e-commerce advertising ecosystem.



Recovered external advertising services with YoY growth: Improved the quality of native advertising content, leading to enhanced user experience and CVR; optimizing conversion through deep links and retention metrics further down the funnel.



Continuously unlocking the value of our ecosystem for brand advertisers focusing on long-term operating efficiency: Steadily expanded ad resources and optimized brand product capabilities; reinforced infrastructure to provide advertisers with scenario-specific industry solutions and improve their efficiency, resulting in a 30%+ YoY increase in brand ads revenue.

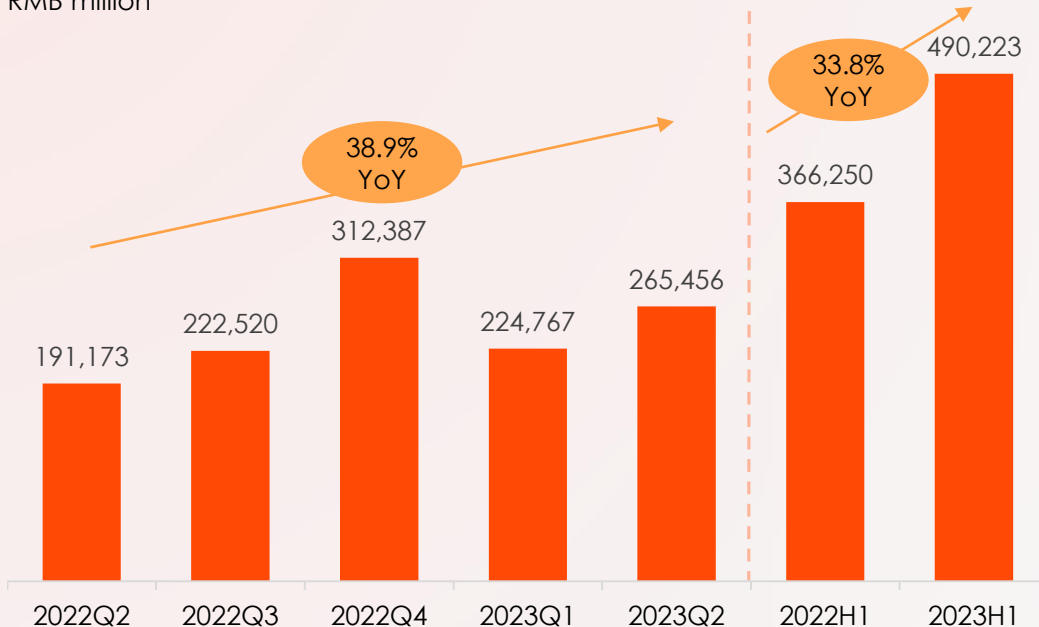


2.4 Robust E-commerce Growth with Ongoing Brands' Development

- 2Q23 **GMV increased by ~39% YoY to RMB265.5 billion**, beating market expectations and outpacing the industry, further gaining market share.
- **Over 110 million monthly active paying users, with penetration rate rising to the high teens.** Achieve YoY increase in average order price and monthly purchasing frequency.

GMV

RMB million



Key Highlights



Optimized e-commerce infrastructure to enhance conversion efficiency: Implemented scoring systems for merchandise, merchant experience and KOL reputation to funnel traffic to premium operators. Synergized users' content consumption behavior to improve real-time interest matching.



Targeted improvement on the supply side: Attracted new merchants from ten industry zones. Increased brand introductions with a 90% YoY increase in newly added brands. Merchant-KOL collaboration drove sustainable growth. The "Stream Initiative" supported KOLs in distributing high-quality products, creating share of voice for brands and benefiting self-operated live streaming.



Refined tiered operations for paying users to reinforce conversion: Further expanded premium paying users' consumption breadth and increased their stickiness through smart subsidies and product feature iterations.



Continued to develop shelf-based e-commerce, promoting new shopping mall: Strengthened entry button to enhanced shelf-based realm. Optimized product search led to a 90% YoY growth in search GMV.



2.4 Continued Prosperity on the Supply and Demand Side of E-commerce

Supply side

>60%

YoY increase of average monthly active merchants in 2Q23

Merchant development and support:

- Attracted new merchants from ten major industries, including apparel, 3C, and other categories, resulting in **high double-digit YoY growth in the number of newly onboarded business merchants**.
- Offered supportive traffic and policies to high-potential merchants while improving merchant training systems, driving a **high double-digit YoY increase in GMV for small and medium-sized merchants**.

Brand e-commerce:

- **Self-operated GMV increased by ~80% YoY. Brands GMV, including Kwai Brands, accounted for 30%+ of total GMV.**
- During 6.18 shopping festival, a closed-loop conversion-from making recommendations and funneling traffic through short video, to transactions via live streaming lead to 200% YoY growth in brand GMV.
- Upgraded “**Stream Initiative**” strategy for brands to identify target consumers across operating stages, enhancing conversion efficiency. Empowered KOLs for quality product distributions.

Demand side

110m+

Number of monthly active paying users in 2Q23

Enhanced Users' experience:

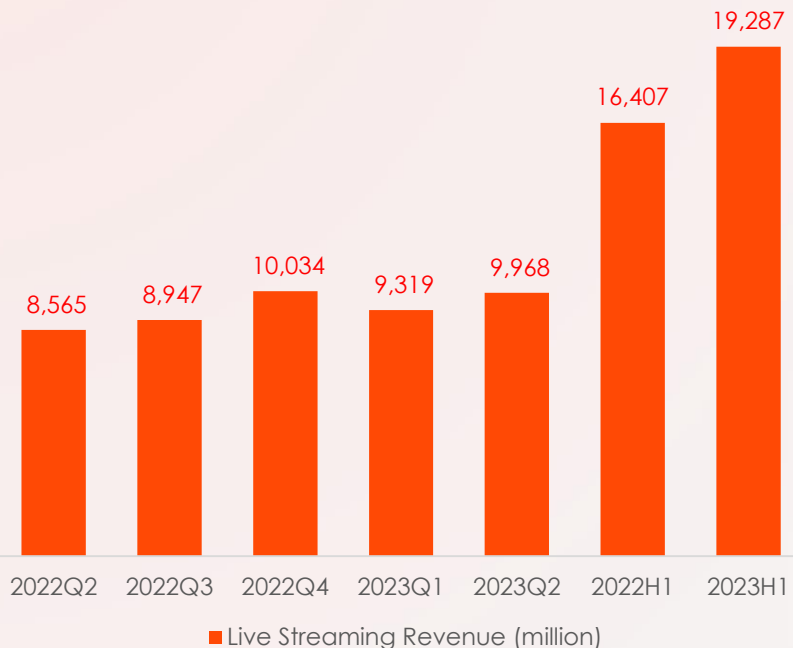
- **Number of monthly active paying users exceeded 110 million, with penetration rate rising to the high teens, driving GMV growth.**
- Strategies like tiered user operation, smart subsidies and product feature iterations expanded premium paying users' consumption range and increased stickiness.
- Optimized supply to provide high quality products and services while enhancing users' shopping experience; **both average order price and monthly purchasing frequency achieved YoY growth.**

2.5 Solid Live Streaming Performance

- Live streaming revenue showed steady growth, reaching RMB10 billion in 2Q23, up 16.4% YoY; monthly ARPPU rose by double digits YoY.
- Consistent efforts in enriching live streaming offerings, optimizing live streaming ecosystem and exploring user preferences and needs.

Revenue from Live Streaming

RMB million



Key Highlights



Enhanced live streamers' professionalism through close collaborations with talent agencies. Implemented differentiated policies, with more incentives for new and small-sized talent agencies. Achieved 40%+ YoY growth in partnered talent agencies and 70%+ YoY increase in active streamers managed by agencies.



High-quality content as a core to boost popular content verticals and nurture streamers. E.g., in traditional Chinese culture vertical, provided increased distribution for platform and traffic support for streamers.



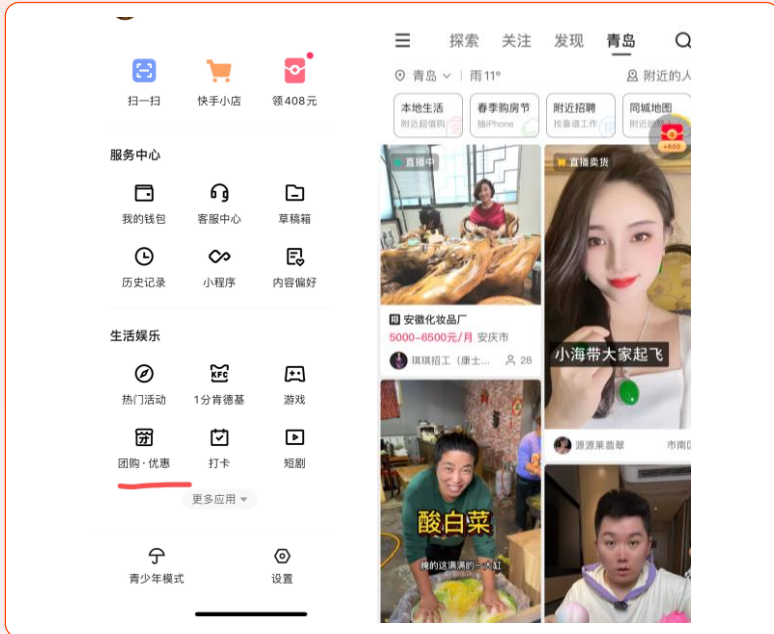
"Live streaming+" services empowered traditional industries, with a significant YoY increase in Kwai Hire's (快聘) average daily resume submissions. Ideal Housing (理想家) reached 90+ cities nationwide, with cumulative GTV of RMB10+ billion.



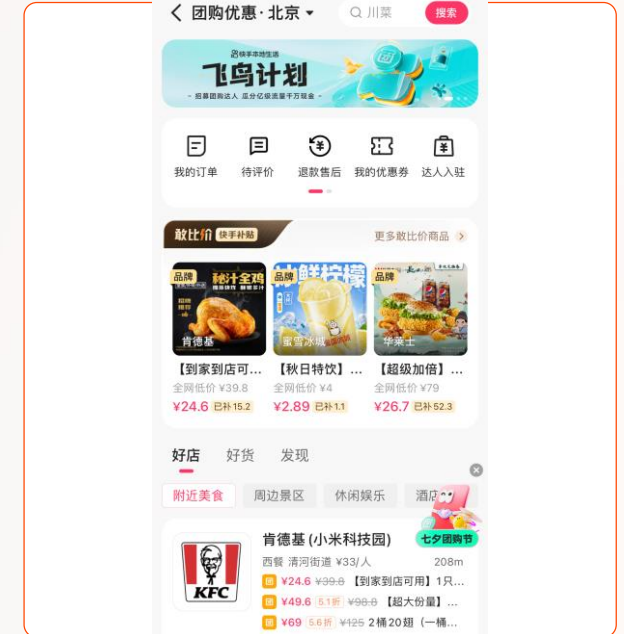
2.6 Promising New Initiative: Local Services

- Expanded core cities, accelerated MVP establishment via high-quality city roll out strategy. Developed merchants through in-house BD and matching with KOLs. Strengthened in-store dining SKA supply and created blockbuster hotel and travel products, with a **QoQ GMV increase of ~200% in Q2**.
- Facilitated high-quality supply through optimized traffic distribution systems. Improved transaction paths to significantly improve user NPS, **while increasing local service buyer base by ~5-fold**.

Local Services Access Point



Local Services Home Page





3. Financial Results

3.1 Financial Highlights



2Q23

Positive IFRS net profit at the group level for the first time since IPO, with IFRS NPM of 5.3%

Operating net cash inflow ~ RMB6.4 billion, compared with net cash outflow last year, with total available funds increasing QoQ for 4 consecutive quarters

Domestic business delivered an operating profit for the 5th consecutive quarter, reaching RMB3.03 billion, increased more than 30 times YoY

Overseas revenue increased 3 times YoY, operating net loss narrowed 51.4% YoY, 5.2% QoQ

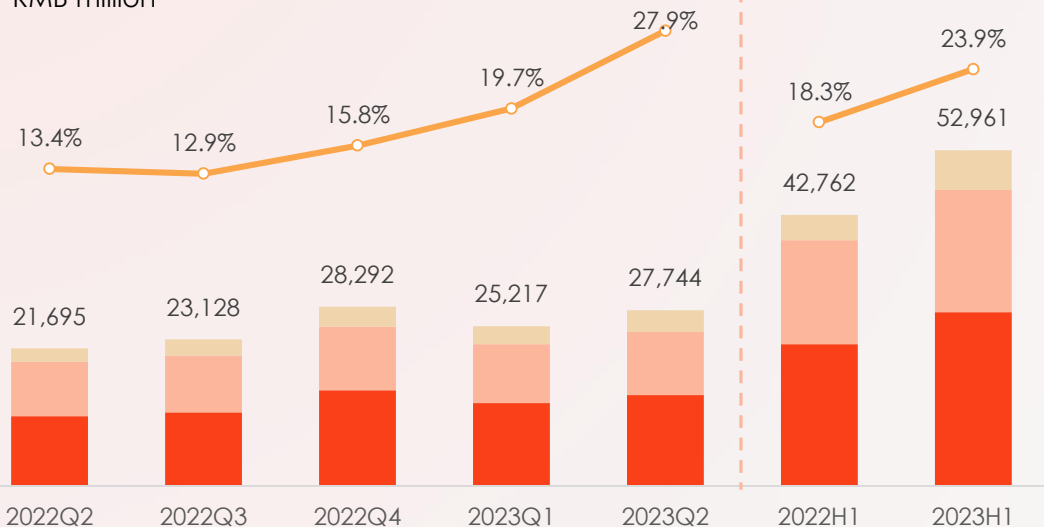


3.2 Accelerating Revenue Growth, GPM Over 50% for the First Time Since IPO

- 2Q23 revenues grew by 27.9% YoY, including 51.7% from online marketing services, 35.9% from live streaming and 12.4% from other services (including e-commerce);
- In 2Q23, online marketing services revenue grew by 30.4% YoY, live streaming revenue grew by 16.4% YoY and other services (including e-commerce) revenue grew by 61.4% YoY;
- Solid revenue growth and effective cost control drove growth of 5.2 ppts YoY in GPM in 2Q23.

Revenues Breakdown and YoY Growth

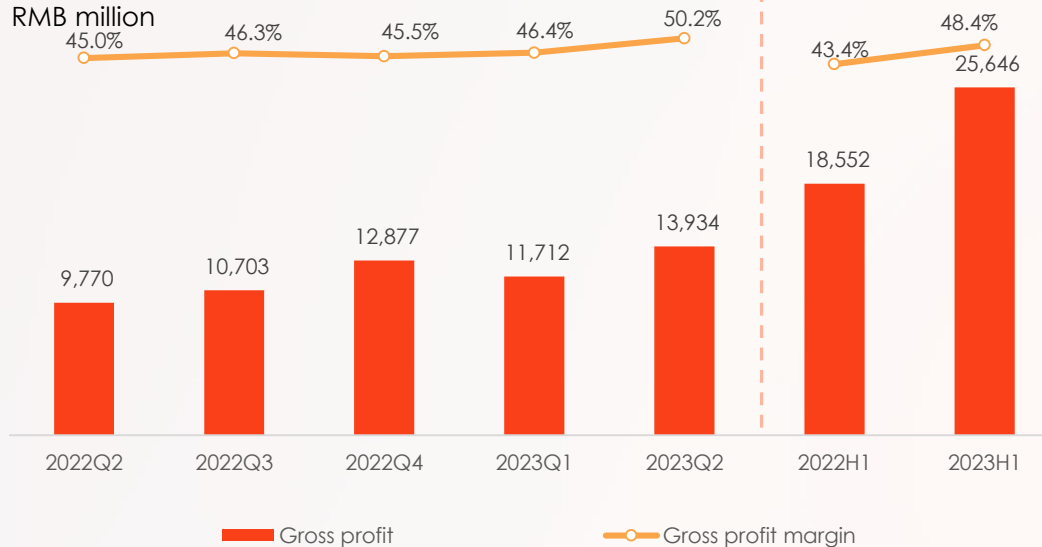
RMB million



■ Online marketing services
■ Live streaming
■ Other services (including e-commerce)
—○— Revenues YoY growth

GP and GPM

RMB million



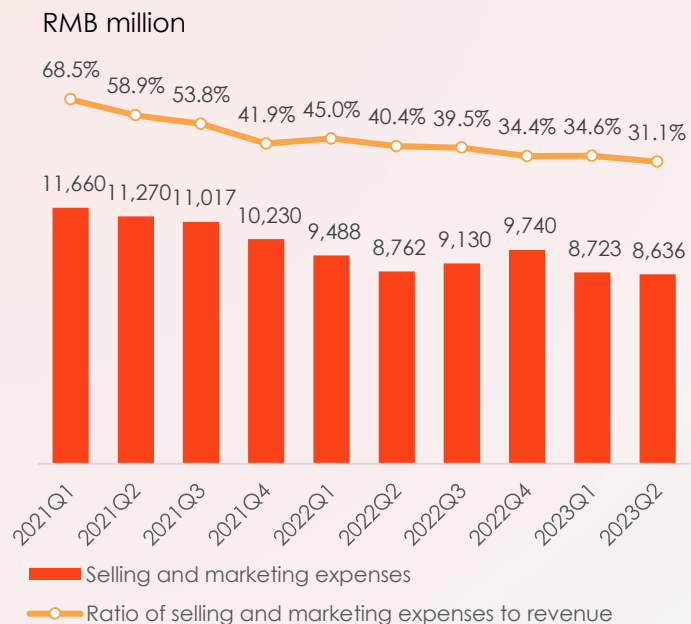
■ Gross profit
—○— Gross profit margin



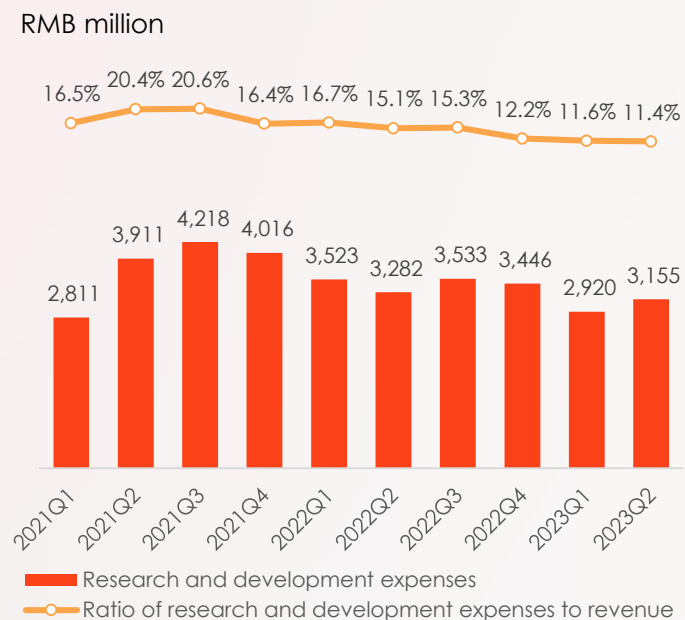
3.3 Significant Cost Reductions and Productivity Enhancements Led to Consistently Improving Operating Efficiency

- **S&M** as a percentage of revenue decreased by 9.3 pts YoY to 31.1%, mainly due to more efficient and restrained spending on user acquisition and retention;
- **R&D** expenses as a percentage of revenue decreased by 3.7 pts YoY to 11.4%; **Administrative expenses** as a percentage of revenue decreased by 1.0 pts to 3.4%.

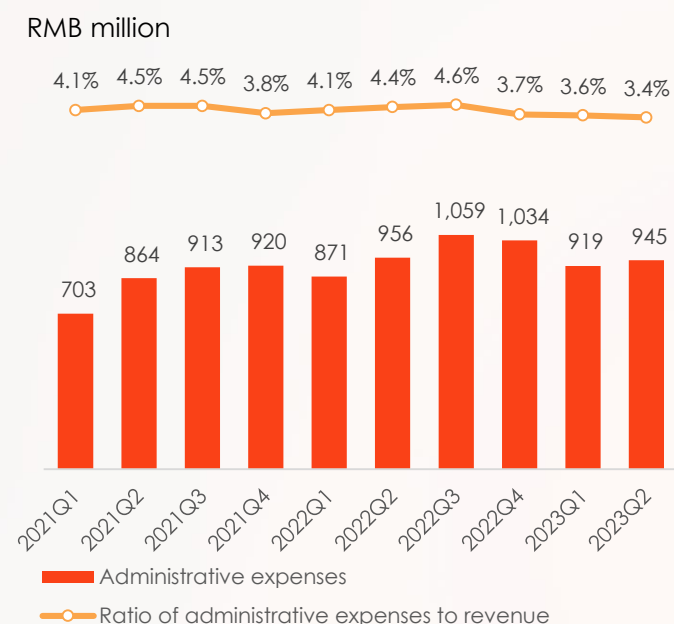
Selling and Marketing Expenses



Research and Development Expenses



Administrative Expenses



3.4 Improved Profitability for Domestic Business and Continuously Narrowing Overseas Loss

- 2Q23 **domestic business operating profit was RMB3.03 billion**, profitability significantly improved;
- **Overseas revenue increased by 3 times** thanks to refined monetization strategies and deep presence in key overseas markets. DAUs and user time spent in our core overseas markets continued to grow YoY. Operating loss narrowed by 51.4% YoY and 5.2% QoQ.

RMB million

2022Q4	Domestic	Overseas	Unallocated items	Total
Revenues	21,592	103	-	21,695
Cost of revenues and operating expenses	(21,499)	(1,709)	-	(23,208)
Unallocated items ⁽¹⁾	-	-	(1,546)	(1,546)
Operating loss	93	(1,606)	(1,546)	(3,059)
2023Q1	Domestic	Overseas	Unallocated items	Total
Revenues	24,879	338	-	25,217
Cost of revenues and operating expenses	(23,916)	(1,161)	-	(25,077)
Unallocated items	-	-	(838)	(838)
Operating loss	963	(823)	(838)	(698)
2023Q2	Domestic	Overseas	Unallocated items	Total
Revenues	27,297	447	-	27,744
Cost of revenues and operating expenses	(24,263)	(1,227)	-	(25,490)
Unallocated items	-	-	(958)	(958)
Operating loss	3,034	(780)	(958)	1,296



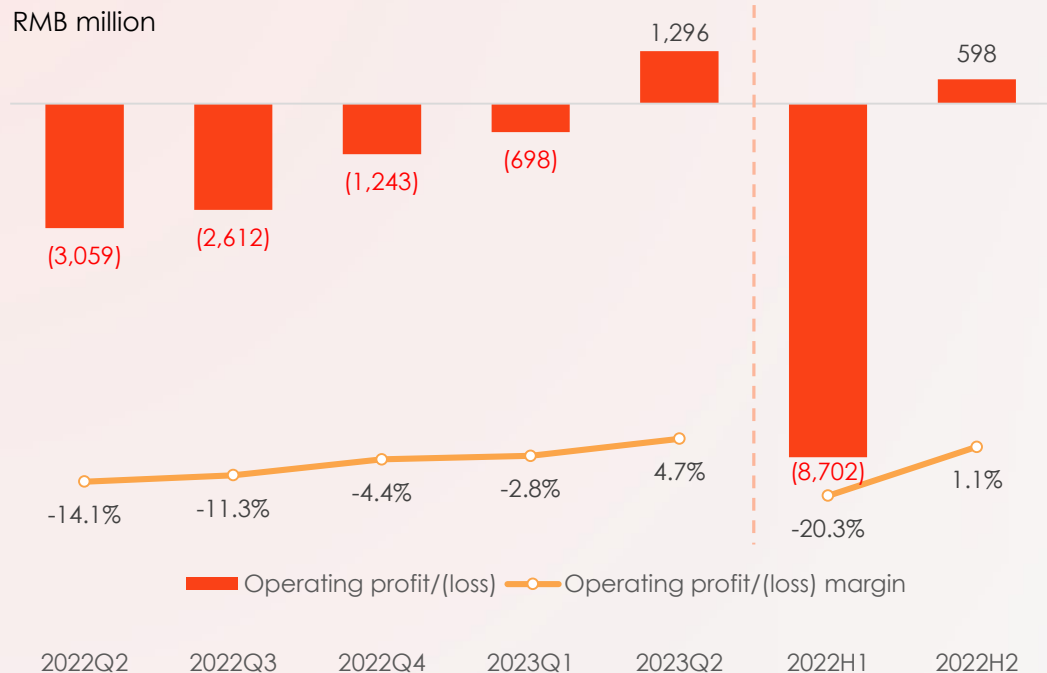
Notes:

(1) Unallocated items include SBC, other income and other gains/(losses), net, comparable to industry practice

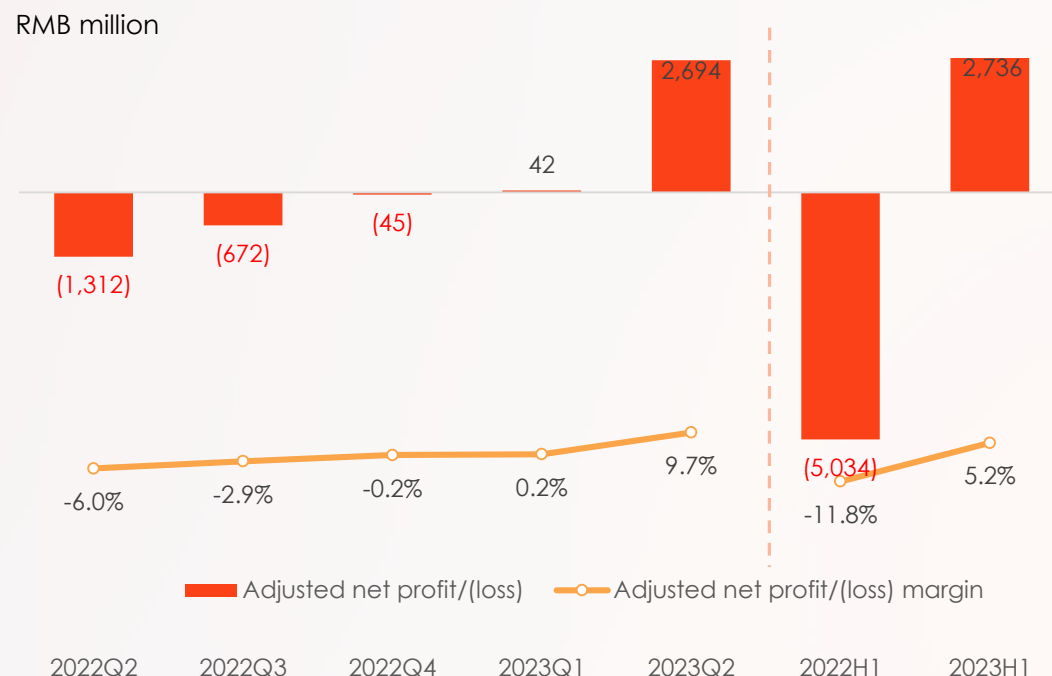
3.5 First-Ever Group-Level Net Profit, Significant QoQ Growth in Adjusted Net Profit

- Achieved positive operating profit and net profit at the group level for the first time, with operating profit margin of 4.7% and net profit margin of 5.3%.
- The group's adjusted net profit increased significantly QoQ, with adjusted net profit margin up 9.5 ppts QoQ.

Operating Profit (Loss) and Operating Profit (Loss) Margin



Adjusted Net Profit (Loss) and Adjusted Net Profit (Loss) Margin





4 Appendix

Income Statement

RMB million	2022Q2	% of revenue	2023Q1	% of revenue	2023Q2	% of revenue	YoY change	QoQ change
Revenues	21,695	100.0%	25,217	100.0%	27,744	100.0%	27.9%	10.0%
Cost of revenues	(11,925)	(55.0%)	(13,505)	(53.6%)	(13,810)	(49.8%)	15.8%	2.3%
Gross profit	9,770	45.0%	11,712	46.4%	13,934	50.2%	42.6%	19.0%
Selling and marketing expenses	(8,763)	(40.4%)	(8,723)	(34.6%)	(8,636)	(31.1%)	(1.4%)	(1.0%)
Administrative expenses	(956)	(4.4%)	(919)	(3.6%)	(945)	(3.4%)	(1.2%)	2.8%
Research and development expenses	(3,282)	(15.1%)	(2,920)	(11.6%)	(3,155)	(11.4%)	(3.9%)	8.0%
Other income	147	0.7%	52	0.2%	113	0.4%	(23.1%)	117.3%
Other (losses)/gains, net	25	0.1%	100	0.4%	(15)	0.0%	N/A	N/A
Operating profit/(loss)	(3,059)	(14.1%)	(698)	(2.8%)	1,296	4.7%	N/A	N/A
Finance income, net	1	0.0%	111	0.5%	158	0.6%	15700.0%	42.3%
Share of losses of investments accounted for using the equity method	(44)	(0.2%)	(14)	(0.1%)	(18)	(0.1%)	(59.1%)	28.6%
Profit/(loss) before income tax	(3,102)	(14.3%)	(601)	(2.4%)	1,436	5.2%	N/A	N/A
Income tax benefits/(expenses)	(74)	(0.3%)	(275)	(1.1%)	45	0.1%	N/A	N/A
Profit/(loss) for the period	(3,176)	(14.6%)	(876)	(3.5%)	1,481	5.3%	N/A	N/A
<u>Non-IFRS financial measures:</u>								
Adjusted net profit/(loss)	(1,312)	(6.0%)	42	0.2%	2,694	9.7%	N/A	6314.3%
Adjusted EBITDA	408	1.9%	1,996	7.9%	4,316	15.6%	957.8%	116.2%



Adjusted Net Profit/(Loss) and Adjusted EBITDA

RMB million	2022Q2	2023Q1	2023Q2
Profit/(loss) for the period	(3,176)	(876)	1,481
Add:			
SBC	1,718	990	1,056
Net fair value changes on investments	146	(72)	157
Adjusted net profit/(loss)	(1,312)	42	2,694
Adjusted net profit/(loss) margin	(6.0%)	0.2%	9.7%
Adjusted net profit/(loss)	(1,312)	42	2,694
Add:			
Income tax (benefits)/expenses	74	275	(45)
Depreciation of property and equipment	778	964	978
Depreciation of right-of-use assets	838	788	808
Amortization of intangible assets	31	38	39
Finance income, net	(1)	(111)	(158)
Adjusted EBITDA	408	1,996	4,316
Adjusted EBITDA margin	1.9%	7.9%	15.6%

Balance Sheet

RMB million	June 30, 2023	December 31, 2022
ASSETS		
Non-current assets		
Property and equipment	12,071	13,215
Right-of-use assets	10,350	10,806
Intangible assets	1,121	1,123
Investments accounted for using the equity method	260	268
Financial assets at fair value through profit or loss	4,611	3,626
Deferred tax assets	5,642	5,095
Long-term time deposits	6,701	7,870
Other financial assets at amortized cost	942	670
Other non-current assets	413	776
Total non-current assets	42,111	43,449
Current assets		
Trade receivables	5,232	6,288
Prepayments, other receivables and other current assets	3,751	4,106
Financial assets at fair value through profit or loss	14,275	13,087
Short-term time deposits	12,896	8,318
Other financial assets at amortized cost	701	726
Restricted cash	40	59
Cash and cash equivalents	13,218	13,274
Total current assets	50,113	45,858
Total assets	92,224	89,307

RMB million	June 30, 2023	December 31, 2022
EQUITY AND LIABILITIES		
Share capital	0	0
Share premium	274,429	274,473
Treasury shares	(113)	-
Other reserves	32,048	29,239
Accumulated losses	(263,275)	(263,882)
Non-controlling interests	6	8
Total equity	43,095	39,838
LIABILITIES		
Non-current liabilities		
Lease liabilities	8,196	8,721
Deferred tax liabilities	21	23
Other non-current liabilities	5	16
Total non-current liabilities	8,222	8,760
Current liabilities		
Accounts payables	19,686	22,868
Other payables and accruals	13,178	10,190
Advances from customers	3,614	3,240
Income tax liabilities	867	936
Lease liabilities	3,562	3,475
Total current liabilities	40,907	40,709
Total liabilities	49,129	49,469
Total equity and liabilities	92,224	89,307





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