

Bilibili (BILI US)

Users on track while investment continues

We expect Bilibili to deliver 2Q21, with rev +63% YoY (1% below consensus) and bottom line at -RMB1.1bn (vs. consensus at -RMB1.0bn). 2Q21E MAU is on track, forecasting +1% QoQ. By segment, 2Q21E games would be flat QoQ on new titles delay, while 3Q21E/4Q21E games +24%/63% YoY. We expect ads/ecommerce/VAS +155%/+161%/+102% YoY in 2Q21E. GPM would decline 2ppts QoQ to 22% in 2Q21E for rev mix and content incentives, while opex ratio would be in-line. We kept our topline forecast unchanged, but lowered bottom line in FY21/22/23E, to factor higher content cost and investment. Maintain BUY with new DCF-based TP of US\$142.

- Content investment & rev mix change to weigh on margins.** We forecast Bili's rev +63% YoY (in line with consensus) and bottom line at -RMB1.1bn (vs. consensus at -RMB1.0bn) in 2Q21E. Margin was guided down 2ppts for lower GPM at 22% with rev mix change (lower contribution from games), high creator incentives and LPL cost. We estimated S&M/rev ratio at 30% (vs. 27% in 1Q21), due to new games promotions. 4Q21E margin would slightly improve for LPL rev contribution.
- Users on track.** We forecast 2Q21E MAU at 226mn, +32% YoY/+1% QoQ due to soft seasonality, but is well anticipated by market, in our view. Mgmt reiterated its confidence on MAU up to 260mn in 2H21E (strong season in 3Q21E), with long-term MAU target intact.
- Strong non-game biz while games to pick up in 2H21E.** We expect 2Q21 game/ads/VAS/ecommerce & others rev -4%/+155%/+102%/+161% YoY. 2Q21E games would be flat QoQ for delay of Artery Gear and Sword Art Online, but 3Q21E games would pick up at +24% YoY and full-year game growth keeps intact. Ads would perform well, backed by its rising eCPM with integrated marketing efficiencies. Given its relatively low ads exposure in K12 education vertical, Bili's ads should be more defensive, in our view.
- Maintain BUY.** We kept our rev unchanged, but trimmed bottom line and lowered TP to US\$142 (11x FY22E P/S, vs prior 12x FY22E P/S) from US\$154. Bili's stock price might see continuous volatility for sector de-rating and livestreaming regulation headwinds, but we keep confident on its long-term user trend and monetization enhancement.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	6,778	11,999	19,100	26,627	34,862
YoY growth (%)	67	64	77	59	39
Adj. net income (RMB mn)	(1,096)	(2,622)	(4,376)	(5,260)	(4,661)
Adj. EPS (RMB)	(3.35)	(7.46)	(13.71)	(15.26)	(13.39)
YoY growth (%)	NA	NA	NA	NA	NA
Consensus EPS (RMB)	NA	NA	(10.85)	(7.71)	(3.23)
P/E (x)	NA	NA	NA	NA	NA
P/S (x)	34.6	19.6	12.3	8.8	6.7
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	(16.6)	(38.6)	(22.0)	NA	NA
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	US\$142
(Previous TP)	US\$154)
Up/Downside	+49.1%
Current Price	US\$95.2

China Internet Sector

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Stock Data

Mkt Cap (US\$ mn)	36,595
Avg 3 mths t/o (US\$ mn)	456.78
52w High/Low (US\$)	157.7/ 39.7
Total Issued Shares (mn)	301

Source: Bloomberg

Shareholding Structure

Capital Group	3.92%
FMR LLC	3.83%
Alibaba Group	3.33%

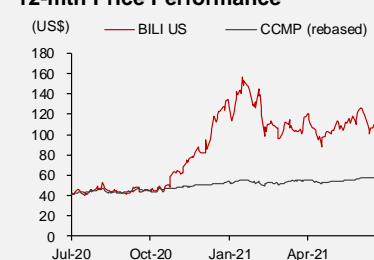
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-21.7%	-24.2%
3-mth	-18.4%	-22.9%
6-mth	-28.8%	-35.0%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PwC

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Figure 1: 2Q21E financial preview

RMB mn	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21E	QoQ	YoY	Consensus	Diff %
Revenue	1,374	1,538	1,859	2,008	2,316	2,618	3,226	3,840	3,901	4,268	9.4%	63.0%	4,294	-1%
Operating profit	(307)	(345)	(423)	(420)	(544)	(610)	(1,083)	(903)	(1,031)	(1,240)	20.2%	103.2%	(1,161)	NA
Net profit	(186)	(313)	(407)	(383)	(535)	(567)	(1,082)	(828)	(904)	(1,250)	38.4%	120.6%	(1,250)	NA
Adj. net profit	(136)	(268)	(345)	(333)	(480)	(472)	(971)	(666)	(665)	(1,109)	66.9%	135.0%	(1,001)	NA
Adj. EPS (RMB)	(0.44)	(0.82)	(1.05)	(1.01)	(1.46)	(1.35)	(2.76)	(1.88)	(1.87)	(3.31)	77.0%	145.2%	(2.80)	NA
Margin (%)														
Gross margin	14%	16%	19%	20%	23%	23%	24%	25%	24%	22%			23.0%	
Operating margin	-22%	-22%	-23%	-21%	-24%	-23%	-34%	-24%	-26%	-29%			-27.0%	
Adj. net margin	-10%	-17%	-19%	-17%	-21%	-18%	-30%	-17%	-17%	-26%			-23.3%	
Growth (%)														
Revenue (YoY)	58.2%	49.8%	72.3%	73.8%	68.6%	70.2%	73.5%	91.3%	68.5%	63.0%			64.1%	
Revenue (QoQ)	18.9%	12.0%	20.9%	8.0%	15.3%	13.0%	23.2%	19.0%	1.6%	9.4%			10.1%	
Operating profit	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA			NA	
Adj. net profit	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA			NA	

Source: Company data, Bloomberg, CMBIS estimates

Figure 2: 2Q21E revenue breakdown

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21E	QoQ	YoY
Revenue (RMB mn)	1,374	1,538	1,859	2,008	2,316	2,618	3,226	3,840	3,901	4,268	9.4%	63.0%
Mobile games	873	920	933	871	1,151	1,248	1,275	1,130	1,171	1,196	2.2%	-4.1%
Live broadcasting and VAS	292	326	453	571	794	825	980	1,247	1,497	1,670	11.6%	102.4%
Advertising	112	168	247	290	214	349	558	722	715	890	24.5%	155.3%
Others	96	124	226	276	157	196	413	741	519	512	-1.5%	161.3%

Source: Company data

Figure 3: CMBIS estimates vs consensus

RMB mn, Dec-YE	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	19,100	26,627	34,862	19,451	27,842	37,738	-1.8%	-4.4%	-7.6%
Gross Profit	4,374	6,995	10,418	4,675	8,247	12,734	-6.4%	-15.2%	-18.2%
Operating Profit	(5,410)	(6,605)	(6,598)	(4,883)	(3,651)	(1,968)	NA	NA	NA
Adj. net profit	(4,375)	(5,260)	(4,661)	(3,756)	(2,518)	(650)	NA	NA	NA
EPS (RMB)	(13.71)	(15.26)	(13.39)	(10.85)	(7.71)	(3.23)	NA	NA	NA
Gross Margin	22.9%	26.3%	29.9%	24.7%	30.6%	34.3%	-1.8pppts	-7.7pppts	-8.1pppts
Operating Margin	-28.3%	-24.8%	-18.9%	-24.2%	-12.1%	-4.7%	-4.1pppts	-16.2pppts	-20.2pppts
Net Margin	-22.9%	-19.8%	-13.4%	-18.7%	-8.5%	-1.4%	-4.2pppts	-14.4pppts	-18.3pppts

Source: Company data, Bloomberg, CMBIS estimates

Figure 4: Earnings revision

RMB mn, Dec-YE	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	19,100	26,627	34,862	19,113	26,706	34,960	-0.1%	-0.3%	-0.3%
Gross Profit	4,374	6,995	10,418	4,848	7,463	11,030	-9.8%	-6.3%	-5.6%
Operating Profit	(5,410)	(6,605)	(6,598)	(4,727)	(5,890)	(5,706)	NA	NA	NA
Adj. net profit	(4,375)	(5,260)	(4,661)	(3,679)	(4,529)	(3,781)	NA	NA	NA
EPS (RMB)	(13.71)	(15.26)	(13.39)	(11.64)	(13.27)	(10.97)	NA	NA	NA
Gross Margin	22.9%	26.3%	29.9%	25.4%	27.9%	31.6%	-2.5pppts	-1.6pppts	-1.7pppts
Operating Margin	-28.3%	-24.8%	-18.9%	-24.7%	-22.1%	-16.3%	-3.6pppts	-2.7pppts	-2.6pppts
Net Margin	-22.9%	-19.8%	-13.4%	-19.2%	-17.0%	-10.8%	-3.7pppts	-2.8pppts	-2.6pppts

Source: Company data, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	6,778	11,999	19,100	26,627	34,862
Mobile games	3,598	4,803	5,785	6,905	8,076
Live broadcasting & VAS	1,641	3,846	7,045	9,625	12,271
Advertising	817	1,843	4,090	7,006	10,546
Others	722	1,507	2,180	3,091	3,970
COGS	(5,588)	(9,159)	(14,725)	(19,632)	(24,444)
Gross profit	1,190	2,840	4,374	6,995	10,418
S&M	(1,199)	(3,492)	(5,783)	(8,675)	(11,278)
Admin. Exp.	(592)	(976)	(1,535)	(1,719)	(1,891)
R&D	(894)	(1,513)	(2,466)	(3,206)	(3,847)
Operating profit	(1,495)	(3,141)	(5,410)	(6,605)	(6,598)
Other income, net	227	140	363	430	488
Pre-tax Income	(1,268)	(3,001)	(5,047)	(6,175)	(6,111)
Income Tax	(36)	(53)	(90)	(110)	109
Net profit	(1,304)	(3,054)	(5,137)	(6,285)	(6,002)
Adj. net profit	(1,081)	(2,580)	(4,375)	(5,260)	(4,661)

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Net income	(1,304)	(3,054)	(5,137)	(6,285)	(6,002)
D&A	1,177	1,837	2,290	3,013	3,557
Change in WC	223	1,487	2,855	(201)	3,044
Others	98	484	735	1,024	1,341
Operating CF	195	754	743	(2,448)	1,940
Capex	(1,565)	(2,239)	(3,438)	(4,380)	(4,343)
Purchase of ST investments	(9,974)	(26,731)	-	-	-
Others	7,580	20,064	-	-	-
Investing CF	(3,958)	(8,906)	(3,438)	(4,380)	(4,343)
Equity raised	-	-	19,500	-	-
Change of Debts	42	100	-	-	-
Cash from CB raised	3,356	5,595	-	-	-
Others	1,681	2,640	-	-	-
Financing CF	5,079	8,335	19,500	-	-
Net change in cash	1,423	(285)	16,805	(6,828)	(2,403)
Cash (beg of yr)	3,540	4,963	4,678	21,483	14,655
FX	108	-	-	-	-
Cash (end of yr)	4,963	4,678	21,483	14,655	12,251

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	5,193	8,126	9,322	10,688	11,475
Fixed asset	516	762	960	960	960
Long-term investments	1,251	2,233	2,233	2,233	2,233
Intangible assets	1,657	2,357	3,546	4,793	5,419
Others	1,768	2,774	2,583	2,703	2,863
Current assets	10,324	15,740	34,561	29,705	29,317
Cash	4,963	4,678	21,483	14,655	12,251
Restricted cash	-	-	-	-	-
Account receivable	745	1,054	1,563	1,647	2,364
Others	4,617	10,008	11,515	13,403	14,701
Current liabilities	4,273	7,392	12,263	14,034	19,093
Trade payable	1,904	3,074	5,801	6,031	8,702
Salary and welfare payables	356	734	734	734	734
Accrued liabilities	576	1,238	2,070	2,232	3,125
Deferred revenues	1,369	2,118	3,355	4,653	6,062
Others	68	227	302	382	470
Non-current liabilities	3,608	8,692	8,692	8,692	8,692
Long-term debt	3,608	8,692	8,692	8,692	8,692
MI	584	182	182	182	182
Total Equity	7,636	7,782	22,847	17,587	12,926
Shareholders' equity	7,052	7,600	22,665	17,405	12,744

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
Mobile games	53.1	40.0	30.3	25.9	23.2
Live broadcasting & VAS	24.2	32.0	36.9	36.1	35.2
Advertising	12.1	15.4	21.4	26.3	30.3
Others	10.7	12.6	11.4	11.6	11.4
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)					
Revenue	64.2	77.0	59.2	39.4	30.9
Gross profit	39.1	138.6	54.0	59.9	48.9
EBIT	NA	NA	NA	NA	NA
Adj. net profit	NA	NA	NA	NA	NA
P&L ratios (%)					
Operating margin	(22.1)	(26.2)	(28.3)	(24.8)	(18.9)
Adj. net margin	(16.0)	(21.5)	(22.9)	(19.8)	(13.4)
Effective tax rate	(0.5)	(0.4)	(0.5)	(0.4)	0.3
Returns (%)					
ROE	(16.6)	(38.6)	(22.0)	NA	NA
ROA	(7.0)	(10.8)	(10.0)	(13.0)	(11.4)
Per share					
Adj. EPS (RMB)	(3.35)	(7.46)	(13.71)	(15.26)	(13.39)
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
BVPS (RMB)	15.36	13.53	67.32	42.52	35.20

Source: Company data, CMBIS estimates

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