

# Bilibili (BILI US)

## Full-year growth intact

Bilibili delivered upbeat 2Q21 financials & MAU, with in-line guidance. FY21E MAU & full year rev growth kept intact, while rev mix updated to games/ non-games rev +12-13%/90% YoY in FY21E, vs. prior +25%/80% YoY, per mgmt. We think softer games are well anticipated by market, given limited new titles in 2H21E. Bili's ads would be relatively defensive to recent headwinds. We forecast games/non-games rev +15%/85% YoY in 3Q21E, with GPM at 20% (-2ppts QoQ). We barely changed our full-year estimates, but lowered TP to US\$110 to reflect multiple correction amid sector de-rating. Stock price might see continuous volatility for tightening regulations and weak sector sentiment, but we keep confident on its LT user trend and monetization enhancement.

- 2Q21 beat, with in-line guidance.** 2Q21 rev accelerated to +72% YoY, 5% above consensus. Mobile game/ads/VAS/ecommerce & others rev -1%/+201%/+98%/+195% YoY, vs our estimates of -4%/+155%/+102%/+161% YoY. Non-GAAP net loss was RMB858mn, vs. consensus of RMB1.1bn. 3Q21 rev guidance came in at RMB5.1bn-5.2bn (+58-61% YoY), midpoint in line with consensus. 2Q21 MAU reached 237mn, +38% YoY/+6% QoQ, 5% above our estimates. Mgmt reiterated its confidence on MAU up to 260mn in 2H21E (strong season in 3Q21E), with long-term MAU target intact.
- Full-year growth intact, with stronger non-games biz to offset softer games.** Mgmt kept its FY21E rev guidance unchanged, but with updated rev mix. Games/ non-games rev +12~13%/90% YoY in FY21E, vs. prior +25%/80% YoY, per mgmt. Given new games delay, we expect games rev +15% YoY in 3Q21E (vs. prior 24%). In-house game development would be LT strategic priority, while 2H21E eyes on contribution from overseas games and key titles (e.g. *Time studio*, *Eternal Tree*). Mgmt. expect manageable regulation impact from teenager gaming anti-addiction (1% grossing mix from minors). Ads outperformed, thanks to its relatively low ads exposure in K12 edu vertical and open-screen ads. VAS slightly missed our estimate, but was forgivable. We expect non-games biz +85% YoY in 3Q21E. 3Q21E GPM would decline 2ppts QoQ to 20%, and to slightly improve in 4Q21E for LPL rev contribution.
- Maintain BUY.** We barely changed our full-year estimates, but lowered TP to US\$110 (8.5x FY22E P/S, vs prior 11x FY22E P/S) from US\$142, with higher discount on multiple amid sector de-rating.

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	6,778	11,999	19,119	26,991	35,416
YoY growth (%)	67	64	77	59	41
Adj. net income (RMB mn)	(1,096)	(2,622)	(4,380)	(5,284)	(5,039)
Adj. EPS (RMB)	(3.35)	(7.46)	(13.52)	(15.11)	(14.27)
YoY growth (%)	NA	NA	NA	NA	NA
Consensus EPS (RMB)	NA	NA	(11.61)	(9.44)	(4.11)
P/E (x)	NA	NA	NA	NA	NA
P/S (x)	23.2	13.1	8.2	5.8	4.4
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	(16.6)	(38.6)	(22.6)	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\$110
(Previous TP)	US\$142)
Up/Downside	+73.2%
Current Price	US\$63.5

### China Internet Sector

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### Stock Data

Mkt Cap (US\$ mn)	26,313
Avg 3 mths t/o (US\$ mn)	475.42
52w High/Low (US\$)	157.7/ 40.4
Total Issued Shares (mn)	301

Source: Bloomberg

### Shareholding Structure

Capital Group	4.36%
Alibaba Group	3.33%
FMR LLC	3.28%

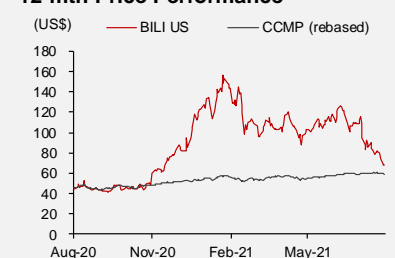
Source: Bloomberg

### Share Performance

	Absolute	Relative
1-mth	-37.2%	-37.6%
3-mth	-32.3%	-38.0%
6-mth	-52.3%	-54.5%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

### Auditor: PwC

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**Figure 1: 2Q21 financial review**

RMB mn	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	QoQ	YoY	Consensus	Diff %	CMBI	Diff %
Revenue	1,374	1,538	1,859	2,008	2,316	2,618	3,226	3,840	3,901	4,495	15.2%	71.7%	4,297	5%	4,268	5%
Operating profit	(307)	(345)	(423)	(420)	(544)	(610)	(1,083)	(903)	(1,031)	(1,521)	47.5%	149.2%	(1,188)	NA	(1,240)	NA
Net profit	(186)	(313)	(407)	(383)	(535)	(567)	(1,082)	(828)	(904)	(1,122)	24.2%	98.0%	(1,336)	NA	(1,250)	NA
Adj. net profit	(136)	(268)	(345)	(333)	(480)	(472)	(971)	(666)	(665)	(858)	29.1%	81.7%	(1,123)	NA	(1,109)	NA
Adj. EPS (RMB)	(0.44)	(0.82)	(1.05)	(1.01)	(1.46)	(1.35)	(2.76)	(1.88)	(1.87)	(2.23)	19.1%	65.0%	(3.02)	NA	(3.31)	NA
<b>Margin (%)</b>																
Gross margin	14%	16%	19%	20%	23%	23%	24%	25%	24%	22%			22.2%		22.0%	
Operating margin	-22%	-22%	-23%	-21%	-24%	-23%	-34%	-24%	-26%	-34%			-27.6%		-29.0%	
Adj. net margin	-10%	-17%	-19%	-17%	-21%	-18%	-30%	-17%	-17%	-19%			-26.1%		-26.0%	
<b>Growth (%)</b>																
Revenue (YoY)	58.2%	49.8%	72.3%	73.8%	68.6%	70.2%	73.5%	91.3%	68.5%	71.7%			64.2%		63.0%	
Revenue (QoQ)	18.9%	12.0%	20.9%	8.0%	15.3%	13.0%	23.2%	19.0%	1.6%	15.2%			10.2%		9.4%	
Operating profit	NA	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		NA	

Source: Company data, Bloomberg, CMBIS estimates

**Figure 2: 2Q21 revenue breakdown**

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	QoQ	YoY
<b>Revenue (RMB mn)</b>	<b>1,374</b>	<b>1,538</b>	<b>1,859</b>	<b>2,008</b>	<b>2,316</b>	<b>2,618</b>	<b>3,226</b>	<b>3,840</b>	<b>3,901</b>	<b>4,495</b>	<b>15.2%</b>	<b>71.7%</b>
Mobile games	873	920	933	871	1,151	1,248	1,275	1,130	1,171	1,233	5.3%	-1.2%
Live broadcasting and VAS	292	326	453	571	794	825	980	1,247	1,497	1,635	9.2%	98.1%
Advertising	112	168	247	290	214	349	558	722	715	1,049	46.8%	201.0%
Others	96	124	226	276	157	196	413	741	519	578	11.3%	195.2%

Source: Company data

**Figure 3: CMBIS estimates vs consensus**

RMB mn, Dec-YE	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	19,119	26,991	35,416	19,395	27,823	37,639	-1.4%	-3.0%	-5.9%
Gross Profit	4,178	6,923	10,026	4,473	7,763	11,897	-6.6%	-10.8%	-15.7%
Operating Profit	(5,934)	(7,186)	(7,593)	(4,606)	(3,767)	(2,024)	NA	NA	NA
Adj. net profit	(4,378)	(5,284)	(5,039)	(4,154)	(3,219)	(1,136)	NA	NA	NA
EPS (RMB)	(13.52)	(15.11)	(14.27)	(11.61)	(9.44)	(4.11)	NA	NA	NA
Gross Margin	21.9%	25.7%	28.3%	24.7%	30.6%	34.3%	-2.9ppts	-8.8ppts	-8.7ppts
Operating Margin	-31.0%	-26.6%	-21.4%	-24.2%	-12.1%	-4.7%	-6.8ppts	-18.9ppts	-22.0ppts
Net Margin	-22.9%	-19.6%	-14.2%	-18.7%	-8.5%	-1.4%	-4.2ppts	-14.4ppts	-18.2ppts

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	19,119	26,991	35,416	19,100	26,627	34,862	0.1%	1.4%	1.6%
Gross Profit	4,178	6,923	10,026	4,374	6,995	10,418	-4.5%	-1.0%	-3.8%
Operating Profit	(5,934)	(7,186)	(7,593)	(5,410)	(6,605)	(6,598)	NA	NA	NA
Adj. net profit	(4,378)	(5,284)	(5,039)	(4,375)	(5,260)	(4,661)	NA	NA	NA
EPS (RMB)	(13.52)	(15.11)	(14.27)	(13.71)	(15.26)	(13.39)	NA	NA	NA
Gross Margin	21.9%	25.7%	28.3%	22.9%	26.3%	29.9%	-1.1ppts	-0.6ppts	-1.6ppts
Operating Margin	-31.0%	-26.6%	-21.4%	-28.3%	-24.8%	-18.9%	-2.7ppts	-1.8ppts	-2.5ppts
Net Margin	-22.9%	-19.6%	-14.2%	-22.9%	-19.8%	-13.4%	+0.0ppts	+0.2ppts	-0.9ppts

Source: Company data, CMBIS estimates

## Financial Summary

Income statement						Cash flow summary					
YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	6,778	11,999	19,119	26,991	35,416	<b>Net income</b>	(1,304)	(3,054)	(5,256)	(6,447)	(6,565)
Mobile games	3,598	4,803	5,401	6,429	7,426	D&A	1,177	1,837	2,291	3,031	3,588
Live broadcasting & VAS	1,641	3,846	6,981	9,658	12,321	Change in WC	223	1,487	3,031	(244)	3,482
Advertising	817	1,843	4,578	7,836	11,725	Others	98	484	824	1,163	1,526
Others	722	1,507	2,159	3,068	3,945	<b>Operating CF</b>	195	754	890	(2,497)	2,031
<b>COGS</b>	(5,588)	(9,159)	(14,941)	(20,068)	(25,390)	Capex	(1,565)	(2,239)	(3,448)	(4,440)	(4,414)
<b>Gross profit</b>	1,190	2,840	4,178	6,923	10,026	Purchase of ST investments	(9,974)	(26,731)	-	-	-
S&M	(1,199)	(3,492)	(5,813)	(8,836)	(11,487)	Others	7,580	20,064	-	-	-
Admin. Exp.	(592)	(976)	(1,747)	(1,956)	(2,152)	<b>Investing CF</b>	(3,958)	(8,906)	(3,448)	(4,440)	(4,414)
R&D	(894)	(1,513)	(2,551)	(3,316)	(3,980)	Equity raised	-	-	19,500	-	-
<b>Operating profit</b>	(1,495)	(3,141)	(5,934)	(7,186)	(7,593)	Change of Debts	42	100	-	-	-
Other income, net	227	140	769	852	909	Cash from CB raised	3,356	5,595	-	-	-
<b>Pre-tax Income</b>	(1,268)	(3,001)	(5,164)	(6,334)	(6,684)	Others	1,681	2,640	-	-	-
Income Tax	(36)	(53)	(92)	(113)	119	<b>Financing CF</b>	5,079	8,335	19,500	-	-
<b>Net profit</b>	(1,304)	(3,054)	(5,256)	(6,447)	(6,565)	<b>Net change in cash</b>	1,423	(285)	16,942	(6,937)	(2,382)
<b>Adj. net profit</b>	(1,081)	(2,580)	(4,378)	(5,284)	(5,039)	Cash (beg of yr)	3,540	4,963	4,678	21,620	14,683
						FX	108	-	-	-	-
						<b>Cash (end of yr)</b>	4,963	4,678	21,620	14,683	12,301

Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	5,193	8,126	9,330	10,739	11,565	<b>Sales mix (%)</b>					
Fixed asset	516	762	960	960	960	Mobile games	53.1	40.0	28.3	23.8	21.0
Long-term investments	1,251	2,233	2,233	2,233	2,233	Live broadcasting & VAS	24.2	32.0	36.5	35.8	34.8
Intangible assets	1,657	2,357	3,548	4,836	5,498	Advertising	12.1	15.4	23.9	29.0	33.1
Others	1,768	2,774	2,590	2,711	2,875	Others	10.7	12.6	11.3	11.4	11.1
<b>Current assets</b>	10,324	15,740	34,704	29,847	29,494	<b>Total</b>	100.0	100.0	100.0	100.0	100.0
Cash	4,963	4,678	21,620	14,683	12,301	<b>Growth rate (%)</b>					
Restricted cash	-	-	-	-	-	Revenue	64.2	77.0	59.3	41.2	31.2
Account receivable	745	1,054	1,565	1,688	2,387	Gross profit	39.1	138.6	47.1	65.7	44.8
Others	4,617	10,008	11,519	13,475	14,806	EBIT	NA	NA	NA	NA	NA
<b>Current liabilities</b>	4,273	7,392	12,445	14,281	19,793	Adj. net profit	NA	NA	NA	NA	NA
Trade payable	1,904	3,074	5,931	6,164	9,139	<b>P&amp;L ratios (%)</b>					
Salary and welfare payables	356	734	734	734	734	Operating margin	(22.1)	(26.2)	(31.0)	(26.6)	(21.4)
Accrued liabilities	576	1,238	2,119	2,279	3,285	Adj. net margin	(16.0)	(21.5)	(22.9)	(19.6)	(14.2)
Deferred revenues	1,369	2,118	3,358	4,717	6,158	Effective tax rate	(0.5)	(0.4)	(0.5)	(0.4)	0.3
Others	68	227	303	386	475	<b>Returns (%)</b>					
<b>Non-current liabilities</b>	3,608	8,692	8,692	8,692	8,692	ROE	(16.6)	(38.6)	(22.6)	NA	NA
Long-term debt	3,608	8,692	8,692	8,692	8,692	ROA	(7.0)	(10.8)	(9.9)	(13.0)	(12.3)
MI	584	182	182	182	182	<b>Per share</b>					
Total Equity	7,636	7,782	22,817	17,533	12,494	Adj. EPS (RMB)	(3.35)	(7.46)	(13.52)	(15.11)	(14.27)
<b>Shareholders' equity</b>	7,052	7,600	22,635	17,351	12,312	DPS (RMB)	0.00	0.00	0.00	0.00	0.00
						BVPS (RMB)	15.36	13.53	66.77	41.99	34.83

Source: Company data, CMBIS estimates

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