

# Bilibili (BILI US)

## Shifting into efficiency enhancement

Bilibili delivered solid 4Q21, with MAU/rev +35%/51% YoY (1%/1% above consensus). Non-GAAP net loss beat consensus. 1Q22E guidance midpoint is 2% below consensus but 1% above our estimate. Mgmt guided FY24E to achieve non-GAAP OP breakeven, and GPM at 30% in three years. Looking into FY22E, we expect topline +30% YoY, in which game/ non-game rev +0%/40% YoY, in conservative estimates. GPM might still see short term pressure (forecasting 19%), given game headwinds. But non-GAAP OPM would improve 5ppts in FY22E, backed by opex scale back and efficiency improvement. We keep positive on Bili's long-term user momentum and monetization, but it would take time for investors to digest the GPM volatility. We slightly cut our full-year topline estimates but lift margin to reflect efficiency enhancement. We adjust TP to US\$55, to reflect lower topline and multiple (from 8x FY22E P/S to 5x FY22E P/S). **4Q21 beat.** BILI reported 4Q21 rev at RMB5.78bn, 1% above consensus, attributable to strong ads (+120% YoY) and VAS (+52% YoY). Non-GAAP net loss (at RMB1,660mn) beat consensus of -RMB1,729mn. 1Q22E rev guidance came in at RMB5.3-5.5bn (+36%-41% YoY), midpoint 2% below consensus, but above buy-side expectation. Non-GAAP GPM was flat QoQ at 19.4% (vs. 19.9% in 3Q21), largely in line with guidance.

■ **Targeting 2024 to achieve OP breakeven, with efficiency improvement ahead.** As we stated in our previous takeaways, Bili will scale back its opex, to improve its margin and narrow net loss ahead, through cost control and S&M efficiency enhancement. Mgmt guided 2024 to achieve OP breakeven, with GPM up to 30% in three years. We believe this tone will alleviate market concern on its investment ROI and margin trend. In FY22E, we forecast its rev +30% YoY, in which mobile game/ads/VAS rev +0%/+50%/+36% YoY (assuming no game license to release). Blend GPM was estimated at 19%, with ads/VAS rev sharing ratio stable in FY22E, while game GPM under short-term pressure. We expect S&M/rev ratio to improve 5ppts, with higher marketing efficiency and lower TAC. Coupled with G&A leverage, we forecast its non-GAAP OPM to improve 5ppts, and non-GAAP NPM at -21% in FY22E. User metrics would still perform well (forecasting MAU +27% YoY). We forecast 1Q22E rev +38% YoY, in which games/ads +10%/+70% YoY. 1Q22E GPM would be below full-year level, but we expect its non-GAAP OP margin loss to narrow 5% QoQ.

■ **Maintain BUY.** We slightly cut our full-year topline estimates but improved margin to reflect opex scale back, with lower TP at US\$55 (5.2x FY22E P/S).

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	11,999	19,384	25,102	32,251	40,021
YoY growth (%)	77	62	30	28	24
Adj. net income (RMB mn)	(2,622)	(5,128)	(5,338)	(3,107)	297
Adj. EPS (RMB)	(7.46)	(13.73)	(13.24)	(7.63)	0.63
YoY growth (%)	NA	NA	NA	NA	NA
Consensus EPS (RMB)	NA	NA	(13.58)	(10.02)	(0.21)
P/E (x)	NA	NA	NA	NA	229
P/S (x)	5.7	3.5	2.7	2.1	1.7
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	(38.6)	(30.2)	NA	NA	NA
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** US\$55  
 (Previous TP) US\$110  
**Up/Downside** +98.6%  
**Current Price** US\$27.7

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### Stock Data

Mkt Cap (US\$ mn)	11,690
Avg 3 mths t/o (US\$ mn)	248.36
52w High/Low (US\$)	145.9/ 28.0
Total Issued Shares (mn)	304

Source: Bloomberg

### Shareholding Structure

FMR LLC	3.79%
State Street	3.50%
Vanguard	3.29%

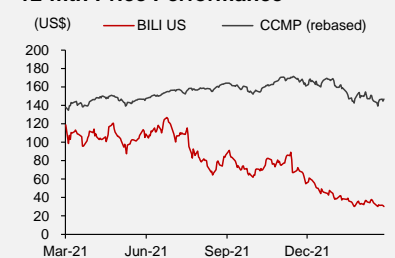
Source: Bloomberg

### Share Performance

	Absolute	Relative
1-mth	-10.5%	-6.1%
3-mth	-49.0%	-43.0%
6-mth	-64.0%	-59.8%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

**Auditor: PwC**

### Related Reports

- Mixed 3Q21, with stepping-up content investment – 18 Nov 2021
- China Internet: Embracing a new normal of regulation – 8 Nov 2021
- Full-year growth intact – 20 Aug 2021





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