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# 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 buyside 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 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, Bloomb	perg, CMBIGN	/I estimates			

## **BUY (Maintain)**

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

#### **China Internet Sector**

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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
- BI I	

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
- 2. China Internet: Embracing a new normal of regulation 8 Nov 2021
- 3. Full-year growth intact 20 Aug 2021



<b>Figure</b>	1:	4Q21	financial	review
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RMB mn	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	QoQ	YoY	Consensus	Diff %	CMBI	Diff %
Revenue	1,859	2,008	2,316	2,618	3,226	3,840	3,901	4,495	5,207	5,781	11.0%	50.5%	5,742	1%	5,741	1%
Operating profit	(423)	(420)	(544)	(610)	(1,083)	(903)	(1,031)	(1,521)	(1,878)	(2,000)	NA	NA	(1,734)	NA	(1,849)	NA
Net profit	(407)	(383)	(535)	(567)	(1,082)	(828)	(904)	(1,122)	(2,677)	(2,096)	NA	NA	(2,025)	NA	(1,881)	NA
Adj. net profit	(345)	(333)	(480)	(472)	(967)	(666)	(665)	(1,325)	(1,622)	(1,660)	NA	NA	(1,729)	NA	(1,618)	NA
Adj. EPS (RMB)	(1.05)	(1.01)	(1.46)	(1.35)	(2.76)	(1.88)	(1.87)	(3.44)	(4.16)	(4.22)	NA	NA	(4.44)	NA	(5.43)	NA
Margin (%)																
Gross margin	18.9%	19.8%	22.9%	23.1%	23.6%	24.6%	24.0%	22.0%	19.6%	19.0%			19.6%		19.8%	
Operating margin	-22.8%	-20.9%	-23.5%	-23.3%	-33.6%	-23.5%	-26.4%	-33.8%	-36.1%	-34.6%			-30.2%		-32.2%	
Adj. net margin	-18.6%	-16.6%	-20.7%	-18.0%	-30.0%	-17.3%	-17.0%	-29.5%	-31.2%	-28.7%			-30.1%		-28.2%	
Growth (%)																
Revenue (YoY)	72.3%	73.8%	68.6%	70.2%	73.5%	91.3%	68.5%	71.7%	61.4%	50.5%			78.0%		49.5%	
Revenue (QoQ)	20.9%	8.0%	15.3%	13.0%	23.2%	19.0%	1.6%	15.2%	15.8%	11.0%			27.7%		10.3%	
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, CMBIGM estimates

Figure 2: 4Q21 revenue breakdown

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	QoQ	YoY
Revenue (RMB mn)	1,374	1,538	1,859	2,008	2,316	2,618	3,226	3,840	3,901	4,495	5,207	5,781	11.0%	50.5%
Mobile games	873	920	933	871	1,151	1,248	1,275	1,130	1,171	1,233	1,392	1,295	-6.9%	14.7%
Live broadcasting and VAS	292	326	453	571	794	825	980	1,247	1,497	1,635	1,909	1,895	-0.8%	51.9%
Advertising	112	168	247	290	214	349	558	722	715	1,049	1,172	1,588	35.5%	119.8%
Others	96	124	226	276	157	196	413	741	519	578	734	1,003	36.7%	35.4%

Source: Company data

Figure 3: CMBIGM estimates vs consensus

	CMBIGM				Consensus		Diff (%)			
RMB mn, Dec-YE	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	
Revenue	25,102	32,251	40,021	26,979	35,830	47,314	-7.0%	-10.0%	-15.4%	
Gross Profit	4,817	7,657	12,021	6,202	9,551	13,674	-22.3%	-19.8%	-12.1%	
Operating Profit	(6,475)	(4,732)	(1,675)	(5,810)	(4,315)	(1,333)	NA	NA	NA	
Adj. net profit	(5,338)	(3,107)	297	(5,401)	(3,431)	(72)	NA	NA	NA	
EPS (RMB)	(13.24)	(7.63)	0.63	(13.58)	(10.02)	(0.21)	NA	NA	NA	
Gross Margin	19.2%	23.7%	30.0%	23.0%	26.7%	28.9%	-3.8ppts	-7.5ppts	-5.2ppts	
Operating Margin	-25.8%	-14.7%	-4.2%	-21.5%	-12.0%	-2.8%	-4.3ppts	-13.7ppts	-11.9ppts	
Net Margin	-21.3%	-9.6%	0.7%	-20.0%	-9.6%	-0.2%	-1.2ppts	-11.7ppts	-9.5ppts	

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: Earnings revision

	New				Old		Diff (%)			
RMB mn, Dec-YE	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	
Revenue	25,102	32,251	40,021	27,110	35,535	NA	-7.4%	-9.2%	NA	
Gross Profit	4,817	7,657	12,021	6,785	9,767	NA	-29.0%	-21.6%	NA	
Operating Profit	(6,475)	(4,732)	(1,675)	(7,597)	(8,146)	NA	NA	NA	NA	
Adj. net profit	(5,338)	(3,107)	297	(6,281)	(6,079)	NA	NA	NA	NA	
EPS (RMB)	(13.24)	(7.63)	0.63	(16.98)	(16.27)	NA	NA	NA	NA	
Gross Margin	19.2%	23.7%	30.0%	25.0%	27.5%	NA	-5.8ppts	-3.8ppts	NA	
Operating Margin	-25.8%	-14.7%	-4.2%	-28.0%	-22.9%	NA	+2.2ppts	+8.2ppts	NA	
Net Margin	-21.3%	-9.6%	0.7%	-23.2%	-17.1%	NA	+1.9ppts	+7.5ppts	NA	

Source: Company data, CMBIGM estimates



## **Financial Summary**

Income statement						Cash flow summ					
YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E	YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	11,999 4,803	19,384 5,091	25,102 5,099	32,251 5,816	40,021 7,051	Net income D&A	(3,054) 1,837	(6,665) 2,306	(6,633) 2,949	(4,771) 3,428	(1,768) 4,109
Mobile games Live broadcasting &		6,935	•	12,129	14,544	D&A	1,487	3,327	-	2,958	
VAS	3,846	0,935	9,440	12,129	14,544	Change in WC	1,407	3,321	(400)	2,956	(1,428)
Advertising	1,843	4,523	6,785	9,557	12,711	Others	484	1,000	1,295	1,664	2,064
Others	1,507	2,834	3,778	4,749	5,715	Operating CF	754	(32)	(2,789)	3,278	2,977
COGS	(9,159)	(15,341)	(20,285)	(24,594)	(28,000)	0	(0.000)	(0.440)	(4.404)	(0.000)	(4.040)
Gross profit	2,840	4,043	4,817	7,657	12,021	Capex Purchase of ST investments	(2,239) (26,731)	(3,419)	(4,104) -	(3,988)	(4,843) -
S&M	(3,492)	(5,795)	(6,258)	(6,196)	(6,072)	Others	20,064	-	-	-	-
Admin. Exp.	(976)	(1,838)	(1,966)	(2,359)	(2,831)	Investing CF	(8,906)	(3,419)	(4,104)	(3,988)	(4,843)
R&D	(1,513)	(2,840)	(3,067)	(3,834)	(4,792)	J					
Operating profit	(3,141)	(6,429)	(6,475)	(4,732)	(1,675)	Equity raised	-	19,500	-	-	-
31			,	, , ,		Change of Debts	100	-	-	-	-
Other income, net	140	(119)	(42)	(125)	(125)	Cash from CB raised	5,595	-	-	-	_
Pre-tax Income	(3,001)	(6,548)	(6,517)	(4,857)	(1,800)	Others	2,640	-	-	-	-
	,	,	,	, , ,	, ,	Financing CF	8,335	19,500	_	_	_
Income Tax	(53)	(116)	(116)	86	32	_					
Net profit	(3,054)	(6,665)	(6,633)	(4,771)	(1,768)	Net change in cash	(285)	16,049	(6,893)	(709)	(1,866)
Adj. net profit	(2,580)	(5,127)	(5,338)	(3,107)	297	Cash (beg of yr)	4,963	4,678	20,727	13,834	13,124
						FX	-	-	-	-	-
						Cash (end of yr)	4,678	20,727	13,834	13,124	11,258
Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E	YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	8,126	9,287	10,442	11,002	11,737	Sales mix (%)					
Fixed asset	762	962	962	962	962	Mobile games	40.0	26.3	20.3	18.0	17.6
Long-term investments	2,233	2,233	2,233	2,233	2,233	Live broadcasting & VAS	32.0	35.8	37.6	37.6	36.3
Intangible assets	2,357	3,581	4,649	5,091	5,785	Advertising	15.4	23.3	27.0	29.6	31.8
Others	2,774	2,510	2,598	2,716	2,757	Others	12.6	14.6	15.0	14.7	14.3
						Total	100.0	100.0	100.0	100.0	100.0
Current assets	15,740	33,895	28,356	29,616	29,439						
Cash	4,678	20,727	13,834	13,124	11,258	Growth rate (%)	77.0	61.5	29.5	28.5	24.1
Restricted cash	-	-	-	-	=	Revenue	138.6	42.4	19.1	59.0	57.0
Account receivable	1,054	1,602	1,424	2,287	2,099	Gross profit	NA	NA	NA	NA	NA
Others	10,008	11,566	13,098	14,205	16,082	EBIT	NA	NA	NA	NA	NA
Command liabilities	7 200	40.005	40.770	40.707	40.007	Adj. net profit					
Current liabilities	7,392	12,825	13,779	18,707	18,967	D01 reties (0/)	(00.0)	(22.0)	(25.0)	/4 4 <del>7</del> \	(4.0)
Trade payable Salary and welfare	3,074	6,172	6,055	8,769	8,108	P&L ratios (%)	(26.2)	(33.2)	(25.8)	(14.7)	(4.2)
payables	734	734	734	734	734	Operating margin	(25.0)	(33.8)	(26.0)	(15.1)	(4.5)
Accrued liabilities	1,238	2,209	2,237	3,153	2,677	Adj. net margin	(21.5)	(26.4)	(21.3)	(9.6)	0.7
Deferred revenues	2,118	3,404	4,387	5,608	6,924	Effective tax rate	(0.4)	(0.6)	(0.5)	0.3	0.1
Others	227	305	366	442	524	Deturne (0/)					
Non-current						Returns (%)					
liabilities	8,692	8,692	8,692	8,692	8,692	ROE	(38.6)	(30.2)	NA	NA	NA
Long-term debt	8,692	8,692	8,692	8,692	8,692	ROA	(10.8)	(11.9)	(13.8)	(7.7)	0.7
MI	182	182	182	182	182	Per share					
Total Equity	7,782	21,584	16,246	13,139	13,436	Adj. EPS (RMB)	(7.46)	(13.73)	(13.24)	(7.63)	0.63
Shareholders' equity	7,600	21,402	16,064	12,957	13,254	DPS (RMB) BVPS (RMB)	0.00 13.53	0.00 55.51	0.00 34.31	0.00 32.22	1.00 24.04

Source: Company data, CMBIGM estimates



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