

Bilibili (BILI US)

Better margin and ads recovery ahead

Bilibili delivered mixed 1Q22 results, with MAU/rev +31%/30% YoY (in line). Non-GAAP net loss (RMB1.65bn) missed consensus of -RMB1.57bn. 2Q22E guidance midpoint was 1%/4% above consensus/our estimate. We expect rev +9% YoY in 2Q22E, in which game/ads/VAS/others -13%/+6%/+30%/+0% YoY. 2Q22E GPM should be lower than 1Q22 (forecasting 15%, -1ppt QoQ), while opex should be flat QoQ. We believe soft 2Q22E was well anticipated by the market, and suggest to look into ads & ecommerce rebound after lockdown relaxation (forecasting ads /VAS +24%/30% YoY in 2H22E). Adj. NPM would improve sequentially in 2H22E, with higher GPM and opex control. We keep our topline forecast barely changed, but cut NPM by 2ppts in FY22-24E. Adjusted TP to US\$40.

- 1Q21 missed on bottom line.** BILI reported 1Q22 revs +30% YoY, in line with consensus. By segment, games +16% YoY (5% above our estimate) while ads +46% YoY (in line) and VAS+37% YoY (2% below our estimate). Non-GAAP net loss (RMB1.65bn) missed consensus of -RMB1.57bn. 2Q22E rev guidance came out at RMB4.85-4.95bn (+8%~10% YoY), midpoint 1% above consensus, mainly on faster-than-expected SH reopening. Non-GAAP GPM was 16% (vs. 19% in 4Q21), largely in line with guidance.
- Looking into 2H22E margin improvement and growth recovery.** We expect its 2Q22E rev +9% YoY (vs. prior +4%). Game would see low-teens YoY decline, for a lack of new key titles and amortization base. Noted that game rebound should be slower than license resumption. Suggest to eye on Pretty Derby (overseas version), which is scheduled to launch in Jun. VAS rev would be resilient at +30% YoY in 2Q22E, in our estimate. We expect ads +6% YoY in 2Q22E, while ecommerce to be flat YoY (above expectation, on SH reopening). With upcoming epidemic stabilization and lockdown relaxation, ecommerce and ads would gradually recover in 2H22E (forecasting ads +24% YoY in 2H22E). Bili will scale back its opex to improve its LT margin ahead, through cost control and S&M efficiency enhancement. Epidemic resurgence and muted game might dampen its margin in the short run. 2Q22E GPM should be lower than 1Q22 (15%, -1ppt QoQ), but we expect adj. NPM to improve sequentially in 2H22E, with higher GPM and more opex control.
- Maintain BUY.** We keep our topline forecast barely changed, but cut NPM by 2ppts in FY22-24E. Adjusted TP to US\$40 (3.5x FY23E P/S).

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	11,999	19,384	22,879	28,848	35,210
YoY growth (%)	77	62	18	26	22
Adj. net income (RMB mn)	(2,622)	(5,128)	(6,718)	(5,164)	(2,316)
Adj. EPS (RMB)	(7.5)	(13.7)	(16.7)	(12.7)	(4.9)
YoY growth (%)	NA	NA	NA	NA	NA
Consensus EPS (RMB)	NA	NA	(15.9)	(11.1)	(3.7)
P/E (x)	NA	NA	NA	NA	NA
P/S (x)	5.5	3.4	2.9	2.3	1.9
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	(38.6)	(30.2)	NA	NA	NA
Net gearing (%)	Net cash				

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$40
(Previous TP)	US\$43)
Up/Downside	+53.8%
Current Price	US\$24.5

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Stock Data

Mkt Cap (US\$ mn)	10,949
Avg 3 mths t/o (US\$ mn)	308.34
52w High/Low (US\$)	129.2/ 14.9
Total Issued Shares (mn)	307

Source: Bloomberg

Shareholding Structure

FMR LLC	6.35%
Alibaba Group Holding Ltd	3.26%
Yiheng Capital	3.05%

Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	34.4%	34.1%
3-mth	19.7%	26.1%
6-mth	-54.2%	-69.5%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PwC

Related Reports

- Factoring in epidemic impact – 4 May 2022
- Shifting into efficiency enhancement – 4 Mar 2022
- Mixed 3Q21, with stepping-up content investment – 18 Nov 2021

Figure 1: 1Q22 financial review

RMB mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	QoQ	YoY	Consensus	Diff %	CMBI	Diff %
Revenue	2,316	2,618	3,226	3,840	3,901	4,495	5,207	5,781	5,054	-12.6%	29.6%	5,058	0%	5,026	1%
Operating profit	(544)	(610)	(1,083)	(903)	(1,031)	(1,521)	(1,878)	(2,000)	(1,991)	NA	NA	(1,630)	NA	(1,711)	NA
Net profit	(535)	(567)	(1,082)	(828)	(904)	(1,122)	(2,677)	(2,096)	(2,284)	NA	NA	(1,854)	NA	(1,723)	NA
Adj. net profit	(480)	(472)	(967)	(666)	(665)	(1,325)	(1,622)	(1,660)	(1,655)	NA	NA	(1,573)	NA	(1,493)	NA
Adj. EPS (RMB)	(1.46)	(1.35)	(2.76)	(1.88)	(1.87)	(3.44)	(4.18)	(4.22)	(4.21)	NA	NA	(3.93)	NA	(3.87)	NA
Margin (%)															
Gross margin	22.9%	23.1%	23.6%	24.6%	24.0%	22.0%	19.6%	19.0%	16.0%			16.0%		16.0%	
Operating margin	-23.5%	-23.3%	-33.6%	-23.5%	-26.4%	-33.8%	-36.1%	-34.6%	-39.4%			-32.2%		-34.0%	
Adj. net margin	-20.7%	-18.0%	-30.0%	-17.3%	-17.0%	-29.5%	-31.2%	-28.7%	-32.7%			-31.1%		-29.7%	
Growth (%)															
Revenue (YoY)	68.6%	70.2%	73.5%	91.3%	68.5%	71.7%	61.4%	50.5%	29.6%			29.7%		28.8%	
Revenue (QoQ)	15.3%	13.0%	23.2%	19.0%	1.6%	15.2%	15.8%	11.0%	-12.6%			-12.5%		-13.1%	
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, CMBIGM estimates

Figure 2: Revenue breakdown

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	QoQ	YoY
Revenue (RMB mn)	2,316	2,618	3,226	3,840	3,901	4,495	5,207	5,781	5,054	-12.6%	29.6%
Mobile games	1,151	1,248	1,275	1,130	1,171	1,233	1,392	1,295	1,358	4.8%	16.0%
Live broadcasting and VAS	794	825	980	1,247	1,497	1,635	1,909	1,895	2,052	8.3%	37.1%
Advertising	214	349	558	722	715	1,049	1,172	1,588	1,041	-34.4%	45.6%
Others	157	196	413	741	519	578	734	1,003	603	-39.9%	16.2%

Source: Company data, CMBIGM estimates

Figure 3: CMBIGM estimates vs consensus

RMB mn, Dec-YE	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	22,879	28,848	35,210	23,648	31,192	39,267	-3.3%	-7.5%	-10.3%
Gross Profit	3,903	5,750	8,926	4,314	7,315	11,248	-9.5%	-21.4%	-20.6%
Operating Profit	(7,718)	(6,647)	(4,082)	(6,682)	(4,635)	(1,705)	NA	NA	NA
Adj. net profit	(6,718)	(5,164)	(2,316)	(6,288)	(4,237)	(1,320)	NA	NA	NA
EPS (RMB)	(16.66)	(12.68)	(4.94)	-15.90	-11.06	-3.66	NA	NA	NA
Gross Margin	17.1%	19.9%	25.4%	18.2%	23.5%	28.6%	-1.2ppts	-6.4ppts	-8.7ppts
Operating Margin	-33.7%	-23.0%	-11.6%	-28.3%	-14.9%	-4.3%	-5.5ppts	-18.9ppts	-18.7ppts
Net Margin	-29.4%	-17.9%	-6.6%	-26.6%	-13.6%	-3.4%	-2.8ppts	-15.8ppts	-14.5ppts

Source: Company data, Bloomberg, CMBIGM estimates

Figure 4: Earnings revision

RMB mn, Dec-YE	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	22,879	28,848	35,210	22,707	28,659	35,020	0.8%	0.7%	0.5%
Gross Profit	3,903	5,750	8,926	3,957	5,866	9,102	-1.4%	-2.0%	-1.9%
Operating Profit	(7,718)	(6,647)	(4,082)	(7,096)	(5,872)	(3,174)	NA	NA	NA
Adj. net profit	(6,718)	(5,164)	(2,316)	(6,094)	(4,412)	(1,435)	NA	NA	NA
EPS (RMB)	(16.66)	(12.68)	(4.94)	(15.11)	(10.83)	(3.06)	NA	NA	NA
Gross Margin	17.1%	19.9%	25.4%	17.4%	20.5%	26.0%	-0.3ppts	-0.6ppts	-0.6ppts
Operating Margin	-33.7%	-23.0%	-11.6%	-31.3%	-20.5%	-9.1%	-2.4ppts	-2.5ppts	-2.5ppts
Net Margin	-29.4%	-17.9%	-6.6%	-26.8%	-15.4%	-4.1%	-2.6ppts	-2.5ppts	-2.5ppts

Source: Company data, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	11,999	19,384	22,879	28,848	35,210
Mobile games	4,803	5,091	5,099	5,815	7,051
Live broadcasting & VAS	3,846	6,935	9,151	11,729	13,884
Advertising	1,843	4,523	5,596	7,716	10,080
Others	1,507	2,834	3,033	3,588	4,194
COGS	(9,159)	(15,341)	(18,976)	(23,098)	(26,283)
Gross profit	2,840	4,043	3,903	5,750	8,926
S&M	(3,492)	(5,795)	(5,679)	(5,622)	(5,510)
Admin. Exp.	(976)	(1,838)	(1,966)	(2,163)	(2,379)
R&D	(1,513)	(2,840)	(3,976)	(4,612)	(5,119)
Operating profit	(3,141)	(6,429)	(7,718)	(6,647)	(4,082)
Other income, net	140	(119)	(42)	(125)	(125)
Pre-tax Income	(3,001)	(6,548)	(7,760)	(6,772)	(4,207)
Income Tax	(53)	(116)	(138)	120	75
Net profit	(3,054)	(6,665)	(7,898)	(6,652)	(4,132)
Adj. net profit	(2,580)	(5,127)	(6,718)	(5,164)	(2,316)

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Net income	(3,054)	(6,665)	(7,898)	(6,652)	(4,132)
D&A	1,837	609	1,098	1,673	2,338
Change in WC	1,487	(384)	770	4,146	(3,122)
Others	484	4,269	1,180	1,488	1,816
Operating CF	754	(2,170)	(4,850)	655	(3,100)
Capex	(2,239)	(456)	(4,109)	(3,559)	(4,252)
Purchase of ST investments	(26,731)	(11,704)	-	-	-
Others	20,064	(1,043)	-	-	-
Investing CF	(8,906)	(13,202)	(4,109)	(3,559)	(4,252)
Equity raised	-	19,500	-	-	-
Change of Debts	100	1,132	-	-	-
Cash from CB raised	5,595	-	-	-	-
Others	2,640	-	-	-	-
Financing CF	8,335	20,632	-	-	-
Net change in cash	(285)	5,259	(8,959)	(2,904)	(7,352)
Cash (beg of yr)	4,963	4,678	9,937	978	(1,926)
FX	-	-	-	-	-
Cash (end of yr)	4,678	9,937	978	(1,926)	(9,278)

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	8,126	15,606	13,722	15,608	17,522
Fixed asset	762	1,350	1,374	1,374	1,374
Long-term investments	2,233	5,503	5,503	5,503	5,503
Intangible assets	2,357	3,836	2,562	4,351	6,239
Others	2,774	4,918	4,283	4,379	4,406
Current assets	15,740	36,447	29,412	28,403	22,160
Cash	4,678	7,523	978	(1,926)	(9,278)
Restricted cash	-	-	-	-	-
Account receivable	1,054	1,382	1,165	2,155	1,704
Others	10,008	27,541	27,269	28,174	29,735
Current liabilities	7,392	12,071	12,351	18,392	16,379
Trade payable	3,074	4,361	4,953	8,969	6,873
Salary and welfare payables	734	995	995	995	995
Accrued liabilities	1,238	2,633	1,932	3,131	2,342
Deferred revenues	2,118	2,645	2,995	3,758	4,564
Others	227	1,436	1,475	1,538	1,605
Non-current liabilities	8,692	18,266	18,266	18,266	18,266
Long-term debt	8,692	18,266	18,266	18,266	18,266
MI	182	12	12	12	12
Total Equity	7,782	21,716	9,952	4,788	2,472
Shareholders' equity	7,600	21,704	9,940	4,776	2,460

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)					
Mobile games	40.0	26.3	22.3	20.2	20.0
Live broadcasting & VAS	32.0	35.8	40.0	40.7	39.4
Advertising	15.4	23.3	24.5	26.7	28.6
Others	12.6	14.6	13.3	12.4	11.9
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)	77.0	61.5	18.0	26.1	22.1
Revenue	138.6	42.4	(3.5)	47.3	55.2
Gross profit	NA	NA	NA	NA	NA
EBIT	NA	NA	NA	NA	NA
Adj. net profit					
P&L ratios (%)	(26.2)	(33.2)	(33.7)	(23.0)	(11.6)
Operating margin	(25.0)	(33.8)	(33.9)	(23.5)	(11.9)
Adj. net margin	(21.5)	(26.4)	(29.4)	(17.9)	(6.6)
Effective tax rate	(0.4)	(0.6)	(0.6)	0.4	0.2
Returns (%)					
ROE	(38.6)	(30.2)	NA	NA	NA
ROA	(10.8)	(9.8)	(15.6)	(11.7)	(5.8)
Per share					
Adj. EPS (RMB)	(7.46)	(13.73)	(16.66)	(12.68)	(4.94)
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
BVPS (RMB)	13.53	26.61	2.43	(4.73)	(19.81)

Source: Company data, CMBIGM estimates

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