

Bilibili (BILI US)

Mixed 3Q21, with stepping-up content investment

Bilibili delivered mixed 3Q21, with MAU/rev +35%/61% YoY (3%/1% above consensus). Non GAAP net loss missed consensus but was in line with our estimate. 4Q21E guidance midpoint was 1% below consensus. By segment, ads & VAS momentum continued (+110%/+95% YoY), offsetting soft games (+9% YoY, given limited new titles). We think this result might trigger HF to take profit in the near term, but we keep confident on its long-term user trend and monetization outlook. We forecast 4Q21E rev +49% YoY, in which game/ads/VAS/others +20%/100%/54%/37% YoY. 4Q21E GPM and opex ratio would be flat QoQ. Stock price might see volatility due to margin pressure. We barely changed our full-year topline estimates but lower margin to reflect stepping-up content investment. Maintain TP at US\$110.

- Mixed 3Q21.** 3Q21 rev +61% YoY, 1% above consensus. Non-GAAP net loss was RMB1,622mn, vs. consensus/our estimate of RMB1,543mn/RMB1,659mn. 4Q21E rev guidance came in at RMB5.7bn-5.8bn (+48%-51% YoY), midpoint 1% below consensus but 1% above our estimate. Full year rev growth kept intact. 3Q21 MAU surprised us at 267.2mn, +35% YoY/+13% QoQ, 3% above our estimates. We expect 4Q21E MAU would still see sequential growth.
- Defensive ads & VAS to offset soft games.** 3Q21 mobile game/ads/VAS rev +9%/+110%/+95% YoY, vs. our estimates of 13%/+130%/+87% YoY. Ads kept relatively defensive, backed by its increasing brand perception, improving ads efficiency and Huahuo penetration (>15k uploaders). Ads brand retention rate >75%. We estimate 4Q21E ads rev +100% YoY, and mgmt. expect limited impact from PIPL. 3Q21 games slightly missed on limited new titles and tightening regulation. We forecast game to mildly rebound in 4Q21E (+20% YoY), supported by continuous HP contribution and overseas titles. VAS beat our estimate, but we expect it to slow down (+54% YoY) in 4Q21E. 4Q21E GPM and opex ratio would be flat QoQ.
- Maintain BUY.** We barely changed our full-year topline estimates but lowered margin to reflect stepping-up content investment, with TP at US\$110 (8.5x FY22E P/S). Further catalysts: 1) upcoming game license resumption; 2) solid user metrics ahead; and 3) 2022 New Year's Eve Gala.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	6,778	11,999	19,222	27,110	35,535
YoY growth (%)	67	64	77	60	41
Adj. net income (RMB mn)	(1,096)	(2,622)	(5,074)	(6,281)	(6,079)
Adj. EPS (RMB)	(3.35)	(7.46)	(15.75)	(16.98)	(16.27)
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)	29.6	16.7	10.4	7.4	5.6
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	(16.6)	(38.6)	(29.0)	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\$110
(Previous TP)	US\$110)
Up/Downside	+35.1%
Current Price	US\$81.4

China Internet Sector

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Stock Data

Mkt Cap (US\$ mn)	32,805
Avg 3 mths t/o (US\$ mn)	320.83
52w High/Low (US\$)	157.7/ 47.2
Total Issued Shares (mn)	301

Source: Bloomberg

Shareholding Structure

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

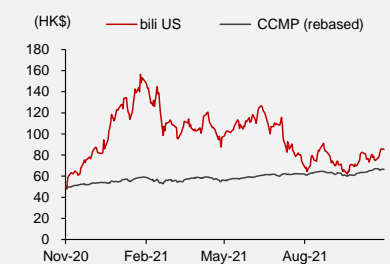
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	21.8%	14.4%
3-mth	15.2%	7.7%
6-mth	-11.9%	-25.4%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PwC

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- Full-year growth intact – 20 Aug 2021
- Users on track while investment continues – 26 Jul 2021

Figure 1: 3Q21 financial review

RMB mn	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	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	5,207	15.8%	61.4%	5,172	1%	5,162	1%
Operating profit	(307)	(345)	(423)	(420)	(544)	(610)	(1,083)	(903)	(1,031)	(1,521)	(1,878)	NA	NA	(1,602)	NA	(1,816)	NA
Net profit	(186)	(313)	(407)	(383)	(535)	(567)	(1,082)	(828)	(904)	(1,122)	(2,677)	NA	NA	(1,830)	NA	(1,834)	NA
Adj. net profit	(136)	(268)	(345)	(333)	(480)	(472)	(967)	(666)	(665)	(1,325)	(1,622)	NA	NA	(1,543)	NA	(1,659)	NA
Adj. EPS (RMB)	(0.44)	(0.82)	(1.05)	(1.01)	(1.46)	(1.35)	(2.76)	(1.88)	(1.87)	(2.23)	(4.16)	NA	NA	(4.12)	NA	(5.14)	NA
Margin (%)																	
Gross margin	14%	16%	19%	20%	23%	23%	24%	25%	24%	22%	20%			22.8%		20.3%	
Operating margin	-22%	-22%	-23%	-21%	-24%	-23%	-34%	-24%	-26%	-34%	-36%			-31.0%		-35.2%	
Adj. net margin	-10%	-17%	-19%	-17%	-21%	-18%	-30%	-17%	-17%	-29%	-31%			-29.8%		-32.1%	
Growth (%)																	
Revenue (YoY)	58.2%	49.8%	72.3%	73.8%	68.6%	70.2%	73.5%	91.3%	68.5%	71.7%	61.4%			60.3%		60.0%	
Revenue (QoQ)	18.9%	12.0%	20.9%	8.0%	15.3%	13.0%	23.2%	19.0%	1.6%	15.2%	15.8%			15.1%		14.8%	
Operating profit	NA	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		NA	

Source: Company data, Bloomberg, CMBIS estimates

Figure 2: 3Q21 revenue breakdown

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	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	15.8%	61.4%
Mobile games	873	920	933	871	1,151	1,248	1,275	1,130	1,171	1,233	1,392	12.9%	9.1%
Live broadcasting and VAS	292	326	453	571	794	825	980	1,247	1,497	1,635	1,909	16.8%	94.9%
Advertising	112	168	247	290	214	349	558	722	715	1,049	1,172	11.7%	110.2%
Others	96	124	226	276	157	196	413	741	519	578	734	27.0%	77.5%

Source: Company data

Figure 3: CMBIS estimates vs consensus

RMB mn, Dec-YE	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	19,222	27,110	35,535	19,326	27,836	37,615	-0.5%	-2.6%	-5.5%
Gross Profit	4,060	6,785	9,767	4,309	7,253	11,353	-5.8%	-6.5%	-14.0%
Operating Profit	(6,300)	(7,597)	(8,146)	(5,366)	(4,959)	(3,282)	NA	NA	NA
Adj. net profit	(5,394)	(6,281)	(6,079)	(4,427)	(4,030)	(1,925)	NA	NA	NA
EPS (RMB)	(15.75)	(16.98)	(16.27)	(11.88)	(10.99)	(6.46)	NA	NA	NA
Gross Margin	21.1%	25.0%	27.5%	24.7%	30.6%	34.3%	-3.6ppts	-9.5ppts	-9.3ppts
Operating Margin	-32.8%	-28.0%	-22.9%	-24.2%	-12.1%	-4.7%	-8.6ppts	-20.7ppts	-23.4ppts
Net Margin	-28.1%	-23.2%	-17.1%	-18.7%	-8.5%	-1.4%	-9.4ppts	-19.6ppts	-21.8ppts

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	19,222	27,110	35,535	19,119	26,991	35,416	0.5%	0.4%	0.3%
Gross Profit	4,060	6,785	9,767	4,178	6,923	10,026	-2.8%	-2.0%	-2.6%
Operating Profit	(6,300)	(7,597)	(8,146)	(5,934)	(7,186)	(7,593)	NA	NA	NA
Adj. net profit	(5,394)	(6,281)	(6,079)	(4,378)	(5,284)	(5,039)	NA	NA	NA
EPS (RMB)	(15.75)	(16.98)	(16.27)	(13.52)	(15.11)	(14.27)	NA	NA	NA
Gross Margin	21.1%	25.0%	27.5%	21.9%	25.7%	28.3%	-0.7ppts	-0.6ppts	-0.8ppts
Operating Margin	-32.8%	-28.0%	-22.9%	-31.0%	-26.6%	-21.4%	-1.7ppts	-1.4ppts	-1.5ppts
Net Margin	-28.1%	-23.2%	-17.1%	-22.9%	-19.6%	-14.2%	-5.2ppts	-3.6ppts	-2.9ppts

Source: Company data, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	6,778	11,999	19,222	27,110	35,535
Mobile games	3,598	4,803	5,154	6,043	7,042
Live broadcasting & VAS	1,641	3,846	6,959	9,647	12,321
Advertising	817	1,843	4,487	7,681	11,354
Others	722	1,507	2,622	3,739	4,818
COGS	(5,588)	(9,159)	(15,162)	(20,325)	(25,769)
Gross profit	1,190	2,840	4,060	6,785	9,767
S&M	(1,199)	(3,492)	(5,641)	(8,574)	(11,146)
Admin. Exp.	(592)	(976)	(1,816)	(2,034)	(2,237)
R&D	(894)	(1,513)	(2,903)	(3,774)	(4,529)
Operating profit	(1,495)	(3,141)	(6,300)	(7,597)	(8,146)
Other income, net	227	140	(29)	102	159
Pre-tax Income	(1,268)	(3,001)	(6,329)	(7,495)	(7,987)
Income Tax	(36)	(53)	(113)	(133)	142
Net profit	(1,304)	(3,054)	(6,441)	(7,628)	(7,845)
Adj. net profit	(1,081)	(2,580)	(5,394)	(6,281)	(6,079)

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Net income	(1,304)	(3,054)	(6,441)	(7,628)	(7,845)
D&A	1,177	1,837	2,297	3,040	3,598
Change in WC	223	1,487	3,200	(387)	3,724
Others	98	484	955	1,347	1,766
Operating CF	195	754	11	(3,627)	1,244
Capex	(1,565)	(2,239)	(3,495)	(4,453)	(4,434)
Purchase of ST investments	(9,974)	(26,731)	-	-	-
Others	7,580	20,064	-	-	-
Investing CF	(3,958)	(8,906)	(3,495)	(4,453)	(4,434)
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)	16,016	(8,080)	(3,190)
Cash (beg of yr)	3,540	4,963	4,678	20,694	12,614
FX	108	-	-	-	-
Cash (end of yr)	4,963	4,678	20,694	12,614	9,423

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	5,193	8,126	9,372	10,785	11,620
Fixed asset	516	762	961	961	961
Long-term investments	1,251	2,233	2,233	2,233	2,233
Intangible assets	1,657	2,357	3,561	4,859	5,524
Others	1,768	2,774	2,617	2,733	2,902
Current assets	10,324	15,740	33,811	27,802	26,653
Cash	4,963	4,678	20,694	12,614	9,423
Restricted cash	-	-	-	-	-
Account receivable	745	1,054	1,580	1,689	2,400
Others	4,617	10,008	11,537	13,499	14,829
Current liabilities	4,273	7,392	12,647	14,332	20,097
Trade payable	1,904	3,074	6,064	6,186	9,346
Salary and welfare payables	356	734	734	734	734
Accrued liabilities	576	1,238	2,169	2,286	3,362
Deferred revenues	1,369	2,118	3,376	4,738	6,179
Others	68	227	304	387	477
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	21,763	15,482	9,403
Shareholders' equity	7,052	7,600	21,581	15,300	9,221

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
Mobile games	53.1	40.0	26.8	22.3	19.8
Live broadcasting & VAS	24.2	32.0	36.2	35.6	34.7
Advertising	12.1	15.4	23.3	28.3	32.0
Others	10.7	12.6	13.6	13.8	13.6
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)					
Revenue	64.2	77.0	60.2	41.0	31.1
Gross profit	39.1	138.6	43.0	67.1	43.9
EBIT	NA	NA	NA	NA	NA
Adj. net profit	NA	NA	NA	NA	NA
P&L ratios (%)					
Operating margin	(22.1)	(26.2)	(32.8)	(28.0)	(22.9)
Adj. net margin	(16.0)	(21.5)	(28.1)	(23.2)	(17.1)
Effective tax rate	(0.5)	(0.4)	(0.6)	(0.5)	0.4
Returns (%)					
ROE	(16.6)	(38.6)	(29.0)	NA	NA
ROA	(7.0)	(10.8)	(12.5)	(16.3)	(15.9)
Per share					
Adj. EPS (RMB)	(3.35)	(7.46)	(15.75)	(16.98)	(16.27)
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
BVPS (RMB)	15.36	13.53	60.41	34.10	25.22

Source: Company data, CMBIS estimates

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