

Bilibili (BILI US)

Factoring in epidemic impact

Bilibili guided down its 1Q22E rev by 6% to RMB5.0-5.1bn, while user metrics performed well (MAU+31% YoY, DAU+32% YoY, time spent recording high). We expect its softer guidance to be mainly on moderate ads (forecasting +45% YoY) and ecommerce (+15% YoY), and GPM is estimated at 16%. Given lockdowns from Mar, 2Q22E would bear further pressure, with rev +4% YoY (in which ads sequential growth to offset ecommerce & game decline). However, we think upcoming SH reopening and COVID stabilization matters more, as weak 2Q22E was well anticipated by the market. Suggest to look into ads & ecommerce rebound after lockdown relaxation, with potential positive regulation signals. We trimmed our topline forecast by 10%-12% in FY22-24E, to reflect epidemic impact and macro challenges. Adjust TP to US\$43.

- 1Q22E guidance reset.** Bili guided down its 1Q22E rev by 6%, to reflect epidemic impact on ads and ecommerce (forecasting ads +45% YoY, vs. prior +70%; ecommerce +15% YoY, vs. prior +40%). Game and VAS remained resilient, forecasting rev +10%/+40% YoY. Ads saw shrinking budget from multiple verticals (e.g. ecommerce, F&B, beauties, 3C & auto) for lockdowns in 1Q22E, posing pressure on its 1H22E trend. Its ecommerce logistics was also limited by lockdowns. In terms of margin, we estimate its GPM will be diluted at 16% in 1Q22E. We expect effective opex control in 1Q22E, with estimated non-GAAP OPM at -29%. Despite that, we are impressed by its eye-catching user metrics, with MAU+31% YoY, DAU+32% YoY, and time spent recording high.
- Factoring in epidemic impact in 2Q22E.** We expect its 2Q22E rev +4% YoY, to factor in lockdown disruption impact. Game would see slight sequential decline, for 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 will stay flat QoQ in 2Q22E (+28% YoY), in our estimate. We expect ads to see sequential growth in 2Q22E to offset games softness, while ecommerce still under pressure. With upcoming epidemic stabilization and lockdown relaxation, ecommerce and ads would gradually recover.
- Maintain BUY.** We trimmed our topline forecast by 10%-12% in FY22-24E, to reflect epidemic impact and macro challenges. Adjust TP to US\$43 (5.0x FY22E P/S).

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	11,999	19,384	22,707	28,659	35,020
YoY growth (%)	77	62	17	26	22
Adj. net income (RMB mn)	(2,622)	(5,128)	(6,094)	(4,412)	(1,435)
Adj. EPS (RMB)	(7.46)	(13.73)	(15.11)	(10.83)	(3.06)
YoY growth (%)	NA	NA	NA	NA	NA
Consensus EPS (RMB)	NA	NA	(14.6)	(9.8)	(2.0)
P/E (x)	NA	NA	NA	NA	NA
P/S (x)	5.3	3.3	2.8	2.2	1.8
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\$43
 (Previous TP US\$55)
Up/Downside +75.5%
Current Price US\$24.5

China Internet Sector

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Stock Data

Mkt Cap (US\$ mn)	9,554
Avg 3 mths t/o (US\$ mn)	311.93
52w High/Low (US\$)	129.2/ 14.9
Total Issued Shares (mn)	307

Source: Bloomberg

Shareholding Structure

FMR LLC	3.76%
State Street Corp	3.50%
Alibaba Group Holding Ltd	3.26%

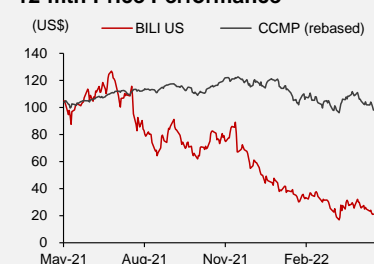
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-11.4%	0.7%
3-mth	-27.4%	-16.5%
6-mth	-68.6%	-60.8%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PwC

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Figure 1: 1Q22 financial preview

RMB mn	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22E	QoQ	YoY	Consensus	Diff %
Revenue	2,316	2,618	3,226	3,840	3,901	4,495	5,207	5,781	5,026	-13.1%	28.8%	5,300	-5%
Operating profit	(544)	(610)	(1,083)	(903)	(1,031)	(1,521)	(1,878)	(2,000)	(1,711)	NA	NA	(1,372)	NA
Net profit	(535)	(567)	(1,082)	(828)	(904)	(1,122)	(2,677)	(2,096)	(1,723)	NA	NA	(1,677)	NA
Adj. net profit	(480)	(472)	(967)	(666)	(665)	(1,325)	(1,622)	(1,660)	(1,493)	NA	NA	(1,317)	NA
Adj. EPS (RMB)	(1.46)	(1.35)	(2.76)	(1.88)	(1.87)	(3.44)	(4.18)	(4.22)	(3.87)	NA	NA	(3.49)	NA
Margin (%)													
Gross margin	22.9%	23.1%	23.6%	24.6%	24.0%	22.0%	19.6%	19.0%	16.0%			17.7%	
Operating margin	-23.5%	-23.3%	-33.6%	-23.5%	-26.4%	-33.8%	-36.1%	-34.6%	-34.0%			-25.9%	
Adj. net margin	-20.7%	-18.0%	-30.0%	-17.3%	-17.0%	-29.5%	-31.2%	-28.7%	-29.7%			-24.9%	
Growth (%)													
Revenue (YoY)	68.6%	70.2%	73.5%	91.3%	68.5%	71.7%	61.4%	50.5%	28.8%			35.8%	
Revenue (QoQ)	15.3%	13.0%	23.2%	19.0%	1.6%	15.2%	15.8%	11.0%	-13.1%			-8.3%	
Operating profit	NA	NA	NA	NA	NA	NA	NA	NA	NA			NA	
Adj. net profit	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	1Q22E	QoQ	YoY
Revenue (RMB mn)	2,316	2,618	3,226	3,840	3,901	4,495	5,207	5,781	5,026	-13.1%	28.8%
Mobile games	1,151	1,248	1,275	1,130	1,171	1,233	1,392	1,295	1,291	-0.4%	10.2%
Live broadcasting and VAS	794	825	980	1,247	1,497	1,635	1,909	1,895	2,097	10.7%	40.1%
Advertising	214	349	558	722	715	1,049	1,172	1,588	1,039	-34.5%	45.4%
Others	157	196	413	741	519	578	734	1,003	599	-40.3%	15.4%

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	22,707	28,659	35,020	24,694	32,334	41,241	-8.0%	-11.4%	-15.1%
Gross Profit	3,957	5,866	9,102	4,673	7,634	12,027	-15.3%	-23.2%	-24.3%
Operating Profit	(7,096)	(5,872)	(3,174)	(6,392)	(4,497)	(1,170)	NA	NA	NA
Adj. net profit	(6,094)	(4,412)	(1,435)	(5,828)	(3,960)	(635)	NA	NA	NA
EPS (RMB)	(15.11)	(10.83)	(3.06)	-14.61	-9.78	-1.95	NA	NA	NA
Gross Margin	17.4%	20.5%	26.0%	18.9%	23.6%	29.2%	-1.5ppts	-6.2ppts	-8.7ppts
Operating Margin	-31.3%	-20.5%	-9.1%	-25.9%	-13.9%	-2.8%	-5.4ppts	-17.3ppts	-17.7ppts
Net Margin	-26.8%	-15.4%	-4.1%	-23.6%	-12.2%	-1.5%	-3.2ppts	-14.6ppts	-13.9ppts

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	22,707	28,659	35,020	25,102	31,807	39,740	-9.5%	-9.9%	-11.9%
Gross Profit	3,957	5,866	9,102	4,816	6,871	11,104	-17.8%	-14.6%	-18.0%
Operating Profit	(7,096)	(5,872)	(3,174)	(6,476)	(5,518)	(2,591)	NA	NA	NA
Adj. net profit	(6,094)	(4,412)	(1,435)	(5,339)	(3,902)	(618)	NA	NA	NA
EPS (RMB)	(15.11)	(10.83)	(3.06)	(13.24)	(9.58)	(1.32)	NA	NA	NA
Gross Margin	17.4%	20.5%	26.0%	19.2%	21.6%	27.9%	-1.8ppts	-1.1ppts	-2.0ppts
Operating Margin	-31.3%	-20.5%	-9.1%	-25.8%	-17.3%	-6.5%	-5.5ppts	-3.1ppts	-2.5ppts
Net Margin	-26.8%	-15.4%	-4.1%	-21.3%	-12.3%	-1.6%	-5.6ppts	-3.1ppts	-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	22,707	28,659	35,020
Mobile games	4,803	5,091	5,099	5,815	7,051
Live broadcasting & VAS	3,846	6,935	9,106	11,643	13,773
Advertising	1,843	4,523	5,809	8,016	10,473
Others	1,507	2,834	2,693	3,186	3,724
COGS	(9,159)	(15,341)	(18,750)	(22,793)	(25,918)
Gross profit	2,840	4,043	3,957	5,866	9,102
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)	(3,408)	(3,953)	(4,388)
Operating profit	(3,141)	(6,429)	(7,096)	(5,872)	(3,174)
Other income, net	140	(119)	(42)	(125)	(125)
Pre-tax Income	(3,001)	(6,548)	(7,138)	(5,997)	(3,300)
Income Tax	(53)	(116)	(127)	107	59
Net profit	(3,054)	(6,665)	(7,265)	(5,890)	(3,241)
Adj. net profit	(2,580)	(5,127)	(6,094)	(4,412)	(1,435)

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Net income	(3,054)	(6,665)	(7,265)	(5,890)	(3,241)
D&A	1,837	2,306	1,090	1,661	2,323
Change in WC	1,487	3,327	634	4,207	(3,228)
Others	484	1,000	1,171	1,478	1,806
Operating CF	754	(32)	(4,370)	1,456	(2,340)
Capex	(2,239)	(3,419)	(4,078)	(3,536)	(4,230)
Purchase of ST investments	(26,731)	-	-	-	-
Others	20,064	-	-	-	-
Investing CF	(8,906)	(3,419)	(4,078)	(3,536)	(4,230)
Equity raised	-	19,500	-	-	-
Change of Debts	100	-	-	-	-
Cash from CB raised	5,595	-	-	-	-
Others	2,640	-	-	-	-
Financing CF	8,335	19,500	-	-	-
Net change in cash	(285)	16,049	(8,448)	(2,079)	(6,569)
Cash (beg of yr)	4,963	4,678	9,937	1,489	(590)
FX	-	-	-	-	-
Cash (end of yr)	4,678	20,727	1,489	(590)	(7,160)

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	8,126	9,287	13,699	15,574	17,480
Fixed asset	762	962	1,374	1,374	1,374
Long-term investments	2,233	2,233	5,503	5,503	5,503
Intangible assets	2,357	3,581	2,543	4,321	6,200
Others	2,774	2,510	4,279	4,376	4,403
Current assets	15,740	33,895	29,868	29,702	24,221
Cash	4,678	20,727	1,489	(590)	(7,160)
Restricted cash	-	-	-	-	-
Account receivable	1,054	1,602	1,144	2,154	1,684
Others	10,008	11,566	27,234	28,138	29,697
Current liabilities	7,392	12,825	12,160	18,280	16,141
Trade payable	3,074	6,172	4,836	8,902	6,720
Salary and welfare payables	734	734	995	995	995
Accrued liabilities	1,238	2,209	1,882	3,114	2,283
Deferred revenues	2,118	3,404	2,973	3,733	4,539
Others	227	305	1,473	1,536	1,603
Non-current liabilities	8,692	8,692	18,266	18,266	18,266
Long-term debt	8,692	8,692	18,266	18,266	18,266
MI	182	182	12	12	12
Total Equity	7,782	21,584	10,576	6,164	4,730
Shareholders' equity	7,600	21,402	10,564	6,152	4,717

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)					
Mobile games	40.0	26.3	22.5	20.3	20.1
Live broadcasting & VAS	32.0	35.8	40.1	40.6	39.3
Advertising	15.4	23.3	25.6	28.0	29.9
Others	12.6	14.6	11.9	11.1	10.6
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)	77.0	61.5	17.1	26.2	22.2
Revenue	138.6	42.4	(2.1)	48.2	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)	(31.3)	(20.5)	(9.1)
Operating margin	(25.0)	(33.8)	(31.4)	(20.9)	(9.4)
Adj. net margin	(21.5)	(26.4)	(26.8)	(15.4)	(4.1)
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)	(11.9)	(14.0)	(9.7)	(3.4)
Per share					
Adj. EPS (RMB)	(7.46)	(13.73)	(15.11)	(10.83)	(3.06)
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
BVPS (RMB)	13.53	55.51	3.69	(1.45)	(15.29)

Source: Company data, CMBIGM estimates

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