

Bilibili (BILI US)

Guiding 400mn MAU in FY23E

Bilibili's 4Q20 results all round beat, with rev +91% YoY, 5% above consensus. 1Q21E rev guidance beat 3%. Mgmt guided up its MAU target to 400mn in FY23E, strengthening its visibility for all-age user group expansion and rising TAM. We turn more bullish on its user trend and monetization enhancement. We expect ads to continuously accelerate in 1Q21E, coupled with eye-catching MAU growth. We lifted its rev by 15%/25% in FY21/22E, with higher DCF-based TP of US\$173.

- **Another strong quarter.** 4Q20 revenue was RMB3.8bn, up 91% YoY, 5%/6% above consensus/ our estimates. Non-GAAP net loss came in at RMB666mn (vs. consensus of RMB714mn). 1Q21E rev guidance came in at RMB3.7-3.8bn, up 60-64% YoY, with midpoint 3% above consensus.
- **Guiding up MAU target at 400mn in FY23E.** We are impressed by Bili's 4Q20 MAU sequential growth (202mn, +2% QoQ) even in ecommerce strong seasonality, driven by hot content (e.g. HOB <天官赐福>) and multi-channel promotion. Mgmt raised its MAU target to 400mn in FY23E (vs. consensus at 350mn), with brand perception to 90% in FY21E (vs. 60% in FY20). Bili saw ramp-up of 80's users, and 86% of its MAU aged below 35, strengthening its visibility on all-age user group expansion.
- **Monetization enhancement to continue.** We reiterated our confidence on its monetization potential, coupled with OGV content expansion and vibrant pipeline. Game rev grew 30% YoY in 4Q20, with strong Genshin Impact <原神>. We believe 2021 new games will bring further upside, including highly-anticipated Sword Art Online, Artery Gear: Fusion, etc. Ads accelerated to 149% YoY in 4Q20, thanks to strong ads demand from game, food& beverage, ecommerce, beauty and 3C verticals. We turn more bullish on its ads potential, backed by increasing brand perception, better targeting and higher adaption of Huahuo platform <花火>. Mgmt guided stable ad loads in 2021 (~5%), while prioritizing on middle platform strategy, scenario enrichment, and integrated marketing efficiencies across verticals. We expect its ads to grow 162%/115% YoY in 1Q21E/FY21E, as the fastest-growing segment. Livestreaming & VAS momentum would continue, up 91% YoY in 1Q21E, in our estimates.
- **Maintain BUY.** To reflect better topline outlook, we lifted its rev by 15%/25% in FY21/22E, with higher TP of US\$173 (14.7x FY22E P/S, vs prior 8x FY21E P/S) from US\$62. Considering higher MAU target, we see high visibility for Bili to expand its TAM with monetization diversification in the long run.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	6,778	11,999	19,142	26,640	34,807
YoY growth (%)	67	64	77	60	39
Adj. net income (RMB mn)	(1,096)	(2,622)	(3,664)	(4,319)	(3,276)
Adj. EPS (RMB)	(3.35)	(7.46)	(11.58)	(12.64)	(9.49)
YoY growth (%)	NA	NA	NA	NA	NA
Consensus EPS (RMB)	NA	NA	(5.40)	0.02	2.64
P/E (x)	NA	NA	NA	NA	NA
P/S (x)	42.5	24.0	15.1	10.8	8.3
Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	(16.6)	(38.6)	(101.5)	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\$173
(Previous TP	US\$61.7)
Up/Downside	+36.2%
Current Price	US\$129.3

China Internet Sector

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Stock Data

Mkt Cap (US\$ mn)	44,910
Avg 3 mths t/o (US\$ mn)	661.83
52w High/Low (US\$)	157.7/ 19.3
Total Issued Shares (mn)	262

Source: Bloomberg

Shareholding Structure

FMR LLC	4.66%
Alibaba Group Holding	3.82%
Wells Fargo & Co	2.54%

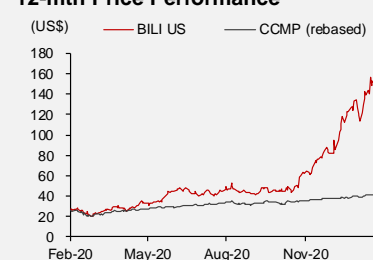
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-3.4%	-2.8%
3-mth	104.1%	80.1%
6-mth	187.3%	141.4%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PwC

Related Reports

- 3Q20 beat on topline and guidance – 20 Nov 2020
- Initiation: Evolving and Expanding – 9 Nov 2020

Figure 1: 4Q20 financial review

RMB mn	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	QoQ	YoY	Consensus	Diff %	CMBI	Diff %
Revenue	1,374	1,538	1,859	2,008	2,316	2,618	3,226	3,840	19.0%	91.3%	3,673	5%	3,629	6%
Operating profit	(307)	(345)	(423)	(420)	(544)	(610)	(1,083)	(903)	NA	115.1%	(822)	10%	(861)	NA
Net profit	(186)	(313)	(407)	(383)	(535)	(567)	(1,082)	(828)	NA	116.2%	(816)	1%	(710)	NA
Adj. net profit	(136)	(268)	(345)	(333)	(480)	(472)	(971)	(666)	NA	100.2%	(714)	-7%	(598)	NA
Adj. EPS (RMB)	(0.44)	(0.82)	(1.05)	(1.01)	(1.46)	(1.35)	(2.76)	(1.88)	NA	85.2%	(2.04)	-8%	(1.68)	NA
Margin (%)														
Gross margin	14%	16%	19%	20%	23%	23%	24%	25%			24.8%		24.0%	
Operating margin	-22%	-22%	-23%	-21%	-24%	-23%	-34%	-24%			-22.4%		-23.7%	
Adj. net margin	-10%	-17%	-19%	-17%	-21%	-18%	-30%	-17%			-19.4%		-16.5%	
Growth (%)														
Revenue (YoY)	58.2%	49.8%	72.3%	73.8%	68.6%	70.2%	73.5%	91.3%			82.9%		80.8%	
Revenue (QoQ)	18.9%	12.0%	20.9%	8.0%	15.3%	13.0%	23.2%	19.0%			13.9%		12.5%	
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, CMBIS estimates

Figure 2: 4Q20 revenue breakdown

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	QoQ	YoY
Revenue (RMB mn)	1,374	1,538	1,859	2,008	2,316	2,618	3,226	3,840	19.0%	91.3%
Mobile games	873	920	933	871	1,151	1,248	1,275	1,130	-11.4%	29.6%
Live broadcasting and VAS	292	326	453	571	794	825	980	1,247	27.3%	118%
Advertising	112	168	247	290	214	349	558	722	29.6%	149%
Others	96	124	226	276	157	196	413	741	79.2%	168.5%

Source: Company data

Figure 3: CMBIS estimates vs consensus

RMB mn, Dec-YE	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	19,142	26,640	34,807	17,490	23,967	33,724	9.4%	11.1%	3.2%
Gross Profit	4,960	7,661	11,528	4,893	7,618	10,797	1.4%	0.6%	6.8%
Operating Profit	(4,463)	(5,358)	(4,817)	(2,270)	(683)	1,123	NA	NA	NA
Adj. net profit	(3,664)	(4,319)	(3,276)	(1,718)	138	2,135	NA	NA	NA
EPS (RMB)	(11.58)	(12.64)	(9.49)	(5.40)	0.02	2.64	NA	NA	NA
Gross Margin	25.9%	28.8%	33.1%	28.0%	31.8%	32.0%	-2.1ppts	-5.9ppts	-3.3ppts
Operating Margin	-23.3%	-20.1%	-13.8%	-13.0%	-2.8%	3.3%	-10.3ppts	-20.5ppts	-23.4ppts
Net Margin	-19.1%	-16.2%	-9.4%	-9.8%	0.6%	6.3%	-9.3ppts	-19.7ppts	-22.5ppts

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	19,142	26,640	34,807	16,629	21,369	NA	15.1%	24.7%	NA
Gross Profit	4,960	7,661	11,528	4,526	6,895	NA	9.6%	11.1%	NA
Operating Profit	(4,463)	(5,358)	(4,817)	(3,075)	(1,505)	NA	NA	NA	NA
Adj. net profit	(3,664)	(4,319)	(3,276)	(2,369)	(588)	NA	NA	NA	NA
EPS (RMB)	(11.58)	(12.64)	(9.49)	(7.35)	(1.69)	NA	NA	NA	NA
Gross Margin	25.9%	28.8%	33.1%	27.2%	32.3%	NA	-1.3ppts	-3.5ppts	NA
Operating Margin	-23.3%	-20.1%	-13.8%	-18.5%	-7.0%	NA	-4.8ppts	-13.1ppts	NA
Net Margin	-19.1%	-16.2%	-9.4%	-14.2%	-2.8%	NA	-4.9ppts	-13.5ppts	NA

Source: Company data, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	6,778	11,999	19,142	26,640	34,807
Mobile games	3,598	4,803	5,961	7,111	8,316
Live broadcasting & VAS	1,641	3,846	7,020	9,623	12,273
Advertising	817	1,843	3,962	6,787	10,212
Others	722	1,507	2,199	3,119	4,006
COGS	(5,588)	(9,159)	(14,182)	(18,979)	(23,279)
Gross profit	1,190	2,840	4,960	7,661	11,528
S&M	(1,199)	(3,492)	(5,908)	(8,684)	(11,290)
Admin. Exp.	(592)	(976)	(1,308)	(1,465)	(1,611)
R&D	(894)	(1,513)	(2,208)	(2,870)	(3,444)
Operating profit	(1,495)	(3,141)	(4,463)	(5,358)	(4,817)
Other income, net	227	140	236	241	299
Pre-tax Income	(1,268)	(3,001)	(4,227)	(5,117)	(4,518)
Income Tax	(36)	(53)	(75)	(91)	80
Net profit	(1,304)	(3,054)	(4,303)	(5,208)	(4,438)
Adj. net profit	(1,081)	(2,580)	(3,664)	(4,319)	(3,276)

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Net income	(1,304)	(3,054)	(4,303)	(5,208)	(4,438)
D&A	1,177	1,526	2,293	3,015	3,557
Change in WC	223	1,782	2,400	171	2,258
Others	98	1,368	639	889	1,162
Operating CF	195	1,622	1,029	(1,133)	2,539
Capex	(1,565)	(2,744)	(3,423)	(4,387)	(4,330)
Purchase of ST investments	(9,974)	(2,096)	-	-	-
Others	7,580	(284)	-	-	-
Investing CF	(3,958)	(5,124)	(3,423)	(4,387)	(4,330)
Equity raised	-	-	-	-	-
Change of Debts	42	100	-	-	-
Cash from CB raised	3,356	8,500	-	-	-
Others	1,681	-	-	-	-
Financing CF	5,079	8,600	-	-	-
Net change in cash	1,423	(285)	(2,394)	(5,519)	(1,791)
Cash (beg of yr)	3,540	4,963	4,678	2,284	(3,235)
FX	108	-	-	-	-
Cash (end of yr)	4,963	4,678	2,284	(3,235)	(5,026)

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	5,193	8,126	9,304	10,676	11,449
Fixed asset	516	762	960	960	960
Long-term investments	1,251	2,233	2,233	2,233	2,233
Intangible assets	1,657	2,357	3,551	4,798	5,419
Others	1,768	2,774	2,560	2,684	2,837
Current assets	10,324	15,740	15,376	11,813	12,027
Cash	4,963	4,678	2,284	(3,235)	(5,026)
Restricted cash	-	-	-	-	-
Account receivable	745	1,054	1,569	1,643	2,362
Others	4,617	10,008	11,523	13,405	14,691
Current liabilities	4,273	7,392	11,822	13,949	18,212
Trade payable	1,904	3,074	5,474	5,965	8,065
Salary and welfare payables	356	734	734	734	734
Accrued liabilities	576	1,238	1,948	2,211	2,891
Deferred revenues	1,369	2,118	3,362	4,655	6,052
Others	68	227	303	382	469
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	9,399	5,080	1,804
Shareholders' equity	7,052	7,600	9,217	4,898	1,622

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
Mobile games	53.1	40.0	31.1	26.7	23.9
Live broadcasting & VAS	24.2	32.0	36.7	36.1	35.3
Advertising	12.1	15.4	20.7	25.5	29.3
Others	10.7	12.6	11.5	11.7	11.5
Total	100.0	100.0	100.0	100.0	100.0
Growth rate (%)					
Revenue	64.2	77.0	59.5	39.2	30.7
Gross profit	39.1	138.6	74.6	54.4	50.5
EBIT	NA	NA	NA	NA	NA
Adj. net profit	NA	NA	NA	NA	NA
P&L ratios (%)					
Operating margin	(22.1)	(26.2)	(23.3)	(20.1)	(13.8)
Adj. net margin	(16.0)	(21.5)	(19.1)	(16.2)	(9.4)
Effective tax rate	(0.5)	(0.4)	(0.4)	(0.3)	0.2
Returns (%)					
ROE	(16.6)	(38.6)	(101.5)	NA	NA
ROA	(7.0)	(10.8)	(14.8)	(19.2)	(14.0)
Per share					
Adj. EPS (RMB)	(3.35)	(7.46)	(11.58)	(12.64)	(9.49)
DPS (RMB)	0.00	0.00	0.00	0.00	0.00
BVPS (RMB)	15.36	13.53	7.22	(9.47)	(14.57)

Source: Company data, CMBIS estimates

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